

POLITECNICO DI TORINO

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Investment Attractiveness of Central Asian Countries



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Abstract

Since getting independence, Central Asian countries are being more and more attractive for foreign investors due to high natural resources, geographical position etc. Hence, it is believed that there are tremendous unexploited potentials for investors who wants to enter to the market.

In my paper, I tried to deeply analyze economic condition of countries, business environment, political stability and contrast their attractiveness for investors. Moreover, I tried to focus more on two neighbors: Uzbekistan and Kazakhstan as they are two main options for potential foreign investor.

Acknowledgements

First, I would like to thank to my family giving me chance to study. Their support, motivations led me to believe on myself through the period.

Sometimes, usually I remember the past and see a guy who was dreaming about studying at university. Honestly, when I remember I get sad for the time which was wasted and for chances which I missed. But the guy in the entrance of university 6 yrs. ago has grown now, both physically and mentally. For this I should thank all my teachers from my school to university.

Special thanks to Prof. Ughetto for giving me this brilliant chance to work on the topic which wanted and loved.

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1. Introduction: Macroeconomic Indicators of the Central Asian country's

Nowadays the population of Central Asia (Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, and Turkmenistan) has exceeded 73 million people, and GDP nominal totally 2019 amounted to \$300 billion, respectively, GDP per capita is about \$4000. The countries of Central Asia in recent years have begun to attract many potential investors who are ready to make contributions to various areas of the economies of the region. Countries achieved independence in 1991 after collapsing USSR. Countries were specialized to produce on specific common product for USSR's tremendous economy ex: Uzbekistan cotton, Kazakhstan-wheat, Kyrgyzstan- meat etc. At almost the same time they started to pass Market Economy by privatization. The purpose was to follow Asian tigers (South Korea, Singapore) creating local equivalent for investors. They all started well by achieving sustain GDP growth, but now we can say they all failed to arrive ultimate target.

As it is noticed they all were agricultural countries with big economic issues left from Union. All five countries are reforming economies by western methods applying competitiveness on the market. However only Kazakhstan achieved some targets with being the only CIS country entered IWB World Competitiveness rankings. They are modernizing economy by increasing portion of service sector while eliminating agriculture.

Despite of global decreasing in FDI in the world, the countries have shown believable growth to obtain new so-called new frontier for international capital. Main sectors for investments were agriculture, livestock, and tourism sectors.



Figure 1: Political map of Central Asia. www.sketchbubble.com"

The development of state institutions, rapid economic growth and the liberalizing impact of the younger generation together have given a stronger basis for cooperation between Central Asian countries, especially in priority areas such as

cross-border transport networks, electricity, ICT, and reforms to promote free exchange, diversification and investment based integration. To fully realize the potential of the region, cooperation between countries must be established, and the progress of this phase depends to a large extent on two main States-Kazakhstan and Uzbekistan. A strong partnership between them can be the first step towards developing cooperation in the region as a whole, "said the expert.

Assessment of the dynamics of GDP of the countries of the region (Fig. 3) according to the World Bank, clearly demonstrates the distribution of political and economic roles in the region between them. The leader of the economic development of Central Asia, of course, is Kazakhstan. At the same time, Russia and China are the drivers of the region's overall development, which is associated with the consumption by their national markets of goods, services and labor from Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan. The negative dynamics of Kazakhstan and Turkmenistan after 2013 indicates a stronger dependence of these countries on the economy of the Russian Federation. Uzbekistan in connection with its higher commodity-economic relationship with China during the fall of 2014-2016 showed relative stability of the dynamics of GDP.

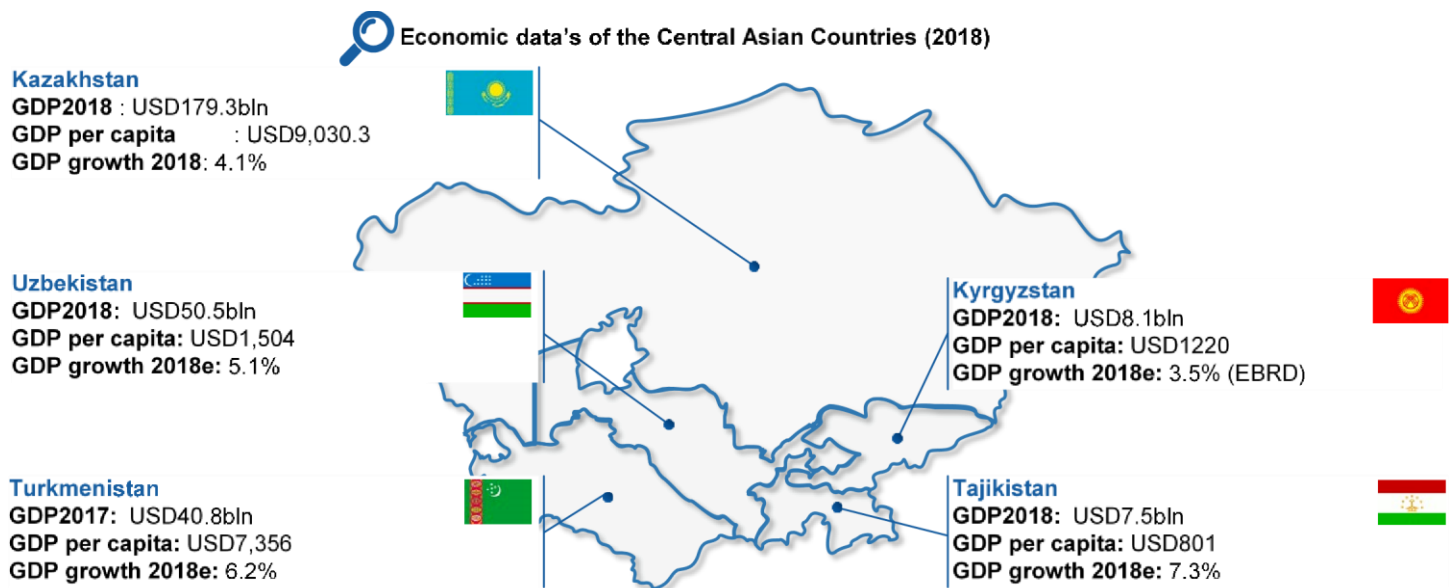


Figure 2: Economic data of Central Asian countries. www.worldbank.org

Generally, economic structure has changed gradually from agriculture baes economy to industrialized economy over period. This trend highly noticeable for Kazakhstan achieved high increase in sector of service: bank, trading, IT sectors.

Turkmenistan's path is different from the general trend, where from 2010yrs more attention is giving for cotton processing, gas industry, producing food, vegetables etc.

Historically, investments in Central Asia have been concentrated in the extractive sector, and. Price fluctuations for raw materials, the willingness of countries in the region to diversify the economy and measures taken to improve investment climate creates opportunities to attract investment to other promising sectors. This applies, for example, to the processing of agricultural products, the petrochemical industry and tourism. Its member countries differ in their level of development, investment climate, and regulatory environment. Central Asia is actively developing bilateral relations, laying the

foundation for greater collaboration. Base to expand cooperation, it has developed thanks to sustainable institutional improvements, significant economic growth, and the liberalizing influence of the younger generation.

Macroeconomic indicators of Central Asian nations are very important for foreign companies to understand the full socio-economic situation, economy capacity analysis, business development potential in overall and in some particular areas.

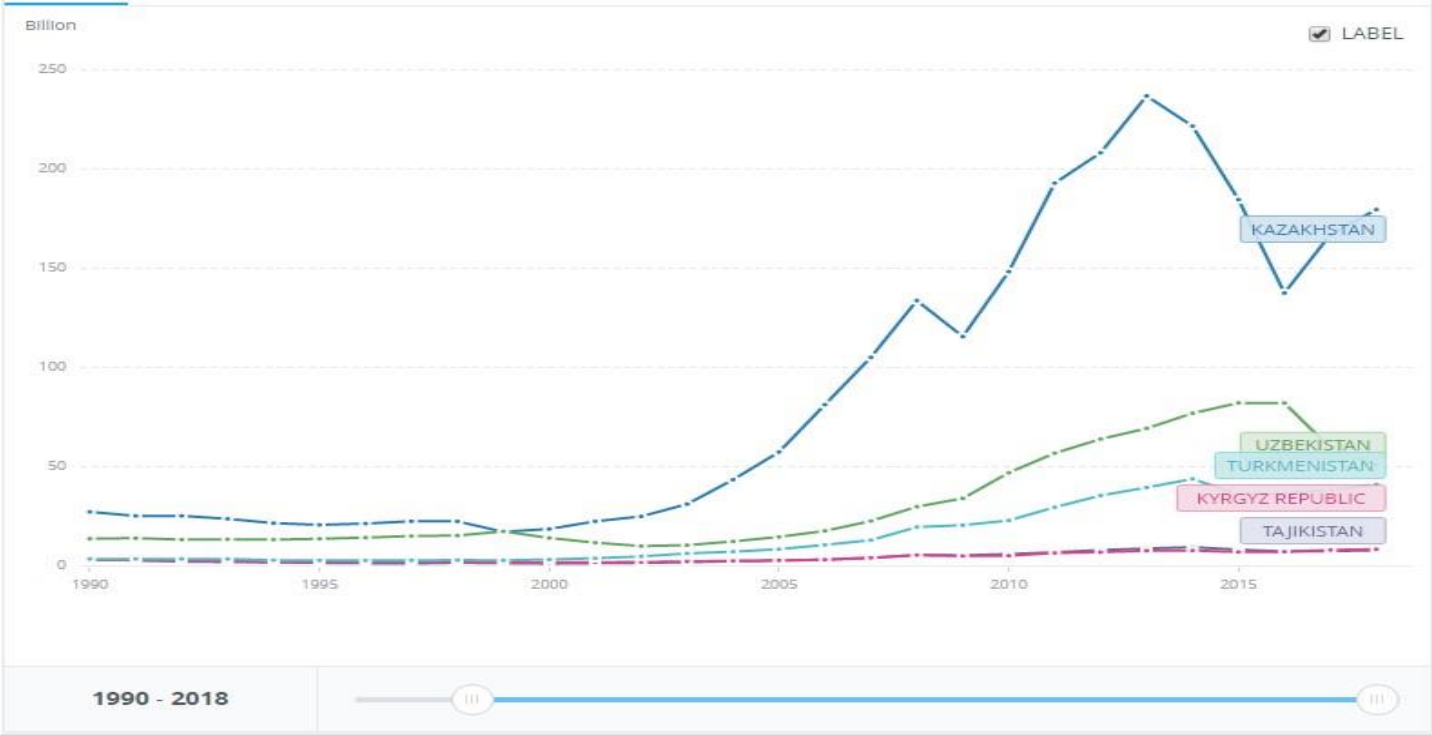


Figure 3: GDP of Central Asian countries in 1990-2018 period. www.worldbank.org

Country	Most Recent Year	Most Recent Value	
Kazakhstan	2018	9,812.6	
Turkmenistan	2018	6,966.6	
Uzbekistan	2018	1,532.4	
Kyrgyz Republic	2018	1,281.4	
Tajikistan	2018	826.6	

Table 1: GDP per capita. www.worldbank.org

1.1 Kazakhstan



Kazakhstan	2019
Population, million	18.2
GDP, current US\$ billion	170.9
GDP per capita, current US\$	9,244
School Enrollment, primary (% gross) ⁽²⁰¹⁶⁾	108.8
Life Expectancy at Birth, years ⁽²⁰¹⁶⁾	73

Table 1: Kazakhstan, overview.

Strong points:

- large hydrocarbon resources and strong production capacity
- position, crossroads of Europe and Asia and positioned on the road of new Silk Road
- growing economy (3.9% in 2017)
- strong economic potential with reliable banking system
- largest economy in the region

weak points:

- highly dependence on Russian Economy, highly noticed after western sanctions to Russia
- low liberalized economy, high government intervention
- low infrastructure system
- authorized government as a solution for political instability

Minister of National Economy of Kazakhstan Timur Suleymanov said that in the first six months of this year the country's economy grew by 4%. Speaking at a meeting of the Council of Ministers, Suleymanov said that in January-July 2018, GDP growth was 4%. "Weak inflationary pressures, high investment activity and positive dynamic economic changes in key sectors have contributed to the development," Suleymanov said. Noting that the inflation rates this year was 2.7%, Suleymanov said the annual inflation rate was 5.9%. According to him, as of August 1, Kazakhstan's international reserves have reached \$ 87.7 billion. According to the Statistics Committee of Kazakhstan, in January-July, industrial production reached 15 billion 504 million tenge, an increase of 5.1% over the same period last year. In the first six months of this year, oil production reached 45 million tons, an increase of 7.5% over the same period last year. The growth rate did not change in 2019, as the slowdown in industrial growth could not compensate for growth in other sectors. Tight monetary policy restrained inflation, and oil export growth contributed to a small current account surplus. It is predicted that growth will

slow in 2020 to 3.5% with a decrease in oil exports, a slowdown in the People's Republic of China and the Russian Federation, and in 2020 in the context of less expansionary fiscal policy. The current account will return to deficit but continued monetary constraints should curb inflation. Public investment is expected to become a key source of growth, in addition to oil, in the coming years. But, as the report indicates, government spending is limited to a reduction in allocations from the National Fund of the country.

With regard to production, it is predicted that oil production is likely to decline in the first half of 2019 as part of Kazakhstan's obligations to limit production, agreed with the Organization of Petroleum Exporting Countries, and due to planned maintenance at three major fields of the country. Oil production can then recover in the second half and increase in 2020, which will lead to a gradual increase in net (net) exports by 1% and 2% in 2019 and 2020, respectively. With the completion of several infrastructure projects, imports will also decline, and their growth will be limited by the weaker purchasing power of the population as a result of devaluation.

It is identified that large non-performing loans as the main task of the authorities, which, along with restructuring loan portfolios and closing several banks, seriously limit lending to firms, especially SMEs (small and medium enterprises), despite significant government support for banks, which impedes private investment. Loans for SMEs fell by 12.2% in 2018 after a decline of 1.1% in 2017, while the share of loans for SMEs in the total banking portfolio decreased to 33.6% in December 2018, which is significantly lower than the average 44.0% in member countries of the Organization for Economic Cooperation. And this despite government subsidy of up to 50% on interest rates on business loans issued under the Business Road Map, approved in 2010. The central bank's tight monetary policy, according to which average business loan rates were held at 12.5% in 2018, also prevented new lending. According to estimates of the National Chamber of Entrepreneurs (Atameken), only 20% of the 1.2 million entrepreneurs in the country use loans. In January 2019, the government acknowledged that the lack of an effective bankruptcy procedure and poor supervision exacerbated difficulties among commercial banks. However, inadequate transparency, accountability and ethics remain fundamental issues that need to be addressed. Their solution will require a comprehensive review of the regulatory framework, not least to limit the influence of insiders and related interests, as well as rethinking the policy of subsidies on loans. Independent portfolio reviews and bank stress tests are also crucial. In April 2018, the deputy chairman of the central bank announced that significant discrepancies were identified between the verified reports and the central bank's estimates of banking assets for the 2017 financial year. Since underreporting of overdue loans undermines confidence in official statistics and confidence in

banking regulation, the Central Bank needs to strengthen its macro prudential policies to ensure that commercial banks comply with rules and standards.

Another important point is Nazarbayev, 3 decade present of the Kazakhstan. In authoritarian regimes, the removal of a country's leader is a rare occurrence. Typically, authoritarian leaders abdicate due to war, military coup, revolution, or at least the natural death of the leader. In other words, Nazarbayev's departure was an important historical event, and he became one of the leaders in the history of the country who left voluntarily. Now let us look at his legacy. The best unit for measuring the quality of government is usually the income of the population and the quality of life. Economists measure the living standards of the population in terms of GDP per capita. In other words, GDP growth is the most important unit of government quality. We can say that Nazarbayev was lucky in this, because since the early 2000s, world oil prices have risen sharply, and Kazakhstan's economy has grown as expected. But it is too early to conclude that Nazarbayev is lucky, because Russia's northern neighbor, Russia, also had a lot of oil and several non-oil resources, and most importantly, a very educated population. However, by 2019, Kazakhstan will have surpassed Russia in per capita income (Russia is slightly higher in nominal terms than the PPP). Interestingly, Russia's income correlation with oil prices is higher than Kazakhstan's. In other words, Kazakhstan is "more independent" of oil than Russia. This means that Nazarbayev is, by and large, one of the most effective leaders in the former Soviet Union. Before the collapse of the USSR, Nazarbayev was to become the next prime minister of the union (chairman of SOVMIN). And the paint is history ...The figure shows the GDPs of Kazakhstan, Russia and Uzbekistan (in today's dollars).An interesting number: in 1999, Uzbekistan was on average 60% poorer per capita than Kazakhstan (I don't trust the PPP), and 20 years later it was 600% poorer.

I have many Kazakh friends, and they have different opinions about Nazarbayev, but none of them can call him absolutely "good". But I think they are right to say so.

1.2 Kyrgyz Republic



Country Context

Kyrgyz Republic	2019
Population, million	6.5
GDP, current \$ billion	8.5
GDP per capita, current \$	1,323
Life Expectancy at Birth, years ⁽²⁰¹⁸⁾	70.7

Table 3: Kyrgyzstan, overview. www.worldbank.org

Strong points:

- respectively higher democracy led to better market economy than neighbors
- strategic position, crossroads of Europe and Asia and positioned on the road of new Silk Road
- strong economic potential with reliable banking system
- largest economy in the region

weak points:

- highly dependence on Russian Economy, highly noticed after western sanctions to Russia
- low liberalized economy, high government intervention
- low infrastructure system
- authorized government as a solution for political instability

Growth within the Kyrgyz Republic slowed in 2018 due to the low growth costs of mining inside the mining and production industries. The growth price decreased from 4.7% in 2017 to 3.5% in 2018. Industrial boom slowed from 8.6% in 2017 to 6.2%, despite strong growth inside the fabric and light industries. In the first half of 2018, gold production fell through 40%, however then recovered, and is expected to grow in the next two years. Demand is supported by government spending on strength and infrastructure projects, in addition to personal consumption increase (remittances grew via 5.5% in 2018). GDP increase caused a decrease inside the ratio of outside public debt to GDP from 53.1% of GDP at the give up of 2017 to 48% at the give up of 2018, and the authors of the record agree with that debt management has advanced barely and assume external debt to be underneath 90% from GDP within the following couple of years.

According to ADB forecasts, increase will recover to 4.0% in 2019 and 4.4% in 2020, because of multiplied gold mining and monetary improvements, no matter the slowdown in Kazakhstan and Russia.

Among the main problems, ADB names environmental catastrophe risks. The Kyrgyz Republic is at high hazard from extreme weather events, which can be growing due to climate exchange. The country's vulnerability to the negative effects of weather alternate is rated 68th out of 181 countries, in line with the Adaptation Index of the University of Notre Dame in 2017. In addition, the Kyrgyz Republic is positioned in a seismically energetic mountainous region susceptible to earthquakes, floods, landslides, avalanches, snowstorms, and spills of mountain

lakes. Disasters from natural failures along with floods and earthquakes are envisioned at 1.0% –1.5% of GDP consistent with year. The Kyrgyz Republic needs investment in infrastructure to sustainably and successfully manage disaster chance discount efforts. In the coming years, extreme climate activities are likely to end up greater frequent and intense with weather alternate, rising temperatures and elevated rainfall. The trouble of water supply is compounded by using an inefficient water infrastructure and insufficient resources to enhance the hydro meteorological potential. The government must preserve its efforts to improve weather control and herbal disaster risk.

1.3 Tajikistan



Country Context

TAJIKISTAN	2019
Population, million	9.3
GDP, current US\$ billion	8.1
GDP per capita, current US\$	874
Life Expectancy at Birth, years ⁽²⁰¹⁸⁾	70.6

Table 4: Tajikistan, overview. www.worldbank.org

Strong points:

- sustainable agricultural economy
- Rogun dam, future big energy exporter
- Undiversified economy, largely depend on food production
- Can be interesting with low labor force

weak points:

- highly dependence on Russian Economy, highly noticed after western sanctions to Russia
- low liberalized economy, high government intervention
- low infrastructure system
- authorized government as a solution for political instability

In 2018, growth accelerated thanks to ongoing government funding and an improvement inside the external environment. Inflation slowed, however the contemporary account gotten smaller with declining exports and growing imports. ADB economists are expecting that economic boom will sluggish in 2019 and onwards in 2020, with spending slowing. Inflation may boost up with greater change rate flexibility, however increased power exports must

slender the modern-day account deficit. Export diversification can boom sales and financial sustainability.

Tajikistan's GDP growth rose to 7.3% in 2018 due to the implementation of massive state funding projects and the boom of remittances. Relations with Uzbekistan improved, which contributed to the growth of bilateral alternate. However, non-public funding remains weak, and banking issues remain. Industrial increase almost halved from 21.3% in 2017 to 11.8%, as aluminum manufacturing fell 7.1% due to delays in ore imports and ongoing renewal of production facilities. Despite progressed alternate with Uzbekistan, net exports fell by means of 40.2%, as continued heavy infrastructure spending caused a growth in imports of 13.5%, at the same time as weak demand for minerals reduced exports by way of 10.4%, even despite boom power export. The increase of remittances and a greater thorough analysis of recent debtors helped to reduce the proportion of non-appearing loans from 36.5% of all loans at the cease of 2017 to 31.1% a year later. In June 2018, the government created the National Council for Financial Stability, chaired by using the Minister of Economic Development and Trade, to facilitate the change of records and disaster management, and to endorse how to lessen risk within the financial sector.

Growth is projected to gradual to 7.0% in 2019 and to 6.5% in 2020, with a slowdown in capital spending after the final touch of the second one segment of the Rogan undertaking in April 2019. Growth will be supported by and growth in remittances with positive growth inside the Russian Federation, predicted growth in non-public lending, multiplied production and extended exports through additional power production and stepped forward monetary members of the family with neighboring countries. Negative dangers are associated with the weak spot of two large banks and numerous state-owned enterprises.

The main project is the diversification of production and exports. Tajikistan desires to diversify its financial system and, in particular, its export base. Work on the Rogan assignment, the second generator of which have to be positioned into operation in April 2019, assorted the financial system both immediately and indirectly. The boom in energy generation - along with the development of a new transmission line and the re-connection of Tajikistan to the Central Asian electricity system - will increase strength exports and offer additional electricity for domestic production and other activities. However, the authorities are advocated to do greater to facilitate diversification.

1.4 Turkmenistan Country Context



Turkmenistan	2018
Population, million	5.8
GDP, current US\$ billion	40.8
GDP per capita, current US\$	7,065
Life Expectancy at birth, years	67.8

Table 5: Turkmenistan, overview. www.worldbank.org

Strong points:

- huge resources of natural gas (ranked 6th in the world).
- Political stability
- tourism potential
- can be more attractive for investors for the natural resources

weak points:

- highly dependence on natural gas price
- low diversified economy, high bureaucracy
- low infrastructure system
- low investor protection

According to reports, increase in Turkmenistan has slowed. The price range was cut, inflation accelerated, and the present-day account deficit narrowed. Continued economic consolidation will further slow increase in 2019 and 2020. Inflation is in all likelihood to weaken, but will continue to be at double digits, and an increase in hydrocarbon exports will further slim the cutting-edge account deficit. The government must examine and mitigate the social impact of subsidy reform.

The government mentioned GDP increase of 6.2% in 2018 as compared with 6.5% 12 months earlier. The oil and gas enterprise increased through 6.0%, in comparison with 1.7% in 2017. However, the increase of the bigger non-hydrocarbon economic system slowed from 7.5% in 2017 to 6.2% ultimate yr. The boom rate of consumption, mainly private consumption, slowed down as inflation and the widening gap between respectable and parallel market charges reduced real family incomes, notwithstanding a nominal increase in wages, pensions and stipends in the public sector by means of 10.0% in January 2018. Export profits rose in 2018 amid a healing in global hydrocarbon expenses and an increase in gas demand from the People's Republic of China. FDI inflows in 2018 were predicted at \$ 1.5 billion, especially in oil,

fuel, and chemicals. In addition to FDI, outside borrowing remained significant, that is of concern at some stage in the period of developing loan bills and low world energy prices. External debt grew from the equivalent of 25.1% of GDP in 2017 to 26.7% remaining year. Continued economic consolidation is projected to slow growth to 6.0% in 2019 and 5.8% in 2020. The authorities are expected to retain its efforts to lessen inflation by way of maintaining a set exchange price and administrative rate controls, helping import substitution and limiting overseas exchange. Banks will preserve to direct lending to state-owned companies in priority sectors.

The policy objective is to assess and mitigate the social impact of subsidy policy reform. A gradual and phased method to lowering subsidies and charge liberalization will give time to bolster social safety systems. In addition to strengthening social protection, Turkmenistan ought to do more to enhance other components of social development. Despite excessive subsidies and social spending, many health and schooling indicators lag at the back of nations with high human development, according to the brand-new United Nations document on human development. Thus, the savings from subsidy reform should be used to improve the pleasant of fitness and schooling services, as properly as centered assist to low-profits households.'

1.5 Uzbekistan



Country Context

Uzbekistan	2019
Population, million	33.6
GDP, current US\$ billion	57.9
GDP per capita, current US\$	1,725
Life Expectancy at Birth, years	71.4

Table 6: Uzbekistan overview. www.worldbank.org

Strong points:

- big natural resources
- strategic position, crossroads of Europe and Asia and positioned on the road of new Silk Road
- new government reforming the economy
- qualified, indeed cheap labor forces
- highly attractive touristic country with historical cities

weak points:

- highly dependence on Russian Economy, and money sent from Uzbek migrants in Russia, seen in 2014
- low liberalized economy, high government intervention
- low infrastructure system
- low diversified economy, highly depend on cotton export

According to official reports, in 2018 the growth of the economic system of Uzbekistan accelerated, inflation jumped, and the contemporary account from surplus have become very scarce.

The authorities stated that GDP growth increased from 4.5% in 2017 to 5.1% in 2018 because of faster boom in industry, creation, and investment. The indicator for 2017 was revised downward, as the government revised its GDP data, along with increase rates, starting in 2010. Money transfers for the first nine months of 2018 amounted to \$ 3.8 billion, 80% of which got here from the Russian Federation. A decrease in foreign funding in hydrocarbons reduced overseas direct funding through 14.2% in 2018. The volume of foreign reserves decreased from \$ 28.1 billion at the end of 2017 to \$ 27.1 billion a year later. The boom of outside borrowing increased external debt from 26.5% of GDP in 2017 to 34.7%.

The draft concept of development of Uzbekistan until 2030 was discussed. Of course, a development plan for at least 10 years may seem interesting, but I don't understand one thing, and that is the most important calculations. I'm not saying that they put such numbers as a bad suspicion, I think they are a good suspicion, I think it's just a mistake.

According to the plan, "the goal is to increase real GDP by 2.1 times and GDP per capita by 3 times by 2030, or from \$ 1,533 in 2018 to \$ 4,538. To achieve these goals, the average annual growth rate must be kept at least 6.4%." The calculation behind the envelope: if we say that the gross domestic product has grown 2.1 times, from \$ 50.5 billion today, to \$ 106 billion in 2030.

So how much did it grow from year to year?

Simple logarithmic equation: $50.5 * (1 + x)^{10} = 106.06$. Then $x = 0.077$, which means an annual increase of at least 7.7%, in short, not 6.4%. Now what if there is a 6.4% increase? What is GDP?

GDP: $50.5 * (1 + 0.064)^{10} = 93$ billion. This means that we will grow 1.8 times, not 2.1 times. However, since 1991, we have grown by about 4.7% of total GDP. Much of this growth has been attributed to population growth, which has increased by about 50% over the past 27 years. Therefore, if we say how much it has grown per capita from year to year, the calculation is as follows:

$$652 * (1 + x)^{27} = 1532, \text{ so } x = 0.032.$$

In short, we have grown by an average of 3.2% per capita since independence (I'm just simplifying here, but the meaning doesn't change). Now, in that sense, I think it's very difficult to grow from 7.7% to 6.4%. Maybe the probability is close to zero. Last year, for example, in 2018, per capita growth was 3.3% (source: World Bank), which, together with all major construction, increased by only 3.3% of GDP per capita, along with an increase in tourists and trade. Simply put, 2018 was a year of unprecedented fiscal stimulus, with an increase of 3.3%. This year, too, total GDP will grow by less than 5%, and the per capita growth rate will need to be multiplied. So the numbers are incomprehensible.

But the strangest of these figures is that the plan calls for a 2.1-fold increase in total GDP and a 3-fold increase in GDP per capita. This is not mathematically possible. See, GDP per capita means that total GDP should be divided by population:

GDP per capita = GDP / population Now, if the rate increases by 2.1 times, the GDP per capita will increase by only 2.1 times, even if the denominator does not change. In other words, if we assume that our population will grow by 2030, then the population will definitely be 2.1 times less than other GDP. This is an arithmetic error. Even if you are not interested in mathematics, think logically, if the national income increases by 2.1 times, how can the income of each of us increase by 3 times? Does that make sense? Or is it to say that the population will be drastically reduced?

In other words, according to the most optimistic scenario in the document, by 2030, even if we grow at a rate of economic growth unprecedented in our history, GDP per capita will not triple. In addition, we are very unlikely to grow by almost 8% every year for the next ten years, because we have never grown in three years.

Our GDP figures do not reflect the real situation, because we have a huge underground economy," I hear from time to time from my Uzbek acquaintances. According to them, the fact that we are one of the poorest countries in the world is far from the real situation, because the statistics do not take into account much. It is true that our secret economy is really big. But the shadow economy is big in other countries as well. Especially in other poor countries. In other words, our shadow economy is not our unique problem, in almost all countries with incomes like ours, the shadow economy is almost half of GDP. We are no different.

In short, we are not much richer than them, because they also have a small shadow economy. I think the official data here is relatively accurate. Even in countries that are several times richer than us, such as Greece or Italy, the shadow economy is about 20% of GDP. Therefore, our position in relation to the world economy is correct - in fact, we are among the poorest

30-40 countries in the world. Denying this for a long time does not solve the problem, we must admit it and look for solutions.

Fighting the shadow economy is not difficult, and if the laws work well and the tax system makes sense, people will not want to break the law. The idea is that if you do not get out of the center of Tashkent, you may not think people are really poor. The lifestyle of the people living in the center of Tashkent is not a sad one, but it is even worse. Because if the standard of living in one part of the country is much higher than the average, it means that in other parts of the country the standard of living is much lower than the average. Living below \$ 1,500 a year is close to the UN poverty line. It has been almost 16 years since we measured the real numbers of poverty, and this research needs to be repeated. When the poverty rate was measured last March (2003), it was found that 62% of the population lived below the poverty line of less than \$ 1.9 a day. (Source: World Bank)

It is forecasted that export of products will grow by way of 10.0% in 2019 and 12.0% in 2020, which reflects the expectations of better gold prices, strong demand for natural gasoline from China, growth of agricultural exports to the Russian Federation and others neighboring countries, which include Kazakhstan, and similarly increase inside the processing of cotton fiber into textiles. Import increase is projected to growth through 25.0% in 2019 and with the aid of 20.0% in 2020, as the demand created with the aid of infrastructure projects and the ongoing modernization of industry stimulate imports to these sectors. The hazard of a wider modern-day account deficit remains since credit increase can in addition stimulate the import of capital goods. Foreign investment is also in all likelihood to growth. Uzbekistan obtained a sovereign rating in December 2018 and issued its first Eurobonds in February 2019, offering Uzbek businesses with a guiding principle for get entry to international capital markets. The main task for Uzbekistan, ADB considers the reform of irrigation. A special look at confirmed that more than half of the arable land suffers from soil salinization induced by in depth irrigation, and that resulting from ecosystem modifications and reduced agricultural production fee Uzbekistan about 4% of GDP annually. In arid climates, drought and water shortage are a consistent threat. To clear up the hassle of salinization and reduction of water resources, the authorities is restoring the irrigation machine via investing \$ 350 million. In addition, due to the fact water control cannot be performed national in isolation from the wider local context, Uzbekistan must sell water management and climate protection across borders via cooperation with its neighbors.

From the above estimates and graphs, it is clearly seen that among the countries of Central Asia, Kazakhstan and Uzbekistan are the "leaders" in terms of GDP. The latter received such positions due to a sharp increase in population and its migration outside the country.

2. FDI Global

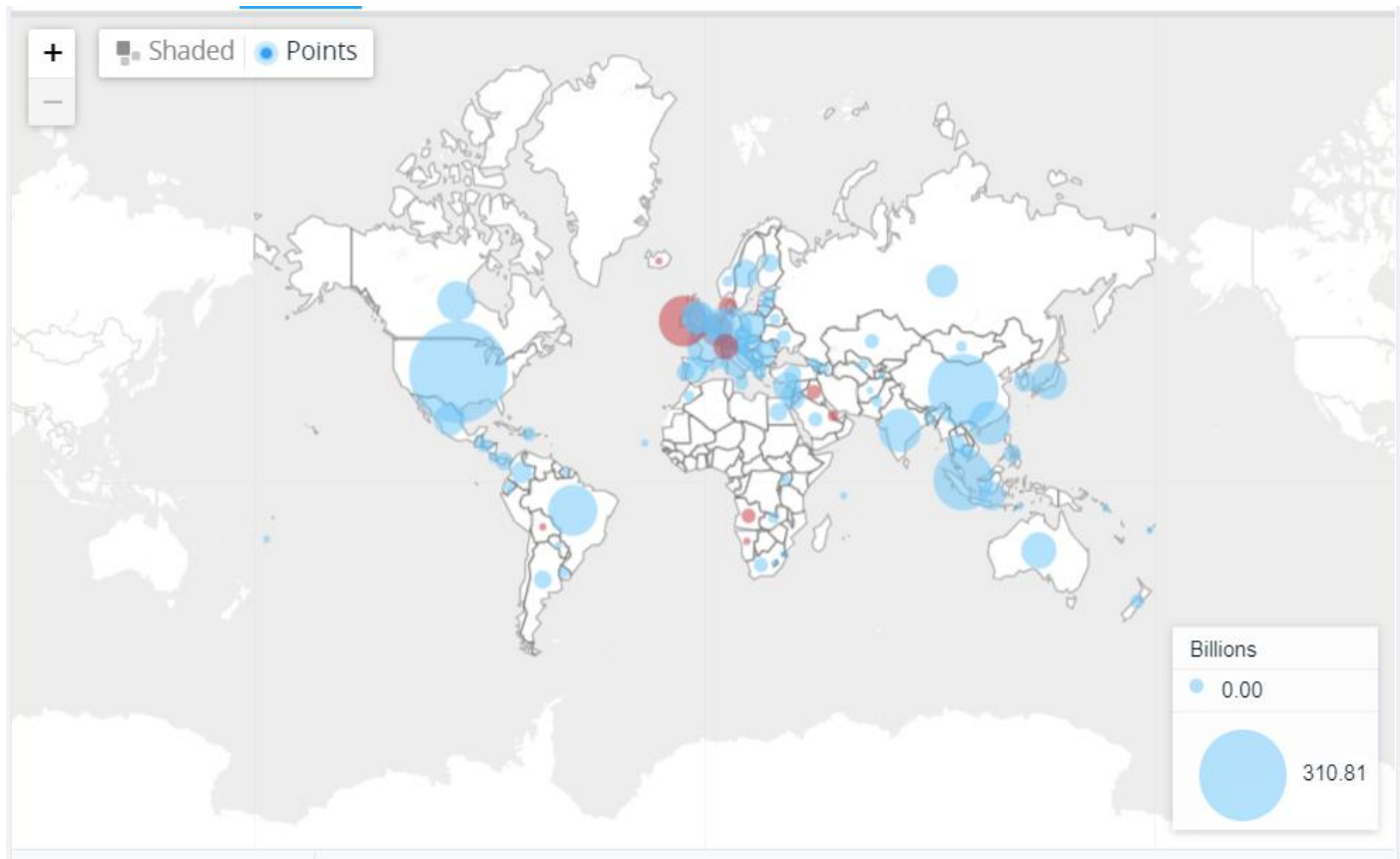


Figure 4: Global FDI inflows in 2019. www.worldbank.org

Investment attractiveness is one of the main indicators of the effectiveness of economic development of any territory. Then, Foreign Direct investment is considered main indicator in order to define level of investment attractiveness of the country.

We can see from Figure 4 above that there are 2 traditional major points: US and EU with 310 and 215

billion dollars, respectively. Moreover, Eastern Asia so called 'Asian tigers' with just China \$155.8 billion and Singapore \$105 billion.

The methodology of the International Monetary Fund (IMF), which annually calculates the volume of foreign direct investment at the international level, states that foreign investment can be considered direct foreign investment if it implies the acquisition by a foreign investor of at least 10% of the share capital in a commercial organization in the territory of the recipient state of investments and allow the investor (or his representative) to exert a strategic influence on the invested enterprises. In practice, however, in some countries, a 10% stake in the authorized capital of an invested enterprise is considered insufficient to establish effective control over the management or to demonstrate long-term investor interest. Thus, foreign direct investment as a whole should be large enough and long-term in order to allow a foreign investor to establish effective control over the management of the invested enterprise and ensure its long-term

interest in the successful functioning and development of this enterprise. At the same time, the long-term investment in FDI limits the possibility for investors to quickly leave the market and thereby increases the interest of FDI importing countries in them. In many countries, the implementation of investment projects involving foreign capital is regulated by law, and the structure of the executive branch, as a rule, includes a state body responsible for the development and implementation of state policy in the field of investments. The main stimulus for the intensive development of the international investment process is the need for large businesses to increase their competitiveness at the international level by expanding their activities in new markets, streamlining production, reducing costs, diversifying risks and gaining access to resources and strategic assets in the economies of different countries. Currently, the main subject of FDI are international companies and financial groups. The basis of FDI data in the economies of different countries is the periodicals of the statistical reports of the Balance of Payments Statistics series of the International Monetary Fund (IMF), the World Bank's World Development Indicators, and the World Investment Report of the United Nations Conference on Trade and Development (UNCTAD)), as well as annual economic reports of national statistical institutes, the data from which are accumulated by the indicated international organizations. This following graph contains a date (periodically updated) list of countries and regions of the world in which foreign investments are collected (FDI) received during the year. World Development Indicators ("World Development Indicators"). The following table provides a list of economic indicators, confirmed in US dollars at current prices (without adjustments for inflation). investment index indicates that the export of investment leads to an increase in imports or an increase in the volume of investment in the economy. Data are presented as of 2018.











Country	Most Recent Year	Most Recent Value	
United States	2018	258,390,000,000	
China	2018	203,492,014,029	
Germany	2018	105,277,588,652	
Brazil	2018	88,324,149,805	
Hong Kong SAR, China	2018	86,462,759,029	
Singapore	2018	82,039,577,168	
Ireland	2018	64,535,780,983	
Australia	2018	60,951,066,085	
France	2018	59,849,224,138	
United Kingdom	2018	58,650,667,046	

Table 7: Global FDI. Table. www.worldbank.org

Nobel laureate Douglas North is an economic historian who has studied the developmental history of all countries in human history. His research shows that developed countries differ from underdeveloped countries in the fulfillment of three conditional factors.

The first condition is that in developed countries, elites create laws for themselves, not exceptions. That is, the law is a kind of consensus of these elites. In less developed countries, the law is for the people - the exceptions are for the elites.

The second is the personalization of organizations, whether they are state organizations or public organizations. That is, organizations are categorized as strong or weak by the people who govern them, not by their personalities, but by their institutional weight.

Third, law enforcement agencies will be under collective control. That is, in less developed countries, elites use the use of force to have spheres of influence. In developed countries, law enforcement agencies are controlled by the people, the parliaments. In short, law enforcement agencies are under public scrutiny.

These conditions are called conditional factors for development - that is, if one of them is not met, the society cannot develop. This statement works for the investment attractiveness of the country too.

2.1 Main FDI factors

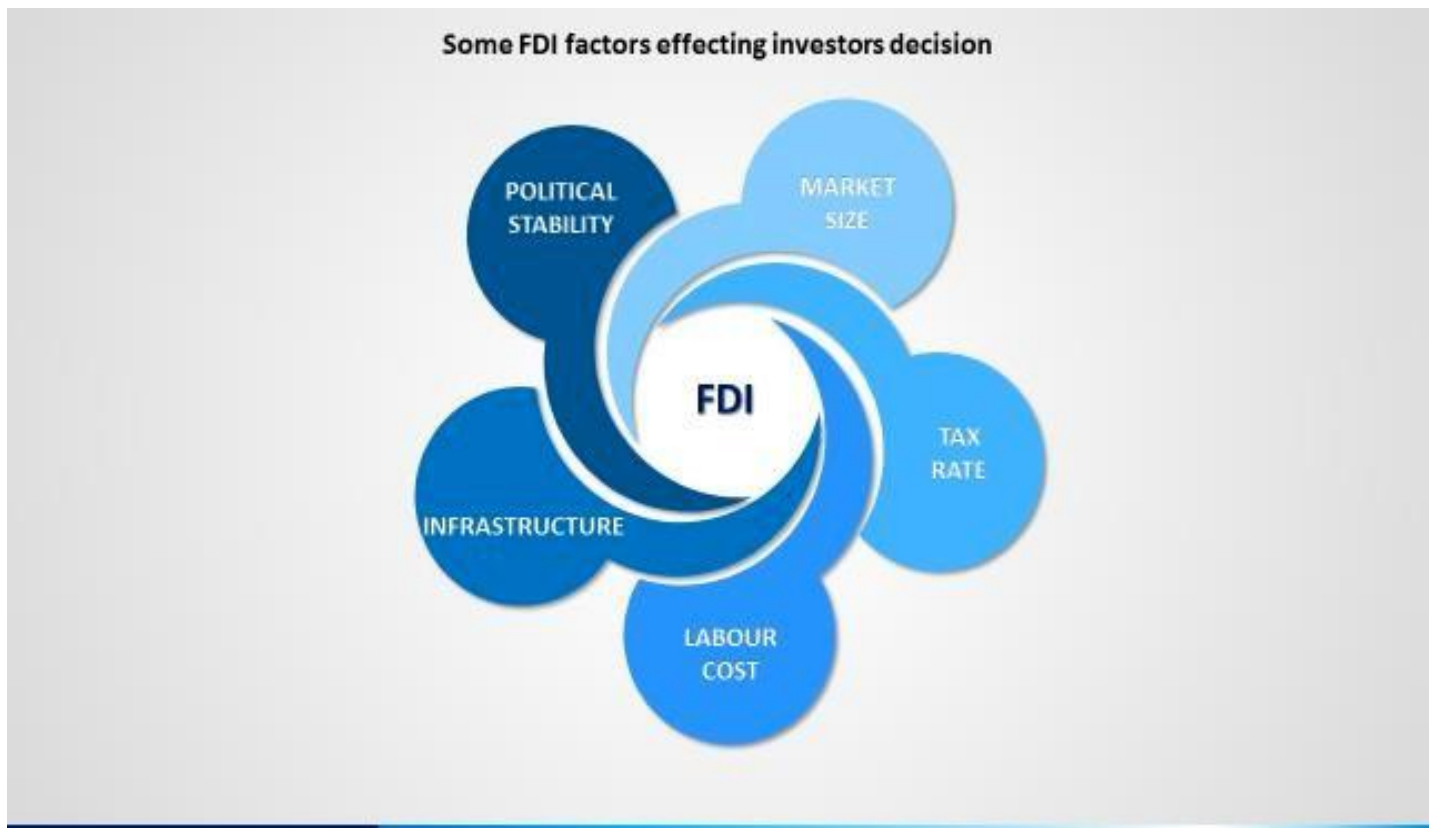


Figure 5: FDI factors. From web

So what factors plays greater role to create attractive market for investors? Below, there will be noticed some factors and ranking among Central Asian countries.

- Macroeconomic indicators
- Infrastructure
- Development programs
- Protect investor rights
- Market size
- Tax rate
- Labor Cost

Macroeconomic indicators of Central Asian nations are very important for foreign companies to understand the full socio-economic situation, economy capacity analysis, business development potential in overall and in some areas.

Country	Economy Size and Market Capacity	Purchasing power	Foreign trade (size, diversification, trade balance)	Total
Kazakhstan	5	5	5	5
Kyrgyzstan	2	2	2	2
Tajikistan	2	1.5	1.5	1.66
Turkmenistan	4	1.5	3.5	3
Uzbekistan	4	2.5	4	3.5

The remoteness from world markets and transport infrastructure development are important indicators of investment attractiveness of any state. For Central Asian and South Caucasian countries this fact is even more important.

Country/ criteria	Inner transport system	Connectivity	Total
Kazakhstan	4	4.5	4.25
Kyrgyzstan	3	3	3
Tajikistan	2.5	2.5	2.5
Turkmenistan	3	3.5	3.25
Uzbekistan	4.5	3.5	4

The availability of government-approved development programs, techniques of monetary growth, the level of their elaboration and the adequacy of the real scenario are virtually essential to understand the trouble and possibilities of region international locations economy. That is why we analyzed modern-day legit strategies and application files in our research.

Country/ criteria	Stability of foreign policy	Stability of domestic policy	Total
Kazakhstan	4.5	3.5	4
Kyrgyzstan	3.5	2.5	3
Tajikistan	3	3.5	3.25
Turkmenistan	2	3.5	2.75
Uzbekistan	4.5	5	4.75

One of the most necessary elements for assessing funding attractiveness is the improvement of law on the protection of funding rights, the legislation of the work of foreign investors in the country, the existence of institutions to protect the rights and pursuits of investors. This is especially genuine for international locations with unstable political institutions. We analyzed the existing legislation on licensing, safety of investors' rights, performed a assessment of existing establishments for the protection of investors.

Country/ criteria	Development of legislation to protect investor rights	State and public institutions responsible for attracting and protecting investors	Total
Kazakhstan	4.5	4	4.25
Kyrgyzstan	3	2.5	2.75
Tajikistan	3	2.5	2.75
Turkmenistan	1	1	1
Uzbekistan	4.5	4	4.25

Total

Kazakhstan took the first position in our rank. His strong sides are: severe monetary capacity, capacious marketplace (17 million human beings + markets of EAEU countries), a felony framework focused on attracting investors, complicated of applications for the development of non-oil economy, and advent of favorable conditions for investments in these spheres.

Uzbekistan took the second place in the rating, with the big interior marketplace (greater than 30 million), varied economy, resource base, political balance. Besides, there is a big amount of plans for system reform of the economy of the republic and introduction of favorable conditions for investors outlined by the president Sh.Mirziyev. on the identical time there is a strong authority's interference in the economic system, violations of traders' and entrepreneurs' rights, corruption and bureaucracy, social contradictions, low purchasing power of the population.

Country/ criteria	Kyrg.	Kazak.	Taj.	Turk.	Uzb.
Investment ratings	2.5	4	1.66	3	2.66
Macroeconomics	2	5	1.66	3.25	3
Connectivity	3	4.25	2.5	1	4
Programs of development	2.75	4.75	2.5	1	4.75
Political stability	3	4	3.5	3.25	4.75
Investment policy	2.75	4.25	1	1	4.25
Investment risks	2	4.5	2.5	1	3
Total	2.57	4.39	2.08	1.92	3.77

Kyrgyzstan took third spot in our rank with fairly liberal legislation and activity by the governments to develop improved economic environments. The country is filled with cheap manpower, favorable prospects for production, the light industry

and the growth of tourism. Kyrgyzstan is indeed a state member in the work of the EAEU to join the unified association market. At the same period, state intervention in the economy has given rise to a range of significant precedents for causing challenges for international investors in executing projects in the State, a repeated revision of early deals with foreign investors, high threats of political uncertainty, the proliferation of Islamist extremism, the narrowness of the domestic market, weak labor qualifications.

Tajikistan took the 4th place in our ranking with low-cost labor, a number of minerals and a favorable climate for agricultural development. At the same time, the republic is characterized by underdeveloped infrastructure, narrow internal market, high risks of political destabilization, corruption and bureaucracy, government intervention in the economy, lack of real mechanisms for foreign investors to protect their rights.

Turkmenistan has taken the last place in our rating, given the existence of large energy resources, the possibility for transit, political stability and stability of the economy, and the authorities have taken action to reform the economic system and keep social stability. The republic has a difficult political paradigm, which means significant influence of every economic operation in the region. The nation is marked by poor defense of property rights, high inflation and red tape, reliance on hydrocarbon exports and a possibility of destabilization due to the crisis in Afghanistan.

3. Foreign investments in Central Asia

3.1 Kazakhstan is the most developed country in Central Asia

Kazakhstan attracts investors with extensive natural resources and relatively favorable investment climate

Over the past twenty years, Kazakhstan has become a major destination for foreign investment, mainly in the commodity sector. In 2008- 2017 years cumulative FDI in new projects in the country reached \$ 82 billion however mostly these investments were made in raw materials industry. Coal, oil, and gas accounted for 54% of recent FDI inflows decade, the proportion of metals and minerals fossil accounts for nearly 10%.

Kazakhstan benefits from vast natural resources, including coal (the country takes 8th place in the world in reserves) oil (10th in the world in size of proven reserves), iron (10th place in the world by reserves), uranium (2nd place in the world in reserves and 1st in terms of production) and copper (4th place in terms of volume mining). Vast reserves, relatively low transaction costs and high demand in neighboring countries make Kazakhstan leading target area for investments in commodity sectors. In 2015-2016 FDI in oil and gas Kazakhstan's industry accounted for 17% of global investment in the sector. However, despite a relatively large volume of FDI in the sector, many country resources remain relatively undeveloped. For example, in the field of production mining industry Kazakhstan yet far from realizing full potential.

Potential for attracting FDI to Kazakhstan estimated at up to \$ 100 billion, including up to \$ 40 billion in non-oil industries, over next 10 years.

Kazakhstan is constantly improving investment climate. The bureaucrats were simplified processes developed expedited procedures to launch startups, minimum capital requirements and simplified procedures registration of ownership and receipt building permits. Most recent improvements were achieved as part of the implementation of the development strategy of Kazakhstan until 2050, which poses seven economic, social, and political challenges, including "comprehensive support for entrepreneurship."

These investment climate improvements reflected in international rankings: Kazakhstan took 28th place among 190 countries in the Doing Business 2019 ranking, significantly improving its position compared to 77th place in 2015. Also, over the past ten years, Kazakhstan has been hit four times in the top 10 reformer states ranking Doing business what is the record for countries compared in the report.

The main challenge for Kazakhstan in the coming years - create social and economic conditions for economic diversification Republic remains in heavy commodity dependencies, making diversification one of the top priorities for the economy. Extractive industries account for 17% of GDP¹⁰. Export hydrocarbons accounted for two-thirds of exports Kazakhstan in 2017 by volume of trade in monetary terms, and from him strongly depends on the budget of the country. Oil and gas sector generates up to 50% of state revenue. The recent commodity crisis has demonstrated the need for further diversification economies to reduce exposure the influence of external shocks. After the global economic crisis of 2008Kazakhstan initiated large-scale programs industrial development and innovation for reduce dependence on the

commodity sector and increase overall productivity. Since 2010 the country is improving manufacturing. Cumulative growth in this sector account for 13% per year¹¹. In February In 2018, the government announced that in 2017 two-thirds of the growth (4%) was accounted for by non-resource sectors. Kazakhstan's diversification strategy is also based on the transition to an economy based on knowledge. The state makes significant efforts to strengthen the education system. Due to the availability of primary and secondary education (penetration ~ 110%), level literacy rate in the country is 99.8%. However, the prevalence rate is higher education remains relatively low (46%). Insufficient professional and educational training of employees is the third most important issue to manage business in the country, according to the Report on the global competitiveness of the World Economic Forum 2017–2018 In this regard, the government is working on improving accessibility and quality of education. Corresponding targeted programs, partnerships and joint projects with leading international universities, exchange systems, as well as educational grants. Limited access to finance hinders private sector development holding back the process diversification. Bank lending a key source of financing for companies, however, the ratio of private sector domestic lending to GDP remains relatively low (27%). Kazakhstan is lagging behind for this indicator from other countries, for example Russia (52.7%), Chile (78.6%) or China (155.8%). The low level of development of financial intermediary services creates financial constraints.

3.2 Uzbekistan: the most quickly developing economy of Central Asia

High growth, low government debt, significant gold reserves provide Uzbekistan relatively high macroeconomic stability. Since the mid-2000s Uzbekistan demonstrates steady GDP growth due to favorable conditions for its key export items, government economic policy and limited dependence on international financial markets, which protected the country from economic recession. In 2004-2016 the pace of economic Uzbekistan's growth was 7-9% per year. Uzbekistan has a relatively low level public debt. In 2018, he was less than \$ 8 billion, i.e. less than 20% of the country's GDP. Per capita debt in 2016 was estimated at \$ 268 (compared with \$ 136 in 2006). Republic takes 17th place below in terms of debt per capita among 184 countries. In addition, the volume of gold is relatively large. foreign exchange reserves, which reduces the risks of further devaluation of the national currency. According to the official data of the Central Bank

Republic of Uzbekistan for February 2018, total net foreign exchange reserves countries reach \$ 27.25 billion, which, according to estimate equivalent to import volume in two years. Uzbekistan has vast natural resources, but at the same time a relatively diversified economy. Natural resources include gas, gold (10th in the world in terms of reserves), copper (10th in the world in terms of reserves) and uranium (7th in the world in terms of production). However, the production potential natural resources are not fully realized. Despite its reserves, the country occupies only 20th place in the world in terms of production copper. Underutilized resource base creates opportunities for expansion presence in the value chain in non-ferrous metallurgy, production of building materials, chemical and petrochemical industry. However, despite the vast natural resources, the country depends on them only to a limited extent thanks to a diversified economy in which each sector accounts for no more than 20% of GDP. Like neighboring countries, Uzbekistan so far depends on raw material prices and the state of the economy major trading partners. In 2016, a recession in Russia hit the economy of Uzbekistan, country's second largest trading partner and its main source of remittances from Uzbeks working abroad. Also the

economy of Uzbekistan was affected by the slowdown in China's economic growth and falling prices for gas, copper and cotton - the main articles of commodity exports of Uzbekistan. Young and growing population of Uzbekistan provides the largest domestic market in the region as well as numerous and cheap labor force. Uzbekistan is the country with the largest in Central Asia by population (34 million person) which is comparable to Malaysia or Morocco. For comparison: in other countries 38.9 million people live in the region. The population of Uzbekistan is growing rapidly (natural growth is half a million people per year), the republic takes 15th place among 51 Asian countries in terms of absolute population growth. Expected to him the number will reach 35 million by 2025 and 40 million by 2050 that helps to increase capacity domestic market. In addition, the population of Uzbekistan is relatively young (median age is 28 years), 72% of residents are younger than 40 years old. Given the gradual increase in average income, this demographic dynamic makes the market for consumer goods particularly attractive. Along with the largest population in Central Asia, Uzbekistan also has and the largest labor force in the region. Between 2000 and 2017, it grew from 12.5 million to 15.2 million people. which is comparable with the total population of Cambodia. These demographic factors increase the attractiveness of labor intensive sectors of Uzbekistan, for example: mining, textile and agricultural industries. Average salary in Uzbekistan is one of the lowest in the world ~ \$ 284 per month). This is comparable to Moldova. (\$ 314) and Vietnam (\$ 236) and slightly more than half the average salary in Kazakhstan (\$ 516). In addition, the country provides access to all citizens to general education, a high proportion having received secondary education (99%), the level of development of vocational education is relatively high. To continue to improve investment climate, Uzbekistan must support the pace of reform taken since the change of leadership at the end of 2016

Uzbekistan remains unnoticed as a destination for investment, FDI is significantly lower than in comparable countries, and since 2008 barely reached \$ 18 billion compared to \$ 48 billion in Morocco and \$ 213 billion FDI in Vietnam.

According to the State investment committee of the Republic of Uzbekistan, more than 6,000 companies operate in the country with foreign participation. As of December 2018, the investment portfolio projects include 456 projects in various industries worth \$ 23 billion.⁹

However, FDI inflows to Uzbekistan are mainly concentrated in the oil and gas industry - in recent years 10 years it accounted for more than 40% of the total FDI. Investments in other industries are critical to modernization industrial base and increase its productivity. Until recently, Uzbekistan was not on the map of investors due to the closed economy and adverse investment climate. In early 2017, BCG conducted series of interviews. with foreign and local investors, representatives of international organizations state enterprises and state agencies of Uzbekistan. The survey allowed identify the main barriers to doing business in the country. Respondents most often mentioned following issues:

- (i) limitations in the field currency conversion and repatriation of profits,
- (ii) regulatory complexity and opacity and non-compliance with the principles of supremacy law,
- (iii) low reliability and complexity connect electricity, gas supply and water supply,
- (iv) preferential customs conditions for some market participants and complex customs clearance procedures,

(v) high tax burden and complexity of the tax regime. Since the survey, numerous reform to address these issues.

Today the investment climate of Uzbekistan improves rapidly, dispelling investor concerns. Numerous reforms are underway in the country to simplify the legal framework. base, customs and tax systems and make them more transparent. One of the most iconic reforms of a new era – liberalization exchange rate regime in September 2017 it is much easier for foreign investors consider Uzbekistan as a destination for investment. Total direct foreign investment expected at up to \$ 65 billion over the next 10 years, of which up to \$ 20 billion in non-primary industries After the country embarked on the path of reform investment climate in Uzbekistan has improved significantly, which demonstrates it a sharp jump in the investment rating. Doing Business - from 166th place in 2012 to 76th place, according to Doing Business 2019. However, other reforms are needed. The challenge for Uzbekistan in the coming years will be maintaining the current pace of reforms and ensuring their effective implementation.

3.3 Uzbekistan vs Kazakhstan. Whose horse is faster?

It is clear that majority of the investors are coming two countries: Kazakhstan and Uzbekistan. So we can say there are so-called competitors on the region for foreign investors. I wanted to write this thing specifically:

What can allow Uzbekistan to quickly grow its economy?

Increasing external debt - now the state external debt of Uzbekistan is small, in the region of 16% of GDP. It can be increased, remaining in fairly safe limits. If Uzbekistan will actively attract external borrowing, especially from development banks, it will be able to capitalize its economy and develop both production and infrastructure.



Figure 6: Horse race. From web

Reduced energy dependence. In rural areas, there are still blackouts, there is a shortage of gas, because it is needed for export. All this complicates both the development of industry and reduces the standard of living of citizens. But if new energy sources are put into operation, this will dramatically accelerate the development of the economy.

On-site processing of raw materials - it is time to move from the export of raw materials to the export of processed products. Of course, much has already been done, but much remains to be done - for example, do not export raw cotton

Increase in oil and gas production - soon the fields on Ustyurt, which are developed by Gazprom and LUKOIL, will start working, which will increase both export products and will possibly cover domestic needs. Tourism development - although many tourists come to Uzbekistan (150 thousand a year), but this is far from all the possibilities. You can increase the flow by creating even more job. Decrease in the share of the shadow economy - now the shadow economy is 50%, that is, the official economy is only half of the existing one. The greater the legalization, the faster the economy will grow in statistics - even if it is brought up to 30%, the increase in GDP will be \$ 12 billion. The developed Uzbek diaspora - the diaspora can provide Uzbekistan not only with investments, but also with trained personnel with ties that can take the place of both officials and entrepreneurs.

Four subjective circumstances and one objective prevent Uzbekistan from developing: Readiness of legislation and standards for an open and liberal economy. The lack of trained personnel who could work in a modern market economy is true, this is easily remedied, especially with the help of the diaspora. The negative image of Uzbekistan, which affects investments, is still unclear how long this situation will last. Water scarcity, which makes agricultural development problematic. But this is fully offset by the rejection of growing rice and cotton, the introduction of new irrigation methods and saving water for irrigation. With all this, Uzbekistan has something that has helped the economies of South Korea, Taiwan, China and Vietnam: a trained, technically competent, active, large population that is still ready to work for little money. Considering that branches of Russian technical universities, well-trained engineers and designers will soon appear in the country. Of course, economic liberalization is already leading to higher tariffs for utilities and higher prices, but so far this is all in the range that the population can withstand.

Kazakhstan, of course, has advantages in the form of already accumulated investments, developed with respect to infrastructure, large natural resources, and a market economy, but this is not so important. The fact is that its development is still hampered by an unreformed banking system, corruption and inefficient government, the absence of large mineral deposits, negative balance of payments and general stagnation of the manufacturing sector, but the main thing is the population. The population of Kazakhstan fell into the trap of their own illusions - there is a desire to earn income without doing anything (a favorite phrase is "why we don't live like Arabs in the UAE") and without any responsibility. This sharply reduces the chances for entrepreneurship in all areas - from agriculture, where workers drag everything that is bad from the owner to various offices, where people mostly imitate work sitting on social networks and spreading stupid rumors. Poor education completes the picture. The country has low human capital, and the situation will worsen due to emigration.

4. Recommendations

The most important measures to attract FDI are primarily stabilization macroeconomics, and in the second - improving the regulatory environment. About it mentioned earlier both in our articles and in many international publications development organizations. However, their implementation is long-term task requiring great effort. Openly speaking there are many things to do by authorities of the region to gain beliefs of foreign investors.

The first step to solve the problem is admitting the existence of the problem. This paper focuses on practical recommendations that are easy feasible and do not require large expenditures or large efforts for solving specific problems. They are aimed at updating existing policies to stimulate FDI inflows into Central Asia based on international experience and aimed at eliminating obstacles for investment. This does not solve the problems of macroeconomic instability and an imperfect legal environment, but these are small steps to start with. It is interesting to note that Kazakhstan was 40% poorer than Russia, and now Kazakhstan is richer. We were also a little poorer than Kazakhstan, but now we are almost 7 times poorer. Of course, Kazakhstan has not reformed ideally, but it is still remarkable that it remains the richest country in the former Soviet Union. It gives me hope that even if you make a lot of mistakes and do a little bit of the right thing, you can make progress.

Even when I read about Singapore, I was amazed to read how many mistakes they made, but in the end it was the result anyway. So, you do not have to be ideal for development, if you do one or two important things right, you can hope that the results won't be too bad.

4.1 Divide assistance in attracting Greenfield FDI and privatization

In countries in transition of the former Soviet Union, attracting FDI brown field" (in existing facilities) in most cases means privatization of state property.

Privatization and attraction of investments from the zero cycle ("Greenfield") is different ways to attract investment in different markets. Those wishing to buy state-owned investors and those who intend to invest from scratch, are different target audiences with different desires and expectations; they are use different sources of information, they have different partners, they visit, various investment forums, etc. Government agencies and people those responsible for attracting investments need to have different skills, competencies, different experience and different information networks for successful meeting the needs of two separate target groups. Therefore, recommended have two different government agencies: one attraction agency

Investment (IPA) which will specialize in zero cycle investments ("Greenfield") and one agency that will deal with privatization. At this moment in Central Asia there is one agency, the National Investment Agency and privatization (NAIP), performing both tasks. However, it is recommended to consider option of dividing this agency into two independents from each other organizations.

“It is a bitter truth to say that state-owned enterprises do not want to work based on other criteria or their own worldview when buying products from a local producer. The only way to solve this problem is to ensure transparency between the seller and the buyer. For this purpose, an electronic portal is being introduced under the Ministry of Economy and Industry.” In other words, the poor performance of state-owned enterprises is due to the lack of such an electronic portal. It is a "worldview" ... You do not even know what to say ... We need to privatize, we say that, but the ministry has made a great proposal, we will build a portal, and everything will fall into place.

Another quote "We've been doing localization for 20 years, but the numbers show the opposite." I would say this: for 20 years we have not been able to localize production, giving all the benefits, giving what we do not have, and imposing duties on everything. We did not learn a lesson from this action. For twenty years our people have been paying high prices for all goods because of these duties and privileges; economic growth has been slow, but we have not been able to create local producers. Now we will continue to do what we did, only this time we will have an electronic portal. We can see the error of what we are doing from three different sources. The first is economic theory, which, of course, is clearly flawed in all scientific sources.

Second, we can see other countries, Venezuela, and North Korea, trying to do the same. For example, we can see India's unprecedented protectionist and localization policies for almost half a century. We can see what the successful countries have done - industrial policy does not work.

Third is history. At least it is hard not to make the same mistake again. Aren't our years of slow economic growth a lesson for us? Making mistakes for years will be enough to teach us a lesson.

4.2 Focus on investment promotion measures

Based on international experience, IPA covers the following stages of investment process

- 1) Image marketing: disseminating information to potential foreign investors and creating a positive image of the country.
- 2) Direct orientation / target marketing aimed at a certain number of investors focused on specific sectors with high potential.
- 3) Investment promotion, for example, pre-investment services and services related to making investments.
- 4) Caring for investors after the transaction, for example, facilitating ongoing operations and implementation of investment decisions.
- 5) Outreach, such as improving overall investment climate through a systematic study of needs and investor problems

For the reasons described earlier in section 3, actions such as “3) facilitating investment” and “4) concern for investors after the transaction” are the most effective measures to attract FDI, based on international experience. Satisfied investors can become an effective channel of introduction to the global investment arena. Based on this, it is recommended that Uzbek API to concentrate more efforts directly on these events.

For example, agency managers should meet regularly with foreign investors in order to discuss their problems, achievements and find out investor opinions on various issues. Even if managers fail to provide help to the investor, it is necessary to discuss existing problems with him, as well as listen to his opinion and consider him. This will improve image of NAIP (according to the future Uzbek IPA) among investors and not entail no additional costs other than travel expenses. However, the result will exceed these costs. Accordingly, NAIP should pay less attention “1) image marketing.” It should be especially noted that actions such as the organization of the "Investment Forum" are inconclusive and very costly; the experience of other countries with economies in transition confirms this. Trips abroad for the purpose of conducting field presentations or visiting international Forums are also a waste of resources. Time and budget money lost in the implementation of these ineffective activities could be used much better, for example, for pre-investment assistance and services related to making investments.

In this regard, it is also recommended to refrain from creating new consulting services in NAIP. Since, again, this will lead to the loss of a lot of time and money, and will not take the proper result, neither for potential investors, nor for Uzbekistan.

4.3 Improve understanding (visualization) of administrative responsibilities

An investor needs clarity. Therefore, it is necessary to reduce the number of authorities, which are involved in the process of negotiations with potential investors, in issuing licenses, permits, etc. Moreover, it should be clearly indicated which it is the authority that has the last word when making a decision. In addition, it is important for the investor to have one (contact person / organization) with whom You can easily contact and apply for information and support. Therefore, only one authority or one agency should be responsible for receiving and processing investor requests, which will then be redirected to others interested government bodies. It should be emphasized that this work does not aim to develop recommendations on whether to improve the performance of an existing NAIP or create a brand new IPA. If it is NAIP, then the agency should become a real “one-stop shop” for investors, so you need to make it work a lot of changes. If a decision is made to create a new IPA, there must be a legal framework has been established that sets out what the IPA is specifically responsible for, which it has a mandate in negotiations with the investor and what decisions it can make.

In addition, Uzbekistan needs a clear definition of how responsibilities between IPAs, line ministries and local authorities. However, when this is all the authorities and agencies involved in the process of attracting direct foreign investment should cooperate and support each other. At this NAIP, branch ministries and local authorities seem to be competing with each other for investors. This kind of rivalry leads on the one hand to waste of resources, and on the other, a deterioration in understanding administrative duties. Changing the current behavior model to a “mutually supportive” model does not entail absolutely no additional cash costs, on the contrary save resources and help Uzbekistan narrow the gap between potential and real FDI inflows.

It is also worth paying attention to the fact that the NAIP office itself needs some changes. Currently, it’s quite difficult to find, and the guard on The entrance does not speak a foreign language. Small rearrangements in the NAIB lobby and a

friendly assistant who speaks at least English - these are minimal changes that do not require a lot of money, but make a good impression on foreign visitors to the agency.

4.4 Increase confidence in investment promotion

As mentioned in detail earlier, attracting investment depends on how much you can manage the expectations of investors. Worst possible to do so does not live up to their expectations. Therefore, you should refrain from describing everything too optimistic, embellishments and exaggerations. Potential investors It is worth providing a realistic assessment of all problems and obstacles. Obstacles complicate business, and false information makes the planning process business impossible. These recommendations relate to both the marketing process of investment opportunities, as well as self-promotion agency investment. As an example, the latter of the above activities, the fact that NAIP calls "single window" itself, which is an exaggeration, and investors can do it very quickly to discover. At the moment, NAIP has little power in negotiating, i.e. negotiating with NAIP does not exclude the need for negotiating with others authorities. NAIP cannot reduce the existing administrative procedures. At this organization in comparison with international experience of this kind agencies lack independence in decision making, competencies and budget, to be "one window". Therefore, it is not worth declaring that the agency is "One window", because investors will understand, it is very fast, and distrust will appear.

4.5 To increase the degree of independence of the work of the agency for attracting investments

The main recommendation that can be made on the basis of international experience is create a strong and broad-based competency agency attract investment. As mentioned earlier, recommendations are not given here. whether to improve the existing NAIP or create a completely new IPA. However, if created, the new IPA will need more autonomy in a number of aspects.

Firstly, the future IPA needs autonomy in terms of recruitment, staffing and retaining staff. Now NAIP employees are paid less than should be based on their work, so usually they leave after a few years. In other words, to attract and retain qualified and experienced workers with the necessary language skills, experienced work with the private sector and specific industry knowledge, IPA needs to be able to negotiate with employees about appropriate compensation schemes with competitive salaries and modern premium systems.

Secondly, the future IPA needs autonomy with respect to attracting additional Money. Since the current budget is insufficient, it is worth allowing IPAs. receive additional income or other kind of financial support. However, API should not compete in this with services provided by the private sector, as this will lead to a crowding out effect.

4.6 Things to do by Uzbek authority

A boy was standing in the middle of the square handing out leaflets to a passerby, and those who picked up the paper picked up the paper and hurried away. This was noticed by the police guards. The child was taken to the ward, and his leaflets were confiscated. When he looked at the leaflets, there was nothing written on them, just white paper.

Surprised, the boy was asked by the police:

"Why are these leaflets empty?"

Then the boy said, "Everything is clear to everyone."

-The anecdote is over-

This saying was about Soviet Union, but it does make sense nowadays too. Uzbekistan has big unsolved problems to think about it. As a member of this community, I can say that corruption and old school administration methods of governing does not lead to economic reforms. Below I want to say about some most painful factors:

Poor Law System:

- The most important economic reform is, of course, the rule of law. There has been almost no progress in this area. Importantly, we are among the lowest in the world when it comes to the inviolability of people's property and limited government authority (according to the Rule of Law Index). In my opinion, economic development is impossible if we do not ensure the rule of law. An important aspect of the rule of law is to ensure that people enjoy the result of their labor. The rule of law is not good, it means that people do not have enough payoffs of their labor. If you do not enjoy the payment of your possessions and labor, it means that there is little or no incentive to work and be productive. In such societies, things like investing, working, studying, and playing sports become useless because it is uncertain to reap the payment of those things. As a result, society remains backward. That is, society is engaged only in consumption. Because uncertainty about property security encourages hyperbolic discounting in the future. That is, the future is assumed to be less important, so that the money earned is spent today and no effort is made to increase future productivity. There will be less savings, less investment. So are the numbers that reflect this in us. The volume of foreign direct investment is \$ 1.5 billion, or 2.5% of GDP. This means that not only are our citizens discounting our future, but even foreign investors do not have enough confidence in our future economic growth. That is why ensuring the rule of law is an important reform for our society. Even those of us who think very progressive in society are less demanding when it comes to the rule of law. This is a pity. The rule of law means that doing things you do not like at the same time is reflected in protecting the rights of people you don't like. The rule of law means that the property of someone you don't like is completely inviolable, the freedom of speech of the person you hate is completely inviolable, and you can use the ways the law says to fight a vile you don't like. That is, doing something "good" with the wrong methods is also a violation of the law.
- The U.S. State Department has released its 2020 Financial Transparency Report. The U.S. government publishes an annual report examining the level of fiscal transparency in countries that receive financial assistance from the United States. It analyzes how transparent and open the information on the state budget in foreign countries is for the population, and how transparent and legal the licensing procedure for the extraction of natural resources

is. To meet the U.S. Department of State's financial transparency requirements, the following two pieces of information must be available to the public:

All revenues and expenditures of the national budget (by ministries);

Information on how to issue contracts and licenses for the extraction of natural resources.

Uzbekistan is also on the list of countries surveyed in the 2020 report

According to the report, Uzbekistan has made significant progress in ensuring financial transparency, but still does not meet the minimum requirements set by the State Department.

Uzbekistan's annual budget and year-end report have been made public, but information on debt obligations, in particular government-guaranteed debts of state-owned enterprises, is not yet available to the public. Expenditures are not reflected in the budget documents by ministries and government agencies. There is also no information on the revenues of state-owned enterprises.

In addition, no information was provided on revenues from natural resources or government extra-budgetary expenditures. The figures on how much the executive spends are not reflected in the budget documents.

As such data are not provided in detail, it is not possible to determine how reliable the figures on the state budget are, the report said.

It also says that the audit of Uzbekistan's annual budget is not open to the public. It is also unknown on what basis contracts and licenses for the extraction of natural resources will be issued, as the procedure is not reflected in the law, according to the US State Department report. As a result, it is not possible to find information on who was granted the right to extract the reserves and in what order.

The U.S. State Department recommends that the government do the following to bring fiscal transparency in Uzbekistan up to the minimum requirements:

- Disclosure of information on public debt obligations;
- Publication of expenditure data by ministries, as well as information on assistance and revenues to state-owned enterprises in budget documents;
- Ensuring the reliability of budget documents;
- Disclosure of audit reports on the implementation of the government budget in a timely manner;
- Establish a clear mechanism for granting the right to extract natural resources and in what order, and adhere to them in practice;
- Disclosure of licenses and contracts for the extraction of natural resources.

External debt: I really like the public opinion about the external debt. As a result of such social considerations and opinions, perhaps public finance and financial allocation decisions will become more transparent.

In other words, I hope that the call for transparency in the use of foreign debt will lead to the disclosure of public finances in the future. In the future, I also have dreams that the distribution and control of public finances will be transferred to the Parliament, and that the legislature will perform its main functions.

In fact, the use of public money should be absolutely transparent, whether it is funds from the state budget, funds from a number of extra-budgetary funds, or money from government agencies and enterprises. There should be no exceptions. That is, every government-funded purchase should be open, from salaries to pens purchased for corporate offices. However, as we can see, public finances are not yet so transparent.

It would be very easy to disclose this information from an administrative point of view, it would be a political decision. Because now there is a responsibility for every sum spent at the expense of the state, that is, even now, according to the law, government agencies are required to keep track of their expenses and revenues. There are also competent agencies that check these numbers, from the Ministry of Finance and the Chamber of Accounts to the prosecutor's office. That is, if an organization buys pens for a thousand dollars, in theory, it can be found by regulatory agencies. What I'm saying is that if the data is made public, it will be possible to control not only the authorities, but also the 30 million people. For example, it is possible to quickly find suspicious purchases. Most importantly, the availability of open data reduces the potential for corruption. Because a corrupt government official can come to terms with the incoming inspector, but he cannot come to terms with the whole nation. Even if he knows he cannot come to an agreement, he will be more careful with people's money. The bottom line is that the existing internal paperwork needs to be made public. In addition, in the Year of the Digital Economy, I think it would be a good idea to digitize every penny of government spending and create a public database. This is the case in many countries. In the United States, for example, one can read debates about the price of glasses for the military, because the military must tell the public about every penny it spends.

Now what does external debt have to do with this? The connection is that the only source of public finance is taxes paid by the people. Debt is just a tax that we pay in the future. Therefore, financial transparency provides information on where our current and future taxes have been spent. We pay future taxes for a social building built on credit. But from the taxes we collect this year, we pay the salaries of police and military personnel who provide our security. Therefore, the more transparent the money spent on debt; the more information will be about where our future taxes have gone.

Transparency about where our future taxes are going - it can also give us an idea of where our current taxes are being spent.

Therefore, I agree with all efforts to ensure the transparency of external debt.

The better the society knows where its money is going, the better the quality of negotiations in the society will be, and more importantly, we will have an idea of the purpose for which we pay taxes. As a indirect result, government employees may also have an idea that every Uzbek earns income from current or future taxes.

Poverty: Poverty in Uzbekistan is the result of very slow economic growth over the last quarter of a century. That is, the only reason for the existence of a poor population is slow economic growth.

This means that the fight against poverty must be focused on economic growth. Our poverty is not an anomalous result. In a country with a per capita income of less than \$ 2,000 a year, poverty is not even theoretically possible. That is why we need to worry about what will affect the size of the economy as a whole. This means that we do not have to devise special programs to reduce poverty but focus on economic growth. However, the same idea does not apply to all countries, for example, in the United States, the measures to be taken to combat poverty are quite different.

I usually focus on free trade, fair privatization, antitrust laws, property protection, a fair and professional judiciary, transparency of public finances, empowering parliament to make fiscal (tax and budgetary) decisions, reducing government regulatory interference in the economy, and overburdening the economy. to reduce the role of the Central Bank, to ensure its practical independence on paper, to reform the banking and financial system and drastically reduce the role of the state in the banking sector, to carry out administrative reforms, to waive subsidies and privileges, to ensure freedom of statistics and information, to abandon economic planning, people and money I write a lot about ensuring that borders cross freely. The key idea in all of this is economic growth. In other words, reforms lead to the growth of the whole economy, and as a result, poverty is reduced. It should be noted that if we continue to grow more slowly than the world average GDP, it will be difficult to catch up. Before the pandemic, the average world income was around \$ 11,000 (2018), and the world per capita was growing at 1.9%. This means that the world's average income was growing at \$ 210.

In Uzbekistan, per capita growth in 2018 was 3.3%, and GDP was 1,532. This means that our average per capita income has increased by only \$ 47 per year. If we take the dollar as a constant, the growth rate of the average income in the world is almost 5 times higher than the growth rate of our average income.

These are the numbers for 2018 - the year we grew almost the fastest in our new history, to show that we grew relatively slowly even in our best year (don't give me an example from 2008-2016, de facto growth was slow at the time, the numbers are drawn).

The bottom line is that the only way to reduce poverty in our environment is to implement reforms that are necessary, but also very painful and require a lot of political will. Without economic reform, efforts to reduce current poverty will be like diverting resources from one place to another, as the economy will eventually run out of resources.

Value added must be created for the economy to increase its resources. In order to create added value, people need to be convinced, not on paper, that the fruits of their labor are in their hands. In other words, in societies where property is inviolable, open competition and free trade exist, there are no informal procedures above the law, and disputes are resolved through fair and professional courts, people believe that the fruits of their labor are in their own hands. That is, in such a society, added value is created. In order for this to happen, we need to implement well-known institutional reforms.

Economic literacy: Economic growth increases economic literacy, but the level of the economy does not increase literacy." That is, in countries with rapid economic growth, society is better aware of the laws of economics. Even if the country is poorer, but if there is growth, literacy will increase. If the country is rich and there is no growth, the literacy rate will fall. At the family and human level, therefore, in people or families with increasing incomes, the level of understanding of

economic laws increases, and in people or families with declining incomes, the level of economic awareness decreases. For example, immigrant families from poor countries have a better understanding of economic laws as their incomes increase. However, those who have been rich for hundreds of years but are now declining in income, such as the Kennedy family, are more likely to misunderstand the economy. For example, Poland has grown so rapidly over the last 30 years that the theory is that Poles have a better understanding of the economy. In the last 30 years, Italy has hardly grown. Although Italians still earn more than Poles, Italians need to be economically literate.

I think this theory is very correct. You know, in Europe (more), in Japan (more), and in the United States (less), the recent rise of communist ideas by politicians may be due to the fact that they have not had a high rate of economic growth in recent years. For example, that a Singaporean government minister understands economics as well as economists, but the average European minister does not understand economic laws well. Because these societies are democratic, I speculated that Singaporean society may also have a higher level of economic literacy than the average European society. For me personally, this theory is very, very deep. I thought about it several times, and many of the questions I observed were well answered. I often accused the same people of stupidity, I made a mistake, that is what can be expected from those people. In general, it is important for psychologists to teach economists this way, because the above theory is based on the study of human psychology. It is interesting to note that Kazakhstan was 40% poorer than Russia, and now Kazakhstan is richer. Uzbekistan was also a little poorer than Kazakhstan, but now we are almost 7 times poorer. Of course, Kazakhstan has not reformed ideally, but it is still remarkable that it remains the richest country in the former Soviet Union. It gives me hope that even if you make a lot of mistakes and do a little bit of the right thing, you can make progress. Even when I read about Singapore, I was amazed to read how many mistakes they made, but in the end, it was the result anyway. So, you do not have to be ideal for development, if you do one or two important things right, you can hope that the results will not be too bad.

Eurasian Economic Union: This alliance is not economic but political. The reasons for joining the union are of course political. I have read a lot of articles lately about the advantages and disadvantages of joining or not joining a union, most of the articles are misinterpreted. It is like a decision that must be made through economic accounting. The first myth is that our migrants' lives will be easier, and that if we join the union in the future, they will not have to pay for a patent. See patent - the system of payment for work in the Russian Federation was established in late 2014 / early 2015. In the same year, the Eurasian Economic Union was formed, and at Russia's suggestion, it was agreed that member states would not have to pay for patents. According to the agreement, there are only six countries left to pay for patents: Abkhazia, Azerbaijan, Moldova, Tajikistan, Uzbekistan, and Ukraine. I want to say that the main purpose of the patent system is to put pressure on non-members to join the union. If I'm not mistaken⁵⁵, and if Russia wants, it can cancel the patent system for citizens of Uzbekistan tomorrow. This is because the original reason for the establishment of the patent system was a tool for use in political negotiations.

The second reason is trade liberalization. This is also an unnatural argument for an economist. First, Uzbekistan is a member of the free trade agreement between the CIS countries. That is, it is more difficult to trade more freely. But if you

say that the barriers within the union are less than the CIS agreement, the solution is simple, Uzbekistan can reduce the unilateral barriers, that is, we can now remove barriers to imports from all over the world, without having to join any union (actually). it would be better to do so, we need to liberalize trade not only with the union but with the whole world). I would no longer agree that the union could impede our exports, especially now. Russia does not currently receive food from the whole of Europe and the United States (counter-sanctions), and since our exports to them are food (GM export numbers are not needed here), it is very unlikely that allies will abandon us, because the suppliers The list is very short. Moreover, it is very important that we are a member of the CIS free trade agreement, which means that by law, they cannot impose restrictions on our exports. But you can say that we have free trade in the agreement, but Russia still imposes restrictions on our goods. It is true that despite the agreements, our exporters are being hindered under de facto sanitary and other pretexts. If you know they are doing so despite the agreement, then why do you expect them to fully comply with the terms of the new agreement this time around? So, the bottom line is that joining a union is something that politicians decide, and only through political calculations. Therefore, I think it is wrong for MPs and analysts to give any economic significance to these agreements. I would urge the channel's subscribers not to read the various economic analyzes that do not make sense for us to join the WTO, and to be honest, I would like to hear the opinion of political scientists about the union. I would like our people's deputies to justify their views on entry and nonentry, not political, but political, because it is clear that there are no economic reasons.

Low Investment Inflows: All stated issues led to my thesis's core target. 2019 was declared the Year of Active Investment and Social Development. Investment is the money spent for the future, and in the economic literature, the most important investment for developing countries is, of course, foreign direct investment. The volume of investments is an important factor in determining the future economic situation of the country. Therefore, we can look at the figures of foreign investment in Uzbekistan. In the first nine months of last year, foreign direct investment totaled \$ 1.5 billion. This is three times more than in the same period last year. In a sense, 2019 can be considered a year of real investment growth. However, much remains to be done to compare these figures with GDP. We have a GDP of about 55 billion (projected in 2019), and if the investment is, say, 2 billion in 12 months, these figures are less than 5%. In Georgia, for example, the share of direct investment in GDP has risen sharply in the former Soviet Union, where successful economic reforms have taken place. Before the reforms, their share of investments was 3-4%, but after the beginning of the reforms, this figure increased to 10-19%, if we consider the growth of GDP (gross) - a very large increase. Therefore, it is good that there will be growth in 2019, but in general, the volume of investments is relatively small. In Singapore, where we like to compare ourselves, these figures have averaged 13% since 1976.

The fact that investment has not grown sharply since the beginning of the reforms means that Uzbekistan is still not very attractive to foreign investors. Next year, I would like our direct investment to be 10% of GDP, or \$6 billion. These numbers are achievable. To do this, next year's economic reforms must be faster than in previous years.

Things that hurt the economy should be reduced (e.g., protectionism).

We need to convince investors that it is a good idea to invest in the future of our country. To do this, we must ensure the security and legitimacy of property. If these two things are done, I am sure, the volume of investments will increase. So, if we want foreign investors to bet more on us, we need to provide our local investors and citizens with exemplary rights.

Legal System:

UZBEKISTAN RANKINGS

WJP Rule of Law Index 2019 performance (1 is best)

UZBEKISTAN OVERALL GLOBAL RANK: 94/126

UZBEKISTAN OVERALL REGIONAL RANK*: 12/13

FACTOR	GLOBAL RANK	REGIONAL RANK*	INCOME RANK**
Constraints on Government Powers	118/126	12/13	26/30
Absence of Corruption	95/126	9/13	15/30
Open Government	119/126	13/13	27/30
Fundamental Rights	109/126	12/13	21/30
Order and Security	9/126	1/13	1/30
Regulatory Enforcement	96/126	9/13	17/30
Civil Justice	72/126	8/13	8/30
Criminal Justice	67/126	6/13	6/30

Table 7: Rule of Law index. Table. <https://worldjusticeproject.org/>

For me, next legal reforms:

- (1) the independence and professionalism of the judiciary,
- (2) reforms in the constitutional legal system (for example, the constitutional court's consideration of cases of individuals) and, most importantly,
- (3) the creation of a law the creator learned - to pass into the hands of parliament.

Then the three powers defined in the constitution: the executive, the legislature, and the judiciary, must be separate and complementary. Yes, human and property rights also need to be better guaranteed. Today, according to the Rule of Law index of property security, we are not only the lowest in our region - but also the lowest in the world. I would look forward to these reforms.

Statistic Errors: I wanted us to understand something. Economic growth figures should be important information for each of us. I think that for today's Uzbekistan there is nothing more important than these numbers. You could say that economic growth is not everything but let us think about it. For the living standards of the people in the country, even an annual increase of more than one percent is a matter of life and death.

A simple example: if economic growth in the United States had been less than one percent (!) In 1870-1990, the United States would not have been richer than Mexico in 1990. In fact, in 1990, per capita income

in the United States was eight times higher than in 1990 in Mexico. The difference is that the United States grew by one percent faster. If we calculate the economic history of Uzbekistan since 1992, we have grown by an average of 3.4% per capita. Considering that we have grown from a per capita income of six hundred dollars, these figures are very small (compared to other countries). What would happen if we grew by 8% per capita? Then our per capita income would be at least \$ 5,000, not \$ 1,532. I repeat, if at the time of independence, the annual growth rate was 8% instead of 3.4%, the average Uzbek would be 3.4 times richer. The arithmetic of such calculations is easy. If we want to have the same income as South Korea today, that is \$ 30,000 per person. But if our growth rate remains the same at 3.4 percent, then we will reach today's South Korea in 89 years (Korean growth is natural, of course).

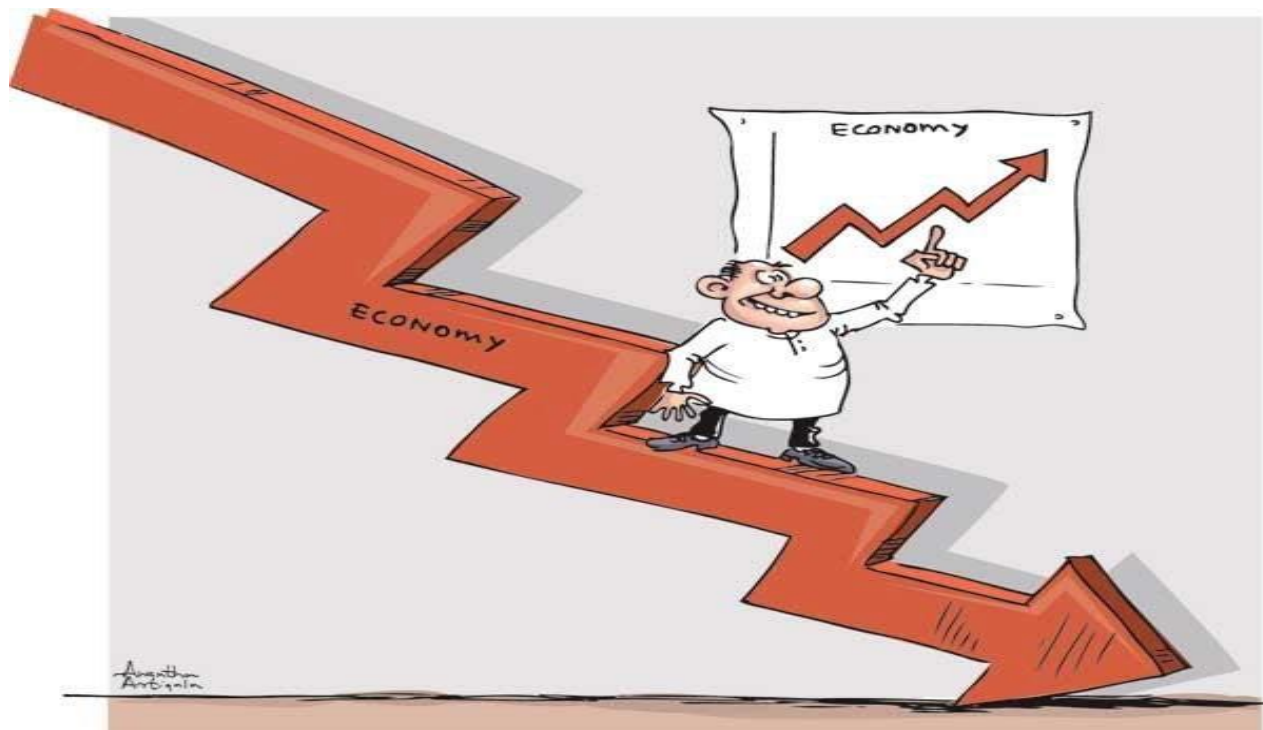


Figure 7: Statistical Error. From web

However, if our growth rate is 8%, we will be able to do it in 38 years. That is half a century earlier. So, we must ask ourselves, do we want to reach the current level of South Korea in 2108, or in 2057? Of course, the sooner the better. But what we are doing as a society does not show that we want to get there faster.

For example, Tashkent(capital) propiska(resident permit). It is true that economic growth due to the abolition of resident permit will probably exceed 1%, not more. But if we had done that in 1991, the average Uzbek's income would be \$ 500 more now. That is, we had the opportunity to get rich, but we did not use it. To date, the non-abolition of resident permit has caused us great damage to our economy (more on this consideration here). The second is trade barriers. Our trade bureaucracy is one of the most difficult. In addition, we are one of the countries with the highest import duties in the world. For these two reasons, we live in an almost autarky mode. As a result, we are reducing our economy by almost 23% per year. In other words, trade, and resident permit itself make us more backward.

Where did I get these numbers? For comparison, due to the "trade war" in the United States, average (weighted) import duties increased from 1.4% to about 3.2%. Approximately 1.8%. As a result, the U.S. economy will grow by less than 1%, according to the most conservative Federal Reserve survey. That means about \$ 120 billion in damage to the economy in a year. In other words, an increase in tariffs of 1.8% is equivalent to a decrease of about 1% of GDP. On an arithmetic average, duties in 2019 were 5.6% (unweighted). Now in 2020 it will be 8%. If we have the same elasticity as the United States (we have a different elasticity than the United States - we have a very small domestic market, so the numbers are very conservative), we will grow more slowly by 1.3% per year.

5. Conclusion

If we speak in artistic way path of all 5 countries remembers a drama movie with promising next episode with happy end. Generally, after getting independence all five Central Asian Countries put high economic targets which never achieved by any of them.

As a member of this community, I can say high bureaucracy, corruption, wrong economic decisions, disinformation, old school methods on governing, problems between neighbors made settled targets far more away and now unachievable in near future.

There is a quote among people there “a good horse ride better later on”. So, it is believable that with high natural resources, strategic positioning, high qualified population Central Asian countries can be next Asian tigers. We hope.

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