THE ROLE OF FOREIGN INVESTMENT IN THE ECONOMIC GROWTH OF UZBEKISTAN

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Abstract: *This article investigates the contribution of foreign investment, and foreign direct investment (FDI) in particular, to the economic growth of the Republic of Uzbekistan over the period 2021-2025. Drawing on official data from the Central Bank of Uzbekistan, the National Statistics Committee, UNCTAD, and the U.S. Department of State's Investment Climate Statements, the study applies descriptive and comparative statistical analysis to examine the dynamics of FDI inflows alongside GDP growth, sectoral and geographical investment structure, and the institutional reforms that have shaped Uzbekistan's investment climate since 2017. The results show that FDI inflows into Uzbekistan grew markedly over the period under review, rising from roughly USD 2.2-2.5 billion in 2022-2023 to USD 7.2 billion in 2023 (broader definition) and to USD 11.9 billion in 2024 (a 53.6% annual increase, equivalent to about 10.3% of GDP), while total foreign investment - including loans - reached USD 34.9 billion in 2024 and was projected to reach USD 42 billion in 2025. Over the same period, real GDP growth accelerated from roughly 6.0% in 2023 to 6.5-6.7% in 2024 and 7.7% in 2025. The analysis finds a consistent positive association between rising foreign investment and GDP growth, most visible in energy, manufacturing, and infrastructure sectors supported by an expanding network of special economic zones. The article concludes that continued liberalization of the investment climate, further capital-market development, and diversification of investment sources are essential for sustaining Uzbekistan's investment-driven growth model.*

Keywords: *foreign direct investment, economic growth, GDP, investment climate, special economic zones, Uzbekistan, capital inflows, structural reform.*

INTRODUCTION

Foreign direct investment is widely regarded as one of the principal engines of economic growth in developing and transition economies, since it brings not only capital but also technology transfer, managerial expertise, access to export markets, and employment creation. For economies undergoing structural transformation, FDI can help close the domestic savings-investment gap and accelerate industrial modernization. Uzbekistan, Central Asia's most populous country, provides a particularly instructive case: following the launch of sweeping market-liberalization reforms in 2017 - including the unification of the exchange rate, reduction of trade barriers, and privatization of state assets - the country has actively pursued a strategy of attracting foreign capital as a central pillar of its 'Uzbekistan 2030' development strategy.

Since 2017, the Government of Uzbekistan has established an extensive institutional infrastructure to attract foreign investors, including the Ministry of Investment, Industry and Trade, an Investment Promotion Agency, and a growing network of special economic zones, small industrial zones, technology parks, and industrial clusters offering tax and customs incentives. These measures, combined with sovereign bond issuance on the London Stock Exchange and the planned listing of major state-owned enterprises through IPOs, have been designed to position Uzbekistan as a more attractive destination for international capital within the Central Asian region.

This article examines the extent to which these efforts have translated into rising foreign investment inflows, and the extent to which those inflows are statistically associated with Uzbekistan's recent economic growth performance. Specifically, the study aims to: (1) document the dynamics of FDI and total foreign investment inflows into Uzbekistan for 2021-2025; (2) compare these dynamics with the trajectory of real GDP growth over the same period; (3) analyze the sectoral and geographical structure of foreign investment; and (4) discuss the institutional and policy factors that have shaped Uzbekistan's investment climate, together with the challenges that remain. The findings are intended to contribute to the broader literature on FDI-led growth in Central Asian transition economies and to inform ongoing policy discussion on investment climate reform in Uzbekistan.

2. MATERIALS AND METHODS

This study is based on secondary data compiled from official and internationally recognized sources: the Central Bank of the Republic of Uzbekistan, the National Statistics Committee (stat.uz), the United Nations Conference on Trade and Development (UNCTAD World Investment Report), the World Bank's World Development Indicators, the U.S. Department of State's annual Investment Climate Statements for Uzbekistan, and the Ministry of Investment, Industry and Trade's 2025 report 'New Uzbekistan: The Big Country With Big Opportunities.' Data were collected for the period 2021-2025, covering: (a) annual FDI inflows (both narrow BoP-based net-inflow measures and the broader gross investment figures reported by the Central Bank); (b) total foreign investment, including foreign loans; (c) annual real GDP growth rates; and (d) the sectoral and country-of-origin structure of investment.

The research applies a descriptive-comparative statistical method, examining the co-movement of FDI inflows and GDP growth rates over time and across sub-periods (2021-2022, a period of relatively moderate FDI and 5.7-7.4% GDP growth, versus 2023-2025, a period of rapidly rising FDI and 6.0-7.7% GDP growth).

Because Uzbekistan's official statistics and international databases sometimes report FDI using different methodologies - UNCTAD's balance-of-payments-based net FDI equity flows versus the Central Bank's broader gross FDI volume, which includes reinvested earnings and intercompany loans - both measures are presented and their divergence is explicitly discussed rather than reconciled into a single figure, in order to maintain transparency about data limitations.

As with any study based on aggregate macroeconomic time series, the analysis is descriptive and correlational rather than strictly causal; it does not employ a formal econometric growth model (such as a production-function or Granger-causality framework) to isolate the independent contribution of FDI to GDP growth net of other drivers (domestic investment, remittances, commodity prices, and fiscal policy). The study should therefore be read as an empirical mapping of the investment-growth relationship in Uzbekistan over a well-defined recent period, providing a basis for more rigorous econometric research.

3. RESULTS

3.1. Dynamics of foreign investment inflows, 2021-2025

Foreign investment inflows into Uzbekistan expanded substantially over the review period, although the pace and reported magnitude vary depending on the definition used. According to UNCTAD's World Investment Report, narrowly defined FDI inflows stood at USD 2.49 billion in 2022 and declined slightly to USD 2.18 billion in 2023 (-12.5%), even as broader U.S. Department of State reporting recorded USD 7.2 billion in FDI for 2023 - nearly double the 2022 level - reflecting the inclusion of reinvested earnings and intercompany loans in the latter measure. In 2024, the divergence narrowed: the Central Bank of Uzbekistan reported that FDI volume in the economy increased by 53.6% year-on-year to USD 11.9 billion, raising the FDI share of GDP by 2.4 percentage points to 10.3%, while total foreign investment (FDI plus foreign loans), as reported by the Ministry of Investment, Industry and Trade, grew by more than 60% to reach USD 34.9 billion in 2024, with total international investment projected to reach USD 42 billion in 2025.

Year	FDI inflows, USD bn (measure)	Total foreign investment, USD bn
2022	2.49 (UNCTAD, net FDI)	n/a
2023	2.18 (UNCTAD) / 7.2 (State Dept.)	~30 (incl. public + private)
2024	11.9 (CBU, +53.6% y/y)	34.9 (MIIT, +60%+ y/y)
2025 (proj.)	n/a	42 (projected)

Table 1. Foreign direct investment and total foreign investment inflows into Uzbekistan, 2022-2025

Fixed-capital investment financed from all sources also grew strongly: investment in fixed capital rose by 27.6% in 2024, driven predominantly by non-centralized (largely private and foreign-linked) investment, which grew by 32.8% and increased its share of total investment to over 90%, while centralized (state budget-financed) investment declined by 4.2% in the fourth quarter of 2024. This shift illustrates a structural reorientation of Uzbekistan's investment model away from direct state financing and toward private and foreign capital.

3.2. Foreign investment and GDP growth

Uzbekistan's real GDP growth accelerated over the same period in which foreign investment inflows expanded most rapidly. According to the National Statistics Committee, nominal GDP rose from 861.2 trillion UZS in 2021 to 1,041.9 trillion UZS in 2022, 1,261.8 trillion UZS in 2023, and 1,535.4 trillion UZS in 2024. In real terms, annual

GDP growth was approximately 7.4% in 2021, moderated to 5.7-6.1% in 2022 amid regional shocks, recovered to roughly 6.0-6.3% in 2023, rose further to 6.5-6.7% in 2024, and accelerated to 7.7% in 2025 - the highest rate of the period under review and coinciding with the sharp rise in FDI and total investment inflows recorded that year.

Year	Real GDP growth, %	FDI / total investment trend
2021	7.4	Moderate FDI base
2022	5.7-6.1	FDI ≈ USD 2.5 bn
2023	6.0-6.3	FDI USD 2.2-7.2 bn (definition-dependent)
2024	6.5-6.7	FDI USD 11.9 bn; total investment USD 34.9 bn
2025	7.7	Total investment projected at USD 42 bn

Table 2. Real GDP growth and foreign investment trend in Uzbekistan, 2021-2025

The co-movement between rising foreign investment and accelerating GDP growth is most visible in 2024-2025, when both indicators reached the highest levels of the review period simultaneously. This pattern is consistent with the hypothesis that expanding foreign capital inflows - directed toward energy, manufacturing, and infrastructure projects - have contributed to Uzbekistan's growth acceleration, although, as noted in the Materials and Methods section, this association does not by itself establish a precise causal magnitude, since GDP growth in 2024-2025 was also supported by strong domestic demand, rising consumer lending, and continued growth in the services sector.

3.3. Sectoral and geographical structure of investment

The sectoral allocation of Uzbekistan's 2024 investment program, valued at USD 18 billion across 309 projects, was concentrated primarily in energy, oil and gas, and industrial manufacturing. By country of origin, data for 2023 show that China accounted for the largest share of FDI (25.6%), followed by Russia (13.4%), Saudi Arabia (7.9%), Turkey (6.4%), the United Arab Emirates (5.8%), and Germany (4.3%), reflecting both regional integration within the Commonwealth of Independent States and growing interest from Gulf and East Asian investors.

Institutionally, Uzbekistan's investment infrastructure has expanded substantially: as of April 2025, the country had established 28 special economic zones, 389 small industrial zones, 23 technology parks, and 355 industrial clusters, offering tax and customs incentives to both domestic and foreign investors. Capital-market development has also accelerated, with total trading volume on the Uzbekistan Stock Exchange reaching nearly USD 2 billion in 2024 - 7.5 times higher than the previous year - and sovereign bond issuance on the London Stock Exchange totaling USD 12 billion between 2019 and 2025, including USD 2.84 billion issued in 2025 alone. As of mid-2025, eighteen companies were reported to be preparing initial public offerings, signaling growing engagement with international private capital beyond traditional FDI and loan financing.

4. DISCUSSION

The results indicate that Uzbekistan's post-2017 reform program has succeeded in substantially increasing the volume of foreign capital entering the economy, and that this increase has coincided with an acceleration of real GDP growth, particularly in

2024-2025. This pattern is broadly consistent with standard FDI-led growth theory, under which foreign capital contributes to growth not only through direct capital formation but also through associated technology transfer, integration into global value chains, and demonstration effects that stimulate complementary domestic investment. The rapid expansion of non-centralized investment - which now accounts for over 90% of total fixed-capital investment - suggests that private and foreign capital, rather than state budget financing, has become the principal driver of Uzbekistan's investment-led growth model.

At the same time, the substantial divergence between UNCTAD's narrowly defined FDI figures and the broader gross investment figures reported by Uzbek authorities (for example, USD 2.18 billion versus USD 7.2 billion for 2023) is itself an important finding. It illustrates a methodological ambiguity that complicates cross-country comparison and suggests that a meaningful share of what Uzbekistan reports as 'foreign investment' consists of loans and reinvested earnings rather than new equity FDI in the strict balance-of-payments sense. This distinction matters for policy, because loan-financed investment carries different risk and debt-sustainability implications than equity FDI, and a future evaluation of Uzbekistan's investment strategy should track these components separately rather than relying solely on the aggregate headline figure.

The concentration of FDI inflows in energy, oil and gas, and heavy industry, together with the geographical concentration of investment sources in China, Russia, and Gulf states, points to both an opportunity and a vulnerability. On one hand, resource-sector investment has historically been a reliable growth driver for Uzbekistan given its natural-resource endowment; on the other hand, heavy sectoral and geographical concentration exposes the economy to commodity-price cycles and to shifts in the political or economic priorities of a small number of large investing countries. Diversification of both the sectoral composition of FDI (toward manufacturing, IT, and services) and its geographical sources (toward the European Union, the United States, and East Asian markets beyond China) would likely improve the resilience of Uzbekistan's investment-led growth model.

The rapid growth of Uzbekistan's capital markets - including a 7.5-fold increase in stock-exchange trading volume in 2024 and an active pipeline of planned IPOs - suggests that foreign portfolio investment may become an increasingly important complement to traditional FDI in the coming years. This development is consistent with Uzbekistan's stated 'Uzbekistan 2030' strategy of transitioning toward a more market-based and internationally integrated financial system. However, the country's capital market remains at an early stage of development relative to regional peers, and further progress in corporate governance, disclosure standards, and minority-shareholder protection will likely be necessary to sustain investor confidence as the market matures.

5. CONCLUSION

This article has examined the role of foreign investment in Uzbekistan's economic growth over the period 2021-2025. The evidence shows a marked expansion of foreign capital inflows since the launch of market-liberalization reforms in 2017, with FDI rising to USD 11.9 billion in 2024 (a 53.6% annual increase, equal to 10.3% of GDP) and total foreign investment reaching USD 34.9 billion the same year, alongside an acceleration of real GDP growth from roughly 6.0% in 2023 to 7.7% in 2025. This co-movement supports the view that expanding foreign investment, delivered through an increasingly elaborate system of special economic zones, tax incentives, and capital-market reforms, has been an important contributor to Uzbekistan's recent growth performance, even though the precise causal contribution of FDI net of other growth drivers requires further econometric investigation.

The concentration of investment in a small number of sectors and source countries, together with methodological ambiguity in how 'foreign investment' is measured and reported, represent the principal risks and data limitations identified in this study.

Sustaining Uzbekistan's investment-driven growth trajectory will likely require continued diversification of investment sectors and source countries, further development of transparent capital markets, and consistent, methodologically comparable investment reporting to support both domestic policymaking and international investor confidence.

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