PROSPECTS FOR ENHANCING THE ROLE OF FOREIGN INVESTMENT IN UZBEKISTAN’S ECONOMIC GROWTH

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Foreign direct investment (FDI) continues to play a decisive role in Uzbekistan's economic transformation and sustainable economic growth. Over the past several years, the country has implemented comprehensive structural reforms aimed at liberalizing the economy, improving the investment climate, strengthening private sector development, and integrating into the global economy. These reforms have significantly increased investor confidence and contributed to a steady rise in foreign capital inflows. According to the Ministry of Investment, Industry and Trade of Uzbekistan, total foreign investment reached USD 34.9 billion in 2024, representing an increase of approximately 18% compared to 2023. Of this amount, USD 11.9 billion consisted of foreign direct investment and foreign loans, while FDI accounted for 10.3% of GDP, compared with 7.9% in the previous year. This performance positioned Uzbekistan among the fastest-growing investment destinations in Central Asia despite the slowdown of global investment flows.

The growing importance of Uzbekistan becomes even more significant when viewed against global investment trends. According to UNCTAD's World Investment Report 2025, global FDI increased by only 4% to approximately USD 1.5 trillion in 2024. However, excluding large financial transactions through several European conduit economies, worldwide FDI actually declined by 11%. Investment in developing economies remained relatively weak, while international project finance decreased by nearly 26%, particularly affecting infrastructure development. Under these challenging international conditions, Uzbekistan demonstrated one of the strongest performances in the region, reflecting the effectiveness of domestic economic reforms and investment policies.

One of the principal directions for strengthening the role of foreign investment is the continued improvement of the legal and institutional framework. Since 2017, Uzbekistan has introduced extensive reforms designed to simplify investment procedures and improve investor protection. The adoption of the Law "On Investments and Investment Activities", liberalization of foreign exchange regulations, tax reforms, judicial modernization, and digitalization of public services have substantially improved the country's investment environment. According to the World Bank, Uzbekistan's regulatory reforms have significantly reduced administrative barriers for businesses, while the expansion of electronic government services has shortened business registration procedures from several weeks to only a few days. Nevertheless, further improvements in judicial independence, protection of property rights, and contract enforcement remain essential for increasing long-term investor confidence.

Macroeconomic stability represents another crucial determinant of investment attractiveness. During 2024, Uzbekistan maintained real GDP growth of approximately 6.5%, making it one of the fastest-growing economies in the Commonwealth of Independent States and Central Asia. Inflation gradually declined to around 9–10%, while international foreign exchange reserves exceeded USD 41 billion, providing important macroeconomic stability. Furthermore, the country's public debt remained below 37% of GDP, considerably lower than the average level observed in many emerging economies. These macroeconomic indicators demonstrate Uzbekistan's ability to maintain financial stability despite growing global economic uncertainty and create favorable conditions for long-term foreign investment.

Economic diversification remains another strategic priority for maximizing the developmental impact of FDI. Although mining, energy, and natural resources continue to attract substantial foreign capital, the government has increasingly focused on expanding investment in manufacturing, renewable energy, pharmaceuticals, agriculture, logistics, tourism, information technologies, and digital services. During 2024 alone, more than 300 major investment projects were implemented across industrial sectors. Manufacturing accounted for approximately 30% of newly attracted foreign investment, while renewable energy projects represented nearly USD 5 billion of ongoing investment commitments. Major international companies from Saudi Arabia, China, the United Arab Emirates, France, Turkey, and South Korea have announced significant investments in solar and wind energy projects that will substantially increase Uzbekistan's renewable electricity generation capacity over the coming years.

Human capital development also constitutes one of the fundamental determinants of sustainable investment growth. Uzbekistan possesses a relatively young population exceeding 37 million people, with approximately 60% of citizens under the age of 30. Every year more than 600,000 young people enter the labor market. This demographic advantage creates considerable opportunities for attracting labor-intensive and technology-oriented foreign investment. However, multinational corporations increasingly prioritize workforce quality over labor costs. Consequently, expanding higher education, strengthening vocational training, increasing engineering and digital education, and improving cooperation between universities and private enterprises remain essential policy priorities. Government initiatives aimed at developing information technology parks, innovation centers, and startup ecosystems further contribute to building a highly qualified labor force capable of supporting technologically advanced industries.

Infrastructure modernization continues to be another important factor influencing investment attractiveness. Between 2018 and 2024, Uzbekistan invested billions of dollars in highways, railways, airports, electricity transmission networks, logistics centers, industrial parks, and digital infrastructure. The country currently operates more than 20 Special Economic Zones (SEZs) and numerous industrial parks offering tax incentives, customs preferences, ready-made infrastructure, and simplified administrative procedures for foreign investors. These zones have attracted hundreds of foreign enterprises and generated thousands of new jobs while significantly increasing industrial exports.

Digital transformation has become another important component of investment policy. According to government statistics, more than 700 public services are currently available through Uzbekistan's electronic government platform, while the majority of tax reporting, customs declarations, licensing procedures, and business registration services have been fully digitalized. The expansion of digital public administration reduces administrative costs, improves transparency, minimizes corruption risks, and significantly increases the efficiency of interactions between investors and government institutions.

Environmental sustainability and green investment have also become central priorities of Uzbekistan's long-term development strategy. The government aims to increase the share of renewable energy in electricity generation to 40% by 2030. More than 25 large solar and wind power projects are currently under implementation in cooperation with international investors, including Masdar (UAE), ACWA Power (Saudi Arabia), EDF (France), and China Energy. Total planned renewable energy capacity exceeds 20 GW, making Uzbekistan one of the largest renewable energy markets in Central Asia. These projects not only contribute to environmental sustainability but also create new opportunities for attracting environmentally responsible international investors committed to Environmental, Social and Governance (ESG) principles.

In conclusion, the prospects for enhancing the role of foreign direct investment in Uzbekistan remain highly favorable. The combination of sustained economic reforms, macroeconomic stability, institutional modernization, infrastructure development, digital transformation, demographic advantages, and regional economic integration provides a strong foundation for continued investment growth. Nevertheless, future policy should focus not only on increasing the volume of foreign investment but also on improving its quality by attracting technologically advanced, export-oriented, innovation-intensive, and environmentally sustainable projects. Such an approach will maximize the contribution of foreign investment to productivity growth, economic diversification, employment creation, and the long-term competitiveness of Uzbekistan's economy within the global marketplace.

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