

**UZBEKISTAN'S PURSUIT OF A MULTI-VECTOR FOREIGN POLICY: THREATS  
AND PROSPECTS (THE ECONOMIC DIMENSION OF A BALANCING STRATEGY)**

**Ubaydullayev Sirojiddin Jamshid ugli**

Student, group MO-12, faculty of Management,  
Tashkent state university of economics

E-mail: [usirozhiddin@gmail.com](mailto:usirozhiddin@gmail.com)

Telefon number: +998993231564

**Abstract:** This article examines Uzbekistan's multi-vector foreign policy between 2017 and 2025, focusing on its economic dimension. Drawing on legislative acts, presidential decrees, and data from the Statistics Agency, the study identifies key mechanisms of balancing among major powers. Using the IMRaD framework, it analyses investment flows and foreign trade indicators. The findings show that economic multi-vectorism has proven effective: over 2017–2025 foreign investment reached \$120 billion, exports increased by 28% in 2025, and manufacturing's share in GDP exceeded 80%. Risks persist due to high investment concentration from China (36–40%) and dependence on remittances. Institutional reforms, including KPIs for diplomatic missions, underpin long-term sustainability.

**Keywords:** multi-vector policy, Uzbekistan foreign policy, economic diplomacy, foreign direct investment, hedging, Central Asia.

### 1. Introduction

Since 2016, Uzbekistan has shifted from self-isolation to an “open doors” strategy, making multi-vector foreign policy a core element of its development model [1; 2]. In a context of great-power competition in Central Asia, the country's ability to balance relations with China, Russia, the West, and regional neighbours is critical for its economic transformation. This article examines the economic dimension of that strategy, using quantitative data to assess its effectiveness and identify key risks. It tests three hypotheses: (1) multi-vectorism has evolved from a declarative principle into an instrumental strategy with measurable economic outcomes; (2) investment flows remain concentrated on a few partners, creating dependency risks; (3) institutional reforms are essential for successful implementation.

### 2. Literature Review

The theoretical foundation draws on concepts of “pragmatic balancing” [3] and “hedging” [4] in international relations. Applied to Central Asia, scholars show that regional states simultaneously deepen ties with China, maintain security links with Russia, and diversify partnerships with the West and Turkey [5; 6]. Studies of Uzbekistan's foreign policy distinguish two phases: a period of “balanced isolationism” under Karimov (1991–2016) and an “open doors” phase after 2017, marked by border settlements, regional cooperation, and economic liberalisation [7; 8]. Existing literature, however, rarely combines normative analysis with recent statistical data. This article fills that gap by providing a quantitative assessment of investment and trade outcomes linked to institutional reforms.

### 3. Methodology

The study uses a mixed-methods approach: content analysis of legal acts (Foreign Policy Concept [1], Development Strategy [2], Presidential Decree on investment [9]), quantitative analysis of data from the Statistics Agency [10], and case studies of key projects (China–Kyrgyzstan–Uzbekistan railway, water-energy agreements, and KPIs for diplomats).

Triangulation of legal, statistical, and diplomatic sources ensures validity. Limitations include partial data confidentiality for some investment agreements.

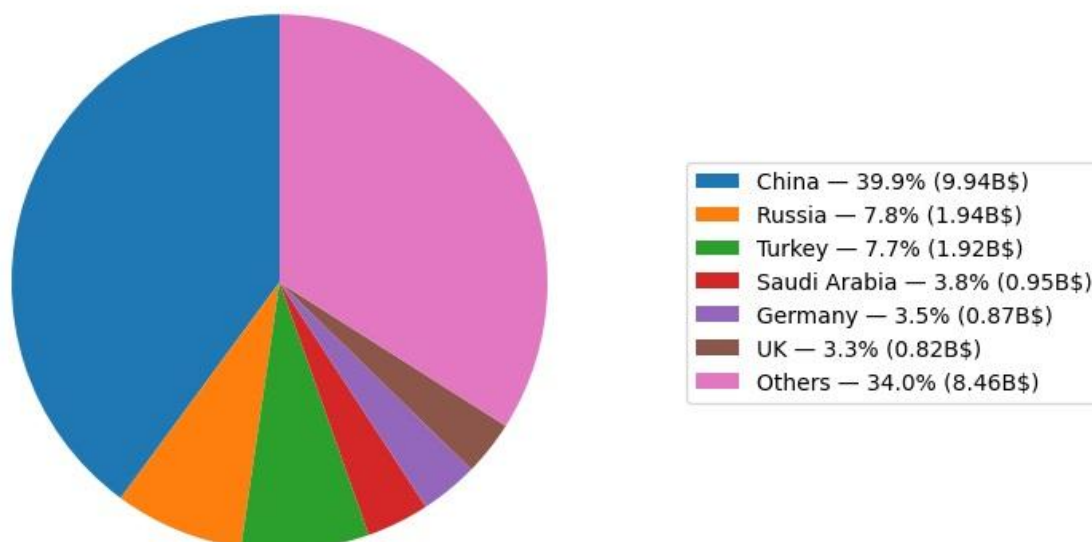
#### 4. Results

##### 4.1 Investment Concentration and Trade Performance

In 2025, Uzbekistan attracted \$24.9 billion in foreign investment (Jan–Sep). Pie chart 1 shows the geographic distribution. The FDI structure is characterized by a high level of concentration, with China acting as the dominant investor. Despite the presence of multiple countries, investment inflows remain fragmented, forming a core-periphery model. This indicates partial diversification but continued strategic dependence on a single primary source of capital.

Pie chart 1. Foreign investment by country (Jan–Sep 2025)

FDI Distribution by Country  
Total FDI: 24.9 Billion USD



Source: Statistics Agency [10]

As of September 2025, there were 16,946 enterprises with foreign capital, of which 75.5% were 100% foreign-owned (up from 53.4% in 2020). The cumulative Chinese FDI reached \$10.7 billion, with a notable shift from extractive industries (68% in 2015 to 54% in 2025) to manufacturing (13% to 22%) and energy (4% to 12%) [11].

Table 1. Key macroeconomic indicators (2024–2025)

INDICATOR	2024	2025	CHANGE
GDP (BILLION USD)	115.2	152.0	+25.9%
GDP GROWTH (%)	6.5	7.7	+1.2 pp
EXPORTS (BILLION USD)	26.9	33.4	+24%
POVERTY RATE (%)	8.3	5.8	–2.5 pp

Sources: Statistics Agency [10]; official statements [12]

##### 4.2 Case Studies

*China–Kyrgyzstan–Uzbekistan Railway.* Construction began in 2025, cutting transit time from China to Europe by 7–8 days and turning Uzbekistan into a regional transit hub [13].

*Water-energy agreements.* The Khujand Declaration (March 2025) resolved long-standing disputes on transboundary water management with Kyrgyzstan and Tajikistan [14].

*KPIs for diplomats.* In January 2026, ambassadors were assigned performance indicators covering exports, tourism, and investment attraction, institutionalising the economic dimension of diplomacy [15]. The introduction of KPIs for diplomatic missions represents a shift towards **quantified economic diplomacy**, aligning foreign policy with measurable economic outcomes. However, this approach raises questions about potential short-termism, as diplomatic success becomes tied to immediate economic indicators rather than long-term strategic positioning.

#### 4.3 Threats

Investment concentration (China 40%, Russia+Turkey ~16%) creates vulnerability to external shocks. Water dependency and sanctions-related risks for remittances remain structural challenges. Despite positive economic dynamics, Uzbekistan's multivector strategy remains exposed to a range of structural risks that may affect its long-term sustainability.

A key vulnerability is the high concentration of foreign direct investment, with China accounting for around 40% of total inflows. Such dependence creates asymmetric economic relations and increases sensitivity to external shocks, including changes in global demand, geopolitical tensions, or shifts in investment policy by major partners. This limits strategic autonomy, particularly in capital-intensive sectors such as infrastructure and energy.

At the same time, the structure of investment remains uneven. Although there has been a gradual shift toward manufacturing, a significant share of FDI is still directed into large-scale projects with limited spillover effects for small and medium-sized enterprises. This constrains technology transfer, employment generation, and the development of a diversified domestic economic base.

Another important risk stems from external economic exposure, particularly through remittances. A substantial portion of household income depends on labor migration, especially to Russia, making the domestic economy vulnerable to sanctions, currency fluctuations, and economic instability in partner countries. As a result, Uzbekistan faces a dual dependence on both foreign capital and external labor markets.

#### 5. Discussion

The data confirm all three hypotheses. Multi-vectorism has become instrumental, as reflected in the KPIs and the strong correlation between diplomatic activity and economic outcomes. Despite diversification rhetoric, China remains the dominant investor, though the sectoral composition of its investment has improved. Institutional reforms (digital platforms, performance-based diplomacy) have enhanced the capacity to manage external relations [15].

The findings suggest that Uzbekistan's multivector policy goes beyond classical "hedging" and can be conceptualised as **asymmetric interdependence management**. While traditional hedging implies balancing between comparable partners, Uzbekistan operates in a structurally unequal environment where China's economic weight significantly exceeds that of other actors. Therefore, multivectorism functions not as equilibrium, but as a mechanism for mitigating dependence within an inherently asymmetric system.

Compared with Kazakhstan, Uzbekistan shows faster GDP growth (7.7% vs. 4.5% in 2025) but higher investment concentration, reflecting its "catch-up" development model [16]. The case studies illustrate how infrastructure and regional cooperation serve as hedging tools. Future prospects include WTO accession (expected 2026) and deeper regional integration, which could reduce dependency risks. Between 2017 and 2025, Uzbekistan transformed its multi-vector foreign policy into a results-oriented system. GDP reached \$147 billion, exports grew by 24% in 2025, and poverty declined significantly. However, the high concentration of investment from China calls for deliberate diversification. Institutional reforms have laid a solid foundation, but continuous monitoring and adaptive strategies are necessary.

Practical recommendations:

- Set diversification targets (e.g., reduce China's share of FDI to 25–30% by 2030).

- Formalise a “Central Asian Community” framework to strengthen regional bargaining power.
- Expand trade missions to emerging markets (Africa, Latin America, Southeast Asia).
- Create a real-time analytical unit within the Ministry of Foreign Affairs to support decision-making.

Looking forward, the sustainability of Uzbekistan’s multivector strategy will depend on its ability to transition from **quantity-driven investment growth to quality-oriented diversification**. WTO accession and regional integration initiatives may serve as key instruments in this transition, but their effectiveness will depend on institutional capacity and external geopolitical conditions.

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