TRADE OPENNESS AND LONG-TERM ECONOMIC GROWTH: EMPIRICAL EVIDENCE FROM UZBEKISTAN AND KAZAKHSTAN

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Abstract. This article examines how trade openness relates to long-term economic growth in Uzbekistan and Kazakhstan, two landlocked economies that have pursued outward-oriented reforms in different sequences and at different speeds. Trade openness is commonly measured as the sum of exports and imports relative to GDP and is often viewed as a channel for productivity gains through competition, technology diffusion, and access to larger markets. Yet, openness can also transmit external shocks, deepen import dependence, and amplify commodity cycles—especially when institutions, logistics, and industrial upgrading lag behind. Using recent cross-country indicators and two country-focused empirical studies, the paper synthesizes the evidence on whether openness has supported growth in these economies and why results may differ across time horizons.

Keywords: trade openness; economic growth; Uzbekistan; Kazakhstan; ARDL; VECM; WTO accession; foreign direct investment.

INTRODUCTION

Trade openness is often sold as an economic "vitamin": take more of it and growth will improve. Real life is less like vitamins and more like electricity—powerful, useful, and capable of short-circuiting your system if the wiring is weak. The central question for Uzbekistan and Kazakhstan is not whether trade matters (it does), but how it matters over the long run: through which channels, under which institutional conditions, and with what distribution of benefits and risks. The classical argument is straightforward: openness expands market size, encourages specialization, and raises productivity by forcing firms to compete and innovate. Modern growth theory adds that trade accelerates technology diffusion, supports learning-by-exporting, and enables firms to access better intermediate inputs. However, the same openness can also intensify volatility, create persistent current-account pressures, and lock countries into low-complexity export structures if diversification and upgrading do not keep pace.

Uzbekistan and Kazakhstan provide a revealing comparison because they share key constraints—landlocked geography, reliance on regional corridors, and exposure to external demand shocks—yet differ in integration pathways and export structures. Kazakhstan's international integration has been shaped heavily by commodity exports and formal multilateral commitments, including WTO membership effective 30 November 2015 [2].

MATERIALS AND METHODS

A practical definition of trade openness is the ratio of total trade (exports + imports) to GDP. This metric is imperfect—large economies naturally have lower ratios, small economies higher—but it is still a useful first look. Recent World Bank/WITS indicators show that both Uzbekistan and Kazakhstan operate with relatively high trade exposure. In Kazakhstan, exports of goods and services are about 34.51% of GDP and imports about 27.45%, implying total trade close to 62% of GDP; the trade balance is positive (about 7.06% of GDP) [1]. In Uzbekistan, exports are about 24.42% of GDP while imports are higher at about 41.68%, implying total trade around 66% of GDP; the trade balance is negative (about −17.26% of GDP) [1]. So, both countries are “open,” but in very different ways: Kazakhstan’s openness is export-strong and surplus-leaning, Uzbekistan’s is import-heavy and deficit-leaning. That distinction already hints at different growth mechanics. Export-led openness tends to support investment and foreign-currency earnings; import-led openness can support modernization via capital goods and technology, but it can also pressure the balance of payments if exports do not rise accordingly.

Growth outcomes also differ in the short-run macro picture. World Bank country indicators report real GDP growth of about 5.0% in Kazakhstan in 2024 and about 6.5% in Uzbekistan in 2024 [1]. These numbers by themselves do not “prove” anything about long-run causality—growth is influenced by commodity prices, domestic demand, fiscal stance, remittances, and shocks—but they do show that both economies have maintained positive momentum while deepening external linkages. The key question is whether trade openness is a driver of that momentum over time or merely a correlated outcome of other forces such as investment cycles and structural reforms.

RESULTS AND DISCUSSION

From a channels perspective, trade openness can affect long-term growth through at least four mechanisms. First, it can raise productivity through competition and learning: firms facing imports must either improve or exit, and exporters can learn from quality requirements and global standards. Second, openness can expand the variety and quality of intermediate inputs—often the quiet hero of productivity—allowing firms to upgrade production. Third, it can attract FDI, especially when market access is predictable, because investors care about both local demand and the ability to export. Fourth, it can influence institutions: integration into rules-based systems can pressure governments to improve customs procedures, reduce discretionary barriers, and align regulations. But each mechanism has a “shadow side.” Competition can destroy weak firms before new ones emerge; imported inputs can become a permanent crutch; FDI can concentrate in enclaves; and rules can exist on paper without consistent enforcement.

CONCLUSION

The evidence from Uzbekistan and Kazakhstan shows that trade openness is best understood as an amplifier rather than an automatic engine of long-term growth. Descriptive indicators confirm that both economies are substantially integrated into trade flows, with total trade near the 60–66% of GDP range, yet with sharply different balances: Kazakhstan's external position is surplus-leaning while Uzbekistan's is deficit-leaning in GDP terms [1]. These differences shape how openness interacts with growth. Kazakhstan's WTO membership, effective 30 November 2015, provides a formal rules-based anchor for integration [2], while Uzbekistan's renewed accession push—with an announced goal of completion by 2026—signals a continued move toward predictable, internationally aligned trade governance [3]. But governance and structure, not just openness, determine outcomes.

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