

CHAPTER III

UZBEKISTAN'S STRATEGY TO SOLVE ITS ECONOMIC PROBLEMS

Uzbekistan won its independence almost inadvertently when Uni Soviet Social Republic (USSR) power collapse. As a part of USSR, the impact of the collapse also infected to Uzbekistan and other Commonwealth of Independent States of Russian, namely Kazakhstan, Turkmenistan, Tajikistan, and Azerbaijan. According to President Karimov at his website, in his independent speech said that "Independence is primarily a way to get out of a complex and critical economic situation". It was not just a statement from the new president, for the reality also proved that condition, in which Uzbekistan was infected by multi problems that exist both internal and external sides.

Islam Abduganievich Karimov was elected as the first president of Republic of Uzbekistan in March 1990, a year before Uzbekistan formally recognized as an independent state. By this step, Uzbekistan firmly announced that it intends to go along the path of sovereignty and independence. The communist party, which had lost its influence, was reformed into the national democratic party of Uzbekistan on the initiative of President and changed its ideology to become essentially new. The power was in a new line, which is President – government – local authorities (khokimiats).

The emergence of multi problems that attack Uzbekistan needed resolutions and prioritization, which one of the problem as the first priority that need to be solved. In dealing with this condition, President Karimov remarked the

close mutual connection between stability in economy, social and political life with the realization of Uzbekistan model of transition to values of democratic society and market economy⁴⁵. Therefore, President Karimov believed in the Uzbekistan five principles as the main consideration to decide and run the resolutions.

While defining the priorities in the program, Karimov realized that it was impossible to solve all problems at once. The Uzbekistan five principles was derived to be the basic consideration and guidance toward these priorities action. The Uzbekistan five principles consist of the separation of economy from ideological dogmas, the state is the main reform maker, the priority of law in all spheres of life, realization of strong social policy, and gradual transition to market relations. The realization of all these principles helped to keep stability, peace and accord in the Republic.

Uzbekistan Five Principles

First, the separation of economy from ideological dogmas. This first principle was derived from the idea of secularism. According to George Holyoake, the idea of secularism separates any kind of state entities as the main actor of development from the ideology or religious belief of the state⁴⁶. The ideological dogmas of Uzbekistan was the idea of communism as the main idea of the previous USSR. The Uzbekistan government saw the less opportunity of communist idea to develop and stabilize their condition in the rising era of liberal system that required the free market and privatization. Therefore, the separation of

⁴⁵ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.143

⁴⁶ Secularism, retrieved on September 16, 2008 at <http://www.foreignaffairs.org/67483899/george-holyoake/secularism.html>

economy from ideological dogmas, which are communist idea and socialist principle that derived all Uzbekistan's policies in USSR era, was the ultimate choice to develop and stabilize Uzbekistan economic condition.

For example, in running the determination of economic cooperation and principle, though majority of Uzbeks were still influenced by the dogmas of communist or socialist values, the government striced to implement some of liberalist values such as market economy and capital market. Moreoever, it also can be seen by the existence of Uzbekistan's cooperation with any kind of states without any kind of limitation, whether they are communist state or liberalist state, as long as they give mutual benefits to Uzbekistan, so the cooperation can be held.

Second, the state is the main reform maker. The Uzbekistan government put the state as the main actor in developing the countries. According to William Easterly on Nanyang foreign policy journal about the concept of developmentalism, the government of the state is the representative of whole parts of the state⁴⁷. It has function to accommodate all interests of the citizen. The better life and development are the answer of these interests. The other entities of development such as industrial companies and citizen itself are just the supporting system, of which the staté handle it. The state should manage and organize all factors that dealing with the development of the countries. As newly independent state with huge of resources, Uzbekistan government saw the opprtunity that they need to handle it all as the main actor. The purpose was to make everything

⁴⁷ The Rise of Developmentalism, retrieved on September 23, 2008 at <http://www.nsu.org/journal/foreign-policy/rise-developmentalism.html>

undertaken by the state with the less opportunity of failure. Thus, the developmentalis system that put the state as the main actor in development was the best alternative to be taken.

The example for this principle implementation was the centralized decision maker of all economic policy of Uzbekistan on the hand of government⁴⁸. Although there were many privatization activities among the company and foreign investments, the government still controlled those policies and directed it into its purpose as the prosperous and developed Uzbekistan.

Third, the priority of law in all spheres of life. As a newly independent state that has instability condition, the existence of law was really needed. This is aimed to control and keep the condition more stabil and secure. The law need to be enforced in order to prevent any kind of internal conflict among the citizen. Moreover, the law also regulate all spheres of citizen's life better, for it gives limitation in both of personal and group lifes. Therefore, the principle of law priority in all spheres of life is urgently needed by Uzbekistan.

For instance, there was a new regulation about the limitation of having children as the consequence of demographic problem that derived the highest children trafficking in Uzbekistan⁴⁹. In the very beginning of Uzbekistan's independence, there was no any regulation about this children limitation, but since there were huge problem of children trafficking, then based on the priority of law in all spheres of life, the limitation was implemented. Moreover, the huge problem

⁴⁸ Islam Karimov: Single Hand, retrieved on September 14, 2008 at <http://www.globalpolitician.com/islam-karimov/article.single-hand.html>

⁴⁹ Uzbekistan: Human Trafficking, retrieved on October 10, 2008 at <http://www.jahonnews.uz/human-trafficking.html>

of women trafficking also invited the government to obviously determine this policy. Furthermore, it was not dubious that the implementation of law prioritization was one of Uzbekistan main principles.

Forth, realization of strong social policy. According to Malcolm Wiener Center of Harvard social policy, is related to guidelines for the changing, maintenance or creation of living conditions that are conducive to human welfare⁵⁰. This principles derived all policies of Uzbekistan to prosperous its citizen. Not only it achieved the welfare, but also it has to fulfill the prosperity of values and cultures. In order to realize this strong social policy, the government of Uzbekistan need to create the proper and ultimate action in both internal and external relations.

To give example to this principle, Uzbekistan has many partners to do cooperation, but they still put the Commonwealth of Independent States (CISs) as the first priority to do cooperation⁵¹. This decision was not just because they were the closest states to Uzbekistan in term of geographical location, but that were all because those states also have obviously closest pattern, history, culture and behavior, in which that all can make easier Uzbekistan to cooperate with them. Therefore, with these kind of cooperation Uzbekistan was not only gain the economic benefits, but also keep maintain the their culture, rich with financial and culture.

Fifth, gradual transition to market relations. In facing the problem of distortion in economy that was attacked USSR and all CISs, Uzbekistan:

⁵⁰ Human Security and Social Policy, retrieved on September 24, 2008 at <http://www.globalpolitician.com/1982738/human-security-social-policy.html>

⁵¹ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.150

government put the gradual transition to market relations as one of its basic principles. It was aimed to prevent the worse impact of the distortion, while they were improving and stabilizing the instability condition, including the economy as the main problem. Thus, Uzbekistan hoped a victory through this gradual transition to market relations in order to cover the core problem of distortion in economy, which is the unbalance of production and consumption.

It was clearly can be seen through the main orientation of Uzbekistan development which is *Economic first*, that was stated by Uzbekistan president, Islam Karimov. In order to gain the solution toward the economical distortion that cause the unbalance of less goods production and more spreading of money, the gradual transition to market relations was one of appropriate alternatives. Therefore, the implementation of economic reformation that was divided into four stages were the real example for this fifth principle of Uzbekistan government⁵².

The decision of Uzbekistan government to put these all five principles to be the main consideration in developing and stabilizing its condition was reflected by the condition that they faced, in which there were many problems occurred and attacked them both domestic and international problems.

While Uzbek was restructuring its system, they also need to do rational action to solve those problems. The only reasonable action was the putting of foreign policy as the forward action in covering all basic necessity of the state. As mentined in the first chapter about foreign policy as strategy or plan that is complied by decision makers of a country in dealing with other countries or

⁵² Country Paper 10th Series, *Op.Cit*, p.6

international units, and derived to gain national interests, then can be explained that politically, the foreign policy of a country will open the possibility of its political cooperation, and it also economically beneficial, for the foreign policy will also open the possibility of economic cooperation among countries, and additionally dealing with foreign investments. As a newly independence state that had huge numbers of challenges, especially in economic factors, Uzbekistan really need the proper foreign policy to open opportunities to the international access in order to support its economic stability. Therefore, Uzbekistan put this foreign policy point in the forth chapter of its national consitution as the main rational action to support the existence of the state.

Chapter IV Foreign Policy⁵³:

Article 17 The Republic of Uzbekistan shall have full rights in international relations. Its foreign policy shall be based on the principles of sovereign equality of the states, non-use of force or threat of its use, inviolability of frontiers, peaceful settlement of disputes, non-interference in the internal affairs of other states, and other universally recognized norms of international law.

The Republic may form alliances, join or withdraw from unions and other inter-state organization proceeding from the ultimate interests of the state and the people, their well-being and security.

The Foreign Policy Orientation of Uzbekistan

In order to understand the orientation of Uzbekistan's foreign policy, the writer proposes a "two-level structural" approach⁵⁴. Writer refers to "two levels" because every state, including Uzbekistan must worry about both domestic and international affairs in order to stay in stabil condition. These two levels will be the main considerations of writer in analyzing the foreign policy orientation of

⁵³ Uzbekistan Basic Consitution, retrieved on October 24, 2008 at <http://www.gov.uz/basic-constitution.html>

⁵⁴ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.137

Uzbekistan. In addition to make easier the understanding of unit analysis, the writer will provide the analysis by using the rational actor model and the concept of strategy.

Domestic Conditions

About domestic politics Henry Hale believed that the government must either satisfy the population's strongest desires or employ enough force to keep them in line. This usually means providing economic growth and political stability, sometimes using a repressive apparatus⁵⁵.

In the end of chapter II, the writer mentioned many internal or domestic problems that occurred in the collapse of USSR and still rested in the independent of Uzbekistan. Those domestic problems are demographic, distortion in economy, lack of production's machinery, and human resources mental. Moreover, these all problems were corelated each other and create bigger problem for the domestic of Uzbekistan. The unbalance of spreading money and products was worst by the lack of production's machineries, and the weak of human resources's mental was also followed by the demographic problem that put unreadyness of under-age worker.

Having multi problems above, Uzbekistan government must have good strategies and rational actions. According to David A. Easton, the domestic problems are the most considerable input for the decision maker in deciding the appropriate output for citizen⁵⁶. Therefore, this one level condition of domestic

⁵⁵ *Ibid*, p.141

⁵⁶ Easton. David, *The Political System* (New York: Alfred A. Knopf, 1964) p.34

Uzbekistan should be put in the highest level of consideration for its development and decision making process.

International Affairs

In international politics, the government's fate is tied up with the fate of the state, and it must protect the state by fending off or counterbalancing potential foreign threats⁵⁷. As a part of international society, the state is like a human that need to interact to others in order to preserve their life. The idea of International affairs constitutes the interaction among states to help each other in covering each weaknesses by other helps.

Since Uzbekistan's independence, it faced an international problem as impact of the crises in its neighboring countries, Tajikistan and Afghanistan⁵⁸. As a state in the border of those two countries, difinitely the crises there also impact to the existence of Uzbekistan as a newly independent state. In addition, there were many interested parties that try to interfere the crises there that also in one hand might threat Uzbekistan as a newly independent state. Moreover, at that time Uzbekistan also had no military power to support them in protecting its country from any kind of impacts from those two countries. Thus, Uzbekistan still had an opportunity to use the help from those interested parties.

Being in this condition, it was really dylemmatic for Uzbekistan. The opportunity was there, but the threats was also there. However, it is the role of Uzbekistan government to do priority, whether they are going to solve the domestic problems firstly or international problem.

⁵⁷ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.140

⁵⁸ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.93

Given these basic assumptions, we can with reasonable accuracy predict a state's foreign policy orientation by looking at the structure of domestic and international politics which provides incentives to its leaders. In this case President Islam Karimov as a leader of Uzbekistan has significant role in determining both domestic and foreign policy. Looking at both domestic and international problems that occurred, Karimov as a president must do a rational action with the good strategy.

In order to speculate on the likely orientation of Uzbekistan foreign policy, this framework suggests that the structure of domestic and international politics which would face any Uzbek leader seeking career security be characterized. Therefore, the using of Uzbekistan five principles and multi problems that they faced can bring us the the speculation that Uzbekistan's foreign policy was oriented to gain "economic first".

Economic Based Foreign Policy

According to Henry Hale, in the beginning of its independence, Uzbekistan's behaviour in the international arena reflected a fairly clear set of priorities, which might be labelled "economics", "national security", and "Uzbekistan first". These priorities were taken early on despite the fact that Uzbekistan won its independence almost inadvertently when USSR power collapsed around it in August 1991⁵⁹.

In Presidential speech proclaiming Uzbekistan's independence, President Islam Karimov stressed that independence is primarily a way to get out of a

⁵⁹ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.143

“complex and critical” economic situation. This scheme of “economic first” run through most of Karimov’s speeches and was duly reflected in his actions. Moreover, he also emphasized the demands of political stability both within and across borders, since Uzbekistan’s Ferghana Valley had been the site of numerous bloody riots and two of its immediate neighbours were embroiled in civil wars⁶⁰. Despite the fact that there were international communism, Islam, the CIS pan-Turkism, which threatened Uzbekistan integration, President Karimov prefer to prioritize the development and economic stability upper than those security problems.

According to Frank Ninkovich, economic based foreign policy is the state decision that was derived from economic concerns, in dealing with international entites⁶¹. Ninkovich saw the economic concerned as the main consideration of every state to prosperous its citizen. Even United States of America as the super power country put this economic priority as its main concern, and struggling to achieve it, even they gain it by using military force.

Not similar to USA, the condition of Uzbekistan which was not super power country forced Islam Karimov as the president to take a rational action to solve its multi problems and bring Uzbekistan into stabil condition in all spheres of life, includes economy. He considers the major conditions for stabilization, they are improvement of financial policy, strengthening of credit–bank system, stimulation of production and investment activity, anti-inflation and antimonopoly

⁶⁰ *Ibid*, p.138

⁶¹ Economic Policy Orientation, retrieved on Oktober 24, 2008 at <http://www.foreignaffairs.com/89388273/frank-ninkovich/article/economic-policy-orientation.html>

regulation, structural reconstruction of economy, and questions of attracting foreign investments. The importance of development and reforming of education and culture, strengthening of intellectual and spiritual potential, social protection of people is noted. He emphasizes the idea that the essence of all economic, democratic and political reforms is in the creation of worthy living conditions for life and activity of the people. Every citizen must feel the advantages of reforms and take interest in their results, see the particular definite results of the changes – that is which I. Karimov thinks⁶².

In addition to the foreign policy action to answer the question to attract foreign investments, Karimov remarked the priorities of equal partnership and mutual advantage. He condemned extremism, terrorism, religious fanaticism and fundamentalism. He accented the achievements of the country in obtaining new political status, and in entering the world commonwealth⁶³. He showed the main directions of international cooperation and possibilities for creation of a regional security system. These all actions shown the rational action of Karimov as the highest decision maker of Uzbekistan.

In fact, Uzbekistan must find its place in world society, in the system of state security. That is not easy in modern changeable international relations. As fate has willed it, Uzbekistan, like a number of other counties, has been involved in the epicenter of world tensions. In this context, the idea of the President seems to be vital. In the president's report collection of works, Karimov wrote that ideological confrontation in interstate relations has separated the world into blocks

⁶² Prosperous Mother Land, retrieved on September 4, 2008 at <http://www.press-service.uz/karimov-works-collection.html>, p.2

⁶³ *Ibid*, p.3

and put the world at the edge of catastrophe. Confrontation on the basis of ideological intolerance leads to force in settling interstate conflicts, death of blameless people and brings tragedy to all of the nations⁶⁴. Therefore, Uzbekistan needs to use these all moments effectively to achieve the national interests, and it only can be achieved by the proper and good strategy.

The geopolitical position of Uzbekistan stipulates the great importance for developing foreign political ties with republics and countries of the East as well as the West⁶⁵. Effective cooperation practically with all important elements of international, global political and economic systems requires openness of the society, deepening of political and economic reforms in the strategic direction of new state building. This condition is strategically beneficial toward the development of Uzbekistan's economy, for it has many alternatives of partnership countries to make cooperations.

Economic Reformation that supported by Multilateral Foreign Policy as Uzbekistan Strategy to solve its Economic Decline.

Giving idea of economic based foreign policy to support Uzbekistan's action to solve its economic decline, writer tries to divide Uzbekistan's government strategies into two layers. First is Uzbekistan's strategy on economic reformation as the basic policy of its economic. Second is the decision of Uzbekistan government to set up its foreign policy into multilateral foreign policy to support the implementation of economic reformation.

⁶⁴ *Ibid*, p.2

⁶⁵ Ali Banuazizi and Myron Weiner, *Op.Cit*, p.142

First, Economic Reformation strategy of Uzbekistan was divided into four stages, which are:

First stage is in 1992-1994. In this stage, the government more focus on the restructuring of governmental infrastructures, the preparation for transition to market economy and foreign trade policy.

Second stage is in 1994- third quarter of 1996. The government focus on emphasizing the stabilization of production, deepening market reforms, expanding the non-state sectors, strengthening the national currency, and promoting structural reform.

Third stage is in the late of 1996-1998. It was signed by the strengthening of macroeconomic level and the implementation of import substitution policy.

Forth stage is in the beginning of 1999. The declaration of liberalisation of all aspects of life opened the new stage of economic reforms. It also signed the declaration of foreign market liberalization as a major economic reform priorities, and develop the role of private entrepreneurship and particularly medium and small-sized enterprises (SMEs). It was run to open larger opportunity in order to attract more foreign investments.

Second, the used of Multilateral Foreign Policy to support this economic reformation. To cover Uzbekistan's weaknesses on economic factors, the government needs to use the external support. To open the chance, the only way is through the using of foreign policy. The consideration of more cooperations will create more chances was one of the rational consideration of Uzbekistan

government. In dealing with the effectiveness and efficiency of foreign policy using, Multilateral foreign policy was the ultimate choice to open and create more cooperations to more states.

To realize this condition, Multilateral foreign policy that set up by Uzbekistan's government was divided into three categories of cooperation, which are:

First, Partnership cooperation is a form of joint cooperation between Uzbekistan and its countries partner to make ties in running economic or trade activity, for example, the foreign investment, expertise and technological machinery support, and using of Uzbekistan natural resources. Furthermore, all kind of Uzbekistan activities that is done by cooperation with its countries partner are including in this partnership cooperation.

Second, Market cooperation is a form of Uzbekistan cooperation to its countries partner only in term of market products, so the cooperation is made to open bigger chances for Uzbekistan's product to be consumed by other people.

Third, Security Alliances Cooperation is a form of Uzbekistan cooperation to protect its country from any kind of threats and develop its military power to gain self-defense capability.

To conclude this chapter, Multilateral foreign policy is the rational and strategical action of Uzbekistan government to support its economic reformation policies in opening the cooperation and covering all its weaknesses.