



ECONOMIC ANALYSIS OF ATTRACTING FOREIGN INVESTMENTS TO THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

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This article analyzes the economic importance of attracting foreign investment to the Republic of Uzbekistan, the current state of investment processes, and their impact on the country's economic development. Foreign investment is an important factor in attracting additional financial resources to the economy, creating new jobs, introducing modern technologies, improving production efficiency, and expanding export potential. According to the World Bank, the net inflow of foreign direct investment into Uzbekistan amounted to 2.5% of GDP in 2024. The article examines the investment climate, government incentives, private sector development, investor protection, and the impact of infrastructure and institutional reforms on foreign capital inflows. In addition, proposals are developed to diversify investments across regions and sectors of the economy and to improve their efficiency.

KEYWORDS: Foreign Investment, Foreign Direct Investment, Investment Climate, Economic Development, Investment Policy, Capital, Investor, Private Sector, Exports, Innovation, Technology, Economic Growth.

INTRODUCTION

Investments play an important role in ensuring the sustainable economic development of the country in a market economy. Especially for developing countries, foreign investments are one of the important sources of replenishment of domestic financial resources, modernization of production and expansion of international economic relations. In the process of modernization of the economy of Uzbekistan and acceleration of structural changes, special attention is paid to attracting foreign capital. The country is carrying out reforms to develop the private sector, protect the rights of investors, improve the business environment and improve the mechanisms for implementing investment projects. The World Bank also noted the need to strengthen investor protection guarantees in Uzbekistan, improve services for investors and reform the business environment aimed at attracting foreign and domestic investments.

The relevance of the issue of attracting foreign investment is that the inflow of capital into the country's economy not only increases the volume of financial resources, but also brings new technologies, management experience, and connections with international markets.

MAIN PART

Foreign investment is the investment of capital by foreign countries, companies, financial institutions or private investors into the economy of another country. They can be made in the

form of direct investments, portfolio investments, loans from international financial institutions and other forms. The peculiarity of foreign direct investment is that the investor not only invests capital, but also receives a long-term economic interest in the activities of the enterprise.

Foreign investments for Uzbekistan, first of all, allow for the development of the real sector of the economy, the creation of new production capacities and the modernization of existing enterprises. With the capital of foreign investors, modern equipment can be purchased, new production technologies can be introduced, and labor productivity can be increased. As a result, the competitiveness of local enterprises will increase.

Another important advantage of foreign investment is the creation of new jobs. The implementation of large investment projects creates demand for new jobs in manufacturing, services, logistics, construction and other sectors. In addition, cooperation with foreign companies serves to improve the modern knowledge and skills of local specialists. Also, prioritizing export-oriented projects when attracting investments increases economic efficiency. Exporting enterprises increase foreign exchange earnings, increase the country's foreign trade potential and accelerate its integration into international markets. The use of international trade networks and logistics capabilities by foreign investors also helps local products enter new markets.

From this point of view, the main focus of Uzbekistan's foreign investment policy should be on increasing the volume of investment, as well as on improving its quality. That is, it is advisable to support projects that introduce new technologies, create highly qualified jobs, expand exports, develop cooperation with local manufacturers, and are environmentally sustainable. In the economic analysis of the process of attracting foreign investment in Uzbekistan, in addition to the volume of investments, their composition, direction, territorial distribution, and the effect they bring to the economy are also important. In recent years, a significant increase in investment activity has been observed in the country. According to official data, the total volume of investments made in Uzbekistan in 2025 reached 43.1 billion US dollars, which is 24% more than in 2024. Of these funds, \$38.2 billion came from foreign direct investment, and \$4.9 billion came from funds from international financial institutions.

These indicators indicate that Uzbekistan is becoming an increasingly important investment destination for international investors. The country's geographical location, large domestic market, natural and labor resources, economic ties with Central Asian countries, and opportunities for the development of manufacturing and service sectors are important factors. At the same time, the increase in investment volumes is contributing to the expansion of production capacities in the country's economy, the establishment of new enterprises and the development of existing ones.

The country's natural resources remain one of the most important advantages in attracting foreign investment. Uzbekistan's potential in the energy, mining and metallurgical sectors increases the interest of international investors. At the same time, in the future, it is necessary to focus investment policy not only on the development of raw materials, but also on deep processing and the creation of high added value. For example, the production of finished or semi-finished products from them can bring higher income to the economy than exporting natural resources.

Diversifying investments across sectors of the economy is one of the key challenges for Uzbekistan. Along with industry,

increasing investments in agriculture, food industry, pharmaceuticals, textiles, tourism, transport and logistics, information technologies, telecommunications, finance and renewable energy will increase the stability of the economy. The World Bank also notes that investment and development projects in Uzbekistan cover energy, transport, agriculture, water resources, infrastructure, healthcare and many other sectors. Attracting foreign investment in renewable energy is of particular strategic importance. The development of solar and wind energy will help diversify the country's energy supply, increase the efficiency of energy production and ensure long-term environmental sustainability. The presence of renewable energy and energy storage projects in the private sector portfolio of the World Bank Group in Uzbekistan also indicates the investment potential of this area.

Investments in the main activity are one of the important economic factors in the structural modernization of the economy of Uzbekistan, expansion of production capacities and effective use of the investment potential of the regions. Investments in the main activity serve to create new production facilities, expand and technologically upgrade existing enterprises, develop transport and energy infrastructure, and increase production efficiency by injecting capital into the real sector of the economy. In this regard, this indicator can be considered an important statistical indicator that reflects not only the quantitative, but also the economic content of investment activity in the country.

In recent years, the liberalization of investment policy in Uzbekistan, the improvement of institutional conditions for foreign investors, the expansion of mechanisms for supporting investment projects, and the development of public-private partnership practices have created the basis for an increase in the volume of investments in fixed capital. In particular, the implementation of large investment projects in the energy, industry, transport, construction, agriculture, telecommunications, and services sectors is strengthening the structural role of investments in the country's economy. This can be seen from the following analytical data (Figure 1).

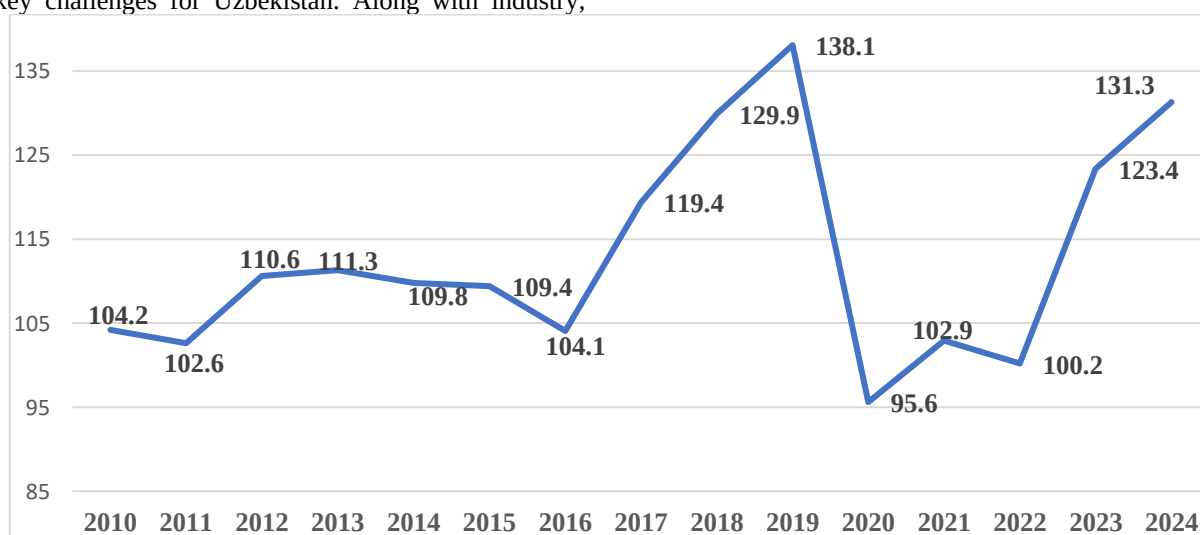


Figure 1. Growth rate of fixed capital investments in Uzbekistan (annual), %¹

¹ Author's development based on information from the official website www.stat.uz.

From the table above, the annual growth rate of fixed capital investments in Uzbekistan developed with significant fluctuations in 2010–2024. At the beginning of this period, investment activity was relatively stable, and in 2010 the growth rate of fixed capital investments was 104.2%, in 2011 **102.6%****. In 2012–2013, this indicator reached 110.6% and **111.3%****, respectively, indicating an acceleration of investment processes. In 2014–2016, a decrease in the growth rate was observed from 109.8% to 104.1%.

Since 2017, a new stage has been formed in the growth of fixed capital investments. In particular, the growth rate in 2017 was 119.4%, in 2018 it was 129.9%, and in 2019 **138.1%****. Thus, between 2016 and 2019, this indicator increased by 34.0 percentage points. In particular, the indicator of 138.1% in 2019

was the highest result in the analyzed period, reflecting a significant increase in investment activity in the country.

Starting from 2023, a significant acceleration in the growth of investments in fixed capital has been noted. In 2023, the growth rate was 123.4%, and in 2024 - 131.3%. Thus, in 2024 this indicator increased by 7.9 percentage points compared to 2023. This indicates that investment processes in the country are not only recovering, but also entering a new phase of investment activity.

In order for these figures to be reflected in the development of the economy, we need to analyze their impact on GDP. The share of investments in fixed capital in GDP has shown various changes during the observed period (Figure 2).

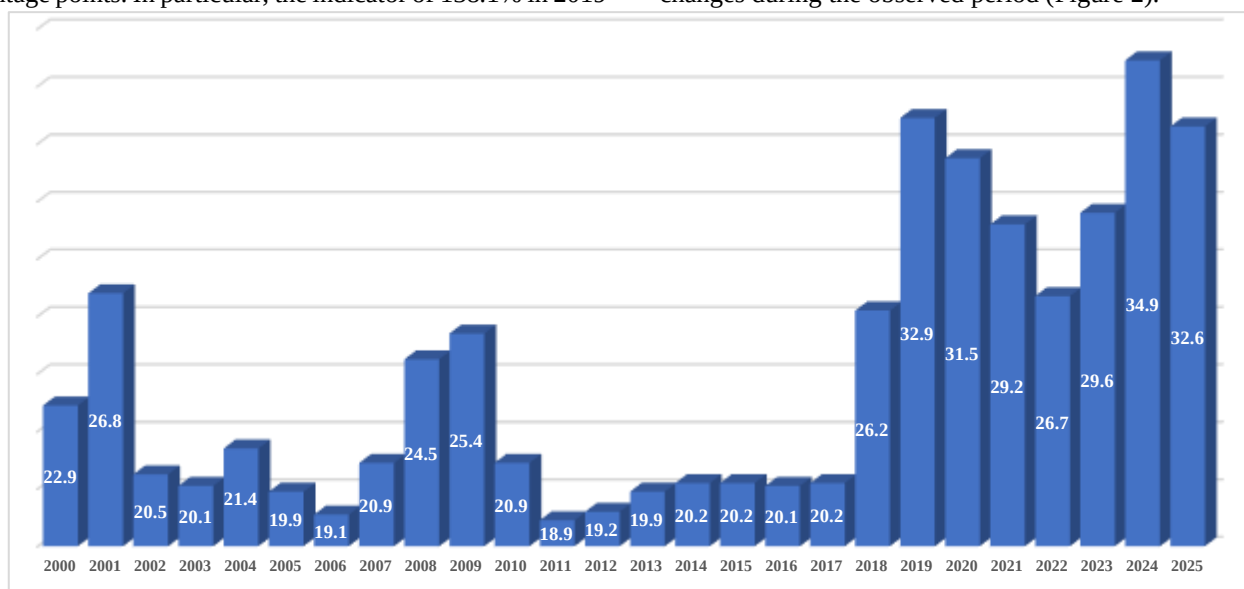


Figure 2. Share of investments in fixed capital in Uzbekistan in GDP, %²

From this graphic data, we can see that this indicator fluctuated significantly between 2000 and 2010. In 2000, the share of investments in fixed capital in GDP was **22.9%****, and in 2001 it increased to **26.8%****. In subsequent years, this indicator decreased, and in 2002–2003 it was 20.5% and **20.1%****, respectively. In 2008–2009, the share of investments in GDP increased to 24.5% and **25.4%****.

In 2020–2022, a downward trend in this indicator was observed: in 2020 it was 31.5%, in 2021 it was 29.2%, and in 2022 it was **26.7%****. After that, the share of investments in GDP increased again, reaching 29.6% in 2023 and **34.9%**** in 2024. According to official statistics, the 34.9% indicator in 2024 was one of the highest levels in the observed period, indicating a significant increase in investment activity.

If we also take into account the indicator of 32.6% for 2025, the share of investments in GDP in 2025 decreased by 2.3 percentage points compared to 2024. However, this decrease does not mean a sharp decrease in investment activity; on the contrary, the fact that the indicator remains above 30% indicates the high macroeconomic importance of investments in the Uzbek economy.

In general, the share of investments in fixed assets in GDP changed from 22.9% to 32.6% during the period 2000–2025. In particular, the relative weight of investments in the economy has increased significantly since 2018. The increase from **20.2%**** in 2017 to **34.9%**** in 2024 indicates an expansion of the share of investments in GDP by 14.7 percentage points. This indicates an increase in the role of investments in the processes of modernization of the economy, creation of new production capacities and development of infrastructure in Uzbekistan. At the same time, the decrease in the indicator to 32.6% in 2025 indicates a certain level of correction in the share of investments in GDP.

In Uzbekistan, the share of investments in fixed capital in gross domestic product is one of the important macroeconomic indicators when assessing the importance of investment processes in the economy. This indicator expresses the relative scale of investment activity in the economy and describes what part of the economic value created in the country is directed to the expansion of production and fixed capital.

Cooperation with international financial institutions is also of great importance in attracting foreign investment in Uzbekistan. Organizations such as the World Bank, the International

² Author's development based on information from the official website www.stat.uz.

Finance Corporation, the European Bank for Reconstruction and Development, and the Asian Development Bank are financing projects aimed at developing infrastructure, energy, the private sector, and the financial system in the country. For example, the World Bank's program for Uzbekistan as of 2026 includes 27 projects with net commitments of \$5.6 billion. IFC's current portfolio in the country is \$1 billion, covering areas such as renewable energy, retail, food production, packaging, small and medium-sized businesses, and housing finance.

The development of public-private partnership mechanisms is also an important factor in attracting foreign investment. In conditions where the state is limited in its ability to fully finance all infrastructure projects, attracting private capital will allow for the faster implementation of new projects. Projects in the energy, transport, water supply, medicine, education, and municipal services can be implemented on the basis of public-private partnerships. Such projects, while increasing the efficiency of using public funds, create conditions for using the managerial and technological capabilities of the private sector.

Another important area of improvement in the investment climate is privatization and the development of capital markets. The gradual transfer of enterprises with a high state share to the private sector, improving corporate governance, and developing capital markets will create new opportunities for foreign investors. Such a process can serve to increase the efficiency of state-owned enterprises, strengthen competition, and expand the role of private capital in the economy.

Regional investment policy is also of particular importance. The regions of Uzbekistan differ from each other in terms of natural resources, labor potential, infrastructure and market opportunities. Therefore, it is necessary to take into account the specific investment opportunities of each region. For example, some regions have favorable conditions for agriculture and the food industry, while others have favorable conditions for tourism, logistics, energy or light industry. The development of regional investment strategies will contribute to a more balanced distribution of capital across the country.

Effective territorial distribution of investments also serves to create new jobs and increase the income of the population. New enterprises with foreign capital participation increase the demand for labor. At the same time, high qualifications are required from employees working in modern production enterprises. As a result, there is a need to develop vocational education, retraining and advanced training systems. Thus, foreign investments also indirectly affect the development of human capital.

Macroeconomic stability in the country is also important for a foreign investor. The level of inflation, exchange rate stability, tax policy, the development of the banking system, and foreign trade conditions affect the long-term decisions of the investor. Therefore, it is necessary to harmonize investment policy with macroeconomic policy. Along with creating favorable conditions for investors, the state must also ensure financial and economic stability.

Taking into account environmental factors when assessing the effectiveness of investments is one of the important requirements of the modern economy. Projects with a high negative impact on the environment may bring economic benefits in the short term, but in the long term there is a possibility of increasing environmental and social costs. Therefore, it is advisable to increase the share of energy-efficient, resource-efficient and environmentally friendly projects among the investments attracted to Uzbekistan.

The digital economy is also one of the promising areas for foreign investment. The development of information technologies, e-commerce, software, data processing centers and digital financial services is forming new types of investment projects. By attracting foreign capital to these areas, it is possible to accelerate Uzbekistan's integration into international technological chains. For this, it is necessary to develop digital infrastructure, qualified IT specialists and a modern legal framework.

Developing the country's international transport and logistics capabilities is also important in attracting foreign investment. Since Uzbekistan is a country without direct access to seaports, transport costs can affect investors' decisions. Therefore, the development of railways, highways, logistics centers and border infrastructure will create more favorable conditions for export-oriented foreign investment.

In addition, increasing the level of localization of investment projects enhances economic efficiency. If a foreign enterprise imports only finished products or components and carries out only assembly operations in the country, the value added to the local economy may be relatively limited. In contrast, projects that make extensive use of local raw materials, local suppliers, and local experts have a greater multiplier effect on the economy.

From this point of view, the strategic task for Uzbekistan should be not just to increase foreign investment, but to attract quality investment. Quality investment refers to investment projects that introduce new technologies, create high-productivity jobs, increase exports, cooperate with local producers, develop human capital, and meet environmental requirements.

Transparency of information for investors is also important in the process of attracting investments. Providing information on investment projects, available incentives, land and infrastructure opportunities, legislative requirements, and business registration procedures on a single digital platform creates convenience for investors. This helps reduce bureaucratic processes and speed up investment decisions.

In general, Uzbekistan's investment policy should gradually move from quantitative to qualitative indicators. The fact that the total volume of investments in 2025 reached \$ 43.1 billion, and a significant part of it was formed due to foreign direct investment, indicates that investment processes in the country are expanding. However, at the next stage, the main attention should be paid to assessing what added value this capital brings to the economy, how many new jobs it creates, how much it increases exports, and what impact it has on technological development.

Thus, foreign investment is an important financial and technological resource for the long-term development of the Uzbek economy. The stability of the investment environment, the strength of legal guarantees, the development of infrastructure, the availability of qualified personnel, the openness of markets and the effective functioning of public-private partnership mechanisms remain the main factors determining the attractiveness of the country for foreign investors.

CONCLUSION

Attracting foreign investment to the Republic of Uzbekistan is important for accelerating the country's economic growth, modernizing production, creating new jobs, and expanding international economic ties. Foreign capital brings modern technologies, advanced management experience, and new market opportunities to the country.

Analysis shows that reforms being implemented in Uzbekistan to improve the investment climate are expanding opportunities for foreign and domestic investors. However, to further increase investment flows, it is necessary to strengthen legal guarantees, increase transparency in public administration, develop infrastructure, and effectively use the investment potential of the regions.

In the future, it is advisable to direct foreign investments to sectors that create high added value, encourage innovative and export-oriented projects, expand public-private partnerships, and develop digital services for investors. Also, when assessing the economic efficiency of investment projects, special attention should be paid to indicators such as job creation, exports, technology transfer, and the level of localization.

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