

## THE MAIN DIRECTIONS OF DIVERSIFICATION OF EXPORTS OF INDUSTRIAL PRODUCTS ON THE BASIS OF LOCALIZATION

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### ABSTRACT

This article covers the main trends and some issues of diversification of exports of industrial products on the basis of localization.

**Keywords:** innovation, potential, scientific and technical potential, economic potential, intellectual potential, innovative resource, innovative activity, innovative process.

### INTRODUCTION

The Action Strategy Program for the five priority areas of development of the Republic of Uzbekistan for 2017-2021, selected by the President, includes an active investment policy aimed at modernization, technical and technological renewal of production, implementation of production projects and development of high-tech processing industries. First of all, it is planned to accelerate the development of high value-added finished products based on deep processing of local raw materials.

The experience gained during the development of our country during the years of independence shows that the industrial sector, which is the basis of the economy in any country, should develop on the basis of active integration.

Industry is a set of enterprises (factories, mills, mines, power plants, farms, etc.) that produce raw materials, materials, fuels, energy and other products or provide separate services. Industry is an important sector of the economy. The development of today's economy could not be imagined without industry. Because most of the human demand is met on the basis of demand for industrial products. Therefore, when considering the development of industry, it is always necessary to pay attention to the need to "... the state of production capacity, reduce costs and costs, localization and increase the level of profitability, product competitiveness." Indeed, the importance of localization processes in the export of industrial products is enormous. If the localization process is accelerated, we will be able to diversify not only exports, but also small business and private entrepreneurship (Figure 1).

Therefore, in Uzbekistan, "modernization and competitiveness programs are being implemented in 12 leading industries. As a result, economic growth last year was 5.6 percent. The volume of industrial production increased by 6.6%, exports - by 28%. Our gold and foreign exchange reserves increased by \$ 2.2 billion in 2019, reaching \$ 28.6 billion.

Today, industrial diversification is taking place in leading enterprises in a number of countries. This situation shows that exports are developing in our country.

The implementation of the localization program introduced in our country is characterized by the following positive aspects:- efficient use of existing production facilities;

- increase the export of high value-added products of various industries and reduce the share of traditional exports;- development of effective domestic and intersectoral production cooperation;- High use of the potential of cooperation of domestic enterprises in the real sector of the economy;- Improving the structure of the economy by expanding the processing of local raw materials, modernizing existing enterprises and creating new ones, etc.

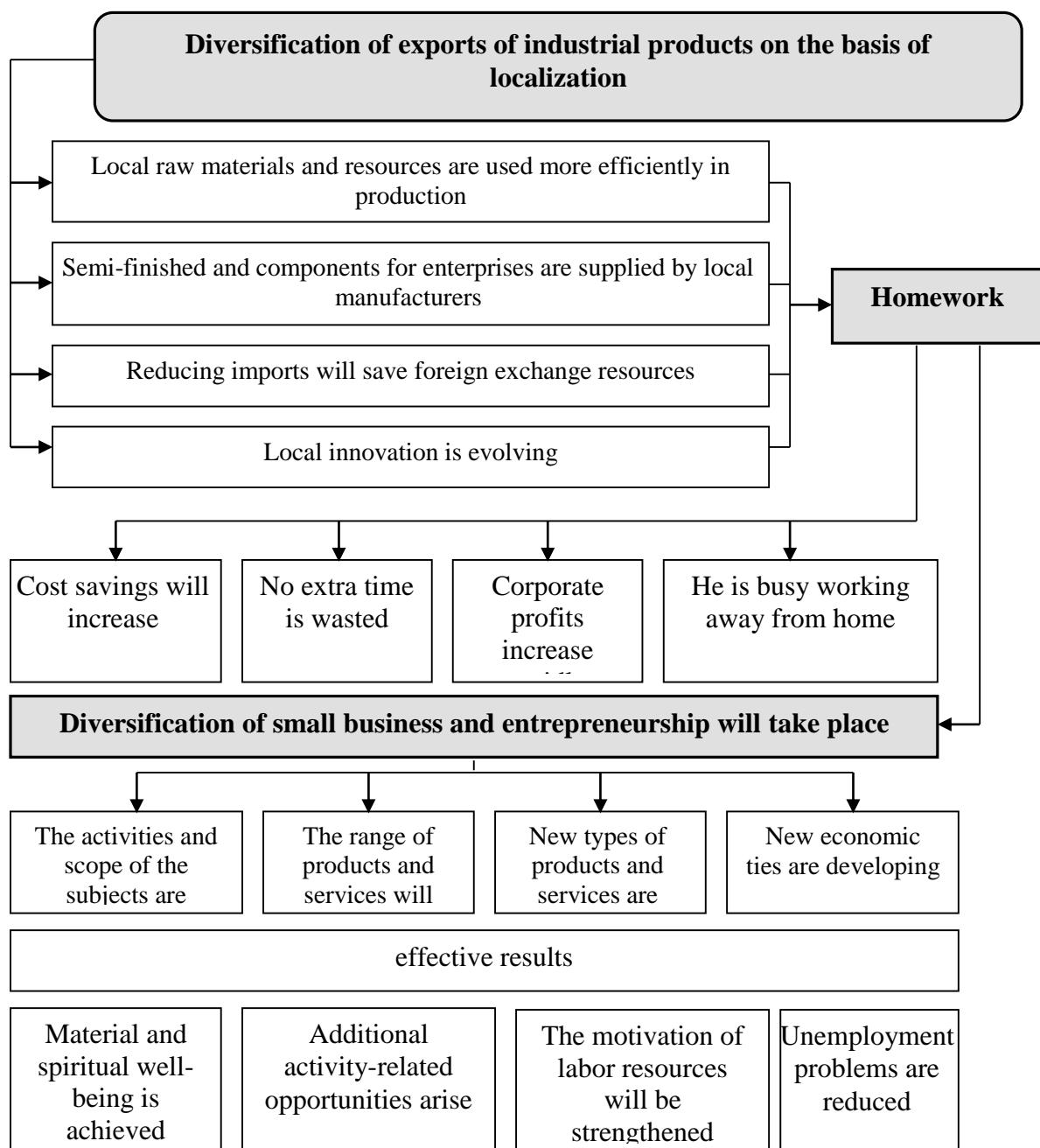


Figure 1. Importance of localization and diversification in the export of industrial products

According to the analysis, from 2016 to 2019, the volume of Uzbek exports increased from \$ 12.6 billion to \$ 17.9 billion or 42%. However, last year's coronavirus pandemic had a negative impact on export performance. As a result, exports fell by 15 percent. About 50 percent of exports are raw materials. Therefore, in recent years, Uzbekistan has followed the path of rapid development of high value-added, finished products sectors of the economy.

According to the analysis of the Center for Economic Research and Reforms, taking into account the priorities set out in the Address of the President to the Oliy Majlis, the government has set a task to increase exports of goods and services by at least 20% this year.

Research by Harvard University has shown that Uzbekistan has sufficient opportunities and relative advantages in the production of more than 50 types of industrial products. In particular, there are all the conditions to turn the petrochemical, metallurgy, mechanical engineering, electrical engineering, pharmaceutical, construction, textile, leather and footwear and food industries into a driver of the economy.

According to him, further integration of Uzbekistan into the world economy will help local products to enter new export markets. In this regard, a number of measures are being taken. In particular, active negotiations on membership in the World Trade Organization are underway. It has been granted observer status in the OSCE. Active cooperation is being established with the European Union. This helped the European Commission to make a positive decision on Uzbekistan's application for GSP + status.

Diversification processes in industry means the diversification of enterprises produced in different regions. In the context of Uzbekistan, this process is carried out in connection with the localization. More precisely, industrial diversification is a process that leads to the expansion of the industrial network, increasing the range of products. At the same time, new technologies will be introduced in the industrial sector.

Thus, diversification as a specific process is the expansion of production activities in enterprises, which includes:

production of new products not related to the main specialization;

the process of organizing new production on the basis of the main enterprise or using existing ones to produce new types of products;

change, expand the range of products produced by the company, the development of new types of production;

expansion of the range of goods,

expansion of the nomenclature (types) of goods produced by individual enterprises and associations;

Production of a large number of unrelated goods and services and a significant expansion of the scope of activities of the manufacturing enterprise.

Diversification is necessary for the development of economic activity at the state level, as well as in a separate manufacturing enterprise. In general, industrial diversification is the expansion of business, increasing the production of types or quantities of goods, the search for new ways for new exporting companies to enter the market. One such way is to implement localization. In the process of diversification, new opportunities to strengthen the economic base will emerge, the economy will be strengthened and the negative impact of foreign factors will

be reduced. In our opinion, given the growing quantity and quality of market participants in today's economy, it is necessary to pay serious attention to the following measures to diversify industrial exports:

1. Minimize labor costs, introduce more new technologies, achieve growth relative to the competing entity.
2. Setting up not only business, but also various other types of activities not related to it.
3. To organize the production of products in a way that meets the requirements of the new age.
4. "Presentation of a well-developed set of specific measures for the establishment of a joint venture in order to sharply reduce imports and increase the localization of equipment production."
5. Improving the management of the company in a timely manner, increasing the purchasing power of manufactured goods and ensuring rapid sales.
6. Focus on the application of ethical standards and quality improvement in the provision of services.
7. Achieving efficiency by improving quality in production.
8. Take measures to reduce costs.
9. Improving the quality of advertising.

The implementation of such measures at the level of quality and international requirements will lead to further development of industrial production in the country. It also shows its effectiveness in diversifying exports of industrial products.

In diversifying the export of industrial products, based on scientific achievements, it is expedient to support measures to stimulate the development of new scientific developments, technical projects created by scientists in various fields. This is because it is much cheaper to use local innovations in production. We need to move towards an effective use of such opportunities. If the news is developed locally and regionally, many economic opportunities will be gained:

1. As a result of our own innovations, the amount of currency in the state account is saved.
2. The problem of employment will be solved, the demographic situation in our society will be significantly improved.
3. Re-equipment or repair of new equipment or technology, its production and installation in case of failure of the details are also decided by us.
4. Specialists from abroad are not invited to implement and master new developments or projects. This work is also solved with the help of local experts (by organizing readings).
5. Most importantly, local innovation is evolving. Opportunities for its wide development will be created.

In our opinion, diversification of exports of industrial products on the basis of localization in our region is a unique approach. Modernization processes play an important role in the localization of our country through the production of goods and services using modern equipment and technologies, not only in the domestic market, but also in increasingly competitive world markets.

Diversification of exports of industrial products requires taking into account local conditions. In other words, increasing the focus on localization in the development of the economy is a

requirement of the times. This, in turn, stimulates the development of home-based work, leading to an expansion of the scope of economic activity of small businesses and private entrepreneurship in the industrial sector (see Figure 6). Indeed, industrial diversification in itself encourages the activation of even small businesses.

In short, in order to increase the supply of industrial products, it is necessary to expand the production base. Just as diversification of production means the simultaneous development of all existing industries and sectors, it can also be a development process within a single large export company or concern. Diversification of production increases the range of products, strengthens the company's position in the market and expands the opportunities for economic benefits.

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