

IMPORTANCE OF A STRATEGIC SECTOR WITH EXPORT POTENTIAL IN THE FIELD OF AGRICULTURE IN UZBEKISTAN

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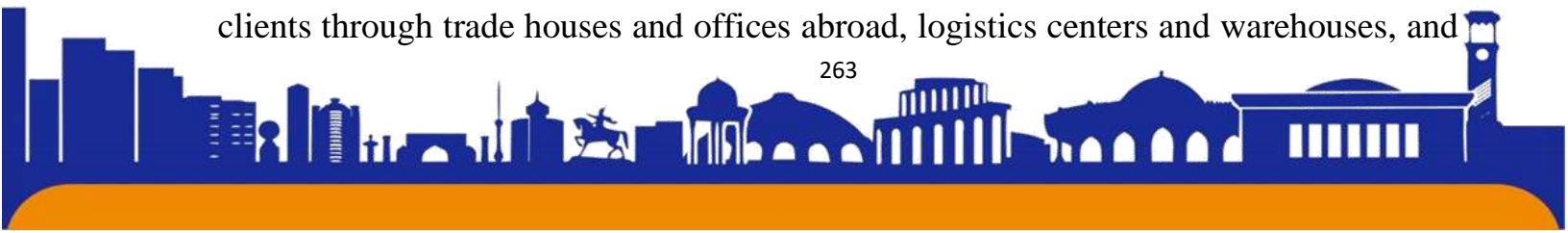
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Annotation: The article opens with significant role of a strategic sectors with export potential in agriculture. It is obvious that Agriculture represents a strategic economic activity for Uzbekistan. Moreover, in the article the agricultural export statistics of Uzbekistan in recent years and other relevant information are cited.

Key words: raw resources, export potential, trade-related services, expansion of agrifood, capacity, geographical diversification, consulting services.

Over the past ten years, Uzbekistan has experienced significant economic development, which has been fueled in part by expanding international commerce and shifting export composition. Even while the export of processed commodities is gradually surpassing that of raw resources, commerce is still mostly concentrated. The government wants to boost the export potential of the private sector, particularly SMEs, in order to continue lowering its exposure to unpredictable commodity prices and to broaden the range of export markets. For Uzbekistan, agriculture is a key economic activity. It contributes over 27% of all employment and 17% of Uzbekistan's GDP (Pugach & et al., 2016; UzStat, 2017b). Cotton cultivation has historically dominated the industry, but more recently the government has attempted to diversify the industry into produce that can be exported, particularly food. Raw cotton and textiles have decreased from 77% of total exports in 1995 to 19% in 2015 (OEC, 2017a). Exports of food products consist mainly of fresh fruits and vegetables, with processed products still playing a marginal role[1]. In 2015, exports of fresh fruit and vegetables amounted to USD 492 million, 8.4% of total exports, while processed food only accounted for 0.78% of exports and a total value of USD 42.6 million (OEC, 2017a).

In 2016, the government founded Uzagroexport, an international trading business for fresh and processed produce. It offers market research, connections with overseas clients through trade houses and offices abroad, logistics centers and warehouses, and





commerce and trade-related services to promote agricultural SMEs' exports. Uzagroexport ships goods in accordance with agreements reached with farms, agrofirms, processing companies, and other business entities. By functioning as a producer organization and ensuring the quantity and quality of the exported products, the firm does positively contribute to the expansion of agrifood product exports (Uzagroexport, 2017). However, a monopolistic organization with such high levels of centralization runs the danger of denying SMEs the chance to export and work with overseas partners directly. In June 2017, in an attempt to boost production and exports by agribusiness SMEs and entrepreneurs, a presidential decree removed the monopoly of Uzagroexport on the export of fresh fruits and vegetables abroad (Ferghana, 2017). This could improve the access to foreign markets as well as the competition conditions for other firms that wish to export. However, food exports face several barriers, including complex and time-consuming procedures for customs clearance, the lack of knowledge and capacity to enter foreign markets outside Central Asia, and insufficient storage facilities and refrigerated trucks.

Exporters also face limited availability of financing and an incomplete system of export insurance, which, contrary to international practices, does not provide assistance in the case of damage to goods during transport (CER, 2016). The geographical diversification of agricultural exports remains limited. Kazakhstan represents the largest market for Uzbekistan's fruit and vegetable products, accounting for 67% of total food exports, followed by the Russian Federation (17%) and Afghanistan (5%). Taken together the Eurasian Economic Union member countries account for about 86% of food exports[2]. Only 1.9% of Uzbekistan's total food exports are exported to the European Union, partly because of certification issues. However, the European Union is a trading partner with great potential, as demand for fruits and vegetables has been increasing. Between 2010 and 2014, European imports of peanuts rose by 59% in USD terms, dried fruits by 44%, watermelons and melons by 24%, and grapes by 19% (Olimkhonov, 2017). All of these products are currently produced by Uzbekistan. In order to benefit fully from the opportunity offered by the EU and other export markets, Uzbekistan needs to increase its export promotion activities in agriculture to ensure that Uzbek products can access target markets, and to enhance their image and reputation beyond Central Asia.

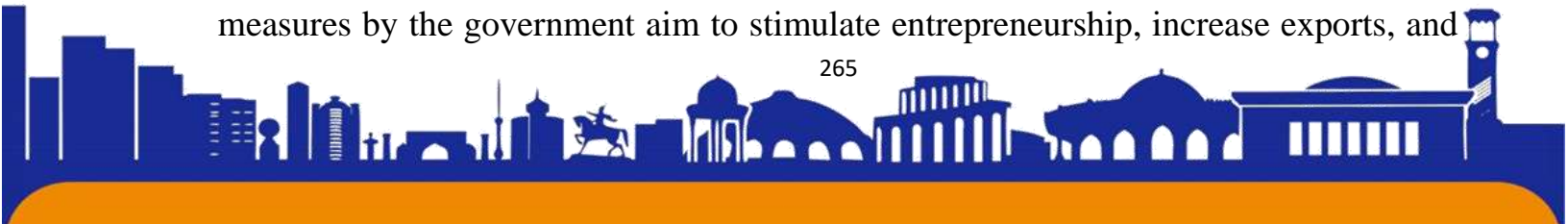




Given the significance of food goods in Uzbek exports, the EPF might build the internal capability to conduct market research, first focusing on the Middle East, the EU, Japan, and South Korea. In partnership with the CCIU and industry groups, it may assess the requirements for entering the market and then create training and consulting services in response. For instance, to meet the demands of SMEs for knowledge on new markets, Business France routinely conducts and publishes online specialized market studies. These recent studies include the Fruit and Vegetable Market of Italy in 2016; Regulations on Food Products in Canada; and the Food and Drink Products Market of the UAE in 2016 (Business France, 2017b). Uzbekistan's system for analysis might substantially benefit from an upgrade. At present, the European Union, South Korea and Japan do not recognise the results of the tests performed in Uzbek laboratories and require exporters to send sample products to their national laboratories before issuing certificates and importing the[3]. Only 43 enterprises in Uzbekistan hold an ISO 22000 Food Safety Management certificate, and this further hinders exports to many countries (Olimkhonov, 2017). Uzbekistan's government could establish modern laboratories and introduce new certification requirements in line with international standards in order to boost the internationalisation of the agribusiness sector. It could also develop workshops and training to help local SMEs reach the new standards and obtain certificates. These measures, along with strong producers' organisations and well-developed extension services, would contribute to building the international reputation of the quality of Uzbek products, going beyond pure branding.

Uzbekistan could implement sector-specific measures in addition to export promotion activities. In particular, it could consider establishing logistics supply centres in target markets and in Uzbekistan connected with wholesale markets and other trade hubs in EU member countries, such as Rungis and Lyon in France[4]. Additional storage capacity improvements across the nation, investments in mechanization with programs to support farmers (including extension services and support to producers' organizations), luring foreign food processing companies to stimulate local capacity, and the development of green and environmentally friendly technology are all potential additional measures to support the competitiveness of Uzbek food products and their positioning abroad.

If we summarize all given facts above it should be highlighted that the latest key measures by the government aim to stimulate entrepreneurship, increase exports, and





enhance the business environment. In order to better comply with international standards in export markets, this includes adjusting the legal definition of business entities, supporting SME development through new tax incentives, and simplifying and reducing licensing and export procedures and regulations.

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