

**THE TRANSITION TO A MARKET ECONOMY AND ITS FEATURES IN
UZBEKISTAN**

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Introduction

The transition to a market economy is one of the most significant economic transformations that many countries have experienced since the late 20th century. It refers to the shift from a centrally planned economic system, where the government controls production, prices, and distribution, to a market-based system where supply and demand determine economic activities. After gaining independence in 1991, Uzbekistan began its own path of economic transition, adopting reforms aimed at building a stable and socially oriented market economy.

The concept of transition to a market economy

A market economy is characterized by private ownership, competition, freedom of entrepreneurship, and minimal government interference in economic activities. During the transition period, countries implement structural reforms such as privatization, price liberalization, development of financial institutions, and encouragement of private business.

For many former Soviet republics, this transition was a complex process because their economies had been tightly controlled by the state for decades. Therefore, moving to a market-based system required deep institutional, legal, and social changes. Before independence, the economy of Uzbekistan was part of the centrally planned system of the Soviet Union. In this system, the government controlled almost all aspects of economic activity, including production volumes, prices, distribution of goods, and foreign trade. Private property and entrepreneurship were very limited.

After 1991, the country faced the challenge of restructuring its entire economic system. This required creating new market institutions, reforming state enterprises, developing private businesses, and establishing an independent financial system.

The Uzbek model of economic reforms

After independence, Uzbekistan chose a gradual and evolutionary approach to economic transformation rather than rapid “shock therapy.” This approach is often referred to as the **Uzbek model of development**, which is based on five key principles:

1. **Priority of the economy over politics** – economic reforms were implemented carefully to maintain stability.
2. **The state as the main reformer** – the government played a leading role in guiding the transition process.
3. **Rule of law** – establishing a strong legal framework for economic relations.
4. **Strong social protection** – protecting vulnerable groups during economic reforms.
5. **Gradual transition to market relations** – avoiding sudden and disruptive economic changes.

These principles helped ensure political stability and gradual economic development during the transition period.

The transition to a market economy in Uzbekistan can be divided into several stages.

The first stage (1991–2000) focused on stabilizing the economy and forming the legal foundations of the market system. During this period, the government introduced the national currency (the Uzbek soum), started privatization, and created new financial institutions.

The second stage (2000–2016) involved modernization of the economy, development of industry, and support for small businesses and private entrepreneurship.

The third stage (from 2016 to the present) began with large-scale economic reforms initiated under the leadership of Shavkat Mirziyoyev. These reforms include currency liberalization, improvement of the investment climate, and deeper integration into the global economy.

Key economic reforms in Uzbekistan

Several important reforms were implemented to build a market economy in Uzbekistan:

- **Privatization of state property**, which allowed private ownership of enterprises.
- **Development of small business and entrepreneurship**, creating new job opportunities.
- **Agricultural reforms**, including restructuring of collective farms into private farms.
- **Financial and banking reforms**, which helped create modern financial institutions.
- **Integration into the global economy**, expanding foreign trade and investment.

These reforms contributed to economic growth and improved living standards in the country.

Challenges of the transition period

Despite progress, the transition to a market economy also brought several challenges. These included inflation, unemployment, structural changes in industries, and the need for modernization of infrastructure. Managing these challenges required consistent economic policies and international cooperation.

Conclusion

The transition to a market economy is a complex and long-term process that requires comprehensive reforms in economic, legal, and social systems. The experience of Uzbekistan shows that a gradual and carefully managed transition can help maintain stability while promoting economic growth. Today, Uzbekistan continues to develop its market institutions, attract foreign investment, and strengthen its position in the global economy.