

Analysis of the Development of the Industrial Production Sector in the Region

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Abstract: This article examines the trends in industrial production development in the Republic of Karakalpakstan. In light of the structural degradation of the national economy, it addresses innovative development measures aimed at minimizing risks and investments in industrial enterprises amidst a lack of resources. The study explores directions for enhancing the innovation activity of the industrial sector through the utilization of advanced innovative technologies.

Keywords: industry, industrial production, industrial products, production facilities, investment, innovative products, scientific and technological potential, modernization, strategy, infrastructure.



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During the years of independence, significant changes occurred in the economic sphere, particularly in the industrial sector, in Uzbekistan and its regions. Specifically, from 2020 to 2023, the economic growth rate is projected to reach 30.2%, and the share of industry in GDP is also experiencing notable changes. For instance, in 2019, the share of industry in the country's GDP was 29.1%, but it decreased to 28% in 2020. In 2021, this figure rose slightly to 28.1%, and in 2022, there was no significant increase, remaining at 28.9%. However, in 2023, the share of the industry in GDP is expected to reach 30.2%. Thus, the share of industry is increasing, and in many regions, the share of industry in Gross National Product (GNP) has grown faster than the share of industry in the country's overall GDP.

Since gaining independence, the Republic of Karakalpakstan has been considered an underdeveloped region in terms of industrial goods production. However, the regulatory and legal documents adopted under the New Uzbekistan Development Strategy for the period 2022-2026 have fundamentally transformed the development of industrial production across all regions, including Karakalpakstan. Table 1 below presents the indicators of economic growth in the Republic of Uzbekistan and the Republic of Karakalpakstan.

Table 1. Dynamics of changes in GDP (Gross Domestic Product) of the Republic of Uzbekistan and the Republic of Karakalpakstan in 2015-2022 (billion soums)

Areas	2015	2016	2017	2018	2019	2020	2021	2022 (I quarter)
Republic of Uzbekistan	210183.1	242495.5	302536.8	406648.5	510117.2	580203.2	734 600.0	162,800.0
Republic of Karakalpakstan	6227.1	8036.0	10243.0	15009.4	19078.9	21200.9	26 300.0	5 700.0

Industrial production is considered a priority sector of the country's economic development. During the former union, the Republic of Uzbekistan was primarily regarded as a raw materials base, particularly in cotton production. This policy hindered the development of industrial production in the republic. After gaining independence, Uzbekistan's economic development trajectory changed radically. Today, industrial development in Uzbekistan is progressing, with over a hundred branches of industry operating in the country. Special attention is currently being paid to regions lagging in industrial production, such as Jizzakh, Syrdarya, Khorezm, and the Republic of Karakalpakstan. Among them, the Republic of Karakalpakstan stands out due to its abundant mineral resources. Numerous minerals and ore deposits, including oil, gas, and soda raw materials, have been discovered and are being utilized in the region.

The Republic of Karakalpakstan is known for its complex ecological situation. Additionally, it is considered underdeveloped in terms of pharmaceutical production. Therefore, it is essential to develop a well-thought-out program for structural changes in the region's industry.

Achieving high economic growth indicators through the production of highly processed products should become a priority direction for the region's economic development in the near future.

Deindustrialization in the economy of the Republic of Uzbekistan, or destructive conditions in the national industry, is evidenced by a stable trend of decreasing added value in processing industries. In 2000, this sector accounted for 19.3% of our country's GDP, but by 2021, this figure had dropped to 17.4%. For comparison, this indicator is 33% in China, 28% in South Korea, and 25% in Indonesia. Most industrial products produced in the country are classified as low-tech, and their competitiveness in world markets is also low.

To minimize the risks of innovative development associated with the structural degradation of the national economy, it is necessary to increase innovative activity through state investments. This should focus on strategic sectors of the economy, which are considered high-tech and generate the most added value. This involves increasing scientific and technological potential, modernizing the production complex, and financing strategically important production infrastructure, transport systems, and ICT and communication systems. Budget funds for infrastructure renewal and development will allow the state to play a greater role as an investor in innovative projects through public-private partnerships.

Thus, the high level of erosion of the main production funds of national enterprises in the processing industry, along with difficulties in attracting investments in the production sector, particularly for innovative projects, has led to a decrease in the competitiveness of goods produced by national industrial enterprises compared to those of foreign manufacturers. The use of outdated techniques and technologies, which increase costs for repairing devices and mechanisms, further contributes to the low profitability of products in the processing sector. On average, for the manufacturing industry over the period from 2005 to 2022, profitability fell by 3.4 percentage points to 11.9%, which is lower than the interest rates on loans to non-financial institutions for terms longer than one year.

The study of foreign experiences and the performed analysis lead us to conclude that modernizing production facilities and developing innovative activities in processing enterprises are impossible without active state support. This support is essential for the intensive introduction of new technical and technological developments and improving the management mechanism of innovative activities in this sector. Therefore, in the Republic of Karakalpakstan, as well as in other regions of our country where the industry is not yet highly developed, it is crucial to foster industrial development through innovation. This involves developing an effective model for innovative management, implementing this model based on a special program to achieve the desired results, and using an approach that ensures the attainment of target indicators.

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