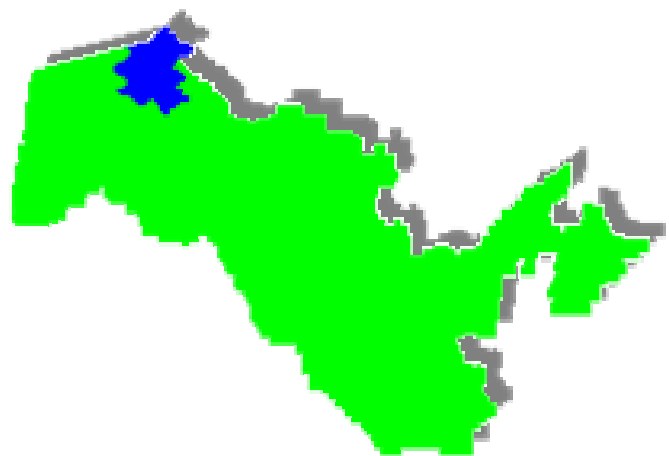




UZBEKISTAN ECONOMY

Statistical and Analytical Review
for the year 2003



No4
April 2004



Published in April 2004

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This report was prepared by CEEP with the assistance of USAID and EuropeAID.

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List of Abbreviations

bill.	Billion
CabMin	Cabinet of Ministers
CBU	Central Bank of Uzbekistan
CER	Commercial Exchange Rate
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
EFI	Enterprises with Foreign Investment
ERP	Effective Rate of Protection
FDI	Foreign Direct Investment
FSU	Former Soviet Union
GDP	Gross Domestic Product
JSC	Joint Stock Company
IFC	International Financial Corporation
IMF	International Monetary Fund
MER	Multiple Exchange Rate
mill.	Million
NBU	National Bank of Uzbekistan
OER	Official Exchange Rate
p.a.	Period Average
p.e.	Period End
PER	Parallel Exchange Rate
REER	Real Effective Exchange Rate
RER	Real Exchange Rate
RMC	Republican Monetary Commission
RREE	Republican Real Estate Exchange
RU	Republic of Uzbekistan
RUR	Russian Ruble
SOE	State Owned Enterprise
SME	Small and Medium Enterprise
T-bills	Treasury Bills
'000	Thousand
OTC	Over-the-counter
VAT	Value Added Tax
URCE	Uzbek Republican Currency Exchange
USD	US Dollar
UZS	Uzbek Soum
UZSE	Uzbekistan Stock Exchange
USSR	Union of Soviet Socialist Republics
yoy	Year-on-year

Introduction

The series of the Uzbekistan Economy Review has been developed by the Center for Effective Economic Policy (CEEP) with USAID and EuropeAid support.

The fourth, most recent review comprises an analytical survey of dynamics and trends in the social and economic development of Uzbekistan in 2003, including analyses of major economic events of the period.

The overview of the Uzbekistan economy covers major constituents of the government's economic policy and surveys trends of the macroeconomic situation, institutional, structural and Investment transformations, foreign economic activity, living standards and complex development of the republican regions.

The Macroeconomic Policy Section reviews factors and prerequisites for macroeconomic stability and economic growth, and the trends and outcomes of implemented fiscal, monetary, foreign exchange and pricing policies.

The Institutional and Market Reforms Section focuses on the market transformation processes in the economy, including denationalization and privatization, the establishment of market infrastructure institutions and private sector development.

The Structural and Investment Policies Section presents trends and issues in the development of real sector of the economy and the level of investment activity.

The Foreign Trade Section includes an analytical review of the trade balance status, import and export structure, and the activity of joint ventures with foreign investment.

The Living Standards and Labour Market Section analyzes trends in wages, domestic trade and services development, and reviews specific issues of employment and the labor market.

The Social and Economic Development in the Regions Section discusses production facilities, territorial allocation rates and ratios, as well as reasons for interregional differentiation in social and economic development.

The publication includes analytical articles on the most vital issues of social and economic development and reform progress in Uzbekistan.

The following national experts contributed to the review drafting: Furqat Baratov, Shukhrat Shukurov, Tursun Akhmedov, Jakhongir Muinov, Rinat Yaushev, Valentina Baturina, Elvira Bikeeva, Dildora Karimova and Farkhod Jurakhanov.

The findings and conclusions cited in the review are those of the authors only and should in no way be taken as reflecting the policies or opinions of the government of Uzbekistan, USAID or Europe Aid.

The data published in the review were provided by the State Committee on Statistics, the Ministry of Economy, the Central Bank of Uzbekistan, the Ministry of Finance, the State Committee for Property Management and Privatization, as well as being derived by the authors.

Main Economic Events

January

The international conference entitled “Economic Reforms and Attracting Foreign Investments in Countries with a Transitional Economy: Lessons of the Past and Development Prospects” took place in Tashkent. Leading politicians, economists, businesspersons, and representatives of the governments of the Central Asian states and international organizations operating in Central Asia, Eastern Europe and China, participated in the conference. At the conference key emphasis was placed on the issues of promoting an influx of foreign investment and developing financial infrastructure.

On January 24, 2003 the President of the Republic of Uzbekistan issued a Decree “On Measures for a Fundamental Increase in the Share and Significance of the Private Sector in the Economy of Uzbekistan” that stipulates a system of measures providing for a procedure of founding and operating private enterprises, and a system of privileges and preferences that would stimulate priority-driven growth of private property in the sphere of production and services.

February

On February 4, 2003 the Resolution of the Cabinet of Ministers “On Measures for Improving the Mechanism of Regulation of Monetary and Credit Indicators” was adopted. The given Resolution stipulates the repeal of the system of formation of cash plans and the introduction of a new mechanism of management of monetary aggregates on the basis of regulation of the monetary base.

A conference-seminar took place in Tashkent on the subject of “Uzbekistan Joining the World Trade Organization: Analysis of the Process and Assessment of the Consequences”. At the seminar, organized by the SASAKAVA Foundation (Japan) and the Center for Effective Economic Policy, the organizational and legal aspects of Uzbekistan’s membership in the WTO; the influence of membership in the WTO on the macro-economic situation in Uzbekistan; the problems of adapting the foreign trade regime of the Republic; and the sensitivity of the economy’s sectors in the process of joining this organization were discussed. Foreign experience of WTO membership and lessons for Uzbekistan were also considered. Representatives of scientific and business circles of the Republic, as well as international experts, participated in the seminar.

The Government and the Central Bank have taken a number of measures for the further liberalization of the domestic currency market. In particular:

- the limits for purchasing foreign currency in cash by physical persons via currency exchange offices of authorized banks have been raised up to 3000 US doll. per quarter;
- currency exchange rates in the official currency market have been unified and the gap between the currency rates of the OTC market and parallel market has been minimized;
- the conversion of soum proceeds of economic units from sales of imported goods and services (including transport and communications) into fully convertible currency, previously carried out at the selling rate of foreign currency cash, were transferred to the rate of interbank trade sessions;
- requirements have been canceled for the provision of information by enterprises to an authorized bank on the use of previously purchased hard currency funds while submitting a regular application for conversion of soum funds.

In an effort to expand the rights and to boost the role of citizens’ self-governing bodies in the life of society, on February 7, 2003 a Resolution of the Cabinet of Ministers was adopted on the implementation of the “Makhallya Year” Program. It provides for further strengthening of the role and status of makhallya in the socio-political life of the society; strengthening of material resources for the makhallya’s activities; development of entrepreneurship, and the services and trade sector on the territory of the makhallya, and, as a result, the creation of new workplaces; development of the social infrastructure of the makhallya, improvement and planting of greenery in the territories; equipping of play- and sports grounds, and of public utility systems; strengthening of targeted financial assistance to low-income families and of support of young families on the part of the makhallya; improvement of medical and sanatorium-and-spa services for the makhallya population; and development of children’s sports.

The Decree of the President of the Republic of February 26, 2003 “On Measures for the Further Reformation of the Healthcare System” has determined the major objectives of the second stage of reformation of healthcare in Uzbekistan, taking into consideration progressive foreign experience in the creation of specialized clinics and medical centers.

In Samarkand the joint venture KARLANSER-SAM that had been founded jointly with Turkish investors was put into operation. It manufactures rugs of various shapes and designs. Most of the rugs are produced for export.

March

The international exhibition "Construction and Interior: Heating and Ventilation" facilitated the acquisition of extensive information about potential partners and opportunities for the establishment of business contacts.

On March 24, 2003 the Decree of the President of the Republic of Uzbekistan "On Key Directions of Intensification of Agricultural Reforms" was signed. It provides for measures for reforming the system of agriculture management, further improving statistical and financial reporting in agriculture, and "On Developing a Conception for the Development of Private Farms for the Period of 2003 – 2005, and Ensuring Priority-Driven Development of Private Farms".

In an effort to strengthen targeted directivity in implementing measures for the social security of the population under the conditions of the liberalization of the economy, on March 27, 2003 the Decree of the President of the Republic of Uzbekistan "On Introduction from April 1, 2003 of Compensatory Payments in Exchange for Privileges Granted in Payment for Public Utilities Services" was issued.

A meeting with representatives of the company General Motors – Daewoo Auto Technology (GM-DAT) took place in Tashkent. At the meeting negotiations were held for the prospect of further cooperation with the joint-stock company UzDaewooAuto, aimed at the solving of problems in connection with component parts deliveries, as well as the solution of the task of achieving the planned production capacity of the Uzbek car factory.

In Tashkent the Uzbek-German joint-venture CA Paschal Form Ltd was founded - it manufactures universal constructional forms of Rastr type for erecting structures using the monolithic method. The JV is intending to supply its products not only to the domestic market, but also to the markets of Central Asia and the Caucasus.

In Bukhara a joint Uzbek-Swiss venture Olottex was put into operation. The joint-venture will produce approximately 3 thous. tons of cotton yarn and 6 mill. running meters of coarse calico per year.

April

The following resolutions of the Cabinet of Ministers of the Republic of Uzbekistan were adopted - "On the Program of Denationalization and Privatization of Enterprises for the Period of 2003 - 2004" on April 17, 2003; and "On Measures for the Improvement of Corporate Management of Privatized Enterprises" on April 19, 2003. The given normative and legal acts stipulate not only an increase in the volume of shares offered for sale by the state, but also contain concrete measures aimed at the enhancement of their investment appeal, keeping foreign investors in mind.

In April a business seminar of entrepreneurs from Uzbekistan and Romania was conducted, with managers of about 20 Romanian companies and firms operating in the sectors of light industry, foodstuffs, and furniture manufacture taking part. Within the seminar's framework, meetings of entrepreneurs were organized, at which the issues of the creation of joint ventures, the extension of trade relations, and the wider exchange of information were discussed.

The resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On Measures for the Further Development of the Secondary Equity Market" of April 29, 2003 is aimed at the improvement of the secondary equity market. It stipulates the conclusion of transactions of secondary purchase and sale of shares of public corporations exclusively at stock-exchange markets or at organized OTC equity markets. Previously, secondary disposal of shares was carried out mainly at non-organized markets that are on the basis of direct contacts between sellers and buyers.

In April the third international exhibition "Food Products, Beverages, Packaging, and Production Technologies – Inter-Food Uzbekistan – 2003" took place in Tashkent. It was organized by the British International Exhibition company ITE Group PIC, and its partner in the Republic – company Itesa – Osiyo. Official support was given by the Uzbekexpocenter under the Agency for Foreign Economic Relations, the Ministry of Agriculture and Water Industry, the company Uzplodoovoschvinprom-Holding and the association Uzmevasabzavot. More than 30 companies from 12 countries took part in the exhibition.

In accordance with the Decree of the President of the Republic of Uzbekistan of April 2, 2003 "On Raising the Rates of Wages, Pensions, Stipends and Social Benefits starting from May 1, 2003", the rates of salaries of employees of budget institutions and organizations, all kinds of pensions and social benefits, as well as stipends at higher educational institutions, and specialized secondary and vocational schools have been raised 1.2 times.

May

In order to further intensify economic reforms in capital construction, and to widely introduce economic relations that comply with the principles and requirement of a market economy in the industry branch, on May 6 the Decree of the President of the Republic of Uzbekistan "On Principal Guidelines for Further Intensification of Economic Reforms in Capital Construction" was issued.

In Tashkent a memorandum was signed between the Ministry of Justice of the Republic of Uzbekistan and the International Finance Corporation (IFC). The document is aimed at the further improvement of the business environment in the country. Cooperation with the IFC in the development of small- and medium-scale businesses is directed at the creation of conditions for the development of private, small-scale and medium-scale enterprises in the country, in particular, providing credits to the private sector.

On May 2 the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On Additional Measures for Strengthening the Legal Protection of Direct Foreign Investments" was adopted. In order to reinforce legal safeguards and operating mechanisms of legal protection of foreign investors, provisions are made for establishing a Department for legal protection of foreign investments and enterprises with foreign investments in the structure of the Ministry of Justice of the Republic of Uzbekistan.

In May the seventh international exhibition "Oil and Gas", organized by the national complex Uzbekneftegaz and the Agency for Foreign Economic Relations of the Republic of Uzbekistan in cooperation with the British company ITE Group Pic was held in Tashkent. The international exhibition, that has stimulated the interest of the industrial structures of the oil and gas sector, created prerequisites for the successful interaction of Uzbekistan and the world community in the oil-and-gas sector.

In May an international conference "Central Asia in the 21st Century – Cooperation, Partnership and Dialogue" was held. It was organized by the Institute for Strategic and Interregional Research under the Office of the President of the Republic of Uzbekistan, the Department of Information and Press of NATO, and the Friedrich Ebert Foundation (Germany). The problems of the intensification of regional interaction in the political, economic, social and humanitarian sectors were analyzed.

In May the fifth session of the Uzbek-Iranian intergovernmental commission for trade-and-economy and scientific-and-technological cooperation was held in Tashkent. The parties examined the issues related to the further development of partnership relations between the business circles of both countries, extending the product range of bilateral trade, increasing its volume, and intensifying investment cooperation.

For the first time in Central Asia the 12th annual meeting of the Board of Directors of the European Bank for Reconstruction and Development was conducted (May 4 – 5, 2003, Tashkent). At present, Uzbekistan is one of the partners of the EBRD in the distribution of the credit portfolio in the Central Asian region. The Bank is funding the development of the economy's private sector, crediting projects of small- and medium-scale businesses and the development of market infrastructures, necessary for EFIs.

June

In an effort to ensure timely and full repayment of attracted foreign credits, and to increase the responsibility of enterprises for meeting their liabilities as regards foreign currency credits given on the security of the Government by the Cabinet of Ministers of the Republic of Uzbekistan, a Resolution "On Measures for Ensuring Timely Repayment of Foreign Credits" was adopted.

The seventh session of committees for economic cooperation between Uzbekistan and Japan was held in Tashkent. The prospects of development of mutually beneficial cooperation between Uzbekistan and Japan were discussed. High emphasis was placed on the issues of expanding partnership relations between entrepreneurs, increasing volume of trade turnover, and developing cooperation in the field of attraction of investments.

The Government of the Republic of Uzbekistan has expressed its intention to take the necessary steps in order to achieve convertibility of the national currency as for current international operations. For these pur-

poses, on June 27, 2003 the Government and the Central Bank of Uzbekistan, on the basis of consultations with the IMF mission, adopted a proper "Plan of Actions for Ensuring Convertibility of the National Currency as for Current International Operations". According to the Plan of actions, by the end of the current year it is planned to cancel the effective currency exchange restrictions and the practice of multiple exchange rates that contradict the commitments in accordance with Sections 2(a), 3 and 4 of Article VIII of the IMF Agreement.

On June 20, 2003 the Decree the President of the Republic of Uzbekistan "On Additional Measures for Stimulating the Increase in Production of Finished Consumer Goods by Enterprises with Foreign Investment" was issued. The Decree is aimed at broadening the range of finished consumer goods of high quality, saturating the domestic consumer market with them, and creating beneficial conditions for the attraction of foreign investments. In this respect, enterprises specializing in the production of clothing (ready-made garments, knitwear, and leather goods), hosiery and footwear are exempted from payment of all budget taxes and dues, except the value-added tax, for the period from July 1, 2003 through January 1, 2005.

For the purpose of stimulating an increase in trade turnover and ensuring complete tax collection into the budget, on June 30, 2003 the Decree of the President of the Republic of Uzbekistan "On Measures for the Adjustment of the System of Taxation in the Trade and Public Catering Sector" was issued. In accordance with the given Decree, it has been resolved: to introduce starting July 1, 2003 the gross receipt tax for enterprises (including small-scale enterprises and microfirms) of the wholesale and retail trade and public catering sector; to determine a procedure for payment of the property tax along with payment of the gross receipt tax; and to allow wholesale trade enterprises to engage in small-scale wholesale and retail trade for cash through their own company stores, with compulsory use of cash registers and collection of cash take in accordance with established procedure.

July

The Association of Banks conducted jointly with the Central Bank the seminar "Legal Foundations of Guaranteeing the Bank Deposits of the Citizens of Uzbekistan". The seminar's purpose was to attract the spare cash funds of the population to commercial banks, and to raise people's confidence in the banking system.

In the statement of the President of the Republic of Uzbekistan Mr. I.A. Karimov at the meeting of the Cabinet of Ministers". On the Results of the Development of the Economy and Social Sector for the First Half Year of 2003, and the Implementation of Measures for Major Priority Lines of Reforms in These Sectors" contained an analysis of the economic development during the 1st six months of 2003, and determined key priorities of further development of the economic. In the report, special attention was given to the necessity of developing private farms and market infrastructure in rural areas. High emphasis was placed on the improvement of the system of management, especially economic management, as well as on the necessity of revising the system of state statistical and departmental reporting. Major key problems that were defined in the report consist in the further liberalization of economic relations, the intensification of privatization processes, and the strengthening of legal mechanisms that accelerate the development of competition and the fulfillment of mutual obligations.

On July 31, 2003 the President of the Republic of Uzbekistan Mr. I.A. Karimov visited Bukhara and Kashkadya Regions, where he familiarized himself with the course of economic reforms in these regions, and the development of private farms and dekhkan homesteads. The President rated highly the course of economic and social reforms that are being implemented there. Mr. I. Karimov discussed issues related to the process of reforms, their results, and the topical objectives facing the regions' workers.

On July 24, 2003 the Resolution of the of the Cabinet of Ministers of the Republic of Uzbekistan "On Measures for the Strengthening of Personnel Potential and the Improvement of the Arrangement of Activity of the State Committee for Property Management of the Republic of Uzbekistan" was adopted. A new Regulation of the State Committee for Property Management, approved by the given Resolution, determines objectives and functions, as well as rights and responsibilities of the Committee at the present stage of market transformations in the country.

An agreement has been signed for pre-export financing of the copper industry between ABN AMRO Bank Uzbekistan NBA and the public corporation Almalyk Mining-and-Metallurgic Industrial Complex. The given credit is secured by a commercial contract for delivery of copper cathodes of the Swiss company Glencore.

In an effort to implement reforms consistently in the system of continuous education in the Republic, and to ensure advanced professional training of promising young educators and researchers, on July 2, 2003 the

Decree of the President of the Republic of Uzbekistan "On Improving the System of Advanced Professional Training and Internship of Promising Young Educators and Scientific Manpower" was issued.

The State Committee for Property Management of the Republic of Uzbekistan organized a conference on the subject "Opportunities for Foreign and Domestic Investors in the Privatization of Enterprises of Uzbekistan". At the conference, the issues of denationalization and privatization of enterprises, increasing the share and raising the importance of the private sector in the economy of Uzbekistan, and informing investors of new opportunities for privatization of enterprises were discussed. Managers and specialists of ministries and departments, banks, holding and other companies, as well as representatives of foreign companies and joint-ventures, took part in the conference.

On July 7 the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On Additional Measures for the Saturation of the Domestic Market with Timber" was adopted. In accordance with the Resolution, from July 10, 2003 the rate of import duty for timber and wood imported by legal persons has been set at 0%; a zero rate has been introduced for the uniform fee for physical persons, registered as individual entrepreneurs without legal person formation, with the right to carry out export-import operations, while importing timber and wood meant for commercial activity.

Production subdivisions of British American Tobacco Uzbekistan (UzBAT) – the Urgut branch and Samarkand Cigarette Factory - obtained an international quality standard certificate, ISO 9001: 2000, and UzBAT became the fifteenth enterprise that has introduced the ISO quality system in Uzbekistan, and the fourth one to have received an international organization certificate.

In Namangan a silk-winding factory was put into operation with a total productive capacity of 197.7 tons of raw silk thread per year. This is one of four enterprises in Uzbekistan that have been included in the project for modernization of their technological resources. Its cost amounts to 6.5 mill. US doll., of which 85% is funded by the Eximbank of the Republic of Korea. Implementation of the project will allow the volume of exports to increase by 8 mill. doll. by the year 2005.

The Agency for Foreign Economic Relations of the Republic of Uzbekistan, with the participation of local khokimiats, conducted a number of regional seminars in the cities of Gulistan and Samarkand for representatives of small- and medium-scale businesses in Sirdarya, Jizzakh, Bukhara, Navoi, and Samarkand Regions. The key issues of the seminars are priorities and governmental support of entrepreneurial structures, their role and importance in the economy, stage-by-stage transition to the registration principle of paperwork and removal of bureaucratic obstacles in the development of private entrepreneurship.

The Committee of Women of the Republic of Uzbekistan and the Organization on Security and Cooperation in Europe (OSCE) conducted a number of seminars on the subject "Women and Business in Uzbekistan". The seminars' objectives are to extend the knowledge and skills of business-women in the sphere of law and the basics of entrepreneurship, and to determine further development of support for private entrepreneurship and small- and medium-scale businesses. High emphasis was placed on the issues of wide involvement of peasant women in the entrepreneurship field, and providing them with necessary support.

On July 22, the President of the Republic of Uzbekistan Mr. Islam Karimov received the chairman of the board of the public corporation Gazprom of the Russian Federation, Mr. Aleksey Miller. At the meeting the Agreement for Strategic Cooperation in the Gas Field, signed in December, 2002 between the National company Uzbekneftegas and Gazprom, was discussed. According to the agreement, by the year 2005 up to 10 bill. m. of Uzbek gas will be exported, for which the parties reached an agreement for the joint use of material and technical resources for full reconstruction of compressors, and improvement of the system of gas transportation.

August

On August 11, 2003 the Resolution of the Cabinet of Ministers "On Measures for the Implementation of the Project 'Development of Small-Scale Micro-Financing' with Participation of the Asian Development Bank" was adopted. It is aimed at the improvement of the normative base for activities of credit unions, in particular, in the field of taxation and supervision.

In Andijan the exhibition of mini-technologies Minitex-2003 was held, where samples of equipment and machinery of the latest design, application of which would allow the significant improvement of the quality of manufactured goods and offered services, were represented. More than 500 entrepreneurs from Fergana, Andijan and Namangan Regions familiarized themselves with the exhibition.

For the purpose of further creation of beneficial conditions for intensive development of small-scale entrepreneurship, the growth of the share of the private sector in the country's economy, and ensuring fuller employment of the population in the industry field, on August 30, 2003 the Decree of the President of the Republic of Uzbekistan "On Making Changes and Additions to the Decree of the President of the Republic of Uzbekistan of April 9, 1998 'On Measures for Further Stimulating the Development of Private Entrepreneurship and Small- and Medium-Scale Businesses' was adopted. In accordance with the given Decree, from January 1, 2004 the criteria for granting enterprises the "small-scale" status will be changed to higher numbers. Thereby, the limit of the average annual number of employees for an enterprise to belong to the category of small-scale enterprises will increase on average 2.5 times.

The exhibition "Export and Investment Potential of Uzbekistan" was held in Tashkent. The exhibition's goal was to show the opportunities of exporters from Uzbekistan, directed at the localization of production.

A seminar, organized by the USA representative office of the organization Land O' Lakes jointly with the state-run joint-stock association Uzgushtsutsanoat took place in Tashkent, on the subject of the control of diseases that can be spread through poor-quality food products.

The President of the Russian Federation Mr. V. Putin arrived in Uzbekistan for a working visit. Within the framework of the visit an exchange of opinions on economic relations took place, in particular, the issue of expanding cooperation in the oil-and-gas field, textile industry and water industry.

The presentation of a new car model – the Lacetti – took place at the joint venture UzDaewooAuto.

In Tashkent a specialized industrial exhibition of small- and medium-scale businesses of the Islamic Republic of Iran took place at Uzexpocenter. The Iranian party offers closer cooperation in the car-making sector. Besides deliveries from Iran of component parts for cars manufactured in Uzbekistan, both parties were considering the issue of founding several joint ventures, where spare parts could be manufactured for such cars as Nexia, Matiz, and Damas.

The Uzbek-Czech JV Evropa Fashion, engaged in the production of ready-made clothes – approximately 60 thous. men's suits and shirts per year - has been put into operation. Later on, it is planned to extend the range of goods and to double the output of products, a substantial part of which will be exported abroad.

The 12th session of the second convocation of Oliy Majlis of the Republic of Uzbekistan was conducted in Tashkent. At the session the following draft laws were considered and adopted: "On Elections of Oliy Majlis of the Republic of Uzbekistan", revised; "On Making Changes and Addition to the Law 'On Elections of Regional, District and City Councils of People's Deputies'"; "On Procedures of the Legislative Chamber of Oliy Majlis of the Republic of Uzbekistan", "On Procedures of the Senate of Oliy Majlis of the Republic of Uzbekistan", "On the Cabinet of Ministers of the Republic of Uzbekistan", revised; "On Bank Secrecy", "On Social Funds", "On Protective Measures, Anti-Dumping and Countervailing Duties", "On Informatization", "On Electronic Digital Signature", and "On Private Enterprise".

Uzbekistan became a member of the Islamic Development Bank (IDB). Uzbekistan's contribution to the chartered capital of the IDB will amount to 3.475 mill. US doll. Contributions will be paid throughout 2003 – 2012.

The Central Bank has reduced the rate of refinancing from 24% to 20% per annum starting from August 10, 2003.

On August 26, 2003 the Resolution of the Cabinet of Ministers "On Additional Measures for the Acceleration of the Privatization of State-Owned Low-Profit, Unprofitable, and Economically Unsound Enterprises and Facilities" was adopted. It has approved the Regulation on the selling of state-owned low-profit, unprofitable, and economically unsound enterprises and low-liquidity facilities to investors at a zero redemption value on a competitive basis, under the stipulation that the investor should undertake investment obligations; and the Regulation on the procedure of step-by-step reduction of the starting price of government assets of privatized enterprises.

September

For the purpose of the formation of the normative-and-legal basis for activities of pawn-shops, on September 17, 2003 the Resolution of the Cabinet of Ministers was adopted "On the Issues of the Registration and Licensing of Activities of Pawn-Shops on the Territory of the Republic of Uzbekistan".

In an effort to support activities of private entrepreneurship entities, the Chamber of Commerce and Industry of Uzbekistan jointly with the Indian company SAVERS-IMPEX, with support from the Agency for Foreign Economic Relations of the Republic of Uzbekistan, the Council for Indian Export Promotion and the Embassy of India in Uzbekistan, the trade exhibition SAVERS-MINITECH International Expo Tashkent 2003 was conducted. At the exhibition technologies and equipment of 35 large-scale Indian companies were displayed – over 1000 items for the textile industry, the production of foodstuffs, packaging, the chemical industry, the manufacture of construction materials, the pharmaceutical industry, polygraphy, and other industries.

The President of the company General Motors visited UzDaewoo for the purpose of assessing the quality of the cars manufactured in the Republic and the level of implementation of measures for raising the competitive capacity of the products.

At the International Business Center a regular meeting of the joint commission for economic cooperation between the Republic of Uzbekistan and the Russian Federation was conducted. During the meeting primary guidelines of the activities of joint enterprises in the foodstuffs, textile, clothing, woodworking, pharmaceutical and machine-building industries were discussed.

A presentation took place of the joint Uzbek-Chinese venture Fulong Industrial specializing in the production of corn starch necessary for textile, food, pharmaceutical and light industries. The JV will also produce protein, and corn oil to be exported.

At the International Business Center the seventh annual session of the US-Uzbek Chamber of Commerce took place. At the session the issues of development of trade, small- and medium-scale businesses, priorities in the privatization process in the Republic, and others were considered.

At the International Business Center an informational conference “The System of Quality Control – Advantages and Ways of Application” was held. It was organized by the Uzbekinvest under the aegis of the Complex of Foreign Economic Relations of the Cabinet of Ministers of the Republic of Uzbekistan, with assistance of the company Certification Network MC GmbH (Germany) and the marketing agency Eksiminform. The main goal of the conference was to study foreign experience in the area of certification, to draw up recommendations for improving the quality and competitiveness of products of local manufacturers both in the domestic market and in the foreign market, as well as to develop suggestions for the introduction of the system of quality management based on standardization ISO-9001:2000.

The Uzbek-German-Turkish joint-venture Beshteks was put into operation in Fergana Region, with a productive capacity of over 6 thousand tons of high-quality cotton yarn. More than 80% of the output is to be exported.

On September 27 – 28, a regional meeting on the subject of cooperation in Central Asia was held in Tashkent. Delegations from the Chinese People's Republic, Mongolia, Kazakhstan, Kyrgyzstan, Azerbaijan, Tajikistan and Uzbekistan, as well as those of international organizations, such as the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Development Program of the United Nations Organization, and World Bank participated in the meeting. The meeting's goal is to prepare for the Second ministerial conference on the subject of economic cooperation in Central Asia, which has been scheduled for November 11 – 12, in Tashkent. At the meeting the issues in relation to three priority sectors of regional cooperation in the fields of power engineering, transport and exports stimulation were discussed.

In accordance with the millennium development goals, based on the Millennium Declaration of the UN, the Representative Office of the UN in Uzbekistan in cooperation with the Republic's Government undertook obligations to implement two programs: General Assessment of the Country (GAC) and UN's Frame Program for Granting Developmental Assistance (UNDAF). Based on the results of the work conducted by international and national experts, in September 2003 an analytical paper “Uzbekistan - General Assessment of the Country” was published that has presented achievements and problems of national development, as well as key issues in the sphere of cooperation development and political dialogue. The paper examines five priority lines – economy, healthcare, environment, education, and security provision.

The President of the Republic of Uzbekistan Mr. I. Karimov participated in the solemn ceremony dedicated to the 70th anniversary of the foundation of the city of Nukus. For its important contribution to the socio-economic development of the Republic of Karakalpakstan, Nukus was awarded with the order of Dustlik.

October

In Tashkent an investment conference of the Islamic Development Bank (IDB) was held. At the conference, issues of cooperation in the oil-and-gas industry, the sector of agricultural products processing, and the sector of tourism were discussed.

The exhibition "Financial Services" was conducted in Tashkent. Its goal was to establish contacts between representatives of private business and financial institutions.

Facilities for the manufacture of automobile glass parts at the JSC Avtooyina, and for the manufacture of electric cable bunches for UzDaewooAuto cars at the JV UzKodji were put into operation. The production of refrigerators at the public corporation Sino was restored. The construction of a booster compressor station was completed, and its initial operation begun at the gas-condensate field Shurtan. The first stage of technical re-equipment of the coal mining industry was completed.

In accordance with the Decree of the President of the Republic of Uzbekistan of September 26, 2003 – "On Measures for the Further Liberalization of Foreign Trade Activities in the Republic of Uzbekistan" – as of October, 2003 the preliminary registration of import contracts at the Agency for Foreign Economic Relations was repealed. The only import contracts subject to an examination at the Agency for Foreign Economic Relations will be those funded by the state budget; by credits (loans), procured by the Government of the Republic of Uzbekistan or on security of the Government; and concluded by economic entities, in whose chartered capital the state's share amounts to over 50% and which are not provided with their own hard currency resources. As of October 1, on the territory of Uzbekistan a system of customs monitoring of import contracts by the State Customs Committee was also introduced.

In an effort to eliminate problems in the system of gas supply, on October 2, 2003 the Cabinet of Ministers adopted the Resolution "On Measures for the Improvement of Management of the System of Gas Supply in the Republic", which determined ways of introducing market mechanisms of selling of natural gas; improving the structure of management of the system of gas supply in the Republic; and further strengthening the settlement-and-payment discipline.

According to the Cabinet of Ministers' Resolution of October 1, 2003, as of October 15 on the territory of Uzbekistan the convertibility of the national currency (the soum) for current foreign transactions, in accordance with Article VIII of the IMF Agreement, was officially introduced. The convertibility is administered in the areas of payments for exports and imports of goods; purchase and sale of currency values; transfers of interest, dividends or other income from bank deposits, credits, investments and other financial operations abroad and to Uzbekistan, as well as transfers of a non-commercial nature (for education, insurance, payroll, inheritance, and other income). The given measure allows the elimination of the multiplicity of exchange rates and the lifting of restrictions on the purchase of hard currency by individuals via currency exchange offices, as well as by legal entities in cashless settlements. The convertibility was implemented without involving credits of the IMF and other financial institutions.

On October 27, the Decree of the President of the Republic of Uzbekistan "On Ratification of the Concept of Development of Private Farms for the Period of 2004 - 2006" was adopted, which determined goals, objectives and basic principles and lines of development of private farms. Concrete measures for the implementation of the Concept have been developed.

At the Center for Corporate Governance of the Higher School of Business at the Academy of State and Social Structuring at the Office of the President of the Republic of Uzbekistan, an international seminar was held on the subject of "Development and Improvement of Corporate Governance in Uzbekistan".

For the purpose of the step-by-step implementation of the National Program for training of manpower, and ensuring the total involvement of 9th grade high-school graduates in general secondary and secondary vocational professional education, on October 29, 2003 the Cabinet of Ministers adopted the Resolution "On Additional Measures for Ensuring Gradual Transition to General Secondary and Secondary Vocational Professional Education", which determined

a) prospective indicators of involvement of 9th grade high-school graduates in subsequent training at academic lyceums, vocational colleges and 10th grades of secondary schools; b) regulations for the procedure of organizing continued training of 9th grade graduates in the 10th and 11th grades of general secondary education institutions; c) a program directed towards the introduction of academic lyceums and vocational colleges for the period of 2004-2009.

On October 30, 2003 the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On Crucial Lines of Intensification of Agricultural Reforms" was adopted. The Resolution provides for the creation of

favorable conditions for the activities of private farms, as well as for concrete measures for developing market infrastructure in rural areas.

In Tashkent, the international conference “Cement Industry and Market” was held. Issues were considered in the areas of production, application and trade of cement and other construction materials.

November

With a view to further accelerating the reform of production and economic relations in agriculture, on November 5, 2003 the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Measures for the Further Development of Lease Relations in Agriculture” was adopted. It provides for a transition in 2003-2004 of all agricultural cooperatives (shirkats) to the lease form of using land plots. Terms of target leases for running agricultural commodity production businesses of up to fifty years, but no less than thirty years, were established. Also, a model agreement was approved for the long-term lease of a plot of land by an agricultural cooperative (shirkat).

In order to further intensify structural transformations of the Republic’s economy; the mobilization of investment activities of enterprises; the extensive attraction of foreign investments; and the achievement of stable and dynamic development of the economy; on November 11, the Cabinet of Ministers adopted the Resolution “On the Investment Program of the Republic of Uzbekistan for 2004,” which determined the basic parameters of capital investments.

The 8th international exhibition of consumer goods and foodstuffs, and equipment for the food manufacturing industry and agriculture was organized. The Exhibition was held with support from the Ministry of Agriculture and Water Industry of Uzbekistan, the company “Uzplodoovoschvinprom-Holding”, the holding company “Uzsel’khoz mash-Holding”, and the exhibition center “Uzexpocenter”.

On November 28, 2003 the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On the Procedure of Providing Guarantees of the Republic of Uzbekistan for Attracted Credits” was adopted. It stipulates the following:

Guarantees of the Republic of Uzbekistan are provided solely on the basis of resolutions of the Cabinet of Ministers of the Republic of Uzbekistan;

Proposals for providing guarantees of the Republic of Uzbekistan as to foreign credits and loans should be submitted to the Cabinet of Ministers only by the Ministry of Finance of the Republic of Uzbekistan;

The regulation of the procedure for providing guarantees of the Republic of Uzbekistan for attracted foreign credits should become effective beginning from the date of signing of the given resolution.

A new Uzbek-Austrian JV was founded – “Desk Invest” (the city of Tashkent) with a statutory fund of 4.94 mill. doll. It manufactures metallic tiling, professional decking and various roofing accessories. The enterprise is going to process 6 thous. tons of sheets per year.

An Uzbek-Turkish JV “Khodjteks” (the Republic of Karakalpakstan), engaged in the manufacture of cotton yarn with an annual capacity of 5.8 thous. tons, was founded. It plans to export 80% of its products abroad.

December

On December 2, 2003 the Resolution of the Cabinet of Ministers “On Measures for the Further Improvement of Public Emergency Care Services” was adopted. This established a priority objective of the current stage of reform of the healthcare system – the further development of public emergency care service, the reinforcement of incentives for the manpower of the given system; and ensuring professional usage and servicing of modern diagnostic and therapeutic equipment.

At the Uzexpocenter, the 4th international fair of pharmaceuticals and medical products “Pharmatsiya-2003”, organized by the State Joint-Stock Concern “Uzfarm sanoat”, was held. About 60 enterprises, manufacturers of pharmaceuticals and medical devices, took part in the fair. During the fair, several contracts were concluded between domestic entrepreneurs and foreign suppliers.

On December 13, 2003 at the 13th Session of Oliy Majlis of the Republic of Uzbekistan, the Law “On Private Enterprise” was passed, which regulates relations in the areas of founding, activities, reorganization and liquidation of privately owned enterprises (commercial organizations, founded and managed by their owner – a single individual). At the session a new law was passed “On Currency Regulation”, which ensures full compliance of the currency regulation system in Uzbekistan with the obligations, stipulated by Chapters 2(a), 3 and 4 of Article VIII of the IMF Agreement Articles.

At the 13th session of Oliy Majlis of the Republic of Uzbekistan, the country's Prime Minister was replaced by a newly appointed one. The Samarkand Region's khokim, Mr. Shavkat Mirziyayev, became the new Prime Minister. This appointment was motivated by the necessity of concentrating the Government's attention on agricultural reforms.

For the purpose of the further liberalization of the management of the economy, the intensification of administrative reform, the extensive introduction of norms and principles of corporate governance, and the unification and improvement of efficiency of the organization and activity of economic associations, on December 22, 2003 the Decree of the President of the Republic of Uzbekistan was issued "On the Improvement of the System of Economic Management Bodies".

In Tashkent the fourth session of the Committee for Cooperation "Uzbekistan - EU" took place, in which delegations participated, headed by the Deputy Prime-Minister of the Republic of Uzbekistan E. Ganiyev and the head of the Directorate for Relations with the Countries of Eastern Europe, Central Asia and the Caucasus of the General Directorate of the European Union Commission for External Relations, H. Mingarelli. At the session, the following issues were reviewed: the development of cooperation with the European Union in accordance with the regulations of the "Partnership and Cooperation Agreement", as regards trade, investments and investment climate, power engineering and transport; and the issues of technical collaboration, including the TACIS program.

The main item of the "round table", organized by the Component "Coordination and Management of External Collaboration" of the Program of the Government of Uzbekistan "Collaboration for the Purpose of Development", implemented with support from UNDP, was the presentation of an Internet version of the external collaboration database. The Internet version will facilitate the assurance of openness and accessibility of the website's information on external collaboration projects, and profiles of partner organizations and donors, represented in Uzbekistan. In addition, a "Collection of Project Proposals" was presented, which includes brief information on 66 priority projects by sectors of the Republic's economy, which could improve effectiveness of grant funds, provided by economic partners.

Within the framework of the Economic Mission of Austrian Firms, a two-day business-seminar was conducted with the participation of representatives of state organizations and entrepreneurs of Uzbekistan, during which the strengthening of business relations and the growth of commodity turnover between Uzbekistan and Austria were discussed.

At the National Bank for Foreign Economic Activity of Uzbekistan, the signing of a credit agreement within the framework of a project for the creation of a new JV – "Turon-Textile" in Khorezm Region – took place. The given agreement in the amount of approximately 9.5 mill. US doll. was concluded between the NB FEA of the Republic of Uzbekistan and the Japanese Bank for International Cooperation (JBIC) for a term of 10 years. The contract was concluded on the guarantee of the Government of Uzbekistan.

At the Agency for Foreign Economic Relations of the Republic of Uzbekistan, a meeting of the joint intergovernmental Uzbek-Turkish Commission for trade and economic cooperation took place. An agreement was reached on establishing direct relations between entrepreneurs of both countries; and on conducting joint business-seminars and conferences. Issues relating to the intensification of cooperation in the areas of banking and finance and tourism were considered.

ANALYSIS OF STATISTICS

1. Macroeconomic policy

1.1. Economic growth

The real GDP grew in 2003 by 4.4%, which was 0.2% greater than in 2002 (Table 1.1.1.).

Table 1.1.1. Growth and Production Structure of GDP

Period	GDP		Production structure of GDP, %				
	In actual prices of corresponding year, UZS bn.	To corresponding period of previous year, % (in comparable prices)	Industry	Agriculture	Construction	Services	Net taxes
1995	302.8	99.1	17.1	28.1	7.1	34.6	13.1
1996	559.1	101.7	17.8	22.4	8.2	37.2	14.4
1997	976.8	105.2	15.6	28.3	7.3	36.4	12.4
1998	1416.2	104.3	14.9	26.8	7.5	36.4	14.4
1999	2128.7	104.3	14.3	29.0	6.7	36.6	13.4
2000	3255.6	103.8	14.2	30.1	6.0	37.2	12.5
2001	4925.3	104.2	14.2	30.2	5.9	37.3	12.4
2002	7469.3	104.2	14.5	30.1	4.9	38.4	12.1
2003	9664.1	104.4	15.0	28.8	4.5	38.3	13.4
02/I	1162.0	103.1	20.8	11.0	5.0	46.5	16.7
02/I-II	2741.5	104.2	17.8	16.6	5.5	44.3	15.8
02/I-III	4997.4	103.0	15.0	27.6	5.6	37.6	14.2
03/I	1570.8	102.2	20.2	11.4	4.6	46.9	16.9
03/I-II	3633.0	103.8	18.2	16.8	5.3	44.7	15.0
03/I-III	6465.6	104.0	15.4	26.4	4.6	40.4	13.2

Source: Uzbekistan State Committee on Statistics

Table 1.1.2. Gross Domestic Product in the States of the CIS (in % to 1991)

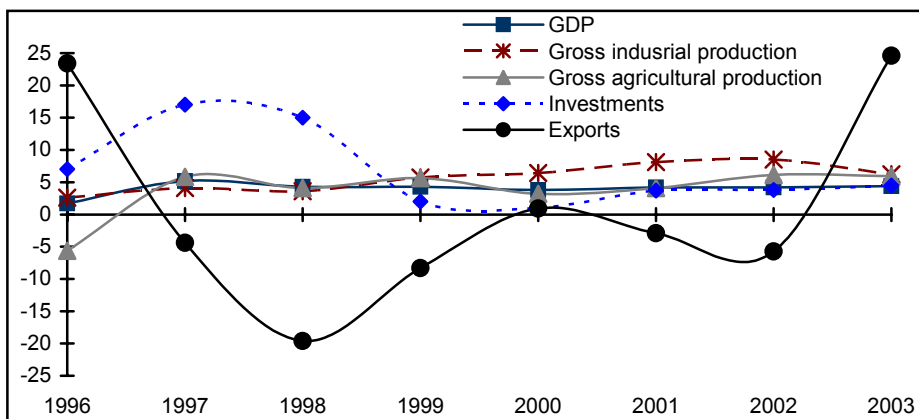
	1999	2000	2001	2002	2003
Uzbekistan	94.0	98.6	102.7	107.0	111.4
Azerbaijan	53.3	59.3	65.1	72.0	80.1
Armenia	72.5	76.8	84.2	95.0	108.2
Belarus	84.8	89.7	94.0	98.7	105.4
Georgia	46.7	47.6	49.8	52.5	57.1
Kazakhstan	71.0	78.0	88.5	97.2	106.1
Kyrgyzstan	68.5	72.2	76.1	76.1	81.2
Moldova	41.0	42.0	45.0	48.5	51.6
Russia	64.4	70.8	74.3	77.8	83.3
Tajikistan	38.0	41.0	45.0	49.3	54.3
Ukraine	44.7	47.4	51.7	54.2	58.8

Source: State Committee on Statistics of the CIS and calculations of the author.

Uzbekistan retains a leading position among the states of the CIS in real GDP growth compared to 1991. (Table 1.1.2).

Average per annum growth rates of GDP for 1997-2003 were at the level of 4.3%, the volume of industrial production was 6.1 % and gross agricultural production was 5% (Graph 1.1.1).

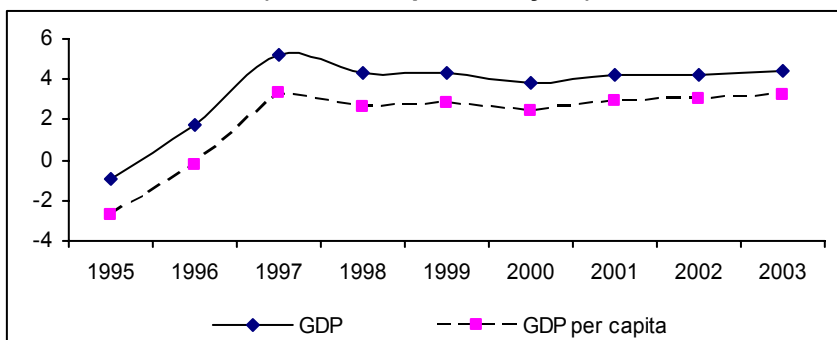
Graph 1.1.1. Dynamics of Key Indicators of Economic Growth (in % to the previous year)



Source: Uzbekistan State Committee on Statistics

Real GDP in 2003 compared with the level of 1995 grew by 36.9%, while production rates of GDP per capita remained stable over the last seven years (Graph 1.1.2).

Graph 1.1.2. Dynamics of GDP and GDP Per Capita Growth (in % to the previous year)

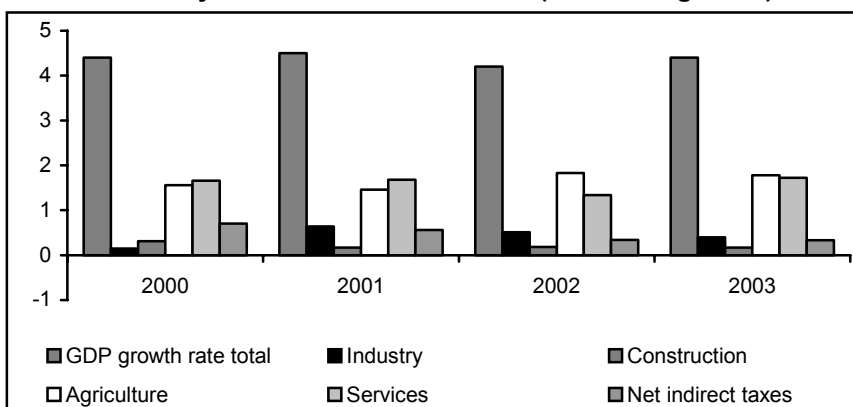


Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics

GDP growth was 4.4%, 0.4% of which extended to industrial production, 1.78% to agricultural production, 0.17% to construction, 1.72% to services (including transportation and communications – 0.29%, trade and public catering – 0.74%, other fields and services – 0.69%) and net taxes – 0.33% (Graph 1.1.3). As a result of structural reforms in the economy and the outflow of labor forces from industry to services, the contribution of services to the growth of GDP in 2002 increased from 1.34% to 1.72%. The relative share of other components' contributions to the growth of GDP remained stable.

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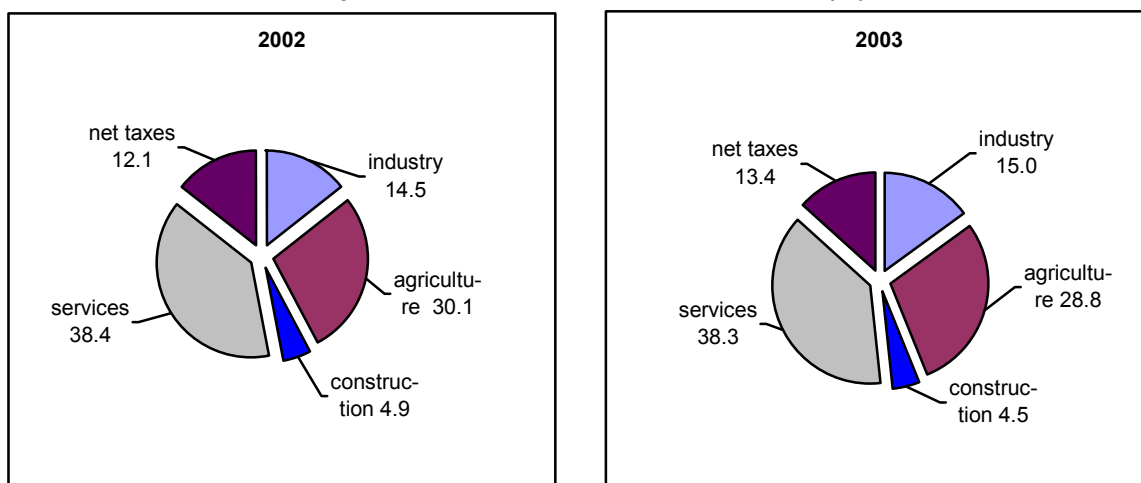
Graph 1.1.3. Dynamics of the Contribution of Various Sectors of Economy to the GDP Growth Rate. (% of GDP growth)



Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics

In the production structure of GDP the share of industry increased from 14.5% in 2002 to 15.0% in 2003 (Graph 1.1.4). This was due to the positive increase in machinery production of 30.8%, and in light and food industry of 6.2% and 6.8 % respectively.

Graph 1.1.4. Production Structure of GDP (%)



Source: Uzbekistan State Committee on Statistics

Table 1.1.3. Structure of Using GDP (%)

Period	Expenses for final consumption total, %		Gross accumulation, %		Net Exports, %
	Private	State	Gross domestic investments into basic capital	Changes in holdings and others	
1995	50.6	22.3	33.0	-8.8	2.9
1996	55.2	22.1	36.8	-13.8	-0.3
1997	60.8	20.5	33.8	-14.8	-0.2
1998	59.6	20.5	29.7	-8.8	1.0
1999	62.1	20.6	27.2	-10.1	0.15
2000	60.9	19.7	24.0	-4.4	-0.2
2001	60.6	19.4	27.9	-6.8	-1.1
2002	57.6	18.9	21.9	1.0	0.6
2003	54.8	18.5	22.1	-1.3	5.9
02/I	63.1	15.0	27.5	-3.5	-2.1
02/I-II	63.7	18.5	25.9	-5.7	-2.4
02/I-III	60.8	19.5	27.4	-6.2	-1.5
03/I	57.3	14.3	23.8	-7.6	12.2
03/I-II	56.8	17.8	23.4	-10.1	12.1
03/I-III	55.6	18.3	24.8	-5.5	6.0

Source: Uzbekistan State Committee on Statistics

In the structure of using GDP there was a decrease in expenditures for final consumption from 76.5% in 2002 to 73.3% in 2003 (Table 1.1.3., Graph 1.2.2) resulting mainly from the decrease in the share of consumption of households (from 57.6% to 54.8%) and state institutions (from 18.9% to 18.5%). Simultaneously, the share of state institutions' consumption in GDP decreased due to a cut in their number and in maintenance expenses. This trend is positive and is an important factor in reducing inflation processes.

The increase of investments in basic capital at the level of 4.5% and exports at the level of 24.6% were the main factors of the increase in demand.

A comparatively large share of gross accumulation encouraged the increase in the real volume of investment into basic capital, the rate of increase of which was 8.3% in average per annum terms for the period from 1996 to 2003 and led to an increase in investment of 66.8% compared to 1995.

The continuing increasing trend in exports over the year was ensured due to the increase in the export of machinery and equipment, primarily owing to motor-car construction products and the favorable conjuncture of world prices for exports of cotton fiber and non-ferrous metals. As a result, the share of net exports in GDP increased from 0.6 % to 5.9 %.

1.2. Fiscal Policy

The revenues of the state budget in relation to GDP made up 24.2%, which was 1 percentage point lower than in 2002 (Table 1.2.1.) The decrease in state budget revenues occurred due to the decrease in proceeds from indirect taxes from 6.8% to 6.4% and in other revenues from 2.2 to 1.1% as a consequence of the reduction in profit tax and individual income tax rates.

The share of indirect taxes in GDP increased from 13.8% to 14.0% and the share of resource payments and property taxes increased from 1.9% to 2.3%, owing to the transition to fixed tax rates.

Table 1.2.1. Structure of Revenue Part of State Budget (% to GDP)

Indicators	1998	1999	2000	2001	2002	02/I	02/I-II	02/I-III	2003	03/I	03/I-II	03/I-III
Revenues	32.4	30.0	28.5	26.0	25.2	30.7	29.7	26.1	24.2	28.3	31.0	26.4
Direct taxes	10.2	8.9	7.5	7.4	6.8	9.2	8.2	7.2	6.4	8.2	7.9	7.0
Indirect taxes	16.6	16.4	16.0	13.5	13.8	16.3	16.8	14.2	14.0	15.9	18.2	15.1
Resource payments and property tax	3.9	3.3	2.8	2.4	1.9	2.4	2.3	2.1	2.3	2.3	2.6	2.5
Social infrastructure development tax	0.4	0.3	0.3	0.3	0.5	0.6	0.6	0.6	0.4	0.6	0.5	0.5
Other revenues	1.3	1.1	1.9	2.4	2.2	2.2	1.8	2.0	1.1	1.3	1.8	1.3

Source: Ministry of Finance of RUz

Proceeds from indirect taxes made up more than half of all revenues in the structure of state budget revenues. The share of such proceeds increased from 54.6% to 57.8% while the share of direct taxes for the corresponding period decreased from 27.2% to 26.3% (Table 1.2.2.). In addition, there was an increase in the share of proceeds from resource payments and property taxes from 7.5% to 9.5%.

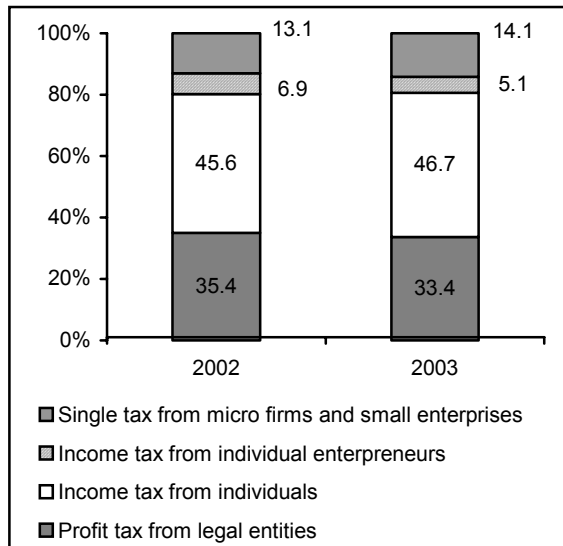
Table 1.2.2. Structure of Revenue Part of State Budget (% to total)

Indicators	1998	1999	2000	2001	2002	02/I	02/I-II	02/I-III	2003	03/I	03/I-II	03/I-III
Revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct taxes	31.5	29.3	26.4	28.5	27.2	29.8	27.5	27.7	26.3	29.0	25.7	26.5
Indirect taxes	51.0	53.9	56.0	51.8	54.6	53.5	56.6	54.6	57.8	56.3	58.3	57.4
Resource payments and property tax	11.9	10.9	9.9	9.3	7.5	7.7	7.9	7.9	9.5	8.2	8.5	9.3
Social infrastructure development tax	1.2	1.0	1.1	1.3	2.1	1.9	2.1	2.2	1.7	2.0	1.6	1.8
Other revenues	4.4	4.9	6.6	9.1	8.6	7.1	5.9	7.6	4.7	4.5	5.9	5.0

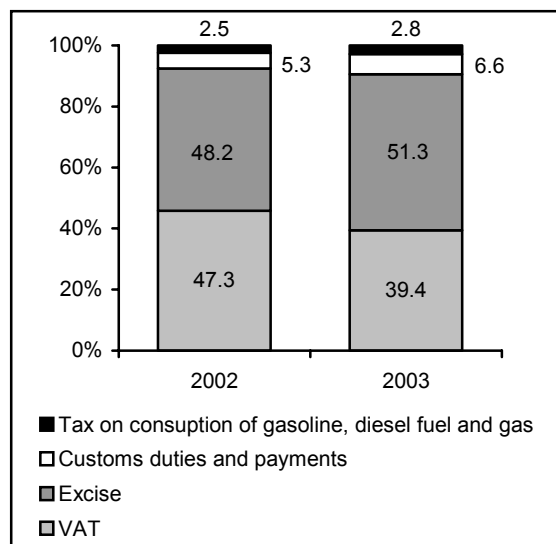
Source: Ministry of Finance of RUz

The largest share in the structure of direct taxes consisted of individual income tax. In 2003 the share of this tax increased by 1.1. percentage points and reached 46.7%. This growth was provided by the expansion of the assessment base due to the decrease of the maximal rate of individual income tax from 33% to 32%. At the same time there was a decrease in the share of the profit tax from 35.4% to 33.4% caused mainly by the lower rate of tax (20% in 2003 vs. 24% in 2002) (Graph 1.2.1).

An analysis of the structure of indirect taxes shows that for the period under review the share of excise tax increased from 48.8% to 51.3% due to the transfer to fixed rates of excise tax and increasing tax collection (Graph 1.2.2.). Meanwhile, as a result of tax rate unification, the share of VAT fell considerably from 47.3% to 39.4%.

Graph 1.2.1. Structure of Direct Taxes of State Budget (%)


Source: Ministry of Finance of RUz

Graph 1.2.2. Structure of Indirect Taxes of State Budget (%)


Source: Ministry of Finance of RUz

Expenditures of the state budget in relation to GDP decreased from 26.1% to 24.6% i.e. by 1.5% (Table 1.2.3.). This took place mainly because of decreasing expenditures in the social sphere (from 9.8% to 9.3%) and centralized investment financing (from 4.7% to 3.3%).

Table 1.2.3. Structure of Expenditures of State Budget (% to GDP)

Indicators	1998	1999	2000	2001	2002	02/I	02/I-II	02/I-III	2003	03/I	03/I-II	03/I-III
Expenditures – total	34.5	32.2	29.5	27.0	26.1	30.1	30.8	26.7	24.6	27.4	28.6	25.5
Social sphere	12.3	11.9	10.4	10.2	9.8	12.6	11.6	10.1	9.3	10.3	10.3	9.4
Social protection	3.3	3.0	2.3	2.1	2.0	2.7	2.4	2.1	2.1	2.5	2.5	2.1
Expenditures for economy	4.0	3.7	3.0	2.3	2.3	2.3	2.1	2.2	3.0	2.7	3.0	2.9
Expenditures for financing investments	7.0	6.8	6.0	5.0	4.7	4.5	6.3	5.6	3.3	3.2	4.0	3.7
Maintenance of state power bodies, management and court bodies	0.8	0.8	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.6	0.6	0.5
Other expenditures	7.1	6.0	7.2	6.8	6.5	7.4	7.6	6.2	6.4	8.0	8.1	6.9

Source: Ministry of Finance of RUz.

The deficit of the state budget was 0.4 % to GDP, which was 0.4% less than in 2002 (Table 1.2.4).

Table 1.2.4. The Level of State Budget Fulfillment (in % to GDP)

Indicators	1998	1999	2000	2001	2002				2003			
					I	I-II	I-III	I-IV	I	I-II	I-III	I-IV
Deficit (-).	-2.1	-1.7	-1.0	-1.0	0.6	-1.0	-0.6	-0.8	0.9	2.4	0.9	-0.4
Surplus (+).												

Source: Ministry of Finance of RUz.

1.3. Monetary Policy

Banking system development. As of 1 January 2004, 33 commercial banks with 806 branches were functioning in Uzbekistan country-wide. The system of commercial banks includes 12 private banks, 5 banks with the participation of foreign capital, 3 state banks, and 13 banks with mixed types of ownership. The number of credit unions has increased by 7 units, to 14.

The efforts of the CBU in reforming the banking system led to an increase in the total assets of commercial banks in nominal terms of 38.2%.

Bank loans primarily directed towards small business and private entrepreneurship increased by a factor of 2.3. The largest share of lending was extended to industry development – 60%, while 13.7% was directed for transport and communication, 4.8% for logistical support and 3.3% for trade and public catering.

As of 1 January 2004 deposits by the population in banks made up UZS 245 bn., which was 2.7 times greater than in 2002. The total capital of the banking system in nominal terms increased by 57.6% and amounted to UZS 791 bn.

The **monetary policy** of the CBU was aimed at further reducing the level of inflation, strengthening macroeconomic stability and liberalizing the forex market.

The most important change in monetary policy was the governmental measures to improve the mechanisms for the regulation of monetary and credit indicators. In particular, the system of cash plans was abolished and a new mechanism of regulating monetary aggregates was facilitated. The volume of monetary aggregates in the economy began to be regulated based on forecasts of changes in reserve money and monetary aggregates. Furthermore, beginning from 2003, the CBU stopped lending to finance the budget deficit. Such measures stimulated the development of instruments of monetary policy.

In 2003 the CBU restricted the money supply according to the demand for money in the economy and the landmark indicators of inflation. The money supply was managed through the regulation of the volume of the monetary basis, depending on the dynamics of net internal assets and external reserves and also on the banking system's liquidity, using market instruments of the monetary policy.

As major instruments of monetary policy the CBU used mandatory reserve requirements, operations on the domestic forex market, deposit activities, the refinancing rate, operations with government securities and CBU's own bonds.

Mandatory reserve requirements were formed through the monthly depositing of commercial banks' liabilities to the account of their statutory reserves in the CBU. The current system of deductions to this fund provides mandatory depositing of 20% of UZS proceeds of legal entities into their accounts.

The CBU's activities on the open market were aimed at the regulation of short-term liquidity on the money market. Thus, deposit activities with commercial banks were introduced. The issue of short-term government bonds (STGB) and CBU's own bonds were continued. According to the overall results of 2003, the volume of the announced issue of STGB was UZS 58.7 bn., while CBU's bonds for legal entities amounted to more than UZS 12 bn.

The CBU regulated the refinancing rate based on the level of the inflation rate, changes in money demand, the dynamics of interest rates on loans and deposits, as well as the demand for loans from the real sector's enterprises.

Within 2003 the per annum refinancing rate changed bi-yearly. In the third quarter the refinancing rate was reduced from 34.5% to 24.5% and in the fourth quarter to 20% (Table 1.3.1).

Table 1.3.1. Change in Interest Rates (%)

Period	Refinancing rate per annum	Average weighted rate on short term loans in UZS	Average weighted rate on time deposits of legal entities in UZS	Average weighted rate on time deposits of individuals in UZS
2000	32.3	25.7	12.9	32.2
2001	26.8	28.0	16.0	38.1
2002	34.5	32.2	19.2	40.2
2003	27.1	24.0	18.0	37.0
02/I	34.5	31.1	11.7	39.5
02/II	34.5	31.5	12.6	40.0
02/III	34.5	31.5	13.3	39.1
02/IV	34.5	32.2	16.0	40.2
03/I	34.5	31.8	18.2	39.3
03/II	34.5	31.2	19.0	32.1
03/III	24.5	29.6	19.1	27.2
03/IV	20.0	24.0	19.2	27.0

Source: Central Bank of RUz.

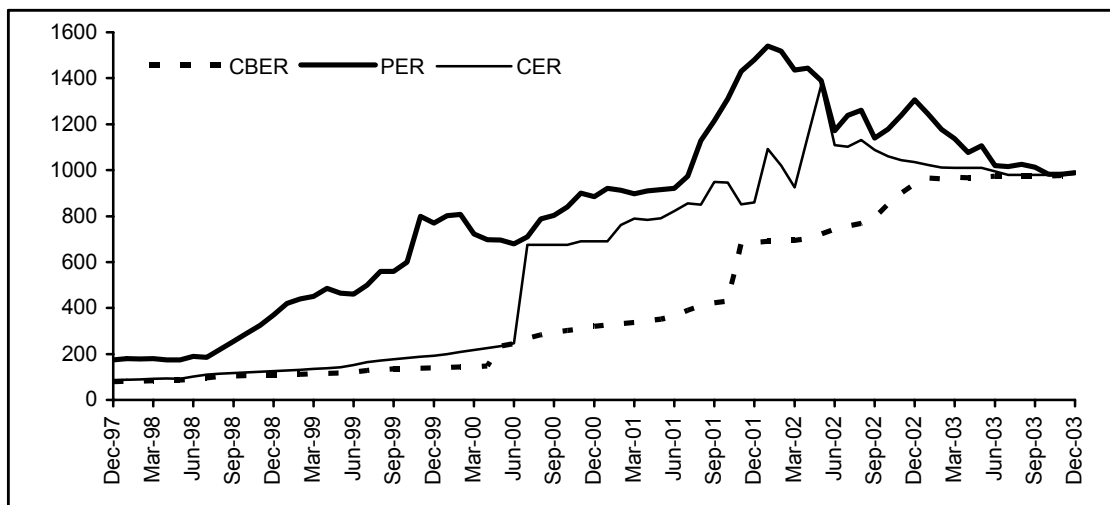
As a result of the reduction in the per annum refinancing rate there were also changes in interest rates on loans and deposits (Table 1.3.1). Average per annum rates on short-term bank loans decreased from 31.8 % in the first quarter of 2003 to 24% in the fourth quarter. For the same period, interest rates on time deposits of legal entities increased from 18.2% to 19.2%, testifying to a reduction of the gap between lending and deposit activities.

1.4. Foreign Exchange Policy

In 2003 foreign currency policy was aimed at measures for exchange rate unification. The resolutions which restricted the free access of businesses to the foreign currency market were abolished. The limits for individuals on purchasing foreign currency through the exchange offices of authorized banks were gradually increased.

As a result of foreign currency market liberalization, exchange rates on the domestic foreign currency market were totally unified (Graph 1.4.1). Thus, there is a unified single exchange rate based on the cash and cashless foreign currency demand and supply.

Graph 1.4.1. Exchange Rate of CBU (CBER), Parallel Exchange Rate (PER) and Rate of Exchange Offices (CER)



Source: Central Bank of RUz.

The exchange rate of the CBU was devalued in nominal terms by 4.2% compared to the preceding year, while the rate of cash currency in nominal terms was strengthened by 5.1% and the parallel exchange rate in nominal terms by 24.3% (Table 1.4.1).

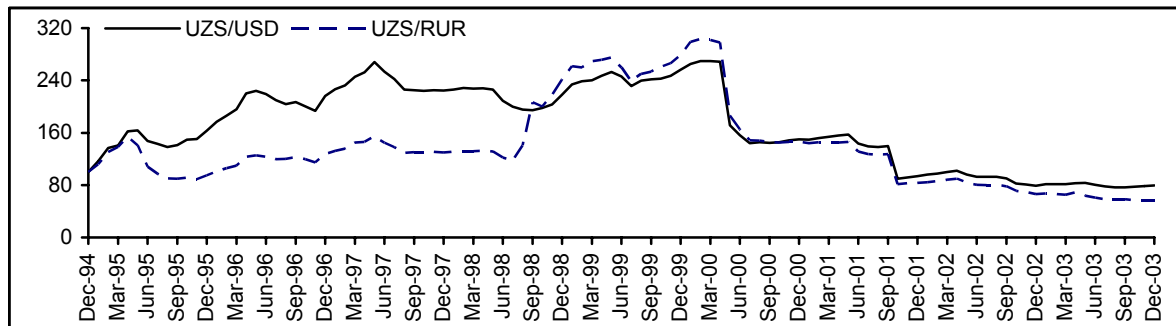
Table 1.4.1. Exchange Rate of UZS against US Doll. (average indicators for the period of 1998-2003)

Period	Exchange rate of CBU (UZS/\$)	Change compared with previous period (in %)	Rate of exchange offices (UZS/\$)	Change compared with previous period (in %)	Parallel exchange rate (UZS/\$)	Change compared with previous period (in %)
1998	94.5	42.4	105.7	47.0	226.9	50.7
1999	124.5	31.8	158.8	50.2	542.5	139.1
2000	236.6	89.9	450.1	183.5	777.7	43.4
2001	422.9	78.8	829.0	84.2	1084.3	39.4
2002	770.8	82.3	1093.8	31.9	1321.7	21.9
2003	971.6	26.0	995.1	-9.0	1064.2	-19.5
02/I	692.7	15.6	1012.7	14.4	1497.6	6.5
02/II	722.3	4.3	1208.4	19.3	1335.1	-10.9
02/III	772.3	6.9	1107.5	-8.4	1213.3	-9.1
02/IV	896.0	16.0	1046.7	-5.5	1240.9	2.3
03/I	965.3	7.7	1014.7	-3.1	1186.1	-4.4
03/II	970.0	0.5	1005.0	-1.0	1068.0	-10.0
03/III	974.1	0.4	979.7	-2.5	1018.3	-4.7
03/IV	976.8	0.3	980.9	0.1	984.5	-3.3

Source: Central Bank of RUZ.

Real national currency exchange rate. During 2003 dynamics of the real exchange rate of UZS against US Dollar and Russian Ruble had not changed sharply. Real exchange rate of UZS decreased by 0.6% against US Doll. and by 0.9% against Russian Ruble (Graph 1.4.2).

Graph 1.4.2. Real Exchange Rate of UZS against US Dollar (UZS/USD) and Russian Ruble (UZS/RUR) (December of 1994=100)



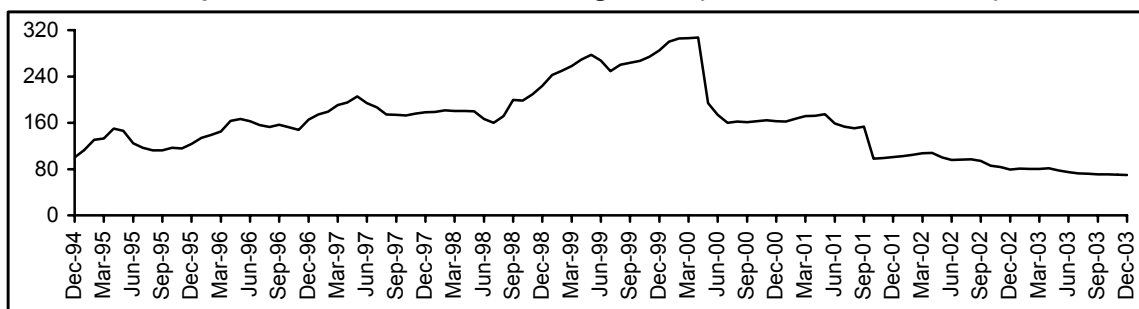
Source: Central Bank of RUZ.

The main reasons for the changes in the real exchange rates were the sharply decreased inflation level and comparatively low devaluation rates.

December of 1994 was taken as the basic period in determining the real exchange rate of the UZS, as from that point the initial measures to stabilize the national currency and reduce the level of inflation in Uzbekistan began to be implemented.

The **real effective exchange rate** indicates the change of the exchange rate against the currencies of the country's main trade partners according to domestic and external prices. If this rate increases, other conditions being equal, imports into the country also increase and exports from it decrease, while a decrease in the real effective exchange rate leads to an increase in exports from a country and a decrease of imports into that country.

Graph 1.4.3. Real Effective Exchange Rate (December of 1994=100)



Source: Central Bank of RUZ.

In 2002 there were insignificant changes in the dynamics of the effective exchange rate, resulting in the decrease of this rate by 0.8% compared to the previous year. Such a decrease was the result of conducting tight monetary policy aimed at inflation level reduction and exchange rate stabilization (Graph 1.4.2).

1.5. Prices and Inflation

In 2003 the level of inflation in the consumer sector (CPI) was 3.8%, which was 5.7% lower than in 2002. In average monthly terms the level of inflation in 2003 was 0.3% vs. 2.2% in 2002 (Tables 1.5.1., 1.5.2)

**Table 1.5.1. Major Indicators of Inflation in the Republic of Uzbekistan for 1995-2003
(increase of prices in % to corresponding period of previous year)**

Years	Consumer price index (CPI) consolidated	Food stuff	Non-food stuff	Services
1995	304.6	252.7	185.0	467.6
1996	54.0	99.3	33.5	99.4
1997	58.8	55.2	65.1	71.4
1998	17.9	12.6	18.8	52.6
1999	29.1	25.6	33.7	43.8
2000	24.9	18.9	36.6	47.1
2001	27.4	27.9	21.1	36.9
2002	27.6	28.0	19.3	41.3
2003	10.3	5.4	13.9	30.9
02/I	28.0	27.2	20.1	37.3
02/II	31.7	34.3	19.3	44.4
02/III	28.6	28.7	18.7	46.0
02/IV	22.5	20.8	19.0	37.7
03/I	19.7	17.3	17.5	38.2
03/II	12.4	8.5	15.6	30.1
03/III	6.1	-1.0	14.1	30.2
03/IV	3.9	-2.2	8.9	26.8

Source: Uzbekistan State Committee on Statistics

Table 1.5.2. Level of Inflation for 2002-2003 (increase in prices in %)

	Average monthly level		To December of previous year	
	2002	2003	2002	2003
CPI	2.2	0.3	21.6	3.8
Food stuffs	2.0	-0.2	19.9	-2.2
Non-food stuffs	1.9	0.7	18.6	8.5
Services	3.5	2.0	36.6	26.7

Source: Uzbekistan State Committee on Statistics

In a regional context the highest increase in prices in 2003 (7.52%) was in Kashkadarya region, the lowest (2.46%) in Surkhandarya region (Table 1.5.3.).

Table 1.5.3. Level of Inflation in the Republic of Uzbekistan in 2003 in Regional Context (%)

Province	Increase in prices in 2003	Average monthly
Republic of Uzbekistan	3.75	0.31
Surkhandarya	2.46	0.20
Samarkand	2.69	0.22
Tashkent City	2.72	0.22
Navoi	3.10	0.25
Fergana	3.38	0.28
Bukhara	3.87	0.32
Tashkent	3.96	0.32
Jizzakh	4.22	0.35
Khorezm	4.46	0.36
Namangan	4.55	0.37
Sirdarya	4.59	0.37
Republic of Karakalpakstan	5.31	0.43
Andijan	6.14	0.50
Kashkadarya	7.52	0.61

Source: Uzbekistan State Committee on Statistics

The inflation level fell due to tight monetary policy and the impact of the seasonal factor, which mostly resulted in a decrease in prices for fruits and vegetables (32.6%). An analysis of the structure of increase in prices and tariffs for goods and services, without taking into account prices for fruits and vegetables, indicates a trend towards the significant impact of tariffs for chargeable services (from 19.7% in 2002 to 46.0% in 2003) and prices for non-foodstuffs (from 18.8 to 24.6%) on the general level of inflation. At the same time impact of the growth in prices for foodstuffs decreased by 2.1 times (Table 1.5.4)

Table 1.5.4. Impact of Increase in Prices and Tariffs on the Inflation Level in 2002-2003 (%)

	2002	2003
CPI	100.0	100.0
Food stuffs	61.5	29.4
Non-food stuffs	18.8	24.6
Paid services	19.7	46.0

Source: Uzbekistan State Committee on Statistics

In 2003 in the group of foodstuffs, the increase in prices for wheat flour (27.3%) and vegetable oil (25.7%) considerably impacted on the general level of inflation (Table 1.5.5).

Table 1.5.5. Impact of Increase in Prices for Foodstuffs (excluding Fruits and Vegetables) on the Inflation Level in 2003 (%).

	Increase in prices	Impact on the CPI	To total
Foodstuffs	3.3	2.18	100.0
Bread and baked goods	4.8	0.69	31.7
Wheat flour	7.9	0.60	27.3
Rice	-18.5	-0.83	-38.2
Meat and poultry	1.6	0.17	8.0
Milk and dairy products	11.1	0.22	10.2
Eggs	2.8	0.03	1.2
Animal oil	4.3	0.03	1.5
Vegetable oil	7.9	0.56	25.7
Sugar	4.4	0.11	5.1
Confectionery	7.6	0.14	6.3
Public catering	11.8	0.36	16.6
Alcoholic beverages	6.8	0.26	12.1

Source: Uzbekistan State Committee on Statistics

In the group of non-foods the largest impact on the total CPI for the period under review was from the increase in prices for clothing (30.8%), gasoline (27.1%) and footwear (11.4 %) (Table 1.5.6).

Among the paid services rendered to the population in 2003, the largest impact on the general increase in tariffs was from the rise in tariffs for communal services (68.7%) and public transportation expenses (25.4%) (Table 1.5.7).

Table 1.5.6. Impact of Increase in Prices for Non-stuffs on the Inflation in 2003 (%).

	Increase in prices	Impact on the CPI	To total
Non-foods	8.5	1.82	100.0
Clothing	11.6	0.56	30.8
Footwear	8.8	0.21	11.4
Medicine	4.3	0.12	6.5
Detergents	1.1	0.02	1.2
Gasoline	18.7	0.46	27.1
Books, newspapers, magazines	14.6	0.07	4.0
Individual hygiene goods	4.5	0.06	3.1

Source: Uzbekistan State Committee on Statistics

Table 1.5.7. Impact of Increase in Tariffs for Paid Services on the Inflation in 2003 (%)

	Increase in prices	Impact on the CPI	To total
Paid services	26.9	3.11	100.0
Common services	26.9	0.60	19.4
Hairdressing	36.2	0.23	7.5
Housing and communal utilities	61.2	2.14	68.7
Operating expenses	39.1	0.06	1.8
Water supply	48.8	0.30	9.6
Gas supply	76.9	1.16	37.3
Heating	88.1	0.15	4.8
Electricity	58.5	0.62	19.9
Common transport	19.8	0.79	25.4
Automobile	19.2	0.67	21.4
Communications	59.1	0.20	6.4
Education	40.0	0.23	7.3

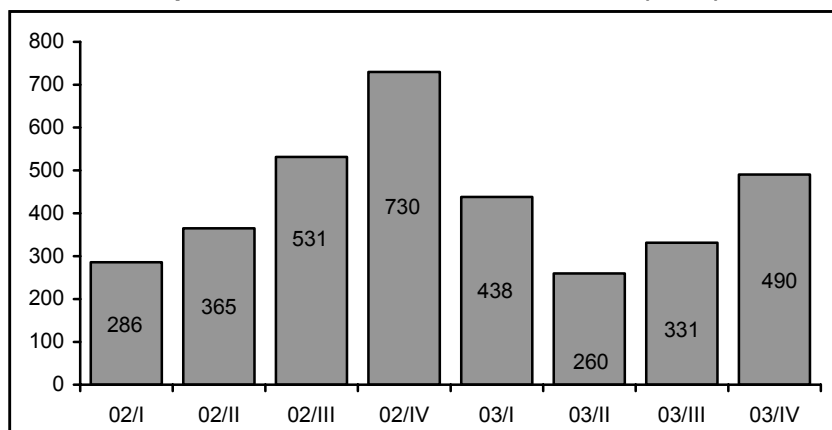
Source: Ministry of Economy of RUz.

2. Institutional and Market Reforms

2.1. Privatization and Property Types

The Denationalization and Privatization Program for 2003 envisaged a change in the property type of 1407 enterprises. In fact, 1519 SOEs were privatized, including 490 in the fourth quarter (Graph 2.1.1 and Annex 2.1.1). These indicators are less than for the similar periods of the previous year by 393 and 240 units respectively, which resulted mainly due to the privatization of large enterprises in 2003.

Graph 2.1.1. Number of Privatized SOEs (units)



Source: GKI of Uzbekistan.

By economic sector, the largest number of privatized SOEs in 2003 were in the sphere of telecommunications (111), agriculture and water management (124), oil and gas (62), education (96) and health care (71), while location-wise most privatized SOEs were concentrated in Tashkent city (510), Tashkent province (124), Fergana (98), Andijan (96) and Surkhandarya (91) provinces

As a result of privatization, 1452 new businesses were set up in 2003, including 477 in the fourth

quarter (Table 2.1.1.). Most of them are sole proprietorships and companies with limited liability.

In line with the Cabinet of Ministers resolution "On the Program for the Denationalization and Privatization of Enterprises in 2003-2004" of 17 April 2003, government property and unplaced shares and stakes in chapter capitals of 972 JSCs and 129 companies with limited liability worth UZS 41.4 bn. – three times greater than in the previous year – were sold into private property in 2003, including government property assets of 550 JSCs and 74 companies with limited liability worth a total UZS 7.5 bn in the fourth quarter.

Table 2.1.1. Number of Enterprises Established on Privatized Property Basis (Units)

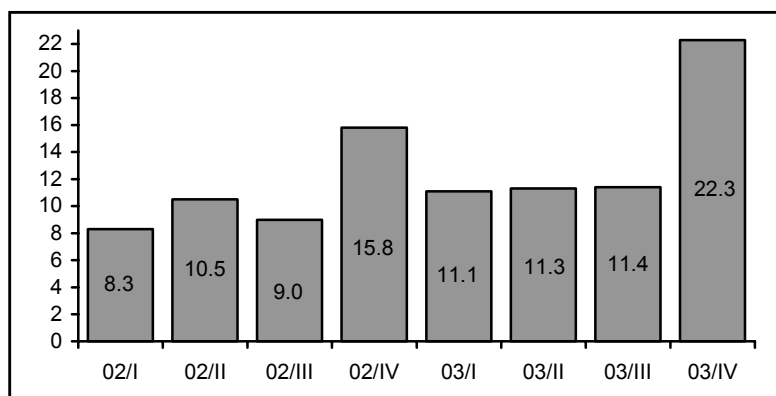
Time frame	Total established	including		
		Joint Stock Companies	Private enterprises	Other types of enterprises
02/I	268	26	211	31
02/II	331	45	249	37
02/III	481	86	287	108
02/IV	720	66	505	149
03/I	301	19	255	27
03/II	342	5	301	36
03/III	332	19	160	153
03/IV	477	32	265	180

Source: GKI of Uzbekistan.

New, flexible ways to sell government assets were introduced. Thus, 20 low-profit and unprofitable enterprises were transferred to private ownership, on a competitive basis, at a zero redemption value -- on the condition that the investors improve sharply the financial performance of these enterprises in a fairly short period (2-3 years). Total investment liabilities accepted by the investors accounted for UZS 1.1 bn.

Government property shares in 415 joint-stock companies worth UZS 2.6 bn. and 71 pieces of government property worth UZS 412.6 bn., which earlier were unattractive for investors because of high price, were sold at the Stock Exchange, by implementing a step by step reduction of the starting prices for shares and real estate.

Total proceeds generated from SOE privatization in 2003 amounted to UZS 56.1 bn, including UZS 22.3 bn in the fourth quarter (Graph 2.1.2.). Growth rates of proceeds were 1.3 times and 1.4 times greater, respectively, than for the similar periods of the preceding year.

Graph 2.1.2 Privatization Proceeds (UZS bn)


Source: GKI of Uzbekistan.

Privatization proceeds are redirected to the Government and to local budgets for financing socio-economic development and establishing market infrastructure institutions, as well as being transferred back to the privatizing enterprises, for upgrading equipment and launching new product lines.

A portion of the privatization proceeds is distributed on the basis of single government resolutions. Thus, "Uzbekenergo", "Uzbekistan Temir Yullari" and other state joint stock companies whose rapid restructuring

is vitally important for the country's economy, received in line with targeted government resolutions up to 100% of the proceeds generated by the privatization of their constituent enterprises

Table 2.1.2. Structure of Privatization Proceeds Distribution (%)

Area	02/I	02/II	02/III	02/IV	03/I	03/II	03/III	03/IV
The budget of the Republic of Uzbekistan	25.0	28.3	24.4	21.2	38.9	33.3	28.3	30.0
Local budgets	5.9	8.2	10.0	6.2	6.5	11.9	8.0	6.2
Business fund	5.9	8.2	10.0	7.1	6.5	11.9	8.0	4.1
Enterprises under privatization	10.3	9.4	7.8	8.9	10.1	7.1	10.6	7.6
Business associations, enterprises and organizations according to targeted Government resolutions	52.9	45.9	47.8	56.6	38.0	35.8	45.1	52.1
Total	100	100	100	100	100	100	100	100

Source: GKI of Uzbekistan.

The structure of the distribution of privatization proceeds changed quarterly, as seen in Table 2.1.2., and depended on the amount of quarterly proceeds from privatizing enterprises, whose financing was the subject of government resolutions targeting their financial support as well as new resolutions on using the proceeds.

2.2. Market Infrastructure

In 2003 the following registration records were included in the State Stock Market List:

- 514 issues of shares worth UZS 111.0 bn, including 251 issues worth UZS 49.0 bn in the fourth quarter;
- 24 issues of corporate bonds worth UZS 16.0 bn, including 10 issues worth UZS 6.4. bn in the fourth quarter.

Total Stock Market sales in 2003 amounted to UZS 74.7 bn, including UZS 25.0 bn in the fourth quarter (Table 2.2.1. and Annex 2.2.1). Growth rates were 1.8 and 1.4 times greater, respectively, compared to the similar periods of the preceding year.

Table 2.2.1. Stock Market Sales (UZS bn)

Period	Primary market		Secondary market		Total	
	Amount	In % of total	Amount	In % of total	Amount	In % of total
02/I	3.08	40.7	4.49	59.3	7.57	100
02/II	3.69	39.9	5.56	60.1	9.25	100
02/III	4.04	57.7	2.96	42.3	7.00	100
02/IV	5.52	30.8	12.40	69.2	17.92	100
03/I	10.86	68.8	4.93	31.2	15.79	100
03/ II	5.06	51.9	4.69	48.1	9.75	100
03/III	20.32	83.9	3.91	16.1	24.23	100
03/IV	17.66	70.8	7.27	29.2	24.93	100

Source: Data from the Centre for Coordination and Control of Securities Market Operations under the GKI of Uzbekistan

Total Stock Market sales in 2003 amounted to UZS 74.7 bn, including UZS 25.0 bn in the fourth quarter (Table 2.2.1. and Annex 2.2.1). Growth rates were 1.8 and 1.4 times greater, respectively, compared to the similar periods of the preceding year.

Shares primarily sold in 2003 through the Stock trades amounted to UZS 19.7 bn (36.5%), while OTC sales through a competitive bidding process and direct negotiations with investors amounted to UZS 34.2 bn (63.5%).

The high increase in primary market sales in 2003 compared to the previous year was caused by the offering for sale of state-owned property and unplaced shares of investment-attractive stock companies and using the flexible mechanism for the step by step reduction of the shares' starting prices.

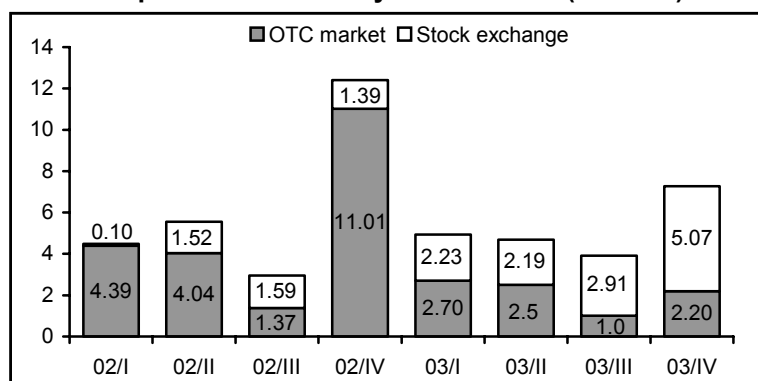
The shares of privatized enterprises of the Ministry of Agriculture and Water Management, the Agency of Automobile and River Transport of the Republic of Uzbekistan, "Uzyogmoytamakisanoat" and "Uzpakhtasanoat" business associations, and "Uzdonmakhsulot" and "Uzpakhtasanoat" JSCs accounted for a major portion of the sales in the IPO segment. Shares of these enterprises made up 70% of the total sale of privatizing enterprises in 2003.

The increasing interest of foreign investors in the privatization process of Uzbekistan SOEs has been observed. The proportion of their transactions in the amount of total primary sales increased from 28.0% in 2002 to 70.2% in 2003.

It is notable that the interest of local investors in purchasing the shares of privatizing enterprises is increasing. The number of shares they purchased in 2003 was worth: UZS 861 mill. in the first quarter, UZS 2299 mill. in the second quarter, UZS 3443 mill. in the third quarter and UZS 5187 mill. in the fourth quarter – which was 6 times higher than in the first quarter – while the amount of privatized enterprises' shares sold to individuals in the fourth quarter increased 10.3 times over the first quarter. Such an increase was due to the five-year tax-free period for individuals' income obtained from dividends from shares (stakes) of businesses, established on the basis of the privatized enterprises.

Secondary market sales in 2003 amounted to UZS 20.8 bn, including UZS 7.3 bn in the fourth quarter (Table 2.2.1.). In comparison to the similar periods of 2002, the amount of sales decreased 1.2 and 1.7 times respectively. At the same time, transactions with 899 issuers' shares took place at the secondary market, while in 2002 there were transactions with 425 issuers.

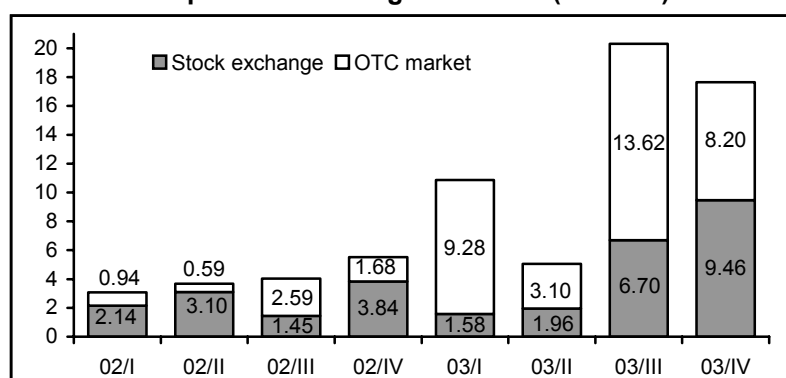
Graph 2.2.2. Secondary Market Sales (UZS bn)



Source: Data from the Centre for Coordination and Control of Securities Market Operations under the GKI of Uzbekistan

This resulted from the government's efforts to eliminate secondary sales on the unorganized OTC market.

Graph 2.2.1. IPO Segment Sales (UZS bn)



Source: Data from the Centre for Coordination and Control of Securities Market Operations under the GKI of Uzbekistan

In the year 2003 a trend of increasing secondary market sales was observed on the Stock Exchange (Graph 2.2.2). Shares worth UZS 2.2 bn in the first quarter, UZS 2.2 bn in the second quarter, UZS 2.9 bn in the third quarter, and UZS 5.1 bn in the fourth quarter were sold via "Tashkent" UZSE. The growth rates were 2.2., 1.4., 1.8 and 3.7 times higher, respectively, than in the similar periods of the preceding year. For the first time since the establishment of the Uzbekistan Security Market, in the second half of 2003 secondary market sales were almost 2.5 times greater than OTC

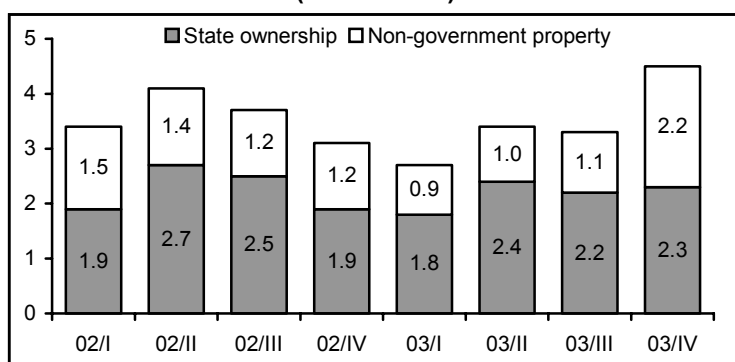
The most attractive shares on the secondary security market are those of the JSCs of the holding companies “Uzbekneftegas” and “Uzmevasabzavotuzumsanoat”, the JSCs “Uzdonmakhsulot” and “Uzqurilishmaterialary” and a few other businesses, connected with the stable growth in profitability of their shares. Thus, in 2001 and 2002 accrued dividends per single share of “Mubarekneftegazmontaj” amounted to UZS 3678 and UZS 12646 respectively with a nominal value per share of UZS 520; and “Bogdot non mahsulot” – UZS 673 and UZS 938 respectively, with a nominal value per share of UZS 100. High accrued dividends of these JSCs’ shares were also expected in 2003.

There has been an expanding circulation on the security market of the investment- attractive corporate bonds issued by several Uzbekistan JSCs in the period of 2002-2003. In 2003 such bonds worth UZS 18.6 bn were sold, including UZS 3.6 bn worth on the Stock Exchange and OTC sales worth UZS 15.0. In the fourth quarter corporate bonds worth UZS 4.0 were sold, including Stock Exchange sales worth UZS 1.1 and OTC sales worth UZS 2.9 bn.

Three times a week the Republican Real Estate Exchange (RREE) conducts scheduled electronic trading sessions, selling various types of property (privatized enterprises wholly sold into private property, property of bankrupt enterprises and so forth). In addition, 600 auctions and 21 competitive biddings were conducted in 2003, including 153 auctions and 10 competitive biddings in the fourth quarter.

In 2003 about 13.9 thous. property items worth UZS 23.5 bn were sold via the RREE, including 4.5 thous. items worth UZS 8.0. bn in the fourth quarter (Graphs 2.2.3, 2.2.4 and Annex 2.2.2). The number of properties sold declined in comparison with the preceding year by 2.6% and sales proceeds grew by 45.1%. The growth of sales proceeds owed mainly to the increase in the average price of property sold in 2003.

Graph 2.2.3. Number of Real Properties sold at RREE (thous.units)



Source: Republican Real Estate Exchange.

amount of property sold made up: in the first quarter – 66.7%, in the second – 70.6% in the third quarter – 66.7% and in the fourth quarter – 51.12%. However, state-owned property sales generated less proceeds than private real property sales (Graph 2.2.4.). The total amount of proceeds from state-owned property sales in 2003 was UZS 8.7 bn, which was 37.0% of the total real property sales.

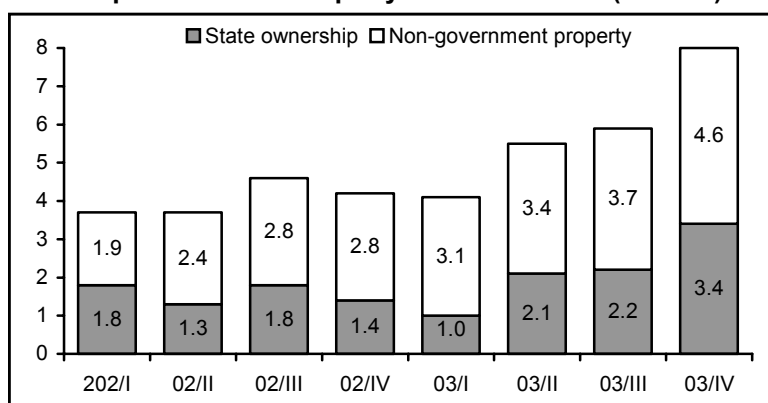
Land plots for private residential development or, rather, inheritable life tenure rights for them, accounted for the largest share in total property sold via RREE. Their weight in total number of property sold in 2003 was: in the first quarter – 59.6%, in the second quarter – 64.2%, in the third quarter – 61.6% and in the fourth quarter – 44.0% (Table 2.2.2.).

In 2003 inheritable life tenure rights for 7391 land plots worth UZS 490.3 mill. were sold (Annex 2.2.2), including 1526 plots worth UZS 79.4 mill. in the fourth quarter. The number of plots sold made up 85% and 78% respectively, and the amount of sales 86.4% and 86% respectively, com-

The relative proportion of OTC (auction and tender) in total amount of sales via RREE in 2003 made up 64.4% and in total sales proceeds 19.5% while the relative proportion of Real Estate Exchange in total amount of sales made up 35.6% and in total sales proceeds 80.5%. These data indicate the advantage of selling large and expensive properties via the Real Estate Exchange as opposed to OTC.

In total number of properties sold, sales of state-owned property dominate (Graph 2.2.3.). Likewise, in 2003 the share of state-owned property in the total

Graph 2.2.4. Real Property Sales Proceeds (UZS bn)



Source: Republican Real Estate Exchange.

pared to the similar indicators of the previous year. The decrease in land plots sales indicators resulted from smaller quotas provided by local authorities for sale to individuals.

Table 2.2.2. Structure of Real Property Sold via RREE (% to total)

Property Type	02/I	02/II	02/III	02/IV	03/I	03/II	03/III	03/IV
Construction in progress								
Number of properties sold	1.0	1.5	1.4	1.2	3.5	3.3	5.8	4.9
Value of sales	3.0	12.7	4.2	1.5	2.7	3.6	8.3	4.6
Trading and services facilities:								
Number of properties sold	3.9	2.7	2.3	3.5	7.5	8.2	5.5	7.9
Value of sales	7.6	6.6	4.5	7.3	10.8	13.6	11.4	16.5
Property of bankrupt enterprises:								
Number of properties sold	1.9	3.5	0.9	1.4	0.3	0.8	5.4	4.3
Value of sales	4.6	6.6	3.6	3.4	4.5	2.7	7.1	10.2
Property sold to cover tax arrears:								
Number of properties sold	18.6	14.1	14.1	16.1	4.4	2.3	0.1	0.2
Value of sales	9.3	10.1	6.7	9.1	5.7	1.9	0.1	1.0
Property sold by orders of Economic Court:								
Number of properties sold	2.2	1.9	2.4	3.4	0.9	0.6	1.3	1.6
Value of sales	1.2	1.0	2.4	2.8	0.4	2.4	2.0	1.6
Land plots:								
Number of properties sold	50.9	61.3	64.5	55.2	59.6	64.2	61.6	44.0
Value of sales	2.9	3.6	4.7	2.3	2.2	2.8	2.6	1.4
Residential premises and other property:								
Number of properties sold	21.5	15.0	14.4	19.2	23.8	20.6	20.3	37.1
Value of sales	71.4	59.4	73.9	73.6	73.7	73.0	68.5	64.7
Total:								
Number of properties sold	100	100	100	100	100	100	100	100
Value of sales	100	100	100	100	100	100	100	100

Source: RREE data.

Despite the large number of inheritable life tenure rights for land plots sold via RREE, proceeds from their sale account for an insignificant share (from 1.4 to 2.8% in the quarters of current year) in the total value of RREE turnover (Table 2.2.2.). This is caused by the low selling price of this right. Likewise, the average price of obtaining inheritable life tenure rights for a single land plot (0.01 acre) amounted to UZS 66.1 thous. in 2002 and UZS 66.3 thous. in 2003.

The major part of RREE turnover value is generated by sales of residential premises and other property, including production facilities, filling stations and other property sold by the government and private persons.

In total RREE turnover value, residential premises and other property accounted for 69.3% in 2003, including 64.7% in the fourth quarter, while their weight in total property sales accounted for 30.6% and 37.1% respectively (Table 2.2.2.). These data indicate that the average sale price of properties included in this category is significantly higher than the average sale price of other property types.

In 2003 there was substantial growth in the share of trading and services facilities, both in the total number of properties sold and in total RREE value of sales (Table 2.2.2.). The total number of properties sold in 2003 amounted to 954, worth UZS 3.2 bn; these figures were 2.2 and 3.1 times higher, respectively, than similar indicators for respective periods of the preceding year. Of the total number of trading and services facilities sold, 89.4% were offered for sale by private individuals.

RREE activities in selling construction in progress increased in the period under review (Annex 2.2.2). The total number of properties sold amounted to 586, worth UZS 1.2 bn, which was 3.3. and 1.4 times higher, respectively, than similar indicators for the previous year. The largest number of properties, 284 units worth UZS 351 mill., was sold in the fourth quarter of 2003.

2.3. Small and Medium Businesses

The share of GDP produced by SME (small and medium enterprises¹) in the year 2003 consisted of 35.5% of its total volume, exceeding this indicator for the similar period of the previous year by 0.9 percentage points (Table 2.3.1 and Annex 2.3.1). The growth of this indicator was significantly influenced by the stability of the regional development of small businesses and the significant increase of their share in the GRP in Jiz-zakh (56.9%), Samarkand (48.9%), Sirdarya (47.8%), Namangan (44.4%) provinces and Tashkent city (46.6%).

As a result of dynamic development in the output of small and medium enterprises maintained in 2003, their share in GDP increased by 0.7 percentage points and reached 16.4% (Table 2.3.1.).

Table 2.3.1. Key SME Development Indicators

Indicator	Unit.	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
SME share in GDP	%	29.1	32.7	33.6	34.6	28.9	33.2	34.1	35.5
Small and medium enterprises	%	13.8	15.3	15.3	15.7	13.8	15.1	15.9	16.4
Number employed in SMEs ^{*)}	'000 people	800.3	882.1	901.1	900.3	903.2	936.0	1012.5	1045.1

Source: Uzbekistan State Committee on Statistics.

*) Excluding individual entrepreneurs.

The number of people employed in 2003 in SMEs which are legal entities amounted to more than 1045 thous. people. The share of SME employees in the total number of employed in the economy, including individual entrepreneurs, increased in comparison with 2002 by 3.5 percentage points and reached 57.0%.

In the sphere of SME, including individual entrepreneurs not registered as legal entities, 375.4 thous. new jobs were created in 2003, exceeding this indicator for 2002 by 6.1 percentage points.

The growth in the number of small and medium businesses in 2003 predetermined the increase in the number of operating SMEs per 1000 people from 8.6 in 2002 to 9 per 1000 in 2003.

The structure of SME output by sectors improved considerably during the year 2003. The share of SMEs in industrial production increased in comparison to the previous year by 2.5 percentage points and reached 16.6% (Table 2.3.2 and Annex 2.3.2). Such an increase was caused by the high growth of production output (28.5%) as a result of implemented measures to place governmental orders among small and medium businesses and to extend cooperation between large companies and SMEs.

In 2003 SMEs produced 76.8% of the total volume of gross agricultural output -- about the level of the previous year. The largest share of production output extended to *dekhkan* farms -- 62.4%.

Table 2.3.2. Share of SMEs in Output by Economy Sectors (%)

Economy sectors	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Industry	11.9	12.4	13.9	14.1	13.1	14.2	15.9	16.6
Agriculture	91.9	84.2	77.8	76.4	92.2	85.0	81.0	76.8
Retail turnover	43.3	44.9	43.7	43.8	41.2	43.6	44.8	45.5
Paid services	36.0	37.6	39.7	41.3	40.5	43.2	44.9	45.7

Source: Uzbekistan State Committee on Statistics.

Trade activity continued to be the predominating type of small businesses activity in the year 2003. The mobility of SMEs provided for the stabilization of commodity turnover and enabled them to exceed the level of the decline which occurred in the second half of 2002 and in the first quarter of 2003, as a result of the government's measures aimed at regulating the import and sale of consumer goods in the Republic of Uzbekistan.

By the end of 2003 the share of SMEs in total retail turnover reached 45.5%, exceeding this indicator for the previous year by 1.7 percentage points (Table 2.3.2.). The largest share in total turnover extended to individual entrepreneurs -- more than 30%.

The share of SMEs in paid services in 2003 also increased, representing by the end of the year 45.7% of the total volume of these services, which was 4.4 percentage points greater than for 2002. Of this, the share of

¹ According to criteria designated by Presidential Decrees №UP-1987 of 9 April 1998 and №UP-2885 of 19 June 2001. Since January of 2004 the classification of enterprises considered small entrepreneurship has been revised according to the Presidential Decree of 30 August 2003.

small businesses in the total volume of paid services amounted to 44.7% including 39.5% extended to the private sector. This resulted from the establishment of new SMEs in this field of activity and increasing demand for their services.

As of 1st January 2004 the number of registered SMEs made up 263.8 thous. units, including operating legal entities, the number of which amounted to 229.6 thous. units (87%), increasing by 13.9 thous. units (Table 2.3.3). The number of SMEs increased owing to the sector's rapid restructuring and the reform of large enterprises.

The increase in the number of SMEs in 2003 in agriculture was 17.9 thous. units, and in trade and public catering sectors was 9.2 thous. units. This is mainly due to the following factors: in the case of agriculture, the reorganization of low-profit and unprofitable agricultural cooperatives (*shirkats*) into farms; in the case of trade and public catering, the improvement of the economic and legal environment for SME business activity

Table 2.3.3. Number of Operating SMEs by Economy Sectors ('000 units)*)

Indicator	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Republic of Uzbekistan-total	190.1	200.1	207.7	215.7	227.9	227.8	230.8	229.6
Industry	17.5	18.3	19.0	19.7	21.2	21.0	21.4	21.0
Agriculture	81.7	89.0	95.3	101.7	111.2	114.8	117.4	119.6
Transportation and communications	1.5	1.7	1.7	1.9	2.1	2.0	2.1	2.0
Construction	10.2	10.6	10.8	11.0	11.6	11.2	11.3	10.9
Trade and public catering	32.1	32.5	32.5	32.6	29.9	31.5	44.1	41.8
Other sectors	47.1	58.0	48.4	48.8	51.9	47.3	34.5	35.3

Source: Uzbekistan State Committee on Statistics.

*) Data by the legal entities and as of the first day of the next month.

The regional development of small and medium enterprises in 2003 was characterized by positive trends. The number of operating SMEs in many regions increased. The largest increase in the number of SMEs was in Kashkadarya, Sirdarya and Bukhara provinces, by 6.4., 2.0. and 1.7 thous. units respectively (Table 2.3.4). This was stimulated by the improvement of regulatory and legal acts, the strengthened control over their implementation and by subsidies from republican non-budget funds to support SMEs.

Table 2.3.4. Number of Operating SMEs by Regions ('000 units)*)

Region	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	2003/I-III	2003
Republic of Uzbekistan	190.1	200.1	207.7	215.7	227.9	227.8	230.8	229.6
Republic of Karakalpakstan	9.7	10.2	10.3	10.7	11.8	11.7	11.9	12.1
Andijan province	19.0	19.7	20.2	20.6	21.3	19.9	20.2	20.4
Bukhara province	13.5	14.0	14.8	15.5	16.6	16.6	17.1	17.2
Jizzakh province	11.5	12.7	14.3	15.0	15.9	16.3	16.5	16.5
Kashkadarya province	15.6	16.0	18.4	21.5	24.6	26.2	27.5	27.9
Navoi province	8.4	9.2	9.4	9.7	10.1	9.2	9.4	9.4
Namangan province	12.5	13.2	13.8	14.2	14.4	14.6	14.8	14.3
Samarkand province	20.4	20.9	21.1	21.5	22.1	21.5	21.4	21.2
Surkhandarya province	10.5	10.9	11.2	11.4	11.9	12.3	11.4	11.8
Sirdarya province	7.4	7.8	7.9	8.1	9.2	9.7	9.9	10.1
Tashkent province	14.8	15.3	15.6	16.1	16.7	17.1	17.3	17.6
Fergana province	17.2	19.1	19.5	19.9	20.8	20.3	21.1	18.9
Khorezm province	10.7	11.4	11.4	11.5	12.2	12.3	12.6	12.7
Tashkent city	18.9	19.4	19.4	20.0	20.1	19.8	19.6	19.5

Source: Uzbekistan State Committee on Statistics.

*) Data by the legal entities and as of the first day of the next month.

In 2003 there was a positive change in SME foreign economic activity. By the end of 2003 the number of SMEs participating in foreign trade amounted to more than 3.3 thous., which was 12.2% greater than in 2002. The share of SMEs in the total volume of exports in 2003 was 7.3% (7.5% in 2002).

The share of SMEs in the total volume of imports in 2003 was 33.7%, exceeding this indicator for 2002 by 8.8 percentage points. This trend was magnified by the improvement of state regulation of consumer goods importation.

Solving the problems of the development of SME foreign economic activity depends on the implementation of measures aimed at improving foreign trade activity mechanisms and promoting exports.

Annex 2.1.1. Key SOE Privatization Indicators

Name of indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of privatized SOEs (units)	8537	1915	1231	451	448	374	1449	1912	1519
Number of non state-owned enterprises established on the basis of privatized property (units) including:	8537	1915	899	266	373	372	1238	1800	1452
Joint Stock Companies	1026	1257	456	110	141	152	227	223	75
Sole proprietorships	6036	420	260	103	156	103	827	1252	981
Other types of incorporation	1475	238	183	53	76	117	184	325	396
Privatization proceeds (UZS bn)	2.4	5.3	4.4	8.9	9.1	14.3	23.2	43.6	56.1

Source: Uzbekistan GKI data.

Note: A number of joint stock companies were set up by merging assets of several SOEs or stripping assets of single SOEs.

Likewise, 75 joint stock companies based on assets of 142 SOEs were set up in 2003.

Annex 2.2.1. Dynamics of Stock Market Sales (UZS bn)

Name of Indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total sales of shares in Stock Market	1.74	8.27	8.37	17.92	10.78	17.11	26.13	41.74	74.7
IPO Segment	1.58	5.94	5.48	9.99	4.51	6.23	12.26	16.33	53.9
Stock Exchange	1.32	2.78	2.28	3.25	3.13	4.60	6.84	10.53	19.7
OTC Market	0.26	3.16	3.18	6.74	1.38	1.63	5.42	5.80	34.2
Secondary Market	0.16	2.33	2.89	7.93	6.27	10.88	13.87	25.41	20.8
Stock Exchange	-	0.03	0.02	0.27	0.51	0.63	1.10	4.60	12.4
OTC Market	0.16	2.30	2.87	7.66	5.76	10.25	12.77	20.81	8.4

Sources: data for 1995-1998 - Report by NII Uglubleniya Rynochnykh Reform (Research Institute for Market Reform Progress) under the GKI of Uzbekistan; indicators for 1999 - 2003 – data from the Center for Coordination and Control over Stock Market Functioning under the GKI of Uzbekistan.

Annex 2.2.2. Number and Value of Property Items Sold via Republican Real Estate Exchange (units/ UZS mill)

Property Type	1995		1996		1997		1998		1999	
	number	amount	number	amount	number	amount	number	amount	number	amount
Construction in Progress	177	141	646	320	550	369	280	247	257	196
Trade and Services Facilities	880	338	347	94	296	162	232	172	278	198
Property of Bankrupt Enterprises	4	1	40	66	86	98	56	109	315	176
Property sold in compensation of tax arrears	-	-	-	-	-	-	-	-	-	-
Property sold by order of the Economic Court	-	-	-	-	-	-	-	-	-	-
Land Plots	2845	52	7911	143	6456	206	4454	185	4060	158
Residential premises and other property	2888	333	6556	975	2949	796	1866	1053	1560	1660
Total	6794	864	15500	1598	10337	1631	6888	1766	6470	2388

Property Type	2000		2001		2002		2003	
	number	amount	number	amount	number	amount	number	amount
Construction in Progress	296	630	265	559	180	832	586	1176
Trade and Services Facilities	419	450	548	1221	436	1039	954	3203
Property of Bankrupt Enterprises	435	1028	565	1264	289	719	372	1559
Property sold in compensation of tax arrears	-	-	2211	1345	2230	1409	209	388
Property sold by order of the Economic Court	-	-	496	415	343	312	147	391
Land Plots	5700	254	8662	504	8335	551	7391	490
Residential premises and other property	2093	3818	2469	7042	2472	11309	4254	16253
Total	8943	6180	15216	12350	14284	16171	13913	23460

Source: RREE.

Annex 2.3.1. Key Indicators of SME Sector Development

Indicators	Units.	1999	2000	2001	2002	2003
SME share in Uzbekistan GDP	%	29.1	31.0	33.8	34.6	35.5
Small and medium businesses	%	12.6	13.1	14.8	15.7	16.4
Number of operating legal entities	thous. units	125.6	149.3	177.7	236.4	229.6
Number of SME employees *)	thous. people	647.7	745.3	801.8	900.3	1045.1

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics

*) Not taking into account individual entrepreneurs.

Annex 2.3.2. SME Share in Output by Economy Sectors (%)

Fields of activity	1999	2000	2001	2002	2003
Industry	10.5	11.3	14.1	14.1	16.6
Agriculture	68.0	72.4	75.6	76.4	76.8
Retail turnover	45.6	45.9	45.8	43.8	45.5
Paid services	35.9	37.9	39.9	41.3	45.7

Source: Uzbekistan State Committee on Statistics.

Annex 2.3.3. SME Share in Foreign Trade

Indicator	1999	2000	2001	2002	02/I	02/I-II	02/I-III	03/I	03/I-II	03/I-III	2003
Export, %	29.4	10.2	9.0	7.5	8.4	7.7	7.6	6.2	5.9	6.6	7.3
Import, %	35.5	27.4	26.9	24.9	25.0	25.1	24.5	32.3	31.6	32.6	33.7
Number of SMEs engaged in foreign trade, '000 units	2.4	2.8	2.5	2.7	1.2	1.8	2.3	1.4	2.1	2.7	3.3

Source: Uzbekistan State Committee on Statistics.

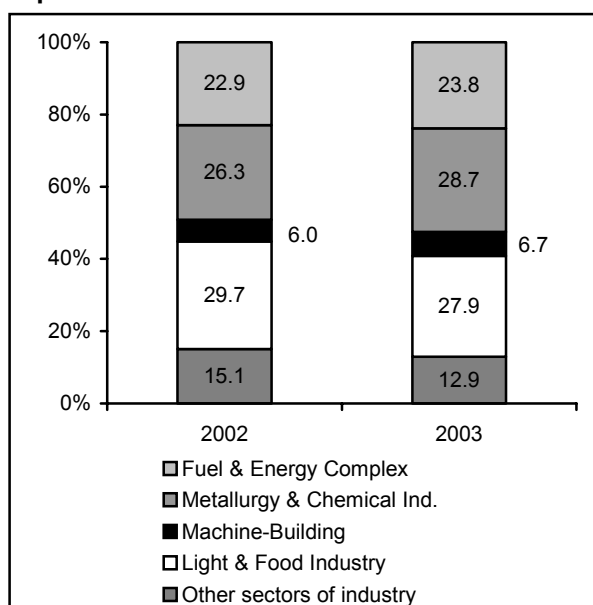
3. Structural-Investment Policy

3.1. Industry

In 1993, industrial enterprises produced manufactured goods worth 6062.4 bill. soums. The output of industrial sectors in 2003 increased by 6.2%, as compared with the previous year. This tendency ensured an increase in the share of industry in the production structure of the GDP from 14.5% to 15.0%, and reflects the process of the gradual strengthening of the financial standing of industrial enterprises.

In the structure of added value of the industry, the share of the sectors of the fuel-and-energy, metallurgical and chemical complexes increased by 3.3 points as compared to the previous period; this resulted from a rise in the profitability of electric power and fuel sectors on account of the reduction of tax rates for direct and indirect taxes. A positive tendency in the dynamics of structural shifts was a 0.7 point increase in the share of the machine-building sectors (Graph 3.1.1.).

Graph 3.1.1. Structure of Added Value of Industry



Source: calculated by the author based on the data from the State Committee on Statistics of Uzbekistan

In other sectors a tendency towards slight reduction of expenses and interim consumption was observed, which, at the same time, indicates an increase in the proportion of added value in the volume of product output.

The strengthening of the financial standing of enterprises was promoted by the restructuring of unprofitable and economically insolvent enterprises, which resulted in a growth of production volume at 52 large-scale enterprises, which amounted to 80% of the total number of industrial objects under restructuring.

In the course of restructuring, 3.3 bill. soums' worth of fixed assets were sold, and 1.3 bill. soums' worth of shares were sold to foreign investors. On the basis of released facilities, 60 new enterprises have been organized. Their activities are directed at the development of fundamentally new competitive kinds of products.

Well-directed work on changing the structure of ownership towards slashing the state's share in it, and realizing the legally constituted rights of private and corporate owners have become the main factors in maintaining the leading role of machine-building enterprises in ensuring industrial growth.

The index of increases in output of machine-building products in 2003 had the highest value in the sectoral dynamics of the industry's development – 30.8% (Table 3.1.1).

Table 3.1.1. Indices of Manufacture of Industrial Products

	Index of Manufacture of Industrial Products (in % to previous year)							
	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Industry	106.7	107.2	107.8	108.3	104.0	105.5	105.7	106.2
Electric-power	100.4	101.0	101.2	101.5	100.6	100.9	100.2	101.8
Fuel	100.5	101.1	101.1	102.4	97.5	97.9	99.7	100.6
Ferrous Metallurgy	102.0	102.3	104.1	104.3	104.4	111.5	110.2	109.1
Non-Ferrous Metallurgy	108.1	107.2	107.0	105.9	101.1	100.2	99.2	99.0
Chemical	120.0	125.8	125.4	113.8	102.6	104.9	104.3	105.2
Machine-Building	108.4	105.5	102.1	108.8	108.8	119.2	128.1	130.8
Timber, Woodworking	105.5	112.5	110.5	113.2	106.4	100.7	96.3	100.0
Construction Materials	106.0	101.9	105.1	102.2	101.8	99.7	102.2	104.3
Light Industry	106.4	108.1	107.3	109.0	109.3	110.5	107.4	106.2
Food	110.5	112.2	119.7	119.2	103.5	104.8	106.1	106.8
Other	107.8	107.3	108.0	107.5	104.6	106.7	105.3	105.0

Source: State Committee on Statistics of Uzbekistan

A major contribution to the sector's development was made by enterprises of the automobile industry, which constitute over 66% of the total production output of the machine-building industry. The index of growth of the physical volume of production of motor-cars amounted to 16.7%. Exports of the sector's products exceeded the previous year's level by 39.7%.

An important factor in the formation of positive dynamics in the development of motor-car construction was the reduction in production costs due to an average decrease in prices for imported component parts of 28%; as well as the implementation of localization projects, aimed at reducing the level of dependence of production on outside supplies. In particular, the output of motor-car accumulators and glass parts, as well as electric harnesses, has been launched.

On the whole, based on the year's overall results, the growth index of cost volumes in the motor-car construction sector amounted to 31.8%. One of the main factors that contributed to sustainable intensive growth in the sector was an increase in domestic demand for the products, resulting from a decrease in car prices of 7 – 10% on average, depending on car models. In the general production structure of the sector, the share of products manufactured by joint-ventures amounted to 98.7%.

The implementation of investment programs, aimed at the introduction of new types of products and the further strengthening of production potential, facilitated the formation of positive dynamics in the development of the electrical industry. The index of growth of output in the sector amounted to 27.7%. The production of consumer goods increased by 11.1%, their share in the sector's cost structure amounting to 15.9%.

An important prerequisite for ensuring high growth rates in the export of electrical products (44.0%) was the intensification of marketing activities. At present, 14 main enterprises-exporters with steady exports are in operation.

In order to reach new sales markets, the sector's enterprises are actively working on the development of their export product range. In 2003 new products were exported in the amount of more than 740 thous. US doll., among which there were 10 types of cable-conductor products, resistors, etc.

The index of growth of output volume of cable products amounted to 18.3%. Production of color TV-sets has grown more than 3.5 times. The growth of TV-set production is connected with the manufacture of a new model of TV-sets by the Uzbek-American JV "Roison Electronics". The share of products and services, produced at non-state enterprises of the electrical industry amounted to over 98%.

The rates of development of ferrous metallurgy, based on the repartition of ferrous metals, have turned out to be much higher than expected results. The index of growth of the sector's output amounted to 9.1% over the previous year's level. Positive trends are linked to the improvement in the sales of products manufactured, and a significant reduction in remainders of finished products.

In the structure of gross output of industrial products, the share of ferrous metallurgy increased from 1.5% to 1.8%. Positive shifts are directly connected with a number of governmental decisions that have facilitated a rise in the level of resource supplies of basic materials – iron-and-steel scrap – to the sector's enterprises.

In the development of non-ferrous metallurgy, trends of declining growth rates are still present. Based on the overall results of 2003, cost volumes of product output fell by 1.0% compared to the level of the previous year. At the same time, in the structure of industrial production, non-ferrous metallurgy is holding its leading position, its share having increased from 13.4% to 14.9%.

Rates of growth of production in the light and food industries remain high. In 2003 the index of growth of output of the food industry amounted to 6.8%. The growth of production volume of grains – 46.2%, canned fruit and vegetables – 21.9%, granulated sugar – 14.2%, and milk and dairy products – 7.6%, has been registered.

In 2003 the development of light industry was characterized by a surplus production level compared to the previous year – by 6.2%. Positive development indicators were achieved owing to an increase in the physical volumes of production of knitted goods – by 0.6%, hosiery – 1.9 times, silk fabrics – by 0.3%, carpets and rugs – 2.8 times, and cotton yarn – by 2.4%.

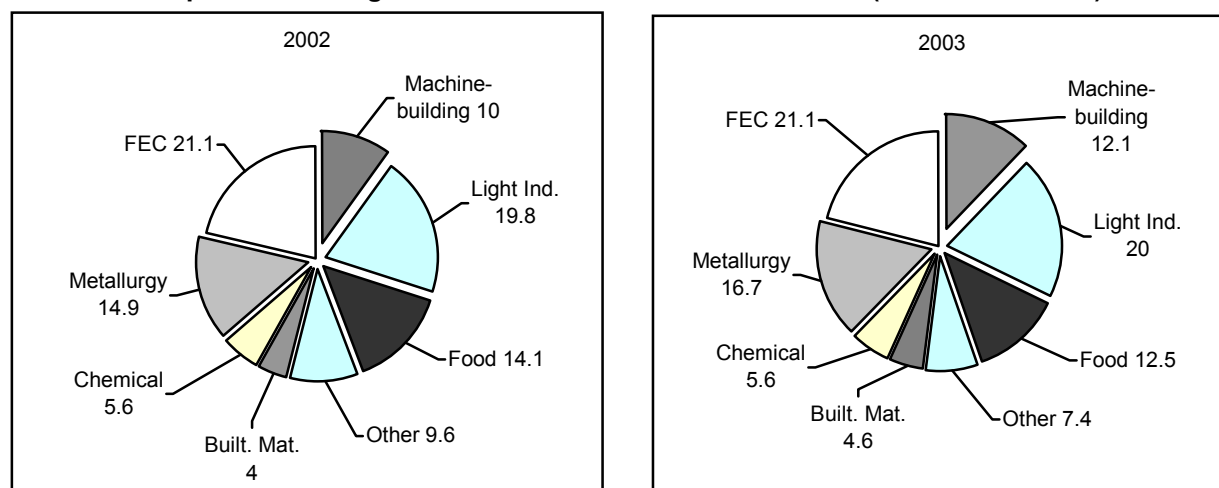
Table 3.1.2. Indices of Growth of Production of Main Types of Industrial Products

	Unit	Output of Basic Products in Kind		Indices of Basic Products (in % to previous period)	
		2002	2003	2002	2003
Electric Power	mill. K.W.H.	49307	49399	103.0	100.2
Fuel					
Oil	thous. tons	4057.4	4387.0	102.2	108.1
Gas	mill. cubic m	57654.0	57481.0	104.0	99.7
Coal	thous. tons	2736	1910	100.9	69.8
Steel	thous. tons	462.3	486.0	103.6	105.1
Machine-Building					
Tractors	items	3178	2888	107.1	90.9
Excavators	items	56	60	69.8	107.1
Cars	items	34716	40505	84.7	116.7
Color TV-sets	items	4161	14770	2.6 times	3.5 times
Armor Cable	km	1539	1820	98.3	118.3
Chemical					
Mineral Fertilizers	thous. tons	790.8	817.2	111.2	103.3
Nitrogen Fertilizers	thous. tons	645.7	703.5	110.0	109.0
Phosphate Fertilizers	thous. tons	145.1	113.7	116.5	78.4
Synthetic Ammonia	thous. tons	905.1	992.9	111.4	109.7
Sulphuric Acid	thous. tons	841.8	800.3	134.4	95.1
Synthetic Resins and Plastics	tons	30525	74085	2.2 times	2.4 times
Chemical Fibers and Threads	tons	15127	14863	112.1	98.3
Synthetic Detergents	tons	2944	1734	92.8	58.9
Chemical Protectants for Plants	tons	3518	3948	2.3 p.	112.3
Varnish-and-Paint Materials	tons	4654	6776	48.3	145.6
Walling Materials	mill. pieces cond. bricks	292.4	192.5	96.4	65.8
Light Industry					
Cotton Fiber	thous. tons	1005.8	946.0	98.6	94.0
Cotton Yarn	thous. tons	167.8	171.8	112.4	102.4
Raw Silk Threads	tons	868.5	576.2	66.9	66.3

Source: State Committee on Statistics of Uzbekistan

At the same time, because of a high import constituent in the volume of utilized raw materials necessary for the production of artificial leathers, the rates of production of leather goods dropped by 63.9%. The rates of production of cotton fabrics decreased – by 2.2%, of cotton wool – by 1.1%, and raw silk threads – by 33.7%. Based on the overall results of 2003, the index of growth of output of light industry amounted to 6.2%.

In the general structure of industrial production the share of light industry grew from 19.8% to 20.0% (Graph 3.1.2).

Graph 3.1.2. Change in Structure of Industrial Production (in Current Prices)


Source: State Committee on Statistics of Uzbekistan

In 2003 the index of growth of output in the chemical industry amounted to 5.2%. The lower rates of increase in chemical products output were caused by a reduction in the production of phosphate fertilizers – of 21.6%. The main reason for the slow-down was insufficient supplies of technological raw materials (phos-flour, sulphuric acid). Physical volumes of the production of synthetic detergents, sulphuric acid, and chemical fibers and threads also decreased – by 41.1%, 4.9%, and 1.7% respectively.

A positive factor in the chemical sector's development was a significant increase in the production of synthetic resins and plastics – 2.4 times, and synthetic ammonia – by 9.7%. However, this did not have any material effect on the formation of the general dynamics of the sector's development.

In 2003, the increase in output of the construction materials industry (CMI) amounted to 4.3%, and other sectors – 5.0%.

Steady rates of production have been ensured in the fuel-and-energy complex (FEC). The index of growth of the electric-power industry's output amounted to 1.8%, which is 0.7 point higher than the previous years' level. An important part in the improvement of financial stability of enterprises of the electric-power industry was played by the implementation of governmental decisions regarding the strengthening of the discipline of enforcing payments for electricity and heat.

Based on the totals of 2003, as a result of the reform of the energy system providing for a stage-by-stage rise in electricity rates, the number of unprofitable enterprises in the electric power industry decreased by 15, or by 60% as compared to the previous year.

The index of growth in cost volumes of the fuel industry's output in 2003 amounted to 0.6%. Fulfilling organizational and geological-and-technical measures in the oil-and-gas sector ensured an increase in crude oil extraction – of 8.1%, liquefied gas – 32.6%, and oils – 25.7%.

On the whole, based on the overall results of 2003, structural shifts were formed in the direction of an increase of the share of metallurgical sectors in the structure of industrial production from 14.9% to 16.7%, and of the fuel-and-energy complex – from 21.1% to 21.5%. The share of the chemical industry, which produces mainly raw materials, remained at the previous year's level and amounted to 5.6%.

The positive dynamics of the increase of the share of machine-building sectors from 10.0% to 12.1% did not affect the general dynamics of structural shifts in the sectors with a high level of added value. The general share of these sectors decreased from 53.6% to 52.1%, mainly due to a decline in the share of the food industry – from 14.3% to 12.4% (Table 3.1.3).

Table 3.1.3. Structure of Industrial Production

	Structure of Industrial Production, % (in current prices)							
	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Industry	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Electric Power	7.9	7.3	7.6	7.7	8.9	8.6	9.2	8.7
Fuel	14.6	14.0	14.0	13.4	11.6	11.8	12.7	12.4
Ferrous Metallurgy	1.4	1.5	1.5	1.5	1.7	1.9	1.9	1.8
Non-Ferrous Metallurgy	10.1	13.5	13.8	13.3	12.5	15.0	15.5	14.9
Chemical	6.0	5.9	5.8	5.9	6.0	6.1	6.0	5.6
Machine-Building	10.6	10.8	10.2	10.3	12.7	13.0	12.8	12.1
Timber, Woodworking	1.0	1.1	1.2	1.3	1.0	0.9	1.0	1.1
Construction Materials	4.0	4.5	5.0	4.6	3.6	4.1	4.6	4.5
Light Industry	21.5	18.9	17.5	19.5	23.9	20.3	17.5	20.0
Food Industry	15.1	14.7	14.6	14.3	12.9	12.9	12.7	12.4
Other	7.8	7.8	8.8	8.2	5.2	5.4	6.1	6.5

Source: State Committee on Statistics of Uzbekistan

Analysis of the main indicators of development of industry sectors on the whole has shown a moderate trend towards growth. With a view to ensuring steady industrial growth, further improvement of the taxation and pricing system, as well as the advancement of the level of marketing research of the industrial products market are deemed expedient.

3.2. Consumer Goods Market

In 2003 the volume of production of consumer goods increased by 8.4% as compared to 2002, with foodstuffs production having increased by 6.6%, and nonfoods – by 12.1% (Table 3.2.1.).

Table 3.2.1. Dynamics of Consumer Goods Production (in % to Previous Period)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Consumer Goods	110.5	111.5	111.7	111.8	102.3	104.0	106.8	108.4
Foodstuffs	118.5	121.6	122.8	120.7	104.2	105.1	106.1	106.6
Vodka, Liquor, and Beer	109.1	113.9	113.5	110.7	87.8	93.2	95.5	98.2
Nonfoods	103.2	102.0	101.5	103.9	103.2	105.1	109.7	112.1
Light Industry Goods	111.1	108.7	108.8	105.8	112.0	110.5	113.1	112.2

Source: State Committee on Statistics of Uzbekistan

The share of nonfoods grew from 44.5% to 48.0% due to a significant increase in production of cars, sophisticated household appliances, and carpets and rugs (Tables 3.1.2, 3.2.3). The share of foodstuffs in the consumer structure decreased and amounted to 43.8% (Table 3.2.2).

Table 3.2.2. Structure of Consumer Goods Production (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Consumer Goods	100	100	100	100	100	100	100	100
Foodstuffs	47.8	47.5	47.2	47.1	44.4	43.2	42.6	43.8
Vodka, Liquor, and Beer	7.7	8.2	8.9	8.4	7.5	8.3	8.4	8.2
Nonfoods	44.5	44.2	43.9	44.5	48.1	48.4	49.0	48.0
Light Industry Goods	10.6	10.2	11.6	11.8	13.7	13.4	13.5	13.0

Source: author's calculations based on the data of the State Committee on Statistics of Uzbekistan

Among light industry goods, a growth in production of the following goods was observed: carpets and rugs – 2.8 times, hosiery – 1.8 times, silks – 0.3% and knitwear – 0.6% (Table 3.2.3).

Unfavorable weather conditions in 2003 resulted in a decline in the cotton yield, which led to a reduction in the production volumes of cotton fabrics and plant (cottonseed) oil, while a decline in the grape yield affected the volume of production of alcoholic beverages, including grape wines (Table 3.2.3).

Table 3.2.3. Dynamics of Production of Major Types of Consumer Goods by Large- and Medium-Scale Industrial Enterprises of the Republic of Uzbekistan * (in % to previous period)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Cotton Fabrics	105.6	108.0	108.3	106.9	100.8	102.6	100.7	97.8
Silk Fabrics	111.7	111.3	107.4	97.4	62.4	78.1	97.5	100.3
Carpets and Rugs	72.4	87.6	90.5	108.3	173.4	182.7	202.0	2.8 times
Hosiery	80.2	105.1	90.8	77.0	140.3	183.7	176.1	188.4
Knitwear	107.3	100.6	101.4	82.4	115.2	105.3	98.7	100.6
Footwear	125.8	110.9	104.8	109.5	101.4	102.6	100.8	99.9
Cheese, including brynza ¹	97.5	105.1	109.6	74.3	78.0	88.8	81.7	78.4
Milk and Dairy Products	102.0	106.2	112.2	115.9	111.3	100.0	106.8	107.6
Canned Goods	103.0	94.5	95.1	101.3	89.0	101.8	116.0	121.9
Granulated Sugar	x	x	x	7.6 times	106.2	108.2	101.7	114.2
Plant Oil	109.9	111.9	96.1	93.8	100.9	102.9	99.9	97.8
Grape Wine	108.5	113.7	111.5	116.6	99.2	83.7	74.5	73.4
Vodka and Liquors	106.4	102.9	97.1	92.5	91.4	93.6	93.2	96.6
Non-Alcoholic Drinks	106.3	104.6	87.1	93.1	58.1	33.4	27.0	25.3
Cigarettes – filterless and regular	93.6	102.4	99.1	101.0	91.0	91.6	91.4	92.5

Source: State Committee on Statistics of Uzbekistan

* The data for 2003 have been presented regarding large- and medium-scale enterprises

In the area of consumer goods production, especially foodstuffs, a considerable number of small-scale business entities are in operation. They specialize in the production of bread, baked and confectionery goods, various types of meat and dairy products, butter, sausages, smoked products, cheeses, mineral waters and non-alcoholic drinks, and the processing of fruits and vegetables, as well as other types of agricultural raw

¹ Type of soft sheep's milk cheese (translator's note)

products, whose statistical records do not allow the efficient tracking of dynamics of production in kind. This results, in most cases, in a seeming reduction in production, as compared to the previous period.

The production of consumer goods increased in all the regions of the Republic. Significant growth was achieved in the Jizzakh (29.0%) and Andijan Regions (20.3%). A low level of growth in output was observed in the city of Tashkent (2.7%) and the Fergana Region (1.6%) (Table 3.2.4).

**Table 3.2.4. Production of Consumer Goods in Regions of the Republic of Uzbekistan
(in % to previous period)**

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Republic of Uzbekistan	110.5	111.5	111.7	111.8	102.3	104.0	106.8	108.4
Republic of Karakalpakstan	117.5	115.2	113.1	104.3	103.1	105.9	106.7	104.7
Andijan Region	110.6	102.2	95.9	97.8	96.0	104.3	115.0	120.3
Bukhara Region	108.8	106.8	101.9	103.3	103.3	106.8	109.4	106.0
Jizzakh Region	119.0	155.5	162.4	159.3	101.2	115.7	119.3	129.0
Kashkadarya Region	128.7	122.4	118.1	108.5	113.2	105.8	116.1	108.8
Navoi Region	81.1	97.7	109.5	114.5	125.0	114.6	109.0	105.3
Namangan Region	132.6	138.0	118.3	118.1	107.7	112.3	114.6	114.0
Samarkand Region	111.5	115.2	109.9	102.5	104.8	104.0	106.3	106.8
Surkhandarya Region	121.6	132.3	120.7	114.8	88.7	105.0	105.9	106.2
Sirdarya Region	108.1	106.0	100.3	103.0	100.6	107.7	111.3	104.2
Tashkent Region	114.0	111.9	110.8	106.6	104.7	108.6	109.2	107.1
Fergana Region	114.3	111.6	107.7	106.4	96.7	95.5	101.3	101.6
Khorezm Region	110.1	102.8	93.7	95.0	115.0	115.4	120.5	114.5
Tashkent City	129.5	135.8	134.4	120.2	100.0	102.9	101.5	102.7

Source: State Committee on Statistics of Uzbekistan

Consumer goods are produced in all the regions of the Republic; however, the industrially developed regions – the city of Tashkent, and Andijan, Tashkent, Samarkand, Fergana and Bukhara Regions – account for the majority of production (Table 3.2.5).

Table 3.2.5. Territorial Structure of Consumer Goods Production (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Republic of Uzbekistan	100	100	100	100	100	100	100	100
Republic of Karakalpakstan	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0
Andijan Region	17.1	17.0	15.1	15.1	15.7	17.2	16.7	16.6
Bukhara Region	8.8	8.6	8.5	9.0	9.4	9.1	8.6	8.5
Jizzakh Region	1.7	2.2	2.6	2.3	2.2	2.5	2.7	2.6
Kashkadarya Region	5.3	4.8	4.7	5.1	5.2	4.9	5.2	5.6
Navoi Region	1.6	1.8	2.0	2.0	2.1	2.1	2.1	2.2
Namangan Region	4.3	4.6	4.6	4.5	4.4	4.5	4.4	4.5
Samarkand Region	12.1	11.2	11.2	11.1	10.2	9.7	10.0	9.7
Surkhandarya Region	2.9	2.8	2.6	2.6	2.2	2.3	2.3	2.6
Sirdarya Region	1.9	1.7	1.7	1.7	2.2	1.8	1.7	1.7
Tashkent Region	10.3	10.8	11.3	11.2	11.4	11.8	11.9	11.8
Fergana Region	10.6	10.3	10.4	10.2	9.5	9.1	9.3	9.2
Khorezm Region	3.2	3.0	2.8	3.0	4.0	3.3	3.0	3.0
Tashkent City	17.8	19.0	20.4	19.9	19.2	19.5	19.5	20.0

Source: author's calculations based on the data of the State Committee on Statistics of Uzbekistan

The highest volumes of light industry goods are accounted for by the Bukhara Region, the city of Tashkent, and the Andijan, Fergana, Tashkent, Namangan, and Khorezm Regions, where large-scale textile and carpet-making industrial complexes, as well as knitting mills, garment and shoe factories are in operation (Annex 3.2.2). Wines, liquors and beer are also produced, for the most part, by large-scale factories of the city of Tashkent, and the Tashkent, Fergana, and Samarkand Regions (Annex 3.2.1).

In 2003, the major portion of the exports of consumer goods consisted of cars, cotton fabrics, canned fruit, vegetables and juices, and grape wines. Imported goods included sugar, flour, canned meats and canned dairy, tea, plant oils, and pharmaceuticals.

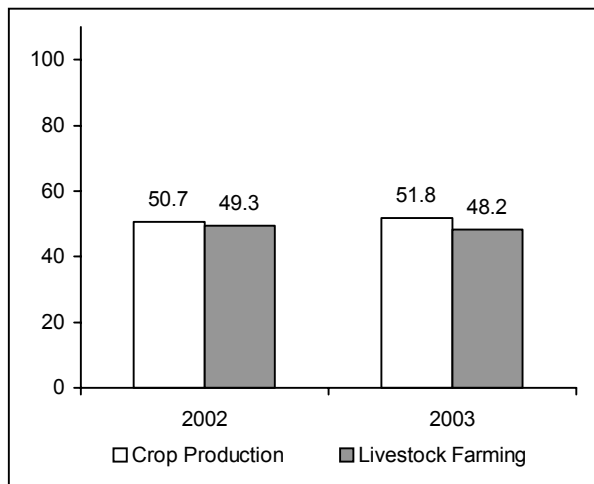
3.3. Agrarian Sector

During 2003, measures were taken for: the restructuring of agricultural production management and the transition from the administrative-and-territorial to the pool-type principle of irrigational systems management. The associations “Uzparrandasanoat”, “Asal”, “Uzmevasabzavot”, and a number of other intermediate management units were liquidated. On the whole, in the system of the Ministry of Agriculture and Water Industry, 6000 staff units of the managerial staff machinery were downsized. Statistical, departmental and other accounting procedures were reduced by 50%, and the unwarranted interference of state authorities in the operative-and-financial activities of economic entities was diminished.

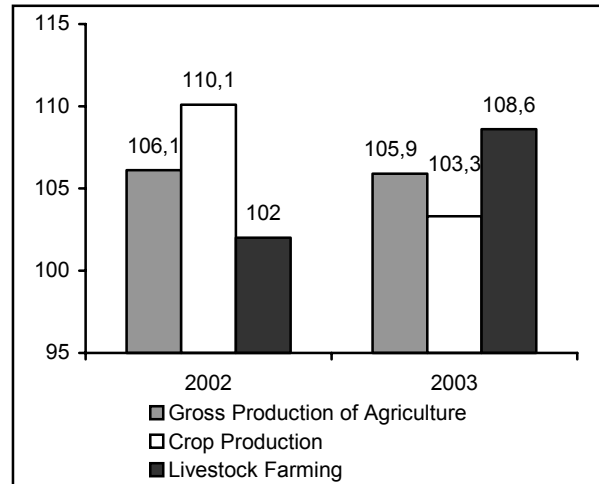
The organizational and economic measures taken for the development of the farmer’s movement, the strengthening of contractual discipline, and the improvement of the organization of the system of procurement of agricultural products facilitated an increase in agricultural production of 5.9% in 2003. The given increase was provided mainly by the predominant growth of livestock farming products and the development of farming in general. The share of agricultural products in the GDP decreased by 1.3 points as compared to 2002 and amounted to 28.8%.

In the intrasectoral structure, the share of crop production grew from 50.7% to 51.8% (Graph 3.3.1). The increase in livestock farming production amounted to 8.6%, and in crop production – 3.3% (Graph 3.3.2).

Graph 3.3.1. Structure of Gross Production Output of Agriculture (%)



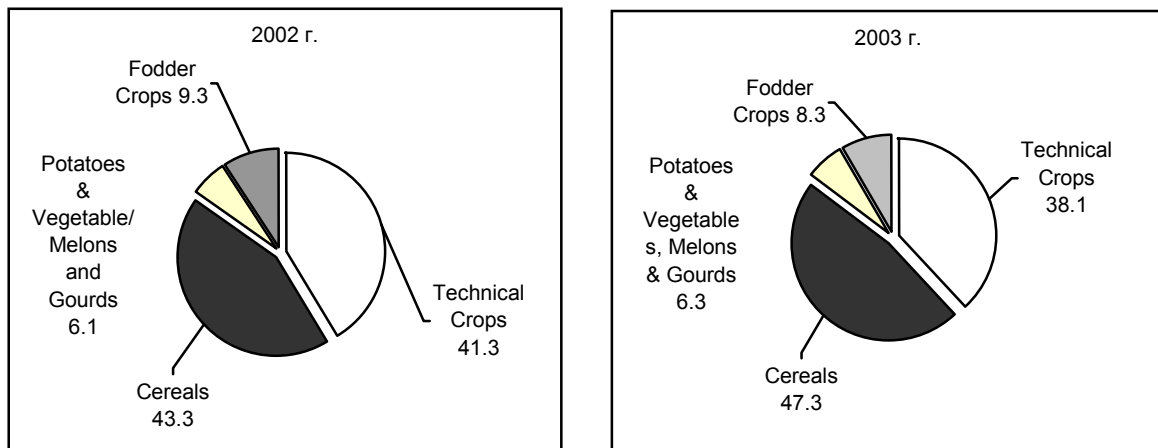
Graph 3.3.2. Average Annual Rates of Gross Production Output of Agriculture (%)



Source: State Committee on Statistics of Uzbekistan

In the structure of cultivation areas, the share of technical crops dropped by 3.2 points, and fodder crops – by 1.0 point, while the share of cereals grew by 4.0 points, and potatoes and vegetables/melons and gourds – by 0.2 point (Graph 3.3.3.).

Graph 3.3.3. Structure of Cultivation Areas (%)



Source: State Committee on Statistics of Uzbekistan

In 2003, 255.6 thousand internal agricultural contracts were concluded, including those for raw cotton production – 120.1 thousand, grain – 87.8, and vegetables – 47.7 thousand contracts. A reduction in raw cotton production took place - 2822.5 thousand tons were produced, i.e. 199.9 thous. tons fewer than in 2002. The yield of cotton-plants amounted to 20.3 centner/hect. (21.9 centner/hect. in 2002). The reduction is linked to bad weather conditions in the second ten-day period of April and in the first half of May, when precipitation exceeded normal monthly amounts 1.5 – 4.5 times. The volume of grain harvest amounted to 6262.3 thousand tons, which is 469.7 thous. tons greater than the harvest of 2002 (Table 3.3.2).

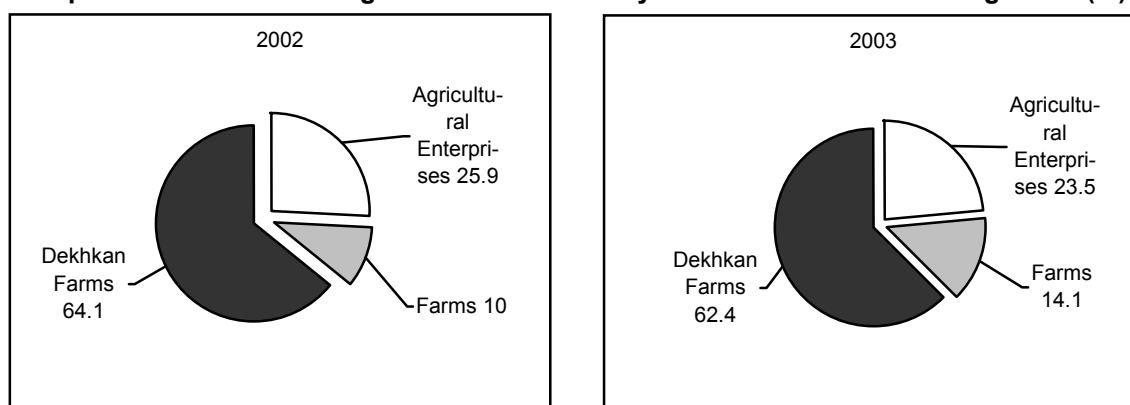
Table 3.3.1. Main Indicators of Development of Agricultural Production

	Unit	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Raw Cotton	thous. tons	–	–	1333.1	3122.4	–	–	317.0	2822.5
Grain	thous. tons	–	3687	5527.1	5792.6	–	2700	5788.5	6262.3
Potatoes	thous. tons	–	377.5	591.2	777.2	–	404.3	637.9	827.8
Vegetables	thous. tons	–	580.7	1996.2	2935.6	–	640.4	2296.1	3299.2
Fruits and Berries	thous. tons	–	177.1	525.9	842.9	–	180	487.9	758.7
Grapes	thous. tons	–	6.8	297.0	516.4	–	4.2	212.8	401.4
Edible Melons & Gourds	thous. tons	–	21.8	25.5	479.1	–	19.2	369.8	583.3
Meat (live weight)	thous. tons	186.1	399	619.9	865.1	189.5	436.4	675.8	935.5
Milk	thous. tons	686.0	1660.8	2661.6	3721.3	697.5	1834.4	2927.1	4030.3
Eggs	Mill. pieces	275.5	624.1	1009.2	1368.9	305.2	750.8	1189.4	1611.4

Source: State Committee on Statistics of Uzbekistan

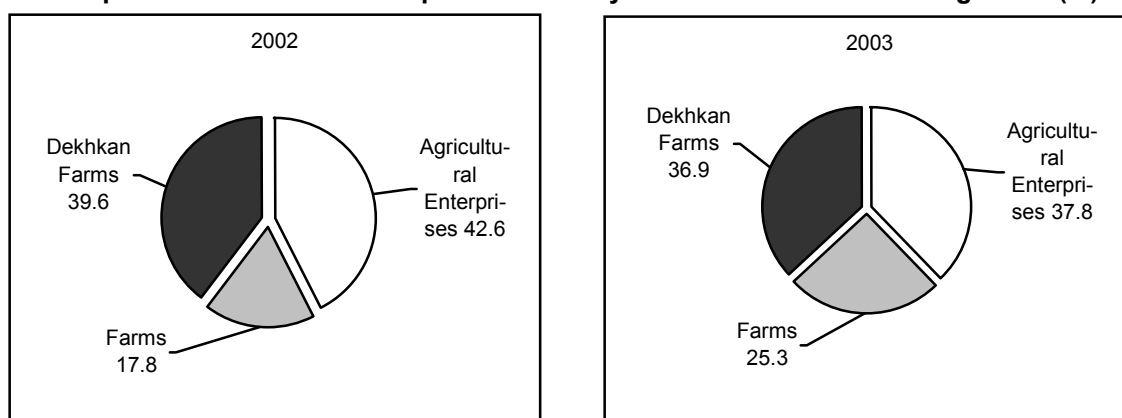
The production of cattle and poultry in all the forms of agricultural entities increased by 8.1%, milk – by 8.3%, and eggs – 17.7%.

Graph 3.3.4. Structure of Agricultural Products by Forms of Economic Management (%)

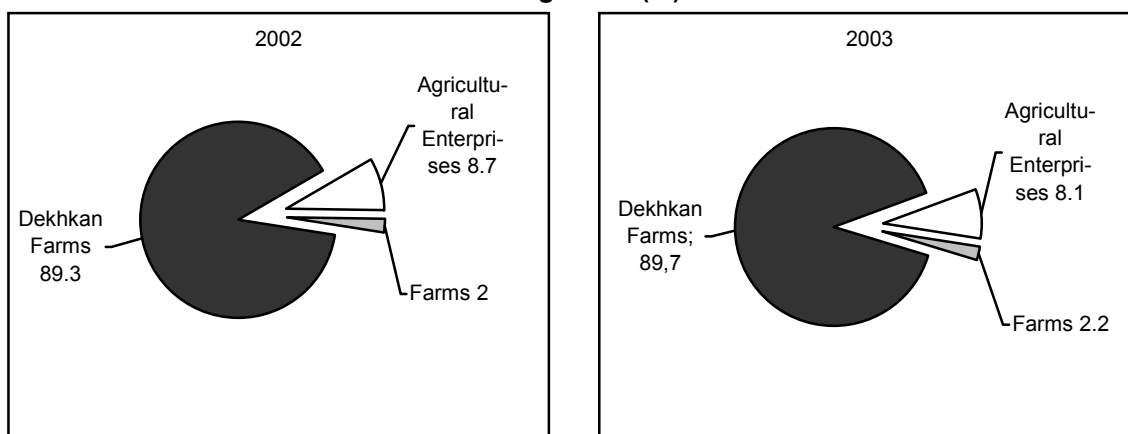


Source: State Committee on Statistics of Uzbekistan

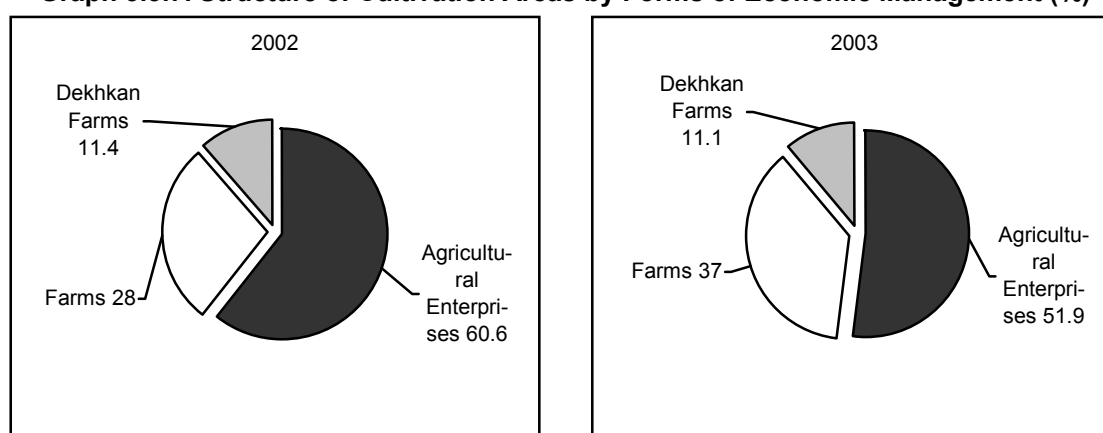
Graph 3.3.5. Structure of Crop Production by Forms of Economic Management (%)



Source: State Committee on Statistics of Uzbekistan

Graph 3.3.6. Structure of Livestock Farming Production by Forms of Economic Management (%)


Source: State Committee on Statistics of Uzbekistan

Graph 3.3.7. Structure of Cultivation Areas by Forms of Economic Management (%)


Source: State Committee on Statistics of Uzbekistan

Agricultural Enterprises (Shirkat Farms).

During the period under review the share of shirkat farms in the total volume of agricultural products output decreased (Graph 3.3.4).

Shirkat farms, as large-scale commodity producers in the agrarian sector, were the main producers of raw cotton (62.2%), wheat (49.8%), fresh fruits (30.1%), grapes (39.9%), and eggs (42.1%) (Table 3.3.2).

Table 3.3.2. Product Output of Agricultural Enterprises (Shirkats)

Products	Unit	Years				In % to previous year	
		2002	Share, %	2003	Share, %	2002	2003
Raw Cotton	thous. tons	2225.7	71.3	1756.1	62.2	87.1	78.9
Grain	thous. tons	3173.5	58.2	3060.7	48.9	125.2	90.7
Cereals	thous. tons	3217.7	59.4	2890.1	50.0	123.7	89.8
Wheat	thous. tons	3039.7	58.6	2717.8	49.8	122.0	92.0
Potatoes	thous. tons	59.1	7.6	48.4	5.9	73.4	81.9
Vegetables	thous. tons	487.3	16.6	620.3	18.1	92.4	127.3
Melons and Gourds	thous. tons	94.2	19.7	75.7	13.0	78.8	80.4
Fresh Fruit	thous. tons	287.0	34.0	228.3	30.1	104.4	79.5
Grapes	thous. tons	253.6	49.1	160.3	39.9	79.1	63.2
Cattle and Poultry	thous. tons	42.2	4.9	39.0	4.2	70.8	92.5
Milk	thous. tons	93.8	2.6	81.1	2.0	71.7	86.5
Eggs	Mill. pieces	559.4	40.8	678.1	42.1	118.9	121.2

Source: State Committee on Statistics of Uzbekistan

Farms. In 2003 the share of farms in the output of agricultural products grew from 9.9% to 14.1%, in comparison with 2002. The number of farms increased by 4.8 thous. units (21%) for a total of 87.5 thous. units; and the amount of settled land – from 1591.7 thous. hect. up to 2148.1 thousand hect., or by 556.4 thous. hect. (35%). The number of employed workers has accordingly increased from 488 thous. persons to 603 thous. persons, or by 115 thous. persons (23.5%). On farms, the primary cultivated agricultural crops were raw cotton and grain and cereal crops (Table 3.3.3, Graph 3.3.6).

Table 3.3.3. Products Output of Farms

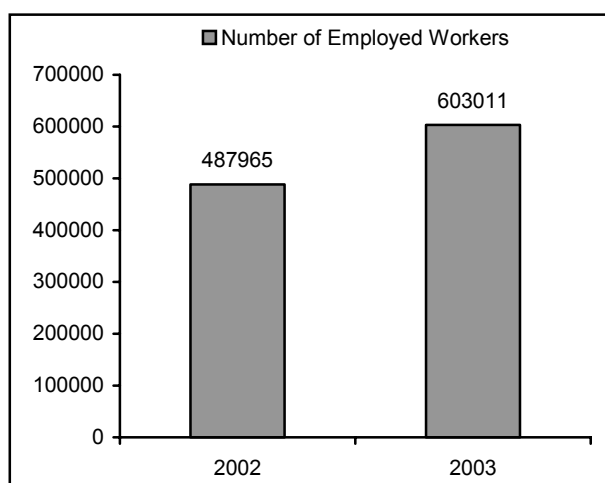
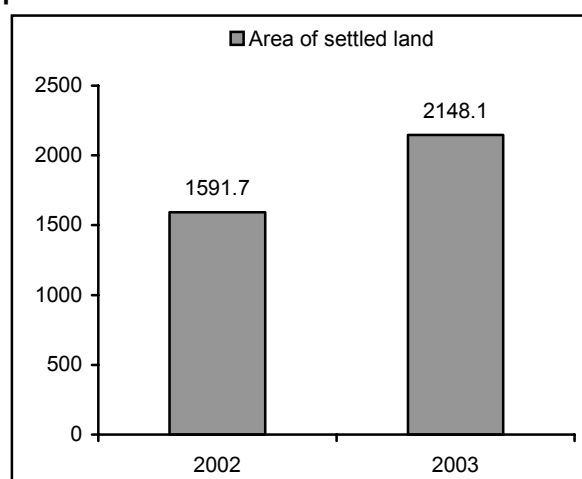
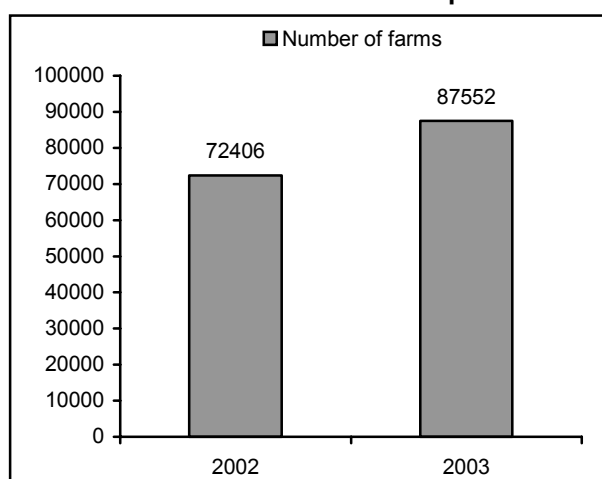
Products	Unit	Years				In % to previous year	
		2002	Share, %	2003	Share, %	2002	2003
Raw Cotton	thous. tons	896.7	28.7	1066.4	37.8	126.4	118.9
Grain	thous. tons	1542.0	26.6	2227.5	35.6	198.9	144.5
Cereals	thous. tons	1473.9	27.2	2083.0	36.0	198.5	141.3
Wheat	thous. tons	1434.2	27.2	2024.9	36.1	198.5	141.2
Potatoes	thous. tons	29.9	3.8	31.7	3.8	97.7	106.0
Vegetables	thous. tons	218.6	7.4	350.3	10.6	121.0	160.2
Melons and Gourds	thous. tons	78.9	16.5	176.8	30.3	140.4	2.3p.
Fresh Fruit	thous. tons	59.5	7.1	54.4	7.2	140.3	91.4
Grapes	thous. tons	34.0	6.6	23.2	5.8	101.5	68.2
Cattle and Poultry	thous. tons	16.7	1.9	18.3	1.9	134.7	109.4
Milk	thous. tons	81.6	2.2	83.5	2.1	140.9	102.3
Eggs	Mill. pieces	46.1	3.4	60.2	3.7	111.4	130.5

Source: State Committee on Statistics of Uzbekistan

and cotton, while 7% engage in livestock production, and 7% – in the cultivation of vegetables and fruits.

On average, in 2003 there were 24 hect. of ground area per farmer (in the Andijan Region this indicator amounted to 9 hect.). Throughout the Republic, farms employ on average 7 persons (in the Surkhandarya Region this indicator amounts to 14 persons, and in the Sirdarya and Fergana Regions – 9 persons each).

Of the number of functioning farms, in the structure of agricultural crops 86% produce grain

Graph 3.3.8. Development of Farms


Source: State Committee on Statistics of Uzbekistan

Regions - was introduced on an experimental basis. 18 thous. farms.

In 2003, 956 unprofitable farms, the bulk of which were located in the Republic of Karakalpakstan (54.7%), the Jizzakh Region (18.2%) and Sirdarya Region (17.9%), were provided with readjustment. As a result of the readjustment, 904 farms (95%) completed the year with profits. For 894 farms (93.5%), the procedure of readjustment was completed.

In order to serve the farms, 118 branches of mini-banks, 129 warehouse for GSM supplies, and 166 alternative MTPs were established.

The mechanism of direct preferential crediting of farms' expenditures in relation to raw-cotton and grain production in four Regions of the Republic – the Fergana, Namangan, Bukhara and Khorezm

Table 3.3.5. Production Output of Dekhkan Farms

Products	Unit	Years				In % to previous year	
		2002	Share, %	2003	Share, %	2002	2003
Wheat	thous. tons	709.1	13.7	789.9	14.1	112.8	111.4
Potatoes	thous. tons	688.2	88.6	747.7	90.3	108.7	108.6
Vegetables	thous. tons	2229.7	76.6	2328.6	70.6	107.7	104.4
Melons and Gourds	thous. tons	306.0	63.8	330.8	56.7	105.4	108.1
Fresh Fruit	thous. tons	496.4	58.9	476.0	62.7	102.6	95.9
Grapes	thous. tons	228.8	44.3	217.9	54.3	104.5	95.2
Cattle and Poultry	thous. tons	806.2	93.2	878.2	93.9	103.2	108.9
Milk	thous. tons	3545.9	95.2	3865.8	95.9	102.0	109.0
Eggs	Mill. pieces	763.4	55.8	873.1	54.2	98.4	114.4

Source: State Committee on Statistics of Uzbekistan

Dekhkan Farms. In the structure of economic entities of 2003, dekhkan farms produced 62.4% of the gross output, including: 90.3% of potatoes, 70.6% of vegetables, 62.7% of fresh fruit, 54.3% of grapes, 93.9% of cattle and poultry, 95.9% of milk, and 54.2% of eggs, which proves the profitability of the given type of economic management as a primary agricultural producer. (Graph 3.3.4, Table 3.3.5.).

3.4. Investments

In 2003, the volume of investments in fixed capital at the expense of all funding sources amounted to 1867.4 bill. soum, which is 4.5% higher than the volume in 2002. The situation in the investment sphere, on the whole, continues to be characterized by stable positive dynamics (Annex 3.4.1).

The growth of the volume of investments has had a positive impact on the distribution of investments by form of ownership. The stable growth rate of the economy has facilitated an increase in the activity of the non-governmental sector. The share of non-governmental funds in the total volume of capital investments during 2003 increased by 0.5% and amounted to 59.6% (Table 3.4.1, Annex 3.4.2).

Table 3.4.1. Structure of Distribution of Investments in Fixed Capital by Form of Ownership (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Investments in Fixed Capital	100	100	100	100	100	100	100	100
Government Ownership	43.3	43.4	44.7	40.9	33.0	36.6	38.0	40.4
Non-Governmental Ownership	56.7	56.6	55.3	59.1	67.0	63.4	62.0	59.6

Source: State Committee on Statistics of Uzbekistan

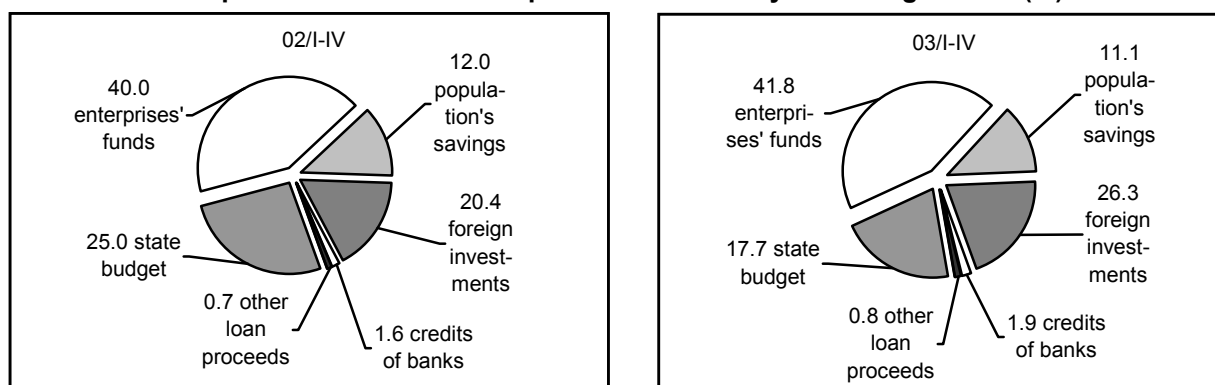
The share of the enterprises' own funds in the structure of investments in fixed capital grew to 41.8%, which is 1.8% higher than the previous year's level. The growth of own funds was impacted by the implementation of measures for the unification of the exchange rate, the liberalization of exchange rate policy, and a decrease in the level of fiscal withdrawals as compared to 2002 (Table 3.4.2; Graph 3.4.1, 3.4.3).

Table 3.4.2. Structure of Fixed Capital Investments by Funding Source (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Total	100	100	100	100	100	100	100	100
State Budget	24.0	28.4	29.0	25.0	13.2	17.9	20.7	17.7
Enterprises' Funds	32.7	37.3	36.6	40.0	50.1	45.3	43.7	41.8
Population's Savings	9.9	13.1	13.9	12.0	9.1	11.8	12.5	11.1
Foreign Inv. Guaranteed by State	25.3	15.1	13.8	15.7	15.5	14.2	13.3	19.2
Direct Foreign Investments	3.0	3.7	4.3	4.7	10.0	5.9	6.6	7.1
Centralized Credits of Banks	3.0	0.2	0.1	0.1	-	-	-	0.0
Credits of Commercial Banks	1.7	1.7	1.6	1.5	1.2	3.6	1.9	1.9
Investments from Non-Budgetary Funds	0.1	0.1	0.2	0.3	0.3	0.1	0.3	0.4
Other Loan Proceeds	0.3	0.4	0.5	0.7	0.6	1.2	1.0	0.8

Source: State Committee on Statistics of Uzbekistan

A change in the structure of investment projects funding and a review of priorities in the State Investment Program resulted in a decline in the proportion of state investments. Their volume dropped to the level of 17.7% of the total volume of capital investments.

Graph 3.4.1. Structure of Capital Investments by Financing Source (%)


Source: State Committee on Statistics of Uzbekistan

The share of acquisition of foreign investments and credits was 5.9% higher than the corresponding figure for 2002. The rise in the total volume of foreign investments to 26.3% of the total volume of capital investments resulted from higher confidence of foreign investors and a decline in investment risks. The growing attractiveness of investment entities for foreign investors facilitated the growth of direct foreign investments and credits by 2.4%.

The proportion of the population's savings in the structure of financing sources decreased by 0.9%. Most of them are used for the construction of private housing.

Obtained funds in the total volume of capital investments increased, owing to the growth of commercial banks' credits, whose share increased from 1.5% to 1.9%.

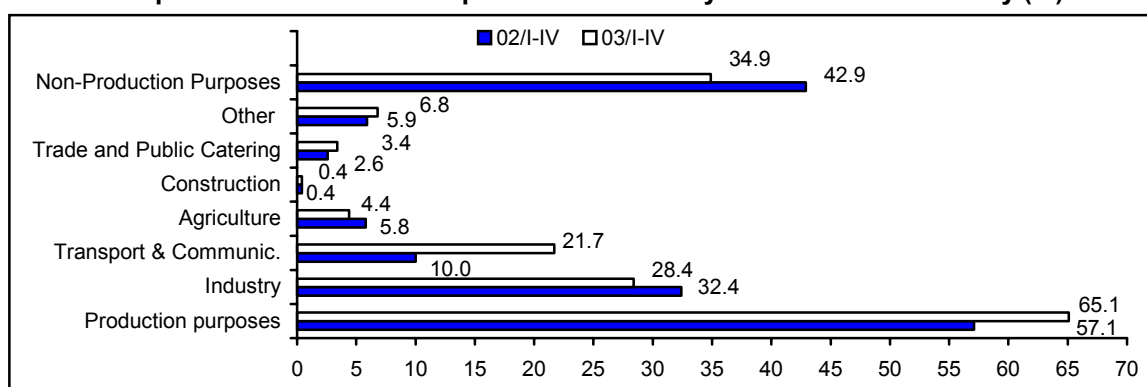
In 2003 the bulk of investments was used for the development of core branches of the economy (industry, transport, and communications), which facilitated the growth of the share of investments directed to the production sphere to 65.1% (57.1% in 2002).

The share of capital investments allocated for industry branches amounted to 28.4%, which is 4.0% lower than the previous year's level. The volume of investments in the industry declined due to a reduction in capital investments in the fuel branch by 7.8%, in the food industry – by 2.2%, and in the machine-building complex – by 7.2% (Table 3.4.3; Graph 3.4.2, Graph 3.4.4.).

Table 3.4.3. Structure of Investments in Fixed Capital by Sector of the Economy (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Total	100	100	100	100	100	100	100	100
For production purposes	63.9	58.2	54.9	57.1	69.4	59.5	58.9	65.1
Industry	36.4	28.4	29.3	32.4	37.3	29.9	29.3	28.4
Agriculture	7.3	6.6	6.8	5.8	4.7	4.1	4.1	4.4
Construction	0.2	0.6	0.6	0.4	0.4	0.5	0.5	0.4
Transport and Communications	14.6	11.5	10.0	10.0	11.9	12.5	12.9	21.7
Trade and Public Catering	2.1	2.3	1.6	2.6	5.5	5.1	4.4	3.4
Other Areas	3.3	8.8	6.6	5.9	9.6	7.4	7.7	6.8
For non-production purposes	36.1	41.8	45.1	42.9	30.6	40.5	41.1	34.9

Source: State Committee on Statistics of Uzbekistan

Graph 3.4.2. Structure of Capital Investments by Sector of the Economy (%)


Source: State Committee on Statistics of Uzbekistan

In the sectoral structure of capital investments, the share of investments in the fixed capital of agriculture in 2003 decreased by 1.4%, i.e. down to 4.4% of the total structure of capital investments.

In 2003 the growth of capital investments in the development of transport networks and the transport and communications complex can be discerned. The share of investments in their development increased to 21.7% of the total volume of investments, which is 11.7% higher than the figure of 2002. The construction of a network of new railways and motor roads is providing new opportunities for the integrated development of the economy of the Republic's regions and districts. The growth of investments in this sphere of the economy is linked to an increase in foreign investments to 18.8% in the development of the transport sector.

During 2003, changes in the structure of foreign investments in the fixed capital of sectors of the economy can be discerned. Their share in the production sphere increased to 86.3%. This occurred as a result of the growth of foreign capital by 27.5% in the transport and communications sector (Table 3.4.4).

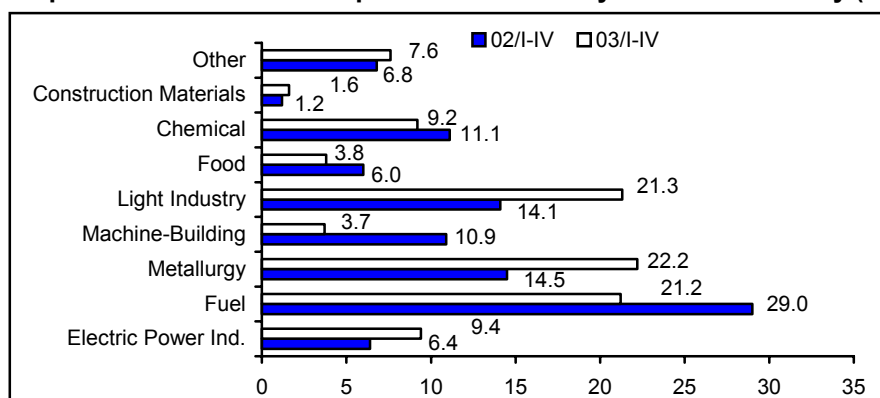
In the sectoral structure of capital investments in industry, the main areas of investment activity in 2003 were the electric-power and metal-lurgy sectors. Investments in these sectors grew by 3.0% and 7.7%, respectively - mainly, owing to the growth of external receipts. Owing to the growth of foreign investments, the share of capital investments in light industry grew from 14.1% in 2002 to 21.3% in 2003.

Table 3.4.4. Structure of Foreign Investments in Fixed Capital by Sectors of Economy (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Total :	100	100	100	100	100	100	100	100
For production purposes	86.7	86.1	85.0	84.7	78.0	79.8	75.6	86.3
Industry	69.5	68.5	66.4	69.4	68.3	58.2	52.0	44.5
Agriculture	3.9	4.4	8.1	6.1	6.1	5.1	4.1	2.8
Construction	-	-	0.1	0.0	0.1	0.1	0.0	0.0
Transport and Communications	10.9	10.5	8.2	7.3	2.6	13.5	16.5	34.8
Trade and Public Catering	0.0	0.1	0.1	0.1	0.4	0.4	0.3	1.0
Other Areas	2.4	2.6	2.1	1.8	0.5	2.5	2.7	3.2
For non-production purposes	13.3	13.9	15.0	15.3	22.0	20.2	24.4	13.7

Source: State Committee on Statistics of Uzbekistan

Graph 3.4.3. Structure of Capital Investments by Sector of Industry (%)



Source: State Committee on Statistics of Uzbekistan

The share of investments in the sectors manufacturing export-oriented products decreased: in machine-building – from 10.9% down to 3.8%, in the chemical and petrochemical industry – from 11.1% to 9.2%, and in the raw-materials-driven sector – the fuel sector – from 29.0% to 21.2%. A reduction of the share of investments in the fuel industry by 7.8% is linked to the significant volumes of investments in 2002 in large-scale construction

projects of the given sector and their completion in 2003 (Table 3.4.5, Graph 3.4.3, Annex 3.4.5).

Table 3.4.5. Structure of Investments in Fixed Capital by Sector of Industry (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Industry - Total	100	100	100	100	100	100	100	100
Electric Power Industry	6.8	6.4	6.7	6.4	7.6	10.4	10.9	9.4
Fuel Industry	27.6	28.6	31.7	29.0	30.2	26.8	24.9	21.2
Metallurgy	14.3	16.6	16.0	14.5	21.2	21.8	19.9	22.2
Machine-Building	16.7	14.0	11.8	10.9	2.3	3.1	3.3	3.7
Light Industry	18.5	12.8	10.9	14.1	16.2	17.0	18.2	21.3
Food Industry	3.7	7.3	6.5	6.0	3.8	3.5	3.7	3.8
Chemical & Petrochemical	5.7	5.5	8.9	11.1	12.2	9.7	9.8	9.2
Construction Materials	0.8	1.0	1.1	1.2	1.1	1.4	1.5	1.6
Other Sectors	5.9	7.8	6.4	6.8	5.4	6.3	7.8	7.6

Source: State Committee on Statistics of Uzbekistan

Based on the overall results of 2003, the highest proportion of foreign investments were in the export-oriented sectors of industry, such as: metallurgy (16.8%) and light industry (46.3%) – with increases of 11.1% and 16.7%, respectively, over the level of the previous year. The share of foreign investments in the electric power industry grew by 5.8%. The share of foreign investments in the fuel sector decreased by 16.2%; in the machine-building complex – by 7.3%; in the chemical and petrochemical industry – by 7.6%; and in the food industry – by 2.2% (Table 3.4.6).

Table 3.4.6. Structure of Foreign Investments in Fixed Capital by Sector of Industry (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Industry – Total	100	100	100	100	100	100	100	100
Electric Power Industry	2.9	2.8	3.5	3.7	4.4	11.2	12.2	9.5
Fuel Industry	21.6	25.8	30.6	24.8	29.7	22.9	12.5	8.6
Metallurgy	4.2	4.9	3.9	5.7	10.5	6.5	6.4	16.8
Machine-Building	19.9	15.4	11.8	9.3	0.2	2.2	1.9	2.0
Light Industry	32.3	26.1	23.8	29.6	30.9	40.9	44.7	46.3
Food Industry	4.6	4.8	5.0	5.3	5.4	3.3	3.9	3.1
Chemical & Petrochemical	5.6	6.9	12.5	15.7	16.8	11.5	10.8	8.1
Construction Materials	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Other Sectors	8.7	13.2	8.8	5.8	1.9	1.3	7.4	5.4

Source: State Committee on Statistics of Uzbekistan

Table 3.4.7. Technological Structure of Investments in Fixed Capital (%)

	02/I	02/I-II	02/I-III	2002	03/I	03/I-II	03/I-III	2003
Total	100	100	100	100	100	100	100	100
Construction-and-assembling operations	52.8	54.4	55.9	53.1	50.4	48.6	51.3	46.5
Machines, equipment, sundries	35.0	32.4	32.1	35.1	36.0	36.0	35.1	41.5
Other expenses	12.2	13.2	12.0	11.8	13.6	15.4	13.6	12.0

Source: State Committee on Statistics of Uzbekistan

In 2003, there were progressive structural changes in the technological structure of capital investments. As a result, investments used for the acquisition of machines and equipment grew by 6.4%, while investments used for construction-and-assembling operations declined by 6.6% (Table 3.4.7, Annex 3.4.6).

Annex 3.1.1. Structure of Industrial Production (% of Total Volume)

Period	Industry	Including:									
		Electric Power	Fuel	Ferrous Metallurgy	Non-Ferrous Metallurgy	Chemical	Machine-Building	Construction Materials	Light Industry	Food Industry	Other
1995	100.0	14.8	13.7	1.3	10.2	5.4	8.8	6.6	19.9	9.3	10.0
1996	100.0	14.6	16.3	1.5	8.4	5.3	8.2	7.2	20.5	7.6	10.4
1997	100.0	11.6	16.4	1.2	9.2	4.2	7.6	6.0	21.4	10.4	12.0
1998	100.0	9.9	14.9	1.1	9.8	5.0	12.8	5.6	17.9	12.3	10.7
1999	100.0	10.2	13.3	1.0	8.9	5.2	11.7	5.5	17.3	13.6	13.3
2000	100.0	8.5	15.3	1.3	10.2	6.0	9.9	5.4	19.1	13.3	11.0
2001	100.0	8.1	13.2	1.4	10.9	6.0	11.2	5.2	20.0	12.6	11.4
2002	100.0	7.7	13.4	1.5	13.3	5.9	10.3	4.6	19.5	14.3	9.5
2003	100.0	8.7	12.4	1.8	14.9	5.6	12.1	4.5	20.0	12.4	7.6
02/I	100.0	7.9	14.6	1.4	10.1	6.0	10.6	4.0	21.5	15.1	8.8
02/I-II	100.0	7.3	14.0	1.5	13.5	5.9	10.8	4.5	18.9	14.7	8.9
02/I-III	100.0	7.6	14.0	1.5	13.8	5.8	10.2	5.0	17.5	14.6	10.0
03/I	100.0	8.9	11.6	1.7	12.5	6.0	12.7	3.6	23.9	12.9	6.2
03/I-II	100.0	8.6	11.8	1.9	15.0	6.1	13.0	4.1	20.3	12.9	6.3
03/I-III	100.0	9.2	12.7	1.9	15.5	6.0	12.8	4.6	17.5	12.7	7.1

Source: State Committee on Statistics of Uzbekistan

Annex 3.1.2. Indices of Industrial Production (% to previous year)

Period	Industry	Including:									
		Electric Power	Fuel	Ferrous Metallurgy	Non-Ferrous Metallurgy	Chemical	Machine-Building	Construction Materials	Light Industry	Food Industry	
1995	100.1	100.4	99.8	88.9	100.3	111.3	118.9	87.3	97.8	98.4	
1996	102.6	95.5	100.5	130.7	105.2	107.6	100.7	103.1	105.4	102.0	
1997	104.1	98.1	104.3	83.5	104.6	99.4	102.2	95.0	102.6	121.0	
1998	103.6	97.2	106.4	96.7	102.3	125.9	103.3	98.2	97.9	109.4	
1999	106.1	99.7	100.9	101.4	100.7	110.0	103.1	101.5	106.7	109.4	
2000	105.9	101.1	99.7	118.7	102.5	115.8	89.7	104.3	117.0	108.5	
2001	107.6	95.8	96.4	110.6	101.8	106.8	124.8	105.9	112.4	109.4	
2002	108.3	101.5	102.4	104.3	105.9	113.8	108.8	102.2	109.0	119.2	
2003	106.2	101.8	100.6	109.1	99.0	105.2	130.8	104.3	106.2	106.8	
02/I	106.7	100.4	100.5	102.0	108.1	120.0	108.4	106.0	106.4	110.5	
02/I-II	107.2	101.0	101.1	102.3	107.2	125.8	105.5	101.9	108.1	112.2	
02/I-III	107.8	101.2	101.1	104.1	107.0	125.4	102.1	105.1	107.3	119.7	
03/I	104.0	100.6	97.5	104.4	101.1	102.6	108.0	101.8	109.3	103.5	
03/I-II	105.5	100.9	97.9	111.5	100.2	104.9	119.2	99.7	110.5	104.8	
03/I-III	105.7	100.2	99.7	110.2	99.2	104.3	128.1	102.2	107.4	106.1	

Source: State Committee on Statistics of Uzbekistan

Annex 3.2.1. Consumer Goods Production in Regions of the Republic of Uzbekistan in 2003

	Production (in % to previous period)					Territorial Structure of Production * (%)					Commodity Structure of Production * (%)				
	Con-sumer Goods, Total	Food-stuffs	Wine, Liquors and Beer	Non-foods	Light Industry Goods	Con-sumer Goods, Total	Food-stuffs	Wine, Liquors and Beer	Non-foods	Light Industry Goods	Con-sumer Goods, Total	Food-stuffs	Wine, Liquors and Beer	Non-foods	Light Industry Goods
Republic of Uzbekistan	108.4	106.6	98.2	112.1	112.2	100	100	100	100	100	100	43.8	8.1	48.0	13.0
Republic of Karakalpakstan	104.7	101.1	135.6	102.0	102.7	2.0	3.1	3.2	0.8	2.0	100	67.9	12.9	19.2	12.6
Andijan Region	120.3	92.9	98.0	127.9	105.0	16.6	5.5	5.3	28.6	12.2	100	14.6	2.6	82.8	9.6
Bukhara Region	106.0	106.1	148.1	103.7	105.0	8.5	6.9	4.5	10.6	21.7	100	35.5	4.4	60.1	33.3
Jizzakh Region	129.0	129.6	82.4	130.5	119.0	2.6	5.6	0.3	0.3	0.3	100	93.6	0.9	5.2	1.7
Kashkadarya Region	108.8	115.4	43.2	108.9	153.8	5.6	7.5	1.5	4.5	3.1	100	59.1	2.2	38.7	7.2
Navoi Region	105.3	103.8	84.3	103.8	108.8	2.2	1.8	1.5	2.8	4.9	100	35.0	5.6	59.4	28.4
Namangan Region	114.0	119.4	99.3	106.7	102.7	4.5	6.5	2.8	2.9	8.7	100	63.5	5.0	31.4	25.3
Samarkand Region	106.8	117.3	80.5	103.1	137.7	9.7	9.9	8.4	9.7	5.1	100	44.7	7.1	48.2	6.9
Surkhandarya Region	106.2	102.4	117.9	115.5	129.9	2.6	4.2	5.2	0.7	0.8	100	71.1	16.6	12.3	3.8
Sirdarya Region	104.2	103.1	97.6	120.9	135.3	1.7	3.0	2.6	0.4	0.9	100	75.8	12.0	12.1	6.7
Tashkent Region	107.1	120.1	98.2	102.1	112.4	11.8	10.2	34.4	9.6	9.0	100	37.6	23.7	38.7	9.9
Fergana Region	101.6	109.3	84.0	100.4	121.6	9.2	6.9	8.5	11.4	8.9	100	33.0	7.5	59.5	12.7
Khorezm Region	114.5	91.7	136.7	149.9	166.0	3.0	3.2	4.0	2.6	7.6	100	47.0	11.0	42.0	33.0
Tashkent City *	102.7	96.6	104.7	113.2	103.5	20.0	25.8	17.7	15.1	14.9	100	56.5	7.2	36.2	9.7

Source: State Committee on Statistics of Uzbekistan

* Author's calculations based on the data of the State Committee on Statistics of Uzbekistan

Annex 3.2.2. Indices of Growth of Consumer Goods Production (in % to previous period)

	1998	1999	2000	2001	2002	2003
Republic of Uzbekistan	107.2	109.3	106.2	107.6	111.8	108.4
Republic of Karakalpakstan	105.6	107.5	105.9	113.5	104.3	104.7
Andijan Region	104.3	113.0	92.6	123.7	97.8	120.3
Bukhara Region	137.5	108.9	105.9	107.4	103.3	106.0
Jizzakh Region	102.2	136.2	123.6	119.3	159.3	129.0
Kashkadarya Region	116.8	112.6	113.1	112.7	108.5	108.8
Navoi Region	112.2	102.1	115.5	99.98	114.5	105.3
Namangan Region	109.5	114.2	124.3	111.8	118.1	114.0
Samarkand Region	138.2	141.5	92.4	102.6	102.5	106.8
Surkhandarya Region	117.8	102.0	111.9	100.9	114.8	106.2
Sirdarya Region	106.1	125.6	110.1	120.2	103.0	104.2
Tashkent Region	112.4	109.5	112.5	114.1	106.6	107.1
Fergana Region	107.3	110.1	111.3	98.1	106.4	101.6
Khorezm Region	120.3	97.8	107.8	94.0	95.0	114.5
Tashkent City	98.7	92.0	111.3	101.3	120.2	102.7

Source: State Committee on Statistics of Uzbekistan

Annex 3.2.3. Indices of Growth of Production of Staple Consumer Goods by Industrial Enterprises (in % to previous period)

	1996	1997	1998	1999	2000	2001	2002	2003*
Finished Cotton Fabrics	101.2	92.0	73.0	98.9	107.8	111.9	106.9	97.8
Finished Silk Fabrics	60.0	57.9	34.7	90.9	102.0	98.3	97.4	100.3
Carpet and Rugs	77.5	77.8	121.3	146.4	71.4	104.8	108.3	2.8 times
Hosiery	105.6	90.9	34.3	86.2	119.9	63.4	77.0	188.4
Knitwear	143.0	96.0	102.0	99.7	97.6	85.7	82.4	100.6
Footwear	100.4	94.9	95.9	74.3	111.3	149.1	109.5	99.9
Animal Fats	41.7	63.3	85.0	76.0	104.0	93.7	91.5	58.6
Cheeses, including Brynza	71.8	92.0	97.4	109.5	89.7	87.2	74.3	78.4
Milk and Dairy Products	65.7	78.6	76.0	128.3	91.2	102.5	115.9	107.6
Canned Goods	68.4	72.4	109.9	104.1	103.8	97.1	101.3	121.9
Granulated Sugar	X	X	X	200.5	48.6	282.7	755.7	114.2
Flour, total	102.3	94.6	91.4	108.7	94.0	103.4	87.1	73.7
Plant Oils	79.7	101.7	101.3	81.3	108.0	96.3	93.8	97.8
Grape Wine	117.4	99.8	81.3	99.7	89.3	118.8	116.6	73.4
Sparkling Wine	161.6	92.3	92.7	95.6	89.4	65.6	195.6	70.2
Vodka and Liquors	108.0	112.1	111.7	115.9	99.1	92.5	92.5	96.6
Brandy	100.7	89.6	107.8	41.0	225.9	90.8	96.6	47.8
Non-Alcoholic Drinks	246.0	183.6	98.2	642.3	107.5	77.8	93.1	25.3
Filterless & Regular Cigarettes	188.6	168.0	87.3	140.7	72.8	89.8	101.0	92.5
Salt	58.3	90.8	31.8	119.3	137.8	123.4	177.9	50.3

Source: State Committee on Statistics of Uzbekistan

*The indices for 2003 have been presented regarding large- and medium-scale enterprises

Annex 3.3.1. Main Indicators of Development of Agricultural Production

	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003
Raw Cotton	thous. tons	3934	3350	3646	3206	3600	3002	3265	3122.4	2822.5
Grain	thous. tons	3115	1562	3776	4148	4331	3929	4072	5792.6	6262.3
Potatoes	thous. tons	440	514	692	691	658	731.1	744	777.2	827.8
Vegetables	thous. tons	2713	2497	2384	2404	2680	2644	2778	2935.6	3299.2
Fruits and Berries	thous. tons	602	605	548	544	489	791	801	842.9	758.7
Grapes	thous. tons	621	478	512	336	344	624.2	573	516.4	401.4
Edible Melons & Gourds	thous. tons	472	470	376	461	518	451.4	466	479.1	583.3
Meat (live weight)	thous. tons	853	854	801	807	822	842	854	865	935.5
Milk	thous. tons	3665	3390	3806	3498	3543	3633	3665	3721.3	4030.3
Eggs	Mill. pieces	1232	1057	1075	1165	1240	1254	1288	1368.9	1611.4

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.1. Dynamics of Investments in Fixed Capital in Current Prices

	Investments in Fixed Capital, billion soums	Increase over corresp. period of previous year, %
1995	88.7	2
1996	176.6	7
1997	276.6	17
1998	396.4	15
1999	537.4	2
2000	744.5	1
2001	1320.9	3.7
2002	1442.4	3.8
2003	1867.4	4.5
03/I	284.1	0.3
03/I-II	741.7	2.6
03/I-III	1129.8	2.8

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.2. Structure of Distribution of Investments in Fixed Capital By Form of Ownership (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Investments in Fixed Capital	100	100	100	100	100	100	100	100	100
State Ownership	55.1	69.9	67.6	61.1	63.2	63.8	47.0	40.9	40.4
Non-State Ownership	44.9	30.1	32.4	38.9	36.8	36.2	53.0	59.1	59.6

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.3. Structure of Investments in Fixed Capital By Financing Source (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	100	100	100	100	100	100	100	100	100
State Budget	22.9	24.0	25.3	22.8	28.3	29.2	21.5	25.0	17.7
Enterprises' Funds	43.6	43.2	40.3	31.5	26.6	27.1	31.0	40.0	41.8
Population's Savings	9.9	8.7	8.9	18.1	13.6	12.0	10.3	12.0	11.1
Foreign Investments Guaranteed by State	14.0	16.1	17.5	13.3	19.0	19.8	23.2	15.7	19.2
Direct Foreign Investments	-	-	-	6.4	3.7	3.4	4.8	4.7	7.1
Centralized Credits of Banks	9.6	7.3	7.8	6.0	6.0	5.2	5.9	0.1	0.0
Credits of Commercial Banks	-	-	-	1.2	1.9	1.7	2.2	1.5	1.9
Investments from Non-Budgetary Funds	-	-	-	0.4	0.7	1.2	0.5	0.3	0.4
Other Loan Proceeds	-	0.7	0.2	0.3	0.2	0.4	0.6	0.7	0.8

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.4. Structure of Investments in Fixed Capital By Sector of the Economy (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total :	100	100	100	100	100	100	100	100	100
For production purposes	68.1	67.7	64.5	58.9	57.5	57.5	63.1	57.1	65.1
Industry	45.1	37.9	31.7	28.8	32.6	29.7	38.9	32.4	28.4
Agriculture	8.4	5.9	6.7	6.0	8.2	5.7	5.5	5.8	4.4
Construction	0.5	0.7	0.6	0.4	0.3	0.5	0.6	0.4	0.4
Transport and Communications	7.5	17.7	21.0	19.6	13.0	16.7	14.0	10.0	21.7
Trade and Public Catering	5.7	4.7	2.9	3.3	3.1	4.3	1.5	2.6	3.4
Other Areas	0.9	0.8	1.6	0.8	0.3	0.6	2.6	5.9	6.8
For non-production purposes	31.9	32.3	35.5	41.1	42.5	42.5	36.9	42.9	34.9

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.5. Structure of Investments in Fixed Capital By Sector of Industry (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Industry – Total	100	100	100	100	100	100	100	100	100
Electric Power Industry	7.0	10.1	9.3	10.1	7.5	5.3	3.8	6.4	9.4
Fuel Industry	15.5	36.1	33.1	29.3	22.2	20.2	32.2	29.0	21.2
Metallurgy	13.9	11.7	12.9	10.2	10.1	9.0	11.4	14.5	22.2
Machine-Building	44.0	7.6	7.9	10.2	8.8	13.8	14.6	10.9	3.7
Light Industry	7.1	13.8	6.9	15.1	6.9	7.9	15.9	14.1	21.3
Food Industry	3.9	10.1	16.0	11.9	7.5	8.4	5.8	6.0	3.8
Chemical & Petrochemical	2.0	4.7	8.0	7.2	31.8	26.7	9.9	11.1	9.2
Construction Materials	1.5	1.5	1.4	2.7	1.6	0.9	1.2	1.2	1.6
Other Sectors	5.1	4.4	4.5	3.3	3.6	7.8	5.2	6.8	7.6

Source: State Committee on Statistics of Uzbekistan

Annex 3.4.6. Technological Structure of Investments In Fixed Capital (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	100	100	100	100	100	100	100	100	100
Construction-and-assembling operations	55.0	61.0	58.0	62.0	43.0	61.0	48.2	53.1	46.5
Machines, equipment, sundries	35.0	29.0	32.0	30.0	48.0	25.0	39.5	35.1	41.5
Other expenses	10.0	10.0	10.0	8.0	10.0	14.0	12.3	11.8	12.0

Source: State Committee on Statistics of Uzbekistan

4. Foreign Trade

4.1. Trade Balance, Export and Import

In 2003, as compared to 2002, a positive tendency of change in the development of foreign trade was observed. Foreign trade turnover increased by 17.3% and amounted to 6.7 bill. US doll. (Table 4.1.1). Significant factors in this result were: the simplification of the procedure of registration of entrepreneurs engaged in the export and import of goods; the abolition of preliminary registration of import contracts at the Agency for Foreign Economic Relations (AFER); the implementation of additional measures for the encouragement of production of competitive finished consumer goods by enterprises with foreign investments, which were exempted from budget payments of all types of taxes and duties, except the value-added tax; the creation of a unified electronic system of exchange of foreign trade operations between the State Customs Committee (SCC), the Central Bank (CB), the State Tax Committee (STC), and the AFER; and the introduction of convertibility of the national currency (the soum) in current foreign transactions. Since the second half-year, a zero rate has been established for import duties for lumber and wood for legal entities, as well as for individuals registered as individual entrepreneurs with the right to carry out export-and-import operations.

Table 4.1.1. Main Indicators of Foreign-Economic Activity of Uzbekistan, mill. US doll.

Indicator	2002	2003	Including		Change in Volume, %	
			02/IV*	03/IV*	2003 to 2002	03/IV to 02/IV
Foreign Trade Turnover	5700.4	6689.2	1537.6	1965.2	117.3	127.8
CIS countries	1823.8	2105.4	500.2	606.2	115.4	121.2
non-CIS countries	3876.6	4583.8	1037.4	1359.0	118.2	131.0
Exports	2988.4	3725.0	862.8	1105.5	124.6	128.1
CIS countries	823.5	969.2	243.0	274.4	117.7	112.9
non-CIS countries	2164.9	2755.8	619.8	831.1	127.3	134.1
Imports	2712.0	2964.2	674.8	859.7	109.3	127.4
CIS countries	1000.3	1136.2	257.2	331.8	113.6	129.0
non-CIS countries	1711.7	1828.0	417.6	527.9	106.8	126.4
Trade Balance	276.4	760.8	188.0	245.8	X	X
CIS countries	-176.8	-167.0	-14.2	-57.4	X	X
non-CIS countries	453.2	927.8	202.2	303.2	X	X
Structure of Foreign Trade Turnover, %	100.0	100.0	100.0	100.0	X	X
CIS countries	32.0	31.5	32.5	30.8	X	X
non-CIS countries	68.0	68.5	67.5	69.2	X	X

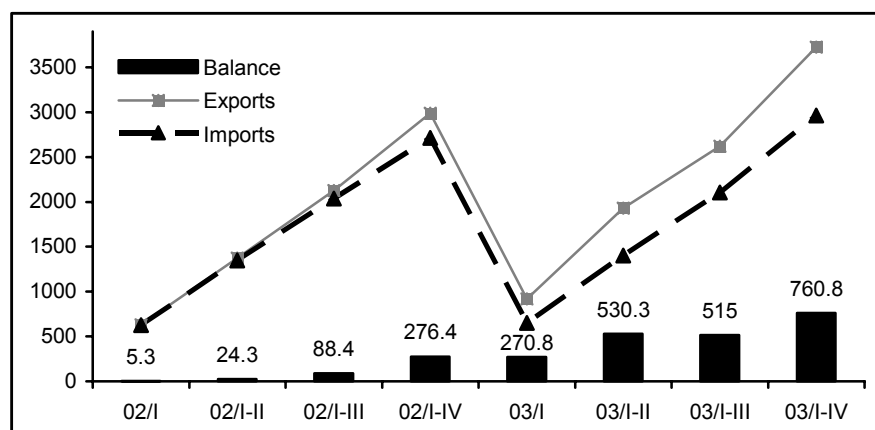
Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Since 2003 in Uzbekistan, exports have been prevailing over imports to a much greater extent. The proportion of exports in the total volume of goods turnover amounted to 55.7%, and imports – to 44.3%. In 2002, the difference between export and import operations was lower, with the share of exports in foreign trade turnover equal to 52.4%, and of imports – 47.6%.

The trade surplus grew, as compared to 2002, by 484.4 mill. US doll. and amounted to 760.8 mill. US doll. (Table 4.1.1, Annex 4.1.1, and Graph 4.1.1) – for the first time in recent years nearing the level of 1995, when the balance was recorded at a maximum level of 827.2 million US doll. A positive balance of goods turnover was obtained due to trade with foreign non-CIS countries. As for CIS countries, the negative balance of goods turnover decreased and amounted to 167.0 milli. US doll.

Graph 4.1.1. Ratio of Exports and Imports of Goods (Services), mill. US Doll.



Source: State Committee on Statistics of Uzbekistan

Over 30% of the positive balance was formed during the fourth quarter, when its value, based on calculation data, amounted to 245.8 mill. US doll. (Table 4.1.1).

The volume of exports increased by 24.6%. Enterprises that manufacture finished products and provide services and the associations "Uzeltekhprom", "Uzavtoprom", "Uzbektelekom", and SJSC (State Joint-Stock Company) "TAPOiCh" increased their production volumes. The holding company "Uzsel'khoz mashholding", the national holding company "Uzbekneftegaz", and enterprises of associations "Uzbek ipagi", etc. expanded their product range.

As for imports, the tendency of their growth was maintained quarterly, while in the fourth quarter the highest rate of import growth took place – 27.4%. On the whole, over the year, imports increased, as compared to 2002, by 9.3% (Table 4.1.1.).

Qualitative changes took place in the structure of exports. The increase in export volume, as compared to 2002, was observed in all the groups of goods, except foodstuffs. The positions of products with high added value (machinery and equipment, light industry products, and other finished goods) improved. For example, the volume of exports of machinery and equipment increased 1.9 times thanks to products of aircraft and motorcar construction. As a result, the share of exports of machinery and equipment, as compared to 2002 increased by 2.0 points and in 2003 amounted to 5.9% (Table 4.1.2, Annex 4.1.2.).

Table 4.1.2. Tracking Changes in Volume and Structure of Exports, %

Group of Goods	Share in Total Volume of Exports, %				Change in Volume, %	
	2002	2003	Including		2003 to 2002	03/IV to 02/IV
			02/IV*	03/IV*		
Cotton Fiber	22.4	19.8	35.7	26.1	110.4	93.6
Foodstuffs	3.5	2.7	3.3	3.0	96.6	117.6
Chemical Products, Plastics, and Plastic Goods	3.0	3.1	2.9	3.5	129.2	155.0
Energy products	8.1	9.8	8.5	10.0	149.8	150.1
Non-ferrous and Ferrous Metals	6.4	6.4	5.0	5.7	125.5	144.3
Machinery and Equipment	3.9	5.9	4.8	5.2	187.4	139.3
Services	15.9	14.4	15.4	13.2	112.6	109.9
Other	36.8	37.9	24.4	33.3	128.4	175.2
Total	100	100	100	100	124.6	128.1

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

The volume of exports of chemical products increased by 29.2%, mainly, due to chemical fibers and threads, pharmaceutical products, perfumery and cosmetics, fertilizers, and plastics; while the share of exports in this position amounted to 3.1%. Major growth of exports in this group of goods was ensured in the third and fourth quarters, when the volume of exports of chemical products increased 1.5 times, as compared to the corresponding periods of the previous year.

The volume of services has increased by 12.6%, out of which 71.5% belonged to transport services. The proportion of tourism, computer and informational services in exports remains insignificant.

The decrease of the share of foodstuffs exports from 3.5% in 2002 down to 2.7% in 2003 is connected with the targeting of goods – such as rice, fruit and vegetable preserves, beverages, and tobacco goods – towards fullest satisfaction of the domestic market's needs. However, since the third quarter, a positive tendency of increasing foodstuffs exports took shape, which was maintained in the fourth quarter as well. Volumes of exports of meat, vegetables, flour-and-cereals industry products, and oil-bearing seeds and fruits increased.

During the year, a favorable situation was observed as to prices for the main export goods of the Republic. On world cotton and gold markets, high prices were maintained, for the most part. Because of cotton failure in China, Australia and in a number of African regions, the world price for cotton fiber has risen from 1,335 up to 1,500 US doll. per ton, and for high-quality cotton – up to 2,100 US doll. per ton. The world price of gold amounted to 355 to 412 US doll. per troy ounce. The volume of exports of cotton fiber increased by 10.4%, as compared to 2002, of energy products – by 49.8%, of non-ferrous and ferrous metals – by 25.5%. The share of cotton fiber in exports decreased by 2.6 points and amounted to 19.8%; of energy products – increased by 1.7 points and reached 9.8%. The growth of exports of energy products took place, mainly, due to the increase in natural gas deliveries. The share of non-ferrous and ferrous metals amounted to 6.4% and remained at the level of 2002.

In the commodity composition of imports, as a result of the implementation of measures for the localization of production, changes were also observed. On the whole, the growth of imports, as compared to 2002, occurred thanks to the increase in imports of machinery and equipment by 17.1%; non-ferrous and ferrous metals – 8.8%; energy-products – 128%; services – 5%, and other goods groups – 19.3% (Table 4.1.3., Annex 4.1.3.).

Table 4.1.3. Tracking Changes in Volume and Structure of Imports, %

Group of Goods	Share in Total Volume of Imports, %				Change in Volume, %	
	2002	2003	Including		2003 to 2002	03/IV to 02/IV
			02/IV*	03/IV*		
Foodstuffs	12.5	9.9	14.6	9.4	86.5	81.9
Chemical Products, Plastics, and Plastic Goods	15.1	12.8	12.7	12.2	92.6	123.1
Energy products	1.3	2.7	0.6	3.7	228.0	741.9
Non-ferrous and Ferrous and Metals	8.0	7.9	6.9	7.3	108.8	134.5
Machinery and Equipment	41.4	44.4	37.9	44.9	117.1	150.9
Services	10.6	10.2	13.9	10.7	105.0	97.7
Other	11.1	12.1	13.4	11.8	119.3	112.8
Total	100	100	100	100	109.3	127.4

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

A principal place in imports was occupied by machinery and equipment, the share of which increased, as compared to 2002, by 3.0 points and amounted to 44.4% of total imports. This is connected with modernization and technological renovation, as well as the creation of modern enterprises aimed at the manufacture of competitive products in the leading branches of the economy.

The share of imports of energy carriers increased from 1.3% in 2002 to 2.7% in 2003.

The proportion of imports of non-ferrous and ferrous metals amounted to 7.9%; services – 10.2%; having slightly decreased, as compared to 2002, - by 0.1 and 0.4 points, respectively.

Imports of foodstuffs, in contrast to 2002, decreased by 13.5%, due to the reduction in deliveries of grain and flour, sugar and confectioneries, fats and oils, and alcoholic and non-alcoholic beverages. Imports of chemical products decreased by 7.4% due to the reduction in imports of caustic soda, pharmaceutical products, and plastics. As a result, the share of imports of foodstuffs in the total volume of imports decreased from 12.5% to 9.9%; and chemical products – from 15.1% to 12.8%. One should note an increase in the rate of growth of imports of chemical products in the fourth quarter, as compared to the corresponding period of the previous year, of 23.1%.

In the territorial structure of foreign trade, the share of foreign trade turnover with CIS trade partners slightly decreased – from 32.0% in 2002 to 31.5% in 2003, while with foreign non-CIS partners it increased – from 68.0% to 68.5% (Table 4.1.1.). In the fourth quarter, the same tendency was observed.

In 2003, a tendency was observed of advanced growth of exports into non-CIS foreign countries (1.27 times over 2002 figures), as compared to CIS countries (1.17 times) (Table 4.1.1). At the same time, the share of export deliveries into CIS countries decreased from 27.6% to 26.0% (Table 4.1.4.). Major export deliveries into CIS countries consist of foodstuffs and energy carriers; and the volumes of exports of chemical products and machinery and equipment are growing. Into non-CIS countries, mainly cotton fiber, non-ferrous and precious metals, and chemical products are exported. The share of exports into these countries in the total volume of deliveries has increased from 72.4% to 74.0%.

Imports from CIS countries have been growing at a rapid pace (1.14 as regards 2002), as compared to imports from non-CIS foreign countries (1.07 times) (Table 4.1.1). Accordingly, the share of import deliveries from CIS countries increased from 36.9% in 2002 to 38.3% in 2003, and from non-CIS foreign countries – decreased from 63.1% to 61.7% (Table 4.1.4.). From CIS countries, mainly ferrous and non-ferrous metals, energy carriers, wood, paper and paper goods were supplied, while from non-CIS foreign countries foodstuffs, chemical products and plastics, machinery and equipment, paper and paper goods, as well as textile and textile goods were supplied.

In 2003, principal trade partners were European countries (60.3% of the Republic's turnover) and Asian countries (33.0%). The turnover with them has increased 1.2 times, as compared to 2002.

As to exports, the leading trade partners were, as before, Russia – at 12.3% of exports (144.5% of the level of 2002), Great Britain – 7.5% (121.8%), Iran - 7.4% (157.6%), Switzerland – 5.4% (105.9%), Ukraine – 3.9% (89.5%), Turkey – 3.5% (125.6%), Tajikistan – 3.3% (120.2%), the U.S.A.- 2.9% (139.1%), Kazakhstan – 2.7% (121.1%), India – 2.4% (360.2%), and Afghanistan – 2.4% (145.2%) (Table 4.1.4, Annex 4.1.4). In the fourth quarter, a decline of 15.6% took place in the volume of exports to the U.S.A., as compared to the corresponding period of 2002. As a result, the share of exports to the U.S.A. decreased by 1.4 points and amounted to 2.5%.

Table 4.1.4. Geographical Structure of Exports and Imports, %

Countries	Share in Total Volume, %							
	Of Exports				Of Imports			
	2002	2003	Including		2002	2003	Including	
			02/IV*	03/IV*			02/IV*	03/IV*
Total	100	100	100	100	100	100	100	100
CIS Countries	27.6	26.0	28.2	24.8	36.9	38.3	38.1	38.6
Kazakhstan	2.7	2.7	2.3	3.1	6.7	6.6	6.7	7.1
Russia	10.6	12.3	11.7	17.7	22.0	23.3	23.0	23.6
Tajikistan	3.4	3.3	3.2	2.5	0.6	0.8	0.6	0.5
Ukraine	5.4	3.9	5.7	-3.6	4.5	4.6	5.0	5.0
Other Countries	5.5	3.8	5.3	5.1	3.1	3.0	2.8	2.4
Countries outside of the CIS	72.4	74.0	71.8	75.2	63.1	61.7	61.9	61.4
Afghanistan	2.1	2.4	1.7	2.3				
Belgium	2.4	1.9	5.2	3.1	0.9	0.7	0.6	0.9
Great Britain	7.7	7.5	7.4	7.1	2.7	2.6	3.5	2.5
Germany	1.4	1.2	1.4	1.1	7.8	9.8	7.9	9.4
India	0.8	2.4	1.0	0.8	0.6	0.6	0.6	0.5
Iran	5.8	7.4	8.2	10.5	1.2	1.0	1.1	1.0
Italy	1.7	1.6	2.8	1.7	2.7	1.7	1.8	1.1
China	0.6	1.4	0.9	1.5	4.2	5.5	6.6	4.1
Korea	2.2	1.5	2.5	1.3	9.5	7.9	4.9	8.6
Latvia	2.6	2.3	4.3	3.0	1.3	0.7	0.5	0.6
The Netherlands	1.5	0.4	0.8	0.3	0.9	1.0	0.7	1.0
USA	2.6	2.9	3.9	2.5	12.1	7.7	11.4	7.3
Turkey	3.4	3.5	2.6	4.1	3.2	4.8	3.8	4.4
France	1.2	0.6	0.9	0.6	2.1	1.6	3.2	2.1
Switzerland	6.3	5.4	7.6	5.5	0.9	0.6	1.3	0.7
Japan	0.4	0.4	0.5	0.6	0.7	2.0	0.9	2.7
Other Countries	29.7	31.2	20.1	29.2	12.3	13.5	13.1	14.5

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Six countries accounted for about 60% of imports: Russia, the share of imports from which amounted to 23.3% (115.9% of the level of 2002), Germany – 9.8% (138.1%), Korea – 7.9% (90.7%), the U.S.A. – 7.7% (69.7%), China – 5.5% (144.6%), and Turkey – 4.8% (161.7%) (Table 4.1.4., Annex 4.1.5.). The fourth quarter was characterized by a 2.2 times increase of the volume of imports from Korea.

The greatest positive balances of goods turnover during 2003 were attained with Iran, Great Britain, Switzerland, and Tajikistan – 97.2 mill. US doll. (23.3 mill. US doll.); while there was a negative balance with Germany, Russia, Korea, the U.S.A., China, and Kazakhstan.

In general, the tendency of development of foreign trade in 2003 can be assessed as positive. Along with the increase in the volume of foreign trade turnover, qualitative changes in the structure of exports and imports have taken place. Finished products have started playing an ever more significant part in the structure of exports. In the geography of foreign contacts, relations with economically developed non-CIS foreign countries have grown stronger.

4.2. Joint Ventures with Foreign Capital

In 2003, a number of normative and legal measures were taken in Uzbekistan in order to promote the influx of foreign investments, including measures for stirring up the processes of privatization with the participation of foreign investors, the elimination of problems and restrictions on currency conversion, and the provision of additional preferences for manufacturers of consumer goods.

In 2003, enterprises with foreign investments (EFIs) produced goods, work, and services in the amount of 1,441.3 bill. soums (Table 4.2.1.). The share of output of products in the material sector grew from 83% in 2002 to 85.4% in 2003. The volume of output of products in the fuel, chemical and petrochemical, light, food, electrical industries and motor-car construction increased.

In 2003, new facilities for the manufacture of cotton yarn and textiles were installed at the JV Besteks, JV Balikchi, and JV Ayim Textile; new JVs – Surkhantextile and Yadem Textile - were founded; and the technical re-equipment of the JV Velay-Silk, engaged in the manufacture of silk and silk-blend yarns and ready-made silk knitwear garments, was completed.

Table 4.2.1. Dynamics of Output Volume of Goods, Work, and Services of Enterprises with Foreign Investments

Period	Output Volume of Goods, Work, and Services		Volume of Industrial Production		Output Volume of Work and Services	
	Bill. soum	%	Bill. soum	%	Bill. soum	%
2002	1049.5	100	871.3	83.0	178.2	17
2003	1441.3	100	1230.9	85.4	210.4	14.6

Source: State Committee on Statistics of Uzbekistan

During 2003, EFIs accounted for 15.2% of exports and 29% of imports. A significant increase in exports and imports was observed in the fourth quarters of 2002 and 2003, at 30.5% and 83.8%, respectively (Table 4.2.2.).

Table 4.2.2. Main Foreign Trade Indicators of Enterprises with Foreign Investments

Title	Unit	2002	2003	02/IV*	03/IV*	2003 in % to 2002	03/ IV in % to 02/ IV
Exports of EFIs	Mill. US doll.	442.9	564.4	119.1	155.4	127.4	130.5
Imports of EFIs	Mill. US doll.	704.8	858.4	138.1	253.8	121.8	183.8
Share of output of goods, work, and services of EFIs in the Republic's GDP	%	14.1	14.9	x	x	X	x
Share of exports of EFIs in the volume of output of goods, work, and services	%	32.7	38.1	x	x	X	x
Share of exports of EFIs in the total volume of the Republic's exports	%	14.8	15.2	13.8	14.1	X	x
Share of imports of EFIs in the total volume of the Republic's imports	%	26.0	29	20.5	29.5	X	x

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

In 2003 exports of EFIs on the whole in the Republic amounted to 564.4 mill. US doll. or 127.4% of the level of 2002. At the same time, the share of exports in the total volume of output of goods, work, and services increased by 5.4 points (Table 4.2.2., Table 4.2.3.).

Table 4.2.3. Commodity Composition of Exports of Enterprises with Foreign Investments

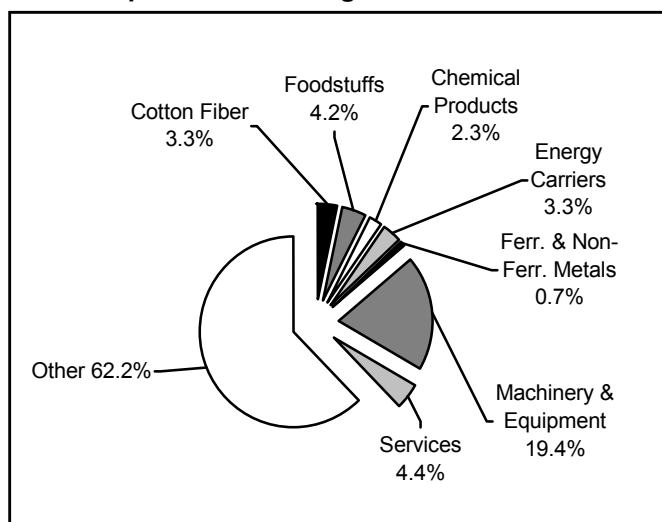
	2002		2003		2002/IV*		2003/IV*		2003 in % to 2002	2003/IV in % to 2002/IV
	thous. US doll.	%	thous. US doll.	%	thous. US doll.	%	thous. US doll.	%		
Total	442959	100	564439.4	100	119055.1	100	155396.8	100	127.4	130.5
Cotton Fiber	4439.9	1.0	18372.9	3.3	1310.9	1.1	5916.3	3.8	413.8	451.3
Foodstuffs	18175	4.1	23842.2	4.2	5405.5	4.4	5820	3.7	131.2	107.7
Chemical Products	9244.7	2.1	13029.5	2.3	1930.2	1.6	4594.9	3.0	140.9	238.1
Energy products	12839	2.9	18839.8	3.4	3528.3	3.0	5002.9	3.2	146.7	141.8
Ferrous and Non-ferrous Metals	2269.6	0.5	4221.4	0.7	898.8	0.8	2081.5	1.4	186.0	231.6
Machinery and Equipment	73115	16.5	109776.8	19.4	19743	16.6	35145.3	22.6	150.1	178.0
Services	16761	3.8	25009.9	4.4	4149.1	3.5	8279	5.3	149.2	199.5
Other	306116	69.1	351346.9	62.3	82089.3	69.0	88556.9	57.0	114.8	107.9

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

In the commodity composition of exports of EFIs for 2003 (without taking into account the "Other" group), the greatest share belongs to the following groups: "Machinery and Equipment" (19.4%), "Services" (4.4%), and "Foodstuffs" (4.2%) (Graph 4.2.1). Relatively high rates of increase in exports, in comparison with the previous year, were observed in the commodity groups "Ferrous and Non-ferrous Metals" (86%), "Machinery and Equipment" (50.1%), "Energy products" (46.7%), and "Chemical Products" (40.9%). The value of exports of cotton fiber increased more than 4 times; however, its share in the Republic's exports for the given product is insignificant (2.5%).

Graph 4.2.1. Commodity Composition of Exports of Enterprises with Foreign Investment in 2003



Source: State Committee on Statistics of Uzbekistan

Automobiles of various makes were exported (Nexia, Tiko, Matiz, Lasseti, Damas), as well as buses of various models, cotton textiles and yarn, furniture, sporting equipment, footwear and clothing, pasta and confectionaries, processed fruit-and-vegetable goods, and chemical products, manufactured by such joint ventures with foreign investment as UzDaewooAvto, SamKochAvto, Orient-Mebel, Excelent, Xon-Bugda, and others.

In the territorial structure, the most significant regions which were exporters of EFI products in 2003 were: the city of Tashkent (volume of exports –70.19 mill. US doll.), Navoi Region (159.79 mill. US doll.), Andijan Region (103.81 mill. US doll.), Ferghana Region (71.52 mill. US doll.), and Tashkent Region (88.87 mill. US doll.). In the Republic these regions accounted for over 87% of EFI exports (Table 4.2.4.).

The share of export deliveries of EFIs of the Republic of Karakalpakstan, Jizzakh Region, Surkhandarya Region, Sirdarya Region, and Khorezm Region is low (less than 1%). At the same time, in the same regions (except Karakalpakstan) the volume of exports of enterprises with foreign investment surpassed the level of 2002 in the range of 1.3 times (Sirdarya Region) to 3.2 times (Jizzakh Region). Bukhara Region's enterprises with foreign investment increased their exports 9.5 times, and in the fourth quarter – 21.7 times. Despite a reduction in export volumes in the fourth quarter of 2003 by enterprises of the Kashkadarya, Surkhandarya, and Tashkent Regions, on the whole, based on the year's overall results, an increase, in comparison with year 2002, was observed in these regions (of 79%, 187%, and 15.1% respectively). The principal export goods of these regions are cotton textiles, yarn, coarse calico, fruit and vegetable preserves, and other products of agricultural crop processing; as well as chemical products.

Table 4.2.4. Territorial Structure of Exports of Enterprises with Foreign Investment

	2002		2003		2002/IV*		2003/IV*		2003 in % to 2002	2003/IV in % to 2002/IV
	thous. US doll.	%	thous. US doll.	%	thous. US doll.	%	thous. US doll.	%		
Total	442959	100	564439.4	100	119055	100	155396.8	100	127.4	130.5
Republic of Karakalpakstan	842.7	0.2	556.9	0.1	54.8	0.0	111.4	0.1	66.1	203.3
Andijan Region	61830	14.0	103808.2	18.4	16584.9	13.9	32822	21.1	167.9	197.9
Bukhara Region	1662	0.4	15822.5	2.8	256.1	0.2	5562.7	3.6	952.0	2172.1
Jizzakh Region	300	0.1	970.6	0.2	61.2	0.1	723.1	0.5	323.5	1181.5
Kashkadarya Region	7154.4	1.6	12802.8	2.3	2682.6	2.3	2421.2	1.6	179.0	90.3
Navoi Region	159068	35.9	159789.8	28.2	36978.3	31.0	38132.5	24.5	100.5	103.1
Namangan Region	9713.3	2.2	16316.1	2.9	3417.5	2.9	4551.1	2.9	168.0	133.2
Samarkand Region	8129.9	1.8	13802.6	2.4	2933.4	2.5	3329.1	2.1	169.8	113.5
Surkhandarya Region	589.7	0.1	1692.7	0.3	217.5	0.2	182.8	0.1	287.0	84.0
Sirdarya Region	3415.1	0.8	4587.1	0.8	801.5	0.7	837.8	0.5	134.3	104.5
Tashkent Region	77202	17.4	88870.6	15.8	24362.9	20.4	21684.2	14.0	115.1	89.0
Ferghana Region	48894	11.0	71518.7	12.7	16565.4	13.9	18159	11.7	146.3	109.6
Khorezm Region	1604.8	0.4	3713.9	0.7	219.2	0.2	1160.7	0.7	231.4	529.5
City of Tashkent	62554	14.1	70186.9	12.4	13919.7	11.7	25719.2	16.6	112.2	184.8

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

The volume of imports of products, work and services of EFIs throughout the whole Republic amounted to 858.4 mill. US doll., which is 21.8% higher than the level of 2002 (Table 4.2.3.). In the fourth quarter a more active growth of imports (by 83.8%) was observed – with the volume of imports worth 253.8 mill. US doll. (Table 4.2.5).

Table 4.2.5. Commodity Composition of Imports of Enterprises with Foreign Investment

	2002		2003		2002/IV*		2003/IV*		2003 in % to 2002	2003/IV in % to 2002/IV
	thous. US doll.	%	thous. US doll.	%	thous. US doll.	%	thous. US doll.	%		
Total	704755.2	100	858413.7	100	138070.5	100	253809.4	100	121.8	183.8
Foodstuffs	105367.7	15.0	129208.7	15.1	26012.5	18.8	39443	15.5	122.6	151.6
Chemical Products	93239.8	13.2	106836.3	12.5	20318	14.7	31263.6	12.3	114.6	153.9
Energy Carriers	4118.2	0.6	3809.5	0.4	627.3	0.5	1044.9	0.4	92.5	166.6
Ferrous and Non-ferrous Metals	31156.4	4.4	46675.1	5.4	6368.6	4.6	12693.9	5.0	149.8	199.3
Machinery and Equipment	405143.7	57.5	475547.4	55.4	68190.8	49.4	141764.5	55.9	117.4	207.9
Services	7745.9	1.1	23453.7	2.7	3077.8	2.2	8794.7	3.5	302.8	285.7
Other	57983.5	8.2	72883	8.5	13475.5	9.8	18804.8	7.4	125.7	139.5

Source: State Committee on Statistics of Uzbekistan

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

The increase in imports has been influenced by the introduction of convertibility of the national currency (the soum) for current foreign transactions, and to a greater extent, by the importation of investment goods and products of metallurgy and chemical industry.

The increase in importation of foodstuffs and chemical products in the fourth quarter of 2003, as regards the corresponding period of the previous year – 2002, occurred at a slow pace. As a result, their share in EFI imports decreased by 3.3 and 2.4 points respectively.

Based on the overall results of 2003, the intensity of growth of EFI imports was lower than that of the growth of exports by 5.7 points (Table 4.2.2.), which indicates the fact that enterprises are leaning towards imports of raw materials to a lesser extent, while being more interested in the use of local resources. However, in the foreign trade balance of EFIs in the Republic on the whole, imports prevail over exports. At the same time, not all the regions of the Republic had a negative trade balance in EFI foreign trade, based on the year's overall results (Annexes 4.2.3, 4.2.4). Such regions as Navoi, Tashkent, Bukhara, and Fergana Regions had a positive foreign trade balance.

Table 4.2.6. Main Indicators of Large-Scale and Medium-Scale Enterprises with Foreign Investment by Investing Country in 2003

	Number, units	Volume of goods, work and services in % to the total figure
Total in republic	464	100
Great Britain – Uzbekistan	40	5.5
Germany – Uzbekistan	40	2.3
Israel – Uzbekistan	40	1.0
Italy – Uzbekistan	10	1.4
China – Uzbekistan	12	0.4
Korea – Uzbekistan	23	34.7
UAE – Uzbekistan	6	1.4
Russian Federation – Uzbekistan	56	2.2
USA – Uzbekistan	49	27.5
Turkey – Uzbekistan	50	4.6
Switzerland – Uzbekistan	18	3.0
Others	164	16.0

Source: State Committee on Statistics of Uzbekistan

As to investor countries, the largest-scale EFIs in Uzbekistan are those jointly with Korea, the USA, Great Britain, Turkey, Switzerland, Germany, and the Russian Federation (Table 4.2.6.). These countries also stand out as to the number of joint ventures (Turkey – 50 units, the USA – 49 units, the Russian Federation – 56 units, Great Britain – 40 units, Korea – 23 units, and Switzerland – 18 units).

The share of volume of goods, work and services of joint enterprises with these countries varies between 2.2% (Uzbek-Russian Federation joint ventures) and 34.7% (Uzbek-Korean joint ventures).

During 2003, a positive tendency of growth of industrial products manufacture and exports was observed in EFIs' foreign trade operations. The situation with exports of products with a high share of added value (automobiles, light industry products, chemical and foodstuffs products) improved. Despite the excess of the volume of imports over the volume of exports, a lower rate of growth of imports, as compared to exports, was observed.

Annex 4.1.1. Trade Balance, Million US Doll.*

Period	Export	Import	Trade Balance
1995	3719.9	2892.7	827.2
1996	4590.2	4721.1	-130.9
1997	4387.5	4523.0	-135.5
1998	3528.2	3288.7	239.5
1999	3235.8	3110.7	125.1
2000	3264.7	2947.4	317.3
2001	3170.4	3136.9	33.5
2002	2988.4	2712.0	276.4
2003	3725.0	2964.2	760.8
02/I	630.8	625.5	5.3
02/II	740.1	721.1	19.0
02/III	754.7	690.6	64.1
02/IV	862.8	674.8	188.0
03/I	920.3	649.5	270.8
03/II	1011.8	752.3	259.5
03/III	687.4	702.7	-15.3
03/IV	1105.5	859.7	245.8

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.2. Commodity Composition of Exports, %*

Period	Cotton Fiber	Foodstuffs	Chemical Products, Plastics, and Plastic Goods	Energy Carriers	Non-ferrous and Ferrous Metals	Machinery and Equipment	Services	Other Goods	Total (%)	Total (million US dollars)
1995	48.4	1.7	2.5	11.7	4.7	2.0	7.7	21.3	100.0	3719.9
1996	38.1	4.5	2.4	6.0	3.5	2.8	8.3	34.4	100.0	4590.2
1997	36.0	3.7	1.7	12.0	4.6	6.3	27.4	8.3	100.0	4387.5
1998	38.6	3.2	1.5	7.9	5.1	4.2	30.8	8.7	100.0	3528.2
1999	27.3	6.4	3.1	11.5	4.3	3.2	34.7	9.5	100.0	3235.8
2000	27.5	5.4	2.9	10.3	6.6	3.4	13.7	30.2	100.0	3264.7
2001	22.0	3.9	2.7	10.2	7.0	3.9	14.6	35.7	100.0	3170.4
2002	22.4	3.5	3.0	8.1	6.4	3.9	15.9	36.8	100.0	2988.4
2003	19.8	2.7	3.1	9.8	6.4	5.9	14.4	37.9	100.0	3725.0
02/I	26.6	3.2	3.5	7.1	6.7	4.2	18.2	30.5	100.0	630.8
02/II	19.9	4.7	3.2	6.8	7.1	3.6	15.8	38.9	100.0	740.1
02/III	6.1	3.0	2.5	9.9	7.0	2.9	14.7	53.9	100.0	754.7
02/IV	35.7	3.3	2.9	8.5	5.0	4.8	15.4	24.4	100.0	862.8
03/I	28.5	2.2	2.6	6.6	5.1	5.4	13.5	36.1	100.0	920.3
03/II	13.5	2.1	2.4	9.3	6.0	6.8	12.8	47.1	100.0	1011.8
03/III	7.6	3.9	4.1	14.5	10.0	6.2	19.8	33.9	100.0	687.4
03/IV	26.1	3.0	3.5	10.0	5.7	5.2	13.2	33.3	100.0	1105.5

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.3. Commodity Composition of Imports, %*

Period	Foodstuffs	Chemical Products, Plastics, and Plastic Goods	Energy Carriers	Non-ferrous and Ferrous Metals	Machinery and Equipment	Services	Other Goods	Total (%)	Total (million US dollars)
1995	18.2	9.3	1.9	5.7	47.9	5.0	12.0	100.0	2892.7
1996	29.5	12.5	1.1	6.7	35.8	0.2	14.2	100.0	4721.1
1997	19.3	12.5	0.6	7.5	45.9	7.5	6.7	100.0	4523.0
1998	15.6	12.4	0.5	9.2	47.2	5.0	10.1	100.0	3288.7
1999	13.1	11.7	2.1	7.9	44.8	8.7	11.7	100.0	3110.7
2000	12.3	13.6	3.8	8.6	35.4	8.5	17.8	100.0	2947.4
2001	10.8	12.7	1.9	10.9	41.2	10.3	12.2	100.0	3136.9
2002	12.5	15.1	1.3	8.0	41.4	10.6	11.1	100.0	2712.0
2003	9.9	12.8	2.7	7.9	44.4	10.2	12.1	100.0	2964.2
02/I	15.3	16.1	1.1	9.0	39.8	8.8	9.9	100.0	625.5
02/II	9.1	13.7	0.9	7.2	47.7	10.7	10.7	100.0	721.1
02/III	11.6	18.2	2.5	8.9	39.7	8.7	10.4	100.0	690.6
02/IV	14.6	12.7	0.6	6.9	37.9	13.9	13.4	100.0	674.8
03/I	12.3	11.8	0.6	7.5	46.0	10.2	11.6	100.0	649.5
03/II	10.7	12.3	2.4	8.2	43.4	9.8	13.2	100.0	752.3
03/III	7.4	15.1	3.8	8.8	43.2	9.8	11.9	100.0	702.7
03/IV	9.4	12.2	3.7	7.3	44.9	10.7	11.8	100.0	859.7

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.4. Geographical Structure of Exports, %*

Period	Total (mill. US doll.)	Total (%)	CIS Countries	Kazakhstan	Russia	Ukraine	Other Countries	Non-CIS Countries	Belgium	Great Britain	Iran	Korea	Netherlands	USA	Turkey	Switzerland	Other Countries
1995	3719.9	100.0	34.5	6.4	15.7	1.2	11.2	65.5	0.0	6.4	0.0	3.9	4.2	0.3	2.9	11.4	36.4
1996	4590.2	100.0	22.9	2.6	11.6	0.8	7.9	77.1	1.5	8.0	0.5	5.8	2.9	6.2	1.0	7.2	44.0
1997	4387.5	100.0	34.4	4.5	19.1	4.6	6.2	65.6	2.0	5.8	0.3	7.4	3.1	0.9	0.5	10.0	35.6
1998	3528.2	100.0	26.0	3.5	14.9	0.9	6.7	74.0	4.2	10.0	0.9	7.3	1.7	1.8	1.3	10.3	36.5
1999	3235.8	100.0	30.4	4.6	13.4	3.8	8.6	69.6	2.5	9.6	1.2	3.8	3.0	1.4	2.0	9.5	36.6
2000	3264.7	100.0	35.9	3.1	16.7	4.7	11.4	64.1	1.1	7.2	2.2	3.3	2.6	1.6	3.0	8.3	34.8
2001	3170.4	100.0	34.4	3.7	15.8	4.7	10.2	65.6	1.5	6.3	2.6	4.2	2.4	2.6	2.6	5.6	37.9
2002	2988.4	100.0	27.6	2.7	10.6	5.4	8.9	72.4	2.4	7.7	5.8	2.2	1.5	2.6	3.4	6.3	40.5
2003	3725.0	100.0	26.0	2.7	12.3	3.9	7.1	74.0	1.9	7.5	7.4	1.5	0.4	2.9	3.5	5.4	43.5
02/I	630.8	100.0	30.8	2.7	12.5	4.6	11.0	69.2	1.6	8.6	5.5	2.1	1.7	2.8	4.2	7.3	35.4
02/II	740.1	100.0	26.2	2.9	10.8	5.0	7.5	73.8	0.6	7.7	4.8	2.5	2.3	1.5	4.1	8.3	42.0
02/III	754.7	100.0	25.5	3.1	7.7	6.0	8.7	74.5	1.5	7.2	4.4	1.8	1.4	1.9	3.1	2.1	51.1
02/IV	862.8	100.0	28.2	2.3	11.7	5.7	8.5	71.8	5.2	7.4	8.2	2.5	0.8	3.9	2.6	7.6	33.6
03/I	920.3	100.0	21.5	2.1	6.7	4.5	8.2	78.5	1.9	13.2	6.9	1.5	0.4	2.4	2.9	6.4	42.9
03/II	1011.8	100.0	24.7	1.9	9.4	7.0	6.4	75.3	1.0	2.4	5.6	1.8	0.3	3.0	2.3	6.7	52.2
03/III	687.4	100.0	35.9	3.9	15.6	10.3	6.1	64.1	1.2	8.0	5.5	1.2	0.6	3.9	4.9	1.7	37.1
03/IV	1105.5	100.0	24.8	3.1	17.7	-3.6	7.6	75.2	3.1	7.1	10.5	1.3	0.3	2.5	4.1	5.5	40.8

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.1.5. Geographical Structure of Imports (%)*

Period	Total (mill. US doll.)	Total (%)	CIS Countries	Kazakhstan	Russia	Ukraine	Other Countries	Non-CIS Countries	Great Britain	Germany	China	Korea	USA	Turkey	France	Japan	Other Countries
1995	2892.7	100.0	43.5	7.5	24.9	2.1	9.0	56.5	1.0	13.0	0.8	15.1	1.1	3.1	0.5	1.5	20.4
1996	4721.1	100.0	32.1	4.7	21.0	3.5	2.9	67.9	2.2	12.3	0.7	6.9	9.2	7.6	1.2	1.2	26.6
1997	4523.0	100.0	28.0	4.3	17.1	2.7	3.9	72.0	2.0	9.8	1.8	19.2	7.5	6.6	2.8	0.7	21.6
1998	3288.7	100.0	27.8	4.9	16.0	4.5	2.4	72.2	4.0	8.3	1.5	11.4	9.1	6.0	4.7	2.8	24.4
1999	3110.7	100.0	26.0	4.1	13.9	4.2	3.8	74.0	3.0	10.7	2.0	13.0	7.6	4.8	2.3	5.3	25.3
2000	2947.4	100.0	38.2	7.3	15.8	6.1	9.0	61.8	2.0	8.7	2.5	9.8	8.7	3.3	2.9	1.9	22.0
2001	3136.9	100.0	37.2	6.2	19.2	7.1	4.7	62.8	2.5	7.8	2.9	11.1	6.4	3.4	4.0	4.2	20.5
2002	2712.0	100.0	36.9	6.7	22.0	4.5	3.7	63.1	2.7	7.8	4.2	9.6	12.1	3.2	2.1	0.7	20.7
2003	2964.2	100.0	38.3	6.6	23.3	4.6	3.8	61.7	2.6	9.8	5.5	7.9	7.7	4.8	1.6	2.0	19.7
02/I	625.5	100.0	37.9	7.5	21.7	5.4	3.3	62.1	2.8	7.6	3.1	14.9	8.0	3.8	1.7	0.5	19.6
02/II	721.1	100.0	33.7	5.3	21.4	4.0	3.0	66.3	1.6	6.0	3.6	11.5	14.5	3.1	2.4	0.7	22.9
02/III	690.6	100.0	38.1	7.4	21.7	3.6	5.4	61.9	3.0	9.6	3.3	7.1	14.0	2.3	1.0	0.8	20.8
02/IV	674.8	100.0	38.1	6.7	23.0	5.0	3.4	61.9	3.5	7.9	6.6	4.9	11.4	3.8	3.2	0.9	19.7
03/I	649.5	100.0	38.7	5.8	24.7	6.4	1.8	61.3	2.4	13.8	6.4	6.2	7.2	4.2	1.8	0.7	18.6
03/II	752.3	100.0	37.4	7.0	23.4	2.5	4.5	62.6	2.6	7.4	5.4	7.5	10.0	5.6	1.3	2.4	20.4
03/III	702.7	100.0	38.6	6.4	21.5	4.8	5.9	61.4	2.9	9.1	6.4	9.1	6.2	4.9	1.3	2.0	19.5
03/IV	859.7	100.0	38.6	7.1	23.6	5.0	2.9	61.4	2.5	9.4	4.1	8.6	7.3	4.4	2.1	2.7	20.3

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.2.1. Commodity Composition of EFI Exports (%)¹

	Total, mill. US doll.	Total, %	Cotton Fiber	Food-stuffs	Chemical Products	Energy Carriers	Ferrous and Non-ferrous Metals	Machinery & Equipment	Services	Other
1998	342.9	100	0	2.2	2.7	0.1	0.3	34.1	4.7	55.9
1999	371.5	100	0	8.3	1.4	3.3	0.3	17.8	5.1	63.8
2000	451.6	100	4.8	7.4	1.5	3.7	0.3	16.0	3.9	62.4
2001	416.9	100	2.4	4.4	2.6	4.7	0.2	21.1	4.4	60.2
2002	442.9	100	1.0	4.1	2.1	2.9	0.5	16.5	3.8	69.1
02/I	102.3	100	2.3	3.8	2.1	1.9	0.0	19.8	3.6	66.4
02/II	109.4	100	0.0	4.1	2.7	3.3	0.1	17.8	4.0	68.0
02/III	112.1	100	0.7	3.9	2.0	3.3	1.1	12.1	4.1	72.8
02/IV	119.1	100	1.1	4.5	1.6	3.0	0.8	16.6	3.5	69.0
2003	564.4	100	3.3	4.2	2.3	3.4	0.7	19.4	4.4	62.3
03/I	123.5	100	4.0	4.8	1.6	2.1	0.2	11.0	3.3	73.0
03/II	145.3	100	2.9	3.5	2.1	3.7	0.6	21.9	3.9	61.4
03/III	140.2	100	2.3	4.9	2.4	4.3	0.7	20.9	5.0	59.5
03/IV	155.4	100	3.8	3.7	3.0	3.2	1.4	22.6	5.3	57.0

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.2.2. Commodity Composition of EFI Imports (%)*

	Total, mill. US doll.	Total, %	Food-stuffs	Chemical Products	Energy Carriers	Ferrous and Non-ferrous Metals	Machinery & Equipment	Services	Other
1998	1116.8	100	13.6	13.8	0.4	4.6	57.4	1.3	8.9
1999	1027.8	100	11.9	12.4	0.4	5.4	57.9	4.0	8.1
2000	760.5	100	12.9	20.5	0.8	5.1	47.4	1.1	12.2
2001	937.2	100	8.8	13.3	0.6	5.9	62.5	1.0	7.9
2002	704.8	100	15.0	13.2	0.6	4.4	57.5	1.1	8.2
02/I	207.9	100	13.2	10.8	0.6	4.4	64.6	0.5	5.8
02/II	206.3	100	13.6	12.3	0.6	3.5	60.6	1.1	8.3
02/III	152.5	100	15.6	16.5	0.6	5.5	50.9	1.0	10.0
02/IV	138.1	100	18.8	14.7	0.5	4.6	49.4	2.2	9.8
2003	858.4	100	15.1	12.4	0.4	5.4	55.4	2.7	8.5
03/I	185.0	100	14.2	10.3	0.4	5.0	61.3	1.4	7.4
03/II	213.1	100	17.3	13.3	0.5	6.1	49.3	3.4	10.2
03/III	206.5	100	12.9	13.8	0.5	5.6	55.9	2.3	9.0
03/IV	253.8	100	15.5	12.3	0.4	5.0	55.9	3.5	7.4

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

¹ Statistical information on the commodity composition of EFI exports-imports has been presented as from 1998, and territorial structure – as from 1997.

Annex 4.2.3. Territorial Structure of EFI Exports (%)*

	Total (mill. US doll.)	Total (%)	Rep. of Karakalpakstan	Andijan Region	Bukhara Region	Jizzakh Region	Kashkadarya Region	Navoi Region	Namangan Region	Samar kand Region	Surkhandarya Region	Sirdarya Region	Tashkent Region	Ferghana Region	Khorezm Region	City of Tashkent
1997	399.6	100		33.4	0.3	0.0	0.0	38.5	0.1	0.8	0.0	0.0	9.2	2.6	0.4	14.7
1998	342.9	100	0.0	22.9	0.0		0.1	31.7	0.6	1.7	0.0	0.4	14.5	7.0	5.2	16.0
1999	371.5	100	0.0	9.8	0.1	0.0	0.2	40.8	2.2	2.4	0.0	0.0	10.1	9.1	4.5	20.6
2000	451.6	100	0.0	13.3	0.3	0.1	0.0	31.9	4.2	2.8	0.0	5.1	14.0	7.2	0.2	21.0
2001	416.9	100	0.0	18.6	0.1	0.3	0.0	29.0	2.0	2.2	0.0	1.0	18.7	7.4	0.2	20.5
2002	442.9	100	0.2	14.0	0.4	0.1	1.6	35.9	2.2	1.8	0.1	0.8	17.4	11.0	0.4	14.1
02/I	102.3	100	0.1	17.1	0.2	0.1	0.0	32.6	2.4	2.5	0.0	0.7	21.8	7.5	0.4	14.5
02/II	109.4	100	0.1	16.0	0.3	0.1	1.4	41.9	1.9	0.7	0.2	0.7	11.3	10.3	0.6	14.5
02/III	112.1	100	0.3	9.1	0.8	0.1	2.6	38.2	1.6	1.7	0.1	1.0	16.2	12.0	0.3	16.0
02/IV	119.1	100	0.0	13.9	0.2	0.1	2.3	31.0	2.9	2.5	0.2	0.7	20.4	13.9	0.2	11.7
2003	564.4	100	0.1	18.4	2.8	0.2	2.3	28.2	2.9	2.4	0.3	0.8	15.8	12.7	0.7	12.4
03/I	123.5	100	0.1	10.3	3.4	0.0	2.6	34.4	2.3	1.6	0.2	0.9	19.3	14.0	0.7	10.2
03/II	145.3	100	0.0	20.9	2.1	0.0	2.5	29.4	2.9	2.6	0.4	0.9	13.5	13.2	0.6	11.0
03/III	140.2	100	0.1	19.9	2.2	0.1	2.5	26.1	3.3	3.3	0.5	2.4	15.5	12.1	0.7	11.3
03/IV	155.4	100	0.1	21.1	3.6	0.5	1.6	24.5	2.9	2.1	0.1	0.5	14.0	11.7	0.7	16.6

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

Annex 4.2.4. Territorial Structure of EFI Imports (%)*

	Total (mill. US doll.)	Total (%)	Rep. of Karakalpakstan	Andijan Region	Bukhara Region	Jizzakh Region	Kashkadaryo Region	Navoi Region	Namangan Region	Samarqand Region	Surkhondaryo Region	Sirdaryo Region	Tashkent Region	Ferghana Region	Khorezm Region	City of Tashkent
1997	1777.9	100	0.0	38.6	0.3	0.0	0.4	2.1	1.5	2.1	0.1	0.1	2.5	3.2	3.4	45.6
1998	1116.8	100	0.1	23.8	0.4		0.5	3.7	4.4	3.2	0.3	0.2	6.1	3.3	3.0	51.1
1999	1027.8	100	0.6	33.0	0.1	0.0	0.1	3.9	2.1	3.6	0.5	0.2	6.2	0.7	0.4	48.6
2000	760.5	100	0.3	28.3	1.0	1.1	0.3	4.6	1.6	4.3	0.3	0.2	8.4	1.4	0.1	48.0
2001	937.2	100	0.2	25.3	1.0	3.3	5.1	6.5	2.2	2.1	0.0	0.9	10.3	9.8	1.0	32.2
2002	704.8	100	0.4	27.1	2.1	3.8	0.7	4.1	2.1	3.9	0.1	0.3	5.9	5.7	3.8	39.8
02/I	207.9	100	0.2	38.9	1.1	2.3	0.8	3.8	1.8	1.6	0.1	0.7	6.3	1.5	9.6	31.2
02/II	206.3	100	0.7	32.1	1.7	9.5	0.6	3.2	2.0	4.2	0.0	0.2	5.4	2.7	1.6	36.2
02/III	152.5	100	0.2	20.2	3.7	0.3	1.1	4.6	3.1	5.5	0.1	0.0	6.2	9.6	2.2	43.2
02/IV	138.1	100	0.5	9.6	2.6	1.5	0.2	5.4	1.8	5.0	0.5	0.1	5.7	12.2	0.2	54.6
2003	858.4	100	1.1	28.2	0.8	0.2	0.8	5.3	1.8	3.8	1.0	0.1	3.8	4.1	0.3	48.6
03/I	185.0	100	2.6	38.7	0.3	0.0	0.1	4.3	1.4	1.8	0.1	0.1	2.9	6.5	0.2	40.9
03/II	213.1	100	0.9	21.9	1.7	0.0	0.1	4.9	1.4	4.7	0.2	0.2	2.5	3.9	0.2	57.3
03/III	206.5	100	0.6	25.8	0.6	0.4	0.1	5.8	2.5	5.0	0.6	0.2	6.4	5.4	0.4	46.2
03/IV	253.8	100	0.7	27.8	0.6	0.3	2.4	6.0	1.9	3.5	2.7	0.1	3.4	1.3	0.2	49.1

Source: Iktisodiy Yunalishlar Choraklik nashr Uzbekiston, Tacis, July-September 2001; State Committee on Statistics of Uzbekistan.

* Quarter values have been determined by means of calculation based on the data from the State Committee on Statistics of Uzbekistan.

5. Living Standards and the Labor Market

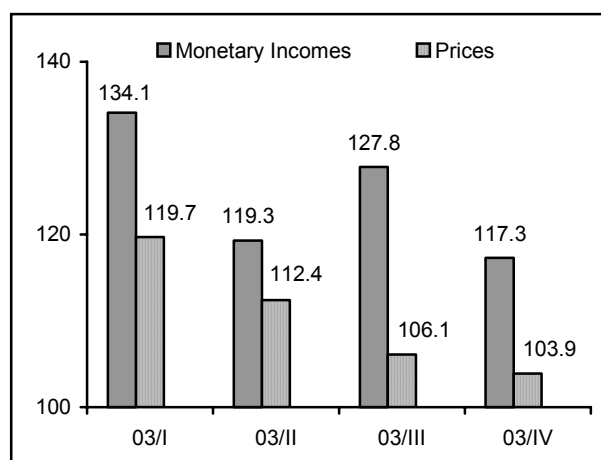
5.1. Receipts and Expenditures of the Population

The implementation of a series of measures for the liberalization of the budget-and-taxation and monetary-and-credit policy in 2003 resulted in a reduction in the level of inflation and the growth of real earnings of the population. Nominal monetary incomes of the population, as compared to 2002, grew by 23.9% and amounted to 6438.3 bill. soums. The real earnings of the population, adjusted based on the Consumer Price Index, grew by 12.3% (Graph 5.1.1).

Increased proceeds from the sale of agricultural products and entrepreneurial gains served as the main factors of monetary incomes of the population. This is mainly connected with the development of the economy's private sector and the growth of the number of residents involved in it.

Monetary expenses and savings of the population grew by 17.4% and amounted to 6160.7 bill. soums. In the structure of monetary expenses, the share of consumption expenses decreased from 84.4% to 79.7%, while the share of savings increased (Table 5.1.1). Deposits of the population at commercial banks in 2003 increased by 44% as compared to the corresponding period of the previous year. The share of the population's fixed-period deposits and savings deposits in the national currency amounted to 86%, as opposed to 61% in 2001.

Graph 5.1.1. Ratio of Growth of Monetary Incomes and Consumer Goods and Services Prices



Source: State Committee on Statistics of Uzbekistan

Table 5.1.1. Structure of Monetary Expenses (in% to Monetary Income)

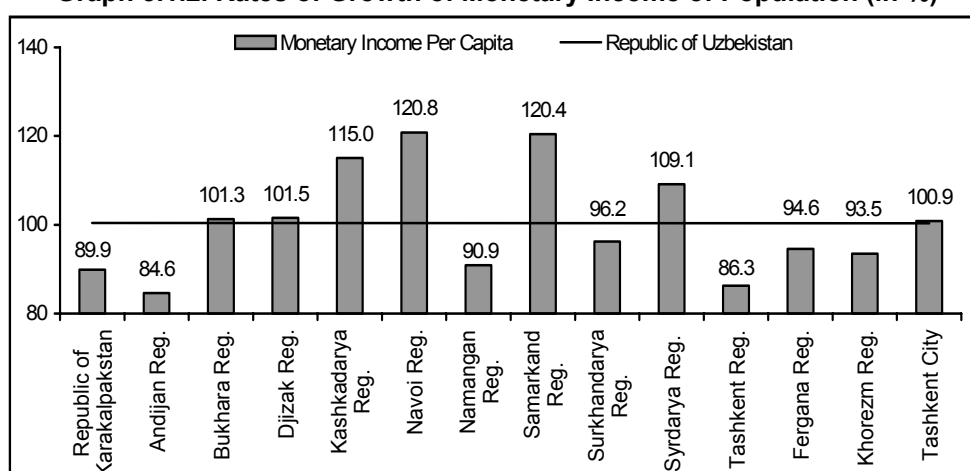
Years	Monetary income of population	Of which monetary expenses				Remainder of cash
		Consumption expenses	Compulsory payments and mandatory contributions	Bank deposits and purchase of hard currency	Other expenses	
2002	100	84.4	7.7	8.8	0.1	-1.0
2003	100	79.7	7.6	8.4	0.0	4.3

Source: State Committee on Statistics of Uzbekistan

In the structure of consumption expenses, the share of families' foodstuffs and nonfoods expenditures decreased from 70.7% to 65.2%, while the share of the population's expenses for paid services increased from 13.7% to 14.5%.

The increase in the population's expenses for paid services is linked to reforms in the sectors that provide fee-based services to the population (housing and communal services, transport, education and healthcare services), and a reduction in governmental social transfers in the form of free and preferential services.

Graph 5.1.2. Rates of Growth of Monetary Income of Population (in %)



Source: State Committee on Statistics of Uzbekistan

Analysis of income distribution on the Republic's territory testifies to the fact that the regions with high levels of average per capita monetary income are still the Navoi Region and the city of Tashkent. The level of income in these regions forms the average all-Republic level to a greater extent and considerably exceeds it, which can be explained by higher salaries in these regions. Low levels of monetary income per capita have been registered in the Republic of Karakalpakstan and Jizzakh Region. Relatively high growth rates of monetary income were achieved in the Navoi, Samarkand, Kashkadarya, and Sirdarya Regions (Graph 5.1.2).

5.2. Domestic Trade and Services

In 2003 the trend of changing ratios in the population's consumer expenditures was maintained, demonstrated by the leading dynamics of the growth in the volume of services rendered, as against the dynamics of the growth in sales of goods. As a result, the share of services in the total volume of sales of goods and services increased and amounted to 17.8% as opposed to 15.8% in 2002 (Annex 5.2.1.).

The volume of retail turnover amounted to 4325.1 bill. soums, and in prices comparable to those of 2002 it increased by 5.1% (Table 5.2.1.).

Table 5.2.1. Retail Trade Turnover and Paid Services

Years	Retail Trade Turnover		Paid Services	
	In established prices, bill. soums	Growth rates in relation to previous year in established prices, %	In established prices, bill. soums	Growth rates in relation to previous year in established prices, %
1995	104.2	92.2	15.0	73.0
1996	236.4	121.0	34.0	109.9
1997	493.9	112.7	70.3	121.3
1998	709.3	114.0	114.6	109.5
1999	1148.8	110.5	189.4	112.6
2000	1789.4	107.8	305.4	114.0
2001	2697.0	109.5	472.2	114.4
2002	3772.3	101.7	709.3	108.3
2003	4325.1	105.1	934.8	107.9

Source: State Committee on Statistics of Uzbekistan

Dominant factors in the growth of retail trade turnover were the decrease of the CPI from 21.6% to 3.8%, the growth of the population's incomes, the increase in the volume of consumer goods production, and the development of the market infrastructure.

The territorial structure of retail turnover remains in place. Retail trade turnover grew, as before, mainly owing to the city of Tashkent, and the Fergana, Andijan, and Tashkent Regions (Table 5.2.2). In 2002-2003, in the territorial structure of retail turnover, mainly the shares of Tashkent City (from 20.3 to 21.3%) and the Samarkand Region (from 7.9 to 8,2%) increased.

Таблица 5.2.2. Territorial Structure of Retail Trade Turnover and Paid Services in 2002-2003, %

	Retail trade turnover		Paid services	
	2002	2003	2002	2003
Republic of Karakalpakstan	3.0	3.1	2.6	2.6
Andijan Region	12.2	11.5	8.1	8.1
Bukhara Region	5.2	5.0	5.9	5.7
Jizzakh Region	2.5	2.4	2.1	2.1
Kashkadarya Region	6.5	6.8	4.4	4.7
Navoi Region	2.5	2.5	2.4	2.6
Namangan Region	6.4	6.2	4.1	4.5
Samarkand Region	7.7	8.2	7.7	8.4
Surkhandarya Region	4.8	5.1	3.7	3.7
Sirdarya Region	1.7	1.6	1.1	1.1
Tashkent Region	9.9	10.5	6.8	6.6
Fergana Region	13.4	12.5	7.1	7.1
Khorezm Region	3.6	3.3	3.7	3.7
Tashkent City	20.6	21.3	40.2	39.1
Uzbekistan	100.0	100.0	100.0	100.0

Source: State Committee on Statistics of Uzbekistan

In the structure of goods turnover, the trend of foodstuffs prevalence was maintained. The ratio of foodstuffs to nonfoods equaled 60.6% to 39.4% in 2003 (Annex 5.2.2.). In 8 regions of the Republic, foodstuffs accounted for over 60% of the volume of consumer goods sales, a fact determined by the structure of consumer goods production in the regions and by the purchasing activity of various social groups of the population.

Services. The contribution of the services sector to the production of the country's GDP in 2003 amounted to

38.3%. The trend of growth in the share of services in the GDP was accompanied by an increase in the share of those employed in the services sector to 40% of the total number of those employed in the economy.

During the year under review, paid services in the amount of 934.8 bill. soums were rendered to the Republic's population, and, as compared with the previous year, the volume of paid services in comparable prices increased by 7.9% (8.3% in 2002).

The increase in the volume of paid services rendered to the population was, mainly, provided by transport and communication, consumer services, and public utility services. In the structure of paid services sold to the population, the share of physical training and sports services, as well as culture and tourism, and sanatorium-and-spa and health-improving services remains low.

The territorial structure of average per capita consumption of services by region remains in place. The volume of paid services rendered to the population increased mainly owing to the city of Tashkent (39.1%). In the territorial structure of paid services, growth was mainly in the shares of the Andijan (from 7.5 to 8.1%), and Samarkand Regions (from 7.4 to 8.4%) (Table 5.2.2., Annex 5.2.3.). At the same time, the Republic of Karakalpakstan, and the Sirdarya and Jizzakh Regions were characterized by a low level of services consumption.

The volume of services rendered to the population was largely dependent on the development of the social and production infrastructure. In 2003, 6739.7 thous. sq. m of housing, hospitals and polyclinics (15.4 thous. visits), secondary schools (22.1 thous. seats), vocational colleges (94 thous. seats), and gas-supply- (2982.9 km) and water-supply (1747.5 km) pipelines were put into operation (Annex 5.2.3). This includes, 2.9 thous. sq. m of gas-supply- and 1.6 thous. sq. m water-supply networks put in operation in rural areas. As a result, 513 rural settlements were provided with natural gas and 491 – with potable water.

A steady trend of growth in the availability of housing, centralized water supply and natural gas to the population can be observed. As a result, the availability of centralized water supply to the population on average in the Republic amounted to 82.2%, and natural gas – 78.2%. The highest level of availability of potable water (99.6%) and gas (97.5%) was in Tashkent City; and the lowest level of availability of potable water was in the Khorezm Region (70.9%), and gas – in the Surkhandarya Region (63.5%).

Table 5.2.2. Availability of Social Infrastructure Objects to the Population

Years	Put into Operation						Pipelines Built	
	Housing, thousand sq. m	Secondary Schools, seats	Academic Lyceums, seats	Vocational Colleges, seats	Hospitals, beds	Polyclinics, visits per shift	Water-supply, km	Gas-Supply, km
02/I	1116.5	352	600	7050	-	200	303.5	511.2
02/II	3783.7	5243	1200	9950	80	2905	1044.5	1730.2
02/III	6178.1	11674	2250	59155	80	9940	1521.4	2994.0
02/IV	7572.0	18932	5175	86610	300	16845	1960.6	3380.2
03/I	1131.4	1430	-	-	-	340	282.2	506.1
03/II	3436.3	4553	-	12600	160	8260	1352.4	2090.8
03/III	5466.4	14172	2725	62660	160	8260	1352.4	2090.8
03/IV	6739.7	22127	4375	94190	160	15460	1747.5	2982.9

Source: State Committee on Statistics of Uzbekistan

In the structure of paid services, the share of transport and housing-and-public utility services remains high. The main factors in this situation were the development of transport and communications sectors, and the reformation of the system of housing and public utility services.

In 2003, construction of a new railway – Navoi-Uchkoudouk-Sultanuyizdag-Nukus - was completed, and its scheduled passenger and freight operations began. Due to the construction of a tunnel on the Kamchik mountain pass, and the reconstruction and building of new motor roads, the Republic's regions have been connected, which opened new opportunities for their comprehensive social and economic development.

In the area of communications, a system ensuring efficient and reliable telephone communication inside and outside of the Republic has been expanded. For the given period, the level of digital networks coverage of telecommunications of the Republic's cities exceeded 86%. In line with the rise in the level of informational services with broad connection to the international system, in 2003 the number of Internet users doubled.

1006 hospitals, 4000 outpatient polyclinic institutions, 179 rural district hospitals, 501 rural outpatient clinics, 36 city medical centers, 2229 rural medical centers, and 2790 doctor's assistant/obstetrical stations provide medical assistance to the Republic's population. In all the regional center cities, branches of the All-Republic Scientific Center for Emergency Medical Care have been organized, and in 171 districts emergency medical care departments are in operation.

The Licensing Commission of the Ministry of Healthcare has issued 231 medical practice licenses to non-state legal entities, and 208 licenses – to individuals. Altogether during the period from 1998 till 2003, 807 non-state legal entities and 1549 individuals were issued such licenses.

Owing to the development of the tourism sector, its share in paid services is gradually growing. In 2003 in the tourism system, work was underway, mainly, in three directions: the creation of a modern infrastructure for international tourism, the development of private business in the given area, and the structural transformation of the National Company (NC) “Uzbekturizm”.

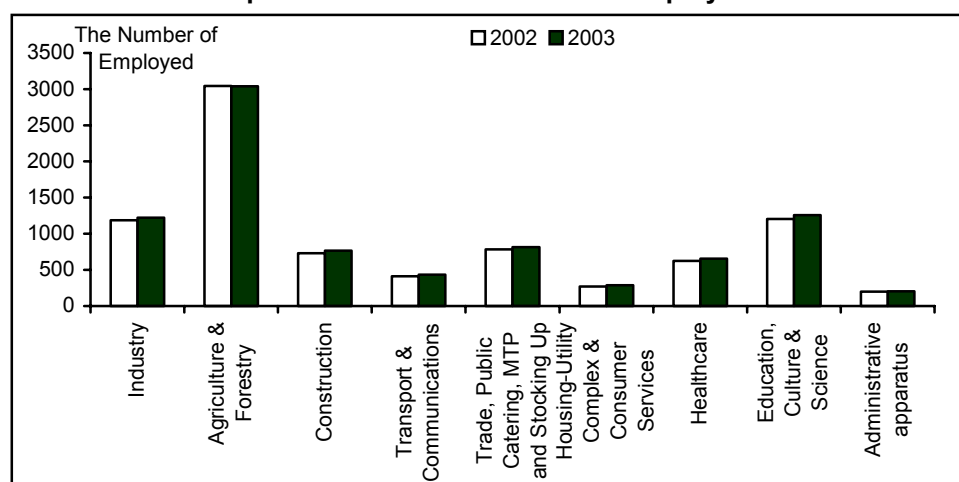
In the Republic, along with the NC “Uzbekturizm” about 300 private tour agencies, 20 joint-stock companies, 2 joint ventures, an association of private tour agencies, and 13 private hotels are functioning. In 2003, tourism enterprises provided services to more than 7 mill. tourists, one third of whom were foreign tourists. The share of private business in the structure of the tourist flow amounted to 30.6%, and the volume of export services in tourism – 60.7%.

5.3. Employment and Labor Market

Based on the overall results of 2003, the expected size of the population of Uzbekistan amounted to 25,701.4 thous. persons. The natural increase in the population amounted to 372.6 thousand persons. The negative balance of external migration increased by 19% as compared with 2002. As a result of the interaction of these factors, on the whole, in 2003 the number of residents of the Republic increased by 273.5 thous. persons, or by 1.1% as opposed to 312.1 thous. persons or 1.2% in 2002.

The employment rate in the Republic increased by 256 thous. persons (2.7%). The highest increase in the number of employees (by 52.4 thous. persons or by 4.3%) took place in the sectors of the non-production sphere: education, culture, art, and scientific service. On the whole, this sphere accounted for 20.5% of the total increase in employment throughout the year. A rather significant increase was provided in the real sector, owing to such branches as industry (14.6% of the total increase of the working population during the year), construction (13.4%), trade, public catering, material-and-technical procurement and purchasing (13.3%).

Graph 5.3.1 Sectoral Structure of Employment



Source: State Committee on Statistics of Uzbekistan

The increase in the total number of those employed in the economy in 2003 exceeded the corresponding indicator of 2002 by 59 thous. persons or by 29.9%. In the employment sphere, three main positive trends appeared (Graph 5.3.1): a) an increase in employment rates in industrial production (the number of employees in this sector grew by 37.3 thous. persons, as

to 26.0 thous. persons in 2002); b) a slowing of the growth rates of the number of employees of the administrative apparatus (by 6.0 thous. persons, as compared with 61.0 thous. persons in 2002), c) the continued withdrawal of excess work force from agriculture (the number of employees of the agrarian sector decreased by 4.6 thous. persons or by 0.2%), although, in comparison with the previous year, these processes slowed somewhat (in 2002 these indicators amounted to 16.0 thous. persons or 0.5%).

In 2003, the bulk of the increase in the population's employment was provided by the non-state sector of the economy, as a result of which its share in the total number of employees increased to 77.2%, as opposed to 76.5% in 2002. Entrepreneurship, owing to which 375 thous. new jobs were created, continues to play a big part in providing employment for the population.

Table 5.3.1. Main Indicators of the Current Labor Market

Year	Registered as job seekers	Em- ployed	Ratio, %	Number of unem- ployed by end of period under report
1995	2461941	153526	62.4	25388
1996	275358	178755	64.9	27514
1997	298829	197439	66.1	28797
1998	313824	207924	66.2	33281
1999	387880	246427	63.5	39118
2000	421377	280601	66.6	35408
2001	462753	318068	68.7	37491
2002	448175	322154	71.9	34835
02/I	109528	75283	68.7	43827
02/II	233354	163883	70.2	46278
02/III	349099	248097	71.1	45626
02/IV	448175	322154	71.9	34835
2003	430484	317424	73.7	32208
03/I	108295	77132	71.2	39163
03/II	231606	167051	72.1	42491
03/III	336968	247996	73.6	38128
03/IV	430484	317424	73.7	32208

Source: calculated based on the data from job placement centers

At job placement centers, 430.5 thousand persons were registered as job seekers (Table 5.3.1). Most of those registered belong to the Fergana Region (17.1% of the total number of persons), Namangan Region (11.8%), and Samarkand Region (11.6%). Throughout the whole year, a trend of a relative decrease in the number of people registered at job placement centers could be traced. On the whole, in comparison with 2002, this number decreased by 17.7 thou. persons or by 4.0%. This trend was especially noticeable in the Republic of Karakalpakstan (20.2% reduction) and in the Jizzakh (by 8.0%), and Kashkadarya (by 5.8%) Regions. On the current labor market, rural residents were more active than urban residents. Out of the total number of registered citizens, rural areas accounted for 316.3 thousand persons (73.4%) (in 2002 there were 314.1 thous. persons or 70.1%, respectively).

The influx of young people, only starting their careers, into job placement centers somewhat decreased: secondary school graduates – by 7.6 thousand persons, specialized secondary schools and higher learning institutions – by 3.7 thousand persons,

and vocational institutions graduates – by 1.6 thousand persons. The total number of the listed categories of graduates decreased from 134.5 thousand persons to 121.6 thousand persons, i.e. by 12.9 thousand persons or by 9.6%. Accordingly, their share in the structure of the labor force supply on the current labor market declined (from 30.0% to 28.2%). As a result, the share of youths under 30 years amounted to 57.2% as opposed to 61.8%.

However, this trend cannot yet substantially change the existing structure of the labor force supply on the current labor market to a sufficient degree. More than one third of the total number of those registered as job seekers (34.9%) consisted of persons without any profession or trade, mainly from rural areas (81.0%).

One should note a certain growth in effectiveness of the operation of the infrastructure of the current labor market in the issues of employment assistance to the population. In 2003, 73.7% of the total number of job seekers were placed in a job, as opposed to 71.9% in 2002. The highest level of job placement was achieved in the city of Tashkent (81.3%), and the Jizzakh (77.6%), Kashkadarya (77.6%), and Samarkand (77.1%) Regions (Table 5.3.2). As a result of the existing correlation of supply-demand of work force, the number of unemployed persons receiving that official status somewhat declined. By the end of 2003 they amounted to 32.2 thousand persons, as opposed to 34.8 thousand persons in the corresponding period of 2002.

Table 5.3.2. Current Labor Market

Regions	Per 1000 of registered persons, per year				Job vacancies per 1000 unem- ployed persons, by year's end	
	Number of persons placed in a job		Number unemployed		2002	2003
	2002	2003	2002	2003		
Uzbekistan	719	737	257	238	775	827
Including:						
Republic of Karakalpakstan	628	671	432	368	77	113
Andijan Region	794	786	243	212	589	857
Bukhara Region	721	748	192	152	1478	2447
Jizzakh Region	731	775	195	180	481	921
Kashkadarya Region	706	776	239	253	538	476
Navoi Region	661	673	301	280	504	638
Namangan Region	736	744	233	237	532	352
Samarkand Region	737	771	262	244	392	575
Surkhandarya Region	754	769	150	184	1213	867
Sirdarya Region	695	770	432	344	979	1024
Tashkent Region	789	758	180	194	3951	3426
Fergana Region	741	755	191	154	965	2109
Khorezm Region	571	541	352	387	128	45
Tashkent City	609	813	269	244	3753	3693

Source: calculated based on the data from job placement centers

Nevertheless, in a number of regions of Uzbekistan in 2003 there was a significant growth in the number of unemployed persons receiving that official status, especially in the Namangan Region (by 41.6%), Khorezm Region (by 41.0%), and Surkhandarya Region (by 65.0%). The highest absolute number of unemployed was in the Khorezm Region – 6.6 thous. persons, or 20.5% of the total number in Uzbekistan, and the Republic of Karakalpakstan – 5.9 thous. persons and 18.3%, respectively. The given regions have a low level of job placement of persons who have turned to job placement centers: in Karakalpakstan it equaled 67.1%, and in the Khorezm Region – 54.1%. The given data testify to a not very favorable situation in relation to the use of labor resources, and a certain deterioration of the situation in the lower reaches of the Am Darya River.

The number of unemployed participating in public work has decreased. This amounted to 17.9 thous. persons as opposed to 19.4 thous. persons in 2002. This is to a certain extent connected with the total reduction in the number of the officially unemployed.

In 2003 a qualitative divergence between the demand and supply of the labor force was observed to a greater extent. By the year's end 25.9 thous. of declared work places remained vacant, which equals 827 vacancies per 1000 unemployed persons (there were 775 of them during the corresponding period of 2002) (Table 5.3.2.).

Table 5.3.3. Labor Market Situation

Years	Supply of labor force, thous. persons	Demand for labor force, thous. persons			Ratio of supply to demand, %
		Satisfied	Unsatisfied	Total	
Total					
2002	448.2	322.1	27.0	349.1	128.4
2003	430.5	317.4	25.9	343.3	125.4
City					
2002	133.6	92.2	17.5	109.7	121.8
2003	114.2	79.2	17.0	96.2	118.7
Village					
2002	314.6	229.9	9.5	239.4	131.4
2003	316.3	238.2	8.9	247.1	128.0

Source: calculated based on the data from job placement centers' reports

In 2003 the situation of the labor market appeared as follows:

supply of work force – 430.5 thous. persons;

demand for work force – 343.3 thous. persons, including 317.4 thous. persons – satisfied (the number of employed persons), and 25.9 thous. persons – unsatisfied (vacancies);

excess of supply over demand amounted to 87.2 thous. persons or 25.4% (Table 5.3.3.).

Annex 5.2.1. Volume of Goods and Services Sale to the Population

Years	Volume of sale of goods and services		Including			
			Goods sold		Services rendered	
	Bill. soums	%	Bill. soums	%	Bill. soums	%
1995	119.2	100	104.2	87.4	15.0	12.6
1996	270.4	100	236.4	87.4	34.0	12.6
1997	564.2	100	493.9	87.5	70.3	12.5
1998	823.9	100	709.3	86.1	114.6	13.9
1999	1338.2	100	1148.8	85.8	189.4	14.2
2000	2094.8	100	1789.4	85.4	305.4	14.6
2001	3169.2	100	2697.0	85.1	472.2	14.9
2002	4481.6	100	3772.3	84.2	709.3	15.8
2003	5259.9	100	4325.1	82.2	934.8	17.8
03/ I	1144.7	100	955.5	83.5	189.2	16.5
03/ II	1313.3	100	1083.7	82.5	229.6	17.5
03/ III	1371.8	100	1122.4	81.8	249.4	18.2
03/ IV	1430.1	100	1163.5	81.4	266.6	18.6

Source: State Committee on Statistics of Uzbekistan

Annex 5.2.2. Structure of Retail Turnover

	Retail turnover, bill. soums	Foodstuffs turnover			Non-food turnover		
		Bill. soums	Per capita	In % to all-republic level	Bill. soums	Per capita	In % to all-republic level
Republic of Karakalpakstan	132.9	84.0	53.9	3.2	48.9	31.4	2.9
Andijan Region	499.5	256.7	111.1	9.8	242.8	105.1	14.2
Bukhara Region	215.0	129.1	86.7	4.9	85.9	57.7	5.0
Jizzakh Region	104.3	61.0	59.2	2.3	43.3	42.0	2.5
Kashkadarya Region	296.0	190.9	81.7	7.3	105.1	45.0	6.2
Navoi Region	108.4	70.5	34.5	2.7	37.9	18.6	2.2
Namangan Region	266.6	131.3	163.2	5.0	135.3	168.2	7.9
Samarkand Region	353.1	227.0	80.4	8.7	126.1	44.6	7.4
Surkhandarya Region	218.7	129.1	69.2	4.9	89.6	48.1	5.3
Sirdarya Region	68.6	41.3	61.8	1.6	27.3	40.8	1.6
Tashkent Region	454.9	270.7	111.4	10.3	184.2	75.8	10.8
Fergana Region	541.9	334.1	119.4	12.7	207.8	74.3	12.2
Khorezm Region	144.3	96.7	68.6	3.7	47.6	33.7	2.8
Tashkent City	920.9	598.6	280.4	22.8	322.3	151.0	18.9
Republic of Uzbekistan	4325.1	2621	102.0	100.0	1704.1	66.3	100.0

Source: State Committee on Statistics of Uzbekistan

Annex 5.2.3. Development of Social Infrastructure

Years	Availability to population					
	Of housing, sq. m per resident	Hospital beds, per 10 thous. persons	Outpatient-polyclinic institutions, per 10 th. persons	Number of students, per shift, %	Centralized water-supply, %	Natural gas, %
1991	12.2	123.0	133.7	75.2	80.0	46.2
1995	13.0	83.7	137.6	74.2	71.5	59.4
2000	13.7	55.9	158.2	73.7	81.0	73.9
2001	13.9	55.8	160.4	73.1	81.0	76.5
2002	14.2	57.8	163.1	71.9	81.4	77.4
2003	14.4	57.3	164.9	70.1	82.2	78.2

Source: State Committee on Statistics of Uzbekistan

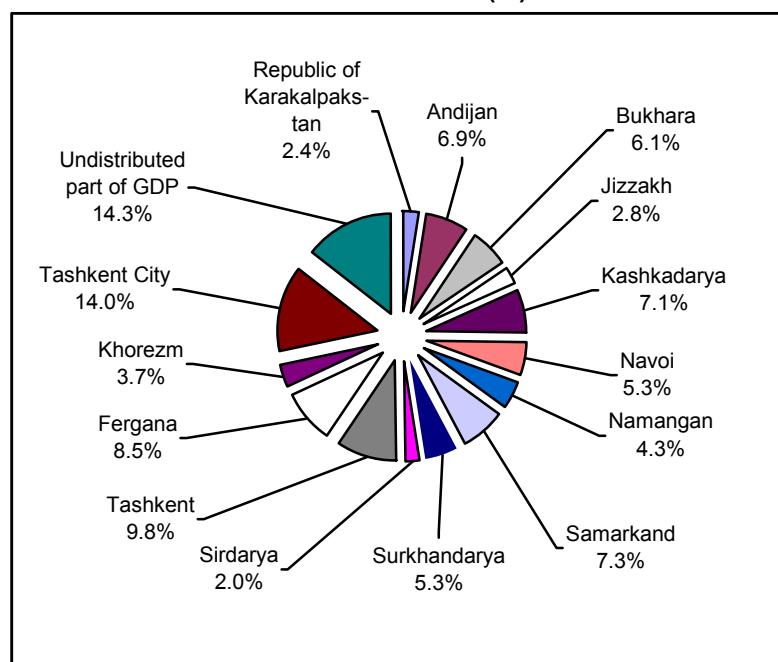
6. Socio-Economic Development of the Regions

In 2003 the regions of Uzbekistan (Republic of Karakalpakstan, 12 provinces and Tashkent City) enjoyed comparatively stable development. Growth in the main indicator – Gross Regional Product (GRP) – for the period under review was achieved in all provinces.

The largest GRP growth was in the Republic of Karakalpakstan (110.1%), Jizzakh (107.5%), Samarkand (106.9%) and Surkhandarya (105.3%) provinces (Annex 6.1).

In the territorial structure of GDP the largest share was extended to Tashkent City (14.0%), Tashkent province (9.8%) Fergana (8.5%), Samarkand (7.3%), Kashkadarya (7.1%) and Andijan (6.9%) provinces. More than 53% of the GRP was formed in above-mentioned provinces (Graph 6.1).

Graph 6.1. Share of the Regions in GDP of the Republic of Uzbekistan in 2003 (%)



Source: Uzbekistan State Committee on Statistics

The proportion of the GRP compared to the previous year increased to some degree in Jizzakh, Kashksdarya, Navoi and Khorezm provinces and in Tashkent City.

According to the indicator of per capita production of GRP, this figure increased for the analyzed period in the Republic of Karakalpakstan (from 0.392 to 0.400), in Jizzakh (from 0.666 to 0.702), Kashkadarya (from 0.780 to 0.782), Navoi (from 1.490 to 1.685), Tashkent (from 1.032 to 1.041) provinces and in Tashkent City (from 1.671 to 1.682). In other regions the indices decreased.

In the groups of regions (according to the index of per capita production of GRP) there were the following changes: in 2003 Navoi province had the highest level of this index (1.685), while in 2002 this province had been rated the second after Tashkent City.

The lowest level of index remained in the Republic of Karakalpakstan, though there was some increase in comparison with 2002 (Table 6.1).

Table 6.1. Grouping of the Regions According to Per Capita Production of GRP

2002	Index	2003	Index
I. High level	Higher than 1.000	I. High level	Higher than 1.000
Tashkent City	1.671	Navoi province	1.685
Navoi province	1.490	Tashkent City	1.682
Tashkent province	1.032	Bukhara province	1.053
Bukhara province	1.101	Tashkent province	1.041
II. Middle level	from 0.600 to 1.000	II. Middle level	from 0.600 to 1.000
Fergana province	0.843	Fergana province	0.785
Andijan province	0.834	Andijan province	0.764
Sirdarya province	0.776	Sirdarya province	0.754
Kashkadarya province	0.780	Jizzakh province	0.702
Jizzakh province	0.666	Surkhandarya province	0.734
Surkhandarya province	0.760	Kashkadarya province	0.782
Khorezm province	0.720	Samarkand province	0.669
Samarkand province	0.693	Khorezm province	0.681
III. Low level	to 0.600	III. Low level	to 0.600
Namangan province	0.599	Namangan province	0.543
Republic of Karakalpakstan	0.392	Republic of Karakalpakstan	0.400

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics

For the analyzed period there was a decline in industrial production in Navoi (by 0.6%) and Khorezm (by 1.1%) provinces, caused by a decrease in production in various enterprises, unrealized sales due to low quality products and tardy contracts with consumers. In 2003 in Khorezm province 24 out of a total of 64 enterprises (37.5%), including all cotton clearance plants, experienced decreases in production. A decline in the volume of industrial production in Navoi province was caused by the "Zarafshan Newmont" JV (Annex 6.1.).

The index of the level of industry development (on a per capita basis) increased in comparison with 2002 in Jizzakh (from 0.380 to 0.418), Kashkadarya (from 0.917 to 0.967) and Navoi (from 4.046 to 4.490) provinces and in Tashkent City (from 1.729 to 1.823). In other regions the indicator decreased. The highest values for this indicator were in: Navoi province (4.490), Tashkent City (1.823) and Tashkent province (1.537).

The index of industrial production decreased in comparison with 2002 in the Republic of Karakalpakstan (from 0.201 to 0.193) and in Khorezm (from 0.414 to 0.363) and Samarkand (from 0.398 to 0.351) provinces (Annex 6.2)

In 2003 all the regions enjoyed a high growth rate in consumer goods production, especially Jizzakh (129.0%), Andijan (120.3%) and Khorezm (114.5%) provinces (Annex 6.1.). Per capita consumer goods production (according to the estimated index of CGP) increased considerably in 2003 in comparison with 2002: in Andijan (from 1.677 to 1.847), in Jizzakh (from 0.573 to 0.655), Navoi (from 0.640 to 0.712), Sirdarya (from 0.659 to 0.669), Tashkent (from 1.184 to 1.252) provinces. In other regions this index decreased. Low indices continued in the Republic of Karakalpakstan (0.332) and Sukhandarya (0.356) provinces.(Annex 6.2)

A high growth rate of investments took place in the Republic of Karakalpakstan (by 18.0%), in Kashkadarya (by 11.7%), Navoi (by 9.6%) and Tashkent (by 8.3%) provinces (Annex 6.1).

The high level of investments per capita in 2003 was in Tashkent City (2.864) in Navoi (2.213) and Kashkadarya (1.760) provinces and in the Republic of Karakalpakstan(1.119). It was low in Khorezm (0.437), Fergana (0.480) and Navoi (0.471) provinces. This indicator increased in comparison with 2002 in the Republic of Karakalpakstan, Andijan, Kashkadarya, Navoi, Samarkand and Surkhandarya provinces and Tashkent City (Annex 6.2).

Almost all provinces enjoyed a high growth rate of agricultural production in 2003, especially the Republic of Karakalpakstan (129.8%), Jizzakh (112.0%), Khorezm(110.5%), Samarkand(110.0%) and Navoi (109.3%) provinces (Annex 6.1.).

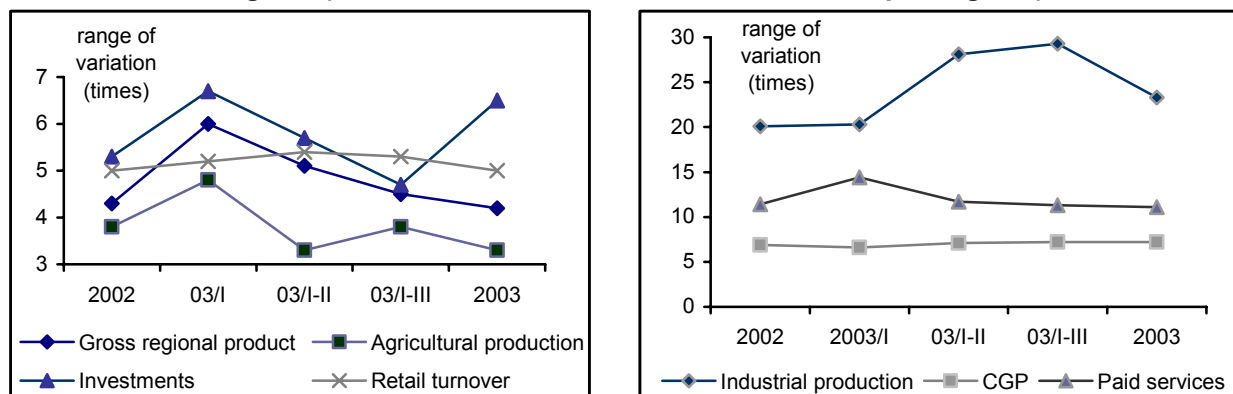
There were comparatively high indicators of per capita agricultural production in many regions. The lowest indices excepting in the Republic of Karakalpakstan (0.435) were in Namangan and Fergana provinces, but the indices per capita in other regions were higher than the average republican level. In comparison with 2002 this index increased in most regions (Annex 6.2.).

In 2003 all regions, excepting Khorezm province (96.0%), experienced growth in retail turnover. High growth rate of this indicator was found in Tashkent City (110.2%), Surkhandarya (109.5%), Samarkand (108.8%), Tashkent (108.6%), Kashkadarya (108.3%) provinces and the Republic of Karakalpakstan (107.9%) (Annex 6.1).

In 2003 compared to the previous year the retail turnover index per capita increased in Kashkadarya (from 0.715 to 0.755), Samarkand (from 0.707 to 0.744), and Surkhandarya (from 0.665 to 0.700) provinces and in Tashkent City (from 2.452 to 2.550). Comparatively low indices continued in the Republic of Karakalpakstan (0.505), Jizzakh (0.602), Sirdarya(0.609) and Khorezm (0.610) provinces (Annex 6.2).

In 2003 all regions attained growth in paid services. The highest growth was achieved in Samarkand (by 24.5%), Namangan (22.6%), Andijan (20.1%), Navoi (18.8%), Jizzakh (14.1%), Surkhandarya (12.6%) and Fergana (12.4%) provinces and in the Republic of Karakalpakstan (11.3%).

A particular target of economic reform in this period was the reduction of interregional differentiation. As the calculations show, in 2003 compared to 2002, the gap between the strong and weak regions was reduced in agricultural production (from 3.8 to 3.3 times), investments (from 5.3 to 5.1 times), retail turnover (from 2.8 to 2.5 times) and in paid services (from 2.5 to 2.3 times). The gap increased in GRP (from 3.8 to 4.2 times), in industrial production (from 20.1 to 23.3 times) and consumer goods production (from 4.9 to 5.6 times).

Graph 6.2. Dynamics of Changes of Differentiation Level of Socio-Economic Development in the Regions (ratio between the most and the least developed regions)


Source: Uzbekistan State Committee on Statistics

The following regions, with their economic and social potential, have a big influence on the differentiation between the regions: Navoi province (GRP, industry) and Tashkent City (CGP, retail turnover, paid services).

The most important feature of 2003 was the rather high growth rate of GRP (110.2%), for the first time in many years achieved by the Republic of Karakalpakstan. This was due to significant growth in agricultural production (129.8%) and the high volume of investments (118.0%).

Table 6.2. Grouping of the Regions according to Growth Rate of the Real Sector of Economy of the Republic of Uzbekistan in 2003 compared to 2002.

Groups and grades	Regions	Summary grade	Region's position
I group grades (9.0-11.0)	Samarkand province	10.7	1
	Kashkadarya province	9.8	2
	Jizzakh province	9.5	3
	Andijan province	9.0	4
II group grades (7.0-9.0)	Republic of Karakalpakstan	8.7	5
	Surkhandarya province	8.7	5
	Namangan province	8.5	6
	Navoi province	8.0	7
	Tashkent province	7.7	8
III group grades (4.0-7.0)	Tashkent City	7.2	9
	Bukhara province	6.0	10
	Khorezm province	5.5	11
	Sirdarya province	4.2	12
	Fergana province	4.0	13

Source: Calculations of the author based on the data of the Uzbekistan State Committee on Statistics

In comparison with 2002 there was an increase in the rating of Samarkand province (from position 10 to 1), the Republic of Karakalpakstan (from position 11 to 5), Andijan (from position 8 to 4), Namangan (from position 9 to 6), Navoi (from position 9 to 7), due to the high growth rate of various indicators in 2003. The fall of the rating of Bukhara (from position 7 to 10) and Fergana (from position 5 to 13) provinces was an evidence of insufficiently using potential in these provinces and the reduction in growth rates of various indicators of the economy. Jizzakh and Kashkadarya provinces kept their leading positions.

On the whole, there were positive changes in the provinces' socio-economic development. Comparatively high growth rates of development in the real sector occurred in such least-developed regions as the Republic of Karakalpakstan, Jizzakh and Kashkadarya provinces. The level of interregional differentiation in commodity circulation, agricultural production, paid services and investments decreased. At the same time the remaining substantial gap between the strong and weak regions in terms of GRP, industrial production and consumer goods production requires government regulation aimed at the regions' socio-economic development, while taking into account their natural and economic potential.

Annex 6.1. Dynamics of the Main Indicators of Socio-Economic Development in the Regions (Growth rates to the previous period in comparable prices in %) Gross Regional Product (GRP)

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	98.3	106.9	89.7	98.3	101.6	110.1	94.0	98.9	104.5
Andijan province	106.0	104.2	102.8	108.9	103.4	102.8	100.5	102.3	102.6
Bukhara province	110.2	106.2	104.2	103.5	102.7	101.4	102.4	104.4	102.6
Jizzakh province	107.5	111.7	104.2	106.5	109.5	107.5	102.2	104.2	105.5
Kashkadarya province	105.9	103.7	99.0	105.0	110.1	105.4	103.5	102.9	101.4
Navoi province	100.8	107.6	103.2	101.4	104.8	103.9	101.0	101.2	102.4
Namangan province	100.4	103.4	108.0	104.5	103.7	102.1	103.6	101.6	101.3
Samarkand province	107.6	107.4	104.6	103.5	107.6	106.9	100.2	106.5	106.8
Surkhandarya province	109.7	100.1	105.5	108.0	104.0	105.3	100.3	103.7	101.7
Sirdarya province	106.1	104.4	102.6	102.9	98.3	102.5	95.1	94.6	102.4
Tashkent province	104.9	101.4	110.9	104.2	103.1	102.5	100.1	100.9	101.9
Fergana province	97.4	101.7	106.1	99.5	105.1	100.5	100.1	100.0	100.6
Khorezm province	105.8	104.5	94.8	103.0	102.9	103.8	99.4	102.8	101.1
Tashkent City	95.6	98.7	104.5	104.3	102.6	104.4	99.2	102.8	104.2
Republic of Uzbekistan	104.4	104.4	103.8	104.2	104.2	104.4	102.2	103.8	104.0

Source: Uzbekistan State Committee on Statistics.

Continuation of Annex 6.1.

Industrial Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	106.3	105.0	111.2	95.9	94.9	100.3	89.0	85.4	93.9
Andijan province	111.0	113.7	90.0	128.1	105.5	118.6	101.0	108.4	117.2
Bukhara province	135.3	114.2	103.9	107.7	103.3	102.5	105.7	110.6	106.9
Jizzakh province	125.0	110.4	122.7	119.9	130.3	114.1	106.8	115.6	125.4
Kashkadarya province	103.7	102.3	101.9	104.4	112.1	114.4	120.1	122.5	118.3
Navoi province	101.9	109.7	102.2	100.6	106.5	99.4	102.7	100.4	99.3
Namangan province	107.1	115.1	126.1	118.2	112.5	113.0	107.7	112.8	109.2
Samarkand province	117.1	130.7	97.3	105.7	106.7	111.1	107.8	115.9	114.7
Surkhandarya province	106.9	108.3	107.9	104.1	113.1	104.6	101.5	117.0	109.1
Sirdarya province	102.8	109.5	106.7	101.3	122.4	100.1	101.2	100.1	103.4
Tashkent province	105.6	100.2	108.8	109.1	108.3	102.6	101.0	101.4	103.0
Fergana province	104.1	104.8	108.5	101.4	108.7	102.4	102.4	100.3	100.2
Khorezm province	118.3	100.1	103.5	100.3	103.9	98.9	100.2	94.4	94.7
Tashkent City	104.1	103.4	113.2	110.5	111.7	112.5	105.4	106.9	107.7
Republic of Uzbekistan	105.8	106.1	105.9	107.6	108.3	106.2	104.0	105.5	105.7

Source: Uzbekistan State Committee on Statistics.

Continuation of Annex 6.1.

Consumer Goods Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	105.6	107.5	105.9	113.5	104.3	104.7	103.1	105.9	106.7
Andijan province	104.3	113.0	92.6	123.7	97.8	120.3	96.0	104.3	115.0
Bukhara province	137.5	108.9	105.9	107.4	103.3	106.0	103.3	106.9	109.4
Jizzakh province	102.2	136.2	123.6	119.3	159.3	129.0	101.2	115.7	119.3
Kashkadarya Province	116.8	112.6	113.1	112.7	108.5	108.8	113.2	105.8	116.1
Navoi province	112.2	102.1	115.5	99.98	114.5	105.3	125.0	114.6	109.0
Namangan province	109.5	114.2	124.3	111.8	118.1	114.0	107.7	112.3	114.6
Samarkand province	138.2	141.5	92.4	102.6	102.5	106.8	104.8	104.0	106.3
Surkhandarya province	117.8	120.0	111.9	100.9	114.8	106.2	88.7	105.0	105.9
Sirdarya province	106.1	125.6	110.1	120.2	103.0	104.2	100.6	107.7	111.3
Tashkent province	112.4	109.5	112.5	114.1	106.6	107.1	104.7	108.6	109.2
Fergana province	107.3	110.1	111.3	98.1	106.4	101.6	96.7	95.5	101.3
Khorezm province	120.3	97.8	107.8	94.0	95.0	114.5	115.9	115.4	120.5
Tashkent City	98.7	92.0	111.3	101.3	120.2	102.7	100.8	102.9	101.5
Republic of Uzbekistan	107.2	109.3	106.2	107.6	108.4	108.4	102.3	104.0	106.8

Source: Uzbekistan State Committee on Statistics.

Continuation of Annex 6.1.

Agricultural Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	65.6	118.4	65.6	90.5	101.2	129.8	97.6	110.5	130.3
Andijan province	110.2	107.3	110.2	107.1	102.1	100.2	101.0	100.3	100.2
Bukhara province	106.3	109.3	106.3	102.0	102.6	106.2	102.3	109.6	108.2
Jizzakh province	100.1	116.8	100.1	106.9	113.8	112.0	103.4	104.3	115.2
Kashkadarya province	89.4	103.9	89.4	106.9	119.9	106.2	103.4	100.6	100.2
Navoi province	105.0	109.4	105.0	107.2	106.7	109.3	102.0	106.4	110.7
Namangan province	111.5	103.2	111.5	101.4	101.5	102.9	101.8	97.1	100.8
Samarkand province	104.8	107.2	104.8	103.9	112.4	110.0	104.2	108.4	110.3
Surkhandarya province	106.7	97.4	106.7	110.5	102.8	106.4	106.6	102.5	100.4
Sirdarya province	101.9	107.5	101.9	105.8	98.9	105.2	101.6	95.2	110.1
Tashkent province	114.9	100.5	114.9	103.7	102.8	102.7	105.3	103.0	102.3
Fergana province	113.5	104.1	113.5	100.4	105.7	100.6	103.4	114.1	100.2
Khorezm province	82.8	108.9	82.8	103.6	106.8	110.5	101.3	100.7	100.7
Tashkent City									
Republic of Uzbekistan	104.0	105.9	103.1	104.2	106.1	105.9	103.3	103.8	104.7

Source: Uzbekistan State Committee on Statistics.

Continuation of Annex 6.1.

Investments

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	137.0	102.0	83.0	106.0	114.0	118.0	112.0	119.0	119.0
Andijan province	119.8	102.0	101.0	118.0	105.0	106.9	100.2	104.0	105.0
Bukhara province	65.5	98.0	108.0	119.0	103.0	100.6	69.0	86.0	93.1
Jizzakh province	100.3	105.0	111.0	78.0	112.0	83.5	81.0	80.0	80.0
Kashkadarya province	114.5	120.0	93.0	130.0	94.0	111.7	128.0	114.0	112.2
Navoi province	81.8	107.0	116.0	107.0	98.0	109.6	122.0	110.0	109.0
Namangan province	75.4	100.4	103.0	96.0	100.1	101.7	100.2	100.2	101.2
Samarkand province	118.8	100.6	104.0	107.0	99.8	107.9	115.0	107.0	107.2
Surkhandarya province	118.0	103.0	102.0	116.0	101.0	104.0	101.0	102.0	103.3
Sirdarya province	102.0	109.0	100.2	101.0	84.0	105.5	114.0	106.0	103.0
Tashkent province	120.1	95.0	106.0	112.0	102.0	108.3	98.0	108.0	105.3
Fergana province	134.2	108.4	107.0	109.0	108.0	95.9	101.0	95.0	95.2
Khorezm province	105.0	104.0	102.0	96.0	103.0	91.6	81.0	87.0	90.0
Tashkent City	107.8	102.0	92.0	106.0	81.0	106.8	87.0	108.0	103.6
Republic of Uzbekistan	115.0	102.0	101.0	104.0	103.6	104.5	100.3	102.6	102.8

Source: Uzbekistan State Committee on Statistics.

Continuation of Annex 6.1.

Retail Turnover

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	92.1	115.9	103.6	117.9	102.6	107.9	90.2	96.0	101.8
Andijan province	122.4	108.7	106.4	109.3	107.3	100.0	110.8	103.8	103.5
Bukhara province	105.6	112.8	110.3	114.7	107.1	101.1	107.7	103.1	102.4
Jizzakh province	102.7	101.4	111.0	125.8	116.2	101.8	117.6	104.8	101.4
Kashkadarya province	118.9	100.3	109.9	116.5	105.5	108.3	111.9	109.1	113.3
Navoi province	104.0	111.5	105.4	113.3	105.0	104.3	97.2	102.2	107.3
Namangan province	102.3	108.5	110.8	118.8	103.9	100.9	108.8	102.4	103.3
Samarkand province	105.5	105.9	113.6	106.6	100.1	108.8	99.6	105.4	109.3
Surkhandarya province	130.4	114.0	121.4	113.7	113.3	109.5	106.3	111.0	113.5
Sirdarya province	100.4	102.1	105.8	102.1	95.4	100.3	85.1	85.3	92.7
Tashkent province	121.5	110.2	123.3	115.9	101.1	108.6	99.2	111.0	110.7
Fergana province	115.1	112.1	103.2	103.5	106.2	100.0	97.7	97.3	100.1
Khorezm province	122.7	115.5	111.8	107.9	101.1	96.0	97.9	96.6	96.6
Tashkent City	109.7	107.6	100.2	104.7	90.1	110.2	88.7	93.4	103.7
Republic of Uzbekistan	114.0	110.5	107.6	109.6	101.1	105.1	99.8	100.3	104.9

Source: Uzbekistan State Committee on Statistics.

Continuation of Annex 6.1.

Paid services

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	97.0	110.4	114.2	105.1	112.4	111.3	117.0	114.4	112.4
Andijan province	124.3	128.2	138.9	113.3	109.3	120.1	107.6	109.1	108.7
Bukhara province	123.4	116.1	112.6	108.4	117.0	109.3	118.1	119.9	114.5
Jizzakh province	133.5	121.5	110.4	116.2	114.2	114.1	108.8	110.1	115.7
Kashkadarya province	111.2	120.4	137.2	114.6	121.9	108.2	108.1	109.0	110.0
Navoi province	140.8	103.0	116.8	118.7	108.9	118.8	112.4	116.9	116.1
Namangan province	110.2	110.8	137.0	115.5	110.8	122.6	115.4	117.2	121.6
Samarkand province	104.1	110.9	118.1	121.8	104.0	124.5	118.1	117.5	132.3
Surkhandarya province	171.1	129.6	109.6	114.2	114.3	112.6	114.7	116.9	113.7
Sirdarya province	108.3	108.5	104.8	125.8	109.6	103.1	103.5	100.5	101.2
Tashkent province	103.6	112.8	111.5	100.2	109.2	105.5	105.7	106.8	103.9
Fergana province	115.8	121.4	115.5	113.5	110.5	112.4	107.2	112.0	114.0
Khorezm province	115.1	121.7	107.9	106.4	102.0	107.0	100.7	108.7	110.0
Tashkent City	108.1	110.2	113.5	117.4	112.8	105.3	103.2	104.1	104.8
Republic of Uzbekistan	109.5	112.6	115.7	114.7	108.6	107.9	102.0	104.4	106.4

Source: Uzbekistan State Committee on Statistics.

**Annex 6.2 Differentiation Level of Socio-economic Development in the Regions
(on a per capita basis)****Gross Regional Product**

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	0.531	0.617	0.456	0.413	0.392	0.400	0.360	0.397	0.405
Andijan province	0.797	0.852	0.911	0.935	0.834	0.764	0.618	0.717	0.791
Bukhara province	0.956	1.180	1.109	1.155	1.101	1.053	1.047	1.091	1.035
Jizzakh province	0.613	0.686	0.742	0.669	0.666	0.702	0.561	0.632	0.712
Kashkadarya province	0.797	0.749	0.722	0.724	0.780	0.782	0.635	0.688	0.666
Navoi province	1.086	1.208	1.039	1.267	1.490	1.685	1.687	1.766	1.755
Namangan province	0.548	0.599	0.667	0.637	0.599	0.543	0.486	0.505	0.536
Samarkand province	0.678	0.753	0.709	0.679	0.693	0.669	0.525	0.564	0.657
Surkhandarya province	0.662	0.674	0.716	0.727	0.760	0.734	0.520	0.616	0.669
Sirdarya province	0.800	0.950	0.807	0.822	0.776	0.754	0.567	0.604	0.777
Tashkent province	0.926	0.969	1.040	1.017	1.032	1.041	0.990	0.951	1.027
Fergana province	0.863	0.950	0.941	0.866	0.843	0.785	0.773	0.793	0.822
Khorezm province	0.870	0.960	0.832	0.717	0.720	0.681	0.682	0.653	0.644
Tashkent City	1.580	1.702	1.563	1.665	1.671	1.682	2.164	2.021	1.817
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation (times)	3.0	2.8	3.4	4.1	4.3	4.2	6.0	5.1	4.5
Not taking into account Tashkent City	2.1	2.0	2.4	3.1	3.8	4.2	4.7	4.4	4.3

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

Continuation of Annex 6.2

Industrial Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	0.372	0.339	0.279	0.247	0.201	0.193	0.184	0.159	0.158
Andijan province	1.105	1.108	0.909	1.071	0.979	0.960	0.912	0.953	0.958
Bukhara province	1.035	1.026	1.100	1.096	1.133	0.996	1.173	1.086	0.991
Jizzakh province	0.287	0.239	0.278	0.360	0.380	0.418	0.436	0.398	0.399
Kashkadarya province	0.925	0.838	0.931	0.953	0.917	0.967	0.912	0.893	0.923
Navoi province	2.850	2.964	3.144	3.318	4.046	4.490	3.737	4.463	4.629
Namangan province	0.390	0.422	0.466	0.450	0.396	0.377	0.382	0.353	0.330
Samarkand province	0.392	0.604	0.515	0.459	0.398	0.351	0.352	0.341	0.341
Surkhandarya province	0.355	0.367	0.323	0.302	0.283	0.286	0.304	0.295	0.245
Sirdarya province	0.442	0.511	0.460	0.541	0.427	0.429	0.560	0.418	0.357
Tashkent province	1.222	1.200	1.368	1.487	1.569	1.537	1.502	1.530	1.565
Fergana province	1.197	1.063	1.169	1.024	1.072	0.944	1.038	0.970	0.957
Khorezm province	0.690	0.608	0.507	0.467	0.414	0.363	0.454	0.351	0.318
Tashkent City	1.749	1.629	1.700	1.744	1.729	1.823	1.874	1.918	1.903
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation (times)	9.9	12.4	11.3	13.4	20.1	23.3	20.3	28.1	29.3

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

Continuation of Annex 6.2

Consumer Goods Production (CGP)

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	0.515	0.531	0.425	0.400	0.341	0.332	0.340	0.329	0.320
Andijan province	1.916	1.628	1.354	1.616	1.677	1.847	1.754	1.918	1.857
Bukhara province	1.209	1.253	1.501	1.589	1.550	1.458	1.614	1.587	1.500
Jizzakh province	0.203	0.245	0.266	0.385	0.573	0.655	0.547	0.624	0.675
Kashkadarya province	0.628	0.565	0.616	0.656	0.560	0.615	0.575	0.548	0.571
Navoi province	0.665	0.728	0.616	0.619	0.640	0.712	0.653	0.666	0.668
Namangan province	0.551	0.617	0.665	0.579	0.571	0.561	0.553	0.558	0.555
Samarkand province	0.844	1.342	1.226	1.072	1.016	0.884	0.927	0.881	0.915
Surkhandarya province	0.401	0.461	0.433	0.377	0.364	0.356	0.296	0.324	0.313
Sirdarya province	0.539	0.762	0.700	0.700	0.659	0.669	0.832	0.684	0.644
Tashkent province	1.012	0.959	1.071	1.164	1.184	1.252	1.195	1.239	1.249
Fergana province	1.012	1.007	1.076	1.009	0.934	0.844	0.871	0.845	0.860
Khorezm province	1.048	0.922	0.787	0.543	0.551	0.544	0.737	0.613	0.555
Tashkent City	2.168	1.922	2.093	2.004	2.360	2.396	2.262	2.310	2.317
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation (times)	10.7	7.8	8.2	5.3	6.9	7.2	6.6	7.1	7.2
Not taking into account Tashkent City	9.4	6.6	5.6	4.3	4.9	5.6	5.9	5.9	5.9

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

Continuation of Annex 6.2

Agricultural Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	0.557	0.530	0.425	0.354	0.360	0.435	0.345	0.470	0.439
Andijan province	1.035	1.157	1.170	1.119	1.150	1.051	0.818	1.114	1.192
Bukhara province	1.146	1.379	1.340	1.375	1.321	1.376	1.345	1.534	1.310
Jizzakh province	1.084	1.254	1.331	1.211	1.329	1.425	1.254	1.366	1.315
Kashkadarya province	0.876	0.921	0.831	0.851	0.980	1.006	0.703	1.029	0.845
Navoi province	1.128	1.099	1.238	1.144	1.149	1.218	1.400	1.295	1.479
Namangan province	0.783	0.840	1.019	0.996	1.042	0.970	0.794	0.756	0.777
Samarkand province	0.995	1.064	1.037	1.081	1.110	1.154	1.315	1.125	1.211
Surkhandarya province	1.243	1.105	1.187	1.353	1.311	1.279	1.157	1.375	1.238
Sirdarya province	1.190	1.426	1.397	1.501	1.373	1.393	1.303	1.340	1.672
Tashkent province	1.265	1.218	1.511	1.539	1.268	1.255	1.666	1.133	1.329
Fergana province	0.800	0.947	0.977	1.024	0.995	0.931	0.939	0.948	0.943
Khorezm province	1.376	1.603	1.144	1.025	1.072	1.098	1.636	1.217	1.072
Tashkent City									
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation(times)	2.5	3	3.6	4.2	3.8	3.3	4.8	3.3	3.8

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

Continuation of Annex 6.2

Investments

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	1.065	1.028	0.819	0.648	0.832	1.119	0.803	0.879	1.027
Andijan province	0.753	0.604	0.552	0.505	0.439	0.641	0.384	0.456	0.630
Bukhara province	0.869	0.792	0.705	0.627	1.063	0.701	0.473	0.588	0.795
Jizzakh province	0.457	0.526	0.577	1.112	1.155	0.583	0.428	0.491	0.515
Kashkadarya province	1.045	1.299	1.897	1.931	1.608	1.760	2.482	1.962	1.808
Navoi province	1.267	0.695	2.014	2.535	2.125	2.213	2.598	1.780	1.925
Namangan province	0.732	0.526	0.701	0.501	0.476	0.471	0.437	0.436	0.524
Samarkand province	0.690	0.550	0.523	0.453	0.404	0.531	0.518	0.612	0.652
Surkhandarya province	0.451	0.468	0.470	0.509	0.451	0.600	0.375	0.447	0.504
Sirdarya province	0.823	0.884	0.772	0.754	0.713	0.592	1.152	0.821	0.694
Tashkent province	0.902	0.618	0.747	0.762	0.899	0.872	0.803	0.862	0.855
Fergana province	0.830	0.676	0.587	0.796	0.931	0.480	0.893	0.807	0.628
Khorezm province	0.856	0.648	0.630	0.695	0.855	0.437	0.562	0.560	0.562
Tashkent City	2.784	2.715	2.730	2.272	2.131	2.864	2.089	2.498	2.370
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation(times)	6.1	5.8	5.8	5.6	5.3	6.5	6.9	5.7	4.7
Not taking into account Tashkent City	2.8	2.8	4.3	5.6	5.3	5.1	6.9	4.5	3.8

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

Continuation of Annex 6.2

Retail Turnover

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	0.456	0.514	0.470	0.485	0.491	0.505	0.471	0.475	0.483
Andijan province	1.180	1.146	1.272	1.314	1.356	1.284	1.389	1.435	1.302
Bukhara province	0.718	0.765	0.756	0.841	0.902	0.855	0.934	1.008	0.873
Jizzakh province	0.449	0.407	0.420	0.530	0.630	0.602	0.600	0.584	0.589
Kashkadarya province	0.728	0.655	0.662	0.697	0.715	0.755	0.728	0.743	0.750
Navoi province	0.813	0.803	0.728	0.770	0.808	0.800	0.810	0.835	0.810
Namangan province	0.735	0.672	0.691	0.747	0.805	0.773	0.808	0.777	0.760
Samarkand province	0.820	0.841	0.791	0.709	0.707	0.744	0.734	0.722	0.720
Surkhandarya province	0.466	0.538	0.588	0.594	0.665	0.700	0.729	0.736	0.717
Sirdarya province	0.786	0.727	0.691	0.665	0.639	0.609	0.581	0.575	0.593
Tashkent province	0.881	0.902	1.033	1.041	1.038	1.112	1.042	1.089	1.098
Fergana province	1.204	1.293	1.219	1.145	1.232	1.153	1.172	1.141	1.143
Khorezm province	0.670	0.697	0.662	0.685	0.668	0.610	0.626	0.616	0.601
Tashkent City	2.996	2.910	2.854	2.789	2.452	2.550	2.431	2.557	2.567
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation (times)	6.7	7.1	6.8	5.7	5.0	5.0	5.2	5.4	5.3
Not taking into account Tashkent City	2.7	3.2	3.0	2.7	2.8	2.5	2.9	3.0	2.7

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

Continuation of Annex 6.2

Paid Services

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III
Republic of Karakalpakstan	0.437	0.474	0.410	0.340	0.358	0.380	0.310	0.372	0.374
Andijan province	0.729	0.820	0.870	0.856	0.771	0.813	0.554	0.677	0.730
Bukhara province	0.937	0.948	0.927	0.856	0.878	0.883	0.865	0.866	0.874
Jizzakh province	0.500	0.500	0.455	0.441	0.448	0.481	0.486	0.476	0.473
Kashkadarya province	0.500	0.525	0.463	0.420	0.423	0.462	0.432	0.427	0.437
Navoi province	0.917	0.837	0.707	0.718	0.663	0.755	0.770	0.786	0.756
Namangan province	0.542	0.474	0.500	0.479	0.448	0.506	0.513	0.506	0.519
Samarkand province	0.729	0.666	0.626	0.612	0.606	0.687	0.591	0.579	0.679
Surkhandarya province	0.458	0.487	0.480	0.441	0.444	0.457	0.486	0.469	0.469
Sirdarya province	0.437	0.397	0.366	0.361	0.366	0.382	0.405	0.396	0.382
Tashkent province	0.812	0.782	0.732	0.670	0.616	0.631	0.608	0.658	0.630
Fergana province	0.604	0.602	0.610	0.553	0.556	0.586	0.554	0.549	0.572
Khorezm province	0.792	0.833	0.707	0.596	0.581	0.602	0.621	0.597	0.569
Tashkent City	2.875	3.320	3.455	3.761	4.090	4.201	4.473	4.354	4.237
Republic of Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Range of variation (times)	6.6	8.4	8.4	11.1	11.4	11.1	14.4	11.7	11.3
Not taking into account Tashkent City	2.1	2.4	2.5	2.5	2.5	2.3	2.8	2.3	2.3

Source: Calculations of the author based on the data of Uzbekistan State Committee on Statistics.

ANALYTICAL PART

1. Uzbekistan on its Way to the WTO: Risks and Benefits for the Textile and Apparel Industries

This article is the first in a series focused on the analysis of the economic impact of the anticipated accession of Uzbekistan into the WTO. The article was drafted on the basis of the respective report of the Center for Effective Economic Policy (CEEP) with assistance from the USAID-BearingPoint Uzbekistan Economic Reform Project. The following authors contributed to the report: Ms. Valentina Baturina, Mr. Jakhonghir Muinov and Ms. Evgenia Elfimova, who were supported on behalf of the Uzbekistan Economic Reform Project by Mr. Philipp Eddleston, Mr. David Martin and Mr. Eshref Trushin. Opinions expressed in this article are those of the respective authors alone and should in no way be taken to reflect the opinions of any organizations.

The article analyzes benefits and losses for the textile and apparel industries, and reviews basic motives, risks and costs of the WTO accession. The authors have concluded that a reduction of import tariffs would not result in considerable losses in output or employment for the textile and apparel industries. High import tariffs have not yet facilitated significant expansion of textile and apparel production due to the number of institutional barriers, quality factors and illicit imports. In addition, import tariffs increase the cost of living and add to the costs of production in the apparel industry. The textile and apparel industries should be export-oriented and therefore a favorable business environment should be established for the production and placement of foreign investments and orders.

Introduction

Rationale for Joining the WTO. At present, 146 countries, including such CIS countries as Kyrgyzstan, Georgia, Armenia and Moldova, are members of the WTO, accounting for about 95% of world trade turnover¹. Therefore, membership in the WTO is an indicator of integration into the world trade system.

About 30 additional countries, including Uzbekistan, have already applied for membership in the World Trade Organization. Accession to the WTO is made on the basis of consensus and every member country may set forth additional specific requirements, aimed at reducing protectionism for new entrants. Joining the WTO in the near future may enable Uzbekistan to avoid additional requirements for reducing protectionism from countries which may join the WTO earlier than Uzbekistan².

Openness to foreign trade facilitates economic growth and poverty reduction³. Stiglitz⁴ argues that true development entails a transformation of society. He emphasizes that openness to trade opens up new possibilities by forcing firms to innovate and by offering them new inputs and goods that embody new knowledge. The WTO Secretariat study⁵ has come to the conclusion that trade liberalization is generally a positive contributor to poverty alleviation. Although it may create some losers and poverty may be exacerbated temporarily, this challenge should be tackled with facilitating adjustments and the strengthening of social security. These factors should be considered while making decisions on regulating trade relations and adapting the economic reform process to WTO accession.

Coughlin and Chrystal⁶ have summarized the basic findings in the literature on protectionism and concluded that: (i) protected industries are subsidized (in one way or another) by the rest of the economy; (ii) protectionism, as a rule, leads to higher prices of the protected goods and this harms domestic consumers; (iii) low-income families are affected more than those with high incomes; (iv) cost-per-job-saved due to protectionism is usually very high and much higher for domestic consumers than the value of benefits for a protected industry, and protection leads to job loss in downstream production; (v) there are significant efficiency losses due to the excess domestic production and reduction in consumption caused by protectionism; (vi) the administration of protectionism per se may be very costly; (vii) protectionism of one sector may evoke similar requests from other sectors, which hinders economic reform; and, (viii) while import tariffs represent the simplest types of subsidies, since they generate revenue for the government and provide additional income for the respective industries out of the pockets of consumers, there are also direct methods of regulating sectors which are more effective than protectionism.

¹ http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

² United Nations Economic and Social Commission for Asia and the Pacific, "Accession to the WTO", p.38

³ e.g.: Dollar D. and Aart Kraay, 2001 Trade, Growth, and Poverty, World Bank, Development Research Group, March 2001 (available on: www.worldbank.org/research/growth/wupdate.htm; Srinivasan T.N. and Bhagwati J. Outward-orientation and development: Are revisionists right?, September 17, 1999, available on: <http://www.columbia.edu/~jb38/papers.htm>).

⁴ Stiglitz J. Two Principles for the Next Round, Geneva, September 21, 1999, available on: <http://www.worldbank.org/knowledge/chiefecon/stiglitz.htm>.

⁵ Ben-David D., H.Nordstrom, L.Winters. Trade, Income Disparity and Poverty, WTO Secretariat Special Study, 2000, p.5-6. (see: http://www.wto.org/english/news_e/pres00_e/pov1_e.pdf).

⁶ Coughlin C., Chrystal A., Wood G. Protectionist Trade Policies: A Survey of Theory, Evidence, and Rationale, in: International Political Economy, ed. By J.Frieden and D.Lake, 3rd ed., St. Martin Press, 1995, p.323-338.

The following factors to be achieved after WTO accession,¹ listed by their degree of importance, may create a positive impact on the economy of Uzbekistan:

- Increased competition between commodity producers and lower costs of goods and services on the domestic market, due in part to the reduction of import tariffs and other trade restrictions.
- Limitation of protectionism, including its non-tariff forms; a more open and transparent trade regime and reorientation of economic resources towards competitive sectors.
- Improvement of the business climate and a higher reputation for the transparent economy following international standards of trade.
- Better legal protection for domestic producers in external markets.

Concerns about Joining the WTO. Uzbekistan is currently at the initial “questions and commentaries” stage of negotiations on accession to the WTO² and formal negotiations on specific terms for accession are beginning. Uzbekistan currently has several practices that do not conform with WTO regulations and will have to be changed before it will be permitted to join. The most significant of these provisions include the following:

- Tax breaks for exporters;
- State programs on localization;
- Redistribution of production according to production and marketing forecasts – another main point of concern since some of these plans might imply hidden subsidies for exporting industries;
- Certain non-tariff barriers for imports; and
- Lack of efficiency in protecting intellectual property rights.

Some regulatory measures could be undertaken without connection to foreign trade, i.e. transformed in a way not contradicting the WTO rules. The WTO rules also envisage a transition period of several years so that the country may establish a trade regime fully conforming to the rules of this organization.

Major costs that potentially could be incurred by joining the WTO:

- If the country opens up as required by the WTO, domestic enterprises may be forced to reduce production and employment and the Government could lose tax revenues.
- The Government could be forced to increase social spending to ameliorate the impact on workers if employment is reduced.
- It might be necessary for the budget to pay additional fixed costs in order to comply with the requirements of the WTO on intellectual property rights, certification and the standardization of goods and services, including customs procedures and sanitary regulations in Uzbekistan, and representations in the WTO.

On the sectoral level joining the WTO will benefit competitive export-oriented sectors while import-substitution ones would be in a rather difficult position. The impact on the service sector would basically be indirect and would depend on the growth of the economy as a result of trade liberalization, as services are mainly rendered in the domestic market.

WTO membership requires permitting foreign firms equal access with local firms to domestic markets. Therefore foreign companies would be enjoying better access to banking, insurance and building services markets in Uzbekistan. The area of concern here is financial services, due to the necessity of specific regulations in this sphere for the public interest.

Protectionism and subsidies of the agricultural sector are not too strictly constrained by the WTO. Furthermore, WTO membership might increase Uzbek access to some markets which will be advantageous for Uzbekistan.

Industry contributes about 15 percent to GDP and is clearly the area most at risk from trade liberalization. However even this sector has the potential for development after WTO accession. For instance, the fertilizer industry is sufficiently efficient that transportation costs more than offset any lower costs that foreign competitors from Russia or China might offer. Oil, gas, gold and non-ferrous metals mining also have nothing to worry about in terms of threats from foreign competition.

Given the conditions in Uzbekistan, measures for creating a favorable business climate and developing industries with comparative advantages, i.e. labor and domestic natural resource-intensive as well as IT sectors, are preferable. It should be emphasized that the double-land-locked position of Uzbekistan already

¹ Eskender Trushin. Membership in the World Trade Organization, see. “Central Asia and South Caucasus Affairs: 2002”, pages 61-103.

² Current Status of Individual Accessions to the World Trade Organization (available at http://www.wto.org/wto/english/thewto_e/acc_e/status_e.htm)

provides natural protection for domestic industry since transportation costs are very high. Reducing import tariffs will decrease the attractiveness of smuggling goods and thus may contribute to the increase of government revenues from import duties.

Cost and Benefits Analysis for the Textile and Apparel Industries

Textile and apparel industries are important to Uzbekistan as they are linked to the country's industry development prospects (see Table 1.1). Some mistakenly believe that the reduction of import tariffs may result in a great loss of market for domestic producers. However, this is untrue. For example, ginning contributes about 57% of the total production in the textile industry and, along with cotton yarn weaving, is unlikely to be at risk after trade liberalization.

In addition, the textile and apparel industries have already adapted to the existing demand after a significant downturn transition period when the number of workers in the industry fell five-to-eight-fold to the level at the end of the 1980's.

Table 1.1. Share of Textiles and Apparel Industries in Production, GDP and Employment in 2002

Sector	Share of GDP, %	Share of industrial value added, %	Production, billion Soum	Share of employment in total, %
Textiles	2.5	18.0	806.9	1.2
Ginning	1.4	10.0	448.9	0.25
Spinning and weaving	0.9	6.4	285.4	0.6
Knitting, including hosiery	0.05	0.3	15.05	0.09
Other	0.15	1.3	57.5	0.26
Apparel	0.16	1.1	50.7	0.34

Source: CEEP

At present, in the apparel industry, the main contracts are connected with the production of uniforms for various state agencies, as well as the production of traditional clothes, which would not be subject to attack from imports. Therefore, the negative effects of trade liberalization would not be considerable for the apparel industry.

Employment at risk due to trade liberalization in companies with direct foreign investment is almost negligible and these companies should be seen as a growth point, able to generate much future employment and import substitution. Some companies with a considerable share of government ownership have relatively modern designing, patterning, and fabric utilization equipment. With the expansion of the market, and the use of international experts to bring increased productivity, management and marketing, these skills can be enhanced to the point where most or all have a future, and can grow significantly.

The apparel industry is a relatively low-tech one (the principles of stitching machine operation have not changed over the last 100 years), and is a matter of organization techniques, rather than new equipment. Some domestic apparel factories have efficient computerized equipment for the production of patterns and cutting, which is often idle due to the small amount of current orders. Such equipment could be a competitive advantage for export production.

The main industries at risk after trade liberalization are those in the production of knitted wear, the cotton industry, and garments, which in 2002 employed about 93.6 thousand people (only about 1% to the total employment in the economy), produced goods worth 98 bill. Soum and contributed about 1.3% to the GDP.

In addition, many textile enterprises export a significant part of their production, i.e. can compete in the world market. For example, the share of exports in production was 36.5% for cotton yarn and 22.8% for fabrics in 2002.

Enterprises in these sectors are divided into two distinct groups – the state controlled enterprises (SCEs) and the private sector, usually with foreign involvement. In the private group, the equipment is relatively new, is highly productive, and economical. We would estimate that the foreign-invested primary textile companies have a secure future. This group had high capacity utilization of about 80% in 2002 and produced about 74% of all domestically made cotton yarn, 53% of cotton fabrics, and almost all knitted goods.

In the other group many state sector textile companies are full of obsolete equipment which cannot return to economical production as the domestic market is not sufficient to achieve significant economy of scale. Such textile factories do not have stable sales markets, resulting in a lack of working capital. As a rule, capacity utilization there is rather low (about 33% in 2002) and they are at risk of financial instability in any

case. The considerable decrease in production which began at the end of the Soviet period was not matched with a decrease in fixed production costs due to the large size of the enterprises. As with the majority of state-owned enterprises (SOEs), they lack marketing and management skills while maintaining some production skills.

The recent development of textile equipment has been so rapid that machines lagging two generations behind are hopelessly obsolete and cannot compete. It is not even worthwhile to sell such machines for spare parts. For instance, modern spinning machines work at a speed of 100 thousand revolutions per minute, while equipment with a speed of 20 thousand revolutions per minute is not competitive. For weaving machines the width of fabric should be 150 cm and wider, while a width of 90 cm is not efficient for stitching and there is no demand for it on the global market. Modern weaving tools operate at a speed of 700 revolutions per minute while old Soviet-type machines STB, which are very common in local textile mills, operate at a speed of 210 revolutions per minute and even slower.

This group of companies is losing money and without radical investment or sale, most likely as joint ventures, many will inevitably close, whether or not tariffs are reduced. A possible mitigating factor would be the gradual closure of this capacity, that is the closure of one facility, and its order book consolidated into the others, together with better use of existing facilities through productivity measures.

Our extrapolation of assessments on the basis of surveyed enterprises in the textile sector is the following: the maximum decrease of the contribution of the textile industry to the GDP after trade liberalization should not exceed 0.5% of GDP with a 0.3% loss in total employment in the worst case.

There is an overly optimistic opinion that the domestic market for domestically produced textile and apparel goods can be captured by domestic industries with the help of high import tariffs. The approximate value for domestic consumption of apparel and knitwear is about 5% of disposable income spent on those goods, or about 310 million dollars. At first glance this is a sufficient market for import substitution, at least for a few factories. The sustainable development of existing capacities needs bigger markets, i.e. export ones.

However, despite high import duties, a large part of the expenditure of the population is spent on imported goods. Statistically, registered imports already have a significant share (Table 1.2). For example, according to official statistics, both domestically-produced and imported knitted goods and garments were about 3350 Soum (\$4.3) in 2002 in per capita annual terms. Domestic production of some consumer goods is very low. For example, only 0.5 pairs of hosiery, 1.3 pieces of knitwear, and about 2000 Soum (\$2.6) worth of garments were produced per capita by domestic industries in 2002.

Table 1.2. Ratio of imports to domestic production for key textile goods

	Ratio of imports to domestic consumption, % (registered)			
	2001	2002	2003	Average: 2001-2003
Cotton fabrics	1.2	2.1	0.7	1.3
Garments	31.8	53.8	28.2	37.9
Knitted goods	15.6	38.5	3.6	19.2
Hosiery	25.8	190.1	9.0	41.6

*Note: registered imports and exports

Source: CEEP

Given that people in Uzbekistan spend only about 5% of their disposable income on apparel and knitted wear, one can estimate that the share of statistically registered domestic production and imported garment and knitted wear per capita is about 30-35% of what people in Uzbekistan should really consume. Thus high import tariffs fail to achieve the goal of squeezing out imports.

High import tariffs are not the key and efficient tool for upgrading domestic production from low to high value-added. Currently, import duty for most garments and textile goods is 30 percent. However, high import tariffs cannot compensate for high costs of production due to adverse institutional factors. Institutional factors affecting management and marketing of enterprises, various types of administrative barriers, as well as access to raw materials and sales markets, rather than protectionism, are determining factors. High taxes and social payments result in high costs for labor-intensive sectors such as the garment sector, decreasing their competitiveness and attractiveness for direct foreign investment.

However, in situations where many enterprises in Uzbekistan have very slight or negative profits, any factor that can increase sales, such as protectionism, can make a significant difference for their income account.

Import tariffs without clear conditionality for the development of industry are rather counter-productive, as they do not provide development incentives for enterprises, due to the lack of competition. In addition, high tariffs promote smuggling and the shadow economy.

Actually, the protection of the textile industry hampers the development of the garment industry. For example, 30% import tariffs on intermediate goods (like chemical fibers: 5407-5408 by SITC classification, and stockinet: SITC 6001-6006) and 10% import tariffs on other chemical fibers (SITC 5401-5406) and garment accessories only hamper the domestic production of the textile and garment industries. To produce good hosiery, some chemical fiber component is needed.

The textile industry may indirectly support garment production through the production of cheap and high quality fabrics. Regrettably many factories still have to use imported fabrics, as domestically-produced fabric does not fully meet requirements for quality, price and style.

It would be overly optimistic to believe that the strategy of first capturing the domestic market and then developing exports can succeed in the textile and apparel industries. The strong import-substitution drive of the economy for the period 1995-2002 did not significantly increase the share of domestically processed cotton, which is still at the level of 20-25%. The bulk of exported cotton fabrics are grey fabrics with low value added. Foreign-invested companies are largely in the primary textile industry – spinning and weaving. They are operators of efficient, economical, high capital cost equipment which employ relatively few people. Together with the cotton-growing sector, they export raw, unfinished products, products of the smallest added value.

Domestic textile producers would not be able to sustainably fund their modernization. Textile equipment is rather costly and requires vast sales markets to become profitable. The best way for modernization of the textile industry is the attraction of foreign direct investment, which also brings corresponding marketing and management skills. Accession to the WTO would encourage foreign direct investments, and the renovation of light industry would not need to be paid from government revenues.

The textile industry is capital-intensive. The average cost of creating one job as a result of building one textile facility in Uzbekistan approximated 30-45 mill. Soum or 38-45 thous. doll. in 2001-2003, whereas the creation of one job in the garment industry may cost only about 2-5 thousand dollars. Therefore the garment (apparel) industry will help to resolve employment issues in a more efficient way and contribute to the policy of social stability.

In Uzbekistan the main consumers of garments are the 16–35 year-olds. They as a rule buy fashion merchandise because it carries known brand names and is fashionable, and such demand may not be satisfied by simple import substitution. There is a lot of diversity in fashions and they may change 6-8 times a season in developed countries, which are major consumers of garments. Of course there are garments where fashions do not change so briskly, however competition in such markets is extremely high.

The absence of a strong marketing network, fierce competition, rapid fashion changes, and protectionism on the world's markets for fabrics and garments will hamper expansion of high value-added goods from Uzbekistan without a strong marketing network or marketing partnership with foreign partners. Many foreign garment producers are part of well-established world technological chains: the design of goods taking into account the most recent trends in fashions – production of accessories – stitching and packing – sale to end consumers. Uzbekistan producers would have difficulties competing with such a well-functioning mechanism on their own.

Conclusion and Recommendations

A more adequate strategy for capturing the domestic market would be building local producers into this world technological chain, through export orientation and the attraction of direct foreign investment. This would allow the production of garments attractive for domestic consumers, i.e. import substitutes.

Garment factories should be viewed as a growth pole for the entire industry as such factories have competitive advantages and may easily create many jobs with little capital investment. Efficiency in the sector could be increased within several years without costly investment, by improving management and achieving economy of scale in production.

Considerable growth of exports could be achieved by creating friendly a business environment for foreign investors and for receiving foreign orders from CMT and C&M¹ operators. Export buyers as a rule do not want to buy ready garments. They want to buy manufacturing capacity to service their design, development and marketing machines. They are in the market for low unit-price manufacturing sources, and are scouring

¹ CMT (Cut, Make and Trim) - with fabric and trims – linings, buttons, zips, thread, labels, bags, etc. provided; C&M (cut and make) cut and stitch only, with or without final packaging.

the world for such. Foreign partners may order the production of garments at Uzbekistan factories and provide their fabrics and accessories as in many countries of the world. Developing in this way, domestic garment makers would be able to increase demand for domestic fabrics as well.

The availability of quality, innovative, cotton or cotton-blend fabrics as input for the stitching industry would certainly be seen as a competitive advantage for garment factories in Uzbekistan. It would be necessary to improve customs clearing and transportation services for the continuous supply of inputs (fabrics and accessories) and export of ready-made products.

The recent experience of developing joint stock companies in former socialist countries demonstrates that foreign partners desire to build new garment factories with optimal placement of equipment in industrially developed areas rather than buy old facilities. Foreign firms also tend to hire young staff and train them in new skills.

The main export markets are in the USA, EU and Japan. These countries have quotas for the import of textiles and garments. The quotas for Uzbekistan are still not fully utilized and there are great opportunities for exports. It is important for export that it takes from 20 to 30-35 days to deliver goods by sea to EU markets from India, China, Vietnam and Indonesia, which is comparable to the time required for shipment from Uzbekistan. Labor costs make up 60 % of all costs of garment production. Labor productivity at advanced Uzbek companies is comparable with the above countries.

In view of the above it would be reasonable to:

- Develop a time-scale for the reduction of import tariffs and other complementary measures for the adaptation of sectors to accession to the WTO jointly with the Consumers' Rights Protection Society, Association of Light Industry and Economy Research Centers.
- Eliminate import tariffs for intermediate goods for the garment industry (fabrics and accessories) which will facilitate the growth of production and employment.
- Give up practices prohibited by WTO rules; protection from imported goods and export incentives could be efficiently ensured by reducing the real exchange rate of the national currency.
- Accelerate financial restructuring, reorganization and privatization for the preparation of enterprises for increased competition with imported goods.
- Considerably decrease payroll taxes and social payments.
- Expand operations of the Commodity Exchange,¹ ensuring equal opportunities for domestic producers for the purchase of cotton fiber and other inputs necessary for production volume and quality.
- Create a Trade and Industry agency (a one-stop shop) to assist and reassure foreign investors and customers. This Agency will have high government status and include representatives of private export-oriented producers in its Board of Directors. The Agency will develop and implement a program "Locate to Uzbekistan" in Uzbek Embassies in key foreign countries and vest in the officials a right to resolve appropriate issues, budget financing and mechanisms for self-financing. The objective of the Agency shall be to render assistance in:
 - giving advice and assistance in overcoming bureaucratic and legislative difficulties for foreign investors;
 - establishing production facilities and locating sites or partners with whom to work;
 - creating special industrial zones² for the establishment of textile enterprises with foreign investments;
 - lobbying the government for the removal of bureaucratic obstacles and taxes and the development of a favorable climate for foreign investment and for placing orders with domestic enterprises.
- Establish a specialized Center for studying foreign practices and the development and implementation of Quality Testing and Quality Assurance programs for textile and garment sectors.
- Promote the acknowledgement of Ethical Standards in the industry. All major buyers of garments in the world market now require a statement of ethical standards from all suppliers. This will cover the obvious areas of work practices, fairness to employees and elimination of any form of discrimination. It will also cover environment matters, of particular relevance to textile finishers. Such policies should be opened for inspections and monitoring.

¹ Envisaged by the Cabinet of Ministers Resolution dated 5 February 2004, "On introducing market mechanisms of sale of high liquidity products"

² This implies getting permission for the planning and placing of production in such zones, establishing power supplies, drainage, water supplies and the availability of labor and transportation routes.

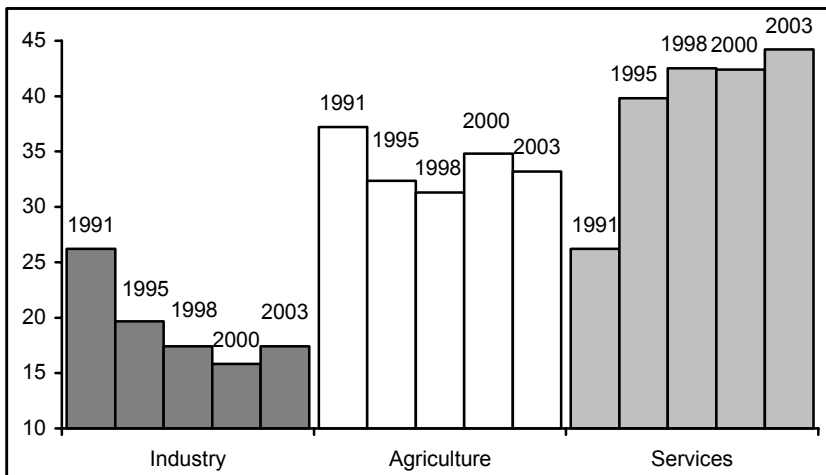
2. Trends in the Dynamics of Structural Shifts and Their Macroeconomic Results

S.V.Chepel, M.A. Katanova

The overall results of the year 2003 testify to the fact that the country is moving forward in achieving stable economic growth, demonstrated by the level of GDP and other economic indicators attained, the liberalized foreign currency market, the commissioning of new production capacities in chemical, gas processing and light industry, and the growth in income of the population. At the same time, the quality of the achieved growth is not sufficient to strengthen the competitiveness of the national economy to participate in the world economy's globalization processes. The energy-intensive structure of the GDP and material-intensive structure of the economy as a whole remain comparatively high. Private savings are not yet noticeable sources of economic development. Significant disproportions in the structure of prices, production, incomes etc. have not been overcome.

Economic growth becomes stable when production, GDP, exports and incomes grow equally with the improvement of structural characteristics of the economy, or in other words, when the quality of growth is improving. Above all, structural changes – in production output, expenses, profit sources and delivery, price correlations, investment structures, exports, monetary aggregates, property types etc. – determine the economic development tendencies of Uzbekistan and other countries in transition.

Graph 2.1. Production Structure of GDP (Share of Added Values Without Taking into Account Net Indirect Taxes, in %)



Source: Calculations of the author based on the data of informational and analytical review of the Uzbekistan economy (Economic trends).

As is seen from the dynamics of production structure of GDP (Graph 2.1), during the transition years the structure of the economy substantially changed, characterized by a growth trend in the share of services (from 26.2% in 1991 to 44.2 % in 2003) and a decrease in the share of industry (from 26.2% to 17.4% respectively). If the first tendency is relevant to the creation of market infrastructure and is positive, the second one testifies to problems in the adaptation of former large-scale and medium enterprises to new business conditions. This is also proved by the long duration of this trend (until 2000) in comparison with the duration of the decline in economic activity as a whole (until 1996). However, since 2002 the share of industry has begun increasing, signaling the end of the adaptation period.

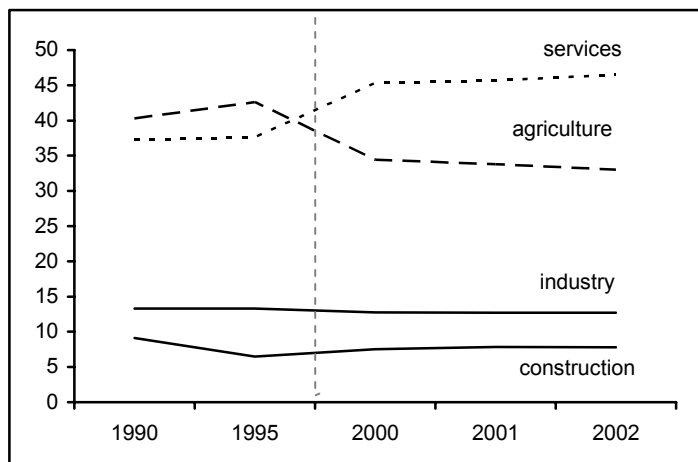
The weight of manufacturing activity in industrial production value is an important indicator of production structure efficiency. In developed and rapidly developing countries the share of such enterprises represents ¾ and more of industrial output. In Uzbekistan since 1997, the dynamics of this indicator (applying sums of production in machine-building, light and food industry as an initial approach) varied within the limits of 42.5%-44%. This demonstrates the necessity of raising the efficiency of structural and investment reforms and the mechanisms for their implementation, as well as the development of mechanisms aimed primarily at stimulating private savings and their effective use based on the development of the banking system and stock exchanges.

From 2002-2003 a trend towards a decline in the share of bank credits in investments funding sources from 10% in 1995 to 1.5%-3% in was observed. The majority of investment sources during last few years were formed from budget funds or foreign loans under government guarantees. In the *structure of their distribution* the industry sector and transportation predominate. This does not fully meet the requirements for the efficient use of investment resources, because the spheres of agriculture and services, being the less capital-intensive sectors of the economy while creating more than half of the total GDP and having considerable export potential, have received an insignificant share of the total value of investments in the last few years, in particular agriculture – not exceeding 5-6%.

Along with the tendencies reviewed above there are particular difficulties with other trends as well. Thus, for monetary policy it is still important to overcome the dominance of cash reserves in the structure of monetary aggregates, which raises the risk of the return of a high level of inflation, while the decrease of the monetization coefficient in the economy to 11-12% risks exacerbating the crisis of non-payments and the decrease of investment activity. The continuing predominance of raw materials in the structure of national exports makes it difficult for the country to enter the WTO under appropriate conditions. In the area of foreign trade small and private enterprises are insufficiently represented. In spite of the privileges granted to exporters, only 3% of the 2000 SME observed in 2002 were engaged in exports activity.

Shifts in the structure of utilizing resources have a significant impact on the dynamics of economic growth. The rising proportion of sectors with a level of utilized resources efficiency higher than average in the economy brings about an increase in the total level of efficiency and vice versa. It is essential for Uzbekistan to decrease the share of material-intensive (primarily energy-intensive), capital-intensive and water-intensive sectors in the economy and to strengthen the efficient use of labor resources.

Graph 2.2 Dynamics in the Structure of Employment by Sector of the Economy (in %)

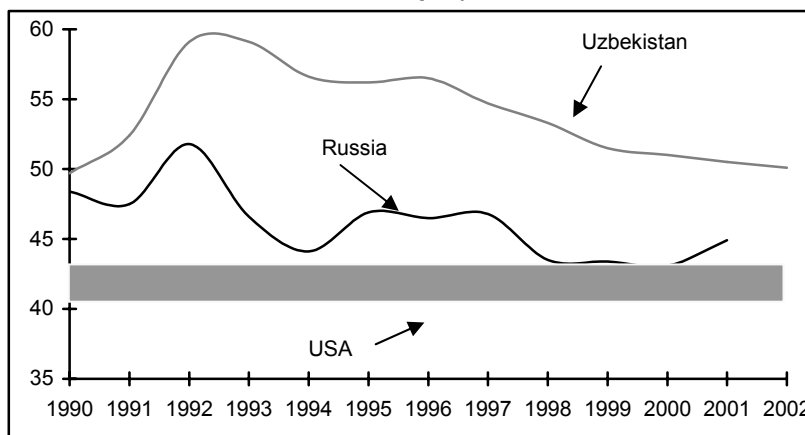


Source: Data from information and analytical review of the Uzbekistan economy (Economic Trends)

47%) were concentrated in the services sector.

The current structure of employment is determined mostly by the natural processes of adaptation of industrial enterprises to new business conditions. The establishment of new vacancies, primarily in the sectors of the processing industry and high-tech services (information, medical, consulting, tourism etc.), will enable the industry's share in the structure of employment to increase, improving the indicators of labor force efficiency by sector.

Graph 2.3 Dynamics of the Share of Intermediate inputs in Total Output for 1990-2002 in Comparison with Russia and USA (in % to output).



Source: G.P.Lytvintseva "Productivnost ekonomiki Rossii i strukturniye sdvigi v prouzdovstve tovarov i uslug" Voprosi statistiki, 4/2003

as a whole remains at a level exceeding not only the level of developed countries but also the level of coun-

Before the reforming period, agriculture accounted for the majority of the employed (40 to 50%), while by the end of analyzed period services predominated (46.5% in 2002 vs. 33% employed in agriculture). During the transition years, the sectoral structure of the employed demonstrated a trend towards a moderate decline in the share of industry, from 13.3% in 1991 to 12.7% in 2002 (Graph 2.2), reflecting the process of industrial enterprises' adaptation to new business conditions. Also the share of employed in services increased from 36% to 46.5%.

As a result of these changes the share of employed in industrial and construction sectors decreased from 23% to 20% for the period from 1991 to 2002 and a significant share of the employed (about

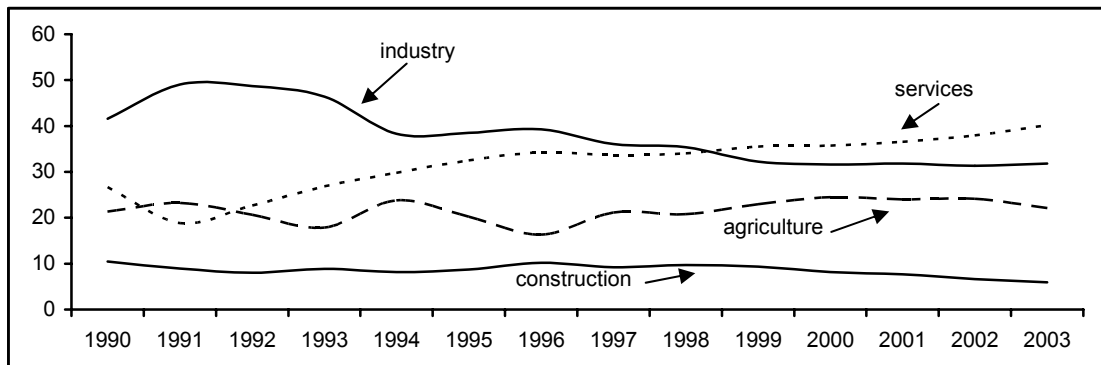
The low efficiency in using material resources carries the risk of lowering the GDP growth rate achieved during last years and also of increasing expenditures on their extraction and production. This is evidenced by the dynamics of the share of intermediate inputs (material expenditures) in total output in the economy as a whole (material intensity – Graph 2.3).

In spite of the favorable tendency towards the decrease of material-intensity since 1993, the deterioration of resources utilization, which took place during the initial stage of the transition period, has not yet been overcome and the magnitude of material-intensity in the economy

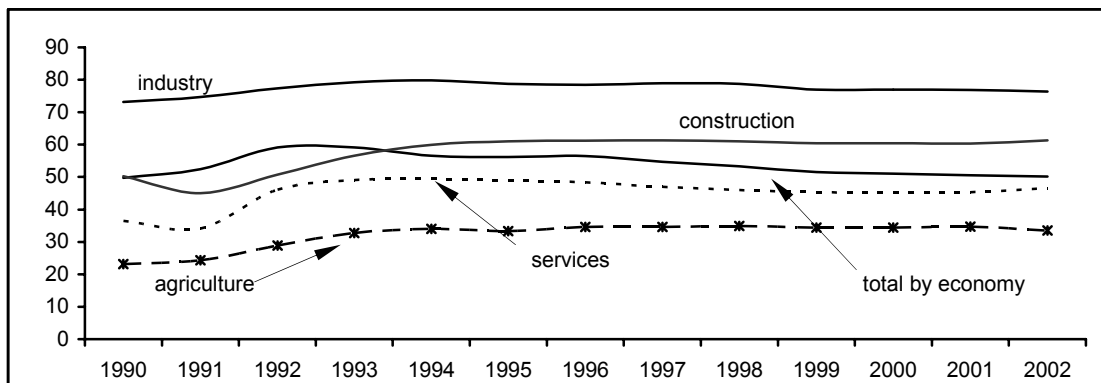
tries with transitional economies (for example, Russia). This testifies to the continuing raw-materials orientation of the national economy.

The high level of material-intensity was a feature of the industry during the transition years. The share of intermediate inputs in the total output of the sector varied insignificantly within the bounds of 77-80% reflecting the leading role of the mining sector (47-50% in production structure) and the high material-intensity of the line of processing sectors (for example the cotton-cleaning industry). Of this, the decrease in the share of industry in the structure of intermediate input distribution (from 50% in 1991 to 31-33% in last three years- Graph 2.4) was a main factor in the favorable tendency towards a moderate decrease in the total material-intensity of the economy as a whole (Graph 2.5).

Graph 2.4. Dynamics in Intermediate inputs Distribution by Sector of Economy for the Period 1990-2003 (in % to total)

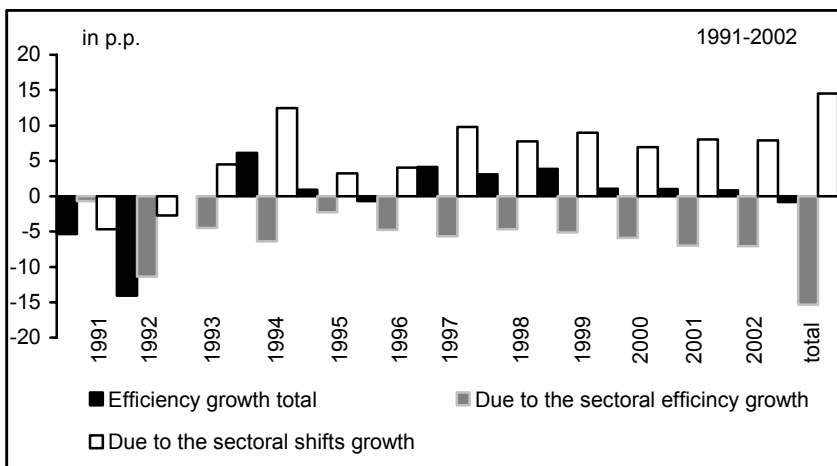


Graph 2.5 Dynamics of the Share of Intermediate inputs in Total Commodity and Services Output (material intensity) for 1990 - 2003 (in % to output)



Source: Calculations of the author based on the data of the information and analytical review of the Uzbekistan economy (Economic trends).

Graph 2.6 Dynamics in the Contribution of Structural Shifts to Material intensity Changes in the Economy as a Whole



Source: Calculations of the authors applying index methods on the basis of computations of the information and analytical review of the Uzbekistan economy (Economic trends).

Calculations of the dynamics of material intensity, made by applying index methods, demonstrate (Table 2.1 and Graph 2.6) that in the economy as a whole, since 1997 the positive trend in the dynamics of this indicator has been ensured primarily by the structural shifts in the distribution of intermediate inputs and, above all, by the decrease in the share of industry in the structure of material expenditures. This factor accounts for between 1 to 4 percentage points of the decrease in material intensity over the last 7 years of the period under review. This has compensated for the impact of the worsening of

sectoral material intensity, the negative effect of which on the dynamics of total material intensity has amounted to 35 percentage points in the last seven years.

Table 2.1 Evaluation of the Impact of Shifts in the Structure of Utilizing Resources on the Indicators of Macroeconomic Efficiency

	1991	1995	2000	2002	For total period
A. Material expenditures					
a1 Change in materials efficiency total	-5.37	0.92	1.03	0.81	-0.80
a2 including due to the change in sectoral materials efficiency	-0.69	-2.29	-5.90	-7.08	-15.31
a3 due to shifts in material resources distribution	-4.68	3.21	6.93	7.89	14.51
B. Labor resources					
b1 Change in labor productivity total	-6.87	-0.99	1.02	2.20	-17.45
b2 including due to labor productivity by sectors	-7.74	3.63	-6.98	2.28	21.02
b3 due to shifts in labor sources distribution	0.87	-4.62	8.01	-0.08	-31.79
C. Basic capital					
c1 Change in yield of capital investment total	-3.0	-1.4	4.3	1.5	-11.9
c2 including due to change in yield of capital investment by sectors	-3.4	6.4	3.0	7.0	28.3
c3 due to shifts in basic capital distribution	0.44	-7.85	1.31	-5.46	-31.31

Notice: The calculation of impacts of the structural shifts by sectors on the changes of efficiency indicators for the economy as a whole were made on the basis of the following ratios:

$\Delta eL = eL - eL(-1)$ - change of labor productivity total ($eL(-1)$ - labor productivity of the previous and basic period), including due to:

$\Delta eL^e = \Sigma eL_i \cdot sL_i(-1) - eL(-1)$ - change of the sectoral labor productivity ($sL_i(-1)$ - sectoral structure of employed in the basic period;

$\Delta eL^s = \Delta eL - \Delta eL^e$ - due to the impact of the structural shifts;

similarly make the expansion of the indicator of efficiency of intermediate utilization ΔeIP and yield of capital investment into the components,

where $eL_i = VE_i / L_i$ $i = 1 \div 4$ - labor productivity (by sectoral added value);

$eFC_i = VE_i / FC_i$ $i = 1 \div 4$ - yield of capital investment (by sectoral added value);

$eIP_i = VE_i / X_i$ $i = 1 \div 4$ - share of added value in total output of the sector as an indicator of efficiency of intermediate utilization;

$dIP_i = IP_i / X_i$ $i = 1 \div 4$ - share of intermediate in total output of the sector i .

Shifts in the sectoral structure of basic capital cannot be considered positive, because the efficiency of basic capital utilization in industry (the yield of capital investment) since 1994, declined more steeply than the efficiency level in other sectors of economy. As a result, despite the considerable increase in basic capital efficiency in agriculture, construction and services for the transition period, the total efficiency decreased by 12-13 points. Structural factors had the largest contribution to these dynamics. Consequently, overcoming the declining trend of the total level of basic capital efficiency accentuates the need primarily to conduct a balanced structural and investment policy and to raise the priority of agriculture and services as the least capital-intensive sectors with a short cycle of turnover. In doing so, it is necessary to take into account primarily the needs of farms and the development of fruit and vegetable processing and to implement new forms and mechanisms of attracting investment resources (leasing, lending, etc.).

Maintaining these trends can substantially complicate the task of improving the structure of the economy, in particular, of increasing the share of industry in the structure of GDP from 16-17% (not taking into account net indirect taxes) in 2002-2003 to 24-25 % by the year 2010, as foreseen in the plan of conception of structural reforms for the period to 2010. As is shown in forecast calculations for the period to 2010 in different scenarios, if the material intensity of industry by the end of this period increases according to current trends to 73% (vs. 79% in 1995 and maintaining the value of this indicator for other sectors at the level of the year 2003), then with an increase of annual GDP growth rates from 4.4% in 2003 to 9% in 2010 (or, according to the conception parameters, by 163-166% for the period), the growth of intermediate consumption should amount to about 185%. For the share of energy consumption in the current structure of expenditures, this is equivalent to an increase in energy sources consumption of 176.3% (from the level of 2003). The achievement of this reference point in the framework of preconditions of the conception of structural reforms is possible only under conditions of significant intensification of the process of resource conservation in industry. In particular, the expense of intermediates relative to unit output must decrease to 62% by 2010 or by nearly 1.23 times the level of 2003. Consequently, the improvement of the structure of the economy under conditions of enhancing development rates in the next 7-10 years is possible only if the sectoral structure of industry improves and the material intensity of industry considerably decreases.

The solution of the above-mentioned problems aimed at the improvement of the structure of national economy and current economic policy requires the implementation of additional measures, primarily connected with:

the creation of macroeconomic conditions encouraging investors and entrepreneurs to direct their efforts towards new non-intensive capital sources and factors of economic development in order to enhance the development of the private sector, improve its structure, reduce transaction expenditures and create other pre-conditions to improve the efficiency of the distribution and utilization of material and financial sources and the activation of intrinsic sources of economic growth.

the creation of favorable conditions for small and private businesses to attract direct foreign investments and bank credits and to increase capital mobility in the domestic market, through enhancing stock market development, stimulating intermediary services competition, extending the circulation of foreign securities and depositary receipts in the stock market, and increasing the role of interest rates as a major mechanism of investment flow regulation.

the reorientation from current ways of monitoring and analyzing the development and reform of the economy based on conventional indicators of growth rates and employment (dynamics of industry, agriculture, investments, etc.) to sectoral and qualitative indicators (share of finished products in the structure of export, share of employed in small and private enterprises, share of private capital in the structure of investments, structural material intensity, energy intensity and capital intensity with the separation of the private sector, labor productivity in new and old industrial sectors etc.).

The scientific and methodical basis of a national program for the activation of structural and qualitative factors of growth will require accelerated efforts on the formation and application of a system of annual statement tables "expenditures-output" based on the principles of SNA. This has been demonstrated by the experience of the advanced developing countries in the world and by countries in transition, primarily Russia.

3. Industrial Enterprises Rating Evaluation System.

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The ratings of industrial enterprises, as a non-traditional source of market information widely used in developed countries for more than 50 years, are particularly important in market research, in recognizing and selecting business partners and in lending projects. By virtue of this, they are of practical interest to suppliers and customers as well as to investors, lenders and other businesses.

Since 1998 in Uzbekistan, the information and consulting firm “Maslakdosh” has conducted annual ratings within the framework of the joint project “Reytingi Uzprom”(1997) of the “Rinok, Dengi i Kredit” journal, the Institute of Macroeconomic and Social Research (now the Center for Effective Economic Policy) and the Financial News Agency. The methodical and program developments received the approbation of the Eurasian Fund’s project (“Reytingi “Uzprom-2001”) in 2002-2003.

Methodical Approach

The rating system for 2002 extended to 1145 of about 1500 enterprises which are under continuous statistical observation.

The following enterprises were excluded from this list:

1. those lacking performance in production activity in the previous year and consequently not participating in Rating-2 (by growth rates);
2. those lacking performance in production sales (“0” sales volume);
3. those with an amount of own capital disproportionately low or “0” related to the scales of output and selling performance.

All of the examined enterprises were grouped according to the number of personnel in industrial production. The first large-scale group involved 357 enterprises where the number of PIP exceeded 350 people, the second, medium group included 347 enterprises (with 101-350 people) and the third, small group, contained 441 enterprises (40-100 people). Rankings were conducted according to the following 7 criteria:

- Rating 1- by sales volume without VAT;
- Rating 2- by production value growth rate;
- Rating 3- by performance standard;
- Rating 4- by net book value of own capital;
- Rating 5- by level of production profitability;
- Rating 6- by level of solvency;
- Rating K- by own capital efficiency.

The first five ratings characterized the enterprises’ position by different aspects of their activity. For this reason they are particular. The last two ratings summarize particulars and are therefore integral, providing a one-digit rating evaluation of enterprises, but from the position of alternative interests. Rating-6 ranks the enterprises by their solvency, i.e. from the position of suppliers, consumers, banks and other creditors’ interests, while rating-K ranks them by their own capital profitability, i.e. from the position of shareholders and other investors’ interests. As is known, not each solvent enterprise provides high dividends for shareholders. This is the most common financial characteristic of the enterprises at present.

The ranks of the enterprises are determined on the basis of the following relative indicators: the coefficient of correlation between corporate indices and single groups’ average indices. For example, the sales volume coefficient of a single enterprise in the group of large-scale enterprises is calculated as a result of the division of the sales volume of this enterprise by the group’s average sales volume. In this case coefficients play the role of “grades”. The coefficient and rank of the enterprise have a direct dependence, that is, the higher the coefficient of an enterprise, the higher the place in the ratings.

Using coefficients in ranking enables one to take into account the level of difference in the particular indicators achieved by enterprises, because even enterprises located side by side in the ratings can essentially differ in the values of indicators. Thus, among the large-scale enterprises of light industry in the Rating-1 the leading enterprises are “Bukhorotex” public company and “KABUL-UZBEK CO LTD” Uzbek-Korean JV, with coefficients of 4.88 and 3.84 respectively. Or, on the list of medium enterprises “Yulduz” public company located in Karakalpakstan holds the 10th place according to the value of own capital (R-4) with a coefficient of 3.7, while the 11th place is held by “Khorezmdonmahsulotlari” Producers AA, with a coefficient of 2.86. This information plays an essential part in the analysis and calculation of integral coefficients.

Particular coefficients are the basis for calculating the integral coefficients (Cint), the volume of which may be less than, equal to or greater than one ($1 < C_{int} > 1$). When $C_{int} = 0$ the enterprise is profitless, when < 0 (negative-valued) the enterprise operates at a loss.

The full volume of output rating information involves the following: 1) the composite list of enterprises by three groups – large-scale, medium and small enterprises; 2) the ratings of enterprises on the composite list by sector (in the context of the three groups); 3) the ratings of enterprises the composite list by region (in the context of the three groups); 4) a brief review of the ratings.

Rating results for the year 2002

The data base for ratings calculation is based on the enterprises' reported indicators. Let's look at the particulars of the performance results of the enterprises of the three examined groups (Table 3.1.)

Table 3.1. Number of Enterprises with Coefficients of Correlation of a Medium and High Level ($C \geq 1.0$) for 2002

Ratings	Large-scale (350 people and more)		Medium (101-350 people)		Small (40-100 people)	
	Num. of ent-s	In % of 357 enterprises	Num. of ent-s	In % of 347 enterprises	Num. of ent-s	In % of 441 enterprises
R-1	62	17.4	123	35.5	128	29.0
R-2	148	41.5	144	41.5	163	37.0
R-4	42	11.8	84	24.2	82	18.6
R-5	156	43.7	203	58.5	234	53.1
R-6	83	23.3	139	40.1	159	36.1
R-K	192	53.8	196	56.5	259	58.7

An intergroup analysis of enterprise ratings exhibits the following:

1. By sales volume (Rating-1) 62 (17.4 %) of 357 large-scale enterprises have sales volumes at the level of average or higher in their group, i.e. the correlation coefficient of sales value of these enterprises are equal to or greater than one. The range among sales volumes is very high: from 1 to 41.85. Their share represents 77.6% of the total sales volume. The Fergana oil-processing plant, with a coefficient of correlation between its corporate indicator and the average of 41.85, heads the list, second place is held by "Uzdaewoo Auto Co" Close Corporation (26.75), the third place – Bukhara oil-processing plant (22.74), the fourth – "Muborakgas" PGPB (19.57) and fifth – "Almalik MSP" Public Company (16.77).

Of 347 medium enterprises, 123 (35.5%) have average and higher levels of sales volume. Their share represents 84.2% of total sales volume in this group. The top is "Farovon" Public Company wine-making firm located in Zangiata district of Tashkent province with coefficient of correlation of 4.8, "Djondorskiy khlopkozavod" Public Company (4.58) holds second place, "Ok oltin" Public Company cotton plant (4.48) in Bukhara province holds third place, the fourth is "Kogon oltin tola" Public Company cotton plant (4.27) in Bukhara province and the fifth is "Yakkabog don mahsulotlari" Public Company (4.15) in Kashkadarya province.

Of 441 small enterprises 128 (29%) have average and higher levels of sales volume. Their share represents 75.3% of total sales volume in this group. The top is "Fertex International Limited" JV cotton fabric production in Fergana province, with a sales volume in 2002 which was 14.26 times higher than the average indicator of this group. Second place was held by "Nukus vinzavod" Public Company with a coefficient of 10.74, third was "Mehnat-rohat" flour-grinding PE (10.35) in Surkhandarya province, fourth was "Osioy-Afrosiyob flour-grinding Public Company" (9.26) in Samarkand province, and fifth was "Uztexaco" Uzbek-American oil-processing JV (8.38) in Tashkent city.

These data demonstrate the highest concentration of output in the group of large-scale enterprises. In the groups of medium and small enterprises the coefficients of correlation between the corporate and average indicators are decreasing more evenly.

2. It is worth noting that the level of concentration of enterprises by the amount of own capital (Rating-4) is lower than by sales volume. The share of enterprises with coefficients of these indicators at the level of average and higher (one and higher) in the group of large-scale enterprises made up 11.8% and 17.4% respectively; in the group of medium ones – 4.2% and 35.5% respectively; in the group of small enterprises – 18.5% and 29%. This evidences the trend towards increasing efficiency in utilizing own capital.

3. On the whole, the share of dynamically developing enterprises is high (Rating-2). The number of enterprises with average and higher levels of production growth rate (coefficient 1 or greater) represents 41.5% of the group of large-scale and medium enterprises and 37% of the group of small enterprises.

4. By the level of sold production profitability (Rating-5) more than half the medium (58.5%) and small (53.1%) enterprises have an average and higher level in their own groups (coefficient 1 or greater). The number of such businesses represents 43.7% of the group of large-sale enterprises.

The data on the number of insufficiently remunerative, profitless and disadvantageous enterprises are shown in Table 3.2.

Table 3.2. Number of Enterprises with Coefficients of Correlation Lower than the Average Level (C <1.0) for the year 2002.

Ratings	Large-scale		Medium		Small	
	Num. of ent-s	%	Num. of ent-s	%	Num. of ent-s	%
Total number of enterprises	357	100	347	100	441	100
Including						
insufficiently remunerative	131	36.7	102	29.4	137	31.1
profitless	52	14.6	37	10.7	51	11.7
disadvantageous	18	5.0	5	1.4	19	4.3

5. Integral indicators (Ratings 6 and K) reflect the enterprises' potential solvency and their own capital efficiency. By solvency level the medium (40.1%) and small (36.1%) enterprises are in a better position than large-scale enterprises. However, the indicators of own capital efficiency notably exceed the indicators of solvency level in all three groups of enterprises: in the group of large-scale enterprises, 53.8% and 23.3% respectively, in the group of medium ones – 56.4% and 40.1%, and in the group of small enterprises – 58.7% and 36.1%. This has resulted from the tendency for effectively using own capital.

Of interest are the analyses of the dynamics of enterprises ratings according to the commensurable circle (Table 3.3).

Table 3.3. Dynamics of the Number of Enterprises with the Average and Higher Level of Correlation Coefficient (2001-2002)

Ratings	Large-scale (370 people and more)				Medium (101-150 people)				Small (40-60 people)			
	2002		2001		2002		2001		2002		2001	
	Num. of ent-s	in % of 200 ent-s	Num. of ent-s	in % of 200 ent-s	Num. of ent-s	in % of 200 ent-s	Num. of ent-s	in % of 200 ent-s	Num. of ent-s	in % of 200 ent-s	Num. of ent-s	in % of 200 ent-s
R-1	37	18.5	14	7.0	57	28.5	50	25.0	58	29.0	57	28.5
R-2	59	29.5	58	29.0	85	42.5	48	24.0	64	32.0	50	25.0
R-5	77	38.5	85	42.5	64	32.0	76	38.0	39	19.5	7	3.5
R-6	43	21.5	20	10.0	43	21.5	42	21.0	28	14.0	3	1.5
R-K	96	48.0	62	31.0	77	38.5	72	36.0	78	39.0	2	1.0

In 2002 in comparison with 2001 in all three groups a deconcentration of production (R-1) occurred, along with an increase in the level of dynamics (R-2), in solvency (R-6) and own capital efficiency (R-4). The most notable was the increase in the number of enterprises with average and higher level of sales volume among the large-scale enterprises. The number of such enterprises in 2001 was 14 or 7.0% of 200, while in 2002 it amounted to 37, or 18.5%. In the group of medium and small enterprises the increase consisted of 3.5 and 1 percentage points respectively. The group of medium enterprises stood out in its growth rate of production volume, where the number of enterprises with a growth rate exceeding the average indicators amounted to 85 (42.5%) in 2002, while in 2001 it was only 48 (24%). Some changes for the worse were observed in the indicators for production profitability among large-scale and medium enterprises. In first case 8 enterprises reduced their profitability, while in the second case the number of such enterprises was 12. The indicators of small enterprises radically improved, especially for ratings 5, 6 and K.

In the sectoral structure the majority of enterprises being ranked (87.9%) were concentrated in the following four sectors: light industry – 28.7%, food production – 29.3%, machine-building and metal production – 17.4%, construction materials industry – 12.4% (Table 3.4).

Table 3.4. Sectoral Structure of Ranked Enterprises

Sectors	Number of enterprises						Total	
	Large-scale (350 people and more)		Medium (101-350 people)		Small (40-100 people)			
	units	%	units	%	units	%	units	%
Fuel and energy complex	13	3.64	7	2.02	4	0.91	24	2.10
Metallurgical	8	2.24	4	1.15	4	0.91	16	1.40
Chemical and petrochemical	15	4.20	5	1.44	8	1.81	28	2.45
Machine-building and metal production	69	19.33	48	13.83	82	18.59	199	17.38
Timber, woodworking, pulp and paper industry	6	1.68	5	1.44	12	2.72	23	2.01
Construction materials industry	31	8.68	52	14.99	60	13.61	143	12.49
Light industry	108	30.25	130	37.46	90	20.41	328	28.65
Food production	62	17.37	70	20.17	145	32.88	277	24.19
Flour-grinding, groats and provender milling industry	32	8.96	16	4.61	11	2.49	59	5.15
Medical industry	4	1.12	1	0.29	4	0.91	9	0.79
Printing	6	1.68	3	0.86	15	3.40	24	2.10
Other sectors of industry	3	0.84	6	1.73	6	1.36	15	1.31
Total:	357	100	347	100	441	100	1145	100

Most of the enterprises operating in light industry are medium and large-scale (70%), and those in food production – small enterprises (52%). In machine-building and metal production industry, large-scale enterprises represents 34.7%, medium – 24% and small ones – 41.3%. More than 78% of construction materials enterprises are medium and small. The largest concentration of production is observed in the fuel and energy and metallurgical markets, also in chemical, petrochemical, flour-grinding and provender milling production. The timber, woodworking, pulp and paper, food production and printing markets can be considered as quite “free”.

In the regional structure of the number of ranked enterprises, Tashkent city (22.9%), Tashkent province (13.1%), Fergana (11.1%), Andijan (8.6%) and Namangan (8.5%) provinces are high on the list. In other regions this indicator fluctuates from 1.6% (Navoi province) to 6.6 % (Samarkand province) (Table 3.5).

Table 3.5. Regional Structure of Ranking Enterprises

Sectors	Number of enterprises						Total	
	Large-scale (350 people and more)		Medium (101-350 people)		Small (40-100 people)			
	Units	%	Units	%	Units	%	Units	%
Karakalpakstan	14	3.92	17	4.90	33	7.48	64	5.59
Bukhara province	18	5.04	15	4.32	18	4.08	51	4.45
Navoi province	9	2.52	3	0.86	6	1.36	18	1.57
Khorezm province	12	3.36	21	6.05	12	2.72	45	3.93
Andijan province	37	10.36	32	9.22	29	6.58	98	8.56
Namangan province	29	8.12	31	8.93	37	8.39	97	8.47
Fergana province	45	12.61	39	11.24	43	9.75	127	11.09
Kashkadarya province	17	4.76	18	5.19	16	3.63	51	4.45
Surhandarya province	16	4.48	15	4.32	25	5.67	56	4.89
Samarkand province	23	6.44	19	5.48	33	7.48	75	6.55
Jizzakh province	3	0.84	14	4.03	7	1.59	24	2.10
Sirdarya province	4	1.12	14	4.03	9	2.04	27	2.36
Tashkent province	45	12.61	52	14.99	53	12.02	150	13.10
Tashkent city	85	23.81	57	16.43	120	27.21	262	22.88
Total:	357	100	347	100	441	100	1145	100

In Tashkent city the number of large-scale, medium and small industrial enterprises is greater than in other provinces of Uzbekistan, representing 23.81% of large-scale enterprises. Each of the nearest provinces in this group, Tashkent and Fergana, have a share of large-scale enterprises amounting to 12.61%. Tashkent represents 16.43% of medium enterprises and 27.21% of small ones. The number of large-scale, medium and small enterprises by region are allocated quite evenly. It worth noting Jizzakh and Sirdarya provinces, where more than half of enterprises could be considered medium, Navoi province with its predominance of large-scale industry, and also Karakalpakstan and Tashkent city with their developed small business.

The publication of ratings of enterprises helps to support or to create their image, attracting real and potential consumers and suppliers, investors and other enterprises' partners.

The role of the publication of enterprise ratings is particularly positive in extending information for businesses, covering such topics as conditions and tendencies of industrial development of the republic. Ratings can be of help in the following aspects:

- offering local and foreign non-government investors a variety of prospective issuers or business partners and lending projects;
- providing material and technical resource suppliers the possibility of selecting consumers, establishing fitting delivery and accounts payable-interline procedures, and managing marketing policy;
- providing consumers the possibility of selecting reliable suppliers, reducing prepayment risk;
- meeting the needs of wholesale companies (UzCE, Uzoptbirgetorg) in establishing business contacts with producers;
- helping companies to create their own image and stimulate their activity in order to be included in the list of first-rate enterprises and receive a high rank.

At the same time, rating is a tool of economic monitoring. It can be used by businesses as well as by governmental bodies. Ratings offers information, which may be an earlier indicator, helping to recognize the directions of structural changes and to anticipate decreases and increases in the growth rate of the economy.

What the rating offers goes beyond widening the spread of information, allowing one to "see" the conditions and trends in industrial production of the country. It also makes enterprises' financial and economic activity "transparent," which is of special importance to the market economy.