INTERNATIONAL JOURNAL OF POLITICAL SCIENCES AND ECONOMICS
Impact Factor (research bib) - 9,78
https://ijmri.de/index.php/ijpse , German international journals company
ISSN 2751-9708

THE ROLE OF FOREIGN DIRECT INVESTMENT IN THE MODERNIZATION OF THE SECTORS OF UZBEKISTAN'S ECONOMY

Azimjon Yuldashev
First Deputy Head of the Investment Department of the Fergana Regional Khokimiyat

Abstract. This article analyzes the role of foreign direct investment in the modernization of the sectors of Uzbekistan's economy. The study examines the impact of foreign investment on industry, energy, mining, agriculture, transport and logistics, and the digital economy. The article is based on data from the National Statistics Committee of the Republic of Uzbekistan, the "Uzbekistan — 2030" Strategy, legislative acts related to investment activity, as well as the views of domestic and foreign scholars. The results of the analysis show that foreign direct investment not only brings capital into the national economy, but also exerts a modernization effect through technological renewal, managerial experience, increased production efficiency, and the expansion of export potential. At the same time, the effectiveness of foreign investment depends not so much on its volume as on sectoral allocation, integration with the domestic economy, and the level of technology transfer.

Keywords: foreign direct investment, modernization, economic sectors, industry, energy, investment policy, technology transfer, Uzbekistan.

Introduction

In the context of contemporary globalization, investment, particularly foreign direct investment, plays an important role in ensuring the sustainable development of national economies and enhancing their international competitiveness. Foreign direct investment is not merely a flow of financial resources; it is also a strategic factor that brings production technologies, managerial experience, international standards, new jobs, and opportunities to access export markets. According to the OECD methodology, if a foreign investor owns at least 10 percent of the voting power in an enterprise located in another country, this constitutes a foreign direct investment relationship [14]. Thus, FDI is distinguished by the investor's long-term interest and significant influence over enterprise management.

In recent years, Uzbekistan's economy has been undergoing a stage of structural renewal, industrial diversification, infrastructure development, and expansion of the private sector's share. Under these conditions, foreign investment serves as an important financial and technological source for modernizing the sectors of the economy. The Law of the Republic of Uzbekistan "On Investments and Investment Activity" establishes the legal foundations of investment activity and provides for investors' rights, guarantees, and state protection [2]. This creates an important institutional basis for attracting foreign capital.

The "Uzbekistan — 2030" Strategy sets the goal of absorbing investments amounting to USD 250 billion, including attracting USD 110 billion in foreign investment, as well as implementing more than 500 strategic technological and infrastructure projects with a total value of USD 150 billion [4]. These objectives indicate that Uzbekistan's investment policy is aimed not only at attracting capital, but also at modernizing economic sectors, creating new production capacities, and accelerating regional development.

Methodology

The article employs analytical, comparative, and statistical methods. The main data were formed on the basis of statistical information from the National Statistics Committee of the Republic of Uzbekistan for the end of 2025 and the first quarter of 2026 [6; 7; 8]. In addition, legislative acts related to investment activity, the "Uzbekistan — 2030" Strategy, works by domestic economists, and foreign scientific literature were analyzed.

Some values in the table were calculated on the basis of shares provided in official statistics. For example, in 2025, the total volume of foreign investments and loans in fixed capital amounted to 422.1 trillion soums. The amount by sector was calculated using the following formula: 422.1 trillion soums × sectoral share / 100. Therefore, the values in soums shown in the table should be interpreted as analytical values calculated on the basis of official shares.

Results and Discussion

Foreign direct investment affects the modernization of economic sectors in several ways. First, it introduces new technologies, modern equipment, and international quality standards into production processes. Second, enterprises with foreign investor participation improve corporate governance, labor productivity, product quality, and cost-control mechanisms. Third, FDI develops cooperative linkages with local suppliers, service providers, and small businesses. Fourth, foreign investment also has a positive impact on human capital by improving staff qualifications, developing technical knowledge, and shaping a new production culture.

The growing investment activity in Uzbekistan's economy is clearly reflected in official statistical data. According to the National Statistics Committee, in January–December 2025, investments in fixed capital from all sources of financing amounted to 591.1 trillion soums. This was 10.5 percent higher than in 2024. During the same period, foreign investments and loans directed to fixed capital amounted to USD 33.5 billion, or 422.1 trillion soums [6]. These figures show that foreign financing sources play an important role in renewing fixed capital and expanding production capacities in Uzbekistan's economy. However, since many indicators in official statistics are generalized under the category of "foreign investments and loans," interpreting them entirely as FDI requires scholarly caution.

The sectoral distribution of foreign investments and loans in 2025 shows that modernization processes in Uzbekistan's economy are taking place mainly in the real sector and infrastructure-related areas. The largest shares were directed to manufacturing, energy, mining, agriculture, construction, and transport-logistics. This structure is important for strengthening the production base of the economy, improving energy supply, deepening the processing of raw materials, and increasing export potential.

Table 1. Distribution of Foreign Investments and Loans in Fixed Capital by Type of Economic Activity in 2025

Sector	**Share, %**	**Calculated volume, trillion soums**	**Role in modernization**
Manufacturing industry	33.2	140.1	Technological renewal, equipment, export-oriented products
Electricity and gas supply	17.1	72.2	Energy infrastructure and energy efficiency

Mining industry	11.9	50.2	Deep processing of resources
Agriculture	9.2	38.8	Water-saving technologies and agro-industry
Construction	6.1	25.7	Industrial and infrastructure facilities
Transportation and storage	5.3	22.4	Transport and logistics system
Water supply and sewerage	2.1	8.9	Municipal infrastructure
Healthcare	1.7	7.2	Medical infrastructure
Information and communication	1.5	6.3	Digital infrastructure
Other types of activity	11.9	50.2	Services and other areas

Source: Calculated by the author based on data from the National Statistics Committee of the Republic of Uzbekistan [6].

As shown in the table, the largest share of foreign investments and loans was directed to the manufacturing industry. This indicates that industrial modernization is one of the key priorities of Uzbekistan's economic policy. Foreign investments attracted to manufacturing contribute to the introduction of modern technological lines, automated equipment, production of goods that meet international standards, and improvement of quality control. In particular, in such areas as textiles, electrical engineering, chemicals, food processing, construction materials, metallurgy, and the automotive industry, FDI influences the qualitative renewal of industry. For local producers, this provides not only an opportunity to purchase new equipment, but also to adapt to the requirements of export markets, reduce production costs, and create added value.

The high share of foreign investment in the energy sector is also natural. This is because the development of industry, transport, agriculture, and digital services depends on stable energy supply. In 2025, 17.1 percent of foreign investments and loans were directed to electricity and gas supply, which indicates a high need to modernize energy infrastructure [6]. Investments in the energy sector may help reduce production interruptions, stabilize enterprise operations, improve energy efficiency, and expand renewable energy projects. This, in turn, makes it possible to harmonize economic modernization with environmental sustainability.

In agriculture and the agro-industrial complex, FDI serves as a practical tool for technological renewal. For Uzbekistan, agriculture is directly linked to food security, employment, exports, and regional development. Foreign investment in this sector helps develop water-saving technologies, drip irrigation, modern greenhouses, refrigerated warehouses, agro-logistics centers, and enterprises for sorting, packaging, and processing agricultural products. As a result, agriculture may transform from a traditional sector based mainly on raw material production into an agro-industrial system that creates added value.

Foreign investment in the transport and logistics sector is also of great importance for Uzbekistan's economy. Since the country does not have direct access to seaports, transport corridors, railway and road infrastructure, logistics centers, and warehouse facilities have a strong impact on the overall competitiveness of the economy. Foreign investment directed to transportation and storage contributes to reducing export costs, delivering products to external markets more quickly, and strengthening economic linkages between domestic regions.

Although the share of foreign investment in the digital economy appears relatively small, its multiplier effect is significant. Investments in information and communication increase the efficiency of the banking and financial system, education, healthcare, trade, logistics, and public services. In this area, FDI often has an impact not through the construction of large production facilities, but through knowledge, software solutions, business models, international client networks, and the formation of qualified human resources. Therefore, foreign investment in the digital economy should be assessed not only by the volume of capital, but also by its impact on the innovation environment and human capital.

Statistical data for the first quarter of 2026 also show that investment processes in Uzbekistan are continuing actively. According to the National Statistics Committee, in January–March 2026, investments in fixed capital amounted to 156.3 trillion soums, which was 29.6 percent higher than in the corresponding period of 2025 [7]. During this period, foreign investments and non-guaranteed foreign loans amounted to 107,578.8 billion soums, while foreign loans guaranteed by the Republic of Uzbekistan amounted to 10,800.7 billion soums [8]. The share of foreign direct investment in the total volume of investments in fixed capital was 46.2 percent. Based on this share, the volume of FDI in the first quarter of 2026 amounted to approximately 72.2 trillion soums: 156,330.4 × 46.2 / 100 = 72,224.6 billion soums [8]. These figures indicate that FDI occupies a significant place in renewing the fixed capital of Uzbekistan’s economy.

At the same time, the modernization effect of foreign investment does not emerge automatically. If investments are directed only toward raw material extraction or short-term profit, their long-term positive impact on the economy may be limited. Conversely, if investments are linked to cooperation with local enterprises, technology transfer, personnel training, integration into export chains, and environmental requirements, they strengthen the internal potential of the economy. Therefore, the main task for Uzbekistan is not only to attract foreign investment, but also to manage its quality, sectoral distribution, and modernization outcomes.

Conclusion

Foreign direct investment has strategic importance in modernizing the sectors of Uzbekistan’s economy. It contributes to the technological renewal of industry, stabilization of energy infrastructure, transformation of agriculture into an agro-industrial system, strengthening of transport and logistics potential, and development of the digital economy. The fact that investments in fixed capital reached 591.1 trillion soums in 2025, foreign investments and loans amounted to 422.1 trillion soums, and 33.2 percent of them were directed to the manufacturing industry demonstrates the role of foreign capital in the modernization of the real sector. In the first quarter of 2026, investments in fixed capital reached 156.3 trillion soums, while the share of FDI amounted to 46.2 percent, confirming that this process is continuing.

In general, the economic effect of FDI depends not so much on its volume as on its quality, technological content, integration with the domestic economy, and export potential. Therefore, in Uzbekistan’s investment policy, it is important to direct foreign capital toward projects that create high added value, are innovative, energy-efficient, export-oriented, and contribute to regional development. Such an approach transforms FDI from a simple capital flow into a powerful modernization factor that ensures the structural renewal of the national economy.

References

1. Constitution of the Republic of Uzbekistan. New edition. Adopted by referendum held on April 30, 2023. — Tashkent, 2023.

2. Law of the Republic of Uzbekistan "On Investments and Investment Activity." No. ZRU-598, December 25, 2019.

3. Law of the Republic of Uzbekistan "On Guarantees of the Rights of Foreign Investors and Measures for Their Protection." April 30, 1998.

4. Decree of the President of the Republic of Uzbekistan "On the Uzbekistan — 2030 Strategy." No. PF-158, September 11, 2023.

5. Decree of the President of the Republic of Uzbekistan "On the Development Strategy of New Uzbekistan for 2022–2026." No. PF-60, January 28, 2022.

6. National Statistics Committee of the Republic of Uzbekistan. "Investments in Fixed Capital Reached 591.1 Trillion Soums in 2025." — Tashkent, January 26, 2026.

7. National Statistics Committee of the Republic of Uzbekistan. "Investment Volume Reached 156.3 Trillion Soums in the First Quarter of 2026." — Tashkent, April 30, 2026.

8. National Statistics Committee of the Republic of Uzbekistan. "Socio-Economic Situation of the Republic of Uzbekistan." Statistical press release for January–March 2026. — Tashkent, 2026.

9. Vakhabov, A.V., Khajibakiyev, Sh.Kh., Muminov, N.G. Foreign Investments. Study Guide. — Tashkent: Moliya, 2010. — 303 p.

10. Mamatov, B., Khujamkulov, D., Nurbekov, O. Organization and Financing of Investments. Textbook. — Tashkent, 2014.

11. Bektemirov, A.B., Ruzibayeva, N.Kh., Azimova, R.I. Investment and Innovations. Study Guide. — Tashkent, 2020. — 432 p.

12. Dunning, J.H. Multinational Enterprises and the Global Economy. — Wokingham: Addison-Wesley, 1993.

13. Borensztein, E., De Gregorio, J., Lee, J.-W. "How Does Foreign Direct Investment Affect Economic Growth?" Journal of International Economics, 1998, Vol. 45, Issue 1, pp. 115–135.

14. OECD. Benchmark Definition of Foreign Direct Investment. Fifth Edition. — Paris: OECD Publishing, 2025.

15. World Bank. Uzbekistan Country Economic Memorandum: Fostering Private Sector-Led Growth and Global Integration. — Washington, DC: World Bank, 2025.