SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 3 | March 2026 - Peer Reviewed Journal

DEVELOPMENT OF INDUSTRIAL PRODUCTION IN THE KHOREZM REGION (1991–2000)

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Article DOI: https://doi.org/10.36713/epra26405
DOI No: 10.36713/epra26405

ANNOTATION

This article analyzes the development of industrial production in the Khorezm region during the period of 1991–2000, focusing on the economic transformations that occurred in the early years of Uzbekistan's independence. The study examines the structural changes in the industrial sector, the decline and gradual recovery of production, and the role of economic reforms in the formation of new industrial relations. Special attention is given to the transition from a centrally planned economy to market-based economic mechanisms and its impact on the functioning of industrial enterprises in the region. The article also highlights the importance of attracting foreign investment, establishing joint ventures, and developing small and medium-sized businesses as key factors in revitalizing industrial production. Based on statistical data and archival sources, the research reveals the main trends, challenges, and achievements in the industrial development of the Khorezm region during the first decade of independence. The findings demonstrate that despite initial economic difficulties, structural reforms and investment policies contributed to the gradual stabilization and modernization of the regional industrial sector.

KEYWORDS: *Khorezm Region, Industry, Industrial Production, Industrial Complex, Foreign Investment, Joint Ventures, Small And Medium-Sized Business.*

As the First President of the Republic of Uzbekistan Islam Karimov stated:
"Today's life itself proves that we have been able to protect our people from economic and social crises with potentially devastating consequences by choosing a gradual and evolutionary path of development" [1].

Indeed, before independence the industrial sector faced numerous problems. The lack of modern technology and equipment, outdated production facilities, administrative management based on the principles of the planned economy, insufficiently qualified personnel, and the widespread use of administrative pressure in management negatively affected not only industrial development but also the national economy as a whole.

In particular, even simple products such as nails, nuts, and other basic goods had to be imported from other regions. Although many types of equipment and industrial products could have been produced within Uzbekistan, the centralized system often prevented this by referring to a lack of financial resources.

In the final years of the Soviet period, it was decided to accelerate economic development primarily through mechanical engineering. Although large amounts of funding were allocated and product quality began to improve, significant progress was not achieved because there was no competition among enterprises and no effective incentives for introducing new technologies.

Considering the strategic importance of industry for Uzbekistan's economic growth, special attention was paid to the development of industries such as mining, gas, oil, gold extraction, and other mineral resources. These sectors were regarded as the foundation for developing machine-building and other industrial branches.

It should be noted that in the early 1990s the Khorezm region was among the least developed industrial regions of the country. Therefore, it became necessary to implement concrete measures to overcome this backwardness. During this period industrial production declined, and many enterprises in the region reduced or suspended their activities.

As in other regions of the country, extensive efforts were made to develop industrial production in the Lower Amu Darya region. During the transition to market relations, the regional economy experienced significant difficulties, including inflation, declining production, and economic instability. These challenges were gradually replaced by stabilization and economic growth. The disruptions in the existing economic system initially affected manufacturing industries but later spread to other sectors of the economy. As a result, in early 1992 the economy of the Khorezm region experienced a severe crisis, which led to a 48% decline in industrial production.

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Between 1992 and 1995 industrial production in the Khorezm region continued to decline. Due to insufficient understanding of new economic relations and a lack of modern economic thinking, 24 enterprises in the region ceased operations in 1994, causing losses amounting to 40 million 500 thousand soums. Beginning in 1993 many industrial enterprises significantly reduced their production volumes.

However, gradual economic recovery began in the mid-1990s. The industrial growth rate in the region was **85.3% in 1996**, **100.6% in 1997**, **106.2% in 1998**, **102.4% in 1999**, **103.5% in 2000**, and **100.3% in 2001**. Despite these improvements, the growth rate of industrial production in the Khorezm region remained lower than the national average.

During this period, the implementation of short-term programs aimed at increasing production capacities led to an increase in the share of industrial production in the gross regional product. For example, industrial output accounted for **31.1% of GDP in 1990**, **35% in 1996**, and **38.6% in 2001** [12]. However, in certain sectors industrial production declined, particularly in the chemical and oil industries, building materials production, woodworking, and the cellulose and paper industries in 1998.

According to available data, between 1990 and 1996 the volume of industrial production in the Khorezm region increased by **2.4 times**. During this period the share of industrial production in the national economy increased from **3.6% in 1991 to 3.8% in 1996**, but later declined to **2.5% in 2001**.

At the same time, several industries experienced a significant decline in production. For example, knitwear production decreased by nearly **87%**, footwear production by **56%**, carpet production by **30%**, and refined oil production by **18%**.

Overall, during the 1990s the industrial output of the Khorezm region decreased by **1.92 times**. Within this decline, the food industry decreased by **1.65 times**, light industry by **1.32 times**, while energy production decreased by **22%**, the chemical and petrochemical industries by **75.8%**, and construction materials production by **26.1%**.

At the same time structural changes were taking place within the regional economy. The share of newly established enterprises in the manufacturing sector gradually increased. For instance, in **1995 the industrial growth rate was 100.1% in the Khorezm region compared to 106.1% nationwide**.

Another important factor was the development of small and medium-sized enterprises. Between **1991 and 2000** the share of small and medium-sized businesses in the total industrial production of the Khorezm region increased from **0.5% to 24.5%**, while the share of joint ventures rose from **0.8% to 10%**. Between **1995 and 2000** alone, **340 joint-stock companies** were established in the region.

However, this development was not uniform across all districts of the region. For example, the share of small enterprises in industrial production was **1.1% in Bagat district**, **1.4% in Yangibazar district**, **2.7% in Pitnak**, **2.7% in Koshkupir district**, and **2.8% in Hazorasp district**. These figures indicate that small and medium-sized businesses did not develop equally in all parts of the region and that the expansion of this sector remained an urgent economic task.

During the early years of independence, the state consistently pursued policies aimed at developing the non-state sector and promoting private entrepreneurship. Beginning in **1994**, the processes of **denationalization and privatization** of medium and large enterprises in the meat and dairy industries, food industry, and cotton processing sectors began.

At the Fourth Session of the Oliy Majlis in December 1995, President Islam Karimov emphasized the importance of rational use of each region's economic resources as a key priority of structural economic reforms and highlighted the need to accelerate the development of the Khorezm region [13].

During the early years of independence, the Khorezm region contributed significantly to the production of new industrial goods. In particular, the region accounted for **50.5% of new products in light industry**, **15.6% in the food industry**, **8.4% in flour, grain, and oil industries**, **19% in the energy and machine-building sectors**, **5% in building materials production**, and **2.5% in other industries**.

As a result of the active attraction of foreign investment and domestic capital into the national economy, opportunities increased for establishing joint ventures and earning foreign currency through exports. As President Islam Karimov noted:
"By establishing joint ventures, we gain opportunities to introduce modern technologies and advanced production organization methods, while also expanding the export potential of competitive products" [14].

During this period several modern industrial enterprises were established in the Khorezm region. Among them were **Khorezm-Nurtop (1992), Mem Gilam (Turkey, 1993), DEU Communication (South Korea, 1996), Shox-Kor (South Korea, 1993),**

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Uzdunrobita (USA, 1995), Ameros Industrial (USA, 1998), Amu-Don (1996), Amukonda (Russia, 1996), Khorezmvneshservis (1995), Complexim Khiva (Swaziland, 1995), Gold Loto (Malaysia, 1999), Uzolmonhotelz (Germany, 2000), Khorezm-Maveraplast (1995), Uzhimvect (1998), Khanka-Shuya (1995) and others.

These enterprises produced yarn, footwear, carpets, and various chemical products, which were supplied not only to the domestic market but also exported abroad, contributing to the country's foreign currency reserves.

If in **1995** there were only **5 joint ventures** in the Khorezm region, by **2000** their number had reached **32**. By **2001**, **40 large industrial enterprises** were operating in the region, accounting for **94% of industrial production**.

The largest enterprises included **JSC Khiva Carpet, OJSC Shirin, SP Khiva, Khorezm Sugar, Urgench Oil JSC, Gurlan Textile, Urgench Wine, Urgench Excavator, and Khorezm-Nurtop**.

According to the **Resolution No. 243 of the Cabinet of Ministers of Uzbekistan adopted on May 13, 1999**, approximately **275 million US dollars of foreign investment** were directed toward the development of the Khorezm region.

Later, according to the **Resolution No. 393 of October 11, 2000**, two additional joint ventures were established in the region. In **2001**, three new joint ventures were registered: **Khiva Carpet (Khiva district), Unixo (Hazorasp district), and Asia Textiles Ltd. (Urgench)**.

However, some problems still existed in the sector. In **March 1996**, during a session of the Khorezm Regional Council of People's Deputies, President Islam Karimov pointed out that foreign investment was insufficiently utilized in the region. Several enterprises such as **Uzbek–South Korean Trade House in Pitnak, Diyor in Koshkupir district, and enterprises in Urgench** were not operating effectively.

By **2001**, only **20 of the 36 joint ventures** established in the region were operating efficiently, while the rest were either bankrupt or operating below capacity.

During this period, **light industry** held a leading position in the structure of industrial production in the Khorezm region. Approximately **40% of industrial workers** were employed in this sector.

One of the largest enterprises of the region's light industry, the **Khorezm garment factory**, was reorganized in **1994** into the **Khorezm-Feruz Joint Stock Company**. At the beginning of economic reforms the company faced serious financial difficulties, with debts amounting to **38 million US dollars**. However, after being reorganized into a joint-stock company in **1996**, the financial situation improved significantly, and by **1998** the company was able to pay dividends to its shareholders.

With the support of the regional branch of the Republican Business Fund, **Bizintrud LLC** was established in **1998**, and modern German **Pfaff Zinger sewing machines** were installed. By **January 2000**, the enterprise had created employment for **100 women**.

The enterprise produced high-quality products worth **about 80 million soums**, which were sold through retail stores across the region. These products were also distributed in **Tashkent, other regions of Uzbekistan, and CIS countries**.

In **2001**, the company opened a trade house in **Barnaul (Russia)** and exported **60,000 US dollars worth of knitwear and garments**.

While some enterprises could not withstand the challenges of the market economy and ceased their operations, many others improved their production processes, increased product quality, reduced production costs, and gradually secured their place in industrial production.

CONCLUSION

In conclusion, during the years of independence numerous small and medium-sized enterprises were established in the Khorezm region, producing industrial goods, consumer products, and providing various services to the population. Although some enterprises faced economic difficulties and ceased operations, many successfully adapted to market conditions, improved product quality, reduced production costs, and strengthened their position within the regional industrial system.

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