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# CREATING AN INVESTOR-FRIENDLY BUSINESS ENVIRONMENT IN THE REPUBLIC OF UZBEKISTAN

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### **Abstract**

In this article, the process of creating an investment-friendly business environment in the Republic of Uzbekistan is analyzed. The study examines the role of state investment policy and foreign direct investment in ensuring sustainable economic growth and structural transformation of the national economy. The article highlights key directions of investment development, institutional mechanisms, and priority sectors based on scientific research and official investment materials.

**Keywords:** Foreign direct investment, investment policy, business environment, investment climate, economic reforms, sustainable economic growth, institutional development, structural transformation, fintech development, international cooperation, tourism industry.

### **Introduction**

Since the Republic of Uzbekistan has been moving towards gaining independence, it has implemented an independent economic policy. The major goals of such a policy have been the inclusion of the republic within the global economy and the development of beneficial economic relations with other countries. Ever since the republic obtained sovereignty, foreign direct



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investment has been considered a significant element within the framework of reforming its economy.

The new, active phase of investment policy in Uzbekistan began with large-scale socioeconomic reforms that have been implemented since 2017. During this phase of reforms in Uzbekistan, efforts have been taken in order to liberalize currency regulation and introduce a transparent and understandable environment in business. Thanks to scientific research on the subject of investment policy in Uzbekistan, it has been found that the level of direct foreign investment has shown a steady positive trend and has increasingly involved sectors of the national economy.

As stated in official investment documentation, state investment policy focuses on creating an attractive and stable environment for business. Specifically, the Investment Guide Uzbekistan (compiled by PwC in 2025) underlines the stable implementation of investment protection measures, simplification of official procedures, and establishment of appropriate institutional frameworks. The main conditions in this context include the expansion of the special economic zone network, establishment of public-private partnerships, and improvement of investment laws.

The information provided on the state investment portal of the Republic of Uzbekistan, [invest.gov.uz](http://invest.gov.uz), indicates important aspects of investment, as well as significant opportunities offered by the country to potential foreign investors. The web portal states that there has been increased interest among foreign investors in fields such as manufacturing, agriculture, energy, financial services, education, and tourism. The policy of the government lies in projects that ensure the modernization of the economy structure, as well as enhancing the value addition of the country.

In academic works devoted to the research of the involvement of foreign direct investment within the context of the economy of Uzbekistan, this plays an essential role in economic growth and the increase of productive capacity in the country. Analysis of the dynamics of investment activities shows FDI as an essential source of capital investment, which results in the growth of infrastructure, production, and the services sector. A number of sources highlight



that the growth in the level of foreign investment is associated with an increase in the number of current projects and the geography of joint investment.

Therefore, it should be noted that the creation of an investment-friendly business environment in the Republic of Uzbekistan is the result of a policy of the government. The policy is geared towards improving the business environment for foreign investors. It is in this context that the analysis of the already achieved outcomes as well as the areas of further investment development in the country can be considered relevant.

## **Techniques**

Using the commonly accepted scientific approach makes it possible to provide a comprehensive and objective analysis of the development of an investment-friendly environment in the Republic of Uzbekistan.

The methodology on which this article relies is based on the fundamental postulates of historicism, consistency, and scientific integrity. Due to the adoption of the historical approach, it became possible to analyze the development of the investment policy in Uzbekistan. This analysis is based on the different stages of socioeconomic transformations and changes in institutions carried out during the years of independence, and especially since 2017, during the phase of active transformation.

The research featured a systems analysis. Based on this, the investment climate in Uzbekistan is treated as a system that is made up of various components. Such components consist of the investment policy pursued by the state, development processes within priority sectors, and the development of international investment cooperation. This approach enabled the identification of sustainable trends in investment growth and foreign capital's entry into the national economy.

To better understand the specific importance of foreign direct investments, an economic analysis technique has been applied. The technique relies on a comprehensive examination of investment movement dynamics, the extent of realized investments, and their effect on the development of the country's economy. The analysis applied statistical and analytical information and uses the data available within scientific research and investment reports.



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The article also applies the comparative-logical method. The application of this method enabled us to summarize the results of modern investment policy and determine priority fields for developing a beneficial business environment. The method involved comparing investment prospects in various sectors such as industry, agriculture, energy, finance, the digital economy, and tourism.

Seven scientific and analytical papers provided the empirical basis of the research. These papers examine issues of investment policy, direct foreign investment, innovative financial technologies, and international cooperation. The investment guide documentation as well as the data from the state investment portal of the Republic of Uzbekistan were considered. It should be noted that all findings of this research rely solely on data presented within these papers.

### **Research Results**

By analyzing the findings of the research, it will be shown that the creation of an investment-friendly business environment in the Republic of Uzbekistan depends on the overall policy of the state, which aims to ensure sustainable economic development and the structural transformation of the economy, as well as the involvement of foreign capital in the national economy. According to academic research, investments in the Republic of Uzbekistan are considered to be the most significant instrument for the renovation of the industrial sector and the strengthening of the competitiveness of the country's economy in the global economy.

As stated in the sources describing the investment policy of the Republic of Uzbekistan, after 2017, a comprehensive strategy for enhancing the institutional framework has been in action. The strategy includes measures to liberalize economic processes. The state's investment strategy is aimed at achieving macroeconomic stability, enhancing the development of the private sector, and actively engaging in the attraction of foreign direct investments, which is a key source of long-term growth. Sources show that the state is steadily increasing the level of legal guarantees for investors. The state is also increasing the number of instruments of state support for projects.



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Examination of the dynamics of attracting foreign direct investments reveals that there has been a pronounced increase in investment activities in the country. Academic research has shown that within the five years preceding the current period, the aggregated volume of foreign investments within the economy of Uzbekistan has increased tenfold and currently stands at approximately USD 40 billion. In 2021 alone, the country attracted USD 8.6 billion in foreign direct investments and implemented 318 large-scale investment projects totaling USD 5.9 billion. This clearly demonstrates that foreign investors have confidence in and are expressing growing interest in the country's economy.

Studies that analyze the opportunities of foreign investments in the economic development of Uzbekistan highlight those foreign investments mean not only the influx of finances but also the receipt of new technologies and management skills. The Uzbek government has established ambitious targets regarding the growth of the gross domestic product and aims to double the GDP in the next ten years. The achievement of this goal is interconnected with the increase of the volume of investment and foreign investment cooperation. A special role in this is played by the Foreign Investors Council under the President of the Republic of Uzbekistan. It is one of the main platforms of dialogue between the Uzbek government and foreign companies.

The role of foreign direct investment, which has the ability to ensure sustainable economic growth, has been specifically examined in structural and institutional studies. They indicate that FDI has been associated with the growth of the gross domestic product, an improvement in labor productivity, and the acceleration of structural transformation in the economy. Investment is channeled to strategic sectors such as industry, energy, transport, and infrastructure. The impact of FDI, therefore, aims at the renewal of capital and the expansion of the country's export base and ultimately leads to improved integration into global value chains.

Another specific and significant area of investment development that has emerged is related to the practical application of innovative fintech technologies. According to academic literature, the development of the fintech industry affects the enhanced availability of investment resources, the decrease of transaction costs, and the improvement of the efficiency of the financial markets. The young economy of Uzbekistan, the fintech and tech-savvy personnel of Uzbekistan, as



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well as the active governmental policy of this country concerning digitalization, have shown significant potential regarding the development of a fintech hub. IT Park and the educational programs devoted to the fields of information technologies have created favorable conditions for investment attraction related to the digital economy.

Practical evaluations of investment attractiveness for Uzbekistan are represented by the analytical content in the Investment Guide Uzbekistan. In 2024, according to the guide, the Gross Domestic Product growth rate was 6.5%, while foreign trade turnover was at \$66 billion. In Uzbekistan, there are 25 special economic zones, 416 small industrial zones, 23 technology parks, and 433 production clusters. 7,495 enterprises are functioning in such formations. Tax and customs benefits, low business expenses, and the availability of qualified labor represent factors that increase the investment attractiveness of the national economy.

Another factor that adds to the expansion of the investment climate is the steady growth of international cooperation in tourism. According to research about Uzbekistan's experience in tourism, more than 7,400 cultural heritage sites exist in Uzbekistan. Among them, 209 sites are included in the UNESCO World Heritage List. The active involvement of Uzbekistan in UN World Tourism Organization activities, such as the Silk Road Initiative, contributes to the expansion of international tourism, thereby encouraging investment in developing tourism infrastructure. The government considers tourism aim be one the most attractive sectors. Together, the analysis of all sources utilized in this research has shown the following.

### **Conclusion**

A favorable environment for investments in the Republic of Uzbekistan is based on a strong foundation that consists of sustainable economic development, an active flow of foreign direct investments, the implementation of new financial instruments, as well as the development of international cooperation. The carried-out reforms and investment activities in the Republic of Uzbekistan form a sound basis for the further development of the national economy, as well as improve the position of this state as an attractive location for foreign investors. According to this analysis, creating a favorable investment climate in



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Uzbekistan is not a natural, spontaneous process, but requires systematic government policies. As is evident from this research, these policies, escalated after which 2017, rest on three principles: the liberalization of conditions, the development of various institutional frameworks, such as Foreign Investors the Council, and creation of separate infrastructural networks, like SEZs, technology parks, or clusters. The key indicator of the effectiveness of this strategy, following from the dynamics of change, is a gradual increase in foreign direct investments, whose volume has increased tenfold within five years. Nonetheless, following from the reviewed sources, it seems that for Uzbekistan, the significance of foreign direct investments is by no means limited to capital inflow. The article highlights those foreign direct investments are a high-quality mobilizer of development, guaranteeing technology transfer and management know-how, renewal of fixed assets in key sectors of industry, energy, and infrastructure, and consequently, integrating a country into global value chains. Different prospects of a further impact of increased attractiveness in this respect, following from an analysis of available materials, are associated with diversification. Beyond key sectors of traditional manufacturing industries, a focused government strategy explores a set of innovative sectors. These are, first and foremost, the digital and fintech sectors, where a potential for growth is created by a young generation of innovators and institutions created for them (IT-PARK). Secondly, the tourism sector, where a competitive privilege is based on a specific cultural heritage and international collaboration in the format of a Silk Road initiative. Therefore, the data provided in the research and analysis of the results illustrate that Uzbekistan has transformed from the intention stage to the establishment of an effective system of investment attraction and retention in the country. The positive dynamics of the critical indicators of the country's economy (growth in GDP and foreign trade turnover) in the context of rising investment activities prove the effectiveness of the adopted policy. Further improvement of the established system is expected to be dependent on state's ability to adjust to the global environment.



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