Uzbekistan: Karimov's Model of Economy; Dynamic or Paradox

A Critical Study

G. N. Khaki[1] & Riyaz Ahmad Sheikh[1,*]

[1]Centre of Central Asian Studies, University of Kashmir, Hazratbal Srinagar 190006, India

*Correspondence: Centre of Central Asian Studies, University of Kashmir, 190006, India. E-mail: rriyazmilan@gmail.com

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Abstract

The liquidation of seven decades communist rule in central Asia in 1991, has witnessed an unprecedented politico-economic experiment. The shift from Planned Economy to the revolutionary transition of market economy is complicated process for newly installed governments. Uzbek Economic transition in the post- Barrack-type of Socialist economic system was deemed as unique. The transition policy as proposed by neo-classical economists was based on the so-called Washington Consensus focusing on liberalization, privatization macro-economic stabilization and opening of post-socialist economies. In order to handle the abrupt transition, the new nation-states adopted different approaches, Uzbekistan the exceptional and extraordinary in its approach of gradualism. The approach proved more or less progressive for the Republic in making its robust economic performance in regional and international markets. Uzbekistan experienced relatively low output decline compared to other countries in the region as President Islam Karimov adopted a state-led approach, and devised its own model of economy as 'Road-Map' its mild economic stabilization measures have played a vital role in maintaining foreign exchange inflows and growth. In the mid of 1990's Uzbekistan join its hands with many international organizations in order to have an economic stability. According to many statistical reports of Asian Development Bank (ADB) and International Monetary Fund (IMF) Uzbekistan has achieved miraculous socio-economic development since independence. Today Uzbekistan is an integral part of the world community and global financial-economic market.

Keywords: *Islam Karimov; Uzbekistan; gradualism; economy; approach*

1. Introduction

1.1 Aim of the Study

The present study is the humble attempt to study the dynamics of Karimov's Economic policies and strategies. The study is based on three dimensions. Firstly the paper will discuss the Uzbek economy under the Soviet Authoritarianism. Secondly, why Karimov government pursued different strategies/ approaches distinct from other republics despite many similarities of the economic structures inherited from one single centrally commanded unit i.e. USSR. Thirdly the attempt is made to make critical study of Karimov's Model of Economy, followed by present status of economic stability. Finally suggestions and conclusion will be presented.

1.2 Background

In 1991 the great 'imperial phase' of the World was over, a new unprecedented and unknown era commenced. The independent Central Asian countries emerged from the debris of Soviet Imperialism, with different hypothesis of socio-economic and geo-political stabilization. The liquidation of Soviet Union inspired a sense of both triumphalism and euphoria; simultaneously the demise triggered profound politico-economic and Religio-ethnic tensions, which affected the entire post Soviet realm. Economic history is interesting episode in the history of post Soviet era, which is also the sole aim of my study. Economic transition in most of Central Asian countries was more or less traumatic.

Uzbekistan, land of light, human wisdom, and custodian of ancient Civilization, the basin of the Anu Darya and Syr Darya rivers, strategically located in the heart of Central Asia, with population of 30 million, is lower middle income

country. Uzbekistan, after gaining independent statehood, embarked on multi-sphere transformations. Economic transition and transformation is core concern of the present study. Uzbek Economic transition in post soviet is deemed as unique, because of approach followed by the republic like gradualism, piecemeal, experimental, incremental, and bottom-up. The approach followed by the Republic of Uzbekistan was substantially boosting and buffering the Uzbek economic stability.

1.3 Economic Milieu under Soviet Hegemony

In 1860s and 1870s, Central Asia was incorporated into the Russian Empire and subsequently worked as a supplier of cotton to mills in Russia. In the Soviet era, the Central Asian republics were open economies, supplying raw materials (cotton, oil, gas and minerals) to the rest of the USSR, but insulated from the global economy. Under soviet hegemony, Uzbekistan was integral component of so called "All Union Economy". In its essence it was multi-faceted exploitation of national resource of Agricultural production (raw cotton, the cocoon of Silk warm, ambary stalks, fruits, vegetables, karakul or Astrakhan lambskin wool ete) and industrial commodities (wool fibers, threads of raw silk, mineral, machinery and equipment)(Boris, 2003) During the Soviet rule in Central Asia "there were few, if any, skilled indigenous personnel, no local cadres. Initially this necessitated importing workers and trained personnel from other parts of the USSR."(Lubin, 1984)It is undeniable fact that Uzbekistan inherited an awful economic structure such as inflation, surplus of labour, arbitrarily drawn borders, water shortage, etc. Under the centrally commanded economic extensive re-organization, intensification and introduction of agriculture, production and industries respectively took place. The socio-economic milieu of Uzbekistan under the Communist totalitarian command economy, also characterized as the "Barrack-type of Socialist economic system" (R.G.Gidadhubli, 1994) Uzbekistan served as raw resource base for Soviets.

Soviet predatory economic policy had created a microeconomic disequilibrium. Soviets deemed agricultural sector especially cotton production strategically important. Agricultural sector dominated all other sectors even industrial sector itself being dedicated primary to serve the cotton complex, which halted the output of other sectors. Soviet cotton monopoly is one of major economic disequilibrium, Uzbekistan's cotton area increased from 441,600 hectors to 1,022,600 hectors from 193 to 1940. Obviously the production reached to 4.6 million tons. In 1990, the country produced 60 per cent of all cotton fiber in the Soviet Union. The lion's share of cotton fiber was shipped to USSR.

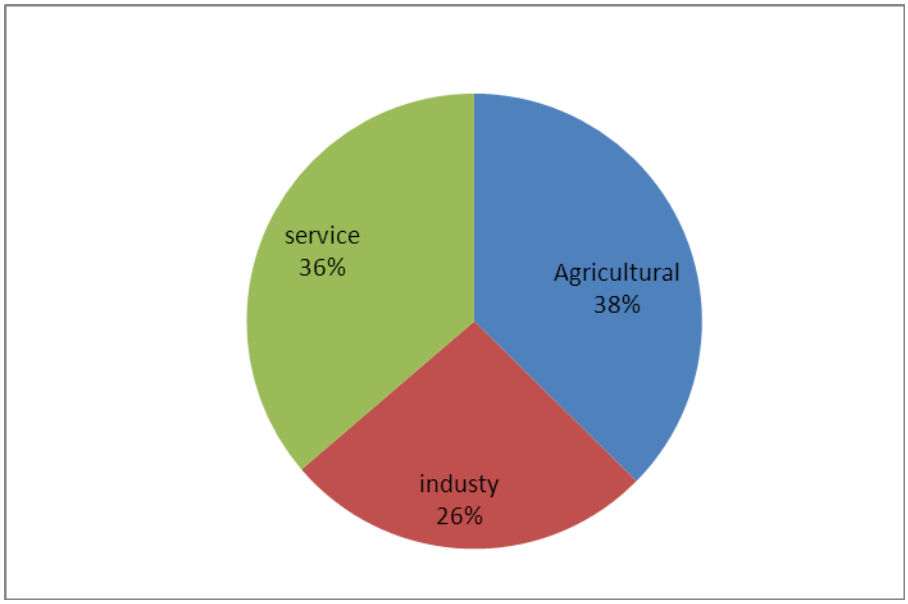

Figure 1. Structure of Uzbek Economy, Sector Wise(% in 1991)

The figure demonstrated the share of agriculture in the Gross Domestic Production (GDP) of the National economy is dominated by 38 per cent .Cotton was the engine of economy during soviet period. Uzbekistan's cotton area increased by 23 per cent in 1960's and 1970's reached almost 2,000,000 hectors in 1970's. As of 1991, Uzbekistan's economy was composed primarily of agricultural (38%) followed by service at 36 per cent and lastly, industry at 26

per cent. The industrial sector was somehow strong. The major industrial centers were-Tashkent, Navoi, Samarkand, Fergana, etc. the largest industrial plants constructed during Soviet period were electric-stations at Navoi and Tashkent, Hydro-electronic stations at Charvak and Bouzouki, metallurgical combine at Almalik, Navoi chemical combine, Fergana Oil processing plant, Samarkand superphosphate plant heavy engineering unit at Tashkent ete(R.G.Ridadhubli, 1994)Thereare opinions that the industrial sector was developed by the Soviets, after the world war 2nd, in order to strength their colonies, in order to defend their hegemony. Rumer (1989:186) aptly portrayed Soviet Central Asia's developmental puzzle, "All the economic, demographic and ecological ills of the region was wrapped up neatly by a single parcel; it can be undone only by a co-coordinated socio-economic conception of development that is securely based on the real resources of the region"

1.4 Economic Dynamics in Traumatic and Post Traumatic Period

There are lots of indicators to show that economy dramatically changes, with the disintegration of USSR. Economic recession and economic stabilization were the foremost challenges in front of newly born republic. The dramatic decline of Gross Domestic Production (GDP) fell in 1991-1994 by 49 per cent in Tajikistan, 48 per cent in Kyrgyzstan, 43 per cent in Kazakhstan, 27 per cent in Turkmenistan and 17 per cent in Uzbekistan. (Kommersant, 1995) which is moderate as compared with other Former Soviet Republics. It is quite obvious, Uzbekistan's performance although not spectacular but is exceptional, because of its natural resources and export commodities (Cotton, gold and gas), through which the country preserved its identity in international market. Under centrally planned economy, Uzbekistan worked as reservoir of raw material. In other words Soviets followed mercantile type of economy. This is naked exploitation of natural resource endowments. "The problems created by central planning notably, excessive centralization, absence of flexibility, stifling of technological progress, political dictatorship, and so forth- were understood at an even earlier point."(Milanovic, 1992)In the midst of reforms, the government of Uzbekistan realized that the old regulatory framework and obsolete administrative structures were not capable of resolving the urgent and complicated problems of transition to a new political and economic reality (Kochegura, 1999). The Islam Karimov the president has stated the policies of Soviet Union, "Centralized planning and market economics are two integrated, inherently logical and hence absolutely incompatible economic system. Because of this, a planned economy cannot be transformed straightway into market one. The transition… means the establishment of something principally new; the transition from one qualitative stage into another….thus, it cannot be implemented with a single act, but presupposes a sufficiently protracted period characterized by a sequence of stages."(Islam.A.Karimov, 1993)Uzbekistan's Economic policy during the post traumatic era has been subordinated to more prioritized economic developmental goals. Uzbekistan began the transition period with the lowest level of average per capita income among the former soviet republics. The following table demonstrated the per capita income in Republics of Central Asia.

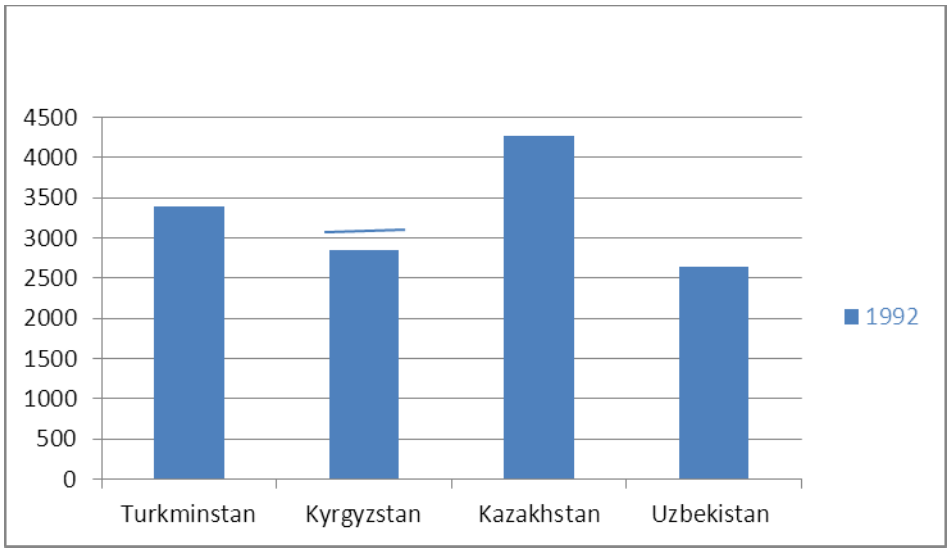

Figure 2. Per Capita Income in Central Asian Republics

Source: Central Asia. 2010. UNDP, 1999

The transition was period of new discussions, debates, and experiments in the newly born independent republics of central Asia. The period of transition was full of tumultuous for the countries of central Asia. The term transition is explained by many scholars in front of scholars like Michael Buroway Katherine Vedary and Barbara Einhorn, who argued that transition implies an evolutionary development that has a single, well-designed objective and trajectory. The approach of Transition is split into two approaches: a) Big Bang Approach. b) Slow and steady. While explaining the essence of both the approaches, according to the World Bank report in 1991, "Big Bang (Shock therapy) implies that reforms are implemented quickly in a concentrated period lasting less than two years. Whereas slow and steady (gradualism) spreads out reform over a longer time span."(Bank, 1991) Shock therapy approach was followed by the central European Countries Hungry, Czech, Slovenia, and Slovakia.

The gradual strategy has been influenced mainly by ideas of Hayek, Joseph Schumpeter and the Kenyesians. Hayek was of view that capitalism develops spontaneously and bring out institutions capable of survival by evolutionary means(Hayek, 1960). Uzbekistan clearly adopted a more gradualist approach; based on that the unfettered market may not be compatible with Government's aims of socio-economic development. (Milamovie.1998) Uzbek economy has faced three external shocks, a) The Russian crisis. b) A poor cotton harvesting. C) Decline in world cotton and gold prices one can easily understand how economy was degraded in the Republic. On the one hand, Uzbekistan had to unfold the economic catastrophe of Soviet economic strategy, and reject the centrally commanded economy. Second, ensure economic prosperity in the Republic by freeing the Republic from economic crisis and economic recession. Transition was a complex process itself, it was more complex for the Republics of Central Asia to devise an Economic strategy. There were alternative economic models for newly installed government, the Turkish Model of active state support for the development of entrepreneurial activities, the Chinese Model of gradual reform that started with agricultural reforms and extend by to industry. The Republic of Uzbekistan neither get assistance from the world Known economic Models like Capitalistic, Neo-liberal and Washington Consensus type. Instead of these Models, Uzbekistan President Islam Karimov has explicitly designed its own Model of Economy in accordance with its own demographic, socio-cultural, Economic and other peculiarities.(Anderson R. P., 1997) The model was framed by keeping in view the conditions of the Republic: a) the level of economic potential, b) the complexity and uniqueness of the demographic situation, c) a high advantageous geo-strategic situation, d) the natural and climatic condition.(Karimov I. A., 1992) Uzbek Model of Economy was based on certain objectives;

- Creation of a diversified economy, elimination of individual's lack of property ownership and guarantees of state protection for private property.
- Adoption and implementation of structural transformation of the economy, so as to ensure the efficient utilization of natural resources and human resources.
- Formation of a new economic mentality and world view among people.
- Grant of broad economic freedom to enterprises and citizens

The "Uzbek Economic Model" has focused on developing industrial and manufacturing capacity in a predominantly agricultural economy. The Uzbek model of economic development was well planned rather than an ad hoc. Islam Karimov, President of the Republic of Uzbekistan said in an interview conducted by the Central Asian News (CAN) on December 2. 2014, by developing 'Uzbek Model of Market Economy' doesn't aim to develop any market economy theory, which is well established in the world economics. History has proved its advantages well. The aim of Uzbek economic model is to develop its own route of transformation from the centralized, planned and administrated system to basic market principles. We clearly understand that our goal is large and complex. Therefore Islam Karimov presented five point formula, also characterized as "Uzbek Model of Economy".(Karimov I. , 2014)

1) Complete 'de-ideologizatio'. Economy should have priority over politics.
2) State, the main reformer. The representatives of legally elected authorities have to determine priorities and pursue balanced policy of no social shocks.
3) With current demographic situation and low living standards, transformation to market economy by a social policy aimed at social protection of the poorest and most vulnerable layers of society-children, elderly people, and invalids.
4) Superiority of Law and constitution.
5) An evolutionary manner of Transition to a market economy without 'revolutionary changes' or 'Shock therapy'. According to the national proverb "don't ruin the old house, without a ready new one". The transition to next stage only after the current stage target has been met.

The approach of transition adopted by the Republic is different from other Republics. The gradual transition strategy in Uzbekistan was characterized by one ultimate objective, namely stability at any cost.(Martin.C.Speechler, 2008)

Table 1. Basic Demographic, Economic Indicators, 2011-2014

	2011	2012	2013e	2014f
Population in million	29.3	29.8	30.2	30.7
GDP growth %	8.3	8.2	8.0	8.1
GDP per capita US$	1377	1545	1719	1878
Gross investment in fixed capital % of GDP	23.1	22.8	23.3	24.3
Inflation (GDP deflator), % change	15.1	15.0	13.9	11.9
Current account balance, % of GDP	5.8	1.2	2.5	2.2
Fiscal balance, % of GDP	18.6	17.3	18.7	19.6

Source: Uzbek authorities; IMF and Bank staff calculations. Notes: e - preliminary or estimate; f – Bank staff forecast; a/: A one-off transfer of international reserves into the FRD (as was made in 2008, 2011, and 2012), combined with higher FRD revenues, is expected to help push up the consolidated fiscal balance in 2014.

2. Critical Review of Karimov's Model of Economic Stabilization

Has this approach alleviated the problems inherited form Totalitarian soviet regime, and problems of transition period. It is imperative to critically examine the Karimov's model of economy. So for the distinctly impressive economic performance, the Karimov and his government has exceedingly careful and consistently advanced in stages. According to the International Monetary Fund (IMF), the success of Uzbekistan's transition period can be attributed to a combination of several factors, including a) the country's relative low degree of initial industrialization, b) domestic cotton production and c) the country's self-sufficiency in energy (IMF.1998) Uzbekistan inherited devastated economic situation from the Soviet Union. Uzbekistan has experienced moderate decline of Gross Domestic Production (GDP) growth, as compared to with other CIS.

Richard Pomfret argued that the country's reform path can be divided into three distinct phases, the first phase (1992-1993), the period of slow and limited reform. The period of accelerated reforms (1994-1996) and the period from 1996-2001is characterized as stalled reforms. (Pomfret R., 2000) The in-ward oriented developmental approach has ensured a protected phase of sustained economic growth. Uzbekistan is typically viewed as one of the least liberal economies in the former-Soviet sphere; this characterization arguably reflects 'jaundiced views by the international financial institutions (IFIs) . . . and a conflation of political and economic considerations'.(Pomfret R. W., 2006.) While the pace of economic reforms has been slow, the available research data indicate that the Uzbek economy did not suffer negative shocks that befell other economies in the former Soviet Union. The following statistical data demonstrated the Uzbekistan's growth performance in the first decade of independence was the best among the former Soviet republics.

Table 2. Uzbekistan's Economic Performance

Country	GNI/Capital 2004@PPP	Growth index,2000,as %of 1990	Gini coefficient	% top 10%(2003)
Kazakhstan	6930	66	0.339	24.4
Kyrgyzstan	1860	66	0.303	27.9
Tajikistan	1160	33	0.326	25.6
Turkmenistan	1120[a]	61	0.408	31.7[b]
Uzbekistan	1860	98	0.268	22.0[c]

Source: 2006, world Development Indicators adopted from Spechler, "Authoritarian Politics and Economic Reform in Uzbekistan. Note, a=2006, b= 1998 figure, c=2000 figure.

Economic development generally deals with such changes in the aggregates of National production and its composition. There are numerous models to examine the develop of economic development French economist Francois Quesnay in the famous '*Tableau Economique'* in the eighteenth century, in the nineteenth century, Leon Walres in his '*General Equilibrium theory'*. But the most imperial and verifiable model known as "Input-output" of W.W.Leontief's the theoretical Conceptualization of General equilibrium.

Uzbekistan's economy suffered a smaller transitional recession than any other former Soviet republic, and contrary to some predictions it experienced positive economic growth after the mid-1990s (Taube and Zettelmeyer 1998).During the painful days of transition, Uzbekistan's performance was reasonably stable. According to the Spechler, Bektemirov and Chepal the stabilization occurred due to the well economic management. Uzbekistan enjoyed robust GDP growth since 2005, with average 8 per cent. Uzbekistan virtually halted economic recession in 1995, due to the outstanding economic strategy. Uzbekistan was the first among the new born independent counties, who surpassed of 1998 Gross Domestic Production (GDP) by 3 per cent in 2003. Uzbekistan underwent a large economic contradiction after the demise if the Soviet Union. GDP fell by a cumulative 18.4 per cent during 1992-1995. Uzbekistan's Gross National Income (GNI) per capita increased from 630 US$ IN 2000 to US$ 1,720 in 2012 .GDP increased from 2001-2012 by 42.1 billion US$ to 51.4 billion US$. GDP per capital rose by 1429 US $ to 1801US$. The change of Uzbekistan described by linear correlation regression model:

Y=4.385x-8775.571, where Y-estimated value of GDP of Uzbekistan, X-year, Correlation=0.970. Correlation of determination=0.957.

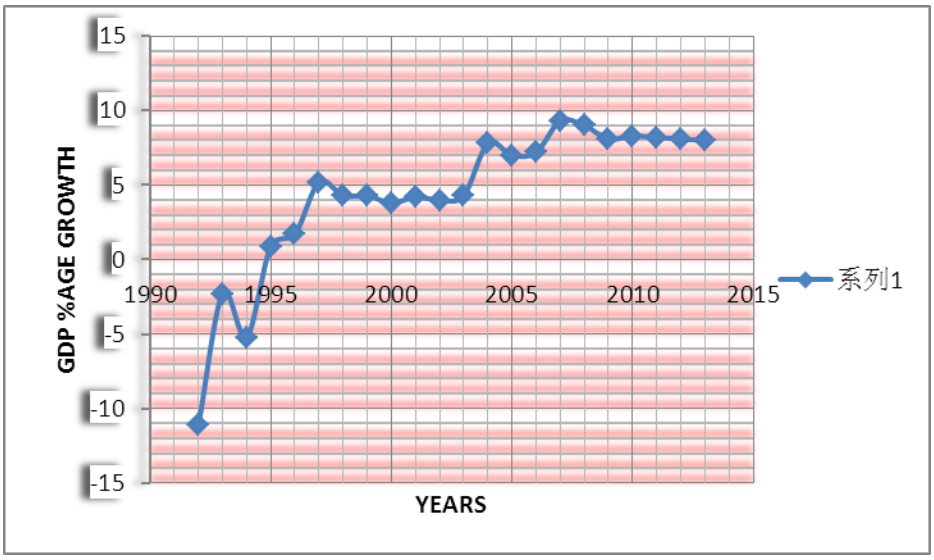

Figure 3. GDP growth in the Republic of Uzbekistan

Source: State Statistics Committee of Republic of Uzbekistan

It is not simply compiling the unrealistic slogans that Uzbekistan has developed a relatively complex, well designed and long term economic strategy. GDP growth, inflation, recession above all socio-economic prosperity is the indicators to show potentiality of Uzbek economic model. "The achievement of economic stability in combination with measures adopted for the social protection of the population made it possible to provide a stable socio-political situation in the republic"(.A.Karimov, 1995) in response to the global economic downturn in 2008, the Uzbek government launched an anti-crisis program to increase budgetary expenditures on infrastructure modernization, extend credit to export industries, restructure bank debts, boost investment in small-sized business sector. Economic reforms although limited but frequently ineffective.

3. Changing Structure of Uzbek Economy

After the disintegration of seventy years communist rule in Uzbekistan. The structure of economy has dramatically

changed. Economy is divided into sectors like agricultural, industrial, service sectors. Uzbekistan's economy is highly reliant on agricultural sector. As late as 1992about 40 per cent of its net material product was in agricultural although only 10 per cent of land was cultivated.(Iyer, Global Companion to Central Asian Economy: Tradition, Transition and Transformation, 2010)Immediately after independence, the government engaged in a land privatization scheme whereby more than 10% of irrigated land in the country was given by the state to individual families, including some of the country's most productive land, to prevent social unrest (Abdullaev, 2009)

Agricultural, is the basis of human livelihood and most especially in the agrarian society, backbone and hub of economic activities. Uzbekistan possesses the second largest area of irrigated land. Out of 44.7 million hectors of land area, 32.3 million hectors were used for agricultural activities.(Rumer B. , 2003)Of total land area of 447,400 sq km, 11 per cent of land is intensively used for agricultural production.

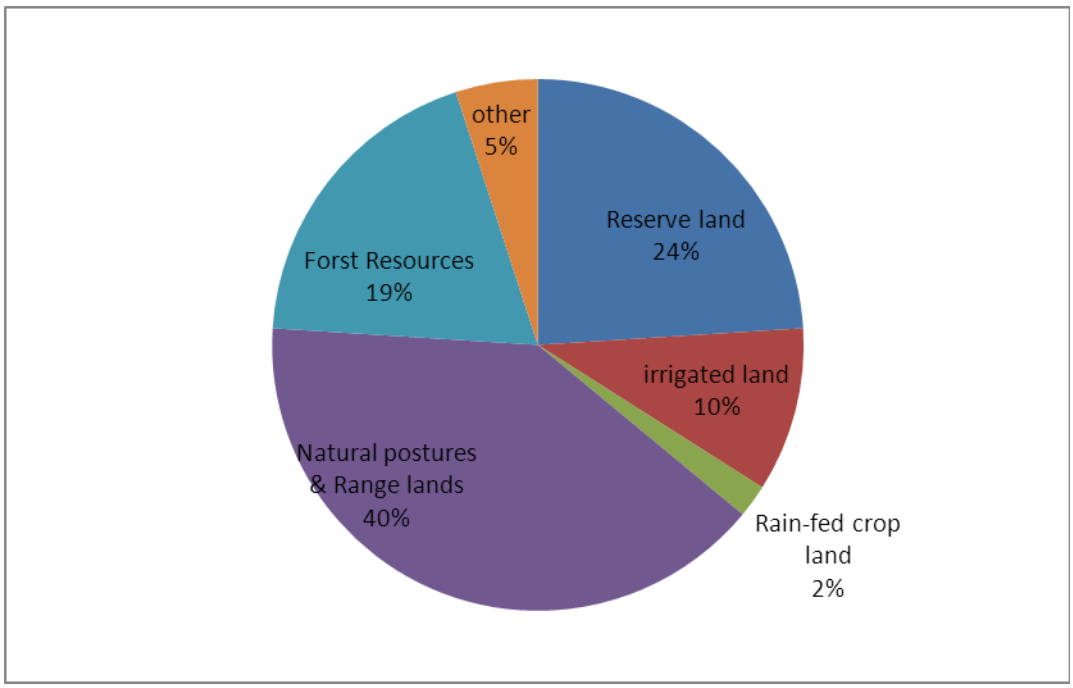

Figure 6. Land Distribution

Source: Centre of Hydrometer logical Service, Second National Communication of the Republic of Uzbekistan under the United Nations Framework convention on climate change, Tashkent 2008.

The major agricultural production is cotton, wheat, fruits (apple, apricot, peaches and berries). The agricultural underwent significant changes, the total output dropped by 16 per cent by 1996.(World Development Indicator, 2009).overall, the agricultural sector accounts 34 per cent of total employment were as more than 60 per cent of population lives agricultural. Of this population 93 per cent earn less than $5 per day. Cotton the cash crop also known as 'white gold' is major agricultural production in Uzbekistan. Uzbekistan, is the fifth producer of cotton worldwide (preceded by China, India, U.S.A, Pakistan) and third largest exporter. During 2010/11 the country produced 1 million tons of cotton. Cotton exports earn more than one-fourth of the country's foreign exchange revenue. The share of cotton exports fell from 65 per cent in 1992 to only 9 per cent in 2012. Whereas the share of fuel mostly gas and oil production increased from 4 per cent to 38 per cent. Uzbekistan has the 6th largest reserves of gold in the world, and is the world's 9th largest producer. Gold is Uzbekistan's second largest export commodity after cotton and it earns about one-fifth of the country's foreign exchange revenue. Since last decade the Karimov administration deliberately or unconsciously diversify its economy away from primary reliance on a cotton monoculture to other forms of agricultural output as well as a significant shift from agricultural to service sector and other industries intensive in human capital.(Comia, 2003) It furthermore increased investment in the public sector, prioritizing, infrastructure and industry in targeted sector.(Weinthal, 2010) The comparative analysis the structure of Economy since 1990 is well in the following figure:

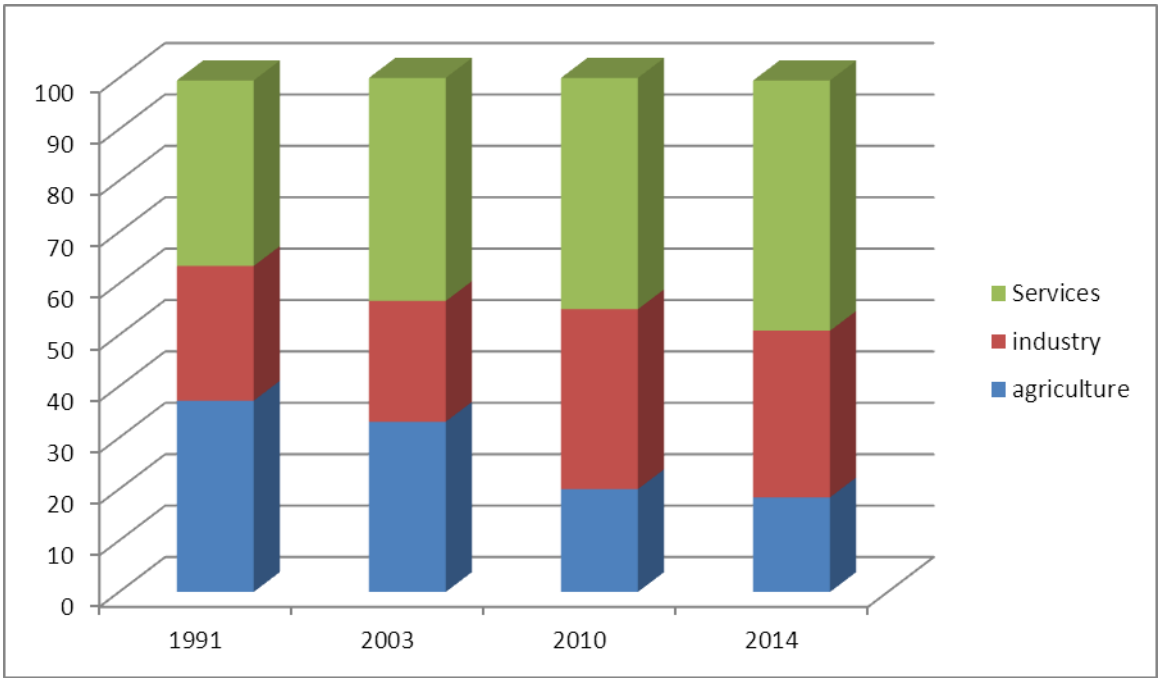

Figure 7. Share of Sectors in the Uzbek Economy

Source: State Statistics Committee of Republic of Uzbekistan

4. Uzbekistan in the World Indices

Uzbekistan's Human Development Index (HDI) is from the average 0.702 in 2005, to 0.22 in 2011 is estimated to improve to 0.60 by the year 2015. The country is ranked 114th out of 183 countries. UNDP's analysis of the HDI suggested that Uzbekistan has every possible prospect of being able to advance along a path of robust economic growth whist obtaining significant human development gains. Impressive performance at all levels and the pursuit of the right policy choices are the key to determining the future prospects for all the people of Uzbekistan. (UNDP:, Country programme Action plan, 2010-2015) World HDI Rank in 2005 was 113th/ 177.

Table 4. Rank of Uzbekistan in Different Indexes

Index of Economic Freedom	162th/178
International Logistic performance Index (LPI)	129th/160
Inward FDI Potential Index	93th/141
Ease of Doing Business Rank	146th/189
KOF Index of Globalization	174th/129
DHL Global connectedness index score	123th/140
Status Index (political & Economic Transformation)	118th/129
Corruption perception index(2012)	168th/175

Source: http://globaledge.msu.edu/countries/Uzbekistan/indices

5. Ambitious Goal

Uzbekistan, the low-middle-income landlocked country with extremely rich natural endowments. It has the world's largest resources of gold .silver, lead, Zinc, Tungsten, aluminum, and other raw material. Uzbekistan is largest

exporter of gold, cotton, Energy resources such as natural gas, oil and coal. Uzbekistan has great development potential, and strategically located in the heart of Central Asia. The government has set an ambitious goal of upper-middle-income country by 2030. It is the plan when GDP Per capita income will be $4,900. It is important to mention here that at the stage of transition, countries with GDP per capita between US$2,000 and US$ 3,000 become more competitive and productive. Now the question is could Uzbekistan achieve the ambitious goal with in 15 years. In order to achieve the target, Uzbek economy is urgent need of additional transformation, when GDP growth rate will be 6 per cent annually, and GDP per capita income by 2030 will be US $ 4,900. Structural transformation will take place as the country moves up the development ladder from a factor-driven to an efficiency-driven economy.

6. Recommendations and Suggestions

The Uzbekistan's economic policies and strategies have been gradually evolving from its nascent stage in terms of regulation, structural reforms in the transition period. Hitherto Uzbekistan had not abandoned many of the old- style practices of monetary management. Here are some recommendations and suggestion, if followed, may be helpful for the Republic of Uzbekistan to perform better in the current global economic scenario and to prevent intergenerational transmission of poverty and will make it possible to withdraw from the crisis with a stronger, more stable, and balanced economy, which will ensure the republic a worthy place on the world arena.

1. There is need to move from factor-driven economy to efficiency-driven economy.
2. There should be less intervention of government in the economic policies.
3. There is need to move from factor-driven economy to efficiency-driven economy.
4. The government should invite foreign direct investments (FDI), in order to explore the hidden natural resources in the Republic.
5. There is urgent need of some radical economic reform, as the transition era has by and large passed.
6. Uzbekistan needs to develop a more sophisticated and diversified plan in Agricultural sector particularly Cotton production.

7. Conclusion

In lieu of conclusion, Uzbekistan since its independent statehood in 1991 has undergone a complicated process of transformations and reforms. The strategic objectives of economic transformation during the transition period were to restore economic growth and to raise living standards of the people. The main target of macroeconomic stabilization was disinflation by rigid monetary policy. To achieve these objectives, the Karimov led government has adopted an unorthodox economic approach of gradualism, evolutionary, piecemeal and bottom up, with an emphasis on first creating the legal and institutional foundations for economic reforms. Karimov's economic model served as a prime mover in the transformation from centrally commanded economy to the market-driven economy. The model proved more or less result-oriented. Uzbekistan epitomized the gradual strategy and state led approaches have provided a deep insight. The important factor behind the extra- ordinary economic performance was strategy of shifting towards industrialized economy. The structure of output shares by industry in Uzbekistan has been changing in favour of heavy industries e.g. fuel, energy, machine, building and metal production avoiding drawbacks. Secondly, the natural resource endowment of cotton and gold reduced the urgency for reform. (Taube and Zettelmeyer).And gradual reforms permitted a less disruptive transfer of resources from the obsolete public sector to emerging private sector and this may have conferred net benefits compared with rapid reform (Blanchard). By the policies and approaches and models, the country achieved its pre-transition output by 2001. However, the Government has managed economic reform very conservatively in order to reduce or at least slow the economic decline. This objective has been pursued with relative success. Uzbekistan's 1997 real GDP is projected by EBRD to be 86 per cent of its level in 1989 compared with 56 per cent in all CIS countries. During economic recession Uzbekistan showed resiliency than its regional neighbors. Uzbekistan, the biggest puzzle, often characterized as a slow reformer among the CARs. Economic performance is dynamic and outstanding due to both natural endowments and unorthodox economic approach, with prudent macroeconomic management Uzbekistan has enjoyed the outstanding economic performance. But it was not enough Uzbekistan has to work hard in order to achieve the ambitious goal of Upper-middle income country by 2030.uzbekistan,

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