TRADE OPENNESS AND ECONOMIC GROWTH IN UZBEKISTAN AND KAZAKHSTAN: POLICY IMPLICATIONS FOR CENTRAL ASIA

Agzamov Boburxon Boistxonovich

Abstract. *This thesis explores how trade openness influences economic growth in Central Asia through a comparative lens focused on Uzbekistan and Kazakhstan. Although both economies are relatively "open" by the standard trade-to-GDP measure, they are open in different ways, and that difference matters for policy. World Bank/WITS indicators for 2023 show Uzbekistan's trade is about 66.11% of GDP, driven by imports (41.68% of GDP) that exceed exports (24.42%), producing a sizable negative trade balance (−17.26% of GDP).[1] Kazakhstan's trade is about 61.96% of GDP, with exports (34.51% of GDP) exceeding imports (27.45%) and a positive trade balance (7.06% of GDP).*

Keywords: *trade openness; economic growth; Central Asia; Uzbekistan; Kazakhstan; export diversification; trade facilitation.*

INTRODUCTION

Trade openness is often treated like a universal prescription: "open up, and growth will follow." In reality, openness is not a single policy switch but a bundle of outcomes shaped by geography, institutions, firm capabilities, and export structure. Central Asia is a perfect place to remember this, because landlocked geography makes the real cost of trade depend as much on corridors, border procedures, and logistics reliability as on tariff schedules. Uzbekistan and Kazakhstan highlight the core regional dilemma: both can be relatively

open to trade, yet experience different growth dynamics depending on whether openness is export-led or import-heavy, diversified or concentrated, and supported by institutions that reduce uncertainty for long-horizon investment.

MAIN PART

A practical way to compare the openness–growth relationship is to start with what the openness numbers actually imply for macro constraints. In 2023, Uzbekistan's trade share is about 66.11% of GDP, but imports (41.68%) exceed exports (24.42%), producing a trade balance around −17.26% of GDP.[1] Kazakhstan's trade share is about 61.96% of GDP, with exports (34.51%) higher than imports (27.45%) and a trade balance around 7.06% of GDP.[1] On paper, both are "open," but one is structurally managing an import-financed modernization challenge, while the other is managing how export earnings (often linked to a concentrated export base) are converted into broad-based productivity. In growth terms, Uzbekistan's long-run success depends on whether import-heavy openness is "investment imports that raise future output," not "consumption imports that widen chronic deficits." Kazakhstan's long-run success depends on whether surplus-led openness becomes "diversification and upgrading," not "a comfortable cycle that discourages non-resource competitiveness."

These differences map onto the classic mechanisms linking openness to growth. First, openness can raise productivity through competition and reallocation: inefficient firms exit, efficient firms expand, and new entrants adopt better practices. Second, openness can improve the quality and variety of intermediate inputs—often the quiet engine of productivity—because firms gain access to better machinery, components, and know-how embodied in imports. Third, openness can deepen investment by attracting FDI and linking local suppliers to foreign markets. Fourth, openness can improve institutions

by forcing reforms in customs, standards, and regulatory transparency. But every mechanism has a shadow: competition can destroy firms faster than capabilities form; imported inputs can become permanent dependence; FDI can remain an enclave; and weak governance can turn openness into rent extraction at the border. The policy question in Central Asia is therefore not "open or closed," but "open how"—with what safeguards, sequencing, and complementary reforms.

Country-level empirical studies reinforce this conditional view. For Kazakhstan, an ARDL-based study using data from 1992–2020 finds that trade negatively affects growth in both the short and long run within a multivariate framework that also considers investment, labor, human capital, and natural resources.[4] Read carefully, this is not an argument for isolation; it is an argument that openness alone does not guarantee productivity-led growth, especially when structural conditions and institutions limit how trade gains spread through the economy. A plausible interpretation is that if trade patterns are shaped by a narrow export base and heavy reliance on imports for capital and consumer goods, then the long-run growth payoff can be dampened unless policy actively builds domestic capability, improves the business environment, and reduces volatility that discourages investment.[4] In other words, trade can raise income while still failing to raise trend productivity if the economy does not translate external integration into learning, innovation, and competitive non-tradable-to-tradable shifts.

Uzbekistan's evidence points to a more reinforcing interaction between openness and growth when viewed through the investment channel. A VECM/Johansen cointegration study for 1997–2023 finds bidirectional causality among trade openness, FDI, and economic growth in both the short and long run.[5] That result matters for policy because it suggests a feedback

loop rather than a one-way story: openness can support growth partly by attracting investment and expanding tradable capacity, while growth itself can expand trade volumes and improve the ability to absorb technology and capital. When such a loop exists, policies that reduce trade frictions and improve investment predictability can have compounding effects. This is where institutional reforms become more than "good governance" slogans: if firms expect stable rules, they invest in export quality, standards compliance, supplier development, and logistics networks—exactly the slow-moving assets that turn openness into long-run productivity.

CONCLUSION

Evidence from Uzbekistan and Kazakhstan shows that trade openness is not a guaranteed engine of long-run growth; it is an amplifier whose outcomes depend on trade structure, institutions, and the investment–productivity pipeline. In 2023, both countries are relatively open by trade-to-GDP measures, yet their external profiles differ sharply: Uzbekistan's openness is import-heavy and associated with a large negative trade balance share of GDP, while Kazakhstan's openness is more export-led and surplus-leaning.[1] These differences imply different long-run constraints and different vulnerabilities. Uzbekistan's challenge is to ensure that openness translates into export competitiveness so that modernization imports become a bridge to higher productivity rather than a chronic external financing problem.[1] Kazakhstan's challenge is to ensure that openness translates into diversified, broad-based productivity rather than a pattern where external cycles shape growth more than domestic upgrading.[4]

REFERENCES

1. World Bank. World Integrated Trade Solution (WITS): Development indicators for Uzbekistan and Kazakhstan (trade % of GDP; exports and imports of goods and services as % of GDP; trade balance as % of GDP), 2023. Electronic resource. Accessed: 06.02.2026.

2. World Trade Organization. Kazakhstan joins the WTO as 162nd member (WTO membership effective 30 November 2015). News item. 30.11.2015. Electronic resource. Accessed: 06.02.2026.

3. World Trade Organization. Uzbekistan advances WTO accession negotiations, reaffirms commitment to conclude by 2026. News item. 06.12.2024. Electronic resource. Accessed: 06.02.2026.

4. Akhter S., Mir M. A., Megits N. The linkage between international trade and economic growth in Kazakhstan // Journal of Eastern European and Central Asian Research (JEECAR). 2022. Vol. 9, No. 6. P. 1021–1033.

5. Ihtisham U. H., Zeinabsadat G. Economic growth, foreign direct investment and trade openness: causality analysis for Uzbekistan // Ilg‘or Iqtisodiyot va Pedagogik Texnologiyalar. 2025. Vol. 2, No. 3. P. 604–612. DOI: 10.60078/3060-4842-2025-vol2-iss3-pp604-612.