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An historical analysis of state capitalism through structural transformation: the case of Uzbekistan

Lorena Lombardozzi

Department of Economics, The Open University, Milton Keynes, UK

ABSTRACT
Structural transformation is widely recognized for being instrumental to the betterment of socio-economic conditions of low and middle-income countries. Yet, its transformative outcome is often conditional on the creation and distribution of surplus value realized by the state. By expanding the understanding of state-led systems of accumulation in Uzbekistan, the article offers a three-fold contribution. First, it strengthens the theoretical linkages between the debate on primitive socialist accumulation and state-led accumulation to understand today's strategies of structural transformation. Second, it argues for the need to look at the inter-temporal and contextual structures in which social agents and interests interact within the dominant logic of state-led accumulation. Finally, it uses the case of Uzbekistan to show how pre- and neoliberal forms of state-led accumulation led to distinctive social and economic outcomes of structural transformation.

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1. Introduction

Over the past 30 years, after the collapse of the Soviet Union between 1989 and 1991, we have observed divergent pathways to growth in the post-Soviet space. At the one extreme, the so-called shock therapy was characterized by a fast and unidirectional move towards private-led accumulation (Ellerman, 2003; Weber, 2021). The shock therapy package consisted of prices liberalization, control of inflation through fiscal austerity, trade openness, and marketization of public assets (Gevorkyan, 2018). Although some argue that government expenditure remained high and the state still acted as a redistributor (Sachs, 1992), patterns of accumulation have been abruptly privatized, private losses got socialized and inequality increased. In the opposite direction, some countries rejected such market-centric prescriptions. By resisting the pressures of Bretton Woods institutions (IFIs), they adopted a more cautious approach to privatization and free trade maintaining state-led accumulation in strategic national assets (Fine & Filho, 2014; Wade, 2018). A popular example outside the Soviet space is China, but other examples of 'developmental state' have been observed in the twentieth century throughout the 1960s–1970s (Amsden, 2001). The 'Asian Tigers' South Korea, Hong Kong, Singapore, and Taiwan, but also Kenya and Cote D'Ivoire in Africa, Chile, and Brazil in Latin America, shielded some industries from privatization through public forms of ownership and management

CONTACT Lorena Lombardozzi lorena.lombardozzi@open.ac.uk

(State-Owned Enterprises – SOEs) (Chang & Nolan, 1995; Mkandawire, 2001; Wade, 2018). Those pathways are grounded in opposite ideological and theoretical understanding of the role of the state for growth. The battle was won by the shock therapy whose victory coincided with the boom of the neoliberal era, mainstreamed by conservative governments in the US and UK in the early 1980s. However, the underdog of this battle, namely state-led accumulation or state capitalism, remained under-explored. We have little knowledge of its structural transformative potentials and how, and to what extent, its accumulated surplus can be redistributed to address social outcomes.

To address this gap, the first contribution of this paper is to link the discussion of *primitive socialist accumulation* in the Soviet Union with the contemporary debate of *state-led accumulation* (Bremmer, 2008; De Graaff, 2012; Van Apeldoorn et al., 2012). Unpacking their common focus on state-led strategies of surplus accumulation will enrich the scholarship on the periodization and varieties of state capitalism (Hall & Gingerich, 2009). Although the Soviet Union represents a major experiment of state-led accumulation, its historical and spatial relations to global capitalist development have been rarely investigated. Along these lines, the article will also shed light on how state-led accumulation relates to competing social interests and inter-sectoral transformative distribution. Looking at the way sources of surplus have been extracted and accumulation generated, it will assess distributions of rewards among private profit, people, and state institutions over time.

Thus, rather than conceptualizing economic transition as a neutral and uni-directional process of marketization and private ownership, it is argued that state-led accumulation shapes contingent forms of state-private relations which determine distinctive distributional and developmental outcomes. The Uzbek political elite, while protecting their economic and political position, have also avoided the unregulated entry of financial capital to stabilize local state-led accumulation. Endogenous accumulation and state coordination were pivotal to initiate a process of long-term structural transformation through inter-sectorial transfers.

Section 2 discusses the historical features of state-led accumulation in the post-Soviet space. Section 3 analyses structural transformation in Uzbekistan through pre-neoliberal patterns of state-led accumulation. Section 4 outlines the continuities and ruptures of state-led accumulation in Uzbek neoliberal marketization. Section 5 concludes.

2. A periodization of state-led accumulation in the post-soviet space

State capitalism is defined by Merriam-Webster as an economic system in which private capitalism is modified by a varying degree of government ownership and control. Why is state capitalism back on the agenda of global development (Alami et al., 2021; Bremmer, 2008)? Because although being blamed for creating distortions and efficiency losses (Schiff & Valdes, 1998), decades of empirical evidence has shown that a combination of public planning and hybrid forms of accumulation can support socio-economic development (De Graaff, 2012). Therefore, it is useful to acknowledge the context-specific forms of state-led accumulations that occurred throughout history. This section will focus on identifying the main continuities and ruptures between socialist primitive accumulation in the Soviet space and state-led accumulation of the twentieth century. It will discuss their historical and institutional specificities and their developmental-distributional outcomes.

2.1. Pre-neoliberal forms of state-led accumulation

State capitalism was a highly debated subject in the early 1900s. Bolsheviks saw 'state capitalism' as the necessary stage to communism. Lenin saw it as the necessary step to channel the development of capitalism to ensure the transformation of socialism of production (Lenin, 1921). Bukharin believed that marketization would limit the potential of large-scale industry, critical for socialist accumulation (1921). An important contribution to understand the source of taxation to accumulate surplus through resource transfer was developed by Preobrazhensky in the 1920s. For Preobrazhensky, *primitive socialist accumulation* was the 'accumulation in the hands of the state of material resources mainly or partly from sources lying outside the complex of the state economy' (Millar, 1978, p. 389). In the Soviet Union there was no indigenous private capital that could trigger dynamics of accumulation through international trade or through extraction from the colonies: If the main resource of capitalist primitive accumulation is the colonies, the only "outside resource" of the Soviet state is the "non-socialist" village (Preobrazhensky, 1965; Millar, 1978). Socialist accumulation had to take place [by taxing the peasantry to expand the industry] at the expense of the surplus value of capitalist economy (Preobrazhensky, 1965). This accumulation process tried to shape socialist relations of production rather than profit-driven ones (Harrison, 1985). Indeed, although the Soviet mode of production allowed the ruling class to exploit labour as in capitalism (Resnick & Wolff, 1993), it did avoid the dispersal of the property of capital based on competition (Amin, 2016 p. 46). Strong protection from global private markets allowed the state to retain ownership and control of key productive sectors to trigger industrialization. Distinctive state interventions shaped the transfer of surplus between sectors. Agriculture was the core of surplus extraction (Gabor, 2020; Kay, 2009; Lewis, 1954; Lombardozzi, 2019, 2021). Central planning of agrarian assets including land and food prices, and the taxation on rural outputs were core elements of the state-led accumulation model.

The price scissor, by creating a mechanism of inter-sectorial surplus extraction, was able to drive capital formation towards industrialization (Lewis, 1954; Lin & Li, 2008; Mundle, 1985). In other words, uneven exchange squeezed farmers income while creating a net agricultural surplus to finance structural transformation. China for instance between 1978 and 1989 regulated grain prices through countercyclical interventions on grain supply which maintained (partial) state quota procurement. By stabilizing the price of grain through the dual-track system, there was an intention to stabilize prices in the overall economy (Tsang, 1996; Weber, 2021). Two different theoretical interpretations were developed in relation to the role of agrarian commodity prices for the macroeconomy. On the one hand, a profit-led argument claims that the dual-price system boosts industrial accumulation by allowing industrial wages to fall as well as food prices so that surplus is extracted by both peasants and wageworkers (Bhaduri & Marglin, 1990). Kalecki on the other hand argued in favour of such policy by emphasizing that inflation of food prices will hamper the creation of demand for industrial goods (1955, p. 29). Instead, he advocated for industrial wages to increase. Hence prices were not conceived as signals of scarcity or abundance in the market as in the shock-therapy doctrine, rather as a redistributive tool to be used on production and consumption (Weber, 2021).

Instances of state-led accumulation emerged beyond the Soviet space. Authors theorized the developmental state looking at cases in East Asia and Latin America in the 1960s and 1970s (Amsden, 2001; Wade, 2018) but also at welfare state models in Western Europe. The state was defined as 'developmental' because the economic and political relationship supported sustained industrialization (Chang, 2009). In some newly independent countries of the global South, privatization was not an end per se. The productive capacity was shaped by the developmentalist strategy of the country (Mkandawire, 2001). Regulations were imposed on private capital to limit competition in strategic sectors through the dynamic use of import-substitution industrialization, public ownership, or control of strategic industries (SOEs), state procurement and state-led finance, and export marketing boards (Kurlantzick, 2016; Mkandawire, 2001). FDIs were seen as unable to address the need of the host country because profits are decoupled from the long-term objectives of the sovereign state of building industrial capabilities (Chang & Andreoni, 2021; Tsang, 1996). On the issue of FDIs versus domestic capital, Kornai (1992) underlines the need to find a 'good' private buyer (Gevorkyan, 2018) which opens questions about the nationality of the capitalist class. Also, financial repression implied that the entry of new banks and other financial institutions such as insurance companies were closely supervized and regulated by the Central Bank which was granted a certain extent of political independence. Delaying financial sector liberalization – in a context of slow private accumulation- aimed at maintaining macroeconomic stability at the cost of financial growth. State monopoly of the financial sector would not jeopardize the limited availability of capital through the entry of scattered and volatile foreign investments (Palley, 2005). This system, by centralizing the use of household deposits and allow cheap credit, channelled the government revenue to new (or old) enterprises in strategic sectors. Another reason to implement financial repression is linked to the inability to administer an efficient income-tax scheme. In sum, the emphasis of state-led accumulation has been on keeping the 'state sector' bigger than the private one and to accumulate surplus while ignoring productivity and market competition in the short run. Public planning and hybrid forms of public-private accumulation led to less volatility in the patterns of accumulation and avoided the atomization of marketization (Lombardozzi, 2019). In terms of redistribution, provision of health, housing, leisure, and education were often attached to SOEs (Gevorkyan, 2018) to contrast market 'embedding' (Haberly & Wójcik, 2017, p. 258; Polanyi & MacIver, 1944). Indeed, private market agents, by acting regardless of collective societal needs, might fall short in guaranteeing social and basic human needs such as access to water, food, or housing.

However, empirical evidence suggests that primitive state-led accumulation often saturated its potential to accumulate capital and distribute its surplus across sectors for structural transformation and widespread social development. In some cases, the uneven exchange applied to food production came at high costs for the peasantry. For instance, it contributed to cause famines as in the case of Maoist China in 1958–1962 and the Soviet Union in 1932. Thus, private accumulation is seen as necessary to create surplus through capitalist mode of production, namely through marketization and dispossession (Sidel, 2015). Although some argue that primitive socialist accumulation has been the explanatory strategy of the Chinese success (Cheng, 2020), not even China could benefit from a limitless growth only through the domestic ability to produce and consume. Because of the intrinsic expansion of capitalism, nation states need foreign markets (Day, 1975) or foreign sources of funding. Marx identified in the international market the main source of expansion of its patterns of accumulation (Millar, 1978). The collapse of the Soviet world in the 1990s marked the end of a bipolar ideological order in which state-accumulation found somehow its legitimacy. Neoliberal globalization started, and residual forms of state accumulation got challenged by an intensification of international capital flows, goods, and technologies which ended the era of regulated trade and national economic sovereignty (Alami & Dixon, 2020; Kotz, 2002). In the next section, I am going to unpack the contingencies of contemporary forms of state-led accumulation to highlight the continuities and differences between those observed so far.

2.2. The underdog of neoliberalism: state capitalism in the twenty-first century

State-led accumulation in the contemporary capitalist global economy is not always linked to a socialist ideology as in the previous century, yet it is still recognized as instrumental to sustain structural transformation (Bremmer, 2010). It is pushed through industrial policies inspired by economic sovereignty which encompass socio-economic objectives such as national employment. Such approach might enter in contradiction with the globalization tendencies of the dominant international governance. Once recognized its relevance, it is important to understand its contemporary specificities and constraints. The first constraint is represented by the pressure to comply with the global financial and commercial architecture through the liberalization of capital accounts (Charnock & Starosta, 2016) and the proliferation of multilateral and regional free-trade agreements. The contemporary global economic governance makes it almost impossible to implement fiscal distortions and state monopsony on taxable production (i.e. agricultural goods). As a result, the national economy is exposed to external pressures in terms of price (and wage) competition and private capital accumulation (and credit).

Such new contingencies have left many low- and middle-income countries with only market-centric tools to deal with (a) the integration to Global Value Chains (GVCs) (Nolke, 2014) to access technologies not available domestically and create jobs within the new international division of labour; (b) debt and related pro-market conditionalities attached to capital finance concentrated in the global north and/or administrated by IFIs; (3) as a result of the above, to boost national domestic demand through the creation of private savings and less exploitative jobs in order to unleash national productive capacity.

Nonetheless, some public institutions survived despite such neoliberal wave based on marketization and free trade, and represent an opportunity to mediate the expansion of global capital through state-led accumulation. Examples are related to public finance (Alami & Dixon, 2020) but also industrial policy (Chang & Andreoni, 2021) and infrastructure (Alami et al., 2021). SOEs have been the largest fast-expanding multinational companies in the past two decades, especially in emerging economies (Karwowski, 2019). IFIs have acknowledged that SOEs hold market legitimacy when complying with corporate governance criteria (Gabor, 2020). These state institutions operate in the global market, yet are not driven by short-term profit and corporate-led finance. By keeping the public ownership of strategic sectors such as energy and infrastructure, countries such as China (nationalizations occurred also in the 2000s in Argentina, Ecuador, and Bolivia in the energy sector (De Graaff, 2012)) improved their terms of trade with industrialized commercial partners, created jobs and transferred technologies while addressing socio-economic gaps (Lo & Zhang, 2011; Nolan, 1995; Weber, 2021).

Sovereign Wealth funds (SWFs) manage reserves and surplus in real and financial assets to raise returns for pensions and national investments (Kattel et al., 2021). Also, development and public banks (SOBs) finance the expansion of the industrial capacity with long-term developmental objectives (Alami & Dixon, 2020). In some countries such as Norway, Germany, and Japan such development banks survived the twentieth century (Kattel et al., 2021). These banks operate in liberalized financial systems but can launch targeted financial programmes based on favourable credit conditions to finance national industrial objectives, including support national private businesses. They apply lower interest rates than commercial banks and pick potential winners in industrial production. They also minimize risk of capital flow volatility which creates corporate debt and shocks in employment.

Through a combination of such state-capital hybrids China, for example, has spurred state-led accumulation by investing in public production and via long-term planning while integrating in the globalized neoliberal order. The Chinese mixed economy suggests that sustainable processes of structural transformation cannot rely on a blind transition based on abrupt privatization and liberalization. Such institutions have a key role in surplus creation and transfer. Although China, given the size of its internal market, has a unique specificity which allows strong leverage in negotiating with MNCs the technology transfer, the paper shows that a much smaller economy have run its economy along similar lines. Chinese SOEs compete within a neoliberal capitalist market but are still coherent with the government approach to privatization 'grab the large, let go of the small' (*zhua da fang xiao*) (Gabor, 2020). In the next two sections, I investigate the ruptures and continuities in the pre- and neoliberal phases of Uzbek state accumulation. The analysis is informed by a combination of secondary data such as databases and policy documents, with primary data including participant observations and stakeholder interviews conducted in the country between 2015 and 2021.

3. Uzbekistan's structural transformation through the first 25 years of state-LED accumulation: from independence to 2016

The political economy of Uzbekistan cannot be analysed away from its Soviet legacy and its recent political independence, obtained in 1991. Uzbekistan is a different case from China because the institutional shock was not only having to 'deal with the market' but also to become independent from the Soviet Union. The late president Karimov, in charge from day one until September 2016 was the former head of the Uzbek Communist Party during the USSR as most of the ministries and public administrators, who were educated in Moscow during the former Soviet Union. Those facts show not only the intellectual continuity among the ruling class of the newly independent Uzbek government, but also their power continuity. Many studies on the five Central Asian states (Kazakhstan, Kirgizstan, Turkmenistan, Tajikistan, and Uzbekistan) have analysed their political economy through the capture of wealth and power of such elite using a neo-patrimonial framework (see Buranelli, 2021). In this view, their regime preservation hampered any possibilities of economic and political openness. Without denying phenomena of corruption, rent-seeking and political repression, this paper adopts a heterodox institutionalist approach (Andreoni, 2022; Khan & Jomo, 2000) to investigate if and how such political settlement has also shaped processes of sustained and transformative accumulation. Dynamics of structural transformation are a useful lens to analyse how the state has shaped accumulation because they shed light on the modalities of access, provision, and distribution of means of production, surplus, and outputs.

The stability of such political settlement, despite slowing down the compliance to models of liberal democracy, has controlled national strategic resources and casted away the risk of predatory competition of scattered foreign capital, even if that was regulated through non-transparent methods. Although the Karimov government has never officially endorsed a 'socialist path' to accumulation, the following discussion shows that dynamics of state-led (primitive) accumulation have not continued through political declaration but rather through economic practices, especially in agriculture. This has created the condition to plan coordinated investment across sectors and trigger process of structural transformation. As a result, World Bank data show that employment in agriculture has declined from 41 percent in 1995 to 26 percent in 2019, GDP per capita has steadily improved while GDP more than doubled in 1989–2012 (Popov & Chowdhury, 2015), poverty decreased from 37 percent to 10 percent of the population, and value-added grew across sectors as Figure 1 shows.

In the first two decades of independence the Government of Uzbekistan (GoU) financed the country's growth in two main ways. First, through price and fiscal distortions on agricultural non-food crops, namely cotton, and second through foreign exchange accumulation by exporting commodities (Lombardozzi, 2019). A gradual and selective privatization started in the 1990s with

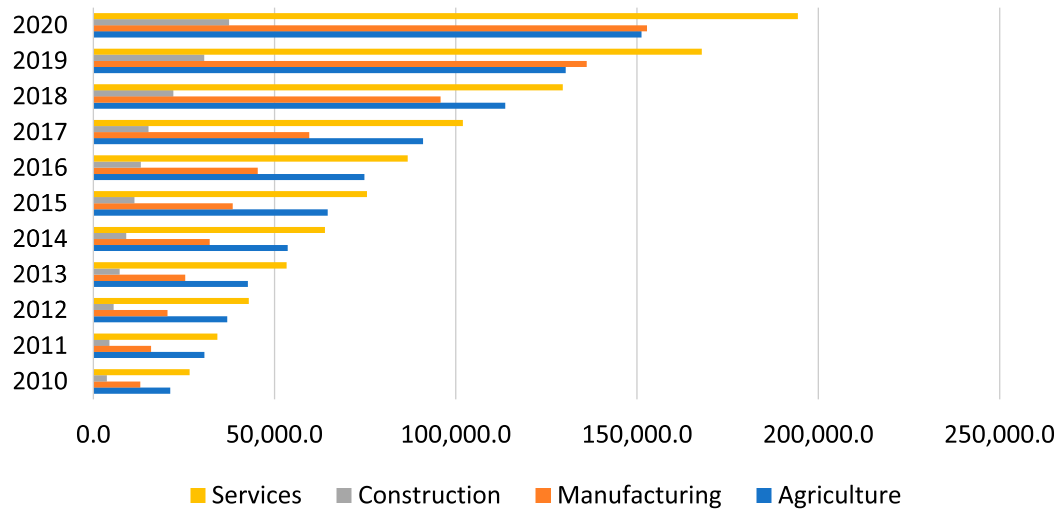

Figure 1. Gross value-added by industry 2010- 2020 in billion sums. source: WB

small enterprises in the service sector. Energy, natural resources, and infrastructures remained in public, as well as land which was leased to farmers or clusters of farmers. Also, the geography of trade relations and FDIs was based on bilateralism with regional countries rather than adopting free-trade multilateral agreements within the WTO, which helped to maintain trade policy sovereignty and implement import substitution industrialization. The Uzbek banking sector repression has played a crucial role in the implementation of investment programmes because foreign loans were channelled through large state-owned banks (Akimov & Dollery, 2006). The bulk of foreign exchange was managed by the National Bank of Uzbekistan (NBU) and a few SWFs. Currency restrictions and financial repression have helped the government regulating capital outflows. Finally, high spending (compared to other countries of the same income level) in health and education (5.6 percent and 6.3 percent of GDP in 2013, WB data) as proportion of GDP allowed for social protection programmes and contained the risk of high inequality. Government consumption was about 22–23 percent of GDP in 2018 and was maintained at higher level than most of low-middle-income countries that adopted neoliberal policies, including Kazakhstan, Mexico, India, and Egypt (WB data). Price distortions and state monopsony of Uzbek agriculture of the 1990s–2000s can be considered as an integral part of the national inter-sectorial strategy for structural transformation. Until liberalization started in 2016, the arrangements of state-led (primitive) accumulation around the different crops were heterogeneous: on the highest level of surplus extraction there was the state crops *par excellence*, cotton. The GoU controlled its export to acquire foreign currency. At the intermediate level there was wheat, which was also subsidized and regulated at production, but the GoU allowed farmers to sell, consume or exchange a 'free-market' quota. At the market level there are fruits and vegetables, fully marketized. It is worth looking at how and why the state extracted value from cotton and wheat.

3.1. Cotton as a source of surplus extraction

In contrast to the shock therapy approach which pushed for liberalized inputs and outputs and the abolitions of state marketing boards, after independence Uzbek cotton remained state-managed and it became the main source of state-led (primitive) accumulation. Uzbekistan became the cotton basket of the Soviet Union after the American civil war impeded import of cotton from the US to Russia. Thus, Uzbekistan became a producer of 70 percent of cotton in the Union (Melvin, 2004). After independence in 1991, the cotton sector made up approximately 25 percent of Uzbek GDP, including light textile industry (2.1 percent), 0.5 percent for chemical, fertilizers, and for petroleum products (Muradov & Ilkhamov, 2014). Cotton producers were subject to almost 90 percent state quota procurement through which they were taxed (setting the farm gate price lower than average market price) but also subsidized because the GoU gave preferential access to means of production (Muradov & Ilkhamov, 2014). The Asian Development Bank (2004) has calculated that, between 2002 and 2003, surplus extraction from cotton amounted to around 10 percent of the GDP, generating US$1.04 billion (or US$350/hectare). These mechanisms have contributed to clientelism and corruption within the local administration. However, the surplus extracted by the GoU from farmers' outputs through the centralized cotton export, in conjunction with protectionism, has contributed to accumulate foreign currency to finance inter-sectorial or sub-sectorial economic investment to sustain long-term growth. In this picture, women and poor household farmers, who did not access land through state crops, were particularly exploited (Lombardozzi, 2022). In the Uzbek context, rural classes have been indeed shaped by state-crops (Lombardozzi, 2020). Rural poor have often left the country to Russia and have been providing a substantive source of income through remittances, which helped to bear the costs of such mode of value extraction for state accumulation.

The GoU dealt with the logistics and transport from the farm to the cotton terminals, where cotton was processed and exported. This state system of procurement addressed the disruptions linked to cotton production such as seasonality, uneven labour demands,[1] and inefficient use of farm machineries (Marx, [1867] 1976, pp. 174–176) enabling economies of scale for inputs and outputs. Those factors can also influence the volatility of prices and supply which can adversely affect farmers' welfare.[2]

This state-managed production has avoided that the cotton supply would pass from a situation of stable prices for inputs and outputs and harmonized quality standards to a fragmented marketized structure characterized by the erosion of horizontal coordination, exposure to international prices fluctuation and financializaton, and risk of international private traders acquiring control positions in the domestic market. As a result, in the 2000s Uzbekistan was the world's fifth largest exporter and sixth largest producer (UNCTAD Report, 2015). Until 2018 it exported approximately one million tons of cotton fibres annually which correspond to 1 billion USD$, which, depending on international prices, is roughly 11 percent of total export earnings. Combined with minerals and gas, it has been a significant source of foreign currency, necessary to feed the balance of payment and implement structural investment for industrialization.

3.2. Wheat for price stability

Wheat has been introduced by the GOU after independence through massive diversion of land and labour from cotton (Veldwisch & Spoor, 2008) and it became the second state-managed crop produced in the country after cotton (FAOSTAT). Quotas, procurement prices, and target were set up annually by the GoU. Up until the recent liberalization, 'Uzdonmahsulot' was the state agency involved during the phase of procurement, distribution, and storage of the grain chain and provided seeds, credit, transport, and quality control. Farmers delivered wheat to state mills, plants, and bakeries which produced flour, bread, and fodder. Wheat was subject to subsidies for fertilizers, machineries, seeds, extension service, water, land, and cheap loans (Bobojonov et al., 2013). In the first year of production, export was banned. In addition, wheat farmers benefitted from voluntary multiple peril crop insurance regime (Bobojonov et al., 2013).

This policy, part of the government strategy of national grain self-sufficiency and rural development started in 1992, is considered one of the most interventionist policies undertaken by the GoU since independence (Lombardozzi & Djanibekov, 2021). However, in contrast with the Soviet uneven exchange on food crops, the state support for domestic wheat supply decreased substantially the dependency on wheat import, contrasted supply shortage, indirectly supported farmers' income and ensured a stable access to inputs also by controlling inputs prices (Bobojonov et al., 2013; Kotz, 2002). Subsidized grain production contributed to relieve pressure on wage inflation and thus indirectly subsidize urban and industrial production (Kalecki, 1955; Lewis, 1954) other than avoiding price spikes during the 2007–2008 food crisis. Minimum prices and subsidies implied a fiscal burden for the state which could disincentivize production diversification. Nevertheless, if rightly designed, distortions in agriculture, despite taxing farmers and constraining their business profitability, contribute to stabilize prices and production (Chang, 2009), shield farmers' income from market volatility and increase the supply of basic wage goods (Ellerman, 2003). Lastly, being such a politically and nutrition-sensitive commodity, such interventionist policy prevented potential speculation of profit-seeker in wheat storage, milling, transportation, and distribution, protecting consumers. Furthermore, productivity did not decrease. Farmers had the incentives to produce more because, once they satisfied their procurement obligations to the state mills, they could sell the remaining harvest to the private market for higher prices (fieldwork data showed that in 2015 more than 90 percent of wheat producers sold up to 50 percent of the output to the local bazar for 800–1200 sums per tons or used it as in-kind payment for workers). According to official and WB data, the average wheat yields passed from 3.8 t/ha to 4.8 t/ha in 2013. Wheat production per capita increased from 0.04 tons p.c to 0.23. Furthermore, the Uzbek population passed from 21 million in 1992 to 30 million in 2015 indicating a high population pressure. That means that the domestic demand for food has increased by one-third over the last 13 years. Food is one of the main drivers of social stability, therefore disruptions in the phase of production, circulation, and consumption were purposively minimized through planning. Far from assuming that this increase in supply was equally distributed, food security indicators have drastically improved during the implementation of this policy, especially for stunting and underweight children which were halved (FAO, 2017). Thus, the state-led mechanisms of surplus extraction in agriculture and slow-paced redistribution across society have proved crucial to make process of transformation socially acceptable by guaranteeing basic food access.

3.3. Uzbek structural transformation through state-led accumulation

Mechanisms of state-led primitive accumulation in agriculture, market distortions, and domestic grain security have been crucial state policies in supporting the delicate process of independence and market transition. As a result of such state-led accumulation strategy, GDP growth, and current account surpluses have translated into rapidly falling indebtedness, with external debt also declining rapidly from 64 percent of GDP in 2001 to 15.8 percent in 2015. External debt has been serviced comfortably which shielded the economy from global neoliberal pressures for market reforms. The current account balance was kept at 0.9 percent of GDP in 2015 and constantly improved as one of the best performing in the region. This system of state-led surplus extraction from agriculture allowed the government to access foreign currency, foster grain sovereignty, and shield the economy from international price volatility. Thus, such mechanisms of procurement, subsidies, and taxation, while putting an undeniable burden on rural populations, have had also social positive outcomes and contributed to improve indicators of nutrition and poverty of 60 percent of Uzbek populations, which still lived in rural areas, outperforming those of countries that followed fully fledged market-oriented packages (Popov & Chowdhury, 2015). Through price scissors, the state extracted surplus from cotton and wheat farmers, but provided them with basic inputs from which secure their food security. As Byres (2003, pp. 69–73) argued, the most successful agricultural transformation, uneven and discriminatory, relied on cheap subsidies, credit, and price stabilization schemes. The surplus created by the state-crops was reinvested in mechanization and technological innovation to spur added-value and diversify production across sectors. The industrialization of agriculture has occurred creating forward and backward linkages with the industrial and service sector (Hirschman, 1958). Therefore, outcomes of structural transformation need to be analysed in relation to the role given to agriculture for the broad economic transition (Kay, 2009). As Preobrazhensky (1965) theorized, in absence of external sources of surplus extraction such as colonial Britain, 'primitive socialist accumulation', although coercive and unequal, is a way to achieve capital accumulation and thus growth in the long-term (Saith, 2013). The Post-independence Uzbek government, was aware of the need to maintain political stability, and therefore to sustain rural livelihoods. This has not compromised its urban support (because it guaranteed food and other basic needs) while investing its surplus across sectors. However, this fragile balance was implemented at the cost of isolationism, which exhausted its capacity to accumulate and increment productive and social development after 25 years.

4. Post-2016: Uzbek structural transformation and the opening to neoliberal globalization

Uzbek patterns of structural transformation took off in the early 2000s, but in 2016 domestic uneven exchange was not enough for capitalistic growth to expand and reproduce itself. That coincided with the start of the Mirziyoyev era. The new President, who won its mandate after Karimov's death in September 2016, showed a strong commitment to pro-market reforms. Mirziyoyev accelerated market transition by opening the Uzbek economy to private and non-private investors through Public–Private–Partnerships and joint-ventures. New trade treaties and Special Economic Zones have been established to attract foreign investment, Chinese State-owned Enterprises (SOEs), and private firms.

Mirzoyev's commitment to attract FDIs was particularly visible in the automotive sector, a strategic labour-intensive sector developed in the 2000s (Popov & Chowdhury, 2015), to enable technological transfer and substitute imports. Other than the continuous partnership with GMs' Chevrolet, Volkswagen in Jizzak, respondents confirm that Hyundai, via Rodeo Ltd and Lada and other Chinese and US partners started operating in the country. On 12 January 2017, Mirziyoyev signed a decree to create free economic zones (FEZs) in various provinces of Uzbekistan – Samarkand, Bukhara, Fergana, and Khorezm- Urgut, Gijduvan, Kokand, and Khazarasp. These are set up for 30 years with the possibility of prolongation. Investors were released from paying several taxes. For instance, if an investor invested up to US$3 million, privileges would be provided for three years; investing from US$3 million to US$5 million will stipulate guarantees on tax privileges for five years; from US$5 million to US$10 million the investor will receive seven years of privileges. In 2017, foreign exchange liberalization led to a currency depreciation of over 50 percent adjust from UZS 4210 to UZS 8100 per US$. Central Bank of Uzbekistan (CBU) has eliminated all foreign exchange surrender requirements on all export earnings to facilitate repatriation of profits.

Also, there has been a wave of price deregulation of cement, minerals, intermediate goods, cotton, wheat, bread, and energy. Custom tariff rates were reduced to attenuate inflation and improve competitiveness (The World Bank, 2018). The State Committee for Privatization, Demonopolization, and Competition Development was created and, in 2000, the government endorsed a number of anti-monopoly laws to accelerate privatization. In those years competitive tenders were announced for the realization of joint-stock companies. The country's stock exchange is still quite small, but is rapidly increasing, also because the neighbour Kazakhstan has launched an international financial centre, putting pressure on Uzbekistan to kick-start its own stock market to keep equity capital within its borders. The financial market has been deregulated and new domestic and foreign commercial banks have started operating in the country. Urban land was privatized to accelerate real estate markets. The abundant natural resources, mostly gold, copper, and uranium are managed by SOEs, whereas oil and gas are increasingly produced with the involvement of international investors, yet by keeping a strategic public stake in the distribution and transmission. Examples are the Russian Lukoil and Gazprom, Korean Kogas, Chinese CNPC, Azeri SOCAR, and others. There has been an overall unbundling of SOEs activities and governance restructuring by separating management, supervision, and regulation bodies in line with IFIs corporate governance criteria. Finally, cotton and wheat prices have been liberalized to promote a more efficient use of natural resources and to stimulate private business (clusters) for processing.

This transition towards private accumulation and integration into the global economy started as a combination of both internal and external factors. Internally, first there is a high population pressure. The emerging urban middle-class is composed of young, often western-educated skilled workers that demand higher wages, jobs, and liberal reforms. The current government is aware that for jobs to be created, the country needs capital and infrastructure as well as technological transfer through virtuous integration with GVCs. This, together with the development of domestic private savings, is the reason why the banking sector has been liberalized and expanded through new SWFs which provide directional support to stimulate the development of a national private financial system. Second, domestic ecological pressures are pushing the government to upgrade raw commodities production (i.e. gas and water-intensive crops), which needs large capital-intensive investment.

However, shifts in patterns of state-accumulation need to be interpreted also in relation to the wider context in which the national system of capital accumulation is inserted. There are two main external determinants which expose Uzbekistan to the neoliberal global order. First, the intensification of the relationship with IFIs. The WB group has supported the country in various ways to reform the regulations of the public administration, to comply with corporate governance structures, and to support Public–Private Partnerships. Such reforms are aimed at improving the efficiency, sustainability, and transparency of resource allocation in the economy, as stated in the WB policy operation document signed in 2018 'for a sustainable transformation towards a market economy' (The World Bank, 2018). Such policies have been posed as a condition to issue loans to finance needed projects in the economy. The same document noted that: 'In the past, Uzbekistan, through a state-driven approach to economic management managed to sustain stable growth but lacked dynamism and flexibility' (2018, p. 14). Lagarde, during her visit to Uzbekistan in May 2019 confirmed: 'But will these investments be channelled to the most competitive and profitable firms? That has been a constant question in Uzbekistan. The answer is: Yes – if the price is right'. Similarly, IFIs' agenda focuses on deregulation, macroeconomic stability, and microeconomic imbalances. However, the Uzbek government has been able to negotiate such conditions and collaborated constructively with IFIs. It used their expertise to draft not only international tenders for energy mega-projects, but it also obtained concessional loans for social and business development, for instance in renewables and agriculture, while keeping a gradual approach to privatization.

Yet, another global actor imposes its presence in the domestic economy. Chinese investment through the Belt and Road initiative can represent an opportunity to diversify sources of credit and investment in infrastructure and energy in alternative to the IFIs and Western circuits. China has become the Uzbek's main trade partner. The trade turnover between China and Uzbekistan increased 20 percent per year with a trade volume of over 7 billion USD, accounting for 18.4 percent of Uzbekistan's foreign trade (Dadabaev & Djalilova, 2021). As a result of tariff cuts, trade between Uzbek and China on intermediate components and natural resources has intensified. To address its transport deficiencies, investment in infrastructure and energy are growing. In June 2016 Tashkent celebrated the completion of a strategic infrastructure symbolizing Uzbekistan–China cooperation – the construction of the Angren-Pap electric railroad segment (in southeast Uzbekistan) and the Kamchik Tunnel. The general contractor for the project was the China Railway Tunnel. New forms of joint-investment and cooperation between Chinese and Uzbek partners are enabling technological transfers and employment opportunities especially in telecommunications and manufacturing sector. In 2019, according to the Chinese Ministry of Commerce, Chinese FDIs in Uzbekistan amounted to 3 billion US$, and focussed on new cement plants for construction materials, energy-mineral complex and processing, and agro-processing which are now expanding not only for export but also for the internal market. However, the BRI still operates in competitive and exploitative regimes of extraction and accumulation whose distributional and developmental outcome can only be shaped by the strategy and politics of the beneficiary's state (Mohan, 2021), while also leveraging equidistantly third actors such as capital from Russia, Turkey, and the Middle East.

In conclusion, the post-2016 economic reforms have led to a reconfiguration of the institutional setting in favour of a more market-centric approach to capital accumulation. These reforms will likely start an acceleration of expropriations, proletarianizations, and urbanizations with unknown social implications. Strategies of private-led accumulation could lead to growth in parallel to the intensification of inequality and the decline of social indicators. In the new BoP figures, external debt is higher mainly due to external borrowing with IFIs and China,[3] and it has doubled between 2016 and 2019 (WB). This can lead to higher risks of predatory investments, which can plunder state assets, drain capital abroad and intensify the volatility of both domestic and external private accumulation. Furthermore, the privatization of strategic sectors such as agriculture (and liberalization of food prices, especially staples such as wheat product), leading to the atomization of production, entails higher risks for the poorest farmers. Also, the replacement of supply-oriented policies (i.e. subsidies and price caps) to contrast the rise in living costs with demand-oriented policies could expose the urban and rural poor to social insecurity.

The contemporary global neoliberal order restricts the possibility of state planning and central coordination between channels of extraction, accumulation, and redistribution. At the same time, recent shocks such as the COVID-19 pandemic and the war in Ukraine have confirmed the fragility of the present interdependencies in which hybrid forms of accumulation operate. The decline of state-led accumulation comes at the cost of low distributional capacity which can increase social inequality. In the Uzbek context, an abrupt marketization would risk destabilizing the difficult transformation of social relations of production at the cost of domestic development. Multinational corporations have not dominated the Uzbek market as privatization has started only recently, however, the international community praises the recent reforms in banking and trade. Mirzoyev is portrayed by the West as someone who is abandoning and reversing Karimov's approach, however, his policies are building on the industrialization path paved by the state-led accumulation strategy of the previous 25 years. The question now is whether the powerful and capital-endowed domestic elite would spur decentjobs and technological change while allowing foreign capital in and ensuring redistribution and social rights in the long-term.

5. Conclusions

This article has bridged the literature on market transition with the revived debate on state-led accumulation by discussing primitive state-led accumulation through its historical and spatial continuum. It highlighted opportunities, similarities, and constraints of state-led accumulation adopting a long-term perspective and showing that across history the state has been an aggregator, coordinator, and owner of capital to sustain structural transformation. It has used the under-investigated case of Uzbekistan to argue that state-led accumulation should be analysed for its dynamic (yet contingent) transformative potentials rather than something opposed to an ideal market transition. Empirical evidence indeed shows institutional overlaps between pre-neoliberal and current forms of state-capital hybrids within neoliberal globalization. To do that, the paper looked at the channels through which surplus is extracted and distributed beyond private profit but also how state institutions can enable private accumulation. Structural transformation is the outcome of a long-term process driven by hybrid mechanisms of accumulation and distribution.

In terms of reflections for future research agenda, there are many contradictions and open questions that the debate on how to organize capitalism today poses. A first issue is that both private-led capitalism and state capitalism exploit wage workers. This nonetheless requires more reflections on how the state can implement investment that can upgrade sectors towards less exploitative labour relations and also less prone to dynamics of financialization while endorsing concrete democratic reforms. In the case of Uzbekistan for instance land in rural area is still state-owned, farmers are not completely dispossessed and only partially proletarianized. There is a social and collective rationale for keeping property rights public, and large-scale enterprises can fulfil a clear mission within the production ecosystem in terms of innovation and distributional social policy (Polanyi & MacIver, 1944). Those institutional settings should not be regarded as outdated but rather investigated both theoretically and empirically for its realistic potential.

Notes

1. Whereas across the world cotton picking is largely mechanized, in Uzbekistan cotton was mostly hand-picked through the mobilization of labour from public officials and universities. International organizations have been denouncing the GoU for child labour and human right violation. The ILO third party monitoring report on the use of child labour and forced labour in cotton harvest showed that since 2016 child labour was widely reduced (ILO, 2022). Also, it noted that the GOU initiated a mechanization plan (Swinkels et al., 2016).
2. On the 16th of November 2015 I visited a cotton collecting and processing site in the Samarkand province. I interviewed a woman working there as a cleaner who showed me around the factory. She has been working there for 30 years. She explained (in Russian) that the factory employed around 400 people from the village of Metan. The plant has 3 shifts of workers each 24h who on average make between 500.000 and 600.000 sums per month (which equals almost 5 dollars per day, above average rural wage). Trucks coming from the fields were waiting in line to deposit their cotton flowers, waiting to weight their loads and get the documents. The plant hosted very old but functioning ginning machines which clean the flower from leaves and dirt, then divide the seeds and fibres and cotton

lint and with the help of workers packaging bale 200 bales of 230 kg each day. Those were going directly to the Samarkand airport terminal to be exported to China and Korea.
3. https://cabar.asia/en/uzbekistan-government-debt-almost-doubled-in-two-years.

Disclosure statement

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Notes on contributor

Lorena Lombardozzi is a Senior Lecturer in Economics at The Open University, UK. She received her PhD from the Economics Department of SOAS, University of London. Her doctoral research focused on the role of the state for the Uzbek market transition and its impact on food consumption. Before returning to academia Lorena worked as a development economist in Latina America in 2014, in Uzbekistan for the regional office of UNODC in Central Asia from 2010 to 2012, and between 2007 and 2010 with the European Commission and the Italian Ministry of Foreign affairs in the field of development economics, trade, and environmental policy.

ORCID

Lorena Lombardozzi http://orcid.org/0000-0002-9233-5558

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