

Investment Cooperation Between The Republic Of Uzbekistan And The Republic Of Turkey: Current Trends, Priority Areas, And Development Prospects

Kudratov Davlatbek

PhD in History, Associate Professor, Gulistan State University, Uzbekistan

Dr. Kenan Ziya Taş

Professor, Balıkesir University, Uzbekistan

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Abstract: The article examines contemporary directions of investment cooperation between the Republic of Uzbekistan and the Republic of Turkey. Special attention is given to the dynamics of bilateral investment flows and key sectors of economic interaction, including textile manufacturing, agriculture, construction, transport and logistics, as well as the development of industrial zones with Turkish capital participation. The study analyzes governmental measures aimed at improving the investment climate, simplifying customs and tariff regulations, and promoting joint projects. Based on the analysis of economic agreements and statistical data, the article identifies key growth factors and prospects for strengthening long-term strategic partnership.

Keywords: Uzbekistan; Turkey; investment cooperation; foreign direct investment; bilateral relations; industry; trade and economic relations; industrial zones; regional integration; economic diplomacy.

Introduction: Modern relations between the Republic of Uzbekistan and the Republic of Turkey occupy a special place within the system of international relations in Central Asia. Bound by common historical and cultural roots, Turkic heritage, and religious and civilizational affinity, the two countries have been developing multifaceted cooperation over the past decades, encompassing political, economic, cultural-humanitarian, military-technical, and educational spheres. Following Uzbekistan's declaration of state independence in 1991, Turkey became one of the first countries to recognize the sovereignty of the republic and establish full diplomatic relations, which laid the foundation for further strategic partnership.

LITERATURE REVIEW

The legislative acts adopted in the late 1990s formed the institutional basis for regulating the investment process and created legal conditions for the active participation of international corporations, financial institutions, and foreign partners in the national economy.

For example, the Law "On Foreign Investments" of April 30, 1998 No. 609-I defines the legal status of foreign investments, forms of capital placement, and the procedures governing economic activity of foreign companies. Its key provisions include: equal rights for foreign investors and national economic entities; permission to create enterprises with 100% foreign capital; free transfer of profits and foreign currency abroad; protection of property rights; and guarantees of a legal regime that does not worsen investment conditions without sufficient justification. This document played a decisive role in opening Uzbekistan's market to global capital and shaping a positive investment image of the country[1].

METHODOLOGY

The Law "On Investment Activities" of December 24, 1998 No. 719-I has a systemic character and regulates both domestic and foreign investments. It defines the objects and subjects of investment (state, private, foreign, mixed), sources of financing (budgetary funds, own capital, loans, international funds), state

guarantees—including protection against unlawful seizure of assets—and the legal foundations for concluding investment agreements. Thus, the law institutionalized the basic economic mechanisms of investment policy and expanded the legal framework for capital diversification.

The Law “On Guarantees and Measures to Protect the Rights of Foreign Investors” of April 30, 1998 No. 611-I strengthened protective mechanisms for foreign investors and became a key instrument in ensuring international business confidence. Its main provisions include: prohibition of discriminatory measures against foreign companies; compensation in cases of nationalization, requisition, or expropriation; stability of tax conditions during the term of an investment agreement; and the right to appeal to international arbitration. This legal act enhanced investment security and became an important factor in attracting major foreign projects.

The Law “On Concessions” of August 30, 1995 No. 110-I defines the legal framework for the use of foreign capital in strategic sectors of the economy based on concession agreements. It covers the development of mineral resources, energy and infrastructure projects, construction of state facilities, and privatization of managerial functions. The document establishes procedures for risk distribution between the state and the investor, ensuring long-term guarantees for the operation of strategic assets.

RESULTS

A significant impetus for bilateral relations was provided by the reforms and foreign policy course of the “New Uzbekistan” under the leadership of President Shavkat Mirziyoyev, aimed at openness, regional integration, and the expansion of international cooperation. At the current stage, Uzbek-Turkish relations are characterized by deepening economic ties, growth in mutual investments, increasing participation of Turkish companies in industrial, infrastructural, and transportation-logistical projects in Uzbekistan, as well as strengthening the role of the Organization of Turkic States as a major multilateral platform for cooperation [2].

The scholarly relevance of this topic is determined not only by the significance of current foreign policy processes, but also by the need for a systematic understanding of the dynamics of bilateral relations, the factors influencing their development, and the prospects for further cooperation. Particular importance is attached to analyzing the historical prerequisites, political motives, economic priorities, and cultural diplomacy that form the foundation of the strategic partnership between the two Turkic states.

Uzbekistan and Turkey are currently positioned as strategic partners. In October 2017, during President Shavkat Mirziyoyev’s first state visit to Turkey, a Joint Declaration was signed, elevating bilateral cooperation to the level of strategic partnership [3]. In accordance with this document, the High-Level Strategic Cooperation Council was established to intensify cooperation. For example, both sides expressed their intention to increase mutual trade volume to 5 billion USD in the near future (whereas in 2019 this figure amounted to approximately 2 billion USD). Moreover, in 2020 Turkey and Uzbekistan signed an agreement on military cooperation.

DISCUSSION

At present, Uzbekistan is undergoing intensive economic liberalization aimed not only at attracting foreign investors but also at improving the overall business environment. In this context, issues related to the effectiveness of the legal framework regulating investment activity are increasingly gaining importance.

The partnership between Uzbekistan and Turkey is further reinforced by a broad legal framework covering a wide range of areas. The Agreement on Eternal Friendship and Cooperation between Uzbekistan and Turkey serves as a cornerstone of bilateral relations. In addition, 113 agreements have been signed to expand and diversify multifaceted cooperation [4]. Since investment relations in the global economy are impossible without legal regulation, the legislative basis of investment policy is of particular significance, as it directly influences the behavior of investors. Thus, it is relevant to examine investor–state relations through the prism of the legislation of the Republic of Uzbekistan.

To enhance coordination and strategic planning, various mechanisms have been established, such as the High-Level Strategic Partnership Council chaired by the heads of state and the Joint Strategic Planning Group at the ministerial level. These platforms provide a structured foundation for addressing key issues, exploring new opportunities, and promoting a comprehensive understanding of shared objectives.

Work is also underway to accelerate preparation for the signing of the Preferential Trade Agreement between Uzbekistan and Turkey, to expand the list of goods proposed for inclusion in the agreement, and to define procedures for its practical implementation. Business activity has significantly intensified: over the past two years, more than 750 Turkish enterprises have been established in Uzbekistan, and as of February of the current year, the number of companies with Turkish capital reached 1,306. At the Uzbek-Turkish

Business Forum held in June 2022, it was announced that 1,576 enterprises with Turkish capital are currently operating in Uzbekistan, including 694 joint ventures and 882 enterprises with 100% Turkish ownership [5].

It is noteworthy that Uzbekistan is among the countries where Turkey has invested the largest volume of funds in regional development. When calculated together with investments made through third-country channels, the total volume of Turkish investments in Uzbekistan exceeds 1.0 billion USD. The current level of cooperation between Uzbekistan and Turkey is characterized by consistent development of mutually beneficial collaboration in the spheres of politics, security and defense, economy and trade, investment, tourism, energy, transportation and transit, agriculture and forestry, culture, education, science and technology, innovation, and healthcare.

In particular, on 27 May 2020, an investment agreement was signed with the Turkish company Çalık Holding for the construction of a business center and hotel complex in Tashkent with a total value of 100 million USD, and on 10 September, a similar investment agreement was concluded with Cengiz Holding for the construction of a 240 MW thermal power plant in Tashkent region. At the same time, the implementation phase began for a joint project with Aksa Energy to construct a thermal power plant in Tashkent worth 60 million USD [6]. The company Rönesans Heavy Industries also launched active implementation of modernization and expansion projects at Uzmetskombinat JSC and Almalyk Mining and Metallurgical Complex.

On 29 July 2020, a delegation from Uzbekistan led by Deputy Prime Minister S. Umurzakov paid a visit to Ankara, during which negotiations were held with Chairman of the Planning and Budget Committee of the Grand National Assembly of Turkey Lütü Elvan, Deputy Chairman of the ruling Justice and Development Party Cevdet Yılmaz, Minister of Foreign Affairs Mevlüt Çavuşoğlu, Minister of Trade Ruhsar Pekcan, and Head of the Turkish Cooperation and Coordination Agency (TİKA) Serkan Kayalar. Meetings were also held with leaders of major corporations and representatives of Turkey's business community.

President Shavkat Mirziyoyev launched the construction of another power plant in the Jizzakh region with a capacity exceeding 500 MW [7].

The Turkish company also presented plans for new projects with a total value of more than 5 billion USD. These include modernization and construction of highways and tunnels, geological exploration and development of prospective mineral deposits, as well as management of energy infrastructure under public–

private partnership arrangements.

The President instructed relevant authorities to ensure the prompt preparation and full-scale implementation of prospective projects involving Turkish investors.

In turn, on 24–25 August, the Chairman of the Planning and Budget Committee of the Grand National Assembly of Turkey, Lütü Elvan, paid a working visit to Uzbekistan. During his stay, negotiations were held at the Ministry of Investments and Foreign Trade, the Ministry of Energy, and the State Committee for Geology and Mineral Resources of the Republic of Uzbekistan.

In 2019, trade turnover between the Republic of Uzbekistan and the Republic of Turkey increased by 22.7% compared to the same period of 2018 and amounted to 2.52 billion USD, including exports totaling 1.2 billion USD (+27.4%) and imports amounting to 1.3 billion USD (+18.8%) [8].

The main export items included non-ferrous metals and products made from them (57.1%), textile products (17.6%), food products (8.3%), plastics and plastic products (4.1%), electrical equipment (4.3%), and services (4.5%). The main import items consisted of mechanical equipment (38.6%), electrical equipment (8.0%), construction materials (6.8%), plastics and their products (5.8%), ferrous metals and related products (5.5%), textile products (5.2%), vehicles (3.9%), food products (1.8%), furniture (1.6%), pharmaceutical products (1.2%), and services (1.9%) [9].

From January to October of the current year, trade turnover between the Republic of Uzbekistan and the Republic of Turkey decreased by 19.4% compared to the same period in 2019 and amounted to 1.65 billion USD, including exports totaling 785.7 million USD (-19.8%) and imports totaling 869 million USD (-19%).

Following bilateral trade assessments, both sides reaffirmed their intention to increase the volume of mutual trade to 5 billion USD in the near future. It is worth noting that Uzbekistan's exports to Turkey are primarily composed of non-ferrous metals, fruits and vegetables, services, nitrogen fertilizers, and processed goods. Turkey, in turn, exports chemical, cosmetic, and pharmaceutical products, along with textiles and plastics.

From 2020 to 2023, the volume of Turkish investments in the economy of Uzbekistan doubled. In 2021, Turkey ranked among the top three largest investors in Uzbekistan, with total investments amounting to 1.2 billion USD.

On 22 February 2023, the President of Uzbekistan signed a document ratifying the Preferential Trade Agreement between Uzbekistan and Turkey. This

agreement was initially signed on 29 March 2022 in Tashkent during the second meeting of the Uzbekistan–Turkey High-Level Strategic Cooperation Council. Thus, the international agreement on preferential trade between the two countries has been formally ratified by Uzbekistan [10].

The primary purpose of the Preferential Trade Agreement is to further strengthen trade and economic relations by creating more favorable business conditions for producers and exporters of both states, including eliminating customs duties on certain goods or reducing existing tariff rates.

Within the framework of this agreement, the parties approved a list of products subject to preferential trade, consisting of 12 items for each country. The list of Uzbek goods is dominated by agricultural products—vegetables, fresh fruits, dried apricots, raisins, dried peaches, beans, almonds, walnuts, peanuts, and others. The list of Turkish goods is dominated by industrial products: electrical transformers and inductive coils and their parts, connectors and conductors, pipes, rolled steel, and centrifugal pumps.

The elimination of existing customs duties on Uzbek agricultural products in Turkey will further enhance their competitiveness by simplifying import procedures. In turn, the entry of Turkish industrial goods into the Uzbek market under preferential trade conditions will create a foundation for developing industrial cooperation between the two countries and providing Uzbek businesses with affordable and high-quality equipment and raw materials.

In the future, it was planned to consider expanding the list of goods approved under the agreement, based on the production and export potential of both Uzbekistan and Turkey.

Trade turnover between Turkey and Uzbekistan increased from 1.2 billion USD to 3.5 billion USD, particularly influenced by the development of a new stage of relations that began after 2016 [11].

According to collected data, Turkey and Uzbekistan, relying on shared historical and cultural ties, continue to strengthen their economic relations and contribute to regional stability.

The dynamics of relations between Uzbekistan and Turkey, which had long remained stagnant, changed dramatically after President Recep Tayyip Erdoğan's visit to Samarkand in November 2016. During meetings with President of Uzbekistan Shavkat Mirziyoyev, President Erdoğan announced targets of achieving trade turnover of 5 billion USD at the first stage, and later 10 billion USD [12].

Following that visit, relations between the two states

intensified, ushering in a new era. Subsequently, bilateral relations witnessed rapid growth. The bilateral trade volume, which amounted to 1.2 billion USD in 2016, increased to 2.1 billion USD in 2020, 3.1 billion USD in 2023, and 3.5 billion USD in 2024 [13].

With a 5% share, Turkey became Uzbekistan's fourth-largest trading partner. In addition, Turkey ranks among the leading countries in terms of the number of enterprises established in Uzbekistan.

"The most important factor is elevating relations between Turkey and Uzbekistan to the level of a comprehensive strategic partnership," stated Associate Professor Dr. Nurgül Bekar, who recently completed her academic research at TOBB ETÜ in Tashkent and returned to Turkey, in an interview with Anadolu. She emphasized that relations between Turkey and Uzbekistan are fraternal relations rooted in historical and sociocultural foundations.

Pointing to the shared ethnic roots of the two nations, Bekar noted: "The relations between these two countries, which share the same religion and speak closely related languages, began to develop with renewed vigor, particularly after Mr. Shavkat Mirziyoyev came to power."

Bekar stressed that the most significant development over the past decade has been elevating relations between Turkey and Uzbekistan to a comprehensive strategic partnership and establishing the necessary mechanisms of cooperation within this framework. She added: "This has made it possible to develop direct and reciprocal relations in political, economic, cultural, defense, tourism, transportation, and many other fields. The fundamental factors strengthening ties between the two countries are their shared historical and cultural heritage and, consequently, mutual understanding and solidarity between the peoples of the two brotherly nations."

CONCLUSION

"The textile, agricultural, and construction sectors are the most advantageous for Turkish investors." Bekar noted that, taking into account Uzbekistan's openness policy and its population of 38 million people, the potential for developing trade and economic relations is very high.

"Officials of both countries regularly hold meetings and seek ways to expand cooperation, primarily within the framework of the meetings of the Joint Intergovernmental Commission on Economic Cooperation between Turkey and Uzbekistan. In this context, opportunities are offered to Turkish investors in all sectors. It can be said that the textile, agricultural, and construction sectors are the most profitable areas

for Turkish investors."

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