

EXISTING PROBLEMS IN ENHANCING THE COUNTRY'S INVESTMENT ATTRACTIVENESS FOR ATTRACTING FOREIGN INVESTMENTS AND WAYS TO OVERCOME THEM

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Abstract

This article examines the existing problems in enhancing the country's investment attractiveness for attracting foreign investments and analyzes possible ways to overcome them. The study investigates the role of investment attractiveness in ensuring sustainable economic growth, industrial modernization, export expansion, and technological development. Particular attention is paid to institutional reforms, infrastructure development, macroeconomic stability, digital transformation, and regional investment disparities influencing foreign investment inflows into Uzbekistan. The research also identifies the main economic and organizational factors limiting investment attractiveness and evaluates practical mechanisms for improving the investment climate. Based on international experience and current economic reforms, scientific conclusions and practical recommendations aimed at increasing the efficiency of foreign investment attraction have been developed.

Keywords: Investment attractiveness, foreign investments, foreign direct investment, investment climate, institutional reforms, infrastructure development, macroeconomic stability, digital economy, regional disparities, innovation policy, economic modernization, investment environment, sustainable economic growth.

Introduction

In the modern global economy, increasing investment attractiveness has become one of the most important priorities for ensuring sustainable economic growth and strengthening the competitiveness of national economies. Foreign direct investments (FDI) play a significant role in accelerating industrial modernization, introducing advanced technologies, developing infrastructure, increasing export potential, and creating new jobs. Therefore, many developing countries are implementing large-scale reforms aimed at improving the investment climate and attracting foreign capital into strategically important sectors of the economy [1].

In recent years, Uzbekistan has also undertaken comprehensive economic reforms directed toward liberalization of the economy, expansion of private sector participation, simplification of tax and customs systems, development of free economic zones, and strengthening legal



guarantees for investors. These reforms have contributed to improving the country's investment image and increasing foreign investment inflows into the national economy. According to international economic assessments, Uzbekistan is gradually strengthening its position as one of the promising investment destinations in Central Asia due to its favorable geographical location, rich natural resources, demographic potential, and growing domestic market [2].

In this regard, studying the existing problems in enhancing the country's investment attractiveness and identifying effective ways to overcome them has important scientific and practical significance. The research is aimed at analyzing the current investment environment in Uzbekistan, evaluating the main factors influencing foreign investment inflows, and developing practical recommendations for further improvement of investment attractiveness and sustainable economic development.

Literature review on topic

Research on investment attractiveness and the problems limiting foreign investment inflows has been widely conducted by foreign and local economists. Scientific studies mainly focus on institutional reforms, macroeconomic stability, infrastructure development, governance quality, and investment climate improvement as the key determinants of attracting sustainable foreign investments.

American economist Joseph E. Stiglitz studied the relationship between institutional quality and investment efficiency in developing economies [3]. The scholar emphasized that transparent governance, effective legal systems, and reduction of information asymmetry significantly improve investor confidence and increase foreign capital inflows. In our opinion, Stiglitz's scientific approaches are important in understanding the institutional barriers affecting investment attractiveness.

British economist Richard Baldwin analyzed globalization processes and international investment competition [4]. According to the scholar, countries with efficient logistics systems, digital infrastructure, and open economic policies are more successful in attracting foreign investments. His research highlights the importance of infrastructure modernization in strengthening investment attractiveness.

German economist Klaus Schwab researched the impact of technological transformation and digitalization on economic competitiveness [5]. The scholar argued that innovation ecosystems, digital governance, and technological modernization have become decisive factors influencing investment decisions in the era of the Fourth Industrial Revolution. His scientific views are especially relevant for developing economies seeking to attract innovation-oriented investments.

American economist Jeffrey Sachs studied sustainable economic development and investment policy in transition economies [6]. According to the scholar, stable macroeconomic policy, infrastructure development, and human capital improvement are among the main conditions for ensuring long-term investment attractiveness. His theoretical approaches emphasize the importance of balanced economic reforms.

Singaporean economist Linda Lim analyzed the role of state policy and institutional efficiency in attracting foreign investments into Asian economies [7]. The scholar highlighted that



simplification of administrative procedures, strong investor protection mechanisms, and export-oriented industrial strategies positively affect foreign investment inflows. Her research is particularly relevant for countries implementing economic liberalization reforms.

Uzbek economist B.Y. Khodiyev researched the role of investment policy in ensuring modernization and structural transformation of the national economy [8]. The scholar emphasized that strengthening investment attractiveness through institutional reforms and development of industrial infrastructure remains one of the key priorities for Uzbekistan's sustainable economic growth.

Uzbek economist S.S. G'ulomov analyzed the problems and prospects of improving the investment climate in Uzbekistan [9]. According to the scholar, reduction of bureaucratic barriers, expansion of digital public services, and strengthening of regional investment infrastructure are important factors for increasing the efficiency of foreign investment attraction.

The above-mentioned scientific studies demonstrate that investment attractiveness is influenced by a complex combination of institutional, economic, technological, and infrastructural factors. Foreign and local economists highly evaluate the role of transparent governance, macroeconomic stability, infrastructure modernization, and digital transformation in attracting sustainable foreign investments. At the same time, increasing global competition for capital, technological changes, and regional economic disparities indicate that the issues of improving investment attractiveness and overcoming existing barriers remain highly relevant in modern economic conditions.

Research Methodology

In the preparation of this article, regulatory and legal documents, official literary sources, and formal internet data were systematically analyzed, along with a comparative and critical evaluation of the scientific and theoretical perspectives of economic scholars on the subject matter. Throughout the investigation of the research topic, along with general economic approaches, methods such as systemic analysis, generalization, abstract-logical reasoning, and statistical methods were extensively utilized.

Analysis and discussion of results

In recent years, Uzbekistan has been consistently implementing economic reforms aimed at increasing investment attractiveness and expanding the inflow of foreign investments into the national economy. Liberalization of the currency market, improvement of the tax system, development of free economic zones, modernization of industrial infrastructure, and support for private entrepreneurship have contributed to the formation of a more favorable investment environment. As a result, the volume of foreign direct investments attracted into the economy has demonstrated stable growth dynamics [10].

Foreign investments have become one of the important sources for financing industrial modernization, infrastructure projects, technological renewal, and export-oriented production. Large-scale investment projects implemented with the participation of foreign capital positively influence economic growth, increase industrial productivity, and improve the country's integration into the global economy.



Table 1 Dynamics of foreign investments and macroeconomic indicators in Uzbekistan (2020–2025) [11]

Years	Foreign investments inflow (bln. USD)	GDP growth (%)	Share of investments in GDP (%)	Export volume (bln. USD)	Industrial growth (%)	Number of investment projects
2020	6.6	1.9	32.4	15.1	0.7	1,122
2021	8.1	7.4	34.9	16.6	8.2	1,308
2022	8	5.7	30.4	19.3	5.2	1,364
2023	11.9	6.3	33.6	24.4	6.8	1,578
2024	13.4	6.5	35.1	27.8	7.1	1,740
2025	15	6.8	36.8	30.5	7.5	1,920

The data presented in Table 1 demonstrate that foreign investment inflows into Uzbekistan increased significantly during 2020–2025. In particular, the volume of foreign investments is projected to rise from 6.6 billion USD in 2020 to 15.0 billion USD by 2025. Such positive dynamics indicate the growing confidence of international investors in the country's economic reforms and development prospects [10].

The analysis also shows that the increase in foreign investments positively affects GDP growth, industrial production, and export expansion. Export volume is expected to double during the analyzed period, mainly due to investments directed toward manufacturing, energy, and infrastructure sectors. Industrial growth rates also remain relatively stable, reflecting the ongoing modernization of industrial enterprises and expansion of production capacities financed by foreign capital.

At the same time, the growing number of investment projects indicates the expansion of economic cooperation with foreign partners and the diversification of investment activities across various sectors of the economy. These trends confirm that foreign investments are becoming an increasingly important factor for ensuring sustainable economic growth and modernization of Uzbekistan's national economy.

Despite the positive dynamics observed in recent years, several economic and infrastructural factors still limit the full realization of Uzbekistan's investment potential. These factors are mainly related to infrastructure development, regional disparities, limited innovation capacity, and increasing global competition for foreign capital. However, such challenges are common for many developing and transition economies and can be gradually addressed through consistent economic reforms and modernization programs.

One of the important factors influencing investment attractiveness is the uneven level of infrastructure development across regions. While major industrial and urban centers possess relatively developed transport, energy, and logistics systems, some regions still experience limitations in infrastructure quality. This situation affects the efficiency of investment projects and increases operational costs for foreign investors [12].

Another factor is the relatively limited development of innovation-oriented and high-technology sectors. Although Uzbekistan has been paying increasing attention to digital transformation and modernization of the economy, the share of high-tech industries and

innovation-based production remains comparatively low. As a result, the country still possesses significant untapped potential in attracting technology-intensive foreign investments.

In addition, the global economic environment has become increasingly competitive in terms of attracting foreign capital. Developing countries are actively implementing investment incentives, industrial support programs, and infrastructure modernization projects in order to strengthen their positions in international investment markets. Under such conditions, continuous improvement of investment attractiveness becomes an important requirement for maintaining stable foreign investment inflows.

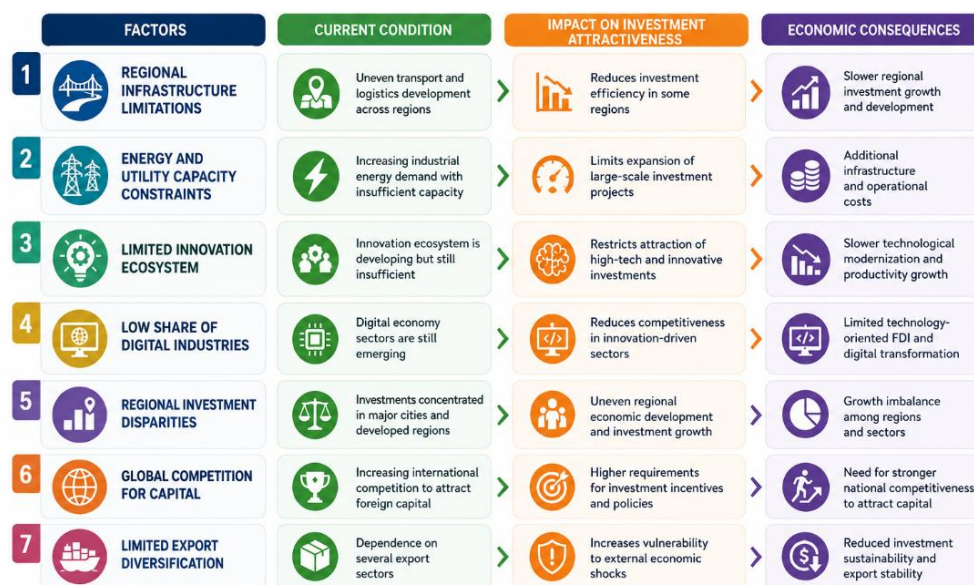


Figure 1. Main factors affecting investment attractiveness and their economic impact [11]

The data presented in figure above demonstrate that infrastructure and innovation-related factors remain among the main elements influencing the country's investment attractiveness. In particular, regional disparities in transport, logistics, and industrial infrastructure create differences in investment efficiency across regions.

The analysis also indicates that development of innovation-oriented sectors and digital industries remains one of the important future priorities. Expansion of IT infrastructure, technological parks, startup ecosystems, and research-based industries could significantly strengthen Uzbekistan's competitiveness in attracting technology-intensive foreign investments.

At the same time, global competition for foreign capital requires continuous modernization of infrastructure and diversification of the economy. Countries that successfully combine industrial modernization, innovation policy, and export diversification tend to attract more stable and long-term foreign investments.

Overall, the conducted analysis confirms that Uzbekistan possesses considerable opportunities for further improving investment attractiveness. Continued infrastructure modernization, support for innovation-oriented sectors, expansion of regional development programs, and diversification of the economy will contribute to strengthening the country's position in the global investment market and increasing sustainable foreign investment inflows.

In recent years, Uzbekistan has been implementing systematic institutional reforms aimed at improving the investment environment and strengthening the country’s competitiveness in attracting foreign investments. These reforms are mainly focused on liberalization of economic relations, modernization of public administration, digitalization of state services, and expansion of legal guarantees for investors. Such measures play an important role in creating favorable conditions for sustainable foreign capital inflows and increasing investor confidence in the national economy [12].

Particular attention has been paid to the simplification of investment procedures and improvement of business conditions. The introduction of digital public services, electronic licensing systems, and online registration mechanisms significantly accelerated investment-related processes and reduced operational costs for investors. In addition, the expansion of free economic zones and industrial parks created favorable opportunities for the development of export-oriented production and industrial cooperation.

The improvement of customs and taxation systems also positively affected the country’s investment climate. Simplification of tax administration, optimization of customs procedures, and expansion of investment incentives contributed to increasing economic activity and improving the efficiency of investment projects. These reforms became especially important in strengthening the competitiveness of Uzbekistan in regional and international investment markets.



Figure 2. Institutional reforms and their impact on investment attractiveness [11]

The data presented in Figure 2 demonstrate that institutional reforms have significantly improved the country’s investment environment and increased the efficiency of investment-related processes. In particular, digitalization of public services and simplification of taxation procedures positively affected the business environment and contributed to increasing the number of investment projects implemented in the country [12].

The analysis also indicates that development of free economic zones and modernization of industrial policy remain among the most effective mechanisms for attracting foreign

investments. These reforms support industrial diversification, technological modernization, and export growth. Moreover, strengthening investor protection mechanisms increases confidence among international investors and contributes to attracting long-term strategic investments.

At the same time, continued institutional modernization remains important for ensuring sustainable investment growth. Further improvement of digital infrastructure, financial systems, and innovation-oriented reforms will contribute to strengthening Uzbekistan's position in the global investment market.

Sectoral distribution of foreign investments reflects the structural priorities of the national economy and demonstrates the main directions of economic modernization. In Uzbekistan, foreign capital is primarily concentrated in industry, energy, infrastructure, transport-logistics, and digital economy sectors. Such investment distribution contributes to industrial diversification, export expansion, and technological development of the economy [13].

In recent years, the industrial sector has remained the leading destination for foreign investments due to large-scale modernization projects, expansion of manufacturing capacities, and increasing export potential. Investments directed toward energy infrastructure and renewable energy projects also occupy an important position in the country's investment structure. Development of transport-logistics infrastructure further strengthens Uzbekistan's role as a regional transit and trade hub in Central Asia.

At the same time, the digital economy and information technologies sector has been gradually attracting larger volumes of foreign investments. Expansion of IT parks, startup ecosystems, and digital public services creates favorable opportunities for innovation-oriented economic development and integration into the global digital economy.

Table 2 Sectoral structure of foreign investments in Uzbekistan (2024) [11]

Economic sectors	Investment volume (bln. USD)	Share in total FDI (%)	Number of projects	Main economic outcomes
Industry and manufacturing	5.4	39.2	438	Industrial modernization and export growth
Energy and green economy	3.2	23.3	102	Renewable energy expansion and energy security
Construction and infrastructure	1.9	13.8	146	Urban development and infrastructure modernization
Transport and logistics	1.2	8.7	84	Transit and logistics competitiveness
ICT and digital economy	1	7.3	128	Digital transformation and innovation development
Agriculture and food industry	0.6	4.3	79	Agro-industrial modernization
Tourism and services	0.5	3.4	61	Service sector development and tourism growth

The data presented in Table 2 demonstrate that industry and manufacturing continue to attract the largest share of foreign investments. This reflects Uzbekistan's strategic priority of strengthening industrial production and increasing export-oriented manufacturing capacities [13].

The energy sector also occupies a significant share in total foreign investments, especially due to renewable energy projects implemented in cooperation with international investors. Investments in solar and wind energy projects positively influence energy sustainability and support the transition toward a green economy.

The analysis further indicates that transport-logistics and digital economy sectors are becoming increasingly important for strengthening long-term investment attractiveness. Development of logistics corridors, modernization of transport infrastructure, and expansion of digital technologies contribute to increasing regional competitiveness and economic integration.

Although agriculture and tourism sectors currently attract relatively smaller volumes of foreign investments, these areas possess considerable future potential. Expansion of agro-processing industries, development of modern tourism infrastructure, and improvement of regional logistics systems could significantly increase investment activity in these sectors.

Overall, the conducted sectoral analysis confirms that diversification of foreign investments across industrial, infrastructural, and innovation-oriented sectors contributes to strengthening the sustainability and competitiveness of Uzbekistan's national economy.

Improving investment attractiveness requires the implementation of comprehensive economic measures aimed at strengthening infrastructure, supporting innovation-oriented sectors, expanding digital transformation, and increasing regional competitiveness. In modern economic conditions, countries that successfully combine institutional modernization with technological development tend to attract more stable and long-term foreign investments [14]. One of the priority directions is the acceleration of infrastructure modernization projects, particularly in transport, logistics, and energy sectors. Development of modern logistics corridors, industrial zones, and renewable energy infrastructure significantly improves the efficiency of investment projects and reduces operational costs for investors.

Another important direction involves strengthening innovation capacity and expanding digital economy sectors. Development of technology parks, startup ecosystems, research centers, and digital public services creates favorable conditions for attracting high-tech and innovation-oriented foreign investments.

Regional investment support mechanisms should also be expanded to reduce disparities in investment distribution. Development of regional infrastructure, industrial clusters, and specialized economic zones can stimulate investment activity in less-developed regions and contribute to balanced economic growth.



Table 3 Priority directions for improving investment attractiveness and expected economic outcomes [11]

Priority directions	Main implementation measures	Expected economic outcomes
Infrastructure modernization	Expansion of transport and logistics systems	Increased efficiency of investment projects
Renewable energy development	Construction of solar and wind energy facilities	Strengthening energy sustainability
Digital economy expansion	Development of IT infrastructure and e-services	Growth of innovation-oriented investments
Regional development support	Expansion of industrial parks and regional projects	Reduction of regional disparities
Export diversification	Support for high value-added industries	Increased export competitiveness
Innovation ecosystem development	Support for startups and research centers	Technological modernization
Financial system improvement	Expansion of investment financing instruments	Increased access to investment capital

The analysis presented in Table 3 demonstrates that modernization of infrastructure and support for innovation-oriented sectors remain among the key priorities for improving investment attractiveness [15]. In particular, development of digital infrastructure and renewable energy projects can significantly strengthen Uzbekistan's competitiveness in attracting sustainable foreign investments.

The study also indicates that regional development programs and industrial diversification policies are important for ensuring long-term investment sustainability. Expansion of export-oriented industries and technological modernization projects positively affect productivity growth and economic resilience.

Overall, the conducted analysis confirms that consistent implementation of structural reforms, digital transformation, and infrastructure modernization will contribute to improving Uzbekistan's investment attractiveness and increasing sustainable foreign investment inflows into the national economy.

Conclusion and suggestions

The conducted research demonstrates that increasing investment attractiveness is one of the key conditions for ensuring sustainable economic growth and expanding foreign investment inflows into Uzbekistan's economy. In recent years, the country has implemented consistent economic reforms aimed at improving the investment environment, modernizing infrastructure, developing industrial sectors, and strengthening the legal and institutional foundations of investment activity. As a result, the volume of foreign direct investments attracted into the national economy has shown stable growth dynamics.

The analysis revealed that foreign investments significantly contribute to industrial modernization, technological renewal, export expansion, infrastructure development, and

employment growth. In particular, industry, energy, transport-logistics, and digital economy sectors remain the leading directions attracting foreign capital. At the same time, institutional reforms such as digitalization of public services, modernization of the taxation system, development of free economic zones, and strengthening investor protection mechanisms positively influence the country's investment climate and international competitiveness.

The research also showed that several economic and infrastructural factors still limit the full realization of Uzbekistan's investment potential. Among them are regional disparities in infrastructure development, limited innovation-oriented production, insufficient diversification of exports, and growing global competition for foreign capital. However, these issues are typical for many developing economies and can be gradually addressed through consistent structural reforms and modernization programs.

The conducted regional analysis confirmed that economically developed regions with stronger industrial and logistics potential attract larger volumes of foreign investments. Therefore, strengthening regional competitiveness and ensuring balanced regional development remain important priorities for increasing the overall investment attractiveness of the country.

Based on the results of the study, the following suggestions can be proposed:

First, it is necessary to continue modernization of transport, logistics, and energy infrastructure in order to improve the efficiency of investment projects and strengthen regional connectivity. Second, greater attention should be paid to supporting innovation-oriented and high-technology sectors, including digital economy, information technologies, renewable energy, and research-based industries.

Third, regional investment support programs should be expanded to reduce disparities in investment inflows and stimulate economic activity in less-developed regions.

Fourth, further digitalization of public services and expansion of electronic investment platforms should be accelerated in order to simplify investment-related procedures and improve business efficiency.

Fifth, export diversification policies should be strengthened through support for high value-added manufacturing industries and development of export-oriented production.

Sixth, mechanisms for attracting long-term strategic foreign investments should be improved through expansion of industrial parks, free economic zones, and public-private partnership projects.

Overall, the conducted research confirms that Uzbekistan possesses substantial opportunities for further improving its investment attractiveness and strengthening its position in the international investment market. Consistent implementation of institutional reforms, infrastructure modernization, regional development programs, and innovation-oriented economic policies will contribute to increasing sustainable foreign investment inflows and ensuring long-term economic development of the national economy.

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