

PRIORITY DIRECTIONS FOR UZBEKISTAN COMPANIES IN DEVELOPING EXTERNAL ACTIVITIES

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Abstract

Uzbekistan's integration into the global economy has accelerated significantly over the past decade, driven by comprehensive economic reforms and deepening strategic partnerships, particularly with the People's Republic of China. This chapter examines the priority directions for Uzbekistan companies in developing external economic activities, drawing on empirical data from 2024-2025 and case studies of Chinese enterprises operating in Uzbekistan. The analysis reveals that Chinese companies have emerged as the largest cohort of foreign investors in Uzbekistan, with 4,420 registered enterprises accounting for 26.1% of all foreign-owned firms. Their successful practices-characterized by manufacturing-oriented investment, industrial chain coordination, and robust financial support-offer valuable lessons for Uzbekistan companies. Based on a systematic review of trade and investment data from official sources, this chapter identifies five priority directions: deepening economic cooperation with China while optimizing trade structures; actively participating in regional industrial chain division to enhance industrial capabilities; developing service trade to expand new spaces for external cooperation; strengthening capacity building to cultivate internationally competitive enterprises; and leveraging financial cooperation opportunities to diversify funding channels. The findings suggest that Uzbekistan companies stand to benefit substantially from adopting strategic approaches aligned with these priority directions, positioning themselves for sustainable growth in an increasingly interconnected global economy.

Keywords

Uzbekistan companies, external economic activities, Chinese investment, trade cooperation, industrial chain integration, service trade development

Introduction:

The Republic of Uzbekistan has become one of Central Asia's most dynamic economies, with rapidly expanding external engagement. Under the "Uzbekistan-2030" strategy, strengthening enterprises' external activities is a key priority for sustainable growth. In 2025, foreign trade exceeded \$81 billion, growing by over 20%, while the number of foreign-invested enterprises approached 17,000, with Chinese firms accounting for the largest share.

The deepening Uzbekistan-China partnership has created significant opportunities. China remains Uzbekistan's largest trading partner, with bilateral trade reaching \$11.41 billion in the first nine months of 2025. Over the past decade, Chinese direct investment has totaled \$10.4 billion, making Uzbekistan the fastest-growing destination for Chinese investment in Central Asia.

This chapter analyzes key directions for Uzbekistan enterprises' external development, drawing on the experience of Chinese firms. Based on data from official sources, it identifies major trends and provides practical insights to enhance international competitiveness.

Current Status and Characteristics of Uzbekistan's Foreign Economic Cooperation: Uzbekistan's foreign economic engagement has demonstrated remarkable growth and structural evolution in recent years. According to data from the State Statistics Committee of the Republic of Uzbekistan, the country's foreign trade turnover reached \$81 billion in 2025, representing a year-on-year increase of more than 20%. Export volumes exceeded \$33 billion, growing by 24%, while imports surpassed \$47 billion, increasing by 18.5%. Uzbekistan has established trade relations with 210 countries and regions worldwide, forming an extensive network of foreign economic cooperation.

In terms of trade structure, Uzbekistan's exports have shown increasing diversification. Data from the first nine months of 2025 indicate that merchandise exports accounted for 74.7% of total exports, with manufactured goods comprising 10.7%, food and live animals 7.7%, and chemical products 5.7%. Notably, exports of fruits and vegetables reached \$1.45 billion, representing year-on-year growth of 39.3%, demonstrating the accelerating export potential of the agricultural sector. Concurrently, service exports achieved rapid growth, reaching \$6.76 billion in the first three quarters of 2025, a year-on-year increase of 31.6%, with tourism and transportation services dominating this category.

Regarding import structure, machinery and transport equipment constitute the largest category of Uzbekistan's imports, accounting for 33.9% of total imports, followed by manufactured goods (15.9%) and chemical products (12.3%). This import structure reflects Uzbekistan's current stage of accelerated industrialization,

characterized by sustained strong demand for production equipment and intermediate goods.

From the perspective of major trading partners, China has emerged as Uzbekistan's largest trading partner. During the first nine months of 2025, bilateral trade between Uzbekistan and China reached \$11.41 billion, accounting for 19.1% of Uzbekistan's total foreign trade. Russia follows at 15.7%, Kazakhstan at 5.8%, Turkey at 4.0%, and South Korea at 2.2%. Notably, data from the first eight months of 2025 indicate that China's share of Uzbekistan's imports reached 29.7%, significantly higher than that of other countries, highlighting China's position as a primary supplier of goods to Uzbekistan.

Practical Experience and Lessons from Chinese Enterprises in Uzbekistan:

The deep engagement of Chinese enterprises in Uzbekistan provides valuable experience for Uzbekistan companies seeking to expand their external activities. As of September 2025, Uzbekistan hosted 16,946 foreign-invested enterprises, of which 4,420 were Chinese enterprises, accounting for 26.1% of the total and ranking first among all countries. Among these enterprises, 681 were joint ventures and 3,739 were wholly Chinese-owned. Chinese enterprises are widely distributed across various economic sectors in Uzbekistan, with over 3,500 factories operating with Chinese participation in Tashkent alone, spanning textiles, chemicals, machinery, agricultural processing, and other industries.

In terms of investment scale, Chinese direct investment in Uzbekistan has grown rapidly. According to the Eurasian Development Bank's Mutual Investment Monitoring report, cumulative Chinese direct investment in Uzbekistan reached \$10.4 billion over the past decade. As of mid-2025, total Chinese investment in Central Asia reached \$36 billion, with Uzbekistan accounting for approximately 30%, making it the fastest-growing destination for Chinese investment in Central Asia[2].

The successful practices of Chinese enterprises in Uzbekistan exhibit several notable characteristics:

First, the transformation of investment structure from resource sectors to manufacturing. The Eurasian Development Bank report indicates that over the past decade, the share of manufacturing in Chinese investment in Eurasia increased from 13% to 22%, while the power engineering sector grew from 4% to 12%, and the share of resource extraction declined from 68% to 54%. This transformation trend is particularly evident in Uzbekistan, where Chinese investment has increased notably in automotive manufacturing, renewable energy, chemicals, and building materials.

Second, the evolution of cooperation models from single investments to industrial chain coordination. Chinese enterprises in Uzbekistan not only construct production facilities but also actively promote the coordinated development of upstream and downstream industrial chains. The implementation of the BYD electric vehicle project and the continuous improvement of localization rates exemplify successful China-Uzbekistan production capacity cooperation. Additionally, both sides have established technology parks and special industrial zones in regions such as Bukhara, providing tax and tariff incentives for investors and attracting clustering development of industrial chain enterprises.

Third, the progressive improvement of financial support systems. The Export-Import Bank of China has provided \$1.8 billion in financing for Uzbekistan since 2000, supporting infrastructure and social projects in energy, transportation, telecommunications, environmental protection, education, water supply, and industry. In October 2025, the National Bank of Uzbekistan and the Export-Import Bank of China signed a new strategic cooperation agreement, focusing on expanding local currency settlement and increasing the utilization of Uzbek som and renminbi, providing enterprises with more convenient and lower-cost cross-border financial services.

Policy Environment and Institutional Guarantees for Uzbekistan Enterprises' External Operations: The Uzbekistan government has actively promoted economic reforms in recent years, creating a favorable institutional environment for enterprises' external operations. In April 2025, the President signed the Privatization Plan for 2025, further easing foreign investment restrictions and expanding the role of the private sector.

In terms of investment promotion, Uzbekistan has established a relatively comprehensive incentive system. Within free economic zones, foreign investors can receive tax and tariff reductions for three to ten years depending on investment size, including exemptions from land, property, and profit taxes, as well as import duties on equipment. These measures reduce operating costs and encourage cooperation between domestic and foreign enterprises.

Financial cooperation between Uzbekistan and China continues to deepen. The two sides have launched a €2 billion multilateral credit line supporting key sectors such as renewable energy, metallurgy, transportation, tourism, and services. In addition, the expansion of local currency settlement helps reduce exchange rate risks and facilitate cross-border transactions.

Uzbekistan also actively participates in multilateral platforms, including the Belt and Road Initiative and the China–Central Asia Summit.

Priority Directions for Uzbekistan Companies in Developing External Operations: Based on the analysis above and drawing on the experience of Chinese enterprises, Uzbekistan companies should focus on several priority directions in developing their external operations:

First, deepen economic and trade cooperation with China while optimizing trade structure. Uzbekistan's trade with China is characterized by high import concentration and relatively dispersed exports. In the first eight months of 2025, imports from China reached \$8.4 billion, while exports totaled only \$1.2 billion. This imbalance presents both challenges and opportunities. Uzbekistan enterprises should expand exports of competitive products such as agricultural goods, textiles, and minerals. The 39.3% year-on-year growth in fruit and vegetable exports in the first nine months of 2025 indicates strong potential in the Chinese market.

Second, actively participate in regional industrial chains to enhance industrial capacity. Chinese investment has expanded from resource extraction to manufacturing, creating opportunities for Uzbekistan enterprises to integrate into regional value chains. Firms should strengthen technological and managerial capabilities through supply cooperation, subcontracting, and technical partnerships, especially in automotive components, textile processing, and agricultural product processing.

Third, develop service trade to expand new areas of cooperation. In the first three quarters of 2025, service exports grew by 31.6%, outpacing goods trade. Tourism, transport, and IT services have become key growth drivers. With rich cultural resources and improved connectivity with China, Uzbekistan should further develop modern services such as tourism, logistics, and IT to promote balanced trade development.

Fourth, strengthen capacity building to enhance international competitiveness. The share of wholly foreign-owned enterprises rose from 53.4% in 2020 to 75.5% in 2025, indicating limited participation of domestic firms in global value chains. Uzbekistan enterprises should improve management, technology, and marketing capabilities, while actively engaging in international cooperation and gradually expanding outward investment.

Fifth, leverage financial cooperation to diversify funding sources. Deepening China-Uzbekistan financial ties provides more financing options. The expansion of local currency settlement reduces exchange rate risks. Enterprises should make better use of support from institutions such as the Export-Import Bank of China and the Silk Road Fund to support their external operations.

Conclusion:

Uzbekistan enterprises possess favorable foundational conditions and broad development space for expanding external operations. China, as Uzbekistan's largest trading partner and investment source, and the successful practices of Chinese enterprises in Uzbekistan provide valuable lessons for domestic enterprises. Under the framework of continuously improving policy environments and deepening bilateral cooperation, Uzbekistan enterprises should seize opportunities to deepen cooperation with China, optimize trade structures, enhance industrial capabilities, expand service trade, strengthen capacity building, and gradually achieve quality improvement and efficiency enhancement in external operations. Through active participation in regional industrial chain division and full utilization of financial cooperation opportunities, Uzbekistan enterprises are well-positioned to achieve greater development in the process of globalization.

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