

EXPERIENCE AND PROSPECTS OF ATTRACTING JAPANESE INVESTMENT
INTO THE ECONOMY OF UZBEKISTAN

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Abstract. This article examines the history of the formation and development of trade, economic, and investment cooperation between Uzbekistan and Japan. It analyzes the characteristics of the initial economic relations established after the two countries entered into diplomatic relations. The activities of Japanese delegations, business circles, and international organizations in Uzbekistan are explored. Particular attention is paid to the role of bilateral economic committees in strengthening cooperation. The study evaluates the dynamics of trade turnover as well as the structure of exports and imports. It highlights the significance of Japan's modernization experience for Uzbekistan's economic transformation. The participation of Japanese companies and investments in the national economy is also examined. Furthermore, the article analyzes the importance of economic reforms and the creation of a favorable investment climate. The findings reveal the institutional and legal foundations of Uzbekistan–Japan economic relations. The article concludes by outlining prospects for further expansion of bilateral economic cooperation.

Keywords. Uzbekistan, Japan, trade and economic cooperation, investments, modernization, economic reforms, foreign trade, economic committees, Japanese companies, market economy, international cooperation, investment climate.

Annotasiya. Mazkur maqolada O'zbekiston va Yaponiya o'rtasidagi savdo-iqtisodiy hamda investitsiyaviy hamkorlikning shakllanishi va rivojlanish tarixi tahlil qilingan. Unda ikki davlat o'rtasida diplomatik munosabatlar o'rnatilgandan keyingi dastlabki iqtisodiy aloqalarning xususiyatlari yoritilgan. Yaponiya delegatsiyalari, biznes doiralari va xalqaro tashkilotlarining O'zbekistonga tashriflari o'rganilgan. Ikki tomonlama iqtisodiy qo'mitalar faoliyati va ularning hamkorlikni rivojlantirishdagi o'rni tahlil qilingan. Savdo aylanmasi dinamikasi hamda eksport-import tarkibiga baho berilgan. O'zbekiston iqtisodiyotini modernizatsiya qilish jarayonida Yaponiya tajribasining ahamiyati ko'rsatib berilgan. Yapon kompaniyalarining mamlakat iqtisodiyotidagi ishtiroki va investitsiya faoliyati yoritilgan. Shuningdek, iqtisodiy islohotlar va qulay investitsiya muhitining ahamiyati tahlil qilingan. Tadqiqot natijalari O'zbekiston–Yaponiya iqtisodiy munosabatlarining institutsional va huquqiy asoslarini ochib beradi. Maqolada ikki mamlakat o'rtasidagi hamkorlikni yanada rivojlantirish istiqbollari bo'yicha xulosalar berilgan.

Kalit so'zlar. O'zbekiston, Yaponiya, savdo-iqtisodiy hamkorlik, investitsiyalar, modernizatsiya, iqtisodiy islohotlar, tashqi savdo, iqtisodiy qo'mitalar, yapon kompaniyalari, bozor iqtisodiyoti, xalqaro hamkorlik, investitsiya muhiti.

Аннотация. В данной статье анализируется история становления и развития торгово-экономического и инвестиционного сотрудничества между Узбекистаном и Японией. Рассматриваются особенности первых экономических контактов после установления дипломатических отношений между двумя государствами. Исследуется деятельность



японских делегаций, деловых кругов и международных организаций в Узбекистане. Особое внимание уделено работе двусторонних экономических комитетов и их роли в развитии сотрудничества. Проанализированы динамика товарооборота и структура экспорта и импорта. Показано значение японского опыта модернизации для экономического развития Узбекистана. Освещено участие японских компаний и инвестиций в экономике страны. Рассмотрены вопросы экономических реформ и формирования благоприятного инвестиционного климата. Результаты исследования раскрывают институциональные и правовые основы узбекско-японских экономических отношений. Сделаны выводы о перспективах дальнейшего расширения сотрудничества между двумя странами.

Ключевые слова. Узбекистан, Япония, торгово-экономическое сотрудничество, инвестиции, модернизация, экономические реформы, внешняя торговля, экономические комитеты, японские компании, рыночная экономика, международное сотрудничество, инвестиционный климат.

The historical experience of developing Japan's modernization model is also of considerable interest to Uzbekistan. Despite its extremely limited natural resources, Japan achieved rapid economic growth by initially focusing on labor- and material-intensive industries, such as textiles, and gradually transitioning to high-tech production. At various stages of its economic development, the country successfully moved from metallurgy and mechanical engineering to electronics, information technologies, telecommunications, and other knowledge-intensive sectors.

This transformation was achieved through a comprehensive modernization strategy, an effective state industrial policy, and substantial investments in human capital, science, and technological advancement. Today, Japan is a modern post-industrial economy characterized by a high level of digitalization, automation, and environmental sustainability. Considering the above, Japan's experience in economic reforms, structural modernization, and integration into the global economy represents a valuable source of practical solutions for Uzbekistan in its efforts to build a competitive, sustainable, and socially oriented market economy. Furthermore, the development of bilateral economic cooperation with Japan can create broad opportunities in such areas as industrial cooperation, science and technology, investment, energy, human capital development, and public administration. Taking all these factors into account, Uzbekistan has attached great importance to establishing and developing trade, economic, and investment relations with Japan throughout its transition period.

For its part, Japan has also demonstrated significant interest in expanding trade and economic cooperation with Uzbekistan. Moreover, the Japanese side highly appreciates the geopolitical and geostrategic position of the Republic of Uzbekistan within the Central Asian region.

However, despite the mutual interest in cooperation, trade, economic, and investment relations between Uzbekistan and Japan did not begin immediately after the establishment of diplomatic relations. This was largely because, during the initial stage of Uzbekistan's transition period, the Japanese side carefully assessed the actual potential of the newly independent republic. For this reason, even before the signing of official intergovernmental agreements aimed at promoting cooperation in the fields of trade, economics, and investment, Japanese economic and business representatives began to closely study the political situation and socio-economic conditions in Uzbekistan.



To this end, Japanese delegations visited Uzbekistan during the first years of the country's independence. In particular, in 1993, a delegation from Japan's Ministry of International Trade and Industry visited the country twice. The Japanese delegation also included representatives of major business circles and leading corporations [1]. Another important event was the first Uzbekistan–Japan Seminar held in 1993, which brought together senior representatives of Japanese companies and leaders of Uzbek ministries, government agencies, and enterprises. During the seminar, a wide range of issues related to the establishment and development of trade and economic relations between the two countries were discussed. The convergence of views and opinions among the participants regarding the matters under consideration ultimately led to the signing of a Memorandum on the establishment of the Uzbekistan–Japan and Japan–Uzbekistan Trade and Economic Commission [2].

Based on the decisions adopted during the Uzbekistan–Japan Seminar, in March 1994 draft agreements on trade and economic cooperation, the promotion and mutual protection of investments, and the avoidance of double taxation were submitted to the Embassy of Japan in Uzbekistan. While fully supporting the proposals put forward by the Uzbek side, the Japanese side emphasized that, in addition to legal agreements aimed at developing trade and economic cooperation, other factors were equally important. These included the creation of a favorable investment climate and the establishment of conditions necessary for the successful operation of private companies within a particular country [3]. It should also be emphasized that, during the initial stage of trade and economic cooperation between the two countries, Japan not only carefully studied the opportunities and potential of Uzbekistan but also sought to introduce its own economic and technological capabilities to Uzbek entrepreneurs. To this end, in October 1993, the Japan External Trade Organization (JETRO) organized an exhibition of consumer goods and light industry products in Tashkent with the participation of major Japanese companies [4].

The initial steps aimed at establishing mutually beneficial trade, economic, and investment cooperation between the two countries contributed to creating a favorable atmosphere of mutual understanding. Against the backdrop of an overall positive trend toward strengthening bilateral economic cooperation, several important measures were undertaken. By a special Resolution No. 49 of the Cabinet of Ministers of the Republic of Uzbekistan, dated February 1, 1994, the Uzbekistan–Japan Committee for Economic Cooperation was established. The resolution stipulated that the Committee would be responsible for coordinating the activities of ministries and agencies, associations, enterprises, private businesses, and state organizations involved in the development of economic cooperation with Japan.

On the Japanese side, a similar Japan–Uzbekistan Economic Committee was established under the chairmanship of N. Kumagai, President of Mitsui & Co., Ltd.. The activities of these committees were aimed at coordinating efforts to promote and expand Uzbekistan–Japan economic relations. All of these measures undertaken by representatives of both countries during the initial stage of bilateral relations were directed toward further developing Uzbekistan–Japan trade, economic, and investment cooperation. They played a significant role in creating the legal and institutional foundations necessary for the successful implementation of future cooperation plans in the fields of trade, investment, and economic development, particularly during official visits by the heads of state.

The first joint meeting of the Uzbekistan–Japan Economic Cooperation Committee and the Japan–Uzbekistan Economic Committee was held in Tokyo in September 1994. This meeting provided an opportunity for a detailed discussion of further measures aimed at promoting trade and economic exchanges based on the domestic socio-economic needs of both countries.



Subsequently, such meetings between the two committees began to be held annually in both Tashkent and Tokyo.

The discussion and implementation of long-term economic cooperation plans at these meetings made it possible to establish and strengthen trade relations between the two countries during the early years of Uzbekistan's independence. Furthermore, the regular sessions of the joint committees reviewed achievements in trade, economic, and investment cooperation, assessed the state of the partnership, and identified further measures aimed at expanding economic ties between Uzbekistan and Japan. Based on intergovernmental agreements, as well as the decisions adopted by the economic committees of the two countries to promote trade and economic cooperation, the exchange of goods between Uzbekistan and Japan gradually began. The first practical step in the implementation of Uzbekistan–Japan trade cooperation was taken in 1995.

According to data from the State Committee of the Republic of Uzbekistan on Statistics, the trade turnover between the two countries reached US\$46.4 million in 1995. Of this amount, imports from Japan accounted for US\$44.8 million, while Uzbekistan's exports amounted to only US\$1.6 million, reflecting a significant imbalance in bilateral trade during the initial stage of economic cooperation[5]. At the same time, notable differences existed in the composition of traded goods. While imports from Japan primarily consisted of equipment and technologies intended for the modernization and re-equipment of industrial enterprises in Uzbekistan, the country's exports were largely limited to consumer goods, including fabrics, cotton yarn, silk, and related products. This pattern continued in subsequent years and can be explained by the relatively weak industrial base of Uzbekistan despite its abundance of natural resources. Furthermore, during the initial years of independence, entrepreneurial activity was still underdeveloped, while the formation of small and medium-sized enterprises progressed only gradually.

For various reasons, trade between Uzbekistan and Japan remained uneven until 2007, with imports consistently dominating bilateral trade flows. For example, total Uzbekistan–Japan trade amounted to US\$40.2 million in 1997, increased to US\$172.4 million in 1999, and then declined to US\$81.3 million by 2007. The data presented above demonstrate that although trade relations between the Republic of Uzbekistan and Japan remained stable, they did not exhibit a consistent growth trend during the period from 1997 to 2007. Moreover, in virtually all cases, imports from Japan significantly exceeded Uzbekistan's exports. An analysis of these trade dynamics helps to identify the principal factors underlying the current state of economic cooperation between Uzbekistan and Japan. Nevertheless, despite these objective and subjective circumstances, positive trends were clearly evident during the early stages of bilateral relations. In particular, the market-oriented economic reforms taking place in Uzbekistan generated considerable interest among Japanese business circles, representatives of major corporations, and investors seeking opportunities to conduct business in the country.

A clear indication of this interest was the establishment, during the first decade of Uzbekistan's independence, of 18 representative offices of Japanese companies, the registration of seven Uzbek–Japanese joint ventures, and three enterprises operating entirely with Japanese capital. Among the prominent Japanese companies that expressed interest in expanding their activities in Uzbekistan were Mitsui & Co., Ltd., Sumitomo Corporation, Mitsubishi Corporation, Marubeni Corporation, Chori Co., Ltd., Tomen Corporation, and ITS Japan Ltd., among others. These companies viewed Uzbekistan as a promising market and a strategic partner in Central Asia for trade, investment, and industrial cooperation. Japan's interest in the Uzbek market continued to grow steadily. This is evidenced by the visits to Uzbekistan of delegations from the Modernization Society, headed by former Minister of



Finance Tadao Chino, who made a significant contribution to the development of trade and economic cooperation between Japan and Uzbekistan in collaboration with the Export-Import Bank of Japan.

Business delegations representing major Japanese companies, including Mitsui & Co., Ltd., Marubeni Corporation, and others, also conducted working visits to Uzbekistan. In addition, a delegation led by Yuichiro Nagatomi, former Chairman of the Japan Research and Intelligence Foundation, examined the state and development of entrepreneurship in Uzbekistan, as well as the progress of the country's economic reforms. All of these activities contributed to the creation of a solid foundation for identifying, exploring, and subsequently developing promising areas of mutually beneficial Uzbekistan–Japan trade and economic cooperation. They also helped strengthen mutual understanding between governmental institutions, business communities, and investment circles of the two countries, thereby facilitating the expansion of long-term economic partnership.

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