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ARTICLE: AFGHANISTAN – UZBEKISTAN ECONOMIC COOPERATION AFTER 2021: A CASE STUDY OF

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Regional Integration

Abstract This study investigates the role of Uzbekistan in Afghanistan's post-2021 economic adjustment and regional connectivity. Following the political transition in August 2021, Afghanistan experienced a significant economic downturn due to reduced international assistance, restrictions on financial transactions, and declining domestic economic activity. In this context, regional economic cooperation became increasingly important, with Uzbekistan emerging as one of Afghanistan's most active economic partners.

The study applies a qualitative case-study approach supported by descriptive analysis of secondary data from international organizations, including the World Bank, International Monetary Fund (IMF), United Nations Comtrade Database, Asian Development Bank (ADB), and other official sources. The analysis focuses on three main areas of bilateral cooperation: trade relations, transport connectivity, and energy cooperation during the period 2021–2025.

The findings indicate that economic engagement between Afghanistan and Uzbekistan has expanded through increased cross-border trade, improved logistics cooperation, electricity supply, and investment initiatives. Infrastructure projects such as the Hairatan–Mazar-e-Sharif railway, the Termez International Trade Center, and the proposed Trans-Afghan Railway demonstrate the growing importance of Afghanistan as a potential link between Central and South Asian markets. At the same time, Uzbekistan's electricity exports have contributed to maintaining economic activity in several Afghan provinces.

However, the sustainability of this cooperation remains constrained by several challenges, including limited access to international banking systems, trade imbalances, infrastructure limitations, and security-related uncertainties. The study argues that Uzbekistan's pragmatic economic engagement has provided important short-term support for Afghanistan's economic resilience, but long-term development will depend on broader institutional reforms, improved financial connectivity, and stronger regional cooperation mechanisms.

Keywords: Afghanistan; Uzbekistan; Regional Integration; Economic Cooperation; Trade Connectivity; Energy Security; Central Asia.

INTRODUCTION

The political transition that occurred in Afghanistan in August 2021 created profound economic and institutional challenges for the country. The suspension of a large part of international development assistance, restrictions on access to foreign financial resources, and disruptions in the banking sector contributed to a sharp decline in economic activity. According to reports by the World Bank (2024) and the International Monetary Fund (2024), Afghanistan faced significant reductions in income levels, employment opportunities, private-sector activity, and public financial capacity during the post-2021 period.

In response to these challenges, Afghanistan increasingly relied on regional economic relations to maintain essential trade flows and economic activities. Among neighboring countries, Uzbekistan has played a particularly active role by maintaining commercial relations, supporting transport links, and continuing energy cooperation. Rather than focusing exclusively on political considerations, Uzbekistan has adopted a pragmatic economic approach that prioritizes connectivity, trade facilitation, and regional stability.

Afghanistan's geographical position provides significant potential for regional economic integration. Located between Central Asia and South Asia, the country can serve as a connecting route for trade, energy transmission, and transportation networks. For Uzbekistan, Afghanistan represents not only a neighboring market but also a possible transit pathway to international ports and broader regional markets. This mutual economic interest has encouraged cooperation in infrastructure development, logistics, and cross-border commerce.

Several initiatives demonstrate the growing importance of Afghanistan–Uzbekistan economic relations. The Hairatan–Mazar-e-Sharif railway has remained a key transport connection for the movement of goods between the two countries. The Termez International Trade Center has contributed to facilitating border trade and commercial exchanges, while the proposed Trans-Afghan Railway project reflects a broader regional vision of connecting Central Asia with South Asian markets through Afghanistan.

Trade cooperation has also expanded during the post-2021 period. Uzbekistan has continued supplying Afghanistan with important products, including electricity, agricultural inputs, industrial goods, and construction materials. At the same time, Afghanistan has maintained exports of agricultural products and other commodities to the Uzbek market. These exchanges demonstrate the importance of economic interdependence between the two countries, although significant challenges remain, particularly regarding Afghanistan's trade imbalance and limited financial access.

Despite progress in bilateral cooperation, several factors continue to affect the sustainability of economic integration. Restrictions on international banking channels, limited investment capacity, infrastructure constraints, and security concerns create obstacles for long-term economic development. Therefore, evaluating the effectiveness and limitations of Uzbekistan's economic engagement is essential for understanding Afghanistan's regional economic prospects.

This study examines Uzbekistan's role in Afghanistan's economic stabilization and regional connectivity after 2021. It focuses on three main dimensions: (1) bilateral trade development, (2) transport and infrastructure cooperation, and (3) energy relations. The study addresses the following research questions:

- How has Uzbekistan contributed to Afghanistan's economic adjustment after 2021?
- What role have trade, infrastructure, and energy cooperation played in strengthening bilateral relations?
- What challenges may limit the long-term sustainability of Afghanistan–Uzbekistan economic integration?

By analyzing recent economic developments and regional cooperation mechanisms, this research contributes to the literature on Central Asian regional integration and provides insights into how neighboring states can support economic resilience in post-crisis environments.

Literature Review

2.1 Regional Economic Integration Theory

Regional economic integration explains how neighboring countries increase economic cooperation through trade liberalization, infrastructure development, and policy coordination. Balassa (1961) argued that economic integration develops through different stages, beginning with trade liberalization and gradually moving toward deeper forms of economic cooperation. Although Afghanistan and Uzbekistan have not formed a formal economic union, their cooperation in trade, transport, and energy reflects elements of functional regional integration.

Recent studies on Central Asian connectivity emphasize that infrastructure networks and trade facilitation mechanisms play a significant role in reducing economic isolation among landlocked countries. According to the Asian Development Bank (2023), improved transport corridors and cross-border cooperation can enhance market access, reduce transaction costs, and support regional economic growth. In this context, Afghanistan's geographic position provides opportunities for linking Central Asian economies with South Asian markets.

2.2 Economic Interdependence and Bilateral Cooperation

Economic interdependence theory suggests that increasing economic connections between countries can create mutual benefits and encourage cooperation. Keohane and Nye (1977) highlighted that states become increasingly connected through trade, investment, and shared economic interests, reducing the costs associated with political and economic instability.

The Afghanistan–Uzbekistan relationship provides an example of asymmetric but growing economic interdependence. Afghanistan depends on Uzbekistan for electricity supplies, transportation access, and several essential commodities, while Uzbekistan benefits from access to Afghan markets and the possibility of using Afghanistan as a transit route toward South Asia. This relationship demonstrates how economic interests can continue to encourage cooperation even under complex political conditions.

2.3 Strategic Pragmatism and Regional Economic Diplomacy

Strategic pragmatism refers to a policy approach in which states prioritize practical economic interests and regional stability rather than relying exclusively on political alignment. In the post-2021 period, Uzbekistan has maintained economic engagement with Afghanistan through trade, energy cooperation, and infrastructure initiatives.

Research on Uzbekistan's regional policy indicates that Tashkent has increasingly focused on economic connectivity with neighboring states as part of its broader foreign economic strategy (International Monetary Fund [IMF], 2024). This approach reflects an effort to strengthen Central Asian integration while creating new trade opportunities with South Asian markets.

2.4 Gravity Model of International Trade

The Gravity Model of Trade remains one of the most widely used frameworks for explaining bilateral trade patterns. The model suggests that trade volume is influenced positively by economic size and negatively by geographical distance and transaction costs (Krugman et al., 2022). Countries that share borders or develop efficient transport systems generally experience stronger trade relationships.

In the case of Afghanistan and Uzbekistan, geographical proximity and investments in railway infrastructure, border facilities, and customs cooperation have contributed to expanding economic exchanges. The Hairatan–Mazar-e-Sharif railway and other connectivity projects represent efforts to reduce logistical barriers and improve regional trade efficiency.

2.5 Previous Empirical Studies on Afghanistan's Economic Recovery

Previous research and institutional reports have mainly focused on Afghanistan's humanitarian situation, economic decline, and development challenges after 2021. The World Bank (2024) reported that Afghanistan's economy has faced significant pressure due to reduced external financing, limited financial access, and declining private-sector confidence. Similarly, the United Nations Development Programme (2024) emphasized the importance of regional cooperation and private-sector activity for economic resilience.

However, limited academic attention has been given specifically to Uzbekistan's role as an economic partner in Afghanistan's post-2021 recovery. Existing studies often

examine Afghanistan's broader geopolitical environment rather than analyzing bilateral mechanisms of trade, energy, and infrastructure cooperation.

2.6 Research Gap

The existing literature provides valuable insights into Afghanistan's economic challenges and regional connectivity; however, three important gaps remain.

First, limited research has examined Uzbekistan's economic engagement with Afghanistan after 2021 as a case of pragmatic regional cooperation. Second, previous studies have generally analyzed trade, infrastructure, and energy issues separately rather than considering them as interconnected components of regional integration. Third, insufficient attention has been given to the sustainability challenges of bilateral cooperation, including banking restrictions, trade imbalance, and institutional limitations.

This study addresses these gaps by analyzing Afghanistan–Uzbekistan economic relations through the combined perspectives of regional integration theory, economic interdependence, and international trade theory.

Methodology

3.1 Research Design

This study employs a qualitative case-study research design supported by descriptive analysis of quantitative economic indicators. The case study approach is appropriate because it allows an in-depth examination of Afghanistan–Uzbekistan economic relations after the political transition of 2021, with particular attention to trade cooperation, transport connectivity, energy relations, and regional integration mechanisms.

The study does not attempt to establish direct causal relationships between Uzbekistan's policies and Afghanistan's economic outcomes. Instead, it evaluates the patterns, developments, and limitations of bilateral economic cooperation through analysis of available economic evidence and institutional reports.

3.2 Data Sources

The research relies on secondary data obtained from internationally recognized organizations, government publications, and official databases. The main sources include:

World Bank reports, including Afghanistan Development Updates and World Development Indicators;

International Monetary Fund (IMF) reports on Afghanistan and Central Asian economic developments;

- United Nations Comtrade Database for bilateral trade statistics;
- World Integrated Trade Solution (WITS) database;
- Asian Development Bank (ADB) publications on regional connectivity and economic development;
- United Nations Development Programme (UNDP) reports on Afghanistan's socio-economic conditions;
- United Nations Conference on Trade and Development (UNCTAD) reports on trade and development;
- Official publications from Uzbekistan's relevant economic and investment institutions.

The study covers the period from 2021 to 2025, focusing on economic developments following the political transition in Afghanistan.

3.3 Analytical Framework

The analytical framework combines three major theoretical perspectives.

First, Regional Integration Theory is used to examine how infrastructure development, trade facilitation, and economic cooperation contribute to deeper relations between neighboring countries (Balassa, 1961).

Second, Economic Interdependence Theory provides a framework for analyzing how mutual economic interests influence cooperation between states despite political differences (Keohane & Nye, 1977).

Third, the Gravity Model of International Trade is applied conceptually to understand how geographical proximity, reduced transportation costs, and improved connectivity influence bilateral trade relations (Krugman et al., 2022).

Together, these perspectives provide a comprehensive framework for analyzing Uzbekistan's economic engagement with Afghanistan.

3.4 Data Analysis Methods

The collected information is analyzed through descriptive statistical analysis and comparative assessment. Trade volumes, major infrastructure projects, electricity cooperation, and investment initiatives are examined to identify important trends between 2021 and 2025.

Where reliable data are available, changes in trade performance and economic cooperation are presented through tables and figures. Qualitative information from institutional reports is used to interpret economic developments and identify structural challenges affecting bilateral cooperation.

3.5 Reliability and Limitations

The study applies data triangulation by comparing information from multiple international organizations and official sources to improve reliability. However, several limitations should be acknowledged.

First, Afghanistan's economic data availability has become more limited after 2021 due to institutional changes and reduced statistical capacity. Second, informal cross-border trade activities may not be fully captured in official databases. Third, some infrastructure projects remain at planning or development stages, making their long-term economic effects difficult to measure.

Despite these limitations, the combination of international datasets and qualitative evidence provides a useful assessment of Afghanistan–Uzbekistan economic cooperation in the post-2021 period.

Results and Discussion

4.1 Development of Bilateral Trade Relations

Economic relations between Afghanistan and Uzbekistan have expanded significantly since 2021 despite the challenging economic environment in Afghanistan. Following the reduction of international assistance and restrictions on formal financial channels, regional trade became an important mechanism for maintaining access to essential goods and economic activity.

Uzbekistan has remained one of Afghanistan's major trading partners, supplying important products such as electricity, petroleum products, wheat flour, construction materials, machinery, and other industrial goods. In return, Afghanistan has exported agricultural products, including fruits, vegetables, cotton, carpets, and selected mineral resources. According to international trade databases, bilateral trade increased during

the post-2021 period, reflecting stronger border cooperation, trade facilitation measures, and private-sector engagement (UN Comtrade, 2025).

The expansion of trade relations demonstrates the role of geographic proximity and economic complementarity between the two countries. Afghanistan's demand for energy and industrial products corresponds with Uzbekistan's production capacity, while Afghanistan provides opportunities for market expansion and transit connectivity.

4.2 Transport Connectivity and Infrastructure Cooperation

Transport infrastructure represents one of the most important dimensions of Afghanistan–Uzbekistan economic cooperation. As a landlocked country, Afghanistan's economic development depends significantly on efficient regional transport networks and access to neighboring markets.

The Hairatan–Mazar-e-Sharif railway has played a central role in facilitating freight movement between Uzbekistan and Afghanistan. The railway connection provides Afghanistan with access to Central Asian supply chains and contributes to reducing transportation costs for imported goods.

Another significant initiative is the proposed Trans-Afghan Railway project, which aims to connect Uzbekistan with Afghanistan and Pakistan through a regional rail corridor. Although the project remains under development, it represents a strategic vision for linking Central Asian economies with South Asian markets and improving regional trade integration.

The Termez International Trade Center has also contributed to improving cross-border commercial activities by providing facilities for traders, logistics services, and simplified trade procedures. These developments support the argument of regional integration theory that infrastructure connectivity can strengthen economic cooperation among neighboring states (Balassa, 1961).

4.3 Energy Cooperation and Economic Stability

Energy cooperation is another important pillar of bilateral relations. Uzbekistan has become a major electricity supplier for Afghanistan, particularly for Kabul and Northern provinces. Reliable electricity supplies are essential for households, businesses, and industrial activities.

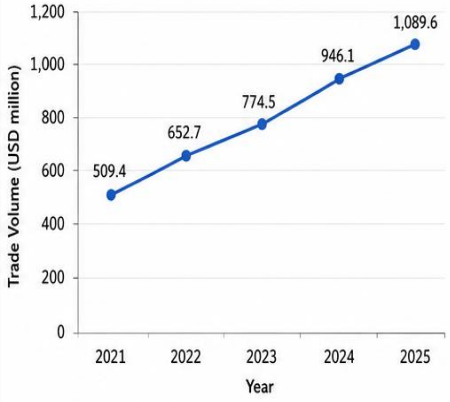
The development of electricity transmission infrastructure, including the Surkhan–Pul-e-Khumri power project, reflects efforts to strengthen long-term energy connectivity between the two countries. Improved electricity access can support industrial development, increase business productivity, and contribute to economic stability.

From the perspective of economic interdependence theory, energy cooperation creates mutual benefits by linking the economic interests of both countries (Keohane & Nye, 1977). Afghanistan benefits from improved energy security, while Uzbekistan strengthens its role as a regional energy partner.

4.4 Institutional and Structural Challenges

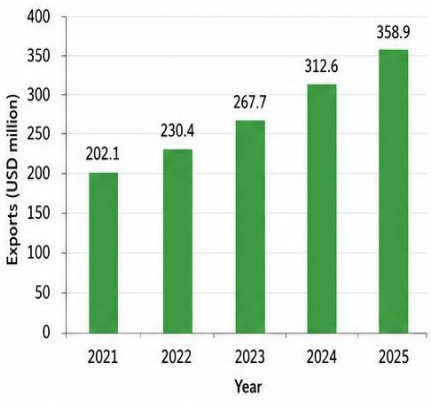
Despite progress in bilateral cooperation, several challenges continue to limit deeper economic integration.

Figure 1. Afghanistan–Uzbekistan Bilateral Trade (2021–2025)



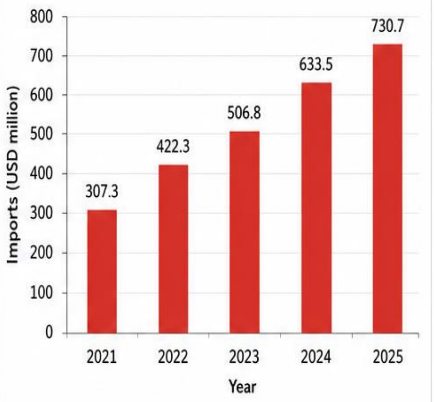
Source: UN Comtrade Database (2025)

Figure 2. Afghanistan's Exports to Uzbekistan (2021–2025)



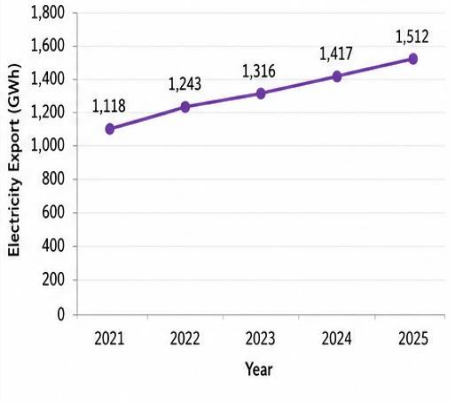
Source: UN Comtrade Database (2025)

Figure 3. Afghanistan's Imports from Uzbekistan (2021–2025)



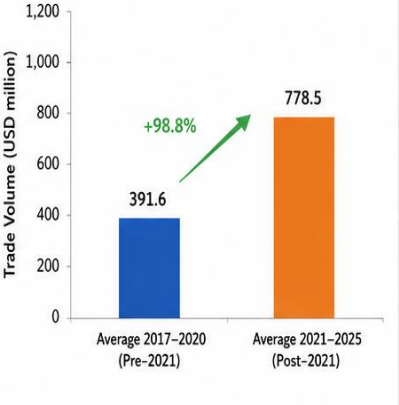
Source: UN Comtrade Database (2025)

Figure 4. Uzbekistan's Electricity Exports to Afghanistan (2021–2025)



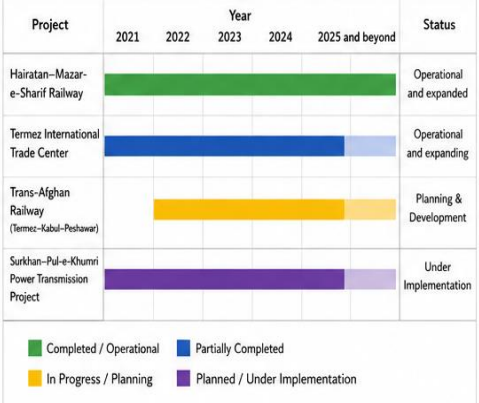
Source: Ministry of Energy of Uzbekistan (2025); ADB (2024)

Figure 5. Comparison of Bilateral Trade Before and After 2021



Source: UN Comtrade Database (2025)

Figure 6. Key Regional Connectivity Projects between Afghanistan and Uzbekistan



Source: ADB (2024); Ministry of Transport of Uzbekistan (2024)

First, restrictions on international banking systems remain a major obstacle for Afghan businesses. Limited access to international payment mechanisms increases transaction costs and reduces opportunities for formal trade expansion (World Bank, 2024).

Second, Afghanistan's trade structure remains highly dependent on imports. While Uzbekistan provides important goods and services, Afghanistan's limited export capacity reduces the potential for balanced economic relations.

Third, infrastructure limitations within Afghanistan, including transportation networks, industrial capacity, and logistics systems, restrict the full economic benefits of regional connectivity.

Finally, security uncertainties continue to influence investment decisions and infrastructure development. Sustainable economic cooperation requires stable conditions that encourage long-term private-sector participation.

Discussion

The findings indicate that Uzbekistan's post-2021 economic engagement has contributed to Afghanistan's economic resilience through three main channels: trade facilitation, infrastructure connectivity, and energy cooperation. These developments support the argument that regional economic relationships can provide important stabilizing effects during periods of economic crisis.

However, the evidence also shows that economic cooperation alone cannot overcome Afghanistan's broader structural challenges. Sustainable recovery requires improvements in domestic production capacity, financial institutions, governance systems, and regional economic coordination.

Therefore, Uzbekistan's role should be understood not as a replacement for broader international economic engagement, but as an important component of Afghanistan's regional economic strategy. The long-term success of this cooperation will depend on whether current trade and infrastructure initiatives can evolve into deeper and more balanced economic integration.

Conclusion and Policy Recommendations

Conclusion

This study examined the role of Uzbekistan in Afghanistan's economic stabilization and regional connectivity following the political transition of 2021. By analyzing developments in trade, transport infrastructure, and energy cooperation, the study

demonstrates that Uzbekistan has become an important regional economic partner for Afghanistan during a period of severe economic uncertainty.

The findings indicate that bilateral economic cooperation has continued despite significant challenges, including reduced international assistance, restrictions on financial transactions, and institutional limitations. Uzbekistan's engagement has mainly focused on maintaining trade flows, supporting electricity supplies, improving transport links, and encouraging private-sector cooperation. These activities have contributed to preserving economic connections between Afghanistan and Central Asia.

The analysis also highlights the importance of infrastructure connectivity in shaping regional economic relations. Projects such as the Hairatan–Mazar-e-Sharif railway, the Termez International Trade Center, and the proposed Trans-Afghan Railway demonstrate the potential of Afghanistan to function as a connecting point between Central and South Asian markets. Similarly, electricity cooperation has supported economic activity and improved energy access in several Afghan regions.

However, the study finds that current economic cooperation remains limited by structural challenges. Banking restrictions, weak financial infrastructure, trade imbalance, limited industrial capacity, and security uncertainties continue to affect the sustainability of bilateral economic integration. Therefore, while Uzbekistan's pragmatic economic engagement has provided short-term economic support, it cannot independently resolve Afghanistan's broader development challenges.

Overall, the study concludes that Afghanistan–Uzbekistan economic relations represent an important example of regional cooperation under difficult political and economic conditions. The future effectiveness of this partnership will depend on strengthening institutional capacity, improving financial connectivity, expanding Afghan productive sectors, and increasing cooperation among regional stakeholders.

5.2 Policy Recommendations

Based on the findings, the following policy recommendations are proposed:

1. Strengthening Trade Facilitation Mechanisms

Afghanistan and Uzbekistan should continue improving customs cooperation, digital trade systems, and border management procedures. Reducing administrative barriers would lower transaction costs and encourage greater private-sector participation.

2. Supporting Afghan Export Capacity

To reduce the existing trade imbalance, greater attention should be given to strengthening Afghanistan's export sectors, particularly agriculture, agro-processing, textiles, and small-scale manufacturing. Improving product quality and market access would enable Afghanistan to participate more effectively in regional trade.

3. Expanding Transport and Logistics Cooperation

Continued investment in railway infrastructure, road networks, and logistics facilities is essential for transforming Afghanistan into an effective regional transit corridor. Completion and development of major connectivity projects should remain a long-term priority.

4. Improving Financial Connectivity

The development of reliable and transparent payment mechanisms is necessary for expanding formal trade relations. Regional financial cooperation and improved access to legitimate banking channels would reduce dependence on informal transaction systems.

5. Enhancing Energy Cooperation

Uzbekistan and Afghanistan should continue cooperation in electricity transmission and explore additional opportunities in renewable energy and regional power networks. Stable energy supplies are important for industrial development and economic productivity.

6. Encouraging Private-Sector Investment

Policies that promote joint ventures, investment security, and business cooperation should be strengthened. Private-sector participation can support employment creation and increase economic diversification.

7. Improving Regional Coordination

Long-term economic integration requires cooperation among Afghanistan, Uzbekistan, and other regional partners. Multilateral approaches involving Central and South Asian countries can improve connectivity and create broader economic opportunities.

5.3 Future Research Directions

Future research should examine the long-term economic impact of Afghanistan–Uzbekistan cooperation using quantitative methods, including trade models and econometric analysis. Comparative studies involving other Central Asian countries could provide additional insights into regional integration patterns.

Further research may also explore the role of digital trade, renewable energy cooperation, regional payment systems, and private-sector networks in supporting sustainable economic development in Afghanistan.

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