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A Comparative Analysis of the Economic Transition of the Republic of Uzbekistan and Central and Eastern Europe

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Master's Thesis

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Contents

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Declaration

I, Solieva Viktoriya, confirm that this thesis was written by me personally. All materials used by me in the preparation of the work are listed in the references and cited. This work or parts of this work have not been used to obtain a degree elsewhere. I used some parts of my term paper from Academic Writing II course.

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Abstract

Economic transition is a pivotal part of the economic development of the post-communist countries. Some countries were more successful than others in the development of adequate reforms that allowed the economy to grow. In this study I provide a comparative analysis of the experience of economic transition in the Republic of Uzbekistan and Central and Eastern European countries. To do so, I use the key features of economic transition and provide statistical evidence together with data analysis, which allows me to draw conclusions on similarities and differences between the experiences of the countries of interest. Furthermore, I am able to provide some policy recommendations, including a switch of inflation-fighting methods and a suggestion regarding existing monopolies. This research contributes to the studies on economic transition and, additionally, to the studies on the new economic reforms in the Republic of Uzbekistan.

Keywords: Economic Transition, Uzbekistan, Central and Eastern Europe (CEE), Visegrad group, Comparison

Abstrakt

Ekonomická transformace je stěžejní součástí hospodářského rozvoje postkomunistických zemí. Některé země byly úspěšnější než jiné ve vývoji adekvátních reforem, které umožnily ekonomice růst. V této studii poskytuji srovnávací analýzu zkušeností z ekonomické transformace v Republice Uzbekistán a zemích střední a východní Evropy. K tomu využívám klíčové rysy ekonomické transformace a poskytuji statistické důkazy spolu s analýzou dat, která mi umožňuje vyvodit závěry o podobnostech a rozdílech mezi zkušenostmi zájmových zemí. Kromě toho jsem schopen poskytnout některá politická doporučení, včetně změny metod boje proti inflaci a návrh týkající se stávajících monopolů. Tento výzkum přispívá ke studiím ekonomické transformace a navíc ke studiím o nových ekonomických reformách v Republice Uzbekistán.

Klíčová slova: Ekonomická transformace, Uzbekistán, střední a východní Evropa (CEE), Visegrádská skupina, srovnání

Project of Master Thesis

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Theme: A Comparative Analysis of the Economic Transitions of the Republic of Uzbekistan and Central and Eastern European Countries

Research question and motivation

After gaining independence in 1991, following the dissolution of Soviet Union, Uzbekistan remained for more than two decades a mostly closed, Soviet style, planned economy with a tightly controlled society. In 2017, a new government started implementing transformative social and economic reforms, opening up Uzbekistan to the world after years of isolation. These reforms created better conditions for doing business, expanded opportunities for citizens engagememnt and focused more on the interest of ordinary people. The objective of this research is to analytically compare the early stages of reforms in Uzbekistan with the experience of past economic tranitions in Central and Eastern Europe (CEE). The main research questions are as follows:

- What are the main differences and similarities between the economic transition of Uzbekistan and CEE countries?
- What lessons can Uzbekistan learn from the economic transition in CEE?

Contribution

Due to major differences between countries that include but are not limited to location, natural resources, population, and territory, the countries have not been compared before. The aim of this research is to widen the theoretical knowledge on Uzbekistan and the topic. Furthermore, this study will contribute to the literature on economic transformation of the

Republic of Uzbekistan by conducting a detailed analysis of the reforms and their effect on the economic state of the country. Moreover, based on the findings, I will formulate practical recommendations for future economic policies in the Republic of Uzbekistan.

Methodology

The aim of this research is to provide comparative analysis of the economic transition period in Uzbekistan (2015-2020) and CEE (1989-1994). For the analysis, I will use key features of economic transition and experiences in CEE and compare it to the current state of reforms in the Republic of Uzbekistan. This will be accompanied by statistical evidence and partial advanced data analysis. I will use data gathered from various sources, including World Bank Data and local Uzbek databases for regional data. Relevant economic performance indicators for Uzbekistan and CEE include, but are not limited to, unemployment, level of production, GDP, Inflation, Exports and Imports level, savings and investment.

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Introduction

Economic transition is a pivotal part of the economic development of post-communist countries. However, some countries have had more success than others in achieving certain goals following the start of the economic transition. After the collapse of the Soviet Union (hereafter USSR), the Republic of Uzbekistan remained a mostly closed, Soviet-style, planned economy for over two decades (Schmitz, 2020). However, after the death of former president Islam Karimov, Shavkat Mirziyoyev initiated new social, legal, and economic reforms which led to rapid economic transformation in Uzbekistan (Tseriteli, 2018). The state has ambitious plans for the transition, including but not limited to reaching the upper-middle income class, developing small and large businesses, and ensuring macroeconomic stability. While the plans are ambitious, it is important to learn from the experience of other countries which were able to successfully transform their centrally planned economies into market economies.

There are a number of countries that were successful in their respective journeys to market economies in the 1990s. The 1990s transformation of Central and Eastern European nations' economies from an economy based on centralized planning to one based on markets and decentralized decision-making was an unparalleled event. The transition took time and effort to successfully decentralize, stabilize, and rebuild these economies. All of the countries decentralized within the first five years, but only a select handful were successful in stabilizing and rebuilding their macroeconomic systems during that period. For the purpose of this thesis, I will be focusing on the Visegrad group: Poland, the Czech Republic, the Slovak Republic, and Hungary. These countries provide an example of a successful economic transition and successful follow-up development of the economies in the aftermath of the transition. Due to a similar level of institutional development and a similar historical background, it is simple to consider these Visegrad countries together. However, all of the Visegrad four had different experiences with economic transition and took different approaches to it.

The objective of this research is to compare analytically the early stages of reforms in Uzbekistan with the experience of past economic transitions in CEE. The goal of the thesis is to answer the question of what the main differences and similarities are in the economic transitions of Uzbekistan and CEE countries. O hypothesize that the reforms and goals of the transition of Uzbekistan are similar to that of the Visegrad group, however, it is interesting to see whether they are successful and fit the specifics of the country. Additionally, my goal is to propose some policy developments based on the lessons that the Republic of Uzbekistan can learn from the experience of the CEE countries. To do so, I use the key features of economic transition and provide the data analysis which allows me to draw conclusions about the economic transitions of the countries.

The data for the research has been collectively collected from various sources. Most of the data on the Republic of Uzbekistan comes from the Open Data Portal of the Republic of Uzbekistan. The website complies with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan and provides open access to information regarding various activities of the government. Additionally, I used the World Bank data and International Monetary Fund (hereafter IMF) data, for the information missing from the Open Data Portal and to additionally confirm the correctness of the website data. As for the data on the Visegrad countries, I collected the data from Eurostat, World Bank, and IMF. Additionally, I used the information from Svejnar (1995) to collect the data for the years prior to the split of Czechoslovakia.

The existing literature on the economic transition of Central and Eastern Europe is quite extensive and covers many aspects of the transition. A more detailed literature review is provided in section 1, however, here I want to discuss some highlights of the economic reforms of the countries of interest. Svejnar (1995) explores the economic transition in the Czech Republic, as well as compares it to the experience of other CEE countries. The author points out that at the start of the transition then Czechoslovakia was to some extent better off than Poland and Hungary due to the remnants of the Communism regime. Thus, for example, entering the transition the country experienced relatively low inflation, as well as a low budget deficit and foreign debt. However, the downside of the former Communist regime was the total government control over the economy. Therefore, entering the transition, the main focus was on the privatization and the creation of the private sector in the economy, as well as the maintaining of macroeconomic stability by implementing strict fiscal and monetary policies.

As for the other two countries: Poland and Hungary, they are considered the success stories of the transition as well. According to Slay (2000) and Newbery (1997), Poland and Hungary started the transition process earlier than other CEE countries. Furthermore, both countries had some form of transition reforms prior to the beginning of the transition. Thus, for example, both Poland and Hungary have more advanced private sector and legal market institutions (Svejnar, 1995). According to Balassa (1970) and Newbery (1997), Hungary had an attempt at the transition in 1968. At the time, the government realized that that system of planning lacked efficiency and developed the New Economic Mechanism. The policy had moderate success over the years prior to the transition and promoted the economic growth of the country. However, by the 1990s the growth stopped and the government started taking out loans. Thus, there was a need for an updated policy to continue the development of the economy of Hungary. At the start of the transition, the main policies were focused on promoting macroeconomic stability as well (similar to all the countries in transition), thus the government developed a series of fiscal and monetary reforms.

When it comes to the transition process of Uzbekistan, the topic is relatively new. The majority of the reforms were implemented in 2017 after Shavkat Mirziyoyev succeeded Islam Karimov as the President of the Republic of Uzbekistan. While there was an attempt at the transition in the 1990s - Uzbek Growth Economic Model (Batirov, 2014; Tsereteli, 2018), the model did not constitute a change to the market economy and rather kept the central planning aspect of the Soviet economy. Furthermore, the main downside of the model was the focus on import substitution and the role of the government in the market, which made a successful transition at the time not possible. Nevertheless, by 2017 Uzbekistan was economically stable but in need of reforms that will promote the development of Uzbekistan. According to Tsereteli (2018), the reforms have 5 directions of priority for the continuation of economic development and liberalization. The directions were focused on the promotion of macroeconomic stabilization, development of competition in the market, development of the agricultural sector of the economy, institutional and structural reforms, and the socio-economic development of the regions. In order to effectively work towards the development of the 5 directions, the government started implementing monetary policies, policies aimed at active privatization, and developing the private sector by eliminating regulations for creating a business and promoting openness towards foreign trade.

As the result of the analysis, I find that on the one hand the transition process of Uzbekistan is unique in its own way and focuses on the aspects specific to the country. However, on the other hand, I find that the transition process is also similar to different aspects of transition in Visegrad countries. Thus, for example, both Uzbekistan and Hungary had developed Uzbek Economic Growth Model and New Economic Mechanism respectively prior to the transition. Another example is the experience of privatization in Uzbekistan, the Czech and Slovak Republic. The three countries had no priory developed private sector or market institutions that could replace the government in the economy. At the start and throughout the transition process, all the countries were successful in developing the private sector and selling state-owned property.

There are certain lessons that Uzbekistan should take from the experience of Visegrad countries. According to Laski (1997), most of the CEE countries adopted the demand-pull inflation-fighting policies, while the actual inflation was cost-push. There are suggestions that the inflation in Uzbekistan while remaining relatively low compared to levels of inflation in Poland and Hungary, is a cost-push as well. Thus, considering the desirable goal of six percent inflation and a three percent fiscal deficit by 2023 (Decree of the President, 2022), the appropriate policies should be used to reduce inflation. Furthermore, the government should consider the further elimination of market entry regulations or alternatively subsidies for new business developments. Since monopolies and oligopolies are the legacy of the Uzbek Economic Growth Model and its import-substitution policies and are creating barriers to new entry and barriers for trade.

With this research, I contribute to the literature by providing a comparative study of economic transition in Central and Eastern Europe and the Republic of Uzbekistan, which has not been done before. Most of the previous studies state that due to the lack of data about the Commonwealth of Independent States (hereafter CIS) it was hard to assess the economic transition there in the 1990s. While the data from the 1990s is available now, there are questions regarding its integrity, since the official sources were not reliable and efficient at the time of the collection.

Additionally, this thesis contributes to the literature by widening the theoretical knowledge of the Republic of Uzbekistan and the economic transition there. Previous papers have studied the new reforms; however, according to Tsereteli (2018) at the time of her research, it was too early to evaluate the long-term outcomes of the policies implemented at the start of the reforms. And to the best of my skills, I was not able to find the more recent papers on the reforms. Therefore, this thesis expands on the research by analyzing and assessing the long-term outcomes of the 2017 reforms.

The thesis is structured in the following way. Section 1 reviews the relevant literature and is divided into three parts. The first part reviews the literature on the economic transition itself, the second and third parts explore the initial conditions and reforms in the Republic of Uzbekistan and Central and Eastern European countries respectively. In Section 2, I elaborate on the data needed for the study and its potential limitations. Section 3 exploits and analyses the main economic reforms during the transition and their outcomes. Section 4 provides a discussion on the topic, potential implications of the results, and policy recommendations. Section 5 concludes and proposes ideas for future research.

1 Literature Review

2 Literature Review

This section is dedicated to the Literature review. It is divided into three parts: the definition of economic transition according to the existing literature, the initial condition and reforms in the Republic of Uzbekistan, and the cases of transition in CEE. Each section discusses the initial conditions before the transition and the main economic reforms in the countries of interest.

2.1 Definition of Economic Transition

Before starting the analysis of the economic transition in the Republic of Uzbekistan and CEE countries, it is important to understand what is economic transition. This section of the thesis is dedicated to the understanding of the term and what the economic transition entails.

First of all, according to the literature (Donnorumo, 2006), the economic transition is a state of the economy when the old economic system withers away and the new economic system emerges and all the socio-economic aspects are transformed. According to Bound (2009), the term economic transition characterizes the "intermediate" state of the society that is undergoing economic, political, and structural reforms to become a market-oriented economy. Under certain conditions, the economic transition can lead to great economic and social development. During the transition, the following changes may appear in the society: property rights development (privatization), change in legal institutions, a different allocation of resources, and economic developments.

Previously, researchers (Ellman, 1993; Bound, 2009) mostly used the term economic transition for the countries that were transitioning from centrally planned economies to market-oriented models of the economy. However, in 2012 Ellman highlighted that transition can lead in many directions and does not necessarily mean that the country has to abandon state socialism to become a market economy. He provides examples of the transition where the results can range from democratic capitalism (like in CEE) to dynamic market socialism (like China).

When talking about transition, Ellman (1993) emphasizes that to some extent the economic reforms have been implemented before as an attempt to improve the conditions within the economy (New Economic Mechanism for example). The CEE transition of the 1990s, however, differs from previous economic reforms in the sense that the latter assumed the continued existence of a number of essential components of the communist economy, including complete state ownership, political dictatorship, a monohierarchical system, and participation in the socialist global market (Ellman, 1993). However, in the 1990s the old system was not being changed or updated; rather, it was being completely replaced by a new system of economic organization, one that emphasizes private ownership, liberal democracy, and full participation in the global economy.

According to Donnorumo (2006), there are three main factors that affect the outcome of the transition: historical background and initial conditions of the country at the start of the transition, government policies implemented during the transition, and the existence of the military conflicts prior or during the transition period.

2.2 Initial Conditions and Reforms of the Republic of Uzbekistan

This section explores the initial conditions and the 2017 reforms of the Republic of Uzbekistan in the existing literature. Additionally, it reviews the literature on the 1990s attempt at transition, namely the Uzbek Economic Growth model that even though had benefits failed to recognize the sectors of the communist era that should have been eliminated at the start of the transition.

The Republic of Uzbekistan is a country in Central Asia that gained independence in 1991 after the collapse of the USSR. Formerly, Uzbek SSR provided cotton to all the USSR Republics and it was the main agricultural activity in the state for a long time. After the collapse, the new government of Uzbekistan had to rebuild the state and form a new state administration. The process of state formation happened at the time of post-communist economic, social, and interethnic issues. The situation in the post-communist societies and the neighboring countries was escalating rapidly. Additionally, the collapse led to a rapid decline of the economy due to the limited production output and difficulty to find trade partners. Nevertheless, the leadership of Uzbekistan managed to formulate and implement its development strategy for the country. The essence of the first reforms was to create a self-sufficient economy and a sovereign state.

The reforms of the 1990s included an attempt at developing Uzbek Economic Growth Model (Botirov, 2014; Yusupov, 2017) to smoothly transition to a fair, democratic state, based on a market and socially-oriented economy. According to the works of former president Karimov (1996), the main direction of the Uzbek Economic Growth model was focused on the exploitation of natural resources and the functioning of extractive industries, development of the agricultural sector, creation of the industrial sector, and development of service sector, namely tourism. The economic content of the model included principles of deideologization, the rule of state and law, and the implementation of the import substitution model (Karimov, 1996). These principles imply an emphasis on the development and support of the domestic producers, as well as certain isolation of the economic system.

In his work, Yusupov (2017) reviews the Uzbek Growth Model and shows both its advantages and disadvantages. He highlights that the model worked at the time, which is proved by the persistent GDP growth throughout the years after the collapse. However, he criticizes the model by stating that not all aspects of it were accomplished sufficiently. According to Yusupov (2017), the main principles of the 90s reforms were active government intervention in economic processes, hyperactive investment policy, and the usage of the import-substitution model. These aspects of the model led to the underdevelopment of various sectors, for example, the tourism and industrial sectors. However, Yusupov (2017) continues to recognize that the 2017 reforms eliminate the main problems of the 90s model and may have a potential for economic development in the future.

According to Botirov (2014), the economy of Uzbekistan generally improved throughout the years of independence, which is demonstrated by the overall increase in living standards and income. However, according to the author, the model was far from successful and did not work to its full potential. The model itself had flaws, such as administrative intervention, protectionism, and import-substitution policy. Furthermore, the import-substitution policy leads to the development of monopolies in various sectors of the economy. Moreover, some sectors of the economy remained underdeveloped, such as the Natural Resources sector, Industry, and Service sectors. Furthermore, throughout the two decades after independence, Uzbekistan remained a mostly closed, Soviet-style, planned economy with an emphasis on the agricultural sector.

Tsereteli (2018) points out that in the 1990s, Uzbekistan had a relatively stable economy. Despite that, there were obvious flaws to the Soviet-style, centrally planned economy such as inefficient state-owned organizations, protectionism, and the distrust of foreign exchange markets. According to the author, the Uzbek model worked to some extent, which is in line with the other research on the topic. Thus, the economic growth remained stable for over 20 years of the independence, local businesses were growing due to the import-substitution policies, and the overall stability in the state was maintained. However, the author also points out the shortcomings of the system, such as continuous protectionism, restrictions on foreign-exchange transactions, a failing retail sector, and the overall government control of the market. All of the shortcomings of the previous model provided an opportunity for the new government to implement new reforms and initiate the economic transition to a fully functioning market economy.

According to the World Bank (2017), at the time of the implementation of the reforms, the annual GDP growth rate of the Republic of Uzbekistan fluctuated around 5-6 percent, inflation was around 10-12 percent and the unemployment rate stabilized at 10 percent. Overall, the economic situation in the country was stabilized but needed improvement. This was evident due to the remnants of the Growth Model, which created barriers to trade and market entry.

Therefore, in 2017, the new government developed a set of reforms that aimed at opening Uzbekistan to the world in all aspects and transitioning the existing closed economy to a market-oriented economy. For the sake of this thesis, I will focus only on the economy-oriented policies of the reforms. According to the president of the Republic of Uzbekistan Miziyoyev (2018), the main economic goal is the development and liberalization of the economy. The top priority for the government is maintaining high rates of economic growth while simultaneously ensuring macroeconomic stability (Mirziyoyev, 2018). The government wants to achieve this by adopting medium-term projects to ensure high rates of growing domestic products. Furthermore, according to the president, it is important to ensure the balance of the state budget by reducing the tax burden, simplifying the tax system, and developing international cooperation.

One of the sets of reforms was aimed at the improvement of monetary policies. Thus, according to Tsereteli (2018), one of the first reforms was aimed at the liberalization of currency. This policy math the Uzbek sum (National currency) convertible. This policy was targeted at the elimination of the black market exchange rate, which additionally promotes international trade and foreign direct investment. This has the potential to ensure macroeconomic stability in the country in the long run.

One of the other goals of the reforms is to increase the competitiveness of the national economy through structural transformations, modernization, and diversification of the leading industries (Mirziyoyev, 2018; Decree of the President of the Republic of Uzbekistan, 2019). To achieve this the state encourages companies to invest in modernization, and technical and technological development of the production by offering subsidies to existing firms and industries and lowering tax rates for the new companies. In addition, to develop the service sector, particularly tourism, and its role in the formation of GDP, the government does not only invest in the industry but also simplifies the process of visa issuance for tourists (Yusupov, 2017).

One of the most important reforms is the institutional and structural one aimed at the reduction of state presence in the economy. This reform was initiated from the mistakes of the Uzbek Economic Growth Model and aims to eliminate the state presence in any aspects of the market in Uzbekistan. This reform includes such policies as privatization, protection of private property, removal of obstacles and restrictions for new businesses, and improvement of investment climate, especially foreign direct investment. According to reports (Open Data Portal, n.d.), there were about 440 thousand companies and organizations registered on the territory of the Republic of Uzbekistan. This was an 18 percent increase in the number of enterprises compared to the previous year.

According to the Decree of the President (2019), the last major reform, that is currently in place, targets comprehensive and balanced socio-economic development of the regions, districts, and cities. This includes the development of lagging districts by increasing their industrial and export potential, improving the job market, and improving the living conditions of the population.

The above reforms are part of the action strategy of the priority areas of development in 2017-2021 that the President of Uzbekistan Mirziyoyev approved in 2017. Unfortunately, there is no existent analysis of the results of the reforms as of now. This thesis aims to fill in the gap in research on the topic. However, it is worth pointing out that in 2022 the government added amendments to the existing reforms for them to fit the goal of the country better. The current goal is quite ambitious, according to Mirziyoyev (2017) the long-term vision of the country is to become a high-middle-income country by 2030, reduce poverty and inequality and achieve three times the current GDP (at the time of the speech-2017, the GDP was 62 billion Us dollars (World Bank 2017).

2.3 Initial Conditions and Reforms of Central and Eastern Europe

This section focuses on the initial conditions and reforms in CEE, namely, the Visegrad countries: the Czech Republic, the Slovak Republic, Poland, and Hungary. The Czech Republic and the Slovak Republic are in the same section due to the fact that at the start of the transition, they comprised the Czechoslovakia Federation and separated in 1993, therefore, initially most of the policies in the two countries were the same and changed direction only after the split. The other two sections are dedicated to Poland and Hungary respectively.

2.3.1 Case of the Czech Republic and Slovakia

The Czech Republic and Slovakia are both former members of the communist countries of Europe and the former part of the Czechoslovakia Federation.

Both the Czech Republic and the Slovak Republic, being part of one country at the time, planted the seeds of the economic transition after the collapse of the Berlin Wall in 1989. However, the economic transition in Czechoslovakia began after the collapse of the Soviet Union in 1991. The two countries were similar in initial conditions, such as geography, history, prices, cultural traits, and values. The countries were at an advantage compared to other communist countries in Europe, since they experienced communism for a shorter period of time (only 45 years). In his work, Svejnar(1995) explores the economic transition in the Czech Republic and compares it to the experience of other CEE countries. The author highlights that Czechoslovakia was to some extent better off than Poland and Hungary due to the low budget deficit and low foreign debt. Svejnar, additionally points out that the initial reforms were concerned with the maintenance of macroeconomic stability and the development of the private sector.

It is important to highlight that the reforms in both countries exceeded the economic reforms, however for the purpose of the thesis I will discuss only the reforms that targeted the development of the economy. Initially, both countries had the same reforms implemented but after the split, they developed individually in more beneficial directions.

According to Koyame-Marsh (2011) after the split of the Czechoslovakia Federation in 1993, the Czech Republic ended up with a better economic structure that mostly included tourism and this helped to keep unemployment low. In addition, the Czech Republic had industries that traded efficiently with other European countries which assisted the rapid development of the country. However, Slovakia ended up with heavy industries such as steel, armaments, and chemicals which were hard to trade in the EU (Donnurumo, 2006).

Svejnar et al. (1995) examine unemployment in the Czech and Slovak Republics. As pointed out above, the unemployment in the Czech Republic was lower than one in the Slovak Republic. The authors explore this phenomenon and conclude that the different factors affect inflows and outflows of unemployment. Thus, for example, they find that the number of open positions and the distance to the border affect the outflow from the Slovak Republic and have virtually no effect in the Czech Republic. Furthermore, the size of the agricultural sector in the area and the educational composition have a significant inflow on the inflow in the Czech Republic but not in Slovakia.

According to Dyba and Svejnar (1995), before the start of the transition, the real GDP growth was about 4.8 percent, however, it decreased to -14.2 and -14.0 percent in the Czech Republic and Slovakia respectively. Slovakia also had a higher unemployment rate at 14.7 percent while in the Czech Republic it was only around 3.8 percent. However, the state of the economy started improving rapidly after that. Thus according to the authors, the macroeconomic stability in the Czech Republic (and in Czechoslovakia before the split) was achieved because of the aggressive devaluation of the Czechoslovak crown, restrictive macroeconomic policies, and large-scale privatization. As for the Slovak Republic, at the initial stages the same policies were implemented there as part of the Czechoslovak Federation, and later maintained the same course of action with minor adjustments for the policies to fit the new state better.

Supporting the arguments from before, Koyame-Marsh (2011) highlights that the Czech and Slovak Republics inherited the macroeconomic stability of communist Czechoslovakia with its fiscal and monetary prudence. The author continues to point out that both countries continued using the same policies which helped them improve the situation with inflation after its sharp increase in the 90s. Czechoslovakia introduced stable pegged exchange rates in 1991. However, after the split, the two countries continued differently with these policies. According to the author, the fiscal policy was maintained until 1998 and was beneficial for the economy of the Czech Republic by balancing the budget, in 1998 the government decided to ease the fiscal policy which subsequently increased the fiscal deficit. Additional changes to the monetary policy of the Czech Republic were implemented in 1997 and aimed to improve inflation. The policy involved a transfer to a floating exchange rate.

When it comes to the Slovak Republic and its macroeconomic stability, it took a different approach by somewhat abandoning the old policies and focusing on infrastructural investment and the real wage increase, which also resulted in a fiscal deficit increase (Koyame-Marsh, 2011). Moreover, the author highlights that due to the transfer to a floating exchange rate early on, the industrial sector collapsed and lead to high unemployment. Hence, the Slovak government had to revisit its policies and implement new policies of stabilization and rapid structural reforms to alleviate these challenges in the economy.

One of the first reforms in Czechoslovakia was price liberalization and privatization of state-owned enterprises. The price liberalization led to a sharp increase in inflation in the 90s, however, it also allowed rapid development of the private sector. In order to contain the inflation, Czechoslovakia implemented tight monetary policies. According to Dyba and Svejnar (1995), the Czech Republic followed the economic policies implemented in 1991 by the Czechoslovak government. Thus as part of maintaining macroeconomic stability, the government introduced rapid privatization, as well as decreased the subsidies and general government expenditures. This was part of the policies to reduce the role of the government in the economic activities in the country. After the split, both countries continued implementing these reforms. The only major difference between the approaches was the approach to privatization. On one hand, the Czech Republic used mass privatization through restitution, small-scale privatization (public auctions), and large-scale privatization (direct sale, auction or tender, transfer to municipal property), which helped the private sector of the economy grow rapidly (Kotrba, 1995). On the other hand, the government of Slovakia, according to Djankov and Pohl (1997), used mostly used auctions as a privatization approach, followed by management-employee buy-outs, which was also successful for the economy. Nevertheless, both approaches to privatization were successful for the Czech and Slovak Republics respectively.

To conclude this section, I want to highlight that three decades after the economic transition both countries show significant growth in their economies. Even though the Czech Republic is economically more successful than the Slovak Republic, the difference can be explained by the fact that after the split of Czechoslovakia, the Czech Republic was overall better off explains this difference. Therefore the main economic reforms used during the economic transition of the Czech and Slovak Republics were successful in transforming the two economies from centrally planned to market-oriented systems.

2.3.2 Case of Poland

According to Slay (2000), Poland was one of the first counties to start the transition to a market-oriented economy in 1990 when the economic situation in the country rapidly declined and a Solidarity-led government came to power (Slay, 2000). Furthermore, the need for transition was evident in Poland due to the failure of the communist government which lead to a rapid decline in output, low income, budget deficit (around 10 percent), high retail price inflation (243.8 percent) (Ouanes et al, 1997; Slay, 2000). According to Ouanes et al. (1997) economy of Poland was distorted by over-industrialization, large and inefficient agricultural sector, state ownership of enterprises, and inefficient trade agreements with exclusively other centrally planned economies.

Therefore, the new government focused on a macroeconomic stabilization program in 1990. The government aimed to transition to Western capitalism as quickly as possible (Slay, 2000). One of the first policies aimed at reducing the budget deficit of the country was cutting subsidies and investment spending. It was successful since by mid-1990 the budget deficit turned to surplus and the share of subsidies in GDP declined to 6 percent (Slay, 2000).

Other major policies were connected to fiscal and monetary policy reforms in the country. One of the major policies was a tax-based income policy that limited the rate of the nominal wage increase. However, according to Slay (2000), this policy led to an increase in unemployment rates since it led to a decline in wages and a subsequent increase in poverty rates. In addition, the Polish government depreciated the exchange rate to be below the black-market rate. This led to an increase in inflation, however, it provided an opportunity for trade and increased the competitiveness in the market.

In addition to macroeconomic stabilization, the government focused on the liberalization of both internal and external sectors. According to Ouanes et al (1997), this was the key feature of Polish reforms. The policy led to liberalization of Polish prices, better access to goods and services due to competition, reduction of monopolies, and ultimately privatization of state-owned enterprises. However, it is worth noting that privatization in the country was not of great importance. The Polish government was focused on the creation and expansion of the private sector, which did not exist before.

Generally, the Polish economic transition is considered to be one of the most successful transitions in Central and Eastern Europe. Slay (2000) divides the economic transition of Poland into 3 stages. The first stage is the initial transition when there are more costs than benefits. The second stage is when most of the policies were implemented and the economy started the recovery process. The third and final stage is when most of the problems are solved already and the economy is steadily developing in all aspects. As of today, Poland is one of the most developed countries in the European Union. According to the World Bank (2018), Poland's successful transition transformed the low- to medium-income centrally planned economy into a successful high-income market economy.

2.3.3 Case of Hungary

Hungary is a country located in Central Europe that was one of the first countries to start the process of transition in 1987 and along with Poland turned out to be one of the most successful transition economies. (Newbery, 1997; Koltay, 1993).

In the decades following the end of World War 2, Hungary converted from an agrarian to an industrial-agrarian country. According to Newbery (1997), the first attempt to transition started in 1968, when the New Economic Mechanism (hereafter NEM) was implemented. According to Balassa (1970), there was a need for reform in more developed Central and Eastern European countries, since the system of planning was lacking efficiency for those states. Balassa states one of the major disadvantages of central planning was the lack of scarcity prices, which created difficulties for foreign trade, which was important in Europe (especially Hungary) due to the small size of countries and different resource endowments. These inefficiencies led to the need for reforms in Hungary. The essence of the NEM was to provide maximum autonomy to economic entities. As a result of the implementation of the mechanism, there was significant economic growth in the country from 1968-1973 and amounting to 6.2 percent on average (Balassa, 1982). However, the rate of economic growth started slowing down after 1973, and from 1978-1980 decreased to about 0.5 percent on average. Furthermore, according to Balassa (1982), it was at this time that the country began to take out loans, which increased the Net Foreign Debt. Therefore, even though the reform worked for some period, the new reforms were needed to continue the development of the economy.

According to Newbery (1997), Hungary chose a more gradual approach to transition. While the previous attempt (NEM) was somewhat successful, it failed to solve the main problems of the planned economy and to some extent hurt the economy of Hungary even more due to the increasing foreign debt. According to Kornai (1997), the 1990s reforms mainly focused on the liberalization of prices and the development of foreign trade, as well as the continuous development of the private sector. However, Kornai (1997) highlights that in many aspects the economic situation in Hungary was far worse than in other post-socialist republics. For example, the government in office from 1990-1994 failed to solve the problem of high foreign debt, which led to a high level of current account deficit (9.0 percent of GDP in 1993) and a high budget deficit (8.2 percent of GDP in 1994). Therefore, there was a need for specifically designed policies to control the current account and budget deficits. In 1995, a new set of reforms were introduced in the country.

One of the most efficient policies in fighting the budget deficit was the reduction of income policy. In order to avoid high levels of unemployment, the government lowered the real wages through direct state intervention (Kornai, 1997). The government imposed limits on the nominal wages, which effectively decreased real wages by 12 percent. Another reform aimed at solving the problem of the budget deficit was aimed at fiscal policy. However, according to the author, it was not as successful because it focused more on increasing the revenue, rather than decreasing the expenditure. The reforms included higher education and dental care stopped being free of charge, the retirement age was raised and the maternity benefits were reduced. Another reform implemented as part of the new wave was accelerated privatization. Even though privatization was a big part of the first wave of reforms, the government prepared more key branches for privatization. The enterprises were privatized largely by foreign investors, which subsequently led to the rise in foreign direct investment.

3 Data

This section explores the data needed for the analysis and the main sources to get it. Additionally, it can include the information on limitations of the data used for the research.

For the purpose of this thesis, I analyze the outcomes of the main economic reforms of the transition period both in the Republic of Uzbekistan and the Visegrad countries. The main economic reforms, common during the transition period were policies aimed at macroeconomic stabilization, privatization, liberalization of prices and state controls, and market regulations. As mentioned previously, the main macroeconomic stabilization policies were either of fiscal or monetary nature. Thus, to be able to track the improvements and the level of stability of the economy, I will look at the Real GDP growth and Inflation levels. The liberalization of prices and state controls as well as the monetary policies affect the trade outcomes of the country. Thus, I will be also tracking the changes in the trade balance in the countries of interest during the transition period.

During the collection of data, I used a combination of sources: World Bank data, Eurostat, International Monetary Fund (IMF), and the Open Data Portal of the Republic of Uzbekistan. Additionally, for the Visegrad countries, I consider the data during the years 1990-1996. This period shows the indicator of interest pre-, during, and post-transition. As for Uzbekistan, I consider the period of 2016-2022, which provides the same information.

As mentioned above one of the indicators of interest was inflation, which I compute the percent change in the CPI to explain. The data on Uzbekistan for this measurement comes from the Open Data Portal. The data for CEE countries was collected partially from existing literature (Dyba and Svejnar, 1993) and partially from the World Bank Data. Another indicator of interest is the Gross Domestic Product (GDP). For this research, I used the Real GDP and its percent change. The data was collected from World Bank and IMF. Another indicator used for the comparison is the unemployment rate. The data on unemployment was collected from Open Data Portal and Eurostat.

It is critical to comprehend that the data used in the research has both strengths and limitations. As pointed out by Svejnar (1995), and Jilek (1995) when analyzing the transition, the experts faced the issue of poor data credibility. The issue is driven by the incapacity of the traditional data collection channels to capture all the aspects of change, particularly relevant to the rapidly expanding sectors. While this is potentially true for the data on the Visegrad countries, the same can also be said regarding the data on the Republic of Uzbekistan. Thus the Open Data Portal is relatively new and has very limited statistics available. Furthermore, some of the data points may differ from the ones presented in other sources (such as World Bank). The problem with data sources in the Republic of Uzbekistan may arise from the past when there was no adequate data collecting agency. The Open Data Portal was established by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan. The goal of the portal is to provide open and transparent access to the information regarding various economic (and not) activities in the Republic. Nevertheless, as a precaution, I used the World Bank data and the IMF data to additionally confirm the correctness of the Open Data Portal.

4 Reforms and Performance

4.1 Main Economic Reforms

This section discusses the main economic reforms that were implemented during the economic transition in the countries of interest. Additionally, this section answers the question on what are the differences and similarities in the transition experiences of the Republic of Uzbekistan and the CEE based on the reforms carried out during the transition.

4.1.1 Macroeconomic Stabilization

During the 1990s reform and Central and Eastern Europe and during the 2017 reforms in the Republic of Uzbekistan, the main goal of the countries was to maintain (achieve) macroeconomic stability. Macroeconomic stability is one of the most important factors for modernization and the maintenance of economic growth. Moreover, macroeconomic stability directly affects the standards of living in the country. Since the economic transition is a huge shock for the economy, it was important for all the governments to maintain macroeconomic stability.

All the countries had different approaches to reaching macroeconomic stability. Thus, as mentioned in the Literature Review, the Czechoslovakian government adopted strict fiscal and monetary policies at the beginning of the transition. Following the split of Czechoslovakia, the two new governments did not change the approach significantly. As I will show later in the next section, the Czech and Slovak Republics had a mixed success start to the transition, with falling real GDP and rising inflation. However, both economies recovered relatively quickly and show growth just a few years after the split. According to Sujan and Sujanova (1995), the liberalization of prices has caused a decline in the demand for consumer goods and investment goods, which has contributed to the decline of the GDP. Additionally, while the devaluation of the National currency has positively affected the GDP, the strict fiscal and monetary policies have likely caused an additional decline in the GDP.

As for the approach of Uzbekistan to macroeconomic stabilization, the government took a slightly different approach. While similar to the crown, the Uzbek sum was devalued, which was made for two main reasons. First of all, to match the black market foreign currency exchange rate and subsequently eliminate it from the market. And secondly, to attract foreign investors and traders to the economy. The devaluation proved to be successful in both cases. In addition, even though there was some form of price liberalization and the lift of the government control over the economy, the price liberalization was not complete. The government decided to gradually liberalize prices in order to prevent high inflation and a rapid decline in GDP growth. Furthermore, the benefit of the Republic of Uzbekistan is in the availability of international trade. Since the collapse of the Soviet Union, international trade was one of the main parts of the Uzbek economy, therefore with the new reforms, great efforts went into promoting trade and finding new trade partners.

Lastly, we need to talk about the cases of macroeconomic stabilization reforms in Poland and Hungary. Since I have mentioned the policies in the literature review before, here I want to highlight the main different policies aimed at macroeconomic stabilization. Since both Poland and Hungary had a high level of budget deficit, in order to achieve (maintain) macroeconomic stability in their respective countries, there needed to be a policy aimed at solving these problems. Poland took the approach of lower subsidies and lower investment spending. Evidently, the policy worked since the spending rapidly declined during the 1990s. Additionally, other major policies were concerned with fiscal and monetary reforms. Thus same like in Uzbekistan, the Polish government depreciated the exchange rate which lead to an increase in trade and competitiveness in the market. As for Hungary, since the initial reforms did not solve the problem of budget deficit by 1994, in 1995 new reforms were implemented. One of the policies was the limit on the nominal wages, and various reforms in the fiscal policy of the state (lower maternity benefits, higher retirement age, and the abolition of free higher education and dental care).

Thus, we can see that the Republic of Uzbekistan took quite a different approach to macroeconomic stabilization. However, this can be explained by different initial conditions of the economic transition. Nevertheless, all of the countries were quite successful at maintaining the stability of the economy. As seen in the next section, some of the countries even started experiencing growth a few years into the transition.

4.1.2 Privatization

The policy of privatization is one of the distinguishing features of the transition to a market-oriented economy. Former communist governments started out with complete state ownership of the economy thus for a successful transition there was a need for the development of the private sector and privatization.

Poland and Hungary started the gradual privatization process prior to the beginning of the transition, while former Czechoslovakia and the Republic of Uzbekistan entered the transition period with almost complete state ownership.

As discussed previously in the Literature Review, the Czechoslovakia Federation initiated the transition to the market economy in the two republics. One of the major policies of the transition was price liberalization and privatization. At the start of privatization, the government of Czechoslovakia implemented the voucher system of privatization. However, after the split, the countries implemented different approaches.

The Czech Republic used various methods to carry out the privatization. The government restated some of the properties back to the original owners and additionally implemented small and large-scale privatization. The latter was achieved via auctions, direct sales, and vouchers. According to Dyba and Svejnar (1995), about 4000 out of 6000 state-owned firms were privatized by the end of 1994. As for the privatization in Slovakia, the process is similar to one in the Czech Republic, however, one-third of the state-owned companies are privatized via vouchers and the rest is auctioned off.

When it comes to the privatization process in the Republic of Uzbekistan, it is not as rapid as the one in the Czech Republic. In 2020, about 620 state-owned properties went to the public auction, while in 2021 900 properties were prepared and sold in the auction. While this is a much smaller scale of privatization compared to the Czech Republic and Slovakia, this is just the beginning of the process. Thus, for example, by the end of 2026, there is a plan to completely privatize the banking system.

4.1.3 External Shocks

The transition process is an internal shock for any country that is experiencing one, however, additional external shocks can interrupt or slow down the development of the newly emerging economy. Thus, the collapse of the Soviet Union was a major external shock for all the Visegrad countries that relied on USSR as a trade partner. As CIS countries were emerging, the CEE countries had to establish new connections across the world which set back the development of the economies.

As for the shocks that the Republic of Uzbekistan has experienced during the economic transition, there are two major ones that are worth highlighting. First of all, the major crisis of the 2020 - COVID-19 pandemic. The 2020 pandemic has interfered with economic activity around the globe and the newly transitioning economy of Uzbekistan is not an exception.

Another shock to the Uzbek Economy during the transition was the situation in Afghanistan. As Donnorumo (2006) mentioned, the existence of military conflict can directly influence the outcome of the transition. Due to the Taliban acquiring power in Afghanistan, there were large investments into the military force of Uzbekistan to ensure the safety of the citizens.

4.2 Economic Performance during the Transition

This section explores the economic performance of the Republic of Uzbekistan and the Visegrad countries during the economic transition. I will show on the example of key economic indicators how smoothly the countries transitioned to market-oriented economies.

4.2.1 Inflation

Inflation is characterized by monetary depreciation in relation to economic goods produced and currency. One of the main distinguishing features of the economic transition is the instability of the economic system. At the time of the transition, all the processes inside the country are influenced by a large number of external and internal factors thus leading to inflation.

From the group of the countries of interest in this thesis, each country had a different experience with inflation at the time of transition. Table 1 presents the outcomes of the transition in terms of inflation.

As can be seen from the table, out of the Visegrad countries, the Czech and Slovak Republics had relative success with inflation compared to other countries. Thus, for example, at the beginning of the transition when they were still part of one country, the inflation was about 10 percent, rising drastically in the subsequent year. In 1993, the year of the split, both countries experienced a rise in inflation. However, by 1996 both countries have successfully lowered the inflation rate.

Table 1: Percent Change in the CPI in the Republic of Uzbekistan and the CEE countries

Country	1990	1991	1992	1993	1994	1995	1996
Czechoslovakia	10.0	57.9	10.9	-	-	-	-
Czechia	-	-	-	20.8	10.0	9.1	8.8
Slovakia	-	-	-	23.2	13.6	10.0	6.3
Poland	585.8	70.3	43.0	35.3	32.2	29.0	20.0
Hungary	28.9	34.8	22.8	22.5	18.7	28.9	22.8
	2016	2017	2018	2019	2020	2021	2022
Uzbekistan	10	12.1	17.6	14.5	13.1	10.9	10.6*

Source: Open Data Portal, World Bank, IMF, Data prior to 1994 is from Dyba and Svejnar (1995)

*Approximated from the available 6 month data

The table also shows the experience of Poland and Hungary with inflation. Inflation in Poland was very high at the beginning of the transition and even though it gradually decreased over time, it did not reach the level of the Czech and Slovak Republic by 1996. As for Hungary, its experience with inflation was relatively stable and stayed around 20-30 percent throughout the years of transition.

As for the transition inflation in Uzbekistan, it can be seen from the table that the Uzbek experience was quite different from that of the CEE. Same as in Hungary, the inflation rate was quite stable throughout the first years of transition, however, it is also the lowest inflation among the transition countries. This can be explained by other factors. For example, the fact that this is not the first attempt at economic transition in the country. In that sense, the

Uzbek transition is similar to that of Hungary, since both countries had previous experience with the reforms.

There can be various reasons for the high inflation in the economy:

- Government budget deficit;
- Lack of competition in a monopoly or oligopoly;
- Rising prices in foreign markets;
- Depreciation of the domestic currency.

In the case of the Visegrad countries and the Republic of Uzbekistan, all of the above influenced the rising inflation to some extent.

4.2.2 Real Gross Domestic Product

Gross Domestic Product is one of the most important macroeconomic indicators. It reflects the market prices of the final products, the trade, and standards of living. Table 2 shows the percentage change in the Real GDP in the Republic of Uzbekistan and the CEE countries.

As can be seen in the table, all of the CEE countries experienced a decline in real GDP at the early stages of the transition. In 1990, when Poland was in the middle of the transition, the real GDP decreased by 10.5 percent, however, starting next year, in 1991, the economy started to rapidly recover and by 1996, the real GDP growth rate was about 6.3 percent.

At the same time, the Czech and Slovak Republic and Hungary followed the same pattern of sharp real GDP decline and then a steady recovery. However, the experience of the Czech Republic was better than that of the weaker economies of Slovakia and Hungary.

When it comes to the real GDP changes in Uzbekistan, it can be seen from the table that the Uzbek economy did not experience a decline in the real GDP. In 2017, the increase was

Table 2: Percent Change in the Real GDP in the Republic of Uzbekistan and the CEE countries

	1990	1991	1992	1993	1994	1995	1996
Czechia	-1.2	-14.2	-6.6	-0.3	2.9	6.5	4.2
Slovakia	-	-14.0	-7.0	-4.8	2.5	5.5	4.8
Poland	-10.5	-7.5	1.5	4.0	4.8	5.6	6.3
Hungary	-3.3	-10.2	-5.0	-1.5	1.2	0.8	0.0
	2016	2017	2018	2019	2020	2021	2022
Uzbekistan	6	4.2	5.7	5.9	2.0	6.1	-

Source: Open Data Portal, World Bank, IMF

lower than in the previous year, however, it recovered by 2018. Nevertheless, it is obvious that in 2020, the percentage change was only 2 percent. This can be attributed to the COVID-19 pandemic. However, as seen in the table, by 2021, the real GDP recovered to its pre-transition rate.

4.2.3 Unemployment

Unemployment refers to the number of people who can work and who are actively seeking a job. Communist countries were characterized by full employment and even a shortage of labor in some sectors, regions, and professions before the 1990s.

As should have been expected, during the period of transition from a socialist economy to a market one, along with other structural transformations in the economy and the beginning of the reforms, there was an economic recession which lead to the changes in the labor market. Thus after the collapse of the Soviet Union (for Uzbekistan) and the dissolution of communism in Central and Eastern Europe, the unemployment rate started rising and became the new norm for all the countries. Table 3 shows the unemployment rate in the countries of interest.

Table 3: Unemployment Rate in the Republic of Uzbekistan and the CEE countries

	1991	1992	1993	1994	1995	1996
Czechia	2.3	2.6	4.3	4.3	4	3.9
Slovakia	11.6	11.9	12.2	13.6	13.1	11.3
Poland	12.9	13.6	14.4	14.8	13.7	12.7
Hungary	8.5	9.9	12.0	10.9	10.2	9.0
	2016	2017	2018	2019	2020	2021
Uzbekistan	5.2	5.8	5.8	5.8	7.0	7.2

Source: World Bank

As can be seen from the table, all the countries had different levels of success in managing changes in the labor market. Out of the 5 countries, the Czech Republic was the most successful with the problem of emerging unemployment during the transition period. The table shows that the initial unemployment rate was only about 2.3 percent in the Czech Republic, with about 4 percent in the years following the transition. In contrast, in other CEE countries, the unemployment rate increased rapidly and was higher than 10 percent throughout the interest.

On the other hand, the Republic of Uzbekistan had middle ground experience with unemployment pre- and post-transition. This, the unemployment rate stayed at about 6 percent throughout the transition. However, in 2020, it rose to 7 percent and remained at that point through 2021. This rise in unemployment can be explained by the COVID-19 pandemic in 2020, where thousands of people were forced to stay at home and many people were laid off.

Even though the unemployment problem does not concern Uzbekistan as much, it is important to understand the reasons behind the rising unemployment in the transitioning countries. Thus, one of the main reasons for the rise of unemployment can be the economic recession that is characteristic of the first stages of the transition to the market economy. This leads to reduced demand for labor, thus creating unemployment.

The other reason for unemployment can be the fact of transition from the communist regime. Since in communism everyone have to work, everyone had a job and it was not necessarily the job they enjoyed. After the transition, people could choose where to work and the conditions of work, therefore the temporary unemployment rate could have increased. Furthermore, the new states established unemployment benefits, which allow the unemployed to take time in the job search.

4.2.4 Exports and Imports

The level of exports and imports constitute the level of trade in the countries. It affects many aspects of economic well-being in the country: competitiveness in the market (thus consumer selection), GDP levels, etc. Table 4 shows the Exports and Imports growth in percentage during and after the transition process in the countries of interest. One can see on the table that in the year of transition, the Czech Republic experienced a decline in exports and a large decline in the level of imports. However, subsequently, it can be seen that the numbers have picked up rapidly, with imports being larger than the exports throughout the years following the transition.

One can see that the Slovak Republic had the least success with picking up the trade in the republic a few years following the transition. This has been explained by the literature, where it was evident that Slovakia inherited heavy industry after the split, and had a hard time finding trade partners following the transition and split. Thus, the number that can be seen on the table is reasonable.

Table 4: Percentage Growth of Exports and Imports

		1990	1991	1992	1993	1994	1995	1996
Czechia	Export	-	-6.0	9.5	15.8	3.8	23.5	2.5
	Imports	-	-32.8	29.7	23.7	14.9	23.6	11.8
Slovakia	Exports	-	-	-	-0.3	14.8	4.5	-2.3
	Imports	-	-	-	-0.6	-4.7	11.6	
Hungary	Exports	-	28.8	27.6	23.2	25.4	39.2	41.2
	Imports	-	-	0.2	20.2	8.8	15.1	7.0
		2016	2017	2018	2019	2020	2021	2022
Uzbekistan	Exports	4.3	14.8	11.8	16.2	-20.0	12.7	-
	Imports	-1.3	13.7	42.3	13.3	-15.0	23.1	-

Source: Open Data Portal, World Bank, IMF

Additionally. one can see that Hungary had the best experience with trade post-transition. Thus we can see that the level of exports has been growing since 1991, while the level of imports remained relatively low. Considering Hungary's difficulties with the budget deficit in the years following the transition, the level low levels of imports are explained partially by the import-substitution policy implemented in 1995.

As for the Republic of Uzbekistan, we can see from the table that the levels of imports and exports are largely fluctuating over the years after the transition. As mentioned in the previous sections, COVID-19 happened in 2020, which explains the decline in the levels of trade for that year. Other than that the levels are fluctuating which suggests that there are difficulties with exports and imports, perhaps due to the low level of exports in the industry.

5 Discussion

This section provides a discussion based on the results from the previous sections. Additionally, in this section, I highlight the main lessons that Uzbekistan can learn from the experience of the CEE countries and potential adjustments to the policies that can be made.

As discussed before, the transition of the Republic of Uzbekistan has both similarities and differences with the transition experience of the Visegrad countries. For example, both Hungary and Uzbekistan had experienced reforms (New Economic Mechanism and Uzbek Economic Growth Model respectively) before the beginning of the economic transition. These models prepared the economies of the respective countries for the shocks of the transition, thus the relatively stable inflation rates and relatively rapid recovery in the real GDP growth. However, to some extent, the experiences of Hungary and Uzbekistan are also different. For example, the economic transition in Hungary focused on fiscal policies, while in the concept of Uzbek transition there was more focus on monetary policies, along with privatization.

There are also similarities with the experience of privatization between the Republics of Uzbekistan and the Czech and Slovak Republics. All three countries were relatively new to privatization at the start of the transition and succeeded (to a various extent) with it. However, all three also had varying approaches to privatization.

When it comes to the lessons that Uzbekistan can learn from the experience of the Visegrad countries, there is quite a lot to learn. First of all, there is a need for adequate fiscal policies that will promote the strong and sustainable growth of the economy in the future. As of now, according to the Decree of President (2022), there is only a desirable goal of a 3 percent fiscal deficit by 2023 but there are no policies aimed at reaching it.

Another useful lesson can be the method of fighting inflation. According to Laski et al.

(1997), most CEE countries adopted inflation-fighting policies that were aimed at demand-pull inflation. However, as mentioned in Section 4.2.1, the most probable causes of inflation in the transition economies are the budget deficit, lack of competition in the market, rising prices in foreign markets, and the depreciation of the domestic currency. These may cause cost-push inflation, which the transition economies did not take into account. According to Laski et al. (1997), the best way to fight such inflation is to adopt wage and exchange rate policies.

Lastly, one of the big disadvantages in the Uzbek Economy that are the legacy of the import-substitution policies of the Uzbek Economic Growth Model is the monopolies. There are two large oligopolies in the industries in Uzbekistan: Chevrolet in the automobile industry and Artel (Akfa) in the home appliances industry. The existence of these oligopolies creates barriers to entry for other local companies and trade barriers for foreign firms.

6 Conclusion

Economic transition is a pivotal part of the economic development of post-communist countries. The purpose of this research is to compare analytically the experience of economic transition in the Republic of Uzbekistan and the Visegrad group, which allows us to answer the question of to what extent the transition was similar and different in those countries, and to identify whether there are important lessons that policy developers can learn from the experience of the Visegrad group. Using the key features of economic transition, including GDP growth, Inflation, Export and Import levels, saving, and investments, I was able to compare the experience of CEE to the current state of the reforms in the Republic of Uzbekistan.

I find that while the Uzbek economy is following the same pattern in the transition process, where there is a decrease in the main economic factors and a subsequent rise, the rise is much slower than for the Visegrad group. However, a slow recovery can be attributed to the COVID-19 pandemic, which represented a major setback for the development of the economy during a crucial period of transition.

Nevertheless, it is possible to propose some policy recommendations based on the experience of the transition in CEE. For example, one recommendation is to reconsider methods of fighting inflation. According to Laski (1997), the policies implemented in CEE were directed at demand-pull inflation; however, the inflation was mostly cost-push. As seen in Section 4, the main policies in Uzbekistan are also directed at demand-pull inflation and do not work effectively. Therefore, there is a need for revision of the policy and the adoption of proper methods that can help fight the cost-push inflation, including wage policy.

Another major problem with a more successful transition is the existence of monopolies. There are several successful industrial oligopolies in Uzbekistan; for example, in the automobile industry Chevrolet (local), and Artel in the household appliances sector. Due to the existence of these firms, there are many trade and market access barriers for small businesses. This can set back economic growth in the long-run, due to the lack of foreign investments, lack of diversity in the market, and the price-setting nature of the monopolies.

Due to major differences between countries of interest that include but are not limited to location, natural resources, population, and territory, the countries have not been compared before. Therefore, I contribute to the literature by conducting a comparative study between the Republic of Uzbekistan and the CEE countries. Additionally, I contribute to the literature by widening the theoretical knowledge of Uzbekistan and this topic.

Nevertheless, the topic of economic transition is quite complex and a more detailed dataset, which was not available to me, is needed for further research into the topic. Furthermore, while 5 years since the implementation of the reforms is enough to see some improvements in the state of the economy, the long-term consequences of the reforms still take years to develop. Therefore, a follow-up study and comparison can be considered for further research.

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