



Attracting Investment in the mining industry of Uzbekistan in the context of critical minerals

Key Messages

- Natural resources are an important part of Uzbekistan's economy. Managing critical minerals effectively and avoiding a "green" resources curse requires strong institutions and sound policy.
- Credibility of reforms requires demonstrated outcomes beyond only legislation. Consistency across policy changes and the credibility of these reforms are important factors in attracting investment to produce higher value across critical minerals value chains.
- Uzbekistan should have positive differentiators for investment attraction vis-a-vis competing geologically endowed investment locations. Inward and outward institutional groundwork, as well as regional stability, are qualifying factors.

Introduction

Since 2017, Uzbekistan has experienced rapid economic and industrial growth across different industries by virtue of its institutional and economic reforms, averaging 6.2% annually.¹ Among the sectors expected to play an important role is mining and metallurgy, particularly in the context of increasing demand for critical raw materials (CRM). Historically, natural resources and the rents from their exports have been part of Uzbekistan's economic model. Driven by resource endowments, low rents, and demand from abroad, Uzbekistan has long exported gold, copper, gas, and cotton. However, more recently, the focus has shifted to critical minerals, which coincides with the country's institutional reform in mining. The shift is also driven in large part by the changes in the global po-

¹ UzDaily, "Uzbekistan's Industry Grows 1.5 Times in 2017-2024: IMRI Study," UzDaily.Uz, 2025, <https://www.uzdaily.uz/en/uzbekistans-industry-grows-15-times-in-2017-2024-imri-study/>

litical economy, especially the need for energy transition and digitalization.² For clean energy only, many critical minerals are projected to grow at double-digit rates over the next few years under the stated policy scenario.³

Critical raw materials are industrial materials, mostly metals, that are critical to the economic and national security of developed economies, including the US, Canada, the European Union, China, and Japan.⁴ As demand for these critical raw materials grows, Western economies have started to pursue diplomatic engagement abroad, including in Central Asia, to ensure supply continuity.⁵ This growing global demand presents a strategic opportunity for developing countries such as Uzbekistan to transform their resource endowments into long-term economic development and industrial upgrading through higher-value production. In this context, Uzbekistan launched an ambitious program for developing its

mining and metallurgical sector of such industrial metals and capitalize on the ‘CRM rush’ as a supplier nation. As a foundation, Uzbekistan’s subsoil is endowed with manganese, copper, tungsten, lead, zinc, and several rare-earth elements. Indeed, the endowment per se does not provide any value without a sound strategy and financial support across value chains. Recognizing these challenges, the government enacted a series of structural changes, including the creation of state-owned national champion UzTMK and a unified body for regulatory oversight. A recent report by Norton on the legal environment in the mining sector of Uzbekistan also confirms the regulatory changes aimed at attracting investment.⁶

Although critical minerals are set to play an important role in the global economy, changing the dynamics in resource-rich developing countries, capitalizing on this trend proves hard due to concerns with governance and institutional quality that are key to foreign investment. As scholars argue, the abundance of resources and the accruing windfall come with serious risks of a resource curse in the minerals sector.⁷ The resource curse refers to the failure to manage ‘sudden’

2026, <https://hagueresearch.org/critical-raw-materials-as-an-emerging-pillar-of-central-asias-geo-economic-centrality/>

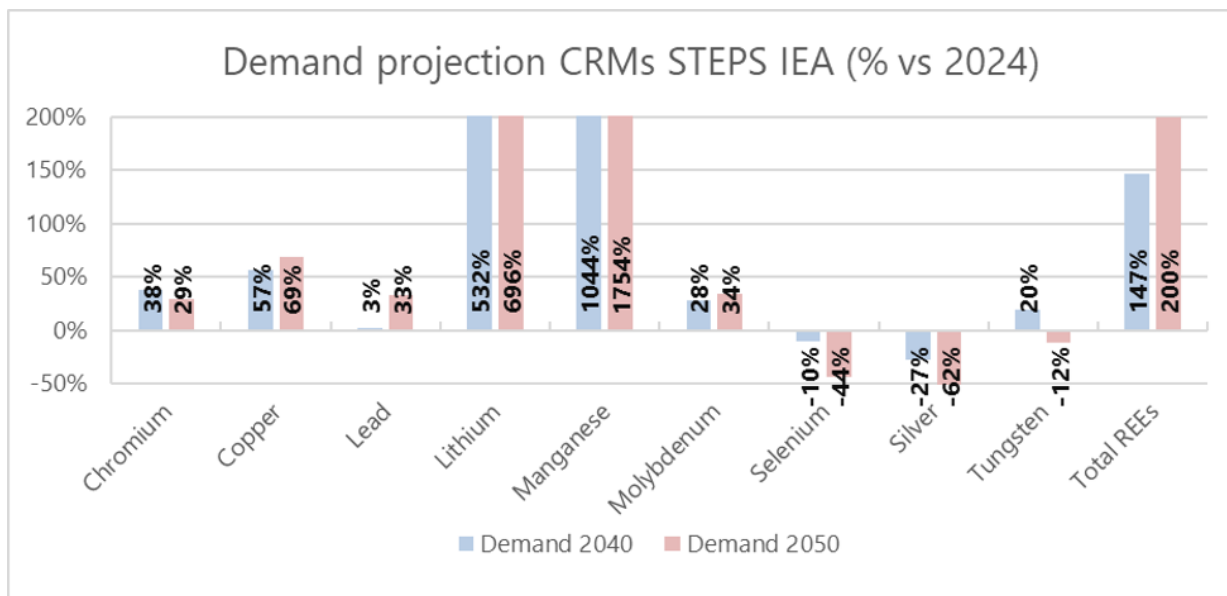
⁶ Daniel Metcalfe and Chris Down, “Mining in Uzbekistan: 10 Things to Know,” Norton Rose Fulbright, 2026, <https://www.nortonrosefulbright.com/en/knowledge/publications/37d8c5a1/mining-in-uzbekistan-ten-things->

² Bekzod Zakirov, “Role of Uzbekistan in the Rare Earth and Critical Minerals Economy,” CPRO Policy brief no. 11, Center for Policy Research and Outreach, 2025, <https://doi.org/10.70735/DEUF7298>

³ IEA, World Energy Outlook 2025, IEA, Paris, 2025, <https://www.iea.org/reports/world-energy-outlook-2025>, Licence: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A)

⁴ Sangita Gayatri Kannan et al., “Critical Materials and Manufacturing: Comparing China, the European Union, Japan, and the United States,” *Resources, Conservation & Recycling Advances* 25 (April 2025): 200250, <https://doi.org/10.1016/j.rcradv.2025.200250>

⁵ Iqboljon Qoraboyev, “Critical Raw Materials as an Emerging Pillar of Central Asia’s Geoeconomic Centrality,” *The Hague Research Institute for Eastern Europe, the South Caucasus & Central Asia*, n.d., accessed June 8,



Source: IEA Critical Minerals Dataset (May 2025). Author's selection of CRMs and visualization of percentage demand increase.

natural resource wealth due to poor institutions, corruption and lack of export diversification. The cases of countries that get their wealth from the hydrocarbon sector show the importance of strong institutions and legislation to avoid the resource curse.⁸ In addition to these factors, developing countries with mineral resources now need institutional quality, investor confidence, and policy consistency to attract foreign investment and technology transfer.

This policy brief aims to examine the factors constraining foreign investment in Uzbekistan's mining sector with regard to critical minerals by analyzing the historical legacy and recent changes in the sector.

⁷ Rabah Arezki et al., "The New Resource Curse," *Foreign Affairs*, April 30, 2026, <https://www.foreignaffairs.com/united-states/new-resource-curse>

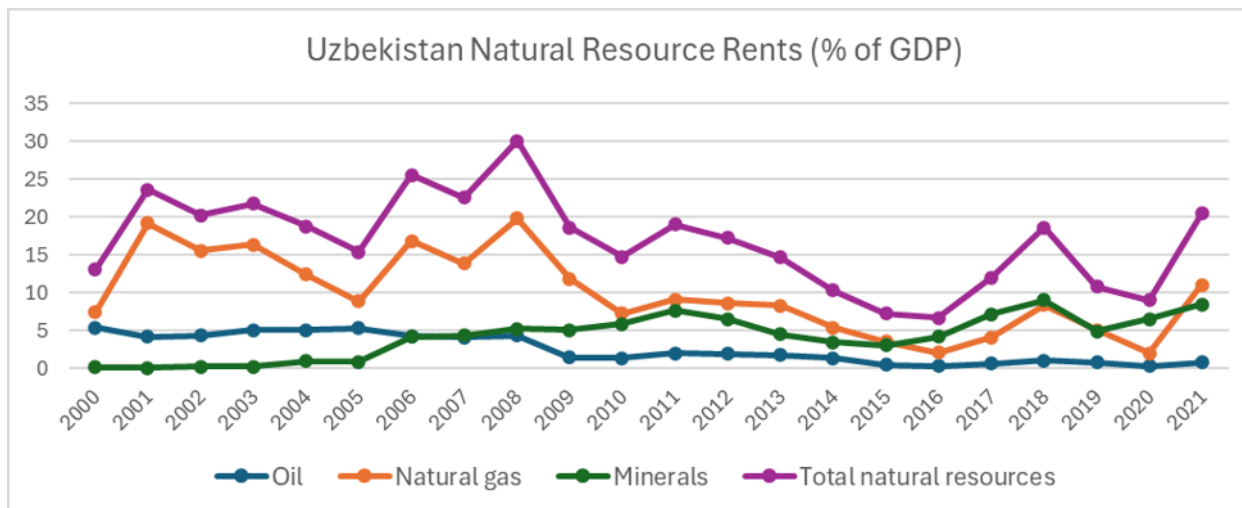
⁸ Rabah Arezki et al., *Commodity Price Volatility and Inclusive Growth in Low-Income Countries* (International Monetary Fund, 2012), <https://www.elibrary.imf.org/display/book/9781616353797/9781616353797.xml>.

Based on in-depth qualitative interviews with international investors, development finance officials, legal experts, and industry insiders active in Uzbekistan's mining and investment landscape, this brief argues that, although institutional reforms have improved the investment environment, internal and external concerns continue to influence investment decisions.

Natural resources policy in Old and New Uzbekistan

Natural resource rents are an important part of Uzbekistan's economy. Historically, Uzbekistan has exported gold, natural gas, cotton, and other agricultural commodities, which have been the backbone of Uzbekistan's economic model, particularly under Karimov.⁹ The windfall

⁹ Bahodir Ganiev and Yuliy Yusupov, "Uzbekistan: Trade Regime and Recent Trade Developments," *Institute of Public Policy and Administration (IPPA) Working Paper No. 4* (2012), <https://doi.org/10.2139/ssrn.3807874>.



Source: World Bank Data on Uzbekistan (2026). Author's selection of Natural Resources

from such exports was used to finance domestic industrial policy.¹⁰ The protected domestic industry is an example of import-substituting industrialization. This historical dependence provided both opportunity and risks for the government: while they generated export revenue and fiscal resources for the country, excessive reliance on them for export discouraged economic liberalization and diversification, making the country economically mostly autarkic for decades.¹¹

Also, Uzbekistan's natural resource policy has historically been shaped by state control rather than market allocation. As Uzbekistan kept state control, proper institutions and legislation relevant to the mining sector were underdeveloped and not tailored to a market economy. Under the 2002 subsoil law, mining rights were granted via licenses

through tenders or negotiations. In this context, the two giant state mining companies, the NGMK and AGMK practically dominated the mining industry. Mining rights and access extension procedures were opaque and lacked transparency, in contrast to today's electronic platform for bidding for licenses, following a new legislation approved in March 2022.¹²

The transition to President Mirziyoyev in 2016 marked a structural shift in natural resource policy. Mirziyoyev inherited an economic structure premised on gradualism and state control but quickly initiated major economic reforms. Prominently, in September 2017, Mirziyoyev liberalized the foreign exchange regime, which laid the foundation for the new liberal, but managed economic model.¹³ Further, in 2019, the Law on Investments and Investment Activity was

¹⁰ Kobil Ruziev, "Uzbekistan's Development Experiment: An Assessment of Karimov's Economic Legacy," *Europe-Asia Studies* 73, no. 7 (2021): 1303–29, <https://doi.org/10.1080/09668136.2021.1919602>

¹¹ Pamela Blackmon, "After Karimov and Nazarbayev: change in Uzbekistan and Kazakhstan?" *Central Asian Survey*, 40(2), 179–196 (2020). <https://doi.org/10.1080/02634937.2020.1837073>

¹² Dentons-Eldor Mannopov et al., "Spotlight: Mining Law in Uzbekistan," Lexology, October 12, 2022, <https://www.lexology.com/library/detail.aspx?g=4abbaab2-6afe-4def-bd9b-08eb888e48a7>

¹³ Kobil Ruziev, "Uzbekistan's Development Experiment: An Assessment of Karimov's Economic Legacy," *Europe-Asia Studies* 73, no. 7 (2021): 1303–29, <https://doi.org/10.1080/09668136.2021.1919602>

passed to strengthen the legal foundation for foreign investment. Regardless of Uzbekistan's shift to a new economic model, natural resources remain important to its economy, especially amid recent global changes.¹⁴ Recognizing the surge in demand for critical minerals as an opportunity, the government started to liberalize the mining sector to capture the resource rent. This includes the adoption of the Subsoil Use Act in 2024, relevant to mining and metallurgical activities, and the restructuring of the Ministry of Mining Industry and Geology.¹⁵ While the law on investment promises an equal playing field for foreign investors, improving the “ease of doing business”, subsoil law aims to break a state dominance in the mining sector and lure the foreign investment with less regulatory barriers. For instance, over the few years, as a practical step, the international investors were allowed to access more than 31 mineral deposits through the “E-auksion” system that the law introduced.¹⁶

In addition to the legal and policy changes, the government launched a \$2.6 billion three-year national program in 2025 to develop 76 mineral projects

¹⁴ Nazerke Mukhamediya and Dana Ubaidolla, “Risk and Reward in Central Asia’s Critical Raw Materials Boom,” *The Diplomat*, n.d., accessed June 8, 2026, <https://thedi diplomat.com/2025/05/risk-and-reward-in-central-asias-critical-raw-materials-boom>

¹⁵ Ministry of Mining Industry and Geology, “The Law ‘On Subsoil’ Was Adopted,” The Government Portal of the Republic of Uzbekistan, 2024, <https://gov.uz/en/mingeo/news/view/26149>

¹⁶ Catherine Putz, “Gold Plot Auction Heightens Focus on Chinese Investments in Uzbekistan,” *The Diplomat*, 2025, <https://thedi diplomat.com/2025/03/gold-plot-auction-heightens-focus-on-chinese-investments-in-uzbekistan/>

across the value chain.¹⁷ The idea is to financially support the “mine-to-metal-to-market” strategy, which aims to develop high-value production in the country through active government involvement as an enabler. An important part of this strategy is the creation of UzTMK in 2024 as a vehicle to move from raw extraction to value-added processing. Succinctly put, UzTMK became the new national champion in implementing the government's critical minerals strategy. UzTMK oversees exploration and processing for 25 types of minerals, including lithium, rare earths, tungsten, and graphite.¹⁸

Although Uzbekistan recognizes the economic potential of its resources, capitalizing on them requires strong institutions, both outward and inward, as they make the difference between a resource curse and resource blessing.¹⁹ Inward institutions that focus on managing natural resources are about *ex post* equitably distributing the rents derived from the resources. Outward institutions are on *ex ante* allotting subsoil for exploration and mining activity and on attracting and sustaining partnerships to develop the industry. Thus, the policy question that remains

¹⁷ Gazeta.uz, “Uzbekistan to Implement \$2.6 Billion Projects for Rare Metals Extraction and Processing – News from Uzbekistan – Gazeta,” Gazeta uz, 2025, <https://www.gazeta.uz/en/2025/03/10/rare-metals/>

¹⁸ “Uzbekistan’s Critical Metals Ambition: The Role of TMK,” UzTMK, 2025, <https://uztmk.uz/article/uzbekistans-critical-metals-ambition-the-role-of-tmk>

¹⁹ Rabah Arezki and Frederick van der Ploeg, “Escaping the Critical Minerals Curse,” *Policy Insight 147*, October 15, 2025, <https://cepr.org/publications/policy-insight-147-escaping-critical-minerals-curse>

whether these reforms have produced an institutional environment sufficiently credible and stable to attract the long-term foreign investment the strategy requires.

The analysis of investment in critical minerals in Uzbekistan: insights from interviews

Below, we present our findings on how the recent changes have or have not translated into concrete actions in terms of increased investment activities, based on the interviews we conducted. Interviewees broadly acknowledged that Uzbekistan has made important progress in improving what we call outward institutions, including legal and regulatory changes for attracting foreign investment. Some findings from the interviews were broadly supported across interviewees, while others were mentioned by a single interviewee and corroborated by the broader context and existing literature. Broadly, the following three themes were recurring throughout the discussions.

Firstly, reforms are driven by the demand of institutional investors, yet specific legal or tax arrangements are still made on a project-specific basis. This suggests that, despite institutional reforms, investors still require some safeguards for their investments beyond existing legislation. Various institutional challenges hold back further investment and cast doubt on its safety. Among them are the

limited scope for initiating international arbitration in cases of far-reaching disputes and Uzbekistan's non-participation in the WTO or EITI.

Secondly, Uzbekistan lacks a success story in the mining industry to prove its credibility. Credibility is difficult to build up, as it does not come from institutional reforms alone. The expropriations of the distant past still cast a shadow, including the cases involving foreign investors in mining. The more recent Kumtor mine expropriation in Kyrgyzstan also has a spillover effect in the region.

Thirdly, mining is a worldwide industry. Geological endowment is an important factor in investment destinations. Yet, beyond that, different jurisdictions compete for international investment. Thus, to attract investment, Uzbekistan needs to stand out to investors in some way. 'Positive differentiation' is a term that captures this concept, in which the investment requires a competitive proposition. Competitiveness as an investment location depends on a wide array of factors, including financial, institutional, regional, and practical factors. These three threads structure a deeper discussion of the internal and external factors that follow.

Institutional context. Besides industry-specific factors, such as geological endowment and economic factors, the institutional environment is also an important factor in attracting foreign investment. The institutional environment comprises

operating in a country. It accounts for legal, political, economic, and social dimensions. An important part of the institutional environment is the regulatory environment and the rule of law, the latter being the contrary of rather informal practices in business conduct. The quality of regulations and the credibility of restrictions on government power are important for businesses, let alone foreign businesses, to operate in a jurisdiction such as Uzbekistan.²⁰ The security of assets or rents deriving from assets not being expropriated is important to investors.

Illustrating the relevance of this point, Uzbekistan scored 0.50 out of 1.0 in the 2025 WJP Rule of Law Index, placing 81st out of 143 countries, but it has some significant weaknesses.²¹ Uzbekistan ranked 114th in constraints on government powers (0.37) and 120th in government transparency, while performing strongly in order and security. As discussed above, Uzbekistan has undergone institutional reforms since 2017, including the 2019 Investment Law and the 2024 Subsoil Law. These legal changes provide the groundwork for international investments.

However, they are still overshadowed by credibility issues following incidents in the past. During Karimov's presidency, several legal proceedings regard-

²⁰ Henisz, W. J, "The institutional environment for economic growth." *Economics and Politics*, 12(1), 1–31, (2000). <https://doi.org/10.1111/1468-0343.00066>

²¹ WJP Rule of Law Index, (2026), <https://worldjusticeproject.org/rule-of-law-index/global/2025>

ing expropriation allegations were held against the state of Uzbekistan by foreign investors. The examples include Oxus Gold and Metal-Tech Ltd. More recently, in 2021, Centerra's stake in the Kumtor Gold mine was expropriated in Kyrgyzstan.²² Such incidents - whether in a different context than the current Uzbek context - deter investments that require long-term commitment. Thus, along with legislative reforms, Uzbekistan must signal the credibility thereof in a competitive worldwide industry.

Currently, grievances related to regulations can be resolved through direct negotiations with the Uzbek government or the executive office. However, this channel is only available for large enterprises and investors. Leaving the 'normal' legislative framework with limited investor protection and rights deters smaller enterprises and investors from investing in Uzbekistan. The effect is not only direct, in the sense that smaller enterprises may not invest in Uzbekistan. In line with the recent OECD report on CRM in Central Asia, leaving some investor protection arrangements up for negotiations rather than embedding them in legislation risks amplifying perceptions of corruption and governance (transparency) shortcomings.²³ Taken together, in a worldwide

²² Cecilia Jamasmie, "Centerra Gold Hands Kumtor Mine to Kyrgyzst," *Mining.com*, 2022, <https://www.mining.com/centerra-gold-hands-kumtor-mine-to-kyrgyzstan-ending-dispute/>.

²³ OECD, *Advancing Security and Transparency for the Governance of Critical Raw Materials in Central Asia* (OECD Publishing, 2026), <https://www.oecd.org/en/publications/advancing-security-and-transparency-for-the-governance-of-critical-raw-materials-in-central->

competitive industry, it is hard for Uzbekistan to attract foreign investment in its mining sector without visible positive differentiators vis-à-vis other investment destinations and a poor historical track record.

Impact of regional factors on foreign investment. Beyond institutional and economic conditions, the regional environment is another important factor that heavily influences foreign investment. Its importance follows directly from the kind of investment Uzbekistan aims to attract. As mentioned, the country rightly aims to move beyond mineral extraction and develop capabilities across value chains. This ambition is well-grounded. The risk of stopping at raw ore export is well-theorized: the energy transition risks reproducing a “green resource curse,” leaving resource-rich states to bear the (environmental and social) costs of extraction while exporting low-value ores, with the decisive arena being the midstream - smelting, refining, and separation - where actual value is created.²⁴ Capturing those rents at home, however, requires technological upgrading and therefore requires foreign investment with a long-term horizon. It is precisely this long-term horizon that makes regional stability very decisive.

Localizing value-added production in critical minerals would direct a greater share of resource rents to Uzbekistan’s

²⁴ Braunstein, J., & Chuchko, M., “Resource curse in the age of critical minerals: Geopolitical forces and market maturity”. *Energy Research & Social Science*, 127, 104247. (2025) <https://doi.org/10.1016/j.erss.2025.104247>

economy. However, it doesn’t come without effort, as deeper anchoring into the global supply chain requires stability and resources. To align the interests of Uzbekistan - to develop a midstream-industry alongside the mining industry - and those of foreign investors - financial rents, continuity and secure offtake -, stability and practical factors are important. Regional stability is important for an industry with a long-term investment nature. The attraction of foreign investment is not only related to domestic political stability, but also to regional stability.²⁵ Therefore, industrial development policy cannot be evaluated apart from regional issues such as water-sharing arrangements during periods of shortage, regional security, and cooperation.

For instance, regional water sharing and security issues are critical considerations for foreign investors.²⁶ The two issues are inextricably linked, considering over 80% of Uzbekistan’s water resources come from other countries, mainly Tajikistan and Kyrgyzstan. Water management is a prominent example of a transboundary issue, where increasing requirements for industrial development require increasing regional cooperation between

²⁵ Busse, M., & Hefeker, C. “Political risk, institutions and foreign direct investment”. *European Journal of Political Economy*, 23(2), 397–415. (2006), <https://doi.org/10.1016/j.ejpoleco.2006.02.003>

²⁶ Ali Walid and Kang Utchang, “Climate, Land and Security Risks Go Hand-in-Hand in Central Asia,” UNDP, 2025, <https://www.undp.org/eurasia/blog/climate-land-and-security-risks-central-asia>; Vlad Paddock and Sobir Kurbanov, *Central Asia’s Next Growth Story Runs on Water It Does Not Have*, 2025, <https://thediplomat.com/2026/04/central-asias-next-growth-story-runs-on-water-it-does-not-have/>.

downstream and upstream countries. Considering the long-term nature of mining investments, and the water requirements for mining operations, this issue is crucial to investors.²⁷

Policy implications and future pathways

Attracting foreign investments for industrial and economic development, in line with Uzbekistan's national strategy is multifaceted and complex task. As the preceding discussion has shown, no single reform secures it. Investors weigh institutional quality, credibility of these institutions over time, a distinctively competitive jurisdiction and the stability of the wider region. Improving Uzbekistan's strategy, therefore, calls for an approach that holds its own developmental interest and an investor's viewpoint. The recommendations below set out improvement opportunities that lie within the control of the Uzbek government.

The first imperative is to manage the resource curse in its full sense. The "resource curse" doesn't refer only to limited institutional development, mismanagement, and corruption of natural resources. It also encompasses overreliance on certain commodity exports. This can create overdependency, exposure to boom-bust cycles with adverse effects, currency overvaluation, which causes

²⁷ Lakshman, S. "More critical minerals mining could strain water supplies in stressed regions". World Resources Institute, (2024). <https://www.wri.org/insights/critical-minerals-mining-water-impacts>

other domestic industries to lose competitiveness (the Dutch Disease) and other challenges. To limit exposure to shocks or commodity price cycles, it is important not to become too dependent on a single export commodity or a single partner.

This diversification points to a second recommendation: treating CRM mining as a politicized industry. In line with the multi-vector policy, Uzbekistan should seek to attract partners from diverse geographies to invest in and take off CRMs. In order to do so, Uzbekistan should tailor its mining sector projects and align with international standards such as those from the EITI and WTO, similarly mentioned in the previous policy brief. Such standards also improve transparency, a key driver in preventing mismanagement or corruption of natural resource rents. This matters particularly for the investors Uzbekistan wants to attract. Investors from Western nations, for example, the United Kingdom, Canada, or Australia, operate in jurisdictions that adhere to international governance standards.

A third recommendation concerns credibility, which formal reform alone cannot deliver. Formal reform of investment and subsoil regulations is necessary, but they are still overshadowed by past and regional incidents. Diplomatic engagement on a high-level de-risks long-term investments for foreign investors, but not exhaustively, as politics have a changeable nature. Besides financial success stories such as NGMK's Eurobonds and the LSE listing of UzNIF, policy con-

sistency and proactive, intrinsically driven reforms signal credibility.²⁸ Outcomes, the final factor to signal credibility, simply requires time. At the same time, attracting foreign investments in industries with a global character requires positive differentiators regarding its investment attractiveness. Institutional groundworks make Uzbekistan a viable investment location. Distinctiveness, however, requires a competitive financial proposition, dependent on economic parameters and financial policies such as fiscal policy and rent repatriation terms.

Lastly, investment decisions are made using a wide array of considerations. Thus, industrial policy cannot be seen apart from other policies. It must be aligned holistically with considerations of regional (water and security) issue resolution and further market liberalization policies. If substantial issues such as water scarcity and regional stability are left unaddressed at the broader policy level, Uzbekistan risks signaling ambiguity or irresolution, not only to the detriment of attracting foreign investment but also to the larger ambition to capture value-additive parts of the CRM supply chain.

Disclaimer

The study's findings, interpretations, views, conclusions, and recommendations, as contained in this publication, reflect the authors' and do not necessarily reflect the official opinion of WIUT or CPRO.

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²⁸ Expert interviews