

The Role of Foreign Direct Investment in the Economy of Uzbekistan

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Abstract: The article analyzes the role of foreign direct investment (FDI) in the economy of Uzbekistan. It examines the impact of FDI on key sectors of the country's economy, including energy, agriculture, industry and infrastructure. It describes the main factors influencing the attractiveness of Uzbekistan for foreign investors, such as economic reforms, liberalization of foreign exchange policy and the creation of free economic zones. The article also highlights the problems the country faces in attracting investment, including legal and bureaucratic obstacles. It emphasizes the importance of further efforts to improve the investment climate for sustainable economic growth and increasing the country's competitiveness in the international arena.

Key words: foreign direct investment, economic reforms, industry, agriculture, energy, infrastructure, investment climate, liberalization of foreign exchange policy, free economic zones, foreign investors.



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Foreign direct investment (FDI) plays an important role in the economy of most developing countries, including Uzbekistan. It is one of the key mechanisms for stimulating economic growth, creating new jobs, technological modernization and increasing the competitiveness of the national economy. In recent years, Uzbekistan has been actively working to improve the investment climate, attracting foreign capital to various industries. The regular holding of the Tashkent International Investment Forum, the prestige and scale of which are constantly growing, is evidence of this. The article examines the role of FDI in the economy of Uzbekistan, its impact on key industries and the factors that determine the attractiveness of the country for foreign investors.

Foreign direct investment is a long-term capital investment by foreign investors in real assets of the economy (for example, in the construction of plants, factories, infrastructure), which allow not only to make a profit, but also to influence the management of the enterprise. As President Shavkat Mirziyoyev emphasized during the presentation of preparations for the third Tashkent International Investment Forum, if the first one in 2022 was attended by more than a thousand foreign guests from 56 countries, this year over 2,500 people from more than 90 countries are

participating. Among them are government representatives, heads of large companies, high-ranking guests from international organizations - the UN, EBRD, OPEC, SCO.

For Uzbekistan, FDI is an important source of financial resources for modernizing the economy, introducing new technologies and stimulating growth in key sectors such as energy, agriculture, industry, infrastructure and services. Investments from foreign companies contribute to:

- Attracting foreign investors contributes to the introduction of modern technologies and innovative solutions, which improves production processes, increases efficiency and competitiveness.
- Investing in new enterprises and projects leads to the creation of new jobs, which helps reduce unemployment and improve the standard of living of the population.

Foreign investors are actively involved in the construction of new infrastructure facilities - roads, bridges, energy and water supply facilities, which improves the conditions for doing business and improves the quality of life of the population.

FDI stimulates an increase in production and export potential, which directly affects the growth of gross domestic product (GDP) and the improvement of macroeconomic stability.

Uzbekistan is actively working to attract foreign investment in key sectors of its economy, and there are several industries that are particularly attractive to foreign investors:

One of the main areas for foreign investment is the energy sector, especially in the field of renewable energy. In recent years, the country has sought to modernize its energy sector, build new power plants and improve infrastructure for energy generation and distribution.

Agriculture has traditionally been an important sector for Uzbekistan, and foreign investors are actively investing in agricultural production, especially in the areas of irrigation, processing and export.

The light and textile industries, as well as the chemical and mining industries, are also attracting the attention of foreign investors. FDI in these areas contributes to the creation of new industries, improving product quality and developing the country's export capabilities.

Uzbekistan is actively developing its transport infrastructure, and foreign investment in the construction of roads, railways, airports and ports plays an important role in integrating the country into international trade networks.

Despite its significant potential, Uzbekistan faces a number of challenges that could affect the country's attractiveness to foreign investors. However, in recent years, the country has taken important steps to create a more favorable investment climate:

In recent years, the government of Uzbekistan has implemented a number of economic reforms aimed at liberalizing the economy, improving legislation, simplifying the tax system, creating free economic zones and reducing administrative barriers. In Uzbekistan, the value-added tax rate has been reduced to 12 percent. Dividends from shares of foreign investors are exempt from income tax for three years. No new or tougher liability measures have been introduced into tax and customs laws. The protection of entrepreneurs' rights has also been strengthened. The conditions for purchasing real estate, coming to Uzbekistan and living there for foreign investors have been significantly simplified.

One of the key reforms was the liberalization of foreign exchange policy, which allowed investors to freely exchange currency and carry out financial transactions, which created additional incentives for foreign investment.

Uzbekistan is actively developing diplomatic and economic ties with foreign countries, which helps attract foreign investment and expand bilateral trade and economic relations. Foreign trade

is being liberalized. In particular, customs duties have been abolished on more than 7,000 types of raw materials and goods needed by investors. A simplified procedure for processing in the customs zone has been introduced. The process of Uzbekistan's accession to the World Trade Organization is being accelerated in order to enter new markets, and laws are being adopted in this direction.

The country has created tax incentives for foreign investors, especially within the framework of free economic zones. These measures help reduce costs and increase the attractiveness of investments.

Uzbekistan is actively developing financial instruments, such as government bonds and public-private partnership projects, which help attract foreign capital investment.

Despite the steps taken, Uzbekistan faces a number of problems that may hinder the inflow of foreign investment:

In some cases, potential investors face the lack of a clear legal framework, which may cause legal and financial risks.

Despite the government's efforts to combat corruption, this factor remains one of the main obstacles to effectively attracting foreign investment.

Despite the improvement of the educational system, skilled labor remains a limited resource for certain industries, which may hinder the development of high-tech industries.

Foreign direct investment plays an important role in the economic development of Uzbekistan, contributing to the creation of jobs, modernization of industry and improvement of infrastructure. In recent years, the country has made significant progress in creating a more attractive investment climate, implementing reforms and opening up new opportunities for foreign investors. Despite the existing challenges, Uzbekistan has every opportunity to continue growing and attract new investment flows. For further success, it is necessary to continue to fight bureaucratic and legal barriers, improve the education system and develop infrastructure to make the country even more attractive to foreign investors.

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