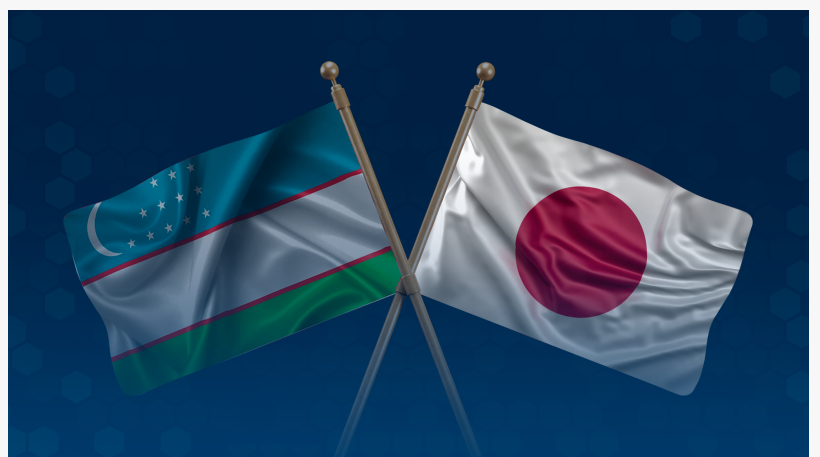


Deepening Ties: Uzbekistan and Japan Forge Ahead in IT Collaboration

The Uzbekistan Outsourcing Conference could help set a foundational framework for future collaboration

TASHKENT, UZBEKISTAN, April 18, 2024 /EINPresswire.com/ -- One is an island nation, the other is one of the world's only two landlocked nations. Japan and Uzbekistan may seem worlds apart, but recent developments in the IT sphere are bringing the two nations closer together.



Uzbekistan and Japan Advance Their Collaboration in IT

The Uzbekistan Outsourcing Conference in Tokyo could be a pivotal event, marking a significant advancement in cooperation between Uzbekistan's burgeoning IT sector and Japan's established technological domain. This collaboration is set against a backdrop of intricate economic dynamics and a fast-evolving global IT landscape, where both nations are seeking to leverage their unique strengths and address inherent challenges.

Demographic Decline Looms Large:

Japan, with its economy showing a growth rate of 1.9% in 2024, remains an economic behemoth, underscored by its sophisticated IT sector. The Japanese IT market, forecasted to expand to \$135 billion in 2024, illustrates the country's dedication to maintaining its edge in technological innovation, contributing a substantial 7.2% to the GDP.

Japan has initiated a strategic pivot towards American cybersecurity protocols, particularly for government contractors. This shift aims to fortify Japan's cybersecurity infrastructure, a critical move in an era where digital security is paramount.

However, Japan's IT industry faces a conundrum: a notable talent shortage amidst an ageing demographic. The urgency of this issue was highlighted as three-quarters of Japanese hiring managers reported significant challenges in recruiting qualified IT professionals, an obstacle

accentuated by the competitive hiring landscape.

Japan is almost synonymous with population decline, and the plummet in the country's fertility rate shows no sign of stopping. As a result, the working-age population continues to shrink, affecting the future economic viability of the East Asian powerhouse.

Japan's technology sector is grappling with a significant skills shortage, with 75% of hiring managers finding recruitment very competitive in 2023, primarily due to a scarcity of qualified candidates. This challenge is widespread, affecting 90% of Japanese organizations. Japanese companies have accelerated hiring processes to keep pace with competitors, contrasting sharply with the U.S., where the tech sector saw 32,000 layoffs in 2024. The acute shortage, especially in software engineering, hampers Japan's digital advancement. Morgan McKinley suggests international recruitment as a solution, given the increasing number of foreign specialists, which surpassed 2 million in October 2023.

Uzbekistan's Strategic Outreach and Japan's Expertise:

This is where Uzbekistan can complement Japan. Uzbekistan boasts a large young population, with two-thirds of the total population under 30, it has almost as many people under 30 as the United Kingdom, despite having around half the population. The fertility rate remains above replacement, affording Uzbekistan a young and growing population for years to come.

Owing to the legacy of strong Soviet education in maths and sciences, Uzbekistan builds on its youthful foundation with a strong education. The Mirziyoyev administration has sought to build on this further through government programs like "One Million Uzbek Coders" (with currently 1.2 million people having completed the course) and massively beefing up the teaching of English in the country.

Uzbekistan is home to over 200 higher education institutions, with an annual graduation rate exceeding 650,000 students. Apart from state programs, there are specialized institutions focused on education. The country has around 65 IT universities that collectively graduate over 30,000 well-qualified professionals each year, catering to the market's immediate needs.

Uzbekistan's delegation at the forum, spearheaded by IT Park's leadership, didn't just seek to showcase its IT capabilities and draw upon Japan's technological acumen. The engagements detailed Uzbekistan's IT incentives, including tax breaks and investment opportunities, framed within the context of Japan's technological and economic landscape.

The dialogue between Uzbek and Japanese IT sectors is not just timely but strategic. Japan's leading IT companies and startups could find a burgeoning market and talent pool in Uzbekistan that is poised for growth and eager for investment. Conversely, Uzbekistan can significantly benefit from Japan's technological prowess, particularly in areas like cybersecurity, where Japan is realigning with global standards.

In-Depth Analysis:

The economic and IT industry data presented at the forum provides a nuanced understanding of the sectors' interplay. Japan's IT sector, while robust, is at a juncture where global collaboration could be the key to addressing its internal challenges. For Uzbekistan, understanding Japan's IT landscape—including its service exports, market volume, and sectoral composition—offers critical insights into how it can position itself as an attractive partner for Japanese enterprises.

Moreover, the highlighted SWOT analysis within the Japanese IT sector underscores areas where Uzbekistan could potentially offer value, addressing Japan's talent shortages and contributing to areas like software development and IT services.

Uzbekistan will, therefore be trying to tempt Japanese companies to outsource more of their workforce to Uzbekistan or even help them to relocate entirely. The wages in Uzbekistan for IT workers are significantly lower than that of Japan while the quality remains high. While Japanese IT workers earn about \$36,000 a year on average in Uzbekistan, it is as low as \$10,000.

Uzbekistan has significantly reformed its tax regime to support businesses and entrepreneurs, setting favourable tax rates including corporate tax ranging from 4% to 15%, a 12% social tax on employers, 12% VAT, and 12% personal income tax. Particularly for IT companies, becoming a resident of IT Park offers additional benefits: complete exemption from corporate, social, and VAT taxes, and a reduced personal income tax rate of 7.5% for employees. IT Park residents only need to contribute 1% of their total income monthly, positioning Uzbekistan as an attractive destination for IT businesses seeking tax optimization and incentives.

Japanese companies wouldn't even need to be present in Uzbekistan to start working there either. Foreign companies can set up their presence in Uzbekistan remotely using IT Park's One Stop Shop service, which facilitates company registration, documentation preparation, bank account setup, and tax registration without the applicant's physical presence. Additionally, IT Park offers a virtual office service for its residents, enabling them to operate without incurring costs associated with office leasing, maintenance, utilities, and staff.

And if that wasn't enough, IT Park's Zero Risk program offers foreign companies a way to establish their presence in Uzbekistan with minimal risks and costs. Benefits include a year of free office space across various regions, support in equipping and furnishing offices for up to 100 employees with a 15-month deferred payment option, reimbursement of up to 15% of payroll costs for local staff, and up to 50% (maximum \$5000) of training and professional development expenses for employees.

Cultural Compatibility Between Uzbekistan and Japan

Despite their distinct geographical and historical backgrounds, Japan and Uzbekistan share

profound cultural similarities that underscore the universality of certain values. Both nations exhibit a deep reverence for their historical heritage, evident in their meticulous preservation of ancient sites and traditional practices. Hospitality is a cornerstone in both cultures, characterized by a warm and respectful welcome of guests, whether through Uzbekistan's generous hosting traditions or Japan's thoughtful 'omotenashi'. Culinary arts in both countries are celebrated for their distinctive flavours and cultural significance, with rice serving as a staple in both cuisines.

Festivals and celebrations deeply rooted in each nation's history and traditions, such as Uzbekistan's Navruz and Japan's Hanami, play pivotal roles in fostering community and celebrating the seasonal rhythms of life. Tea culture is emblematic of each society's social fabric, serving as a medium of hospitality and reflection. Moreover, the emphasis on community and harmony resonates in both cultures, valuing societal cohesion and collective well-being. The rich traditions of craftsmanship and artistry in both Uzbek and Japanese cultures further illustrate their shared appreciation for meticulous skill and creative expression, highlighting a deep-seated respect for artisanal heritage and the continuity of cultural practices.

Conclusion:

The Uzbekistan Outsourcing Conference could help set a foundational framework for future collaboration, aligning Uzbekistan's IT aspirations with Japan's technological strengths and market needs. As both countries continue to navigate their respective economic and industry landscapes, the insights and connections fostered during this forum could pave the way for a robust and mutually beneficial IT partnership.

Stakeholders and observers alike will keenly watch how this collaboration evolves. It could potentially serve as a model for international cooperation in the technology sector, drive innovation, and address the pressing challenges of the digital age.

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