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<td>Islamov, Bakhtiyor Anvarovich</td>
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<td>引用</td>
<td>地域経済経営ネットワーク研究センター年報 = The annals of Research Center for Economic and Business Networks, 5: 85-87</td>
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<tr>
<td>発行日</td>
<td>2016-03-31</td>
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<tr>
<td>ドキュメントURL</td>
<td><a href="http://hdl.handle.net/2115/61424">http://hdl.handle.net/2115/61424</a></td>
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<td>タイプ</td>
<td>bulletin (article)</td>
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<td>ファイル情報</td>
<td>304Islamov.pdf</td>
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<tr>
<td>北海道大学収集の学術公文書 : HUSCAP</td>
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25 Years of Transition Economies Research and Three HUs

Islamov Bakhtiyor Anvarovich


In 1990 among the first three scholars, I was selected by the government of Uzbekistan to go to the USA to study market economy and to research the best ways of transition to it. According to prof. W. Leontieff’s recommendations we became visiting scholars in Harvard Institute of International Development (HIID) under supervision of its director D. Perkins well-known economist on Chinese reforms. We attended his and other professors (like M. Fieldstein, J. Kornai, G. Sachs, E Vogel, T. Sicual) classes to learn fundamentals of the market economy and reform experiences of China, Central and East European countries, as well as development strategies of post-WWII Japan and East Asian Newly Industrialized Countries. Using new knowledge we applied it to the realities of the former Soviet Union (FSU) and specifically to the Central Asian republics – the least developed part of it. Participating in symposiums, conferences and seminars discussions we argued about the necessity to introduce gradual reforms not “Shock Therapy”, elaborated also our own position on Center-Republics economic relations versus “500 Days” Program of transition to market and con-federalization of the FSU (S. Shatalin, G. Yavlinskiy, A. Zadornov). In reality instead of new “Union Treaty” on confederation and formation of the Union of Sovereign States there was a “Putch” (coup) in Moscow on August 19-21, 1991 with its subsequent failure and breakup of the FSU. On August 31, 1991 Uzbekistan proclaimed its Independence.

The main findings at Harvard on the strategy of evolutionary transition and integration to the World Economy were published in different papers and chapters of the books within the first years of independent development. They were as follows: 1. Gradual transformation, especially, in the field of privatization was needed to form proper institutions that could provide better property rights and protect it from raiders. 2. Uzbekistan would not have “gloomy prospects” after independence as some Russian and American scholars tried to predict (A. Khazanov, B. Rumer) since it was subsidized. Our reassessment was: the volume of subsidies from the FSU Center was around its loss from turnover taxes.

1) Three HUs - Harvard, Hitotsubashi and Hokkaido Universities.
3. It was also proved, that the real problem was not losses of subsidies and grants, but overnight disruption of traditional economic ties. The FSU republics were much more inter-dependent than COMECON, EU countries or even states of the USA, because the USSR had closed (autarchic) economy. The ratio of foreign exports to non-FSU countries to value-added for Central Asians was between 1.2 to 7.4%. Therefore, it was necessary to disintegrate gradually, keeping reasonable traditional ties and participating in the CIS, diversifying relations especially with highly developed states⁴.


The systemic transformation, in fact, appeared to be a much more complex and lengthy than initially expected. Summarizing the experience of transition J. Stiglitz noted: “failures of the reforms in Russia and majority of CIS countries were not just due to sound policies that had being poorly implemented. It occurred because of a misunderstanding of both the foundations of a market economy and the basics of an institutional reform process. The limited success in so many of the countries in transition also meant that they remain many opportunities for applying better policies”⁵.

Collaborating with Japanese colleagues (N. Takayama, Y. Nishimura, M. Kuboniwa, H. Ishi, K. Odaka, K Suzumura, J. Teranishi, I. Iwasaki) in the Institute of Economic Research of Hitotsubashi University I tried to suggest alternative approach in the series of publications, including monograph and journal articles⁶. The principal points were as follows: 1. Macro-economic stabilization, structural adjustment policies and institutional building are necessary, but not sufficient. 2. In order to make them efficient each state, based on thorough examination of their initial conditions and long-term goals needs to formulate tailor made strategy as for speed and sequence of reforms, and implement them properly. 3. The best scenario was to transit from plan to industrial policy. Not total and overall deregulation but state-led transformation that could prevent output decline and provide better economic growth. 4. Transition from autarchic dependence to regional and global interdependence via gradual trade and exchange rate liberalization also required evolutionary approach. 6. Political and economic study of output decline within transformation and multiple exchange rates in Uzbekistan were complemented by econometric analysis of the respective data. 7. Methodologically, this positions were further backed up by the original study of transformational ‘traps’ published as the book in monograph series of the IER, Hitotsubashi University⁷.

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3. Cooperation and Publications at Hokkaido University

Cooperation with professors of Hokkaido University (Sh. Tabata, T. Uyama) started in 1997-2001 when four papers on economic reforms, migration, the Aral Sea and water problems in Central Asia were published in Sapporo by Slavic Research Center (SRC). It continued within foreign visitors fellowship program in the SRC (Nov. 2013 - Mar. 2014) and an article on Central Asian “Puzzles” of systemic transformation was printed. It resumed in the Faculty of Economics of HU (Jul. 2015 - Mar. 2016).

Evaluating results of systemic transformation in the first decade IMF experts has introduced, so called, “Uzbek Puzzle” (How and why Uzbekistan without introducing the recommended policies achieved such impressive economic growth?) which is still unresolved by them. Two decades after the EBRD Transition Report “Stuck in Transition?” (2013) identified a reversed “Puzzle”- Kyrgyz “Puzzle”: Why Kyrgyzstan applying almost all recommendations stuck in transition and economic growth? Political economic and quantitative analyses of more than 20 years experiences of transition countries in Central Asia led us to the main conclusion that less radical and more gradual reforms resulted in better economic growth. In this respect the achievements of Uzbekistan is not a “puzzle”, but logical result of its efforts to introduce gradually, step-by-step, market reforms combined with state-led industrial export-oriented policy, that was first successfully used in Post-World War II Japan. The most important thing in “Uzbek Model”, proposed by President I. Karimov, is to make following steps of reforms upon readiness of state, institutions and people motivated to support and implement them properly. For that they should lead to positive economic and, especially, social outcomes. As a result, Uzbekistan in the last 10 years was one of the most dynamically growing countries in the world with average annual GDP growth rates of 8%. According to the World Economic Forum Report, now Uzbekistan is among top 5 countries with the fastest growing economies in the world. It also had the highest “Hapiness index” among all transition states positioning within the top 50 (#44) in the list of 158 countries (WHR, 2015).

Now in the GSEBA of HU joint research with Prof. M. Hiwatari has been focused on transformation and sustainable human development in Uzbekistan. It is intended to contribute further to the analysis of alternative approach to economic transition undertaken by the people of Uzbekistan. Taking this opportunity I would like to express my gratitude also to Dean, Prof. H. Yoshimi, Director of the REBN Center Prof. K. Machino and Chief for International Exchange, Prof. T. Takai for their sincere cooperation and encouragement.

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