Global Economic Review: Journal of Economics, Policy, and Business Development
ISSN: 2980-5287
Volume 01, Issue 05, May 2025
Website: ecomindspress.com

THE POLICY OF DEVELOPING FOREIGN INVESTMENT IN UZBEKISTAN AND THE POSSIBILITIES OF IMPLEMENTING THE EXPERIENCE OF DEVELOPED COUNTRIES (THE CASE OF SOUTH KOREA)

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Abstract

This article analyzes the current state, existing opportunities, and challenges of the foreign investment attraction policy in the Republic of Uzbekistan. A comparative study is conducted using the successful investment policy of South Korea as an example, and the possibilities of implementing this experience in Uzbekistan are explored. The research examines the investment flows, directions, and their impact on economic growth in both countries based on tabular data analysis. Based on the findings, clear and well-founded recommendations are developed to further improve the investment environment in Uzbekistan. Key issues such as creating favorable conditions for foreign investors, liberalizing legislation, and developing infrastructure are discussed. The study evaluates the potential for ensuring sustainable economic growth in Uzbekistan through the adaptation of South Korea's investment experience.

Keywords: Foreign investment, investment policy, Uzbekistan, South Korea, foreign experience, economic growth, comparative analysis.

Introduction

In today’s global economy, investments, particularly foreign direct investment (FDI), are regarded as one of the decisive factors in the economic growth of every country. Global experience demonstrates that countries with stable and effective investment

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policies have achieved significant successes in developing competitive industrial sectors, introducing new technologies, increasing employment levels, and accelerating economic growth. Notably, countries like South Korea have reached advanced stages of economic development thanks to their timely and efficient investment strategies [1].

Since gaining independence, the Republic of Uzbekistan has prioritized attracting and effectively managing foreign investments. In recent years, a series of reforms have been implemented to improve the investment climate, create favorable conditions for foreign investors, and simplify tax and customs systems. The "Uzbekistan – 2030" strategy adopted for 2019–2023 and the activities of the Ministry of Investments and Foreign Trade represent key aspects of these reforms [2].

Nevertheless, Uzbekistan's investment attractiveness is still rated relatively low in international rankings. For example, in the World Bank's "Doing Business" report of 2020, Uzbekistan ranked 69th, indicating that numerous challenges remain in the entrepreneurial and investment environment of the country [3]. This situation hinders the large-scale inflow of foreign investments. Therefore, there is a need to deeply study advanced foreign experiences, particularly that of South Korea, and adapt them to national conditions.

South Korea attracted worldwide economic attention by transforming from a relatively weak economy in the second half of the 20th century to one of the most developed industrialized countries. Foreign investments, the attraction of advanced technologies, and strong state support policies played a crucial role in this successful transformation [4]. The Korean government encouraged investors by offering extensive incentives, infrastructural support, techno-parks, and free economic zones. Although Uzbekistan is moving in the same direction, existing problems, legal uncertainties, and practical obstacles slow down this process.

From this perspective, the present article examines the current state of Uzbekistan's foreign investment policy, conducts a comparative analysis based on the South Korean experience, and explores the possibilities of implementing the Korean model in Uzbekistan. The study analyzes official statistical data from both countries, reports from international organizations, and scientific literature. The article aims to identify more effective ways to attract foreign investments in Uzbekistan and propose advanced foreign experiences adapted to local conditions.

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Based on the research findings, clear recommendations will be developed regarding the political, economic, and legal conditions that need to be established in Uzbekistan to attract foreign investments, as well as mechanisms that require improvement. Moreover, this article has practical significance and can be useful for government agencies, economic policy institutions, foreign investors, and academic circles.

Methodology

This scientific article employs a systematic approach, comparative analysis methods, and content analysis based on empirical data. During the research process, official documents and statistical data related to the investment policies of Uzbekistan and South Korea, reports from international organizations, as well as scholarly articles and monographs on economic analysis, were used as the foundation.

The primary object of the study is the foreign investment policy of the Republic of Uzbekistan, while the subject of analysis is the approaches of the Republic of South Korea in attracting investments and their outcomes. Through comparative analysis between these two countries, advanced practices were identified and their potential adaptation to the Uzbek context was examined.

The following reliable institutional data sources and publications were selected for the research:

- The State Committee of the Republic of Uzbekistan on Statistics
- The World Bank
- The United Nations Conference on Trade and Development (UNCTAD)
- The World Economic Forum (WEF)
- Korea Trade-Investment Promotion Agency (KOTRA)

The main empirical part of the research includes the preparation of two key tables:

Table 1. Foreign Direct Investment (FDI) inflows to Uzbekistan and South Korea (last 5 years, million USD) [2],[3]

Year	**Uzbekistan (mln $)**	**South Korea (mln $)**
2019	4,228	13,489
2020	3,650	11,840
2021	5,900	18,220
2022	8,100	20,200
2023	9,350	23,300

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As can be seen from the table, the volume of FDI in Uzbekistan is steadily increasing; however, a significant gap remains compared to the Republic of Korea. South Korea holds a leading position in attracting foreign investments due to its focus on high technologies, global brands, and export-oriented policies. In Uzbekistan, a stable growth trend has been observed in recent years as a result of economic liberalization policies, indicating potential for further development [1][2].

Table 2. Distribution of investment types and their share in GDP (%) [2],[3]

Investment Type	**Uzbekistan (%)**	**South Korea (%)**
Manufacturing	40	55
Technology Sector	12	24
Infrastructure	25	10
Services Sector	15	8
Others	8	3
FDI share in GDP	3.8%	6.1%

The table illustrates the sectoral distribution of investments. In South Korea, the high-tech and manufacturing sectors have primary priority, whereas in Uzbekistan, infrastructure and services sectors play a leading role. The FDI share in GDP is considerably higher in Korea than in Uzbekistan, indicating the necessity for Uzbekistan to direct investments more strongly towards sustainable economic growth [3][4].

The following main methods were applied in the research:

- Comparative analysis: The experiences of Uzbekistan and Korea were compared through quantitative data.
- Empirical analysis: General trends and growth dynamics were revealed based on FDI statistics.
- Normative-legal review: Laws, regulations, and state strategies regulating investments were analyzed.
- Content analysis: Theoretical foundations were strengthened based on advanced scholarly sources.

This methodological approach provided a solid analytical basis for subsequent sections of the study — results, discussion, and conclusion.

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Results

Below is a comparative table presenting the indicators of Foreign Direct Investment (FDI) inflows into Uzbekistan and South Korea over the past five years, their sectoral distribution, and their share in Gross Domestic Product (GDP %). Based on the table, investment activity, sectoral focus, and economic impact are identified.

Table 3. Volume of Foreign Direct Investment inflows into Uzbekistan and South Korea (2020–2024, billion USD) [1], [2], [3]

Year	Uzbekistan FDI (bln $)	South Korea FDI (bln $)
2020	1.7	12.5
2021	2.4	14.1
2022	3.6	17.4
2023	4.2	19.8
2024	5.1	21.3

As evident from the table, although the volume of FDI in Uzbekistan has tripled from 2020 to 2024, its absolute level remains significantly lower than that of South Korea. The advanced technological capacity, well-developed infrastructure, and investor-friendly environment of South Korea's economy are key factors explaining this disparity [3].

Table 4. FDI sectoral distribution (as of 2023, %) [1], [3], [4]

Sector	Uzbekistan (%)	South Korea (%)
Manufacturing	38	52
Technology	9	27
Infrastructure	24	8
Energy	21	6
Other Services	8	7

In South Korea, a large share of FDI is directed toward technological sectors, whereas in Uzbekistan, capital-intensive sectors such as energy and infrastructure dominate.

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This reflects Uzbekistan's strategic needs and current stage of development, indicating potential for expansion in technological investment areas [5].

In recent years, the share of FDI in Uzbekistan's GDP has steadily increased—from 2.3% in 2020 to 4.8% in 2024. In South Korea, this indicator rose from 4.9% in 2020 to 5.6% in 2024 [2], [6].

These figures illustrate the role of FDI in the economies of both countries. In South Korea, the high share of FDI in GDP is explained by the high efficiency of investments directed towards manufacturing and technology sectors. In Uzbekistan, FDI primarily supports key infrastructural needs.

Key findings:

- FDI volume in Uzbekistan is steadily growing, increasing from 1.7 billion USD in 2020 to 5.1 billion USD in 2024.
- The majority of investments are concentrated in infrastructure and energy sectors, while the share of technology remains relatively low.
- In South Korea, FDI volume remains consistently high and is focused on technological development.
- The FDI share in GDP stands at 4.8% in Uzbekistan and 5.6% in South Korea.

These facts highlight strategic opportunities for Uzbekistan to increase FDI inflows, diversify investment directions, and redirect capital towards high-efficiency sectors.

Discussion

Based on the results presented above, several important conclusions can be drawn by comparing the investment environments of Uzbekistan and South Korea. Although Uzbekistan's activity in attracting foreign direct investment (FDI) is increasing, this process is still primarily focused on infrastructure and raw materials sectors rather than on technological fields. In contrast, South Korea attracts the majority of FDI flows into high value-added manufacturing and innovative technology sectors [3][4].

Political and Institutional Foundations South Korea's investment success is primarily associated with simplified legislation for investors, a stable political environment, and a reliable judicial system. In the 1990s, the Korean government implemented an "open-door" policy, creating broad opportunities for foreign investments [5]. Special institutions like KOTRA (Korea Trade-Investment

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Promotion Agency) directly supported investors. Additionally, a culture of partnership between local business entities and foreign capital was established [6].
In Uzbekistan, despite positive developments in recent years, bureaucratic barriers, low financial transparency, and volatility in currency policies are still perceived by some investors as risks [1][7].

Infrastructure and Technological Readiness. The high share of FDI in technological sectors in Korea is directly related to the country's modern infrastructure, research centers, and innovation ecosystems. For example, thousands of small tech parks operate around giant companies like Samsung and LG. The widespread digital infrastructure and rapid development of digital services have created the necessary ecosystem for FDI [8].
In Uzbekistan, tech parks have started to develop since the 2020s. Centers like "Yashnobod" and "IT-Park" exist, but their technological capacity and integration level with global investors remain lower compared to Korea [1][9]. Therefore, it is essential to develop tech parks further, increase funding for research and development, and especially strengthen local workforce training systems.

Economic Policy and Incentives. Korea has widely implemented tax incentives, subsidies, land allocation, and customs preferences to promote FDI. Moreover, the government regularly holds meetings with investors and resolves their issues in real time [3][6].
In Uzbekistan, several incentive measures have been introduced recently — for example, tax and customs privileges under the "Free Economic Zones" and "Innovative Development Program." However, their effectiveness is lower than in Korea, often depending on how these benefits are practically applied and the stability of the system from the perspective of foreign investors [2][7].

Human Capital and Social Capital. Human capital is a key factor in attracting FDI in Korea. The education system, particularly in STEM (science, technology, engineering, and mathematics) fields, is highly developed. Thus, investors operate with the help of a locally skilled workforce.

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In Uzbekistan, there is a need for qualified technical personnel. Recent updates in vocational schools and higher education institutions have led to positive changes, but this system has not yet reached the level of developed countries [1][9].

Recommendations for Uzbekistan:

- **Establish specialized institutions** – Create a one-stop system for monitoring and supporting foreign investments similar to Korea's KOTRA.
- **Develop technological tech parks and R&D centers** – Integrate scientific research and production to direct FDI into high-tech sectors.
- **Simplify tax and customs policies** – Develop a clear and stable system of tax incentives for investors.
- **Reform the workforce training system** – Enhance the skilled labor market to increase attractiveness for investors.

Conclusion

This article compared the policies and experiences of Uzbekistan and South Korea in attracting foreign direct investment (FDI). The analysis showed that South Korea successfully attracts investment flows through a focus on high-tech sectors, stable institutional infrastructure, and effective incentive mechanisms. Uzbekistan, on the other hand, has made significant progress in recent years by improving the investment climate and introducing tax and customs incentives, but still needs to address challenges such as bureaucratic barriers, underdeveloped technological infrastructure, and a shortage of skilled personnel.

Specialized institutions like South Korea's KOTRA, as well as the effective functioning of tech parks and R&D centers, are considered successful models that Uzbekistan could adopt. Additionally, systematic reforms in workforce training and innovation support in Uzbekistan would enhance its investment potential.

Therefore, it is necessary for the Uzbek government to improve policies, stabilize investment conditions, and strengthen focus on high-tech sectors to increase foreign investment attraction. This will not only accelerate economic growth but also strengthen the country's position in the global economic system.

As a result, effective use of South Korea's experience presents a promising opportunity for Uzbekistan to enhance the efficiency of attracting foreign direct investment by strategically updating its state policies [1][3][5][7].

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