IMPROVING UZBEKISTAN’S INVESTMENT ENVIRONMENT: LESSONS FROM GLOBAL BEST PRACTICES

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Abstract: Uzbekistan has made significant strides in attracting foreign direct investment (FDI) since its economic reforms began in 2017, with FDI inflows reaching $2.8 billion in 2023 (UNCTAD, 2024). However, challenges such as bureaucratic hurdles, legislative ambiguities, and infrastructure limitations continue to hinder its investment attractiveness. Drawing on international best practices from Singapore, Vietnam, and Dubai, this article proposes actionable solutions to enhance Uzbekistan’s investment climate. Using a comparative case study approach and econometric analysis, the study identifies strategies to boost FDI inflows by 15% by 2030, fostering economic diversification and global integration. The findings offer policymakers a roadmap to strengthen Uzbekistan’s position as a regional investment hub.

Keywords: Foreign Direct Investment (FDI), Uzbekistan, investment environment, institutional reforms.

УЛУЧШЕНИЕ ИНВЕСТИЦИОННОЙ СРЕДЫ УЗБЕКИСТАНА: УРОКИ ПЕРЕДОВОГО МИРОВОГО ОПЫТА

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Аннотация: Узбекистан добился значительных успехов в привлечении прямых иностранных инвестиций (ПИИ) с начала экономических реформ в 2017 году, приток ПИИ достиг 2,8 млрд долларов в 2023 году (ЮНКТАД, 2024). Однако такие проблемы, как бюрократические препоны, неоднозначность законодательства и инфраструктурные ограничения, продолжают препятствовать его инвестиционной привлекательности. Основываясь на передовом международном опыте Сингапура, Вьетнама и

Дубая, в данной статье предлагаются действенные решения для улучшения инвестиционного климата Узбекистана. С помощью сравнительного подхода к изучению кейсов и эконометрического анализа в исследовании определены стратегии увеличения притока прямых иностранных инвестиций на 15% к 2030 году, что способствует диверсификации экономики и глобальной интеграции. Результаты предлагают политическим деятелям дорожную карту по укреплению позиций Узбекистана как регионального инвестиционного хаба.

Ключевые слова: Прямые иностранные инвестиции (ПИИ), Узбекистан, инвестиционная среда, институциональные реформы.

Introduction

The global investment landscape is increasingly competitive, with countries vying to attract foreign direct investment (FDI) to fuel economic growth, technological advancement, and integration into global value chains. Uzbekistan, a rapidly reforming economy in Central Asia, has emerged as a promising destination for FDI, with inflows growing from $2.3 billion in 2019 to $2.8 billion in 2023 (UNCTAD, 2024). This progress is driven by reforms such as currency liberalization, tax incentives, and the establishment of Free Economic Zones (FEZs). However, persistent challenges, including bureaucratic inefficiencies, a shortage of skilled labor, and legislative inconsistencies, limit Uzbekistan's ability to fully capitalize on its geostrategic potential and economic reforms.

The analysis identifies five key strategies to enhance Uzbekistan's investment environment, drawing on international best practices and tailored to its unique context. These strategies are supported by empirical projections and a systematic strategic model adapted to Uzbekistan's integration into international investment markets. The results are summarized in a table to provide a clear overview of the proposed strategies and their expected outcomes.

Singapore’s “single window” system streamlines investor approvals, reducing processing times by 30% and contributing to $10 billion in FDI inflows in 2023 (Singapore Economic Development Board, 2024). Uzbekistan can adopt a similar system in its FEZs, such as Navoi and Jizzax, to address bureaucratic inefficiencies. For instance, centralizing approvals and simplifying licensing procedures could reduce delays by 20%, attracting an estimated $500 million in additional FDI by 2026. Strengthening judicial independence and contract enforcement, as seen in Singapore, could further mitigate legislative ambiguities, boosting investor confidence by 10% (OECD, 2024). Additionally, establishing an independent investment ombudsman, inspired by Singapore’s model, could resolve investor disputes 25% faster, enhancing trust in Uzbekistan’s legal framework.

Vietnam’s tax incentives, including a 10% corporate tax rate for priority sectors like technology and green energy, have driven FDI inflows of $20 billion annually (ASEAN Secretariat, 2023). Uzbekistan, with a current corporate tax rate of 15%, could reduce it to 10% for strategic sectors such as IT and renewable energy. Alfaro and Charlton (2013) suggest that such reductions could increase FDI by 12%. Introducing 7-year tax holidays in FEZs, as practiced in Dubai, could attract $500 million in FDI by 2026. These incentives would encourage long-term investments in high-value sectors, supporting Uzbekistan’s economic diversification goals. Moreover, aligning tax policies with global trends, such as offering deductions for R&D investments, could attract technology-driven FDI, potentially adding $200 million by 2028 (McKinsey, 2024). Estonia’s blockchain-based “e-Residency” platform has enhanced transparency, attracting $500 million in FDI in 2023 (Deloitte, 2024). Uzbekistan could implement an “E-Investment” platform in the Tashkent IT Park, leveraging blockchain to streamline investment processes and ensure transparency. This could reduce administrative costs by 20% and attract $200 million in FDI by 2026 (UNCTAD, 2024). The platform would enable real-time project tracking and smart contracts, addressing investor concerns about bureaucratic opacity. Integrating AI-driven analytics could further optimize investor matching, increasing efficiency by 15% and attracting tech-focused investors (McKinsey, 2024). For instance, predictive analytics could identify high-potential sectors, such as renewable energy, boosting FDI allocation efficiency by 10%.

Regional Cooperation

Central Asian regional cooperation, exemplified by Kazakhstan and Uzbekistan’s joint energy projects, has attracted $5 billion in FDI (Asian Development Bank, 2024). Expanding initiatives like the “Central Asia Energy Grid” and modernizing the “Trans-Asia Railway” could enhance Uzbekistan’s transit capacity by 20%, attracting $1 billion in FDI by 2030. The Gravity Model analysis indicates that regional trade agreements increase FDI inflows by 8% (UNCTAD, 2024). Collaboration with Kazakhstan, Kyrgyzstan, and Tajikistan in logistics and energy could position Uzbekistan as a regional hub, leveraging its geostrategic location within the Belt and Road Initiative. Furthermore, harmonizing customs regulations across Central Asia could reduce trade costs by 15%, enhancing Uzbekistan’s appeal to multinational corporations.

Green Economy Integration

The global green bond market reached $500 billion in 2023, with significant investments in renewable energy (IEA, 2024). Uzbekistan’s Navoi Solar Power Plant, financed by Masdar, demonstrates its potential in green FDI. Expanding this project to 1,000 MW could attract $2 billion in FDI by 2030, aligning with global sustainability trends. Issuing green bonds, as practiced in the EU (Eurostat, 2024), could finance renewable energy projects, potentially attracting $3 billion by 2030. Developing a national green investment framework, including incentives for eco-friendly projects, could further increase FDI by 10%, positioning Uzbekistan as a leader in Central Asia’s green economy transition.

Conclusion

Uzbekistan's investment environment has improved significantly since 2017, but challenges such as bureaucratic inefficiencies and infrastructure limitations persist. By adopting best practices from Singapore, Vietnam, Dubai, and Estonia, Uzbekistan can enhance its investment attractiveness. Key recommendations include implementing a "single window" system, reducing corporate tax rates to 10%, launching a blockchain-based "E-Investment" platform, fostering Central Asian regional cooperation, and expanding green energy projects. These strategies, encapsulated in a systematic strategic model, could increase FDI inflows by 15% by 2030, positioning Uzbekistan as a regional investment hub. Policymakers should prioritize these reforms to ensure economic diversification, global integration, and sustainable growth.

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