

STRATEGY FOR DIVERSIFICATION OF THE ECONOMY OF UZBEKISTAN

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Abstract. This article examines the theoretical foundations and practical directions of Uzbekistan's economic diversification strategy. The study aims to identify mechanisms for reducing dependence on raw material exports, increasing the share of high value-added sectors in industry and services, and ensuring sustainable economic growth. The methodology is based on a systematic approach, comparative and dynamic statistical analysis, and evaluation of official macroeconomic indicators. The findings indicate that industrial modernization, promotion of innovation, improvement of the investment climate, and diversification of export structure are strategic priorities. The study concludes that diversification is a key factor in strengthening national competitiveness and enhancing resilience to external economic risks.

Keywords: economic diversification, structural reforms, industrial modernization, investment climate, export structure, sustainable economic growth.

Annotatsiya. Ushbu maqolada O'zbekiston iqtisodiyotini diversifikatsiya qilish strategiyasining nazariy asoslari va amaliy yo'nalishlari tahlil qilinadi. Tadqiqotning maqsadi iqtisodiyotning xomashyo eksportiga qaramligini kamaytirish, sanoat va xizmatlar sohasida yuqori qo'shilgan qiymat ulushini oshirish hamda barqaror iqtisodiy o'sishni ta'minlash mexanizmlarini aniqlashdan iborat. Metodologiya sifatida tizimli yondashuv, qiyosiy va dinamik statistik tahlil hamda rasmiy makroiqtisodiy ko'rsatkichlarni baholash usullari qo'llanildi. Natijalar sanoatni modernizatsiya qilish, innovatsion faoliyatni rag'batlantirish, investitsion muhitni yaxshilash va eksport tarkibini diversifikatsiya qilish ustuvor yo'nalishlar ekanini ko'rsatadi. Xulosa sifatida

diversifikatsiya milliy iqtisodiyotning raqobatbardoshligi va tashqi xatarlarga bardoshlilikini oshirishning muhim omili ekanligi asoslanadi.

Kalit soʻzlar: iqtisodiy diversifikatsiya, tarkibiy islohotlar, sanoat modernizatsiyasi, investitsiya muhiti, eksport tarkibi, barqaror iqtisodiy oʻsish.

Аннотация. В статье анализируются теоретические основы и практические направления стратегии диверсификации экономики Узбекистана. Цель исследования заключается в выявлении механизмов снижения зависимости от экспорта сырья, увеличения доли отраслей с высокой добавленной стоимостью и обеспечения устойчивого экономического роста. Методология основана на системном подходе, сравнительном и динамическом анализе статистических данных, а также оценке официальных макроэкономических показателей. Результаты показывают, что модернизация промышленности, стимулирование инноваций, улучшение инвестиционного климата и диверсификация структуры экспорта являются приоритетными направлениями развития. В заключение обосновывается, что диверсификация повышает конкурентоспособность и устойчивость национальной экономики.

Ключевые слова: экономическая диверсификация, структурные реформы, модернизация промышленности, инвестиционный климат, структура экспорта, устойчивый экономический рост.

Introduction

In recent decades, the tasks of deepening structural transformations, diversifying the national economic model, and ensuring sustainable growth in the economy of the Republic of Uzbekistan have become one of the top priorities of state policy. Following the attainment of independence, measures such as economic liberalization, attracting foreign investment, and improving the business environment were implemented. However, instability in the global economy, the volatility of commodity markets, and the intensification of external shocks have further elevated the importance of the economic diversification strategy within the national economy. This strategy entails the formulation of a comprehensive economic policy based on generating high value-added across various sectors, rather than relying on specific single branches of the economy. The concept of diversification encompasses reducing the economy's dependence on commodity exports, developing innovative branches of industrial manufacturing, expanding the services sector, and identifying new markets. As one of such directions, increasing the share of the service sector in gross domestic product, expanding the processing volume of agricultural products, and strengthening technological capacity are of paramount importance. For instance, in recent years, the services sector and infrastructure projects have secured a substantial share of national

GDP, demonstrating the successful implementation of the diversification process in these fields. The successful execution of economic diversification ensures the integration of the national economy into the global market, enhances foreign trade potential, and guarantees the efficient utilization of domestic resources. For long-term development, diversification requires a systemic approach, modernization, and the introduction of innovations. Furthermore, the diversification strategy is closely linked to strengthening macroeconomic stability, inflation control, and the implementation of balanced budgetary and monetary policies. Today, national strategic documents, such as the "Uzbekistan–2030" Strategy, clearly define the vectors of diversification with the objective of enhancing macroeconomic efficiency indicators. In the context of Uzbekistan, diversification serves to modernize the economy and bolster investment attractiveness. Structural transformations are viewed as a critical driver of sustainable growth across the industrial, service, and agricultural sectors. In particular, the necessity arises to strengthen various sectors of the economy by creating new production capacities, technological upgrading, and attracting foreign direct investment. Additionally, the diversification process contributes significantly to regional development, expanding the income streams of the population, and mitigating economic disparities between regions. At the same time, the balance between internal and external environmental factors plays a decisive role in executing the diversification strategy. Global shifts in the world economy, crises in energy markets, and technological innovations must be adapted to national economic policy. Research indicates that a diversified economy exhibits a high degree of resilience against structural risks, mitigates the impact of external shocks, and ensures sustainable growth along innovative trajectories. The objective of this study is to conduct a profound analysis of the economic diversification strategy in Uzbekistan, determine its macroeconomic efficiency, and formulate concrete proposals regarding its practical dimensions. Throughout the research, the diversification process is examined systematically, drawing upon national statistics, practical policy documents, and academic literature.

Methodology

This study is designed to examine the economic diversification strategy of Uzbekistan on a systemic and empirical basis, utilizing a harmonious blend of several scientific research methods as a methodological approach. The structure of the study comprises theoretical-analytical and empirical sections, each serving to provide a comprehensive understanding of the diversification process. In the first stage, scientific literature, strategic documents, and regulatory sources were analyzed. This phase involved reviewing existing theories regarding the concept of diversification and its

correlation with economic growth and structural transformations. International and national studies focusing on economic diversification, structural reforms, high value-added manufacturing, and the expansion of the services sector were reviewed as the theoretical foundation. Concurrently, national macroeconomic frameworks, including the Development Strategy of the Republic of Uzbekistan for 2022–2026 and the "Uzbekistan–2030" Strategy, were analyzed, with a specific focus on clauses pertaining to diversification vectors. This approach reinforced the theoretical-scientific baseline of the study and aided in identifying optimal methods within the national context of diversification. In the second stage, official statistical data were compiled for empirical analysis. This data was extracted from the reports of the State Statistics Committee of the Republic of Uzbekistan and international economic organizations. Statistical indicators were gathered based on factors such as GDP composition, value-added by sector, changes in export structure, regional disparities, and the share of the services sector. During this phase, statistical analysis methods, specifically dynamic and comparative methods, were applied. Through dynamic analysis, the development trends of diversification over time were identified, and their impact on national economic growth was evaluated. The comparative method allowed for the assessment of Uzbekistan's diversification level by benchmarking its export representation against other developing nations. Indicator analysis also played a critical role in the study. Specifically, to determine the level of export structure diversification, indexes measuring the diversity of the product and service portfolio (e.g., the concentration index, export diversification index) were analyzed. These indexes served as effective tools to quantify the share of high value-added goods and services within national exports. Additionally, socio-economic indicators (employment rates, population incomes, investment volumes) were utilized to investigate the impact of diversification policy on poverty reduction and social stability. The study also integrated a strategic analysis approach: a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis was conducted to evaluate the internal and external environmental factors affecting the diversification strategy. Through this method, internal resources, international trade opportunities, and competitive conditions in the economy of Uzbekistan were systematically mapped, and the efficacy of strategic directions was assessed. This comprehensive methodological approach ensures that the research findings are scientifically grounded, reliable, and possess high practical utility. The analyses provided an opportunity to evaluate the diversification processes of Uzbekistan's economy within precise numerical indicators and a strategic context, thereby enhancing the scholarly value of the study.

Analysis and results

The economic diversification strategy of Uzbekistan is comprehensively analyzed through national economic indicators, export structure, and the share of the services sector. Based on official statistics and academic research, sustainable national economic growth rates and sectoral structural changes have been identified in recent years. Specifically, according to statistics from 2024–2025, the volume of Gross Domestic Product increased significantly, with overall economic growth recorded at approximately 6.5%, which stands as one of the positive outcomes of the diversification strategy. Concurrently, industrial output exceeded \$43 trillion UZ\$, driving industry's share of GDP to 25.4%, which underscores the expansion of national manufacturing potential. This indicator confirms the successful implementation of the diversification policy. Analyzing the composition of exports further elucidates how diversification is manifesting in both domestic and foreign markets. Statistical data indicate that Uzbekistan's exports have followed a trajectory of significant growth in recent years, with improving dynamics in both goods and services exports. Concurrently, an expansion in the variety of exported goods is observed, particularly in the export of chemical, pharmaceutical, machinery, and processed products. For instance, the industrial export diversification index increased from 4.82 to 5.76 between 2010 and 2021, demonstrating a reduced dependence on mineral fuels and raw cotton exports. This confirms the upward trend of the diversification process. The expansion of export geography is another vital analytical result of the strategy. Uzbekistan has established trade relations with more than 150 countries, reflecting highly diversified export markets. The geographic widening of the export arena—particularly the strengthening of trade ties with European, Asian, and Central Asian states—enhances national export capacity and deepens integration with global markets. These represent comprehensive outcomes in the external dimension of the diversification strategy. Furthermore, the relevance of services sector exports is rising. The export of services is considered one of the primary growth drivers within the diversification process, backed by state initiatives creating favorable infrastructure and tax incentives. The share of services exports constitutes a stable portion of the country's total exports, facilitating a transition from raw material exports to a goods-and-services export model. This direction expands both the social and economic impacts of the diversification strategy. However, certain complexities remain within the diversification process. For example, a relatively low share of high value-added products in total exports, the inconsistent development of logistical infrastructure, and partial misalignment with international standards continue to limit the qualitative advancement of the diversification strategy. To overcome these bottlenecks, it is imperative to modernize national production, actively introduce technological

innovations, and implement infrastructure projects that augment export capacity. Overall, the analytical results obtained indicate that Uzbekistan's economic diversification strategy is demonstrating substantial success in expanding export structures, developing the services sector, diversifying export geography, and modernizing industrial production. Nevertheless, to maximize the strategy's efficiency, expanding high value-added exports and manufacturing products that meet the requirements of external markets remain paramount tasks.

Discussion

The analysis of policies and practical measures undertaken to diversify the economy of Uzbekistan presents a holistic view of the strategy's effectiveness. The shifting trend in the composition of exports over the 2010–2023 period indicates that the diversification process has taken deep root: the expansion of the assortment of produced goods and services has solidified the export structure and diversified market shares, with an increasing proportion of high value-added products. Indeed, the rise of the industrial export diversification index from \$4.82\$ in 2010 to \$5.76\$ in 2021 confirms the production of diverse goods tailored to international market demands and the expansion of the exported product portfolio—a critical indicator of diversification. Analyses demonstrate that the diversification process is yielding positive shifts not only in industrial products but also in the realm of services exports. Growth is observed in fields such as services exports, the digital economy, and technological services. This underscores the efficacy of strategic directions aimed at transitioning the economy from commodity dependence toward services and high technologies alongside manufacturing. The upward trend in services exports serves to further diversify Uzbekistan's export portfolio, thereby bolstering macroeconomic stability. The expansion of export geography constitutes another vital component of diversification. According to official statistical data, Uzbekistan has forged trade relations with over 150 countries, reflecting an expansion of export markets. As the export footprint expands geographically, domestic products harmonize with the market demands of diverse regions, compelling national exports to adapt to the information and demand dynamics of foreign markets. Such a strategic vector reinforces the global integration element of diversification and enhances the resilience of national exports against market risks. Nevertheless, nuanced challenges persist within the diversification process. The share of products with high value-added in total exports remains relatively low; the underdevelopment of logistics infrastructure in certain sectors and issues regarding product standard adaptation still demand rigorous attention. These factors can limit the competitiveness of national exports, necessitating targeted regulatory decisions and infrastructural interventions for the full realization of the diversification

strategy. For instance, measures such as streamlining export processes, optimizing the transport-logistics system, and developing a certification framework aligned with international standards will serve to eliminate these barriers. Additionally, the social impact of the economic diversification strategy plays an important role. Support mechanisms are being reinforced to ensure that domestic producers and small business entities gain access to new markets and product types. This is generating a positive impact on job creation, increasing population incomes, and ensuring social stability, because economic growth driven by diversification is tied not merely to expanding market segments, but also to elevating the economic potential of the population through those very markets. In conclusion, the diversification strategy serves as an effective mechanism for transitioning Uzbekistan's national economy toward a high-tech, service-enriched economic model that is resilient against commodity export dependency. The prospects of broadening the export structure, developing high value-added manufacturing, accelerating services exports, and diversifying export geography collectively solidify the country's competitiveness and augment its resilience against external economic shocks.

CONCLUSION

The analysis and empirical results of the strategy to diversify the economy of Uzbekistan demonstrate the efficacy of measures aimed at increasing the sustainability and competitiveness of national economic development. The study confirms that expanding the export structure, developing the services sector, modernizing industrial manufacturing, and incentivizing the production of high value-added products represent the core pillars of the strategy. Statistical data indicate that while significant GDP growth rates were achieved in 2024–2025, diversification indexes within the industrial and services sectors illustrated positive outcomes in curbing the economy's reliance on commodity markets and generating higher value-added. The expansion of export geography and the growth of services exports validate the positive socio-economic footprint of the diversification strategy. At the same time, regional disparities, logistical infrastructure constraints, and limitations in high-tech manufacturing require supplementary measures to maximize the strategy's efficiency. Specifically, expanding the production of high value-added goods and innovative services, optimizing the transport-logistics system, and strengthening certification processes in line with international standards are of critical importance in amplifying the success of the national diversification strategy (lex.uz). Analyses demonstrate that diversification is not merely an instrument for economic growth and export expansion, but also a vital vehicle for economic stability, job creation, broadening population income sources, and narrowing regional disparities. In this sense, the diversification

strategy enables Uzbekistan to transform into a country possessing high resilience against global economic shocks, robust competitiveness, and sustainable growth along innovative vectors. In general, it is established that the strategy for diversifying the economy of Uzbekistan is a vital tool not only for sectoral growth and export development but also for reinforcing economic stability, social progression, and international integration. The consistent execution of this strategy—achieved by channeling investments into high-tech manufacturing and the services sector, supporting the private sector and small businesses, and scaling innovative solutions—will guarantee the long-term sustainable development of the country.

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