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ECONOMIC DIVERSIFICATION IN UZBEKISTAN: CHALLENGES AND DEVELOPMENT PROSPECTS

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Abstract. This article examines the theoretical and practical aspects of economic diversification in Uzbekistan and analyzes its significance in ensuring the stability and sustainable development of the national economy. In the contemporary global economic environment, the acceleration of economic processes, the expansion of international trade relations, and increasing fluctuations in market conditions necessitate new approaches to national economic development. From this perspective, economic diversification is regarded as one of the key factors contributing to the expansion of production activities, the development of various economic sectors, and the strengthening of economic stability.

The study explores the theoretical foundations of economic diversification, its role in economic development, and the principal directions of structural transformation being implemented in Uzbekistan's economy. Furthermore, the article examines the implications of economic dependence on particular sectors and identifies opportunities for strengthening economic diversification through industrial development, expansion of the services sector, and increased production of high-value-added goods.

The findings suggest that economic diversification plays an important role in promoting sustainable economic development, enhancing export potential, and strengthening the country's competitiveness within the international economic system.

Keywords: economic diversification, national economy, structural transformation, economic development, export potential, economic stability.

Аннотация. В данной статье рассматриваются теоретические и практические аспекты диверсификации экономики Узбекистана, а также анализируется её значение для обеспечения стабильности и устойчивого развития национальной экономики. В условиях современной мировой экономики ускорение экономических процессов, расширение международных торговых отношений и усиление изменчивости рыночной конъюнктуры обуславливают необходимость применения новых подходов к развитию национальной экономики. С этой точки зрения диверсификация экономики рассматривается как один из ключевых факторов расширения производственной деятельности, развития различных отраслей экономики и укрепления экономической стабильности.

В исследовании изучаются теоретические основы экономической диверсификации, её роль в процессе экономического развития, а также основные направления структурных преобразований, осуществляемых в экономике Узбекистана. Кроме того, анализируются экономические аспекты зависимости от отдельных отраслей и рассматриваются возможности дальнейшей диверсификации экономики посредством развития промышленности, расширения сферы услуг и увеличения производства продукции с высокой добавленной стоимостью.

Результаты исследования свидетельствуют о том, что диверсификация отраслей экономики играет важную роль в обеспечении устойчивого экономического развития, повышении экспортного потенциала и укреплении конкурентоспособности страны в международной экономической системе.

Ключевые слова: диверсификация экономики, национальная экономика, структурные преобразования, экономическое развитие, экспортный потенциал, экономическая стабильность.

INTRODUCTION

In recent years, Uzbekistan's economy has demonstrated significant growth and undergone important structural transformations in response to changing global economic conditions. By the end of 2024, the country's gross domestic product (GDP) had reached USD 114.96 billion, representing a real growth rate of 6.5% compared with the previous year. This performance reflects positive economic development trends and the strengthening of domestic economic activity. At the same time, Uzbekistan's foreign trade activities have continued to expand. According to the figures presented for 2025, export revenues reached USD 26.7 billion, representing an increase of 33.3% compared with the previous year.

Nevertheless, the concentration of economic activity in certain sectors, particularly raw material production and traditional export commodities, highlights the importance of strengthening the resilience and diversification of the national economy. In this context, economic diversification, which involves expanding the range of economic activities, increasing the production of high-value-added goods, and developing the services sector, has become a strategic priority. Diversification provides opportunities to enhance economic competitiveness, reduce exposure to external market fluctuations, and establish a more balanced foundation for long-term economic development.

The continued importance of particular sectors in the national economic structure further emphasizes the relevance of diversification as a mechanism for strengthening economic stability. Accordingly, the primary objective of this study is to examine economic diversification processes in Uzbekistan and assess their implications for sustainable economic development. Rather than developing a comprehensive econometric model, the study focuses on selected theoretical and practical aspects of diversification, with particular attention to the structural characteristics of export growth, sectoral development, and their implications for the resilience and competitiveness of the national economy.

LITERATURE REVIEW

Economic diversification in Uzbekistan has attracted increasing attention from both domestic researchers and international organizations in recent years. A review of the relevant literature indicates that diversification is widely recognized as an important factor in promoting sustainable economic development, strengthening economic resilience, and improving national competitiveness.

In particular, World Bank publications have examined the historical significance of raw materials and natural resources in Uzbekistan's economic structure. These studies highlight the importance of reducing excessive dependence on individual commodities, including cotton and other natural resources, to strengthen the economy's capacity to respond to external market fluctuations. From this perspective, economic diversification is considered not only a mechanism for stimulating economic growth but also an instrument for enhancing long-term economic security. Similarly, research conducted by the International Monetary Fund (IMF) emphasizes the importance of structural transformation in promoting sustainable economic development. Greater diversification of industrial activities and expansion of the services sector can contribute to more balanced economic growth. At the same time, the effectiveness of diversification depends not only on sectoral development but also on the quality of the institutional environment, including favorable conditions for investment, entrepreneurship, and market competition.

Reports published by the Asian Development Bank (ADB) also emphasize the importance of agricultural modernization and structural transformation in Uzbekistan's economy. The continued contribution of agriculture to national economic activity highlights opportunities for further diversification through industrial development, technological modernization, and the expansion of higher-productivity sectors. Among domestic economic researchers, Yuliy Yusupov has examined the relationship between state participation in the economy and the development of a competitive market environment, emphasizing the importance of strengthening market mechanisms and expanding opportunities for private sector participation. Bekzod Kholmiraev has also highlighted the role of small businesses and private entrepreneurship in stimulating economic activity. These perspectives are particularly relevant to Uzbekistan, where the development of a competitive business environment and the expansion of private sector opportunities are important components of ongoing structural transformation.

Furthermore, studies conducted by the United Nations Development Programme (UNDP) examine economic diversification in the broader context of sustainable development. In particular, investment in the green economy, innovation, and human capital development is identified as an important direction for strengthening long-term economic sustainability. From a theoretical perspective, The Atlas of Economic Complexity provides

a framework for understanding the relationship between the diversification and sophistication of productive capabilities and a country's economic development. This approach suggests that economies capable of producing and exporting a broader range of technologically sophisticated and higher-value-added products tend to possess stronger foundations for long-term economic development. Such a perspective is relevant to Uzbekistan's efforts to diversify its export structure and strengthen its participation in international value chains.

Overall, the reviewed literature indicates that economic diversification in Uzbekistan requires a comprehensive approach encompassing industrial modernization, expansion of the services sector, greater private sector participation, and innovation-driven development. However, the existing literature also highlights the need for more detailed country-specific analysis of diversification processes, particularly regarding the composition of exports, the contribution of different economic sectors, and the role of state participation in shaping structural transformation. Addressing these aspects can provide a clearer understanding of the opportunities and strategic priorities associated with the diversification of Uzbekistan's national economy.

RESEARCH METHODOLOGY

This study employs a quantitative, descriptive-analytical research design to examine Uzbekistan's macroeconomic performance during the period 2021–2024. The primary objective is to assess the country's economic diversification trends through a systematic analysis of six key macroeconomic indicators: the GDP growth rate, GDP volume, export volume, foreign trade turnover, the industrial production growth rate, and the share of the services sector in GDP.

Data Collection. Secondary data were collected from official statistical and institutional sources, including the State Statistics Agency of the Republic of Uzbekistan, the Ministry of Economy and Finance, the World Bank's World Development Indicators database, and the Asian Development Bank's economic outlook reports. Annual observations covering four consecutive years (2021–2024) were compiled into a structured dataset. The figures for 2024 were treated as projected estimates based on official government forecasts, allowing for a comparative assessment of macroeconomic trends throughout the study period.

Analytical Methods. Three complementary analytical approaches were employed. First, trend analysis was used to identify changes in the direction and dynamics of the selected macroeconomic indicators over the study period. Second, comparative analysis was conducted on a year-on-year basis to assess growth patterns and identify changes in economic performance between consecutive years. Third, correlation analysis was applied to examine the relationship between export volume growth and GDP growth rates. Particular attention was paid to the divergence observed in 2022, when export volumes increased while GDP growth slowed. This pattern suggests that domestic consumption, investment activity, and other components of aggregate demand may have played an important role in shaping overall economic performance.

Analytical Framework. In addition to descriptive statistical analysis, the study adopts a structural analytical framework that distinguishes between quantitative economic growth, reflected in increasing production volumes and trade turnover, and qualitative economic diversification, reflected in changes in export composition and sectoral value added. This distinction is essential for understanding how positive aggregate growth indicators may coexist with opportunities for further structural diversification, particularly through the expansion of non-resource exports, higher-value-added production, and knowledge-intensive services. Accordingly, the analytical framework emphasizes both the scale of economic expansion and the structural characteristics of national economic development.

Declaration of Artificial Intelligence Use. Artificial intelligence tools were used to assist with approximately 10% of the preparation of this study, primarily for language editing, grammatical refinement, and improving the clarity and academic presentation of the manuscript. The authors retain full responsibility for the research content, data interpretation, analytical findings, and conclusions.

RESULTS AND ANALYSIS

This study analyzes the principal macroeconomic indicators of Uzbekistan's economy during the period 2021–2024. Specifically, six indicators are examined: the GDP growth rate, GDP volume, export volume, foreign trade turnover, the industrial production growth rate, and the share of the services sector in GDP. These indicators provide a basis for assessing economic growth dynamics, structural transformation, and developments in the country's external economic activities.

Particular attention is paid to identifying changes in the relative contributions of different economic sectors, examining the relationship between export performance and overall economic growth, and evaluating opportunities for further diversification. The analysis distinguishes between increases in aggregate economic

indicators and structural changes that may contribute to long-term economic sustainability and competitiveness.

Table 1 presents the principal macroeconomic indicators of Uzbekistan and their dynamics over the period 2021–2024, providing a statistical basis for the subsequent comparative and analytical assessment (Table 1).

Table 1

Key Macroeconomic Indicators of Uzbekistan's Economy (2021–2024)¹

Indicators	2021	2022	2023	2024
GDP growth rate (%)	7.40	5.70	5.60	6.50
GDP volume (billion USD)	69	80	102.6	115
Export volume (billion USD)	16.6	19.3	24.4	26.9
Foreign trade turnover (billion USD)	42	50	62.6	65.9
Industrial production growth (%)	8.70	5.20	6.00	6.50
Share of services sector (as % of GDP)	38	40	42	45

This study examines the principal macroeconomic indicators of Uzbekistan's economy during the period 2021–2024. Specifically, the GDP growth rate, GDP volume, export volume, foreign trade turnover, industrial production growth rate, and the share of the services sector in GDP are analyzed as key indicators for assessing economic development trends and identifying potential structural changes associated with economic diversification.

According to the data presented in the table, Uzbekistan's economy maintained positive growth dynamics throughout the period under review. The GDP growth rate was 7.4% in 2021, 5.7% in 2022, and 5.6% in 2023, while economic growth for 2024 was projected to reach 6.5%. These figures indicate continued economic expansion, although the pace of growth varied across the observed years. The available indicators suggest that domestic demand and investment activity may have contributed significantly to economic performance. However, determining the relative contribution of these factors and structural transformation requires a more detailed analysis of GDP components.

The continued expansion of the national economy, despite changes in global economic conditions, suggests a degree of economic adaptability. Nevertheless, aggregate growth indicators alone do not provide sufficient evidence of the depth of structural diversification. In particular, the relationship between export growth and the composition of exported products requires further examination to assess progress toward a more diversified and higher-value-added economic structure.

The nominal volume of GDP also increased considerably during the analyzed period. It amounted to USD 69 billion in 2021, rising to USD 80 billion in 2022 and USD 102.6 billion in 2023. For 2024, GDP was projected to reach approximately USD 115 billion. This upward trend reflects an increase in the nominal size of the economy and is consistent with broader developments in economic activity, investment, and domestic market expansion. However, changes in nominal GDP expressed in US dollars should be interpreted alongside real GDP growth, inflation, and exchange rate movements.

Export performance demonstrated a positive trend throughout the study period. Export volume increased from USD 16.6 billion in 2021 to USD 19.3 billion in 2022 and USD 24.4 billion in 2023, reaching USD 26.9 billion in 2024 according to the figures presented. This growth reflects the expansion of Uzbekistan's foreign trade activities and export potential. At the same time, increases in aggregate export value do not necessarily indicate a corresponding improvement in export diversification. The continued importance of traditional commodities and raw materials highlights opportunities for expanding the production and export of processed goods and higher-value-added products. Further development of these activities could contribute to broadening the export structure and strengthening Uzbekistan's participation in international value chains.

Foreign trade turnover also demonstrated positive dynamics. It increased from USD 42 billion in 2021 to USD 50 billion in 2022 and USD 62.6 billion in 2023. For 2024, foreign trade turnover was projected to reach USD 65.9 billion. These developments reflect the increasing scale of Uzbekistan's participation in international trade. At the same time, the growth of imports alongside exports highlights the importance of improving domestic production capacities, developing competitive industries, and expanding export-oriented manufacturing. Such measures may contribute to strengthening the foreign trade balance and supporting sustainable economic development.

Industrial production remained an important contributor to national economic activity. The industrial production growth rate was 8.7% in 2021 and 5.2% in 2022, followed by an increase to 6.0% in 2023. For 2024, industrial production growth was projected to reach 6.5%. Although the rate of expansion varied across

¹ Author's development.

the observed years, the industrial sector maintained positive growth. This trend is consistent with ongoing industrial modernization, the establishment of new production facilities, and technological renewal. Further improvements in industrial productivity, technological capabilities, and the production of higher-value-added goods could strengthen the sector's contribution to economic diversification.

The increasing share of the services sector in GDP represents another important aspect of structural transformation. According to the figures presented, the services sector accounted for 38% of GDP in 2021, increasing to 40% in 2022 and 42% in 2023. Its share was projected to reach 45% in 2024. These developments indicate the growing contribution of services to national economic activity and suggest a gradual shift toward a more diversified economic structure.

However, the qualitative composition of the services sector is equally important for evaluating the sustainability of diversification. The expansion of knowledge-intensive and higher-value-added services, including information technology, financial services, professional activities, and advanced business services, could further enhance productivity and competitiveness. Since the available aggregate indicators do not provide a detailed breakdown of service activities, the extent of diversification within the sector requires additional empirical assessment.

Institutional conditions also play an important role in shaping economic diversification. The development of a competitive business environment, the expansion of private sector participation, and improvements in the regulatory and investment framework can facilitate the emergence of new economic activities. In this context, further strengthening market mechanisms, supporting entrepreneurship, and improving access to financial and technological resources may contribute to more balanced structural development.

Overall, the analyzed indicators demonstrate that Uzbekistan's economy experienced sustained expansion during 2021–2024, accompanied by increasing GDP volume, export activity, foreign trade turnover, and a growing contribution from the services sector. Positive industrial production growth also indicates the continued development of the country's productive capacity.

Nevertheless, the distinction between aggregate economic expansion and qualitative diversification remains essential. The continued significance of traditional production activities and commodity exports highlights opportunities for further broadening the economic structure, expanding higher-value-added production, and strengthening resilience to external market fluctuations. Therefore, while the observed macroeconomic trends provide a favorable foundation for economic development, a more comprehensive assessment of diversification requires detailed information on export composition, sectoral value added, productivity, and the development of knowledge-intensive industries (Figure 1).

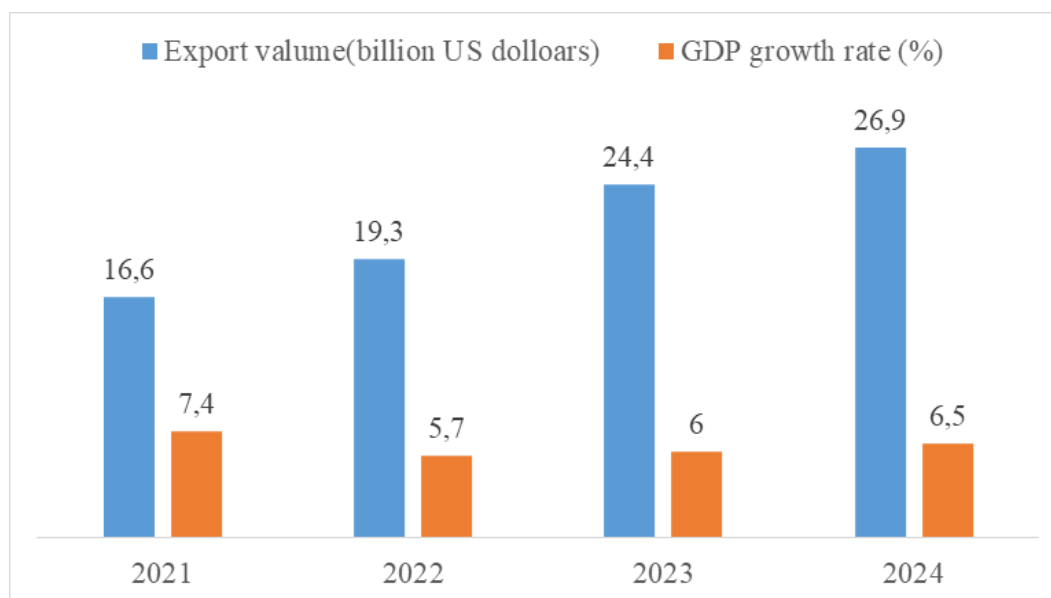


Figure 1. Dynamics of Uzbekistan's GDP Growth Rate and Export Volume (2021–2024)²

Dynamics of Export Volume. During the study period, Uzbekistan's export volume demonstrated a consistent upward trend. In 2021, exports amounted to USD 16.6 billion, increasing to USD 26.9 billion by 2024. This represents an overall increase of approximately 62% during the period under review. The highest

² Author's development.

annual growth rate was recorded between 2022 and 2023, when export volume increased by approximately 26.4%. This positive trend reflects the expansion of Uzbekistan's export activities and highlights the potential effectiveness of measures aimed at strengthening international trade relations and accessing new foreign markets.

GDP Growth Rate. Uzbekistan's economy maintained positive growth throughout the study period, although annual growth rates varied. The GDP growth rate was 7.4% in 2021 and 5.7% in 2022, followed by a gradual acceleration in subsequent years. According to the figures presented in this section, GDP growth reached 6.0% in 2023 and 6.5% in 2024. These developments are consistent with the continued recovery of economic activity following the COVID-19 pandemic and ongoing efforts to strengthen macroeconomic stability.

Interrelationship Between Export Growth and GDP Growth. The relationship between export performance and GDP growth is an important consideration in assessing Uzbekistan's economic development. Although both indicators demonstrated positive developments over the study period, their annual dynamics were not entirely consistent. In particular, export volume increased by approximately 16.3% in 2022, while the GDP growth rate declined from 7.4% to 5.7%.

This divergence suggests that export expansion and overall economic growth were influenced by different combinations of economic factors. Changes in domestic consumption, investment activity, import intensity, and other components of aggregate demand may have contributed to the observed pattern. However, establishing the relative influence of these factors requires additional statistical analysis.

The analysis of macroeconomic indicators for 2021–2024 demonstrates that Uzbekistan continued to expand its export activities while maintaining positive economic growth. These developments highlight the increasing importance of international trade and export-oriented production in the national economy.

At the same time, the contribution of export growth to exchange rate stability and improvements in the foreign trade balance requires separate empirical assessment. Sustaining positive GDP growth, alongside further structural diversification, could strengthen the foundations of long-term economic development and enhance the country's resilience to external market fluctuations.

CONCLUSION AND RECOMMENDATIONS

The findings of this study indicate that Uzbekistan's economy demonstrated sustained growth during the period under review, accompanied by gradual progress in economic diversification. The analysis of macroeconomic indicators reveals an increase in GDP volume, the expansion of foreign trade turnover, and continued growth in export activities. These developments reflect the strengthening of the country's economic potential and its increasing participation in international economic relations.

In particular, the expansion of export activities, industrial development, and the growing contribution of the services sector to GDP indicate favorable conditions for further structural transformation. The findings suggest that the development of industrial production, the expansion of services, and the strengthening of international trade relations are important factors supporting economic stability and national competitiveness.

At the same time, the analysis highlights opportunities for further improving the structure and quality of economic growth. Particular attention should be given to broadening the range of exported products, increasing the technological sophistication of production, expanding innovation-driven activities, and strengthening the contribution of higher-value-added industries. These priorities are especially important for promoting a more balanced economic structure and enhancing the country's capacity to respond to changes in international market conditions.

Overall, economic diversification represents a strategic priority for ensuring Uzbekistan's long-term economic development, strengthening resilience to external economic fluctuations, and promoting effective integration into the global economy. In this regard, the modernization of productive sectors, the expansion of export markets, and the development of innovation-oriented economic activities should remain important directions of economic policy.

Based on the findings of the study, a phased approach to strengthening economic diversification in Uzbekistan is proposed. The first stage should focus on modernizing traditional economic sectors, improving production efficiency, and strengthening their technological capabilities. These measures would help establish a more productive foundation for subsequent structural transformation.

The second stage should prioritize the development of higher-value-added industries, the expansion of export-oriented manufacturing, and the diversification of products and international markets. Particular emphasis should be placed on supporting competitive enterprises, encouraging private investment, and facilitating the adoption of advanced production technologies.

The third stage should concentrate on deepening economic diversification through the development of

innovation-driven industries, digital technologies, knowledge-intensive services, and human capital. Expanding these activities would contribute to improving productivity, increasing the sophistication of domestic production, and strengthening Uzbekistan's position in international value chains.

The proposed phased approach provides a conceptual framework for implementing economic diversification measures in a consistent and coordinated manner. By combining industrial modernization, export development, and innovation-oriented structural transformation, Uzbekistan can further strengthen the foundations of sustainable economic growth.

From a practical perspective, expanding non-resource-based economic activities and supporting industries that generate higher value added are essential for achieving a more diversified and resilient national economy. Such measures can reduce the concentration of economic activity in individual sectors, improve adaptability to external market developments, and create additional opportunities for long-term economic stability and competitiveness.

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