

**UZBEKISTAN'S PATH TO SUSTAINABLE DEVELOPMENT****Abdumalikova Busalima Abduvali qizi**

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e-mail: [busalimaabdumalikova21@gmail.com](mailto:busalimaabdumalikova21@gmail.com)**ABSTRACT**

This article analyzes the conditions for Uzbekistan's transition to a sustainable economic growth model alongside its current economic indicators. The study examines the country's long-term strategic goals to join the ranks of upper-middle-income nations and the main obstacles along this path. In particular, risks such as external economic shocks, geopolitical instability, and resource scarcity are analyzed to assess the resilience of the national economy. Finally, the paper offers practical and systemic policy recommendations on shifting economic priorities, accelerating the transition to a green economy, and implementing a flexible strategic planning system.

**INTRODUCTION**

Achieving long-term sustainable development requires a profound structural transformation, particularly for rapidly modernizing economies. In the case of Uzbekistan, transitioning to a sustainable growth model is no longer a theoretical choice but an immediate practical necessity. To successfully secure this path, the country must meet several critical economic, social, and ecological conditions. First and foremost, maintaining stable GDP growth rates that remain at or above the global average (3.0–3.5%) serves as the baseline for macro-stability. However, purely quantitative growth is insufficient; the domestic economy must actively replace diminishing growth drivers with fresh, innovation-led sectors to maintain its upward trajectory over the next decade.<sup>1</sup>

The relevance of investigating Uzbekistan's sustainable development stems from the need to balance economic expansion with social and ecological responsibility. Modern growth paradigms dictate that economic success must directly address deep-seated social challenges and improve public welfare. Furthermore, severe environmental shifts and regional climate realities require urgent ecological restoration and a conscious reduction of human pressure on natural capital. Economic growth can

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<sup>1</sup> S.Chepel (2023). Journal “Economy: Forecasts and Analysis” №1(21), Tashkent

no longer occur at the expense of natural resources; instead, it must look toward preservation and sustainable resource management.

Ultimately, the core engine of Uzbekistan’s future progress lies in restructuring the nation’s asset portfolio. True sustainability cannot rely on raw commodity exports; it demands a significant expansion in the share of human, social, and institutional capital. Transitioning into a high-value, knowledge-based economy requires dynamic strategic planning and a fundamental shift in national development priorities. Analyzing these comprehensive conditions provides the vital academic framework necessary to turn high-level sustainable development strategies into actionable economic realities.

## ANALYSIS AND RESULTS

Comparative macroeconomic data reveals that Uzbekistan exhibits distinct growth dynamics alongside specific structural vulnerabilities when evaluated against its regional and global peers. A critical analysis of key economic indicators highlights both the high velocity of the domestic economy and the pressing need for strategic adjustment.

**Table 1. Main economic indicators (2023)**

	GDP growth (annual %)	Inflation, consumer prices (annual %)	Gross capital formation (% of GDP)	External balance on goods and services (% of GDP)	Government Budget deficit (% of GDP)	General government gross debt (% of GDP)
Kazakhstan	5.1	9.8	28.6	7.0	-2.4	22.8
Belarus	3.9	5.0	24.1	0.6	0.7	40.7
China	5.2	0.2	42.1	2.2	-5.8	84.4
Russia	3.6	7.42	25.7	4.3	-2.3	19.5
Uzbekistan	6.3	8.77	43.1	-18.9	-4.0	32.5

Uzbekistan leads the observed group in quantitative economic expansion, recording a robust annual GDP growth rate of 6.3%. This outpaces emerging regional players like Kazakhstan (5.1%) and Russia (3.6%), as well as global manufacturing hubs like China (5.2%). This aggressive growth is fundamentally powered by an exceptionally high rate of gross capital formation, which stands at 43.1% of GDP. Such a high investment-to-GDP ratio—even surpassing China’s capital intensive model (42.1%)—demonstrates that Uzbekistan is currently undergoing massive domestic

industrialization, heavy infrastructure spending, and comprehensive state-led modernization programs.

However, this intensive development model introduces clear macroeconomic trade-offs. The most prominent structural challenge is the severe trade deficit, with the external balance on goods and services plunging to -18.9% of GDP. Unlike its resource-exporting neighbors like Kazakhstan (+7.0%) and Russia (+4.3%) which enjoy trade surpluses, Uzbekistan's intensive modernization requires huge imports of high-tech machinery, capital equipment, and raw materials. This structural imbalance creates a persistent demand for foreign currency and exerts constant pressure on national reserves.

Additionally, internal stability faces headwinds from persistent inflationary pressures, with consumer price inflation staying high at 8.77%. While lower than Kazakhstan's 9.8%, it remains significantly above China's near-zero levels and Belarus's 5.0%, impacting local purchasing power. Fiscal management also shows a government budget deficit of -4.0% of GDP, reflecting heavy state spending to sustain the current growth trajectory. Fortunately, the country's sovereign fiscal health remains relatively secure, as general government gross debt is well-contained at 32.5% of GDP—substantially safer than Belarus (40.7%) or China (84.4%).

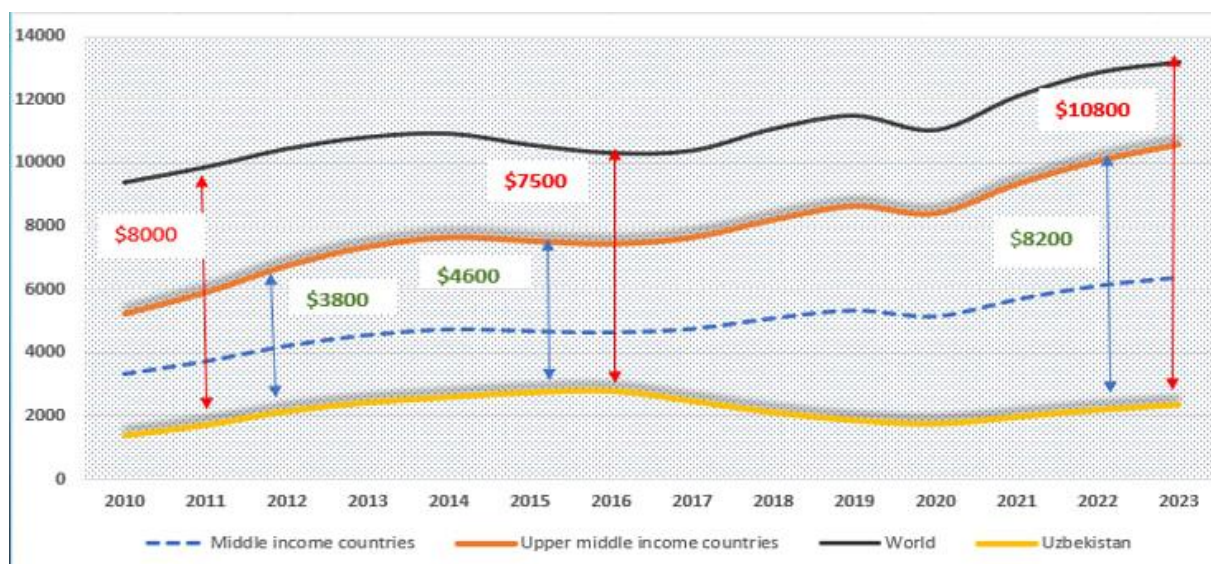
## **Future Goals and Institutional Frameworks**

To build a resilient economic foundation, the government of Uzbekistan has increasingly focused on sustainable development by enacting more than 60 comprehensive strategic documents in recent years. This extensive institutional framework marks a definitive shift from short-term emergency economic planning toward long-term, synchronized policy-making up to 2030. At the apex of this policy architecture is The Uzbekistan-2030 Strategy, which operates in close harmony with the global Sustainable Development Goals (SDGs) 2030 framework. These initiatives systematically build upon the market-liberalizing structural reforms originally introduced under the Development Strategy of New Uzbekistan for 2022-2026, scaling them up into permanent institutional transformations.

Under these strategic blueprints, national economic objectives target aggressive, high-velocity catch-up growth designed to elevate Uzbekistan into the ranks of upper-middle-income nations. Specifically, the country's total GDP is projected to scale to \$200 billion by 2030, representing an extraordinary expansion path from \$50 billion in 2017 and \$110 billion in 2024. This macro-expansion directly translates into public wealth indicators, with GDP per capita expected to rise from \$3,050 in 2024 to \$5,000 by 2030, providing positive economic growth prospects across domestic markets. To

safeguard the purchasing power and macroeconomic stability necessary to sustain this growth, monetary policies are being strictly calibrated to stabilize inflation at 5–6%, with further commitments to compress it to 5% or lower.

Simultaneously, this economic expansion is tightly integrated with mandatory environmental and social equity benchmarks to ensure true sustainability. Environmental targets are driven by The Action Plan for Transition to a Green Economy until 2030 alongside the Digital Uzbekistan 2030 initiative, which collectively mandate a 35% reduction in greenhouse gas emissions per unit of GDP compared to 2010 baselines by modernizing industrial technology. On the social front, the large-scale “From Poverty to Prosperity” Program addresses historical vulnerabilities by moving beyond passive state welfare toward active economic inclusion. This program establishes an aggressive roadmap to drive the national poverty rate down to 6%, continuing a strong downward trajectory from 23% in 2019 and 11% in 2023. By structurally linking green industrialization, digital transition, fiscal discipline, and targeted poverty reduction, these synchronized milestones establish a viable and comprehensive pathway for Uzbekistan's long-term competitive development.



**Graph 1. Gross National income per capita 2010-2023<sup>2</sup>**

A critical evaluation of Uzbekistan’s long-term trajectory reveals significant structural hurdles on its path to joining the ranks of upper-middle-income countries. While national strategies outline ambitious expansion plans, historical macro-data

<sup>2</sup> World Bank Dataset

highlights a widening developmental gap between Uzbekistan and higher-income benchmarks, illustrating the complex reality of catch-up growth.

### Empirical Data Analysis of Income Gaps

Historical trends in GDP per capita from 2010 to 2023 reveal that despite maintaining positive domestic growth, Uzbekistan (represented by the solid yellow line) faces an intensifying divergence from both global averages and upper-middle-income thresholds. The empirical data points to a persistent structural lag:

**The Global Income Gap:** In 2011, the net divergence between Uzbekistan's GDP per capita and the global average (the black line) stood at \$8,000. By 2016, this gap contracted slightly to \$7,500 due to localized economic stabilization. However, by 2023, the disparity accelerated aggressively, with the income gap expanding to an unprecedented \$10,800.

**The Upper-Middle-Income Gap:** A similar trend is visible when comparing Uzbekistan to upper-middle-income nations (the orange line). The income gap widened from \$3,800 in 2012 to \$4,600 in 2015, and crested sharply to **\$8,200** by 2022.

### Strategic Implications and Catch-Up Capability

This data clearly indicates that while Uzbekistan's economy is expanding in absolute terms, it is not expanding fast enough to outpace or even match the growth velocity of the economies it aims to catch up with. The widening of the gap to \$8,200 by 2022 demonstrates that the current economic model remains vulnerable to external shocks, structural bottlenecks, and demographic pressures that dilute per capita income gains.

For Uzbekistan to genuinely transition into an upper-middle-income economy and reverse this historical divergence, maintaining standard growth rates will not suffice. The nation requires an intensive, non-linear acceleration driven by high-value industrial manufacturing, aggressive integration into global value chains, and deep institutional reforms. Without a fundamental shift away from raw material dependency and state-funded capital formation toward innovation and knowledge-based productivity, the probability of remaining caught in a low-middle-income trap remains a critical strategic risk.

### **Risks and Challenges: Macroeconomic and Structural Vulnerabilities**

Beyond the income gap divergence, Uzbekistan's path to sustainable development is constrained by several critical macroeconomic instabilities and structural vulnerabilities. These risks undermine long-term strategic planning and threaten the country's capacity to absorb external economic pressures.

### **Macroeconomic and Fiscal Instabilities**

The primary challenge stems from a high level of macroeconomic instability. The domestic economy continuously operates with inflation rates well above the Central Bank's official targets. This internal pressure is compounded by a persistent government budget deficit that exceeds the sustainable 3% threshold, alongside a severe external trade balance deficit and rising external debt. These synchronized fiscal imbalances limit the state's capacity to fund sustainable development initiatives without accumulating risky sovereign liabilities.

### **External Shocks and Policy Fragmentation**

These domestic vulnerabilities are further aggravated by volatile external shocks. Sudden global market shifts and geopolitical disruptions drastically reduce the accuracy of macroeconomic forecasts, which undermines their role in national economic decision-making. Because complex, global macro-processes are increasingly difficult to predict, the government faces heightened risks of decreased policy coherence, potentially leading to fragmented economic development strategies.

### **Monopolistic Markets and Regulatory Gaps**

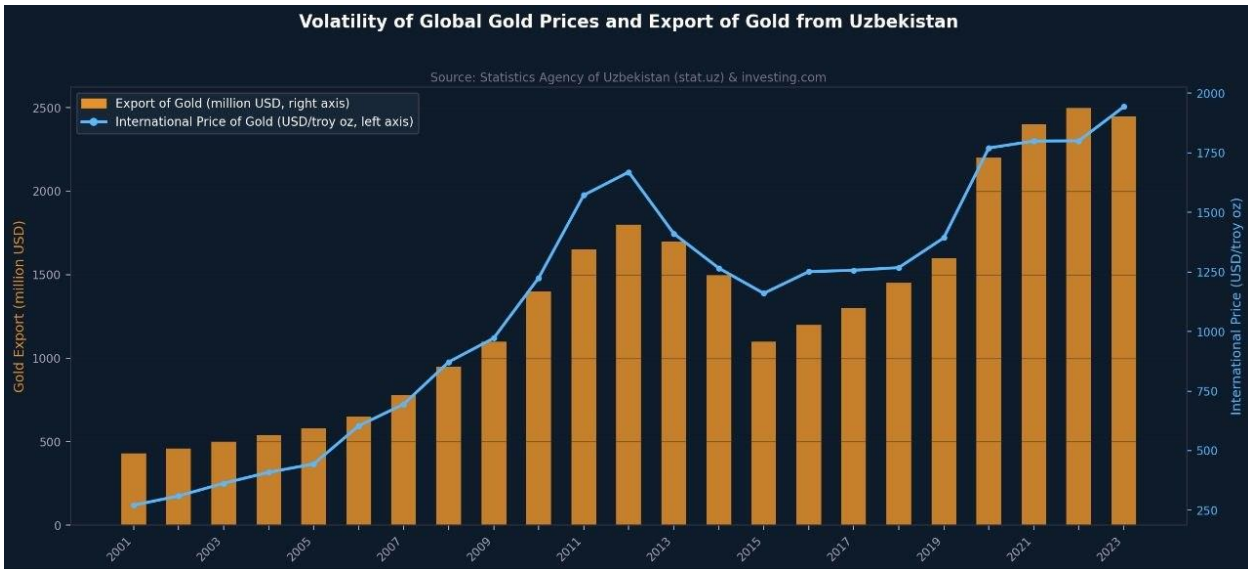
Structurally, the domestic environment is constrained by underdeveloped commodity and financial markets. Large, state-backed monopolists heavily dominate these sectors, stifling private competition and reducing market efficiency. This issue is amplified by historically ineffective antimonopoly regulation, which prevents the fair allocation of capital and slows down the diversification of the broader economy.

### **Technological and Resource Dependencies**

Finally, Uzbekistan faces a critical level of technological dependence on external factors, leaving its industrial modernization vulnerable to foreign supply chains. This technological lag is coupled with a low level of resource management efficiency. The economy remains highly intensive, exhibiting low productivity relative to its consumption of primary energy, water, land, investment, and labor. To achieve true sustainability, the nation must address these compounding structural vulnerabilities through rigid regulatory and strategic realignments.

To accurately assess the structural stability of Uzbekistan's economy, it is critical to examine its exposure to volatile global commodity markets and its high reliance on primary natural capital. Empirical data highlights two major areas of concern that complicate long-term sustainable development: gold price volatility and excessive natural resource rents.

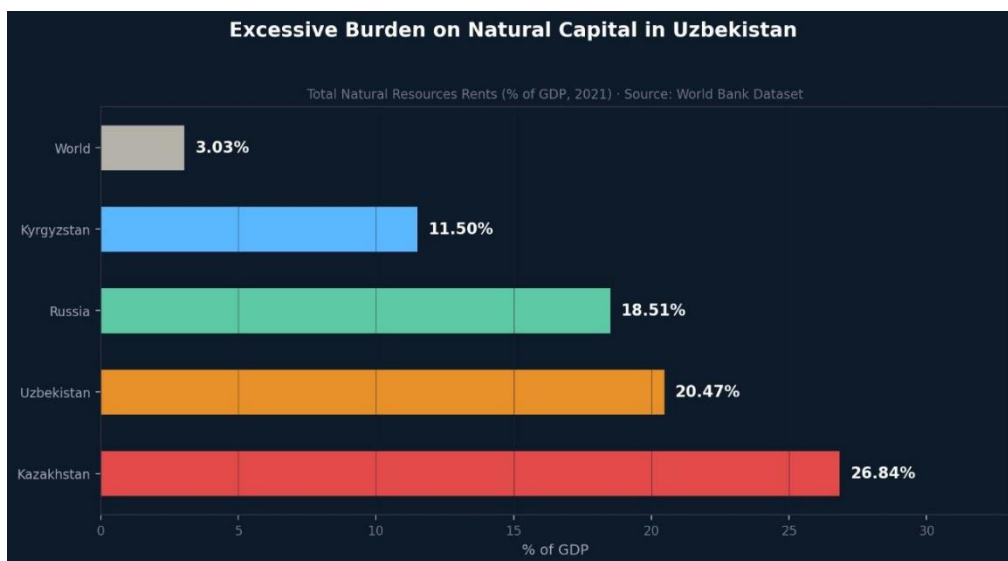
**Graph 2. Volatility of Global Prices and Export of Gold from Uzbekistan<sup>3</sup>**



The first dataset analyzes the relationship between the volatility of global gold prices and the export of gold from Uzbekistan. The data reveals a highly reactive export pattern where Uzbekistan’s trade performance is heavily tethered to international market fluctuations. During periods of accelerating global prices, the volume and value of Uzbekistan’s gold exports spike significantly, while sudden price drops create immediate contractions in export revenue. Relying on gold as a primary driver of export earnings exposes the national trade balance to substantial external shocks. Because global commodity prices are determined by external geopolitical and macroeconomic factors beyond domestic control, this dependency injects high

volatility into national reserves and weakens the reliability of state revenue forecasting.

**Graph 3. Excessive burden on natural capital in Uzbekistan (% of GDP.2021)<sup>4</sup>**



<sup>3</sup> calculations based on Statistics Agency of Uzbekistan: [www.stat.uz](http://www.stat.uz); and <https://www.investing.com/>

<sup>4</sup> World Bank Dataset

The second dataset evaluates the total natural resources rents as a percentage of GDP, benchmarking Uzbekistan against regional neighbors and global averages. This indicator measures the economic windfall derived from extracting non-renewable resources relative to the size of the economy. Uzbekistan's natural resource rents constitute a substantial 20.47% of its GDP, which surpasses Russia at 18.51% and stands nearly seven times higher than the global world average of 3.03%. A resource rent ratio of over 20% indicates that a massive portion of the country's economic output is generated by depleting its natural capital rather than through high-value manufacturing, digital innovation, or service sectors. This heavy reliance on primary assets reinforces structural vulnerabilities, making the transition to a low-carbon, innovation-led green economy significantly harder to execute.

### **CONCLUSION**

The transition of Uzbekistan toward a long-term sustainable development model represents a complex balancing act between rapid macroeconomic growth and structural resilience. Empirical analysis reveals that while the nation maintains an aggressive GDP growth rate of 6.3%—outpacing regional and global benchmarks—this expansion remains heavily dependent on an import-heavy investment phase and high capital formation. Furthermore, long-term trend data highlights a widening developmental gap in GDP per capita between Uzbekistan and upper-middle-income thresholds, which reached \$8,200 by 2022. This divergence underscores the presence of a catch-up growth dilemma, indicating that quantitative economic expansion alone is insufficient to secure high-income transition without structural qualitative changes.

The primary vulnerabilities threatening Uzbekistan's economic durability stem from internal macroeconomic imbalances and severe external dependencies. Nationally, the economy faces headwinds from high inflationary pressures and a government budget deficit exceeding 4.0%. Externally, the trade infrastructure is heavily exposed to global commodity shocks due to its reactive reliance on volatile gold exports. This issue is amplified by an excessive burden on primary natural capital, with natural resource rents constituting a substantial 20.47% of GDP—nearly seven times the global average. Such data demonstrates that the current velocity of the economy is heavily subsidized by depleting non-renewable natural resources rather than high-value manufacturing or digital innovation.

Ultimately, achieving the targets set forth in the Uzbekistan-2030 Strategy requires moving past raw commodity extraction toward a disciplined, knowledge-based economy. To turn these future goals into economic reality, policy instruments must prioritize institutionalized strategic planning frameworks, modern public

administration, and enhanced market competition to dissolve existing monopolies. By actively shifting capital away from primary resource extraction and reinvesting it into modern industrial production clusters and localized SME supply chains, Uzbekistan can successfully decouple its economic growth from environmental degradation. Implementing these synchronized structural reforms will safeguard national reserves, narrow the historical income gap, and guarantee a resilient transition into a competitive, upper-middle-income green economy.

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