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REASONS FOR THE EMERGENCE OF ECONOMIC GROWTH AND DECLINE
PERIODS: ON THE EXAMPLE OF THE REPUBLIC OF KARAKALPAKSTAN

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Abstract. This abstract summarizes the economic history of the Republic of Karakalpakstan by dividing it into two main periods: the Soviet Union era (1920-1991) and the independent Uzbekistan era (1991-2025). During the Soviet period, the region transitioned from agriculture to industry, leading to initial economic growth. However, from the 1980s onward, an ecological catastrophe, primarily linked to the drying of the Aral Sea, caused a severe economic decline. Following independence, the republic faced initial hardships due to inherited problems, but after 2010, the economy began to grow rapidly, driven by foreign investment, industrial modernization, the establishment of free economic zones, and support for entrepreneurship. In conclusion, the text examines the primary reasons for the region's economic decline and growth—such as the Aral Sea crisis, geographical conditions, governance, and investments—demonstrating that Karakalpakstan is now in a phase of stable development.

Key words: Independent Uzbekistan, Karakalpakstan, Economic History, Aral Sea Crisis, Soviet Era, Economic Transition, Foreign Investment, Free Economic Zones.

Intoduction. The Republic of Karakalpakstan is an autonomous region in Uzbekistan, located in the northwestern part of the country. The republic is bordered by Kazakhstan to the north and west, and by Turkmenistan to the south. The administrative center of the Republic of Karakalpakstan is the city of Nukus, which includes 16 districts. The total population of the republic is over 2.029 million people (as of 2025). The region is rich in natural resources, gas, and minerals. Additionally, a large amount of agricultural products such as cotton, wheat, and rice are cultivated in the territory. Economically, great attention is being paid to the manufacturing industry, food industry, and international and local logistics in Karakalpakstan. Several free economic zones and small industrial zones are being established. The economic situation of the Republic of Karakalpakstan has experienced several economic growths and recessions to this day. We can divide these economic growths and recessions into 2 major periods:

The period of the Karakalpakstan economy within the Soviet Union (1920-1991)

The period of the Karakalpakstan economy in the Republic of Uzbekistan (1991-2025)

The period of the Karakalpakstan economy within the Soviet Union (1920-1991) This period includes the entry of the Russian Empire and the economic changes of the USSR in the territory of Karakalpakstan. Initially, the population in the territory of



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Karakalpakstan was engaged in livestock breeding, fishing, and agriculture. Later, the population gradually began to engage in light and heavy industry. We can also divide this period into 3 smaller periods:

a) **Early Years and Period of Change (1920-1950)** During this period, although there was no significant economic growth in the territory of Karakalpakstan, there was an improvement in living conditions, cultural, and educational development in the lives of the population. Irrigation and infrastructure systems were built, and the cultivation of cotton and other agricultural crops, and livestock breeding developed. The main reasons and impacts were the centralized policy of the Soviet Union, projects to draw water from the Amu Darya, and the economic basis of resource distribution. During this period, pressure on farmers and peasants was high.

b) **Period of Economic Growth (1960-1970)** During this period, economic growth occurred in the territory of Karakalpakstan. The expansion of irrigation canals and the use of water from the Amu Darya increased cotton productivity. Industry (light industry, oil refineries, production of building materials) developed according to Soviet plans. Mainly, industrial enterprises for processing cotton harvests were launched and operated actively in the districts. In addition, new industrial enterprises, factories, and plants were launched during this period. Examples include the Takhiatash Reinforced Concrete Plant, Takhiatash Thermal Power Plant (TPP), Chimbay Oil Plant, Shakpakty gas field, Kuanish gas production site, and Nukus Canning Plant.

c) **Beginning of Decline (1980-1991)** Between 1980 and 1991, the economy of Karakalpakstan went into decline due to a number of internal and external factors. This period was a time of crisis for the former Soviet Union, where the centralized planned economic system weakened, and ecological, social, and economic problems intensified. Ecological disasters due to the drying of the Aral Sea: we can identify salinization, the accumulation of toxic agrochemicals (fertilizers, defoliants, insecticides) in land and water. As a result, drought, crop losses, water scarcity, and diseases (anemia, respiratory diseases) increased. Climate change shortened the growing season. During this period, the Moynaq fish cannery ceased its operations.

The period of the Karakalpakstan economy in the Republic of Uzbekistan (1991-2025) When Uzbekistan gained independence in 1991, Karakalpakstan retained its status as an autonomous republic. The economy is still based on cotton, rice, fruits and vegetables, and hydroelectric power, but due to ecological problems, it remains one of the poorest regions in Uzbekistan. Unemployment among the population is high, and the majority still work in agriculture. We can also divide this period into 3 smaller periods:

a) **Years of Independence (1991-2000)** Continuation of the ecological disaster of the Soviet era: the drying of the Aral Sea, the spread of salt and toxic substances by wind, and the deterioration of water and air quality. Fishing was completely lost, crop losses and diseases (health and food problems) reduced economic activity. During the economic transition, the industry and service sectors did not develop, and unemployment increased. Agriculture and industry declined, and poverty increased.



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b) **Period of Partial Stability (2000-2010)** During this period, the economy of the Republic of Karakalpakstan had largely stagnated. However, during this period, Karakalpakstan had transitioned to a market economy. Tax, banking, and credit systems adapted to market mechanisms were formed. Farms expanded, and agriculture was reformed. Small and medium-sized industrial enterprises emerged. Several mineral deposits were identified. Gas fields such as Sharqiy Berdaq, Shimoliy Berdaq, Surgil, and Dali are among them. The major industrial enterprise launched during this period was the Kungrad Soda Plant. Overall, there was economic growth, albeit small, but not significant.

c) **Current Period - Period of Growth (2010-2025)** During this period, major changes are taking place in the economy of Karakalpakstan. The path to privatization in the market economy has been opened. Opportunities have been provided for small entrepreneurship. Projects for energy sources compatible with the green economy are being implemented in the country. Socio-economic reforms and investment projects aim to attract foreign investment for economic growth and modernization. The living conditions of the population are improving. Industrial enterprises are being modernized and operating more dynamically. In addition, new industrial enterprises are being established. The volume of the Gross Regional Product increased from 2.182 trillion UZS (2010) to 45.659 trillion UZS (2024). This figure clearly shows how much the republic's economy has developed.

Statistical Data on the Economy of the Republic of Karakalpakstan. The tables below numerically represent the economic state of Karakalpakstan during different periods.

1. Table: Gross Regional Product (GRP) Dynamics

YEAR	PERIOD	GRP VOLUME (TRILLION UZS)	NOTES
1975	Period of Industrial Development	-0.5	Construction of industrial enterprises, increase in cotton production.
1990	Onset of Decline	-1.2	Crisis of the Soviet economy, intensification of ecological problems.
2000	Difficult Years of Independence	-1.8	Decline of industry, decrease in agricultural efficiency.
2010	Period of Partial Stability	2.182	Transition to a market economy, emergence of small businesses.
2020	Beginning of the Growth Period	22.500	Launch of large investment projects, commencement of 'Nukus' FEZ activities.
2024	Period of Rapid Growth	45.659	Industrial modernization,

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			new enterprises were launched.
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This table shows the overall growth rate of the republic's economy, particularly how it has sharply increased in recent years.

2. Table: Population and Social Sector Indicators

YEAR	POPULATION (THOUSAND PEOPLE)	UNEMPLOYMENT RATE (%)	POVERTY RATE (%)	NOTES
1985	1,650	2.5	5	Full employment guaranteed during the Soviet era, official poverty was low.
2000	1,850	22.0	35	Closure of enterprises, end of fishing in Moynaq.
2010	1,920	18.5	25	The situation slightly improved with the development of small businesses and private farms.
2024	2,020	13.0	12.5	Indicators are improving due to active investments and new jobs.

This data shows how economic changes have affected the lives of the population, particularly unemployment and poverty levels.

3. Table: Key Agricultural Crops

YEAR.	COTTON SOWN AREA (THOUSAND HECTARES)	COTTON YIELD (THOUSAND TONS)	RICE SOWN AREA (THOUSAND HECTARES)	RICE YIELD (THOUSAND TONS)
1970	120	200	25	50
1985	210	400	70	150
2000	180	280	45	80
2024	160	300	50	110

The table illustrates the shift in specialization from cotton and the impact of ecological problems on agriculture.

4. Table: Industrial Development

YEAR	NUMBER OF INDUSTRIAL ENTERPRISES (UNITS)	VOLUME OF INDUSTRIAL PRODUCTS (TRILLION	KEY EVENTS
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		UZS)	
1980	280	-0.4	Operation of large facilities such as Takhiatash TPP, oil plants.
2000	310	-0.3	Many enterprises remained unmodernized, production volume decreased.
2015	1,500	5.8	Programs to support small and medium-sized businesses (SMEs) began.
2024	3,666	18.803	Large projects like the Kungrad Soda Plant, enterprises of the 'Nukus' FEZ.

This table depicts how many industrial enterprises operate in the republic and the volume of products they manufacture.

5. Table: Change in the Ecological Condition of the Aral Sea

YEAR	SURFACE AREA (THOUSAND KM ²)	WATER VOLUME (KM ³)	KEY IMPACTS
1960	68.0	-1,100	Natural state, fishing was developed.
1990	35.5	-300	Spread of salt and dust began, fish stocks declined.
2010	17.0	-90	The port of Muynaq was left on dry land, fishing completely stopped.
2024	-10.5	-15	The region's climate became arid, related diseases increased.

A statistical representation of the ecological catastrophe that was a major cause of economic decline.

This statistical data numerically demonstrates the complex path the economy of the Republic of Karakalpakstan has traversed. After planned growth during the Soviet period, it faced an ecological and economic crisis in the early years of independence. However, thanks to the reforms, investments, and new projects implemented in the last decade, it is evident that the republic's economy has entered a phase of rapid development.

In conclusion, if we look at the reasons for the economic decline of the Republic of Karakalpakstan, a number of reasons stand out. The first of these is its unfavorable geographical location and position in an endorheic basin. The climatic conditions of the country cannot be considered very good either. In addition, the ecological situation in the region is actively affecting economic and social life. It is undermining economic stability and harming the health of the population. Another problem causing economic decline in the country is corruption. The problem of corruption in the republic has not disappeared from the Soviet era to the present day. This has its impact on the investments being made in the Republic of Karakalpakstan and the projects being implemented. The republic's economy experienced recessions in certain periods. We can cite mismanagement and

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errors in the political system as the main reasons for this. The misdirection of grants and investments attracted from foreign countries is also one of the main reasons and mistakes.

Now, let's look at the reasons for the economic growth of the Republic of Karakalpakstan. Considering that in the early periods the republic's population was engaged only in agriculture and livestock breeding, even small industrial enterprises and factories made a large contribution to the republic's economy. Looking at later periods, the industrial revolution entered the region, and automation, the rise in population literacy, and the emergence of skilled personnel brought great growth to the country's economy. Later, many industrial enterprises, factories, and plants were launched to develop the republic's economy. Currently, international investments are being actively attracted to the country. Existing industrial enterprises are being modernized. Many privileges are being granted to small and medium-sized businesses. The economy and social life are being digitalized. The government of Uzbekistan is allocating many opportunities and privileges for entrepreneurship in Karakalpakstan. Today, the "Nukus" free economic zone and the "Karakalpak-Agro" free economic zone exist in the Republic of Karakalpakstan, and the "Kungrad salt free zone" is planned to be established in 2026. Currently, there are 3,666 industrial enterprises operating in the Republic of Karakalpakstan, and the economic volume produced by these enterprises is 18.803 trillion UZS. Overall, the economy of the Republic of Karakalpakstan continues to grow and will achieve even better results.

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