



THE IMPACT OF INTERNATIONAL SANCTIONS IMPOSED ON THE RUSSIAN FEDERATION ON THE DEVELOPMENT OF FOREIGN TRADE OF THE REPUBLIC OF UZBEKISTAN AND THE ROLE OF COMPLIANCE

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Abstract: *The language and style of the manuscript have been polished to native-level academic English throughout. The Abstract now uses a clear problem–method–results–contribution structure. This matches the standards of Scopus-indexed journals. The volume was unchanged, but revisions improved clarity, cohesion, and academic tone.*

This article examines how international sanctions on the Russian Federation have altered Uzbekistan’s foreign trade between 2019 and 2025. The study uses a mixed-methods design and data from Stat.uz, UN Comtrade, and the World Bank. It tracks export composition, payment mechanisms, and trade flows under sanctions. It emphasizes sanctions compliance as a tool for managing cross-border risk. Results show that institutionalized and digital compliance procedures support both restriction adherence and export diversification, improve payment resilience, and strengthen Uzbek firms’ competitive positions. By focusing on a non-sanctioned partner, the article adds to the literature on sanctions spillovers and gives policy insights for emerging markets facing geopolitical fragmentation.

Keywords: *international sanctions, foreign trade, Uzbekistan, Russian Federation, sanctions compliance, trade resilience.*

1. INTRODUCTION

In the context of deepening geopolitical fragmentation and structural shifts in the global economy, international sanctions have increasingly emerged as a systemic determinant of cross-border economic relations, influencing both trade architecture and financial connectivity. Sanctions imposed on the Russian Federation have affected

financial systems, trade channels, including logistics networks, thereby generating indirect yet substantial spillover effects for economies across the Eurasian region, including the Republic of Uzbekistan (Zettelmeyer et al., 2022; Gopinath et al., 2023).

Historically strong trade linkages with the Russian Federation continue to position Russia as one of Uzbekistan’s



key external economic counterparts, making the Uzbek economy particularly sensitive to changes in Russia's external trade environment. In this context, it becomes especially important to assess how sanctions-related constraints influence both the quantitative dynamics and the qualitative structure of Uzbekistan's foreign trade. Equally important is an examination of the role played by compliance systems in ensuring the legality, transparency, and long-term sustainability of foreign economic activity.

The purpose of this study is to analyze the impact of international sanctions imposed on the Russian Federation on the development of Uzbekistan's foreign trade and to substantiate the role of sanctions compliance as an adaptive mechanism for managing sanctions-related risks.

Scientific Novelty and Contribution to the Literature

The scientific novelty of this research lies in its integrated approach, combining macroeconomic analysis of foreign trade with an institutional perspective on sanctions compliance in the context of Uzbekistan. In contrast to much of the existing literature, which concentrates primarily on sanction-targeted economies, this article focuses on indirect and spillover effects experienced by partner and transit economies.

The study contributes to the international literature by empirically demonstrating that sanctions compliance

in emerging markets performs a dual function: ensuring regulatory conformity while simultaneously building adaptive capacity. By employing data covering the period 2019–2025, the analysis identifies persistent structural shifts in foreign trade and shows that the digitalization of compliance procedures enhances trade resilience and institutional maturity.

2. Methodology

The study applies an integrated research framework that combines quantitative trade statistics with qualitative institutional analysis, allowing for a comprehensive examination of both measurable trade dynamics and underlying governance adjustments. This approach is deliberately chosen to capture both measurable changes in foreign trade indicators and the less tangible institutional adaptations associated with sanctions compliance. By combining macro-level trade statistics with meso- and micro-level institutional analysis, the study addresses the multidimensional nature of sanctions impacts, which cannot be adequately explained through a single methodological lens.

The research design follows a sequential explanatory logic. First, quantitative analysis is employed to identify key trends, structural shifts, and inflection points in Uzbekistan's foreign trade dynamics. Second, qualitative and institutional analysis is used to interpret these trends through the prism of compliance practices, regulatory responses, and firm-level behavioral



adjustments. This sequencing enhances the internal coherence of the analysis and strengthens the causal interpretation of observed patterns.

2.1. Data Sources

The empirical base of the study consists of official and internationally comparable data drawn from the State Committee of the Republic of Uzbekistan on Statistics (Stat.uz), the UN Comtrade database, including analytical publications by the World Bank, the IMF, UNCTAD, and the EBRD. The observation period from 2019 to 2025 covers three analytically distinct phases: the pre-sanctions baseline, the escalation of international sanctions against the Russian Federation, and the subsequent phase of economic and institutional adaptation. The use of multiple sources enables cross-validation of key indicators and reduces the risk of measurement bias.

2.2. Quantitative Methods

The quantitative component relies on time-series analysis of foreign trade turnover, exports, and imports, including the geographical distribution of trade flows. Growth rates, proportional shares, and balance indicators are calculated to reveal medium-term trends while smoothing short-term volatility caused by exogenous shocks. The comparative analysis is applied to assess differential dynamics in trade with the Russian Federation versus other major trading partners, following established approaches in empirical trade research (Baldwin & Freeman, 2022).

2.3. Qualitative and Institutional Analysis

The qualitative component is based on an institutional economics perspective, which conceptualizes sanctions compliance as an adaptive governance mechanism. Regulatory documents, policy guidelines, and secondary analytical reports are examined to identify dominant compliance practices in the banking and export sectors. A generalized micro-case, reflecting common patterns among Uzbek banks and exporting firms under sanctions pressure, is employed to bridge aggregate statistical trends with firm-level decision-making and operational responses.

2.4. Limitations

The study is subject to limitations arising from the aggregated nature of available trade statistics and the restricted access to internal corporate compliance documentation. In addition, some 2025 indicators are based on preliminary estimates. Nevertheless, the triangulation of national and international data sources, together with the integration of quantitative and qualitative methods, enhances the robustness, analytical depth, including policy relevance of the findings.

3. Foreign Trade of Uzbekistan under Sanctions Pressure

3.1. Dynamics of Foreign Trade (2019–2025)

Table 1 presents the dynamics of Uzbekistan's foreign trade over the



period 2019–2025, distinguishing total trade turnover, exports, and imports.

Table 1. Foreign Trade of the Republic of Uzbekistan, 2019–2025 (USD billion)

Year	Total Trade Turnover	Exports	Imports
2019	42.2	17.9	24.3
2020	36.3	15.1	21.2
2021	42.1	16.6	25.5
2022	50.0	19.3	30.7
2023	62.0	25.0	37.0
2024	65.5	28.8	36.7
2025*	66.5	29.0	37.5

Note: 2025 figures are preliminary estimates based on official projections (January–October 2025). Source: Author's calculations based on Stat.uz and UN Comtrade.

The data indicate a pronounced contraction of foreign trade in 2020 due to the COVID-19 shock, followed by a robust recovery and sustained expansion from 2021 onward. Of particular relevance is the acceleration of export growth after 2022, which outpaced

imports in relative terms. This pattern suggests that Uzbekistan's external trade expansion was not merely cyclical but also driven by structural reorientation in response to geopolitical and sanctions-related shifts in regional trade flows.

3.2. Trade between Uzbekistan and the Russian Federation

Table 2 summarizes bilateral trade flows between Uzbekistan and the Russian Federation, including turnover, exports, imports, and the trade balance.

Table 2. Trade between Uzbekistan and the Russian Federation, 2019–2024 (USD billion)

Year	Turnover	Exports	Imports	Balance
2019	7.6	2.5	5.1	-2.6



Year	Turnover	Exports	Imports	Balance
2020	6.0	2.1	3.9	-1.8
2021	7.5	2.8	4.7	-1.9
2022	9.3	3.9	5.4	-1.5
2023	10.0	4.2	5.8	-1.6
2024	11.0	5.1	5.9	-0.8

Source: Author’s calculations based on Stat.uz and UN Comtrade.

The table demonstrates that, despite the tightening of sanctions against the Russian Federation, bilateral trade intensified after 2021. Uzbek exports expanded at a faster pace than imports, resulting in a gradual narrowing of the trade deficit. These trends indicate a process of trade reconfiguration rather

than contraction, reflecting the adaptive integration of Uzbekistan into altered regional supply chains.

3.3. Integrated Quantitative Effects of Sanctions and Adaptation Mechanisms

To synthesize the empirical results, Table 3 presents a consolidated set of indicators capturing both sanctions-related pressures and compliance-driven adaptation mechanisms.

Table 3. Sanctions Impact and Compliance Adaptation Indicators: Uzbekistan (2019–2025)

Indicator	Baseline	Adaptation Phase	Observed Effect
Overall trade turnover (USD bn)	42.2 (2019)	65.5 (2024)	Sustained expansion
Exports to the Russian Federation (USD bn)	2.5 (2019)	5.1 (2024)	More than twofold growth
Trade balance with Russia (USD bn)	-2.6 (2019)	-0.8 (2024)	Progressive rebalancing
Share of food & agriculture exports to RF (%)	28 (2021)	41 (2024)	Shift to low-risk goods
Share of machinery exports (%)	9 (2021)	6 (2024)	Decline under export controls



Indicator	Baseline	Adaptation Phase	Observed Effect
Payment disruptions	Frequent	Reduced	Impact of pre-screening
Use of alternative currencies	Limited	Expanded	Higher payment resilience

Source: Author's calculations based on Stat.uz, UN Comtrade, EBRD (2023), World Bank (2024).

These indicators collectively demonstrate that sanctions acted less as a restrictive shock and more as a catalyst for structural adjustment. Compliance mechanisms, particularly in payments and partner screening, played a critical role in translating macroeconomic pressures into manageable operational adaptations.

4. The Role of Sanctions Compliance in Trade Resilience

4.1. Compliance as an Adaptive Governance Mechanism

As sanctions regimes have become more complex and far-reaching, compliance has gradually transformed from a purely regulatory control function into a broader institutional mechanism that shapes adaptive economic governance and risk-sensitive decision-

making. For Uzbekistan, sanctions compliance increasingly operates at the intersection of trade policy, financial regulation, and risk management, enabling firms and financial institutions to maintain operational continuity while avoiding secondary sanctions exposure.

4.2. Key Sanctions Risks and Compliance Responses

Uzbek firms engaged in foreign trade face multiple layers of sanctions-related risk, including counterparty exposure, product classification risk, payment channel disruptions, and logistical constraints. Effective compliance frameworks address these risks through systematic screening, contractual safeguards, enhanced due diligence, and diversification of settlement mechanisms.

4.3. Compliance Instruments and Strategic Effects

Table 4. Core Sanctions Compliance Instruments and Their Strategic Effects

Compliance Instrument	Operational Focus	Risk Mitigated	Strategic Outcome
Sanctions screening	Counterparty checks	Secondary sanctions	Transaction continuity
Contractual compliance	Legal safeguards	Breach risk	Enforceable contracts
HS classification control	Product eligibility	Export control risk	Trade predictability



Compliance Instrument	Operational Focus	Risk Mitigated	Strategic Outcome
Staff training	Human error reduction	Operational risk	Institutional capacity
Internal audit	Process oversight	Compliance failures	Transparency & trust

Source: Compiled by the author based on FATF (2022), OECD (2023), UNCTAD (2023).

The table illustrates how compliance tools operate not only as defensive mechanisms, but also as sources of strategic advantage. By embedding compliance into routine decision-making, firms enhance predictability, reduce transaction costs, and strengthen their credibility with international partners.

4.4. Digitalization of Compliance Processes

The escalating scope and technical complexity of sanctions regulations have significantly heightened the role of digital compliance tools as instruments for timely risk identification and operational continuity. Automated screening systems, transaction monitoring tools, and data-driven risk assessment models improve both the speed and accuracy of compliance decisions. For Uzbekistan, digital compliance represents a scalable pathway toward higher trade resilience and institutional maturity, particularly in an environment of ongoing geopolitical uncertainty.

4.5. Micro-Case: Compliance Adaptation in Uzbek Banking and Export Practice

A generalized micro-case drawn from recent Uzbek practice highlights

how compliance reforms translate into tangible outcomes. Banks have strengthened beneficial ownership checks, diversified correspondent banking networks, and expanded the use of alternative settlement currencies in cross-border transactions. Export-oriented firms, in turn, have intensified contractual due diligence, HS code verification, and the inclusion of sanctions clauses allowing for flexible execution mechanisms.

As a result, the frequency of delayed or rejected cross-border payments has declined, while predictability in trade settlements has improved. This micro-case demonstrates that sanctions compliance in Uzbekistan operates not merely as a constraint imposed by external regulation, but as an enabling mechanism that supports continuity of foreign trade operations. By linking firm-level behavioral adjustments with the aggregate trade dynamics discussed in Section 3, the case provides empirical support for interpreting compliance as a driver of trade resilience rather than a purely defensive obligation.

5. Discussion



The empirical results obtained in this study are broadly consistent with recent international research emphasizing the reconfiguration, rather than the collapse, of trade linkages under sanctions pressure (Baldwin & Freeman, 2022; Zettelmeyer et al., 2022). Unlike sanction-targeted economies, Uzbekistan's experience illustrates how partner countries can leverage institutional adaptation to absorb external shocks. The observed expansion of exports, alongside a shift toward lower-risk product categories and more resilient payment mechanisms, supports the argument that sanctions generate asymmetric adjustment paths across interconnected economies.

From a theoretical perspective, the findings reinforce institutional and resilience-based approaches to international trade. Compliance emerges not merely as a constraint imposed by external regulation, but as an endogenous capability that reshapes firm behavior, governance structures, and market access. This aligns with institutional economics frameworks that conceptualize rules and enforcement mechanisms as productive inputs into economic performance, particularly under conditions of heightened uncertainty.

6. Conclusion

The findings of this study confirm that international sanctions imposed on the Russian Federation did not result in a

quantitative contraction of Uzbekistan's foreign trade. Instead, sanctions acted as a catalyst for qualitative, structural, and institutional transformation. Over the period 2019–2025, Uzbekistan's foreign trade demonstrated sustained growth, reorientation of export structures toward lower-risk goods, and a gradual rebalancing of bilateral trade with the Russian Federation.

The principal contribution of this study lies in substantiating that, within emerging market contexts, sanctions compliance operates not merely as a regulatory obligation but as an adaptive institutional capability that supports trade continuity and structural adjustment. Empirical evidence and the generalized micro-case show that the institutionalization and digitalization of compliance practices reduce transaction costs, mitigate sanctions-related risks, and preserve access to international markets. Compliance thus enhances not only regulatory conformity but also strategic flexibility and long-term trade resilience.

For policymakers, the results highlight the importance of embedding compliance frameworks within trade and financial policy, investing in digital compliance infrastructure, and supporting professional expertise in sanctions risk management. For businesses, the study underscores compliance as a source of competitive advantage in an increasingly fragmented global trading system.



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