

FOREIGN DIRECT INVESTMENTS IN UZBEKISTAN

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ABSTRACT

The Republic of Uzbekistan has an immensely rich heritage in terms of culture, art and natural resources. The monuments that remain throughout the country bear witness to a long and eventful history in which Alexander

the Great, Genghis Khan and Tamerlane the Great all left their marks. In 2015 Uzbekistan's 6 main trade partners are China -19.9%, Russia - 17.5%, Kazakhstan - 12.0%, Republic of Korea- 6.8%, Turkey - 4.7% and Germany- 2.1%. The main commodities of Uzbekistan that are exported include energy and oil products, cotton, chemical products, ferrous and non-ferrous metals, services, food products, machinery and equipment.

1. Introduction

Foreign direct investment in Uzbekistan and other countries reflects the foreign ownership of production facilities. To be classified as foreign direct investment, the share of the foreign ownership has to be equal to at least 10 percent of the value of the company. The investment could be in manufacturing, services, agriculture, or other sectors. It could have originated as green field investment (building something new), as acquisition (buying an existing company) or joint venture (partnership).

You can visit the FDI section of our global economy guide for a discussion of the factors that drive FDI and the benefits from it.

FDI is reported on an annual basis, i.e. how much new investment was received in the country during the current year. It typically runs at about 2-3 percent of the size of the economy measured by its gross domestic product. If a country routinely receives FDI that exceeds 5-6% of GDP each year, then this is a significant success.

Definition: Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy



from foreign investors, and is divided by GDP.

2. Analysis of Current Investment Policy of Uzbekistan

Uzbekistan Foreign Direct Investment (FDI) increased by 610.8 USD millions in Dec 2020, compared with an increase of 369.7 USD millions in the previous quarter. Uzbekistan Foreign Direct Investment: USD millions net flows data is updated quarterly, available from Mar 2014 to Dec 2020. The data reached an all-time high of 832.1 USD millions in Jun 2019 and a record low of -1.7 USD millions in Jun 2018. The Central Bank of the Republic of Uzbekistan provides quarterly Foreign Direct Investment in USD.

In the latest reports of Uzbekistan, Current Account recorded a deficit of 2.8 USD bn in Dec 2020. Uzbekistan Direct Investment Abroad expanded by 0.6 USD millions in Dec 2020. Its Foreign Portfolio Investment increased by 1.4 USD bn in Dec 2020. The country's Nominal GDP was reported at 16.1 USD bn in Dec 2020.

3. Conclusions

Banking market

Banking system in Uzbekistan is regulated by the Central Bank of Uzbekistan. The Central Bank is a non-commercial fully state owned entity empowered to control monetary policy, regulate settlements between the business entities and activities of the Uzbek commercial banks, manage gold and currency resources of the republic, license banking and credit activities. The Central Bank reports to the Senate. As of 1 January 2015, the Central Bank of Uzbekistan has reduced the refinancing rate from 10% to 9%. The reduction of refinancing rate is intended to reduce interest rates in monetary markets, thus, reducing cost of loans in the economy.

The following operations related to the movement of capital are subject to licensing by the Central Bank:

- attraction of loans in foreign currency from non-resident entities
- opening of deposits in foreign currency in foreign banks, financial institutions and nonbank entities.

Appendix

Table 1. World Bank's Doing business index: Uzbekistan and Kazakhstan

Indicators	2013	2014	Changes	2013	2014	Changes
Ease of doing business	156	141	▲ 15	53	77	▼ -24
Starting a business	87	65	▲ 18	27	55	▼ -28
Dealing construction permits	160	149	▲ 11	149	154	▼ -5
Getting	169	145	▲ 24	85	97	▼ -12



electricity						
Registering property	142	143	▼-1	27	14	▲13
Getting credit	154	104	▲50	82	71	▲11
Protecting investors	137	100	▲37	21	25	▼-4
Paying taxes	165	118	▲47	18	17	▲1
Trading across border	189	189	◀▶0	186	187	▼-1
Enforcing contracts	42	28	▲14	26	30	▼-4
Resolving insolvency	71	77	▼-6	55	63	▼-8

Source: World Bank (2014)

Table 2. The trends of Foreign Direct Investments in Uzbekistan

Foreign	Direct	Investment
2010	2011	2012
FDI Inward	Flow	(million USD)
1628	1.467	1094
FDI Stock	(million USD)	5358
6.761	7855	
Performance Index*,		
Ranking on 181 Economies		108
78	-	
Potential Index**,		
Ranking on 177 Economies		-
67	-	
Number of Greenfield Investments***		
14	1	1
FDI Inwards (in % of GFCF****)		
15.7	12.1	8.0
FDI Stock (in % of GDP)		13.7
14.8	15.3	

Source: UNCTAD (2014). *The UNCTAD Inward FDI Performance Index is based on a ratio of the

country's share in global FDI inflows and their share in global GDP. **The UNCTAD Inward FDI

Potential Index is based on 12 economic and structural variables such as GDP, foreign trade, FDI,

infrastructures, energy use, education and country risk. ***Green Field Investments are a form of foreign

direct investment where a parent company starts a new venture in a foreign country by constructing new

operational facilities from the ground up.

****Gross Fixed Capital Formation (GFCF) measures the value

of additions to fixed assets purchased by business, government and households less disposals of fixed

assets sold off or scrapped.

Figure 1. The Index of Business Freedom in selected CIS countries

Source: The Heritage Foundation, 2014

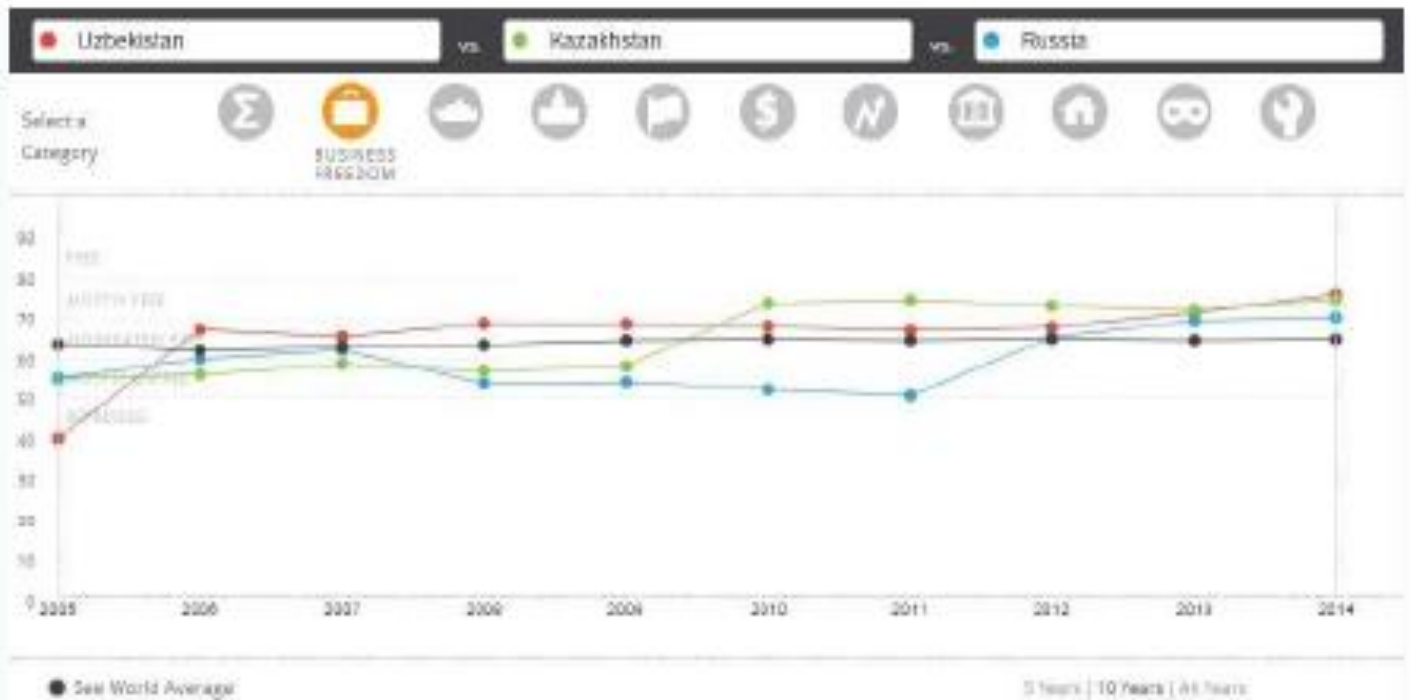


Figure 2. Distribution of FDI inflows in CIS countries (billion \$)

Source: World Bank (2014)

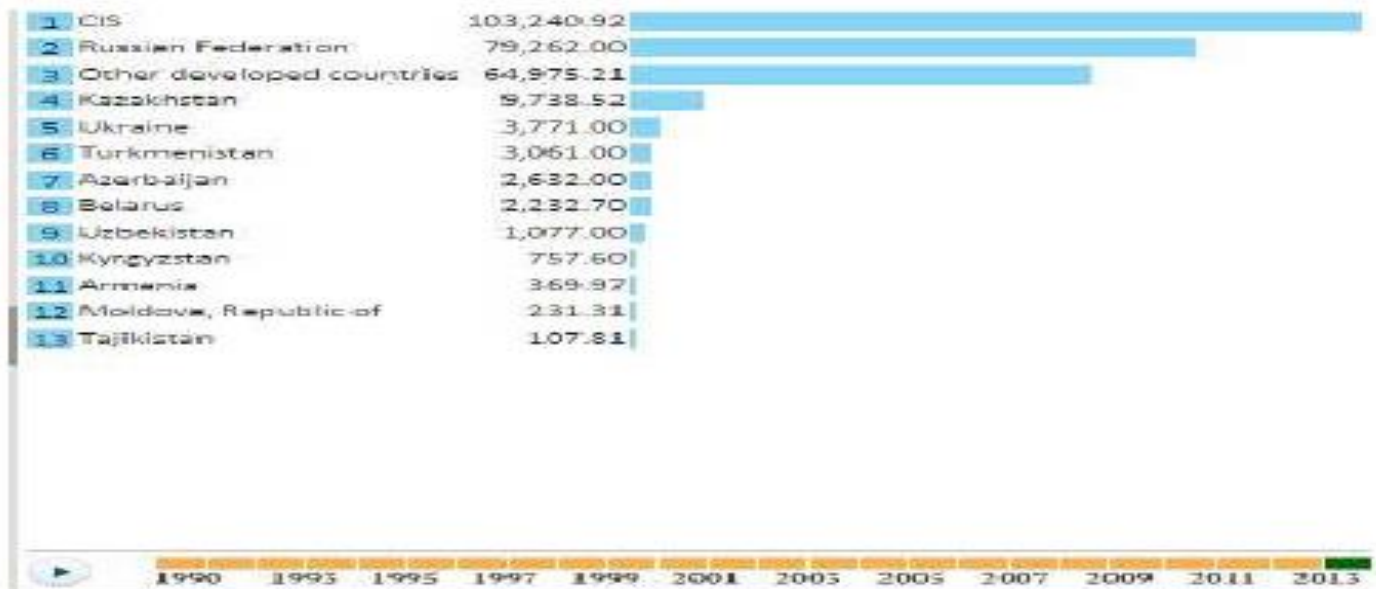
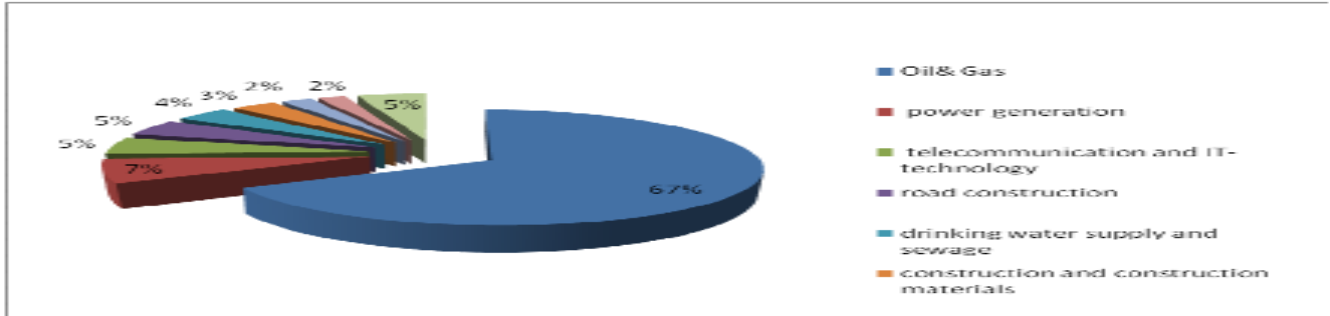


Figure 3: Foreign investments in sectors of economy, Uzbekistan, 2014

Source: Ministry for Economic Relations, Investments and Trade of the Republic of Uzbekistan, 2014



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