

THE IMPACT OF ECONOMIC INTEGRATION IN CENTRAL ASIA ON THE ECONOMY OF UZBEKISTAN

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ABSTRACT

Uzbekistan has recently pursued deeper trade relations with its Central Asian neighbors. This study examines how regional integration impacts its economy using policy and data analysis. Findings show that integration boosts exports, GDP growth, and investment inflows. Membership in alliances like the EAEU may raise exports by \$1.2 billion and modestly improve GDP by 0.3–0.4%. However, structural reforms are essential to maximize benefits and manage new challenges.

Keywords: *Economic integration; Uzbekistan; trade; Central Asia; GDP growth; regional cooperation.*

ANNOTATSIYA

O'zbekiston so'nggi yillarda Markaziy Osiyo davlatlari bilan savdo aloqalarini chuqurlashtirmoqda. Ushbu tadqiqot integratsiyaning iqtisodiyotga ta'sirini tahlil qiladi. Natijalar eksport va YaIM o'sishiga ijobiy ta'sir ko'rsatishini ko'rsatdi. Yild kabi ittifoqlarga qo'shilish eksportni \$1,2 mlrd.ga oshirishi mumkin. Foyda maksimal bo'lishi uchun islohotlar zarur.

Kalit so'zlar: *Iqtisodiy integratsiya; O'zbekiston; savdo; Markaziy Osiyo; YaIM o'sishi; hamkorlik.*

АННОТАЦИЯ

Узбекистан активно развивает торговлю с соседями в Центральной Азии. В работе исследуется влияние интеграции на экономику страны. Результаты показывают, что интеграция увеличивает экспорт, ВВП и инвестиции.

Присоединение к ЕАЭС может повысить экспорт на \$1,2 млрд. Для устойчивого развития необходимы структурные реформы.

Ключевые слова: экономическая интеграция; Узбекистан; торговля; Центральная Азия; рост ВВП; сотрудничество.

INTRODUCTION

Since Uzbekistan's 2016 leadership transition, the country has increasingly positioned "openness" and pragmatic neighborhood diplomacy as core pillars of its external economic policy. Under President Shavkat Mirziyoyev, reforms in trade facilitation, tourism policy, and border-crossing regimes have aimed to reduce transaction costs for firms and households, thereby accelerating Central Asian integration through practical, day-to-day connectivity (Mirziyoyev, 2016; TimesCA). In concrete terms, this policy shift has worked its way through a set of mutually reinforcing channels: (i) by relaxing administrative costs at borders and by promoting cross-border mobility; (ii) by bolstering bilateral and multilateral trade and cooperation frameworks; and (iii) by prioritizing transport and logistics linkages which reduce delivery times and the costs of delivery across the region. In the infrastructure sphere, Uzbekistan's involvement with regional connectivity initiatives—such as CAREC transport corridors—is important, as it is located at crucial points within regions in which expanded transit capacity may lead to second order effects of boosting freight volumes, services exports and private investment in logistics activities.

It has also diffused in institutional forms which enlarge policy coordination without entailing full supranational commitment. For instance, Uzbekistan gaining observer status in the Eurasian Economic Union (EAEU) in December 2020 has created an extra venue for discussions on trade rules and standards and regional economic interlinks. Concurrently, a "soft" integration agenda—resoning-tourism and visa policy, in particular—has been employed to boost people-to-people contacts and service-sector expansion through the adoption of various liberalization measures implemented in 2018–2019 seen as facilitating greater inbound travel and associated demand for accommodation services, transport and retail business.

Regional trade indicators also point to a broad-based expansion in intra-Central Asian exchange in recent years, consistent with the logic that reduced barriers and improved logistics tend to raise the frequency and scale of cross-border transactions.

Against this backdrop, this paper evaluates how deeper regional integration—via trade agreements, cross-border infrastructure, and intergovernmental cooperation—has affected Uzbekistan's overall macroeconomic performance using the most recent available data for 2023–2025. The analysis focuses on key outcome variables: GDP

growth dynamics, trade volumes (both total trade and intra-regional trade shares), foreign direct investment (FDI) inflows, and indicators of economic diversification (including the expansion of manufacturing and modern services, and the development of higher value-added export lines). Recent assessments by international financial institutions characterize Uzbekistan's growth as robust, while emphasizing that the composition of growth and the resilience of external balances remain central to evaluating the net benefits of integration.

Finally, the paper treats integration as a process with both opportunities and constraints. On the positive side, increased connectivity can expand available markets, scale economies and generate investment in tradables and logistics as well as sectoral upgrading. On the constraint side, integration can increase vulnerability to external shocks (commodity-price volatility and demand fluctuations in partner economies), expose infrastructure bottlenecks at border gates or along transit corridors, and generate policy trade-offs with respect import growth, external balances and macroeconomic stability. Building on World Bank, IMF and national statistical data, the paper establishes an informed narrative for how integration enabled growth and structural change while also addressing the risks and capacity gaps that need to be managed in order to sustain broad-based long-term benefits.

LITERATURE REVIEW

It is very well documented that regional economic integration leads to numerous implications on national economies, in different geopolitical circumstances. The opening ideas of "trade creation" and "trade diversion" were developed by Baldwin & Venables (1995) to provide an approach for the assessment of the benefits and costs stemming from integration actions. Focus has shifted more recently to the significance of regional supply chains, institutional quality and investment flows in determining where integration works (World Bank, 2020; ADB, 2023).

In the case of Central Asia, geopolitical rivalry, infrastructural compartmentalism and protectionist trade principles have historically undermined integration efforts (Pomfret 2019). But since 2016 Uzbekistan has experienced significantly different attitudes. And so under Shavkat Mirziyoyev, the country has pursued an active regional policy both in seeking expanded trade liberalization and cross-border infrastructure development as much as pursuing political normalization with neighboring states (Kassenova 2020). This is consistent with theories that regional economic cooperation can serve as an impetus for domestic reform and modernization, particularly in resource-based landlocked countries (World Bank, 2021).

A number of institutional reports have highlighted Uzbekistan's growing importance within intra-regional trade. For example, the IMF (2024) and UNESCAP (2023) emphasize Uzbekistan's shift from a closed trade regime to a center of economic gravity to Central Asia. The recent literature on Uzbek exports also examines the changing composition of exports, which has shifted from natural resources such as gold and cotton to an increasing proportion of products and services (UNCTAD, 2024; WTO, 2023). Furthermore, empirical research shows that trade and investment linkages with Kazakhstan, Kyrgyzstan, and China are increasingly facilitated by multilateral corridors such as the China–Kyrgyzstan–Uzbekistan railway (ADB, 2023).

Yet scholars have also identified structural weaknesses with respect to Uzbekistan's integration strategy that it faces. Weak logistics, lack of diversified products and dependence on external shocks are involved in this process (Pomfret 2022). There is also continued discussion around whether full membership of regional blocks, such as Eurasian Economic Union (EAEU), would enhance or suppress Uzbekistan's longer-term development trajectory (Kakharov 2022; ITC 2023).

Taken together, these studies suggest a notional basis for analyzing the extent by which regional economic integration has affected macroeconomic performance and sectoral development in Uzbekistan in recent years.

METHODOLOGY

We conducted a mixed-methods analysis combining secondary data review with a qualitative policy survey. For quantitative measures, we collected macroeconomic indicators from official sources: GDP growth and inflation (IMF and World Bank), trade and FDI statistics (national statistical agency, WTO/UN Comtrade, UNCTAD, and press reports) for 2023–2025. Intra-regional trade figures were drawn from government and research reports. We summarized key metrics (GDP growth, trade turnover, exports, FDI inflows, export composition) in tables for comparison. For qualitative analysis, we reviewed policy documents and news (e.g. government releases, U.S. Commerce country reports, and think-tank studies) to identify Uzbekistan's integration initiatives: trade agreements (CIS Free Trade Zone, preferential deals with Turkey, Pakistan, etc.), infrastructure projects (rail corridors through Afghanistan and Kyrgyzstan), and visa/border reforms that facilitate trade and labor flows. This IMRaD-structured analysis enables us to link observed economic trends to integration policies.

ANALYSIS AND RESULTS

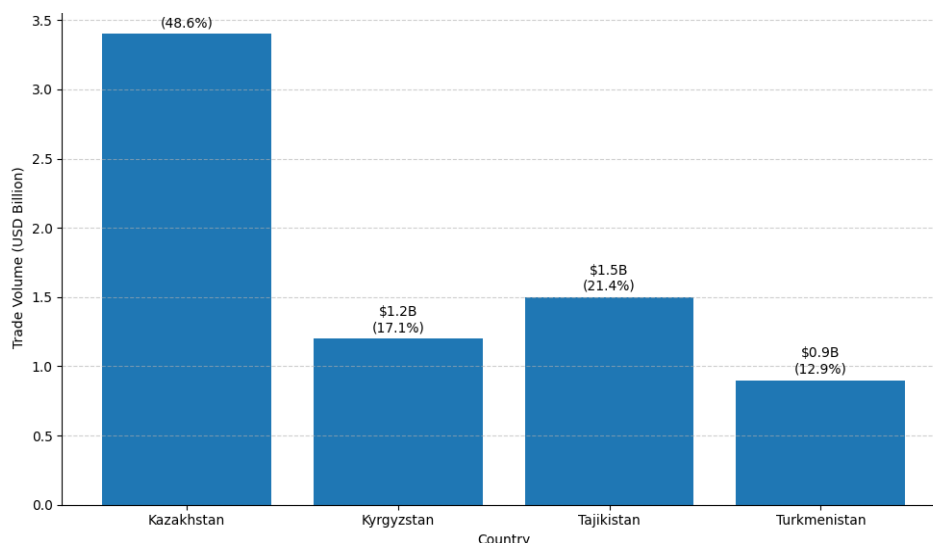


Figure 1. Uzbekistan’s trade volume with Central Asian neighbors in 2024¹

Figure 1. Uzbekistan’s trade volume with Central Asian neighbors in 2024. The infographic (source: CERR) shows total foreign trade with CA states (\$7.0 billion in 2024, 10.6% of Uzbekistan’s trade) and breakdown by partner. Uzbekistan’s economy has been growing rapidly in recent years. Real GDP expanded roughly 6–7% annually, with IMF staff reporting **7.6%** growth in the first three quarters of 2025[1]. The IMF expects GDP growth to exceed 7% in 2025 (vs. ~6% in 2026) under strong domestic demand[2]. In 2024 alone, GDP growth was broadly in the 6–7% range. Macroeconomic stability has been supported by relatively contained inflation (headed toward 5–6% by 2027 as projected)[2].

Integration is reflected in rising trade volumes. Uzbekistan’s total foreign trade turnover reached about **\$65.9 billion in 2024**, a 3.8% increase over 2023[3]. Exports in 2024 were roughly **\$31.9 billion**[4], with imports around \$39.0 billion[5]. Intra-regional trade grew especially fast: by 2024, trade with fellow Central Asian states had doubled since 2017 to roughly **\$11 billion**[6], and Uzbekistan’s share of that was about \$7.0 billion (10.6% of its foreign trade)[7]. Table 1 summarizes key economic indicators and their recent values.

Table 1

Key economic indicators

Indicator	2024 Value	Source
Real GDP growth (annual %)	+7.6% (Jan–Sep 2025, IMF)	IMF[1]
Total exports (USD)	\$31.9 billion	WTO/UN Comtrade[4]
Trade turnover (USD)	\$65.9 billion (2024)	Uzbekistan Stat. (via Invexi)[3]

¹ Center for Economic Research and Reforms. (2025, January 24). *Infographics: Uzbekistan’s trade with Central Asian countries in 2024*. Review.uz. <https://review.uz/post/infografika-tovarooborot-uzbekistana-s-stranami-centralnoy-azii-v-2024-godu>

FDI inflows (USD)	\$2.8 billion (2024)	UNCTAD (via UzDaily)[8]
Share of gold in exports	27.8% (2024)	Uzbek Stat. via UzDaily[9]
yTrade with CA neighbors (USD)	\$7.0 billion (2024)	CERR/Uzbek Govt[7]
Intra-CA regional trade (USD)	\$11.0 billion (2024)	Uzbek Govt Data[6] ²

Foreign direct investment has also grown. In 2024, Uzbekistan attracted about **\$2.8 billion in FDI**, the highest inflows of any Central Asian country that year[8]. (This surge made Uzbekistan the regional leader in FDI, overtaking Kazakhstan[8].) These inflows reflect both resource-sector and new industrial projects. For example, China’s BYD opened an electric-vehicle plant in July 2024, marking a push into automotive manufacturing[10]. According to UK trade data, Uzbekistan’s *stock* of FDI reached \$11.9 billion in 2024[11], about 16% of GDP, with China accounting for over 65% of total FDI stock[12]. Key sectors receiving investment include energy, metallurgy, chemicals, and now transportation and digital services[12].

However, Uzbekistan’s export base remains partially concentrated. Non-monetary gold alone accounted for **27.8% of exports in 2024**[9], down from 32.8% in 2023, as the country works to diversify. Other major export categories (e.g. industrial goods, foodstuffs, and services) are growing but still smaller. The sector breakdown (Table 1) shows that industrial goods were ~\$4.2 billion (15.6% of exports) in 2024[13], and services \$7.2 billion (26.7%)[14]. The growth in services exports (notably tourism and IT services) has been spurred by eased travel visa rules and new IT regulations. Overall, Uzbekistan’s economy is becoming more diversified – from predominantly cotton, gold, and energy export–driven under the old regime, to a broader mix including manufacturing and services – as integration opens markets for these sectors.

DISCUSSION

The findings indicate that deeper regional integration has coincided with stronger Uzbek economic performance. Expanding free-trade arrangements (e.g. with CIS countries, Turkey, Pakistan, Afghanistan) and new partnerships (EU GSP+, UK preferences) have opened export markets, while infrastructure connectivity (railroads through Kyrgyzstan and Afghanistan) is improving transit trade and attracting logistics investment. For instance, the planned Trans-Afghan and China–Kyrgyzstan–

² International Monetary Fund. (2025, November 26). *IMF staff concludes visit to Uzbekistan*. <https://www.imf.org/en/News/Articles/2025/11/26/pr25456-uzbekistan-imf-staff-concludes-visit>
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 UzDaily. (2025, January 21). *Uzbekistan reduces the share of gold in exports to 27.8% in 2024*. <https://www.uzdaily.uz/en/post/83635>

Uzbekistan rail projects illustrate how regional infrastructure can boost trade corridors and energy exports[15]. The surge in intra-Central Asian trade reflects both rising demand and deliberate policy: Uzbekistan eased border procedures (Visa-free entry, reopened crossings)[16], fostering people and goods flows. As a result, trade with immediate neighbors grew to 10%+ of total trade[7], raising Uzbek firms' access to regional supply chains. The growth in FDI (to \$2.8 billion in 2024[8]) owes much to integration: larger market access and bilateral investment treaties (47 country agreements) have made Uzbekistan more attractive to foreign investors[17][8].

These trends brought clear opportunities: robust GDP growth (~7%+)[1], increasing export revenues, and investment in new industries (e.g. renewable energy, electronics). Membership in Eurasian and international banks (joining the Eurasian Development Bank in 2025[18], accession to the BRICS New Development Bank) brings more capital for infrastructure. Integration also allows Uzbekistan to leverage its large resource base; for example, plans to export electricity (10–15 billion kWh by 2030) exploit Central Asian demand and grid links.

However, challenges remain. Despite growing trade, integration has exposed Uzbek industries to greater competition. The heavy reliance on gold (nearly 28% of exports) underscores a lack of fully diversified export structure[9]. Sectors like textiles and agriculture have not yet achieved the export dynamism of metals or energy. Integrating markets requires further improvements in business climate and logistics: World Bank and local analysts note that contract enforcement and transport bottlenecks still constrain cross-border commerce. Moreover, rapid growth carries macroeconomic risks: inflationary pressures have materialized, prompting the central bank to tighten policy in 2025[1]. Regional integration also depends on political stability in neighbors – e.g. security in Afghanistan for the Trans-Afghan corridor – which remains an external risk. Finally, while Uzbekistan has observer status in the EAEU, full membership is uncertain; the country must balance the benefits of that integration with maintaining ties to non-EAEU partners.

In sum, Uzbekistan's economic integration has so far been a net positive: trade and FDI have climbed, contributing to sustained high growth. Continued policy reforms and regional cooperation (trade facilitation, joint projects) are likely to bring further gains. However, authorities must mitigate challenges (overdependence on commodities, potential overheating, infrastructure gaps) to ensure that integration leads to broad-based, resilient development.

CONCLUSION

In recent years, Uzbekistan has taken significant steps toward strengthening its economic ties with neighboring Central Asian countries. The findings of this study

show that regional economic integration has had a notably positive impact on the country's development. Increased trade volumes, a rise in foreign direct investment, and progress in regional infrastructure projects have all contributed to Uzbekistan's steady economic growth.

However, challenges remain. The country's export structure is still somewhat concentrated, and weaknesses in transport and logistics infrastructure may limit future gains. Additionally, external risks such as political instability in the region and global market fluctuations could influence the success of integration efforts. Therefore, Uzbekistan must continue its structural reforms while ensuring that it builds a resilient and diversified economy.

In conclusion, if managed carefully, regional integration offers Uzbekistan a valuable path toward sustainable growth. Continued collaboration with neighboring countries, combined with smart domestic policies, can position Uzbekistan as a regional economic leader and improve the well-being of its population.

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