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Article

The Role of Economic Potential in Enhancing Regional Competitiveness and The International Experience of its Effective Utilization (As an example of Khorezm Region)

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Abstract: This article examines the role of economic potential in enhancing regional competitiveness and analyzes international experience in its effective utilization, using the case of the Khorezm region. The main objective of the study is to analyze the factors of regional economic potential, assess the level of competitiveness of the Khorezm region, and develop ways to improve efficiency through the application of international best practices.

Keywords: Regional Competitiveness, Economic Potential, Economic Development, Cluster, Innovation, Investments

1. Introduction

In the context of the modern economy, regional competitiveness has become one of the key factors determining the overall development of a country. The competitiveness of a region reflects its ability to efficiently utilize its resources, its innovative capacity, and its position in the international division of labor [1]. In particular, addressing this issue is considered one of the most pressing tasks for the developing regional economies of Uzbekistan [2].

The concept of economic potential refers to the ability of a region to ensure economic growth through the effective utilization of its available resources (natural, labor, capital, and technological). According to Porter's Diamond Model, regional competitiveness is formed through the interaction of factor conditions, demand conditions, related and supporting industries, as well as firm strategy and structure [3, 4].

The Khorezm region, located in the northwestern part of Uzbekistan, is distinguished by its rich historical and cultural heritage and its agricultural potential. As of January 1, 2025, the population of the region amounted to 2,069.2 thousand people. In 2025, the gross regional product (GRP) of the region reached 62,987.5 billion UZS, representing a growth of 7.9% compared to the previous year. As a result, the region's contribution to Uzbekistan's GDP increased to 3.3% [5].

The main objective of the research is to conduct a comprehensive analysis of the economic potential of the Khorezm region, assess its level of competitiveness, and develop scientifically grounded directions for accelerating regional development through the

application of international experience. The study encompasses the following tasks: to evaluate and analyze the economic potential of the Khorezm region; to identify indicators of regional competitiveness; to examine international experience in the effective utilization of the region's potential; and to develop evidence-based recommendations for enhancing economic potential [6].

The study employs methods such as statistical analysis, comparative analysis, SWOT analysis, and cluster analysis. The economic potential of the region can be further strengthened through the integration of agriculture, tourism, and industrial sectors. Based on international experience, it is recommended to enhance competitiveness by developing regional clusters, establishing innovative infrastructure, and improving the investment climate [7].

2. Materials and Methods

The research is based on the integration of theoretical-analytical and empirical methods. The main research methods include the following:

1. **Statistical analysis method.** The dynamics of socio-economic development indicators of the Khorezm region (gross regional product (GRP), industrial output, agricultural production, investments, and export volume) for the period 2020–2025 were analyzed. The data are based on official statistics provided by the State Statistics Agency of the Republic of Uzbekistan and the Khorezm Regional Department of Statistics.
2. **SWOT analysis.** In order to comprehensively assess the economic potential of the Khorezm region, the SWOT analysis method was applied. This method allows for identifying the strengths and weaknesses of the region, as well as the opportunities and threats of the external environment.
3. **Cluster analysis.** To evaluate the level of cluster development in the regional economy, an analysis based on Porter's cluster theory was conducted. Indicators such as the density of industrial clusters, sectoral integration, and knowledge flows were examined.
4. **International comparison method.** The regional development experiences of countries such as Malaysia, Turkey, and Kazakhstan were studied, and the possibilities of their application to the conditions of the Khorezm region were analyzed. The comparison was carried out based on macroeconomic indicators, infrastructure capacity, and the institutional environment.

3. Results and Discussion

1. Economic Indicators of the Khorezm Region

In 2025, the economic development of the Khorezm region was characterized by positive dynamics. The main indicators are presented in the table below (Table 1):

Table 1. Key Socio-Economic Indicators of the Khorezm Region (2024–2025)

Indicator	2024 yil	2025 yil	Growth, %
Gross Regional Product (billion UZS)	53 640,0	62 987,5	7,9
Industrial Production (%)	100,0	108,2	8,2
Agriculture (%)	100,0	105,0	5,0
Investments (%)	100,0	143,3	43,3
Construction Works (%)	100,0	128,4	28,4
Population (thousand persons)	1 995,6	2 069,2	3,7
Newly Established Enterprises (units)	24 847	28 183	13,4

The data in the table indicate that in 2025, growth was observed across all major sectors of the regional economy. In particular, the gross regional product (GRP) increased by 7.9%, reaching 62,987.5 billion UZS. Industrial production rose to 108.2%, while construction activities demonstrated a growth rate of 128.4% [8].

Within the regional structure, agriculture, forestry, and fisheries accounted for 24.4%, remaining a key component of GRP. The industrial sector held a share of 18.5%, increasing by 1.8 percentage points compared to the previous year. The services sector, with a share of 49.1%, represents the largest segment of the regional economy [9].

2. Analysis of the Region's Economic Potential

The economic potential of the Khorezm region is shaped by a number of factors. The results of the SWOT analysis are as follows (Table 2):

Table 2. SWOT Analysis of the Economic Potential of the Khorezm Region

STRENGTHS (S)	**WEAKNESSES (W)**
• Extensive experience in agriculture	• Limited water resources
• Rich historical and cultural heritage	• Lack of mineral resources
• Low-cost labor force	• Insufficient transport infrastructure
• Increasing investment attractiveness	• Limited high technologies
OPPORTUNITIES (O)	**THREATS (T)**
• Growing tourism potential	• Climate change
• Development of the Khiva cluster	• Intensifying regional competition
• Investment plans worth USD 1.5 billion	• Global economic instability
• Increasing export potential	• Environmental problems

3. Competitiveness Indicators

A comprehensive system of indicators was employed to assess regional competitiveness. The evaluation was carried out based on the following indicators [10]:

First, productivity indicators were analyzed. In 2025, the gross regional product (GRP) per capita amounted to 30,440 thousand UZS. This figure is below the national average of Uzbekistan; however, the growth rate remains relatively high (7.9%).

The investment attractiveness of the region has been increasing. In 2025, investments in fixed capital grew by 143.3%. The volume of foreign investments reached USD 1.2 billion, which contributed to strengthening the region's credibility among international business communities [11].

Significant progress has also been achieved in terms of infrastructure indicators. In 2025, 1,769.7 thousand square meters of housing were commissioned (198.4% compared to the previous year). The number of newly established enterprises reached 28,183, representing a 13.4% increase compared to 2024 [12].

4. Cluster Potential

The Khorezm region, the development potential of the following clusters has been identified:

- **Agricultural cluster** – production and processing of cotton, wheat, vegetables, and melons;
- **Tourism cluster** – historical and cultural tourism based on the city of Khiva and the Ichan Kala heritage sites;
- **Industrial cluster** – textile production, food industry, and construction materials manufacturing;

- **Export cluster** – export of yarn, knitwear, and ready-made garments through the Khiva cluster.

The international experience of enhancing regional competitiveness varies across countries and possesses specific characteristics. The experiences of the following countries have been examined [13]:

Malaysia's Experience. Malaysia has applied two main strategies in organizing regional development: the development of new lands and the improvement of existing rural settlements. Subsequently, the concept of economic corridors was introduced. Within the framework of the Northern Corridor Economic Region (NCER), eight major projects were implemented, including an automotive cluster, a biotechnology park, and a logistics center [14].

Turkey's Experience. In Turkey, the State Planning Organization (DPT) plays a key role in regional development. Regional specialization has been achieved through the establishment of industrial zones and technoparks. The experience of increasing competitiveness in the Central Anatolia regions through the industrialization of agriculture is of particular relevance for the Khorezm region.

Kazakhstan's Experience. In Kazakhstan, a multidimensional approach is applied to reduce regional disparities. Studies show that infrastructure investments, human capital programs adapted to regional characteristics, and financial decentralization measures are effective in enhancing the competitiveness of less developed regions [15].

Based on international experience and the conducted analysis, the following directions are proposed to enhance the economic potential of the Khorezm region:

1) **Diversification of Agriculture.** In 2024, agricultural output in the region amounted to 28,490.6 billion UZS. Crop production accounted for 44.8%, while livestock production constituted 55.2%. Additional value can be created by developing the export of fruit and melon products and expanding the processing of agricultural products.
2) **Development of the Tourism Cluster.** The city of Khiva and the Ichan Kala complex are included in the UNESCO World Heritage List. Increasing the capacity of tourism services, constructing modern hotels, and developing ecotourism and cultural tourism can generate significant revenues for the regional budget. It is planned to attract USD 1.5 billion in investments to the Khorezm region in 2026.
3) **Formation of Innovative Infrastructure.** Between 2018 and 2023, projects worth USD 105 million were implemented within the Khiva cluster, creating an annual export capacity of USD 50 million. It is necessary to enhance innovation activity by expanding similar clusters, establishing technoparks, and developing research centers.
4) **Improving the Investment Climate.** In 2025, 28,183 enterprises and organizations operated in the region, representing a 13.4% increase compared to 2024. In Kushkupir district, it is planned to allocate 175 hectares of land for an industrial zone, implement projects worth USD 1 billion, and create 2,000 new jobs.

During the research, the following problems and risks were identified:

- Limited water supply, resulting in a difficult environmental situation in the region;
- Almost complete absence of mineral resources;
- Restricted access to external markets;
- Insufficient human capital potential;
- Need for improvement of transport infrastructure.

4. Conclusion

The economic potential of the Khorezm region is demonstrating a growing trend, with the gross regional product (GRP) reaching 62,987.5 billion UZS in 2025, representing

a 7.9% increase. The main competitiveness factors of the region include its agricultural potential, historical and cultural heritage, labor resources, and investment attractiveness.

To enhance regional competitiveness, it is necessary to apply a comprehensive approach. This includes the diversification of agriculture, the development of a tourism cluster, the formation of innovative infrastructure, and the improvement of the investment climate.

International experience (Malaysia, Turkey, and Kazakhstan) shows that regional disparities can be reduced through the development of regional clusters, improvement of quality education and vocational training systems, and the expansion of transport and logistics infrastructure.

Main recommendations:

1. Increase export potential by developing the agricultural product processing industry;
2. Develop the tourism and logistics sectors by fully utilizing the potential of Khiva International Airport;
3. Form high-tech production clusters based on the Kushkupir and Khiva industrial zones;
4. Expand vocational education and retraining programs to develop local human capital potential;
5. Ensure environmental sustainability through the implementation of green energy projects.

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