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ESTABLISHMENT AND DEVELOPMENT OF MARKET ECONOMY IN THE REPUBLIC OF KARAKALPAKSTAN (1991–2001)

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Abstract

The article examines the process of formation and development of market economy in the Republic of Karakalpakstan in the period from 1991 to 2001. The author analyzes the key stages of this process, factors that facilitated or hindered the development of market relations, as well as the impact of global and regional changes on the economic situation of the republic. The article also presents the main achievements and problems faced by Karakalpakstan during the transition period.

Keywords: *market economy, privatization, raw material base, industry, agriculture, small business*

Introduction

Gaining independence objectively opened before the people of Uzbekistan wide prospects for economic and social progress, cultural and spiritual renewal. Realistically assessing the situation in the mid-90s of the XX century in the republic, we can state that Uzbekistan and together with it Karakalpakstan entered a qualitatively new stage of its state-political and economic construction. The first visible steps have been made to create a state based on the rule of law, reforms related to the transition to market relations have been implemented. The national economy has undergone structural changes corresponding to 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 develop-

ment of market relations are fully operational. As a result, a multi-structured economy based on the equal existence of various forms of ownership has been formed. In turn, the fundamental changes that took place in the economy in the special sphere allowed to create solid starting conditions for the transition in the second half of the 1990s to the next, qualitatively new stage of development.

Main part

In the Republic of Karakalpakstan in accordance with the program to deepen the processes of denationalization and privatization in the years under study carried out large-scale work to deepen the processes of privatization of industrial enterprises, unbundling of monopolistic production and economic structures, the creation of a com-

petitive market environment, providing conditions for the participation of large segments of the population in the process of privatization of state property, the formation and development of securities. At the same time, it should be emphasized that while continuing the course of deepening economic reforms, the main emphasis was placed on solving the issue of ownership, i.e. formation of a new class of owners.

As a result, due to the economic reforms carried out in the republic 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, associations of the Republic of Karakalpakstan 113 worked under various 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 industrial products 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, and the share of the state sector – 5.5 percent.

The ongoing economic reform played a positive role in the economic state of industry in Karakalpakstan in 1996–2000, which is characterized by the manifestation and strengthening of positive trends in the branches of production.

In the years under study the production of industrial output of the region has visibly increased. From year to year the growth of production is observed in comparison with the previous year. As a result, at the end of 2000 industrial enterprises of Karakalpakstan produced 29962.2 million soums, which is 178 percent in comparable prices to the level of 1996. This is one of the signs of stabilization of the economy.

At the same time, in the years under review there were some decreases in the output of industrial products in one or another year. According to statistical data, in 1997 in machine-building and metalworking industry low rates of production were shown by JSC “Elektroapparat” 77,6%, JSC “Kabel” 10,0%, AKO “Skid” 64,3%, JSC AR3–16–41,7%, Nu-

kus 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 production rates by 64.1%, “Ar-yular” JSC by 50.9%, Khojeli UEPS Blind Society by 86.6%, Nukus UEPS Blind Society by 53.4%, “Oner” JSC Muynak district by 76.0%, PF “Zhanar” by 78.0%.

The biggest decrease of production volumes in 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 the lack of raw materials and supplies, accounts receivable, as well as difficult financial condition.

Thus, the above analysis of the decline of some industries in the second half of the 90s shows that there were objective reasons for it. At the same time it is impossible to reduce the inefficient work of the enterprise only to the existing circumstances connected with the difficulties of the transition period to market economy. The materials of the research convince us that inertia and carelessness of some managers, who have not yet got rid of dependency moods, also contributed to the emergence of these negative trends. Failure of most enterprises to adapt to the market conditions, excessive reliance of their managers on state support led to undesirable consequences.

In the years of independence, the economic policy in Karakalpakstan changed fundamentally. In 1993 at the XIII session of the Supreme Council of the Republic of Karakalpakstan was adopted “Concept of the main directions of development of the economy and social sphere of Karakalpakstan for 1993–2000 and for the period up to 2005” (Concept of the main directions. 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 production 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. Cable plant in Nukus city with 20 thousand kilometers of cable products and 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, increase the volume of exported products. Thus, certain prerequisites for the development of import substitution industries in the republic have already begun to be created.

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 industries as fuel and food industry.

Thus, in 1996 there were positive changes in the structure of industry. A new branch of 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 Urga gas field in the Kungrad district was being developed, where, for example, 4 wells were put into operation in 2000.

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, pasta, mixed fodder for the needs of livestock and poultry farming. In the years under consideration, in order to supply 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 and new capacities, workshops and food production facilities for the production of various food products were put into construction. Thus, in 1996 in Turtkul, Khojeyli, Chinbai and Beruni joint stock companies were put into operation workshops for production of pasta, confectionery production, which allowed the enterprises of the association to produce 15 kinds of bakery products. Besides, in 1997 reconstruction of pasta shops

in Karauzyat and Ellikala districts with the capacity of 0.3 and 0.6 tons of products per day was completed. 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 the city of Nukus (Karakalpakstan Development Pathways – 11.07.2011).

In the years under review, a lot of work was also done to develop rural infrastructure. Thus, in particular, five small bakeries of the German company “Winkler” were installed initially in 1996 in Mangita and Bustan with a capacity of 1.5 tons of bread baked per day, and then in 1997 in Chimbay, Nukus and Mangita with a capacity of 8 tons of products per day. The new mini-bakeries that came into operation began to produce excellent quality and diverse assortment of products (Arziev R.). In addition, in order to organize new jobs at this time in Takhtakupyrsky district and in the city of Turtkul, mills with a capacity of 20 and 50 tons of flour per day respectively were put into operation. As a result, the capacity of the industry could fully meet the needs of the population in the republic in its products.

Also to meet the needs of public health authorities in medical alcohol at the joint-stock company “Nukus Un Plants” of the association AAP “Karakalpak Hleboproduct” in 1996 was put into operation a shop for the production of alcohol with a capacity of 300 decaliters of alcohol per day. The wastes of this production could be used in fodder production, yeast production, and syrup oil for perfume industry, as well as for production of mineral water. In the first year (1997) this shop produced 1.5 thousand decaliters of alcohol (Kudaynazarova, D. K., 2002).

Thus, the implementation of the planned measures to develop the industrial potential of the republic through structural transformation had an important national economic significance for Karakalpakstan. Meanwhile, it should be noted that the implementation of structural reorganization of the economy

of the region was inextricably linked to the implementation of an active investment policy. Since the Republic of Karakalpakstan, possessing the richest natural, mineral and labor potentials did not have enough financial resources for their use in full. Therefore, realization of structural shifts in industry was possible by active attraction of foreign investments aimed at construction or introduction of new production technologies in industrial enterprises of the region. In this regard, the President of the Republic of Uzbekistan I.A. Karimov noted that “large-scale attraction of external investments, including foreign capital, is considered today as a necessary condition for achieving the goals of structural reorganization of the national economy.... In order to implement this priority task, it is necessary to pursue a policy of open doors in the relations of foreign investors, further liberalization of foreign economic activity, improvement of the mechanism of free envelope of received income, strengthening of guarantees” (New thinking is the requirement of time. 1998).

The Ministry of Foreign Economic Relations of the Republic of Karakalpakstan during 1992–2000 held meetings with representatives of international financial organizations (World Bank, EBRD, ADB, OSCE, etc.), firms and companies from many countries of the world, employees of diplomatic missions accredited in Uzbekistan.

Mastering of new advanced production technologies took place in other industries of the region. In particular, in 1996 new production lines were mastered in the textile complex of JSC “Katex”. On the technological line purchased in Italy the textile workers started production of medical gauze. The capacity of the equipment made it possible to produce 6.5 million linear meters of materials and 11 million packages of bandages annually (Kudaynazarova, D. K., 2002).

In Nukus polygraph plant in 1996–1997 was installed computer equipment for printing publications of the company “Berthold

Stempel” (Austria), with a total cost of 1 mil. 800 thousand d.m. as well as equipment of the 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 Sapashnikov and their assistants.

Also in Nukus beer plant in 1998 Austro-German line for production of mineral water in 1.5 liter polyethylene containers with capacity of 4 thousand bottles per hour was put into operation.

In the years under study, the Republic of Karakalpakstan also worked to attract foreign investment in the creation of joint ventures in 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.

Conclusion

In conclusion, it should be noted that the period from 1991 to 2001 was a key period in the history of economic development of the Republic of Karakalpakstan. Despite a number of challenges and difficulties associated with the transition to a market economy, the region successfully implemented a number of reforms and achieved significant results in the formation of an open and competitive economy. Further development of market relations and strengthening of the institutional framework will be the key factors determining the future economic growth and prosperity of the Republic of Karakalpakstan.

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