

## THE IMPACT OF FOREIGN INVESTMENTS IN UZBEKISTAN ON ECONOMIC GROWTH

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**Abstract:** This article analyzes the impact of foreign investments injected into the Republic of Uzbekistan in recent years on the country's economy. This research examines the effect of foreign capital on the economy, including the expansion of the manufacturing and service sectors, the broadening of the assortment of goods and services created, and the generation of new job opportunities. Furthermore, the analysis covers the introductions of modern technologies through foreign investments, the increase in product competitiveness and the resulting opportunities to enhance efficiency across various sectors of the economy.

**Keywords:** Foreign investments, economic growth, investment policy, investment environment, modern technologies, competitiveness, economic efficiency, new jobs

### Introduction

In today's era of economic globalization, integration processes play a crucial role in the economic development of every country and inevitably affect national economies. Therefore, countries strive to strengthen their position in the international arena, achieve success in international economic relations, and establish strategic partnerships with global economic players through their foreign economic policies.

One of the practical manifestations of economic cooperation among countries is the inflow of foreign investments. According to data provided at the United Nations Conference on Trade and Development (UNCTAD), global foreign direct investment (FDI) increased by 11% in 2024, reaching 1.4 trillion USD.

Under the conditions of modern global economic integration, the economy of the Republic of Uzbekistan has been developing steadily, with foreign investments playing a significant role. As emphasized by the President of Uzbekistan, Shavkat Mirziyoyev, investments are the locomotive of the country's transformation and a strong driver of economic development.<sup>1</sup>

The inflow of foreign investments into Uzbekistan has led to the introduction of new technologies, modernization of existing enterprises, establishment of new enterprises and job opportunities, improvement in product quality and competitiveness, and expansion of access to international markets. These factors contribute to sustainable economic growth. Moreover, foreign investments have a wide-reaching impact on the country's socio-economic development, as the establishment of new enterprises and creation of new jobs affect not only economic but also social sectors.

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<sup>1</sup> From the speech of the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, at the Third Tashkent International Investment Forum on May 2, 2024.

Uzbekistan's prudent investment policy, the creation of a favorable investment climate, efforts to enhance investment attractiveness, the role of foreign investments in economic growth, and future goals and strategies for attracting investments form the main focus of this article. These reforms help improve the international image of Uzbekistan and strengthen its competitiveness in global markets.

### Literature review

Uzbekistan is classified among developing countries. Foreign investments are one of the most important factors contributing to the economic growth of developing nations. Therefore, such countries seek to attract foreign investments actively and pursue an attractive investment policy to enhance their economic potential.

Borensztein, De Gregorio, and Lee (1998) analyze how foreign investments introduce modern technologies and innovations into host economies. Their research shows that FDI is a key driver of technology transfer and contributes more to economic growth than domestic investment [3].

Laura Alfaro (2017) studies the impact of FDI on host countries, analyzing its potential effects on the domestic economy, the link between foreign investments and local policies, and mechanisms through which FDI enhances firm-level productivity [4].

Chinn and Ito (2006) emphasize that for foreign investments to positively impact economic development, countries must strengthen their legal frameworks, ensure openness in trade and financial markets, and develop their banking systems. They argue that market liberalization must begin with trade markets, followed by financial markets, and that financial openness positively affects economic growth only when the legal system is sufficiently strong [5].

A.Sh. Bekmurodov, Ya.K. Karriyeva, I.U. Nematov, D.H. Nabiyeu, and N.T. Kattayev (2010) also extensively discuss the role of foreign investments in their works. They highlight the importance of foreign investments in ensuring stable economic development, increasing efficiency in industrial production and the service sector, and improving the competitiveness of manufactured products [6].

### Research methodology

This research, conducted under the conditions of a developing economy, is based on an empirical approach and uses data obtained from reliable official sources. The data were collected from the Ministry of Economy and Finance of the Republic of Uzbekistan, the Central Bank of Uzbekistan, reports published by the National Statistics Committee, and UNCTAD.

Statistical analysis was conducted using linear correlation and regression coefficients to demonstrate the relationship between GDP and foreign direct investment and loans.

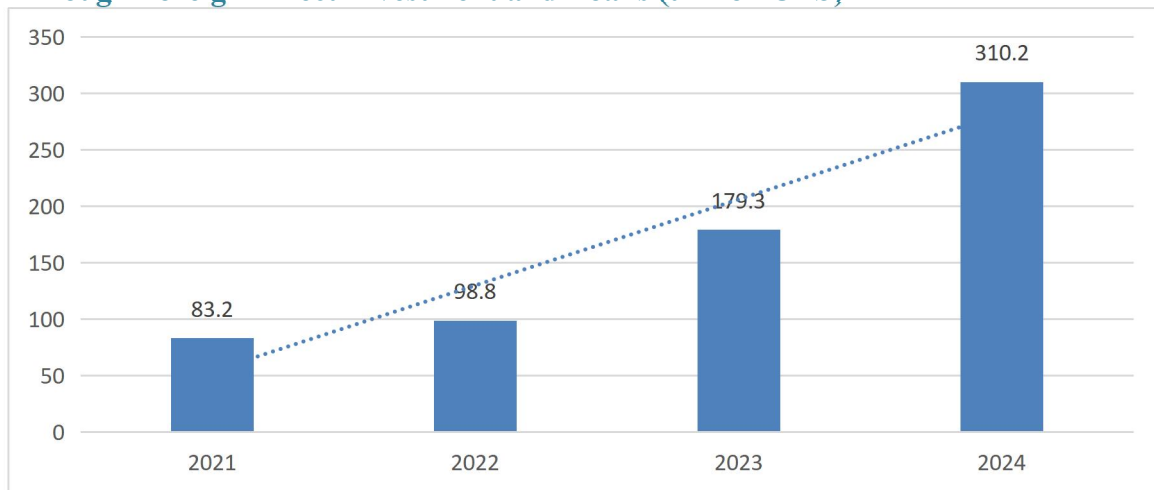
### Analysis and Results

In recent years, the Republic of Uzbekistan has been implementing active investment reforms. In particular, the New Uzbekistan Development Strategy for 2022–2026 was adopted, and among its key objectives are further improving the country's investment climate, increasing its

attractiveness, and undertaking measures to attract 120 billion USD, including 70 billion USD in foreign investments, during this period.<sup>2</sup>

As a result of the vigorous investment policy pursued under the leadership of our President, Uzbekistan's position in the international arena has strengthened, and its integration into the global economy has been intensifying. The number of countries engaged in international economic cooperation with the Republic of Uzbekistan has increased, and economic cooperation with existing partners has expanded. It should be emphasized that, as a consequence of these developments, investor interest in our country has risen, and the volume of foreign investments flowing into Uzbekistan has been increasing year by year.

**Figure 1. Dynamics of Changes in the Volume of Investments in Fixed Capital Financed Through Foreign Direct Investment and Loans (trillion UZS)**



*Source: Prepared by the author based on data from the National Statistics Committee under the President of the Republic of Uzbekistan.*

According to the official data provided by the National Statistics Committee, as shown above, the volume of investments utilized through foreign direct investment and loans amounted to 83.2 trillion UZS in 2021, 98.8 trillion UZS in 2022, 179.3 trillion UZS in 2023, and 310.2 trillion UZS in 2024.

In 2024 alone, the volume of investments financed through foreign investments and loans reached 333.8 trillion UZS, representing an increase of 152.1% compared to 2023.

Below, the distribution of foreign investments and loans across regions can be observed.

**Figure 2. Foreign Investments and Loans by Regions, billion UZS**  
(January–December 2024)

<sup>2</sup> From the New Uzbekistan Development Strategy for 2022–2026

	Foreign direct investments	Foreign loans guaranteed by the Republic of Uzbekistan	Non-guaranteed foreign investments and loans
<b>Republic of Uzbekistan</b>	<b>150 529.8</b>	<b>23 633.1</b>	<b>159 633.4</b>
Republic of Karakalpakstan	2 235.9	1 195.9	10 930,9
Andijan region	11 532,0	370,8	9 342,6
Jizzakh region	10 913,1	480,1	6 175,8
Kashkadarya region	7 208,9	3 947,7	12 751,1
Navoi region	11 019,8	2 506,6	14 068,5
Namangan region	17 886,4	645,9	25 426,9
Samarkand region	6 384,6	1 304,6	7 376,1
Surkhandarya region	5 835,2	907,9	3 344,4
Syrdarya region	5 923,3	116,3	1 873,2
Tashkent region	18 647,4	2 297,2	29 084,8
Fergana region	9 145,8	284,9	3 279,6
Khorezm region	2 222,4	460,2	6 102,6
Bukhara region	22 977,4	2 160,0	15 264,4
Tashkent city	18 597,6	6 954,9	14 612,5

*Source: Prepared by the author based on data from the State Committee on Statistics under the President of the Republic of Uzbekistan.*

When analyzing foreign investments and loans by region, it becomes evident that the largest share is accounted for by foreign direct investment and non-guaranteed investments and loans. The regions leading in attracting investments are Tashkent region, Namangan region, Bukhara region, and the city of Tashkent.

Along with the increase in the volume of foreign investments entering our country, the number of enterprises operating with foreign investment participation has also been rising. As of August 1, 2025, the number of enterprises operating in Uzbekistan with foreign investment participation amounted to 16,609. According to data from the National Statistics Committee, 4,094 of these are joint ventures, while the remaining 12,515 are enterprises fully based on foreign capital.

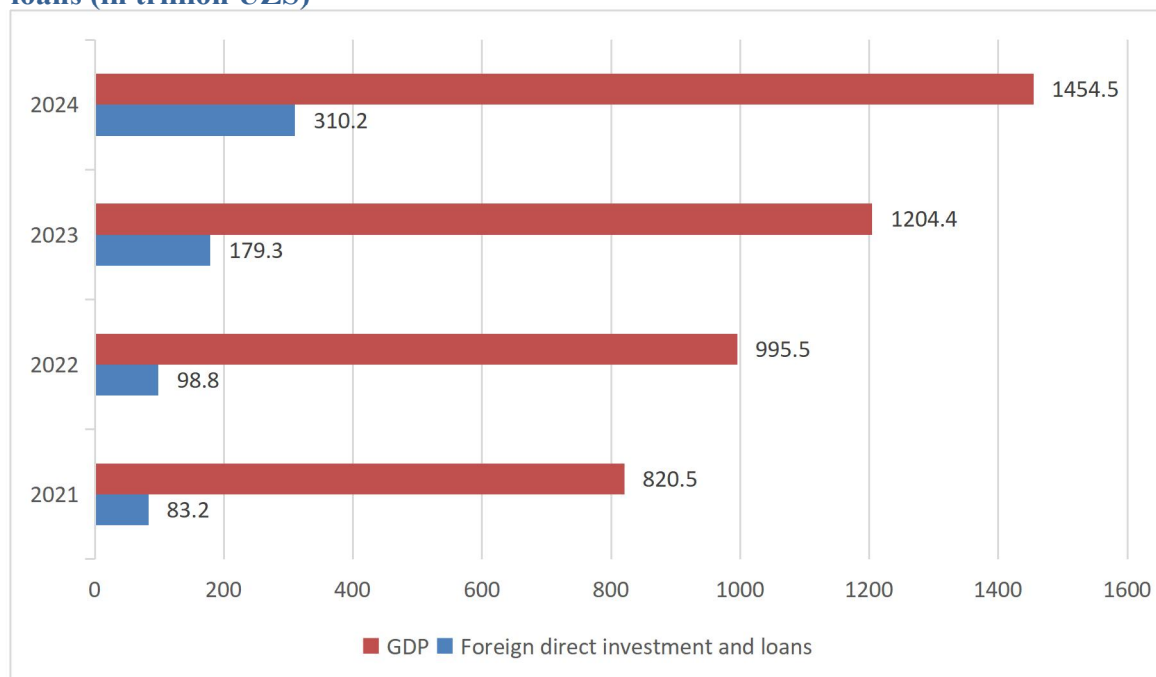
If we analyze the number of enterprises with foreign investment participation by country, China has been leading in recent years, with its share increasing sharply. A total of 4,250 enterprises with foreign investment participation belong to China. The next positions are occupied by:

- Russia – 3,093,

- Turkey – 1,982,
- Kazakhstan – 1,149,
- South Korea – 671,
- Afghanistan – 622,
- UAE – 369,
- India – 332,
- USA – 322.

In parallel with the rising volume of investments entering the country, the Gross Domestic Product (GDP) of the Republic of Uzbekistan has also been increasing. Calculated at current prices, GDP amounted to 820.5 trillion UZS in 2021, 995.5 trillion UZS in 2022, 1,204.4 trillion UZS in 2023, and 1,454.5 trillion UZS in 2024.

**Figure 3. Dynamics of changes in GDP and the volume of foreign direct investment and loans (in trillion UZS)**



*Source: Prepared by the author based on data from the State Committee on Statistics under the President of the Republic of Uzbekistan.*

To demonstrate the relationship between the Gross Domestic Product of the Republic of Uzbekistan and foreign direct investment (FDI) and loans during 2021–2024, I calculated the linear correlation coefficient using statistical analysis. The results show that the correlation coefficient is

$$r = 0.9693.$$

This indicates that there is a strong positive relationship between GDP and the volume of foreign direct investments and loans. Such a high correlation coefficient suggests that significant components of economic growth are closely associated with investments.

Furthermore, in order to provide a broader explanation of this relationship, I calculated the linear regression coefficient. As a result, the regression coefficient was found to be

$$\beta = 2.55.$$

This means that an increase of 1 trillion UZS in foreign direct investments and loans corresponds, on average, to an increase of 2.55 trillion UZS in GDP.

It should be emphasized that although the correlation and regression results indicate a positive statistical relationship between the volume of foreign direct investments and loans and economic growth in Uzbekistan, this does not imply that economic growth is ensured solely by FDI and loans. This is because economic growth depends on numerous macroeconomic factors. The positive impact of utilizing foreign investments and loans on the socio-economic development of our country can also be observed from the following examples:

1. In January–November 2021, enterprises operating with foreign investment participation in Khorezm region produced nearly 1.3 trillion UZS worth of industrial products. These enterprises accounted for 12.5% of the region's total industrial output.
2. According to data from the Ministry of Investments, Industry, and Trade of the Republic of Uzbekistan, in 2023, 306 projects with a total value of 9.4 billion USD were launched under the State Investment Program, creating more than 56,000 new jobs.
3. In January–August 2024, enterprises with foreign investment participation in Namangan region produced 3 trillion UZS worth of industrial goods. Their share in the region's total industrial production reached 17.3%.
4. In the construction materials sector, 2.2 billion USD in investments were utilized in 2024, of which 1.4 billion USD came from foreign direct investments and loans. Enterprises in the sector were expected to export 815 million USD worth of products and produce 40 trillion UZS in goods during the same year.
5. In Jizzakh region, enterprises engaged in mining and quarrying produced 253.5 billion UZS worth of output in January–September 2025, accounting for 0.9% of the region's total industrial production.

These examples show that foreign investments not only directly participate in socio-economic development but also positively influence overall economic growth.

## Conclusion and Recommendations

Based on the results of this study, it can be concluded that foreign investments play an invaluable role in the economic development of countries. For developing countries such as Uzbekistan, foreign investment serves as one of the key drivers of economic growth.

This is because inflows of foreign investment bring with them new technologies, innovative projects that may provide solutions to existing challenges, capital flows, and modern global trends. Consequently, this leads to improvements in the socio-economic environment of the country, the establishment of new enterprises and modernization of existing ones, enhancements in product quality and competitiveness, increases in employment and household incomes, growth in export potential, improvements in macroeconomic indicators, and a range of other positive outcomes.

Therefore, in pursuing economic growth, countries must strengthen global cooperation and place greater focus on investment projects. In this regard, the Republic of Uzbekistan should continue the active and well-designed investment policy it has pursued in recent years, further expanding international cooperation and elevating it to a new stage.

Indeed, ongoing reforms have already yielded results, with the volume of foreign investments entering our country increasing year by year and positively contributing to economic growth. It should also be stressed that any country working to attract foreign investment must increase its investment attractiveness. One of the main prerequisites for ensuring investment attractiveness is the rule of law. The existence of a strong legal framework and the availability of favorable conditions for entrepreneurship play a vital role in attracting foreign investors. In addition, improving the tax and customs systems, enhancing monetary policy, and implementing structural reforms contribute to the growth of foreign investment inflows. Overall, foreign investments create new opportunities for the economy, expand existing capacities, and accelerate economic growth.

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