

## THE IMPORTANCE AND APPLICATION OF FOREIGN EXPERIENCE OF DIGITALIZATION IN THE SECTORAL ECONOMY OF THE REPUBLIC OF UZBEKISTAN

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### ABSTRACT

This article reveals the meaning and essence of the digital economy, examines its impact on the sectoral economy and spheres of society, notes the leading foreign countries and CIS countries in the field of application of digital technologies in the economy, as well as the level of digitalization in Uzbekistan.

**Keywords:** Digital economy, digitalization, information technology, cluster-network system, cloud technologies, digital environment.

### INTRODUCTION

At present, the introduction of the digital economy in the development of New Uzbekistan is a serious driver of effective growth for the economy of our country.

In this regard, digital transformation is one of the main trends in the global economy. Advanced countries have already developed a number of tools to get away from trivial methods of doing business and public administration, and successfully use them in practice. The relevance of the chosen topic is due to the fact that the Republic of Uzbekistan is just embarking on the path of creating the economy of the future, and therefore the term "digital economy" may not be fully understood. The Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev in his message to the Oliy Majlis "... It is necessary to launch a large-scale systematic program for the development of the economy of a new technological generation, the so-called digital economy."<sup>1</sup>

A new stage of development in the field was the signing by the President of the Decree "On approval of the Digital Uzbekistan-2030 Strategy and measures for its effective implementation" dated October 5, 2020. The purpose of the adoption of the document is a successful transition to the digital economy, taking into account modern realities. After all, today the share of the digital economy in GDP in the country is 2.2 percent[2].

In the modern world, in the context of the development of new technologies, the global spread of the Internet, the transfer of many processes to digital format, the impact of the spread of social networks, including the transformation of public consciousness, digitalization processes

<sup>1</sup> Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Narodnoye slovo 29.12.2018

should play a constructive and creative role throughout the world, including in the Republic of Uzbekistan.

During my speech at the fourth Consultative Meeting in Cholpon-Ata, the Head of our state noted: "I propose to pay special attention to the issues of digitalization of economic sectors, which will reduce costs and ensure the competitiveness of products."

The timeliness and relevance of this initiative once again proves the key role of digitalization in realizing the economic potential of Central Asia.

According to the forecasts of the international digitalization market research company International Data Corporation, by 2023 more than 50% of all ICT spending in the world will fall on digital transformation and innovation. At the same time, studies show that the digital economy is growing on average 2.5 times faster than the entire economy as a whole, and investments in digital technologies are 6.7 times ahead of "non-digital" ones.

### BODY

In this regard, it is proposed to consider the essence of this concept, to analyze the experience of foreign countries in the application of digital methods in the economy, as well as the prospects for their use in the Uzbek economy through the application of foreign experience "Digital Economy".

The easiest way to digitally transform is through high-tech industries related to software development and distribution. In addition, the financial sector and the service sector are rapidly modernizing. Among industrial enterprises, noticeable progress is visible in the chemical industry, mechanical engineering, and FMCG production. Almost all industries are inevitably involved in the global digitalization process [5].

The modern economy is post-industrial, while it is often called a new, innovative, economy of knowledge, competencies, and networking. It should be noted that this series of definitions, on the one hand, has a different meaning, and on the other hand, characterizes the same period of economic activity.

The main distinguishing features of the post-industrial economy [5]:

- the formation of a network method for coordinating economic relations is implemented through the creation of cluster-network systems with horizontal connections and mechanisms of spatial integration and interaction;
- in addition to traditional industries (industry, transport, etc.), there is an increase in investment in creative industries;
- the development of activities is transferred to education, tourism and recreation, healthcare, finance, etc.;
- the prevailing innovations in the economy are open;
- the predominant form of knowledge is tacit knowledge;
- The main resources are information and human capital.

Recently, both in economic theory and in the practical activities of a number of countries, the concept of "digital economy" has appeared.

The beginning of the XXI century brought the development of digital technologies based on the information revolution and the processes of globalization of the economy. Information in society and economic processes has become the main resource. In the hands of man, it is

transformed into knowledge, and socio-economic relations are increasingly transferred to the network space. A key factor in digital transformation in the activities of market entities is the development of digital culture.

### **The meaning and essence of the digital economy**

It is believed that the Canadian entrepreneur, consultant and executive director of the Tapscott Group, Don Tapscott, is the "father of the digital economy".

Published in 1994, his book "Digital Economy" was the first book to describe the system of a virtual economic system.

The digital economy can be viewed from a variety of perspectives. So, the digital economy is [3]:

- a type of economy characterized by the active introduction and practical use of digital technologies for collecting, storing, processing, transforming and transmitting information in all spheres of human activity;
- a system of socio-economic and organizational-technical relations based on the use of digital information and telecommunication technologies;
- a complex organizational and technical system in the form of a set of various elements (technical, organizational, programmatic, infrastructural, regulatory, legislative, etc.) with distributed interaction and mutual use by economic agents for the exchange of knowledge in conditions of permanent development. Key to defining a digital system are the sharing of knowledge, the technologies that enable it, and the people who are able to participate in and manage that exchange.

In many countries, considerable attention is paid to the problem of the formation of a digital society, which is confirmed by the adopted strategies/programs for the development of the digital economy. Let's list these countries: Denmark (2000), Singapore (2005), Australia, Hong Kong, Great Britain, New Zealand (2008), the European Union (2009), Canada (2010), Malaysia (2012), South Korea (2013), India, Kazakhstan (2015) [7].

- increasing the involvement of citizens and business entities in work in the digital space;
- creation of an infrastructure that ensures the interaction of subjects in the digital space;
- formation of sustainable digital eco-systems for business entities;
- reducing the costs of business entities and citizens in interaction with the state and among themselves;
- increasing the competitiveness of the economy, economic entities and citizens through digital transformations in all spheres of society.

The targets for the development of the digital economy in the Republic of Uzbekistan are as follows:

- the share of e-commerce in GDP, no more than 3% (current value 1.4%);
- the share of the digital economy in GDP, no more than 10%
- the share of people employed in the high-tech digital segment of the economy;
- the share of exports of digital goods and services, as well as exports of traditional goods and services through digital channels in total exports;
- the total capitalization of companies belonging to the digital technology sector.

The formation of the digital economy should have a certain base, which can be noted:

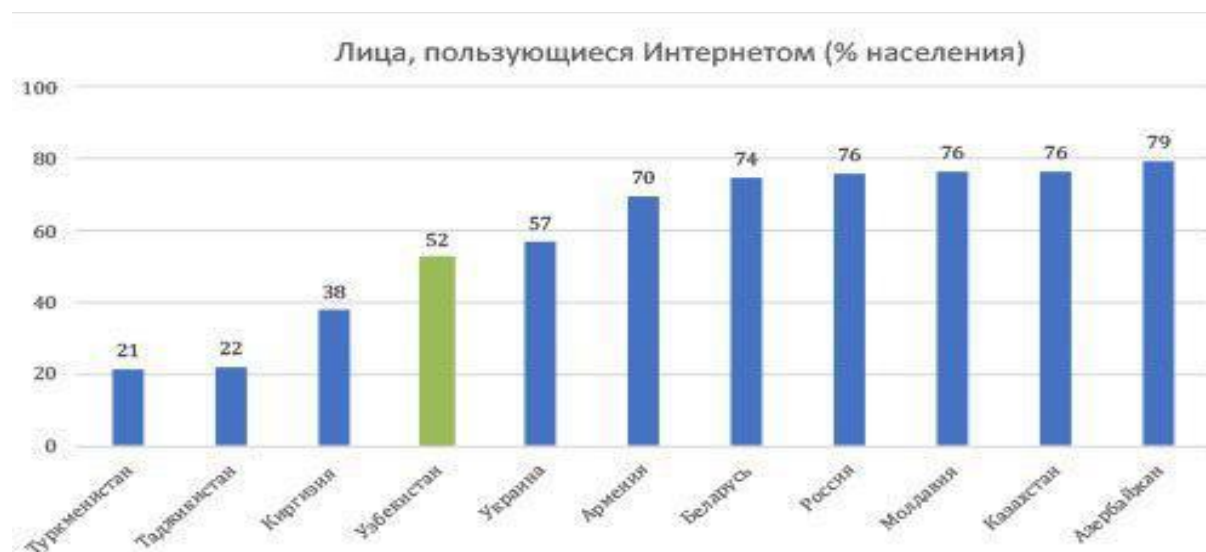
- development of digital infrastructures and communication standards;
- improving the management of information flows and knowledge in digital ecosystems;
- creation of free access for citizens to the network and online communications in it;
- expansion of online services;
- ensuring information security.

Modern technologies and services for digital systems should include [5]:

- digital environment;
- developed information and communication structure;
- information resources;
- knowledge bases;
- new forms of electronic interaction;
- interactive communities participating in domain-specific clusters;
- platforms for the integration of business, government and society.

### Digital Economy Today

The main components of the digital economy for Uzbekistan today are consumption/e-commerce, investment in development, public administration, export-import activities. (Fig. 1.)



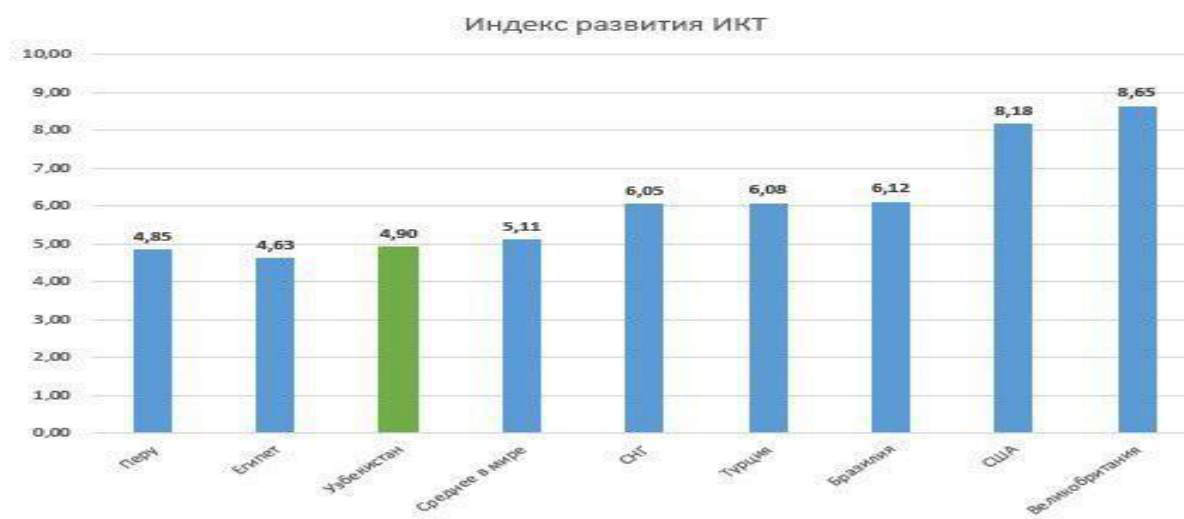
Rice. 1. Information Development Index communication technologies in the CIS

The largest share in the total volume of the digital economy is consumption as a form of virtual commerce. In recent years, the share of e-commerce has grown by 35-40% in total retail sales. To date, it is about 5%, but it is still very small compared to the G20 countries [4]. Virtual commerce is most widely used in the segments of household appliances and electronics, clothing and footwear, furniture and household goods. These categories account for 60-70% of the e-commerce market in Uzbekistan. The market for virtual food products in the country is also actively developing, Especially in large cities.

In the technological aspect of the formation of the digital economy, four trends can be distinguished:

It is difficult to imagine the economic development of Uzbekistan in the context of globalization of the world economy and technological development without the rapid growth of the digital economy. For example, consulting firm Accenture predicts that by 2023, up to more than a quarter of global GDP will come from the digital sector. It is not surprising that 20-21 years behind the scenes marked the beginning of the era of technology giants, when 7 companies in the technology sector were firmly entrenched in the list of the 10 most expensive companies. However, stimulating the digital economy will require the removal of barriers that hinder development of digitalization and digital commerce.

In the "Inclusive Internet" index published annually by The Economist Intelligence Unit, our country has risen 5 positions compared to the previous year (66th place in 2021), and in 2022 it took 61st place. According to the Open Data Inception analysis, Uzbekistan ranked 4th among 201 countries in the world in terms of open data sources and their number, an increase of 1 position compared to last year (with 124 open data sources).



**Rice. 2. Information Development Index communication technologies in the world**

It should be noted that the problems of developing the digital economy in Uzbekistan are similar to the general problems faced by developing countries.

### 1. Development and practical application of mobile technologies in Uzbekistan;

The Republic of Uzbekistan is still significantly lagging behind the above-mentioned countries in digital development, but the state is already taking serious steps to eliminate this gap. Thus, the Government of Uzbekistan has included in the strategic development plan of the state a program of the digital economy, the purpose of which is to form a full-fledged digital environment and digital field in the republic. According to the government, it is the "digitalization" of the economy that will allow the country to solve the issue of global competitiveness and national security in the shortest possible time.

The message of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis dated December 28, 2018 states: "... we should start developing in 2019 the National Concept of the Digital Economy, which provides for the renewal of all sectors of the economy based on digital technologies, and on this basis introduce the Digital Uzbekistan-2030 program [2]. The "digital economy" is the provision of digital space for all spheres of the country's life.

The main objective of the program is to create legal, technical, organizational and financial conditions for the development of the digital economy in the country and its subsequent integration with the digital economies of foreign countries. The digital economy will ensure the growth of gross domestic product by at least more than 30 percent and drastically reduce corruption. This is confirmed by analytical studies of authoritative international organizations. The country has embarked on a course to develop a program for the country's transition to a digital format in the economy. The stages of this program will last until 2030. This program involves the implementation of measures to create supply and generate demand for digital innovations in specific industry markets, as well as the use of an integrated approach to stimulating technological innovation [2].

### **1. Practical application of mobile technologies;**

2. Business Analytics;

3. Using Cloud Computing

4. Social media and social media such as Facebook, YouTube, Twitter, LinkedIn, Instagram, etc.

The spheres of implementation of the digital economy are growing every year, and at present it is possible to distinguish

As the most developed are the following:

1) e-business;

2) Internet banking;

3) information systems;

4) telecommunications;

5) education;

6) social sphere;

7) industry.

Among the basic components of the digital economy, as a rule, there are [4]:

– infrastructure, including technical facilities, storage, processing and conversion centers information, information transmission centers, software, telecommunications, etc.;

- electronic services of legislative and executive state authorities and administration;

– e-commerce, which is currently one of the largest segments digital economy;

- business processes of economic entities through computer networks in the context of virtual interactions between market entities.

One of the most advanced countries in the field of implementing the digital economy is Singapore.

Here, information technologies are being actively introduced in all sectors, all public services have been transferred to electronic format, the Singapore education system is actively using online learning, etc.

Another striking example of a developed digital economy is the United States, where a favorable business and innovation climate has been created, which contributes to the active development of the IT sector.

Currently, the Republic of Uzbekistan ranks 43rd in the world in terms of the development of the digital economy based on the BCG rating. The calculation of the BCG digitalization index is based on the dynamics of growth in online spending of the population and user activity. However, like most indices, the BCG digitalization index is a statistical indicator that has a share of conventionality [9].

### FINDINGS

1. The digital economy has enormous potential to promote economic development.
2. The Internet significantly activates the established markets for goods, services and labor, as well as the principles of the functioning of the public sector.
3. Directions for further research are seen in the development of proposals to eliminate the problems of digital transformation of the economy, in the development of a system for ensuring digital economic security.
4. To this end, work should be carried out in the republic on the creation of technology parks, research and production clusters and other innovative projects, widespread and affordable training of citizens in digital literacy, the introduction of digital technologies, ensuring coverage of the country's territory with the Internet from 5G and above, the introduction of electronic document management in the activities of enterprises.
5. All these activities will require huge financial investments from the state, trained specialists to train employees of enterprises and the population in the basics of the digital economy, but this is the imperative of the time and the requirements of advanced information technologies that will be put at the service of the people.
6. Thus, the Digital Uzbekistan-2030 program is not just another major state project of the country, it is an important aspect of the innovative activity of the Republic of Uzbekistan, the main goal of which is not only to achieve a high level of development, but also to integrate and interact with the developed countries of the world.

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