



## TRANSITION PROCESSES OF THE ECONOMY OF KARAKALPAKSTAN TO A MARKET ECONOMY DURING THE YEARS OF INDEPENDENCE

*Aydos Abatov*

*Nukus Branch of the Samarkand State University of Veterinary Medicine*

*Animal Husbandry and Biotechnologies*

*E-mail: [aydosabatov9@gmail.com](mailto:aydosabatov9@gmail.com)*

*Nukus, Karakalpakstan*

### ABOUT ARTICLE

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**Abstract:** The article analyzes the market reforms implemented in the economy of the Republic of Karakalpakstan during the years of independence. Particular attention is paid to the gradual transition to a market economy, privatization processes, and the formation of market infrastructure. The outcomes of economic reforms are assessed, and conclusions are drawn regarding existing challenges and unresolved issues.

## МУСТАҚИЛЛИК ЙИЛЛАРИДА ҚОРАҚАЛПОҒИСТОН ИҚТИСОДИЁТИНИНГ БОЗОР ИҚТИСОДИЁТИГА ЎТИШ ЖАРАЁНЛАРИ

*Айдос Абатов*

*Самарқанд давлат ветеринария медицинаси, чорвачилик*

*ва биотехнологиялар университети Нукус филиали*

*Email-pochta [aydosabatov9@gmail.com](mailto:aydosabatov9@gmail.com)*

*Нукус, Каракалпакстан*

### МАҚОЛА ҲАҚИДА

**Калит сўзлар:** мустақиллик, Қорақалпоғистон Республикаси, бозор иқтисодиёти, иқтисодий ислохотлар, хусусийлаштириш.

**Аннотация:** Мақолада мустақиллик йилларида Қорақалпоғистон Республикаси иқтисодиётида амалга оширилган бозор ислохотлари таҳлил қилинган. Бозор иқтисодиётига босқичма-босқич ўтиш, хусусийлаштириш жараёнлари ва бозор инфратузилмасининг шаклланиши ёритилган. Иқтисодий ислохотларнинг натижалари ва мавжуд муаммолар бўйича хулосалар берилган.

## ПРОЦЕССЫ ПЕРЕХОДА ЭКОНОМИКИ КАРАКАЛПАКСТАНА К РЫНОЧНОЙ ЭКОНОМИКЕ В ГОДЫ НЕЗАВИСИМ

*Айдос Абатов*

*Нукусский филиал Самаркандского государственного университета ветеринарной медицины, животноводства и биотехнологий*

[aydosabatov9@gmail.com](mailto:aydosabatov9@gmail.com)

*Нукус, Каракалпакстан*

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### О СТАТЬЕ

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**Ключевые слова:** независимость, Республика Каракалпакстан, рыночная экономика, экономические реформы, приватизация.

**Аннотация:** В статье анализируются рыночные реформы, реализованные в экономике Республики Каракалпакстан в годы независимости. Рассматриваются поэтапный переход к рыночной экономике, процессы приватизации и формирование рыночной инфраструктуры. Сделаны выводы по результатам реформ и существующим проблемам.

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**Introduction.** Independence liberated society from a totalitarian system of governance. Recognizing the invaluable significance of independence and its historical importance, the people of the country have actively contributed to strengthening and developing it economically, socially, and politically. From the very first days of achieving political independence and freedom, comprehensive economic and political reforms were initiated with the aim of dismantling the outdated totalitarian production system, eliminating its political and socio-economic foundations, and constructing a new framework of statehood.

**Relevance of the Topic.** As emphasized by the President of the Republic of Uzbekistan, Sh. M. Mirziyoyev, “Today, the expansion of mutually beneficial trade, economic, and investment relations should become the locomotive of cooperation, as it forms the foundation of the well-being of our peoples. This requires strengthening cooperation among leading industrial enterprises, investment companies, banking and financial institutions, and entrepreneurs of our countries, as well as establishing effective interregional collaboration” [1, p. 263].

As the economic foundation of the newly emerging society, a socially oriented market economy was selected. The First President of the Republic of Uzbekistan, I. A. Karimov, stated: “If political independence is not reinforced by a developed and efficient economy, it will remain merely empty rhetoric and a tool for superficial prestige” [2, p. 441].

Significant efforts have been made to create and develop market infrastructure, implement strong mechanisms of social protection, and establish a continuous education system aimed at

training modern specialists capable of operating effectively in a market economy. On this basis, state development strategies have been formulated and gradually implemented.

In a historically short period, summarizing the outcomes of economic reforms, analyzing transformations in the economic and social spheres, evaluating achieved results and shortcomings, identifying existing problems, and proposing practical solutions represent a matter of considerable scientific importance. In this context, the study of economic development in Karakalpakstan during the years of independence, adaptation to market requirements, and structural changes in industrial sectors remains highly relevant.

**Literature Review.** During the initial years of independence, the legal framework for the transition to market relations in Karakalpakstan was established. The adoption of key legislative acts of the Republic of Uzbekistan, such as the Laws “On Foreign Economic Activity,” “On Foreign Investments,” “On Employment,” “On Concessions,” and “On Special Economic Zones” on January 9, 1992, marked an important stage in strengthening national statehood in Karakalpakstan [3, p. 79]. Taking this into account, the present study focuses on economic transformations in Karakalpakstan during the years of independence, the implementation of privatization policies, the conversion of industrial enterprises into joint-stock companies, and the formation of market infrastructure. Particular attention is paid to achievements and emerging challenges. The transition to market relations necessitated the creation of legal principles for a diversified economy and a competitive environment. Resolving issues related to private property became the cornerstone of all reforms aimed at establishing market relations, laying the foundation for new social and economic interactions.

**Discussion.** Article 34 of the Constitution of the Republic of Karakalpakstan guarantees the right to private property, while Article 51 stipulates that the economic foundation of Karakalpakstan, oriented toward the development of market relations, is based on diverse forms of private ownership [4].

The adoption of the Law “On Denationalization and Privatization of Property” on December 14, 1992, and subsequent decrees in March 1994 provided a new impetus to the privatization process. During the years of independence, the structure of ownership in Karakalpakstan underwent significant changes. While state ownership previously dominated, non-state forms of private ownership expanded considerably.

According to the development program adopted in 1993, by the year 2000, a total of 2,932 enterprises were privatized, 7,807 small and medium-sized enterprises and 8,977 individual entrepreneurs were registered, and shares worth 958 million soums were sold to the population. Currently, 87% of enterprises operate outside the state sector, producing 94.4% of industrial output

and 98.6% of agricultural products, while nearly 90% of construction work is carried out by non-state entities [3, p. 81].

The transition to a market economy, especially in its initial stages, was accompanied by economic downturns, rising unemployment, currency devaluation, and the closure of small enterprises. These challenges demonstrated that abrupt revolutionary changes were impractical. Instead, Uzbekistan adopted a gradual, evolutionary approach to market reforms, avoiding sudden disruptions.

**Results.** Reforming the banking system became a crucial aspect of economic policy. The establishment of a stable two-tier banking system, comprising the Central Bank and independent commercial banks, was prioritized. Specialized commercial banks and foreign bank branches were established, enhancing financial infrastructure.

Furthermore, wholesale and exchange trade systems expanded, facilitating equal participation of producers, consumers, and entrepreneurs in market relations. Investments generated through privatization were accumulated in special funds and reinvested to support structural reforms and private sector development. By early 1999, total revenues from privatization exceeded 650 million soums.

**Conclusion.** As a result of comprehensive reforms, structural transformations have been implemented in the economy of Karakalpakstan. New forms of economic management have been introduced, and social protection of the population has become a key priority of state policy, supported by consistent and targeted government measures.

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