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THE ECONOMIC DEVELOPMENT OF UZBEKISTAN'S SERVICES SECTOR

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Abstract

In this scientific article, an evaluation model of the service industry was created, and in this scientific model, the development of the service industry turns into digital services, which shows that it is related to the daily life of mankind. Therefore, in this scientific article, the terms service delivery and digital services are defined scientifically.

Keyswords: Service, digital services, digital economy, innovation, industrial, postindustrial, agrarian society, communication and information, communication, evolution, model.

Introduction

Uzbekistan's services sector has become a critical driver of the country's economic growth and structural transformation, especially in recent years. In 2023, services accounted for about 43.9% of GDP, overtaking other sectors such as industry (23.5%) and agriculture (20.6%). This marks a significant shift since independence in 1991, when services were far smaller; over the past three decades, employment in services rose from 37% to 50% of the workforce, largely absorbing workers leaving agriculture. The expansion of services is a hallmark of Uzbekistan's transition from a centrally planned, resource-focused economy toward a more diversified market-oriented economy.

Since 2017, the Uzbek government has pursued an ambitious reform agenda to liberalize the economy and encourage private sector development. These market-oriented reforms have contributed to steady GDP growth averaging around 5.5% annually. Even amid external shocks – notably the COVID-19 pandemic and spillovers from the war in Ukraine – the economy has shown resilience. The pandemic caused a sharp slowdown in 2020, particularly hitting services like trade, tourism, and transportation, yet Uzbekistan still managed positive growth of 1.9% in 2020, followed by a robust rebound of 7.4% in 2021. However, job creation has lagged behind population growth: employment grew only ~1.1% annually in recent years versus about 2% population growth, leaving an average of 250,000 new working-age entrants each year without adequate opportunities. This imbalance underscores the need for the services sector to generate more jobs and absorb the growing labor supply. It also highlights broader structural challenges – the pace of structural transformation remains modest, with the services share of GDP rising only from roughly 41% to 44% over 2010–2022. In this context, there is heightened policy focus on boosting the services sector's performance to achieve Uzbekistan's development goals.

This article provides an in-depth analysis of the economic development of Uzbekistan's services sector from 2020 onward. We use an IMRAD structure to organize the discussion. The

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Introduction has outlined the significance of the services sector and key issues at stake. The Methods section will describe the data and approach used. We then present Results on recent trends in services – including growth, employment, foreign investment, and regulatory changes – using up-to-date statistics. Finally, the Discussion evaluates these findings, emphasizing challenges in employment, foreign investment, and regulatory reform, and considering policy implications for sustaining a services-led growth trajectory. By focusing on the post-2020 period, we capture both the pandemic's impact and the reform momentum driving the services sector's evolution, offering insights for an international academic audience interested in Uzbekistan's economic transition.

Methods

This study adopts a mixed-methods approach centered on quantitative analysis of recent economic data and qualitative assessment of policy measures affecting Uzbekistan's services sector. We compiled data from credible sources such as the World Bank, the International Monetary Fund (IMF), the State Committee of the Republic of Uzbekistan on Statistics, and UNCTAD. Key indicators analyzed include the services sector's share of GDP, its growth rates, employment levels, and foreign direct investment (FDI) inflows from 2020 onward. For instance, GDP and employment composition data were obtained from World Bank reports and official Uzbek statistics, while FDI figures were cross-referenced with the UNCTAD *World Investment Report 2023* and national investment reports. All monetary values are in U.S. dollars, and growth rates are real (inflation-adjusted) unless stated otherwise.

In parallel, we conducted a review of policy and regulatory developments in the services sector. This involved analyzing government strategy documents (e.g., the National Development Strategy 2030), legal reforms (such as investment and competition laws), and assessments by international organizations. We paid special attention to reforms since 2017 that influence services (e.g. currency liberalization, ease of doing business, and sector-specific deregulation), as well as remaining barriers. Policy analysis draws on sources like World Bank analytical reports (including a 2024 World Bank study on services-led growth), IMF Article IV consultation reports, and OECD business climate surveys. These qualitative insights help contextualize the quantitative trends and shed light on causal factors.

Our methodological approach is largely descriptive and analytical. We use recent statistical trends to paint a comprehensive picture of the services sector's development, and we interpret these trends through the lens of economic theory and reform impact. Given data limitations in attribution of causality, we do not employ an econometric model here; instead, we triangulate evidence from multiple sources to ensure robustness. All data and factual statements are cited in Chicago style (author–date in-text citations are replaced by bracketed source indicators per the provided format). This approach ensures the analysis remains up-to-date (covering 2020–2024 data) and grounded in verified information. The results section that follows presents the empirical findings on the services sector, and the subsequent discussion section will critically engage with these findings in light of Uzbekistan's economic policy objectives.

Results

Growth of the Services Sector and Contribution to GDP

The services sector in Uzbekistan has exhibited steady growth in recent years, solidifying its role as the largest component of GDP. As of 2023, services constitute roughly 43–44% of national GDP, up from about 41% in 2010. This makes services the single biggest sector in the economy, ahead of industries like manufacturing or agriculture. The rising GDP share of services reflects the continuation of a long-term structural shift; services have gradually absorbed activities and value-added from other sectors as Uzbekistan modernizes. Notably, the pandemic year 2020 caused a setback: services such as tourism, retail trade, and transport experienced sharp contractions due to lockdowns and reduced mobility. Nevertheless, Uzbekistan's overall GDP still grew by 1.9% in 2020 thanks to resilience in sectors like agriculture and government support measures. By 2021, services activity bounced back strongly alongside the broader economic recovery, contributing to 7.4% GDP growth in 2021. The post-2021 period saw services expansion moderate to a more sustainable pace. In 2022, despite new external challenges (e.g. spillovers from the Russia–Ukraine war), Uzbekistan's GDP grew approximately 5–6%, with services remaining a key engine of that growth. For 2023, preliminary data indicate the services sector continued to expand, maintaining its GDP share at 43.9% and driving overall growth of around 5–6%. However, the relatively small increase in the services share of GDP over the past decade (only a few percentage points) suggests that structural transformation has been gradual. In other words, while services output is growing in absolute terms, other sectors (like industry) have also grown, so the economy's composition is changing slowly. Accelerating the growth of high-value services (such as finance, information technology, and professional services) remains a challenge to further increase the sector's GDP contribution.

Employment Trends in the Services Sector

The services sector's importance is even more pronounced in terms of employment. As of 2022, services account for about half of all employment in Uzbekistan (approximately 50%). This represents a major shift in the labor structure from the early 1990s, when only around one-third of workers were in services. The expansion of services jobs has offset a long-term decline in agricultural employment, as many workers have transitioned from farming into services like trade, transport, hospitality, and public services. In the period 2020–2023, the services sector continued to generate the majority of new jobs in the economy, reflecting urbanization and the growth of private businesses. For example, despite the pandemic shock of 2020, service industries (especially in retail trade and government/public services) helped absorb workers who might have lost jobs elsewhere, aided by a rebound in domestic trade and e-commerce in 2021.

However, there are qualitative concerns about these employment trends. A large share of service sector jobs are in low-productivity, low-skill segments. According to the World Bank, around 60% of service employment is concentrated in low-skilled activities such as retail trade and transportation. These jobs tend to have lower wages and value-added, limiting the sector's overall productivity gains. In contrast, knowledge-intensive services (finance, ICT, professional services) – which can drive innovation and high incomes – make up only a small fraction of service jobs (around 4%). The prevalence of informal employment in services (e.g., bazaar traders, family businesses) also likely remains high, though precise figures are not officially recorded. Another issue is that job creation in Uzbekistan has not kept pace with population growth.

From 2017 to 2022, total employment grew only ~1.1% per year while the working-age population grew ~2%. This means each year hundreds of thousands of young entrants face difficulty finding jobs. The service sector, despite its size, has struggled to absorb all new job seekers in stable, formal positions. The official unemployment rate (using a broad definition) hovered around 9% in the early 2020s and has recently declined to an estimated 6–7%, but underemployment remains an issue. The data indicate that simply having a large services sector is not enough to solve employment challenges – the *quality and diversity* of services jobs matter. Without a shift towards more productive service activities, the sector may not provide the robust wage growth and career opportunities needed for an upper-middle-income economy. This is a central issue that will be explored further in the Discussion section.

Foreign Direct Investment in Services and Related Trends

Attracting foreign direct investment (FDI) is crucial for developing Uzbekistan's services sector, bringing in capital, technology, and global business practices. Uzbekistan has historically lagged in FDI due to its earlier isolation and state-centric policies, but recent years show an improving trend. The government's reforms – such as liberalizing the currency in 2017 and offering tax incentives in special economic zones – have made the country more appealing to foreign investors. FDI inflows have risen notably since 2017. According to UNCTAD data, annual FDI inflows were $1.7 billion in 2020, increasing to $2.3 billion in 2021 and $2.5 billion in 2022. The FDI stock (total accumulated foreign investment) reached an estimated $13.6 billion by end-2022, equal to about 17% of GDP. These figures, while still modest relative to Uzbekistan's population and needs, indicate growing investor confidence. Notably, there was a surge of FDI in 2023: in the first nine months of 2023 alone, Uzbekistan attracted around $7.5 billion in FDI (nearly triple the annual levels of previous years). This dramatic uptick may reflect a combination of large one-off projects (e.g. in energy or mining) and geopolitical shifts (some investors relocating from Russia to Central Asia). It highlights the potential for much higher investment if barriers are removed.

In terms of FDI composition, the services sector has begun to see interest, but most foreign investments to date have gravitated toward industry and natural resources. The largest investors – China (over 65% of FDI stock), South Korea, Russia, Kazakhstan, and Turkey – have poured funds into energy, metallurgy, and chemicals as the primary sectors of investment. By contrast, fewer large-scale FDI projects have targeted services like finance, telecommunications, or tourism, although there are some examples (e.g. foreign telecom operators and hotel chains are present). One reason is that service industries were heavily state-controlled until recently, deterring foreign entrants. For instance, telecommunications and air transportation were long dominated by state-owned enterprises and monopolies, limiting FDI opportunities. The banking sector also remained mostly state-owned, with restrictions on foreign bank ownership.

These conditions have started to change – Uzbekistan has privatized or opened up certain service sectors in the past few years, as discussed below. As a result, we may be seeing rising foreign interest in services such as ICT (information and communication technology) – an example being the establishment of an IT Park in Tashkent that offers incentives to foreign tech companies. Additionally, the government's push to develop tourism (e.g. visa liberalization for visitors, partnerships to develop historic cities) has attracted some FDI in hotels and travel services. Still, the data suggest that Uzbekistan's FDI boom since 2017 has been uneven, with a need to channel more investment into advanced services. The limited FDI in high-value services is both a cause and effect of slower development in those subsectors. On one hand, restrictive regulations and state dominance discouraged foreign investors; on the other hand, without foreign capital and know-how, sectors like finance and professional services have lagged in innovation. The overall trend, however, is positive: as reforms deepen, FDI in services is expected to grow, complementing domestic investment. The presence of foreign investors can also spur job creation in services and improve service quality through competition.

Regulatory Reforms and Business Climate for Services

The regulatory environment in Uzbekistan has undergone significant reforms since 2017, with direct implications for the services sector's growth and efficiency. The government has recognized that excessive state control and outdated regulations were hindering private sector development, especially in services. Key reforms implemented include the liberalization of the foreign exchange market (allowing businesses to convert and repatriate currency freely), the simplification of business registration and licensing, and a moratorium on onerous inspections of businesses. In addition, new laws such as the Law on Investments and Investment Activities have been adopted, which guarantee rights for foreign investors and protect against discrimination or nationalization. These steps have improved the ease of doing business in the country. Indeed, Uzbekistan was among the world's top improvers in the World Bank's *Doing Business* rankings before that index was discontinued. Other measures, such as establishing a Business Ombudsman and anti-corruption initiatives, have also been noted.

Focusing on the services sector specifically, the government has moved to reduce state monopolies and increase competition. In 2022, Uzbekistan accelerated the privatization of state-owned enterprises (SOEs) across various sectors, including several in services. For example, the state monopoly in air transportation was dismantled in 2022, ending the exclusive control of the national airline over certain routes. The government also began selling stakes in state-owned banks and encouraging new private banks, which is expected to improve financial services. Similarly, steps were taken to break up or corporatize state enterprises in telecommunications and chemical industries, and to introduce private-public competition in those markets. These efforts signal a shift toward a more open service economy. Uzbekistan's ranking of 103rd out of 184 countries in the Index of Economic Freedom reflects a still developing but improving business climate. The country also ranks 82nd in the Global Innovation Index, indicating progress in areas like ICT adoption.

Despite these reforms, significant regulatory barriers remain in the services sector. According to the World Bank–WTO Services Trade Restrictiveness Index, Uzbekistan is fully closed to foreign service providers in 11 out of 31 subsectors – including important fields like certain professional services. For instance, strict localization requirements and licensing rules make it difficult for foreign law firms or consulting firms to operate independently. Moreover, state-owned firms still dominate key service industries such as telecom and rail transport, which stifles private investment and competition. There are also behind-the-border regulatory issues: bureaucratic procedures, though improved, can still be cumbersome, and enforcement of contracts and property rights is not always reliable (the judiciary and dispute resolution mechanisms are developing). Additionally, skills constraints act as a soft barrier in advanced services – Uzbekistan's tertiary education enrollment is only ~31.5%, far below the regional average, leading to shortages of highly skilled professionals in IT, finance, and engineering. Limited digital infrastructure (despite progress, 4G coverage and broadband speeds lag behind global standards) and low usage of digital payments also hinder the growth of modern services In summary, the business climate for services in Uzbekistan has improved in general regulatory openness and incentives, but targeted reforms for service industries are still underway. The period 2020–2024 saw a dual trend: on one hand, clear moves to liberalize the economy (currency convertibility, private sector promotion, some privatizations) leading to increased domestic and foreign investment; on the other hand, the persistence of structural hurdles like monopolies and restrictive regulations in certain services. The net effect has been positive growth but untapped potential. This results section has outlined the factual developments – growth trends, employment patterns, FDI inflows, and the evolving regulatory landscape. The following discussion section will delve deeper into what these results mean, examining the key issues of employment quality, attracting foreign investment, and the need for further regulatory reform to sustain the services sector's momentum.

Discussion

Structural Significance and Challenges of the Services Sector

The findings confirm that the services sector is now central to Uzbekistan's economy, but they also reveal structural challenges that need to be addressed. The increasing share of services in GDP (around 44%) and in employment (50%) indicates ongoing structural transformation, yet the slow pace of change (only a 3 percentage-point GDP share increase over 2010–2022) suggests that Uzbekistan has not fully capitalized on a services-led growth model.

One interpretation is that while basic services (retail, transport, public administration) have expanded to meet a growing population, the higher-productivity service industries have not grown commensurately. This echoes global development patterns where simply shifting workers to services does not guarantee faster growth unless those services are efficient and innovative. In Uzbekistan's case, the dominance of low-skilled service jobs (60% of service employment) is a concern. These jobs have kept unemployment in check but contribute less to productivity and income gains. The challenge moving forward is to upgrade the services sector – fostering more "knowledge-intensive" activities such as information technology, finance, education, and healthcare services, which can both create skilled jobs and raise productivity. The World Bank emphasizes developing "global innovator" services (ICT, professional and financial services), noting they are over twice as productive as manufacturing yet currently form only 4% of service jobs. Expanding these sub-sectors would help Uzbekistan achieve more inclusive and high-quality growth, aligning with its goal to become an upper-middle-income country by 2030.

A critical issue highlighted is employment and human capital. With a young and growing workforce, Uzbekistan must generate hundreds of thousands of jobs annually – a task that the services sector is well-placed to contribute to, given its labor-intensive nature. However, as the results showed, job creation has barely kept up with labor force growth. This can lead to underemployment or push surplus labor into the informal economy.

Improving the quality of jobs in services is thus essential. That entails investing in education and vocational training so that workers have the skills needed for higher-value service roles. Current low tertiary enrollment (31.5%) and limited ICT skills (only 15% of the population with basic digital skills) constrain the development of advanced services. The government's initiatives like the "One Million Uzbek Coders" program and expanding university access are steps in the right direction. Additionally, encouraging entrepreneurship in services – for example, through incubators and financing for start-ups in tech or creative industries – could stimulate job growth. It is also important to consider the spatial aspect: many service jobs are concentrated in Tashkent and a few major cities. Spurring service sector growth in secondary cities and rural towns (through digital connectivity and tourism, for instance) can help spread employment benefits more evenly, reducing regional disparities. In sum, the services sector needs to not only grow, but also transform internally. Policies focusing on skill development, innovation, and infrastructure will be crucial to elevate the sector's contribution from primarily providing jobs to driving productivity-led economic growth.

Foreign Investment and the Role of FDI in Services Development

The analysis of FDI trends underscores both positive momentum and the untapped opportunities regarding foreign investment in services. On one hand, Uzbekistan's success in growing FDI inflows from under $2 billion in 2017 to over $2.5 billion in 2022, and the potential record levels in 2023, is a testament to improved investor confidence. Major reforms – such as currency convertibility and the establishment of special economic zones – clearly signaled that Uzbekistan is "open for business," which has attracted substantial foreign capital. On the other hand, the *composition* of this investment reveals a gap:

FDI has been concentrated in extractive industries and manufacturing, rather than in the services sector. Traditional projects (e.g., a Chinese-funded petrochemical plant or a Russian-led energy venture) have dominated FDI inflows. In contrast, there have been relatively fewer high-profile investments in banking, insurance, telecommunication, or IT services. This imbalance is not surprising given the legacy of state dominance in many service industries and regulatory restrictions that were only recently loosened. Many foreign investors likely perceived service sectors as less accessible or profitable compared to Uzbekistan's natural resources.

From a policy perspective, attracting more FDI into the services sector could bring significant benefits. Foreign investors can introduce new technologies and business models – for instance, global IT firms can bolster the tech ecosystem, foreign banks can enhance financial services and inclusion, and international hotel chains can improve tourism standards. The government's challenge is to create conditions that encourage such investments. This involves further liberalizing service industries: reducing ownership caps, streamlining licensing for foreign firms, and ensuring transparent regulation. Progress is being made – for example, recent privatization of a mid-sized state enterprise and numerous smaller assets in 2022 included some service companies . The authorities are also working on WTO accession, which requires opening service sectors to comply with international trade rules, thereby fostering a more level playing field for foreign entrants. Indeed, Uzbekistan's plans to join the WTO offer a unique opportunity to align its services regulations with global standards and attract investment. The commitment to WTO disciplines in areas like financial and telecom services could reassure investors of a stable policy regime.

Another aspect is improving the investment climate through investor protection and dispute resolution. While Uzbekistan's laws formally protect foreign investors (e.g., guaranteeing repatriation of profits and no discrimination), enforcement is key. Strengthening the rule of law, courts, and arbitration frameworks will make foreign companies more comfortable investing in services, where long-term trust is essential. Moreover, targeted incentives might be useful – for instance, tech parks with tax breaks (like the IT Park in Tashkent) can draw IT firms, and public–private partnership (PPP) frameworks can bring in foreign expertise to infrastructure-related services (energy distribution, logistics centers, etc.). The sharp rise to $7.5 billion FDI in early 2023 suggests that when opportunities are clear and profitable, investors respond quickly. Some of that increase may have come from global firms seeking new markets as they reconfigure supply chains – Uzbekistan can capitalize on this by marketing its growing consumer base (nearly 36 million people) and its strategic location in Central Asia. Ultimately, sustained FDI growth in services will both inject capital into critical sectors and serve as a catalyst for knowledge transfer, helping Uzbekistan climb the value chain. The discussion on FDI thus ties back to regulatory reform: only by continuing to improve the business climate will Uzbekistan see diversified foreign investment that bolsters its service economy.

Impact of Regulatory Reforms and Need for Further Liberalization

Uzbekistan's recent regulatory reforms have laid the groundwork for a more dynamic services sector, but the results indicate that further liberalization and regulatory improvements are needed to realize the sector's full potential. The government's actions since 2017 – reducing red tape, easing business entry, and beginning to curtail the role of state enterprises – have been acknowledged as important positive steps. For example, the privatization of state airlines and banks in 2022, and the breaking up of monopolies in air transport and chemicals, directly address some of the competition issues in services. These moves should, over time, increase efficiency and invite private investment. In addition, macroeconomic reforms like price liberalization (ending artificial price controls on certain goods) and public procurement transparency contribute indirectly to services by creating a more predictable market environment. Business survey data (e.g., OECD 2023 Business Climate report) indicate that firms in Uzbekistan have noticed improvements in areas such as business registration and licensing procedures, reflecting the government's effort to simplify regulations. However, the same surveys highlight persistent problems with competition and level playing field, where state-linked firms still enjoy advantages.

The results showed that many service subsectors are not yet fully open or competitive. Uzbekistan's restrictive stance on cross-border services trade in numerous sectors (11 out of 31 subsectors closed) is a case in point. This not only limits foreign entry, but also domestic competition, as local incumbents face less pressure to innovate. State interventionism remains a "weak point" for the country's investment climate – for instance, even if the law says foreign investors are welcome in all sectors, in practice government approvals and partnerships are often needed for big projects, which can deter purely private initiatives. Additionally, many large service providers are still state-owned (e.g., in railways, electricity distribution, major banks), and their dominance can crowd out private competitors. The Index of Economic Freedom rank (103rd) confirms that while reforms are happening, Uzbekistan's overall regulatory environment is still more controlled than that of many peers.

For the services sector to truly flourish, regulatory reforms must deepen in the coming years. First, competition policy needs strengthening: establishing an independent competition authority that can prevent anti-competitive practices and oversee fair access in sectors like telecom or transport would encourage new entrants. Breaking up remaining monopolies or converting them into regulated utilities can ensure fair pricing and better services for consumers. Second, services trade liberalization is crucial. This could involve removing or relaxing the explicit barriers identified by the WTO index – for example, lifting bans on foreign firms in certain professional services, and easing data localization rules that hamper foreign IT services. Such liberalization would align with WTO accession requirements and could be phased in to balance domestic interests. The World Bank estimates that comprehensive liberalization of services trade could boost Uzbekistan's real GDP by up to 17% in the long run. This projected gain comes from both direct expansion of service industries and indirect productivity spillovers to manufacturing (e.g., better logistics and finance improving industrial output). These are substantial potential benefits that give economic justification for reform.

Third, regulatory reform should focus on improving "connectivity" and infrastructure, as identified in the challenges. Investing in digital infrastructure (broadband, 5G networks) and streamlining customs/logistics will facilitate growth of sectors like e-commerce, fintech, and transport services. The government's current efforts in expanding roads, railways, and IT networks, as well as programs like "Digital Uzbekistan 2030," are steps in this direction. Fourth, human capital regulations – such as education, training, and labor market rules – need to be attuned to a service-driven economy. This might mean updating curricula to match industry needs, allowing more flexibility in labor contracts for service jobs, and attracting foreign talent. Uzbekistan has already started an initiative to attract global talent by easing visa rules for skilled expatriates in IT, recognizing that knowledge transfer can be accelerated by bringing in experts. Finally, governance reforms (anti-corruption, judicial independence) remain overarching needs to ensure that the regulatory framework is implemented fairly.

It is noteworthy that Uzbekistan's leadership has articulated a vision of a competitive, private-sector-led economy in its development strategy. The ongoing reforms to reduce state dominance in banking, energy, and other sectors are aligned with this vision. The Discussion here suggests that consistent implementation is key. The payoffs from services sector reform can be dramatic: as mentioned, fully liberalizing services could significantly boost GDP and incomes. Specific

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subsectors like finance, communications, and insurance could expand by 23–45% with reforms, and even manufacturing sectors could see double-digit growth due to better services inputs. Such findings make a compelling case that services are the new engine of growth – if properly enabled.

Outlook and Conclusions

Uzbekistan's services sector stands at a pivotal point. The data from 2020 onward show a sector that is growing in size and importance, yet facing clear growing pains in terms of productivity, investment, and regulation. The post-2017 reform period has unlocked initial gains – higher GDP contribution of services, more jobs, and rising foreign investment interest – but to maintain momentum, second-generation reforms are required. If Uzbekistan continues on its current path of liberalization and embraces the additional reforms discussed (enhancing competition, liberalizing trade in services, investing in human capital and connectivity), the services sector is well positioned to drive the nation's next stage of development. The government's own projections and international analysis concur that a services-led growth strategy could yield broad benefits: faster GDP growth, greater diversification, and improved living standards.

From a policy standpoint, immediate priorities should include: (1) Accelerating WTO accession to lock in services trade reforms – as noted, this aligns domestic regulations with international norms and can attract foreign investment; (2) Deepening financial sector reform to mobilize capital for service industries – a more robust banking and finance sector (with private and foreign participation) will fund business expansion in services and support entrepreneurs; (3) Developing human capital – scaling up programs for IT education, vocational training in tourism and hospitality, and language skills, which directly feed into service sector capabilities; (4) Regional service development – encouraging investment in services in regions outside Tashkent to ensure inclusive growth (for example, tourism in Samarkand/Bukhara, logistics hubs in the Fergana Valley); and (5) Monitoring and evaluation – continuously assessing the impact of reforms on service sector performance and making adjustments as needed, in consultation with private sector stakeholders.

In conclusion, the economic development of Uzbekistan's services sector since 2020 demonstrates both significant progress and remaining hurdles. Services have become the backbone of growth and employment, reflecting Uzbekistan's broader transition to a market economy. Yet, issues like underemployment, low foreign investment in key service fields, and regulatory bottlenecks are reminders that the sector's transformation is still incomplete. The experience of other emerging economies suggests that services can indeed be a springboard for development – but only if supported by competitive markets and skilled labor. Uzbekistan's policymakers appear cognizant of this, as evidenced by the reform agendas and strategic plans (e.g., making services a focus area in the National Development Strategy 2030). The international academic and development community will be watching closely how Uzbekistan balances economic liberalization with social needs in the services domain. If the country stays the course on reforms, the next decade could see Uzbekistan reaping the rewards of a vibrant, diverse, and innovative services sector – one that not only contributes to GDP growth but also provides quality jobs and improved services for its people. Such an outcome would validate the promise of services-led growth in Uzbekistan, potentially serving as a model for other transition economies in the region.

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