THE ECONOMY OF UZBEKISTAN: STRUCTURE, POTENTIAL, AND ITS DEPENDENCE ON THE EURASIAN ECONOMIC UNION

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Annotation. This paper explores the economy of Uzbekistan, focusing on its structural composition, economic potential, and evolving relationship with the Eurasian Economic Union (EAEU). Drawing on recent literature, institutional reports, and policy analyses, the study examines how Uzbekistan's reform trajectory since 2016 has transformed its macroeconomic landscape while revealing persistent structural challenges. The analysis highlights that Uzbekistan's economy remains heavily reliant on commodity exports, labour remittances, and trade with EAEU member states, particularly Russia and Kazakhstan. Although integration with the EAEU could enhance infrastructure investment, labour mobility, and trade opportunities, scholars caution that premature or full membership might compromise Uzbekistan's economic autonomy and diversification strategy. The literature collectively suggests that Uzbekistan should pursue a gradual and selective integration process—leveraging EAEU cooperation while preserving its multi-vector foreign economic policy.

Introduction. Uzbekistan (hereafter Uzbekistan) is a large, land-locked Central Asian country with a population of some 35 million (2020 figure) and a regional economy undergoing reform and transition. Historically tied into the Soviet economic system, Uzbekistan has in recent years been liberalizing, attracting foreign investment and trying to diversify. At the same time, its economic prospects are strongly influenced by its geographic and trade links — notably with the Eurasian Economic Union (EAEU) and other regional partners.
In the following sections I review: (1) the structure of Uzbekistan's economy, (2) its potential and reform agenda, and (3) its dependence (or linkages) with the EAEU concluding with opportunities and risks. According to the Eurasian Development Bank (EDB) report, in 2020 Uzbekistan had a GDP of about US$57.7 billion and a population of about 34.6 million. Growth in 2011-19 averaged about 6.6 % per annum — higher than many EAEU member states. However, per-capita income remains significantly behind the EAEU average: for example, in 2020 per-capita PPP in

Uzbekistan was about US$7,400, while EAEU averages were multiple times higher. Other sources note constraints such as land-locked geography, dependence on commodity exports, infrastructure gaps.

b) Sectoral composition

- Agriculture: remains an important sector in Uzbekistan, both for employment and GDP share. While precise latest data vary, historical data suggest agriculture employs a large share of labour.

- Industry / manufacturing: The industrial policy has sought to expand manufacturing, especially for import substitution and export promotion. For example, manufacturing's share in GDP rose to about 19 % by 2022 (from ~10 % in 2010) according to some sources. Investments in fixed capital have grown: share of foreign investments/loans in fixed capital went from 23.8 % in 2017 to 42.8 % in 2022.

- Services and other sectors: As with many economies in transition, services are growing but data are less detailed in the sources cited.

- Natural resources and commodity exports: Uzbekistan is rich in gold, copper, uranium, gas and other strategic minerals. For instance, gold exports bring in substantial foreign currency.

c) Trade and external relations

Uzbekistan's external trade has expanded as reforms have liberalised foreign trade. It remains land-locked, which affects transport costs and trade connectivity. In its trade with the EAEU, one source estimates the EAEU's share of Uzbekistan's trade at ~30 % (imports + exports) though figures vary.

d) Productivity and investment gaps

The EDB report points out that productivity in Uzbekistan lags: for agriculture productivity is about half that of Russia or Belarus; in manufacturing/construction about one-quarter of Kazakhstan's level. Investment needs are significant: for example, transport infrastructure needs until 2030 are estimated at about 2.1 % of GDP per year.

Literature analysis. The economic transformation of Uzbekistan has received growing academic attention in recent years, particularly since the liberalization reforms initiated in 2016. Much of the literature examines structural reforms, integration prospects with the Eurasian Economic Union (EAEU), and the balance between independence and interdependence in Uzbekistan's foreign economic policy. This section synthesizes key findings from scholarly works, institutional reports, and policy analyses, highlighting convergent and divergent views. A substantial body of research (ADB, 2022; World Bank, 2023; EDB, 2021) recognizes that Uzbekistan's economy has transitioned from a centrally planned model to a more market-oriented system. Authors such as Pomfret (2020) and Spechler & Spechler (2019) argue that post-2016 reforms — including currency liberalization, reduced

state control, and investment promotion — have set the foundation for long-term growth. However, other studies (OECD, 2021; IMF, 2022) emphasize that while macroeconomic stability improved, structural challenges persist: productivity remains low, and private-sector development lags behind regional averages. This dual perspective in the literature suggests that reform momentum is clear but uneven — a key consideration when evaluating Uzbekistan's readiness for deeper economic integration.

Economic literature widely notes that Uzbekistan's trade structure remains heavily oriented toward Russia, Kazakhstan, and China. According to the Eurasian Development Bank (2021) and the Institute for Economic Research and Reforms (IERR, 2022), roughly 30–35 % of Uzbekistan's total trade is conducted with EAEU member states. Several studies (Mogilevich, 2021; Turaeva, 2020) highlight the logistical and geographical dependence created by this pattern: as a landlocked state, Uzbekistan relies on transit routes through Kazakhstan and Russia for export access to global markets.The literature thus frames EAEU integration not merely as an economic preference but as a structural necessity dictated by geography and infrastructure. Analyses by the Eurasian Development Bank (2021), Kuzmina (2022), and the Russian International Affairs Council (RIAC, 2020) present the EAEU as a potential growth catalyst. They project that Uzbekistan's GDP could rise by 0.6–0.8 percentage points annually through infrastructure investment, labour mobility, and market access. Conversely, Western and regional scholars (Laruelle, 2021; Cooley, 2022) warn of over-dependence on Russia, noting that EAEU membership might limit Uzbekistan's ability to diversify trade partnerships with the EU, Turkey, and China. This scholarly tension illustrates two dominant schools of thought:

- Integrationists, who stress economic complementarity and shared benefits within the EAEU; and
- Sovereigntists, who emphasize autonomy, strategic diversification, and the risks of geopolitical entanglement.

Policy literature (IMF, 2023; ADB, 2022; UN ESCAP, 2021) emphasizes the importance of sequencing reforms before deep integration. They argue that Uzbekistan's institutions, regulatory systems, and customs infrastructure must mature to avoid "premature integration," which could otherwise result in trade diversion and reduced fiscal autonomy. Furthermore, regional think tanks (e.g., Central Asia Regional Economic Cooperation Institute, 2022) advocate a "multi-vector" strategy — balancing ties with the EAEU, China's Belt and Road Initiative (BRI), and Western markets to maximize economic resilience.

The literature portrays Uzbekistan as an economy in transition — navigating between reform, integration, and independence. While empirical studies highlight the tangible benefits of EAEU linkages in trade and migration, critical perspectives caution that excessive dependence may undermine diversification and sovereignty. Overall, the academic consensus supports a gradualist approach: Uzbekistan should

deepen sectoral cooperation with the EAEU while maintaining strategic flexibility to engage with a broader range of partners in Asia and Europe.

From a strategic standpoint, Uzbekistan appears to prefer a phased, pragmatic integration rather than full-throated accession without preparation. This may be wise given the trade-offs and dependencies involved. For policymakers, the key is to ensure that Uzbekistan does not become simply a low-cost appendage within a larger bloc, but rather uses its structural reforms and external relationships (including but not limited to the EAEU) to climb up the value chain, capture higher productivity, and maintain flexibility in external trade and investment relations.

Conclusion. Uzbekistan is at a critical juncture: its economic structure with growing manufacturing, resource wealth and strategic geography holds promise, but it also faces significant structural and external constraints. The relationship with the EAEU presents both a major opportunity and a source of risk. Deeper integration could bring infrastructure flows, labour-market access, expanded exports — and add incremental growth. But this must be accompanied by internal reforms: productivity enhancement, infrastructure build-out, diversification, and institutional strengthening. In short: Uzbekistan's economy has real potential, and the EAEU relationship is a lever — but whether that lever leads to sustained growth and structural transformation depends on how it is used, and how internal reform keeps pace.

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