

ECONOMIC OPPORTUNITIES OF UZBEKISTAN WITH THE ARAB COUNTRIES

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Abstract: *The article examines the economic opportunities of Uzbekistan in cooperation with Arab countries. Based on official 2024-2025 statistics, the paper shows that the most promising directions are trade diversification, investment, logistics, green energy, digital services and tourism.*

Keywords: *Uzbekistan; Arab countries; foreign trade; investment; logistics; tourism; export diversification.*

Introduction

In the world of globalization, the geography of economic cooperation is becoming wider on a yearly pace, and countries are trying to diversify partners in order to reduce external risks. For Uzbekistan, this process is especially important because the country is moving from a commodity-oriented and regionally limited trade model to a more open and diversified one as its recent actions of developing strategic relationships with potential partners can justify it.

According to the National Statistics Committee, Uzbekistan's foreign trade turnover in 2024 reached 65.9 billion US dollars, exports amounted to 26.9 billion US dollars, imports to 38.9 billion US dollars, and the trade balance remained negative at 12.0 billion US dollars [National Statistics Committee, 2025, pp. 1-3]. The same source shows that Asia accounted for 46.1 percent of total trade and Europe for 42.3 percent [National Statistics Committee, 2025, p. 2]. This means that markets of the Middle East and the wider Arab world can be considered not as a side direction, but as a natural extension of Uzbekistan's external economic strategy.

The subject is relevant for several reasons. First, Arab countries combine capital, logistics networks and high-demand consumer markets. Second, many of them are actively investing in energy, infrastructure, digital technologies and tourism, which matches the priorities of Uzbekistan's reform agenda. Third, the cultural and historical proximity between Central Asia and the Arab world creates additional trust and long-term

cooperation opportunities. This article therefore focuses on the practical economic channels through which Uzbekistan can strengthen its position in Arab markets, while leaving space for further authorial interpretation and sectoral analysis.

Literature Review

The theoretical basis of this topic is formed by classical and modern international economics. Comparative advantage explains why countries gain from specialization and exchange, while the newer trade theory emphasizes scale effects, market size and network connections [Krugman, Obstfeld and Melitz, 2022]. In addition, the Mundell-Fleming approach shows how capital mobility and exchange-rate conditions affect external balance and investment flows [Mundell, 1963].

For Uzbekistan, official policy materials stress the same logic. The investment guide published in 2025 notes that the country has made notable progress in liberalizing trade, concluding 57 bilateral investment treaties and maintaining most-favoured-nation arrangements with 47 countries [PwC Uzbekistan, 2025, p. 17]. The same source states that Uzbekistan's GDP reached 115 billion US dollars in 2024, while foreign investment rose to 34.9 billion US dollars [PwC Uzbekistan, 2025, p. 13]. These figures show that external cooperation is now closely connected with domestic reform and modernization.

In the case of Arab countries, the literature usually focuses on investment, energy and logistics. However, the present article argues that the economic relation should not be reduced only to energy projects or large intergovernmental agreements. There is also a broader layer of opportunities in textiles, food processing, halal products, tourism, IT outsourcing, construction materials and transport services. Such an approach allows a more complete reading of the relationship between Uzbekistan and Arab partners.

Methodology

The article uses a comparative and descriptive method. The main sources are official statistics, government releases and investment reports published in 2024-2025. The research compares the current structure of Uzbekistan's external trade with the main directions of cooperation with the UAE, Saudi Arabia, Egypt and Kuwait.

The work is not an econometric model and does not try to prove a single numerical causality. Instead, it identifies practical channels of opportunity and explains how current facts support a stronger economic partnership. This is useful for a conference article because it combines reliable data with analytical space for the author's own conclusions and hypotheses.

Results and Discussion

On one hand, the general trade structure of Uzbekistan already creates a base for wider interaction with Arab countries. Asia is the largest trade direction of the republic, which means that markets of the Middle East are geographically and economically close to existing supply chains [National Statistics Committee, 2025, p. 2]. On the other hand, the share of Arab countries is still much smaller than their real potential, so the next stage should focus on deeper sectoral integration rather than only diplomatic meetings.

A clear example is the United Arab Emirates. Official Uzbek sources report that mutual trade turnover between the UAE and Uzbekistan has been growing by more than 20 percent annually and approached 650 million US dollars by the end of 2024. At the same time, 337 enterprises with UAE capital were operating in Uzbekistan, including 114 joint ventures and 223 foreign enterprises. Investment projects with Emirati participation totaled 1.08 billion US dollars in 2023 and were expected to exceed 1.5 billion US dollars in 2024 [Ministry of Investments, Industry and Trade, 2025]. This is not only a trade relationship. It is a sign of capital deepening, business confidence and institutional cooperation. The cooperation is not limited only to trade relations, but also covers infrastructure modernization, renewable energy, tourism, logistics and investment projects. According to experts, Uzbekistan can significantly benefit from the UAE's advanced experience in diversification of economy, free economic zones, digital governance and international financial services. Furthermore, the UAE possesses one of the most developed investment ecosystems in the Middle East, which creates additional opportunities for attracting capital into Uzbekistan's energy, construction and transport sectors. The increasing number of joint projects between Uzbek and Emirati companies demonstrates that economic relations are gradually transforming into long-term strategic partnership.

The political dimension is also important. In January 2025, the sides agreed to declare 2025-2027 a "New Era of Economic Partnership between Uzbekistan and the UAE", with six priority directions: artificial intelligence, digitalization, green energy, urban development and infrastructure, tourism, and private business [Ministry of Foreign Affairs, 2025]. Such a program is highly relevant because it matches the structure of Uzbekistan's reforms and the investment interests of Gulf partners. In practice, this means that the cooperation can move from isolated projects to a long-term platform for technology transfer and market access.

One of the most important factors strengthening relations between Uzbekistan and the Arab countries is the existence of a common civilizational foundation. Samuel Huntington in his work *The Clash of Civilizations and the Remaking of World Order* argued that in the post-Cold War era international relations would increasingly develop along cultural and civilizational lines rather than purely ideological divisions. From this perspective, Uzbekistan and favorable conditions for long-term diplomatic trust, economic cooperation and political understanding. Therefore, cultural and religious proximity may significantly reduce soft barriers in negotiations, business communication and regional integration.

Simultaneously, historical interaction between Central Asia and the Arab world dates back to the period of the Great Silk Road, when Samarkand and Bukhara functioned as strategic intellectual and commercial centers connecting East and West. Peter Frankopan in *The Silk Roads* emphasizes that Central Asia historically served as one of the key crossroads of world civilization and trade. Consequently, modern Uzbek-Arab economic

relations may be interpreted not as temporary cooperation, but rather as a restoration of historically interconnected economic space.

From the geopolitical point of view, Uzbekistan possesses strategic advantages that are highly attractive for the Arab countries. Firstly, Uzbekistan is geographically located in the center of Central Asia and borders all states of the region, which gives the republic the role of a natural regional hub. Secondly, the country may become an important transport and logistics bridge connecting the Middle East, South Asia, China and Eurasia. Halford Mackinder's geopolitical theories stressed that control over strategically located land territories and transport corridors provides long-term geopolitical influence. In this regard, Uzbekistan's geographical position creates significant opportunities for Arab investment into logistics, railway infrastructure, dry ports and trade corridors.

Simultaneously, the Arab countries possess advantages that are strategically important for Uzbekistan. The Gulf states have accumulated substantial financial capital, advanced logistics systems and experience in diversification of economy beyond oil dependency. Cooperation with countries such as the UAE and Saudi Arabia may therefore accelerate Uzbekistan's modernization process through technology transfer, sovereign investments and institutional reforms. In addition, Arab financial centers such as Dubai and Doha may provide Uzbek businesses with wider access to international capital markets and global trade networks.

Another important geopolitical aspect is the transformation of the international economic system itself. Many Arab countries are actively seeking new strategic regions for investment due to the transition toward post-oil economic models. At the same time, Uzbekistan is implementing liberal economic reforms, opening markets and improving regional connectivity. As a result, the strategic interests of both sides increasingly complement one another: Arab countries seek stable and перспективные investment destinations, whereas Uzbekistan requires capital, technologies and broader market access. Such convergence creates a strong foundation for sustainable long-term partnership.

Moreover, strengthening relations with the Arab world may increase Uzbekistan's geopolitical importance within both the Muslim world and Eurasian economic space. Cooperation in Islamic finance, education, tourism and cultural diplomacy may improve Uzbekistan's soft power and international image. Therefore, Uzbek-Arab relations should be viewed not only through trade turnover indicators, but also through broader geopolitical, civilizational and strategic dimensions.

Saudi Arabia is another promising direction. In December 2024, IT Park Uzbekistan opened a representative office in Riyadh, which was presented as a step toward deeper cooperation in information technology and startup development [Ministry of Digital Technologies, 2024]. The same source reported that the DataVolt project for green data centers envisages investment of 5 billion US dollars and that 12 Uzbek startups were presented at BIBAN-2024 [Ministry of Digital Technologies, 2024]. This example shows

that the Arab partnership is no longer limited to traditional sectors. It is also moving into digital infrastructure, venture finance and back-office services.

Egypt and Kuwait demonstrate another important pattern. According to the Uzbek side, trade turnover between Uzbekistan and Egypt doubled in the previous year and continued to grow in 2024, while exports expanded in yarn, petroleum products, chemicals, pharmaceuticals, electrical equipment, agricultural products and services. Fifteen Egyptian-owned enterprises were already active in Uzbekistan [Ministry of Investments, Industry and Trade, 2024]. In Kuwait, the business forum held in February 2025 identified strong cooperation potential in agriculture, textile industry, mining, energy and petrochemicals, healthcare, pharmaceuticals, logistics and tourism [Government of Uzbekistan, 2025]. These areas are valuable because they are not symbolic; they are the sectors where Uzbekistan can both export and attract know-how.

The broader macroeconomic environment supports this direction. Uzbekistan's GDP reached 115 billion US dollars in 2024, foreign investment rose to 34.9 billion US dollars, and the economy grew by 6.5 percent [Government of Uzbekistan, 2025]. The country also has a young demographic profile and a labor force of about 23.2 million people [PwC Uzbekistan, 2025, p. 14]. This matters for Arab investors because a growing market, a relatively young workforce and a reform-oriented state create a favorable environment for production, services and regional supply chains.

Figure 1 shows that in 2024 Uzbekistan's trade was concentrated mainly in Asia and Europe, while Africa and the Americas occupied a much smaller share. Although Arab countries are spread across Asia and Africa, the chart still helps to understand the logic of future growth: the country already has a strong eastern trade base, but there is still room to expand southward and westward through MENA markets. Figure 1 supports the argument that Arab cooperation is a strategic diversification channel rather than a marginal option.

Table 1. Selected current indicators of Uzbekistan-Arab economic cooperation

Indicator	Why it matters
UAE trade turnover by end-2024	Approached 650 million US dollars
UAE-capital enterprises in Uzbekistan	337 enterprises
UAE investment projects	1.08 billion US dollars in 2023; expected to exceed 1.5 billion US dollars in 2024
Egypt-Uzbekistan trade	Doubled in the previous year and kept growing in 2024
Saudi technology cooperation	DataVolt green data center project envisages 5 billion US dollars
Kuwait forum priorities	Agriculture, textiles, mining, energy, healthcare, logistics and tourism

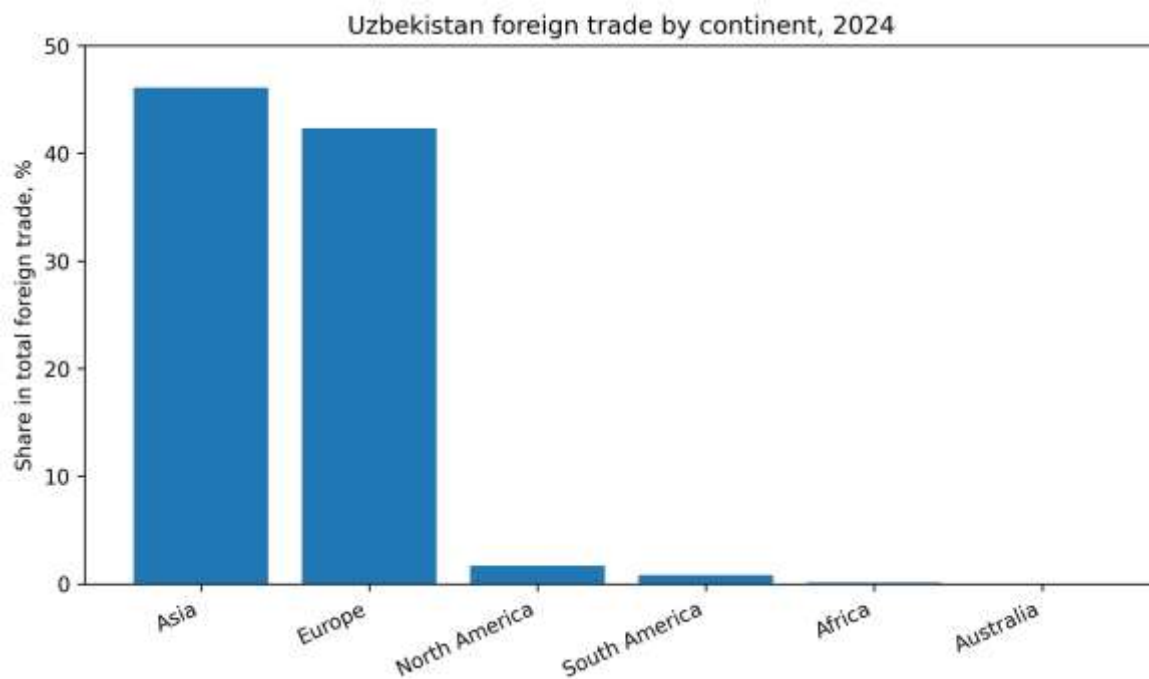


Figure 1. Uzbekistan's foreign trade by continent in 2024

From a practical perspective, the strongest opportunities lie in products and services that combine Uzbekistan's resource base with Arab capital and market access. Textile and garment production can be expanded through UAE and Kuwaiti distribution networks; food processing and halal products can use Gulf demand; and construction materials can benefit from large infrastructure programs. At the same time, renewable energy and water-saving technologies remain attractive because many Arab investors are already experienced in these sectors.

Another promising field is logistics. Uzbekistan is a landlocked country, but this does not mean that it is isolated. On the contrary, it can become a regional connector between South Asia, Central Asia and the Gulf region if transport corridors, customs procedures and digital documentation continue to improve. For Arab countries, Uzbekistan offers a gateway to a market of almost 38 million people and to the wider Central Asian region. For Uzbekistan, Arab ports and financial centers can reduce transport costs and improve export competitiveness.

Furthermore, cooperation with Arab countries opens perspectives for the development of Islamic finance mechanisms in Uzbekistan. Since many Gulf states possess extensive experience in Sharia-compliant banking, sukuk instruments and halal investment funds, Uzbekistan may attract additional financial resources for infrastructure, entrepreneurship and industrial projects. This direction is especially relevant since demand for Islamic financial services is gradually increasing inside the country as more people are getting involved in sharia principles.

At the same time, tourism and cultural diplomacy should also be considered as economic instruments. Uzbekistan's rich Islamic heritage and historical cities in the example of Bukhara, Samarqand and Khiva may attract growing numbers of tourists from the Arab

world, especially within the framework of pilgrimage and ziyarat (tourism). Such cooperation contributes not only to service-sector revenues, but also to stronger business and humanitarian relations between the regions.

Nevertheless, several obstacles still remain. First, export diversification is not complete, and many Uzbek goods still depend on a narrow product base. Second, transport and certification barriers increase transaction costs. Third, businesses often need more information about financing, legal rules and distribution channels in Arab markets. Therefore, the opportunities are real, but they require systematic policy support rather than one-time agreements.

Conclusion

The economic opportunities of Uzbekistan with the Arab countries are broad and increasingly concrete. The current data shows that cooperation with the UAE, Saudi Arabia, Egypt and Kuwait is already moving beyond protocol-level interaction toward trade, investment, technology and industrial projects. This confirms that the Arab direction is becoming a practical component of Uzbekistan's external economic strategy.

The most important conclusion is that the cooperation should be built around sectors with high multiplier effects: green energy, digital economy, logistics, agro-processing, tourism, pharmaceuticals and construction. If these areas are supported by stable institutions, transparent regulations and stronger transport links, the partnership can generate not only larger trade flows but also technology transfer, employment and long-term value creation.

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