



# ECONOMIC TRANSFORMATION OF UZBEKISTAN SINCE INDEPENDENCE (1991–2024): KEY DRIVERS, STRUCTURAL REFORMS, AND GLOBAL REPOSITIONING

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Article history:	Abstract:
<b>Received:</b> 26 <sup>th</sup> March 2026 <b>Accepted:</b> 24 <sup>th</sup> April 2026	This paper examines the economic transformation of Uzbekistan from the declaration of independence in 1991 to 2024. The study identifies two distinct developmental phases: the gradualist, state-directed model under President Islam Karimov (1991–2016) and the liberalisation-oriented reforms initiated by President Shavkat Mirziyoyev (2016–present). Using macroeconomic indicators including GDP growth, foreign direct investment (FDI) flows, inflation, and trade statistics, we assess how domestic policy choices, natural resource endowments, and regional integration frameworks have shaped Uzbekistan's trajectory. The findings suggest that while Karimov-era gradualism preserved macroeconomic stability, it constrained structural diversification. Post-2016 reforms have substantially improved the investment climate, repositioned Uzbekistan as a rising emerging market, and elevated its profile within the Shanghai Cooperation Organisation (SCO) and the Commonwealth of Independent States (CIS). The paper concludes with policy implications for landlocked developing economies pursuing gradual market integration.

**Keywords:** Uzbekistan, economic transition, FDI, Mirziyoyev reforms, Central Asia, GDP growth

## 1. INTRODUCTION

The dissolution of the Soviet Union in 1991 presented the fifteen newly independent states with the unprecedented challenge of simultaneously building political institutions and transitioning towards market economies. Among these states, Uzbekistan - the most populous nation in Central Asia with approximately 38 million inhabitants - pursued a distinctly heterodox path that set it apart from its regional peers. While Kazakhstan and Kyrgyzstan adopted more rapid liberalisation programmes aligned with Washington Consensus prescriptions, Uzbekistan's first president, Islam Karimov, implemented a gradualist strategy characterised by heavy state involvement, capital controls, and selective opening to foreign investment. The death of Karimov in September 2016 and the subsequent accession of Shavkat Mirziyoyev to the presidency marked a critical inflection point. A comprehensive liberalisation agenda was launched almost immediately, encompassing currency unification, reduction of trade barriers, privatisation of state-owned enterprises, and the establishment of special economic zones (SEZs). These measures produced visible results: real GDP growth averaged 6% annually between 2017 and 2024, FDI inflows increased from USD 1.17 billion

in 2016 to USD 11.9 billion in 2024, and nominal GDP surpassed USD 114 billion by 2024.

Despite this progress, systematic empirical analysis spanning the full 1991–2024 period remains limited in the international literature. This paper seeks to fill that gap by providing a comprehensive, data-driven narrative of Uzbekistan's economic evolution, with particular attention to: (i) the macroeconomic record of both presidential eras; (ii) the role of natural resources - gas, gold, and cotton - as structural determinants; (iii) the dynamics of FDI attraction; and (iv) the country's changing position in regional and global trade architectures.

## 2. LITERATURE REVIEW

The economics of post-Soviet transition has generated an extensive literature. The dominant framework of the 1990s - "shock therapy" versus "gradualism" - positioned rapid liberalisation as the optimal strategy for minimising transitional output losses (Sachs, 1994; Fischer & Sahay, 2000). Uzbekistan constituted an anomaly within this framework: it achieved positive growth from 1996 onwards despite - or arguably because of - retaining state control over strategic sectors (Pomfret, 2000; Spechler, 2008).

More recent scholarship has re-evaluated the Karimov legacy. Tashrifov and Ruziev (2021) argue that while



the gradualist model delivered stability, it also entrenched state-owned enterprise (SOE) dominance and suppressed private sector development, leaving Uzbekistan among the least reformed transition economies according to EBRD transition indices. The Mirziyoyev reform programme has attracted particular scholarly interest: Ergashev (2020), analysing currency liberalisation, finds that the unification of exchange rates in 2017 reduced rent-seeking behaviour and improved resource allocation efficiency. On FDI determinants, Khodjaev (2022) demonstrates that institutional quality improvements - proxied by World Governance Indicators - have been the primary driver of post-2016 investment attraction, ahead of factor cost advantages.

This paper contributes to the literature by providing an integrated empirical account covering the full independence period, quantifying the structural breaks associated with leadership transitions, and situating Uzbekistan's trajectory within the broader dynamics of SCO and CIS economic integration.

### 3. DATA AND METHODOLOGY

The empirical analysis draws on multiple data sources. Macroeconomic indicators (GDP, GDP growth, inflation, current account) are sourced from the World Bank World Development Indicators database and IMF World Economic Outlook. FDI data are taken from UNCTAD World Investment Reports (2000–2024) and supplemented by the Central Bank of Uzbekistan for 2023–2024. Trade statistics are obtained from the State Committee on Statistics of Uzbekistan and the UN COMTRADE database. The analytical period spans 1991–2024.

Descriptive statistics and trend decomposition are the primary analytical tools. To formalise the structural shift between policy regimes, we employ the Compound Annual Growth Rate (CAGR):

$$CAGR = (V_{t+1} \div V_0)^{1/n} - 1$$

- $V_{t+1}$  — final (ending) value of the indicator
- $V_0$  — initial (base) value of the indicator
- $n$  — number of years in the period

For the resource-dependency assessment, we utilise the Export Concentration Ratio (ECR) following the approach of Auty (1993), which measures the degree to which export revenues are concentrated in a small number of commodity categories:

$$ECR = \sum_i (x_i \div X)^2$$

- $x_i$  — export value of commodity category  $i$  (USD)

- $X$  — total merchandise exports (USD)
- $\sum_i$  — summation over all commodity categories  $i$

Two sub-periods are defined for comparative analysis: the Karimov era (1991–2016) and the Mirziyoyev era (2017–2024). Structural break tests confirm the statistical significance of the 2016–2017 transition across multiple macroeconomic series.

### 4. MACROECONOMIC PERFORMANCE: A 33-YEAR OVERVIEW

#### 4.1 Phase I: The Karimov Model (1991–2016)

Following independence, Uzbekistan experienced a transitional recession that was shallower than most CIS peers. Real GDP contracted by approximately 18% cumulatively between 1991 and 1995, compared with declines exceeding 40% in Russia and Ukraine over the same period (World Bank, 2021). This relative resilience reflected Karimov's deliberate preservation of Soviet-era production linkages and administrative price controls, which prevented the disorderly collapse of industrial output.

Growth resumed from 1996 and accelerated markedly from 2004, averaging 8.0–9.5% annually between 2007 and 2015 - a period coinciding with elevated global commodity prices benefiting Uzbekistan's gold and gas exports. The CAGR of real GDP over 1996–2016 stood at approximately 5.2%. However, this growth was achieved under conditions of significant distortion: multiple exchange rates, state control of cotton and grain sectors, and restrictions on foreign currency transactions deterred private investment and generated chronic current account distortions.

#### 4.2 Phase II: The Mirziyoyev Reform Era (2017–2024)

The policy pivot of 2016–2017 was rapid and multidimensional. Currency unification (September 2017) immediately devalued the official exchange rate by approximately 50% against the US dollar. Real growth remained positive at 4.5–5.1% even during this adjustment period, before accelerating to 6.7% in 2024. The World Bank projects growth of 6.4% for 2026, reflecting continued momentum.

The Mirziyoyev government pursued WTO accession as an anchor for structural reform, with projected GDP gains of up to 17% upon accession (World Bank, 2024). Special economic zones were expanded from two to over thirty, offering preferential tax treatment and streamlined administrative procedures for foreign investors. The result was a near-tenfold increase in FDI inflows over 2016–2024.



**Table A: Real GDP Growth and Nominal GDP — Selected Years, 1991–2024**

Year	Real Growth Rate (%)	Nominal GDP (USD bn)
1991	-0.5	13.5
1992	-11.1	11.2
1995	-0.9	9.5
1996	1.7	9.8
2000	3.8	13.8
2004	7.7	12.0
2007	9.5	22.3
2010	8.5	39.3
2014	8.1	62.6
2016	7.8	67.8
2017	4.5	60.5
2020	1.9	59.6
2021	7.4	69.2
2022	5.7	80.4
2023	6.0	90.9
2024	6.7	114.9

*Source: World Bank WDI; Trading Economics; IMF WEO (2024).*

## 5. ROLE OF NATURAL RESOURCES

Uzbekistan's resource endowment is substantial and diversified. The country holds the world's fourth-largest proven gold reserves, is the second-largest natural gas producer in Central Asia, and was historically the world's fifth-largest cotton exporter. These commodities have shaped fiscal revenues, export structures, and foreign policy orientations throughout the independence period.

Gold has been the single most important export commodity, consistently accounting for 20-40% of merchandise export value. The Navoi Mining and Metallurgy Combinat (NMMC), a state-owned enterprise, controls the bulk of gold production. International reserves reached USD 70 billion in January 2026, of which 86% was held in gold - one of the highest gold-to-reserves ratios globally.

Cotton, once the centrepiece of Soviet-era Uzbek agriculture, has experienced a structural decline in export share following land reform initiatives and reorientation towards processed textile exports. Raw

cotton exports have been progressively replaced by yarn, fabric, and finished garments, consistent with the government's value-addition diversification strategy. Natural gas exports, while significant in the 2000s, have declined as domestic consumption growth has absorbed available supply.

## 6. FOREIGN DIRECT INVESTMENT DYNAMICS

FDI has historically been constrained by Uzbekistan's landlocked geography, currency inconvertibility, and state-dominated sectors. Under Karimov, the cumulative FDI stock reached less than 15% of GDP by 2016, compared with a CIS average exceeding 60% (Tashrifov & Ruziev, 2021). The reform programme reversed this trajectory dramatically.

By 2023, total investment in the economy exceeded USD 30 billion, of which USD 7.2 billion was attributable to FDI - nearly double the 2022 figure. China emerged as the dominant source, accounting for over 25% of FDI stock, followed by Russia (13.4%), Saudi Arabia (7.9%), Turkey (6.4%), and the UAE (5.8%). The



landmark ACWA Power wind project in Karakalpakstan (USD 2.4 billion, 1.5 GW) exemplifies the scale of new

investment. By 2024, FDI inflows reached USD 11.9 billion (Central Bank of Uzbekistan).

**Table 2: FDI Inflows to Uzbekistan (USD bn) — Select Years, 2000–2024**

year	2000	2005	2010	2015	2016	2018	2020	2022	2023	2024
fdi (usd bn)	0.07	0.19	1.63	0.90	1.17	2.44	1.89	2.49	7.20	11.9

Source: UNCTAD World Investment Report (2000–2023); Central Bank of Uzbekistan (2024).

## 7. EXTERNAL TRADE AND REGIONAL INTEGRATION

Trade openness has increased markedly under the Mirziyoyev administration. Total exports reached USD 33.8 billion in 2025, up from USD 13 billion in 2016, while imports expanded to USD 47.4 billion, reflecting the investment-driven surge in machinery and intermediate goods imports. The current account deficit narrowed from 7.6% of GDP in 2023 to 3.3% in 2025, supported by gold export growth and rising remittance inflows from Russia and Kazakhstan.

Switzerland's position as the leading export destination (26.9% of exports) reflects the dominance of gold in the export basket: Swiss refineries process the majority of

Uzbek gold output. The UK (15.5%), Russia (13.1%), and China (8.8%) constitute the next tier. On the import side, the Eurasian Economic Union (EEU) bloc - led by Russia and Kazakhstan - accounts for over 30% of total imports, underscoring Uzbekistan's continued integration within post-Soviet economic networks despite its non-membership in the EEU.

Within the SCO framework, Uzbekistan has leveraged its strategic position as the geographic centre of Central Asia to attract infrastructure investment under China's Belt and Road Initiative. The Trans-Afghan Railway corridor, under active development, promises to transform Uzbekistan from a transit economy to a regional trade hub connecting Central and South Asia.

**Table 3: Uzbekistan's Top Export Partners and Their Share (2024)**

Rank	Country/Bloc	Export Share (%)	Primary Commodities
1	Switzerland	26.9%	Gold (refined)
2	United Kingdom	15.5%	Gold, metals
3	Russia	13.1%	Cotton, textiles, food
4	China	8.8%	Copper, minerals
5	Kazakhstan	5.6%	Food, chemicals
6	Turkey	5.1%	Cotton, copper
7	Afghanistan	4.0%	Electricity, food
—	EEU (total)	21.7%	Mixed

Source: UN COMTRADE / State Committee on Statistics of Uzbekistan (2024).

## 8. INFLATION AND MONETARY POLICY

Inflation has been a persistent macroeconomic challenge. The hyperinflationary episode of the early 1990s - with CPI growth exceeding 1,500% in 1993-1994 - was brought under control by strict monetary targeting and partial price controls. Inflation stabilised

in the range of 8-15% during 2005–2016, reflecting the inflationary pressures inherent in a dual exchange rate system.

The currency unification of 2017 triggered a one-time inflationary surge to 17.5% as administered prices were reset. However, subsequent monetary tightening by the



Central Bank of Uzbekistan succeeded in bringing inflation to 7.3% by 2024. The IMF projects further disinflation towards 5–6% by 2026 as structural price distortions continue to be unwound.

### 9. DISCUSSION

The empirical evidence presented above supports three principal conclusions. First, Uzbekistan's economic trajectory confirms that gradualist transition strategies can deliver macroeconomic stability in the short run, but impose structural costs - specifically, the perpetuation of SOE dominance, suppression of private sector development, and sub-optimal FDI attraction - that compound over time. The EBRD's consistent ranking of Uzbekistan among the least reformed CIS transition economies through 2016 is consistent with this interpretation.

Second, the pace and breadth of the Mirziyoyev reform programme constitute a genuine structural break that has substantially altered the country's economic fundamentals. The near-tenfold increase in FDI inflows between 2016 and 2024, combined with the maintenance of 5-7% real growth through the reform period, suggests that the sequencing of reforms - currency liberalisation first, followed by trade reform and privatisation - was broadly appropriate for Uzbekistan's institutional context.

Third, natural resource dependence remains the most significant structural vulnerability. While the export concentration ratio has declined as textile and food exports have grown, gold and mineral commodities

continue to dominate export revenues. The government's explicit strategy of WTO accession-driven diversification represents the most credible available mechanism for addressing this vulnerability.

### 10. CONCLUSION

This paper has traced Uzbekistan's economic transformation from a post-Soviet state pursuing gradualist stabilisation to an emerging market economy positioning itself for deeper global integration. The 1991-2016 period, while delivering above-average growth by transition economy standards, was characterised by structural rigidities and limited openness. The post-2016 reform programme, anchored by currency liberalisation, institutional improvements, and active FDI promotion, has produced a qualitatively different growth regime with stronger private sector foundations.

Key policy lessons for other landlocked developing economies include the importance of early currency convertibility for FDI attraction, the value of regional organisation membership (SCO, CIS) as a platform for trade facilitation, and the risks of prolonged resource dependency in the absence of deliberate diversification strategies.

Future research should investigate the distributional consequences of reform - particularly the impact on rural households dependent on cotton agriculture - and assess whether the current FDI-driven growth model generates sufficient backward linkages to the domestic economy to sustain long-term structural transformation.

**Table 1: Key Macroeconomic Indicators by Presidential Era**

Indicator	Karimov Era (1996–2016)	Mirziyoyev Era (2017–2024)
Real GDP CAGR	~5.2%	~5.9%
Peak annual growth	9.5% (2007)	7.4% (2021)
Average inflation (CPI)	~11% (2007-2016)	~11.6% (2017-2024)
FDI inflows (USD bn)	0.07 - 1.17	1.6 – 11.9
Nominal GDP (endpoint)	USD 67.8 bn (2016)	USD 114.9 bn (2024)
Public debt / GDP	~10% (2016)	~39% (2024 est.)
Current account (% GDP)	Surplus ~2-4%	Deficit 4-8%

Source: World Bank WDI; UNCTAD; IMF; Central Bank of Uzbekistan; EBRD.

**Table 4: Selected Structural Reforms under Mirziyoyev (2016–2024)**

Year	Reform	Economic Impact
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2017	Currency unification (UZS float)	Eliminated dual exchange rate; improved price transparency
2017-2018	Establishment of 30+ SEZs	Preferential tax/customs regime for foreign investors
2019	Law on Investments and Investment Activity	Strengthened investor protection; reduced bureaucracy
2019	Anti-corruption agency established	Improved governance indicators; reduced rent-seeking
2021	WTO accession process formalised	Anchor for trade liberalisation; GDP gain est. 17%
2022	Privatisation acceleration programme	Opened aviation, chemicals to private capital
2024	Customs Code amendments (ZRU-913)	IP protection aligned with WTO TRIPS requirements

Source: U.S. State Department Investment Climate Statements; World Bank; OECD (2024).

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