



## RESEARCH

# Foreign Direct Investment in Uzbekistan: The Chinese Dimension

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This paper assesses evidence on the level of foreign direct investment (FDI) in Uzbekistan both before and after President Karimov's death in 2016 and relative to FDI elsewhere in Central Asia. It also compares Chinese FDI with aggregate FDI in Uzbekistan and provides some sectoral breakdown of Chinese FDI in Uzbekistan. In Central Asia, FDI inflows have been dominated by Kazakhstan and Turkmenistan and by oil and gas projects, although FDI in Uzbekistan has increased since 2016. Chinese FDI followed the aggregate pattern, with the distinct feature of larger investment in the two poorer countries in 2006–13. The situation changed during the mid-2010s as China undertook major reforms of its international lending institutions in 2017–21, suggesting concerns over poor project evaluation rather than the pursuit of a strategy of debt dependence. Anecdotal evidence relates the increased FDI in Uzbekistan since 2016 to the improvement in investors' property rights. Although Chinese FDI has increased significantly under President Mirziyoyev, bilateral FDI flows have not been a large share of either Chinese outward FDI or Uzbek inward FDI.

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**Keywords:** Uzbekistan; foreign investment; China

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In January 2024, on a state visit to China, President Shavkat Mirziyoyev reported that China's total investment in Uzbekistan had exceeded \$14 billion, and he announced simplified procedures for attracting funds from Chinese financial institutions to infrastructure development projects and to strengthen industrial cooperation in priority sectors of the Uzbek economy. His counterparts stressed that decisions taken by Chinese banks to expand project financing, the opening of an Export-Import Bank (Eximbank) representative office in Uzbekistan, and the creation of a new investment platform together with the Silk Road Fund will give a strong impetus to the successful activities of Chinese partners in Uzbekistan.<sup>1</sup> This paper assesses the evidence on the level of foreign direct investment (FDI) in Uzbekistan, with a focus on Chinese investment.

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<sup>1</sup> Reported at <https://kun.uz/en/news/2024/01/25/uzbekistan-to-appoint-investment-manager-to-accompany-and-help-each-chinese-partner-in-the-country> on 25 January 2024.

There is no universally accepted dataset on Chinese outward investment, which suffers from data limitations and definitional uncertainty. As with any FDI data, there are differences between announced and disbursed values and between stocks (which are often increased by reinvested profits) and flows. Chinese outward investment data are further complicated by the many institutions involved in Chinese financial relations with other countries and in recent years by outflows being handled primarily by the China Development Bank or by Eximbank irrespective of whether they are loans or purchase of foreign assets by state-owned enterprises establishing a presence in the recipient country (only the later would usually be considered to be FDI).

The first section, based on data collected by the United Nations Conference on Trade and Development (UNCTAD) and cited in the World Bank World Development Indicators (**Table 1**), compares FDI in Uzbekistan before and after the death of President Islam Karimov in September 2016 and contrasts FDI in Uzbekistan with FDI in its four Central Asian neighbours. The second section surveys Chinese investment in Central Asia. The third section analyzes Chinese FDI in Uzbekistan. Section 4 draws conclusions. The overall picture is of a substantial increase since the change of presidency and major reforms in 2017–18, although bilateral FDI flows have not been a large share of either Chinese outward FDI or Uzbek inward FDI. A policy conclusion is that the FDI flows are not large enough to raise fears of excessive Chinese influence.

## 1. FDI in Central Asia and in Uzbekistan

Since independence in 1991, FDI in Uzbekistan has been low compared to FDI in Central Asian neighbours, despite Uzbekistan being the most populous of the five Central Asian countries. In the 30 years since independence, FDI has been far lower in Uzbekistan than in oil-rich Kazakhstan and Turkmenistan. In the years 2012–14, FDI per capita was lower in Uzbekistan than in all four of Uzbekistan's Central Asian neighbours. FDI in Uzbekistan has picked up substantially after the change in leadership in September 2016 and the 2017–18 reforms, although it remains far lower than in Kazakhstan or, on a per-capita basis, lower than in Turkmenistan.

### 1.1 FDI in Uzbekistan before 2016

The World Bank data in **Table 1** shows FDI in Uzbekistan of less than \$215 million a year before 2007, increasing to \$548–668 million a year in 2007–9 and to just over \$1.6 billion in 2010 and 2011, before falling back below a billion dollars in 2012–14. These are the most widely accepted FDI data, although they can only be as good as the raw data collected by the national statistical office.<sup>2</sup> Other numbers for individual years are difficult to cross-check due to inadequate referencing, as well as concerns about the transparency of Uzbek data.<sup>3</sup>

During the 1990s, FDI was characterised by some high-profile projects, but overall small amounts. One of the first foreign investors in a post-Soviet state was Newmont Mining's

<sup>2</sup> Definitional or measurement issues may prevent like-for-like comparison. FDI involves ownership of assets by non-residents, but what share of ownership? Promised or contracted FDI may differ from disbursement of funds both in amount and timing. Reinvestment of profits increases the stock of foreign investment without necessarily showing up as an inflow. Nationality and residence status were often unclear for post-Soviet oligarchs.

<sup>3</sup> The UNDP (2014, p.61) referred to official data stating that in 2012 '22% of all investments or more than 3.4 billion USD were foreign investments, over 79% of which foreign direct investments'. The implied FDI of \$2.7 billion FDI in 2012 was far higher than any other figure and presumably reflected a broad definition of 'foreign investment'. At the time, the first page on the Uzbekistan Investment Guide website, the UNDP source, mostly listed infrastructure projects financed by foreign loans, which would not be considered FDI on normal definitions.

**Table 1:** Foreign Direct Investment in Central Asia, 1993–2023, Million US Dollars.

<b>Year</b>	<b>Kazakhstan</b>	<b>Kyrgyz Rep</b>	<b>Tajikistan</b>	<b>Turkmenistan</b>	<b>Uzbekistan</b>
<b>1993</b>	1,271.4	10.0	9.0	79.0	48.0
<b>1994</b>	659.7	38.2	12.0	103.0	73.0
<b>1995</b>	964.2	96.1	10.0	233.0	–24.0
<b>1996</b>	1,137.0	47.2	18.0	108.1	90.0
<b>1997</b>	1,321.4	83.8	18.0	107.9	166.8
<b>1998</b>	1,151.4	109.2	29.9	62.3	139.6
<b>1999</b>	1,587.0	44.4	6.7	125.0	121.2
<b>2000</b>	1,370.5	–2.4	23.5	131.0	74.7
<b>2001</b>	2,816.8	5.0	9.5	170.0	82.8
<b>2002</b>	2,588.5	4.7	36.1	276.0	65.3
<b>2003</b>	2,483.3	45.5	31.6	226.0	82.6
<b>2004</b>	5,615.3	175.5	272.0	353.7	176.6
<b>2005</b>	2,546.1	42.6	54.5	418.2	213.5
<b>2006</b>	7,611.2	182.0	338.6	730.9	207.2
<b>2007</b>	11,927.8	207.9	360.0	856.0	667.5
<b>2008</b>	16,818.9	377.0	486.6	1,277.0	548.0
<b>2009</b>	14,275.9	189.4	149.1	4,553.0	613.1
<b>2010</b>	7,456.1	472.8	93.9	3,632.3	1,662.7
<b>2011</b>	13,760.3	685.8	145.9	3,391.1	1,615.1
<b>2012</b>	13,648.1	260.9	241.7	3,129.6	744.2
<b>2013</b>	10,011.3	612.0	283.1	2,861.4	691.6
<b>2014</b>	7,308.1	343.0	326.6	3,830.1	808.7
<b>2015</b>	6,577.8	1,144.1	454.0	3,043.0	1,041.2
<b>2016</b>	17,223.8	619.2	241.6	2,243.2	1,662.9
<b>2017</b>	4,757.4	–107.2	185.8	2,085.9	1,798.3
<b>2018</b>	353.3	144.2	220.9	1,606.6	624.7
<b>2019</b>	3,730.9	403.9	212.8	1,853.6	2,316.5
<b>2020</b>	7,206.0	–401.5	106.5	1,436.2	1,728.2
<b>2021</b>	4,566.6	226.2	84.0	1,287.3	2,280.3
<b>2022</b>	5,067.0	54.8	174.0	936.0	2,654.4
<b>2023</b>	5,303.9	490.4	140.6	1,378.3	2,143.8

Source: World Bank *World Development Indicators* (accessed 27 November 2024).

joint venture to process gold ores at a mine in Muruntau, Uzbekistan.<sup>4</sup> In 1994, the joint venture obtained a \$52.5 million five-year loan, 50–50 financed by the European Bank for Reconstruction and Development (EBRD) and a consortium of 13 banks led by Barclays. Another major FDI project was the \$100 million investment by Daewoo in a car plant in eastern Uzbekistan, which started production in 1995. Daewoo also invested \$45 million in consumer electronics and textiles joint ventures.<sup>5</sup> Other foreign-invested projects targeting the domestic market in the 1990s were by Mercedes-Benz in trucks, BAT in tobacco, and Coca-Cola in soft drinks.

A few US companies were active in Uzbekistan during the 1990s. However, there are several reports of them encountering problems during the early 2000s, despite warm US–Uzbek official relations in the late 1990s and after the 2001 Afghanistan invasion. The two highest-profile affairs involved drinks companies. There was also a case with a US company, Telecom Inc, which rebuffed an approach by Gulnara Karimova, daughter of Uzbekistan’s President, to buy their shares in the joint venture Uzbektelecom.<sup>6</sup>

The Coca-Cola bottling plant on the outskirts of Tashkent had twice been selected as Coke’s ‘bottler of the year’ in the Eurasia and Middle East region. However, the company ran into difficulties when the US partner in the joint venture, Mansur Maqsudi, separated from his wife, Gulnara Karimova. In August 2001, days after Ms. Karimova returned to Uzbekistan from the United States with her children, Uzbek authorities raided the plant, harassing management and other employees; after being held for 24 hours, the general manager fled the country. The courts confiscated Maqsudi’s share in the bottling plant as settlement for alleged debts; that stake subsequently ended up in companies connected to Ms. Karimova, and the plant shut down for 18 months in 2004–5.<sup>7</sup>

A Texan company, Interspan, began operation in Uzbekistan in 1998, importing tea from Sri Lanka, which it sold under the brand names *Impira* and *Toshkent Choy*. By 2005, it held 30% of the packaged tea market in Uzbekistan. In February 2006, hooded men with machine guns seized the father of one of Interspan’s owners, while at the same time armed government agents entered the company’s offices and warehouses in Tashkent, seizing property including a large inventory of tea; two apartments in Tashkent belonging to company owners’ families were also seized. Interspan alleged that three of its staff were kidnapped, and one of them was imprisoned and tortured; in August 2005, Mikhail Matkarimov was convicted of grand theft, black market transactions, and involvement in a criminal organisation.

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<sup>4</sup> The Muruntau mine was reputed to be the world’s largest open-pit goldmine. Newmont provided the heap leaching technology, which uses a cyanide solution to draw gold out of the rock, to exploit the large stockpile of low-grade ore that had accumulated in the Soviet era. Gold output and exports were often treated as state secrets during the Karimov era.

<sup>5</sup> Daewoo was a major victim of the 1997–8 Asian Crisis. The bankrupt firm’s assets were bought by General Motors.

<sup>6</sup> Karimova responded by having Uzbektelecom’s service jammed and by having legislation changed so that she could take over Uzbektelecom on even more advantageous terms. This and other cases reported in less detail are mentioned in US diplomatic cables released through WikiLeaks. Other details were released by Karimova’s financial adviser, who moved to the United States in 2003; David Stern, “Rich Pickings for Uzbek Leader’s Daughter”, *Financial Times*, 18 August 2003. See also Lewis (2008 – especially page 31).

<sup>7</sup> The case is described by Edward Alden in “Bottled Up: Why Coke stands accused of being too cosy with the Karimovs”, *Financial Times*, 14 June 2006. Coca-Cola was criticised for having abandoned Mr. Maqsudi and discouraged the US government from assisting him. In 2007, Mr. Maqsudi sought damages from Coca-Cola for collaborating with the Uzbekistan government.

Interspan subsequently filed a lawsuit in Texas against an insurance company, Liberty, alleging that Liberty refused to honour an insurance policy associated with Interspan's operations in Uzbekistan.<sup>8</sup>

In December 2008, President Karimov issued decree № UP-4059, 'On the establishment of Free Industrial-Economic Zone in Navoi Province'. The aim was to create favourable conditions for attracting foreign investment, as well as the development of industrial, transportation, and social infrastructure in the Navoi region. Business entities registered in the Navoi Free Industrial Economic Zone (FIEZ) were exempt from land tax, property tax, profit improvement and development of social infrastructure, the single tax (for small businesses), compulsory contributions to the Republican Road Fund and Republican School Fund to an extent related to the amount of foreign investment. Reported FDI included joint ventures with Indian companies, Olive Telecom (\$6 million committed) and Himachal Futuristic Communications (\$5 million committed), and the Chinese corporation ZTE.<sup>9</sup> Uzbekistan also signed joint venture deals with Korean firms to develop oil and gas fields, to build a petrochemical plant, and to develop Navoi airport. Investors responding to the Navoi incentives may explain the FDI spikes of \$1.6 billion in 2010 and 2011, although the FDI in the individual projects described here falls far below the aggregate FDI for 2010/11 of \$3,278 million in **Table 1**.

The UNDP's 2014 *Invest in Uzbekistan* publication devotes a chapter to foreign investment 'success stories': GM (USA), MAN (Germany), CLAAS (Germany), Isuzu (Japan), Sasol Synfuels (South Africa), CNPC (China), Indorama (Singapore), Rieter AG (Switzerland), VimpelCom (Russia), TeliaSonera (Sweden/Finland), Huawei (China), Knauf gypsum (Germany), Nestlé (Switzerland), Nobel Ilac (Turkey), and Nova Pharm (India). This is an impressive list of international companies willing to invest in Uzbekistan. However, the World Bank and other data sources show lower levels of FDI in 2012–14.

The contrasting perspectives suggest that, although the Uzbek economy was large enough to attract the interest of foreign firms in a range of areas, the foreign firms were cautious about investing much money in Karimov's Uzbekistan. Apart from the 2010–11 spike, FDI inflows remained small during President Karimov's rule (1991–2016). The principal reason was the insecure property rights and the well-publicised rapacity of people close to the president.

## 1.2 FDI in the New Uzbekistan

After the death of President Karimov in September 2016, Shavkat Mirziyoyev quickly assumed power as Acting President and won the December 2016 presidential election. Mirziyoyev immediately signalled a new economic openness, which was confirmed by the drastic currency reforms in September 2017 that removed most forex controls (Dwight 2024).

At the end of 2019, President Mirziyoyev signed four laws aimed at improving the investment climate: on investment in the banking sector, on clarifying the tasks of a Foreign Investors' Council, on a revision of the tax code, and on investment and investment activities,

<sup>8</sup> The information in this paragraph draws on those allegations, as reported by Ken Silverstein in "One Lump or Two? Uzbek dictator's daughter wipes out competing tea firm with 'brain' and 'muscle'," *Harper's*, June 2007 at [www.harpers.org/archive/2007/06/hbc-90000241](http://www.harpers.org/archive/2007/06/hbc-90000241). Gulnara Karimova was alleged to be behind the harassment, because Interspan's growth was hurting the Samarqand Tea Company in which she held an interest. Silverstein reports that Interspan's Uzbekistan assets had been taken over by Samarqand Tea, after which Matkarimov was released, suggesting that his arrest, torture, and conviction were a ploy to ensure the asset transfer.

<sup>9</sup> ZTE, working with leading mobile phone operators Beeline, Ucell, and MTS, produced DSLAM equipment and ADSL modems in Navoi, playing a leading role in developing 4G networks in Uzbekistan and planning a major cooperation with Uzbekistan Railways. On China's Digital Silk Road, see Section 2 below.

which entered into force in January 2020. The investment laws aimed to ease the regulatory environment for foreign investors, but they will need to be accompanied by fundamental institutional changes in implementation if investors are to respond. The bureaucratic process has been streamlined by making the Investment Ministry and its regional branches the sole interlocutor for foreign investors. However, the government often grants special preferences for specific investment projects, creating an uneven competitive environment, and the flow of new regulations can be overwhelming for officials, creating uncertainty for investors. Tax reforms after June 2018 provide an example, with announcements and backtracking on VAT in 2019. The situation is clearer since the adoption on 1<sup>st</sup>. January 2020 of the new Tax Code which simplified rules, encouraged formalisation of employment (especially beneficial for female employment), and increased government revenue.

Foreign investors have responded positively to these developments. FDI in the years 2019–23 was far higher than in any previous five-year period (**Table 1**). However, FDI in Uzbekistan still trails far behind FDI in Kazakhstan. Even within Uzbekistan’s own foreign accounts, since the early 2000s, FDI inflows have been dwarfed by remittances from Uzbek migrant workers, mainly employed in Russia. Remittances have grown rapidly since 2006 to almost \$ 10 billion in 2021, while FDI by World Bank data (**Table 1**) has been volatile, maximising at \$2.7 billion in 2022.

Uzbek data show a continuous increase in foreign investment and loans over the period 2018–2023 (**Table 2**). It is difficult to compare the Uzbek and World Bank numbers because of differing definitions and depreciation of the soum, which exchanged at around 8,000 to the US dollar in 2018 and 12,335 at the end of 2023. For example, FDI of 37,006 billion soum in 2022 is just over \$3.4 billion, somewhat larger than the \$2.65 billion in **Table 1**.<sup>10</sup> Uzbekistan’s Central Bank reported that FDI in 2023 reached \$7.2 billion, which is consistent with the 84 trillion soums in **Table 3**.<sup>11</sup> According to the same report, Uzbekistan attracted international loans worth \$2.8 billion in 2023; in particular, the Asian Development Bank allocated \$615.6 million to Uzbekistan, the World Bank \$552.4 million, and the People’s Republic of China \$398.8 million. In summary, the Central Bank data shows FDI and international

**Table 2:** Foreign Investment and Loans to Uzbekistan, 2018–2023, Billion Soums.

Year	Foreign direct investment	Foreign loans guaranteed by the Uzbek government	Other non-guaranteed investments and loans	Total
2018	13,085.0	18,265.0	14,660.4	<b>46,010.4</b>
2019	37,171.3	27,866.4	21,615.4	<b>86,653.1</b>
2020	28,740.5	22,467.1	35,439.4	<b>86,647.0</b>
2021	30,149.2	17,318.2	56,989.9	<b>104,457.3</b>
2022	37,006.3	15,181.9	60,031.3	<b>112,219.5</b>
2023	84,311.6	21,153.4	82,419.8	<b>187,884.8</b>

Source: Statistics Agency under the President of the Republic of Uzbekistan at [https://stat.uz/img/invest\\_dek-yan\\_2023.pdf](https://stat.uz/img/invest_dek-yan_2023.pdf).

Note: FDI is defined by the foreign investor’s share of capital exceeding 10%.

<sup>10</sup> The average annual exchange rate according to the World Bank *World Development indicators* was 8,070 (2018), 8,837 (2019), 10,054 (2020), 10,609 (2021), and 11,050 (2022). The difference between the two 2022 figures may be due to differing definitions or calculations of FDI, as well as applying different exchange rates.

<sup>11</sup> Reported in Russian on 7 February 2024 at <https://daryo.uz/ru/2024/02/07/obem-pramyh-inostrannyh-investicij-v-ekonomiku-uzbekistana-prevysil-7-mlrd>.

loans amounting to \$ 10 billion in 2023, which is substantially larger than inflows during the Karimov era, although still less than remittances from Uzbek workers abroad.

In 2023, China supplied 25.6% of the total FDI, Russia 13.4%, Saudi Arabia 7.9%, Türkiye 6.4%, and the United Arab Emirates 5.8%; no other country supplied more than 5%.<sup>12</sup> The Statistics Agency also reports the geographical distribution of foreign investment and loans in Uzbekistan. The largest share in 2023 went to Tashkent city and region with 27% of the total, followed by Bukhara (11%), Navoi (9%), and Syrdarya (7%). The pattern is similar in 2018–22 apart from that Kashkadarya received a greater share in earlier years and was number one in 2018 and 2020. In summary, data from Uzbekistan's Statistics Agency show a substantial increase in FDI under President Mirziyoyev, with a quarter of this coming from China.

## 2. Chinese Investment in Central Asia

Chinese data on investment in Central Asia is difficult to track due to the many channels (see Appendix) and differing host country experiences. The links include flagship Chinese policies such as the Belt and Road Initiative (BRI, announced by President Xi Jinping in Kazakhstan in 2013, launched in 2017) and the Digital Silk Road. There is also a lack of clarity about the definition of FDI, as opposed to development assistance grants or loans on commercial or concessional terms, and the goals and composition of Chinese outward investment have changed over time.

Initial Chinese investment in Central Asia in the late 1990s and early 2000s was by national state-owned oil companies and concentrated in Kazakhstan and Turkmenistan. China National Petroleum Corporation (CNPC) made commercial investments in Kazakhstan's oil sector, operating the Aktobe oilfield as a joint venture with Kazmunaigas after 1997 and in 2005 purchasing PetroKazakhstan from its Canadian owner. A 988-kilometer oil pipeline built in 2004–5 linked Atasu in Central Kazakhstan to the Chinese border. Nevertheless, China has been a minor player in Kazakhstan's oil compared to EU and US oil majors.<sup>13</sup>

Following a visit to Beijing in 2006 by Turkmenistan President Niyazov, China contracted to build a gas pipeline from Turkmenistan to China via Uzbekistan and Kazakhstan. The project, completed in 2009, was primarily financed by gas deliveries to China. In the only onshore production-sharing agreement that Turkmenistan's government has signed, CNPC has operated the Bagtyarlyk gas field since 2009. In 2009 and 2011, China Development Bank provided \$4 billion in loans for Turkmenistan's gas industry, to be repaid by gas exports to China (Liu et al. 2023: 698). In return for drilling three new wells in the Galkynysh field, CNPC negotiated in 2021 payment-in-kind of 17 billion cubic meters of gas over three years.<sup>14</sup> Despite its gas-based wealth, Turkmenistan has been seeking Chinese development assistance from the China International Development Co-operation Agency.

On a smaller scale, in 2006–13, China was lending to the governments of Tajikistan and the Kyrgyz Republic for transportation, power generation, and electrical grid projects. Infrastructure projects have continued to be built in these countries, but no new major loan

<sup>12</sup> Data in this paragraph are from *Investment in Fixed Capital in the Republic of Uzbekistan*, published by the Statistics Agency under the President of the Republic of Uzbekistan—available at [https://stat.uz/img/invest\\_dek-yan\\_2023.pdf](https://stat.uz/img/invest_dek-yan_2023.pdf). EU member countries are reported individually.

<sup>13</sup> A high-profile non-energy Chinese project was the light rail system connecting Astana city to its airport. China Railway International Group and state-owned Beijing Assets Management Co signed a contract in 2015 with construction to begin in 2017; around 80% of the \$1.9 billion cost was underwritten by Chinese state loans issued at 2.5%. The project was abandoned in 2019 amid charges of corruption in Kazakhstan and bankruptcy of one of the Chinese companies (Kumenov 2019).

<sup>14</sup> Gas-related Turkmen–PRC relations are not always easy to follow. The price of Turkmen gas for China is based on a formula related to oil prices in Singapore, and price disputes have become more acute since oil prices dropped in 2015. Turkmenistan has prospects of new markets in South Asia and Europe, and China could find alternative suppliers of natural gas to the east coast.

agreements have been signed since 2014. Since the early 2010s, investment shifted to smaller projects, driven by profit-seeking and often escaping from industry overcapacity in China. China's central government and two leading policy banks—the China Development Bank and Exim Bank of China—encouraged this move towards investment and away from large, debt-funded infrastructure projects (Van Der Kley and Yau 2021).

Tajikistan began borrowing from Eximbank in 2007 to construct a 500-kW power transmission line from Dushanbe to the border with Uzbekistan. Other loans between 2007 and 2009 financed roads and a hydropower plant. In 2011, Tajikistan offered China 1,158 square kilometres of territory in the remote Pamir mountains in exchange for Beijing writing off the country's already mounting debt (Dzamukashvili 2021). Successful China–Tajik joint ventures included a gold mine that drove a tripling of gold output between 2012 and 2019 and cement projects that turned Tajikistan from a cement importer to an exporter (Van Der Kley and Yau 2021). Since 2017, China has been Tajikistan's largest source of foreign investment. Tajikistan officially joined the Belt and Road Initiative in 2018, after which Chinese investors launched four BRI projects in the country, amounting to \$320 million; the benefits include a new road between the two largest cities, Dushanbe and Khujand, which more than halved the travel time between the cities, and new hydroelectric plants. In 2020, Tajikistan signed five new loan projects worth \$459.5 million and announced plans to borrow \$562 million more in 2021. As of February 2021, Tajikistan owed Eximbank an estimated \$1.12 billion, and Schulz (2022) reported that Tajikistan's overall foreign debt in early 2021 was \$3.2 billion, of which half was owed to China.

The size of Tajikistan's debt to China raised concerns that Tajikistan might have trouble repaying loans and could be falling into a debt trap. Part of the problem was poor assessment by the Chinese side of borrowers' ability to pay off the debt. In 2019, when Tajikistan experienced difficulty repaying funds spent on the construction of the Dushanbe-2 thermal power plant, the Chinese company TBEA received the right to develop the Upper Kumarg and Duoba gold deposits in compensation for non-payment (Umarova 2022).<sup>15</sup> In January 2021, after COVID-19 led to a drop in remittances from Tajik workers abroad, China allowed Tajikistan to suspend debt repayments; no details were given about new terms. In the 2020s, rescheduling of troubled debtors' obligations seems to be China's preferred response, rather than seizing collateral (Schwarz 2023; See also SCIO 2021).

The Kyrgyz Republic borrowed from Exim Bank between 2009 and 2015 for infrastructure projects; the last was the North South Alternative Road. Other Chinese investment in the Kyrgyz Republic has been more controversial.<sup>16</sup> In 2019, protests against a Chinese mining project led to the suspension of the operation. In February 2020, a \$280 million Chinese project to develop infrastructure, buildings, and other facilities in a free-trade zone near the Chinese border was abandoned after large-scale protests.<sup>17</sup>

<sup>15</sup> Most of the Exim Bank-funded infrastructure projects in Tajikistan and the Kyrgyz Republic were built by the China Road and Bridge Corporation (CRBC) or Tebian Electric Apparatus (TBEA). Other Chinese companies have won recent infrastructure contracts on projects funded by the Asian Development Bank and other multilateral development banks.

<sup>16</sup> A loan of \$386 million to modernise a thermal power plant did not help China's reputation. In 2017, the plant broke down in freezing January temperatures amid revelations of corruption and legal actions involving high-ranking Kyrgyz officials. The 'modernised' plant continued to have outdated equipment and to use coal.

<sup>17</sup> Reuters, "China-led \$280 million Kyrgyzstan project abandoned after protests", 18 February 2020 – available at <https://www.reuters.com/article/us-kyrgyzstan-china-investment-protests-idUSKBN20C1HA>. In Kazakhstan too, Chinese investment projects have prompted protests. Cekuta et al. (2021) list 98 recorded anti-China demonstrations in Kazakhstan, Kyrgyzstan, and Tajikistan between January 2017 and mid-2020. Public sentiment towards China from respondents in Kazakhstan, the Kyrgyz Republic, and Uzbekistan to the Central Asia Barometer Survey, a biannual large-scale research project that measures social, economic, and political atmospheres in the region, showed an increasingly negative view of China from 2017 to 2021. Views of China were less negative in Uzbekistan than in the other two countries surveyed, and Khitakhunov (2022) concludes that economic dependence on China goes against Uzbekistan's historical policy of international neutrality. Peyrouse (2016) is an older academic analysis.

The most comprehensive attempt to estimate FDI stocks in Central Asia is by the research department of the Eurasian Development Bank (EDB 2025).<sup>18</sup> The EDB reports that the largest stocks of Chinese FDI in Central Asia in the first half of 2024 were in Kazakhstan (\$10.4 billion), Turkmenistan (\$9.5 billion), and Uzbekistan (\$4.3 billion), and comments that the fastest increase since 2016 was Uzbekistan—from \$0.3 billion in 2016 and only exceeding one billion in 2021.

Aggregate Chinese data are scattered with differing definitions of foreign investment. **Table 3** reports the estimates of Chinese outward FDI in 2008–22 from the China National Bureau of Statistics Yearbook. The numbers look small compared to the figures in **Table 1**, suggesting that Chinese statisticians are employing a standard, but narrow, view of FDI. Actual Chinese-funded construction projects in the Kyrgyz Republic and Tajikistan over the last decade surely cost more than half a million or 220,000 dollars and must be accounted for under aid or some other form of transfer. Similarly, most of the Chinese investment in Turkmenistan, which has been mainly repaid in kind (gas), is not included in **Table 3**. All of which contributes to the difficulty of unravelling the more complex financial flows to the two larger economies, Kazakhstan and Uzbekistan.

For all its shortcomings, **Table 3** suggests the overwhelming role of Kazakhstan as the main destination for Chinese FDI. Kazakhstan plays a key geographical role in China's BRI, which was first announced in Astana, although Kazakhstan has financed most of its BRI-related

**Table 3:** Chinese Foreign Direct Investment, USD Million, 2008–22.

Year	Kazakhstan	Kyrgyz Rep	Tajikistan	Turkmenistan	Uzbekistan
2008	0	0	0	0	0
2009	22.40	0	0.02	0	0
2010	1.55	0	0.07	0	0
2011	11.27	0	0	0	4.57
2012	5.55	0.27	0.11	0	1.55
2013	3.63	0	0	0.19	0.05
2014	36.55	0.05	0	0	0.37
2015	9.63	0	0	0	0
2016	2.75	0.03	0	0	0.03
2017	5.61	0.12	0.02	0	0
2018	19.68	0	0	0	0
2019	11.16	0.01	0	1.50	0
2020	0.86	0.01	0	0	0.20
2021	0	0	0	10	4.83
2022	0	0	0	0	4.08

Source: Compiled by Azizakhon Mukhammedova from *China National Bureau of Statistics Yearbook*.

Note: From 2007 to 2018, described as 'FDI Actually Utilized by Countries'.

<sup>18</sup> This report draws on material from the annual *EDB Monitoring of Mutual Investments* reports, which do not always clearly define FDI. The 2022 report estimated that the shares of the PRC (including Hong Kong) in inward FDI of post-Soviet countries were highest in Tajikistan (50.7%), Kyrgyzstan (19.2%), and Kazakhstan (6.4%), although the countries of Central Asia were not priority destinations for Chinese investments (the share in total outward Chinese FDI of Kazakhstan was 0.2%, Uzbekistan, Kyrgyzstan, and Tajikistan each accounting for 0.1%).

infrastructure projects through its own budget. Indeed, the total \$130 million in Chinese FDI in Kazakhstan between 2008 and 2022 reported in **Table 3** is minuscule compared to the total FDI in Kazakhstan reported in **Table 1**.

Chinese expansion into Central Asia's technology market occurred long before the implementation of the Digital Silk Road in 2017. Data from the Australian Strategic Policy Institute's International Cyber Policy Centre reports 46 cases of Chinese technology companies' expansion in Central Asia between 2001 and 2020.<sup>19</sup> Currently, China is implementing *Safe City* IT projects in several Central Asian countries, which reflects Chinese technical leadership in face recognition systems and other monitoring services.

Despite the uneven data quality of the various sources, the overall picture of Chinese FDI in Central Asia is that it has not been large. The large initial FDI inflows into Central Asia in the 1990s, mainly in resources and especially into Kazakhstan, occurred before China became a large foreign investor. The surge in Chinese investment in the Kyrgyz Republic and Tajikistan was only loosely coordinated, and when projects failed, it appears to have been due to poor project evaluation rather than a strategy of creating debt dependence. Some failures, including the 2017 Kyrgyz power station and several Kyrgyz mining joint ventures and the Astana Light Rail project in 2019, support this interpretation and explain why China sought to improve oversight of international lending (described in the Appendix).<sup>20</sup> Greater financial care over FDI is consistent with more FDI for Uzbekistan since the reforms of President Mirziyoyev.

### 3. Chinese Investment in Uzbekistan

**Table 3** suggests that Uzbekistan has been second in Central Asia as a recipient of Chinese FDI. The Uzbek numbers are dominated by a 2011 spike, as in Uzbekistan's aggregate FDI data (**Table 1**), and a second, bigger spike in the most recent years, 2021 and 2022. Again, with the caveat that the absolute numbers look small (\$8.91 million in 2021 and 2022 combined), Uzbekistan appears to be the major Central Asian destination for Chinese FDI after President Mirziyoyev's reforms.

Chinese interest in investing in Uzbekistan dates from an agreement between China National Oil Development Corporation (CNODC) and Uzbekneftegaz to explore five blocks.<sup>21</sup> CNODC invested \$260.2 million in the geological exploration that was completed in 2011. In 2013, CNODC and Uzbekneftegaz formed the New Silk Road Oil and Gas joint venture to exploit the Karakul block (Bukhara province), although implementation was delayed until 2017. China's largest loan to Uzbekistan—valued at \$1.2 billion and signed in 2017—was from the China Development Bank to Uzbekneftegaz for the Oltin Yo'l gas-to-liquid processing plant (Van Der Kley and Yau 2021). In May 2024, the New Silk Road JV's website (<https://nsrog.uz/>) listed the partners as Uzbekneftegas, CNPC, China National Logging Corporation, and LUK oil.

Chinese post-2016 investments in Uzbekistan are diversified. The Jinsheng Group invested in a textile factory in Uzbekistan that became operational in 2017; with an annual output of 22,000 metric tons of cotton yarn, 95% of which are exported, and half are sold to

<sup>19</sup> International Cyber Policy Centre, "Data Listing," Mapping China's Tech Giants, <https://chinatechmap.aspi.org.au/#/data/>. Using company websites, corporate information, tenders, media reporting, databases, and other public, the data source tracks 12 major Chinese technology companies: ZTE, Dahua, China Telecom, BeiDou, Huawei, Hikvision, China Mobile, China Unicom, Nutech, Alibaba, Meiya Pico, and Uniview.

<sup>20</sup> In the 2020s, high-level meetings between leaders from China and the four poorer Central Asian countries (i.e., excluding Kazakhstan) are reported on the China International Development Co-operation Agency (CIDCA) website, but without mention of specific projects or loans. CIDCA provides 'foreign aid', including grants (donation of goods, technical assistance, or training), interest-free loans, and concessional loans rather than FDI.

<sup>21</sup> CNODC is part of CNPC and was responsible for the construction of the Uzbekistan portion of the Turkmenistan-China gas pipeline built in 2006–9.

China. In 2017, Xin Zhong Yuan Ceramics opened a \$150 million ceramics production line in Uzbekistan, attracted by cheap raw materials, low energy costs, and a large local market. In 2019–21, the largest investments in Uzbekistan were \$150 million by Anhui Conch, \$150 million by Huaxin Cement, and \$200 million by Hengyuan Cement, all in construction of cement plant (Umarova 2022). This list, similar in many respects to the American Enterprise Institute *China Global Investment Tracker* (**Table 4**), contains loans as well as FDI, but even so, the anecdotal evidence suggests that **Table 3** underestimates Chinese FDI in Uzbekistan.

The Eurasian Development Bank (EDB 2025) reports that electricity generation has played a large role in major recent project launches in Uzbekistan. In 2022, China's sovereign Silk Road Fund acquired a 49% stake worth \$345 million in a gas turbine plant in Uzbekistan from ACWA Power (Saudi Arabia). China Southern Power Grid International began construction in 2023 of pumped storage power plants in Uzbekistan with expected commissioning in 2030 and planned total investment of \$1.6 billion. China Poly Group and China Electric plan to invest \$350 million in a solar power plant in Uzbekistan. The largest new Chinese manufacturing project in Uzbekistan in 2023–4 was a plant in Syrdarya to produce EXEED cars, with an estimated FDI of \$390 million.

**Table 5** reports data on Chinese loans and FDI to Uzbekistan from the Statistics Agency of the Republic of Uzbekistan. In terms of definitions, these should be comparable to the total loans and FDI in Uzbekistan in **Table 2**. The totals show an increase from under \$300 million in 2016–18 to \$1.5–1.8 billion in 2019–22, and more than doubling in 2023 to almost \$4 billion. This is the strongest evidence in support of an increase in Chinese FDI in response to Uzbekistan's policy changes since 2017. The increases are driven primarily by investment in manufacturing, with smaller increases in primary products (agriculture and mining) and infrastructure, sectors where FDI is not only smaller but also more volatile.

**Table 4:** China Outward Investment Projects in Uzbekistan to 2023, Million US Dollars.

Year	Month	Investor	Sector	Amount
2023	December	China Energy Engineering	Energy	\$400m
2023	August	China Energy Engineering	Real estate	\$120m
2022	September	State Administration of Foreign Exchange	Energy	\$130m
2021	December	China Energy Engineering	Real estate	\$350m
2021	December	Anhui Conch	Real estate	\$260m
2019	May	Huaxin Cement	Real estate	\$150m
2019	April	Anhui Conch	Real estate	\$150m
2018	November	China Energy Engineering	Real estate	\$200m
2017	December	China National Petroleum Corp (CNPC)	Energy	\$190m
2017	October	Xin Zhong Yuan	Real estate	\$150m
2017	January	Ming Yuan Silu	Real estate	\$110m
2010	January	Baiyin Non-Ferrous, CITIC, Chang Xin	Metals	\$190m
2010	January	Jinsheng Trading	Other	\$110m

Source: AEI *China Global Investment Tracker* at <https://www.aei.org/china-global-investment-tracker/>.

Note: The sectoral allocations seem unreliable insofar as the construction of factories is often listed as real estate when that was not the principal sector, e.g., Xin Zhong Yuan Ceramics and Huaxin Cement.

**Table 5:** China Outward Investment in Uzbekistan; Loans and FDI, Thousand US Dollars.

	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total FDI+loans</b>	<b>210,294</b>	<b>283,900</b>	<b>219,177</b>	<b>1,630,535</b>	<b>1,780,852</b>	<b>1,591,113</b>	<b>1,483,009</b>	<b>3,897,547</b>
Agriculture, forestry, and fisheries	942	5	10,820	126,357	197,085	229,875	61,993	215,574
Mining and quarrying	–	101,103	88,533	222,509	30,442	67,503	24,991	289,876
Manufacturing	121,375	73,673	111,255	1,033,545	1,183,971	1,009,105	1,036,739	2,477,409
Electricity, gas, steam, and air conditioning	0	782	0	1,998	3,288	300	845	422,791
Water supply, sewerage, waste	–	–	–	4,325	895	5,579	11,705	32,620
Construction	434	1,303	148	43,834	148,116	92,607	142,941	74,983
Wholesale and retail trade; motor repair	549	55	330	39,241	46,500	31985	70,658	67,040
Transportation and storage	22	232	982	41,844	28,816	30,237	25,313	52,607
Information and communication	79,915	106,263	–	49,798	87,582	63,730	12,187	38,250

Source: Statistics Agency of the Republic of Uzbekistan.

#### 4. Conclusions

Foreign investment in Central Asia since 1991 was initially concentrated in Kazakhstan and, to a lesser extent, in Turkmenistan, driven by the exploitation of oil and gas. Uzbekistan received limited foreign investment, apart from a spike in 2010–11 that was probably associated with the creation of the Navoi special economic zone. The situation has changed after the death of President Karimov and the reforms introduced by President Mirziyoyev between 2017 and 2020. Improved conditions for foreign investors in Uzbekistan has coincided with increased attention by China to financial returns on foreign investment been led by China. Negative concerns about the Chinese economic presence in Uzbekistan are less pronounced than in the Kyrgyz Republic, and worries about debt-dependency are far less plausible in Uzbekistan than in Tajikistan.

Despite the substantial increase in Chinese investment in Uzbekistan in recent years and the commitment of the two governments to foster increased investment flows, the prospects of an investment boom may be exaggerated. Bilateral FDI flows have not been a large share of either Chinese outward FDI or Uzbek inward FDI. Moreover, with slower growth during and after COVID, the Chinese economy appears to have less funds available for foreign investment. Although Central Asia is a key part of the Silk Road Economic Belt and BRI, Uzbekistan seems unlikely to be a major beneficiary of large-scale infrastructure funding.<sup>22</sup>

#### APPENDIX: Chinese Lending and Aid Institutions and Instruments

Between 2017 and 2021, China introduced substantial reforms to its foreign lending practices, in part because the China Development Bank and the Export-Import Bank of China (Eximbank) had operated since their establishment in 1994 without a specific regulatory framework.<sup>23</sup> Improved reporting and a mandate for CDB and Eximbank to establish risk management systems suggested that basic controls had not been in place. Part of the problem appeared to have been a lack of consistent data on the country's loan portfolio, even within the Chinese government, which hampered external debt management. However, the bureaucratic complexity and infighting appear to have remained, with over 20 departments and agencies at the central level in the management and implementation of China's international development co-operation. In addition, many central-level agencies delegate aid implementation to provincial subsidiaries (Schwarz 2023: 27).

The range of institutions and variety of instruments make it difficult to track Chinese foreign investment. Moreover, the distinction between loans and FDI may be non-transparent. Most recent capital flows from China to Uzbekistan come from the China Development Bank or Eximbank, which makes them look like loans; however, if the funds are used by a state-owned enterprise to acquire land, property, or other productive assets, then they are essentially FDI.<sup>24</sup> **Table 3** may be a guide to relative magnitudes across Central Asia over time, but

<sup>22</sup> The Kashi-Andijon railway, on which construction began at the end of 2024 (van der Laan 2024) with Chinese funding, will benefit Uzbekistan, but most of the physical investment will be in the Kyrgyz Republic and China, and Uzbekistan will itself be responsible for the short segment on Uzbek territory (Pomfret 2026). Upgrades of Uzbekistan's transport sector to position Tashkent as a Middle Corridor hub are being funded domestically, with help from multilateral development banks.

<sup>23</sup> The reforms were in the context of an international debate about China's exploitation of debt traps for strategic goals—a charge that China rejected. Hurley et al. (2018) was an influential trigger. The prime evidence was based on Sri Lanka, where debt default was avoided by granting China long-term control over the port and other facilities. By contrast, Sheikh (2023) highlights the number of bailout loans that China has subsequently provided for borrowers unable to service their debts to China, and China's efforts to strengthen its loan portfolio.

<sup>24</sup> China's Silk Road Fund in 2022 purchased 49% of shares in a \$1 billion Sirdarya province power plant owned and operated by the Saudi private operator ACWA. The power plant also received funding from multilateral development banks and commercial banks, but as a shareholding, the CSRF capital is FDI. The CSRF has also invested in Uzbekistan's culture, tourism, and oil and gas sectors.

the numbers cannot be accepted with any confidence. Anecdotal lists of approved or disbursed investments are unsatisfactory insofar as many projects are likely to be omitted, as in **Table 4**. Nevertheless, I argue in the paper that the skimpy data can corroborate a plausible account of Chinese investment in Central Asia and specifically in Uzbekistan.

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The author has no competing interests to declare.

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