

## DIGITAL TRANSFORMATION OF UZBEKISTAN USING THE EXAMPLE OF MARKETPLACES

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**Abstract.** *This article discusses the issues, proposals and opportunities of e-commerce in Uzbekistan, since electronic commerce is currently engine of economic progress and universal digitalization, the problem of Uzbekistan's entry into the WTO (World Trade Organization) as a full member of this organization was raised.*

**Keywords:** *WTO, e-commerce, electronic commerce, online trade, digital transformation, economics, digitalization, potential, globalization.*

### Introduction

From October 24 to 27, ICTWEEK 2023, one of the main events in the ICT sector of Uzbekistan, was held in Tashkent. During the five-day program, forums such as Artificial Intelligence, Investments in the IT Sector, the Central Asian IPv6 Summit were held, and the ICT EXPO 2023 exhibition was held.

ICTWEEK 2023 was organized by the Digital Government Project Management Center under the Ministry of Digital Technologies of the Republic of Uzbekistan on the basis of the Decree of the President of the Republic of Uzbekistan dated 28.04.2020 No. UP-4699 "On measures for the widespread introduction of the digital economy and e-government" and the Resolution of the Cabinet of Ministers No. 409 "On measures for the activities of certain organizations in the system of the Ministry for the Development of Information Technologies and Communications of the Republic of Uzbekistan".

The World Bank Forum "How to Succeed in the E-Commerce Market in Uzbekistan", held on 26.10.2023 in the building of the Ministry of Digital Technologies, has become a kind of agenda for future changes in the foreign and domestic policy of the republic - we are talking about the accession of our country to the WTO (World Trade Organization). On the one hand, it is a foreign policy step taken by the country to achieve its economic and trade interests in the international arena. On the other hand, accession to the WTO requires domestic reforms, harmonization and implementation of international trade rules and standards within the country.

At the 78th United Nations General Assembly, held in New York from September 19 to 26, 2023, the President of Uzbekistan Shavkat Mirziyoyev introduced the international community to the reform process in Uzbekistan, the results achieved in the field of human rights, socio-political modernization, while the priority task on the way to liberalization of the economy for the republic is to join the WTO as a full member in the near future. Recent years Central Asia It is on the path of strengthening good-neighborliness, stability, cooperation and development. The countries of the region have managed to overcome many problems related to state borders, transport corridors and water use. Here we can quote the words of the President of Uzbekistan that "with the support of the international community, Central Asia will continue to follow the path of consolidation. Transforming the region into a peaceful and prosperous region will remain a priority goal of Uzbekistan's foreign policy." We also cite the comment of the Director of the Eurasia

Institute of the Chinese Academy of International Studies under the Ministry of Foreign Affairs of the People's Republic of China Li Ziguo: "Since 2016, fundamental changes have taken place in Uzbekistan, which were presented in the speech of the President of Uzbekistan at the 78th session of the UN General Assembly. The leader of Uzbekistan also outlined his strategic vision of the country's policy for the coming years. In particular, the issues of promoting internal reforms and improving the national governance system, economic integration and global division of labor, early accession to the WTO, and the course for further strengthening good-neighborliness, cooperation and partnership in Central Asia were touched upon.

#### **Literature review.**

The main statistical information is taken from the Internet, data and statistics provided directly at the WTO (World Bank) forum, "How to succeed in the e-commerce market in Uzbekistan") held on 10/26/2023, legislative acts adopted in the Republic of Uzbekistan are indicated, articles and theses were considered, in which the issue of the country's entry into the WTO, the challenges following the corresponding changes in the economy and life of the country were raised.

#### **Research methodology.**

The methodological base of the research is represented by theoretical provisions. As a basic research method, the author used a logical-structural analysis of theoretical, statistical data provided in the public domain and provided at the WTO (World Bank) forum, "How to succeed in the e-commerce market in Uzbekistan") held on 10/26/2023. The main methods are analysis and synthesis, which allow us to show the results of the study and draw conclusions about the trend in the development of digital transformation in our country using the example of marketplaces as the strongest engine of the economy in the modern world.

#### **Discussion and result.**

The accession of the Republic of Uzbekistan to the World Trade Organization (WTO) has long been discussed inside and outside the country, and the disputes are multifaceted, opinions are categorically divided, since such a transformation can have both positive and negative consequences for the country's economy. Many experts suggest that the WTO can help increase Uzbekistan's trade, attract foreign investment, and promote economic development.

Here are some examples of foreign experts' statements about the opening of Uzbekistan to the WTO:

Gary Robbins, Director of the U.S. Agency for International Development, said: "Membership in the WTO can send an important signal to the world that 'Uzbekistan is becoming a member of the international trading community and that the country is, in fact, open for business.' Uzbekistan's accession to this organization will increase bilateral trade between Uzbekistan and other WTO member countries, including the United States."

Kim Heungjong, President of the Korea Economic Policy Institute: "Tashkent's efforts to resume the process of accession to the WTO accelerate the process of liberalization and trade and strengthen the country's foreign economic activity."

Xiangchen Zhang, Deputy Director-General of the World Trade Organization (WTO): "Thanks to the proactive measures of the Uzbek side, cooperation with the WTO has become dynamic and intensive. The Government of the country is committed to continuing the implementation of trade liberalization measures, modernizing the system of reforming foreign

trade based on the principles and rules of the WTO, encouraging foreign investment, as well as introducing the best world practices in order to ensure sustainable economic growth.

However, WTO accession can also present challenges and cause some resistance at the national level. Some economists fear that the opening of the market to foreign products could have a negative impact on certain sectors of the national economy and local producers. Therefore, it is important for the republic to develop a strategy that will contribute to the balance of interests and ensure the protection of important industries. Thus, we can divide the opinions of experienced experts into two different scenarios – positive and negative.

As we can see, this issue has many advantages and disadvantages, but all experts agree that accession to the WTO can be a step forward for the country's economic development and strengthening its ties with the international community.

Returning to the World Bank forum held at ICTWEEK 2023, it should be noted that the event was held at a high level, the participants were representatives of such large organizations as the Ministry of Digital Technologies, the Department of Foreign Affairs and International Development of the United Kingdom, Mastercard, Alibaba, USAID, RHL Venture, RazorPay, DHL, the Agency for the Promotion of Export and International Markets of Uzbekistan, Uzum, FinTech Association of Uzbekistan.

Numerous statistical data on the republic in the context of e-commerce and the possibility of further development of a promising market were presented. Currently, the e-market is developing and gaining more and more popularity among consumers and entrepreneurs. According to data provided by the FinTech Association of Uzbekistan, the payment market in Uzbekistan in 2023 was equal to 116 trillion. sum, 191.6 mll. UZS is the value of QR transactions, 50 payment companies, 3 of which have a customer base of more than 10 million consumers.

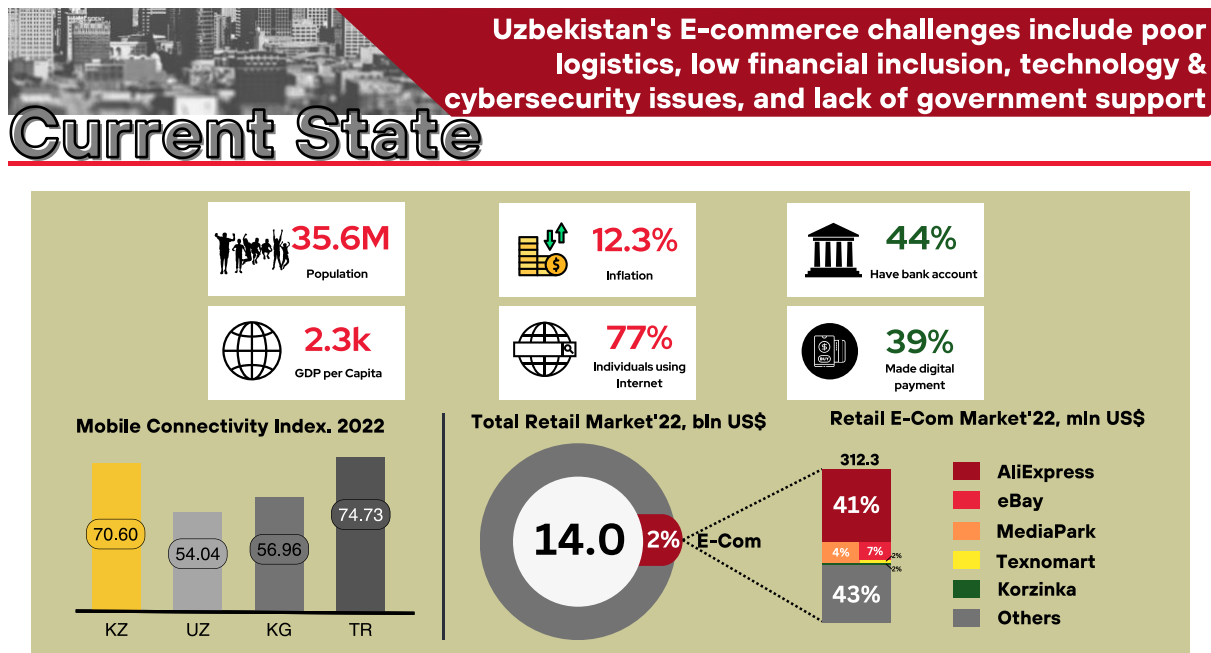
The banking market of Uzbekistan was also represented by the following figures: more than 30 bank names, 34 million bank cards in circulation, 20,000 ATMs throughout the country, the penetration of banking services is 49%, traditional banks - 23, digital banks - 5, national payment systems - 2, Uzcard and Humo.

E-commerce (e-commerce) is represented by 10 well-known companies in the country, including Texnomart, Mediapark, Korzinka, Alif Shop, Uzum, Sello and others.

The development of the marketplace market is, of course, unequivocal, and the stimulation of payment systems for merchants has become a top priority, it has become commonplace that many stores offer their goods on marketplaces in installments and at full price. Spending a certain amount of money to create your own website, then constant technical support, working on the site - updates, advertising hashtags, interface support - all this takes a lot of time and requires knowledge and skills at the level of soft skill at least, or alternatively, you need to hire an employee with certain knowledge, which also requires costs. It is easier and more convenient to work with a marketplace, where such services can be provided for an appropriate fee, and the product will be on view by more people than on one site due to the great variety and competition.

With the development of e-commerce, both challenges and dangers are growing, leading to problems in society and unhealthy attitudes towards e-commerce, as deceived citizens lose trust in platforms and online commerce. To avoid such risks, it is necessary to create a solid base of laws and regulations, to develop rules for serious penalties for offenses in this area. Our republic has developed the Law on E-Commerce dated 06/21/2022., but improvements are needed, and, as a result, additions and reservations on tougher punishment for violations of the law in e-commerce.

Also, the World Bank Regional Director for the Republic of Uzbekistan, Mr. Marco Mantovanelli, highlighted the challenges and problems at the forum: "Uzbekistan E-commerce challenges include poor logistics, low financial inclusion, technology & cybersecurity issues, and lack of government support"



*Rice. 3 The position of the Republic of Uzbekistan in comparison with marketplaces in other countries. (according to data provided by the World Bank, "How to Succeed in the E-Commerce Market in Uzbekistan")*

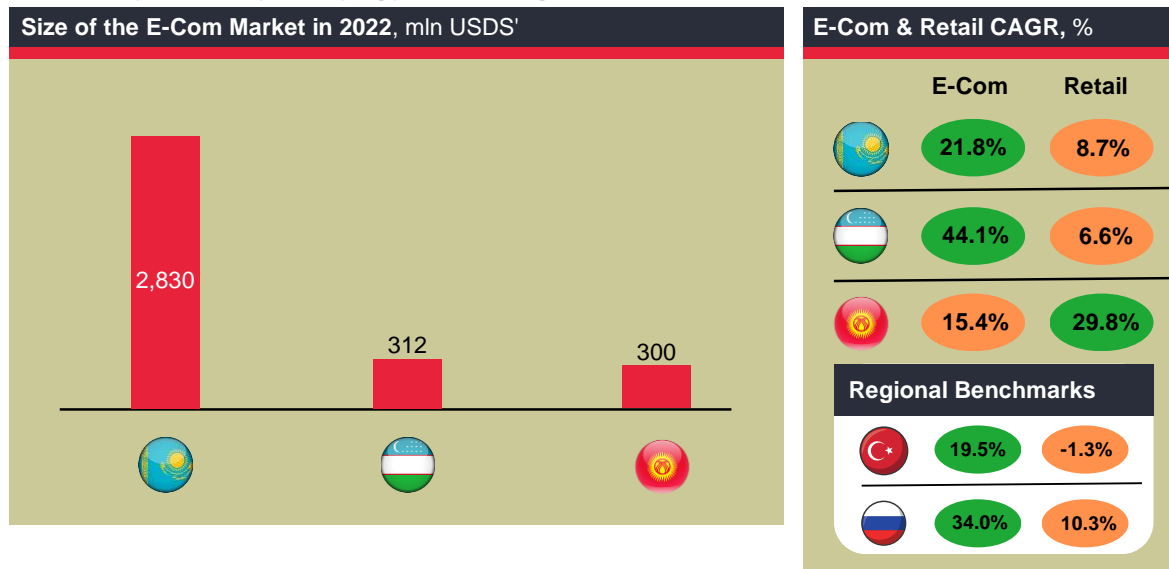
Financial inclusion is the provision of access to households and businesses for the effective use of the entire range of financial services. Improving the financial literacy of the population and entrepreneurs is the task of any developed, modern, democratic state. Uzbekistan approves National Strategy for Increasing Financial Inclusion for 2021-2023, experts from the World Bank are helping to develop it.

Over the past two years, a lot of work has been done to work out five reforms, new bank branches have been opened, including in hard-to-reach regions of the country, alternative ways of providing banking services have been introduced, such as digitalization and full digitization of data, favorable conditions have been created for new fintech companies to enter the market, openness and transparency of information on financial products and services has been ensured.

Issues of technology and cybersecurity occupy a large place not only in our country, these issues are raised everywhere in many countries engaged in the development of digitalization and new technologies. The Republic of Uzbekistan adopted the Law on Cybersecurity dated 15.04.2022, No. ZRU-764. The purpose of this law is to regulate relations in the field of cybersecurity.

The World Bank also provided data on Central Asia in the context of competition in terms of volume, pace and trade.

### In the regional context Kazakhstan leads by volume, while Uzbekistan leads by pace, yet Kyrgyzstan lags in retail transformation



**Rice. 4 Statistics of Central Asian countries (according to data provided by the World Bank, Forum "How to Succeed in the E-Commerce Market in Uzbekistan")**

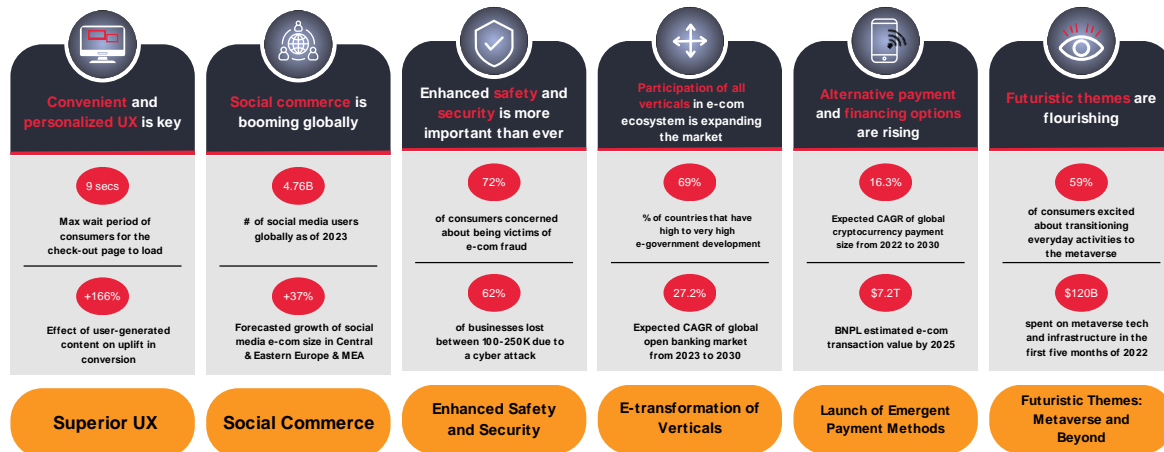
According to the World Bank report, Kazakhstan is leading in terms of volume, Uzbekistan is leading in terms of pace, and Kyrgyzstan is lagging behind in the transformation of retail trade. Russia and Turkey were taken as regional benchmarks. The course taken by our government in 2020, when President Shavkat Mirziyoyev declared 2020 the "Year of Development of Science, Education and Digital Economy", led to an increase in the volume of computer and software services by 119% (920 million soums), the export of software products and services increased by 158% (10 million dollars), the amount of wages in the field of information and communication technologies increased - the average salary is 4 million, soums, the number of enterprises with the participation of foreign capital is growing - 269 units (an increase of 73 pieces). 9 major projects have been implemented for a total amount of 177.5 million dollars. Also Makhkamov (2010), (2015) said that the impact of digitalization on the development of enterprises is great and that it is possible to increase the capabilities of the services provided to enterprises by expanding the mobile communications market, and in the article Ismayilova (2022), it is indicated that the development of e-services through e-commerce has a positive impact on infrastructure and the development of digital transformation in a general sense.

First of all, convenient and personalized UX is considered, 166% of the influence of user-generated content on the rise in conversions, then social conversion - 37% is the projected growth in the size of e-commerce social networks in Central and East Asia, increased security - the growing concern of network customers due to fraud and cyberattacks. The involvement of all sectors of the state – 69% of countries with a high or very high level of e-government, e-transformation covers all areas of citizens' lives, alternative payment and financing options – this issue is considered controversial for many countries around the world, and crypto payments are now a controversial issue in the debates of governments of countries embraced by digital transformation. The topic of futurism is very interesting - the metaverse - 120 bln. \$ was spent on the development of the system, and although it disappointed many as it did not bring quick profits, but the development does not stop, enthusiasts predict a breakthrough after 2030, when almost the

entire world will be digitized, and humanity will not imagine itself without a desert or jungle landscape outside the window, when in fact they live in a huge metropolis on the 145th floor.

**According to customer needs and reaction of the ecosystem players to digitalization, several key trends rise in e-commerce sphere globally**

**Key Global Trends in E-commerce Ecosystem**



**Rice. 5 Key trends in the field of e-commerce (according to data provided by the World Bank, Forum "How to Succeed in the E-Commerce Market in Uzbekistan")**

USAID's FGI project, represented by Director Filip Stojanović, in the development of e-commerce in Central Asia, was presented at the forum. In particular, the "Code of Business Ethics in E-Commerce" was developed for e-commerce market participants in Central Asia, a "roadmap for the development of e-commerce in Central Asia" was prepared, the regular environment was studied, a list of regulatory documents was compiled and their brief review was given, the compatibility of payments and cross-border transactions for e-commerce purposes among Central Asian countries was studied. Supports the C5+1 Initiative and the U.S.-Central Asia Trade and Investment Framework in collaboration with the U.S. Department of Commerce's CLDP program and other donors.

Basic recommendations for the development of e-commerce in Central Asia were given:

Define and unify concepts and terminology in the field of e-commerce.

Develop and approve requirements for e-commerce sellers and e-marketplaces.

Determine the norms of liability for violation of requirements.

Ensure safety, transparency, and consumer protection in e-commerce through social media.

**Conclusions and suggestions.**

This forum was an excellent indicator of the development of digitalization and the expansion of e-commerce services in Uzbekistan on the example of marketplaces, problems and challenges in this area were also voiced, various options for solutions and proposals for the further development of e-commerce in the country were considered. E-commerce markets are a new segment in the economy as an example of a business model in terms of scaling level for our country, which is rapidly developing and growing, it is also a chance to increase margins, one of the effective tools of the economy. The accompanying drivers of the development of e-commerce are logistics and its development and improvement, constant updating of technologies, a stable increase in recipients, such as marketplace customers, and not only buyers, but also merchants.

We should not forget about the accompanying challenges, at the moment it is Uzbekistan's accession to the World Trade Organization. In this regard, it should be mentioned that at the WTO summit in Davos in 2019, it was decided to prescribe international rules for e-commerce, and the parties are agreeing gradually, but there is no doubt that the basic rules will soon be agreed, and Uzbekistan will be obliged to join the world community. At the moment, compliance with international treaties and agreements on e-commerce, taking care of cybersecurity, encouraging the development of this market segment, developing digital technologies, integrating and working together with representatives of other countries, developing and holding such forums, conferences, projects, training specialists in this segment will give impetus to the development of this area of the economy in a positive direction.

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