



## Section 5. Light industry

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### ECONOMIC TRANSFORMATIONS IN THE INDUSTRY OF THE REPUBLIC OF KARAKALPAKSTAN IN THE SECOND HALF OF THE 90S OF THE XX CENTURY

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#### Abstract

This article highlights the process of economic transformation that took place in the industry of the Republic of Karakalpakstan in the second half of the 1990s. The author analyzes the main factors that influenced the industrial development of the region in the period of transition to a market economy after the collapse of the Soviet Union. The article considers changes in the legal and economic spheres, the role of the state and the private sector, as well as the influence of international factors on the development of industry in Karakalpakstan. The article also describes the challenges and problems faced by industrial enterprises in the region and offers an analysis of the prospects for the future development of the economy and industry of the Republic of Karakalpakstan.

**Keywords:** *light industry, innovations, market relations, raw materials, enterprises*

#### Introduction

During the years of independence Uzbekistan and together with it Karakalpakstan through large-scale reforms have achieved significant progress in the field of economic stabilization and reforms on transition to a market economy. Overcoming the nature of the economy based on the export of raw materials and planned principles inherited from the Soviet Union leads to positive results in the development of the national economy.

In solving these problems, the creation of a highly efficient industry is a priority. The experience of advanced countries convincingly

proves that it is impossible to break through, to take a worthy place in the world economy without the development of industry at a high level. Therefore, at present, the understanding that the industrial sector of the economy is a key factor in the national revival, successful advancement of the republic on the path of historical progress is becoming more and more established in the public consciousness.

#### Main part

Gaining independence has objectively opened wide prospects for economic and social progress, cultural and spiritual renewal

for the people of Uzbekistan. Realistically assessing the situation in the mid-90s of the XX century in the republic, it can be stated that Karakalpakstan has entered a qualitatively new stage of its state-political and economic construction. The first visible steps have been taken to create a state based on the rule of law, and reforms related to the transition to market relations have been implemented. Structural changes have been made in the national economy to meet the requirements of market relations. The Government has taken a number of important decisions to ensure that the laws that form the legal basis for the development of market relations are fully operational. As a result, a multi-structured economy based on the equitable existence of various forms of ownership has begun to take shape.

As a result, thanks to the economic reforms carried out in the country in the second half of the 1990s, the share of the non-state industrial sector of the economy tended to grow. So if in 1996 out of 144 industrial enterprises and associations of the Republic of Karakalpakstan 113 worked under different forms of ownership, including private – 20, collective – 50, state-joint-stock – 41 and 2 joint ventures and their share accounted for 86.7 percent of the industrial output produced during the year, then by the results of 2000 it was significantly transformed. It is enough to note that at that time, at the end of the year, the share of the non-state industrial sector of Karakalpakstan's economy in the total volume of commodity production amounted to 94.5 percent, while the state sector accounted for 5.5 percent.

According to statistical data, in 1997 in machine building and metalworking industry low production rates were shown by Electroapparat JSC 77.6%, Kabel JSC 10.0%, Skid AKO 64.3%, AR3–16–41.7%, Nukus ORM 3 87.4%. The reason for this was the shortage of raw materials, namely: metal and plastic (for cable industry). In the light industry all spinning and weaving factories allowed low rates of production by 64.1%, JSC "Aryular" by 50.9%, Khojelinskoe UPP Society of the Blind by 86.6%, Nukus UPP Society of the Blind by 53.4%, JSC "Oner" Muinai district by 76.0%, PF "Zhanar" by 78.0% (Bektemirov, K., 1996).

In 1998, there was a decrease in production facilities compared to 1997 only in the printing

industry by 4.9%, mainly due to the lack of raw materials at the Nukus polygraph plant.

The biggest decrease of production volumes for 1999 is observed in woodworking (it is KK Mebel OJSC by 53,4%) and glass container production (Glass plant and PKP VAN by 40,3%) in comparison with 1998. The main reasons were lack of raw materials, accounts receivable, and difficult financial condition.

In 1999, the volume of production in the light industry decreased by 3%, mainly the largest decrease was made by joint-stock companies of cotton industry: Turtkul OJSC (73.6%), Mangitskaya PTF OJSC (87.3%), Elteks JSC (86.2%); knitting industry – Katek-s JSC (50.0%); garment industry – Kyryk-kyz JSC (29.9%), Nafosat JSC (51.0%), The main reason was the lack of raw materials (cotton fiber) and materials. They needed 561 tons of cotton yarn, 1522 thousand m<sup>2</sup> of ready-made fabrics, 926 thousand pieces of knitwear, 712 thousand pieces of medical bandages.

Thus, the above analysis of the decline of some industries in the second half of the 1990s shows that there were objective reasons for it. At the same time, it is impossible to reduce the inefficient work of enterprises only to the existing circumstances associated with the difficulties of the transition period to a market economy. The research materials convince us that inertia and carelessness of some managers, who have not yet overcome their dependent moods, also contributed to the emergence of these negative trends. Failure of most enterprises to adapt to market conditions, excessive reliance of their managers on state support led to undesirable consequences.

During the years of independence, the economic policy in Karakalpakstan was fundamentally changed. In 1993 at the XIII session of the Supreme Council of the Republic of Karakalpakstan was adopted the concept ("Concept of the main directions of development... 1993–2000), which became the fundamental program of the republic to overcome the one-sided raw material orientation of the economy and to ensure the output of finished products on the basis of the organization of advanced processing of available mineral raw materials and agricultural raw materials.

Commissioning of Nukus and Kungrad bread mills allowed to put an end to import of flour from outside the republic. Thus, it

was possible to provide the population with this important product of own production. A cable plant in Nukus city with a capacity of 20 thousand kilometers of cable products and a glass container plant in Khojeli district were put into operation. In a short period of time, or rather 1992–1994, two large textile enterprises were built in the city of Nukus and Bustan, which allowed in 1995 to increase the volume of industrial production by 18–20 percent and fill the domestic market with light industry goods, to increase the volume of exported products. Thus, certain prerequisites for the development of import of substitute products in the republic have already started to be created.

At the same time, however, it is necessary to admit that the limited material and financial resources did not allow to fully implement in the first half of the 1990s all the measures outlined in the above program.

In the context of realization of the set tasks, certain structural changes took place in Karakalpakstan in the years under consideration. The research materials show that they mainly affected such branches as fuel and food industry

Thus, in 1996 there were positive changes in the structure of industry. A new branch – fuel industry – appeared in the economy of the republic. The Kungrad gas field enterprise “Urga” started production of gas condensate and natural gas. In the following years the development of the gas field “Urga” in Kungrad district was underway, where, for example, in 2000 4 wells were put into operation (Bektemirov, K., 2006).

The most noticeable structural shifts were observed in the food industry of the RK, especially in the association of joint stock companies “Karakalpak Hleboproduct” which is the only enterprise of the republic that processes grain, supplies flour, polished rice, bakery products, pasta, mixed fodder for the needs of livestock and poultry farming. In the years under consideration, with the purpose of supplying the population with quality products in ever-increasing volume and assortment, a number of enterprises of associations were re-equipped with the latest and imported equipment, new capacities of workshops for production of various food products were put into operation. Thus,

in 1996 in Turtkul, Khojeyli, Chimbay and Beruni joint stock companies were put into operation workshops for production of pasta, confectionery production, which allowed the enterprises of associations to produce 15 kinds of bakery products. In addition, in 1997 the reconstruction of pasta shops in Karauziak and Ellikkala districts with the capacity of 0.3 and 0.6 tons of products per day was completed (Bektemirov, K., 1996). Also in 1998 two new enterprises were put into operation – joint stock companies of open type “Takhtakupirden” and “Turtkulden”. They produced 4635 tons of flour for 144.7 million soums. As a result, the volume indicators of industrial production in the republic in 1998 increased by 0.6 percent. And in 2000 AAP “Karakalpak Hleboproduct” put into operation a seed cleaning shop and a line for production of vitamin herbal flour in Nukus city.

Gaining state independence in 1991 gave Karakalpakstan the opportunity to enter the international arena for the first time independently and establish direct contacts with various states of the world. During 1991–2000, much was done to develop foreign economic activity, which became one of the main directions in the implementation of economic reforms in the republic. The foreign economic policy of “open doors” was formed, which meant the development of relations with all countries of the world while respecting the principle of equality and mutually beneficial cooperation. Finally, a special state body dealing with the implementation of foreign economic policy, the Ministry of Foreign Economic Relations of the Republic of Karakalpakstan, was established (Decree of Jokargy Kenes ... 7.07.92 № 125; Decree of the Council ... 14.09.92 year № 221/9).

The mastering of new advanced production technologies also took place in other industries of the region. In particular, in 1996 in the textile complex of JSC “Katex” a new production was mastered. The textile workers started production of medical gauze on a technological line purchased in Italy. The capacity of the equipment made it possible to produce 6.5 million linear meters of materials and 11 million packs of bandages annually.

In Nukus polygraph plant in 1996–1997 computer equipment for printed publications of “Berthold Stempel” company (Austria)

was installed at a total cost of 1 million 800 thousand D.M., as well as equipment of German company “Heidelberg” was installed. As a result, the quality of newspaper, magazine and book products was improved, and the volume and types of other products were increased. Installation and adjustment of the equipment capable to produce the highest quality products corresponding to the world standards at Nukus polygraph plant was carried out by representatives of the Vienna branch Vladimir Stolbov, Sergey Kalachev, Nikolay Shaposhnikov and their assistants.

In the years under study, the Republic of Karakalpakstan also carried out work to attract foreign investment in the establishment of joint ventures on the territory of the republic. As a result, if in 1996 there were only 4 joint ventures with foreign investments in the industrial sphere of the regional economy, by 2000 their total number reached 14, of which 8 were operating. Joint ventures were established with the participation of investors from Malta, Ireland, USA, Luxembourg, Russia, France, Latvia and Turkey.

The materials of the study show that in the period under review the most effective of the enterprises with foreign capital were the Karakalpak Maltese JV “Karm” for the production of hosiery with a capacity of 3.5 million socks per year, the Karakalpak Irish JV “CACDK” for the production of construction and facing materials with a capacity of 4518 m<sup>2</sup> of facing tiles per year and the American DP “Plattas”, which created in the city of Nukus mini-plant for the production of vegetable oil with a capacity of 120 thousand liters per year, equipped with a mini-factory for the production of vegetable oil. liters per year, equipped with Bulgarian equipment at a cost of 431 thousand 467 U.S. dollars (“Karakalpakstan tariykhy” (1991–2015-zhyllar).

Thus, the results of the produced activity of JVs allow us to consider them as a necessary condition for achieving the goals of structural reorganization of the national economy. As foreign economic relations of

the Republic of Karakalpakstan with foreign business partners allowed the republic to achieve cardinal shifts in the rational use of agricultural and mineral resources in a short period of time.

At the same time, analysis of materials of economic activity of joint ventures in the Republic of Karakalpakstan also show that not everything is going positively in this case.

Unfortunately, there are enterprises that could not start production activities for a number of reasons and were liquidated by the decision of the Economic Court. As the research materials show, the reasons for stopping the activities of these JVs were systematic violation of legislation and failure to fulfill their statutory obligations.

### Conclusion

The data analysis shows that in the second half of the 1990s, economic policy in Karakalpakstan was aimed at transforming the industrial sector and developing new industries. The adoption of the concept of industrial development and the implementation of structural reforms in the economy set a number of ambitious tasks for the region, such as diversifying the economy, increasing the production of finished goods and ensuring competitiveness in the market.

Economic transformation led to the creation of new enterprises and the development of sectors such as fuel and food industries. An important aspect was the attraction of foreign capital and the establishment of joint ventures, which helped to modernize production and improve the quality of products.

However, there were obstacles to economic development, including systematic violations of legislation and financial difficulties, which led to the liquidation of some enterprises.

Overall, the article reflects important stages in the economic development of Karakalpakstan in the 1990s. In doing so, it highlights both the successes and the challenges that the region faced in the process of structural transformation.

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