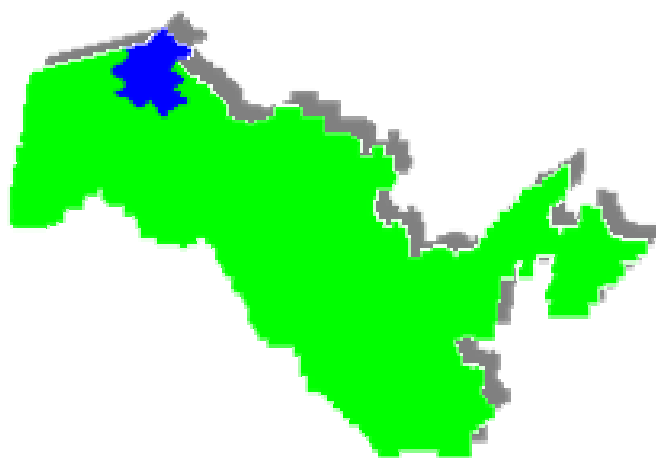


UZBEKISTAN ECONOMY

Statistical and Analytical Review
for the 1st quarter 2004



No. **5**
July 2004



Published in July 2004
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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
CLM	Combustive-Lubricating Materials
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
TTF	Truck and Tractor Fleet
'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 Socialistic 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 fifth, most recent review comprises an analytical survey of dynamics and trends in the social and economic development of Uzbekistan in 1 quarter of 2004, 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

In the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan (25 December 2003) "On Parameters of the State Budget of the Republic of Uzbekistan for the year 2004" the main changes in the tax policy of the republic for 2004 were indicated. This envisaged further reduction of the tax burden on the economy, improvement of the tax administration system and encouragement of taxpayers to fulfill their tax obligations promptly and completely. The measures taken provided the following:

- the reduction of the profit tax rate for legal entities from 20% to 18% and the maximal rate of individual income tax from 32% to 30%;
- the introduction of a uniform rate of social tax in the amount of 33% from salaries instead of the system of mandatory payments for social insurance (with an aggregate rate of 37.2%);
- the abolishment of advanced payments of VAT.

Since January 1, 2004, in line with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of January 7, 2004 "On Measures for the Further Improvement of Customs and Tariffs Regulation", rates of 5-10% for custom duties for some types of foodstuffs (fish, soybeans, vegetable oil, animal oil and butter, meat, meat products) were introduced, instead of the zero-rates which had applied before. Also, zero-rate import custom duties were established for machinery and technological equipment, including those for building materials and constructions output, which are imported by legal entities and via foreign trade companies for their own needs.

On January 14, 2004 the Cabinet of Ministers of RU adopted the Resolution "On additional measures for the implementation of the Program for the localization of finished goods and components production based on local raw materials for the period 2004-2005", aimed at the implementation of the priority directions of the government's structural policy, the implementation of a modern technological foundation and production upgrade. The Resolution provides a number of privileges for Program participants, stimulating their investment activity.

A meeting of representatives of 17 leading Indian companies and business circles of Uzbekistan under the aegis of the Federation of Indian Export Organizations (FIEO), the Agency for Foreign Economic Relations and the Chamber of Commodity Producers and Entrepreneurs of RU took place on January 22, 2004. The business field of represented Indian companies included textile, pharmaceutical and medical products as well as components for automobiles and others. The meeting gave new impetus to bilateral relations and sustainable contacts between Indian and Uzbek businessmen.

The President of the Republic of Uzbekistan Mr. I. Karimov visited Kuwait with the purpose of determining the priority directions of mutually beneficial cooperation in the spheres of transportation and communications, agriculture, energy power and water-supply. An agreement was reached on joint participation in investment projects in the area of water-supply and power engineering, irrigation and construction in accordance with the Memorandum of the Kuwait Foundation for Arabian Economic Development.

The President of RU Mr. I. Karimov addressed the extraordinary session of Kengash (Council) of Tashkent province people's deputies with the report "Rationally Using Potential and Resources as a Factor of Progress". It was noted that the current social and economic situation in the region calls for the intensification of economic reforms and implementation of new relations and approaches in production management. The new khokim of the province, K.N. Tulyaganov, was elected at the session.

In an effort to strengthen accord in society, to support the defenseless population and to coordinate the activity of state and public organizations, the Resolution of the Cabinet of Ministers of January 27, 2004 "On the Program 'The Year of Kindness and Mercy'", targeted the following: a) attracting resources for the material and spiritual support of the insufficiently provided, invalid, lonely old and other defenseless members of society; b) implementation of measures to increase the strength of families; c) bringing up youths in the spirit of national traditions and contemporaneity; d) ensuring stable social accord.

February

The Resolution of the Cabinet of Ministers of February 26, 2004 "On contributing amendments and declaring stale some of the resolutions of the government of the Republic of Uzbekistan" stipulated an increase in the maximum share of single shareholders or group of joint shareholders in the statutory capital of banks from 7% up to 25%. As expected this measure will lead to the intensification of privatization of commercial banks.

On February 5, 2004 the Resolution of the Cabinet of Ministers of RU "On further introduction of market mechanisms of sale of highly liquid types of products, raw materials and finished materials", was adopted. The implementing market mechanism provides the enterprises equal right of access to resources which had been delivered before only by administrative channels.

On February 7, 2004 the President of RU Mr. I. Karimov reported at the session of the Cabinet of Ministers on the overall results of social and economic development of the country in 2003 and primary directions for the intensification of economic reforms for 2004. The report contained deep analysis of the country's development in 2003 and primary directions for further advancement in 2004.

The issues of collaboration between Uzbekistan and Russia in the sphere of mining industry development was discussed at a meeting of the President of the Republic of Uzbekistan with J. Shafranic, the chairman of the Supreme Mining Council of RF and the "Council of oil-and gas manufacturers of Russia". During the visit, sessions of working groups of representatives from "Gazprom", "LUKOIL Overseas Holding Ltd.", "Uzbekneftegaz NHK" and Navoi mining and smelting plant, were also held.

A presentation of the German company Sennebogen Maschinenfabrik GmbH organized by the bureau of the German machine-building enterprises in Central Asia (VDMA) jointly with NAK "Uzavtoyol" was held. The representatives of the German company demonstrated the potential and results of the company's activity in the field of load-lifting equipment production.

The municipal round of the competition between entrepreneurs "Tashabbus-2004" was held in Tashkent. An exhibition of the entrepreneurs was featured in the central show-room of the Academy of Arts of the Uzbekistan "Khamar". 22 winners of the district rounds of the competition "Tashabbus-2004" struggled for the title of the best entrepreneur.

On February 2004 the Resolution "On measures for the regulation of imports and exports of cash national currency of the Republic of Uzbekistan" was adopted by the Cabinet of Ministers. It determined that beginning from March 1, 2004 resident and non-resident individuals will be permitted to import into Republic and export from the Republic an amount of cash national currency not exceeding 50 minimum wages, established in the Republic of Uzbekistan. The export of national currency in cash amounts in excess of the stated sum are allowed by the authority of the Central Bank of Uzbekistan.

The Cabinet of Ministers of RU jointly with the State Committee for Property Management of the Republic of Uzbekistan conducted a press conference for the mass media which broadly covered the essential issues of the new stage of administrative reform being conducted in the republic, as well as the strategy of privatization processes, the intensification of stock market activity and efforts to attract foreign investors to purchase privatized objects.

The Resolution of the Cabinet of Ministers "On the implementation of market mechanisms for selling highly liquid goods" was adopted on February 5, 2004. The intensification of liberalization of commodity markets will lead to the shortening of investment cycles and consequently, to a reduction in the costs of construction.

An Uzbek delegation headed by the deputy Prime Minister of the Republic E. Ganiev visited Great Britain. The great interest of financial and industrial circles in trade and economic cooperation with Uzbekistan was emphasized at the meeting of the Uzbek-British Trade and Industry Council. It was decided to conduct regular conferences on the subject "Doing Business in Uzbekistan" and to study the issues of establishing an Uzbek-British chamber of commerce and industry. The protocol of intention between SJSK "Uzbeklegprom" and the British company "Global Infrastructure Holding Ltd." on the establishment of a cotton fiber deep-processing JV was signed.

March

The fifth international exhibition "Uzbek Construction Week" opened in "Uzexpocenter", in the framework of which the first international exhibition "Furniture and Production Technologies" was held. The exhibition was organized jointly by the company Itesa-Osiyo and its British partner ITE JV, Ltd.

The meeting of the head of the State Committee for Property Management with the representatives of the European Bank for Reconstruction and Development (EBRD) and International Financial Corporation (IFC) initiated a project for the technical assistance of the EBRD, targeted at the regulatory basis of Uzbek telecommunications development.

In an effort to protect businesses' interests, to increase the strength of economic interrelations and agrarian reforms, as well as to provide priority development of the farming movement, the Presidential Decree "On additional measures to provide the fulfillment of legislation, directed at agricultural reform" was passed on March 11, 2004. This document provides lawfulness and protection of businesses' rights in the agrarian sector as the main task of legal bodies.

A meeting with the representatives of a Korean commercial delegation took place in Tashkent. The organizers were the Agency for the Development of Trade and Investments of Korea (KOTRA) with the assistance of the Chamber of Commodity Producers and Entrepreneurs of Tashkent city. The commerce mission arrived in Uzbekistan with the purpose of establishing lasting business contacts with the businessman of our country. Representatives from state and private companies took part in the meeting.

An international seminar took place in Tashkent on the subject of the importance of an intellectual property protection system for attracting investments and technology transfer, in particular, in the sphere of information and telecommunications. Organizers of the seminar were the World Organization for Intellectual Property Security (WOIS) and the UN Economic and Social Committee of the Asian and Pacific Region (UNESCAP) in cooperation with the State Patent Department of the Republic of Uzbekistan.

The seventh session of the joint committee for collaboration between Uzbekistan and Azerbaijan took place in Tashkent. Participants of the session had noted that the indicators of bilateral trade and economic cooperation remain insufficient, in particular in the use of technical and scientific potential for the development of trade and the implementation of new joint projects in the field of agriculture and transportation as well as the establishment of joint ventures. The subject of fulfilling the program for economic cooperation between the governments of Uzbekistan and Azerbaijan for 2001-2010 was also discussed by members of the Committee.

With a view to improving the training of skilled personnel in the republic and increasing the strength of personnel potential in the fields of management, marketing, tourism and services, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of 26 March 2004 "On the Foundation of the Samarkand Economy and Services Institute" was adopted.

A seminar on the subject "An overview of the WTO's agreements and the process of entrance of Uzbekistan into the WTO" was conducted on March 15-19 at the Agency for Foreign Economic Relations of RU. Such issues as the rules of the WTO on regional trade agreements, the experience of new entrants and countries in the process of entrance and others, were reviewed. The seminar will help to increase the efficiency of the efforts to solve the issues on accession into this organization.

UzbekTurkish JV "Emtex" and JV "Balikchitex" started operations in the Balikchi district of Andijan province, where high quality knitwear and yarn will be produced from local raw materials.

JV "Iskovuttex" cotton yarn and stockinet production enterprise, based on local raw materials, started operation in the Pap district of Namangan province. Putting all productive capacities into effect will provide about 400 persons with permanent jobs.

ANALYSIS OF STATISTICS

1. Macroeconomic policy

1.1. Economic growth

In the first quarter of 2004 GDP growth in nominal terms totaled UZS 2080.7 bn. Real GDP growth amounted to 4.8%, which was 2.6% higher than in the first quarter of 2003 (Table 1.1.1). This growth was achieved mainly due to the tight monetary and fiscal policy being carried out, which facilitated the decrease of the average monthly level of inflation (from 1.7% to 0.37%) and the stabilization of the exchange rate.

The growth in GDP was compounded by the growth in the real added value of industry to the level of 5.2%, agriculture – 6.7%, transportation and communications – 4.9%, trade and public catering – 11.0%, and other sectors, including services – 2.7%.

GDP growth was 4.8%, 1.1% of which extended to industrial production, 0.61% to agricultural production, 2.43% to services (including transportation and communications – 0.5%, trade and public catering – 1.23%, other fields and services – 0.73%). The remaining part of the growth was provided by construction and net taxes (0.66%).

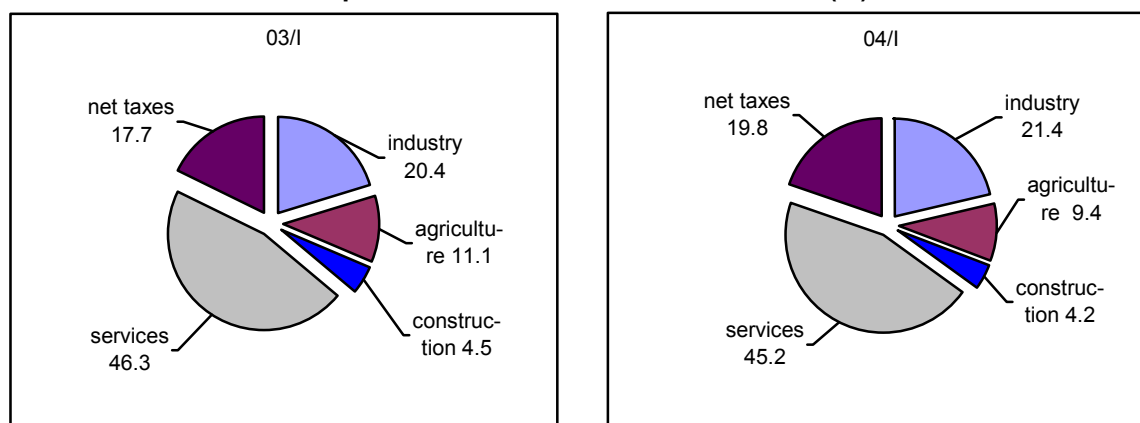
Table 1.1.1. Growth and Production Structure of GDP

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
03/I	1620.0	102.2	20.4	11.1	4.5	46.3	17.7
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
04/I	2080.7	104.8	21.4	9.4	4.2	45.2	19.8

Source: Uzbekistan State Committee on Statistics

In the production structure of GDP the share of industry increased from 20.4% in the first quarter of 2003 to 21.4% in the first quarter of 2004 (Graph 1.1.1). This was due to the positive increase in industrial production – 8.8%, ensured by the significant growth in machinery production of 35.3%, timber and pulp industry of 21.6%, ferrous metallurgy of 19.1%, building materials production of 15.0%, fuel of 9.1% and light industry of 5.4%.

Graph 1.1.1. Production Structure of GDP (%)



Source: Uzbekistan State Committee on Statistics

In the structure of using GDP there was a decrease in expenditures for final consumption from 68.9% in the first quarter of 2003 to 63.6% in the first quarter of 2004 (Table 1.1.2), resulting mainly from the decrease in the share of consumption of households (from 55.7% to 50.0%).

Table 1.1.2. Structure of Using GDP (%)

Changes in the holdings of material and circulating assets (from - 6.2% to 0%) led to the growth of gross accumulations (from 16.9% to 21.7%).

The share of net exports in GDP grew from 14.2% to 14.7% due to the measures targeted at the liberalization of the foreign currency market, the stimulation of finished product exports and the continuing favorable conjuncture of world prices for exports of cotton fiber and non-ferrous metals, as well as the growth of exports by 31.5 %.

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	33.9	-15.0	-0.2
1998	59.6	20.5	29.8	-8.9	-1.0
1999	62.1	20.6	27.4	-10.3	0.2
2000	63.7	19.7	25.0	-9.4	0.7
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
03/I	55.7	13.2	23.1	-6.2	14.2
03/I-II	56.8	17.8	23.4	-10.1	12.1
03/I-III	56.4	18.3	24.8	-5.5	6.0
04/I	50.0	13.6	21.7	0.0	14.7

Source: Uzbekistan State Committee on Statistics

1.2. Fiscal Policy

The revenues of the state budget in relation to GDP made up 30.2%, which was 1.9 points greater than in the first quarter of 2003 (Table 1.2.1). This increase was ensured due to the increase in the share of proceeds from indirect taxes in GDP from 15.9% to 18.3% as a consequence of rising prices for fuel and energy resources as well as in the share of resource payments and property taxes from 2.3% to 2.9%, resulting from the increase of this tax rate from 3% to 3.5%.

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

Indicators	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Revenues	32.4	30.0	28.5	26.0	25.2	24.2	28.3	31.0	26.4	30.2
Direct taxes	10.2	8.9	7.5	7.4	6.8	6.4	8.2	7.9	7.0	7.4
Indirect taxes	16.6	16.4	16.0	13.5	13.8	14.0	15.9	18.2	15.1	18.3
Resource payments and property tax	3.9	3.3	2.8	2.4	1.9	2.3	2.3	2.6	2.5	2.9
Social infrastructure development tax	0.4	0.3	0.3	0.3	0.5	0.4	0.6	0.5	0.5	0.5
Other revenues	1.3	1.1	1.9	2.4	2.2	1.1	1.3	1.8	1.3	1.1

Source: Ministry of Finance of RUz

The tendency towards the increase in the share of indirect tax from 56.3% to 60.3% in the structure of the revenues of the state budget continued, despite the decrease in the share of direct taxes from 29.0% to 24.4% for the

corresponding period, caused mainly by the reduction in the rate of the profit tax from 20% to 18% (Table 1.2.2). In addition, the share of the proceeds from resource payments and property taxes increased from 8.2% to 9.5%.

In the structure of direct taxes the largest share consisted of individual income tax. In the first quarter of 2004 the share of this tax increased by 1.7 points and reached 47.8%.

At the same time there was a decrease

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

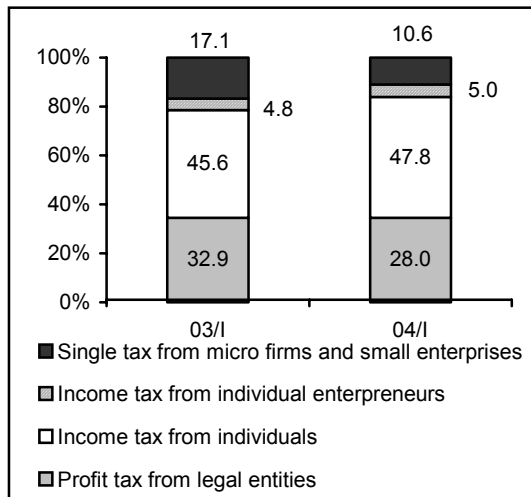
Indicators	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct taxes	31.5	29.3	26.4	28.5	27.2	26.3	29.0	25.7	26.5	24.4
Indirect taxes	51.0	53.9	56.0	51.8	54.6	57.8	56.3	58.3	57.4	60.6
Resource payments and property tax	11.9	10.9	9.9	9.3	7.5	9.5	8.2	8.5	9.3	9.5
Social infrastructure development tax	1.2	1.0	1.1	1.3	2.1	1.7	2.0	1.6	1.8	1.7
Other revenues	4.4	4.9	6.6	9.1	8.6	4.7	4.5	5.9	5.0	3.8

Source: Ministry of Finance of RUz

in the share of the profit tax (from 32.9% to 28.0%) caused by the lower rate of tax (from 20% in 2003 to 18% in 2004). Owing to the transfer of public catering and trade enterprises from a receipt-based assessment to an assessment based on gross income, the share of single tax from micro-firms and small enterprises paying single tax considerably decreased, from 17.1% to 10.6% (Graph 1.2.1).

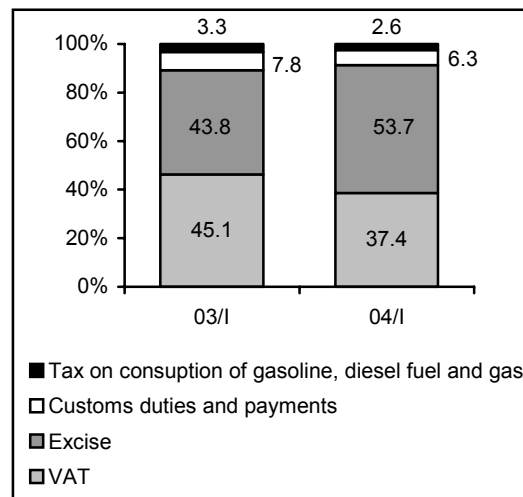
An analysis of the structure of indirect taxes demonstrated that the share of excise tax for the period under review increased from 43.8% to 53.7%, mainly due to increased prices for oil and gas (Graph 1.2.2).

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 27.4% to 26.2%, i.e. by 1.5 points (Table 1.2.3). This took place mainly because of decreasing expenditures in the social sphere (from 10.3% to 9.2%), maintenance of state power bodies, management and court bodies, and centralized investment financing (from 0.6% to 0.5%), and other expenses (from 8.0% to 6.9%). The increase in the share of expenditures for the economy (from 2.7% to 3.4%) occurred mainly due to rising prices for electrical power.

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

Indicators	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Expenditures – total	34.5	32.2	29.5	27.0	25.8	24.6	27.4	28.6	25.5	26.2
Social sphere	12.3	11.9	10.4	10.2	9.8	9.3	10.3	10.3	9.4	9.2
Social protection	3.3	3.0	2.3	2.1	2.0	2.1	2.5	2.5	2.1	2.2
Expenditures for economy	4.0	3.7	3.0	2.3	2.3	3.0	2.7	3.0	2.9	3.4
Expenditures for financing investments	7.0	6.8	6.0	5.0	4.7	3.3	3.2	4.0	3.7	4.0
Maintenance of state power bodies, management and court bodies	0.8	0.8	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.5
Other expenditures	7.1	6.0	7.2	6.8	6.5	6.4	8.0	8.1	6.9	6.9

Source: Ministry of Finance of RUz.

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

Indicators	1998	1999	2000	2001	2002	2003				2004
						I	I-II	I-III	I-IV	I
Deficit (-).	-2.1	-1.7	-1.0	-1.0	-0.8	0.9	2.4	0.9	-0.4	4.0
Surplus (+).										

Source: Ministry of Finance of RUz.

The surplus of the state budget in the first quarter of 2004 was 4 % to GDP (Table 1.2.4).

1.3. Monetary Policy

Banking system development. CBU in cooperation with the commercial banks made efforts to extend cashless payments via plastic cards. This encouraged the creation and implementation of automated systems of cashless payments using plastic cards, and in particular, the arrangement for salary payment on this basis. As a result of implemented measures, the number of issued plastic cards increased by 11%, and the terminals operating with them, by 28%. The volume of operations with plastic cards increased more than 2 times compared to the first quarter of 2003.

In an effort to create additional services for citizens, small businesses and dekhkan farms in rural areas, 168 mini-banks were established, the total number of which as of 1 April 2004 amounted to 963. The number of consumers of the “Bank-customer” system exceeded 1600.

In the first quarter of 2004 the CBU gave licenses to 3 new credit unions, bringing the total number to 17.

Due to the issue of their own securities and capitalization of part of the profit, the total capital of commercial banks increased by 10% and reached UZS 820 bn.

As a consequence of the measures on implementing new types of deposits with high interest rates exceeding the inflation level, the volume of deposits by individuals increased by 50.9%.

The reduction of the refinancing rate of CBU to 20% led to a reduction in the commercial banks' interest rates and encouraged growth in the volume of loans in the real sector of the economy. The share of middle-term and long-term loans in the total volume of lending accounted for 81.2% vs. 77% in the first quarter of 2003.

Due to the growth in total capital and the involvement of a significant number of legal entities and individuals in banking turnover, the total assets of commercial banks increased by 4.5%.

Loan resources of commercial banks were directed mainly towards financing priority projects and to supporting small businesses and individual entrepreneurs. The volume of lending to this group of customers increased from UZS 5.37 bn. to 92.5 bn.

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

The question of reserve money was the urgent aim of monetary policy in the first quarter of 2004. Money supply management was carried out through the control of the changes of the CBU's net international reserves and net internal assets.

The CBU's refinancing rate per annum amounted to 20% vs. 34.5% in the first quarter of 2003. The average weighted interest rate on loans of commercial banks, lending for a period less than 1 year in national currency, amounted to 24.1%, the average weighted rate on time deposits of legal entities in national currency – 19.5% and on fixed-term deposits of individuals – 28.0% (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 fixed-term deposits of legal entities in UZS	Average weighted rate on fixed-term 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
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	24.2	19.2	27.0
04/I	20.0	24.1	19.5	28.0

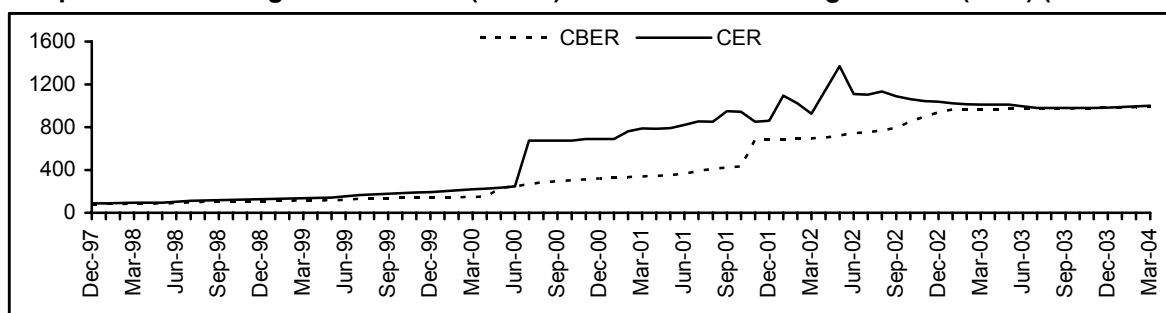
Source: Central Bank of RUz.

The CBU's activities on the open market were aimed at the regulation of short-term liquidity on the money market. The issuing of short-term government bonds (STGB) and CBU's own bonds was continued. The volume of the circulating STGB as of 1 April 2004 amounted to UZS 44.1 bn., including the share of the commercial banks worth UZS 33.8 bn., while the share of other enterprises was UZS 10.3 bn. The volume of STGB issued by the CBU amounted to UZS 1.8 bn., including the share of the commercial banks worth UZS 0.5 bn., and UZS 1.3 bn. belonging to other investors.

1.4. Foreign Exchange Policy

In the first quarter of 2004 foreign currency policy was aimed at measures for enhancing commercial bank activity in foreign economic operations by attracting foreign currency for operations on the OTC foreign exchange market, expanding services and developing interbank competition. Meanwhile, the CBU used a floating rate of exchange, intervening in the forex market to smooth seasonal fluctuations and to support the gold and currency reserves.

Graph 1.4.1. Exchange Rate of CBU (CBER) and Rate of Exchange Offices (CER) (UZS/USD)



Source: Central Bank of RUz.

Within the first quarter of 2004 the exchange rate of the CBU and the rate of exchange offices was devalued in nominal terms by 1.0% (Table 1.4.1).

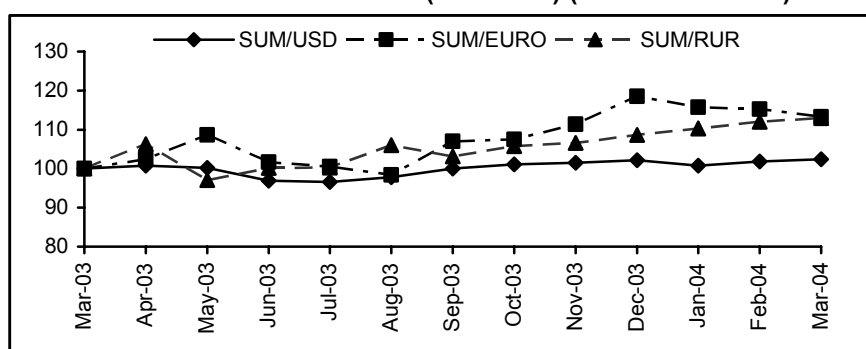
The real national currency exchange rate against the US Dollar decreased by 2.4%, against the Russian Ruble by 12.9% and against the Euro by 13.2% (Graph 1.4.2). The real exchange rate of UZS against USD was relatively stable as opposed to other exchange rates. This is explained by the direct quotation of Uzbek Soum (UZS) to the USD, while exchange rate of UZS to other foreign currencies is established by applying cross rates. Thus, the real exchange rate of UZS to the Russian Ruble and Euro depended on the fluctuations of the above-mentioned exchange rates to the USD on the international currency markets.

Table 1.4.1. Exchange Rate of UZS against USD (average indicators for the period of 1998-2004)

Period	Exchange rate of CBU (UZS/\$)	Change compared with previous period (in %)	Rate of exchange offices (UZS/\$)	Change compared with previous period (in %)
1998	94.5	42.4	105.7	47.0
1999	124.5	31.8	158.8	50.2
2000	236.6	89.9	450.1	183.5
2001	422.9	78.8	829.0	84.2
2002	770.8	82.3	1093.8	31.9
2003	971.6	26.0	995.1	-9.0
03/I	965.3	7.7	1014.7	-3.1
03/II	970.0	0.5	1005.0	-1.0
03/III	974.1	0.4	979.7	-2.5
03/IV	976.8	0.3	980.9	0.1
04/I	989.1	1.0	993.8	1.0

Source: Central Bank of RUz.

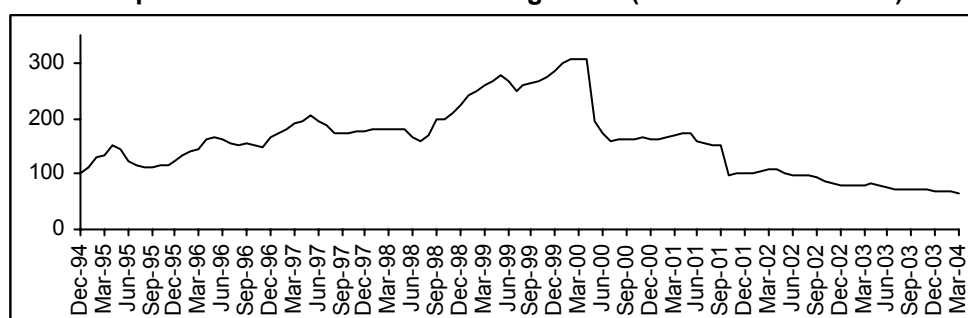
Graph 1.4.2. Real Exchange Rate of UZS against US Dollar (UZS/USD), EURO and Russian Ruble (UZS/RUR) (March 2003=100)



Source: International Financial Statistics (IFS), IMF; Central Bank of RUz.

In the first quarter of 2004 positive changes occurred in the dynamics of the real effective exchange rate, which demonstrates the most real purchasing power of the national currency against currencies of the major foreign trade partners. This rate strengthened by 4.3% for the first three months of the current year and by 17% in comparison with the first quarter of 2003 (Graph 1.4.3).

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



Source: Central Bank of RUz.

The strengthening of the real effective exchange rate of the national currency, encouraged by the CBU's measures aimed at reducing the monetary base in circulation, led to a reduction in the consumer price

index in the first quarter of 2004 to the level of 1.1%, which was about 5 times lower than this indicator for the similar period of the previous year.

1.5. Prices and Inflation

In the first quarters of 2003 and 2004 the average monthly level of inflation fell from 1.7% to 0.37% as a result of the tight monetary policy conducted by the CBU (Tables 1.5.1 and 1.5.2).

**Table 1.5.1. Major Indicators of Inflation in the Republic of Uzbekistan for 1995-2004
(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
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
04/I	0.7	-6.4	7.2	26.6

Source: Uzbekistan State Committee on Statistics

**Table 1.5.2. Level of Inflation for 1st Quarters of 2003-2004
(increase in prices in %)**

In a regional context the highest increase in prices in the first quarter of 2004 (1.5%) was in the Republic of Karakalpakstan and the lowest (0.5%) in Khorezm and Navoi provinces (Table 1.5.3).

	Average monthly level		To December of previous year	
	03/I	04/I	03/I	04/I
CPI	1.7	0.37	5.0	1.10
Food stuffs	1.8	-0.01	5.6	-0.04
Non-food stuffs	1.1	0.65	3.5	1.97
Services	1.6	1.49	5.0	4.55

Source: Uzbekistan State Committee on Statistics

Table 1.5.3. Level of Inflation in the Republic of Uzbekistan for 1st Quarter of 2004 in Regional Context (%)

Province	Increase in prices	Average monthly
Republic of Uzbekistan	1.1	0.4
Khorezm	0.5	0.2
Navoi	0.5	0.2
Namangan	0.8	0.3
Bukhara	0.8	0.3
Jizzakh	0.9	0.3
Sirdarya	0.9	0.3
Samarkand	1.0	0.3
Kashkadarya	1.1	0.4
Andijan	1.2	0.4
Tashkent city	1.3	0.4
Fergana	1.3	0.4
Tashkent	1.3	0.4
Surkhandarya	1.4	0.5
Republic of Karakalpakstan	1.5	0.5

Source: Uzbekistan State Committee on Statistics

An analysis of the structure of growth in prices for goods and services without taking into account fruits and vegetables in the first quarter of 2004 allows one to note the trend of the significant impact of tariffs for paid services (from 12.5% to 62.0) and prices for non-food stuffs (from 14.8 to 40.4%) on the general level of inflation. Meanwhile, the influence of the growth in prices for food-stuffs decreased (from 72.7% to - 2.4%) (Table 1.5.4).

Table 1.5.4. Impact of Increase in Prices and Tariffs on the Inflation Level for 1st Quarters of 2003 and 2004 (%)

	03/I	04/I
CPI	100.0	100.0
Food stuffs	72.7	-2.4
Non-food stuffs	14.8	40.4
Paid services	12.5	62.0

Source: Uzbekistan State Committee on Statistics

The average monthly producers' wholesale prices for industrial goods increased by 2.2% while consumer prices increased by 0.4 %. A factoring analysis of the reasons for the growth in wholesale prices for industrial production demonstrated that the growth in prices for non-ferrous metallurgy (34.3%) and centralized rising prices for energy carriers (29.9%) had the largest impact on the inflation level in the real sector, resulting from the growth in world prices (Table 1.5.5).

As a result of the insignificant devaluation of the OTC exchange rate of 2.0%, the impact of the exchange rate on CPI turned out to be small – 4.5%.

Further reductions in subsidies for housing and communal services led to the rise in tariffs for heating – 31.1% and hot water supply – 17.8%.

On the whole, the low inflation level was ensured due to the surplus of the State budget and the implementation of tight monetary policy.

Table 1.5.5. Factoring Analysis of the Inflation Level in Real Sector for 1st quarter of 2004.

Growth factors	Impact on the WPI (%)	In % to Total
Centralized rise in tariffs for energy carriers	2.0	29.9
OTC foreign exchange rate	0.3	4.5
Transportation expenses	0.4	6.0
Rise in prices for non-ferrous products	2.3	34.3
Other factors	1.7	25.3
Total	6.7	100.0

Source: Uzbekistan State Committee on Statistics

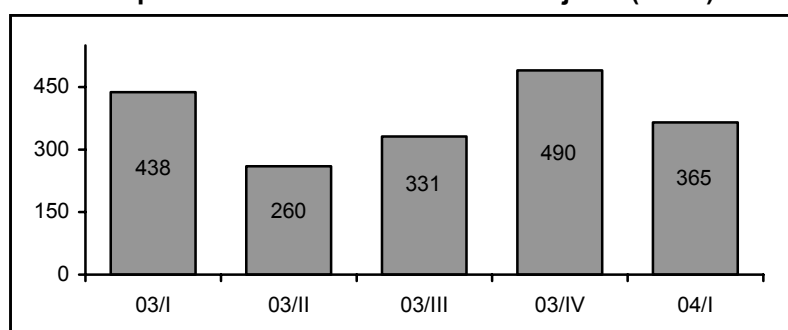
2. Institutional and Market Transformations

2.1. Degovernmentalization and Privatization, Property Types

During the current year, work has been underway on the implementation of the Decree of the President of the Republic of Uzbekistan of January 22, 2003 “On Measures for a Cardinal Rise in the Share and Significance of the Private Sector in the Economy of Uzbekistan”, and of the Program of degovernmentalization and privatization of enterprises for the period of 2003 – 2004, approved by the Cabinet of Ministers on April 17, 2003 with a view to implementing the Decree.

In the 1st quarter of 2004, 365 state-owned enterprises and objects were privatized, which amounts to 83.3% in comparison with the number of privatized enterprises within the corresponding period of the previous year (Graph 2.1.1).

Graph 2.1.1. Number of Privatized Objects (Units)



Source : State Property Committee of Uzbekistan

In the context of sectors, most enterprises were privatized in the area of agriculture and water industry (54), public education (44), oil-and-gas industry (39), and public healthcare (27); while in the territorial context the highest number of privatized objects were in the city of Tashkent (67), and in Fergana (54), Namangan (33), and Surkhandarya (32) Provinces.

On the basis of these 365 privatized enterprises, 13 new joint-stock companies, 70 limited companies, and 269 private enterprises with a sole proprietor were founded (by means of a merger of some of them) (Table 2.1.1).

At stock exchange and off-exchange biddings, state-owned and unplaced share blocks of 394 previously privatized enterprises to the total amount of 15.0 bn. soums were sold, which is 2.2 times higher in comparison with the corresponding period of the previous year; also state-owned portions in the statutory fund of 116 limited liability companies were sold into private ownership to the amount of 943.7 mill. soums.

Table 2.1.1. Number of Non-State-Owned Enterprises Created in the Course of Privatization (Units)

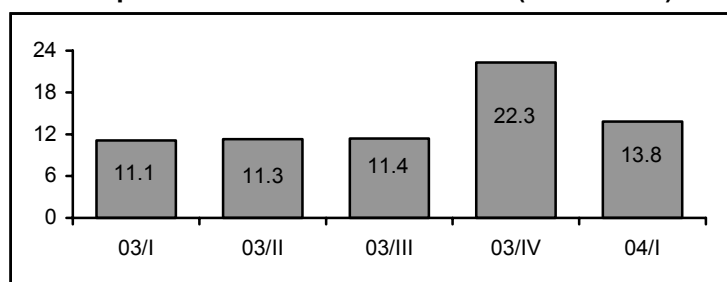
Periods	Number of Founded Enterprises	Including		
		Joint-stock companies	Private enterprises	Enterprises of other types
03/I	301	19	255	27
03/II	342	5	301	36
03/III	332	19	160	153
03/IV	477	32	265	180
04/I	352	13	269	70

Source : State Property Committee of Uzbekistan

New, flexible mechanisms were introduced for selling low-profit, unprofitable and economically unsound enterprises and objects. In particular, 3 enterprises were sold, on a competitive basis, into private ownership at a zero redemption value. The total amount of investment obligations assumed by investors has reached 71.5 mill. soums.

Based on the scheme of step-by-step reduction of the starting price from the time the given mechanism went into effect (since September, 2003), through stock exchange biddings, share blocks of 186 joint-stock companies were sold to the total amount of 1.9 bn. soum, and 161 real estate objects – to the total amount of 1.4 bn. soums and 20.5 thous. USD.

Altogether, during the 1st quarter of 2004, 13.8 bn. soums were received into special accounts of the State Property Committee from degovernmentalization and privatization of state property, exceeding the indicator of the corresponding period of the previous year by 1.2 times (Graph 2.1.2). The bulk of these funds – 7.1 bn. soums – was collected from the sale of shares of privatized enterprises.

Graph 2.1.2 Privatization Proceeds (Bn. Soums)


Source : State Property Committee of Uzbekistan

The funds received from privatization, in accordance with the effective procedure of their use, are directed every month to the Republican budget and local budgets for financing social and economic development projects and for the formation of market infrastructure institutes; as well as to the privatized enterprises themselves for the purpose of technical re-equipment and production modernization according to their requests..

A part of the funds amounting to 35- 55% of the total volume of proceeds from the privatization of state-owned objects is distributed on the basis of separate governmental decisions. At the same time, some strategically important state-joint-stock companies (“Uzbekenergo”, “Uzbekiston Temir Yullari”, etc.), on the basis of special decisions made by the government, receive up to 100% of the funds generated from the privatization of enterprises which are part of them, less operational charges.

Table 2.1.2. Structure of Distribution of Privatization Proceeds (%)

Lines of Proceeds Distribution	03/I	03/II	03/III	03/IV	04/I
State Budget	38.9	33.3	28.3	30.0	41.3
Local Budgets	6.5	11.9	8.0	6.2	21.2
Business Fund	6.5	11.9	8.0	4.1	x*
Enterprises under Privatization	10.1	7.1	10.6	7.6	2.9
Economic Associations, Enterprises and Organizations, in accordance with specific governmental decisions	38.0	35.8	45.1	52.1	34.6
Total	100	100	100	100	100

Source: State Property Committee of Uzbekistan.

*The Business Fund was liquidated on January 1, 2004, and 15% of privatization proceeds, which had been previously transferred to the Fund, are now given as supplements to local budgets.

As can be seen in Table 2.1.2, the structure of distribution of privatization proceeds changes every quarter. This depends on each quarter’s cost value of the sale of shares of privatized enterprises, on whether separate governmental decisions have been made giving them financial support, and on the making of new governmental decisions regarding the use of the funds involved.

2.2. Market Infrastructure

During the 1st quarter of 2004, the following registration entries were added to the State Registry of Securities:

- 278 share issues with a total issuance volume of 42.5 bn. soums;
- 10 issues of corporate bonds to the amount of 2.6 bn. soums.

The total volume of sale of shares on the securities market in the 1st quarter of 2004 amounted to 30.4 bn. soums and almost doubled, compared to the corresponding period in 2003.

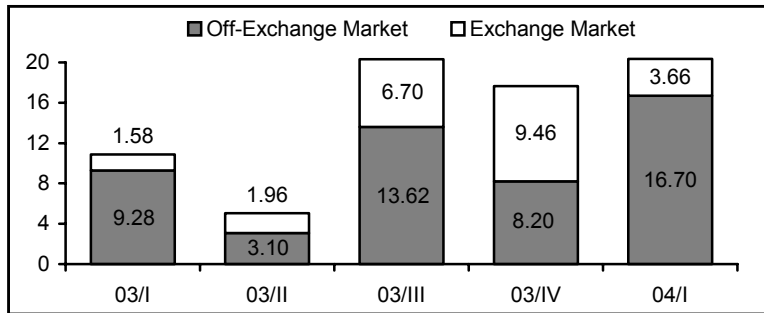
Table 2.2.1. Volume of Sale of Shares on Securities Market (Bn. Soums)

Period of Time	Primary Market		Secondary Market		Total	
	Sum	In % to the total	Sum	In % to the total	Sum	In % to the total
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
04/I	20.36	67.2	10.03	33.8	30.39	100

Source: Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

During the 1st quarter of 2004, on the primary securities market, shares were sold to the amount of 20.4 bn. soums. The growth rate was 187.5% (Graph 2.2.1).

Graph 2.2.1. Sale of Shares on the Primary Stock Market (Bn. Soums)



Source: Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

At stock exchange biddings, primary sales of shares of privatized enterprises were concluded to the amount of 3.7 bn. soums (18%), and on the off-exchange market (by means of conducting tender biddings and direct negotiations with investors) – to the amount of 16.7 bn. soums (82%) (Graph 2.2.1).

The increased volume and high growth rates of shares sales on the primary securities market, in comparison to the previous year, were influenced by the putting up for sale

of state-owned blocks of shares and blocks of shares that had not been previously placed from joint-stock companies attractive in terms of investment, as well as by the application of a flexible mechanism for the step-by-step reduction of the starting price of shares sales on the stock exchange.

The most popular among buyers on the primary stock market were shares of banks – 15.5% of the total volume of concluded transactions, as well as the shares of enterprises of the joint-stock company “Uzdonmakh-sulot” – 14.6%, “The Uzbek Motor and River Transport Agency” – 9%, the Ministry of Agriculture and Water Industry – 9.1%, and the state-and-joint-stock company “Uzbekenergo” – 7.3%.

The interest of foreign investors in purchasing shares of privatized enterprises, which had risen sharply in the previous year, is still high. Their share in the total volume of transactions in connection with the selling of these enterprises’ shares reached 79.0% in the 1st quarter of 2004. The given indicator for 2003 as a whole amounted to 70.2%, and for 2002 – 28.0%.

The heightened activity of foreign investors was influenced by the offer for sale of principal blocks of shares of many enterprises, as well as by the transition of the national currency to free convertibility for current operations; and by the improvement of legislation for the corporate governance of privatized enterprises; as well as by the implementation of governmental decisions aimed at improving the investment climate in the Republic.

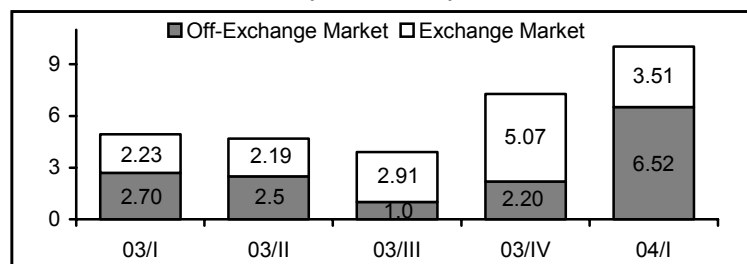
As a result of the five-year tax exemption for individuals on income earned in the form of dividends on shares of joint-stock companies founded on the basis of state-owned enterprises; and of the ever-extending informational transparency of the securities market, the share of the Republic’s citizens in the total volume of transactions in connection with the sale of shares of privatized enterprises amounted to 2.6% in the 1st quarter of 2004, as opposed to 0.8% for the corresponding period of the previous year. At the same time, while in January 2004 citizens purchased shares worth 26.1 mill. soums, in March the figure was 275.6 mill. soums, i.e. 10.6 times higher.

The share of other categories of investors in the total volume of transactions in connection with the sale of shares of privatized enterprises amounted to: 7.6% - small business enterprises, 2.8% - large-scale contiguous enterprises; 0.7% - privatization investment funds; 6.3% - investment intermediaries; and 0.7% - commercial banks, which became more active on the primary securities market in the current year, in contrast to previous years.

On the secondary securities market, shares worth 10.0 bn. soums were sold (Table 2.2.1), which is twice as much as the volume of sales for the corresponding period of the previous year (Graph 2.2.2).

On the secondary stock-exchange market, purchase-and-sale transactions were concluded for shares of 337 joint-stock companies worth 3.5 bn. soums, which is 1.6 times higher than the corresponding period of the previous year. However, the share of the exchange market in the total volume of secondary sale of shares is still low – 35.0%.

Graph 2.2.2. Sale of Shares on the Secondary Stock Market (bn. soums)



Source: Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

A big part of the off-exchange market in the secondary sale of shares (65.0%) can be explained mainly by the offer for sale of predominantly small blocks of shares, while through an exchange it is profitable to sell large blocks of shares.

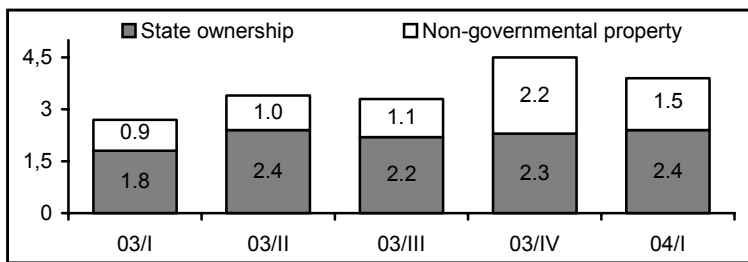
The shares of enterprises of the holding company “Uzmevasabzavotuzumsanoat-Holding”, the joint-stock company “Uzkurilishmateriallari”, and the association “Uzbek Ipagi” are in most popular demand on the secondary securities market. This can be explained by the fact that the average dividend yield of these enterprises’ shares amounts to more than 30%.

The circulation on the securities market of corporate bonds issued by a number of joint-stock companies, which are attractive in terms of investment, is expanding. During the 1st quarter of 2004, sale-and-purchase transactions were concluded on the stock exchange market – to the amount of 153.5 mill. soums, and on the off-exchange market – 2.1 bn. soums. During the corresponding period of the previous year, bonds worth 362.1 mill. soums in total were sold.

At the RREE, besides regular electronic exchange biddings (three times a week), 129 auction biddings and 3 tender biddings were conducted in the 1st quarter of 2004.

Overall, 3,924 real estate objects were sold through the RREE to the total amount of 8.6 bn. soums. Growth rates, in comparison to the corresponding period of the previous year, amounted to: 44.4% - by number of objects sold, and 109.7% - by volume of proceeds from sales. The leading growth of the proceeds from sales, as compared to the number of objects sold, was influenced by an increase in highly priced large-scale objects in the structure of sold property.

Graph 2.2.3. Number of Objects Sold through the RREE (thous. of Units)



Source: Republican Real Estate Exchange
 biddings belongs to large-scale objects.

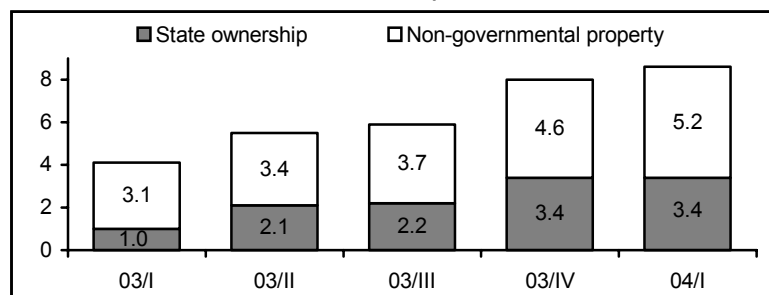
Of the total number of transactions concluded through the RREE in connection with the purchase-and-sale of real estate objects, 41.3% were exchange biddings, and 58.7% were off-exchange biddings. As for the proportion of exchange and off-exchange trading, in the total proceeds from the sale of real estate objects this amounted to 88.3% versus 11.7%, respectively. These data indicate that a large share of sales at exchange biddings belongs to large-scale objects.

A tendency can be observed of an increase in the volume of sales of property offered for sale both by the state and by private firms and individuals (Graphs 2.2.3 and 2.2.4). During the 1st quarter of the current year more real estate objects were sold, as compared to the corresponding period of the previous year, which in quantitative and cost terms is equal to 1.3 and 3.4 times for the state, and 1.7 and 1.7 times for private persons, respectively.

In the total amount of property sold through the RREE, the ratio of state-owned and private objects came to 63.4% and 36.6%, respectively, while the ratio of these objects in the total volume of purchase-and-sale transactions was 47.2% and 52.8%.

The greatest share in the amount of property sold through the RREE belongs to land lots, assigned for individual housing construction, or to be more exact, the right to heritable life tenure of these lots. Their ratio in the total amount of property sold through the RREE equaled 55.3% (Table 2.2.2).

Graph 2.2.4. Proceeds from Sale of Real Estate Objects (Bn. Soums)



Source: Republican Real Estate Exchange

Table 2.2.2. Structural Composition of Property Sold through the RREE (in % to the total)

Types of Property	2003/I	2003/II	2003/III	2003/IV	2004/I
Construction in Progress:					
Quantity	3.5	3.3	5.8	4.9	4.7
Amount	2.7	3.6	8.3	4.6	3.5
Commercial and Consumer Services Property:					
Quantity	7.5	8.2	5.5	7.9	10.5
Amount	10.8	13.6	11.4	16.5	35.7
Property of Bankrupt Enterprises:					
Quantity	0.3	0.8	5.4	4.3	0.7
Amount	4.5	2.7	7.1	10.2	6.0
Property Sold to Cover Tax Debts to State Budgets:					
Quantity	4.4	2.3	0.1	0.2	0.1
Amount	5.7	1.9	0.1	1.0	0.2
Property Sold by Orders of Economic Courts:					
Quantity	0.9	0.6	1.3	1.6	0.7
Amount	0.4	2.4	2.0	1.6	1.0
Land Lots:					
Quantity	59.6	64.2	61.6	44.0	55.3
Amount	2.2	2.8	2.6	1.4	1.6
Residential Buildings and Other Property:					
Quantity	23.8	20.6	20.3	37.1	28.0
Amount	73.7	73.0	68.5	64.7	52.0
Total:					
Quantity	100	100	100	100	100
Amount	100	100	100	100	100

Source: Republican Real Estate Exchange

The right to heritable life tenure of 2,146 land lots, intended for individual housing construction, was sold to the amount of 155.3 mill. soums. Growth rates were 26.9% and 52.6%, respectively. In addition, during the current year, 23 land lots intended for the creation of dekhkan farms were sold to the amount of 3.1 mill. soums (Annex 2.2.2).

Despite a great number of land lots, the right to heritable life tenure of which is sold through the RREE, the funds received from that make up an insignificant part (1.6%) of the total cost turnover of the exchange (Table 2.2.2). This is a consequence of the low selling price of that right. For instance, during the 1st quarter of 2004 the average selling price of the right to heritable life tenure of one land lot amounted to 72.8 thous. soums, while during the corresponding period of the previous year it was 76.2 thous. soums.

The bulk of the cost value of the RREE's turnover is formed from the sale of housing objects and other property, which includes production facilities, administrative buildings, gas-stations, and other objects, sold by the state and private persons.

In the total cost volume of the RREE's turnover, the share of residential buildings and other property amounted to 52.0%. At the same time, the ratio of residential buildings and other property in the total number of sold objects amounted to 28% (Table 2.2.2). These data show that the average selling price of objects included in the given group of property, sold through the RREE, considerably exceeds the average selling price of objects of other property types. This is also demonstrated by the fact that in the 1st quarter of 2004, 159 production and administrative buildings were sold for 2.2 bn. soums, which makes up 24.7% of the total volume of sale of real estate for the given period of time.

In the total volume of sales, the share of commercial and consumer services objects grew significantly: by quantity – from 7.5% to 10.5%, and by proceeds – from 10.8% to 35.7% (Table 2.2.2). Altogether, 414 units of the given objects were sold for 3.2 bn. soums. At the same time, 277 units (66.9%) were put up for sale by private persons.

A steady tendency can be observed of growing sales of construction-in-progress objects through the RREE (Annex 2.2.2). In total, 184 objects were sold for 343 mill. soums, exceeding indicators for sales of the given objects during the corresponding period of the previous year: by quantity – 1.9 times, and by cost – 2.6 times. An overwhelming majority of construction-in-progress objects (179 units) were sold by non-state-owned enterprises in the course of restructuring their property complex.

2.3. Small Enterprises

In the 1st quarter of 2004, the share of small enterprise (SE) entities in the GDP amounted to 27.8%, which is lower than the corresponding period of the previous year by 1.1 points (Table 2.3.1 and Annex 2.3.1). The share of small-scale businesses and micro-firms in the GDP decreased by 0.4 points, and of individual entrepreneurs – by 0.7 points, and amounted to 13.4% and 14.4%, accordingly. The decrease in these indicators can be explained by the implementation of a new classification of businesses belonging to small enterprise entities, starting from January 1, 2004, in accordance with the Decree of the President of the Republic of Uzbekistan of August 30, 2003.

The number of those employed by SEs, including individual entrepreneurship entities, reached 5588.2 thous. persons, or grew by 411.3 thous. persons (7.4%) in comparison with the corresponding period of the previous year. The growth of employment was due to the increase – in accordance

Table 2.3.1. Main Indicators of Development of Small Entrepreneurship

Indicators	Unit	03/I	03/I-II	03/I-III	03/I-V	04/I
Share of Small Entrepreneurship in the GDP	%	28.9	33.2	34.1	35.5	27.8
Small Businesses and Micro-Firms	%	13.8	15.1	15.9	16.4	13.4
Number of Employed by Small Enterprises and Micro-Firms	Thous. persons	903.2	936.0	1012.5	1045.1	1007.0

Source: State Committee on Statistics of Uzbekistan.

with the new classification – of the number of employees an enterprise can have and still be labeled a micro-firm: in industrial sectors, up to 20 persons, and in the area of services and other non-production sectors – up to 10 persons. As for small businesses, the annual average number of employees that an enterprise can have and be labeled a small business, was increased: in the sectors of light and foodstuffs industry, metal-working and instrument-making, woodworking, furniture making and construction materials industry, – to 100 persons; while in the sectors of machine-building, metallurgy, fuel-and-energy and chemical industries, production and processing of agricultural products, construction and other industrial-and-production areas – to 50 persons.

Table 2.3.2. The Share of SE Entities in Production Output by Sector of Economy (%)

Sector of Economy	03/I	03/I-II	03/I-III	03/I-V	04/I
Industry	9.6	14.2	15.9	16.6	9.8
Agriculture	92.8	85.0	81.0	76.8	93.2
Retail Turnover	39.9	43.6	44.8	45.5	41.1
Paid Services	41.0	43.2	44.9	45.7	42.9

Source: State Committee on Statistics of Uzbekistan.

No significant progress in the sectoral structure of products manufactured by small business entities was observed. The ratio of SEs in the manufacture of products in key areas of the economy increased only insignificantly. For instance, in industry it grew by 0.2 points and amounted to 9.8% (Table 2.3.2 and Annex 2.3.2). In this connection, the share of small businesses accounted for 4.9%. The

given increase was provided by the rise in production of consumer complex products, the intensification of entrepreneurship in the implementation of a localization program, as well as by the expansion of interaction of large-scale companies with small ones.

SE entities produced 93.2% of agricultural output from the total gross volume, exceeding the level of the corresponding period of the previous year by 0.4 points. Over 90% of agricultural products were produced by individual entrepreneurs.

Commercial mediation is still a prevailing type of activity of the Republic's small enterprises. Simplification and adjustment of the system of taxation from July 1, 2003, as well as the permission granted to wholesale trade enterprises to carry out small-scale wholesale and retail trade for cash through their own company stores, encouraged an increase in goods turnover and allowed small businesses and micro-firms to increase their ratio in retail trade, by 0.2 and 0.9 points respectively, compared to the corresponding period of the previous year.

In the 1st quarter of 2004, the share of SE entities in the total volume of retail goods turnover reached 41.1%, 1.2 points higher than the level of the corresponding period of the previous year (Table 2.3.2). The highest share (over 27%) in the total volume of goods turnover was made up of individual entrepreneurs.

The ratio of SE entities in the area of paid services increased. Their share in the total volume of services amounted to 42.9%, which was 1.9 points higher than the level of the 1st quarter of 2003. At the same time, the ratio of private enterprise in the total volume of paid services amounted to over 36%. This was a consequence of the creation of new small and private businesses in the given sphere of activity, and an increase in the demand for services.

The introduction of a new mechanism of state registration of enterprise entities and the legalization of permission documents for engaging in entrepreneurial activity – namely: a sharp reduction in the number of co-

ordinating units, as well as taking measures to eliminate bureaucracy and "red tape" while conducting legalization and state registration of entrepreneurial activity entities –facilitated growth in the number of operating SE entities.

In all, in the Republic more than 256.3 thous. SE entities were registered, of which the number of those operating and having the status of a legal person was 222.4 thous. units or 86.8%. The number of operating SE entities grew by 13.3 thous. in comparison with the corresponding period of the previous year.

The highest growth in the number of operating SE entities within the period involved was observed in agriculture, amounting to 18.4 thous. units. This was influenced by the reorganization of a number of unprofitable and low-profit agricultural cooperatives (shirkats) into farms. In addition, there was a slight increase in the number of operating SE entities in industry (by 0.2 thous. units).

Table 2.3.3. Number of Operating SE Entities by Sector of Economy (thous. Units)^{*)}

Indicators	03/ I	03/I-II	03/I-III	03/I-V	04/I
Republic of Uzbekistan – Total	209.1	227.8	230.8	229.6	222.4
Industry	20.9	21.0	21.4	21.0	21.1
Agriculture	111.7	114.8	117.4	119.6	130.0
Transport and Communications	2.0	2.0	2.1	2.0	2.1
Construction	11.3	11.2	11.3	10.9	11.2
Trade and Public Catering	47.6	31.5	44.1	41.8	42.7
Other Areas	15.6	47.3	34.5	35.3	15.3

Source: State Committee on Statistics of Uzbekistan.

^{*)} For legal persons, as of the first day of the following quarter.

Regional development of small enterprises in the 1st quarter of 2004 received a stimulus as a result of the implementation of Resolution #357 of the Cabinet of Ministers of 8/20/2003 "On the Cardinal Improvement of the System of Registration Procedures for Organizing Entrepreneurial Activities", and the introduction into practice in the provinces - jointly with territorial bodies of the State Property Committee - of offering at auction land lots intended for the construction of entrepreneurial activity entities.

The number of operating entities in the Republic of Karakalpakstan increased by 1.2 thous. units, in Kashkadarya Province - by 5.9 thous. units, Sirdarya Province - by 1.6 thous. units, Bukhara Province - by 1.8 thous. units, Jizzakh Province - by 1.6 thous. units, and Tashkent Province - by 1.4 thous. units (Table 2.3.4).

Table 2.3.4. Number of Operating SE Entities by Regions (Thous. Units)^{*)}

Regions	03/I	03/I-II	03/I-III	03/I-V	04/I
Republic of Uzbekistan	209.1	227.8	230.8	229.6	222.4
Republic of Karakalpakstan	11.0	11.7	11.9	12.1	12.2
Andijan Province	19.5	19.9	20.2	20.4	18.8
Bukhara Province	15.7	16.6	17.1	17.2	17.5
Jizzakh Province	15.0	16.3	16.5	16.5	16.6
Kashkadarya Province	23.5	26.2	27.5	27.9	29.4
Navoi Province	9.3	9.2	9.4	9.4	9.2
Namangan Province	13.0	14.6	14.8	14.3	12.3
Samarkand Province	20.3	21.5	21.4	21.2	20.2
Surkhandarya Province	10.4	12.3	11.4	11.8	11.1
Sirdarya Province	8.4	9.7	9.9	10.1	10.0
Tashkent Province	14.7	17.1	17.3	17.6	16.1
Fergana Province	18.8	20.3	21.1	18.9	18.7
Khorezm Province	11.4	12.3	12.6	12.7	12.7
Tashkent City	18.0	19.8	19.6	19.5	17.6

Source: State Committee on Statistics of Uzbekistan.

^{*)} For legal persons, as of the first day of the following quarter.

exceeding the level of the corresponding period of the previous year by 0.6 points (Table 2.3.5 and Annex 2.3.3). However, the share of SE entities-legal persons in foreign economic activities is still at a low level.

The development of SE foreign economic activities is connected with the further liberalization of foreign economic activities, the reduction of administrative barriers, and the improvement of the mechanism of advancing exports towards the world market.

The situation in the area of SE foreign economic activity improved dramatically. Their share in the total volume of exports grew by 3.4 points mainly owing to the implementation of measures for the liberalization of foreign economic activity, the reduction of administrative methods of control over conducting of export-import operations, and the improvement of the mechanism of regulation of foreign trade.

At the same time, a 3.9 point decrease was observed in the share of small enterprise entities in the total volume of imports.

The number of SEs participating in foreign economic activities as of the beginning of the 2nd quarter of 2004 amounted to over 1.8 thous. entities,

Table 2.3.5. Ratio of SE Entities in Foreign Economic Activities (%)

Indicators	03/ I	03/I-II	03/I-III	03/I-V	04/I
Exports	5.3	5.9	6.6	7.3	8.7
Imports	33.5	31.6	32.6	33.7	29.4
Number of SE Entities Participating in Foreign Economic Activities, thous. units	1.2	2.1	2.7	3.3	1.8

Source: State Committee on Statistic of Uzbekistan.

Annex 2.1.1. Main Indicators of Privatization of State-Owned Enterprises

Indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of Privatized Enterprises (Units)	8537	1915	1231	451	448	374	1449	1912	1519
Number of Enterprises with Non-State form of ownership, founded on the basis of privatized property	8537	1915	899	266	373	372	1238	1800	1452
Joint-Stock Companies	1026	1257	456	110	141	152	227	223	75
Private Enterprises	6036	420	260	103	156	103	827	1252	981
Enterprises of Other Organizational-and-Legal Types	1475	238	183	53	76	117	184	325	396
Total Proceeds from Privatization (bn. soums)	2.4	5.3	4.4	8.9	9.1	14.3	23.2	43.6	56.1

Source: State Property Committee of Uzbekistan.

Note: A number of joint-stock companies were founded by means of consolidation of property of several state-owned enterprises, or splitting of property of one enterprise.

Annex 2.2.1. Dynamics of the Volume of Sale of Shares on the Securities Market (Bn. Soums)

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

Sources: Indicators for 1995 – 1998 – Research Institute for intensification of Market Reforms at the State Property Committee of Uzbekistan;

Indicators for 1999 - 2004 – Center for Coordination and Control of Operation of the Securities Market at the State Property Committee of Uzbekistan.

Annex 2.2.2. Quantity and Cost of Property, Sold through the Republican Real Estate Exchange (Units/ mill. soums)

Types of Property	1995		1996		1997		1998		1999	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Construction in Progress	177	141	646	320	550	369	280	247	257	196
Commercial and Consumer Services Objects	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 to Cover Tax Debts to State Budgets	x	x	x	x	x	x	x	x	x	x
Property Sold by Orders of Economic Courts	x	x	x	x	x	x	x	x	x	x
Land Lots	2845	52	7911	143	6456	206	4454	185	4060	158
Residential Buildings and Other Property	2888	333	6556	975	2949	796	1866	1053	1560	1660
Total	6794	864	15500	1598	10337	1631	6888	1766	6470	2388

Types of Property	2000		2001		2002		2003		2004/I	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Construction in Progress	296	630	265	559	180	832	586	1176	184	343
Commercial and Consumer Services Objects	419	450	548	1221	436	1039	954	3203	414	3159
Property of Bankrupt Enterprises	435	1028	565	1264	289	719	372	1559	23	524
Property Sold to Cover Tax Debts to State Budgets	x	x	2211	1345	2230	1409	209	388	3	1
Property Sold by Orders of Economic Courts	x	x	496	415	343	312	147	391	26	149
Land Lots	5700	254	8662	504	8335	551	7391	490	2169	158
Residential Buildings and Other Property	2093	3818	2469	7042	2472	11309	4254	16253	1105	4228
Total	8943	6180	15216	12350	14284	16171	13913	23460	3924	8562

Source: Republican Real Estate Exchange.

Annex 2.3.1. Main Indicators of Level of Development of SME

Indicators	Unit	1999	2000	2001	2002	2003
Ratio of Small and Medium Business in the GDP	%	29.1	31.0	33.8	34.6	35.5
Small and Medium Enterprises	%	12.6	13.1	14.8	15.7	16.4
Number of Operating Legal Persons	Thous. Units	125.6	149.3	177.7	236.4	229.6
Number of Employees at SME ¹⁾	Thous. Persons	647.7	745.3	801.8	900.3	1045.1

Source: State Committee on Statistics of Uzbekistan.

¹⁾ Without Individual Entrepreneurship Entities.

Annex 2.3.2. Ratio of SME in Production Output by Sectors of Economy (%)

Areas 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: State Committee on Statistics of Uzbekistan.

Annex 2.3.3. Ratio of SME Entities in Foreign Foreign-Trade Operations of the Republic

Indicators	1999	2000	2001	2002	2003
Exports, %	29.4	10.2	9.0	7.5	7.3
Imports, %	35.5	27.4	26.9	24.9	33.7
Number of Entities Participating in Foreign Economic Activity, thous. units	2.4	2.8	2.5	2.7	3.3

Source: State Committee on Statistics of Uzbekistan.

3. Structural-Investment Policy

3.1. Industry

The volume of industrial production in the 1st quarter of 2004 increased by 8.8% with respect to the corresponding period of the previous year. Enterprises manufactured products to the amount of 1,855.6 bn. soums. In the production structure of the GDP, the share of industry increased from 20.4% to 21.4%.

The index of added value growth of industry amounted to 5.2%, which indicates improvement of financial results of industrial enterprises' activities. The adopted policy of restructuring insolvent enterprises facilitated a reduction in the number of unprofitable enterprises from 55 down to 32, or by 42%.

As a result of the attraction of additional financial means, received from the sale of unused production spaces and equipment, the total amount of industrial losses decreased by 86.3%.

In reviewing the dynamics of industry by key sectors of industry, the highest increase was accounted for by machine-building – 35.3% (Table 3.1.1).

Positive shifts are still present in the development of ferrous metallurgy. The index of growth of the sector's production output amounted to 19.1%, which is 15 points higher than the level of the previous year. Positive tendencies are connected with an increase of the level of resource supply of the sector's enterprises, and the improvement in the sale of manufactured products.

The index of growth of non-ferrous metallurgy output amounted to 0.7%. In the structure of total volumes of industrial exports, the share of ferrous and non-ferrous metals grew from 5.1% to 7.0%.

Table 3.1.1. Indices of Industrial Production Output (in % to Corresponding Period)

	Index of industrial production output				
	03/I	03/I-II	03/I-III	03/I-IV	04/I
Industry	104.0	105.5	105.7	106.2	108.8
Electric-Power Industry	100.6	100.9	100.2	101.8	103.0
Fuel Industry	97.5	97.9	99.7	100.6	109.1
Ferrous Metallurgy	104.4	111.5	110.2	109.1	119.1
Non-Ferrous Metallurgy	101.1	100.2	99.2	99.0	100.7
Chemical Industry	102.6	104.9	104.3	105.2	96.1
Machine-Building	108.8	119.2	128.1	130.8	135.3
Timber, Wood-Working Industry	106.4	100.7	96.3	100.0	121.6
Construction Materials Industry	101.8	99.7	102.2	104.3	115.0
Light Industry	109.3	110.5	107.4	106.2	105.4
Foodstuffs Industry	103.5	104.8	106.1	106.8	102.1
Other	104.6	106.7	105.3	105.0	141.1

Source: State Committee on Statistics of Uzbekistan.

The rates of growth in sectors of the fuel-and-energy complex (FEC) turned out to be considerably higher than expected results. The index of growth of production output of the fuel sector amounted to 9.0%, as opposed to the negative (- 2.5%) level of the previous year. The main factor in achieving positive shifts in the formation of dynamics of main economic indicators of FEC development was an increase in the volume of production of oil, gas and coal.

The index of growth of production output in the electric-power industry amounted to 3.0%, which was 2.4 points higher than the level of the corresponding period of the previous year. A process of step-by-step reformation of the country's power-grid system continues to play an important part in the improvement of production and financial stability of enterprises of the electric power industry.

During the analyzed period, positive shifts were reported in the development of the construction materials industry. The index of growth of construction production output amounted to 15.0%, which was 13.2 points higher than the level of the previous year.

Positive tendencies in the formation of cost volumes of principal base sectors of the industry were accompanied by an increase in physical volumes of production output.

In the fuel-and-energy complex, volumes of production increased: of electric power – by 2.8%, gas – by 6.8%, oil – by 5.9%, coal – by 17.4%, diesel fuel – by 14.2%, and residual fuel oil – by 2.6% (Table 3.1.2).

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

	Unit	Production of major products in kind		Indices of production of major products (in % to previous year)	
		03/1	04/1	03/1	04/1
Electric Power	Mill. K.W.H.	13294	13672	99.96	102.8
Fuel Industry					
Oil	Thous. tons	1027.2	1087.4	104.0	105.9
Gas	Mill. M ³	14535.1	15528.4	98.5	106.8
Coal	Thous. tons	523	614	71.6	117.4
Steel	Thous. tons	120.4	132.8	106.2	110.3
Machine-Building					
Tractors	Pieces	582	649	107.6	111.5
Cotton Harvesting Machines	Pieces	12	x	133.3	x
Excavators	Pieces	12	13		108.3
Cars	Pieces	7500	13300	71.8	177.3
Color TVs	Pieces	5153	10985	38.1	2.1 times
Isolated Cable	Km	276	968	106.4	3.5 times
Chemical Industry					
Mineral Fertilizers	Thous. tons	207.5	212.4	98.9	102.4
Nitrogen Fertilizers	Thous. tons	178.3	189.8	109.1	106.4
Phosphate Fertilizers	Thous. tons	29.2	22.6	62.7	77.4
Synthetic Ammonia	Thous. tons	258.9	261.6	107.2	101.0
Sulphuric Acid	Thous. tons	215.1	207.0	77.3	96.2
Synthetic Resins and Plastics	Tons	12.9	25.9	3.2 times	2.0 times
Chemical Fibers and Threads	Tons	4151	2196	111.7	52.9
Synthetic Detergents	Tons	535	573	68.4	107.1
Chemical Protectants of Plants	Tons	614	811	129.5	132.1
Construction Materials Industry					
Walling	Mill. Pieces cond. bricks	25.0	26.1	32.6	104.4
Light Industry					
Cotton Fiber	Thous. tons	344.5	336.8	98.5	97.7
Cotton Yarn	Thous. tons	39.4	42.1	104.9	107.1
Raw Silk Threads	Tons	51.1	108.6	16.7	2.1 times

Source: State Committee on Statistics of Uzbekistan.

In the machine-building complex, indices of growth of physical volume of production of basic product types had the highest value. Based on the overall results of 2004, the following production volumes increased: cars – 1.8 times, tractors – 1.1 times, excavators – by 8.3%, trailers – 16.7 times, and cultivators – 2.3 times.

As a result of effective restructuring of enterprises of the electrical manufacturing industry, a growth of production was observed in the production of: refrigerators – 7.4 times, laundry washers – 5.2 times, TV-sets – 2.1 times, and electric irons – 2.1 times. The primary factors of the existing dynamics of the sector's development were the positive shifts in the formation of circulating financial assets of enterprises, as well as in the attraction of investments to such enterprises as JSC "Relay and Avtomatika", JSC "Uzelektroterm", JSC "Foton", JSC "Oniks", and JV "Tashelektroapparat".

With the launch of a line for production of copper rolled wire at the JV JSC "AndijanKabel", production output at cable-manufacturing enterprises grew 2-2.5 times, while production of isolated cable grew 3.5 times, based on the overall results of the 1st quarter of 2004. High growth rates of the volumes of production of basic types of products of the complex on the whole ensured an increase of the share of machine-building in the country's export structure from 5.4% to 8.4%.

Based on the overall results of the 1st quarter of 2004, production of basic types of construction products increased: cement – by 31.5%, walling materials – by 4.4%, and soft roofing materials – by 3.2%.

At the same time, a reduction in physical volumes of production of chemical products -- phosphate fertilizers (by 22.6%), and chemical fibers and threads (by 47.1%) -- influenced a decline in rates of development of some of the subsectors of the chemical complex.

The main cause of the decline in production of phosphate fertilizers remains the insufficient level of supply of technological raw material (phosphate powder, sulphuric acid). A low level of price competitiveness of chemical fibers and threads has become the main factor in the reduction in external and domestic demand for the products, as a result of which a setback in their production occurred. At present, comprehensive measures are being taken in order to reduce the costs of the manufacture of chemical fibers and threads, which will allow increasing efficiency in manufacturing these products.

In the sectoral dynamics of industrial production output, the index of growth of the chemical sector had a negative value. And the mere maintenance of steady growth rates of production of nitrogen fertilizers (by 6.4%), synthetic detergents (by 7.1%), and synthetic ammonia (by 1.0%) did not alleviate an even deeper setback in the sector as a whole (-3.9%), with regard to the corresponding period of the previous year.

In the sectors aimed at final domestic demand, production growth rates remained high. The volume of production output of light industry increased by 5.4%. Positive indicators of development were achieved owing to an increase of physical volumes of production of hosiery – by 4.3%, silk fabrics – by 4.6%, and carpets and carpet products – by 3.6%.

At the same time, a low level of raw cotton supply to the cotton-cleaning sector became the main factor in the reduction in cotton fiber production – by 2.3%.

The rates of production of cotton fabrics and knitwear goods also decreased – by 13.8% and 8.7%. The results of activity of these subsectors did not allow expected rates of development of the sector as a whole to be achieved. The index of growth of light industry production output was 3.9 points lower than the level of the corresponding period of the previous year and amounted to 5.4%.

The index of growth of foodstuffs industry production output amounted to 2.1%. Growth was reported in the volume of production of flour – 2.3 times, pasta – by 23.3%, granulated sugar – by 49.8%, and milk and dairy products – 2.2 times.

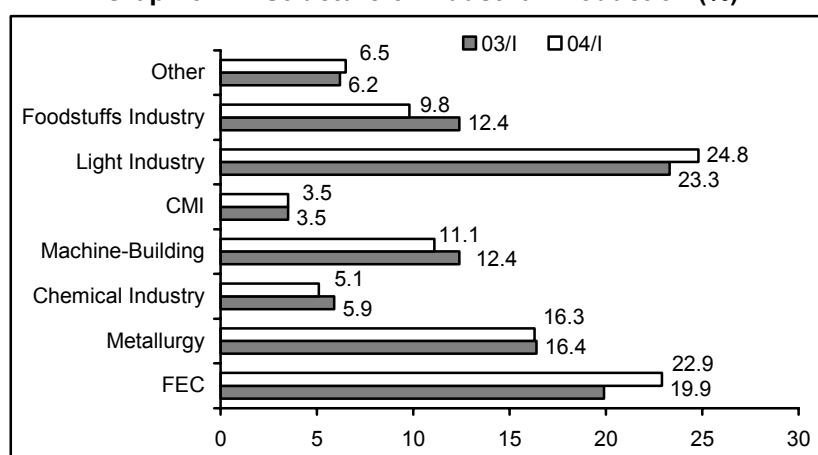
The situation in the development of the wood-working and pulp-and-paper industries significantly improved. The index of growth of these sectors' production output amounted to 21.6%, which was higher than the level of the previous year by 15.2 points.

Based on the overall results of the first quarter of 2004, shifts in the structure of industrial production took place in the direction of an increase in the share of light industry – from 23.3% to 24.8%, and other sectors – from 5.3% to 5.6%, which is a positive tendency from the point of view of improving the structural shifts' effectiveness. The price factor also affected the structural shifts (Graph 3.1.1).

However, within the period analyzed, a decrease in the share of the machine-building industry was reported – from 12.4% to 11.1%, and of the foodstuffs industry – from 12.4% to 9.8%.

The dynamics of structural shifts in the raw materials sectors was characterized by an increase of the share of the fuel-and-energy complex's sectors – from 19.9% to 22.9%, and by a reduction of the share of the metallurgy complex sectors - from 16.4% to 16.3%.

Graph 3.1.1. Structure of Industrial Production (%)



Source: State Committee on Statistics of Uzbekistan.

The share of the chemical industry decreased from 5.9% to 5.1%. The ratio of the construction materials industry in the overall structure of industrial production remained at the level of the corresponding period of the previous year and amounted to 3.5% (Table 3.1.3).

Table 3.1.3. Structure of Industrial Production Output

	Structure of Industrial Production Output, % (in current prices)				
	03/I	03/I-II	03/I-III	03/I-IV	04/I
Industry	100.0	100.0	100.0	100.0	100.0
Electric Power Industry	8.7	8.6	9.2	8.7	10.4
Fuel Industry	11.2	11.8	12.7	12.4	12.5
Ferrous Metallurgy	1.6	1.9	1.9	1.8	2.0
Non-Ferrous Metallurgy	14.8	15.0	15.5	14.9	14.3
Chemical Industry	5.9	6.1	6.0	5.6	5.1
Machine-Building	12.4	13.0	12.8	12.1	11.1
Timber, Wood-Working Industry	0.9	0.9	1.0	1.1	0.9
Construction Materials Industry	3.5	4.1	4.6	4.5	3.5
Light Industry	23.3	20.3	17.5	20.0	24.8
Foodstuffs Industry	12.4	12.9	12.7	12.4	9.8
Other	5.3	5.4	6.1	6.5	5.6

Source: State Committee on Statistics of Uzbekistan.

With a view to increasing the efficiency of structural shifts in industrial production, it would be expedient to accelerate the implementation of measures directed at the further improvement of monetary and credit policies, taxation and budgetary policies, and pricing policy, to ensure steady rates of development of priority sectors of industry and the effective restructuring of enterprises.

3.2. Consumer Goods Market

In the 1st quarter of 2004, the growth in consumer goods production amounted to 14.9% (as opposed to 2.3% in the 1st quarter of 2003), owing to an increase in the production of foodstuffs to 17.6% (as opposed to 4.2%) and non-foods – to 14.2% (as opposed to 3.2%) (Table 3.2.1).

Table 3.2.1. Tracking Changes in Consumer Goods Production (in % to Previous Period)

	03/I	03/I-II	03/I-III	03/I-V	04/I
Consumer Goods	102.3	104.0	106.8	108.4	114.9
Foodstuffs	104.2	105.1	106.1	106.6	117.6
Wine-and-Liquor, Beer	87.8	93.2	95.5	98.2	101.7
Non-Foods	103.2	105.1	109.7	112.1	114.2
Light Industry Goods	112.0	110.5	113.1	112.2	101.8

Source: State Committee on Statistics of Uzbekistan.

The increase in the production of foodstuffs was caused by a rising level of processing of agricultural raw materials produced by farms and dekhkan farms, and by the intensification of activities of processing enterprises. As a result of the increase in processing of fruits and vegeta-

bles, the output of canned goods, juices, fruit-and-berry beverages, wines and liquors, and vodka significantly expanded.

Growth in the nonfoods group had an upward trend as a result of an increase in the production output of enterprises of the textile and furniture-making industries and the car sector, where an especially high growth of output of motor-cars took place (77.3%).

Despite exemption from state budget payments of all types of taxes and dues, except the value-added tax of industrial enterprises with foreign investments that specialize in production of ready-made clothes (sewn garments, knitwear, and leather goods), as well as hosiery and footwear, growth rates of production of light industry goods cannot be considered steady.

The structure of the consumer goods complex remained practically unchanged at the level of the corresponding period of the previous year. The share of foodstuffs increased by 1.0 point, while the share of nonfoods decreased by 0.2 point (Table

Table 3.2.2. Structure of Consumer Goods Production (%)

	03/I	03/I-II	03/I-III	03/I-IV	04/I
Consumer Goods	100	100	100	100	100
Foodstuffs	45.0	43.2	42.6	43.8	46.0
Wine-and-Liquor, Beer	7.5	8.3	8.4	8.2	6.0
Non-Foods	48.2	48.4	49.0	48.0	48.0
Light Industry Goods	13.7	13.4	13.5	13.0	13.5

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

3.2.2). The situation significantly improved in the production of household appliances – refrigerators, washers, electric irons, TV-sets, as well as furniture, carpets and carpet goods (Tables 3.1.2 and 3.2.3).

In the group of light industry goods, growth was observed in the production of silk fabrics (4.6%), carpets and carpet goods (3.6%), and hosiery (4.3%) (Table 3.2.3).

Despite the growth in the volume of cotton yarn production by 2.2 points, there was a certain decline in production of cotton fabrics, connected with the technical re-equipment and reconstruction of large-scale textile complexes, taking into account the improvement of quality and rising demand.

Significant quantities of food and nonfood goods in the Republic are produced by small enterprise entities. Their production records are made separately, and consolidated results from the whole Republic are submitted much later, in which connection the given chapter cites only the data from the sphere of large-scale enterprises.

In the 1st quarter of 2004, saturation of the regional markets with consumer goods was carried out to a great extent owing to their own production. Growth in consumer goods production was achieved in almost all the provinces, except Khorezm Province. Growth was especially high in those provinces where it had been very low during the corresponding period of the previous year: in Andijan Province (33% as opposed to –4.0%), Surkhandarya Province (29.5% as opposed to –11.3%), Kashkadarya Province (13.8%), and Namangan Province (17.0%) (Table 3.2.4). The acceleration of growth in consumer goods production in the regions was engendered by a significant upsurge in the activity of small enterprise entities, and by an increase in the production load of facilities of enterprises that manufacture consumer goods.

**Table 3.2.3. Industrial Production of Major Types of Consumer Goods*
(in % to Previous Period)**

	03/I	03/I-II	03/I-III	03/I-V	04/I
Finished Cotton Fabrics	100.8	102.6	100.7	97.8	86.2
Silk Fabrics	62.4	78.1	97.5	100.3	104.6
Carpets and Carpet Goods	173.4	182.7	202.0	2.8 times	103.6
Hosiery	140.3	183.7	176.1	188.4	104.3
Knitwear Goods	115.2	105.3	98.7	100.6	91.3
Footwear	101.4	102.6	100.8	99.9	68.0
Milk and Dairy Products	111.3	100.0	106.8	107.6	2.2 times
Cheese, including brynza	78.0	88.8	81.7	78.4	100.0
Canned Goods	89.0	101.8	116.0	121.9	114.2
Granulated Sugar	106.2	108.2	101.7	114.2	149.8
Flour	39.6	44.3	53.6	73.7	2.3 times
Bread and Baked Goods	50.3	49.4	52.4	55.2	75.4
Pasta	63.2	60.2	60.2	60.4	123.3
Vegetable Oil	100.9	102.9	99.9	97.8	86.4
Grape Wine	99.2	83.7	74.5	73.4	74.6
Vodka and Liquors	91.4	93.6	93.2	96.6	99.2
Non-Alcoholic Beverages	58.1	33.4	27.0	25.3	5.5
Filterless and Regular Cigarettes	91.0	91.6	91.4	92.5	85.0

Source: State Committee on Statistics of Uzbekistan.

* the data cited are on large-scale enterprises

Table 3.2.4. Consumer Goods Production in the Regions of the Republic of Uzbekistan (in % to Corresponding Period)

	03/I	03/I-II	03/I-III	03/I-V	04/I
Republic of Uzbekistan	102.3	104.0	106.8	108.4	114.9
Republic of Karakalpakstan	103.6	105.9	106.7	104.7	119.0
Andijan Province	96.0	104.3	115.0	120.3	133.3
Bukhara Province	103.3	106.8	109.4	106.0	107.8
Jizzakh Province	101.2	115.7	119.3	129.0	113.0
Kashkadarya Province	113.2	105.8	116.1	108.8	127.0
Navoi Province	125.0	114.6	109.0	105.3	107.3
Namangan Province	107.7	112.3	114.6	114.0	124.7
Samarkand Province	104.8	104.0	106.3	106.8	100.3
Surkhandarya Province	88.7	105.0	105.9	106.2	129.5
Sirdarya Province	100.6	107.7	111.3	104.2	108.0
Tashkent Province	104.7	108.6	109.2	107.1	106.6
Fergana Province	96.7	95.5	101.3	101.6	113.2
Khorezm Province	115.9	115.4	120.5	114.5	96.6
Tashkent City	100.8	102.9	101.5	102.7	115.7

Source: State Committee on Statistics of Uzbekistan.

For the 1st quarter of 2004, the territorial structure of consumer goods production remained virtually unchanged compared to the corresponding period of the previous year. A trend remains towards a high ratio in consumer goods production in such provinces as Andijan, Tashkent, Samarkand, Fergana, and Bukhara Province, as well as Tashkent City. The share of Khorezm, and Sirdarya Provinces decreased (Table 3.2.5).

Production of light industry goods is concentrated in the regions, where the textile industry – including production of yarn, cotton and silk fabrics, as well as knit-

ting mills, garment and shoe factories – has traditionally developed. These are Bukhara, Andijan, Fergana, Tashkent, Namangan, and Khorezm Provinces, and Tashkent City (Annex 3.2.2). However, it should be noted that the correlation between the production of the textile and clothing industries testifies to the fact that textile production is still aimed mainly at the production of raw materials goods (yarn). As to the rate of production of ready-made fabrics and knitwear goods in the 1st quarter of the current year, there was a trend towards a reduction, in comparison to the corresponding period of the previous year (Table 3.2.3).

The main export goods were cars, cotton fabrics, canned fruits and vegetables, juices, and grape wines. As far as imports are concerned, sugar, flour, canned meat and canned dairy goods, tea, vegetable oil, and pharmaceuticals were brought into the Republic.

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

	03/I	03/I-II	03/I-III	03/I-V	04/I
Republic of Uzbekistan	100	100	100	100	100
Republic of Karakalpakstan	2.0	2.0	2.0	2.0	2.1
Andijan Province	15.5	17.2	16.7	16.6	17.9
Bukhara Province	10.1	9.1	8.6	8.5	9.5
Jizzakh Province	2.5	2.5	2.7	2.6	2.5
Kashkadarya Province	4.2	4.9	5.2	5.6	4.6
Navoi Province	2.4	2.1	2.1	2.2	2.3
Namangan Province	4.5	4.5	4.4	4.5	4.8
Samarkand Province	9.9	9.7	10.0	9.7	8.7
Surkhandarya Province	2.3	2.3	2.3	2.6	2.6
Sirdarya Province	2.0	1.8	1.7	1.7	1.9
Tashkent Province	12.3	11.8	11.9	11.8	11.4
Fergana Province	9.1	9.1	9.3	9.2	9.0
Khorezm Province	3.7	3.3	3.0	3.0	3.1
Tashkent City	19.5	19.5	19.5	20.0	19.6

Source: State Committee on Statistics of Uzbekistan.

3.3. Agrarian Sector

In the 1st quarter of 2004, the share of agricultural production in the GDP structure amounted to 9.4% (the 1st quarter of 2003 – 11.1%). The growth of agricultural production output amounted to 6.7%, which was 3.4 points higher than for the correspond-

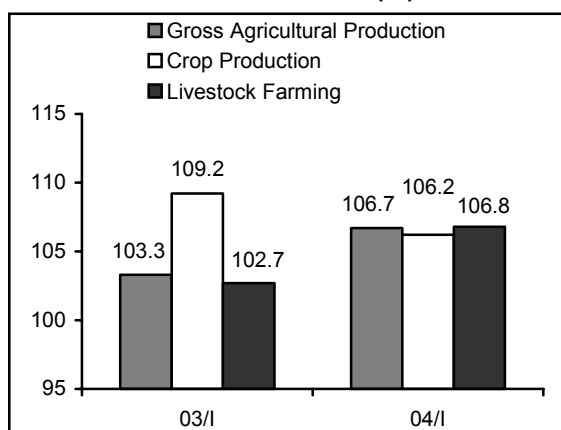
Table 3.3.1. Main Indicators of Development of Agriculture

Indicators	Unit	03/I	04/I
Share of Gross Production of Agriculture in the GDP	%	11.1	9.4
Growth Rates of Production Output of Agriculture in Relation to Previous Year	%	103.3	106.7
– Crop Production	%	109.2	106.2
– Livestock Farming	%	102.7	106.8
Structure of Production by Form of Ownership	%		
– State-Owned	%	0.4	0.3
– Non-State-Owned	%	99.6	99.7
Share of Investments in Agriculture in Total Volume Of Investments	%	4.7	4.1

Source: State Committee on Statistics of Uzbekistan.

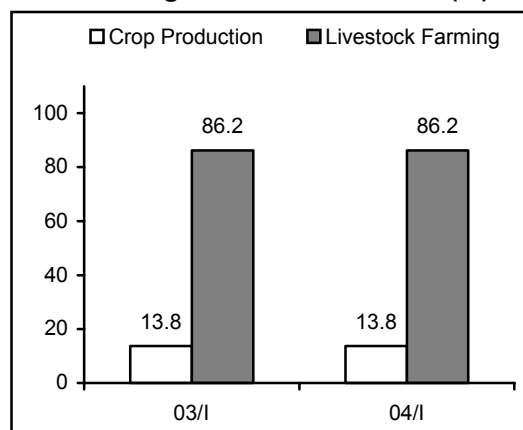
ing period of 2003. At the same time, growth rates of crop production output amounted to 106.2%, and livestock farming – 106.8% (Table 3.3.1, and Graphs 3.3.1, 3.3.2).

Graph 3.3.1. Growth Rates of Gross Agricultural Production (%)



Source: State Committee on Statistics of Uzbekistan.

Graph 3.3.2. Structure of Growth Rates of Gross Agricultural Production (%)



Steady growth of livestock farming production output – meat, milk and eggs - was achieved (Table 3.3.2). A major contribution to this growth was made by dekhkans and farms (Tables 3.3.4, 3.3.5). The share of agricultural enterprises producing meat, milk, and karakul pelts decreased due to their restructuring (Table 3.3.6).

Table 3.3.2. Main Indicators of Development of Agricultural Production

Product	Unit	03/ I	03/I-II	03/I-III	2003	04/ I	04/I in % to 03/I
Raw Cotton	Thous. tons	x	x	317.0	2822.5	x	x
Grain	Thous. tons	x	2700	5788.5	6262.3	x	x
Potatoes	Thous. tons	x	404.3	637.9	827.8	x	x
Vegetables	Thous. tons	x	640.4	2296.1	3299.2	x	x
Fruits and Berries	Thous. tons	x	180	487.9	758.7	x	x
Grapes	Thous. tons	x	4.2	212.8	401.4	x	x
Food-grade Melons and Gourds	Thous. tons	x	19.2	369.8	583.3	x	x
Meat (Live Weight)	Thous. tons	191.8	436.4	675.8	935.5	204.7	106.7
Milk	Thous. tons	707.3	1834.4	2927.1	4030.3	752.7	106.4
Eggs	Mill. pieces	305.2	750.8	1189.4	1611.4	346.5	113.5

Source: State Committee on Statistics of Uzbekistan.

General indicators of livestock farming in all forms of economic management increased. There was a significant growth in the livestock count for cattle, include cows (157.3%), pigs (112.4%), and poultry (108.5%) (Table 3.3.3).

Table 3.3.3. Livestock and Poultry Population in all Categories of Farms (Thous. Heads)

Product	Indicators		04/I in % to 03/I
	03/I	04/I	
Cattle	5417.5	5806.4	107.2
Cows	2388.5	2546.3	157.8
Pigs	74.3	83.5	112.4
Sheep and Goats	9990	10635	106.5
Poultry	15434.9	16743.4	108.5
Horses	142	145.4	102.4

Source: State Committee on Statistics of Uzbekistan.

Table 3.3.4. Livestock Production Output of Dekhkan Farms

Product	Unit	03/I	04/I	04/I in % to 03/I
Meat (Live Weight)	Thous. tons	179.2	191.19	107.1
Milk	Thous. tons	670.0	720.0	107.5
Eggs	Mill. pieces	138.9	159.1	114.6
Karakul Pelts	Thous. pieces	88.5	119.1	134.6

Source: State Committee on Statistics of Uzbekistan.

Table 3.3.5. Livestock Production Output of Farms

Product	Unit	03/I	04/I	04/I in % to 03/I
Meat (Live Weight)	Thous. tons	3.1	3.6	116.2
Milk	Thous. tons	16.4	17.6	107.5
Eggs	Mill. pieces	13.4	14.5	108.4
Karakul Pelts	Thous. pieces	3.5	5.4	154.3

Source: State Committee on Statistics of Uzbekistan.

Table 3.3.6. Livestock Production Output of Agricultural Enterprises (Shirkats)

Product	Unit	03 / I	04 / I	04/I in % to 03/I
Meat (Live Weight)	Thous. tons	9.5	9.2	97.2
Milk	Thous. tons	20.9	15.1	72.2
Eggs	Mill. pieces	152.9	172.9	113.1
Karakul Pelts	Thous. pieces	123.7	82.7	66.9

Source: State Committee on Statistics of Uzbekistan.

A growth in the number of farms became a distinctive feature of the period under review. By the end of the 1st quarter of 2004, the number of farms had increased by 21.5% and amounted to 96.7 thous. units. The total area of land assigned to them amounted to 2.5 mill. hectares (Table 3.3.7).

Table 3.3.7. Activity of Farms in the 1st Quarter of 2004

	Unit	03/I	04/I	04/I in % to 03/I
Number of Farms	entities	79649	96745	121.5
Area of land assigned to them	Thous. hectares	1832.2	2531.1	138.1
Number of employees at farms	Thous. persons	512.9	654.5	127.6
Share of farms in gross production of agriculture	%	2.3	2.4	X
- Crop Production	%	0.3	0.3	X
- Livestock Farming	%	2.0	2.1	X
Growth rates of production output of farms	%	113.4	111.4	X
- Crop Production	%	133.2	116.2	X
- Livestock Farming	%	112	110.8	X

Source: State Committee on Statistics of Uzbekistan.

In an effort to increase the efficiency of activity of agricultural enterprises all types of property, 146 mini-banks, 208 alternative TTFs, 206 stations selling mineral fertilizers, 212 stations selling CLM, 156 associations of water consumers, 85 zoological-and-veterinary stations, 38 information-and-consulting networks, and 46 networks for stocking and selling agricultural goods were founded.

As compared with regular farms, in the development of dekhkan and shirkat farms no significant shifts occurred (Tables 3.3.8 and 3.3.9).

Table 3.3.8. Activity of Dekhkan Farms, 1st Quarter, 2004

	Unit	03/I	04/I	04/I in % to 03/I
Number of Dekhkan Farms	Entities	4349773	4446485	102.2
Area of land assigned to them	Thous. hectares	667.6	675.6	101.2
Number of employees at dekhkan farms	Thous. persons	1242.9	1252.8	100.8
Share dekhkan of farms in gross production of agriculture	%	89.8	90.0	X
- Crop Production	%	11.1	10.9	X
- Livestock Farming	%	78.7	79.1	X
Growth rates of production output of dekhkan farms	%	103.4	106.9	X
- Crop Production	%	112.2	104.7	X
- Livestock Farming	%	102.6	107.2	X

Source: State Committee on Statistics of Uzbekistan.

Table 3.3.9. Activity of Agricultural Enterprises (Shirkats), 1st Quarter, 2004

	Unit	03/I	04/I	04/I in % to 03/I
Number of shirkats	Entities	7534	8027	106.5
Share of shirkats in gross production of agriculture	%	7.9	7.6	X
- Crop Production	%	2.5	2.6	X
- Livestock Farming	%	5.4	5.0	X
Growth rates of production output of shirkats	%	99.5	103.4	X
- Crop Production	%	98.4	111.9	X
- Livestock Farming	%	99.9	99.5	X

Source: State Committee on Statistics of Uzbekistan.

In order to maintain an improved condition of irrigated land, work was conducted on qualitative improvement of the irrigated land and land-reclamation systems.

2,385 km of the inter-farm collector-and-drainage network were cleaned. (Growth rates reached 119%). Except in Kashkadarya (74%), Surkhandarya (94%), and Fergana (96%) Provinces, in all provinces the volume of work conducted exceeded the previous year's level. Growth rates of land-reclamation work significantly increased in Jizzakh (234%) and Sirdarya (233%) Provinces, in connection with the program adopted by the Government aimed at improving the ameliorative condition of the land in these regions (through land-reclamation).

On the whole, within the period analyzed, positive shifts can be observed within the framework of the intensification of market transformations in rural areas, due to the priority development of farms.

At the same time, problems persist in connection with the further improvement of the mechanism for the transformation of shirkats into farms, and in connection with the improvement of contract relations based on the principles of market management of farms.

3.4. Investments

The volume of investments into fixed capital in the 1st quarter of 2004, from all sources of funding, amounted to 346.8 bn. soums, or 0.4 points lower, than the corresponding period of the previous year. The reduction in investment activity can be explained by shifts in the terms of opening of investment projects financing (Annex 3.4.1).

The distribution of investments by form of ownership was of the following nature. An increase in the volume of capital was reported in the state sector. Its share in the total volume of capital investments rose by 12.2 points and amounted to 44.5%, which was connected with the dynamics of implementation of state investment projects. Implementation of investment projects in the non-state sector was held back by problems related to the start of funding (Table 3.4.1).

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

	03/I	03/I-II	03/I-III	03/I-IV	04/I
Investments in Fixed Capital	100	100	100	100	100
State Property	32.3	36.6	38.0	40.4	44.5
Non-State Property	67.7	63.4	62.0	59.6	55.5

Source: State Committee on Statistics of Uzbekistan.

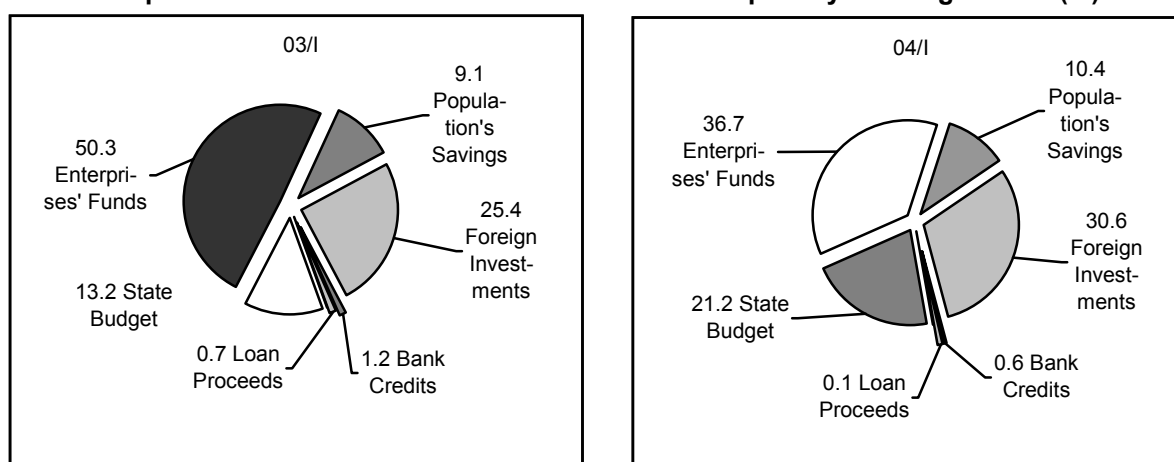
Table 3.4.2. Structure of Investments into Fixed Capital by Source of Funding (%)

	03/I	03/I-II	03/I-III	03/I-IV	04/I
Total	100	100	100	100	100
State Budget	13.2	17.9	20.7	17.7	21.2
Funds of Enterprises	50.3	45.3	43.7	41.8	36.7
Population's Savings	9.1	11.8	12.5	11.1	10.4
Foreign Inv. Guaranteed by State	15.4	14.2	13.3	19.2	19.2
Direct Foreign Investments	10.0	5.9	6.6	7.1	11.4
Credits from Commercial Banks	1.2	3.6	1.9	1.9	0.6
Investments from Non-Budgetary Funds	0.1	0.1	0.3	0.4	0.5
Other Loan Proceeds	0.7	1.2	1.0	0.8	0.1

Source: State Committee on Statistics of Uzbekistan.

Major sources of funding of investments into fixed capital in the 1st quarter of 2004 were, as before, enterprises' own means, but their share in the total volume of capital investments decreased, as compared to the level of the previous year, by 13.6 points and amounted to 36.7%. (Table 3.4.2, Graph 3.4.1).

Graph 3.4.1. Structure of Investments into Fixed Capital by Funding Source (%)



Source: State Committee on Statistics of Uzbekistan.

A change in the structure of funding sources affected the indicator of the ratio of budget funds allotted for the creation and reproduction of basic assets. The share of budgetary funds increased by 8.0 points and amounted to 21.2% in the general structure of capital investments.

The share of attracted funds at the expense of credits from commercial banks dropped to 0.6%, which was less than half the figure of the corresponding period of the previous year. The share of investments from non-budgetary funds increased from 0.1% to 0.5%.

The ratio of the population's savings in the structure of funding sources grew by 1.3 points. Over 90% of the population's savings were used in the construction of individual housing.

A positive trend in the structure of funding sources was seen in the change in volume of foreign investments. The share of external investments and credits in the total volume of capital investments increased by 5.2 points. The growth in the volume of foreign investments to 30.6% of the total volume of capital investments was influenced by the increased confidence of foreign investors and the reduction in investment risks. A change in the attractiveness of investment entities to foreign investors facilitated an increase in the share of direct foreign investments and credits by 1.4 points.

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

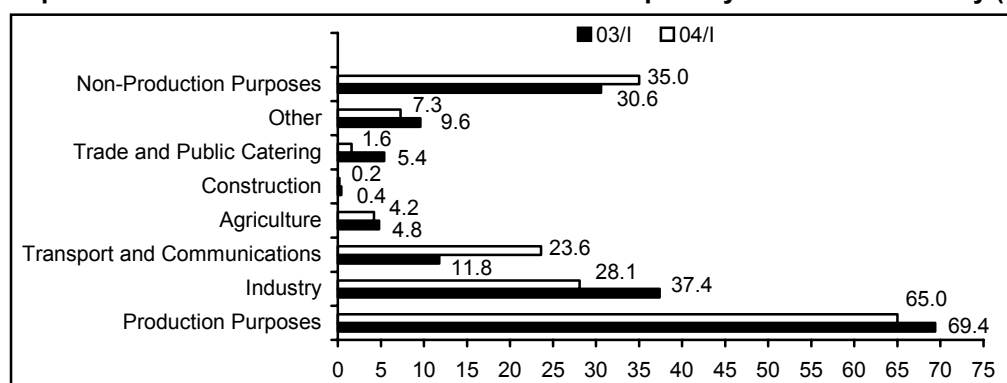
	03/I	03/I-II	03/I-III	03/I-IV	04/I
Total	100	100	100	100	100
For Production Purposes	69.4	59.5	58.9	65.1	65.0
Industry	37.4	29.9	29.3	28.4	28.1
Agriculture	4.8	4.1	4.1	4.4	4.2
Construction	0.4	0.5	0.5	0.4	0.2
Transport and Communications	11.8	12.5	12.9	21.7	23.6
Trade and Public Catering	5.4	5.1	4.4	3.4	1.6
Other Areas	9.6	7.4	7.7	6.8	7.3
For non-production purposes	30.6	40.5	41.1	34.9	35.0

Source: State Committee on Statistics of Uzbekistan.

The bulk of investments were directed at the development of base sectors of the economy (industry, transport, and communications), but, in general, the share of investments directed towards the production area fell to 65.0% (69.4% in the 1st quarter of 2003) (Table 3.4.3, Graph 3.4.2).

Growth in the volume of investments was reported in the complex of transport links, communications, and information technologies. The share of capital investments in these sectors increased by 11.8 points and amounted to 23.6% (1st quarter of 2003 – 11.8%).

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



Source: State Committee on Statistics of Uzbekistan.

The ratio of investments directed towards sectors of industry was 9.3 points below the indicator of the corresponding period of the previous year. The share of capital in the given sectoral structure amounted to 28.1%. A decrease in the share of investments concentrated in the development of industry took place due to a reduction in capital investments in the fuel-and-energy, metallurgical, and machine-building complexes, as well as in the foodstuffs industry.

The share of investments into fixed capital in agriculture decreased by 0.6 points, amounting to 4.2% in the total structure of capital investments.

Growth was reported in the share of foreign investments into fixed capital for production purposes to 81.8% (for the 1st quarter of 2003 – 79.1%) of the total volume of foreign capital. The share of foreign investments in the sectors of transportation links, communications and information technologies grew by 23.6 points and amounted to 26.2%. The shares of foreign investments in industry and agriculture decreased to 45.1% and 0.2%, respectively (Table 3.4.4).

Table 3.4.4. Structure of Foreign Investments into Fixed Capital by Sector of Economy (%)

	03/I	03/I-II	03/I-III	03/I-IV	04/I
Total:	100	100	100	100	100
For Production Purposes	79.1	79.8	75.6	86.3	81.8
Industry	68.4	58.2	52.0	44.5	45.1
Agriculture	6.2	5.1	4.1	2.8	0.2
Construction	0.0	0.1	0.0	0.0	0.0
Transport and Communications	2.6	13.5	16.5	34.8	26.2
Trade and Public Catering	0.4	0.4	0.3	1.0	0.0
Other Areas	1.5	2.5	2.7	3.2	10.3
For non-production purposes	20.9	20.2	24.4	13.7	18.2

Source: State Committee on Statistics of Uzbekistan.

The structure of capital investments directed towards the development of sectors of industry changed. The share of investments in raw materials-oriented sectors decreased – from 32.0% to 13.7% in the fuel industry, and from 21.2% to 10.6% in the metallurgical complex. The reduction in investments in these sectors is connected with a decrease in the supply of private and foreign capital. The highest ratio

of investments was achieved in light industry, and in the chemical and petrochemical industry. The ratios of capital investments in these sectors grew by 11.9 points and 12.4 points, respectively, and amounted to 28.1% and 24.7% of the total volume of investments directed towards industrial development. The share of capital investments in the electric power industry grew by 3.9 points, and in the construction materials industry – by 1.0 point. The funding of the machine-building complex and the foodstuffs industry remained at almost the same level (Table 3.4.5).

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

	03/I	03/I-II	03/I-III	03/I-IV	04/I
Industry - Total	100	100	100	100	100
Electric Power Industry	7.6	10.4	10.9	9.4	11.5
Fuel Industry	30.2	26.8	24.9	21.2	13.7
Metallurgy	21.2	21.8	19.9	22.2	10.6
Machine-Building	2.3	3.1	3.3	3.7	2.1
Light Industry	16.2	17.0	18.2	21.3	28.1
Food Industry	3.7	3.5	3.7	3.8	3.0
Chemical & Petrochemical	12.2	9.7	9.8	9.2	24.7
Construction Materials	1.1	1.4	1.5	1.6	2.1
Other Sectors	5.5	6.3	7.8	7.6	4.2

Source: State Committee on Statistics of Uzbekistan.

The technological structure of capital investments changed in a positive direction. The share of investments in the active part of basic production assets – machines and equipment – accounted for 37.9% of the total volume, which is 1.7% higher than that of the corresponding period of the previous year. This testifies to the rising role of technological re-equipment in the investment process.

Table 3.4.6. Technological Structure of Investments in Fixed Capital (%)

	03/I	03/I-II	03/I-III	03/I-IV
Total	100	100	100	100
Building and Assembly Works	50.4	48.6	51.3	50.4
Machines, Equipment, Sundries	36.0	36.0	35.1	37.9
Other Expenses	13.6	15.4	13.6	11.7

Source: State Committee on Statistics of Uzbekistan.

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

Period	Industry	Including:									
		Electric Power Industry	Fuel Industry	Ferrous Metallurgy	Non-Ferrous Metallurgy	Chemical Industry	Machine-Building	Construction Materials Industry	Light Industry	Foodstuffs Industry	Other Sectors*
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
03/I	100.0	8.7	11.2	1.6	14.8	5.9	12.4	3.5	23.3	12.4	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
04/I	100.0	10.4	12.5	2.0	14.3	5.1	11.1	3.5	24.8	9.8	6.5

* including the timber and woodworking industry

Source: State Committee on Statistics of Uzbekistan.

Annex 3.1.2. Index of Industrial Production Output (in % to Previous Year)

Period	Industry	Including:								
		Electric Power Industry	Fuel Industry	Ferrous Metallurgy	Non-Ferrous Metallurgy	Chemical Industry	Machine-Building	Construction Materials Industry	Light Industry	Foodstuffs 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
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
04/I	108.8	103.0	109.1	119.1	100.7	96.1	135.3	115.0	105.4	102.1

Source: State Committee on Statistics of Uzbekistan.

Annex 3.2.1. Consumer Goods Production in the Regions of the Republic of Uzbekistan, 1st Quarter of 2004

	Production (in % to previous period)					Territorial Structure of Production* (%)					Commodity Composition of Production* (%)				
	Con-sumer Goods, Total	Food-stuffs	Wines, Vodka, and Beer	Non-Foods	Light Industry Goods	Con-sumer Goods, Total	Food-stuffs	Wines, Vodka, and Beer	Non-Foods	Light Industry Goods	Con-sumer Goods, Total	Food-stuffs	Wines, Vodka, and Beer	Non-Foods	Light Industry Goods
Republic of Uzbekistan	114.9	117.6	101.7	114.2	101.8	100	100	100	100	100	100	46.1	6.0	47.9	13.5
Republic of Karakalpakstan	119.0	119.6	138.4	106.9	96.0	2.1	3.0	5.0	0.8	2.2	100	66.6	14.4	13.0	14.2
Andijan Province	133.3	99.2	98.1	139.5	102.9	17.9	4.0	3.0	33.2	13.2	100	10.3	1.0	88.7	10.0
Bukhara Province	107.6	110.2	127.8	105.2	103.0	9.5	7.6	6.6	11.7	21.6	100	36.8	4.1	59.1	30.8
Jizzakh Province	113.0	113.1	53.1	118.3	148.8	2.5	5.0	0.1	0.3	0.4	100	93.7	0.3	6.0	1.9
Kashkadarya Province	127.0	130.0	165.5	108.2	101.5	4.6	8.2	2.5	1.5	3.5	100	81.7	3.2	15.1	10.3
Navoi Province	107.3	194.2	70.6	80.9	47.3	2.3	2.1	1.1	2.6	2.9	100	42.8	2.8	54.4	17.6
Namangan Province	124.7	130.9	117.0	113.5	110.0	4.8	7.0	3.6	2.9	8.1	100	66.7	4.4	28.9	22.7
Samarkand Province	100.3	101.8	83.8	101.4	126.0	8.7	9.0	9.2	8.3	4.9	100	48.0	6.3	45.7	7.6
Surkhandarya Province	129.5	145.1	101.5	82.9	61.1	2.6	4.5	5.2	0.5	0.5	100	78.9	11.8	9.3	2.4
Sirdarya Province	108.0	104.0	96.9	148.2	190.7	1.9	3.0	3.5	0.6	1.3	100	73.7	11.1	15.1	9.7
Tashkent Province	106.6	117.9	98.2	99.1	119.9	11.4	11.1	31.9	9.1	10.8	100	44.9	16.7	38.4	12.9
Fergana Province	113.2	129.1	51.0	109.1	107.0	9.0	6.8	2.3	11.9	8.8	100	35.0	1.6	63.4	13.3
Khorezm Province	96.6	86.3	135.2	102.4	107.1	3.1	3.2	6.1	2.7	7.5	100	47.2	11.6	41.1	32.5
Tashkent City	115.7	120.1	105.3	110.6	93.7	19.6	25.4	20.1	14.0	14.3	100	59.6	6.1	34.2	9.9

Source: State Committee on Statistics of Uzbekistan.

* Calculated by the author based on the data of the State Committee on Statistics of Uzbekistan.

Annex 3.2.2. Indices of Growth in 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 Province	104.3	113.0	92.6	123.7	97.8	120.3
Bukhara Province	137.5	108.9	105.9	107.4	103.3	106.0
Jizzakh Province	102.2	136.2	123.6	119.3	159.3	129.0
Kashkadarya Province	116.8	112.6	113.1	112.7	108.5	108.8
Navoi Province	112.2	102.1	115.5	99.98	114.5	105.3
Namangan Province	109.5	114.2	124.3	111.8	118.1	114.0
Samarkand Province	138.2	141.5	92.4	102.6	102.5	106.8
Surkhandarya Province	117.8	102.0	111.9	100.9	114.8	106.2
Sirdarya Province	106.1	125.6	110.1	120.2	103.0	104.2
Tashkent Province	112.4	109.5	112.5	114.1	106.6	107.1
Fergana Province	107.3	110.1	111.3	98.1	106.4	101.6
Khorezm Province	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 Major Types of 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
Carpets and carpet goods	77.5	77.8	121.3	146.4	71.4	104.8	108.3	2.8 p
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
Meat and Meat Products	49.4	149.6	134.0	121.0	103.8	96.2	120.6	97.7
Sausages and Canned Meat	58.2	67.8	72.9	139.3	106.9	107.2	93.0	58.5
Animal Oil	41.7	63.3	85.0	76.0	104.0	93.7	91.5	58.6
Cheese, 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
Bread and Baked Goods	86.6	112.0	86.5	156.6	106.3	100.4	99.5	55.2
Confectionery	117.7	115.4	105.5	104.8	113.5	108.7	97.7	73.2
Pasta	242.0	107.2	112.1	122.9	107.7	110.7	81.0	60.4
Vegetable Oil	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 Beverages	246.0	183.6	98.2	642.3	107.5	77.8	93.1	25.3
Cigarettes: Filterless and Regular	188.6	168.0	87.3	140.7	72.8	89.8	101.0	92.5
Dietary Salt	58.3	90.8	31.8	119.3	137.8	123.4	177.9	50.3

Source: State Committee on Statistics of Uzbekistan.

* Indicators for 2003 given for large-scale enterprises.

Annex 3.3.1. Main Indicators of Development of Agricultural Production

	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	03/ I	03/I-II	03/I-III	03/IV	04/ I
Raw Cotton	Thous. tons	3934	3350	3646	3206	3600	3002	3265	3122.4	2822.5	x	x	317.0	2505.5	x
Grain	Thous. tons	3115	1562	3776	4148	4331	3929	4072	5792.6	6262.3	x	2700	5788.5	473.8	x
Potatoes	Thous. tons	440	514	692	691	658	731.1	744	777.2	827.8	x	404.3	637.9	189.9	x
Vegetables	Thous. tons	2713	2497	2384	2404	2680	2644	2778	2935.6	3299.2	x	640.4	2296.1	1003.1	x
Fruits and Berries	Thous. tons	602	605	548	544	489	791	801	842.9	758.7	x	180	487.9	270.8	x
Grapes	Thous. tons	621	478	512	336	344	624.2	573	516.4	401.4	x	4.2	212.8	188.6	x
Food-grade Melons and Gourds	Thous. tons	472	470	376	461	518	451.4	466	479.1	583.3	x	19.2	369.8	213.5	x
Meat (live weight)	Thous. tons	853	854	801	807	822	842	854	865	935.5	191.8	436.4	675.8	259.7	204.7
Milk	Thous. tons	3665	3390	3806	3498	3543	3633	3665	3721.3	4030.3	707.3	1834.4	2927.1	1103.2	752.7
Eggs	Mill. pieces	1232	1057	1075	1165	1240	1254	1288	1368.9	1611.4	305.2	750.8	1189.4	422	346.5

Source: State Committee on Statistics of Uzbekistan.

Annex 3.4.1. Tracking Changes in Investments into Fixed Capital in Current Prices

	Investments into fixed capital, bn. soums	Growth to 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
04/I	346.8	-0.4

Source: State Committee on Statistics of Uzbekistan.

Annex 3.4.2. Structure of Investments into Fixed Capital by Form of Ownership (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Investments into Fixed Capital	100	100	100	100	100	100	100	100	100
State Property	55.1	69.9	67.6	61.1	63.2	63.8	47.0	40.9	40.4
Non-State Property	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 into Fixed Capital by Source of Funding (%)

	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
Funds of Enterprises	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 Inv. Guaranteed by State	14.0	16.1	17.5	13.3	19.0	19.8	23.2	15.7	19.2
Direct Foreign Investments	x	x	x	6.4	3.7	3.4	4.8	4.7	7.1
Centralized Banking Credits	9.6	7.3	7.8	6.0	6.0	5.2	5.9	0.1	0.0
Credits from Commercial Banks	x	x	x	1.2	1.9	1.7	2.2	1.5	1.9
Investments from Non-Budgetary Funds	x	x	x	0.4	0.7	1.2	0.5	0.3	0.4
Other Loan Proceeds	x	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 into Fixed Capital by Sector of 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 into 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 into Fixed Capital (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	100	100	100	100	100	100	100	100	100
Building and Assembly Works	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

A positive impact on foreign trade results was achieved by measures implemented by the end of 2003, targeted at liberalizing the foreign exchange market and introducing the convertibility of the national currency (the soum) in current foreign transactions. In the first quarter of 2004, in comparison with the similar period of the previous year, foreign trade turnover increased by 32.8% and amounted to 2.1 bn. USD. (Table 4.1.1) At the same time, 58.1% of the total volume of foreign trade turnover belonged to export operations and 41.9% to import operations. The volume of exports grew by 31.5% and for the first time in the last three years reached the maximum quarterly level of 1.2 bn.USD. The growth of imports surpassed exports by 34.6% and amounted to 0.9 bn.USD.

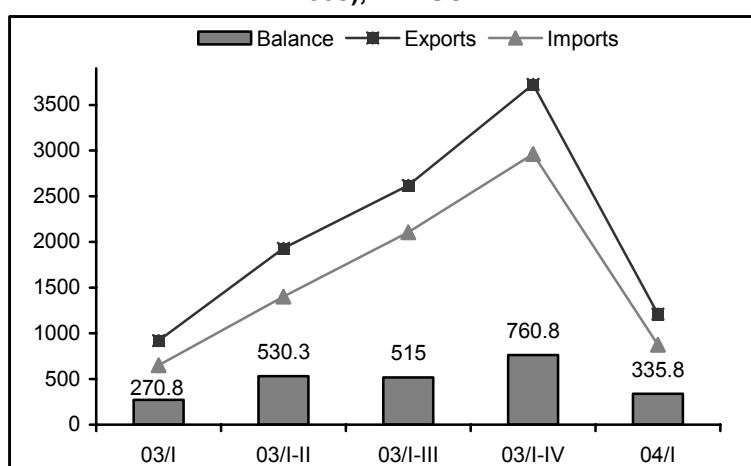
Table 4.1.1. Main Indicators of Foreign-Economic Activity of Uzbekistan (mill. USD).

Indicator	03/I	04/I	Change in Volume,%
			04/I to 03/I
Foreign Trade Turnover	1569.8	2084.2	132.8
CIS countries	449.4	610.0	135.7
non-CIS countries	1120.4	1474.2	131.6
Exports	920.3	1210.3	131.5
CIS countries	197.9	324.7	164.1
non-CIS countries	722.4	885.3	122.5
Imports	649.5	874.2	134.6
CIS countries	251.5	285.3	113.4
non-CIS countries	398.0	588.9	148.0
Trade Balance	270.8	335.8	X
CIS countries	-53.6	39.4	X
non-CIS countries	324.4	296.4	X
Structure of Foreign Trade Turnover, %	100.0	100.0	X
CIS countries	28.6	29.3	X
non-CIS countries	71.4	70.7	X

Source: State Committee on Statistics of Uzbekistan

The positive trade balance increased in comparison with the first quarter of 2003 by 65.0 mill.USD and amounted to 335.8 mill.USD. The distinctive feature of this period was the formation of a trade surplus through trade with non-CIS foreign countries as well as with CIS countries. The balance with CIS countries in the preceding three years was negative, while in the first quarter of 2004 the positive balance amounted to 39.4 mill.USD. But as before, the main portion of the surplus extended to non-CIS foreign countries: 296.4 mill.USD (Graph 4.1.1).

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



Source: State Committee on Statistics of Uzbekistan

Continuing qualitative changes were observed in the structure of exports. An increase in export volume, as compared to the first quarter of 2003, was observable in all large groups of goods (Table 4.1.2.). The greatest growth occurred in finished goods. The export of machinery and equipment increased 2.0 times, chemical products 2.1 times and foodstuffs 2.6 times. As a result, the share of machinery and equipment in exports made up 8.4% (an increase of 3.0 points compared to the first quarter of 2003), chemical products 4.1% (1.5 points) and foodstuffs 4.3% (2.1 points) (Table 4.1.2. and Annex 4.1.2.). The volume of export deliveries of agricultural machinery, cable-conductor products, semiconductors, fertilizers, perfumery and cosmetics, plastics and plastic goods and fruits and vegetables increased. Among the light industry goods belonging to the "Other" category, the share of textile garments increased 1.6 times; knitted fabric by 33% and knitted garments by 21%.

The volume of services increased by 9.7%, out of which 70% belonged to transport services.

The share of cotton fiber – one component of raw resources exports – decreased by 3.0 points as compared to the first quarter of 2003 and made up 25.5%, while its export volume increased by 17.8%. Exports of energy carriers increased by 60.4%; non-ferrous and ferrous metals by 77.8%. As a result, the share of energy carriers in exports increased by 1.4 points and reached 8.0%, non-ferrous and ferrous metals by 1.9 points, amounting to 7.0%.

In the structure of goods imports, changes resulting from the optimization of deliveries were also observed.

Growth in imports took place in all groups of goods, excepting foodstuffs. The volume of imports increased mainly due to investment resources (machinery, equipments and imported raw materials) (Table 4.1.3. and Annex 4.1.3.).

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

Group of Goods	Share in Total Volume of Exports, %		Change in Volume, %
	03/I	04/I	
Cotton Fiber	28.5	25.5	117.8
Foodstuffs	2.2	4.3	258.6
Chemical Products, Plastics and Plastic Goods	2.6	4.1	208.8
Energy carriers	6.6	8.0	160.4
Non-ferrous and Ferrous Metals	5.1	7.0	177.8
Machinery and Equipment	5.4	8.4	203.6
Services	13.5	11.3	109.7
Other	36.1	31.4	114.4
Total	100.0	100.0	131.5

Source: State Committee on Statistics of Uzbekistan

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

Group of Goods	Share in Total Volume of Imports, %		Change in Volume, %
	03/I	04/I	
Foodstuffs	12.3	9.1	99.4
Chemical Products, Plastics and Plastic Goods	11.8	11.5	131.6
Energy carriers	0.6	2.1	519.4
Non-ferrous and Ferrous Metals	7.5	7.5	134.4
Machinery and Equipment	46.0	50.2	146.8
Services	10.2	9.6	126.8
Other	11.6	10.0	115.3
Total	100.0	100.0	134.6

Source: State Committee on Statistics of Uzbekistan

The volume of imports of machinery and equipment increased as compared to the first quarter of 2003 by 46.8%. As a result, the share of imports of this leading group of goods increased by 4.2 points and accounted for 50.2% of total imports. This was considerably encouraged by measures which were implemented for customs and tariffs regulation in import transactions. Since 1 January 2004, in order to create favorable conditions for the further modernization and technological reequipment of operating enterprises, a zero rate has been established for import duties on machines, tools and processing equipment, including those for the production of building materials, goods and constructional elements.

Imports of chemical products increased by 31.6%, non-ferrous and ferrous metals by 34.4% and services by 26.8%. Their share in the total volume of imports accounted for 11.5%, 7.5% and 9.6% respectively. Imports of energy carriers grew significantly: 5.2 times. At the same time, the share of energy carriers in imports increased by 1.5 points and amounted to 2.1%.

Imports of foodstuffs as opposed to the first quarter of 2003, decreased by 0.6%, with their share in the total volume of imports decreasing by 3.2 points and accounting for 9.1%. The creation of new enterprises for the localization of output resulted in a decrease in the volume of imports of flour and farinaceous foods, paint-work materials, textile products, glass and vitreous products.

In the territorial structure of foreign trade, an increase in the share of foreign trade turnover with partners from CIS-countries was observed, from 28.6% in the first quarter of 2003 to 29.3% in the period under review, while trade with non-CIS countries decreased from 71.4% to 70.7% (Table 4.1.1.).

In the first quarter of 2004 there was a tendency towards an increased growth of exports into CIS countries (1.64 times) as compared to non-CIS foreign countries (1.22 times). At the same time, the share of export deliveries into CIS countries increased from 21.5% to 26.8%, while decreasing in non-CIS countries from 78.5% to 73.2% (Tables 4.1.1., 4.1.4.). A significant growth in the deliveries of foodstuffs, chemical products, machinery and equipment and non-ferrous metals into CIS countries was observed. It is worth noting an increase in exports of machinery and equipment into non-CIS foreign countries as a positive factor.

The share of import deliveries from CIS countries decreased from 38.7% to 32.6%, while that of non-CIS countries increased from 61.3% to 67.4% (Tables 4.1.1., 4.1.4.). From CIS countries, foodstuffs, machinery

and equipment deliveries decreased; from non-CIS countries, imports of energy carriers, machinery and equipment significantly increased.

As for exports, the leading trade partners were Russia – at 11.1% of exports (with a volume of 216.5% that of the level of the first quarter of 2003), Switzerland – 7.4% (151.0%), Great Britain – 6.7% (66.7%), Iran – 6.7% (127.7%), Turkey – 5.5% (243.9%), India – 4.6% (157.8%), Tajikistan – 3.6% (119.0%), Latvia – 3.0% (112.4%), Kazakhstan – 2.6% (164.0%) and the USA – 2.4% (131.3%) (Table 4.1.4. and Annex 4.1.4). A decrease in the volume of exports into the Ukraine was observed, resulting in a decline in its share of exports of 3.3 points and amounting to 1.2%.

Six countries accounted for 65% of imports: Russia, the share of import of which accounted for 20.9% (with a volume of 114.2% that of the level of the first quarter of 2003), the USA – 14.3% (267.4%), China – 8.8% (183.5%), Korea – 8.4% (181.9%), Germany – 6.4% (62.2%) and Turkey – 6.0% (188.8%) (Table 4.1.4. and Annex 4.1.5.). The volume of imports from Japan increased by a factor of 3.

Table 4.1.4. Geographical Structure of Exports and Imports, %

Countries	Share in Total Volume, %			
	Of Exports		Of Imports	
	03/I	04/I	03/I	04/I
Total	100.0	100.0	100.0	100.0
CIS Countries	21.5	26.8	38.7	32.6
Kazakhstan	2.1	2.6	5.8	5.3
Russia	6.7	11.1	24.7	20.9
Tajikistan	4.0	3.6	0.6	1.5
Ukraine	4.5	1.2	6.4	2.8
Other Countries	4.2	8.3	1.2	2.1
Countries outside of the CIS	78.5	73.2	61.3	67.4
Afghanistan	1.8	2.1		0.2
Belgium	1.9	2.2	0.8	0.6
Great Britain	13.2	6.7	2.4	1.6
Germany	1.0	1.1	13.8	6.4
India	3.8	4.6	0.6	0.6
Iran	6.9	6.7	0.8	1.2
Italy	1.7	1.3	1.8	1.2
China	1.4	2.1	6.4	8.8
Korea	1.5	1.6	6.2	8.4
Latvia	3.6	3.0	0.3	0.4
Netherlands	0.4	0.2	0.7	0.7
USA	2.4	2.4	7.2	14.3
Turkey	2.9	5.5	4.2	6.0
France	0.5	0.3	1.8	1.1
Switzerland	6.4	7.4	0.6	0.3
Japan	0.3	0.2	0.7	1.6
Other Countries	28.8	25.8	13.0	14.0

Source: State Committee on Statistics of Uzbekistan

The greatest positive balances of goods turnover were attained with Iran, Switzerland, Great Britain, and India; while there was a negative balance the with the USA, Korea, China, Russia and Germany.

Thus, in the first quarter of 2003, along with the increase in foreign trade turnover, export deliveries of finished products increased and the tendency towards growth in the positive trade balance was strengthened.

4.2. Joint Ventures with Foreign Capital

In the first quarter of 2003, the output of industrial products of enterprises with foreign investments (EFIs) amounted to 357.3 bn. UZS (Table 4.2.1.). There were 2282 enterprises operating by the end of the quarter.

Enterprises with foreign investments accounted for 13.6% of the share of total exports and 27.9% of the Republic's imports (Table 4.2.1).

Table 4.2.1. Main Foreign Trade Indicators of Enterprises with Foreign Investments

Title	Unit	03/ I	04/ I	04/ I in % to 03/ I
Number of operating EFIs (by the end of the period)	un.	2076	2282	109.9
Volume of industrial output (in current prices)	Bn.UZS	262.2	357.3	X
Number of employed by list (excepting working on combined jobs)	persons	91898	103658	112.8
Foreign trade turnover	Mill.USD	308.57	408.16	132.3
Exports of EFIs	Mill.USD	123.52	164.31	133.0
Imports of EFIs	Mill.USD	185.05	243.85	131.8
Share of EFIs in foreign trade turnover of the Republic	%	19.7	19.6	x
Share of exports of EFIs in the total volume of the Republic's exports	%	13.4	13.6	x
Share of imports of EFIs in the total volume of the Republic's imports	%	28.5	27.9	x

Source: State Committee on Statistics of Uzbekistan

Exports of EFIs throughout the whole Republic in the first quarter of 2004 amounted to 164.31 mill.USD or 133% of the level of the similar period of the previous year (Tables 4.2.1., 4.2.2).

In the commodity composition of exports (without taking into account the "Other" category), machinery and equipment predominated, their share accounting for 22.7% as a result of a growth in volume of more than 2.7 times. Exports of the products of metallurgy grew almost 10 times, but made up an insignificant share (1.5%). Exports of foodstuffs and chemical products grew at a rapid pace (1.6 times and 2.4 times respectively). The export volume of cotton fiber declined 2.2 times.

Table 4.2.2. Commodity Composition of Imports of Enterprises with Foreign Investment

	03/ I		04/ I		04/ I in % to 03/ I
	Mill.USD	%	Mill.USD	%	
Total	123.52	100	164.31	100	133.0
Cotton fiber	5	4.0	2.3	1.4	46.0
Foodstuffs	5.95	4.8	9.32	5.7	156.6
Chemical Products	2.02	1.6	4.85	3.0	240.1
Energy Carriers	2.53	2.1	4.12	2.5	162.8
Ferrous and Non-ferrous Metals	0.27	0.2	2.61	1.5	966.7
Machinery and Equipment	13.57	11.0	37.32	22.7	275.0
Services	4.07	3.3	6.27	3.8	154.1
Other	90.11	73.0	97.52	59.4	108.2

Source: State Committee on Statistics of Uzbekistan

According to territorial structure, the most significant regions which were exporters of EFI products were: Navoi, Andijan, Tashkent and Fergana provinces and the city of Tashkent. In the Republic these regions accounted for over 88% of EFI exports (Table 4.2.3.).

As before, the share of EFIs in the gross value of exports of the Republic of Karakalpakstan, Jizzakh, Surkhandarya and Sirdarya provinces remains insignificant (less than 1%). For the period under review these regions (excluding Surkhandarya province), as well as Bukhara and Tashkent provinces, reduced their export deliveries (by 13.5 mill.USD).

Table 4.2.3. Territorial Structure of Exports of Enterprises with Foreign Investment

	03/ I		04/ I		04/ I in % to 03/ I
	Mill.USD	%	Mill.USD	%	
Total	123.52	100	164.31	100	133.0
R. Karakalpakstan	0.14	0.1	0.08	0.1	57.1
Andijan province	12.75	10.3	35.81	21.8	280.9
Bukhara province	4.15	3.4	2.09	1.3	50.4
Jizzakh province	0.05	0.0	0.02	0.0	40.0
Kashkadarya province	3.26	2.6	3.53	2.1	108.3
Navoi province	42.43	34.4	44.01	26.8	103.7
Namangan province	2.88	2.3	5.14	3.1	178.5
Samarkand province	1.98	1.6	6.18	3.8	312.1
Surkhandarya province	0.2	0.2	0.24	0.2	120.0
Sirdarya province	1.16	0.9	0.52	0.3	44.8
Tashkent province	23.78	19.3	21.57	13.1	90.7
Fergana province	17.29	14.0	22.02	13.4	127.4
Khorezm province	0.82	0.7	1.03	0.6	125.6
City of Tashkent	12.63	10.2	22.07	13.4	174.7

Source: State Committee on Statistics of Uzbekistan

The volume of imports of goods, work and services of EFIs throughout the whole Republic amounted to 243.85 mill. USD, which was 31.8 % higher than the level of the first quarter of 2003, and 4.1% lower compared with the fourth quarter of 2003 (Table 4.2.4 and Annex 4.2.2). The reason for the increase in imports was the liberalization of convertibility for current foreign trade transactions (Table 4.2.3). The strengthening of the national currency (the soum) suppressed the further extent of the negative net exports (the balance of trade turnover amounted to -79.6 mill.USD).

Table 4.2.4. Commodity Composition of Imports of Enterprises with Foreign Investment

	03/I		04/I		04/I in % to 03/I
	Mill.USD	%	Mill.USD	%	
Total	185.05	100	243.85	100	131.8
Foodstuffs	26.19	14.2	39.39	16.2	150.4
Chemical Products	19.03	10.3	29.38	12.0	154.4
Energy Carriers	0.83	0.4	1.08	0.4	130.1
Ferrous and Non-ferrous Metals	9.22	5.0	12.09	5.0	131.1
Machinery and Equipment	113.4	61.3	136.93	56.2	120.7
Services	2.66	1.4	10.24	4.2	385.0
Other	13.72	7.4	14.74	6.0	107.4

Source: State Committee on Statistics of Uzbekistan

In the territorial structure of imports the city of Tashkent had the greatest share – 53.2%, and 13.4% of export transactions. At the same time, the enterprises with foreign investment of Tashkent city had the largest negative trade balance (-107.73 mill.USD). This is explained by the comparatively large number of EFIs located in this region and operating in non-production

sectors of economy, trade and services.

Andijan province also had a large share in the territorial structure of imports – 25.4%. However, the tendency towards a decline in imports was observed (of 13.6%). Goods for production and technical purposes for machine-building and light industry were the main items of imports.

Table 4.2.5. Territorial Structure of Imports of Enterprises with Foreign Investment

	03/ I		04/ I		04/I in % to 03/I
	Mill.USD	%	Mill.USD	%	
Total	185.05	100	243.85	100	131.8
R. Karakalpakstan	4.76	2.6	0.47	0.2	9.9
Andijan province	71.55	38.7	61.81	25.4	86.4
Bukhara province	0.58	0.3	1.51	0.6	260.3
Jizzakh province	0.08	0.0	0.04	0.0	50.0
Kashkadarya province	0.17	0.1	0.83	0.3	488.2
Navoi province	7.99	4.3	13.15	5.4	164.6
Namangan province	2.59	1.4	10.75	4.4	415.1
Samarkand province	3.42	1.8	7.4	3.1	216.4
Surkhandarya province	0.27	0.1	0.74	0.3	274.1
Sirdarya province	0.24	0.1	0.21	0.1	87.5
Tashkent province	5.28	2.9	10.5	4.3	198.9
Fergana province	12.02	6.5	4.87	2.0	40.5
Khorezm province	0.46	0.2	1.77	0.7	384.8
City of Tashkent	75.64	40.9	129.8	53.2	171.6

Source: State Committee on Statistics of Uzbekistan

Joint-ventures with the investing countries shown in Table 4.2.6. were singled out by the volume of production output, work and services in the first quarter of 2004. The share of goods, work and services of joint-venture enterprises with these countries varies from 1.2% (China) to 34.8 % (Korea).

During the period under review, a positive tendency of growth in the manufacture and export of industrial products was observed in EFIs' operations.

The intensity of growth in imports of enterprises with foreign investment was

Table 4.2.6. Share of Output Volume of Goods, Work, and Services of EFIs by Investing Countries in the First Quarter of 2004

	Volume of goods, work and services in % to total		Volume of goods, work and services in % to total
Total in republic	100	Russian Federation – Uzbekistan	3,4
Great Britain – Uzbekistan	7.2	USA – Uzbekistan	19.2
Germany – Uzbekistan	2.4	Turkey – Uzbekistan	6.8
China – Uzbekistan	1.3	Switzerland – Uzbekistan	4.2
Korea – Uzbekistan	34.8	Others	20.7

Source: State Committee on Statistics of Uzbekistan

somewhat lower (by 1.2 points) than the growth in exports.

However, in the foreign trade balance throughout the republic, imports prevailed over exports, as before. The ratio of exports to imports was 0.67. At the same time, not all regions ended the first quarter of 2004 with a

negative trade balance in EFI foreign trade operations (Annexes 4.2.3., 4.2.4). Navoi, Tashkent, Fergana and some of other regions had a positive foreign trade balance.

Annex 4.1.1. Trade Balance, Mill. USD

Period	Exports	Imports	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
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
04/I	1210.0	874.2	335.8

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

* Calculations of the author based on the data of 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
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
04/I	25.5	4.3	4.1	8.0	7.0	8.4	11.3	31.4	100.0	1210.0

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

*Calculations of the author based on the data of 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
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
04/I	9.1	11.5	2.1	7.5	50.2	9.6	10.0	100.0	874.2

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

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

Annex 4.1.4. Geographical Structure of Exports, %

Period	Total (mill. USD)	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
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
04/I	1210.0	100.0	26.8	2.6	11.1	1.2	11.9	73.2	2.2	6.7	6.7	1.6	0.2	2.4	5.5	7.4	40.5

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

*Calculations of the author based on the data of State Committee on Statistics of Uzbekistan

Annex 4.1.5. Geographical Structure of Imports (%)

Period	Total (mill. USD)	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
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
04/I	874.2	100.0	32.6	5.3	20.9	2.8	3.6	67.4	1.6	6.4	8.8	8.4	14.3	6.0	1.1	1.6	19.2

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

*Calculations of the author based on the data of 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
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
04/I*	164.3	100	1.4	5.7	3.0	2.5	1.5	22.7	3.8	59.4

Source: State Committee on Statistics of Uzbekistan.

*Calculations of the author based on the data of the Uzbekistan State Committee on Statistics

Annex 4.2.2. Commodity Composition of EFI Imports (%)

	Total, mill. USD	Total, %	Foodstuffs	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
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
04/I*	243.9	100	16.2	12.0	0.4	5.0	56.2	4.2	6.0

Source: State Committee on Statistics of Uzbekistan.

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

¹ Statistical information on commodity composition of FIS exports and imports represented as from 1998, on territorial structure-from 1997.

Annex 4.2.3. Territorial Structure of EFI Exports (%)

	Total (mill. USD)	Total (%)	Rep. of Karakalpakstan	Andijan province	Bukhara province	Jizzakh province	Kashkardarya province	Navoi province	Namangan province	Samar-kand province	Surkhandarya province	Sirdarya province	Tashkent province	Fergana province	Khorezm province	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
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
04/I*	164.3	100	0.0	21.8	1.3	0.0	2.1	26.8	3.1	3.8	0.1	0.3	13.1	13.4	0.6	13.4

Source: State Committee on Statistics of Uzbekistan.

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

Annex 4.2.4. Territorial Structure of EFI Imports (%)

	Total (mill. USD)	Total (%)	Rep. of Karakalpakstan	Andijan province	Bukhara province	Jizzakh province	Kashkardarya province	Navoi province	Namangan province	Samar-kand province	Surkhandarya province	Sirdarya province	Tashkent province	Fergana province	Khorezm province	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
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
04/I*	243.9	100	0.2	25.3	0.6	0.0	0.3	5.4	4.4	3.0	0.3	0.1	4.3	2.0	0.7	53.2

Source: State Committee on Statistics of Uzbekistan.

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

5. Living Standards and the Labor Market

5.1. Receipts and Expenditures of the Population

The implementation of goal-directed monetary-and-credit policy, the reduction of the inflation level and the implementation of measures targeted at the advancement of small business facilitated growth in the real earnings of the population.

The nominal monetary income of the population in the first quarter of 2004 grew by 17%. The growth in income of the population was ensured mainly due to the increase in the rate of wages and earnings from self-employment. In the structure of monetary income of the population, the share of wages accounted for 25.3%, the share of proceeds from the sales of agricultural production – 31.6%, and from entrepreneurial gains and other income – 29.6% (Table 5.1.1.).

Table 5.1.1. Structure of Monetary Income of Population

Indicators	In percent of total volume		In % to corresponding period of previous year	
	03/I	04/I	03/I	04/I
Monetary income, total	100	100	134.1	117.0
wages	24.8	25.3	129.6	118.9
pensions, benefit payments and stipends	13.2	13.6	131.8	120.4
income from sales of agricultural products	32.5	31.6	143.8	113.8
incomes from entrepreneurial gains and other income	29.5	29.6	129.1	117.3

Source: State Committee on Statistics of Uzbekistan

In the first quarter of 2004 the intersectoral differentiation in wages increased. Wages in the field of education accounted for 62% and in the field of health-care for 55% of the average republican rate of wages, while in industry the rate of wages exceeded the average republican level by a factor of 2. The reason for the slow growth in wages in the budget branches was the inadequate growth of

the minimal wage rate, as testified to by the declining ratio of minimal wages to average wages from 13.1% to 12.5% in comparison to the similar period of the previous year. In the structure of income of the population there was a positive trend towards an increase in the share of salaries from 24.8% to 25.3%.

The interregional differentiation in income of the population remained at the level of 1:4-5. Only Andijan, Navoi, Tashkent provinces and the city of Tashkent belonged to regions with an average income per capita higher than the average republican level. In Jizzakh, Namangan, Samarkand, Surkhandarya, Khorezm provinces and in the Republic of Karakalpakstan, the average income per capita amounted to 60-70% of the average republican level.

In the first quarter of 2004 in line with approved budgetary expenditures 45.9 % of total state expenditures were directed for the social sphere of the population. As a result, such social payments as pensions, benefit payments and stipends increased by 20.4%, while their share in the monetary income of the population grew from 13.2% to 13.6%.

Positive shifts were observed in the structure of monetary expenses of the population. The share of expenses for consumption decreased while the share of savings increased (Table 5.1.2.) Consumption expenses in the monetary income of the population decreased from 79% to 77.7%. At the same time such types of savings of the population as deposits in banks, purchased securities and cash increased. The total amount of the population's deposits in banks grew by 6.9%, amounting to UZS 126.8 bn. and the value of shares sold to individuals via the stock market increased 2.6 times.

Table 5.1.2. 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, purchase of securities and 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
03/I	100	79.0	7.1	-1.6	0.0	15.5
04/I	100	77.7	7.7	14.8	0.0	-0.2

Source: State Committee on Statistics of Uzbekistan

In the structure of consumption expenses of the population, the share of foodstuffs decreased from 63.4% to 60.4%, while the share of expenses for non-foodstuffs increased from 21.4% to 23.1% as did paid services, from 14.5% to 15.8% (Table 5.1.3.).

Table 5.1.3. Structure of Consumption Expenses (in % to consumption expenses)

Year	Population's consumption expenses *	Including expenses for:							
		foodstuffs	non-foodstuffs	ser-vices	of which:				
					housing and communal ser-vices	transpor-tation	complex and con-sumer services	education	health-care
2002	100	63.7	22.7	13.0	4.3	4.7	1.9	0.2	0.5
2003	100	61.6	23.1	14.6	4.8	5.2	2.3	0.4	0.6
03/I	100	63.4	21.4	14.5	4.5	5.1	2.5	0.4	0.6
04/I	100	60.4	23.1	15.8	6.3	5.3	1.5	0.9	0.4

Source: according to data from research on households' budgets. State Committee on Statistics of Uzbekistan

* not taking into account alcoholic drinks

The reason for the increase in the population's expenses on paid services is the increasing share of expenses for housing and communal services (from 4.5% to 6.3%) and transportation services (from 5.1% to 5.3%).

5.2. Domestic Trade and Services

In the first quarter of 2004 the trend of a more rapid pace of growth in the volume of services rendered, as opposed to the volume of sales of goods, continued. As a result, the share of services in the total volume of sales of goods and services amounted to 18.5% as opposed to 16.5% in the first quarter of 2003 (Table 5.2.1.).

Table 5.2.1. Volume of Sales of Goods and Services Rendered to Population.

Year	Volume of sales of goods and services		Including			
			Sales of goods		Rendered services	
	UZS bn.	%	UZS bn.	%	UZS bn.	%
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	1469.9	100	1195.6	81.3	274.3	18.7
04/I	1313.1	100	1069.6	81.5	243.5	18.5

Source: State Committee on Statistics of Uzbekistan

The volume of retail trade turnover amounted to UZS 1069.6 bn. and paid services to UZS 243.5 bn. Meanwhile, goods turnover grew by 5.1% (11.9% in the first quarter of 2003) and paid services by 12.5% (2% in the first quarter of 2003) (Table 5.2.2.). Dominant factors in the growth of retail trade turnover and paid services were the decline of the inflation level, the growth of the population's income and the increase in the volume of consumer goods production.

Table 5.2.2. Retail Trade Turnover and Paid Services

Years and quarters	Retail trade turnover		Paid services	
	UZS bn.	Growth rates in relation to corresponding period of previous year, %	UZS bn.	Growth rates in relation to corresponding period of previous year, %
03/I	955.5	99.8	189.2	102.0
03/I-II	2022.7	100.3	425.1	104.4
03/I-III	3180.3	104.9	672.1	106.4
03/I-IV	4325.1	105.1	934.8	107.9
04/I	1069.6	105.1	243.5	112.5

Source: State Committee on Statistics of Uzbekistan

The impact of these factors on the growth in turnover of goods and paid services varied and depended on interregional differentiations. The interregional differentiation of retail trade turnover remained at the level of 1:4-5. The volume of retail trade turnover in the republic in the first quarter of 2004 was mainly due to Andijan, Fergana, Tashkent provinces and the city of Tashkent, and was maintained by the relatively high level of monetary income and moderate level of consumer prices in these regions (Table 5.2.3.).

**Table 5.2.3. Income, CPI, Retail Trade Turnover and Paid Services by Region
(in % to all-republican level)**

Regions	Monetary income per capita*		Consumer Price Index		Retail trade turnover per capita		Paid services per capita	
	03/I	04/I	03/I	04/I	03/I	04/I	03/I	04/I
R. Karakalpakstan	58.3	55.8	100.3	101.6	48.4	48.8	32.4	38.3
Andijan province	106.0	107.5	99.1	103.2	136.9	135.0	52.7	59.6
Bukhara province	104.5	95.3	98.7	100.4	91.2	88.6	86.5	93.6
Jizzakh province	70.6	67.5	95.7	101.4	61.0	62.1	48.6	50.0
Kashkadarya province	74.9	75.8	100.0	102.8	73.8	73.7	43.2	41.5
Navoi province	123.3	151.3	100.0	99.2	80.0	83.8	79.7	93.6
Namangan province	72.7	68.9	99.2	99.7	79.1	80.2	51.4	54.3
Samarkand province	74.2	65.6	97.9	99.5	72.5	71.7	58.1	61.7
Surkhandarya province	69.5	70.8	99.6	98.2	70.9	71.3	47.3	47.9
Sirdarya province	69.7	69.4	104.4	100.3	57.2	57.5	41.9	45.7
Tashkent province	116.1	103.3	102.0	99.5	105.1	110.4	64.9	64.9
Fergana province	105.1	99.5	100.5	100.0	119.2	114.0	55.4	59.6
Khorezm province	62.6	64.4	100.8	100.5	62.6	60.6	60.8	69.1
Tashkent city	246.0	281.1	101.0	99.1	244.9	250.0	447.3	453.2
R. Uzbekistan	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: State Committee on Statistics of Uzbekistan

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

In the structure of retail trade turnover, the ratio of foodstuffs to non-foodstuffs remains at the level of 62.3% to 37.7%.(Table 5.2.4.). In 8 provinces (vs. 10 provinces in the first quarter of 2003) more than 60% of the volume of sales of consumer goods was made up of foodstuffs, as a result of gradually decreasing differences among consumer markets in the regions.

Table 5.2.4. Structure of Retail Trade Turnover Per Capita

Regions	Retail trade turnover per capita, UZS thous.		In percent to total volume			
			foodstuffs		non-foodstuffs	
	03/I	04/I	03/I	04/I	03/I	04/I
R. Karakalpakstan	18.1	20.2	60.8	59.9	39.2	40.1
Andijan province	51.2	55.9	53.5	52.6	46.5	47.4
Bukhara province	34.1	36.7	64.8	64.6	35.2	35.4
Jizzakh province	22.8	25.7	60.1	59.9	39.9	40.1
Kashkadarya province	27.6	30.5	69.2	69.2	30.8	30.8
Navoi province	29.9	34.7	65.5	65.4	34.5	34.6
Namangan province	29.6	33.2	49.7	50.3	50.3	49.7
Samarkand province	27.1	29.7	68.6	68.7	31.4	31.3
Surkhandarya province	26.5	29.5	56.2	56.3	43.8	43.7
Sirdarya province	21.4	23.8	59.3	59.7	40.7	40.3
Tashkent province	39.3	45.7	63.9	63.9	36.1	36.1
Fergana province	44.6	47.2	61.9	61.9	38.1	38.1
Khorezm province	23.4	25.1	67.5	66.1	32.5	33.9
Tashkent city	91.6	103.5	67.1	67.0	32.9	33.0
R. Uzbekistan	37.4	41.4	62.3	62.3	37.7	37.7

Source: State Committee on Statistics of Uzbekistan

The share of non-government turnover of goods in the total volume of retail turnover grew from 98.3% to 98.9%, including the share of the private sector from 84.8% to 87.4%. The share of the informal sector in the total volume of retail turnover remains large, stipulating the need to improve the tax system and further implement goal-directed monetary and credit policy.

In the first quarter of 2004 in the volume of services rendered to the population, the share of non-state services grew from 63.4% to 68.5% including an increase from 36.6% to 38.7% in the share of private services.

The volume and structure of services rendered to the population depended also on interregional differences and social infrastructure development. In the period under review the interregional differentiation in average consumption per capita declined from 1:13.8 to 1:11.8. Comparatively high levels of income and wages, as well as the expansion of the network of enterprises providing paid services, facilitated the growth in average

per capita consumption of services country-wide. At the same time, several provinces experienced only insignificant growth rates in the volume of paid services (Kashkadarya province –105.6%, city of Tashkent – 105.5%, Tashkent province – 107.8%) (Table 5.2.5.).

Table 5.2.5. Territorial Structure of Retail Trade Turnover and Paid Services

Regions	Retail Trade Turnover, UZS bn.			Paid services, UZS bn.		
	03/I	04/I	Growth rates in relation to previous year in comparable prices, %	03/I	04/I	Growth rates in relation to previous year in comparable prices, %
R. Karakalpakstan	28.2	31.7	103.5	3.8	5.6	120.4
Andijan province	117.1	129.6	102.0	9.0	12.9	113.6
Bukhara province	50.4	54.9	100.2	9.5	13.1	120.3
Jizzakh province	23.4	26.7	103.3	3.7	4.9	116.4
Kashkadarya province	63.5	71.6	100.1	7.4	9.1	105.6
Navoi province	24.0	28.1	109.1	4.8	7.1	123.6
Namangan province	59.9	68.1	105.6	7.7	10.5	118.6
Samarkand province	75.9	84.4	104.8	12.0	16.6	119.0
Surkhandarya province	48.9	55.2	105.1	6.4	8.4	113.4
Sirdarya province	14.3	16.0	101.1	2.0	2.9	116.3
Tashkent province	95.5	111.9	110.9	11.6	15.0	107.8
Fergana province	124.0	132.8	100.8	11.5	15.9	119.1
Khorezm province	32.7	35.6	104.5	6.3	9.3	127.0
Tashkent city	197.7	223.0	109.2	71.4	91.8	105.5
Republic of Uzbekistan	955.5	1069.6	105.1	189.2	243.5	112.5

Source: State Committee on Statistics of Uzbekistan

In the structure of paid services the share of passenger transportation decreased due to the decline in the demand for air transportation and in complex and consumer services due to the decline in the number of registered enterprises rendering complex and consumer services.

Table 5.2.6. New Social Infrastructure

	Unit of measure	January-March	
		2003	2004
Housing put into operation, total	thous. sq. m	1131.4	1061.6
Individual housing construction	thous. sq. m	1112.1	1060.5
In rural areas	thous. sq. m	965.3	924.1
Polyclinics (including SVP)	visits	340	525
Including in rural areas	visits	300	525
Secondary schools	places	1430	2837
Gas-supply pipelines	km	506.1	551.6
Including in rural areas	km	492.1	542.6
Watersupply pipelines	km	282.2	308.3
Including in rural areas	km	265.3	298.6

Source: State Committee on Statistics of Uzbekistan

Social infrastructure. In the first quarter of 2004, 1061 thous.sq.m. of housing were put into effect (a decrease of 70 thous.sq.m. of housing as compared to the first quarter of 2003). In addition, polyclinics offering 525 visits (an increase of 185 visits), and 2.8 thous. new secondary school places were provided (an increase of 1.4 thous. places), 551.6 km. of gas-supply pipelines were built (an increase of 45.5 km) and 308.3 km. of water-supply pipelines (an increase of 26.1 km.). In rural areas 924.1 thous.sq.km. of housing were commissioned (87% of total volume), as well as 542.6 km. of gas-supply (98% of total volume) and 298.6 km. of water-supply (97% of total volume) pipelines (Table 5.2.6.).

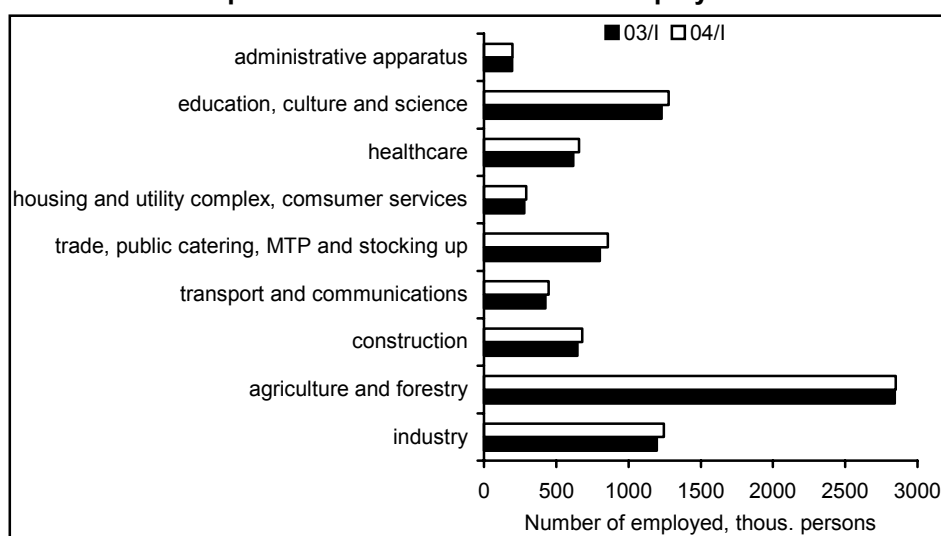
5.3. Employment and Labor Market

Population. The population of Uzbekistan by the beginning of the year 2004 amounted to 25707.4 thous. persons (Annex 5.3.1). In the first quarter 119.3 thous. persons were born and 34.4 thous. died, bringing the natural increase in the population to 84.9 thous. persons, with the negative balance of external migration amounting to 15.1 thous. persons. The prevalent tendencies in demographic development of last recent years continued. They are the following: the trend towards a decrease in the birth rate (the number of per-

sons born decreased by 2.7 thous. compared to the similar period of 2003) and in the death-rate (the number of dead decreased by 4.4 thous. persons). The migratory outflow decreased by 2.0 thous. persons.

Population employment. In the first quarter of 2004 positive changes occurred in the field of employment in comparison with the corresponding period of the previous year. The number of employed in the economy increased by 322.6 thous. persons (by 3.5%). Growth in the number of employed was registered practically in all sectors of the economy. More than half of the total growth extended to material production: 173.7 thous. persons or 53.8%. In industry the growth was 47.6. thous. persons (4.0%), in the construction business – 32.3 thous. people (5.0%), in trade, public catering, material-and-technical procurement and stocking – 56.1 thous. persons (7.0%) while the personnel potential in the agrarian sector, where the number of employed decreased by only 7.5 thous. persons or by 0.3%, has stabilized. The accelerated growth of employment in non-production areas continued (5.1% versus 2.8% in material production). Such dynamics promoted further improvement of the employment structure. The number of those employed in non-material production increased by 148.9 thous. persons. Here, the higher quantitative growth took place in such socially important sectors as healthcare, physical education and social security (by 40.0 thous. people or by 6.5%), in education, culture, art, science and scientific services (by 47.3 thous. people or by 3.8%), and in housing-utility and complex & consumer services (by 14.1 thous. people or by 5.1%) (Graph 5.3.1.).

Graph 5.3.1. Sectoral Structure of Employment



Source: State Committee on Statistics of Uzbekistan

In the first quarter of 2004, 129.7 thous. new jobs were created in the republic, including 96.7 thous. (74.6%) in rural areas. This exceeded the corresponding period of the previous year by 21.2 thous. (19.5%). The greatest number of new jobs were created in Kashkadarya (17.7 thous.) and Fergana (15.6 thous.) provinces. During the last few years, growth in the rate of employment was provided mainly by the private sector of economy. Small business accounted for 91.7% of

newly created jobs, while in several provinces this indicator was even greater: in Sirdarya province – 97.1%, Bukhara – 96.3%, in Khorezm – 95.0%. New jobs provided in Kashkadarya province were mainly due to farms and dekhkan farms (68.5% of new jobs). On the whole, in the republic, the creation of new enterprises and the reconstruction and expansion of operating enterprises ensured growth in new jobs of 10.8 thous (8.3%). In total, the number of employed in the non-state sector increased by 323.2 thous. persons (by 4.7%), while in the state sector the number decreased somewhat (by 0.6 thous. persons). As a result, the share of the non-state sector in the total number of employees increased from 76.2 % to 77.0% compared to the first quarter of 2003, while the state sector's share decreased in absolute and relative terms accordingly.

At the same time a number of regions experienced a decrease in creating new jobs in comparison with the similar period of 2003: by 10.7% in Samarkand province, by 7.0% in Surkhandarya, by 6.0% in Tashkent city and by 22.9% in Sirdarya province.

Current labour market. In the first quarter of 2004 at job placement centers, 104.8 thous. persons were registered as job seekers. Most of those registered belong to Fergana (16.4% of the total number) and Namanagan (11.3%) provinces, testifying to the urgency of the problem of employment in these provinces.

In 2004 a trend towards a relative decrease in the number of people turning to job placement centers as job-seekers continued (Table 5.3.1.). On the whole, in the republic, in comparison with the corresponding period of 2003, this number decreased by 3.5 thous. persons or by 3.3%, but in a number of regions this indicator decreased significantly: in Jizzakh province by 23.3% and in Samarkand province by 26.9%. At the same time the number of people registered at job placement centers increased in Navoi province (by 22.9%), Sirdarya (by 20.6%) provinces and in Tashkent city (by 17.1%).

Table 5.3.1. Main Indicators of the Current Labor Market

Year	Registered as job seekers	Employed	Ratio, %	Number of registered unemployed by the end of period under review
1995	246191	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
2003	430484	317424	73.7	32208
03/I	108295	77132	71.2	39163
03/I-II	231606	167051	72.1	42491
03/II-III	336968	247996	73.6	38128
04/I	104775	76249	72.8	36600

Source: calculated based on the data from job placement centers

About three-fourths of those registered at job placement centers are rural residents. The highest level of this indicator is in the region of Fergana valley (80-86%).

The level of job placement among the population turning to job placement centers somewhat increased. During the first quarter of 2004, 72.8% of the total number of jobseekers were placed in a job, as opposed to 71.2% in 2003. The highest level of this indicator was achieved in Andijan (79.0%), Surkhandarya (85.9%) and Samarkand (87.8%) provinces. The level of job placement in rural areas was higher than in urban areas (Table 5.3.2). This trend has become steady throughout the last few years.

The influx of young people, only starting their careers – graduates of secondary schools, vocational colleges and academic lyceums and higher learning institutions – into job placement centers increased by 0.5 thous. persons compared to the first quarter of 2003. Accordingly, their share in the total number of registered jobseekers increased. This trend does not substantially change the existing structure of the labor force supply in the current labor market.

Table 5.3.2. Level of Employment in Urban and Rural Areas

Year	Registered as jobseekers		Employed		Level of employment, in %	
	City	Village	City	Village	City	Village
2002	133602	314573	92257	229897	69.1	73.1
2003	114135	316349	79205	238219	69.4	75.3
03/i	31577	76718	21269	55863	67.4	72.8
03/I-II	64917	166689	44015	123031	67.8	73.8
03/II-III	86634	249334	63657	184339	73.5	73.9
04/I	27444	77331	18899	57350	68.9	74.2

Source: calculated based on the data from job placement centers

As before, a significant share consisted of persons without any profession or trade (37.8% in the first quarter of 2004), mainly from rural areas (81.0% of the total number).

As a result of the existing correlation of supply-demand of work force in the current labor market, the number of unemployed declined by 4.3 thous. persons or by 18.8% compared to the first quarter of 2003. Nevertheless, in a number of regions of Uzbekistan in 2003 there was a quantitative growth in unemployment: in the city of Tashkent by 1.0%, in Navoi province by 12.1% and in Khorezm province by 40.9%. The highest absolute number of unemployed receiving that official status in the first quarter of 2004 was in Khorezm province – 4.5 thous. persons, or 19.7% of the total number in Uzbekistan, and in the Republic of Karakalpakstan – 2.6 thous. persons (11.5%).

One should note a decline in the number of persons completing professional education in certain infrastructures. Only 9.6 thous. persons had graduated as opposed to 17.1 thous. persons in the first quarter of 2003. At the same time, growth in the number of free job places (declared vacancies) by 129 units per 1000 unemployed persons was observed, testifying to a lack of effective interaction between the labor market's participants. This problem is mostly appreciable in the city of Tashkent as well as in the Surkhandarya, Tashkent and Bukhara provinces.

The trends observed in the first quarter of 2004 demonstrated that one of the important problems of the current labor market is ensuring young people's employment. Furthermore, the qualitative aspects of forming and developing the labor market and the advancement of a competitive environment in the system of employment are taking on special significance.

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

Years	Volume of sale of goods and services		Including			
			Goods sold		Services rendered	
	UZS bn.	%	UZS bn.	%	UZS bn.	%
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

Source: State Committee on Statistics of Uzbekistan

Annex 5.2.2. Retail Turnover and Paid Services

Years	Retail trade turnover		Paid services	
	In established prices, UZS bn.	Growth rates in relation to previous year in established prices, %	In established prices, UZS bn.	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

Annex 5.2.3. Availability of Social Infrastructure Objects to the Population

Years	Availability to the population				
	Housing, sq. m. per 1 person	Hospitals, beds per 10 thous. persons	Polyclinics, per 10 thous. persons	Centralized water-supply, %	Gas-supply, %
1991	12.2	123.0	133.7	80.0	46.2
1995	13.0	83.7	137.6	71.5	59.4
2000	13.7	55.9	158.2	81.0	73.9
2001	13.9	55.8	160.4	81.0	76.5
2002	14.2	57.8	163.1	81.4	77.4
2003	14.4	57.3	164.9	82.2	78.2

Source: State Committee on Statistics of Uzbekistan

Annex 5.3.1. Dynamics in the Population of the Republic of Uzbekistan (by the beginning of the year)

Year	Total population		Urban		Rural	
	Number	Growth, %	Number	Growth, %	Number	Growth, %
1995	22461.6		8670.9		13790.7	
1996	22906.5	2.0	8768.1	1.1	14138.4	2.5
1997	23348.6	1.9	8878.4	1.3	14470.2	2.3
1998	23772.3	1.8	8993.2	1.3	14779.1	2.1
1999	24135.6	1.5	9086.5	1.0	15049.1	1.8
2000	24487.7	1.5	9165.5	0.9	15322.2	1.8
2001	24813.1	1.3	9225.3	0.7	15587.8	1.7
2002	25115.8	1.2	9286.9	0.7	15828.9	1.5
2003	25427.9	1.2	9340.7	0.6	16087.2	1.6
2004	25707.4	1.1	9381.3	0.4	16326.1	1.5

Source: State Committee on Statistics of Uzbekistan

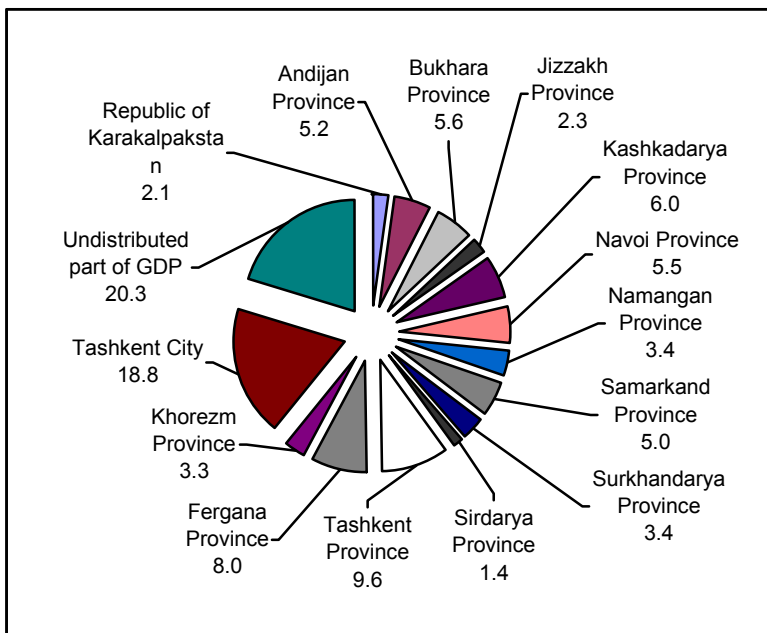
6. Socio-Economic Development in the Regions

In the 1st quarter of 2004, the Republic of Karakalpakstan, the 12 provinces and Tashkent City had high growth rates in practically all the sectors of the economy.

As to the main indicator – the gross regional product (GRP) – all the regions experienced growth, especially Andijan (106.1%), and Jizzakh (105.1%) provinces and Tashkent City (105.5%) (Annex 6.1).

By territorial structure, Tashkent City (18.8%) and Tashkent (9.6%), Kashkadarya (6.0%), Bukhara (5.6%), and Andijan (5.2%) Provinces account for the bulk of the GDP. In the specified regions more than 45% of the GRP is formed (Graph 6.1).

Graph 6.1. The Share of Regions in the GDP of the Republic of Uzbekistan Based on the Overall Results of the 1st Quarter of 2004 (%)



Source: State Committee on Statistics of Uzbekistan

achieved, especially in Andijan Province (126.9%), in the Republic of Karakalpakstan (117.7%), and in Samarkand (115.0%), Jizzakh (114.3%), Kashkadarya (111.4%), Namangan (109.0%) and Bukhara (108.4%) Provinces (Annex 6.2). This occurred mainly due to accelerated development of small business and introduction of new facilities in these regions.

The index of industry development level (per capita) rose in the Republic of Karakalpakstan (from 0.184 to 0.207), and in Andijan (from 0.912 to 0.939), Jizzakh (from 0.436 to 0.440), Kashkadarya (from 0.912 to 1.055), Navoi (from 3.737 to 4.086) and Tashkent (from 1.502 to 1.604) Provinces.

An increase in the production of consumer goods (CG) occurred in all regions except Khorezm Province (96.6%). High growth rates were secured in Andijan (133.3%), Surkhandarya (129.5%), Namangan (127.7%), Kashkadarya (127.0%) and Fergana (113.2%) Provinces, in the Republic of Karakalpakstan (119.0%), and Tashkent City (115.7%). The decrease in the growth rate in Khorezm Province was influenced by the fact that in some industrial enterprises a setback in production took place (Annex 6.1).

The per capita CG index increased in the Republic of Karakalpakstan (from 0.340 to 0.344) and in Andijan (from 1.754 to 1.998), Bukhara (from 1.614 to 1.639), Jizzakh (from 0.547 to 0.618), Navoi (from 0.653 to 0.721), Namangan (from 0.553 to 0.609), Surkhandarya (from 0.296 to 0.365) and Tashkent (from 1.195 to 1.206) Provinces. The highest index was achieved in Tashkent City (2.367) (Annex 6.2).

In the area of investments, in most of the regions there was a decrease in growth rates, especially in Fergana (by 68.8%), Sirdarya (by 54.5%), Kashkadarya (by 43.5%), Navoi (by 33.9%), Jizzakh (by 7.4%) and Khorezm (by 2.6%) Provinces. The major cause of low growth rates of investments in the above-mentioned provinces was a delay in beginning project financing because of a delay in conducting competitive tenders.

As to the GRP index of per capita production, in most of the regions it decreased, except in Jizzakh, Kashkadarya, Navoi, and Tashkent Provinces, and Tashkent City. The highest index was observed in Tashkent City (2.257) (Annex 6.2).

The breakdown of the regions by GRP on a per capita basis has shown that within the period under review the following changes took place (Table 6.1):

In the 1st quarter of 2004, Tashkent Province joined the group with a high GRP index. The number of regions with a medium level decreased, while Surkhandarya and Samarkand Provinces shifted to the low level group, where Namangan Province and the Republic of Karakalpakstan kept their low indicators.

In the area of industrial product manufacture high growth rates were also

For the same reason there was a decrease in the volume of contract construction work in the Republic of Karakalpakstan (by 2.7%), and in Bukhara (by 5.1%), Kashkadarya (by 3.7%), Samarkand (by 2.5%), Surkhandarya (by 2.1%), Tashkent (by 1.4%), and Fergana (by 2.2%) Provinces, as well as in Tashkent City (by 4.1%)(Annex 6.1).

Table 6.1 Breakdown of Regions by Production of Per Capita GRP

03/I	Index	04/I	Index
I. High Level	Over 1.000	I. High Level	Over 1.000
Tashkent City	2.164	Tashkent City	2.257
Navoi Province	1.687	Navoi Province	1.753
Bukhara Province	1.047	Tashkent Province	1.012
II. Medium Level	From 0.500 to 1.000	II. Medium Level	From 0.500 to 1.000
Tashkent Province	0.990	Bukhara Province	0.974
Fergana Province	0.773	Fergana Province	0.738
Khorezm Province	0.682	Kashkadarya Province	0.666
Kashkadarya Province	0.635	Khorezm Province	0.595
Andijan Province	0.618	Andijan Province	0.585
Sirdarya Province	0.567	Jizzakh Province	0.563
Jizzakh Province	0.561	Sirdarya Province	0.525
Samarkand Province	0.525	III. Low Level	Below 0.500
Surkhandarya Province	0.520	Surkhandarya Province	0.473
III. Low Level	Below 0.500	Samarkand Province	0.457
Namangan Province	0.486	Namangan Province	0.434
Republic of Karakalpakstan	0.360	Republic of Karakalpakstan	0.352

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

High growth rates regarding investments took place in the Republic of Karakalpakstan (2.3 times), in Surkhandarya (2.3 times), Andijan (2.1 times), and Tashkent (147.2%) Provinces, and in Tashkent City (130.2%).

In terms of per capita investments, indices grew in the Republic of Karakalpakstan (from 0.803 to 1.878), in Bukhara (from 0.473 to 1.144), Namangan (from 0.437 to 0.457), Samarkand (from 0.518 to 0.537) and Surkhandarya (from 0.375 to 0.854) Provinces, and in Tashkent City (from 2.089 to 2.800) (Annex 6.2).

In agricultural production, within the indicated period, growth rates were as follows: in the Republic of Karakalpakstan – 109.1%, in Jizzakh Province – 108.9%, in Navoi Province – 108.8%, Kashkadarya Province – 107.7%, and Samarkand Province – 107.6% (Annex 6.1).

In terms of per capita agricultural production, indices grew in the Republic of Karakalpakstan (from 0.345 to 0.361), and in Andijan (from 0.818 to 0.845), Jizzakh (from 1.254 to 1.504), Surkhandarya (from 1.157 to 1.204), Tashkent (from 1.666 to 1.916) and Fergana (from 0.939 to 1.058) Provinces (Annex 6.2).

Growth rates of retail turnover increased in all the provinces, especially in Tashkent Province (110.9%), in Tashkent City (109.2%), and in Navoi Province (109.1%). The index (on a per capita basis) grew in the Republic of Karakalpakstan (from 0.471 to 0.489), and in Jizzakh (from 0.600 to 0.623), Kashkadarya (from 0.728 to 0.735), Navoi (from 0.810 to 0.841) and Tashkent (from 0.042 to 1.107) Provinces, and in Tashkent City (from 2.431 to 2.516).

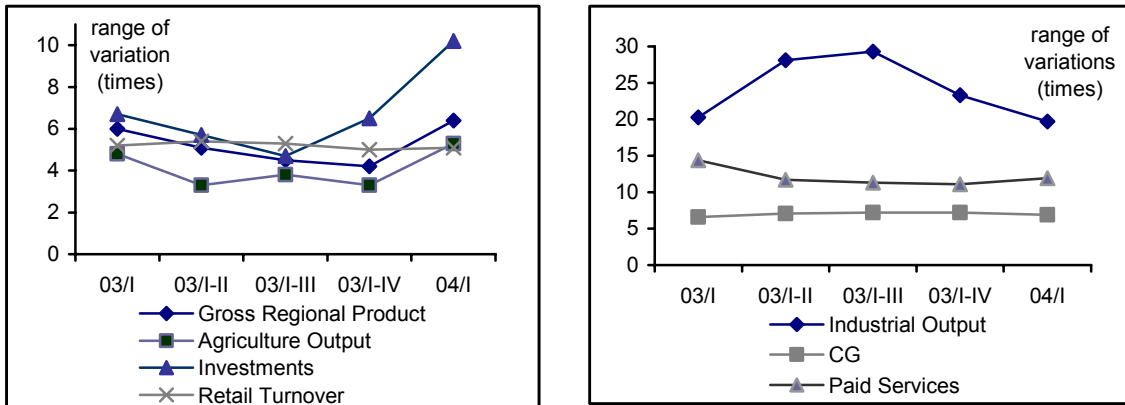
As to the volume of paid services, all the provinces secured significant growth, especially Khorezm (127.0%), Navoi (123.6%), Bukhara (120.3%), Fergana (119.1%), Samarkand (119.0%), Sirdarya (116.3%), and Jizzakh (116.4%) Provinces (Annex 6.1).

In most of the regions the index of paid services production increased in per capita terms. At the same time, it decreased in the Kashkadarya (from 0.432 to 0.410) and Surkhandarya (from 0.486 to 0.475) provinces (Annex 6.2.).

Within the analyzed period, interregional differentiation decreased in the areas of industrial production (from 20.3 to 19.7 times), retail turnover (from 5.2 to 5.1 times), and paid services (from 14.4 to 12.0 times). At the same time, interregional differentiation increased with regard to the GRP (from 6.0 to 6.4 times), investments (from 6.9 to 10.2 times), and agriculture (from 4.8 to 5.3 times) (Annex 6.2 and Graph 6.2).

Interregional differentiation proportions are still sizeable for industrial production (19.7 times) and paid services provided to the population (12.0 times).

Graph 6.2. Tracking Changes in the Level of Differentiation of Socio-Economic Development of the Regions (Ratio of the Most Developed to Least Developed Regions)



Source: State Committee on Statistics of Uzbekistan

On the whole, the dynamics and tendency of main indicators of socio-economic development of the regions show their steady inclination towards growth, however, interregional differentiation is still present, especially in the development of industry and the provision of paid services to the population. Coping with tasks aimed at the reduction of interregional differentiation is in many respects connected with administrative reform conducted in the regions; improvement of their attractiveness in terms of investments; enhancement of inter-budgetary relations; and reform of the agrarian sector of the economy.

**Annex 6.1. Tracking Changes in Main Indicators of Socio-Economic Development of the Regions
(growth rates in % to the previous period in comparable prices)**

Gross Regional Product (GRP)

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	98.3	106.9	89.7	98.3	101.6	110.1	94.0	98.9	104.5	103.5
Andijan Province	106.0	104.2	102.8	108.9	103.4	102.8	100.5	102.3	102.6	106.1
Bukhara Province	110.2	106.2	104.2	103.5	102.7	101.4	102.4	104.4	102.6	100.0
Jizzakh Province	107.5	111.7	104.2	106.5	109.5	107.5	102.2	104.2	105.5	105.1
Kashkadarya Province	105.9	103.7	99.0	105.0	110.1	105.4	103.5	102.9	101.4	103.2
Navoi Province	100.8	107.6	103.2	101.4	104.8	103.9	101.0	101.2	102.4	102.5
Namangan Province	100.4	103.4	108.0	104.5	103.7	102.1	103.6	101.6	101.3	103.2
Samarkand Province	107.6	107.4	104.6	103.5	107.6	106.9	100.2	106.5	106.8	104.2
Surkhandarya Province	109.7	100.1	105.5	108.0	104.0	105.3	100.3	103.7	101.7	103.6
Sirdarya Province	106.1	104.4	102.6	102.9	98.3	102.5	95.1	94.6	102.4	102.8
Tashkent Province	104.9	101.4	110.9	104.2	103.1	102.5	100.1	100.9	101.9	104.1
Fergana Province	97.4	101.7	106.1	99.5	105.1	100.5	100.1	100.0	100.6	102.1
Khorezm Province	105.8	104.5	94.8	103.0	102.9	103.8	99.4	102.8	101.1	102.5
Tashkent City	95.6	98.7	104.5	104.3	102.6	104.4	99.2	102.8	104.2	105.5
Republic of Uzbekistan	104.4	104.4	103.8	104.2	104.2	104.4	102.2	103.8	104.0	104.8

Source: State Committee on Statistics of Uzbekistan

Annex 6.1 continued

Industrial Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	106.3	105.0	111.2	95.9	94.9	100.3	89.0	85.4	93.9	117.7
Andijan Province	111.0	113.7	90.0	128.1	105.5	118.6	101.0	108.4	117.2	126.9
Bukhara Province	135.3	114.2	103.9	107.7	103.3	102.5	105.7	110.6	106.9	108.4
Jizzakh Province	125.0	110.4	122.7	119.9	130.3	114.1	106.8	115.6	125.4	114.3
Kashkadarya Province	103.7	102.3	101.9	104.4	112.1	114.4	120.1	122.5	118.3	111.4
Navoi Province	101.9	109.7	102.2	100.6	106.5	99.4	102.7	100.4	99.3	101.4
Namangan Province	107.1	115.1	126.1	118.2	112.5	113.0	107.7	112.8	109.2	109.0
Samarkand Province	117.1	130.7	97.3	105.7	106.7	111.1	107.8	115.9	114.7	115.0
Surkhandarya Province	106.9	108.3	107.9	104.1	113.1	104.6	101.5	117.0	109.1	106.4
Sirdarya Province	102.8	109.5	106.7	101.3	122.4	100.1	101.2	100.1	103.4	103.2
Tashkent Province	105.6	100.2	108.8	109.1	108.3	102.6	101.0	101.4	103.0	107.2
Fergana Province	104.1	104.8	108.5	101.4	108.7	102.4	102.4	100.3	100.2	103.6
Khorezm Province	118.3	100.1	103.5	100.3	103.9	98.9	100.2	94.4	94.7	100.1
Tashkent City	104.1	103.4	113.2	110.5	111.7	112.5	105.4	106.9	107.7	115.2
Republic of Uzbekistan	105.8	106.1	105.9	107.6	108.3	106.2	104.0	105.5	105.7	108.8

Source: State Committee on Statistics of Uzbekistan

Annex 6.1 continued

Consumer Goods Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	105.6	107.5	105.9	113.5	104.3	104.7	103.1	105.9	106.7	119.0
Andijan Province	104.3	113.0	92.6	123.7	97.8	120.3	96.0	104.3	115.0	133.3
Bukhara Province	137.5	108.9	105.9	107.4	103.3	106.0	103.3	106.9	109.4	107.8
Jizzakh Province	102.2	136.2	123.6	119.3	159.3	129.0	101.2	115.7	119.3	113.0
Kashkadarya Province	116.8	112.6	113.1	112.7	108.5	108.8	113.2	105.8	116.1	127.0
Navoi Province	112.2	102.1	115.5	99.98	114.5	105.3	125.0	114.6	109.0	107.3
Namangan Province	109.5	114.2	124.3	111.8	118.1	114.0	107.7	112.3	114.6	124.7
Samarkand Province	138.2	141.5	92.4	102.6	102.5	106.8	104.8	104.0	106.3	100.3
Surkhandarya Province	117.8	120.0	111.9	100.9	114.8	106.2	88.7	105.0	105.9	129.5
Sirdarya Province	106.1	125.6	110.1	120.2	103.0	104.2	100.6	107.7	111.3	108.0
Tashkent Province	112.4	109.5	112.5	114.1	106.6	107.1	104.7	108.6	109.2	106.6
Fergana Province	107.3	110.1	111.3	98.1	106.4	101.6	96.7	95.5	101.3	113.2
Khorezm Province	120.3	97.8	107.8	94.0	95.0	114.5	115.9	115.4	120.5	96.6
Tashkent City	98.7	92.0	111.3	101.3	120.2	102.7	100.8	102.9	101.5	115.7
Republic of Uzbekistan	107.2	109.3	106.2	107.6	108.4	108.4	102.3	104.0	106.8	114.9

Source: State Committee on Statistics of Uzbekistan

Annex 6.1 continued

Agricultural Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	65.6	118.4	65.6	90.5	101.2	129.8	97.6	110.5	130.3	109.1
Andijan Province	110.2	107.3	110.2	107.1	102.1	100.2	101.0	100.3	100.2	106.9
Bukhara Province	106.3	109.3	106.3	102.0	102.6	106.2	102.3	109.6	108.2	104.5
Jizzakh Province	100.1	116.8	100.1	106.9	113.8	112.0	103.4	104.3	115.2	108.9
Kashkadarya Province	89.4	103.9	89.4	106.9	119.9	106.2	103.4	100.6	100.2	107.7
Navoi Province	105.0	109.4	105.0	107.2	106.7	109.3	102.0	106.4	110.7	108.8
Namangan Province	111.5	103.2	111.5	101.4	101.5	102.9	101.8	97.1	100.8	104.0
Samarkand Province	104.8	107.2	104.8	103.9	112.4	110.0	104.2	108.4	110.3	107.6
Surkhandarya Province	106.7	97.4	106.7	110.5	102.8	106.4	106.6	102.5	100.4	106.0
Sirdarya Province	101.9	107.5	101.9	105.8	98.9	105.2	101.6	95.2	110.1	107.1
Tashkent Province	114.9	100.5	114.9	103.7	102.8	102.7	105.3	103.0	102.3	106.7
Fergana Province	113.5	104.1	113.5	100.4	105.7	100.6	103.4	114.1	100.2	106.4
Khorezm Province	82.8	108.9	82.8	103.6	106.8	110.5	101.3	100.7	100.7	106.3
Tashkent City										
Republic of Uzbekistan	104.0	105.9	103.1	104.2	106.1	105.9	103.3	103.8	104.7	106.7

Source: State Committee on Statistics of Uzbekistan

Annex 6.1 continued

Investments

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	137.0	102.0	83.0	106.0	114.0	118.0	112.0	119.0	119.0	2.3 times
Andijan Province	119.8	102.0	101.0	118.0	105.0	106.9	100.2	104.0	105.0	100.1
Bukhara Province	65.5	98.0	108.0	119.0	103.0	100.6	69.0	86.0	93.1	2.1 times
Jizzakh Province	100.3	105.0	111.0	78.0	112.0	83.5	81.0	80.0	80.0	92.6
Kashkadarya Province	114.5	120.0	93.0	130.0	94.0	111.7	128.0	114.0	112.2	56.5
Navoi Province	81.8	107.0	116.0	107.0	98.0	109.6	122.0	110.0	109.0	66.1
Namangan Province	75.4	100.4	103.0	96.0	100.1	101.7	100.2	100.2	101.2	107.2
Samarkand Province	118.8	100.6	104.0	107.0	99.8	107.9	115.0	107.0	107.2	104.8
Surkhandarya Province	118.0	103.0	102.0	116.0	101.0	104.0	101.0	102.0	103.3	2.3 times
Sirdarya Province	102.0	109.0	100.2	101.0	84.0	105.5	114.0	106.0	103.0	45.5
Tashkent Province	120.1	95.0	106.0	112.0	102.0	108.3	98.0	108.0	105.3	147.2
Fergana Province	134.2	108.4	107.0	109.0	108.0	95.9	101.0	95.0	95.2	31.2
Khorezm Province	105.0	104.0	102.0	96.0	103.0	91.6	81.0	87.0	90.0	97.4
Tashkent City	107.8	102.0	92.0	106.0	81.0	106.8	87.0	108.0	103.6	130.3
Republic of Uzbekistan	115.0	102.0	101.0	104.0	103.6	104.5	100.3	102.6	102.8	99.6

Source: State Committee on Statistics of Uzbekistan

Annex 6.1 continued

Retail Turnover

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	92.1	115.9	103.6	117.9	102.6	107.9	90.2	96.0	101.8	103.5
Andijan Province	122.4	108.7	106.4	109.3	107.3	100.0	110.8	103.8	103.5	102.0
Bukhara Province	105.6	112.8	110.3	114.7	107.1	101.1	107.7	103.1	102.4	100.2
Jizzakh Province	102.7	101.4	111.0	125.8	116.2	101.8	117.6	104.8	101.4	103.3
Kashkadarya Province	118.9	100.3	109.9	116.5	105.5	108.3	111.9	109.1	113.3	100.1
Navoi Province	104.0	111.5	105.4	113.3	105.0	104.3	97.2	102.2	107.3	109.1
Namangan Province	102.3	108.5	110.8	118.8	103.9	100.9	108.8	102.4	103.3	105.6
Samarkand Province	105.5	105.9	113.6	106.6	100.1	108.8	99.6	105.4	109.3	104.8
Surkhandarya Province	130.4	114.0	121.4	113.7	113.3	109.5	106.3	111.0	113.5	105.1
Sirdarya Province	100.4	102.1	105.8	102.1	95.4	100.3	85.1	85.3	92.7	101.1
Tashkent Province	121.5	110.2	123.3	115.9	101.1	108.6	99.2	111.0	110.7	110.9
Fergana Province	115.1	112.1	103.2	103.5	106.2	100.0	97.7	97.3	100.1	100.8
Khorezm Province	122.7	115.5	111.8	107.9	101.1	96.0	97.9	96.6	96.6	104.5
Tashkent City	109.7	107.6	100.2	104.7	90.1	110.2	88.7	93.4	103.7	109.2
Republic of Uzbekistan	114.0	110.5	107.6	109.6	101.1	105.1	99.8	100.3	104.9	105.1

Source: State Committee on Statistics of Uzbekistan

Paid Services

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	97.0	110.4	114.2	105.1	112.4	111.3	117.0	114.4	112.4	120.4
Andijan Province	124.3	128.2	138.9	113.3	109.3	120.1	107.6	109.1	108.7	113.6
Bukhara Province	123.4	116.1	112.6	108.4	117.0	109.3	118.1	119.9	114.5	120.3
Jizzakh Province	133.5	121.5	110.4	116.2	114.2	114.1	108.8	110.1	115.7	116.4
Kashkadarya Province	111.2	120.4	137.2	114.6	121.9	108.2	108.1	109.0	110.0	105.6
Navoi Province	140.8	103.0	116.8	118.7	108.9	118.8	112.4	116.9	116.1	123.6
Namangan Province	110.2	110.8	137.0	115.5	110.8	122.6	115.4	117.2	121.6	118.6
Samarkand Province	104.1	110.9	118.1	121.8	104.0	124.5	118.1	117.5	132.3	119.0
Surkhandarya Province	171.1	129.6	109.6	114.2	114.3	112.6	114.7	116.9	113.7	113.4
Sirdarya Province	108.3	108.5	104.8	125.8	109.6	103.1	103.5	100.5	101.2	116.3
Tashkent Province	103.6	112.8	111.5	100.2	109.2	105.5	105.7	106.8	103.9	107.8
Fergana Province	115.8	121.4	115.5	113.5	110.5	112.4	107.2	112.0	114.0	119.1
Khorezm Province	115.1	121.7	107.9	106.4	102.0	107.0	100.7	108.7	110.0	127.0
Tashkent City	108.1	110.2	113.5	117.4	112.8	105.3	103.2	104.1	104.8	105.5
Republic of Uzbekistan	109.5	112.6	115.7	114.7	108.6	107.9	102.0	104.4	106.4	112.5

Source: State Committee on Statistics of Uzbekistan

Annex 6.2. Level of Differentiation of Socio-Economic Development of the Regions (based on per capita index)**Gross Regional Product**

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	0.531	0.617	0.456	0.413	0.392	0.400	0.360	0.397	0.405	0.352
Andijan Province	0.797	0.852	0.911	0.935	0.834	0.764	0.618	0.717	0.791	0.585
Bukhara Province	0.956	1.180	1.109	1.155	1.101	1.053	1.047	1.091	1.035	0.974
Jizzakh Province	0.613	0.686	0.742	0.669	0.666	0.702	0.561	0.632	0.712	0.563
Kashkadarya Province	0.797	0.749	0.722	0.724	0.780	0.782	0.635	0.688	0.666	0.666
Navoi Province	1.086	1.208	1.039	1.267	1.490	1.685	1.687	1.766	1.755	1.753
Namangan Province	0.548	0.599	0.667	0.637	0.599	0.543	0.486	0.505	0.536	0.434
Samarkand Province	0.678	0.753	0.709	0.679	0.693	0.669	0.525	0.564	0.657	0.457
Surkhandarya Province	0.662	0.674	0.716	0.727	0.760	0.734	0.520	0.616	0.669	0.473
Sirdarya Province	0.800	0.950	0.807	0.822	0.776	0.754	0.567	0.604	0.777	0.525
Tashkent Province	0.926	0.969	1.040	1.017	1.032	1.041	0.990	0.951	1.027	1.012
Fergana Province	0.863	0.950	0.941	0.866	0.843	0.785	0.773	0.793	0.822	0.738
Khorezm Province	0.870	0.960	0.832	0.717	0.720	0.681	0.682	0.653	0.644	0.595
Tashkent City	1.580	1.702	1.563	1.665	1.671	1.682	2.164	2.021	1.817	2.257
Republic of Uzbekistan	1.000	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	6.4
Without taking Tashkent City into account	2.1	2.0	2.4	3.1	3.8	4.2	4.7	4.4	4.3	5.0

Source: State Committee on Statistics of Uzbekistan

Annex 6.2 continued

Industrial Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	0.372	0.339	0.279	0.247	0.201	0.193	0.184	0.159	0.158	0.207
Andijan Province	1.105	1.108	0.909	1.071	0.979	0.960	0.912	0.953	0.958	0.939
Bukhara Province	1.035	1.026	1.100	1.096	1.133	0.996	1.173	1.086	0.991	1.083
Jizzakh Province	0.287	0.239	0.278	0.360	0.380	0.418	0.436	0.398	0.399	0.440
Kashkadarya Province	0.925	0.838	0.931	0.953	0.917	0.967	0.912	0.893	0.923	1.055
Navoi Province	2.850	2.964	3.144	3.318	4.046	4.490	3.737	4.463	4.629	4.086
Namangan Province	0.390	0.422	0.466	0.450	0.396	0.377	0.382	0.353	0.330	0.375
Samarkand Province	0.392	0.604	0.515	0.459	0.398	0.351	0.352	0.341	0.341	0.315
Surkhandarya Province	0.355	0.367	0.323	0.302	0.283	0.286	0.304	0.295	0.245	0.294
Sirdarya Province	0.442	0.511	0.460	0.541	0.427	0.429	0.560	0.418	0.357	0.533
Tashkent Province	1.222	1.200	1.368	1.487	1.569	1.537	1.502	1.530	1.565	1.604
Fergana Province	1.197	1.063	1.169	1.024	1.072	0.944	1.038	0.970	0.957	0.928
Khorezm Province	0.690	0.608	0.507	0.467	0.414	0.363	0.454	0.351	0.318	0.369
Tashkent City	1.749	1.629	1.700	1.744	1.729	1.823	1.874	1.918	1.903	1.568
Republic of Uzbekistan	1.000	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	19.7

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

Annex 6.2 continued

Production of Consumer Goods (CG)

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	0.515	0.531	0.425	0.400	0.341	0.332	0.340	0.329	0.320	0.344
Andijan Province	1.916	1.628	1.354	1.616	1.677	1.847	1.754	1.918	1.857	1.998
Bukhara Province	1.209	1.253	1.501	1.589	1.550	1.458	1.614	1.587	1.500	1.639
Jizzakh Province	0.203	0.245	0.266	0.385	0.573	0.655	0.547	0.624	0.675	0.618
Kashkadarya Province	0.628	0.565	0.616	0.656	0.560	0.615	0.575	0.548	0.571	0.507
Navoi Province	0.665	0.728	0.616	0.619	0.640	0.712	0.653	0.666	0.668	0.721
Namangan Province	0.551	0.617	0.665	0.579	0.571	0.561	0.553	0.558	0.555	0.609
Samarkand Province	0.844	1.342	1.226	1.072	1.016	0.884	0.927	0.881	0.915	0.789
Surkhandarya Province	0.401	0.461	0.433	0.377	0.364	0.356	0.296	0.324	0.313	0.365
Sirdarya Province	0.539	0.762	0.700	0.700	0.659	0.669	0.832	0.684	0.644	0.723
Tashkent Province	1.012	0.959	1.071	1.164	1.184	1.252	1.195	1.239	1.249	1.206
Fergana Province	1.012	1.007	1.076	1.009	0.934	0.844	0.871	0.845	0.860	0.824
Khorezm Province	1.048	0.922	0.787	0.543	0.551	0.544	0.737	0.613	0.555	0.568
Tashkent City	2.168	1.922	2.093	2.004	2.360	2.396	2.262	2.310	2.317	2.367
Republic of Uzbekistan	1.000	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	6.9
Without taking Tashkent City into account	9.4	6.6	5.6	4.3	4.9	5.6	5.9	5.9	5.9	5.8

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

Annex 6.2 continued

Agricultural Production

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	0.557	0.530	0.425	0.354	0.360	0.435	0.345	0.470	0.439	0.361
Andijan Province	1.035	1.157	1.170	1.119	1.150	1.051	0.818	1.114	1.192	0.845
Bukhara Province	1.146	1.379	1.340	1.375	1.321	1.376	1.345	1.534	1.310	1.242
Jizzakh Province	1.084	1.254	1.331	1.211	1.329	1.425	1.254	1.366	1.315	1.504
Kashkadarya Province	0.876	0.921	0.831	0.851	0.980	1.006	0.703	1.029	0.845	0.560
Navoi Province	1.128	1.099	1.238	1.144	1.149	1.218	1.400	1.295	1.479	1.222
Namangan Province	0.783	0.840	1.019	0.996	1.042	0.970	0.794	0.756	0.777	0.565
Samarkand Province	0.995	1.064	1.037	1.081	1.110	1.154	1.315	1.125	1.211	1.225
Surkhandarya Province	1.243	1.105	1.187	1.353	1.311	1.279	1.157	1.375	1.238	1.204
Sirdarya Province	1.190	1.426	1.397	1.501	1.373	1.393	1.303	1.340	1.672	1.286
Tashkent Province	1.265	1.218	1.511	1.539	1.268	1.255	1.666	1.133	1.329	1.916
Fergana Province	0.800	0.947	0.977	1.024	0.995	0.931	0.939	0.948	0.943	1.058
Khorezm Province	1.376	1.603	1.144	1.025	1.072	1.098	1.636	1.217	1.072	1.529
Tashkent City										
Republic of Uzbekistan	1.000	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	5.3

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

Annex 6.2 continued

Investment

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	1.065	1.028	0.819	0.648	0.832	1.119	0.803	0.879	1.027	1.878
Andijan Province	0.753	0.604	0.552	0.505	0.439	0.641	0.384	0.456	0.630	0.382
Bukhara Province	0.869	0.792	0.705	0.627	1.063	0.701	0.473	0.588	0.795	1.144
Jizzakh Province	0.457	0.526	0.577	1.112	1.155	0.583	0.428	0.491	0.515	0.410
Kashkadarya Province	1.045	1.299	1.897	1.931	1.608	1.760	2.482	1.962	1.808	1.374
Navoi Province	1.267	0.695	2.014	2.535	2.125	2.213	2.598	1.780	1.925	1.707
Namangan Province	0.732	0.526	0.701	0.501	0.476	0.471	0.437	0.436	0.524	0.457
Samarkand Province	0.690	0.550	0.523	0.453	0.404	0.531	0.518	0.612	0.652	0.537
Surkhandarya Province	0.451	0.468	0.470	0.509	0.451	0.600	0.375	0.447	0.504	0.854
Sirdarya Province	0.823	0.884	0.772	0.754	0.713	0.592	1.152	0.821	0.694	0.511
Tashkent Province	0.902	0.618	0.747	0.762	0.899	0.872	0.803	0.862	0.855	1.235
Fergana Province	0.830	0.676	0.587	0.796	0.931	0.480	0.893	0.807	0.628	0.275
Khorezm Province	0.856	0.648	0.630	0.695	0.855	0.437	0.562	0.560	0.562	0.525
Tashkent City	2.784	2.715	2.730	2.272	2.131	2.864	2.089	2.498	2.370	2.800
Republic of Uzbekistan	1.000	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	10.2
Without taking Tashkent City into account	2.8	2.8	4.3	5.6	5.3	5.1	6.9	4.5	3.8	6.8

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

Annex 6.2 continued

Retail Turnover

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	0.456	0.514	0.470	0.485	0.491	0.505	0.471	0.475	0.483	0.489
Andijan Province	1.180	1.146	1.272	1.314	1.356	1.284	1.389	1.435	1.302	1.349
Bukhara Province	0.718	0.765	0.756	0.841	0.902	0.855	0.934	1.008	0.873	0.886
Jizzakh Province	0.449	0.407	0.420	0.530	0.630	0.602	0.600	0.584	0.589	0.623
Kashkadarya Province	0.728	0.655	0.662	0.697	0.715	0.755	0.728	0.743	0.750	0.735
Navoi Province	0.813	0.803	0.728	0.770	0.808	0.800	0.810	0.835	0.810	0.841
Namangan Province	0.735	0.672	0.691	0.747	0.805	0.773	0.808	0.777	0.760	0.801
Samarkand Province	0.820	0.841	0.791	0.709	0.707	0.744	0.734	0.722	0.720	0.717
Surkhandarya Province	0.466	0.538	0.588	0.594	0.665	0.700	0.729	0.736	0.717	0.711
Sirdarya Province	0.786	0.727	0.691	0.665	0.639	0.609	0.581	0.575	0.593	0.576
Tashkent Province	0.881	0.902	1.033	1.041	1.038	1.112	1.042	1.089	1.098	1.107
Fergana Province	1.204	1.293	1.219	1.145	1.232	1.153	1.172	1.141	1.143	1.141
Khorezm Province	0.670	0.697	0.662	0.685	0.668	0.610	0.626	0.616	0.601	0.606
Tashkent City	2.996	2.910	2.854	2.789	2.452	2.550	2.431	2.557	2.567	2.516
Republic of Uzbekistan	1.000	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	5.1
Without taking Tashkent City into account	2.7	3.2	3.0	2.7	2.8	2.5	2.9	3.0	2.7	2.8

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

Annex 6.2 continued

Paid Services

Regions	1998	1999	2000	2001	2002	2003	03/I	03/I-II	03/I-III	04/I
Republic of Karakalpakstan	0.437	0.474	0.410	0.340	0.358	0.380	0.310	0.372	0.374	0.379
Andijan Province	0.729	0.820	0.870	0.856	0.771	0.813	0.554	0.677	0.730	0.590
Bukhara Province	0.937	0.948	0.927	0.856	0.878	0.883	0.865	0.866	0.874	0.928
Jizzakh Province	0.500	0.500	0.455	0.441	0.448	0.481	0.486	0.476	0.473	0.502
Kashkadarya Province	0.500	0.525	0.463	0.420	0.423	0.462	0.432	0.427	0.437	0.410
Navoi Province	0.917	0.837	0.707	0.718	0.663	0.755	0.770	0.786	0.756	0.933
Namangan Province	0.542	0.474	0.500	0.479	0.448	0.506	0.513	0.506	0.519	0.542
Samarkand Province	0.729	0.666	0.626	0.612	0.606	0.687	0.591	0.579	0.679	0.620
Surkhandarya Province	0.458	0.487	0.480	0.441	0.444	0.457	0.486	0.469	0.469	0.475
Sirdarya Province	0.437	0.397	0.366	0.361	0.366	0.382	0.405	0.396	0.382	0.459
Tashkent Province	0.812	0.782	0.732	0.670	0.616	0.631	0.608	0.658	0.630	0.652
Fergana Province	0.604	0.602	0.610	0.553	0.556	0.586	0.554	0.549	0.572	0.600
Khorezm Province	0.792	0.833	0.707	0.596	0.581	0.602	0.621	0.597	0.569	0.696
Tashkent City	2.875	3.320	3.455	3.761	4.090	4.201	4.473	4.354	4.237	4.548
Republic of Uzbekistan	1.000	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	12.0
Without taking Tashkent City into account	2.1	2.4	2.5	2.5	2.5	2.3	2.8	2.3	2.3	2.5

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

ANALYTICAL PART

1. The Influence of Fixed Capital on the Production Process

V.B.Chadina

In conditions of the intensification of market reforms, the most important tasks become the rational and efficient use of investment resources, strengthening their orientation towards the advanced growth of production in comparison to material costs, and the widespread adoption of scientific and technological advances.

Capital investments into fixed capital owing to all funding sources for the period 1995-2003 increased by 1.7 times. Large enterprises supplied with modern machines, equipment and technologies were put into operation. Dozens of enterprises were reequipped and reconstructed on a new technological basis.

The basic share of investment flows was directed at ensuring the country's economic security, including such targets as: achieving energy independence in the fuel and energy complex; forming gold and exchange currency reserves in non-ferrous metallurgy; and ensuring food provision for the republic in agriculture and the food industry.

Exploitable investment resources are destined mainly for the intensification of production processes, i.e. production on the basis of building of new modern industrial enterprises.

One of the indispensable conditions of production intensification is the optimal combination of different types of production in order to provide accelerated input of productive capacities, to get maximal economic results from production resources utilization.

Over several years, the modernization of production in the republic has been being achieved, mainly due to the building of new facilities, the share of which amounted to 68.4% in 1995. From 1995 to 2003 the share of funds directed towards reconstruction and reequipment in the total volume of capital investments increased from 20.7% to 56.0% (Graph 1.1).

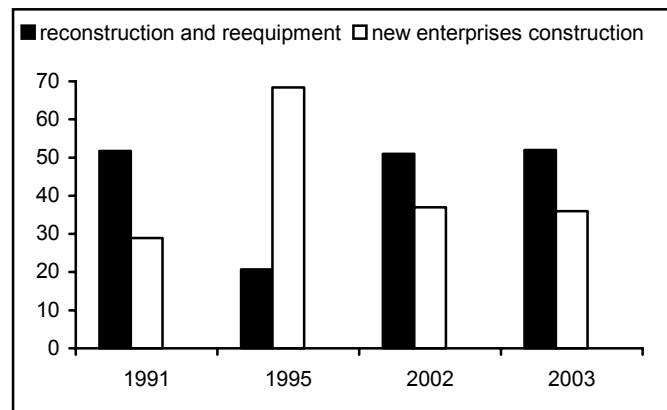
It is characteristic in leading foreign countries for the share of expenditures for reconstruction and reequipment in industry to stay at the level of 60-80%, inasmuch as this approach to the modernization of production facilitates the reduction in costs of production and the implementation of modern energy- and material-efficient technologies. Besides, the construction budget for reconstruction and reequipment of operating enterprises is 20-30% lower than the average construction budget of new enterprises.

In practice there is a direct correlation between production and the technological structure of capital investments. Results of changes in production structure are reflected in the technological structure and later become apparent in the make-up of the capital investments structure. The increasing proportion of expenditure on equipment in the technological structure of capital investments is a result of the improvement of the production structure of capital investments production.

The ratio between the volume of building/assembly work and expenditures on equipment during the reequipment and reconstruction of existing enterprises amounts to 25-57%, while for new constructions it is 66-25% respectively. Such allocation testifies to the priority of technical reequipment and reconstruction of operating enterprises from the point of view of the renewal of active components of basic production funds.

During the years when the pace of improvement in the production process was slow, changes in the technological structure of capital investments were also not positive enough. The share of financing of building and assembly jobs in the total volume of capital investments fluctuated within the limits of 50-60%, while the share of equipment was 25-30% (Graph 1.2). Such proportions resulted from the year-by-year changes in volume of investments into production with a large share of equipment. In spite of the total positive dynamics

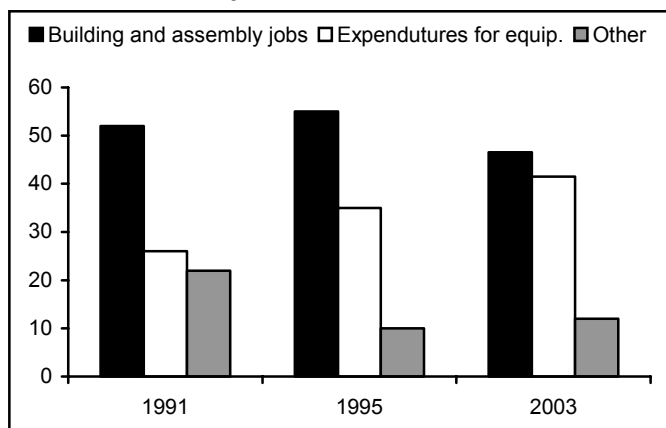
Graph 1.1. Dynamics of Production Structure of Capital Investments, %



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

in the growth of equipment investments, the share of actual introduction of the active part decreased in relation to the balance value of fixed capital.

Graph 1.2. Dynamics of Technological Structure of Capital Investments, %



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

The share of machinery and equipment of put into operation in the fixed production assets of industry decreased in 2003 by 11% in comparison with 1991 and by more than 4.2% in the volume of fixed assets of industry.

The serious problem of production development from the point of view of its competitiveness is the slow pace of renovation of equipment. The state of fixed assets is characterized by the increasing volume of new assets being introduced as compared to those being withdrawn. While in 1998 the coefficient of input amounted to 15%, in 2001 it was 23.2%. The coefficient of depreciation was 2.4% and 6.2% respectively. In 2002 the process of renovation become more positive but an effective regime of production was not

achieved. As before, the value of depreciation of the active part of fixed production assets was 4-5 times lower than the renewal. The volume of the depreciation of production assets had a negative effect on the efficiency of utilizing the yields of technological progress.

At the existing speed of assets renewal in the sectors manufacturing investment equipment, consumer goods and export-oriented goods, the process of the physical wear and tear on equipment continues.

According to assessments, more than 60% of equipment remains in use beyond its normal lifespan. The average coefficient of depreciation of the active part of equipment does not cover its period of aging, therefore the technological parameters of accuracy and reliability are not sufficiently provided.

The existing structure of production demonstrates the growth of capital intensity of added value of goods as a whole in industry from 0.35 in 1996 to 0.43 in 2002. The greatest growth was achieved in the engineering industry (3.2 times), the chemical and petrochemical sector (2.5 times), the fuel industry (2.4 times) and in light industry (2.0 times), i.e. in sectors with a predominance of new construction.

The dynamics of growth in added value by sector of the economy determined a wide dispersal of efficiency indicators of exploitable capital investments. The average existing efficiency indicator (2000-2003) in the CIS is 0.09, in Uzbekistan – 0.11. It is noteworthy, that the efficiency indicator in the republic has considerable dispersal among sectors of industry, the largest values of which, 0.78 and 0.36 belong to ferrous and non-ferrous metallurgy. The lesser indicators of value (-0.08) and (-0.58) are in engineering and light industries. Such results are a consequence of the failure to comply with the main demands of the production process, according to which the growth of production volume is provided due to quantitative changes, primarily, technological equipment.

Using the "golden section"¹ proportion, investigations were conducted to determine the parameters of economic stability, when the preservation of the appointed proportions of production maintains the dynamic development of all components of the system in a given direction within the period under observation. The optimal proportion for Uzbekistan of the share of new construction and technological reequipment in the production structure of capital investments is 20-62%. In such proportions in production structure it is possible for the share of resources directed at purchasing equipment and inventory, to approach 42% of the technological structure of capital investments.

An optimal production structure of capital investments cannot be once and for all determined for all sectors of the economy and all cases. However, in current conditions, when less than half of fixed production funds are actually engaged in the production process, it is inexpedient to direct the largest part of capital investments to new construction. Decreasing the share of new construction projects by 10% will provide for an increase in the volume of reconstruction and technological reequipment by 20-25%. Realization of this factor will make possible up to a 5% increase in the added value of industry.

¹ The "golden section" proportion widely used in world economic practice for the evaluation of the stability of economic systems.

In order for the optimization of production processes it is necessary to intensify investment activity and to provide unity of the technical and investment policies of the government. At the present time there are reserves which allow for the provision of growth in industrial production with minimal outlays by making good use of fixed capital:

- informational transparency of investment projects, and the establishment of a fund of the Republic for direct investment using the mortgage type of capital savings;
- unambiguous preference for the technical reequipment and reconstruction of enterprises with a short investment cycle as a precondition for the innovational saturation of investments and the intensive uninterrupted renovation of fixed capital while forming investment programs;
- improvement of depreciation policy with a revision of rates of depreciation charges and annual indexation of replacement costs of basic production funds and renovation charges with a tendency towards their increase;
- improvement of the tax system with a reduction of VAT in the processing sectors of industry in order to intensify the process of formation of enterprises' own funds.

2. The Liberalization of the Foreign Currency Market in Uzbekistan and Prospects for Strengthening the Potential for Economic Development

S.V. Chepel, Doctor of Economics

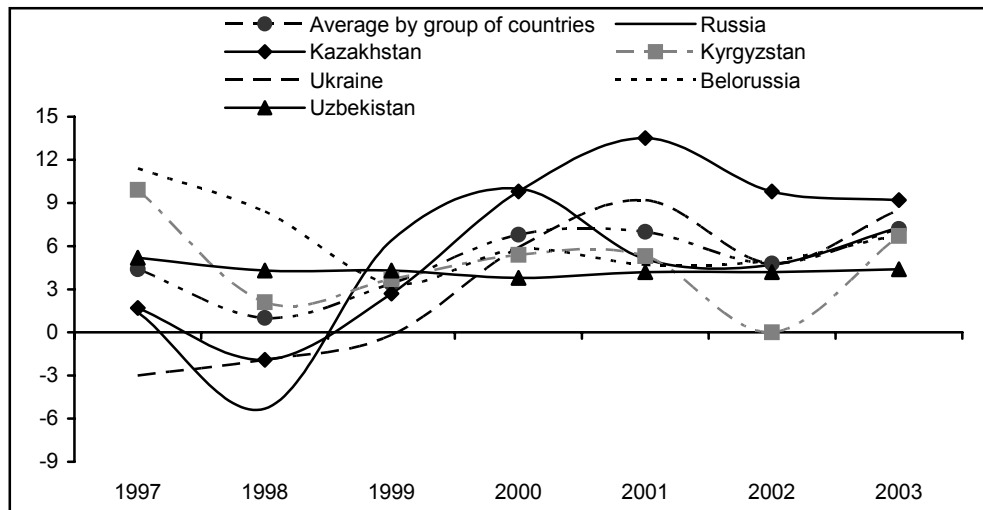
The past year, 2003, may have been a turning point in the economic development of Uzbekistan. The liberalization of the foreign currency market for current transactions, executed in the second half of the year, opened up new opportunities for economic development. How to realize these opportunities? What should be the new strategy for foreign currency regulation and economic policy as a whole? An analysis of these and another topical questions of current economic policy related to economic growth and other macroeconomic problems of the transition economy of Uzbekistan provides the basic contents of the present study.

Particularities and macroeconomic results of foreign currency regulation in the pre-liberalization period

Before defining the new principles of foreign currency regulation and the corresponding requirements for economic policy, it is necessary to analyze the situation in the economy at the time the foreign currency market was liberalized, and to summarize the effectiveness of the previous regime of foreign currency regulation.

The introduction into circulation in 1994 of the national currency, UZS, created all the necessary preconditions for carrying out in Uzbekistan an independent monetary policy with the goal of macroeconomic stabilization and growth. The step-by-step process of liberalization of the currency market was dictated by a number of circumstances. While establishing the overvalued exchange rate of the UZS and distributing licenses and quotas on converting UZS at an official rate, the government pursued a number of important goals at the transition stage. Among them – the development of import substitutes and other priority branches, the reduction in price of imported technologies and equipment, the restraint of state expenditures on purchasing critical imports and maintaining external debt, the maintenance of low fixed prices for essential commodities, the maintenance of the state's international reserves and the neutralization of external shocks during the period of establishment of the new banking system.¹

Graph 2.1. Dynamics of GDP of Uzbekistan and Main CIS Trade Partners in 1997 –2003 (growth in % to previous year)



In many respects, due to its well-weighted approach to the liberalization of the currency market and banking system, Uzbekistan succeeded in passing through the stage of financial instability at the end of 1990s with smaller costs than in neighboring CIS countries. This is testified to by the steadier macroeconomic dynamics of Uzbekistan's GDP (see Graph 2.1) in comparison with the leading countries of the

CIS, not only during the financial crisis of 1997-1999, but also during the postcrisis period. This is related not only to the dynamics of GDP, but also to industrial production output and investments. Since 2002, there has been some increase in the average annual growth rate of GDP and industrial production in the analyzed group of states over the average indicators of Uzbekistan.

Controllable access to currency resources has ensured their concentration in priority directions of economic development. In particular, this is evidenced by the structure of imports, where in contrast to, for example Kazakhstan or Russia, the greatest share belongs to the import of machinery and equipment. Only in the last

¹ More detailed description of aims, targets and particular qualities of foreign currency policy in 1994-1997 can be found in the work of S.Chepel. "Foreign Currency Policy of Uzbekistan", Economic Trend, Uzbekistan, Oct.-Dec. 1998. Further events in the development and liberalization of the forex market are quite fully described in the article of N. Sirajiddinov "Na puti k konvertatsyi natsionalnoy valuti". Ekonomicheskoe obozrenie №8 Tashkent 2002.

few years have a large number of new capacities and manufactures been put into operation in the republics. Thus, new capacities and enterprises have been established in Uzbekistan not only in key industries (gas-extraction, manufacture of new chemical production, non-ferrous metals, etc.) but also in a number of processing industries (textile manufactures, motor industry, electronics), and also in the sphere of infrastructure (new trunk-railways and automobile lines, telecommunications, etc.) as distinct from, for example, Kazakhstan where only the extractive industries have been developed.

The moderate pace of liberalization of the internal currency market enabled capital flight to be avoided, thus preventing the exhaustion of currency reserves. This put Uzbekistan in a more advantageous position in comparison, for example, with Russia, Kazakhstan and a number of other states of the former USSR where due to premature liberalization, favorable conditions were created for the sale for next to nothing of vitally important objects of the national economy to national and foreign investors and for the uncontrolled outflow of significant amounts of currency. The far-sighted policy of Uzbekistan allowed gold and foreign currency reserves to be maintained according to international requirements, at the level of an amount equal to three-four months of imports.

At the same time, the market distortions which created the overvalued exchange rate and other measures of administrative influence on the economy restrained the process of the development and reform of the national economy, and became the reason for the decrease in efficiency of utilizing the limited material, labor and financial resources. The level of efficiency of utilization of investment resources in Uzbekistan lags noticeably (with respect to the **ICOR** coefficient by 2-3 times) behind the level of the dynamically developing countries of the world. The growth of the share of savings, foreign borrowings and other measures for the mobilization of investment resources is ineffective in these conditions, and without the elimination of market distortions can lead only to a decrease in the living standard of the population and to growth of the external debt.

This conclusion is corroborated by the analysis of tendencies in the sphere of consumer prices and incomes of the population. Although the prices for a number of socially important goods remained rather stable, our research has shown that their general level was determined not by the official rate, but mainly by the rate of the parallel market. Keeping the artificially overvalued official rate over a long period in rather stable conditions led to a sharp increase in exchange rate variation from 1.5-2 times within October 1996-October 1998 to 4-5 times from the end of 1998 to the beginning of 2000. Due to the implemented additional measures on liberalization of the currency market and the restriction of credit and monetary issue, the significant lag between official and unofficial rates was reduced, and by the end of 2003, both were unified at the level of about 1000 UZS per USD.

The currency regulation policy being conducted restrained the development of the export potential of the country. The total amount of export for three years alone (1997-1999) fell by 26.5% or, in recalculation per capita, from 200 USD in 1996 down to 133 USD in 1999. Currency restrictions complicated the participation of small and private business in the sphere of foreign trade activities. Despite the privileges available for exporters, among 2000 representatives of this sector² surveyed in 2002, only 3% of those interviewed were engaged in exports.

The previous regime of foreign currency regulation represented a mechanism of latent redistribution of income from one commodity producer, branch and category of the population to another. It was inconsistent with the principle of equal conditions and opportunities for domestic and foreign commodity producers. Our calculations for branches of the real sector have shown that some sectors of the Uzbekistan economy suffered losses because of this, especially the field of agriculture, which employs a significant part of the working population.

Generalizing the above, it is worth noting that it is practically impossible to summarize all the advantages and losses caused from the policy conducted in the pre-liberalization period into a single unified indicator, because the indicated results varied according to the duration of the expected consequences and not all of them can be quantitatively estimated.³ One thing is clear: that the initial goals and tasks of the currency policy as a whole have been achieved and now many things will depend on decisions regarding foreign cur-

² «Delovaya sreda v Uzbekistane glazami predstaviteley malogo i srednego biznesa». International finance corporation, 2003. (www.ifc.org/pep)

³ A number of researchers and organizations have tried to estimate the total results of such policy. An example is the report of the World Bank regarding Uzbekistan, № 19626 of 25.08.1999 "Uzbekistan: obzor sotsialnihi i strukturnih reform". According to estimations involved there, the trade sector (5% of GDP-Table 22, page22) and import substitutes manufactures(2.7%) had the most advantageous position, while the largest losses were sustained by the enterprises of extraction sector (-2.4%) and agriculture (-2.6%). However, such estimations reflect only the direct result of the impact of currency policy, while indirect and long-term effects (for example from the improvement of infrastructure) can have a substantial impact on the prospective growth rates of the economy. Other evaluations of results for the banking sector, capital flows and economy as a whole are represented in the article of C.Rosenberg, M.de Zeeuw «Welfare Effects of Uzbekistan's Foreign Exchange Regime», IMF Staff Papers, Vol.48, №1, 2001.

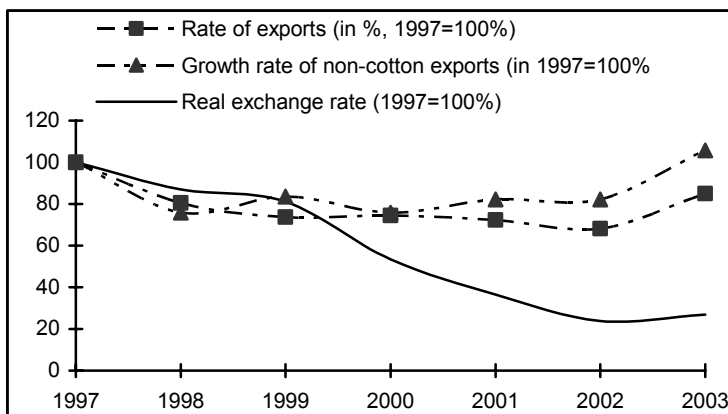
rency regulations and on the coordination of UZS devaluation rates with the parameters of other economic policies.

The mechanism of influence of currency regulation on macroeconomic dynamics

In many respects, the final effect of the influence of a currency policy on macroeconomic dynamics is defined by the sensitivity of exports, investments, inflation and other key macroeconomic indicators to the dynamics of the exchange rate and by conditions of access to the currency market. The characteristic property of the impact of the currency policy on key macroeconomic indicators was that concurrently with the official foreign currency market there was also a parallel currency market, which had arisen due to the established restrictions on access to currency resources and the requirement for the compulsory sale of currency proceeds. As a result, until the end of 2003 the following exchange rates simultaneously impacted on the economy: the rate of the CBU, the OTC rate, the rate of the exchange offices, and the parallel (unofficial) rate. The first three of these were under centralized control, while the unofficial rate reflected conditions of supply and demand in the parallel market, and was formed under the influence of a large number of factors.

In particular, the devaluation of the official rate had an appreciably destabilizing influence on the entire economy through such monetary and technological interrelations, as: the rise in price of components and materials imported by joint ventures; →the growth of the cost price of production; the fall in output→; the rise in prices for the production of joint ventures; the growth of the cost of maintenance on foreign credits→; the deterioration of the financial position of commercial banks; the exacerbation of the budget deficit→; credit/monetary emission→; the rise in prices and non-payments; and the deterioration of the investment climate. In turn, the rise in prices caused by these and other reasons (for example, centralized increases of prices for major kinds of resources, raw materials, transport tariffs, housing and communal services) accelerated the process of the devaluation of UZS on the parallel market. As a consequence, the prices for imported consumer production grew and the purchasing power of the average salary was reduced, leading to restraint in the population's demand and decline in the growth rates of the economy.

Graph 2.2. Dynamics of Real Exchange Rate and Exports for 1998-2003 (1997 = 100%)



Note: calculations of real exchange rate made on the basis of CPI, world inflation level (3-4% per year) and rate of devaluation of UZS.

At the same time, the devaluation of the national currency in conditions of the liberalization of foreign trade objectively facilitates the growth of exports and raises competitive capacity in prices for domestic goods. The analysis of tendencies of last few years in the dynamics of rates and prices shows that high rates of devaluation of UZS provided more favorable conditions for exporters, as testified to by the fall in the real exchange rate (see Graph 2.2). However, this did not in any way influence exports, which did not merely fail to grow, but actually fell by almost 40% for the period from 1997 to 2002. Therefore, the rate policy had limited opportunities for the stimulation of exports. This was explained primarily by the low diversification of exports, the

prevalence of centralized export deliveries contained within them, the insufficient interest of manufacturers of such goods in conditions of governmental purchases and the lack of development of marketing services.

An econometric analysis of the quarterly time series of parameters of exports and exchange rates for 1998-2002 determined that there is a segment in the structure of export – non-cotton commodity export – whose change in value was somewhat interconnected to changes in the dynamics of the parallel exchange rate. However such interrelation on the whole was poor, because the devaluation of UZS, for example by 30% under conditions of an unchanging level of internal and world prices, would lead to the increase of average non-cotton export by only 8-10%. Thus, the coefficient of elasticity was evaluated 0.25-0.3, which testifies to the lack of development of the market mechanism in the field of foreign trade and the necessity of its further liberalization.

A similar analysis of inflation dynamics has shown, that the conditional-equilibrium (or indicative) rate, which is determined as the weighed average of the official and unofficial rates, is one of the factors which formed the dynamics of consumer prices within the last few years. The intensity of its influence on CPI was characterized by a coefficient of elasticity equal to 0.10. For comparison – by the “monetary aggregate” factor, the evaluation of the coefficient was 0.22, while for the factor “manufacturer’s prices” - 0.16, “salary” - 0.05, and

“inflationary expectations” - 0.09. A decrease in the rate of UZS devaluation was observed in 2003, further reducing the contribution of this factor to the growth in prices. In 1999-2002 it accounted for one third and more of the total growth of consumer prices, while in 2003 according to our calculations, it decreased to 5% while the annual growth of CPI was 9.4% (year to year evaluation).

As is shown above, the unofficial rate of UZS influences the real income of the population, and through this, the purchasing power of salaries, the expenditures and savings of the population, investments and GDP. An econometric analysis of the quarterly dynamics of key macroeconomic indicators for 1996-2002⁴ illustrated (see Table 2.1.) that the exchange rate difference (ratio of unofficial rate to official) played a key role here. The increase in this gap by 10 points resulted (other things being equal) in a decrease in growth rates of real salaries

on average by 3.5 points. Taking into account, that the said gap reached 5-6 times in 1999-2000, it is possible to conclude that the insufficient level of real income of the population, savings and private investments in 1997-2001 in many respects had been predetermined by the unfavorable dynamics of the exchange rate. At the same time, during the econometrical analysis at the macrolevel in the period under review direct interrelations between rate dynamics and budgetary incomes, investments and other macroeconomic indicators were not revealed. Obviously, a significant role belongs to indirect interrelations and also to the shadow sector, the regulation of which was considerably linked with the dynamics of the unofficial rate.

Analysis of the first response of the economy to the foreign currency liberalization in Uzbekistan

The necessity for the liberalization of the currency market is corroborated by the experience of development of a large number of countries in the world with different levels of rate distortions. As is shown in Table 2.2, there is a reverse correlation between GDP growth rates and the value of the excess of the unofficial rate over the official one (rate difference). If such an excess is insignificant (the first group of 22 countries from 72 sampling countries), then the majority of these countries (13 countries or 60% of total number) have growth rates of real GDP per capita higher than 4%, while the remaining 40% of the countries – from 0% to 4%. More than half of those countries, where the unofficial rate significantly exceeded the official one (the 3rd group of countries), had negative GDP growth rates, or less than 2%. Thus, stable valuations, summarizing the results of development of a large group of countries, demonstrate that as rate distortions grow, the GDP growth rate tends to decrease and vice versa.

World experience gives a number of examples of an increase in the pace of economic development resulting from the initial stage of the liberalization of the economy, where the liberalization of the currency market played the key role.

Of significant interest for Uzbekistan is the experience of Vietnam, where since 1989 a complex

Table 2.1. Elasticity Coefficients of Single Indicators of Macroeconomic Dynamics, Determined by the Results of Econometric Analysis of the Quarterly Report for 1995-2002

Dependent variable	Factors	Reliability valuation (P-val)	Elasticity valuation
Budget revenues	Exports	0.05	1
	Incomes of employed	0.01	3
Wages	Imports	0.00	1
	Rate difference	0.00	-3.5
Unofficial rate	Imports	0.02	1
	Foreign investments	0.00	2
Investments	Exports	0.00	12
	WPI	0.00	-4
Imports	Exports	0.00	4
	Unofficial rate	0.01	-5

Note: Valuations of elasticity show how much the value of dependent variables will increase (in percentage points) when the factor grows by 10 perc.points. For example, when devaluation of the unofficial rate of UZS increased by 10 perc. points, growth rates of imports (line 5), decreased on average by 5 perc. points, which was typical for the period under report (1995-2002).

Table 2.2. Ranking of Countries by Level of Economic Growth (in percent from total number of countries in corresponding groups)

	1 group	2 group	3 group
Economic growth, average annual	With low rate difference	With middle rate difference	With high rate difference
Negative	0	0	3,8
0-2%	13.6	13.0	48.1
2-4%	27.3	30.4	29.6
4-6%	22.7	39.1	18.5
More than 6%	36.4	17.4	0
Total:	100	100	100

Source: IMF, World Economic Outlook 1993, Washington DC, 1993, p. 51/

Note: Low, medium and high rate difference between official and parallel currency exchange rates determined on the basis of allocation of values into three groups on the basis of increment. There were 22 countries with low, 23 countries with middle and 27 countries with a high rate difference between official and unofficial rates.

⁴ Its principal results are stated in S. Chepel's article «Makroekonomicheskie aspekti ukreplenia natsionalnoy konkurentosposobnosti v epohu globalizatsii», Economicheskii vestnik Uzbekistana, №10, Tashkent 2003.

program for economic reforms has been carried out,⁵ involving price liberalization, the abolition of subsidies for commodity producers, the separation of the bank system from the state budget, i.e. its preferential crediting at the expense of the budget, the liberalization of trade and the reform of currency regulation, including, since 1989, the transition to a free floating rate. As a result, in 2-3 years, there was a sharp improvement in all key macroeconomic indicators: the growth rate of GDP amounted to 5.6% in 1989, rising to 8.6% in 1992 and 9.5% in 1995; the value of exports increased from 1.9 bn. USD in 1989 up to 2.6 bn. USD in 1992 and 5.3 bn. USD in 1995; the volume of foreign investments grew from 100 mill.USD in 1989 to 535 mill.USD in 1992 and 2420 mill. USD in 1995. Although over the first two years there was a rapid depreciation of the national currency (from 4300 D/USD in 1989 up to 11200 D/USD in 1991) over the following years the rate stabilized from 10600 to 11200 D/USD, which became the precondition for general macroeconomic stabilization. This provided rapid growth not only of exports, but also in all sectors of the economy and primarily in industry (13-14% average annual growth rates in 1992-1995 versus 2.3% in 1988 and -2.8% in 1989) and services (7-11.5% vs. 5% respectively).

Similar results were also achieved by India, which initiated reforms connected to liberalization and development of the private sector and growing openness of the economy in the beginning of the 1990s.⁶ One of the main lessons of the reforms of the Indian economy shows that the positive consequences of liberalization of the currency market can be essentially strengthened if measures on the liberalization of trade are undertaken simultaneously with the establishment of necessary conditions for involving the private sector in foreign trade activity. An analysis of the results of the liberalization of the Indian economy demonstrates that a decrease in non-tariff barriers by 50% was equivalent to an additional growth rate of GDP of 1.5% per annum, the creation of a large number of workplaces, the growth of exports, and a decrease in the level of poverty. A little bit earlier, in the 1980s, positive results from the liberalization of the economy as a whole were achieved in Chile⁷ and in a number of other countries.

If one approaches the evaluation of development prospects for Uzbekistan from this position, then the past year, 2003, becomes a new reference point. In this year the process of unification of UZS rates was completed, providing for its internal convertibility. A number of restrictions and interdictions in the currency market and also in foreign trade operations were abolished. Among them -- the interdiction against the purchase of foreign currency by trading-intermediary organizations, the interdiction against purchasing currency at the expense of borrowed funds, restrictions on advance payments under import contracts and also requirements for granting guarantees from foreign banks, restrictions on noncommercial transactions and the interdiction of payments in favor of non-resident third parties under import contracts and a number of others. The procedures and paperwork necessary to apply for the convertibility of UZS proceeds at the OTC were greatly simplified. The consideration period for such applications was shortened to three days. The amount that resident individuals are permitted to export was increased to 2000 USD. The preliminary registration of import contracts in AFER was abolished. All this has created more favorable conditions and preconditions for the elimination of the inequality in the access of various participants of the market to currency resources, engaging small and private business in the sphere of foreign trade activities, and overcoming other problems and disadvantages of the tight currency regulation which was previously in place.

Are these measures enough for overcoming the problems considered above, and when should one expect the first results of the liberalization of the currency market in Uzbekistan? In this connection, turning to the preliminary results of the first quarter of 2004, it is possible to make the following conclusions. The dynamics of single macroeconomic indicators demonstrates (see Graph 2.3) improvement in some directions of the economy since the establishment of the internal convertibility of UZS. The appreciable growth in consumer goods production and in industry (Graph 2.3a), and the further decrease of the inflation rate (Graph 2.3b) testifies to this. If one compares the first quarter of 2004 to the corresponding period of 2003 it is necessary to note the improvement in the dynamics of GDP, goods and passenger turnover, retail trade turnover, exports and imports.

At the same time, the achieved results are not yet completely stable. The trajectory of the dynamics of industrial output in particular testifies to this. If from the beginning of 2000 there was a tendency towards increase in the growth rates of industrial production (from 5% up to 8% by the end of 2001), then this dynamic had unstable characteristics, and by the beginning of 2003 they had fallen to 4%. Even more unstable were the trajectories of the parameters of export-import (Graph 2.3c) which fluctuated about zero with increasing amplitude towards the end of the period under report.

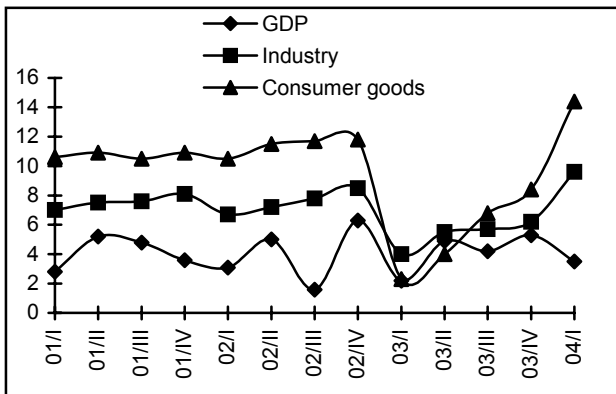
⁵ Modeling and simulation of macroeconomic systems: use of quantitative models for analyzing macroeconomic reform policies with application to China, India and Vietnam. United Nations Escap, New York, 1997.

⁶ Raja J. Chellian. Economic reform strategy for the next decade. Economic and political weekly. Delhi, India, Sept.4, 1999.

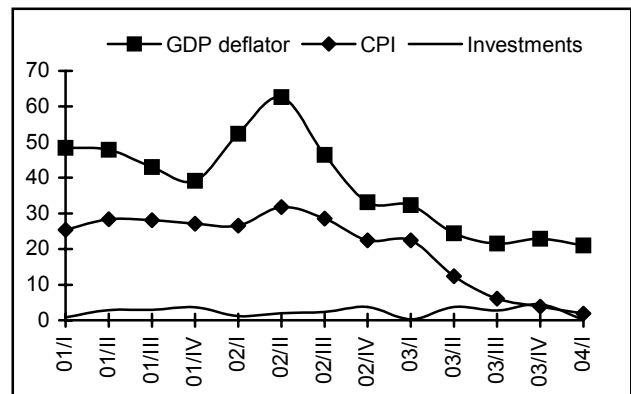
⁷ R.French – Davis & oth. Trade liberalization and growth: the Chilean experience, 1973 – 89. In book "The National Economic Policies of Chile" Connecticut: I.A.I. Press, 1985.

Graph 3. Dynamics of Single Macroeconomic Indicators Before Introduction of UZS Internal Convertibility (III quarter of 2003) and in Later Period (% of growth quarter to quarter of corresponding year)

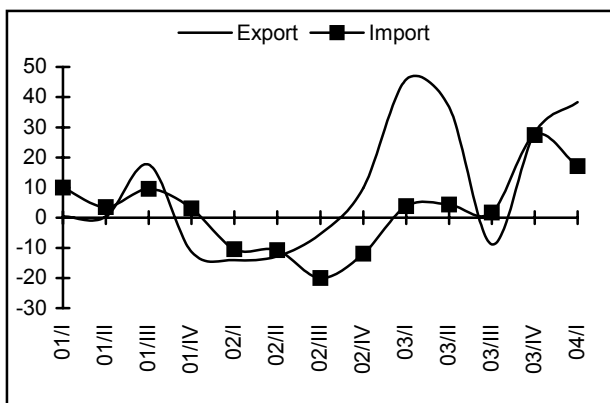
a) Production dynamics



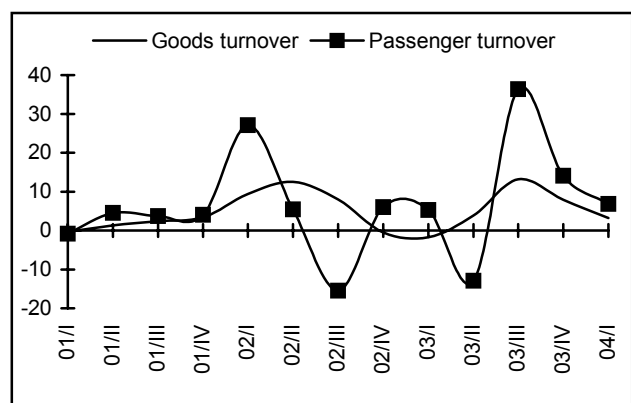
b) Macroeconomic stability and investment activity



c) Foreign economic activity



d) Passenger-and goods turnover



Source: author's calculations based on the data of Economic trends and expert evaluations.

Prospects for sustainable economic growth in many respects are defined by tendencies in the sphere of investment processes. As is apparent from the nature of trajectories of corresponding macroeconomic indicators (Graph 2.3b), since the middle of 2002 there has been a steady trend towards a decrease in the level of prices, according to both the CPI indicator, and the indicator of the GDP deflator.

The same tendency was also maintained in the first quarter of 2004, a fact which should have promoted improvement in the investment climate. At the same time, the growth of investment activity expected in this case did not take place. The dynamics of investments into the economy had an unstable nature, varying in the period under report within a range from 0.5% (by growth rates in the current quarter to the corresponding quarter of the previous year) up to 4.5%. The principal causes were a low share of private investments in the structure of investment resources by their source, and a lack of development of the banking sphere, primarily in the accumulation of savings and their transference into the real sector of economy. Growth of investment activity was also restricted, despite the growth in total level of prices (primarily consumer ones), by the factor of remaining high growth rates in tariffs for power consumption and transportation, in prices for fertilizers, metals, gasoline (including the impact of the tax system), custom services costs and other expenditures connected with the development of the real sector of production. Thus, the qualitative analysis of preliminary results of the functioning of the economy in conditions of liberalization of the currency market does not allow for the simple appraisal of this step's influence on macroeconomic dynamics.

The results of the research do not give convincing proof of the importance of the impact of currency liberalization on the macroeconomic dynamics of single indicators according to the statistics of the last two quarters of the period under review (Table 2.3).

The obtained results were most likely determined by the insufficient length of the postliberalization period. As the world's experience, and primarily the experience of Vietnam, show, at least 1.5-2 years are necessary for the consequences of currency liberalization to be fully reflected in macroeconomic dynamics. Only at the end of this period will it be possible to make conclusions on the effectiveness and completeness of the measures for currency market liberalization implemented at the end of 2003.

Table 2.3. Equations of Correlations of Single Macroeconomic Indicators, Obtained on the Basis of Quarterly Dynamics for 1 quarter 2000 - 2004

Dependent (analyzing) variable	Factors			Additional parameters	Statistic criteria		
	Name	Value	P-val		R2	DW	AIC
GDP	Exports (-3)	0.017	0.06	AR(1) MA(1)	0.67	2.1	2.57
GDP	Investments	0.41	0.00	AR(2) MA(2)	0.83	2.4	2.11
Industrial output	Imports (-3)	0.11	0.00	AR(2) MA(1)	0.82	2.1	2.20
Exports	Industrial output(-2)	0.03	0.00	AR(1) MA(2)	0.61	2.00	8.19
Consumer goods production	Imports (-2)	0.29	0.01	AR(3) MA(2)	0.67	2.01	4.67
Consumer goods production	Average salary	0.06	0.09	AR(2) MA(3)	0.52	1.60	4.95
Imports	Exchange rate	-0.20	0.00	AR(1) MA(3)	0.59	1.91	7.28
Investments	GDP	0.76	0.01	AR(1) MA(1)	0.74	2.28	2.67

Principles of forming the new strategy of currency regulation and general economic measures

At the same time, the world's experience also evidences that currency market liberalization in itself will not allow all the problems in currency regulation considered above to be solved. The positive macroeconomic effect from such a step can be achieved only in the case when the internal converting of UZS is followed by other measures for the further liberalization of the economy and the transition to a new strategy of currency regulation. Thus it is necessary to proceed from the definition, that the principal result of liberalization of the currency market is to establish the necessary potential preconditions for the restriction of the shadow sector and price and rate distortions, and the transition to economic growth on a qualitatively new basis (due to the growth of efficiency, the increase of the role of the private sector and the attraction of direct foreign investment). The realization of these potential opportunities and preconditions will demand primarily the following:

- the implementation of necessary measures for further decreasing the tax burden on commodity producers and the population, and for changing methods of assessment in order to bring them into accord with international standards and temper the inequality in tax burden distribution;
- the elimination of superfluous restrictions against the participation of small and private businesses in foreign trade activity, decreasing trade barriers and implementing other measures for the liberalization of foreign trade, in order to facilitate the increase of the sensitivity of exports to the devaluation of UZS at a real rate;
- the simplification of procedures for obtaining credit by small and private entrepreneurs and the involvement of the assets of the population, currently being used mainly in the shadow sector, into the investment process (expanding the sphere of applying mortgaging obligations in obtaining credits, simplifying procedures for estimating the population's assets, etc.).

The above-mentioned analysis of the results of the old currency regime shows, that overcoming the macroeconomic problems and disadvantages which it created will require a transition to a new strategy of currency regulation, the basic features of which should be:

- predictability (informing entrepreneurs, the population, investors and other subjects of the economy of the parameters within the limits of which the government is planning to adjust the exchange rate of UZS for each next financial year. This will facilitate a decrease in investment risks and an increase in trust towards the current economic policy);
- flexibility (on-line reaction to internal and external changes within the limits of the declared parameters);
- focus on the development of an export potential (maintenance of a moderate excess of UZS devaluation rates over the inflation indicator);
- interlinking to parameters of other economic policies (for example, to price policy, when a rise in purchasing prices for cotton in conversion to dollars at a previously declared rate provides for the real accompaniment of internal prices up to world prices within the nearest 3-4 years).

Accordingly, the criteria for the evaluation of the quality of the next steps for the intensification of economic liberalization should be changed. Such parameters as the growth of production in the real sector of economy, the growth of the share of small and private businesses in foreign trade, the growth of the share of private investments and the inflow of direct foreign investment in the structure of investment resources, the improvement of efficiency indicators at the macroeconomic level, and the outstripping growth of the export of finished products should be considered of primary importance.

3. The Interbank Market of Monetary Resources of the Republic of Uzbekistan

Ravshan Mirzakalonovich Khaydarov

The interbank market, being one of the most important segments of the financial market, facilitates the effective placement of bank investments in the real economy by means of fast and effective redistribution of the funds accumulated in the banking system. As a consequence, the functioning of the interbank market affects the total volume and effectiveness of investments and is extremely important to the economy from the point of view of making investment decisions and, ultimately, achieving economic growth.

The well-adjusted functioning of the interbank market, being the foundation of any modern banking system, eases the banks' access to necessary resources, facilitates an increase in the volume of transactions, and decreases the need for the support of additional resources, letting the banks work more efficiently and with lower expenses. Any banking system is prone to liquidity fluctuations. An operating interbank market not only eases the banks' functioning, but also alleviates manifestations of market instability generated by unforeseen acute needs for liquid resources, ensuring the stability and steadiness of the banking sector with respect to unforeseen circumstances.

In the Republic of Uzbekistan, the issues of development of the real sector of the economy and support of small-scale business have been raised to the level of a public policy, at which commercial banks are entrusted with tasks in connection with their funding. The degree of participation of each bank in these processes is directly connected with the level of management of its resource base. On the other hand, the level of the bank's liquidity and profitability depends on the effectiveness of management of its own assets and liabilities.

The banks participate in the interbank market with a view to placing temporarily available assets, and to attracting resources in order to secure banking operations and their liquidity. The interbank market facilitates redistribution of spare monetary resources between sectors of the economy and the business entities that are in greatest need of them and have the highest profitability. In order to fulfill the listed functions, a developed interbank market is necessary. At this point it is necessary to specify that the given article is only about the interbank market of monetary resources in the national currency of the Republic of Uzbekistan.

On the interbank market, resources are usually presented in the following forms, in particular:

- interbank credits;
- interbank deposits;
- remainder funds on corresponding accounts;
- centralized credit resources intended for development of priority directions in the economy and placed through authorized banks;
- centralized credit resources, distributed via auctions.

Commercial banks turn to the interbank market, for the most part, in the following cases:

- in order to fulfill the norms of reservation, established by the Central Bank of the Republic of Uzbekistan (hereafter – the Central Bank);
- in order to attract funds for credit operations and investment projects;
- in order to maintain current liquidity (also for reinforcement of cash);
- in order to conduct arbitration.

Current State of the Market

The overall results of 2003 show that the economic policy of the Government of the Republic of Uzbekistan, directed at the further reinforcement of macroeconomic stability, has had a positive effect on the Republic's banking sector. A review of the growth dynamics of the banking sector by the example of commercial banks – participants of the All-Republic Rating of the Interbank Rating Company "Ak-hbor-Rating" – shows, that within one year, the capitalization of Uzbek banks has noticeably grown. As a result, 4 private commercial banks, which earlier belonged to the group of small-scale banks, have switched to the group of medium-scale banks. Positive growth dynamics can also be observed in such parameters as assets, loans, investments and deposits (Table 3.1).

Table 3.1. Dynamics of Changes in Aggregate Indicators of the Banks – Rating Participants, 2002 – 2003, in %

Banks	Assets	Joint-Stock Capital	Loans	Investments	Deposits
All Banks	105	111	111	113	117.9
Large-Scale Banks	103.6	109.3	109	112.6	119.2
Medium-Scale Banks	133.9	142.8	179.5	149.8	112.3
Small-Scale Banks	82.8	82.4	158.9	No	72.9

Growth dynamics also surpassed the level of inflation, which amounted to 3.8% in 2003. One can see from Table 1 that within the reporting period, the best indicators belong to the medium-scale banks, which increased their volume of joint-stock capital and active banking operations.

In our opinion, the analyzed banks are experiencing an insufficiency of resources, mainly at the end of the reporting period. One can presume, that the need for resources increases on the threshold of the day of depositing the required reserves in the Central Bank. Also, the following trends can be observed:

- large-scale banks, mainly, participate in the interbank market in order to maintain their current liquidity or to place temporarily available monetary resources;
- branches of large-scale banks provide each other with resources, transactions for which are conducted in accordance with instructions from a head bank;
- small-scale banks participate in the interbank market, mainly, with a view to attracting additional resources for their current operations.

It should be noted, that some of the small-scale banks are suppliers of resources for the market. But their contribution to the interbank market is not so significant. Other banks conduct arbitrage operations, speculating in interest differences.

The interbank market developed in the mid-90s, owing to the Central Bank's participation in the market as the principal supplier of funds. The Central Bank, using market mechanisms placed monetary resources by means of conducting credit resources auctions. The conducting of interbank operations is regulated by the Procedure for Conducting Credit Resources Auctions in the Republic of Uzbekistan, approved by the Central Bank, under # 41, of April 20, 1996. The auctions were conducted on the base of the Uzbek Republican Currency Exchange (hereafter – the UzRCE), where transactions were concluded with the use of the Exchange's Information-and-Dealing System. It is worth noting the market's technical facilities: by means of the Central Bank's Electronic Funds Transfer System, all the payments related to interbank operations are carried out within a short period of time.

However, the conclusion of transactions at the UzRCE for the banks also created certain inconveniences. Biddings were conducted outside of the bank, during a short period of time, and there were multi-stage procedures for obtaining admittance to exchange biddings. It took at least 6 days to grant or to obtain an interbank credit. In 2000, on the UzRCE's trading grounds, only two interbank credit transactions were concluded, and since 2001, after the suspension of participation of the Central Bank in credit auctions, the biddings at the UzRCE have practically ceased. That year the share of interbank credits amounted to only 2.5 – 3.0% of the total volume of deposits in the national currency. In some CIS countries the given indicator is much higher – for example, in Ukraine it is 8.2%, and in Belarus – 10.2% (1).

An analysis of the structure of the banks' deposit portfolio shows that the share of bank deposits ranks last on the list in significance (Table 2).

Table 3.2. Structure of the Aggregate Deposit Portfolio of Commercial Banks

Type of Depositor	Deposits, in %				
	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
Banks	1.83	6.8	9.9	10	8.52
Legal Persons	53.78	40.6	32.2	27.6	29.78
Physical Persons	4.47	13	15.3	16.2	21.69
Other	39.92	39.6	42.6	46.2	40.01
Number of banks, whose data were used*	21	24	23	26	28

Although the total number of the Republic's banks within the dates indicated exceeded 30, the summarized assets of the given banks amounted to over 90% of the whole banking sector.

On the interbank market, mutual relations between the banks are formalized by general agreements on common conditions of

the execution of interbank operations on the monetary market. In accordance with the given document, the banks provide each other with more detailed information on their financial condition, including:

- the balance of accounts and calculation of norms for the last reporting date;
- the list of correspondent banks (LORO and NOSTRO accounts)
- annual reports.

The conditions of conclusion of transactions (interest rates, the volume of resources, terms of contracts) are determined separately for each concrete case, by means of conducting negotiations via telephone and fax of the "Reuters Dealing" dealing system. It should be noted that not every bank has the given high-priced system. While formalizing transactions, the SWIFT system and the Central Bank's modem connection are also used. After having concluded the agreement, up to the end of its term, the borrowing bank provides the

lending bank with its balances, income and loss statements, as well as reports on compliance with economic norms, as of the first of each month.

The Central Bank participates in the interbank market, granting or attracting temporarily available monetary resources. If the term of the Central Bank's credit granting depends on the goal and purpose of the credit, then the term for depositing the banks' funds in the Central Bank usually does not exceed 4 weeks. The level of interest rates of the Central Bank does not exceed the level of interest rates of the interbank market.

The volume of investments on the interbank market depends on the bank's scale. For example, for small-scale banks this indicator varies within the range of 25 to 100 mill. soums. But there are examples of their attracting resources at the rate of 300 mill. soums at a time. For large-scale banks the volume of operations amounts to at least 300-500 mill. soums. In addition, branches of one head bank may exchange their resources. The volume of the given sector of the market is comparable with the operations of small banks.

We will review the current condition of the interbank monetary market with an example of the activities of commercial banks of the Republic during the first quarter of the current year.

An analysis of the aggregate balance of the banks as of 12/31/03 shows that the remainder balance of interbank deposit accounts amounted to 92.0 bn. soums (Table 3.3). At the same time, on-demand deposits accounted for 14.0% of the total amount of interbank deposits while the share of fixed-period deposits was 86%.

Table 3.3. Dynamics of Interbank Deposits with Breakdown by Type of Deposit

Type of Deposit	Deposits, Bn. Soums				
	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
Bank Deposits	3.8	23.6	54.3	98.7	92
On-Demand Deposits	3.3	11.1	6.4	14.1	12.9
Savings Deposits	x	x	x	x	x
Fixed Period Deposits	0.5	12.5	47.9	84.6	79.1

Table 3.4. Structure of Interbank Fixed-Period Deposits as of 3/31/04, in the Context of the Terms of Their Placement

Type of Deposit	Volume (%)	By Terms of Placement in Months (%)			
		Up to 1	From 1 to 6	From 6 to 12	Over 12
Fixed-Period Deposits,	100	33.2	57.9	7.9	1
Including those in groups of					
large-scale banks	57.2	44.78	67.5	29.21	100
medium-scale banks	41.7	54.42	31.64	66.29	0
small-scale banks	1.1	0.81	0.86	4.49	0
Total	100	100	100	100	100

If one were to study the structure of interbank deposits, then large-scale banks would account for 87.85% of all expenses, medium-scale banks for 11.85%, and small-scale banks for 0.3%. As is obvious, the large-scale banks group took the most active part in the interbank market in order to attract additional resources. (Table 3.4)

The banks have granted considerably fewer interbank credits, in comparison with interbank deposits. The total remainder balance of interbank credits as of 3/31/04 amounted to 24.5 bn. soums. Of this amount, large-scale banks accounted for 54.4% and medium-scale banks for the rest (45.6%).

The average rate of interbank credits for the period under review varies, substantially, from 5% to 18% per year. It usually does not exceed the Central Bank's refinancing rate. Rates of interbank deposits fluctuate within the limits of 15% per year on average, and of interbranch operations – 5%.

It is noteworthy that the bulk of interbank credits in the first quarter of the current year were granted for a period over one year. It is necessary to note that credit arrears occurred during the given period, due to 5 banks, mainly from the large-scale bank group. For some interbank transactions, interest rates have been set within the limits of the Central Bank's refinancing rate. Nothing of the kind, especially on such a scale, was ever observed before. It is also necessary to note that some banks, especially from the small-scale bank group, prefer to place a considerable part of their credit resources on the interbank market, which is understandable. Banks are, for the most part, the most reliable and solvent borrowers. In addition, the given group of borrowers adheres to transparency in their activities to a greater extent than other participants of the market. The function of the Central Bank, constantly monitoring observance of the norms of safe activities by commercial banks, also plays a certain part.

The banks regulate the risk of non-return of funds by limiting the credit risk per borrower. The maximum rate of risk for banking creditors should not exceed 5% of level 1 capital. Overnight operations are an exception – for them the limit can be set within 25% of the bank's capital. Transactions with a bank exceeding the limits that have been set for that bank are subject to pledged security. Highly liquid and easily marketable

securities are used as security for interbank credits. At the same time, the creditor bank should accept as credit security any securities with a sufficient, at least 25%, excess of the pledge's value over the credit's value, depending on the liquidity and period of redemption of the securities. In cases of REPO operations, the margin should be at least 10%. This difference should be set depending on the period of time remaining until redemption of the pledged securities. The nearer the term of redemption, the bigger the difference should be.

On the basis of the presented data, one can say that at present in the Republic, on the whole, a part of the interbank market is functioning – the deposits market. Although the volume of deposit operations has been increasing from year to year, the interbank market does not yet sufficiently function as a tool for the redistribution of available resources between banks. In addition, the interest rates of monetary funds are based on the Central Bank's or GKO's refinancing rate, which does not always reflect the real market interest rate created by the demand and supply on the interbank monetary market. As a result, banks do not always effectively manage their assets. For example, in the banks' correspondent accounts by the end of 2003 there were funds, whose ratio amounted to 38% of the grand total of term liabilities (with time of execution under 1 month) and termless liabilities. Our banks have high levels of liquidity even by international banking standards, which is reflected in the reduction of the banks' profitability.

The cardinal problems obstructing development of the interbank market can be combined into 3 groups:

- evaluation of the level of liquidity of the borrowing bank;
- insufficient information;
- organizational and technical issues.

On an unorganized market, it is practically impossible to obtain reliable information on market average credit (deposit) interest rates in the context of standard terms, or on the volume and terms of placed (attracted) funds. In addition, the insufficiency of information of a factual and analytical nature makes it difficult to conduct a full analysis of the financial condition of a potential borrowing bank. As a consequence, small-scale banks, which are in great need of the cheap resources of the interbank market, do not have easy access to this market. In addition, the conclusion of contracts by means of concluding general agreements eliminates efficacy in conducting interbank operations, strips the market of its transparency, and imposes the use of non-market mechanisms in forming interest rates. The existing situation impedes free movement of capital in the banking system, banking income decreases, and the bank's liquidity management is hampered. Private businesses that have not obtained credit resources from a servicing bank due to insufficient means also suffer from this.

In the Program for Successive Stages of Banking System Reforms for the period of 2003 – 2004 (hereafter – the Program), approved by the Republican Banking Council in June of the current year, as well as in Resolution #547 of the Cabinet of Ministers of the Republic of Uzbekistan of December 15, 2003, the necessity of improving the normative base for the functioning of the interbank market, as well as the creation of systems of market indicators and electronic bidding on the interbank monetary market have been pointed out.

In order to fulfill the set objectives it will be necessary to solve some organizational, legal and technical issues, such as:

- Creation of a mechanism for setting the average interest rates of the interbank market;
- Development of a package of normative documents for regulation of the interbank market;
- Development of software and creation of technical conditions that would allow market participants to have remote access to stock exchange biddings;
- Creation of an integrated system for providing banks with information, allowing realistic assessment and minimization of the risk of non-return of borrowed funds.

Prospects of Development of the Interbank Market of Uzbekistan

One way of providing the market with information regarding the average statistical interest rates for interbank credits (deposits) is the adoption of national indicators of the interbank market of monetary resources.

The indicators of the interbank monetary market are widely used in international banking practice. Some of the best known are the LIBOR interest rates, announced by the Association of Banks of Great Britain. According to these rates, banks borrow monetary resources from other banks. Also participants in the financial markets of Frankfurt (FIBOR), Tokyo (TIBOR), Hong Kong (HIBOR) and others have similar rates. In addition, comparable rates are also used in the financial markets of Russia and Kazakhstan.

The main advantages of the use of financial indicators lie in the following:

- they are, in a way, a summarizing result of marketing research aimed at determining average statistical interest rates for interbank credits;

- they offer fixing by the largest number of terms for placement of monetary funds;
- they are internationally understood indicators;
- they are widely used on the interbank monetary market;
- the mechanism, according to which they are calculated, is open and clear to everybody;
- the banks which belong to the calculation system have a high credit rating.

Uzbekistan does not yet practice establishing average statistical interest rates of the interbank market of monetary resources. In addition, the banks are in need of reliable and accessible information on the financial condition of potential borrowing banks. There are no unified norms for the conclusion of interbank agreements.

The indicators offered can be calculated by the Association of the Banks of Uzbekistan, which would be playing the part of “index” indicators of short-term interest rates. The calculated indicators are presented to commercial banks free of charge. The banks included in the base of index calculation (market-makers) are chosen by the Association, with the Central Bank’s consent, on the basis of their reputation and the level of activity on the interbank market. These banks should follow the Central Bank’s norms and draw up a market balance. Every workday, the banks submit their quotations to the Association, which performs and publishes their fixing for the national currency – the soum. At the same time, the banks are not obliged to buy or sell monetary resources at the rates they have announced. In order to unify the calculations of average statistical interest rates, it is necessary to develop a Standard Procedure for formation of indicators of the interbank market of monetary resources (hereafter – the Procedure). The conditions of a bank’s participation in formation of the national indicator of the interbank market demonstrate its authority and financial standing. Market-makers should preliminarily sign the Memorandum of formation of indicators of the interbank market of monetary resources (hereafter - Memorandum). The Memorandum describes the rights and obligations of each bank. They should abstain from actions that would be capable of causing damage to the interests of banking as a whole and to other individual market-makers. In order to increase the authority of the given documents, it would be worthwhile coordinating them preliminarily with commercial banks and the Central Bank.

However, the creation of a national indicator does not fully solve the issues of development of the interbank market. In particular, it is necessary to improve the normative base that regulates the interbank operations of the banks on the monetary market. For example, at present the banking community feels a need to develop an electronic interbank market of short-term monetary funds. That requires working out new normative documents and regulating the activities of banks on the interbank monetary market, while also conducting electronic biddings. This could be the Code of conducting operations by banks on the interbank market of monetary resources. The code would include documents for the formation of average market interest rates of the monetary market. Secondly, it would standardize the organization and the order of participation of banks in the interbank market, and the disclosure of information on the borrowing bank. The procedure for conducting biddings, with the enumeration of the rights and obligations of each participant of the market; and the order of carrying out settlements and insurance of transactions would be established.

While conducting interbank operations, the established value of interest rates very largely depends on the volume and terms of concluded transactions and those being concluded. Here a big part is played by the Central Bank which, when necessary, interferes in the interbank market in order to regulate the interest rates of the monetary market, attracting or placing credit resources in the market.

In order to analyze the level of solvency of a potential borrowing bank, the banks require information on:

- the volume and terms of attracted and placed funds;
- its credit capacity rating;
- the current condition and dynamics of changes in the indicators, characterizing its financial standing.

A specialized stock exchange or organization supporting the system of electronic biddings on the interbank market, can – in the performance of its duty – provide information on the volume and terms of attracted placed monetary funds. The credit capacity rating is calculated by a specialized rating company. Also, the banks can on their own assess the risk of non-return of monetary funds on the basis of analysis of the financial activities of their partners. For this reason they are in need of reliable information on the activities of their potential partners. In Russia this issue is solved by means of the creation of interbank analytical centers for the exchange of financial information, where participants receive access – as an additional service – to analytical reviews, and the author’s methods of analysis of the banks’ financial condition. For example, in Russia the Internet site Banklist.ru (<http://www.banklist.ru/>) is operating. It is aimed at the creation of a Unified Informational and Analytical Center for Russian commercial banks. The project’s objective is to provide commercial banks with various and reliable financial information about one another and to ensure its effective analysis. These measures are aimed at increasing the mutual confidence of Russian banks while operat-

ing on the financial market. The site was started through the initiative of the Association of Russian Banks with support of the Central Bank of Russia.

Foreign experience shows that for more precise forecasting of the level of interest rates, banks also need information on such factors as:

- the daily remainder on the correspondent accounts of the banks at the Central Bank;
- returns of REPO operations;
- the volume of funds that the banks are placing in the Central Bank in the form of deposit;
- interest rates of the Central bank on the monetary market;
- the balance of operations of the Central Bank with the banks regarding the attracting and placement of monetary resources;
- contract dates.

For example, the Central Bank of Russia is planning to publish a clean position of its budget a week in advance, with daily updates of this information based on the results of operations being conducted. That would allow fluctuations in the rates of interbank credits to decrease and the situation for the nearest future to be forecasted in a relatively precise manner.

In our opinion, all these innovations should be applied stage-by-stage, taking into account the peculiarities of the national market. At the same time, it is necessary to concurrently organize and conduct measures aimed at developing modern methods of analysis of the financial standing of the borrowing bank, determining tendencies of development of the interbank market, and providing advanced training of banking specialists and analysts.

4. The Impact of Uzbekistan's Accession to the WTO in the Framework of the Partial Equilibrium Model

This article is the second in a series focused on the analysis of the economic impact of the anticipated accession of Uzbekistan into the World Trade Organization (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: Sergei Chepel and Marina Katanova, who were supported on behalf of the Uzbekistan Economic Reform Project by Vernon Roningin, Dean DeRosa and 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 contains brief descriptions of calculations of the effect of Uzbekistan's entry into the WTO, on the basis of the model of partial equilibrium of the economy. The model is traditional neoclassical and is based on 12 aggregated sectors of the economy of Uzbekistan, in accordance with the data from the System of National Accounts. The essay reviews two scenarios of entry into the WTO and calculates their short-term effects on the economy. The obtained results, on the whole, suggest that liberalization of trade regime by reduction of import duties and elimination of non-tariff barriers for imports will **not** lead – within a short-term period – to either considerable losses in tax proceeds from import duties, excises and VAT, or to any significant deterioration of the balance of payment. The highest growth of imports should be expected in the machine-building, foodstuffs, and consumer goods sectors. The highest benefits will be received by export-oriented sectors, agriculture and consumers.

Introduction

Entry into the WTO will require locking in the maximum rates for import duties to which WTO partners should agree. Naturally, upon Uzbekistan's entering the WTO, other countries will be striving to lower import duties in Uzbekistan to the minimum. At the same time, WTO rules stipulate the elimination of all non-tariff barriers to trade which are unjustified from the point of view of guaranteeing the life and health of the population. Precise regulation of all customs procedures is also stipulated, in order to prevent their use as hidden barriers to trade.

According to economic theory, the reduction of import duties facilitates economic growth. Reduction of trade barriers would make it possible to simplify customs administration, and weaken incentives for corruption and smuggling. Liberalization of trade along with supplemental institutional reforms provides a powerful stimulus to competition, innovations and new products and knowledge. It is even more important than the protection of domestic exporters from discrimination through WTO procedures. As to entry into the WTO, it can be regarded as a system process of such liberalization for Uzbekistan.

Import tariffs represent subsidies for domestic manufacturers in the form of higher prices, and bring additional proceeds to the state budget. However, economic theory has proven that in almost all cases domestic consumers of goods, for which an import tariff has been set, are losing much more than domestic manufacturers of the same goods and the state budget are gaining from the import tariff. The import tariffs result in so-called "dead weight losses" that worsen national welfare. The reduction of import duties for consumer goods would result in a reduction of their cost, which would allow the population to purchase more goods of various kinds.

Usually calculations of such stationary "dead weight losses", based on neoclassical equilibrium models of the economy, produce small numbers in the range of 0.5 to 2% of the GDP. For example, stationary costs of protectionism, created in a country with an average import tariff of 15% and below, would most likely not exceed 1% of the GDP¹.

However, the standard theory of protectionism underestimates a number of dynamic factors. The long-term practice of many developing countries has shown that the use of protectionism is very dangerous for the health of the economy, since it hampers the development of progressive institutions of society. Krugman² points out:

- Protectionism is often a source of international conflicts, and trade wars usually worsen the situation, as compared to the absence of protectionism.
- A country cannot protect all its goods against imports or subsidize all production. Protectionism takes away economic resources from other unprotected sectors of the economy.
- Protectionism is an ineffective response to failures of the market mechanism, as it creates additional distortions in the market and economic losses. In order to correct the "failures" of the market mechanism, direct interference of the government is necessary, which would be aimed directly at this correction.

¹ Panagariya A., 2002, Cost of protection: Where do we stand?, *American Economic Review*, (May), p.175-178.

² Krugman P.R., 2000, Is Free Trade Passe?, In: "International economics and international economic policy", ed. by P.King, 3-rd edition, (McGraw-Hill, Boston), pp. 19-29.

– Free trade is a simpler means for achieving positive results in an economy where the government's policy may be as imperfect as the market mechanism.

Description of the Model

The model of partial equilibrium of the economy, implemented on the basis of software VORSIM™³ has been designed for the calculation of changes in trade flows, state revenues, and the national welfare depending on the transformation of trade barriers. The models implemented on the basis of VORSIM™ have already been applied for a number of developing countries. The model's software, notable for its simplicity and convenience, is its major advantage.

The model is traditional neoclassical based on equilibrium assumption in foreign trade and can be used for tentative assessment of the short-term consequences of Uzbekistan's entry into the WTO. The statistical base for the model was 12 aggregated sectors of the economy (see Tables 1, 2), regarding which, at present, there is information on the input-output tables' coefficients for Uzbekistan's economy for 1996.

The model is focused on trade flows and does not consider equilibrium on the foreign exchange, labor, and commodity markets. It does not allow the calculation of changes in production and employment as a result of changing trade barriers or state subsidies. In principle, the model can be supplemented with simple formulas for the assessment of such changes in production and employment on the basis of calculated changes in trade flows.

The model also allows calculating the effects of the reduction of import duties for a concrete list of goods, which are or can become a subject of international negotiations and agreements within the WTO. However, the insufficiency of the statistical base and of sectoral research at the authors' disposal kept them from conducting calculations at such a level of detailedness.

The model also uses "input-output" tables. It gives an opportunity to track the effect of the price of a certain good on exports or imports in technologically conjugated sectors. The model's coefficients are calibrated on the basis of the data for the base period. Endogenous variables of the model are the demand for imports, supply of exports, import and export prices, trade balance and the real exchange rate of the national currency, obtained from the equilibrium condition of trade balance.

The model's main equations are as follows:

Imports equations

For import prices:

$$P_{mi} = [W_{pi} * (1 + Tri) * (1 + Vri + Eri) / Rer]^{(1-Nmi)} * [B_{pmi}]^{Nmi}$$

where:

P_{mi} – import prices variable (index)

W_{pi} – world prices variable (index = 1)

Tri – tariff rate for imports (%)

Vri – tax rate for value added (%)

Eri – excise tax rate for imports (%)

Rer – real exchange rate (index =1)

N_{mi} – variable, determining non-tariff barriers for imports (index in the range of 0 to 1)

B_{pmi} – base value of import prices for the imported product *i*.

Economic interpretation: the index of import prices is determined by the change in world prices (**W_{pi}** index) and import taxes. With their growth, the domestic import price rises, and vice-versa. The growth of imports, ceteris paribus, will be facilitated by an increase in the rates of devaluation of the soum (**Rer**). If for commodity *i* non-trade barriers are considerable (parameter **N_{mi}** close to 1), then, instead of the formula's left half, its right half becomes dominant, and the import price index is determined by the assigned parameter **B_{pmi}**.

Determining demand for imports:

$$M_{di} = constant_i * f_{di} * [P_{mi} - \sum_j (a_{ij} / g_{ij}) * P_{mj}]^{Ed_i}$$

where:

M_{di} – endogenous (a variable estimated in the model) demand for imports by *i*-th sector (million Soum, constant prices of the base period)

f_{di} – exogenous (assigned externally) variable of change (shift) of demand for imports (index =1)

a_{ij} – coefficient of direct costs, *i*-sector's costs of output of a production unit in sector *j*, (0 < **a_{ij}** < 1);

g_{ij} – variable of effectiveness of the use of costs (index = 1)

Ed_i – coefficient of elasticity of demand for imports (value < 0)

³ All the components of the model, as well as its program implementation and detailed description are available at: www.vorsim.com.

Economic interpretation: with a rise in import price, the volume of imports drops, and vice-versa. At the same time, the technological parameters (coefficients) a_{ij} take into account the effect on the import of products i of a change in import prices in the intermediate products of the sector j , which is technologically connected with sector i . A rise in the price of products of sector j purchased via imports, increases the costs of i products and decreases demand for them on the domestic market that switches over to imports.

Exports Equations

Determining Export Prices:

$$P_{xi} = [WP_i * (1 - Tx_i) / Rer]^{\alpha} (1 - Nx_i) * [Bpm_i]^{\beta} Nx_i$$

where:

P_{xi} – export prices for i -th sector

Nx_i – variable, determining non-tariff barriers for imports (index in the range of 0 to 1)

Tx_i – tariff rate for exports (%)

Economic interpretation is analogous to the interpretation of the equation for import prices.

Determining the value of exports supply:

$$X_{si} = constant_i * f_{si} * [P_{xi} - \Sigma_i (a_i / g_i) * P_{mi}]^{\epsilon_s}$$

where:

X_{si} – endogenous variable – supply of exports by i -th sector (mill. soums, constant prices)

f_{si} – exogenous variable of supply change (index =1)

ϵ_s – coefficient of elasticity of exports supply (value > 0)

The economic interpretation of equations for exports is similar to the interpretation of the equations for imports. The only difference is that positive values of elasticity coefficients determine the positive interrelation between the exports supply and the price, i.e. with a rise in prices of products of i , the exports of these products increases, and vice-versa.

The model has also been supplemented with an equation of equilibrium of trade balance and standard calculations for changes in the national welfare. We would like to remind the reader of the fact that the difference between the maximum price that the consumer is ready to pay for an additional commodity unit and its market price is called the consumer surplus. As to the producer's surplus, it is the difference between the market price of a unit of production and the minimum price, equal to marginal costs of production of the products, at which it makes sense to manufacture these products in the first place without incurring losses. The producer's surplus is regarded as the difference between the market price of a unit of production and the alternative cost of resources, used for its manufacture. In microeconomics, the national welfare is understood as the sum of the producer's and consumer surpluses, which is usually used as a measure of the benefit from the implementation of an economic policy⁴.

In such a form the model allows the consequences of adopting various scenarios to be forecasted. At the same time, one can assess changes in prices P_{mi} and P_{xi} , in volumes of exports and imports, in the value of balance of payments deficit or the value of devaluation of the soums required for its elimination; as well as the effects which result on the state budget, consumers and manufacturers. All of these indicators are endogenous variables of the model. Exogenous variables are formed within the framework of scenario options and include base assessments of exports and imports, tax rates for trade, coefficients of elasticity, coefficients of direct expenses, and a number of other parameters.

For some of the model's coefficients, expert evaluations of the Center for Effective Economic Policy were used. Averaged assessments of the World Bank for a number of developing countries were used as coefficients of elasticity of exports supply and imports demand. Evaluation of elasticities for Uzbekistan requires more detailed statistical information, which the authors do not yet possess. By virtue of all of these assumptions and simplifications, the results obtained and analyzed below are of a relatively provisional nature, as they do not fully consider the peculiarities of Uzbekistan's economy.

The complexity of preparation of an informational base for the model lies in the fact that each category of data is characterized by its level of elaboration of national statistical accounting, and has its own specific sectoral aspect of indicators and periodicity of drawing up reporting forms. For example, import tariffs are determined in the product-related aspect, while statistics on the gross output and wages are usually specified in the sectoral aspect. As to the indicators of the input-output tables, they are reflected in the aspect of so-called clean sectors. The information required for the model should correspond to the base period, antecedent to trade reform. However, the statistics on input-output tables are developed once every 2 or 3 years. In

⁴ See David Hayman, *Modern Microeconomics: Analysis and Application*, edit. By S. Valdaytsev, Vol. 1, M., "Finansi", 1992, pp. 161, 307, 310.

addition to the collection of statistical reporting documents, it is necessary to conduct research in order to study and assess the elasticity of the demand for imports and supply of exports under the conditions of Uzbekistan's economy for concrete goods.

Scenarios for calculation

Calculation was carried out based on two alternative scenarios of change in the parameters of trade policy. The model in principle allows calculating other scenarios that can be developed in the course of negotiations for entry into the WTO.

The liberal scenario differs from parameters of the base period in its lower final or so-called bounded import rates for all sectors, with the exception of agriculture (see Table 4.1). For agriculture, it is intended to increase the import tariff, since protectionism in this sector is not strongly restricted by the WTO's rules, and protection of this sector in Uzbekistan is considerably lower than in many industrial countries. Nonetheless, it is difficult to find economically justified arguments in favor of an increase of import tariffs for agricultural products from the point of view of the national welfare. In addition, within the framework of the given scenario the elimination of non-tariff import barriers in all sectors, except for agriculture, is assumed.

In the conservative scenario, on the contrary, bounded import tariffs have increased with respect to the base period. Additionally, in both scenarios the invariability of the currency exchange rate was assumed for two reasons. This allows looking into the "pure" effect of the reduction of tariffs, as the reduction of import tariffs would increase the demand for imports, which would facilitate a reduction in the cost of the national currency. With the depreciation of the soum, it is possible to secure significant protection for national manufacturers. It also appears that in the near future the government is heading for macroeconomic stabilization, and that the exchange rate will be stable, i.e. used as an "anchor" for inflation.

Results obtained

Within the framework of the liberal scenario (Table 4.2), the calculation shows a 3.7% growth of the volume of imports in constant prices. Imports increase to the greatest extent in the sectors of consumer goods production (by 17.3%), energy (by 21.7%), and construction materials (by 17.2%). The reduction of import tariffs would result in a slight decrease of budget receipts for the item "Import tariffs" by 5.5 bn soums.

At the same time as the growth of imports, exports grow as well, though to a lesser extent (by 2.2%), which is influenced by the reduction of prices for intermediate imports used in the production of exports. As a result, an insignificant increase in trade balance deficit takes place – of 2.6 billion soums (a negligible number in comparison to the GDP). The highest trade deficit will be present in the sectors of consumer products – 2.5 bn soums, machine-building – 1.2 bn soums, and construction materials – 1.1 bn soums (Table 4.2b).

As for the conservative scenario (Table 4.3a, b), it is characterized by a more moderate growth in the balance of payments deficit (to 1.6 bn soums); however, the producer's surplus for exporters decreases by 1.1 bn soums, and the national welfare is reduced by 1.1 bn soums.

Besides the scenario calculations, the model was used for the assessment of sensitivity analysis of exports and imports to the changes in import tariffs and prices throughout the economy as a whole. The calculation shows that the highest growth of imports is expected in machine-building and in the production of consumer goods. Export-oriented sectors and agriculture will receive the highest benefits. On average, a reduction in import tariffs of 1%, while maintaining non-tariff barriers and the exchange rate, leads to a growth in imports of 0.7%. At the same time, import tax proceeds into the state budget decrease by 1.4%. The national welfare grows by 549 mill. soums, of which the domestic producers' surplus accounts for 90%. If non-tariff barriers were also eliminated, then a reduction in import tariffs of 1% would result in a growth in imports of 1.9%, and exports – of 1.1%. The reduction of the state revenue from import taxes would amount to about 1.6%, but the national welfare would increase by more than one bn soums. Thus, the elimination of non-tariff barriers for trade would more than double the positive effects for the economy, compared to a simple reduction of import tariffs.

Moreover, on the basis of VORSIM™, an analysis was conducted of the sensitivity of imports and exports of 97 commodity groups⁵ calculating from the "average statistical" values of elasticities for some developing countries. The data were used from trade flows of Uzbekistan in 2001. The given calculation was conducted with the help of simplified methods, based on the direct computation of changes in trade, reasoning from the values of elasticity reported in some developing countries. The supply of exports and the demand for imports

⁵ according to the international classification of the Harmonized System of Tariffs and Trade

were also specified by simple functions with constant elasticity by groups of goods. In this version of calculation for each commodity group, only the values of elasticities extrapolated from the statistical data for some developing countries are assigned; while the values of constants in the equations are calibrated, calculated from the values of imports and exports for the base period for each commodity group.

This simplified calculation for 97 commodity groups has shown that with a fixed exchange rate of the soum, a reduction in all the import tariffs of 1% results in a rise in imports of 2.7%, and a reduction in the state revenue from import duties - of 1.2%. However, that would also lead to an increase in the consumers' surplus of 15 million dollars. With a more flexible system of exchange rates, correction of the trade balance would require depreciation of the soum's rate to the dollar by approximately 17%. At the same time, a reduction in all import duties of 1% would lead to a rise in imports of 0.7% and a decrease in state revenues collected specifically from import duties of 1.9%. However, in that case, greater incentive would be given to exporters, and the national welfare would improve by 18 mill. dollars, of which 14.4 mill. would pass onto the national producers' surplus.

Conclusion:

After a reduction in import tariffs, some narrow groups of the population may suffer. This refers to owners of capital and employees of import-substituting sectors that strongly depend on protectionism of the domestic market. It is necessary to strengthen the programs of employment, retraining of personnel, and social assistance to such unemployed. Meantime, the growth of export sectors and of the services sector would help create new jobs. Entry into the WTO would beneficially influence the attractiveness of Uzbekistan's economy to foreign investors, including the sectors of telecommunications and financial services, but it is difficult to assess this effect quantitatively. A more favorable investment climate would result in the growth of the economy, and some small tax losses on import duties can be offset with higher proceeds, first of all V.A.T., in the future from the growing economy.

The liberal scenario is characterized by a greater, but nevertheless insignificant deterioration of the balance of payments and reduction of budget proceeds. Consumers of imported products and exporters, whose well-being should improve, would find themselves in an advantageous position.

Thus, the results obtained, on the whole, show that liberalization of trade regime towards reduction of import duties and the elimination of non-tariff barriers for imports would not result either in great losses in tax receipts from import duties, excises and V.A.T, nor in significant deterioration of the balance of payments.

Table 4.1. Scenario Conditions of the Forecast's Options

Groups and Sectors	Liberal Scenario			Conservative Scenario		
	Change of Import Tariff Rates*	Index of Non-Tariff Barriers for Imports	Index of Non-Tariff Barriers for Exports	Change of Import Tariff Rates*	Index of Non-Tariff Barriers for Imports	Index of Non-Tariff Barriers for Exports
Chemical Industry	0.50	0.00	0.00	-0.4	0.40	0.00
Machine-building	4.70	0.00	0.00	-1.2	0.60	0.00
Production of Consumer Goods, Except Foodstuffs	8.70	0.00	0.00	-2.1	0.70	0.00
Production of Foodstuffs	6.40	0.20	0.20	-1.7	0.80	0.20
Transport and Communications	0.00	0.00	0.00	0	0.00	0.00
Fuel and Energy Complex	7.50	0.00	0.00	-0.3	0.10	0.00
Extractive Industries	3.00	0.00	0.00	-0.7	0.10	0.00
Production of Construction Materials	6.10	0.00	0.00	-0.5	0.00	0.00
Construction	0.00	0.00	0.00	0	0.00	0.00
Agriculture	-2.40	0.30	0.30	-2.4	0.20	0.30
Other Sectors	2.60	0.00	0.00	-0.7	0.10	0.00
Services	0.00	0.00	0.00	0	0.00	0.00

Note: * Change in import tariffs was calculated as the difference between the tariff for the base and the new periods, percentage points.

Table 4.2 (a). Results for the "Liberal" Scenario for Imports (Deviations from Base Values)

Groups and Sectors	For Imports											Of Consumers' Surplus
	Of Prices	Of Volume		Of State Revenues From Imports								
				Of Income from Im- port Tariff		Of Income from VAT		Of Income from Ex- cise		Of Total Income from Import Taxes		
	%	%	Milli. Soum	%	Mill. Soum	%	Mill. Soum	%	Mill. Soum	%	Mill. Soum	
Chemical Industry	-0.3	-2.1	-337.2	-8.8	-109.3	-3.0	-104.0	-3.0	-8.8	-4.5	-222.2	0.6
Machine-building	-1.6	2.3	1197.4	-21.4	-2147.8	-0.5	-59.5	-0.5	-9.2	-9.1	-2216.5	17.6
Production of Consumer Goods, Ex- cept Foodstuffs	-2.2	17.3	2817.5	-31.1	-1042.8	10.7	419.7	10.7	79.7	-6.8	-543.3	42.1
Production of Foodstuffs	-1.1	1.8	512.4	-42.4	-1772.0	-3.7	-238.4	-3.7	-32.2	-17.6	-2042.5	3.8
Transport and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuel and Energy Complex	-5.8	21.7	260.6	-30.4	-63.9	14.0	39.3	14.0	2.2	-4.4	-22.4	8.8
Extractive Industries	-2.4	1.9	224.3	-25.8	-345.3	-1.0	-27.7	-1.0	-1.0	-9.1	-374.0	2.8
Production of Construction Materials	-5.3	17.2	1123.1	-30.9	-297.0	11.8	177.6	0.0	0.0	-4.9	-119.4	36.1
Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture	1.8	-2.9	-395.5	22.2	282.0	-0.8	-22.7	-0.8	-1.0	5.9	258.3	-3.8
Other Sectors	-2.2	7.7	31.7	-28.7	-9.2	4.4	3.9	4.4	0.1	-4.2	-5.2	0.3
Services	0.0	-2.5	-7.4	0.0	0.0	-2.5	-1.5	0.0	0.0	-2.5	-1.5	0.0
TOTAL	-1.4	3.7	5426.9	-24.3	-5505.2	0.6	186.7	0.7	29.8	-8.7	-5288.7	108.3

Table 4.2 (b). Results for the “Liberal” Scenario for Exports and Trade on the Whole (Deviations from Base Values)

Groups and Sectors	For Exports					Of Total Income from Exports and Imports	Of Trade Balance	Of Producers' surplus	Of National Welfare	
	Of Prices	Of Volume		Of Income from Export Tariff						
	%	%	Milli. Soum	%	Milli. Soum	%	Milli. Soum	Milli. Soum	Milli. Soum	Milli. Soum
Chemical Industry	0.0	3.3	145.1	0.0	0.0	-4.5	-222.2	482.3	72.6	73.2
Machine-Building	0.0	0.3	16.1	0.0	0.0	-9.1	-2216.5	-1181.3	8.0	25.6
Production of Consumer Goods, Except Foodstuffs	0.0	6.8	355.4	0.0	0.0	-6.8	-543.3	-2462.1	177.7	219.8
Production of Foodstuffs	0.0	0.5	40.0	0.0	0.0	-17.6	-2042.5	-472.4	20.0	23.8
Transport and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuel and Energy Complex	0.0	2.6	61.3	0.0	0.0	-4.4	-22.4	-199.3	30.7	39.5
Extractive Industries	0.0	5.4	716.1	0.0	0.0	-9.1	-374.0	491.8	358.1	360.8
Production of Construction Materials	0.0	4.2	26.1	0.0	0.0	-4.9	-119.4	-1097.0	13.0	49.2
Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture	0.0	0.4	255.1	0.0	0.0	5.9	258.3	650.6	127.5	123.7
Other Sectors	0.0	9.6	833.7	0.0	0.0	-4.2	-5.2	802.0	416.9	417.2
Services	0.0	2.6	404.8	0.0	0.0	-2.5	-1.5	412.2	202.4	202.4
TOTAL	0.0	2.2	2853.7	0.0	0.0	-8.7	-5288.7	-2573.2	1426.9	1535.3

Table 4.3 (a) Results for the “Conservative” Scenario for Imports (Deviations from Base Values)

For Imports	For Imports											Of Consumers' Surplus
	Of Prices	Of Volume		Of Government Revenues From Imports								
				Of Income from Import Tariff		Of Income from VAT		Of Income from Excise		Of Total Income from Import Taxes		
		%	%	Milli. Soum	%	Milli. Soum	%	Milli. Soum	Milli. Soum	Milli. Soum	Milli. Soum	
Chemical Industry	0.2	-0.3	-41.2	5.1	62.8	0.3	11.0	0.3	0.9	1.5	74.7	0.0
Machine-Building	0.4	-0.7	-354.8	5.2	525.9	0.1	16.0	0.1	2.5	2.2	544.4	-1.1
Production of Consumer Goods, Except Foodstuffs	0.5	1.5	237.9	13.2	441.4	4.5	176.0	4.5	33.4	8.1	650.8	-1.4
Production of Foodstuffs	0.3	0.0	1.1	11.8	492.2	1.7	109.0	1.7	14.7	5.3	615.9	-0.1
Transport and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuel and Energy Complex	0.2	-0.5	-5.6	1.2	2.6	-0.2	-0.6	-0.2	0.0	0.4	2.0	0.0
Extractive Industries	0.6	-0.7	-83.6	5.7	76.0	0.0	0.8	0.0	0.0	1.9	76.8	-0.2
Production of Construction Materials	0.4	-1.0	-65.7	2.4	23.0	-0.5	-8.1	0.0	0.0	0.6	14.9	-0.2
Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture	1.8	-2.2	-298.7	23.1	293.3	0.0	-1.1	0.0	0.0	6.6	292.2	-2.9
Other Sectors	0.6	-0.7	-2.7	8.7	2.8	0.4	0.4	0.4	0.0	2.6	3.2	0.0
Services	0.0	0.6	1.6	0.0	0.0	0.6	0.3	0.0	0.0	0.6	0.3	0.0
TOTAL	0.5	-0.4	-611.6	8.5	1920.1	0.9	303.6	1.3	51.5	3.8	2275.2	-5.8

Table 4.3 (b) Results for the “Conservative” Scenario for Exports and Trade on the Whole (Deviations from Base Values)

Groups and Sectors	For Exports					Of Total Income from Exports and Imports	Of Trade Balance	Of Producers' Surplus	Of National Welfare	
	Of Prices	Of Volumes		Of Income from Export Tariff						
	%	%	Milli. Soum	%	Milli. Soum	%	Milli. Soum	Milli. Soum	Milli. Soum	
Chemical Industry	0.0	-0.9	-38.3	0.0	0.0	1.5	74.7	2.9	-19.1	-19.1
Machine-Building	0.0	-0.1	-4.3	0.0	0.0	2.2	544.4	350.5	-2.1	-3.2
Production of Consumer Goods, Except Foodstuffs	0.0	-23.4	-1215.4	0.0	0.0	8.1	650.8	-1453.3	-607.7	-609.1
Production of Foodstuffs	0.0	-0.9	-65.5	0.0	0.0	5.3	615.9	-66.6	-32.8	-32.8
Transport and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuel and Energy Complex	0.0	-0.2	-5.6	0.0	0.0	0.4	2.0	0.0	-2.8	-2.8
Extractive Industries	0.0	-0.9	-124.7	0.0	0.0	1.9	76.8	-41.1	-62.3	-62.6
Production of Construction Materials	0.0	-0.6	-3.5	0.0	0.0	0.6	14.9	62.2	-1.8	-1.9
Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture	0.0	-0.3	-207.1	0.0	0.0	6.6	292.2	91.6	-103.6	-106.4
Other Sectors	0.0	-5.1	-446.1	0.0	0.0	2.6	3.2	-443.4	-223.1	-223.1
Services	0.0	-0.6	-86.9	0.0	0.0	0.6	0.3	-88.5	-43.4	-43.4
TOTAL	0.0	-1.7	-2197.4	0.0	0.0	3.8	2275.2	-1585.8	-1098.7	-1104.5