УДК: 339.91. 330.368

ИСЛАМОВ БАХТИЁР АНВАРОВИЧ
д.э.н., профессор, профессор Ташкентского филиала РЭУ имени Г.В. Плеханова, Ташкентский государственный экономический университет, e-mail: bakhtiyor.is@gmail.com

ЗИЯДУЛЛАЕВ НАБИ САИДКАРИМОВИЧ
д.э.н., профессор, главный научный сотрудник ФГБУН «Институт проблем рынка РАН», e-mail: nabi926@mail.ru

ЗИЯДУЛЛАЕВ УЛУГБЕК САИДКАРИМОВИЧ
к.э.н., «Ташкентский государственный экономический университет», Республика Узбекистан, e-mail: uz2005@yandex.ru

ИСЛАМОВ ДОНИЁР БАХТИЁРОВИЧ
магистр экономики, Сертифицированный аудитор (ACCA), директор RB ASIA, e-mail: bakhtiyor.is@gmail.com

ЛИБЕРАЛИЗАЦИЯ ПОЛИТИКИ ОБМЕННОГО КУРСА: МЕЖДУНАРОДНЫЙ ОПЫТ И УРОКИ ДЛЯ УЗБЕКИСТАНА[1]

Аннотация. *Цель работы — анализ опыта зарубежных стран в области либерализации политики обменного курса с целью извлечения необходимых уроков для Узбекистана. Метод — сравнительный анализ, методы статистического и экономического анализа, экспертные оценки.* ***Результаты.*** *Сравнительный анализ как положительного, так и негативного опыта зарубежных стран в области либерализации политики обменного курса позволяет извлечь из него определенные уроки. Главный из них: реформы обменных курсов требуют не разовый (единовременный), а пошаговый (поэтапный) подход. 1 — унификация обменных курсов; 2 — свободный доступ к конвертации для физических и юридических лиц в коммерческих банках по рыночным обменным курсам; 3 — свободная конвертация для всех операций по текущим счетам. Заключительный шаг — либерализация операций по капитальным счетам. Важно выбрать наиболее благоприятное время проведения реформ с точки зрения внутренних и внешних условий. Либерализация обменных курсов в Узбекистане, предусмотренная Стратегией действий, будет успешной, если соответствующие уроки из собственного и мирового опыта будут максимально учтены.* ***Область применения результатов.*** *Результаты могут быть использованы в политике обменного курса Узбекистана путем предложенного пошагового метода от унификации обменного курса к конвертации по текущим операциям и только затем, по мере вызревания необходимых условий, к либерализации операций по капитальным счетам.* ***Выводы.*** *Авторы предлагают свои собственные выводы и подход для решения дилеммы между концепциями «шоковой терапии», которые предлагают начинать реформы с единовременной и полной либерализации обменного курса, и мнением, в соответствии с которым эти меры должны «венчать» рыночные реформы. Их суть: не начинать, но и не дожидаться завершения реформ, а найти конкретное сочетание правительственных и рыночных инструментов, эффективных и своевременных постепенных шагов в области либерализации обменного курса, и поэтапно внедрить их в наиболее благоприятных условиях.*

Ключевые слова: *международный опыт, либерализация обменного курса, денежно-кредитная политика, национальная экономика, Республика Узбекистан.*

ISLAMOV BAKHTIYOR ANVAROVICH
Doctor of Economic Sciences, Professor, Professor of Tashkent Branch of Plekhanov Russian University of Economics, Tashkent State Economic University, e-mail: bakhtiyor.is@gmail.com

[1] Статья подготовлена при финансовой поддержке Российского фонда фундаментальных исследований (проект № 18-010-00853 а).

ZIYADULLAEV NABI SAIDKARIMOVICH
Doctor of Economics, Professor, Chief Research Associate of FSBIS
"Institute of Market Problems of the RAS",
e-mail: nabi926@mail.ru

ZIYADULLAEV ULUGBEK SAIDKARIMOVICH
Candidate of Economic Sciences,
"Tashkent State Economic University", the Republic of Uzbekistan,
e-mail: uz2005@yandex.ru

ISLAMOV DONIYER BAKHTIYOROVICH
Master of Economics, Certified Auditor (ACCA), director of RB ASIA,
e-mail: bakhtiyor.is@gmail.com

LIBERALIZATION OF POLICIES OF EXCHANGE RATES: INTERNATIONAL EXPERIENCE AND LESSONS FOR UZBEKISTAN

Abstract. The goal of the study *is an analysis of experience of foreign countries in the area of liberalization of policies of exchange rates in order to extract the necessary lessons for Uzbekistan.* ***The method*** *is a comparative analysis, methods of statistical and economic analysis, expert evaluations.* ***The results.*** *A comparative analysis of both the positive and negative experience of foreign countries in the area of liberalization of policies of exchange rates allows to extract certain lessons from it. The main of them are reforms of exchange rates require not a one time (nonrecurrent), but a step-by-step (gradual) approach. 1 - unification of exchange rates; 2 - free access to conversion for individuals and legal entities in commercial banks based on market exchange rates; 3 - free conversion for all operations on current accounts. The final step is liberalization of operations on capital accounts. It is important to choose the favorable time for conducting reforms from the point of view of internal and external conditions. Liberalization of exchange rates in Uzbekistan stipulated by the Strategy of actions will be successful if the corresponding lessons from the domestic and world experience are taken into account to the maximum extent.* ***The area of application of the results.*** *The results may be used in the policies of exchange rates of Uzbekistan through the suggested step-by-step method of unification of exchange rates to conversion of the current operations and only then as the necessary conditions form, to liberalization of operations on capital accounts.* ***The conclusions.*** *The authors suggest their own conclusions and approach to solve the dilemma between the concepts of "shock therapy" that suggests starting reforms with a nonrecurrent and complete liberalization of exchange rates and an opinion in accordance with which these measures should "top off" market reforms. Their substance is not to start nor wait until the end of reforms, but rather find a specific combination of governmental and market instruments, effective and timely step-by-step steps in the area of liberalization of the exchange rate, and implement them gradually in the most favorable conditions.*
Keywords: *international experience, liberalization of the exchange rate, monetary-credit policy, the national economy, the Republic of Uzbekistan.*

Introduction. In the Decree on the Strategy of actions signed by President Shavkat Mirziyoev on February 7, 2017, liberalization of the economy is one of the top five priority directions of the development of Uzbekistan. The document envisages usage of international experience for providing stability of national currency and prices in domestic markets as well as stage by stage introduction of internationally proved market mechanisms of currency regulation and formation exchange rate to provide free convertibility of national currency [1]. Special presidential decree entitled "Urgent measures on liberalization of the exchange rate policy" was issued on September 2, 2017, that designated to start this very important process on market base [2].

For all countries in transition the choice of the right exchange rate policy has become one of the key tasks to meet the challenges of both globalization and systemic transformation to provide a proper linkage between domestic and world markets. The objective of this paper is to examine the efficiency of the different exchange rate policies, radical and gradual strategies to draw lessons for Uzbekistan.

Exchange rate liberalization policies proved to be the most acute component of transition, which regardless of the success or failure of market reforms in other areas including stabilization, privatization and even fiscal policies, could initiate financial crisis. However, the majority of international advisors were almost unanimous that an immediate move to convertibility is the best prescription for all countries in transition. Only a few warnings were made that currency convertibility should not be the starting but the finishing point of market reforms to "crown" them [3].

This article suggests its own approach for solving the dilemma between the "big bang" and "crown" concepts, one recommending not to start but also not to wait up to the end of reforms but introduce currency convertibility step-by-step in the most appropriate time from viewpoint of domestic and external environment.

Methods. The research is based on the methods of comparative analysis. Dialectical categories of "historical and logical", as well as "general, particular and individual" are used to analyze the postwar experience of industrially developed countries, market-based reforms in China, Eastern and Central European states, as well as post-soviet republics in a transition period in the area of liberalization of exchange rate policy. The aim is to extract the necessary lessons for Uzbekistan.

1. Lessons from the post-war reconstruction in Western Europe and Japan.

Whether an immediate move to convertibility is the best prescription for countries in transition relied on international experiences? Is there are lessons from the post-war reconstruction in Western Europe and Japan? It took about 17-18 years after WWII in Western Europe and Japan to sign Article VIII of the IMF Charter. It happened after full reconstruction and recovery, with sufficient gold and currency reserves as well as stable positive balance of payments. Besides, it was under good external conditions: terms of trade were beneficial, foreign credit lines were available, full support of International Financial Organizations was provided as well.

So, the first lesson is the best timing from the viewpoint of domestic and external factors should have been chosen not to redouble transformation traps of radical reforms by globalization shocks of fast and unprepared opening up of the domestic markets.

The experiences of highly industrialized countries also proved the necessity of a step-by-step approach. The first task is the achievement of a unified exchange rate (it had been resolved in many European countries by 1958). In Japan, a single exchange rate was introduced as early as in April 1949. K. Hamada and M. Kasuya suggest that a unified exchange rate is important to reduce inflation, eliminate complex subsidies for exports and imports, promote exports, and in order to motivate people to engage in productive activities rather than in speculative shadow operations. What was important in their analysis, that they proved it could be introduced before convertibility under macroeconomic stabilization program [4].

The second step is non-resident current account convertibility that is the main requirement of Article VIII (many European countries introduced it in 1962, Japan in 1963). The U.K. had a negative experience from the hasty introduction of non-resident convertibility in 1947. It was rather limited and generously supported by the U.S. government (the U.K. received $3.73 billion aid). However, current account convertibility due to a huge capital flight was soon abolished It was re-introduced a decade and half later on April 30, 1961.

The third step is full convertibility including resident and capital accounts (in France and Italy it was achieved only in the end of 1970s). The recent global and regional financial crises showed that economies need to be very cautious about the introduction of capital account convertibility without proper preparation.

2. Lessons from market reforms in China, Central and Eastern European states

China started market reforms in 1979 and only 15 years later initiated liberalization of foreign exchange markets. By the end of 1993, there existed a certain disparity between the official rate and a "swap rate" (i.e. the black market rate) but the share of the state plan allocated to foreign exchange had fallen to less than 20 percent of the total.

On January 1, 1994, the planned allocation of foreign exchange was completely abolished, and the two tracks merged into a single market track. In December 1996, China announced current account convertibility of its currency, i.e., it signed article VIII of IMF charter 17 years after the beginning of market reforms.

However, China maintained capital control and managed to avoid the negative impact of the Asian financial crisis. Between 1994 and 1998, the exchange rate remained stable and even appreciated slightly from 8.7 yuan to 8.3 per 1 US$. Both exports and foreign direct investment increased dramatically, and the country's foreign reserves increased from 21 billion US$ to 145 billion US$. Despite the Asian and Russian crises, in 1997 and 1998, China continued to attract FDI of about 45 billion US$ annually [5], [6].

In Central and East European states (except Hungary), such countries as Czechia, Slovakia, Poland, Bulgaria and Romania had chosen much more radical, and in these cases a truly "shock therapy" approach towards convertibility. Compared to Western European states, where convertibility were introduced gradually over almost two decades starting with transactions with foreigners, they tried to do it immediately within a short period of time and in reverse order beginning with internal convertibility.

There were also some differences with regard to the regime of convertibility: the first two countries, like Hungary as well, adopted fixed exchange rates and the latter two floating exchange rates. In reality only in 1990, the first year after introduction of currency convertibility, were there improvements in foreign trade balances due to a sharp decrease of imports. But it was achieved not only as a result of a contraction in imported consumer goods but capital goods as well. The lack of imported inputs made a significant negative impact on domestic production and contributed to output decline. However, beginning with 1991, there were deficits in foreign trade balances because the growth of imports was faster than that of exports.

All CEE countries, Hungary (1990), Poland, Czechia, Slovakia (1991) earlier, Bulgaria (1992) and Romania (1993) later deliberately permitted faster growth of real exchange rates of their national currencies towards US dollar in order to diminish the adverse effects of import contraction on real sectors of the economy. In addition, in 1991–1992, as was mentioned above, Poland re-introduced higher tariffs. Hungary used more non-tariff measures to protect domestic producers.

Why did the Eastern and Central European countries attempt to introduce currency convertibility so fast and in reverse order compared with Western European states?

The main reason was to appeal for trust from foreign countries and investors in their market reforms, to introduce a competitive market environment, to stop dollarization of the economy and to strengthen the national currency. Their task was to create a market economy and not just to liberalize currency controls as it was in the post-war highly industrialized countries. Therefore, internal convertibility was introduced first. Though it was limited only to current account transactions, residents had access to hard currency only to pay for their imports. It was prohibited to take local currency out of the country or to open a foreign currency account abroad.

Nevertheless, fast liberalization of current account controls for residents and non-residents combined with elimination of the state monopoly on foreign trade contributed immensely to the chain reaction of sharp devaluation, inflation and recession. Enterprises did not react to market signals in the way they do under perfect competition. Instead of increased efficiencies they faced a galloping rise in prices and a huge output decline. State interventions and foreign credits were the only instruments to fix the situation.

3. Lessons from market reforms in post- Soviet republics.

The experience of post- Soviet republics also shows that it is not technically difficult for the state to introduce currency convertibility immediately and open up the domestic market. Controversies were connected with their impact on the real economy and sustainable human development. The costs of transition in Russia that in 1998 turned into default and financial crisis were very large. Both Russia and Kazakhstan, resource rich countries, have been relying mainly on energy and metals exports that has led to appreciation of their currencies, reducing the returns to local exporters and domestic import-competing industries in other sectors. It had not been possible to protect by tariffs or quotas because of lengthy borders and inefficient customs. Therefore, on the positive side, the devaluation more effectively protected domestic producers and industries by making imports more expensive. It was less successful in promoting exports, because major exportable commodities had been hard currency denominated before and after devaluation. Besides, the output reversals were accompanied again with increased inflation in Russia, and affected the wellbeing of the people with fixed incomes.

Overall, the situation after the 1998 crisis had started to change for the better in Russia. It was partially connected with Primakov's government that implemented elements of industrial policy and partially with the increase of prices for oil in the world markets beginning with the second half of 1999 and throughout a decade. It was less successful in promoting exports, because major exportable commodities had been hard currency denominated before and after devaluation. Besides, the output reversals were accompanied again with increased inflation in Russia, and affected the wellbeing of the people with fixed incomes. Moreover, due to economic sanctions against Russia and sharp fall of world prices for oil, Russian Ruble was devaluated for two times and Russian Central Bank had to introduce floating exchange rate system in December 2014.

The Central Asian states have chosen more or less similar exchange rates regimes based on managed floating and systems of exchange auctions since the moment of their own currency introduction. However, despite some similarities in initial macroeconomic stabilization procedures and forms of exchange rate regimes, in reality the various countries took two significantly different approaches towards not only the main strategy of market reforms as a whole but also towards currency convertibility as well.

The Central Asian states have been divided into two groups in regards to their exchange rate policies. Kyrgyzstan and Kazakhstan, following the concept of radical "shock therapy" reforms, accepted the conditions of Article VIII of the IMF Charter rather fast — on March 29, 1995 and July 16, 1996 respectively. Tajikistan unified its exchange rate, abolished surrender requirements, and started to follow IMF conditions a several years later. However, radical transition with hasty currency convertibility and extra openness in these countries so far has been too costly, made not only at the expense of the majority of the current population but future generations (with a huge foreign debt and overuse of non-renewable natural resources) as well. It became one of the most significant factors of output decline at the initial stage of transition and their vulnerability to the shocks of global and regional crises of 2008 and 2014 in these respective countries [see, 7 and 8].

Kazakhstan signed article VIII in July 1996 and introduced one of the most radical large privatizations, which attracted the second largest FDI per capita in the FSU (after another oil rich Azerbaijan). But in comparison with China and Hungary, in Kazakhstan FDI was allocated not to labor intensive human resource based enterprises, but to capital intensive natural resources based sectors. It has not improved employment possibilities radically, the chances of sustainable development in manufacturing and agricultural sectors suffered also from greater openness compared to some of its southern neighboring countries.

The second group of countries — Uzbekistan and Turkmenistan, giving clear preference to gradual reforms, took a more cautious position concerning exchange rate policy.

A comparative analysis of the negative effects of the global and regional financial crises on the Central Asian states strongly underlines the necessity of finding a particular mix of state and market co-ordination, radical and gradual steps related to exchange rate policy in each individual state, implementing anti-crisis measures, whenever they are required.

4. Economic growth and exchange rate liberalization in Uzbekistan.

A combination of protectionism with gradual foreign trade and exchange rate liberalizations, which had been implemented in Uzbekistan, resulted in the least output decline during the first years of systemic transformation, faster recovery and economic growth afterwards [see, 7 and 8]. Theoretically and empirically advantages of gradual transformation were stressed in mid 1990-s by A. Nekipelov and O. Bogomolov [9, 10]. More recently N. and U. Ziyadullaevs also stated that Uzbekistan "from the beginning of 1990-s conducted policy of cautious and gradual approach to economic reforms" [11, 12].

Source: Statistical Committee of Uzbekistan

In the IMF working papers, "the output records of Uzbekistan" achieved within the first decade were considered as "Uzbek growth puzzle" in terms of modest output decline and rather fast recovery even compared with all, including CEE, countries in transition (Taube and Zettelmeyer 1998; J. Zettelmeyer 1998). It was also noted that they presented "a challenge to the standard transition paradigm" (Fisher and Sahay 2000) [13, 14, 15].

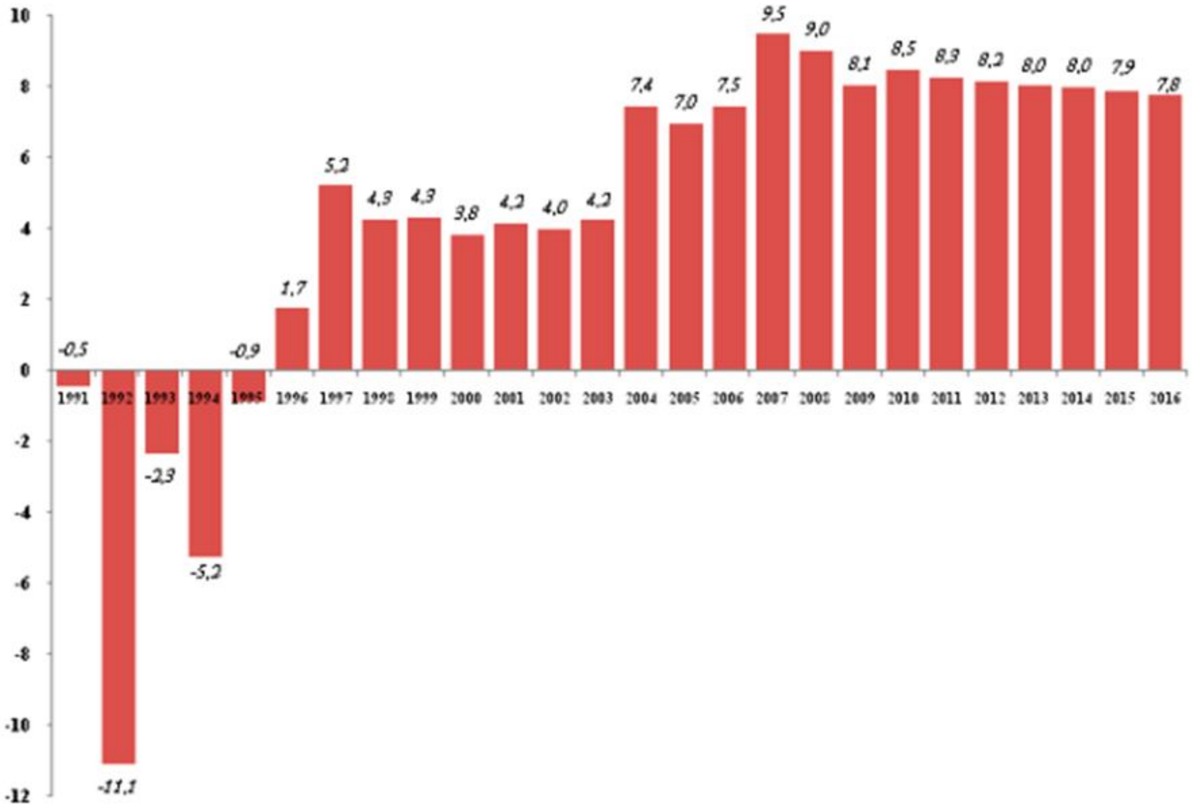

Diagram 1. *GDP growth in Uzbekistan, 1991-2016 (in percentage to previous year).*

Although several other books and papers have been published about the "Uzbek paradox", "Uzbek Path" compared with other NIS (Pomfret 2007; Gleason 2003) from slightly different positions [16, 17]. Meanwhile alternative explanation of "Uzbek puzzle" given by one of the authors of this paper (Islamov 2001) has been recently backed up by a new data in V. Popov's articles on "economic miracle in Uzbekistan" (Popov 2013) [18]. The analysis of economic growth and human development in Uzbekistan within the second decade of transformation made by another unbiased economists permitted him again to confirm that "its achievements appeared to remain a frustrating puzzle to many orthodox economists" (McKinley 2010) [19].

Now, two and half decades after of substantiation of "Uzbek model" (Karimov 1993), perhaps, it is high time to look at "Uzbek puzzle" from this angle and recognize the achievements of Uzbekistan are the result proper implementation of its own model [20].

Actually, a gradual approach to exchange rate and foreign trade liberalization is one of major, in terms of market reforms, distinctions in Uzbekistan from the majority of other FSU states and countries in transition. However, the recent decade developments in all Central Asian states revealed their rather big vulnerability to external shocks, especially reinforced by global and regional financial crises. Moreover, because of changes in investors' attitudes towards emerging and transitional economies, it became more difficult and costly to attract FDI and loans.

Source: Central Bank of Uzbekistan

All this contributed to a rapid increase of the spread between the official and curb market exchange rates and a significant acceleration of inflation from the end of 1998 to mid-2000, as well as after 2008 and 2014. By September 1, 2017 the spread between the official and curb market exchange rates in Uzbekistan was more than two times.

Special presidential decree entitled "Urgent measures on liberalization of the exchange rate policy" was issued on September 2, 2017. It was aimed to provide unification of exchange rates in Uzbekistan. The curb market is to be curbed, within a short period of time using every means (including media, law enforcement) but foremost via liberalization of commercial exchange rates. It has been achieved in one month and kept more or less up to now.

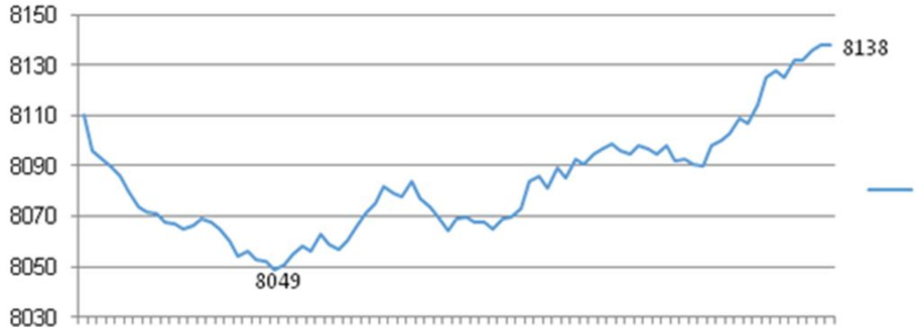

Diagram 2. *Dynamics of exchange rates sum to dollar, September- December 2017.*

At present, Uzbekistan carries out a wide range of activities aimed at forming the institutional bases for integrating the national economy into the world economy. With the adoption of the "Strategy of Action for the five priority areas for the development of the Republic of Uzbekistan for 2017-2021" [21], market mechanisms for currency regulation, stimulating the growth of its export potential, aimed at improving the investment climate and business environment, were actively introduced in the country.

Thus, in accordance with the Decree of the President of the Republic of Uzbekistan No.UP-5177 "On priority measures for the liberalization of the currency policy" dated 2.09.2017, the main directions of the liberalization of the foreign exchange market were determined, which will have a positive impact on the state of the investment climate of the Republic in their implementation. Among them, one should single out the free purchase and sale of foreign currency by both legal entities and individuals, who now have the right to use their own FCC at their own discretion. When establishing the exchange rate, the state intends to apply only market mechanisms. The decree established that from September 5, 2017, legal entities of the Republic of Uzbekistan can, without restriction, purchase foreign currency in commercial banks for payment under current international transactions, and individuals-residents of the Republic of Uzbekistan can freely sell in exchange offices and purchase foreign currency in the conversion departments of commercial banks in accordance with the current procedure and use it abroad without any restrictions [22].

Liberalization of currency regulation required a drastic change in the current instruments for the implementation of monetary policy implemented in the republic. The monetary policy pursued by the Central Bank of the Republic of Uzbekistan (CBU) throughout the entire market transformation has been aimed at ensuring sustainable growth of the national economy, stability of the national currency, reducing inflation, fully meeting the population's demand and production in cash. To achieve these goals, it used the mechanisms to regulate the dynamics of net domestic assets and international reserves, the liquidity of the banking system, and the amount of reserve money. If the CBU increased the reserve requirement, this led to a reduction in the excess reserves of commercial banks, which they could use to carry out loan operations. Accordingly, this contributed to the multiplication reduction of the money supply, because when the reserve requirement ratio changes, the value of the deposit multiplier changes. With the reduction of the norm of required reserves, the amount of money supply increased dramatically. This tool of monetary policy was, according to experts, the most powerful, but rather rude, because it affects the fundamentals of the entire banking system. Even a slight change in the norm of mandatory reserves can cause significant changes in the volume of bank reserves and lead to a modification of the credit policy of commercial banks.

In accordance with the Decree of the President of the Republic of Uzbekistan No. PP-3272 of September 13, 2017 "On measures for the further Improvement of monetary policy", a phased transition in the medium-term outlook to the inflation targeting regime used by central banks to ensure price stability for the domestic market [23]. To this end, it is envisaged to develop and adopt, by March 1, 2018, the Concept of the Development and Implementation of Monetary Policy and the Roadmap for its Implementation for 2018-2021.

Experts of the IMF, during interviews of the heads of central banks (CB) of a number of states, identified the necessary conditions for the transition of developing countries to freely convertible currency. They include the institutional independence of the Central Bank, the high level of qualification of analysts and reliable statistical base, free pricing and minimal dependence on the exchange rate, world prices for raw materials, a stable banking system and developed financial markets.

Until recently, V. Eichengreen, P. Masson, M. Savastano and S. Sharma (1999) stressed that the use of this tool by countries with economies in transition is inappropriate, since it makes quite high demands on the institutional and macroeconomic environment [24]. However, E. Truman (2003), N. Batini and D. Laxton (2005) took the view that these conditions are not mandatory [25, 26]. On the contrary, the experience of countries using inflation targeting shows that the improvement of the institutional environment in them occurred after the transition to a new regime of monetary policy. This provision on the example of Russia is fully justified in a joint article by A. A. Akayev, N. S. Ziyadullaev, A. I. Sarygulov and Sokolov V. N. (2017) [27].

It should also be taken into account that the results achieved by the developed countries were generally higher than in developing countries and economies in transition, since the latter did not achieve the benchmark for reducing inflation due to its high volatility. However, despite this, as stressed by S. Roger, M. Stone (2005), unsatisfactory starting conditions can be improved in a relatively short period of time. So, after the introduction of inflation targeting inflation volatility in countries decreased by 3 times in 3 years [28]. A key factor in the progress in the use of this regime, according to M. Sherwin (2000), is political support from the state [29]. On the example of the Russian Federation, this provision is convincingly proved in another article of the above-mentioned Russian scholars [30].

In carrying out the work on further reforming and improving the financial sector of the Republic of Uzbekistan in order to better adapt it to the conditions of the world financial system, in our opinion, we should take into account the positive and negative experiences of the Russian Federation, developed in the process of preparing documents for the establishment of a new international financial center (IFC) in Moscow [31], as well as Russia's participation in the international banking reform "Basel-3" [32].

Results. The experience of countries in transition during the first two and half decades confirmed that exchange rate policy is not just a tool for integration into the world market and for the attraction of foreign investment but an important part of the systemic transformation. It also permits us to weight the pros and cons of both the “shock therapy” and gradualist approaches in all spheres. It requires us to search for better strategies, combining the strengths of the state and market, growth and distribution, more openness with a readiness to provide protection against external shocks whenever it will be necessary [33, 34].

In the authors’ opinion, possible areas for further searching for better policies of development, the transition and integration with the global economy, are also linked with deeper learning both from the large positive and recent negative international experiences. The exchange rates reforms according to international experiences requires several steps.

The first step is unification of exchange rates. More measures building confidence in the banking and financial systems, and discouraging capital flight as much as possible are important. So, initial measures need to be resolutely taken provided that internal and external conditions are not unfavorable. “Money overhang” now is to be taken care of by further rigid macroeconomic stabilization, as well as through realistic and transparent privatization proposals open to both domestic and foreign investors.

The second step, after the curb market rate is replaced by a liberalized commercial one with easy access to physical and legal persons. All importers and investors are to be served by commercial banks at market exchange rates.

The third step, is to make currency freely convertible starting with current account transactions, further impediments for exports and imports of goods are gradually to be eliminated and, so-called, “external commodity convertibility” provided.

Finally, without haste though, liberalization of capital accounts. Protection of “infant industries” and other government-sponsored projects is to be provided not by exchange rate mechanisms but by other trade and financial instruments, i.e., transparent and explicit taxes and subsidies. Soft access to hard currency funds needs to be tightened progressively from the first through all stages of the unification of exchange rates to the achievement of current account convertibility and on.

Conclusions. A favorable external environment (stability in international and regional financial markets, positive dynamics of terms of trade, improved competitiveness in traditional and global markets, attractiveness of the undertaken measures for domestic and foreign investors) is important for the proper timing of such reforms. The official exchange rate under multiple exchange rates is not relevant for determination of market prices of tradable (exportable and importable) goods, as well as creates extra impediments to foreign investors.

Thus, the task is to find a particular mix of government and market instruments, efficient and timely further gradual steps related to exchange rate policy in Uzbekistan and implement a comprehensive system that includes not only anti-crisis measures, but motivate consistent improvements of its global competitiveness and become more attractive for investments.

The current liberalization of exchange rates in Uzbekistan envisaged by the Strategy of actions will be successful if proper lessons are drawn from its own and world experiences.

References:

1. Mirziyoev Sh. M. (2017) The Decree of the President of Uzbekistan Strategy of actions along five priority directions of the development of Uzbekistan // Narodnoe Slovo, February 8.

2. Mirziyoev Sh. M. (2017) The Decree of the President of Uzbekistan Urgent measures on liberalization of the exchange rate policy // Narodnoe Slovo, September 3.

3. Williamson J. (1991) The Economic Opening of Eastern Europe, in Currency Convertibility in Eastern Europe, Washington D.C. P. 383.

4. Dornbusch et al. (1993). Postwar Economic Reconstruction and Lessons for the East Today, The MIT Press, Cambridge, USA, London, England. P. X–XI, 173–175, 181.

5. Yingi Qian, (1999). Institutional Foundations of China's Market Transition. World Bank Conference on Development Economics, Washington, D. C., April 28–30. P. 27.

6. Islamov B., Kurbanov D. (2002), «Об опыте экономических реформ в Китае», Экономическое обозрение. No. 4–5, 2002. P. 29.

7. Islamov B. (2001) The Central Asian States Ten Years After: How to Overcome Traps of Development, Transformation and Globalization, monograph, Maruzen, Japan, Tokyo.

8. Islamov B., Islamov D. (2014). The Central Asian States 20 Years after: "Puzzles" of Systemic Transformation, in Journal Acta Slavica Yaponica, Tomus 35, SRC, Hokkaido University, Sapporo, Japan. P. 110–134.

9. Nekipelov A. D. (1996), Ocherki po ekonomike postkommunizma, Moskva.

10. Bogomolov O. T. (1998). Reformy v zerkale mejdunarodnyh sravneniy, Moskva: Ekonomika.

11. Зиядуллаев Н. С., Зиядуллаев У. С (2017) Экономика и политика пост-социалистических государств: опыт трансформации. (Под ред. чл-корр.РАН Р.И.Хасбулатова) — М., РЭУ им. Г.В.Плеханова. Вече Т. 2, Глава 12. Экономика Республики Узбекистан. — С. 357.

12. Зиядуллаев Н. С., Зиядуллаев С. Н. 25 лет трансформации и структурирования постсоветского экономического пространства. — М., Региональные проблемы преобразования экономики. — 2016. — № 6.

13. Taube, Gunther and Zettelmeyer, Jeromin (1998). Output Decline and Recovery in Uzbekistan: Past Performance and Future Prospects, IMF Working Paper, WP/98/132, September, Washington, D. C.

14. Zettelmeyer Jeromin (1998). The Uzbek Growth Puzzle. IMF Working Papers, WP/98/133, September, Washington D. C.

15. Fisher, Stanley and Sahay, Ratna (2000). The Transition Economies After Ten Years, IMF Working Papers, WP/00/30, February, IMF, Washington, D. C.

16. Gleason, G. (2003), Markets and Politics in Central Asia. Structural Reform and Political Change, New York, Routledge, USA.

17. Pomfret, R. and Anderson, K. (1997). Uzbekistan: Welfare Impact of Slow Transition. WIDER, Working Papers, United Nations University, June. No. 135.

18. Popov, V. (2013). An Economic Miracle in the Post-Soviet Space: How Uzbekistan Managed to Achieve What No Other Post-Soviet State Has. PONARS Eurasia working paper.

19. McKinley T. (2010). The Puzzling Success of Uzbekistan's Heterodox Development Development Viewpoint, Number 44, Center for Development and Policy Recearch, School for Oriental and African Studies.

20. Karimov I. (1993). Uzbekistan — sobstvennaya model perekhoda na rynochnye otnosheniya, Tashkent.

21. Стратегия действий по пяти приоритетным направлениям развития Республики Узбекистан в 2017–2021 годах. Приложение № 1 к Указу Президента Республики Узбекистан от 07.02.2017 № УП-4947 // Все законодательство Узбекистана [Электронный ресурс]. Режим доступа: https://nrm.uz/contentf?doc=491928_strategiya_deystviy_po_pyati_prioritetnym_napravleniyam_razvitiya_respubliki_uzbekistan_v_2017-2021_godah_(prilojenie_n_1_k_ukazu_prezidenta_ruz_ot_07_02_2017_g_n_up-4947) (дата обращения 01.02.2018 г.), свободный. — Загл. с экрана.

22. Strategy five priority directions of development of the Republic of Uzbekistan in the years 2017-2021. Appendix № 1 to the Decree of the President of the Republic of Uzbekistan from 07.02.2017. No. ck-4947 // the legislation of Uzbekistan [Электронный ресурс]. Режим доступа: https://nrm.uz/contentf?doc=491928_strategiya_deystviy_po_pyati_prioritetnym_napravleniyam_razvitiya_respubliki_uzbekistan_v_2017-2021_godah_(prilojenie_n_1_k_ukazu_prezidenta_ruz_ot_07_02_2017_g_n_up-4947) (accessed

01.02.2018 G.), свободный. — Загл. с экрана.
23. Указ Президента Республики Узбекистан от 2.09.2017 г. №УП-5177 «О первоочередных мерах по либерализации валютной политики» // Собрание законодательства Республики Узбекистан, 2017. — № 36. — Ст. 945.
24. The decree of the President of the Republic of Uzbekistan from 2.09.2017 g. №up-5177 «On priority measures to liberalize the foreign exchange policy» // meeting of the legislation of the Republic of Uzbekistan, 2017. — No. 36. — P. 945.
25. Постановление Президента Республики Узбекистан от 13.09.2017 №ПП-3272 «О мерах по дальнейшему совершенствованию денежно-кредитной политики» // Собрание законодательства Республики Узбекистан, 2017. — № 38. — Ст. 1030.
26. Decree of the President of the Republic of Uzbekistan from 13.09.2017, № PP-3272 «About measures on further improvement of monetary policy» // meeting of the legislation of the Republic of Uzbekistan, 2017. No. 38, article 1030.
27. Eichengreen V., Masson P., Savastano M., Sharma S. Transition Strategies and Nominal Anchors on the Road to the Greater Exchange Rate Flexibility // Essays in International Finance. 1999. Vol. 213. (Princeton, New Jersey: International Finance Section, Department of Economics, Princeton University).
28. Truman E. Inflation Targeting in the World Economy // Institute lor International Economics, Washington. 2003.
29. Batini N., Laxton D. Under what conditions can inflation targeting be adopted? The Experience of Emerging Markets // Paper prepared by the Ninth Annual Conference of the Central Bank of Chile «Monetary Policy Under Inflation Targeting». Santiago, Chile. October 20–21, 2005.
30. Akaev A. A., Ziyadullaev N. S., Sarygulov A. I., Sokolov V. N. Predictive model of economic dynamics in conditions of stagflation, taking into account the volatility of the national currency // Problems of forecasting. — 2017. — No. 3. — P. 34–41.
31. Roger S., Stone M. On Target: The International Experience with Achieving Inflation Targets / IMF Working Paper 05/163. Washington, IMF. 2005.
32. Sherwin M. Institutional Frameworks for Inflation Targeting? // Reserve Bank of New Zealand Bulletin. 2000. Vol. 63.
33. Akayev A. A., Ziyadullaev N. S., Sarygulov A. I., Sokolov V. N. Medium-Term Forecast of the Dynamics of the Development of the Russian Economy // Prediction Problems, 2016. No. 5. P. 37–46.
34. Ziyadullaev N. S., Ziyadullaev U. S. International Financial Center in Moscow: Opportunities and Mechanisms of Formation // Moscow: Society and Economy, 2014. No. 4. P. 121–140.
35. Ziyadullaev N. S., Kurguzov V. V., Kravchenko P. P., Kibardina Yu. S. International banking reform Basel-3 and Russian realities // Moscow, Russian Foreign Economic Journal, 2011. No. 4. P. 44–49. No. 5. P. 41–45.
36. Akaev A. A., Ziyadullaev N., Sarygulov A. I., Sokolov V. N. A predictive model of economic dynamics in the conditions of stagflation, given the volatility of the national currency // Problems of forecasting. 2017. No. 3. P. 34–41.
37. Ziyadullaev N. S., Ziyadullaev U. S. 25 years of the CIS and Eurasian integration projects: expectations, disappointments and prospects // The economic science of modern Russia, 2017. No. 2. P. 123–136.
38. Ziyadullaev N. S., Ziyadullaev U. S. Expert assessment of the level of economic security of the national economy // Problems of market economy. 2017. No. 3. P. 30–35.
39. Roger S., Stone M. On Target: The International Experience with Achieving Inflation Targets // IMF Working Paper 05/163. Washington, IMF. 2005.
40. Sherwin M. Institutional Frameworks for Inflation Targeting? // Reserve Bank of New Zealand Bulletin. 2000. Vol. 63.
41. Islamov B., Parpiev Z. (2000). «Challenges of Globalization and Exchange Rate Policies in Central Asian Independent States» in Hitotsubashi Journal of Economics. Vol. 41. No. 1, June. P. 27–52.
42. Abdurakhmanov K., Zakirova N., Islamov B., Hiwatari M. (2016), Systemic Transformation and Sustainable Human Development: Case of Uzbekistan, Monograph, Gunadarma University Press, Jakarta, Indonesia.