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THE IMPORTANCE OF FOREIGN TRADE FOR ECONOMIC GROWTH IN UZBEKISTAN

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Abstract. Foreign trade is one of the main parts of Uzbekistan’s economic reforms since 2017. This paper looks at how foreign trade and economic growth are connected in Uzbekistan. It uses a simple description of official trade data and a short review of trade theory. The paper finds that trade grew very fast in 2025 and that the economy also grew strongly. However, the country still imports much more than it exports, exports mostly include the trade on gold, and manufactured exports are still small. The paper ends with ideas to expand exports, improve logistics, and support exporters.

Keywords: Foreign Trade, Economic Growth, Exports, Imports, Uzbekistan, Economic Development

1. Introduction

1.1. Background of the Study

International trade helps countries reach larger markets, focus on what they do best, and buy machines and technology that they cannot yet make at home. For developing countries, trade offers a way to grow that does not depend only on the size of the home market. Since 2017, the government of Uzbekistan has carried out reforms to open the economy and to support private-sector-led growth. [3] The results are visible in the trade data: in 2025, foreign trade turnover reached $81.2 billion, which is $13.9 billion, or 20.7%, more than in 2024. [1]

Trend reports, based on an infographic of the Ministry of Economy and Finance, that foreign trade turnover grew by $55.4 billion between 2016 and 2025, which is an increase of about 215%. [5] This means that trade became about 3.15 times larger. [5] The report says that this growth reflects Uzbekistan’s deeper integration into global markets and broader trade ties. [5]

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1.2. Problem Statement

Despite this fast growth, foreign trade still has structural weaknesses. Gold was the largest export in 2025: Uzbekistan sold $9.9 billion of gold, which is 29.3% of all exports. [2] At the same time, imports were much bigger than exports, and the trade deficit was more than $13.5 billion. [2] This puts the main question of the paper: Is Uzbekistan's trade built for long-term growth, or do heavy import reliance and limited export variety weaken its benefits?

1.3. Purpose and Research Questions

The purpose of this paper is to explain the role of foreign trade in Uzbekistan's economic growth, using recent official data. It answers four questions: (1) How are foreign trade and economic growth connected? (2) How has Uzbekistan's trade structure changed? (3) What do exports and imports contribute to development? (4) What barriers limit the benefits of trade?

1.4. Country Context

Uzbekistan is a lower-middle-income country in Central Asia with the largest population in the region, at over 38 million people. [3] It is the only country that borders all four other Central Asian countries as well as Afghanistan. [3] The World Bank also says that the country has become one of the world's top reformers and has done better than many other lower-middle-income economies. [3] The World Bank describes Uzbekistan as having one of the most diversified economies in the region. [3] However, exports are still concentrated in a few products, as Section 4.3 shows.

2. Literature Review

2.1. Trade and Growth

Trade theory says that countries gain when they use their strengths and trade for the rest. The WTO calls this the principle of relative advantage: countries prosper by concentrating on what they can produce best and then trading these products for the products that other countries produce best. [4] It explains that the theory goes back to David Ricardo and that a country does not have to be the best at anything to gain from trade. [4] The WTO also says that the data show a clear statistical link between freer trade and economic growth. In the first 25 years after the Second World War, world economic growth averaged about 5% a year, and world trade grew even faster, at about 8%. [4]

The WTO gives a simple example of the gains from trade. If country A is better than country B at making cars, and country B is better at making bread, both gain when each one specializes and they trade their products. [4] The WTO calls this a case of absolute advantage. [4] Comparative advantage is a wider idea: even if country A is better than country B at making everything, both countries can still gain from trading with each other. [4] The WTO adds that it is almost impossible for a country to have no comparative advantage in anything. [4] For Uzbekistan, this means that trade can bring gains even if the country is not the best producer of every product. The WTO also says that tariffs on industrial products have fallen steeply and now average less than 5% in industrial countries. [4]

2.2. Export-Led Growth

Export-led growth theory is linked to the experience of East Asian economies. It says that exports can push growth in three ways: they bring in foreign currency to pay for imports of machines,

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they allow firms to produce on a larger scale, and they expose firms to international competition. However, the evidence is mixed. The results depend on whether a country moves to higher value-added products or stays with raw materials.

The WTO explains that liberal trade policies, which allow goods and services to move freely, make competition stronger and encourage new ideas. [4] It also says that success in trade does not stay fixed: the ability to compete in a product can move from one company to another when markets change or new technology appears. [4] The same is true for whole countries: a country that first competes with low labor costs or rich natural resources may become less competitive in some goods as its economy develops. [4] With an open economy, however, the country can move on to become competitive in other goods or services, and the WTO says this is normally a gradual process. [4] This is important for Uzbekistan, where gold and other raw materials are still a large part of exports.

2.3. Imports and Conditions for Success

Imports also support growth, especially machinery, equipment and inputs that local industry cannot yet to make. Importing machines and equipment is better for the economy than importing consumer goods, so this kind of trade deficit is less worrying. For developing countries, trade helps growth most when the export base is diversified, the value added in exports rises over time, trade infrastructure is good, and institutions can manage the risks of a long-term trade deficit.

The WTO warns that protecting local producers from import competition can lead to inefficient producers that give consumers outdated and unattractive products. [4] It adds that, in the end, factories can close and jobs can be lost despite the protection and subsidies. [4] This supports the idea that imported machines and inputs should be seen as a help for growth, not only as a cost.

3. Research Methodology

This paper uses descriptive and comparative analysis instead of a statistical model, because the data series since the 2017 reforms is still short. The main data come from the National Statistics Committee of Uzbekistan. They are supported by the World Bank country overview, news reports based on official data (Kun.uz and Trend) and the WTO explanation of trade theory. Most numbers cover the years 2016–2025, with mostly focus on 2025.

4. Overview of Uzbekistan's Foreign Trade

4.1. Trade Turnover and Trade Balance

Uzbekistan's foreign trade has grown very quickly. According to initial data of the National Statistics Committee, foreign trade turnover was $81.2 billion in 2025, which is 20.7% higher than in 2024. [1] Exports reached $33.8 billion (+24%) and imports reached $47.4 billion (+18.5%). [1] The trade balance was negative, with a deficit of more than $13.5 billion. [2] Over the last ten years, turnover grew from $25.8 billion in 2016 to $81.2 billion in 2025. [5] Imports grew faster than exports, so their share of turnover rose from 47.1% in 2016 to 58.3% in 2025. [5]

Trend's figures show that exports grew about 2.5 times from their 2016 level, which is an increase of roughly $20.3 billion, or about 150%. [5] Imports grew about 3.9 times over the same

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period, so they expanded nearly twice as fast as exports. [5] In 2025, the gap between imports and exports was $13.6 billion, and exports covered about 71.3% of import spending. [5] Uzbekistan also imported goods from 158 countries in 2025, compared with 127 countries in 2016. [5]

4.2. Main Trading Partners

Uzbekistan trades with 210 countries. [1] China is the largest partner with 21.2% of total trade turnover, followed by Russia (16%), Kazakhstan (6.1%), Turkey (3.7%) and South Korea (2.1%). [1] China and Russia together account for 37% of total trade. [2] The fastest growth in 2025 was with Switzerland (+84%), the United Arab Emirates (+52.7%), Afghanistan (+47.5%), Kyrgyzstan (+37.1%) and India (+33.3%). [2] The number of export markets increased from 79 in 2016 to 132 in 2025. [5] So trade is becoming more spread out across countries, although two partners still dominate.

Not all partners grew in 2025. Among Uzbekistan's 20 largest trading partners, trade turnover fell with South Korea (–14%), Turkey (–0.4%), the United States (–2%) and Poland (–2.3%). [2] Trade grew significantly with the other 16 countries. [2] Kun.uz adds that trade with South Korea and Turkey has been falling for several years, and that trade with South Korea alone has dropped by 26% over the past two years. [2] Trend says that the growth in the number of export destinations is a positive sign, because it reduces dependence on a limited number of markets and gives Uzbek producers more chances to enter new markets. [5]

4.3. Structure of Exports

Gold remained the main export product in 2025 with $9.9 billion, or 29.3% of total exports, which is an record for all-time export. [2] Other major export groups were industrial goods (11.8%) and food products and live animals (8.7%). [2] This shows that exports still depend on a small number of product groups.

Kun.uz reports that gold exports grew by 32.3% compared with 2024. [2] It also lists earlier yearly gold exports: $4.9 billion in 2019, $5.8 billion in 2020, $4.1 billion in both 2021 and 2022, $8.1 billion in 2023 and $7.4 billion in 2024. [2] No gold exports were recorded in the last three months of 2025. [2] This shows that gold exports can change a lot from year to year. Other export groups in 2025 were chemical products (6.3%), miscellaneous manufactured goods (5%) and mineral fuels (4.4%). [2] Energy products also played a role: natural gas exports were $628.8 million (+1.4%), exports of oil and petroleum products reached $674 million (+18.6%), and electricity exports rose by 45.6% to $169 million. [2] At the same time, exports of vehicles and spare parts were $357 million, which is 13.8% less than in 2024. [2]

4.4. Main Export Destinations

Russia was the largest destination for Uzbek exports in 2025 with 12.8%, followed by China (7.3%), Kazakhstan (4.6%), Afghanistan (4.5%) and Turkey (3.4%). [2] France (2.6%), Kyrgyzstan (2.3%), the United Arab Emirates (2.1%), Tajikistan (2%) and Pakistan (1%) complete the list of the top ten. [2] Together, these ten countries took around 40% of all exports. [2] This shows that many of the main export markets are close neighbors.

5. The Contribution of Foreign Trade to Economic Growth

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5.1. Foreign Trade and GDP Growth

Real GDP grew by 7.7% in 2025, up from 6.7% in 2024. The World Bank explains that growth was driven by an export recovery, private consumption and growth in services, agriculture and industry. [3] Real GDP growth averaged 6% a year between 2017 and 2025. [3] This fits the theory that openness supports growth. However, this paper shows a link between trade and growth, not proof that trade alone caused it.

The World Bank says that private consumption grew by 9.2% in real terms in 2025 because of higher wages and remittances, while investment grew by 10.5%. [3] It also reports that household income growth was high in 2025 and favored lower-income groups. [3] As a result, the national poverty rate fell from 8.9% to 5.8% and the Gini coefficient improved from 34.6 to 32.7 between 2024 and 2025. [3] The Gini coefficient measures income inequality, so a lower number means that incomes are more equal.

5.2. Exports and Foreign Currency

According to the World Bank, exports rose by 24% in 2025, led by gold, copper, zinc, uranium goods, food, fertilizers and services. [3] The current account deficit narrowed to 3.3% of GDP in 2025 from 4.7% in 2024. [3] The sum also became stronger by 0.6% against the US dollar, which the World Bank links to higher foreign inflows, including remittances and export revenue. [3] This shows that remittances also help to pay for imports. Export growth is the more lasting source of foreign currency, so exports need to keep growing.

5.3. Imports and Manufacturing Growth

The World Bank notes that imports grew by 18.5% because of higher purchases of energy, machinery and intermediate goods. [3] Trend's analysis adds that rising imports can reflect investment and purchases of machinery and industrial inputs needed to expand production, but the widening gap with exports means that stronger export capacity is increasingly important. [5] In this way, imports work as theory predicts: they bring in equipment that local industry cannot yet make. The real test is whether this later leads to more value-added exports.

Trend says that the faster growth of imports is consistent with the country's investment and industrial modernization drive, and that imports of machinery and transport equipment have been a major part of this process. [5] At the same time, the report calls the faster growth of imports a key structural challenge. [5] It concludes that the next stage of trade development will depend not only on higher volumes, but also on higher-value exports and more competitive domestic industries. [5]

5.4. Jobs and access to WTO

The World Bank notes that job creation has lagged behind economic growth and that Uzbekistan needs about 10 million additional, better-paid jobs over the next 7 to 10 years. [3] Trade, especially exports of goods and services, can help to create such jobs. The World Bank also expects that joining the WTO could raise GDP by up to 17%. [3]

The World Bank says that job-rich growth needs continued reforms that reduce state dominance in the economy, open key sectors, improve the environment for trade, business and investment, and

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build the right skills for a fast-growing economy. [3] The World Bank also expects that WTO accession could reduce national poverty by up to 1.6 percentage points. [3]

5.5. Development Goals

In 2023, Uzbekistan adopted the National Development Strategy 2030, which aims to make the country an upper-middle-income country by the end of this decade. [3] The country has also set a target to end absolute poverty by 2030. [3] For 2026, the government's key targets include reducing unemployment and poverty to 4.5%. [3] The World Bank Group says that it is committed to supporting these goals, including poverty reduction, job creation and a competitive market economy, through projects and analytical work. [3] As of April 1, 2026, the World Bank's country program in Uzbekistan had 27 projects with net commitments of $5.6 billion. [3]

5.6. Outlook for 2026

The World Bank also reports that international reserves reached $70 billion in January 2026, which is $27.1 billion more than one year earlier. [3] The World Bank expects growth to slow to 6.4% in 2026, driven mainly by domestic demand, especially private consumption and investment. [3] It expects public debt to stay around 28% of GDP in 2026–2027, and headline inflation to fall below 8% in 2026 and move toward the 5% target by 2028. [3]

6. Main Challenges

6.1. Export Concentration

Uzbekistan's exports depend on a few products and partners. Gold alone was 29.3% of exports in 2025, and China and Russia together took 37% of total trade. [2] The World Bank notes that 86% of Uzbekistan's $70 billion of international reserves are held in gold, and it lists a correction in gold prices among the main downside risks. [3]

6.2. Limited Value-Added Exports

Industrial goods made up only 11.8% of exports, far below the 29.3% share of gold. [2] Since 2016, imports have grown almost twice as fast as exports, and in 2025 exports covered about 71% of imports. [5] Services are among the sectors that lead export growth, but manufactured goods with higher value added are still a small part of exports. This limits how much export growth can raise wages and skilled employment.

6.3. Logistics Costs

Uzbekistan is one of only two doubly landlocked countries in the world. [3] This usually means higher transport costs and longer delivery times, which reduce the competitiveness of exports and raise the cost of imported machines.

The World Bank says that Uzbekistan's Central Asia-oriented foreign policy supports regional economic cooperation in water, energy, transport and trade, and that the World Bank supports these efforts through regional programs. [3] Better regional transport links could therefore help to reduce the cost disadvantage of being landlocked.

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6.4. Dependence on External Conditions

Because trade is a large part of the economy, growth depends on demand abroad and on commodity prices. According to the World Bank, net exports and money transfers will contribute little in 2026 due to slower growth in Russia and China.[3]

The World Bank notes that Uzbekistan is a net importer of oil and gasoline, so it is exposed to energy price shocks from the conflict in the Middle East. [3] It expects this conflict to slightly slow GDP growth in 2026, increase the current account deficit and add a little to inflation. [3] Besides gold prices, it lists a deeper fall in Russia's economic performance and a longer conflict in the Middle East as the main downside risks. [3]

7. Discussion

The evidence agrees with the view that opening to trade supports growth: the years of fast growth in Uzbekistan are also the years of fast growth in trade. At the same time, the deficit, the dependence on gold and the small share of manufactured exports show that Uzbekistan is still at an early stage of trade-led development. Import-led industrial growth is a normal stage, as long as imported machines raise domestic production capacity and do not only finance consumption. The main policy question is whether diversification, for example in IT services, is fast enough to reduce commodity dependence before a shock, such as a fall in gold prices, tests the growth model.

8. Conclusion

Foreign trade has become one of the main features of Uzbekistan's economic change since 2017. Trade turnover reached $81.2 billion in 2025, while real GDP grew by 7.7%. Trade and growth are connected, as theory predicts: exports bring in foreign currency and imports bring in machines and inputs. However, the trade deficit is large, gold is a big part of exports, manufactured exports are still small, and China and Russia take a large share of trade. Logistics costs and dependence on external conditions add further risks. The main limitation of this paper is that it uses descriptive analysis instead of a statistical model; future research with a longer data series could measure how different export groups affect growth.

9. SWOT Analysis: Foreign Trade and Growth in Uzbekistan

Strengths	**Weaknesses**
• Fast trade growth (+20.7% in 2025) • Strong GDP growth (7.7% in 2025) • More export markets (79 to 132)	• Large trade deficit • Gold is 29.3% of exports • Few high value-added exports
Opportunities	**Threats**
• Growing trade with the UAE, India and Switzerland • WTO accession may raise GDP (17%)	• Fall in gold prices • Slower growth in Russia and China • High logistics costs (doubly

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• Export support beyond IT services	landlocked)

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