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WAYS TO INCREASE FOREIGN CAPITAL FLOWS BY INCREASING UZBEKISTAN'S INVESTMENT ATTRACTIVENESS

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In the context of deepening globalization processes and increasing competition in international capital markets, attracting foreign investment is becoming an important part of the economic development strategy of countries. Foreign capital inflows, in addition to being an additional source of financial resources for the national economy, create opportunities for the introduction of modern technologies, increasing production efficiency, creating new jobs, expanding export potential, and integrating into international production chains. Therefore, increasing the country's investment attractiveness is an important condition for attracting foreign capital on a sustainable and long-term basis. In Uzbekistan, reforms aimed at liberalizing the economy, liberalizing the foreign exchange market, creating favorable conditions for entrepreneurial activity, developing public-private partnerships, and protecting the rights of investors are creating an important institutional framework for increasing foreign capital inflows. However, increased competition among foreign investors requires the country to constantly improve the investment climate. In particular, strengthening macroeconomic stability, strengthening legal guarantees, reducing bureaucratic barriers and developing infrastructure are urgent tasks.

In order to increase investment attractiveness, it is also important to effectively use the existing economic and resource potential of regions, improve the quality of preparation of investment projects and introduce targeted mechanisms for supporting investors. In particular, directing foreign direct investment to high-value-added, export-oriented and innovative projects ensures the long-term competitiveness of the national economy. From this point of view, it is an urgent issue to scientifically substantiate effective ways to increase the investment attractiveness of Uzbekistan and increase foreign capital inflows.

Foreign direct investment is one of the important sources of increasing the investment activity of the country's economy, modernizing production capacities, attracting new technologies and ensuring economic growth. The distribution of FDI by types of economic activity makes it possible to determine which sectors of foreign capital are being directed most and the priority areas in the investment structure of the national economy. From this point of view, the analysis of the dynamics of FDI absorbed into fixed capital by sector in 2020-2025 is of significant scientific and practical importance for assessing the country's investment attractiveness and improving its investment policy in the future.

Table 1 Foreign direct investments in fixed capital by type of economic activity, (billion soums)[1]

Economic Activities	2020	2021	2022	2023	2024	2025
Total	29 682,0	29 910,6	39 750,0	91 204,9	150 529,8	591 141,0
Agriculture, Forestry and Fisheries	2 172,3	2 037,5	960,3	3 023,3	10 732,3	51 181,1
Mining and Open Pit Mining	6 849,0	1 758,0	2 652,0	4 301,3	7 299,1	58 807,9
Manufacturing	14 177,1	11 018,1	16 806,9	37 680,5	53 168,1	160 526,9
Electricity, Gas, Steam and Air Conditioning	276,2	7 422,0	9 310,6	31 243,9	52 113,6	78 345,3
Water Supply and Wastewater	101,3	8,4	–	31,6	870,8	13 614,8
Construction	1 750,9	2 459,4	3 103,3	5 651,0	6 058,7	42 191,6
Trade and Repair of Motor Vehicles	1 052,4	1 074,4	1 610,3	2 957,7	2 708,6	23 213,5

[1] https://stat.uz/uz/ prepared by the author based on information.

Transportation and Storage	76,9	655,6	250,3	676,1	1 479,3	35 155,0
Accommodation and Food Services	182,2	305,6	220,9	506,5	2 569,4	8 774,8
Information and Communication	468,4	841,6	1 005,8	1 500,1	2 021,1	10 199,2
Financial and Insurance Activities	26,4	1,6	38,7	255,9	327,4	7 049,9
Real Estate Operations	1 073,6	294,6	775,5	1 459,5	1 976,9	—*
Professional, Scientific and Technical Activities	19,5	874,3	1 088,8	523,3	–	7 719,9
Administrative and Support Services	192,9	81,8	35,0	65,5	1 315,8	—*
Public Administration and Defense	23,7	–	–	–	70,9	—*
Education	35,5	110,6	181,8	553,1	259,1	11 308,7
Health and Social Services	798,7	785,9	1 499,2	411,5	911,5	11 704,0
Arts, Entertainment and Recreation	51,8	178,9	60,0	331,8	154,7	2 291,1
Other Services	353,4	2,3	28,2	32,3	195,7	—*
Residential Construction	–	–	122,5	–	6 297,0	46 632,1

According to the data provided, the volume of foreign capital invested in fixed assets increased significantly in 2020-2025. The figure, which amounted to 29,682.0 billion soums in 2020, reached 591,141.0 billion soums in 2025. That is, the volume of investments increased by almost 19.9 times during the period. This increase indicates that the scale of attracting foreign capital is expanding and it is entering various sectors of the economy.

The largest share of the industry in the structure of the sector corresponds to the share of the manufacturing industry. A total of 160,526.9 billion soums of foreign capital was invested in this direction in 2020-2025. This is about 27.2% of the total figure. The high share of the manufacturing industry indicates that foreign investors are paying great attention to the real sector, modernization of industrial enterprises and the creation of new production capacities.

The second important area is electricity, gas, steam and air conditioning, where 78,345.3 billion soums of investment were absorbed in 2020–2025. Also, 58,807.9 billion soums were directed to the mining industry and the development of open pit mines, 51,181.1 billion soums to agriculture, forestry and fisheries, and 42,191.6 billion soums to construction. The high share of these sectors indicates that foreign capital is concentrated mainly in production and infrastructure areas.

An increase in FDI was also observed in the services sector. In particular, a total of 35,155.0 billion soums were invested in transportation and storage activities, 23,213.5 billion soums in trade and motor vehicle repair, 10,199.2 billion soums in information and communication, and 8,774.8 billion soums in accommodation and catering services. In particular, the gradual increase in investments in the information and communication network is associated with the digitalization of the economy and the development of the modern service sector. The participation of foreign capital is also expanding in social sectors. In 2020–2025, 11,704.0 billion soums were invested in healthcare and social services, 11,308.7 billion soums in education, and 2,291.1 billion soums in art, entertainment, and recreation. This indicates that foreign investments are being directed not only to production sectors, but also to social infrastructure and services.

In general, the analysis shows that the distribution of foreign investments by sector is dominated by manufacturing, energy, mining and agriculture. At the same time, the increase in the volume of investments in services and social sectors indicates the diversification of the economy. However, further increasing the share of investments in innovative, digital and scientific and technical activities that create high added value remains an important task.

The almost 20-fold increase in the volume of foreign direct investment (FDI) absorbed into fixed assets in 2020–2025 indicates that investment opportunities for foreign capital in Uzbekistan are expanding. The largest share of investments is directed to the manufacturing industry, energy, mining, agriculture and construction sectors, which are important in forming the real economic potential of the country.

In the future, in attracting foreign investments, it is necessary to ensure its structural and technological efficiency, along with increasing the volume of capital. In particular, it is advisable to direct foreign capital to high-value-added production, innovation, the digital economy, the processing industry, green energy, and scientific and technical activities. Such an approach will enhance the multiplier effect of foreign investment in the national economy and contribute to sustainable growth in production, exports, and competitiveness.

The results of the study show that increasing the investment attractiveness of Uzbekistan is one of the main conditions for increasing foreign capital inflows. Attracting foreign investment should not be limited to tax breaks and financial incentives, but should be based on the formation of a stable, transparent, and predictable business environment for investors. Therefore, ensuring macroeconomic stability, optimizing inflation and currency risks, strengthening legal guarantees of investors' rights, and ensuring property inviolability should be considered as priorities.

One of the important areas for increasing foreign capital inflows is improving the quality of preparation and management of investment projects. To this end, it is advisable to form a single electronic database of promising projects, classify them based on the criteria of economic efficiency, export potential, new jobs and technological innovation. Also, expanding public-private partnership mechanisms, increasing the efficiency of special economic zones and using the investment potential of the regions will create new opportunities for foreign investors. In general, increasing the investment attractiveness of Uzbekistan requires a comprehensive and long-term approach. By combining institutional reforms, modern infrastructure, digitalization, qualified human capital, innovative development and effective mechanisms for dialogue with investors, it is possible to increase not only the volume of foreign capital, but also its impact on the economy. As a result, investments will become an important factor in modernizing production, expanding exports, mastering new technologies and ensuring sustainable economic growth.