



## The Role Of Export Diversification In Providing Sustainable Economic Growth

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### ABSTRACT

Sustainable economic growth is the key to a prosperous life. Therefore, the country is paying more and more attention to attracting large investments, increasing the pace of production and thereby strengthening the export and import processes. This is because efficient and high-quality production is a key indicator of economic growth. As a result, the country will be able to export its products to foreign markets and improve the balance of payments.

This article also discusses the role of exports and its diversification in the sustainable economic growth of our country.

### KEYWORDS

Sustainable economic growth, efficiency, import, export, export diversification, goods and services, foreign trade turnover, etc.

### INTRODUCTION

It is known that in our country there is a growing interest in integration in order to increase production, modernize, widely use new innovative technologies and attract foreign investment. Indeed, today

Uzbekistan's integration into the world economy has begun to function as a multi-level system. As a result, our country has an active balance of payments. It should be noted that the importance of the balance of payments in

the country is one of the most important factors in the welfare of the population. We know that the economy is regulated by 2 types: internal and external economic methods. External economic regulation has a direct impact on a country's economic relations with the outside world through special tools and incentives. Measures to stimulate the export of goods, services, capital and scientific and technical achievements, change customs duties in foreign trade, measures to attract or limit foreign capital in the country's economy, export crediting, guarantee of foreign investment and export credits, the introduction or lifting of restrictions on foreign economic relations, the attraction of foreign labor to the country, participation in international economic organizations and interstate associations are the main means of regulating foreign economic relations of countries.

### **MATERIALS AND METHODS**

It should be noted that export diversification, which is one of the measures to stimulate exports, plays an important role in economic growth. Diversification (Lat. *Diversi fi catio* - change, diversity) is the expansion or renewal of the range of activities and products of an enterprise or association. Diversification is also done for the purpose of achieving high

efficiency, economic benefits, and the elimination of bankruptcy. With regard to export diversification, this means expanding the list of goods and services sold abroad, eliminating the large share of individual goods or services (especially raw materials) in total exports, expanding the geography of exporting countries. ensures the stability of the volume, reduces the level of sensitivity of the national economy to adverse changes in foreign markets. Diversification of the export structure will also increase the number of joint ventures, develop small business and private entrepreneurship, create new jobs, increase foreign exchange earnings from exports, reduce production costs and, consequently, improve the living standards of the population. Our country is also improving the composition and quality of exported products.

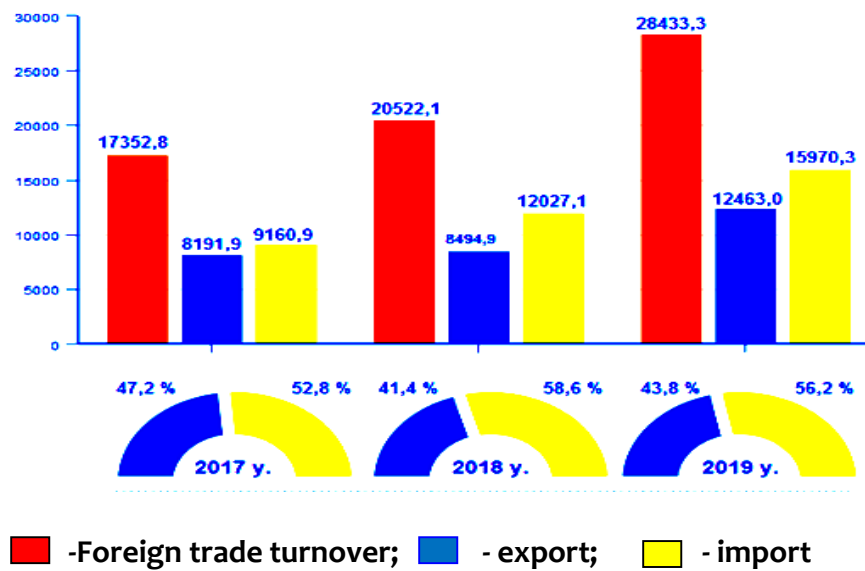
### **ANALYSIS**

If we look at the figures, over the past three years, the volume of imports in the foreign trade turnover of the country in January-August was higher than exports. However, while exports in 2019 increased by 2.4% compared to 2018, they are smaller than in 2017. However, the country's foreign trade turnover last year amounted to about 28433 million US dollars. This is a positive shift compared to previous years. (Diagram 1)

Diagram 1

### Dynamics of foreign trade turnover of the Republic of Uzbekistan

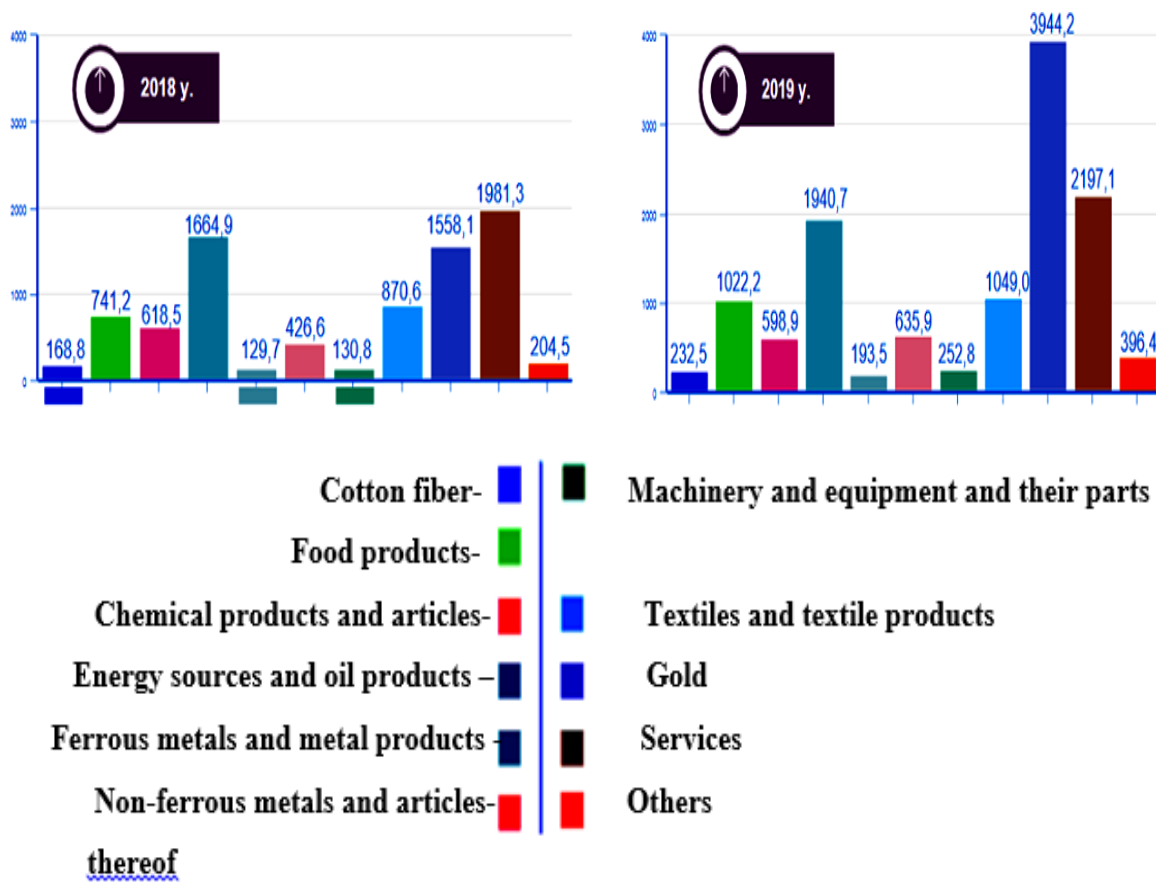
January-August, mln. USD, share%



2-diagram

Export structure of goods and services

January-August, mln. USD, share%



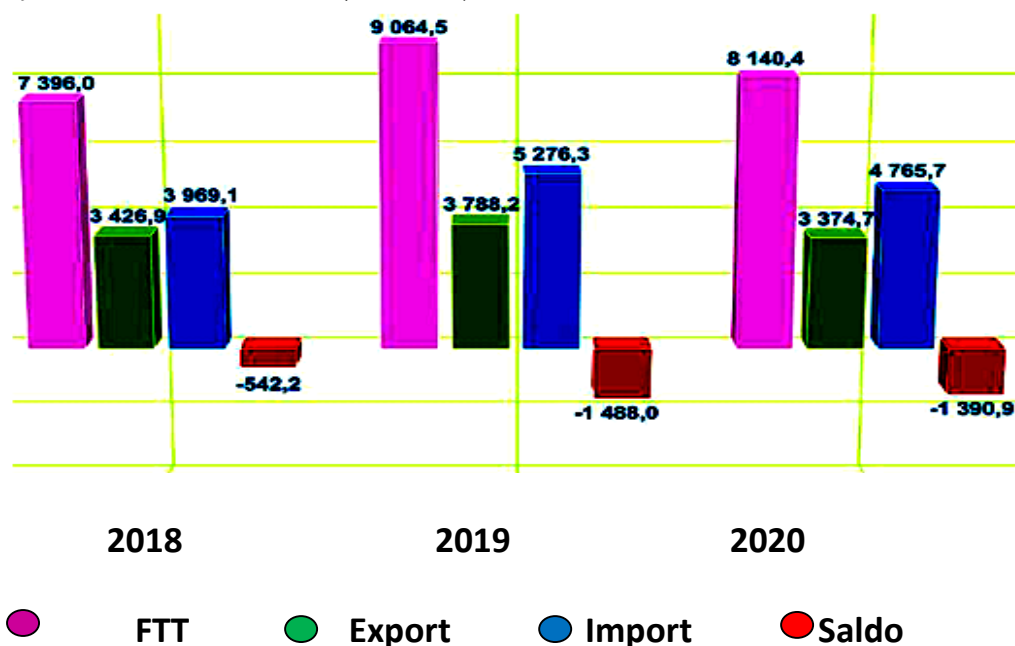
It is clear from the above diagram 2 that in 2019, the volume of exports of businesses engaged in the export of goods and services amounted to 12 463.0 mln. USD (growth rate compared to the same period in 2018 is 46.7%). In the structure of exports, the share of goods

is 82.4%, which are mainly energy sources and petroleum products (15.6%), textiles and textile products (8.4%), food products (8.2%), non-ferrous metals and articles thereof (5.1%) and chemical products and articles (4.8%). It should be noted that food products, especially

agricultural products, have a small share. After all, while our country is a country that specializes mainly in the cultivation of agricultural products, the low volume of exports of its products is a bit unpleasant. Therefore, increasing the quantity and type of products and finding the country of demand should be one of the most important issues. However, these figures are a collection of pre-disaster data, called coronaviruses. However, the pandemic has affected all countries whose economies are in turmoil. The current coronavirus (COVID-19) pandemic, which has spread to almost every country in the world, has led to the closure of state borders, despite the decline in international integration. Admittedly, the coronavirus (COVID-19)

pandemic has been one of the worst crises facing the Uzbek economy, which has recovered since the collapse of the Soviet Union. This situation had a negative impact on the growth of the country's GDP and led to a decline in employment, welfare and incomes of citizens, and even the closure of some manufacturing enterprises, a temporary shortage of food.

This has had a significant impact on the countries' foreign trade. In particular, at the end of January-March 2020, the foreign trade turnover of the republic (FTT) amounted to 8140.4 mln. USD, which is 924.1 mln. USD more than in the corresponding period of 2019. USD or decreased by 10.2%.



However, despite the global economic downturn caused by the coronavirus pandemic, Uzbekistan is projected to be one of the two countries in Europe and Central Asia to show economic growth in 2020. Looking at the analysis, GDP growth in the first half of 2020 was almost zero, while in the first half of 2019,

the figure was 5.8 percent. During the same period, investments in fixed assets decreased by 12.8%. Unemployment rose sharply from 9.4 percent in the first quarter of 2020 to 15 percent in the second quarter. Increased gold production and growth in agriculture have helped offset the sharp decline in industry and

services. The reduction in remittances and the expansion of the foreign trade deficit led the current account deficit to 7.7% of GDP in the first half of 2020. Exports fell by 22.6% (natural gas, metals) during the same period due to disruptions in the global supply chain, contractions and falling prices for major products. Imports fell by 15 percent due to a sharp decline in the volume of machinery, equipment and semi-finished products imported from abroad. Low state budget revenues and high anti-crisis spending in the

first half of 2020 led to a budget deficit of up to 5% of GDP. Therefore, annual GDP growth is expected to be 0.4% to 0.8% this year.

This is significantly lower than in 2019 - 5.6%. At the same time, Uzbekistan and Tajikistan will become the only countries in Europe and Central Asia to have a positive GDP growth in 2020 (Table 3). According to World Bank analysts, if quarantine is not re-introduced in the country, Uzbekistan's GDP growth in 2021 is projected at 4.8% to 5.0%.

**Table 3**

**Economic growth forecasts for Europe and Central Asia**

(real GDP growth at market prices (%), unless otherwise stated)

	2017	2018	2019	2020p	2021p	2020p	2021p	Changes in the forecast for June 2020. (percentage points)	A negative scenario of economic development in 2021.
<b>Albania</b>	3.8	4.3	2.2	-8.4	5.0	-3.4	-3.8	<b>3.0</b>	
<b>Armenia</b>	7.5	5.2	7.6	-6.3	4.6	-3.5	-0.3	<b>3.1</b>	
<b>Azerbaijan</b>	0.2	1.5	2.2	-4.2	1.9	-1.6	-0.3	<b>1.1</b>	
<b>Belarus</b>	2.5	3.1	1.2	-2.8	-5.5	1.2	-6.5	<b>-6.4</b>	
<b>Bosnia and Herzegovina</b>	3.2	3.7	2.6	-3.2	3.0	0.0	-0.4	<b>1.5</b>	

<b>Bulgaria</b>	3.5	3.1	3.4	-5.1	3.9	1.1	-0.4	<b>3.2</b>
<b>Croatia</b>	3.1	2.7	2.9	-8.1	5.9	1.2	0.5	<b>5.4</b>
<b>Georgia</b>	4.8	4.8	5.1	-6.0	4.0	-1.2	0.0	<b>3.0</b>
<b>Hungary</b>	4.3	5.1	4.9	-5.0	4.5	0.0	0.0	<b>1.5</b>
<b>Kazakhstan</b>	4.1	4.1	4.5	-2.5	2.5	0.5	0.0	<b>1.0</b>
<b>Kosovo</b>	4.2	3.8	4.2	-8.8	3.7	-4.3	-1.5	<b>1.7</b>
<b>Kyrgyz Republic</b>	4.7	3.8	4.5	-5.5	4.8	-1.5	-0.8	<b>3.0</b>
<b>Moldova</b>	4.7	4.3	3.6	-5.2	3.5	-2.1	-0.5	<b>1.5</b>
<b>Montenegro</b>	4.7	5.1	3.6	-12.4	6.9	-6.8	2.1	<b>4.8</b>
<b>Northern Macedonia</b>	1.1	2.7	3.6	-4.1	3.6	-2.0	-0.3	<b>2.6</b>
<b>Poland</b>	4.9	5.3	4.1	-3.9	3.5	0.3	0.7	<b>0.2</b>
<b>Rumina</b>	7.1	4.4	4.1	-5.7	4.9	0.0	-0.5	<b>4.7</b>
<b>Russian Federation</b>	1.1	2.5	1.3	-5.0	2.8	1.0	0.1	<b>1.0</b>

<b>Serbia</b>	2.0	4.4	4.2	-3.0	2.9	-0.5	-1.1	<b>1.5</b>
<b>Tajikiston</b>	7.6	7.3	7.5	1.6	3.7	3.6	0.0	<b>1.6</b>
<b>Turkey</b>	7.5	3.0	0.9	-3.8	4.0	0.0	-1.0	<b>1.0</b>
<b>Ukraine</b>	2.5	3.3	3.2	-5.5	1.5	-2.0	-1.5	<b>1.0</b>
<b>Uzbekistan</b>	<b>4.5</b>	<b>5.4</b>	<b>5.6</b>	<b>0.6</b>	<b>4.8</b>	<b>-0.9</b>	<b>-1.8</b>	<b>2.9</b>

Judging by the above information, it is certainly gratifying. However, much remains to be done to stabilize economic growth. It should be noted that in the last two years, the geography of exports has expanded to 50 countries and reached 140. 120 new types of products were exported. The share of finished products in exports was 56%, and regional industrial exports increased by almost 1.7 times. However, the export potential of our country is still not fully used. At the meeting with the President on February 6 this year, it was noted that "it is necessary to diversify the composition of export-oriented products, to increase the share of non-raw materials in exports to at least 60%." To this end, instructions were given to develop a national export strategy of the Republic of Uzbekistan for 2019-2025.

### CONCLUSIONS AND SUGGESTIONS

In conclusion, given the current situation, the main directions for the effective use of export potential in improving the competitiveness of our economy are:

- ✓ Provision of production with modern, innovative and advanced technologies in

order to increase the share of finished products and services in exports;

- ✓ Increase the number and improve the activities of enterprises with foreign investment in the export of finished products and services;
- ✓ Encourage the participation of small business and private entrepreneurship in exports, create the necessary conditions;
- ✓ Development and consistent implementation of a coordinated program of measures aimed at the effective use of export potential in each sector and region, etc.

Prioritizing and prioritizing these areas will ultimately help the country make full use of its export potential and increase the competitiveness of its economy.

Indeed, the liberalization and expansion of the economy, the stabilization of the foreign exchange market, the rapid development of small business and private entrepreneurship and industry are the key to economic growth.

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