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UZBEKISTAN'S INTEGRATION INTO GLOBAL VALUE CHAINS AMID ECONOMIC TRANSITION

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Article History	Abstract
Received: 10.09.2025 Accepted: 29.10.2025	Uzbekistan's ambitious economic reforms have coincided with a renewed drive to plug the country into global value chains (GVCs). A double-landlocked geography, state dominance in key sectors and heavy reliance on raw materials have historically limited the country's participation in cross-border production networks. This article analyses Uzbekistan's current position in GVCs, using real data on trade composition, foreign direct investment (FDI), transport infrastructure, and digital connectivity. It evaluates recent improvements, such as a dramatic rise in the Logistics Performance Index (LPI) ranking, and quantifies the potential gains from deeper manufacturing integration. The discussion contrasts Uzbekistan's performance with global and regional benchmarks, highlights policy reforms aimed at enhancing GVC participation, and provides recommendations to ensure that economic transition translates into higher value-added exports and sustained growth.

Keywords: Global value chains (GVCs), logistics performance index (LPI), industrial goods, foreign direct investment (FDI), service trade reforms.

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IQTISODIY O‘TISH DAVRIDA O‘ZBEKISTONNING GLOBAL QIYMAT ZANJIRLARIGA INTEGRATSIYASI

KALIT SO‘ZLAR/ КЛЮЧЕВЫЕ СЛОВА:
Global qiymat zanjirlari (GQZ), logistika samaradorligi indeksi (LPI), sanoat mahsulotlari, to‘g‘ridan-to‘g‘ri xorijiy investitsiyalar (TXI), xizmatlar savdosi islohotlari

ANNOTATSIYA/ АННОТАЦИЯ

O‘zbekistonning keng ko‘lamli iqtisodiy islohotlari mamlakatni global qiymat zanjirlariga (GQZ) faol qo‘shish bo‘yicha yangi bosqichdagi harakatlar bilan uyg‘unlashmoqda. Ikkita dengizga chiqish yo‘li bo‘lmagan geografik joylashuv, asosiy tarmoqlarda davlat ustunligi va xomashyo eksportiga tayanish O‘zbekistonning xalqaro ishlab chiqarish tarmoqlaridagi ishtirokini tarixan cheklab kelgan. Ushbu maqolada savdo tarkibi, to‘g‘ridan-to‘g‘ri xorijiy investitsiyalar (TXI), transport infratuzilmasi va raqamli aloqadorlik haqidagi amaliy ma’lumotlarga asoslanib, O‘zbekistonning hozirgi holati tahlil qilinadi. Shuningdek, maqolada logistika samaradorligi indeksi (LPI) bo‘yicha reytingdagi keskin o‘sish kabi so‘nggi yutuqlar baholanadi va ishlab chiqarishdagi chuqurroq integratsiyadan olinadigan potentsial foydalar miqdoran tahlil qilinadi. Muhokamada O‘zbekistonning ko‘rsatkichlari global va mintaqaviy standartlar bilan taqqoslanadi, GQZda ishtirokni kengaytirishga qaratilgan siyosiy islohotlar yoritiladi hamda yuqori qo‘shimcha qiymatli eksport va barqaror o‘sishni ta’minlash bo‘yicha tavsiyalar beriladi.

Analysis and discussion of results

Global value chains are built on the flows of intermediate inputs across borders. Central Asia historically participates at the lower end of these chains, exporting raw materials and intermediate goods rather than moving into assembly and final production. According to the Asian Development Bank, the share of foreign value added embedded in exports across CAREC countries averages only 15 %, whereas the global average is about 25 %[2]. This suggests that Central Asia and Uzbekistan in particular, capture a smaller portion of high-value stages in production. Enhancing GVC participation requires improvements in logistics, diversification of exports, and deeper integration with foreign investors and trading partners.

As a double-landlocked country, Uzbekistan faces high transport costs. However, its performance has improved markedly. The World Bank’s 2023 Logistics Performance Index (LPI) ranked Uzbekistan 88th out of 160 countries, signaling progress in customs efficiency and infrastructure. An Asian Transport Observatory working paper notes that the country’s ranking improved from 129th in 2014 to 88th in 2023, a jump of 41 positions, or about 4.6 ranking places per year on average (own calculation). Despite progress, Uzbekistan still

[2] Asian Development Bank. *Unlocking Central Asia’s economic potential by integrating into global value chains.* Manila: Asian Development Bank, 2023. Available at: https://blogs.adb.org/blog/unlocking-central-asia-s-economic-potential-by-integrating-global-value-chains

trails behind major manufacturing hubs and remains in the bottom third of global rankings for connectivity, contestability and capabilities[3].

Official statistics reveal that Uzbekistan's export basket remains heavily concentrated in raw materials and services. In 2024 total exports amounted to US$26.95 billion. Goods accounted for 73.3 % of total exports, while services contributed 26.7 %. Within goods exports, industrial products (manufactures) represented 15.6 %, while "other goods" (mainly primary commodities and non-monetary gold) made up 28.0 %, and food products and live animals 8.1 %. Textile products, once a flagship industrial export, generated US$2.87 billion in 2024, equivalent to 10.6 % of total exports. Service exports were dominated by travel and tourism (48.8 % of services), transport (35.7 %), telecommunications and IT (8.6 %), and other business services (3.5 %)[4].

Industrial goods currently account for 15.6 % of total exports. Since goods make up 73.3 % of exports, industrial goods represent roughly 21.3 % of goods exports. In value terms, industrial goods exports were about US$4.20 billion in 2024 (own calculation). If Uzbekistan could increase the share of industrial goods to 30 % of goods exports, closer to the global average for middle-income economies, the value would rise to about US$5.93 billion, implying an incremental export gain of US$1.72 billion (about 6.4 % of 2024 GDP) (own calculation). Achieving this would require attracting investment into higher-value manufacturing, strengthening supplier networks, and leveraging preferential access to key markets through trade agreements[5].

Gold remains a dominant export. Casual observers note that gold exports have sometimes exceeded service exports and account for over one-quarter of total exports. This concentration underscores the need to broaden the export base by building capabilities in machinery, automotive components, chemicals and agro-processing. A more diversified export structure would reduce exposure to commodity price swings and support deeper GVC integration.

FDI is a critical channel for transferring technology and embedding domestic firms into multinational supply chains. Uzbekistan's economic reforms have begun to attract sizable inflows. The U.S. State Department reports that in 2023, Uzbekistan received US$7.2 billion in foreign direct investment, nearly double the 2022 level, and achieved GDP growth of 6 %. This investment surge represents about 7.1 % of GDP (US$7.2 billion over a GDP of US$101.59 billion in 2023, own calculation based on Macrotrends data). The government also reported that 87 % of total investment in 2023 came from private and corporate sources.

Investment inflows are geographically concentrated. In 2023, the main sources were China (25.6 % of FDI), Russia (13.4 %), Saudi Arabia (7.9 %), Turkey (6.4 %), the United

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[3] World Bank. *Country Climate and Development Report: Uzbekistan.* Washington: World Bank, 2023. Available at: https://documents1.worldbank.org/curated/en/099111423124532881/pdf/P1790680f452f10ba0a34c06922a1df0003.pdf

[4] Stat.uz

[5] Stat.uz

Arab Emirates (5.8 %), and Germany (4.3 %). These six countries accounted for almost 64 % of FDI, and the top two (China and Russia) contributed 39 % (own calculation). The Herfindahl-Hirschman index for this distribution is about 990, indicating a moderate level of concentration. Energy, mining, and export-oriented manufacturing dominate the project pipeline, which aligns with the government's import-substituting industrialization strategy but may limit diversification.

To address these challenges, the World Bank's 2022 FDI strategy study recommends modernizing investment legislation, streamlining incentives, and strengthening investment promotion to attract high-quality investors. It emphasizes enhancing global value-chain participation and creating higher-skilled employment. Successful privatization of state-owned enterprises and transparent public–private partnerships could widen opportunities for domestic firms to join multinational supply networks.

Uzbekistan's landlocked position magnifies the importance of efficient transport and logistics. As noted above, the country's LPI ranking improved from 129th in 2014 to 88th in 2023. The World Bank's climate report highlights that railway efficiency and cross-border operations need further enhancement, and that strategically located logistics centers could lower transport costs and increase competitiveness. Sustaining the current pace of improvement (about 4.6 ranking places per year) could bring Uzbekistan into the global top 50 within a decade. However, achieving this would require substantial investment in multimodal corridors, customs modernization and digital trade facilitation.

Connectivity is not only physical. Digital infrastructure and liberalization of services are central to modern value chains. The World Bank's services-led growth study reports that Uzbekistan ranks 88th out of 139 economies for logistics performance, but the country lags in digital connectivity. High-speed mobile internet coverage remains limited, and only 40 % of individuals make or receive digital payments. Tertiary education enrolment is 31.5 %, well below the Europe-and-Central-Asia average of 80 %, and basic ICT skills are possessed by fewer than 10 % of the population. These human-capital gaps hinder firms' ability to adopt digital production techniques and participate in services trade.

Restrictive regulations also limit contestability. The same World Bank study notes that Uzbekistan is among the bottom third of countries in the Services Trade Restrictiveness Index, with state-owned enterprises dominating telecommunications and transportation, and data-localization requirements restricting cross-border delivery of ICT services. Modeling suggests that halving the gap with the best performers by reducing services trade barriers could raise real GDP by as much as 9 % and increase real wages by 8 %. Accession to the World Trade Organization (WTO) would provide an anchor for these reforms.

The leap in LPI rankings shows that targeted investments and policy reforms can yield rapid gains. Improvements in customs processes, the opening of the Tashkent International Logistics Center, and better cross-border cooperation with Kazakhstan and China have reduced transit times. A rough calculation suggests that if Uzbekistan continues to improve its LPI ranking at the 2014–2023 pace, it could reach the top 50 by 2033.

Achieving such a ranking would help reduce trade costs by an estimated 5 – 10 %, based on comparisons with similarly ranked countries. Reduced costs would particularly benefit industrial goods exporters, whose margins are thinner than commodity exporters.

Raising the share of industrial goods from 21.3 % of goods exports to 30 % could add US$1.72 billion in annual export revenue (own calculation). This hypothetical increase would represent around 6.4 % of GDP and reduce dependence on gold and other non-renewable resources. The shift requires targeted industrial policies: incentivizing automotive and machinery assembly, expanding special economic zones, and promoting quality standards compliant with EU and Chinese markets. Additionally, strengthening linkages between services and manufacturing, for example, by providing digital logistics platforms and engineering services, can raise productivity and embed domestic firms deeper into GVCs.

While FDI inflows have surged, they are still concentrated in a few countries and sectors. To broaden the base, Uzbekistan should prioritize investors who bring advanced technologies and integrate local suppliers into their supply chains. An early success is the attraction of European renewable-energy firms in the Navoi region, which could catalyze a green manufacturing hub. The planned privatization of state-owned banks and manufacturing enterprises will open opportunities for multinational companies to acquire stakes and integrate domestic suppliers into their global networks. Transparent incentive schemes and streamlined regulations, as recommended by the World Bank, will be vital.

Global production today is increasingly services-intensive; cross-border flows of data, logistics, finance, and design are as important as the movement of physical goods. Uzbekistan's limited digital penetration and restrictive services policies hinder its ability to move up value chains. Expanding high-speed internet to rural areas, liberalizing telecommunications, and simplifying data-transfer regulations could enable local firms to offer IT, professional services, and digital logistics to foreign partners. The IT Park in Tashkent demonstrates the benefits of targeted liberalization; replicating such models in regional centers would widen the talent pool and support employment in global innovator services. Joining the WTO would commit Uzbekistan to transparent rules and open services markets.

Uzbekistan's efforts to integrate into global value chains have yielded tangible progress. The country has improved its logistics ranking dramatically, attracted significant FDI inflows, and begun diversifying its export structure. Yet the share of high-value industrial goods remains low, digital readiness lags behind regional peers, and the services sectors are heavily regulated. Scenario analysis shows that deeper manufacturing integration and services liberalization could deliver sizable economic gains. Success will hinge on continuing structural reforms, investing in human capital and infrastructure, and building partnerships with investors that connect Uzbek producers to global networks.

Uzbekistan's economic transition has created a window of opportunity to integrate more deeply into global value chains. Improvements in transport and logistics have moved the country from near the bottom to the middle of global rankings, reducing physical barriers to trade. Rapidly rising FDI inflows reflect growing investor confidence, while policy initiatives aim to attract technology-rich investment and improve the business climate. However, exports remain dominated by raw materials and services; manufacturing accounts for only about one-fifth of goods exports, and digital infrastructure lags behind. Closing these gaps will require a multifaceted strategy: upgrading infrastructure, liberalizing services, investing in skills and technology, and expanding participation in international trade agreements such as the WTO. With sustained reforms, Uzbekistan can evolve from a transit corridor into an active participant in global production networks, capturing more value at home and securing sustainable growth.

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