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Statement by the Hon. BAKHTIAR SULTANOVICH KHAMIDOV ,  
Governor of the Bank for REPUBLIC OF UZBEKISTAN ,  
at the Joint Annual Discussion

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Statement  
of the Deputy Prime Minister of the  
Republic of Uzbekistan B.S. Hamidov  
at the Annual Meetings of the Boards of Governors  
of the World Bank Group and the International Monetary Fund

Ladies and gentlemen,

A year has passed since the last Annual Meetings—a year which was marked by a number of important events revealing serious problems at the present stage of global economic development.

Recent events provide a basis for serious reflection and examination of the causes and depth of current problems and their spread to the global economy, and for a search for possible ways to solve them.

The consequences of the crisis in a number of countries have demonstrated to the world community the way in which destabilization in a single country may create a wave that spreads crises among diverse regions of the world. This shows that economies cannot exist separately from one another today. At the same time, countries are largely left to their own devices when it comes to resolving their crises.

We must recognize that, in our modern world with all its polarities, there can be no one model for making the transition to a market economy which can be applied to all countries as a universal recipe for reform.

The crisis in Southeast Asia and especially in Russia demonstrates that a mechanical duplication of familiar models for market reforms which does not take into account the historical, national, and economic realities of the country will not always produce the expected results; on the contrary, at times it will lead to deep economic crisis and the impoverishment of the people.

I have no doubt that the International Monetary Fund is carrying out an in-depth analysis of the crises that have occurred and is pondering how correct and justified its recommendations in those countries turned out to be.

In our opinion, when Fund recommendations are developed and its programs for market reforms are carried out, the specific features of the country and its social mentality, living standard, and initial capacity should be taken into account. The government should be aware of all its risk and responsibility for the consequences of the reform to be carried out. For this, there must be a strong administration and effective government authorities which will

be able to preserve political and economic stability and prevent a fall in the public's confidence in the reforms, as has happened in a number of countries.

As a rule, when implementing a reform policy, the greatest progress is achieved by those states where the government enjoys the support of a public which understands the reforms and recognizes that they are aimed at raising the living standard.

This approach is of special importance when it is a question of the countries in the post-Soviet area, where the problem of transition from old principles and stereotypes to market principles has turned out to be far more difficult than was expected. This is the result of a need for deep comprehension and understanding of the fact that for more than 70 years these countries were under the influence of an administrative command-oriented ideology based on principles of totalitarianism. Furthermore, when recommending this or that model for transition from a planned to a market economy, many international experts only have a largely theoretical knowledge of planned economies and underestimate the depth of the processes taking place and the possible consequences during the transition period.

The experience of a number of countries shows that the implementation of forced systemic and structural reforms in countries with transition economies often leads to social opposition and gives rise to serious economic, religious, ethnic, and other conflicts that impede the introduction of market reforms.

It is obvious today that shock therapy is not always a justified means for achieving economic stabilization in the transition economies. There exist successful cases of a number of countries that have chosen their own path of gradual and consistent development. In our opinion, there should be a multitude of ways to make the transition to market conditions, and they deserve the most intent study.

After Uzbekistan acquired its independence, our first aspirations were to reconcile everything valuable and positive from the history of development of the global economic system with those conditions existing at that time in a country which was completely dependent economically on the central authorities and which had the poorest initial potential of the countries of the former U.S.S.R.

As a result of consistent measures taken by the government of Uzbekistan to develop and deepen its economic reforms, Uzbekistan has today already passed through the critical stage of instability and reached the state of economic growth.

The proof of this is a dynamically growing rate of increase in industrial output and extraction of oil, gas, gold, and non-ferrous metals (Uzbekistan has joined the world's top ten countries in production of these commodities), as well as a growing positive foreign trade balance, which cannot be said of the majority of countries in the transition stage. Our steadily growing GDP is outpacing the increase in the Republic's population. And the growth in industrial production is accompanied by an improvement in the structure of production.

Positive changes in volumes and sources of funding for capital investments are taking place under the influence of our structural reforms.

As a result of the implementation of sound monetary policy, in 1998 inflation declined by a factor of 2.3 compared to the same period last year and comprised 1.5 percent per month. The revenue growth rate exceeded that of expenditures, reducing the budget deficit to 1.3 percent of GDP.

As opposed to many countries experiencing problems servicing external debt, Uzbekistan has pursued a sound external debt policy. We avoid short-term loans to support the balance of payments and attract loans only for project financing. This policy helps keep external debt at a moderate level (about 17 percent of GDP).

Special features in the development of Uzbekistan's banking and financial sector presently consist of the reinforcement and further development of positive tendencies in the areas of monetary circulation and inflation, and stable functioning of the banking system.

The Central Bank's conservative, strict approach to controlling the country's banking system operations is based on a fundamental principle for implementation of banking sector reform in Uzbekistan—ensuring stability. A decree of the President of the Republic of Uzbekistan on a restructuring of the Republic's banking system which was signed a few days ago serves as proof of this. It permits joint-stock commercial banks to sell up to 50 percent of their stock shares to nonresidents.

I also would like to note the great amount of assistance provided by international financial and economic institutions—the IMF, World Bank, IFC, EBRD, AsDB, etc.—in implementing economic reforms and integrating Uzbekistan into the global community.

We have now reached that stage of mutual cooperation where we have discovered common priorities and defined areas for further interaction which take into consideration the special features distinguishing Uzbekistan from the other transition economies, insofar as Uzbekistan has chosen its own path for development corresponding to its geopolitical and demographic influence in the region, and which take into account the tradition and mentality of the Uzbek people.

The government of Uzbekistan has worked out a strategy aimed at maintaining financial stability, expanding privatization, deepening reform in agriculture, the banking sector, and small- and medium-scale business, and improving the country's export potential, with a view to signing Article VIII of the IMF's Articles of Agreement in 2000.

We believe that, at the present stage of global economic development, the expanded participation of all countries in economic programs involving international institutions and organizations should be viewed as a powerful factor for economic and social stability of

individual regions and, as a whole, on the scale of the entire world. I trust that the Bretton Woods institutions will intensify their contribution to the strengthening of that process.

Thank you for your attention.