



THE EXPERIENCE OF ATTRACTING INVESTMENTS TO UZBEKISTAN: THE U.S. EXPERIENCE AND ITS SIGNIFICANCE

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ABSTRACT	KEY WORDS
This article studies the experience of the United States of America in attracting foreign investments to the Republic of Uzbekistan and, in order to understand more deeply the significance of this experience for improving Uzbekistan's investment climate, the U.S. investment position is analysed from statistical, economic and financial perspectives. The article analyses the successful U.S. strategies in the field of investment and, on the basis of statistical and practical data, recommends promising directions that can be implemented in Uzbekistan.	Gross domestic product, economic growth, investment, foreign direct investment, foreign experience, economic reforms, free economic zones, investment attractiveness, investment efficiency.

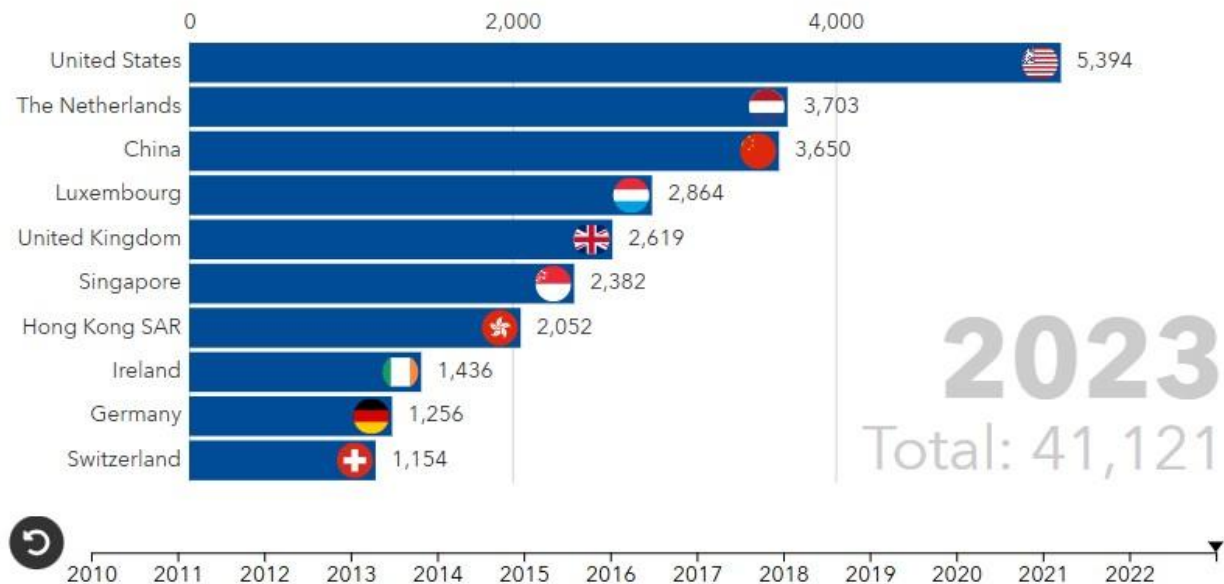
Introduction

Investment is considered one of the main factors of economic growth. World experience shows that, in order to manage and attract investment flows effectively, the legal, economic and institutional foundations in a country must be strong. In recent years Uzbekistan has been carrying out rapid economic reforms and striving to create even more favourable conditions for foreign investments. The interest of foreign investors in the Uzbek economy has been increasing year by year. The reason for this is the favourable investment environment and opportunities being created for investors. According to the World Bank's "Doing Business 2020" report, Uzbekistan rose by 7 positions in 2019, taking 69th place. The volume of foreign direct investment attracted to Uzbekistan amounted to USD 10.5 billion in 2023 (data of the Ministry of Investments, Industry and Trade of the Republic of Uzbekistan).

We will examine the experience of foreign countries in attracting foreign investments to the economy of Uzbekistan. As the object of the research we chose the investment environment of the United States of America. The reason for choosing the U.S. as an example is its stable economic development: it occupies the first place in the world not only in terms of GDP but also in the volume of attracted foreign direct investments. As an example, in 2023 the GDP of the United States amounted to

USD 27.720 trillion, while the volume of foreign direct investments introduced into the country's economy reached USD 5.394 trillion, occupying first place in the world in both directions (Fund, n.d.).

Top 10 FDI recipients, billions of USD



Source: IMF Data, Coordinated Direct Investment Survey.

Figure 1. Volume of foreign direct investments in the top-10 countries, in billions of U.S. dollars

The experience of the United States in attracting foreign direct investments is considered one of the most successful models in the world. Below are the main approaches and important aspects of the U.S. experience in attracting foreign direct investments:

Possession of a highly developed legal and institutional system. In the U.S. the rights of investors are strictly protected. An independent judicial system, transparent legislation and guaranteed property rights create a firm climate of confidence for foreign investors.

Market economy and an effective competitive environment. A free-market economy operates in the U.S., which allows companies to compete freely. The large size of the market (a large number of domestic consumers) further increases attractiveness for foreign companies.

Infrastructure and logistics system. Modern transport, communications and energy infrastructure exist. This helps investments to operate efficiently.

Human capital and scientific potential. There is a skilled labour force and strong research institutes. Technological innovations, especially in areas such as Silicon Valley, are at a high level.

Supportive policies at federal and state levels. Each state has its own investment policy: tax incentives, subsidies, grants and others. The SelectUSA programme – a federal initiative to encourage foreign investments – has further increased investor interest in the U.S.

Openness to international investors. Many sectors in the U.S. are open to foreign investors (only certain security-related areas are controlled). Foreign companies enjoy almost the same rights as domestic U.S. companies.

When analysing the investment position of the United States, a number of economic indicators are considered statistically and economically, such as:

The volume of gross domestic product and its growth rates;

The volume of direct investments and its share in gross domestic product (as a percentage);

The growth rates of investments attracted to the economy (in percentage terms);

Sectoral analysis of the investments introduced into the country's economy.

Analysing these indicators helps to assess how effective investment projects are in the country.

Figure 2 presents the GDP volume in the U.S. and the volume of foreign direct investments, as well as their share in GDP for 2018-2023, according to which: in 2023 GDP increased by 6.6 percent compared to 2022 and by 34.17 percent compared to 2018.

From 2018 to 2023 stable economic growth indicators have been recorded in the U.S. economy. In recent years the annual inflow of foreign direct investments reached USD 5.4 trillion by the end of 2023 (measured at historical cost). This is a 29 percent increase since 2018. We can see that the share of foreign direct investments in GDP has slightly decreased in the last two years (America, n.d.).

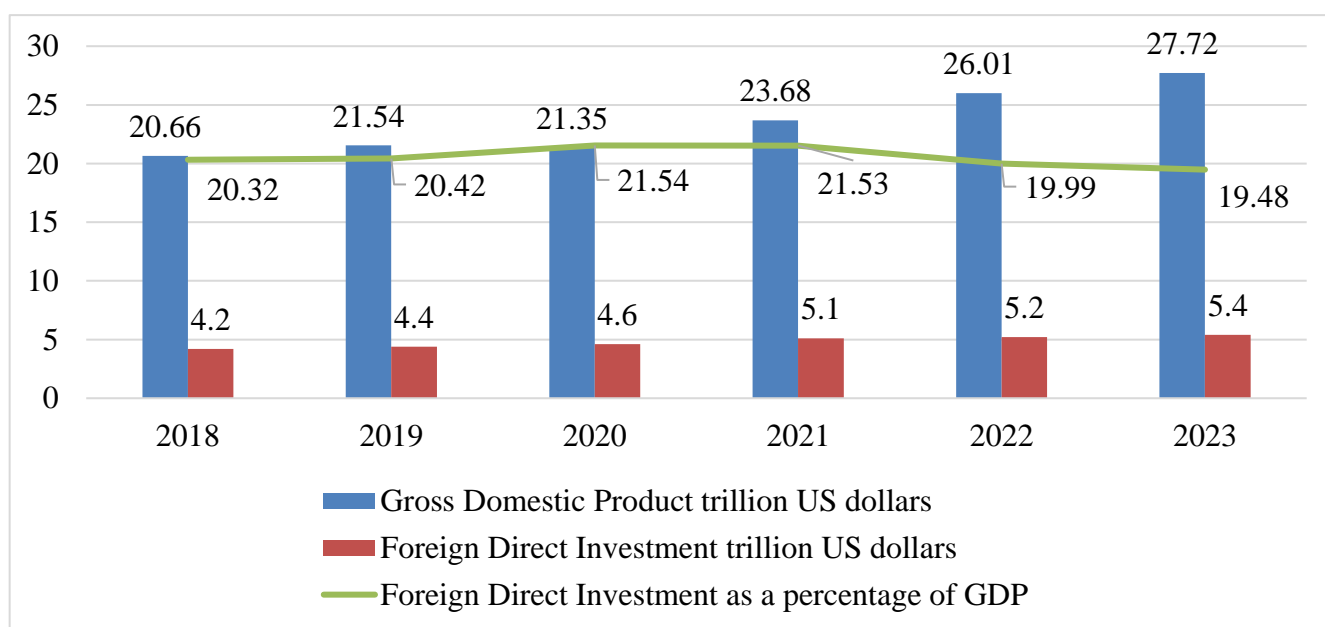
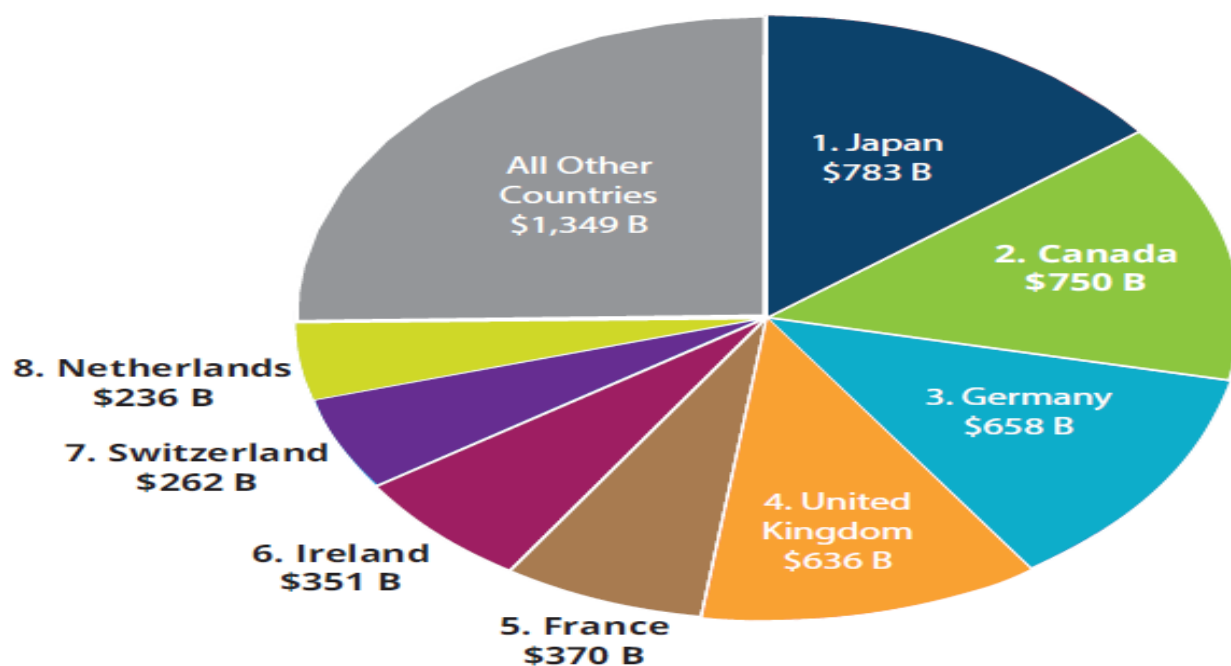


Figure 2. GDP and the volume of foreign direct investments in the United States, 2018–2023 (trillion U.S. dollars)

In 2023 four countries provided the main share of the total USD 5.4 trillion of foreign direct investments attracted to the United States. They are Japan, Canada, Germany and the United Kingdom. Japan became the largest foreign investor, accounting for 15 percent of the total cumulative holdings of foreign direct investments. 14 percent of foreign direct investments attracted to the U.S. economy fall to Canada, which did not lag behind as the second-largest investor, followed by Germany with 12 percent. Until 2018 the United Kingdom was the largest investor in the United States, but in 2023 it fell to fourth place with investments of USD 636 billion (America, n.d.).

In 2023 three quarters of the total volume of foreign direct investments in the United States were formed by eight countries shown in Figure 3. The remaining share was formed by more than 100 other

countries. In this analysis, the data are shown by the ultimate beneficial owner country, which reflects the true ownership of the foreign firm in the United States (America, n.d.).

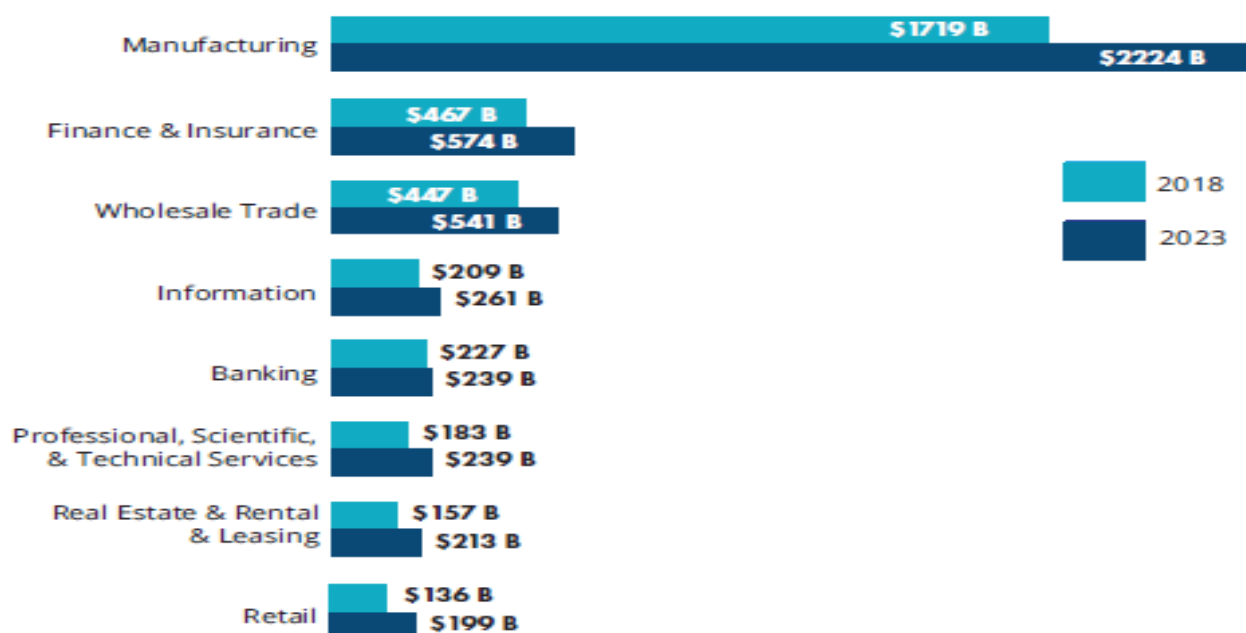


Data are shown on a historical-cost basis, or cost at time of investment.
Source: Bureau of Economic Analysis

Figure 3. Foreign direct investments introduced into the U.S. economy in 2023, by countries

Investments by international companies have been attracted to all sectors of the U.S. economy. According to the data in Figure 4, the volume of investments attracted to the manufacturing sector in 2023 amounted to USD 2.2 trillion, constituting 41 percent of total foreign direct investments. Because the United States has the largest and most liquid financial markets in the world, international companies invested heavily in U.S. finance and insurance, reaching USD 574 billion by the end of 2023 – more than 20 percent growth since 2018 (America, n.d.).

Wholesale trade was another sector with high investment volumes in 2023. By the end of 2023, 24.3 percent of total foreign direct investments were directed to wholesale trade. The information sector attracted USD 261 billion, banking USD 239 billion, and professional, scientific and technical services USD 239 billion of foreign direct investments (America, n.d.).



Data are shown on a historical-cost basis, or cost at time of investment.
Source: Bureau of Economic Analysis

Figure 4. Sectoral volume of foreign direct investments introduced into the U.S. (billion U.S. dollars)

Foreign direct investments are of great importance for the economy of any country. Such investments not only ensure capital inflows but also bring advanced technologies, modern management experience and new jobs. The United States is one of the world leaders in actively attracting FDI, and the role of the Select USA programme in this success is invaluable.

Select USA Programme Establishment and Purpose. The Select USA programme was established in 2011 on the initiative of President Barack Obama. Operating under the U.S. Department of Commerce, its main purpose is to attract foreign investments to the United States and create a favourable environment for them. The programme pursues the following goals:

Creating new jobs by increasing foreign direct investments;

Providing assistance to foreign companies wishing to operate in the United States;

Acting as a bridge between states and investors.

The main areas of activity of the Select USA programme are:

Providing information and consultations. Select USA supplies foreign investors with necessary information about the U.S. economy, legal system, taxation and procedures. Companies can also receive individual advice.

Cooperation with states. Investment opportunities differ in each U.S. state. SelectUSA connects investors with the necessary state and industry representatives.

Reducing bureaucratic barriers. The programme cooperates with various state agencies to simplify permits, licences and other legal issues encountered by foreign investors.

Select USA Investment Summit. Held annually, this event is one of the largest investment conferences in the U.S., where hundreds of foreign companies and U.S. state representatives participate. The summit is a platform for real deals and dialogue with investors.

Results and effectiveness of the SelectUSA programme:

Since 2011 thousands of companies have received assistance through the programme.

It has contributed to the creation of hundreds of thousands of new jobs.

Billions of dollars in foreign direct investments have been attracted.

Several aspects of the SelectUSA programme can be useful experience for Uzbekistan:

Creating a centralised platform that provides investment support;

Offering services for investors on the principle of a "single window";

Improving the country's image by holding an international investors' conference every year;

Supporting independent investment strategies at the level of regions or provinces.

Conclusion

World experience shows that it is important to create a favourable legal, economic and institutional environment to attract investments. Uzbekistan can use the U.S. experience in the following directions when attracting foreign direct investments:

Creating legal stability and guarantees for investors;

Developing special economic zones;

Developing incentive mechanisms at the level of territories and regions;

Creating information platforms that reflect the investment climate;

Attracting investments to the development of human capital.

Strengthening free economic zones. Currently, several free economic and small industrial zones operate in Uzbekistan, but their infrastructure and governance need to be modernised further.

Improving tax and customs policy: aligning with international standards and providing long-term guarantees to investors.

Strengthening the legal basis: expanding the possibilities for protecting investor rights through international arbitration.

Enhancing the activities of investment service agencies: for example, developing "Uzbekinvest" and "Invest in Uzbekistan" agencies based on foreign experience.

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