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CENTRAL ASIA'S ECONOMIC FREEDOM AND A STRATEGIC EVALUATION OF UZBEKISTAN'S REFORMTRAJECTORY(2000–2026)



Iqboljon ODASHEV,
PhD Candidate at the Academy of Public Policy and Administration under the President of the Republic of Uzbekistan

Abstract: this study analyzes the trajectory of economic freedom in Central Asia—Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan—from 2000 to 2026. Using the Heritage Foundation's Index of Economic Freedom and World Bank data, the research tracks long-term patterns and assesses the impact of external disruptions, including the 1997 Asian financial crisis, the 2008 global financial crisis, and the COVID-19 pandemic. Employing a mixed-methods approach, the study combines quantitative examination of index scores with qualitative evaluation of policy shifts across countries, enabling comparative analysis and improved replicability. Data reveal a marked upward trend for Uzbekistan, which advanced its global ranking by 86 places to 60.3, moving from "repressed" to "moderately free" in 2026. Results indicate that while market openness and financial liberalization have accelerated, persistent obstacles in judicial effectiveness and the rule of law remain. The findings emphasize that sustained progress depends on strengthening transparency initiatives and judicial autonomy to minimize state intervention and foster inclusive growth.

Keywords: *Economic freedom; Central Asia; Uzbekistan; Institutional reform; Transition economies; Index of Economic Freedom.*

Markaziy Osiyoda iqtisodiy erkinlik: O'zbekiston islohotlar yo'nalishining strategik bahosi(2000–2026)

Odashev Iqboljon,
O'zbekiston Respublikasi Prezidenti huzuridagi Davlat siyosati va boshqaruvi akademiyasi mustaqil izlanuvchisi

Annotatsiya: maqolada 2000–2026-yillar oralig'ida Markaziy Osiyodagi iqtisodiy erkinlikning rivojlanishini, xususan, Qozog'iston, Qirg'iziston, Tojikiston, Turkmaniston va O'zbekiston misolida tahlil qilinadi. Tadqiqotda Heritage Foundation tomonidan ishlab chiqilgan Iqtisodiy erkinlik indeksi va Jahon banki ma'lumotlaridan foydalangan holda uzoq muddatli tendensiyalar hamda 1997-yildagi Osiyo moliyaviy inqirozi, 2008-yildagi global moliyaviy inqiroz va COVID-19pandemiyasi kabi tashqi xatarlar va tahdidlarning ta'siri o'rganildi. Ilmiy ishda miqdoriy ko'rsatkichlarning sifat bahosi bilan integratsiyalovchi aralash metodologiya qo'llaniladi, bu esa mamlakatlararo taqqoslash va natijalarni takrorlash imkoniyatini oshiradi. Statistika ma'lumotlari O'zbekiston uchun sezilarli ijobiy yo'nalishni ko'rsatmoqda: mamlakat jahon reytingida 86 pog'ona yaxshilanishni qayd etib, 60.3 ballga erishgan va 2026-yilga kelib,

“cheklangan” holatdan “o‘rtacha erkin” maqomiga o‘tgan. Tadqiqot natijalari bozorning ochiqligi va moliyaviy liberal-lashtirishning sezilarli darajada oshganini ko‘rsatsa-da, sud tizimi samaradorligi va huquq ustuvorligi sohasidagi institutsional muammolar saqlanib qolayotgani ma’lum bo’ldi. Tahlil natijalariga ko’ra, uzoq muddatli barqaror o‘sish uchun shaffof islohotlarni va sud mustaqilligini yanada institutsiyalashtirish, davlatning iqtisodiy faoliyatdagi ishtirokini kamaytirish va inklyuziv rivojlanishni rag‘batlantirish zarur degan xulosaga kelindi.

Kalit so‘zlar: *iqtisodiy erkinlik, Markaziy Osiyo, O‘zbekiston, institutsional islohotlar, o‘tish iqtisodiyotlari, Iqtisodiy erkinlik indeksi.*

Экономическая свобода в Центральной Азии: стратегическая оценка траектории реформУзбекистана (2000–2026)

Одашев Икболжон,
Соискатель степени PhD, Академия Государственной Политики и Управления при Президенте Республики Узбекистан

Аннотация: в данном исследовании анализируется траектория экономической свободы в странах Центральной Азии — Казахстане, Кыргызской Республике, Таджикистане, Туркменистане и Узбекистане — за период с 2000 по 2026 год. На основе Индекса экономической свободы Фонда «Наследие» и данных Всемирного банка в работе прослеживаются долгосрочные тенденции и оценивается влияние внешних потрясений, в том числе азиатского финансового кризиса 1997 года, мирового финансового кризиса 2008 года и пандемии COVID-19. В рамках смешанного методологического подхода сочетается количественный анализ значений индексных показателей с качественной оценкой изменений в политическом курсе отдельных стран, что обеспечивает возможность сравнительного анализа и повышает воспроизводимость результатов. Полученные данные свидетельствуют о выраженной восходящей динамике Узбекистана, который улучшил свою позицию в глобальном рейтинге на 86 пунктов, достигнув значения 60,3 балла и переместившись в 2026 году из категории «репрессированных» экономик в категорию «умеренно свободных». Результаты исследования показывают, что, несмотря на ускорение процессов открытия рынков и финансовой либерализации, сохраняются системные препятствия в сфере эффективности судебной системы и верховенства права. Сделанные выводы подчёркивают, что устойчивый прогресс обусловлен укреплением институтов транспарентности и независимостью судебной власти как необходимыми условиями минимизации государственного вмешательства и обеспечения инклюзив-ного экономического роста.

Ключевые слова: *экономическая свобода; Центральная Азия; Узбекистан; институциональные реформы; переходные экономики; Индекс экономической свободы.*

The economic setting of Central Asia has undergone a major transformation since the dissolution of the Soviet Union in 1991, shifting from the rigidities of central planning toward

various market-based models. Within this regional context, Uzbekistan represents a noteworthy case study of a delayed yet accelerated transition. For much of the period between 1991 and 2016, the nation pursued a careful, gradualist path, defined by heavy state intervention, administrative price controls, and restricted foreign exchange markets. This legacy of central planning resulted in significant macroeconomic imbalances, poor productivity performance, and a service sector that remained among the smallest in the Europe and Central Asia region. However, the transition of power in late 2016 marked a critical shift in the country's developmental philosophy, launching an ambitious reform agenda to liberalize the economy and deepen its integration into global markets. This report analyzes the evolution of economic freedom in Uzbekistan and its Central Asian neighbors—Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan—from 2000 to the current projections of 2026. Economic freedom, defined as the ability of individuals and businesses to engage in economic activity without coercive restrictions, is evaluated using the Heritage Foundation's Index of Economic Freedom and the World Bank's historical data.

To guide the analysis, the following research questions are posed:

1. How have Uzbekistan's scores and global ranking on the Index of Economic Freedom evolved between 2000 and 2026, particularly in comparison to its regional peers?
2. What has been the impact of major policy alterations and external shocks along the trajectory of economic freedom in Uzbekistan?
3. Which components of economic freedom have shown the most significant improvement, and which institutional challenges endure?
4. What is the relationship between specific reforms—such as currency liberalization, anti-corruption measures, and digitalization—and advances in economic freedom indicators?
5. What are the wider implications of these trends for foreign investment, institutional development, and inclusive growth in Uzbekistan?

The analysis addresses how overall and component scores have evolved, the correlation between specific policy changes and index improvements, and the wider implications for investment and growth. Fundamental to this investigation is the role of institutional quality in advancing a favorable investment climate. Historically, Uzbekistan's efforts to improve its international standing were codified in Presidential Decree No. PQ-4210, issued on February 25, 2019, established an organized framework for monitoring and improving the country's position in international ratings[10]. The empirical evidence suggests that, whereas significant gains have been made in market openness—particularly in investment and financial freedom—difficulties continue in judicial effectiveness and fiscal sustainability. By quantifying these trends and identifying their drivers, this report delivers a comprehensive assessment of the strategic reforms forming the "New Uzbekistan" and the wider Central Asian economic architecture.

The conceptual bases of economic freedom are rooted in the classical and neoclassical traditions of economic thought, which emphasize the "invisible hand" of market coordination over central planning. Scholars such as Adam Smith, Friedrich Hayek[4], and

Milton Friedman have long argued that personal choice, voluntary exchange, and the protection of private property are the essential fuel for economic progress. Hayek, in his landmark work The Road to Serfdom, posited that central planning is an exercise in arrogance because no single authority can possess the dispersed knowledge necessary to coordinate a complex economy. Similarly, the Hayek-Friedman hypothesis indicates that economic freedom is not only a driver of affluence but also a necessary prerequisite for stable democracy and political liberty[4].

The empirical measurement of these concepts was institutionalized in 1996 with the creation of the Economic Freedom of the World (EFW) index by James Gwartney[2], Robert Lawson, and Walter Block. This index, along with the Heritage Foundation's Index of Economic Freedom (IEF), provides a measurable framework to assess national policy compliance with the principles of economic liberty. The literature surrounding these indices overwhelmingly shows a positive correlation between economic freedom and desirable outcomes, such as faster GDP growth, higher living standards, and improved human development. Gwartney and Lawson have demonstrated that the long-term maintenance of institutions consistent with economic freedom is a major determinant of cross-country differences in per capita GDP [2, 3].

In the context of transition economies, the "Washington Consensus" (WC) provided a roadmap for moving from state-controlled to market-oriented systems through fiscal discipline, trade liberalization, and privatization. However, the application of these reforms in post-Soviet Central Asia has been heterogeneous. Richard Pomfret notes that while some states, like Kyrgyzstan, adopted "shock therapy" in the 1990s, others, like Uzbekistan, chose a more protected, state-led model [9]. The recent literature emphasizes a shift toward government policy where public administration like Uzbekistan's integrate capitalist mechanisms and international connectivity to enhance state performance and legitimacy without necessarily adopting liberal political structures [9, 11]. Current research also stresses the role of infrastructure and connectivity in enhancing economic freedom. Pomfret's recent work on the "Middle Corridor" suggests that falling transport costs and improved rail connectivity between China and Europe present a unique "window of opportunity" for Uzbekistan to diversify its export base beyond commodities. Furthermore, the digitalization of tax administration and the introduction of "Digital Uzbekistan 2030" are seen as critical institutional reforms that reduce compliance costs and corruption, consequently expanding the private sector's effective economic freedom[7, 10]. The literature thus frames economic freedom in Central Asia not simply as a lack of regulation, but as the presence of a strong institutional infrastructure that supports competitive markets and secure property rights.

This study uses a multi-dimensional quantitative and qualitative approach to evaluate the dynamics of economic freedom in Central Asia. The primary data sources are the Heritage Foundation's Index of Economic Freedom (2000–2026) and the World Bank's Doing Business database (2000–2020). The Index of Economic Freedom evaluates 184

economies based on 12 quantitative and qualitative factors, grouped into four pillars: Rule of Law, Government Size, Regulatory Efficiency, and Market Openness. Each of the 12 freedoms is weighted equally for determining the overall country scores, which range from 0 to 100. While these indices afford a comprehensive and organized framework for international comparisons, they also have limitations. Both the Heritage Foundation Index and the Doing Business database rely, in part, on specialist assessments and self-reported data, which may introduce subjective judgments or differences across countries and over time. Changes in methodology, data availability, and political considerations can affect comparability and trend analysis, particularly in transition economies where institutional reforms are ongoing. These limitations should be considered when interpreting the results and drawing conclusions about the progress of economic freedom in the region [5] (Table 1).

Table 1. The Criteries of Economic Freedom Index

Pillars	Sub-Indexes
Rule of Law	• Property Rights • Judicial Effectiveness • Government Integrity
Government Size	• Tax Burden • Government Spending • Fiscal Health
Regulatory Efficiency	• Business Freedom • Labor Freedom • Monetary Freedom
Market Openness	• Trade Freedom • Investment Freedom • Financial Freedom

Note: The table outlines majon global and regional shocks, their transmission mechanisms, policy responses, and long-term effects on economic freedom.

This research thoroughly analyzes the evolution of economic freedom across all five Central Asian states from 2000 to 2026. It uses a unified analytical system and scenario-driven projections to extend empirical coverage beyond existing index data. Unlike previous regional studies that focus on single countries or shorter timeframes, this approach covers a wider period and area. The study uses mixed methods, merging quantitative index measurement with qualitative policy analysis. This strengthens methodological strictness and replicability in comparative studies of Central Asian economic transition, where single-method approaches are common. The research conceptualizes and empirically validates asymmetric liberalization, showing measurable advances in market openness and regulatory efficiency that eclipse institutional progress in judicial effectiveness and the rule of law. This structural reform imbalance has not yet been quantified for Uzbekistan in a longitudinal

comparative framework of this scope. The study also provides an original institutional analysis of Presidential Decree No. PQ-4210 (2019). It examines the decree as a governance instrument that translates domestic reform commitments into internationally measurable effects, establishing a link between legislative action and index-based performance indicators.

The author compiled and harmonized an original multi-source dataset. It integrates Heritage Foundation Index of Economic Freedom scores, World Bank Doing Business rankings, and IMF macroeconomic indicators for all five Central Asian states across the entire study period. This ensures cross-source consistency and longitudinal comparability, where no unified dataset existed before. The author designed a two-stage forecasting methodology. It combines linear trend extrapolation from historical index data with structured expert scenario analysis. This produces economic freedom projections for 2026, accounting for reform momentum and plausible external contingencies for each country. The investigation developed an original comparative analytical system. It consistently classifies the five Central Asian states into four reform typologies: resource-led, gradualist, liberal-fragile, and stagnant. This delivers a structured conceptual basis for cross-country analysis and moves beyond simple description toward theoretically informed differentiation of transition trajectories. The author independently formulated and operationalized the "performance dilemma" concept. This interpretive lens explains the growing reliance of state legitimacy on quantifiable economic outcomes and clarifies Uzbekistan's regime-upgrading trajectory within the broader Central Asian reform context. Finally, drawing from empirical findings, the author synthesized a prioritized set of policy recommendations. These links identified institutional deficits—including judicial independence, state-owned enterprise privatization, and rural economic inclusion—to sequenced reform strategies consistent with Uzbekistan's national Development Strategy through 2030.

The quantitative analysis of the Index of Economic Freedom indicates a net positive trend for Central Asia, though the progress is highly heterogeneous across the five states. Uzbekistan, in particular, has demonstrated the most significant rising trajectory in recent years. Its overall index score rose from 46 in 2013 (ranking 162nd globally) to 60.3 in 2026, denoting an improvement of 86 ranking positions. This progress has moved Uzbekistan from the "Repressed" category into the "Moderately Free" category. The 2026 projections referenced here are based on a combination of linear trend extrapolation from historical index data (2013–2024) and scenario analysis, supplemented by expert forecasts and published projections from the Heritage Foundation and the World Bank. This approach was picked to ensure that forecasted values account for both recent policy momentum and plausible future developments, although actual outcomes will depend on the pace of ongoing reforms and external conditions[5].

The table below shows the overall scores and global rankings for Central Asia in 2026, based on Heritage Foundation data. From 2010 to 2026, the average index of Central Asian countries rose from 47 to 64.2, an increase of

17.2 points. Regional progress was led by Uzbekistan (+22.2 points), Kazakhstan (+13.8 points), and Turkmenistan (+9.4 points), while Kyrgyz Republic (+0.3 points) and Tajikistan +7.7 points) had more modest gains (see Table 2).

Table 2. Central Asia's Economic Freedom's Dynamics

Country	2026 Overall Score*	Global Rank	Changes in Index	Category
Uzbekistan	60.3	86	+22.2	Moderately Free
Kazakhstan	64.2	68	+13.8	Moderately Free
Kyrgyz Republic	56.0	114	+0.30	Mostly Unfree
Tajikistan	52.5	131	+7.7	Mostly Unfree
Turkmenistan	47.0	160	+9.4	Repressed

Source: https://static.heritage.org/index/pdf/2026/2026_indexofeconomicfreedom_highlights.pdf

Table 2 compares scores for selected countries from 2000 to 2026 with the Heritage Foundation Report's global average levels, clarifying changes relative to the global average.

Uzbekistan's gains have been concentrated in market openness and regulatory efficiency. Financial freedom rose by 50 points, while investment freedom increased by 40 points, indicating the government's commitment to modernizing the financial sector and attracting foreign capital. However, structural flaws in the rule of law remain. Judicial effectiveness recorded a slight long-term decline of 0.6 points and currently stands at a low 13.7 points, significantly below the global average (Table 3).

The World Bank's Doing Business data corroborates these outcomes. Uzbekistan's rank improved by 81 places between 2010 and 2020, rising from 150th to 69th. Key improvements were noted in defending minority investors, where the country strengthened shareholder rights and corporate transparency, and in taxation, where the simplification of processes and the reduction of the social tax rate from 25% to 12% reduced the burden on businesses. Trade across borders was also facilitated by the introduction of risk-based inspections and the simplification of import documentary compliance. The global economic context also had an impact. The world economy grew from approximately $26 trillion in 1995 to over $126 trillion in 2026 (projected and forecasted based off IMF World Economic Outlook April 2026 Report) by, with projections of $134 trillion by 2028. This expansion has provided a beneficial environment for Central Asian commodities and labor migration.

Although the positive trends, the "Moderately Free" status of Uzbekistan and Kazakhstan indicates that their overall ratings

remain below regional averages in the Asia-Pacific (where Uzbekistan ranks 18th out of 39 countries) and still lag behind global leaders such as Singapore (84.4) and Switzerland (83.7)[5-7]. Table 3 was calculated by comparing the scores of each component from 2000 to 2026 and grading them against the Heritage Foundation Report's global average degree levels.

Table 3. Uzbekistan's 12 Economic Freedoms

Component	2026 Score*	Change (2000–2026)	Performance vs. Global Average
Tax Burden	95.0	+35.6	Higher (Positive)
Government Spending	73.7	+8.4	Higher (Positive)
Fiscal Health	79.9	−16.7	Higher (Positive)
Business Freedom	62.5	+22.5	Higher (Positive)
Trade Freedom	80.6	+30.6	Higher (Positive)
Investment Freedom	70.0	+40.0	Higher (Positive)
Financial Freedom	60.0	+50.0	Higher (Positive)
Property Rights	43.1	+13.1	Lower (Negative)
Judicial Effectiveness	13.7	−0.6	Lower (Negative)
Government Integrity	32.0	+22.0	Lower (Negative)
Labor Freedom	48.4	+0.4	Lower (Negative)
Monetary Freedom	65.1	+4.0	Lower (Negative)

Source: https://static.heritage.org/index/pdf/2026/2026_indexofeconomicfreedom_highlights.pdf

Although the positive trends, the "Moderately Free" status of Uzbekistan and Kazakhstan indicates that their overall ratings remain below regional averages in the Asia-Pacific (where Uzbekistan ranks 18th out of 39 countries) and still lag behind global leaders such as Singapore (84.4) and Switzerland (83.7)[5-7]. Table 3 was calculated by comparing the scores of each component from 2000 to 2026 and grading them against the Heritage Foundation Report's global average degree levels.

The trajectory of economic freedom in Uzbekistan is inextricably linked to the wider geopolitical and macroeconomic shifts of the past three decades. The transition from the "Evolutionary isolationist policy" of the Karimov era to the "Rapid state-led modernization" of the Mirziyoyev presidency signifies a fundamental shift in the state's relationship with the market. This transformation has not been linear and has been greatly influenced by external shocks and the persistence of internal structural rigidities.

Central Asia has been tested by three major external economic events: the 1997 Asian financial crisis, the 2008 global financial crisis, and the COVID-19 pandemic [11,12]. Each event exposed specific vulnerabilities in the regional economic architecture. The 1997 Asian crisis, while originating in Thailand, had a ripple

impact across the former Soviet space. Although direct financial contagion was limited by the nascent state of Central Asian financial markets, the indirect impact through commodity prices was significant. The sharp decline in prices for metals (copper), fuels (oil), and agricultural raw materials (cotton) adversely affected export revenues and access to international capital markets. In Uzbekistan, this contributed to the tightening of foreign exchange controls in the late 1990s, which restricted economic diversification for nearly two decades.

The 2008 global crisis presented a different challenge. Countries more closely connected to global finance, like Kazakhstan, suffered sharp economic contractions as capital inflows reversed and the banking sector faced a credit squeeze. In contrast, Uzbekistan's relatively isolated economy at the time acted as a buffer, protecting it from an immediate financial implosion but also highlighting its lack of modern market mechanisms. The crisis emphasized that a growth model based solely on external finance or commodity exports was vulnerable, prompting early discussions about the need for structural reform. The COVID-19 pandemic accelerated the shift toward digitalization and fiscal resilience. While lockdowns disrupted trade and domestic activity, the government of Uzbekistan used the crisis to institutionalize reforms, including the "Digital Uzbekistan 2030" strategy. The use of digital tools in tax administration helped maintain government revenue during the economic slowdown, showing a "U-shaped" relationship in which initial digitalization costs eventually led to long-term efficiency gains.

An important insight from the data is the persistent gap between Uzbekistan's progress in "Market Openness" and its stagnation in the "Rule of Law." While financial and investment freedom have soared, judicial effectiveness remains a severe constraint. This suggests that the current reform model is favoring "technocratic liberalization"—improving the efficiency of business processes and attracting capital—over "institutional democratization"—guaranteeing the independence of the judiciary and the even-handed enforcement of contracts. The dominance of state-owned enterprises (SOEs) and state-owned commercial banks (SOCBs) continues to limit private sector entry and distort competition. Although privatization has advanced in small-scale sectors, the state maintains a "historically large footprint" in strategic industries like energy, mining, and telecommunications. This accumulation of power often leads to "soft budget constraints," where state firms receive preferential lending or tax treatment, undermining the level playing field necessary for true economic freedom. Although substantial portions of the literature support the idea that market openness can drive institutional improvements over time, several scholars present critical or alternative perspectives. Some argue that rapid financial liberalization in the absence of effective judicial frameworks can actually entrench existing elites, exacerbate corruption, or even precipitate institutional backsliding[13]. Some caution that the sequencing of reforms matters: if market reforms precede judicial and regulatory capacity-building, countries may experience greater vulnerability to "state capture" and increased inequality[11]. Comparative studies in transition economies have found mixed results

on whether market openness, on its own, reliably leads toward improved rule of law, suggesting that broader political and social context is key for sustained institutional reform.

The results show significant spatial imbalances within Uzbekistan. The urbanized core, particularly Tashkent and industrial hubs like Navoi, has benefited disproportionately from liberalization, thanks to upgraded infrastructure and access to skilled employment. In contrast, rural provinces remain dependent on low-productivity agriculture and are more vulnerable to ecological challenges, such as soil salinization. Labor migration and remittances serve as a "hidden equalizer" in this context. Remittances provide a vital safety valve for rural households, accounting for a significant share of GDP and helping reduce absolute poverty. However, this creates excessive reliance on external labor markets, particularly Russia, making the country vulnerable to geopolitical shifts and regional economic downturns. For reforms to be inclusive, there is a clear need for targeted policies to address rural underdevelopment and improve agricultural sector productivity.

The issuance of Presidential Decree No. PQ-4210 in 2019 was a strategic milestone in Uzbekistan's attempt to institutionalize its progress[10]. By creating a national system to monitor and evaluate the country's position in international ratings, the government signaled its commitment to "governance by the numbers". This system requires state bodies to align their reform activities with international standards and criteria, such as the methodologies used by the Heritage Foundation[5] and the World Trade Organization[12]. The decree also mandated the creation of a centralized electronic database of economic information to simplify the evaluation process and provide transparent, up-to-date data to international rating organizations. This "transparency offensive" is designed to enhance Uzbekistan's attractiveness as an investment destination by reducing the information asymmetry that often plagues transition economies.

The analysis of economic freedom in Uzbekistan from 2000 to 2026 reveals a country in the midst of a profound institutional transition. The shift from "mostly unfree" to "moderately free" status is a quantifiable success of the post-2016 reform agenda. Substantial improvements in trade, investment, and financial freedom have revitalized the formal banking sector and nearly doubled nominal GDP in US dollar terms between 2017 and 2025. The government's proactive efforts to improve international rankings through Decree No. PQ-4210 [10] and the "Uzbekistan-2030" strategy underscore a long-term commitment to market integration. However, the findings suggest that for these gains to be sustainable and inclusive, the next phase of reform must prioritize the Rule of Law. Addressing the "performance dilemma" requires more than technocratic efficiency; it demands genuine judicial independence, reduced systemic corruption, and the protection of property rights for all citizens, not just the networked elite. The dominant role of the state in the economy remains a double-edged sword: while it has ensured macroeconomic stability and funded massive infrastructure projects, it risks crowding out private innovation and entrenching

fiscal vulnerabilities.

The diverging trajectories of the five Central Asian states provide a unique natural experiment in post-Soviet transformation. While the five nations shared similar cultural backgrounds and inherited comparable socialist structures, their varied integration into the global economy since 1991 has created a heterogeneous economic region. Kazakhstan, early in its independence, opted for an aggressive, resource-led model that prioritized rapid integration into global financial markets. This strategy successfully elevated Kazakhstan to upper-middle-income status but left it exposed to the high volatility of international commodity cycles, as seen during the 2008 global financial crisis. In contrast, Uzbekistan's "cautious approach" sought to minimize the social disruptions associated with "shock therapy" by maintaining strong state controls over strategic industries and currency markets. The transition experience in Kyrgyzstan presents a third path: a "liberal island" that embraced democratic reforms and open markets early on, but struggled with persistent political instability and an underdeveloped institutional framework. Tajikistan and Turkmenistan represent more stagnant models, with the former hampered by the legacies of civil war and a reliance on labor remittances, and the latter remaining one of the most repressed and closed economies in the world (Table 4).

Table 4. Macroeconomic Performances of Central Asia

Indicator (2026 Forecast)	Kazakhstan	Uzbekistan	Kyrgyzstan	Tajikistan	Turkmenistan
GDP per Capita (PPP)	~$32,000	$12,559	~$6,500	~$5,000	~$20,000
Trade Openness (% of GDP)	~65%	~70%	~140%	~90%	~85%
Primary Export	Oil / Gas	Gold / Metals	Gold	Aluminum / Cotton	Natural Gas
WTO Status	Member	Bid 2026	Member	Member	Non-Member

Source: World Bank, IMF reports, 2026

This regional background is essential for understanding Uzbekistan's recent pivot. The "Uzbek model" of the Karimov era successfully avoided the deep recessions of the 1990s—Uzbekistan was the first Soviet successor state to regain its pre-1991 real GDP level. However, by the mid-2010s, the limits of this gradualist approach were clear. Stagnant productivity, a burgeoning informal economy, and the failure to create sufficient jobs for a young, growing population created a sense of urgency for a more fundamental transformation [7, 8]. The post-2016 reforms are thus not merely an ideological shift but a strategic necessity to avoid a long-term developmental trap.

The “New Uzbekistan 2030” strategy is being implemented amid increasing global trade uncertainty and a significant shift in regional connectivity patterns. The world economy’s projected growth to $134 trillion by 2028 is accompanied by a reorganization of supply chains, particularly in response to geopolitical tensions in Eastern Europe. For Central Asia, this has manifested in the “Middle Corridor” initiative—a rail and road network connecting China to the European Union that bypasses traditional routes through Russia [11-12]. Uzbekistan’s strategic investments

in “soft” and “hard” infrastructure, such as the Pap-Angren railway tunnel and the digitalization of customs procedures, are designed to position the country as a central logistics hub in this new Eurasian geometry. Furthermore, the 2026 projections for Uzbekistan’s economic freedom scores reflect the initial results of these structural adjustments. The notable gains in “Trade Freedom” (+30.6) and “Investment Freedom” (+40.0) are direct outcomes of the 2017 currency liberalization and the ongoing simplification of business registration processes. However, as the global economy faces inflationary pressures and rising energy prices, the sustainability of Uzbekistan’s growth will depend on its ability to transition from a resource-dependent to a value-added manufacturing and digital services-driven economy [8-12]. The National Trade Facilitation Roadmap 2025–2030 and the continued pursuit of WTO membership are critical components of this forward-looking strategy. The analysis of economic freedom in Central Asia underscores the importance of a holistic approach to reform. High scores in market openness are necessary to attract the “quality” FDI required for technological modernization, but they must be supported by a stable and transparent institutional environment. As Uzbekistan continues its path toward greater economic liberty, the central challenge will be to ensure that institutional reforms in the Rule of Law keep pace with the rapid progress in Regulatory Efficiency and Market Openness. This balance will be the key determinant of Uzbekistan’s ability to achieve long-term, inclusive, and resilient economic development in the 21st century.

The transition from a state-regulated economy to a market-oriented model in Uzbekistan is underpinned by a series of critical institutional changes that began in 2017. These changes were aimed at addressing the systemic bottlenecks that had previously stifled entrepreneurship and private investment. One of the primary instruments in this transformation was the Action Strategy on Five Priority Areas for 2017-2021, followed by the Development Strategy of New Uzbekistan for 2022-2026. These documents laid out a comprehensive plan for institutional, organizational, and legal reform across all sectors of the economy and public life. A significant element of this governance shift was the liberalization of the exchange rate and the removal of the dual-currency market in September 2017. Before this reform, multiple exchange rates existed—an official rate for government-sanctioned transactions and a parallel black-market rate for businesses and individuals—which created massive distortions in the pricing of goods and services.

Table 5. Uzbekistan's Economic Freedom Impacted Reforms

Governance Milestone	Key Impact	Policy Response Component
Currency Unification (2017)	Eliminated parallel markets; revitalized banking system	Financial Freedom
Anti-Corruption Agency (2020)	Established systemic oversight of corruption	Government Integrity
Tax Code Renewal (2020)	Simplified compliance; introduced digital taxation	Tax Burden
Law on Conflict of Interest (2024)	Improved transparency in public sector	Judicial Effectiveness
Digital Uzbekistan 2030 Strategy	Reduced bureaucracy; expanded e-government	Business Freedom

Note: The table highlights major governance milestones in Uzbekistan and their direct impact on components of the Index of Economic Freedom.

Source: Made by author using www.lex.uz date base

The unification of these rates reduced the risks for foreign investors and revitalized formal banking services, laying the groundwork for the significant increases in financial and investment freedom seen in the 2026 projections (Table 5).

The establishment of the Anti-Corruption Agency in 2020 and the subsequent adoption of the Law on Conflict of Interest in 2024 represent attempts to strengthen the Rule of Law pillar, which has historically been the weakest pillar of Uzbekistan's economic freedom profile. These institutions are designed to create a "National Integrity System" that reduces systemic risks such as bribery and nepotism, which have long discouraged sustainable foreign direct investment. While the score for Government Integrity rose by 22 points in the long-term analysis, it remains relatively low at 32, indicating that institutionalizing these anti-corruption measures is a long-term process that requires sustained political will (Table 5).

The modernization of the financial sector is perhaps the most visible success of the reform agenda. For decades, the banking system was characterized by the dominance of state-owned commercial banks (SOCBs) that acted more as conduits for directed credit to state industries than as market-based intermediaries. The current strategy focuses on hardening budget constraints for these institutions and gradually phasing out soft loans. Significant milestones include the privatization of Ipoteka Bank and the ongoing preparations for the sale of other major state banking assets. The resulting 50-point boost in the financial freedom score reflects these efforts to create a more competitive and autonomous banking environment. Similarly, the energy sector is undergoing a painful but necessary transition. Historically, energy prices were kept artificially low through state subsidies, leading to inefficient consumption and severe infrastructure degradation. Starting in late 2023 and continuing through 2025, the government has been implementing energy tariff adjustments to bring prices closer to cost-recovery levels. While these measures have temporarily stoked inflation, they have

significantly reduced the burden on the state budget, with energy subsidies falling from $1.5 billion in 2023 to an estimated $0.8 billion in 2024. This fiscal consolidation is a key driver of the improved “Fiscal Health” and “Government Spending” scores seen in the 2026 data.

In the modern global economy, economic freedom is increasingly tied to digital and physical connectivity. Uzbekistan’s landlocked status (specifically, “double-landlocked”) has traditionally imposed high transport costs, acting as a structural barrier to trade freedom. The completion of the Pap-Angren railway and the planned construction of the China-Kyrgyzstan-Uzbekistan (CKU) rail line are transformative geoeconomic projects that aim to integrate Central Asia into the Middle Corridor [7-8]. Professor Richard Pomfret [9] identifies this as a critical opportunity for Uzbekistan to diversify its export base beyond commodities like cotton and gold into higher-value global value chains (GVCs). Digital trade is another area where Uzbekistan is seeking a competitive advantage. The “Digital Uzbekistan 2030” strategy, supported by the World Bank and other international partners, has already led to the creation of one-stop shops for business registration and electronic tax filing systems. The 2025 Digital informal sector and create a transparent environment for digital businesses [6, 7]. The resilience of Uzbekistan’s reform agenda has been tested by a series of unprecedented global and regional shocks. The COVID-19 pandemic disrupted the early momentum of the 2017 reforms, causing a temporary spike in food prices and a significant loss of income for vulnerable households. However, the state’s response—which included a mix of fiscal stimulus, expanded social safety nets under the REACH program, and the accelerated rollout of digital governance tools—demonstrated a newfound agility in crisis management. More recently, the 2022 regional conflict and subsequent sanctions on major trading partners have presented new challenges. These events have disrupted traditional trade routes and financial channels, but they have also accelerated the interest in the Middle Corridor and led to a surge in remittance inflows as migration patterns shifted. Uzbekistan’s ability to maintain resilient growth of approximately 6.8% in 2025 despite these pressures is a testament to the success of its macroeconomic stabilization efforts (Table 6).

A key theme in recent scholarly studies is the concept of regime upgrading in the Central Asian context. Sebastian Schiek and other observers suggest that Uzbekistan is transitioning from a traditional centralized regime that relied on isolation and coercive control to a modernized, performance oriented regime that uses capitalist performance and international connectivity to secure legitimacy. In this model, the state remains a central actor in the economy but operates through more sophisticated market mechanisms and technocratic management. The Singapore–Vietnam model is frequently cited as a reference point, in which high levels of economic openness and integration into the global economy coexist with constrained political liberalization. This configuration creates a performance dilemma: as the state’s legitimacy becomes tied to economic growth, it must continually deliver measurable results in terms of jobs, incomes, and public services.

Progress in the Index of Economic Freedom thus serves as a key metric not only for international investors but also for domestic political stability. Significant gains in investment and financial freedom are intended to attract the capital and technology needed to meet these public expectations.

Table 6. Globally and Long-Term Economic Freedom Impacted Events

Shock Period	Main Transmission Channel	Policy Response	Long-Term Freedom Impact
1997 Asian Crisis	Commodity prices; export demand	Tightened forex controls	Stagnation in Trade Freedom
2008 Global Crisis	Financial flows; remittances	Anti-crisis program (2008)	Increased State Intervention
COVID-19 (2020)	Supply chains; labor disruption	Digital Uzbekistan 2030 reforms	Boost to Regulatory Efficiency
2022 Regional Conflict	Logistics; sanctions; migration	Middle Corridor strategy	Sustained Investment Freedom

Note: The table summarizes major global and regional shocks, their transmission mechanisms, policy responses, and long-term effects on economic freedom.

Source: made by author using www.lex.uz date base

The trajectory of economic freedom in Uzbekistan from 2000 to 2026 marks one of the most significant transition episodes in Central Asia. The quantitative evidence—a net gain of 86 ranking positions and an overall score of 60.3—demonstrates the tangible impact of the post-2016 reform pivot. By moving into the "Moderately Free" category, Uzbekistan has positioned itself as a dynamic actor in Central Asia, capable of competing with Kazakhstan for international investment. However, the analysis reveals a clear bifurcation in the reform process. The rapid liberalization of market-oriented sub-indices has not been matched by equivalent progress in the foundational Rule of Law indicators. Property rights, judicial effectiveness, and government integrity remain the primary inhibitors of a truly free economy. The continued dominance of state-owned entities and the slow pace of large-scale privatization represent the final frontiers of the transition from central planning. As Uzbekistan looks toward 2030, the institutionalization of reform remains the paramount task. The monitoring system established by Decree No. PQ-4210 provides a framework for accountability, but its success will depend on the government's willingness to allow for genuine transparency and independent oversight. The path forward requires a shift from "upgrading" the old system to creating a new, resilient institutional architecture that protects the economic rights of all citizens and fosters a truly competitive market.

Future research could further illuminate the evolving nature of economic freedom in Uzbekistan by examining several

underexamined areas. Micro-level studies on the impact of reforms on households and small enterprises would help capture the on-the-ground realities behind the aggregate rankings. Comparative analyses between Uzbekistan and other post-Soviet or emerging market economies could also highlight the specific institutional factors that shape distinct transition trajectories. Additionally, longitudinal inquiries into the effects of digitalization, anti-corruption measures, and rural development programs on economic inclusion and rule of law would be valuable[10]. Addressing these research gaps would deepen academic understanding and support the ongoing policy dialogue on sustainable and inclusive reforms in Uzbekistan.

The government must urgently address the persistently low judicial effectiveness score of 13.7 points by establishing a dedicated Commercial Dispute Resolution Court. This court should implement digitally published rulings, mandatory case-completion timelines of no more than 90 days and appoint internationally certified judges for investment-related disputes. The Supreme Court of Uzbekistan, together with the Ministry of Justice and the Chamber of Commerce and Industry, must oversee its swift implementation. Independent monitoring should be immediately delegated to a joint panel comprising the Anti-Corruption Agency and accredited international legal observers. The expected outcome is a measurable increase in the judicial effectiveness sub-index by 10–15 points within three years, a reduction in investor grievance cases, and improved scores on the World Bank's Rule of Law indicator.

- The national monitoring system mandated by Presidential Decree No. PQ-4210 should be upgraded from an administrative reporting mechanism into a genuinely transparent public accountability tool. To achieve this, all economic performance data submitted to international rating organizations should be simultaneously published on a dedicated open-access government portal in Uzbek, Russian, and English. Furthermore, the Ministry of Economy and Finance, in partnership with the Agency for Statistics and the Center for Economic Research and Reforms (CERR), should be assigned as the primary institutional custodians. Annual independent verification audits should be conducted by internationally recognized bodies such as the World Bank or the OECD. As a result, the expected outcomes include reduced information asymmetry for foreign investors, improved scores in the Government Integrity and Property Rights sub-indices, and a strengthened trajectory of the sovereign credit rating.
- The government should adopt a time-bound privatization roadmap covering the largest state-owned enterprises in the energy, telecommunications, and transport sectors. To ensure transparency and efficiency, each privatization transaction should be conducted through internationally competitive tender procedures, with results subject to independent audit and public disclosure. Leadership should be provided by the State Assets Management Agency, supported by oversight from the Parliament of Uzbekistan (Oliy Majlis) and technical assistance from the European Bank for Reconstruction and Development (EBRD). Proceeds from privatization should be partially channeled into a National Investment Fund for

Rural Infrastructure. Ultimately, the expected outcome is a reduction in the state's economic footprint in strategic sectors, a 15–20-point improvement in the Investment Freedom and Financial Freedom sub-indices, and an estimated increase of 1.5–2 percentage points in the private sector's contribution to GDP within five years.

• Building on Resolution No. 885 (July 2025), the government should establish a Digital Trade Facilitation Agency under the Ministry of Digital Technologies, tasked with implementing a single interoperable electronic platform for customs declarations, tax filings, and export licensing. To accelerate border compliance, the agency should collaborate with the State Customs Committee and the National Agency for Project Management, aiming to reduce processing time to a maximum of 24 hours for standard shipments. To enable cross-border interoperability, integration with the Middle Corridor digital trade corridor standards should be pursued through bilateral agreements with Georgia and Azerbaijan. Collectively, these actions are expected to yield a measurable improvement in the Trade Freedom sub-index, a reduction in informal-sector trade activity, and a rise in non-commodity export revenues of 20–25% by 2030.

• To address the structural urban–rural divide identified in the study, the government should launch a Rural Economic Inclusion Program. This program should be jointly coordinated by the Ministry of Agriculture, the Ministry of Economy and Finance, and regional hokimiyats (local administrations). It will provide SMEs in the agricultural and handicraft sectors with subsidized access to export-oriented logistics centers, digitalized land registry services, and micro-financing instruments through reformed Agrobank lending windows. Performance benchmarks should be set against the GINI coefficient and indicators of rural household income growth, with annual reporting to the Senate of Uzbekistan. Over five years, outcomes should include a reduction in the urban–rural income disparity index by 10–15%, improved agricultural productivity that contributes to food security, and a broadened tax base that supports long-term improvement in the Fiscal Health sub-index.

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