



PROSPECTS FOR ENHANCING UZBEKISTAN'S INVESTMENT ATTRACTIVENESS IN ATTRACTING FOREIGN INVESTMENTS TO THE ECONOMY

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Abstract

This article examines the prospects for enhancing Uzbekistan's investment attractiveness in attracting foreign investments into the national economy. The study analyzes the role of foreign direct investments in ensuring sustainable economic growth, industrial modernization, technological development, and export expansion. In addition, the current investment climate in Uzbekistan, institutional reforms, free economic zones, infrastructure development, and digital transformation processes are investigated. The research also identifies the main factors influencing investment attractiveness and evaluates existing challenges limiting foreign capital inflows. Based on international experience and national economic priorities, scientific conclusions and practical recommendations aimed at improving the investment environment and increasing foreign investment inflows into Uzbekistan have been developed.

Keywords: Foreign investments, investment attractiveness, foreign direct investment, investment climate, economic growth, institutional reforms, free economic zones, digital economy, infrastructure development, economic modernization, innovation policy, export potential.

Introduction

In the context of accelerating globalization processes and intensifying international competition for capital, increasing investment attractiveness has become one of the key priorities of national economic development. Foreign investments, especially foreign direct investments (FDI), play an important role in ensuring sustainable economic growth, modernizing industrial sectors, introducing advanced technologies, expanding export potential, and creating new jobs. Therefore, many countries are implementing large-scale economic reforms aimed at improving the investment climate and attracting foreign capital into strategically important sectors of the economy [1].

In recent years, Uzbekistan has also paid special attention to improving the investment environment and strengthening its position in the global investment market. Comprehensive reforms aimed at liberalizing the economy, simplifying tax and customs systems, developing free economic zones, protecting investor rights, and expanding public-private partnership mechanisms have significantly increased the country's investment attractiveness. As a result, the volume of foreign investments attracted to the national economy has demonstrated stable growth dynamics. According to international reports, Uzbekistan is gradually becoming one of the promising investment destinations



in Central Asia due to its favorable geographic location, rich natural resources, demographic potential, and ongoing institutional reforms [2].

At the same time, increasing global economic uncertainty, growing competition for foreign capital, and the need for technological modernization require further improvement of Uzbekistan's investment attractiveness. In particular, strengthening institutional mechanisms, developing regional infrastructure, digitalizing investor services, and supporting innovation-oriented sectors remain important priorities of economic policy. In this regard, studying the prospects for enhancing Uzbekistan's investment attractiveness and identifying effective mechanisms for attracting foreign investments into the economy have significant scientific and practical importance.

Literature review on topic

Research on investment attractiveness and foreign investment inflows has been conducted by many prominent economists and development scholars. Their scientific approaches mainly focus on institutional reforms, economic liberalization, infrastructure development, and macroeconomic stability as the key determinants of investment attractiveness.

American economist and Nobel Prize laureate Robert E. Lucas researched the relationship between capital flows and economic growth in developing countries [3]. The scholar emphasized that foreign investments contribute to increasing productivity, technological advancement, and long-term economic development. In our opinion, Lucas's theoretical approaches are important in explaining the role of capital mobility in strengthening national economies.

Japanese economist Kenichi Ohmae analyzed globalization processes and their impact on international investment flows [4]. According to the scholar, countries with open economic policies, efficient infrastructure, and competitive business environments attract larger volumes of foreign capital. His scientific ideas are highly relevant in the context of global economic integration.

French economist Jean Tirole studied institutional efficiency and market regulation in attracting investments [5]. The scholar argued that transparent governance systems and effective market institutions significantly reduce investment risks and improve investor confidence. His research provides an important theoretical basis for institutional reforms aimed at increasing investment attractiveness.

South Korean economist Alice H. Amsden researched industrial policy and state support mechanisms in emerging economies [6]. The scholar highlighted that targeted industrial development strategies and technological modernization policies positively influence foreign investment inflows. Her scientific conclusions are especially important for countries pursuing industrial transformation.

Indian economist Amartya Sen investigated the relationship between economic development, institutional quality, and investment climate [7]. According to the scholar, sustainable economic growth and investment attractiveness depend not only on financial incentives but also on human capital development, education, and social stability. His theoretical views broaden the understanding of investment policy in developing countries.



Uzbek economist Q.X. Abdurahmonov analyzed regional economic development and investment policy mechanisms in Uzbekistan [8]. The scholar emphasized that improving regional infrastructure and supporting entrepreneurial activity are among the key factors increasing investment attractiveness in the national economy.

Uzbek economist N.G. Karimov researched financial mechanisms of investment management and foreign capital attraction [9]. According to the scholar, strengthening the banking-financial system, ensuring macroeconomic stability, and expanding investment incentives play an important role in increasing the efficiency of foreign investment inflows.

The above-mentioned scientific studies demonstrate that enhancing investment attractiveness requires a comprehensive approach based on institutional reforms, infrastructure modernization, macroeconomic stability, and innovation-oriented development. Foreign and local economists highly evaluate the role of effective governance, industrial policy, and economic liberalization in attracting foreign investments. Nevertheless, increasing global competition for international capital and rapid technological transformation indicate that improving Uzbekistan's investment attractiveness remains one of the urgent priorities of economic policy.

Research methodology

In the preparation of this article, regulatory and legal documents, official literary sources, and formal internet data were systematically analyzed, along with a comparative and critical evaluation of the scientific and theoretical perspectives of economic scholars on the subject matter. Throughout the investigation of the research topic, along with general economic approaches, methods such as systemic analysis, generalization, abstract-logical reasoning, and statistical methods were extensively utilized.

Analysis and discussion of results

In recent years, Uzbekistan has been implementing consistent economic reforms aimed at improving the investment climate and increasing the inflow of foreign investments into the national economy. Liberalization of the foreign exchange market, expansion of free economic zones, simplification of tax administration, and strengthening of investor protection mechanisms have significantly improved the country's investment attractiveness. As a result, the volume of foreign direct investments (FDI) attracted into the economy has shown stable growth dynamics [10].

Foreign investments play an important role in accelerating industrial modernization, increasing production capacity, improving export potential, and ensuring macroeconomic stability. In particular, large-scale investment projects implemented in industry, energy, infrastructure, and transport sectors have become one of the major drivers of economic growth. The increasing volume of foreign capital inflows also positively affects employment growth, technological modernization, and integration of Uzbekistan into the global economy.



Table 1 Dynamics of foreign investments and macroeconomic indicators in Uzbekistan (2020–2025) [11]

| Years | Foreign investments inflow (bln. USD) | Growth rate of FDI (%) | GDP growth (%) | Share of investments in GDP (%) | Export volume (bln. USD) | Industrial growth (%) | Inflation rate (%) |
|-------|---------------------------------------|------------------------|----------------|---------------------------------|--------------------------|-----------------------|--------------------|
| 2020 | 6.6 | 157.1 | 1.9 | 32.4 | 15.1 | 0.7 | 11.1 |
| 2021 | 8.1 | 122.7 | 7.4 | 34.9 | 16.6 | 8.2 | 10 |
| 2022 | 8 | 98.7 | 5.7 | 30.4 | 19.3 | 5.2 | 12.3 |
| 2023 | 11.9 | 148.7 | 6.3 | 33.6 | 24.4 | 6.8 | 8.8 |
| 2024 | 13.4 | 112.6 | 6.5 | 35.1 | 27.8 | 7.1 | 8.2 |
| 2025 | 15 | 111.9 | 6.8 | 36.8 | 30.5 | 7.5 | 7.6 |

The data presented in Table 1 demonstrate that foreign investment inflows into Uzbekistan increased from 6.6 billion USD in 2020 to a projected 15.0 billion USD in 2025. This growth reflects the effectiveness of institutional reforms and investment-oriented economic policies implemented in recent years. In particular, the significant increase observed in 2023 was mainly associated with the implementation of large industrial and infrastructure projects financed by foreign investors [10].

The analysis also shows that the growth of foreign investments has positively influenced GDP growth rates, industrial production, and export expansion. For example, export volume increased from 15.1 billion USD in 2020 to an expected 30.5 billion USD in 2025, indicating the strengthening role of foreign investments in developing export-oriented industries. At the same time, industrial growth rates remained relatively high due to technological modernization and expansion of manufacturing capacities financed by foreign capital.

Another important trend is the increasing share of investments in GDP, which is expected to reach 36.8% in 2025. This indicates the growing role of investment activity in ensuring sustainable economic growth. However, despite positive dynamics, inflationary pressures and global economic instability remain important challenges affecting investment sustainability.

Sectoral distribution of foreign investments is one of the main indicators reflecting the priorities and effectiveness of investment policy. In Uzbekistan, foreign capital is mainly directed toward industry, energy, construction, transport infrastructure, and digital economy sectors. Such concentration of investments contributes to structural transformation of the economy and expansion of high value-added production [12].

In recent years, particular attention has been paid to renewable energy projects, industrial modernization, and transport-logistics infrastructure development. Investments directed toward “green economy” projects and digital technologies are becoming increasingly important in ensuring long-term economic competitiveness and sustainability. As a result, the sectoral structure of foreign investments has become more diversified, while export-oriented industries continue attracting the largest share of foreign capital inflows.



Table 2 Sectoral structure of foreign investments in Uzbekistan (2024) [13]

| Economic sectors | Investment volume (bln. USD) | Share in total FDI (%) | Number of investment projects | Main foreign investors | Average project value (mln. USD) | Expected economic effect |
|---------------------------------|------------------------------|------------------------|-------------------------------|----------------------------|----------------------------------|--|
| Industry and manufacturing | 5.2 | 38.8 | 412 | China, South Korea, Russia | 12.6 | Export growth and industrial modernization |
| Energy and green economy | 3.1 | 23.1 | 96 | UAE, Saudi Arabia, China | 32.3 | Energy security and renewable energy expansion |
| Construction and infrastructure | 1.8 | 13.4 | 138 | Turkey, China | 13 | Regional development and urbanization |
| Transport and logistics | 1.1 | 8.2 | 74 | Kazakhstan, China | 14.8 | Transit and logistics competitiveness |
| ICT and digital economy | 0.9 | 6.7 | 115 | India, Singapore | 7.8 | Digital transformation and innovation |
| Agriculture and food industry | 0.7 | 5.2 | 83 | Türkiye, Netherlands | 8.4 | Export-oriented agro production |
| Tourism and services | 0.6 | 4.6 | 67 | UAE, Malaysia | 8.9 | Tourism infrastructure development |
| Pharmaceutical industry | 0.4 | 3 | 41 | India, Germany | 9.7 | Import substitution and healthcare improvement |
| Other sectors | 0.6 | 4 | 52 | Mixed countries | 11.5 | Diversification of economic activity |

The table data indicate that industry and manufacturing remain the leading sectors attracting foreign investments, accounting for 38.8% of total FDI inflows. This reflects Uzbekistan’s strategic priority of industrialization and export-oriented production development. Large-scale industrial investments contribute to technological modernization, increased labor productivity, and expansion of export capacities.

The energy sector occupies the second largest share in foreign investments. In particular, cooperation with Gulf countries and international energy companies in renewable energy projects significantly contributes to the development of green economy initiatives in Uzbekistan. Solar and wind power station projects are expected to strengthen energy security and reduce dependence on traditional energy resources.



The analysis also demonstrates that investments in ICT and digital economy sectors are gradually increasing. Although their share remains relatively low compared to industrial sectors, these investments are becoming strategically important for long-term innovative development. Expansion of IT parks, startup ecosystems, and digital public services creates favorable conditions for attracting additional foreign capital into high-tech sectors.

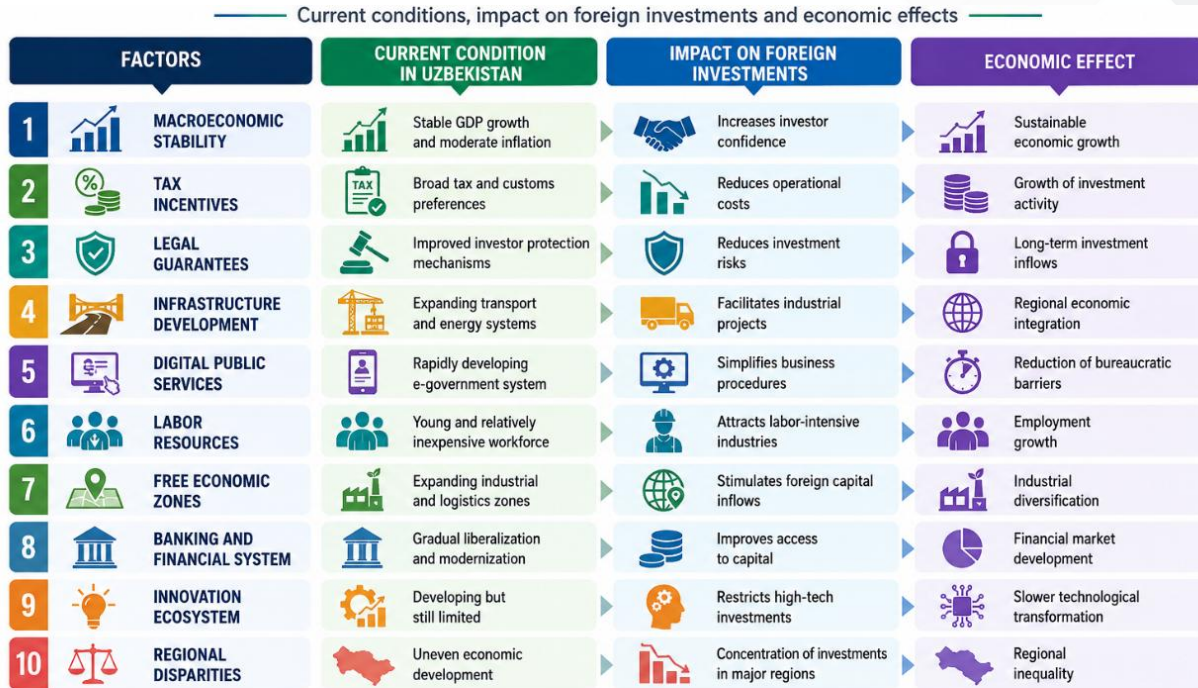
At the same time, the relatively low share of investments in agriculture, pharmaceuticals, and tourism indicates the existence of untapped investment potential in these sectors. Particularly, pharmaceutical production and agro-processing industries possess strong opportunities for export expansion and import substitution. Therefore, improving infrastructure, logistics systems, and investment incentives in these sectors remains an important direction of Uzbekistan's investment policy.

Overall, the conducted sectoral analysis demonstrates that Uzbekistan is gradually transforming from a resource-oriented investment destination into a more diversified and innovation-oriented economy. Further expansion of foreign investments into high value-added industries and technologically advanced sectors will play a crucial role in strengthening the country's long-term economic competitiveness and sustainable development.

Investment attractiveness is one of the key determinants influencing the inflow of foreign investments into the national economy. In the modern global economy, foreign investors pay particular attention not only to the availability of natural resources and market size, but also to institutional quality, macroeconomic stability, legal guarantees, infrastructure development, and the effectiveness of state governance systems. Therefore, improving investment attractiveness requires a comprehensive economic policy aimed at strengthening both economic and institutional foundations.

In recent years, Uzbekistan has implemented a number of important reforms aimed at improving the investment environment and increasing investor confidence. Liberalization of currency policy, simplification of taxation procedures, reduction of administrative barriers, digitalization of public services, and expansion of free economic zones significantly improved the country's investment image in the international arena [14]. As a result, Uzbekistan's position in international economic and investment rankings has gradually improved.

At the same time, investment attractiveness is influenced by both internal and external factors. Internal factors include macroeconomic stability, legal protection of investors, infrastructure quality, labor resources, and the efficiency of financial institutions. External factors mainly involve global economic conditions, international capital flows, geopolitical stability, and international competition for investments.



Source: Prepared by the author based on data from the National Statistics Committee of the Republic of Uzbekistan, World Bank, UNCTAD, and the Ministry of Investments, Industry and Trade of the Republic of Uzbekistan.

Figure 1. Main factors affecting investment attractiveness and their economic impact [13]

The data presented in Figure 1 demonstrate that macroeconomic stability and tax incentives remain among the strongest factors positively affecting Uzbekistan’s investment attractiveness. Stable GDP growth and relatively controlled inflation create favorable conditions for long-term investment planning and reduce financial uncertainty for foreign investors [14].

Legal guarantees and institutional reforms also play a crucial role in strengthening investor confidence. In recent years, Uzbekistan adopted several legislative acts aimed at protecting investor rights and ensuring transparency of investment procedures. Such reforms significantly reduced investment risks and improved the overall business environment.

Infrastructure development is another important determinant influencing investment attractiveness. Expansion of transport corridors, modernization of railway systems, and development of renewable energy projects contribute to improving logistics efficiency and reducing production costs. These measures are particularly important for export-oriented industries and regional economic integration. The analysis also reveals several existing weaknesses limiting the country’s investment potential. Although digital public services are rapidly developing, bureaucratic procedures and regulatory complexities still remain in certain sectors. Furthermore, the innovation ecosystem and high-tech industries remain relatively underdeveloped compared to leading investment destinations.

Regional disparities also continue to influence investment attractiveness. Most foreign investments are concentrated in Tashkent city and industrial regions, while less-developed regions receive relatively



smaller volumes of capital inflows. Therefore, strengthening regional infrastructure and improving local investment conditions remain important priorities of economic policy.

Overall, the conducted analysis indicates that Uzbekistan possesses significant opportunities for further improving its investment attractiveness. Continued institutional reforms, modernization of infrastructure, digitalization of public administration, and support for innovation-oriented sectors will contribute to increasing foreign investment inflows and strengthening the competitiveness of the national economy.

Regional distribution of foreign investments is one of the important indicators reflecting the effectiveness of investment policy and the level of regional economic development. In Uzbekistan, foreign investments are distributed unevenly among regions due to differences in industrial capacity, infrastructure development, logistics opportunities, natural resources, and institutional support mechanisms.

Economically developed regions with strong industrial and transport potential attract the largest volumes of foreign capital. In particular, Tashkent city, Tashkent region, Navoi, and Kashkadarya regions occupy leading positions in attracting foreign investments due to their developed infrastructure, industrial enterprises, and strategic economic importance [15].

In recent years, the government has implemented several regional development programs aimed at increasing investment attractiveness across all regions of the country. Expansion of free economic zones, modernization of transport infrastructure, development of industrial parks, and implementation of regional investment projects significantly contributed to increasing investment activity outside the capital region.

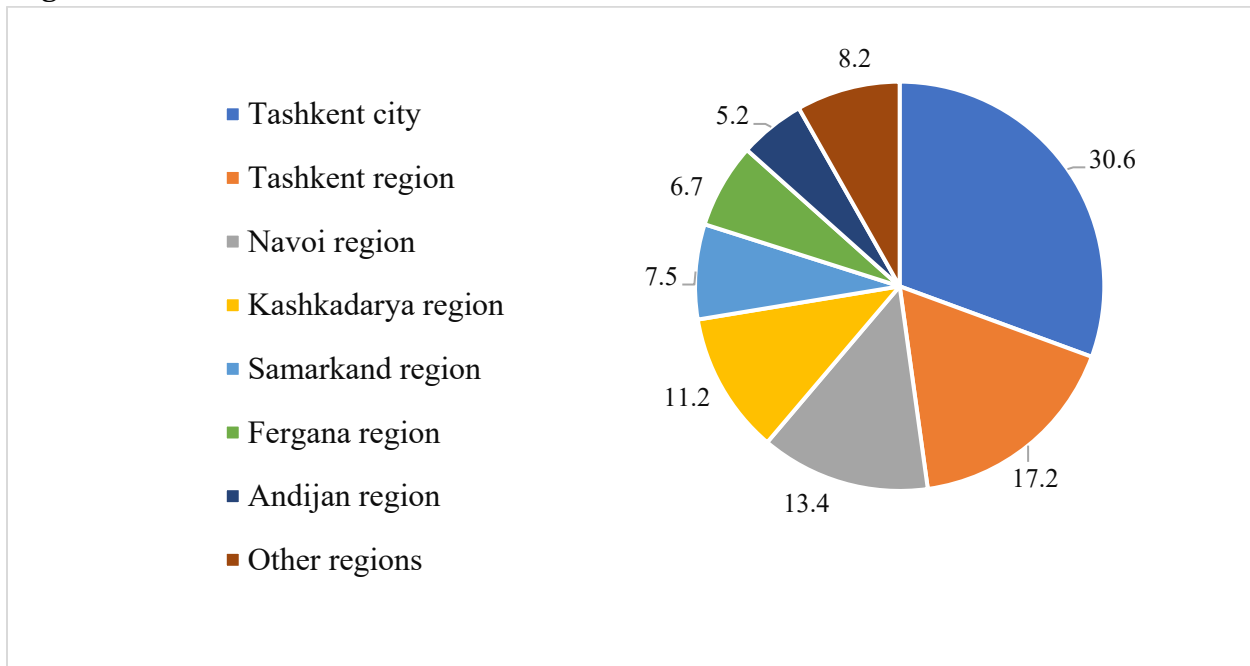


Figure 2.1. Share in total FDI according to regions in 2024, (%) [16]

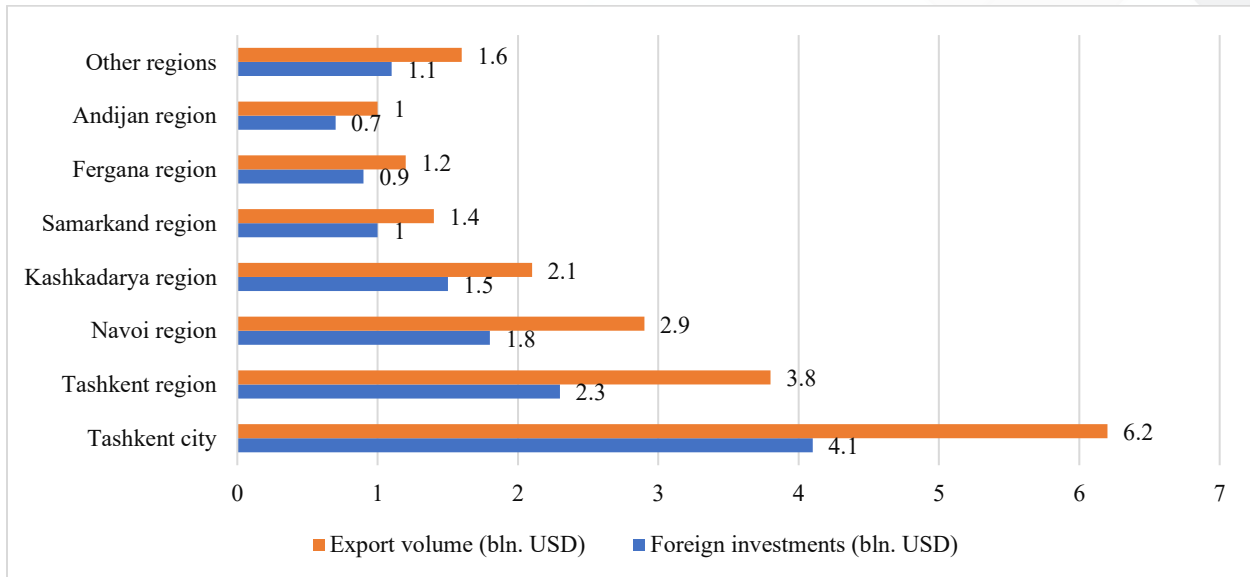


Figure 2.2. Foreign investments and export volume according to regions in 2024, billion USD [16]

The data presented in Figures above demonstrate that Tashkent city remains the leading destination for foreign investments, accounting for 30.6% of total FDI inflows. This is mainly explained by the concentration of financial institutions, industrial enterprises, business infrastructure, and international companies in the capital city [15].

Tashkent region also attracts substantial volumes of foreign investments due to its advantageous geographic location, developed transport infrastructure, and industrial specialization. Investments in logistics centers, manufacturing enterprises, and infrastructure projects significantly contribute to regional economic development.

Navoi and Kashkadarya regions are among the most attractive investment destinations because of their rich natural resources and large-scale industrial projects. Foreign investments in mining, metallurgy, oil-gas, and energy sectors strengthen export potential and create additional employment opportunities in these regions.

The analysis also demonstrates the increasing importance of tourism-oriented regions such as Samarkand. Investments directed toward tourism infrastructure, hotels, transport services, and cultural heritage projects positively influence regional economic diversification and service sector development.

At the same time, several regions still receive relatively low volumes of foreign investments because of infrastructure limitations, lower industrialization levels, and weaker logistics systems. This situation indicates the necessity of strengthening regional investment policies and expanding infrastructure modernization programs in less-developed areas.

Overall, the conducted regional analysis confirms that Uzbekistan possesses substantial regional investment potential. However, achieving balanced regional investment development requires



improving infrastructure quality, supporting industrial diversification, expanding free economic zones, and strengthening regional institutional capacities. These measures will contribute to reducing regional disparities and ensuring more sustainable national economic growth.

Conclusion and suggestions

The conducted research demonstrates that enhancing investment attractiveness is one of the key priorities for ensuring sustainable economic development and increasing foreign investment inflows into Uzbekistan's economy. In the context of globalization and intensifying international competition for capital, foreign direct investments play a crucial role in industrial modernization, technological development, export expansion, employment growth, and strengthening the competitiveness of the national economy.

The analysis revealed that the economic reforms implemented in Uzbekistan in recent years have significantly improved the country's investment climate. Liberalization of the economy, simplification of tax and customs systems, expansion of free economic zones, strengthening of legal guarantees for investors, and digitalization of public services have created more favorable conditions for attracting foreign capital. As a result, the volume of foreign investments attracted into the economy has demonstrated stable growth dynamics.

The study also showed that industrial production, energy, transport-logistics infrastructure, and digital economy sectors remain the most attractive areas for foreign investments. Large-scale investment projects implemented in these sectors contribute to increasing production capacity, improving export potential, and accelerating technological modernization. In addition, regional analysis confirmed that economically developed regions with stronger industrial and infrastructure potential attract significantly larger volumes of foreign capital compared to less-developed areas.

At the same time, the research identified several factors limiting Uzbekistan's investment attractiveness. These include regional disparities in investment distribution, infrastructure limitations in certain regions, bureaucratic procedures, insufficient development of innovation-oriented sectors, and external economic risks associated with global instability. Therefore, further improvement of institutional quality and investment policy effectiveness remains an important priority for sustainable economic development.

Based on the results of the study, the following suggestions can be proposed:

First, it is necessary to continue institutional reforms aimed at improving transparency, reducing bureaucratic barriers, and strengthening legal guarantees for foreign investors.

Second, regional investment policy should be strengthened through modernization of transport, logistics, and energy infrastructure in less-developed regions in order to ensure balanced regional investment growth.

Third, greater attention should be paid to attracting investments into innovation-oriented and high-tech sectors, including digital economy, information technologies, renewable energy, and research-based industries.



Fourth, the effectiveness of free economic zones and industrial parks should be further improved by introducing additional financial incentives and export-support mechanisms for foreign investors.

Fifth, digitalization of public administration and expansion of e-government services should be accelerated in order to simplify investment procedures and improve the efficiency of business operations.

Sixth, Uzbekistan should strengthen international economic cooperation and integration with global financial institutions in order to increase access to international capital markets and improve the country's global investment image.

Overall, the research confirms that Uzbekistan possesses substantial opportunities for further increasing its investment attractiveness. Consistent implementation of structural reforms, infrastructure modernization, institutional improvements, and innovation-oriented economic policies will contribute to attracting sustainable foreign investment inflows and ensuring long-term economic growth of the national economy.

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