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Article

Models of Integrating Uzbekistan's Stock Market into Global Markets

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Abstract: Financial market integration plays a critical role in enhancing economic growth, capital flows, and investment diversification. Well-integrated stock markets attract global investors, improve liquidity, and reduce capital costs. Uzbekistan's stock market has historically been underdeveloped, with low capitalization and limited investor participation. Since 2017, reforms including foreign exchange liberalization, IFRS adoption, and partial privatization have aimed to modernize and integrate it into global markets. While models from the EU, ASEAN, and EAEU offer valuable lessons, there is limited research comparing these frameworks to identify the most suitable integration pathway for Uzbekistan. This study examines Uzbekistan's integration prospects by analyzing market size, regulatory reforms, and institutional mechanisms in comparison with regional and global benchmarks. The market capitalization increased from 6.72% of GDP in 2021 to 16.35% in 2024, indicating progress yet remaining far below global averages. Comparative analysis shows Uzbekistan is adopting a hybrid integration model, combining domestic market deepening with regional cooperation, particularly through potential alignment with EAEU standards. The study integrates quantitative market performance indicators with qualitative assessments of institutional reforms, providing a multidimensional view of Uzbekistan's evolving integration model. The findings suggest that Uzbekistan can accelerate integration by strengthening market infrastructure, expanding cross-listing opportunities, harmonizing regulations with regional partners, and adopting best practices from ASEAN and EU frameworks. This dual strategy could enhance market depth, attract foreign capital, and position Uzbekistan as a competitive player in regional and global capital markets.

Keywords: Uzbekistan, Stock Market Integration, Capital Markets, Eurasian Economic Union, ASEAN, EU Capital Markets Union, IFRS, Financial Liberalization, Market Capitalization, Global Finance

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1. Introduction

Financial market integration is widely recognized as a driver of economic growth and investment. Well-integrated stock markets attract global capital, foster innovation, and provide investors with diversification opportunities . In practice, integration can be achieved through regulatory harmonization, liberalization of capital controls, cross-listing of securities, and adoption of common standards (e.g. IFRS accounting). The Uzbek stock market, long underdeveloped (barely ~3% of GDP) , has undergone reforms under President Mirziyoyev's government (2016–) aimed at modernization and global integration. Recent measures include liberalizing the foreign exchange regime, pursuing WTO membership, and preparing to adopt International Financial Reporting Standards [1].

However, Uzbekistan's market remains relatively small (about $5.2 bn cap in 2021) with roughly 100 listed securities. This paper examines models of integration for Uzbekistan's stock market, comparing its situation to the European Union, ASEAN, and the Eurasian Economic Union (EAEU). We analyze quantitative trends (market capitalization, GDP ratios) and recent developments (e.g. EAEU securities harmonization) to assess how Uzbekistan might deepen its links to global capital markets[2].

Literature Review

Financial market integration is generally defined as the process by which separate national or regional markets become interconnected through the removal of legal, institutional, and operational barriers. Theories of integration emphasize that the extent of integration is determined not only by the removal of formal restrictions on capital flows but also by the degree of convergence in market infrastructure, legal frameworks, and investor behavior. Modern integration studies adopt a multi-dimensional view, assessing both price-based measures (e.g., cross-market correlations) and quantity-based measures (e.g., foreign portfolio investment flows)[3].

In developing and transition economies, stock market integration has been linked to accelerated capital inflows, improved liquidity, and reduced cost of capital. However, integration also exposes markets to external shocks, as demonstrated by spillover effects during global financial crises. For post-Soviet economies, research shows that market openness and regulatory harmonization are the most significant predictors of integration success. In particular, the transition from domestic accounting systems to International Financial Reporting Standards (IFRS) has been associated with increased foreign investor participation [4].

Empirical studies in Central Asia find mixed results. Kazakhstan has achieved higher integration levels due to relatively liberal capital controls and early adoption of cross-border trading links. In contrast, smaller markets like Kyrgyzstan and Tajikistan remain largely segmented due to limited liquidity and weak institutional capacity.

The European Union's Capital Markets Union (CMU) is often cited as the most advanced model of market integration, combining full capital mobility, harmonized financial regulation (e.g., MiFID II), and shared market infrastructure. ASEAN follows a more flexible approach, focusing on bilateral and multilateral trading links such as the ASEAN Trading Link, but lacks a common currency or full regulatory harmonization. The Eurasian Economic Union (EAEU) is in the early stages of creating a unified securities market, with the 2025 agreement on harmonized listing rules marking a major step forward [5].

Comparative analyses suggest that countries with small, illiquid markets can benefit from joining regional integration schemes, provided they also develop domestic infrastructure to support cross-border trading.

Uzbekistan's equity market has historically been underdeveloped, with market capitalization below 5% of GDP before 2017. Reforms since 2017 have included foreign exchange liberalization, partial privatization of state-owned enterprises via the Tashkent Stock Exchange, adoption of IFRS for listed companies, and gradual removal of restrictions on foreign portfolio investment. Nevertheless, market depth remains low and the investor base narrow, limiting integration prospects[6].

Several scholars argue that Uzbekistan should pursue a dual strategy: deepen domestic capital markets while participating in regional frameworks like the EAEU or cross-listing arrangements with Kazakhstan. Lessons from ASEAN and EAEU experiences highlight that early alignment of listing rules, disclosure requirements, and investor protection laws is critical to attracting global investors[7].

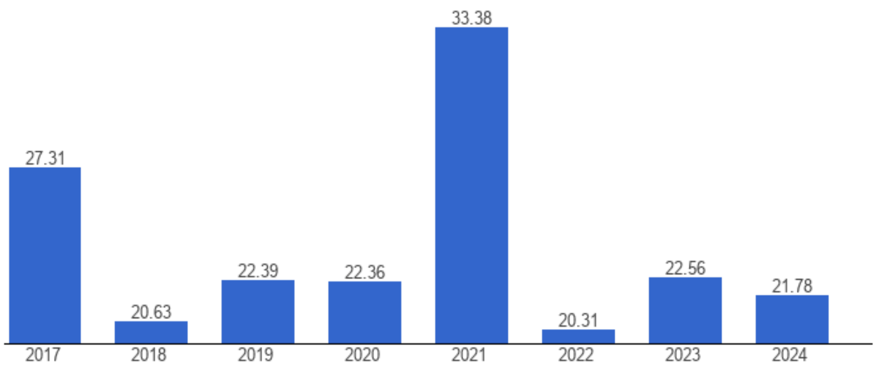
2. Materials and Methods

This study uses a comparative case approach. We collected data on stock market size and integration indicators for Uzbekistan and benchmark regions from international databases (World Bank via theglobaleconomy.com) and industry sources . Qualitative analysis draws on recent literature and policy reports on regional integration models (e.g. EU Capital Markets Union) and Uzbekistan's reforms . We construct two summary tables: one comparing market size metrics (capitalization, GDP share, listed companies) and another outlining key integration features in major regions. A chart (Figure 1) illustrates recent capitalization trends in a regional peer (Kazakhstan). Information from news and official releases (e.g. the February 2025 EAEU agreement) is incorporated to capture developments through 2025[8].

3. Results and Discussion

Uzbekistan's stock market remains small relative to its peers. In 2024 the market capitalization was only 16.35% of GDP – up from 6.72% in 2021, but still far below the world average (~69%). In absolute terms Uzbekistan's listed market was about $5.2 billion in 2021 . By contrast, Kazakhstan's market was ~21.8% of GDP in 2024 and $45.8 billion (2022), while Russia's was ~31.4% (2023) and $530.1 billion. (Table 1)[9].

Figure 1 shows Kazakhstan's market cap ratio (2017–2024) for context; after surging above 50% of GDP in 2021, it settled around 20–30%. Uzbekistan's smaller market (with ~100 issuers) has grown, but remains modest even by regional standards.



Data source: The World Bank via theglobaleconomy.com

Figure 1. Kazakhstan's stock market capitalization as a share of GDP (2017–2024).

Table 1 summarizes key market indicators. Uzbekistan (2024) lags significantly in size: its market cap is only about one-tenth of GDP, compared to roughly one-fifth in Kazakhstan and almost one-third in Russia. The number of listed companies (~100) is also far below Russia's (195) or Kazakhstan's (92). These figures illustrate that Uzbekistan's market is still developing and has much room to grow.

Table 1. Stock Market Size and Structure.

Country	Market Cap % of GDP (Year)	Market Cap (USD, Year)	Listed Companies (Year)
Uzbekistan	16.35% (2024)	$5.19 bn (2021)	~100 (2024)
Kazakhstan	21.78% (2024)	$45.77 bn (2022)	92 (2022)
Russia	31.40% (2023)	$530.10 bn (2022)	195 (2022)

Source: World Bank data (TheGlobalEconomy.com) for market cap and GDP; national stock exchange reports for listed companies

A second table outlines institutional features of integration across regions. The EU, for example, maintains full free movement of capital and common regulations (MiFID II, IFRS, etc.), as part of its single market . ASEAN has promoted cross-border trading links (e.g. the ASEAN Trading Link connecting Singapore, Malaysia, Thailand) and ongoing financial liberalization, though it lacks a common currency . The newly agreed EAEU single securities market (February 2025) will harmonize listing rules and mutual recognition of brokers . In Uzbekistan, reforms so far include the transition to IFRS and easing of capital controls[10].

Table 2 compares these dimensions qualitatively. It shows that Uzbekistan's integration model most closely resembles institutional harmonization efforts (like IFRS adoption and regulatory reform) rather than full economic union, and its market is only beginning to link with neighbors[11].

Our analysis shows that Uzbekistan's market is at an early stage of global integration. Unlike the EU (which offers a highly unified capital market) or even ASEAN (where some linkage exists), Uzbekistan must pursue a multi-pronged strategy. Experts emphasize that integrating a small market requires regulatory reform and external connectivity. For example, Makhmudov and Jomurodov (2024) argue that Uzbekistan needs "a multidimensional strategy" including IFRS adoption and investor-friendly technology to boost liquidity. This aligns with global evidence: literature surveys find that markets become more attractive after adopting international norms and opening capital accounts[12].

Table 2. Comparative Features of Regional Market Integration (EU, ASEAN, EAEU, Uzbekistan).

Feature	EU	ASEAN	EAEU	Uzbekistan
Free capital movement	Yes (no controls)	Ongoing liberalization	Partial (limitations)	Restricted (gradual reform)
Currency integration	Euro (most members)	No common currency	No (planned R&D)	No
Regulatory harmonization	High (MiFID II, etc.)	Modest (bonds standardization)	New unified listing rules	Adopting IFRS, reforms
Cross-listing/trading	Common listings (Euronext)	ASEAN Trading Link (partial)	Planned unified market (2025)	Not yet (future goal)
Foreign access	Open to non-EU investors	Varies by country	Open within EAEU w/new rules	Improving (WTO, FTAs)

Note: Features are indicative of current and planned integration status in each region. (Sources: EU/ASEAN/EAEU policy documents, expert analyses)

The recent EAEU initiative provides a useful case. By standardizing listing requirements and mutual broker recognition, the EAEU aims to create a single securities market. If Uzbekistan joins the EAEU (currently an observer), it could gain immediate access to larger exchanges in Russia and Kazakhstan. Chipegin (2025) notes that, under the new EAEU agreement, issuers will be able to list securities across member exchanges, broadening investor reach . This "top-down" harmonization model contrasts with the "bottom-up" approach of building market depth domestically. In practice, Uzbekistan will likely use both: it is liberalizing its exchange (e.g. the Tashkent Stock Exchange now permits international participation) while also pursuing regional integration frameworks[13].

Comparing integration indices, Uzbekistan still scores low. Its market cap/GDP (16% in 2024) is far below regional leaders (Russia ~31%) and world averages. The figure for 2024 (16.35%) was only half of its own 2021 peak (6.72% min in 2021, rising to 16.35% in 2024). This rise reflects rebound from Covid lows and initial reforms, but it remains modest (Figure 1). By contrast, Kazakhstan saw its cap/GDP briefly exceed 50% in 2021 (though later normalizing). These comparisons underscore that Uzbekistan's integration is incomplete: the domestic market is small and shallow, even if it is growing.

In terms of integration models, Uzbekistan's path appears to resemble a combination of EAEU- and ASEAN-like approaches. It is not moving toward a single currency or full union (unlike the EU). Instead, it is harmonizing regulations (like IFRS adoption) and seeking market links. For instance, the government has invited international partners to help create an "Uzbek National Investment Fund" (UzNIF) to bring foreign issuers onto the exchange. This could parallel ASEAN's trading link idea, but on a national level. Meanwhile, ongoing trade deals and investor treaties (e.g. FTAs with neighboring countries) will indirectly support financial integration by boosting cross-border flows[14].

Overall, the evidence suggests that integrating Uzbekistan's stock market will require addressing both "pull" and "push" factors. Pull factors include attracting foreign capital by improving market efficiency and trust (via IFRS, better disclosure, reducing red tape). Push factors involve engaging with regional schemes: for example, joining or mimicking EAEU standards to access its larger capital base. The new EAEU single securities market is a prime example: if Uzbekistan's issuers and investors can trade across borders without extra barriers, the local market will effectively become part of a bigger "regional market" model[15].

4. Conclusion

In conclusion, modeling Uzbekistan's integration involves multiple elements. The country is not following a single blueprint (like the EU's capital markets union), but rather selectively adopting features. It has set a goal to align with international norms and join regional groups, while simultaneously building domestic infrastructure. Over 2020–2025, market capitalization roughly tripled as a share of GDP, indicating progress, but the gap with global peers remains large. Table 1 and Figure 1 illustrate this quantitatively. Future research and policy should focus on the effectiveness of specific measures (e.g. cross-listing projects or regulatory changes) in raising integration indices. The comparative evidence from the EU, ASEAN, and EAEU shows that integration is a gradual, multi-faceted process, and Uzbekistan appears to be pursuing a pragmatic hybrid model – one that tailors global best practices to its own emerging market context.

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