



TRENDS IN DEVELOPMENT AND DIVERSIFICATION OF EXPORTS OF THE REPUBLIC OF UZBEKISTAN

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Abstract. The article analyzes the dynamics of Uzbekistan's exports of goods and services from 2010 to 2023. It assesses the diversification of both the commodity structure and the geographic distribution of exports using the export product concentration index and the export diversification index. Statistical analysis of trends in Uzbekistan's exports during this period highlights the urgent need to accelerate diversification in both the structure and geography of exports. It emphasizes increasing the share of finished goods with high added value in the export portfolio, as well as diversifying and expanding services exports and enhancing regional export activities. To achieve this faster export diversification, a comprehensive set of interrelated measures is required across various areas of economic policy. This includes improvements in trade, investment, and industrial policies, along with deeper institutional reforms.

Keywords: export of goods and services, commodity structure of export, geography of export, export diversification, export product concentration index, export diversification index, Uzbekistan.

O'ZBEKISTON RESPUBLIKASI EKSPORTINI RIVOJLANTIRISH VA DIVERSIFIKATSIYA QILISH TENDENSIYALARI

Sultanova Gavxar

Jahon iqtisodiyoti va diplomatiya universiteti

Annotatsiya. Maqolada 2010-2023 yillarda O'zbekistondan tovarlar va xizmatlar eksporti dinamikasi tahlil qilinadi, eksportning tovar kontsentratsiyasi indeksi va eksportni diversifikatsiya indeksidan foydalanish asosida O'zbekiston eksportining tovar tarkibi va geografiasini diversifikatsiya darajasi baholanadi. 2010-2023 yillarda O'zbekiston eksportini rivojlanish tendentsiyalarining statistik tahlili eksport tarkibi va geografiasini diversifikatsiya qilishni jadallashtirish, tovar eksporti tarkibida yuqori qo'shilgan qiymatga ega tayyor tovarlar ulushini oshirish, xizmatlar eksportini kengaytirish va diversifikatsiya qilish, hududlarning eksport faoliyatini rivojlantirish zarurligini ko'rsatadi. Eksportni diversifikatsiya qilishni jadallashtirish iqtisodiy siyosatning turli yo'nalishlarida, shu jumladan savdo, investitsiya, sanoat siyosatini takomillashtirish va institutsional islohotlarni chuqurlashtirishda o'zaro bog'liq chora-tadbirlar majmuini amalga oshirishni talab qiladi.

Kalit so'zlar: tovar va xizmatlar eksporti, eksportning tovar tarkibi, eksport geografiasini, eksport diversifikatsiyasi, eksportning tovar kontsentratsiyasi indeksi, eksport diversifikatsiyasi indeksi, O'zbekiston.

ТЕНДЕНЦИИ РАЗВИТИЯ И ДИВЕРСИФИКАЦИИ ЭКСПОРТА РЕСПУБЛИКИ УЗБЕКИСТАН

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Аннотация. В статье проводится анализ динамики экспорта товаров и услуг из Узбекистана в 2010-2023 годах, оценивается степень диверсификации товарной структуры и географии экспорта Узбекистана на основе использования индекса товарной концентрации экспорта и индекса диверсификации экспорта. Статистический анализ тенденций развития экспорта Узбекистана в 2010-2023 годах показывает необходимость ускорения диверсификации структуры и географии экспорта, повышения доли готовых товаров с высокой добавленной стоимостью в экспортной корзине, увеличения и диверсификации экспорта услуг, развития экспортной деятельности регионов. Ускорение диверсификации экспорта требует осуществления комплекса взаимосвязанных мер в различных направлениях экономической политики, включая совершенствование торговой, инвестиционной, промышленной политики и углубление институциональных реформ.

Ключевые слова: экспорт товаров и услуг, товарная структура экспорта, география экспорта, диверсификация экспорта, индекс товарной концентрации экспорта, индекс диверсификации экспорта, Узбекистан.

Introduction.

An important focus for the future development of foreign economic activity in Uzbekistan, particularly during this phase of deepening economic reforms, is to enhance the country's export volumes and accelerate the diversification of both its commodity structure and geographic markets. A key priority is to increase the share of high-added-value goods in the export mix. By broadening the range of exported goods and services, developing new foreign markets, and boosting the share of highly processed products, Uzbekistan can significantly contribute to sustainable economic growth and improve the well-being of its population.

In the Development Strategy of the New Uzbekistan for 2022-2026, the 28 objective is to further elevate export potential and achieve export volumes of 30 billion US dollars by 2026. Similarly, in the "Uzbekistan - 2030" Strategy, the 55 goal is to enhance the population's well-being through sustainable economic growth by strengthening the export potential of the national economy and radically increasing the share of high-added-value products. The primary targets include doubling export volumes to 45 billion dollars, increasing the number of exporting enterprises from 6,500 to 15,000, and raising the volume of finished and semi-finished products in exports by 3.3 times.

Currently, Uzbekistan's export portfolio is characterized by a low degree of diversification, as evidenced by the higher values of the commodity concentration index (0.311 in 2023) and the export diversification index (0.739 in 2023) of Uzbekistan compared to their average values for Central and South Asian countries (0.117 and 0.398), developing Asian countries (0.106 and 0.219), and middle-income countries (0.110 and 0.345).

Despite some qualitative changes in the export structure – such as an increase in the share of processed goods and a decrease in primary products, – the overall export composition is still dominated by intermediate products with a low degree of processing. These items account for over two-thirds of the total export volume. The data highlight the necessity to accelerate the diversification of our export commodity structure. This includes both the intensive margin – achieving a more balanced distribution of export values among different commodity groups – and the extensive margin – introducing new goods into the export mix. There should be a particular focus on vertical diversification, which involves increasing the share of high-value-

added and technologically advanced products in exports. Furthermore, it is essential to diversify the structure of service exports and to enhance the volume of more complex and knowledge-intensive services.

The geography of Uzbekistan's exports is concentrated in a few key countries, which are its primary trading partners. In 2023, the Russian Federation, China, Kazakhstan, Turkey, Afghanistan, Kyrgyzstan, Tajikistan, and France collectively accounted for 45% of the total export value. This data highlights the need for Uzbekistan to diversify its export geography to reduce dependence on these primary trading partners. The goal is to secure stable export income and enhance its contribution to economic growth.

Empirical studies have shown a significant positive relationship between export diversification and sustainable economic growth over the long term (Agosin, 2008; Lederman and Maloney, 2007; Hesse, 2009). Diversifying export portfolios allows developing countries to decrease their reliance on primary commodity exports. The objective is to stabilize export income and improve trade terms in the long run (Al-Marhubi, 2000).

However, as evidenced by the experiences of other countries, accelerating export diversification is a complex strategy that requires a multifaceted approach. This includes implementing comprehensive structural reforms in the economy, creating an attractive investment climate to draw both domestic and foreign investments, enhancing human capital, liberalizing international trade, and promoting export strategies. Additionally, ensuring currency stability, improving institutional quality, and advancing transportation infrastructure and logistics systems are critical areas for consideration.

This article examines the dynamics of exports of goods and services from Uzbekistan between 2010 and 2023. It also evaluates the diversification of the country's export commodity structure and geography. The analysis of export performance indicators for individual regions of Uzbekistan, along with conclusions and recommendations for accelerating the diversification of exports within the framework of ongoing economic reforms, makes a significant contribution to the field.

The article is organized into the following sections: The second section provides a brief review of the relevant literature. The third section outlines the study's methodology. The fourth section presents the findings from the statistical analysis. Finally, the fifth section synthesizes the conclusions and proposes strategies for enhancing the diversification of exports in Uzbekistan.

Literature review.

In many developing countries that are liberalizing their economies, GDP growth relies heavily on the growth of exports of goods and services. However, maintaining high rates of export and GDP growth is closely linked to the diversification of the export structure. Transitioning from exporting raw materials and agricultural products to exporting finished goods with higher added value can stabilize and enhance export revenues, thereby strengthening the role of exports in sustaining high economic growth rates.

Many developing countries have the potential for these qualitative changes, driven by improvements in human capital, advancements in technology, reductions in material intensity of production, the expansion of the service sector, and increases in the real incomes of the population. Consequently, there is a shift in demand toward more expensive and higher-quality goods.

In academic literature, export diversification is defined as an increase in the quantity and types of products and services exported. The UNCTAD report offers a contrasting definition to that of "concentration of exports." Export diversification indicates how a country's export value is distributed across a wider variety of products and trading partners. According to the report, a higher level of export diversification signifies lower export concentration, and vice versa

(UNCTAD, 2018). In essence, a country's exports are considered more diversified when they encompass a broader range of product lines and reach more countries.

A straightforward definition of export portfolio diversification, as outlined in scientific literature, is the expansion of the range of products a country exports (Dennis, 2007). Diversification can be achieved by altering the composition of the export basket, either by increasing the added value of exported goods or enhancing their technological complexity through R&D and innovation. Based on these definitions, two distinct forms of export diversification can be recognized: horizontal and vertical. Horizontal diversification refers to the expansion of products within the same industry, while vertical diversification pertains to entering new industries.

Horizontal diversification of exports refers to the expansion of the number of export sectors, which helps reduce a country's reliance on a limited range of sectors (Matthee, Naude, 2008). The specific objectives outlined in an export policy will guide the appropriate course of action. Export diversification can be achieved by adjusting the relative weight of existing export product lines within the overall export volume or by introducing new product lines. This could involve adding new products to the export structure or enhancing existing ones. Vertical diversification, on the other hand, is mainly focused on increasing the share of high-value-added goods while decreasing the share of raw materials and products with a low level of processing.

In addition to horizontal and vertical diversification, academic literature often discusses "extensive margin of export diversification" and "intensive margin of export diversification." Extensive margin involves increasing the number of export items, typically shifting from raw materials to manufactured goods, as noted by Dennis and Shepherd (2010). Conversely, intensive margin refers to a more balanced distribution of the total value of exports without necessarily introducing new items to the export mix.

The diversification of exports presents numerous advantages for developing countries. Most importantly, it contributes to the long-term stability of export revenue for the economy. The volatility of global commodity prices leads to instability in income for exporting countries that depend heavily on natural resources (Bleaney and Greenaway, 2001). By broadening the range of exportable goods and transitioning from raw material exports to finished products, countries can lessen their dependence on global market fluctuations and improve their terms of trade. Additionally, diversifying export markets helps reduce reliance on the economic conditions of major trading partners.

Diversification of the export structure is crucial for protecting against external price shocks that can arise in global commodity markets. When a country's export revenues rely heavily on a few individual commodities, a decline in world prices can increase the risk of a chronic current account deficit. This deficit may necessitate borrowing foreign capital or depleting official gold and foreign exchange reserves. Such circumstances can destabilize the economy, potentially leading to a depreciation of the national currency and rising prices. If the rate of devaluation of the national currency is slower than the inflation rate, the real exchange rate may increase, further diminishing exports. Therefore, export diversification helps mitigate these issues and contributes to macroeconomic stability.

Additionally, export diversification can be a strategy for structural transformation within the economy. This transformation often involves changes in the availability of physical, human, and institutional capital (Hausmann and Klinger, 2006). Other factors related to firms' export activities also play a role in this transformation. The introduction of new goods or the expansion into new markets can create positive externalities, such as the knowledge, skills, and information that other firms in the industry and the broader economy can leverage. This new knowledge – encompassing production technologies, management and marketing techniques, organizational structures, and personnel training – can incentivize firms to explore new and promising activities, resulting in significant structural shifts in the economy.

Finally, export diversification is essential for achieving sustainable economic growth (Al-Marhubi, 2000). Research by Agosin (2008), Lederman and Maloney (2007), and Hesse (2009) has found a positive correlation between the diversification of exports and economic growth, particularly in developing countries.

Overall, export diversification is a complex process influenced by various factors, including the country's macroeconomic conditions (such as monetary, fiscal, industrial, commercial, investment, and innovation policies), the quality of human capital, the level of infrastructure development, the effectiveness of institutions, and the characteristics of the firms involved in export activities.

The factors that have significant impact on the export diversification, as observed in empirical studies by various authors, can be categorized as follows:

1. Size, Natural Resource Endowment, and Geographical Location. This includes indicators such as gross domestic product, population, and labor force (Parteka and Tambari, 2011); natural resource rents (Jetter and Hassan, 2015; Giri et al., 2019) and remoteness from major markets (Cadot et al., 2011b).

2. Macroeconomic Indicators. Key indicators in this category are per capita income levels (Klinger and Lederman, 2006; Bebczuk and Berrettoni, 2006; Cadot et al., 2011a), foreign direct investment inflows (Iwamoto and Nabeshima, 2012), exchange rates, and domestic credit to private sector (Giri et al., 2019).

3. Quality of Human Capital. Factors here include enrollment rates in primary and secondary education, tertiary education enrollment, and literacy rates (Cadot et al., 2011b; Agosin et al., 2012; Jetter and Hassan, 2015).

4. Trade Policy. This encompasses the level of tariff and non-tariff barriers (Vogel, 2022), a country's participation in regional trade agreements (Parteka and Tambari, 2011), and membership in the World Trade Organization (WTO, 2023).

5. Institutional Quality. Important aspects include governance quality (Cadot et al., 2011b), democracy, the rule of law, perception of corruption, property rights, and transaction costs associated with exports (Dennis and Shepherd, 2011).

Numerous factors influence the degree of export diversification at the macroeconomic level. Some factors, like the quality of human capital, significantly affect the extensive margin of diversification, while others, such as financial market sophistication, affect the intensive margin. Additionally, certain factors, including the quality of institutions and infrastructure, generally promote export activity and influence both dimensions of diversification positively.

Research methodology.

To analyze the dynamics of Uzbekistan's exports and the changes in its commodity structure, we used annual data from the Statistical Agency under the President of the Republic of Uzbekistan. This data includes the volume of exports of goods and services, expressed in millions of US dollars, as well as the percentage share of individual groups of goods and services in total exports. Additionally, UNCTAD data was utilized to analyze various indicators, including the value index of exports, unit value index of exports, volume index of exports, growth rates of world prices for raw materials, and statistical data from organizations such as the WTO (World Trade Statistical Review), ITC (Trade Map), and the World Bank (WITS, 2022).

The extent of diversification in the commodity structure of exports was assessed using the export product concentration index and the export diversification index, along with the number of exported goods. This information was obtained from the UNCTAD (2024) statistical database.

To evaluate the degree of diversification in the geography of Uzbekistan's exports, we relied on data from the Statistical Agency regarding the share of individual countries in total exports as a percentage. Furthermore, we assessed the export activity of specific regions based on an analysis of national statistics.

The study employed various statistical analysis methods, including general indicators, indexes, graphs, comparative analysis, and generalization techniques.

Analysis and discussion of results.

One of the main goals of Uzbekistan's economic development strategy is to improve the country's export potential and diversify both the structure and geography of its exports. Developing exports is crucial for economic growth in Uzbekistan, as it generates foreign currency inflows that can be used to purchase imported goods and services. In recent years, the government has implemented significant measures to support exporting organizations, which have positively influenced export growth.

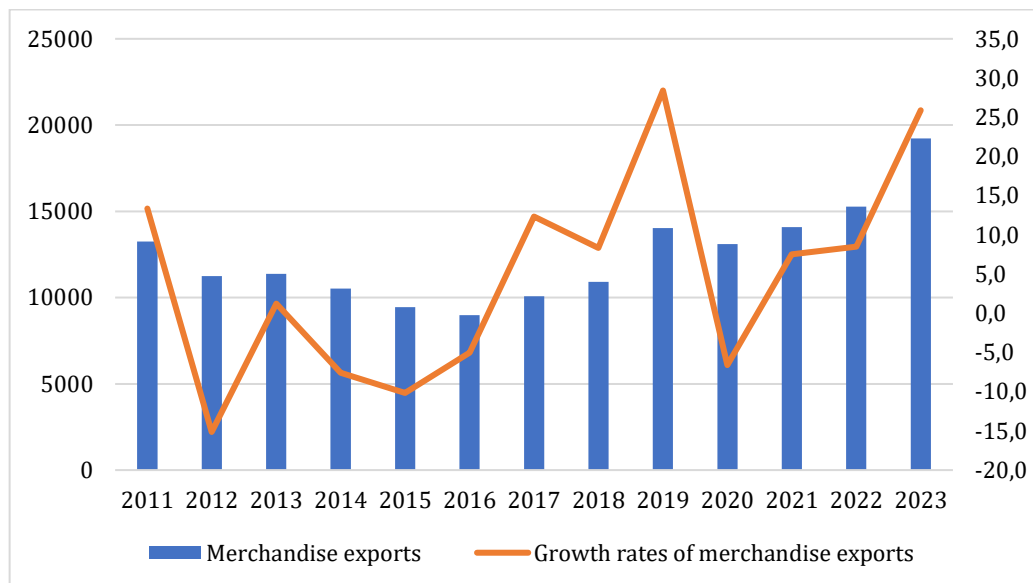


Fig. 1. Dynamics of exports of goods of the Republic of Uzbekistan in 2011-2023, in million US dollars (left axis) and percentages (right axis).

Source: Data of the Statistical Agency under the President of the Republic of Uzbekistan.

Between 2011 and 2023, the dynamics of goods exports exhibit both growth and decline phases (Fig. 1). From 2011 to 2016, there was a general downward trend in export volumes, indicated by negative growth rates, with the exception of 2013. However, starting in 2017, the volume of goods exported began to increase, with the notable exception of 2020, when exports fell by 6.6% compared to the previous year due to the coronavirus pandemic. The highest growth rate during this period occurred in 2019, reaching 128.4%. Overall, the volume of goods exports more than doubled from US\$13.2 billion to US\$19.2 billion during the analyzed period, with an average annual growth rate of 3.15%. By 2022, Uzbekistan accounted for 0.06% of global merchandise exports (WTO, 2023).

Analyzing changes in the value index, the unit value index, and the volume index of exports can help us better understand the dynamics of export value. An increase in a country's export value may often be linked to rising world prices for the primary commodities exported. This can happen either with an increase in the physical volume of exports when prices remain stable or when world prices decline compared to the previous period. The growth can be attributed to either a rise in the unit value index or an increase in the volume index of exports.

Examining these indices for Uzbekistan from 2016 to 2023 leads to several conclusions. In 2016, export value fell compared to the previous year, primarily due to a decrease in the unit value index and a reduction in export volume. However, during the 2017-2018 period, export value increased, fueled by rising global prices. This was a result of increased export volumes, with the growth in the unit value index outpacing that of export volumes.

In 2019, a significant increase in export value was noted, driven by an expansion in the volume of goods exported, even though the unit value index declined compared to the year before. In 2020, export value dropped sharply due to a notable reduction in exported goods, despite an increase in the unit value index. The years 2021 and 2022 saw significant growth in exports, attributed to a substantial rise in the unit value index, even though there was a consistent decline in the volume index. By 2023, exports increased due to the expanded physical volume of exports, despite a decrease in the unit value index (Fig. 2).

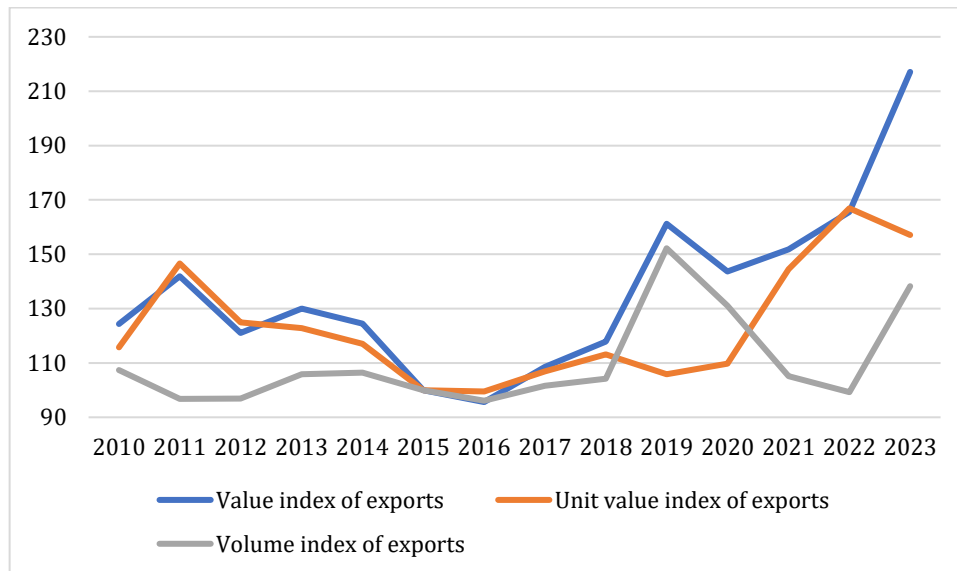


Fig. 2. Dynamics of the value index of exports, unit value index of exports, and volume index of exports in 2010-2022 (2015 = 100)

Source: UNCTADSTAT (2024).

In 2019, a significant increase in export value was noted, driven by an expansion in the volume of goods exported, even though the unit value index declined compared to the year before. In 2020, export value dropped sharply due to a notable reduction in exported goods, despite an increase in the unit value index. The years 2021 and 2022 saw significant growth in exports, attributed to a substantial rise in the unit value index, even though there was a consistent decline in the volume index. By 2023, exports increased due to the expanded physical volume of exports, despite a decrease in the unit value index (Fig. 2).

Uzbekistan's export value dynamics depend on fluctuations in the volumes of specific commodity groups over the analyzed period. A statistical analysis of data from 2010 to 2023 shows a fluctuating trend in the export of chemical products and various finished goods. In contrast, the export dynamics of industrial goods, drinks and tobacco, and animal and vegetable oils have been relatively stable and positive. This stability is likely due to world prices for finished products being less volatile than those for raw materials. On the other hand, the dynamics of non-food raw materials exports (except fuel) have been negative, primarily due to a decrease in cotton exports as more cotton is processed domestically (Fig. 3).

The dynamics of exporting mineral fuels, lubricating oils, food products, and other commodities have been unstable. Between 2010 and 2023, the stability of certain commodities, particularly non-monetary gold, was also questionable due to fluctuations in world prices. For instance, in 2020, there was a sharp decline in world fuel prices, leading to a nearly fourfold reduction in Uzbekistan's mineral fuels exports. In contrast, the rise in world precious metal prices resulted in a 118% increase in exports of other products (non-monetary gold) compared to 2019.

From 2021 to 2022, world prices for precious metals decreased while the prices for fuel and energy resources increased. This shift was reflected in a reduced volume of other products

exports and an increase in mineral fuels exports from Uzbekistan. However, in 2023, this trend reversed: world precious metal prices rose while global fuel prices fell.

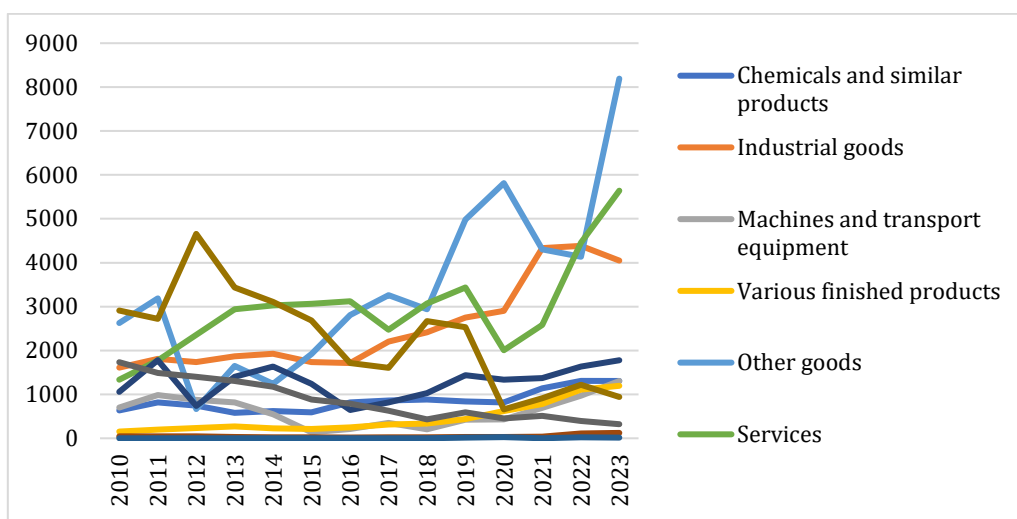


Fig. 3. Dynamics of goods exports (SITC-2008) of the Republic of Uzbekistan in 2010-2023, in million US dollars.

Source: Data from the Statistical Agency under the President of the Republic of Uzbekistan.

This change led to a significant increase in the export volume of other products and a reduction in mineral fuels exports from Uzbekistan. As for food products, the volume of exports from Uzbekistan has remained stable over recent years, despite a decline in world prices for food products (Fig. 4).

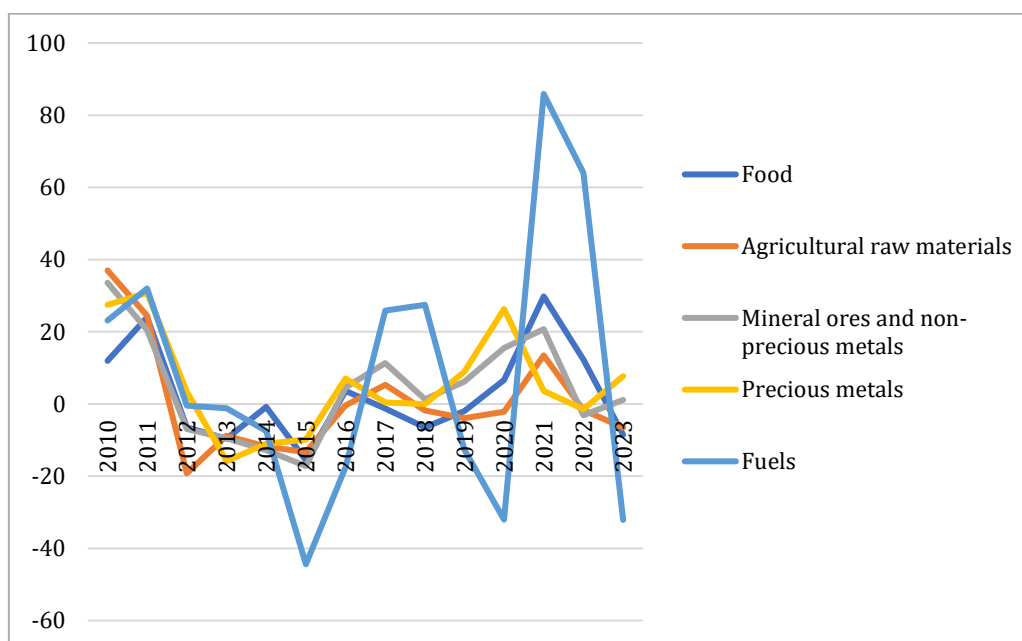


Fig. 4. Growth rates of world commodity prices in 2010-2023, as a percentage of the previous year.

Source: UNCTADSTAT.

The export dynamics of machinery and transport equipment in Uzbekistan showed a negative trend between 2011 and 2015 but turned positive from 2016 to 2023. During this period, the value of machinery and transport equipment exports increased by 1.9 times, rising from approximately \$700 million to \$1.3 billion.

In 2023, the total volume of goods exports surged by 125.9% compared to 2022, driven by increases in machinery and transport equipment, as well as various finished products, food

products, beverages and tobacco. However, the most significant contribution to export growth came from items not classified in other categories of the Standard International Commodity Classification (SITC), notably non-monetary gold. Non-monetary gold accounted for a substantial portion of Uzbekistan's total exports, ranging from 26.8% to 42.4% from 2019 to 2023 (Fig. 5).

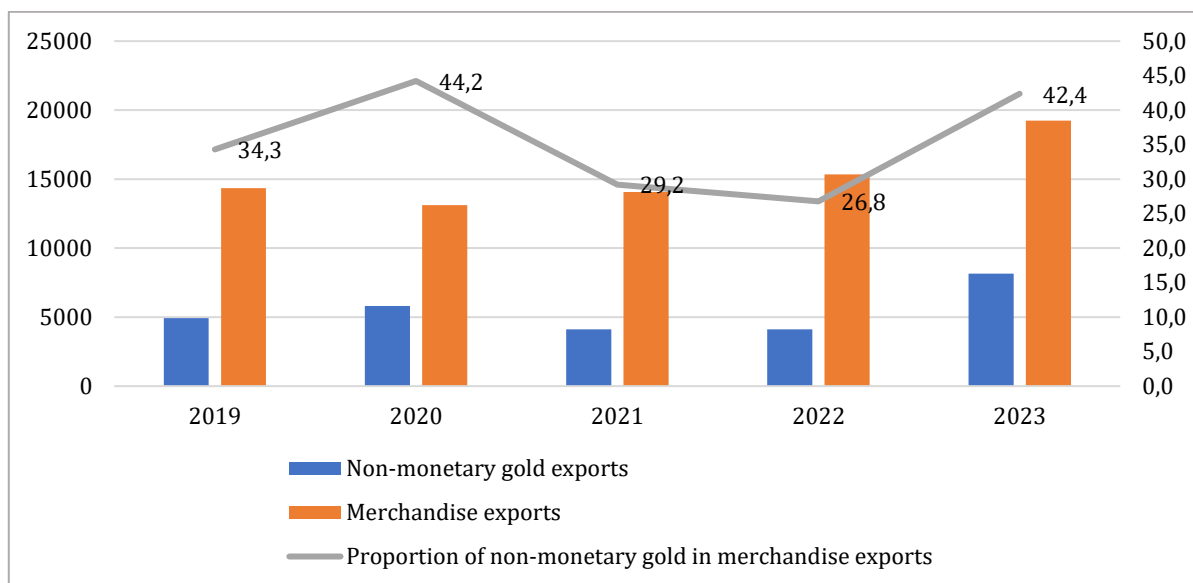


Fig. 5. Dynamics of non-monetary gold exports of the Republic of Uzbekistan in 2019-2023, in million US dollars (left axis) and the share of non-monetary gold in the total volume of commodity exports, in percent (right axis).

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

The trends in Uzbekistan's overall export volume are closely linked to the dynamics of non-monetary gold exports and fluctuations in world prices for precious metals. According to a study by Chepel (2018), a change in world gold prices by one standard deviation (17 percentage points, with an average median estimate of 111.0%) results in a change in exports by 20 percentage points after four quarters.

Therefore, diversifying national exports and reducing the reliance on precious metals are essential for enhancing the sustainability of export dynamics and the economy.

Between 2010 and 2023, the export structure underwent significant changes. Notably, the share of mineral fuels dropped from 22.7% to 3.8%, and non-food raw materials decreased from 13.5% to 1.3%. This decrease is largely due to most natural gas production being used to satisfy domestic needs for both industry and households. Similarly, the majority of raw cotton is now processed within the domestic market.

The share of chemicals and related products, beverages and tobacco, and animal and vegetable oils remained relatively stable, ranging from 4.1% to 6.9%, 0.1% to 0.6%, and 0% to 0.2%, respectively. The share of food products and live animals fluctuated between 5.3% and 12.1%, while the share of machinery and transport equipment ranged from 1.1% to 6.7%.

Over the period analyzed, the proportion of industrial goods in the export commodity structure significantly increased, rising from 12.6% in 2010 to 26% in 2021. The share of various finished products grew from 1.2% in 2010 to 5.6% in 2022. Additionally, other products rose from 20.5% in 2010 to 32.9% in 2023, and services increased from 10.4% in 2010 to 22.7% in 2023 (Fig. 6).

These changes indicate a qualitative shift in the export structure, with a growing emphasis on processed products and services, alongside a decline in the share of raw materials.

The data presented in Fig. 7 illustrates significant changes in export composition between 2010 and 2022. The share of raw materials in exports dropped from 41.4% to 12%, while the

share of processed goods rose from 48.3% to 67.1%. Additionally, the share of services increased from 10.3% to 20.8%.

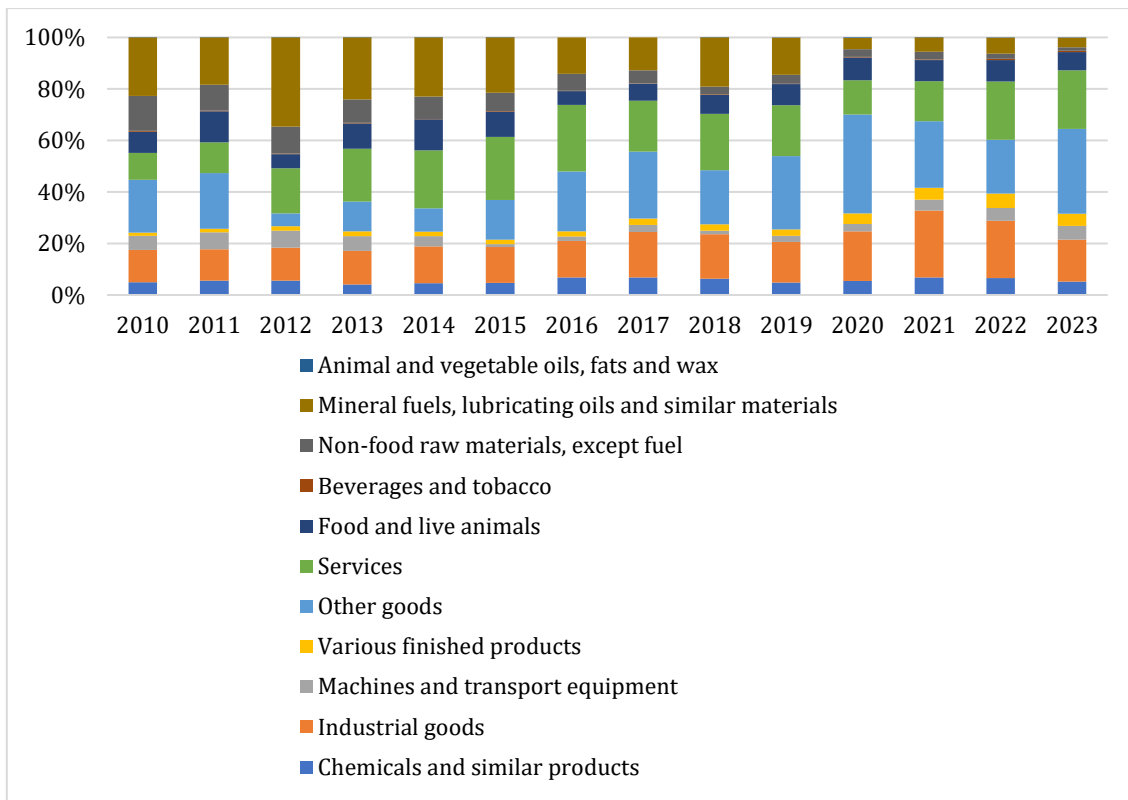


Fig. 6. Commodity structure of exports (MSTC-2008) of the Republic of Uzbekistan in 2010-2023, in percent.

Source: Data from the Statistical Agency under the President of the Republic of Uzbekistan.

By 2022, the export structure by BEC categories was predominantly composed of source products for industry (not elsewhere classified) at 51.9%. The remaining export shares included services at 20.8%, food products and beverages at 8.7%, consumer products (not included in other categories) at 8.2%, transport equipment and parts at 2.9%, capital equipment and parts at 1.1%, and Items not elsewhere classified at 0.1%.

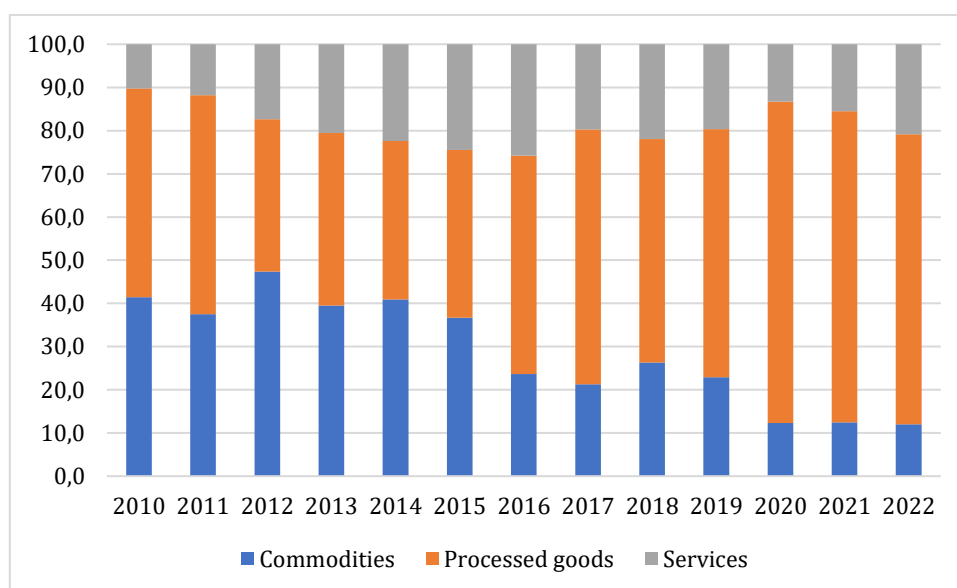


Fig. 7. The share of raw materials, processed goods, and services in the total volume of exports of the Republic of Uzbekistan in 2010-2022, in percent.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

According to WITS (2022), in 2021, the shares of raw materials, intermediate goods, consumer goods, and capital goods in exports were 8.56%, 67.69%, 17.81%, and 2.11%, respectively. In summary, intermediate goods with a low degree of processing are predominant in Uzbekistan's commodity exports.

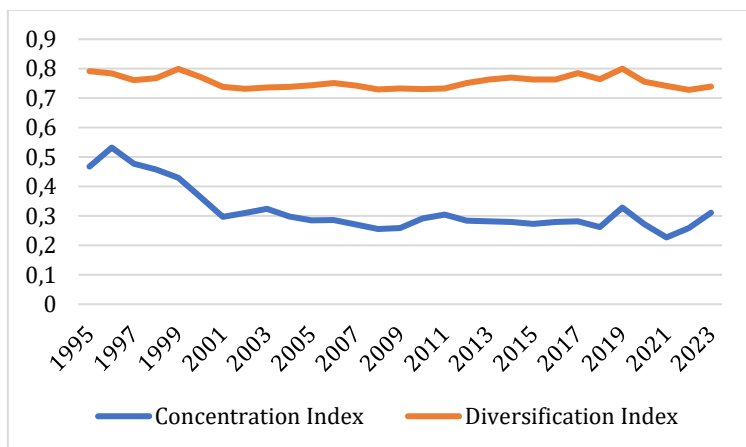


Fig. 8. Dynamics of the product concentration index of exports and the export diversification index of Uzbekistan in 1995-2023.

Source: UNCTADSTAT.

The positive qualitative changes in the structure of Uzbekistan's exports are evident in the decrease in the product concentration index of exports. This index measures the distribution of export values among different products (based on the three-digit code of the SITC, third edition). A value close to zero indicates that the export values are relatively evenly spread across various products. From 1995 to 2023, Uzbekistan's product concentration index decreased from 0.467 to 0.311.

However, if we analyze the changes in the index over the past five years, we can see that in 2019, 2022, and 2023, there was an increase in its value. This rise is linked to a significant increase in the share of non-monetary gold within Uzbekistan's export structure (Fig. 8).

In 2023, Uzbekistan's product concentration index of exports was 0.311, which is lower than the average for Central Asian countries (0.359). However, it is higher than the averages for countries in Central and South Asia (0.117), developing Asian countries (0.106), and countries with middle-income levels (0.110).

Another key measure of variety of country's exports is the export diversification index. This index shows how much a country's export structure differs from the global export structure. A value closer to one indicates greater divergence from the global trend. From 1995 to 2023, Uzbekistan's diversification index fluctuated between 0.728 and 0.800, reaching 0.739 in 2023. This relatively high figure suggests a significant difference between Uzbekistan's export structure and the global export composition.

For comparison, the mean diversification index for Central Asian countries in 2023 was 0.658. For countries in Central and South Asia, the figure was 0.398; for developing Asian countries, it was 0.219; and for countries with middle-income levels, it was 0.345.

Another indicator characterizing the extensive margin of export diversification associated with the emergence of new export goods is the number of exported products at the three-digit level of the SITC, third edition. From 1995 to 2023, Uzbekistan's number of exported products fluctuated between 139 and 237 items, with a steady increase observed over the last seven years (Fig. 9). The inconsistent dynamics of exported products throughout the analyzed period suggest that new products frequently enter the export composition while others may disappear. This fluctuation indirectly reflects the resilience of exports; in other words, new goods either remain in the export structure the following year or fade away due to various challenges associated with export activities. Additionally, new products might replace older, less competitive items.

In 2023, the number of exported products from Uzbekistan remains below the mean for Central Asian countries (254 items), Central and South Asian countries (260 items), developing Asian countries (260 items), and middle-income countries (260 items).

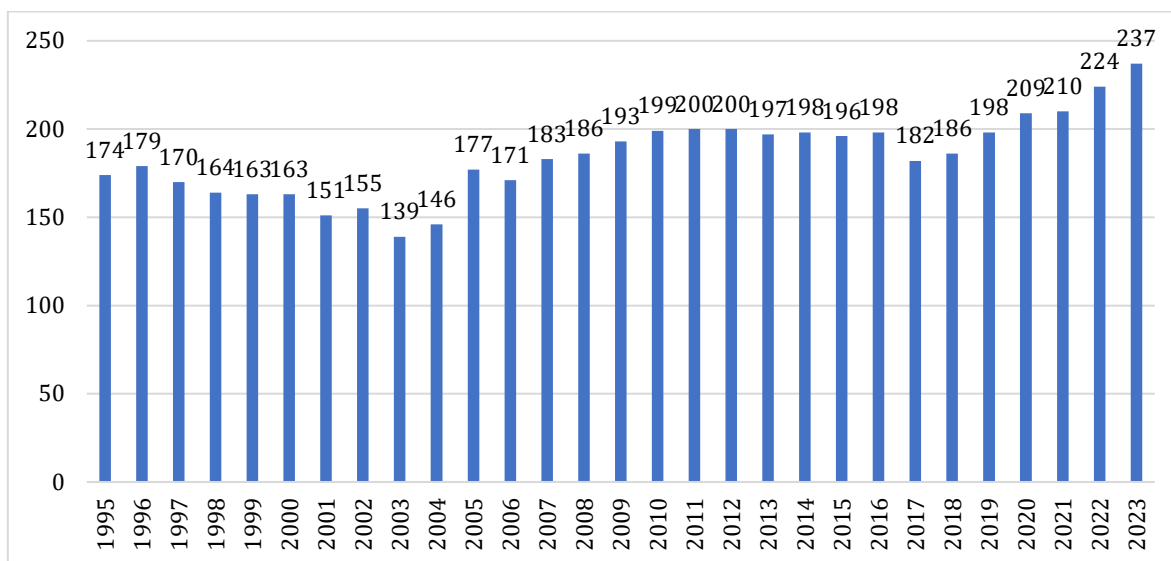


Fig. 9. Number of goods exported from Uzbekistan in 1995-2023.

Source: UNCTADSTAT.

These data highlight the urgent need to accelerate the diversification of Uzbekistan's export commodity structure. This can be achieved through both intensive margin strategies (ensuring a more balanced distribution of export value among different commodity groups) and extensive margin strategies (introducing new goods into the export mix), with a particular focus on vertical diversification – increasing the proportion of high-value-added goods in the export structure.

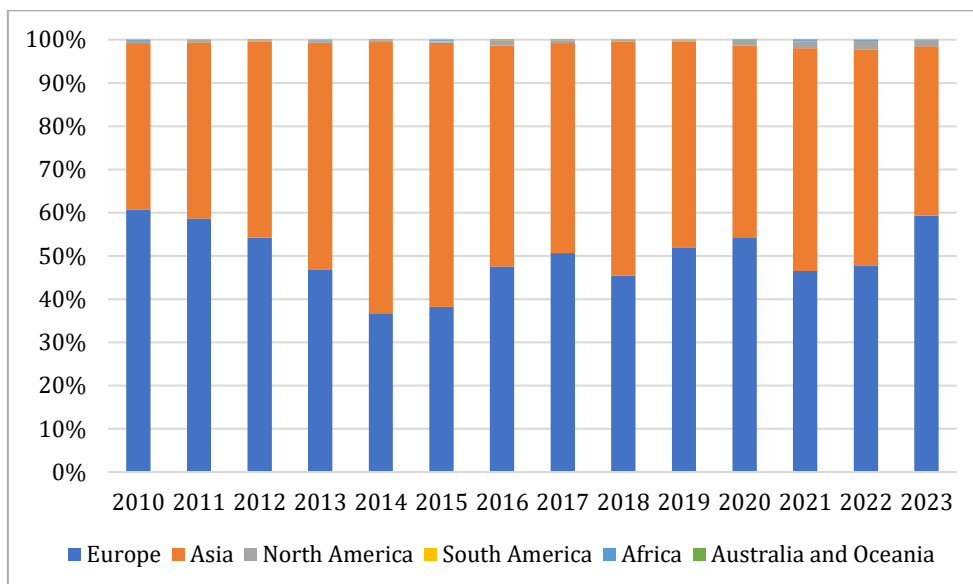


Fig. 10. Exports of the Republic of Uzbekistan by continent in 2010-2023, in percent.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

The diversification of Uzbekistan's export product range and its export geography are crucial for ensuring stable revenue. An analysis of Uzbekistan's exports by continent from 2010 to 2023 shows that the majority of exports are sent to Europe and Asia. Exports to North and South America, Africa, Australia, and Oceania remain quite low. This limited reach is largely due to the high costs associated with supplying goods to these markets, which makes such exports less profitable. In 2023, 59.3% of exports were directed to European countries, while 39.1% went to Asian countries, with only 1.5% exported to countries on other continents (Fig. 10).

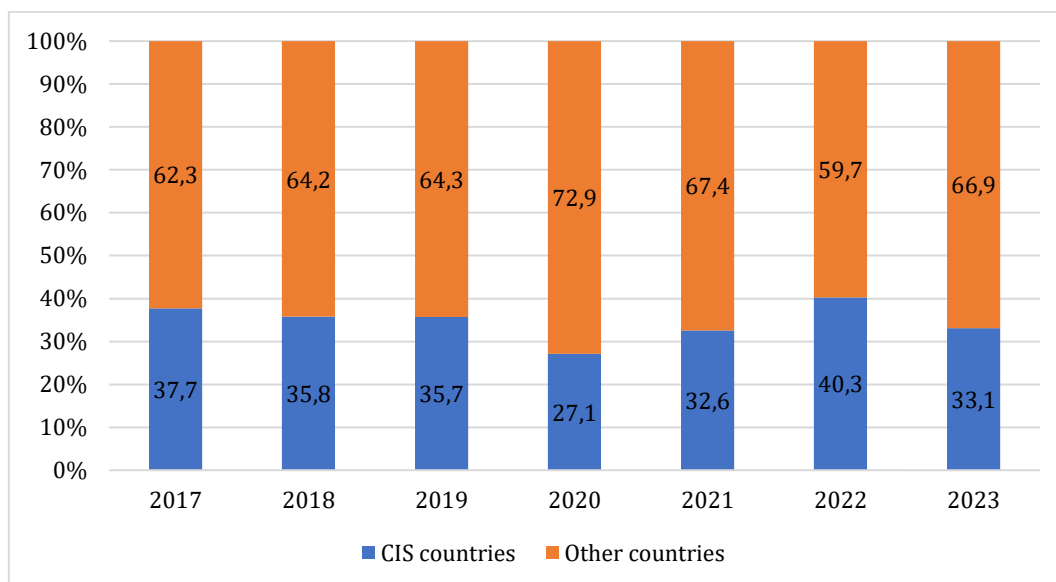


Fig. 11. The share of the CIS countries and other foreign countries in the total volume of exports of the Republic of Uzbekistan in 2017-2023, in percent.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

Approximately one-third of Uzbekistan's exports are directed towards CIS countries, while the remaining two-thirds are spread across other international markets (Fig. 11). A significant portion of these exports is aimed at the Russian Federation (14.1% in 2023) and China (10% in 2023). Additionally, substantial exports are sent to Türkiye (5.1% in 2023) and neighboring countries, including Kazakhstan (7% in 2023), Afghanistan (3.4%), Tajikistan (2.4%), and Kyrgyzstan (2.6%). Among European nations, France has the highest export ratio at 1.6% in 2023.

Approximately 45% of Uzbekistan's total exports are allocated to the eight countries highlighted in the relevant data (Fig. 12). Notably, during the review period, the relative importance of Uzbekistan's eight principal trading partners decreased, while the significance of other foreign markets increased. However, the geography of Uzbekistan's exports remains highly concentrated on a few key markets.

According to WITS (2022) data, Uzbekistan's index of export market penetration is relatively low, although it has shown gradual growth in recent years, increasing from 2.21 in 2017 to 2.77 in 2021.

Russia and Central Asian countries have a high share in Uzbekistan's exports due to their geographical proximity, shared culture, religion, language, and the free trade regime established by the Agreements on the Free Trade Zone of the CIS Member States, to which Uzbekistan became a party in 2013.

According to ITC (2023), in 2022, the main products exported to Russia were apparel; edible fruits and nuts; knitted fabrics; edible vegetables; copper and its products; boilers, machinery, mechanical appliances, and parts thereof; made-up textile articles; plastics and plastic products; electrical machinery and equipment. The main products exported to China were mineral fuels; copper and its products; cotton; edible vegetables; plastics and plastic products; silk; raw hides and skins; edible fruits and nuts. The main products exported to Türkiye were copper and its products; cotton; zinc and its products; plastics and plastic products; mineral fuels; edible fruits and nuts; electrical machinery and equipment; edible vegetables; fertilizers. The main products exported to Kazakhstan were vehicles; machinery and mechanical appliances; edible fruits and nuts; edible vegetables; ceramic products; plastics and plastic products; iron and steel; electrical machinery and equipment; clothing; beverages; fertilizers.

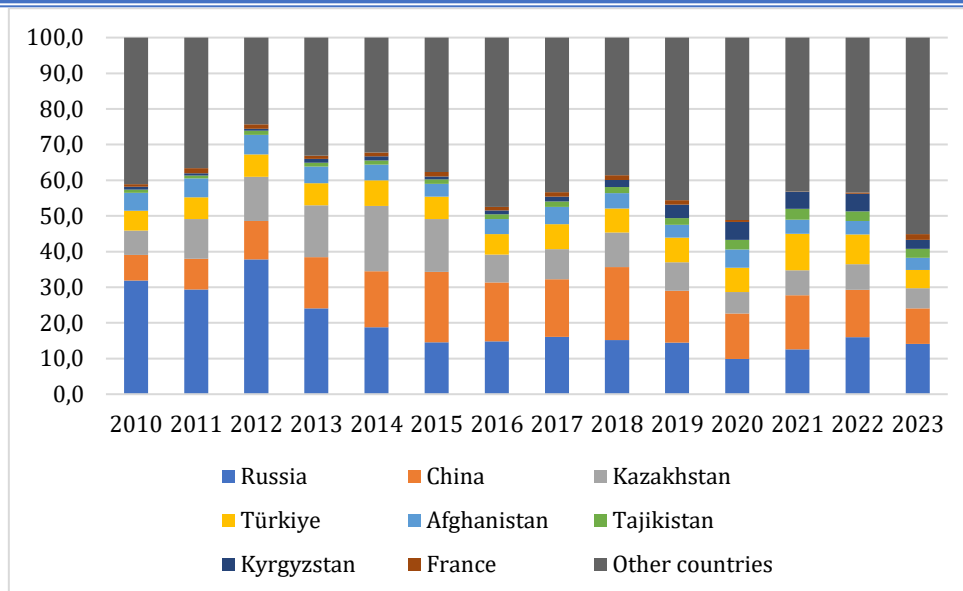


Fig. 12. The share of individual countries in the total volume of exports of the Republic of Uzbekistan in 2010-2023, in percent.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

Processed goods are primarily exported to CIS countries, while raw materials are directed toward other foreign markets. This trend can be attributed to the high demand for finished products from Uzbekistan in CIS markets, which stems from similar quality standards, consumer preferences, and tastes. However, the expansion of exports of finished goods to more distant markets requires the adoption of modern international standards in production processes. Unfortunately, the level of implementation of these international standards in Uzbekistan's main economic sectors has not yet reached 35%.

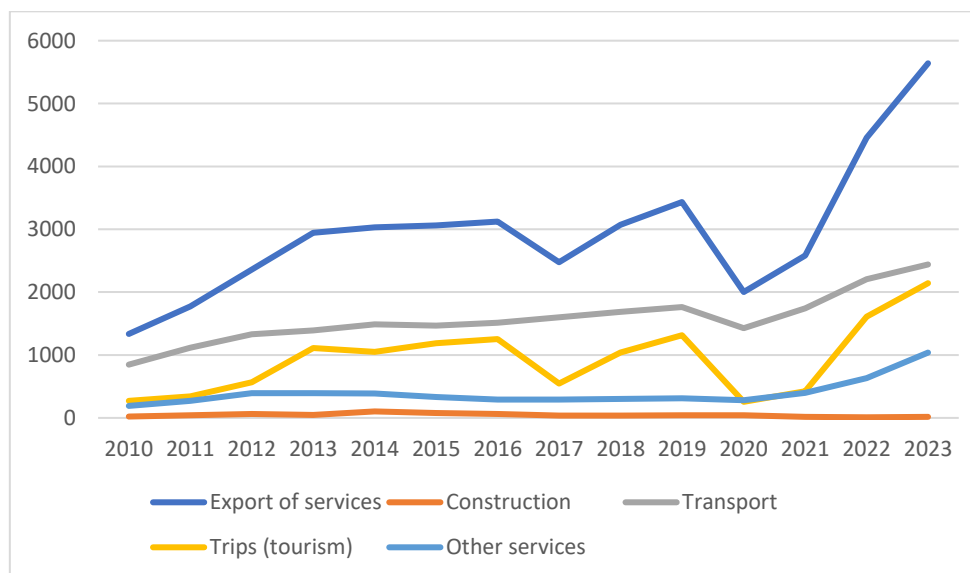


Fig. 13. The dynamics of services exports in the Republic of Uzbekistan from 2010 to 2023, in millions of US dollars.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

Analysis of trends in the development of services exports from Uzbekistan shows its unstable dynamics in 2010-2023. From 2010 to 2016, there was a positive trend; however, in 2017, the total volume of exported services declined by 20%. This decline was primarily due to a significant reduction in tourism exports, which decreased by 2.3 times compared to the previous year.

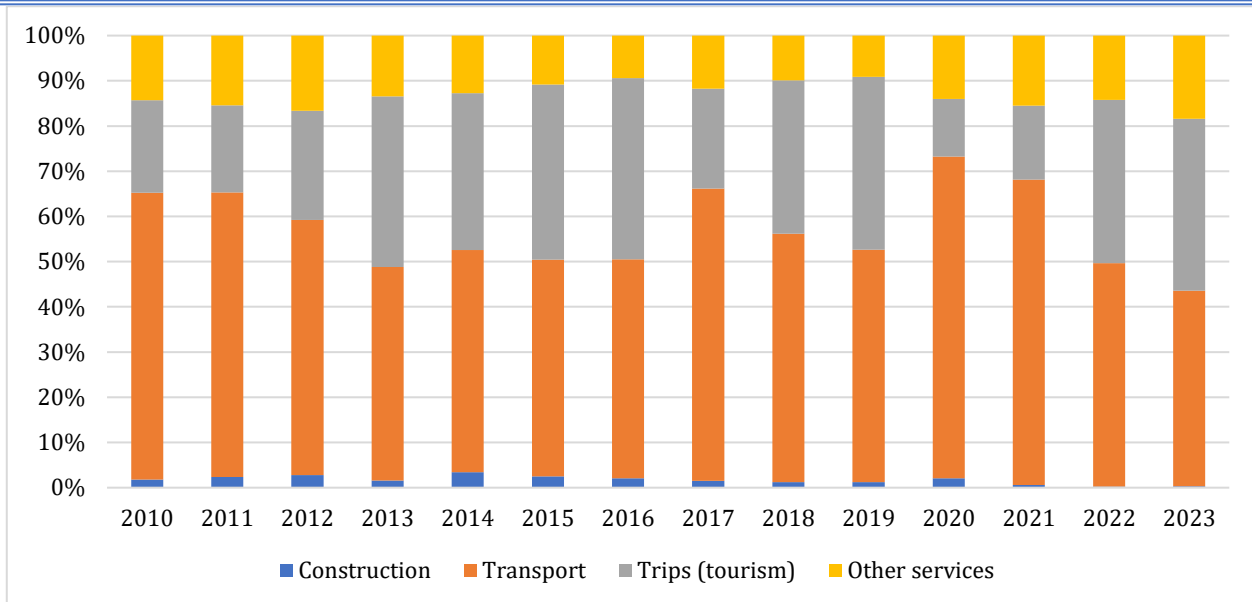


Fig. 14. Structure of services exports of the Republic of Uzbekistan in 2010-2023, in percent.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

Between 2018 and 2019, there was an increase in the total volume of exported services. However, in 2020, a substantial decline of 41% occurred. This was largely attributed to a 6% decrease in exports from tourism, transportation, and other services during the COVID-19 pandemic. Since 2021, there has been a positive trend in the overall volume of exported services. Overall, during the analyzed period, services exports increased from 1.3 billion U.S. dollars to 5.6 billion U.S. dollars (Fig. 13). By 2022, Uzbekistan accounted for only 0.068% of the global commercial service export market.

In 2023, transportation services accounted for a significant portion of service exports at 43.3%, while tourism contributed 38%. The export of construction services was relatively modest at only 0.3%, whereas other service categories made up 18.4% of the total (Fig. 14).

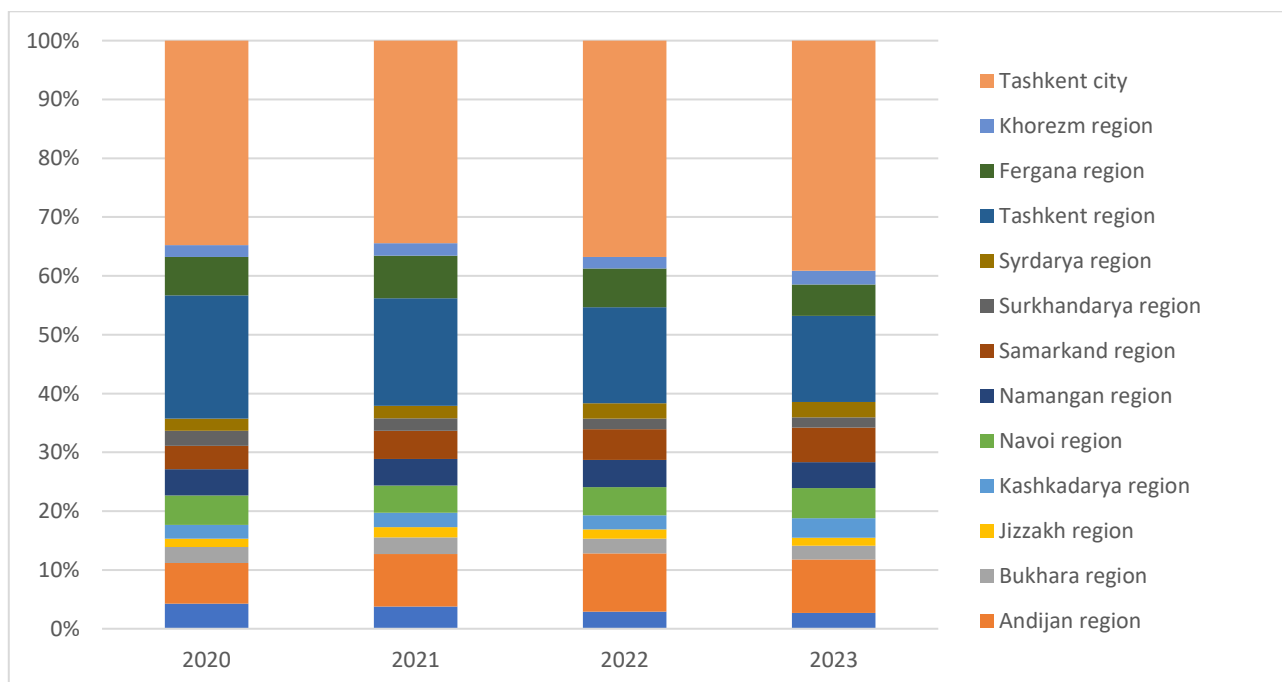


Fig. 15. Contribution of individual regions to the total volume of exports of the Republic of Uzbekistan in 2020-2023, in percent.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

Among these other categories, ICT services reached an export value of 194 million U.S. dollars, 2.8 times higher than the value in 2010. This growth was supported by initiatives aimed at developing the IT sector in Uzbekistan, such as the creation of an IT park in 2019 and the provision of various incentives to its residents, training of personnel in the ICT sector, and attracting foreign investment in this industry.

In the structure of ICT service exports, telecommunication services accounted for the largest share at 35.9% in 2023. However, the export of computer software and other information services has seen recent growth. Uzbekistan needs to diversify its service exports and boost the export volume of more complex, knowledge-intensive services.

Another challenge in Uzbekistan's export activities is the regional disparities. Notably, Tashkent City (39.1%), the Tashkent Region (14.6%), the Andijan Region (9.1%), the Samarkand Region (5.9%), and the Fergana Region (5.3%) together contributed significantly to the country's total exports. In fact, 74% of exports in 2023 came from just these five regions (Fig. 15).

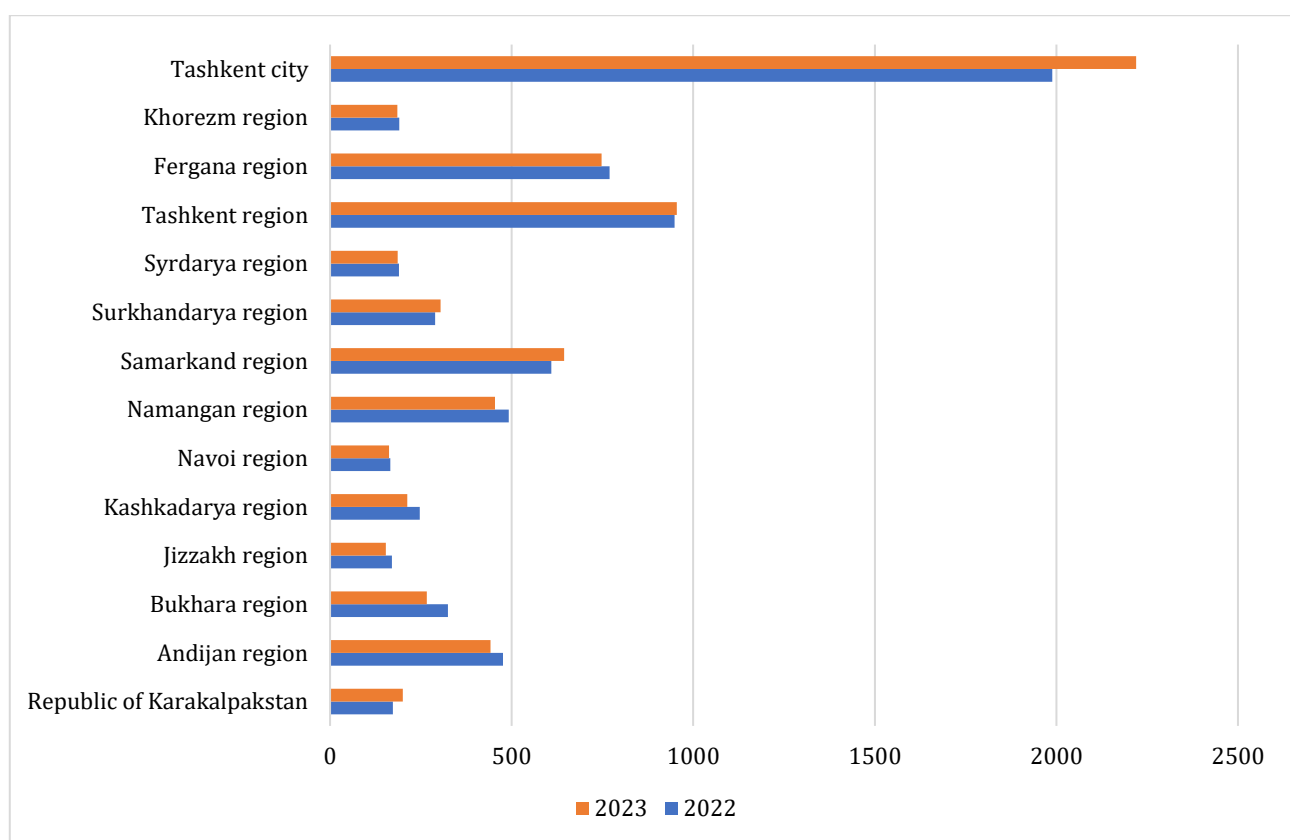


Fig. 16. Number of exporting organizations in the regions of the Republic of Uzbekistan in 2022-2023.

Source: Data from the Statistics Agency under the President of the Republic of Uzbekistan.

These regional discrepancies stem from the varying number of exporting organizations in different areas. Tashkent City hosts the greatest concentration of export-oriented enterprises, with 2,220 such businesses. This is followed by the Tashkent Region with 955, the Fergana Region with 748, the Samarkand Region with 645, the Namangan Region with 454, and the Andijan Region with 442 (Fig. 16).

Overall, there were 7,134 enterprises engaged in export activities across the republic during 2023. However, in 2023, compared to 2022, negative export growth rates were observed in all regions except Tashkent city, Kashkadarya, Navoi, Samarkand, Syrdarya, and Khorezm regions.

Conclusion and suggestions.

The study analyzes the dynamics of goods and services exports from Uzbekistan between 2010 and 2023. It also evaluates the diversification of the export composition and the geographical distribution of export destinations. The statistical analysis highlights the need for accelerated diversification of both the export structure and its geography, as well as an increase in the share of ready-made goods with high added value. Furthermore, there is a necessity to boost the volume of exported services, diversify their structure, and enhance export activities at the regional level. The goal is to achieve a total export volume of 30 billion US dollars for the Uzbekistan by 2026, with expectations to reach 45 billion US dollars by 2030.

Despite the qualitative changes in the export structure – specifically, an increase in the share of processed products and services – there remains a predominance of intermediate goods with low processing levels. A comparison of Uzbekistan's product concentration index for exports and its export diversification index with the average values for countries in Central and South Asia, as well as for developing Asian countries and middle-income nations, reveals a relatively high degree of concentration in the commodity structure of Uzbekistan's exports. This also indicates a significant divergence from the structure of world exports. Notably, 45% of Uzbekistan's exports are directed toward eight primary partner countries. Furthermore, 81.3% of the export of services is attributable to transportation and tourism, while other service types hold a relatively minor share. In 2023, just five regions provided 74% of total exports. Compared to the previous year, negative growth rates in export volumes were observed across all regions of the republic, except for Tashkent city, Kashkadarya, Navoi, Samarkand, Syrdarya, and Khorezm regions.

To enhance the diversification of exports, it is important to develop proposals that focus on both the intensive margin (achieving a more balanced distribution of export value among different commodity groups) and the extensive margin (including exporting existing goods to new markets, introducing new goods to established markets, and exporting new goods to entirely new markets). Additionally, we should aim to increase the share of high value-added goods within the export structure and foster the export of knowledge-intensive services. It is also essential to create equal conditions and opportunities for businesses and organizations in various regions of the country to engage in export activities.

To accelerate export diversification in both the short and medium term, Uzbekistan should effectively utilize its existing production potential to manufacture more complex goods. In the long term, the key to achieving export diversification lies in enhancing the productivity and acquiring new technologies that enables the production of technologically advanced goods. Gaining comparative advantages in producing these complex products requires improvements in the quality of human capital, fostering a competitive environment in the domestic market, promoting innovation, mobilizing domestic investments, and attracting foreign capital.

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