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UZBEKISTAN'S INVESTMENT ENVIRONMENT: LEGAL REFORMS AND ECONOMIC DEVELOPMENT

***Abstract:** This article examines the legislative evolution and economic foundations of Uzbekistan's national investment policy, with a particular focus on recent reforms and digital transformation processes. It highlights key aspects of the investment climate, analyzes modern incentive mechanisms, and evaluates the impact of institutional and infrastructural improvements on foreign direct investment inflows. The paper also introduces a forward-looking perspective on sustainable and innovation-driven investment strategies in Uzbekistan.*

***Keywords:** economy, investment policy, digital economy, foreign direct investment, incentives, infrastructure, sustainable development.*

In recent years, Uzbekistan has increasingly focused on integrating digital technologies into its investment policy. The development of e-government services, digital platforms for investors, and online licensing systems has significantly reduced administrative barriers and improved transparency. These changes contribute to a more efficient and investor-friendly environment.

Since national independence, Uzbekistan has launched independent domestic and foreign policies based on traditions and historical past, geographical location and accumulated economic potential. The subject of special and constant attention Uzbekistan is to improve the investment climate and creation of favorable conditions for attracting foreign investments into national economy, active participation of foreign investors in privatization process. An effective tool for structural transformation of priority sectors of the economy is public policies to attract foreign investment. Attraction and effective use of foreign investment in national economy is one of the areas of multilaterally economic development in global economic arena.

A new direction of Uzbekistan's investment policy is the promotion of sustainable and green investments. The government encourages projects in renewable energy, resource efficiency, and environmentally friendly technologies. This shift aligns with global investment trends and enhances the country's long-term economic resilience.

Uzbekistan has become a strong regional economy due to its dynamic economic growth, solid infrastructure and a large potential consumer market. The government generally welcomes investors and investment projects in line with its import-substitution and export-oriented industrialization policy. Existing legislation stimulates foreign direct investors with incentives on case-by-case basis, including tax holidays, duty-free import of capital goods, and protection against expropriation.

The cornerstone of national economic policy is import substitution and export optimization. The government welcomes foreign investors mainly for localization or building local production capacities and export potential. Current legislation of Uzbekistan provides a number of incentives for foreign investment, including tax breaks and exceptions from custom duties. Under the general tax legislation, tax incentives for foreign investment are mainly the same as for local enterprises participating in the investment program, localization or modernization program. In addition, enterprises with significant foreign investment in priority sectors or regions can negotiate special benefits by concluding an investment agreement with the Government, including additional tax and customs incentives, government guarantees and co-financing. Special attention is given to regional development through the expansion of free economic zones and industrial clusters. These zones provide targeted incentives, infrastructure support, and simplified administrative procedures, which stimulate balanced regional economic growth and attract diversified investments.

Uzbekistan has signed bilateral investment agreements with more than fifty countries. These agreements have been serving for luring more FDI to national

economy through establishment of free economic zones in different parts of the country. Primary legislation protecting foreign investment includes the Law on Foreign Investments, the Law on Guarantees and Measures on Protection of Foreign Investments, the Law on Guarantees of the Freedoms of Entrepreneurial Activity, the Production Sharing Agreements Law, the Law on Investment Activities, and a number of relevant decrees and resolutions. The Law on Guarantees to Foreign Investors and Protection of their rights requires that disputes directly or indirectly associated with foreign investments be settled by agreement of the parties through consultation between them. Investors are entitled to use any international dispute settlement mechanism specified in their contracts and agreements with local partners, and these agreements should define the methods of settlement.

Recent institutional reforms, including the strengthening of investment protection mechanisms and the establishment of specialized agencies for investor support, have increased investor confidence. The introduction of public-private partnership (PPP) frameworks has also opened new opportunities for large-scale infrastructure and industrial projects.

The key aspect of legislative basis of dispute settlement is the existence of a separate laws which clearly outlines the methods are regulated by the Economic Procedural Code, the Law on Arbitration Courts, and the Law on Contractual Basics of Activities of Commercial Enterprises. According to the Law on Arbitration Courts, parties of a dispute can chose their own arbiter and they in tum chose a chair. The decisions of these courts are binding. The Law says that executive or legislative bodies, as well as other state agencies, are barred from creating arbitration courts and cannot be a party to arbitration proceedings Bankruptcy procedures are regulated by the Law on Bankruptcy. Creditors can participate in liquidation or reorganization of the debtor only in the form of a creditor's committee. According to the bankruptcy law and the Labor Code, resolvency receivers should act with consideration of workers' rights.

Taxation provides a predictable and stable flow of domestic revenue to public budget allowing them to finance development objectives and to provide public business infrastructure. Uzbekistan faces the challenge of striking the optimal balance between creating a business and investment-friendly tax regime and leveraging sufficient revenue for public service delivery which, in turn, makes economies more attractive to investors. Tax exemptions and tax preferences, special incentives are seen as the one of main factors of attracting foreign investments. Promoting well-targeted foreign investments requires a clear strategic vision that identifies key commodities and elements of their value chains - input supply, production, basic processing, trading and logistics, processing and retailing where investment is most needed. An investment strategy for intensive production supports domestic and foreign investment along agricultural value chains and focus on key areas where further investment can contribute to achieving sectoral and national development objectives of the republic. An inclusive reforms process can help build consensus on the strategy and enhance the role of the private sector in industrial development, thereby mobilizing investments.

In Uzbekistan adequate business related infrastructure, in particular in economic active areas, connects investors to their customers and suppliers and enable them to specialize and take advantage of new technologies, thereby increasing productivity and improving incomes. Such infrastructure not only supports primary and secondary production but also the development of processing industries to reduce industrial losses and increase value-addition. The government policy prioritizes the various needs for business-related infrastructure development, operations and maintenance, based on the various public policy objectives to be achieved, and allocate necessary public funding to support it. All these economic processes are strengthened by the legislative corpus of investment policy of Uzbekistan.

In conclusion, Uzbekistan's investment policy is transitioning from traditional approaches to a more innovative, transparent, and sustainable model. Continued reforms, digitalization, and strategic sector prioritization will further enhance the country's competitiveness in the global investment landscape.

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