



## THE DEVELOPMENT OF TRADE, ECONOMIC, AND INVESTMENT COOPERATION RELATIONS BETWEEN THE REPUBLIC OF UZBEKISTAN AND THE PEOPLE'S REPUBLIC OF CHINA

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**Abstract:** *China is one of the principal trade and economic partners of Uzbekistan, and the roots of bilateral socio-economic and cultural relations go back to ancient history. For centuries, China maintained direct trade, economic, cultural, and security-related ties with the states of Central Asia through the Great Silk Road. Indeed, relations between the two peoples are intrinsically linked with the history of the Silk Road, through which national traditions and values contributed significantly to the development of world civilization, while trade exchanges introduced unique goods of their time to the global community. Products such as tea, cotton, silk, and paper — now ordinary items of daily use — are only a few of those historical contributions.*

**Keywords:** *investment, capital investment, import, export, strategy, capital.*

### **Introduction**

Foreign investments serve as an essential source of additional financing, new managerial practices, modern technologies, knowledge, skills, and operational capabilities. Over the past five years, Uzbekistan has implemented numerous reforms in the field of trade and investment. New guarantees for protecting investors' rights have been introduced, relevant legislation has been simplified, and international and regional cooperation has been strengthened. As a result, the volume of foreign



investments assimilated in Uzbekistan reached 11 billion USD in 2021. Of this amount, 9.8 billion USD constituted investments in fixed capital, which is 10% higher than the figure recorded in 2020.

More than 50 countries have invested in the national economy, among which China (2.2 billion USD), Russia (2.1 billion USD), Turkey (1.18 billion USD), Germany (800.7 million USD), and South Korea (137.4 million USD) lead the list. Enterprises with foreign capital participation employ 6% of the officially engaged workforce in the economy. Over the past 30 years since the establishment of diplomatic relations, the volume of trade between China and Uzbekistan has expanded rapidly, increasing 140-fold. In 2022, bilateral trade reached 8.92 billion USD — a 19.7% annual increase — accounting for 17.8% of Uzbekistan's total foreign trade [1].

Since 2011, the most-favored-nation (MFN) regime has been in effect between the two countries. Chinese investments assimilated in Uzbekistan totaled 10.9 billion USD during 2017–2022, including 2.2 billion USD in 2022 alone.

At present, four fundamental international agreements regulate bilateral trade and economic relations between the Republic of Uzbekistan and the People's Republic of China:

1. **Trade and Economic Agreement** between the Government of the Republic of Uzbekistan and the Government of the People's Republic of China (Tashkent, January 2, 1992)[2];

2. **Agreement on the Promotion and Protection of Investments** between the Government of the Republic of Uzbekistan and the Government of the People's Republic of China (Beijing, April 19, 2011)[3];

3. **Agreement on the Avoidance of Double Taxation and Prevention of Tax Evasion on Income Tax** between the Government of the Republic of Uzbekistan and the Government of the People's Republic of China (Tashkent, July 3, 1996) [4];



4. **Protocol Amending the 1996 Agreement on Avoidance of Double Taxation** between the Government of the Republic of Uzbekistan and the Government of the People's Republic of China (Beijing, April 18, 2011) [5].

Several documents form the legal foundation for mutually beneficial cooperation between the two countries. Of particular importance is the **Joint Statement on Further Deepening the Comprehensive Strategic Partnership**, signed on May 12, 2017, by President Shavkat Mirziyoyev of Uzbekistan and President Xi Jinping of China.

The state visit of President Shavkat Mirziyoyev to China on **May 11–13, 2017**, elevated bilateral trade and economic relations to a new stage. Clear measures were outlined to further strengthen cooperation in trade, investment, finance, transport infrastructure, and the establishment of free economic and small industrial zones.

Today, China is one of the leading investors in the economy of Uzbekistan. More than **60 major projects** have been implemented in the fields of electric power, oil and gas, hydropower, chemical industry, aviation, and railway infrastructure modernization through concessional and commercial loans provided by the Chinese government.

Trade and economic relations are the driving force behind the expansion of cooperation between Uzbekistan and China. China has become Uzbekistan's **largest trading partner**, maintaining this position for several consecutive years. According to the State Committee on Statistics, the foreign trade turnover between Uzbekistan and China reached **7.62 billion USD in 2019**. At that time, China slightly surpassed Russia in terms of trade volume. China's share in Uzbekistan's external trade amounted to **16.8%**, followed by Russia (14.8%), Kazakhstan (7.3%), South Korea (5.8%), Turkey (5.2%), Kyrgyzstan (2.4%), and Germany (2.1%). In 2020, bilateral trade totaled **6.438 billion USD**, with China accounting for **17.8%** of Uzbekistan's foreign trade. During January–June 2021, imports from China amounted to **2.256**

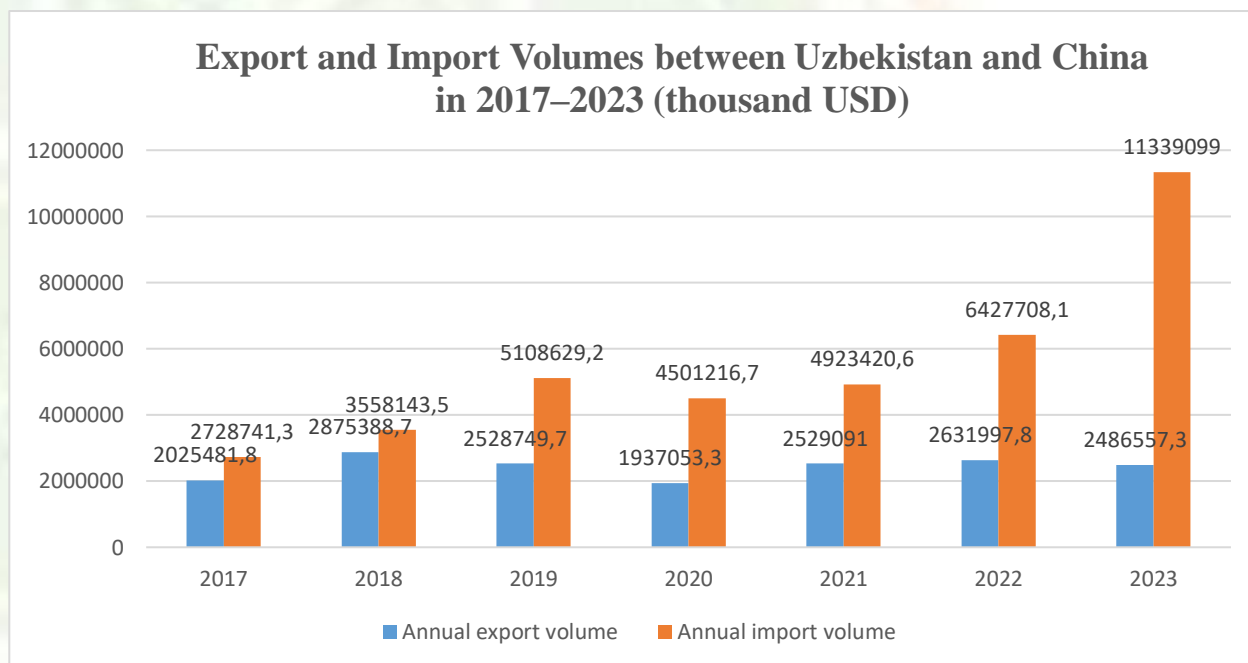




**billion USD**, an increase of **10.5%** compared to the same period of the previous year. China's share in Uzbekistan's total imports reached **20.6%**.

In recent years, substantial efforts have been made to strengthen Uzbekistan's foreign economic activity, particularly through the establishment of manufacturing enterprises with foreign capital participation, expansion of export capacity, and consolidation of cooperation with foreign states. As a result, Uzbekistan's trade turnover with China increased **1.5 times between 2016 and 2020**. Significant growth was observed in the regions of Andijan, Samarkand, Fergana, Khorezm, Surkhandarya, Jizzakh, and Bukhara — with increases ranging from **2.3 to 3.7 times**.

According to the State Statistics Committee, China remained Uzbekistan's **top export-import partner in January 2021**. Overall, **30.1%** of bilateral trade consisted of goods and services exported by Uzbekistan, with the highest regional shares recorded in Karakalpakstan, Surkhandarya, Tashkent, Navoi, and the city of Tashkent (over 25%)[6]



A significant portion of Uzbekistan's exports to China consists of strategic raw materials such as natural gas, uranium, copper, cotton, and mineral fertilizers. Natural gas is the key export commodity, supplied under a 25-year bilateral agreement signed in 2011.



According to data from the Statistics Agency, by January–September 2023, the volume of investments utilized in fixed capital in Uzbekistan amounted to 226.6 trillion soums. Of this amount, the total volume of all foreign investments and loans utilized in fixed capital was recorded at 104.4 trillion soums[7].

A major strategic priority in Uzbekistan–China cooperation is the development of transport and communication projects that ensure rapid and sustainable access to global markets and support innovative growth. Future cooperation is expected to focus on expanding bilateral trade, strengthening industrial partnerships, implementing innovative projects, developing transport and communication systems, and expanding tourism services.

As one of Uzbekistan’s major economic and trade partners, China continues to expand cooperation across key sectors. Uzbekistan expects a further increase in Chinese investment, particularly as the country still lags behind neighboring Kazakhstan in terms of total capital attracted from China. By **2025**, Uzbekistan aims to raise the volume of Chinese investments to **5 billion USD**. Due to a relatively low initial base, Chinese companies are entering Uzbekistan’s market across numerous sectors, and their influence is steadily growing. The key areas of activity for Chinese enterprises in Uzbekistan include industry, defense-related sectors, and humanitarian industries. The major investment priorities of China encompass the following:

In 2019, trade turnover between Uzbekistan and China amounted to **7.62 billion USD**, reflecting an **18.5% increase** compared to 2018. Of this amount, **exports totaled 2.52 billion USD** (a 13% decline), while **imports reached 5.1 billion USD** (a 41% increase). China ranked first among Uzbekistan’s foreign trade partners, accounting for **18.1%** of total turnover, followed by Russia (15.7%) and Kazakhstan (8.0%).

Based on these data, the dynamics of trade turnover between Uzbekistan and China can be represented as follows (table reference: “*Uzbekistan and China: Investment and Economic Cooperation — A New Generation*,” 2022, p. 188).



Despite the positive trends in recent years, several significant risks remain for Uzbekistan:

- the growing imbalance in foreign trade in favor of China;
- the increasing share of Chinese technologies in strategic sectors such as banking, agriculture, and telecommunications;
- the rising share of China in Uzbekistan's foreign debt, which may indirectly strengthen China's political influence in the country.

According to the Ministry of Investments, Industry and Trade, discussions during recent meetings focused on implementing agreements reached during the President's state visit to China in May of this year, as well as expanding bilateral economic, investment, and financial-technical cooperation.

Prospects for developing bilateral trade were reviewed. Mutual trade reached **8.92 billion USD in 2022**, and **5.6 billion USD in the first half of 2023**. It was emphasized that increasing the supply of agricultural products could significantly boost these figures.

China's investment growth in Uzbekistan has accelerated sharply, increasing **fivefold in recent years**, reaching **2.2 billion USD in 2022**. The number of enterprises with Chinese capital in Uzbekistan has tripled.

Concrete measures were agreed upon to expand cooperation in investment and industrial partnerships. Current joint projects in energy, chemical industry, pharmaceuticals, agriculture, infrastructure, and transport were reviewed.

Priority attention was given to joint initiatives in renewable energy, transport infrastructure development, industrial parks, and agricultural clusters across various regions of Uzbekistan with the involvement of leading Chinese companies.

Tashkent, Samarkand, and other regions were noted as having substantial opportunities for expanding multidimensional cooperation with the Xinjiang Uyghur Autonomous Region (XUAR) in trade, logistics, healthcare, agriculture, tourism, and education.





The President instructed relevant authorities to intensify dialogue, organize business forums and visits, and adopt a dedicated “roadmap” to promote priority projects and programs.

According to the data of the State Statistics Agency, China ranked first among the countries investing the largest amounts in Uzbekistan in **2021**:

- **China — 2.2 billion USD**
- **Russia — 2.1 billion USD**
- **Turkey — 1.18 billion USD**
- **Germany — 800.7 million USD**
- **South Korea — 137.4 million USD**

By the end of 2021, the total volume of assimilated foreign investments reached **11.1 billion USD**, fulfilling 113% of the annual forecast. Of this amount, **9.8 billion USD** were investments in fixed capital, a **10% increase** compared to the indicators of 2020.

Over the past years, Chinese investors have injected approximately **7.8 billion USD** into the economy of Uzbekistan. The total loan portfolio provided by the Export–Import Bank of China, the China Development Bank, and the Industrial and Commercial Bank of China exceeds **6.9 billion USD**.

In January–June 2023, the volume of investments assimilated into fixed capital in Uzbekistan amounted to **139.1 trillion UZS**. According to the Statistical Agency, **foreign investments and loans** accounted for **59 trillion UZS** of this figure. Among foreign investor countries, China held the **largest share**, accounting for **20.5%** of all assimilated foreign investments and loans.

According to analytical data, Uzbekistan’s trade turnover with China grew by **51.5% in 2023**, reaching **13.7 billion USD**. Exports amounted to **2.5 billion USD**, while imports reached **11.3 billion USD**. It was noted that imports from China grew by **75.2%**. In 2023, the largest import categories from China included machinery and equipment, industrial goods, and chemical products. Overall, by the end of 2023, China accounted for **21.9%** of Uzbekistan’s total foreign trade turnover, including



**10.1% of total exports and 29.5% of total imports.** According to the State Statistics Agency, in 2022 the bilateral trade turnover between Uzbekistan and China amounted to **9 billion USD**, of which **2.6 billion USD** represented exports and **6.4 billion USD** represented imports. In **January–July 2023**, the top ten countries with the highest share in Uzbekistan's foreign trade turnover were as follows:

1. **China – 6.9 billion USD**
2. **Russia – 5.3 billion USD**
3. **Kazakhstan – 2.5 billion USD**
4. **Turkey – 1.9 billion USD**
5. **South Korea – 1.3 billion USD**
6. **Kyrgyzstan – 632.2 million USD**
7. **Germany – 609 million USD**
8. **France – 518 million USD**
9. **Turkmenistan – 492 million USD**
10. **Afghanistan – 471 million USD**

Among these twenty major partners, Uzbekistan maintained a **positive trade balance** only with Afghanistan, Kyrgyzstan, and Tajikistan. With the remaining seventeen countries, the trade balance remained negative.

## Conclusion

In recent years, Uzbekistan–China cooperation has developed at an accelerated pace, covering trade, investment, industrial partnership, transport and logistics, agriculture, energy, and other strategic sectors. China has become Uzbekistan's leading economic partner, consistently holding the largest share in foreign trade turnover and foreign direct investment.

The dynamics of bilateral trade reveal significant growth, with trade turnover more than doubling over the past decade and continuing to increase annually. At the same time, the structure of mutual trade shows that Uzbekistan exports mainly raw materials—natural gas, uranium, copper, cotton, and mineral fertilizers—while China supplies machinery, technological equipment, industrial products, and





chemicals. Although this creates opportunities for economic diversification, it also reflects a trade imbalance in favor of China.

Chinese investments have played a crucial role in the modernization of Uzbekistan's infrastructure, particularly energy, transport, and industrial sectors. The number of Chinese enterprises operating in Uzbekistan has increased several times, indicating growing business interest and deeper economic integration.

However, the expansion of cooperation also presents certain risks: —a widening trade deficit;

—increasing dependency on Chinese technologies in strategic sectors; — the rising share of China in Uzbekistan's external debt, which may strengthen its political influence.

Despite these challenges, the potential for Uzbekistan–China cooperation remains exceptionally high. Both countries aim to expand industrial cooperation, develop innovative technologies, strengthen transport connectivity, and increase agricultural exports. Regional collaboration, especially with the Xinjiang Uyghur Autonomous Region, opens additional opportunities for joint projects in logistics, tourism, healthcare, education, and agriculture.

Overall, the relationship between Uzbekistan and China is expected to continue developing within the framework of a comprehensive strategic partnership, with a focus on mutually beneficial, sustainable, and forward-looking cooperation.

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