

### **A COMPARATIVE ANALYSIS OF INTERNATIONAL INVESTMENT CLIMATES OF UZBEKISTAN AND KAZAKHSTAN: LEGAL LANDSCAPES, FDI FLOWS, AND ECONOMIC FUTURES**

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#### **Abstract:**

This paper provides a comparative analysis of the international investment climates in Uzbekistan and Kazakhstan, including relevant information about different factors that affect investment flows. This paper compares their international investment climates and economic relationships using data on the amount of FDI and its distribution on key sectors, and multinational involvement. Using macroeconomic data and trends over the past three decades, we evaluate their respective foreign direct investment (FDI) inflows, sectoral distribution, presence of multinational and transnational corporations, and economic relations with key partners such as countries and global organizations. The impact of several factors including legal frameworks, laws, tax incentives and financial instruments that play a vital role in terms of investment attraction in both nations have been studied as well. The paper concludes with SWOT analyses and actionable recommendations for Uzbekistan. The analysis reveals Kazakhstan's comparative advantage in attracting sustained FDI and therefore, suggests measures Uzbekistan can undertake to enhance its global competitiveness and attractiveness to foreign capital owners.

**Keywords:** FDI, Uzbekistan, Kazakhstan, investment climate, legal frameworks, MNCs, TNCs, economic relations, SWOT analysis

### Introduction

There is no doubt that over the past three decades, Central Asia has emerged as a significant region for global investment. Moreover, historically, this part of the world was the center for merchandises and manufacturers as it was the main part of the Great Silk Road. Additionally, among the post-Soviet republics, Uzbekistan and Kazakhstan stand out due to their strategic locations, connecting Russia and Europe with Asian countries like China, resource wealth, and reform agendas. While Kazakhstan has traditionally led in attracting foreign capital, Uzbekistan has accelerated reforms in recent years to close the gap. Moreover, both countries have undertaken structural transformations, prioritized macroeconomic stability, and strengthened legal protections for investors in order to bring their global status to another level. It is absolutely true that Kazakhstan's early openness to foreign capital allowed it to establish itself as the region's investment hub, particularly in extractive industries. However, Uzbekistan, historically more closed, has adopted a bold liberalization agenda since 2017, focusing on diversification and privatization. Additionally, in recent years Uzbekistan has strengthened its political and economic relations with neighboring countries. Therefore, the comparison of their investment trajectories provides key lessons on how state policy, institutional quality, and geopolitical positioning influence capital flows and economic integration. Moreover, this study also examines the effectiveness of investor incentives, legal regimes, and multinational activity.

In order to compare the international investment atmospheres of these two countries, first legislations toward foreign investments in both countries have to be studied. Uzbekistan's investment activities are primarily regulated by the Law 'On Investments and Investment Activities' (2019) and the Presidential Decree on Improving the Investment Climate (2020)<sup>1</sup>. The country's main strategies include the Strategy for the Development of New Uzbekistan (2022–2026). Foreign investors in Uzbekistan are offered a 'national treatment' regime, though strategic sectors such as energy and minerals may involve additional scrutiny.

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<sup>1</sup> President of Uzbekistan (2020) Presidential Decree No. UP-6019 on Improving Investment Climate. <https://lex.uz/ru/docs/5693554>

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In Kazakhstan, the legal foundation<sup>2</sup> is based on the Entrepreneurial Code (2015), the Law 'On Investments', and the national 'Kazakhstan 2050 Strategy'. Kazakhstan guarantees equal treatment for foreign investors and permits full profit repatriation, while offering preferential legal regimes in Special Economic Zones (SEZs). Main guarantees for foreign investors in both countries include protection from expropriation, access to international arbitration, and tax incentives. In Uzbekistan, investor benefits are governed by Presidential decrees<sup>3</sup> and resolutions of the Cabinet of Ministers, including tax holidays and customs exemptions. Kazakhstan codifies benefits in its Tax Code and in laws regulating SEZs and PPPs.

When it comes to competitive advantages and investment incentives, Kazakhstan's competitive advantages include its vast reserves of oil and minerals, low sovereign debt, and WTO membership. It serves as a regional logistics hub, linking China and Europe through the Belt and Road corridor. Uzbekistan offers a large, youthful population, growing domestic market, and a liberalizing economy. Direct methods of state support include subsidies, state co-investment, and targeted infrastructure development. Kazakhstan's National Investment Corporation and Uzbekistan's Ministry of Investments and Foreign Trade lead such efforts. Indirect incentives include tax holidays, customs duty exemptions, simplified land allocation, and investment visa regimes. Both countries maintain investor portals and one-stop shops to reduce administrative barriers.

With regards to financial instruments for FDI attraction, both countries use various types of tools and strategies.

- Kazakhstan utilizes a robust array of financial instruments to attract foreign direct investment (FDI). First of all, its sovereign wealth fund, Samruk-Kazyna, provides strategic financing for large-scale infrastructure and industrial projects, often in partnership with foreign investors. Secondly, The Development Bank of Kazakhstan (DBK) offers long-term project financing and investment guarantees. Additionally, Kazakhstan also issues Eurobonds and Islamic Sukuk to tap into international capital markets. Its Special

<sup>2</sup> Government of Uzbekistan (2019) Law of the Republic of Uzbekistan on Investments and Investment Activities. [https://strategy2050.kz/en/page/message\\_text2012/](https://strategy2050.kz/en/page/message_text2012/)

<sup>3</sup> Government of Kazakhstan (2012) Kazakhstan 2050 Strategy. <https://lex.uz/uz/docs/5515844>

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Economic Zones offer tax incentives and customs benefits, with PPP frameworks supported by international financial institutions (IFIs) such as the ADB and EBRD. Moreover, green bonds and climate financing mechanisms are increasingly used to fund renewable energy and sustainable urban development projects in recent years.

- Uzbekistan is expanding its financial toolkit to attract foreign investors. First and foremost, The Uzbekistan Fund for Reconstruction and Development (UFRD) acts as a stabilization fund and co-finances strategic projects, particularly in energy and manufacturing. The government offers investment guarantees through the Uzbek National Export-Import Insurance Company. Therefore, Public-Private Partnership (PPP) arrangements have gained traction, especially in healthcare and utilities, supported by the World Bank and IFC. Uzbekistan issued its first Eurobond in 2019 and is exploring green finance tools to attract climate-conscious investors. The government is also liberalizing foreign exchange rules and providing land and customs duty benefits in free economic zones such as Navoi SEZ.

1-table

**Financial instruments for FDI**

Instrument	Kazakhstan	Uzbekistan
Sovereign Wealth Fund	Samruk-Kazyna	Uzbekistan Fund for Reconstruction and Development
Development Bank	Development Bank of Kazakhstan	State-owned banks (e.g, NBU, Asaka)
Eurobonds	Yes (regular issuance)	Yes (since 2019)
Green Bonds	Yes	Planned
PPP Frameworks	Supported by ADB/EBRD	Supported by World Bank/IFC
Investment Guarantees	State-backed via DBK	Export-Import Insurance Company
Tax/Customs Incentives	SEZs and Industrial Parks	Free Economic Zones (FEZs)

When it comes to exact and specific information about FDI coming to these countries, Uzbekistan has witnessed a notable surge in FDI since the

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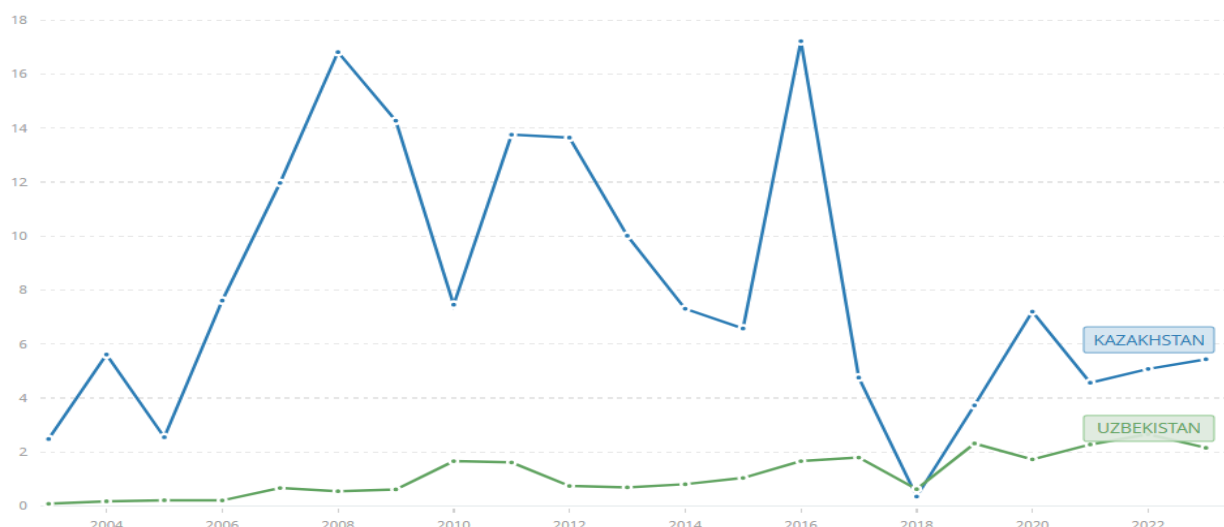
economic reforms initiated in 2017 under President Shavkat Mirziyoyev<sup>4</sup>. From a modest base in the early 2000s, FDI inflows grew to over \$10 billion in 2022. Reforms such as currency liberalization, simplification of tax laws, and the introduction of public-private partnerships have greatly enhanced investor appeal. Major investors include Russia, China, the UAE, and Turkey. Key sectors attracting capital are textiles, energy, agriculture, and increasingly ICT. Uzbekistan's strategic position, young population, and privatization of state-owned enterprises continue to draw interest, although it still lags behind Kazakhstan in cumulative volumes and sectoral diversification. On the other hand, Kazakhstan has been the leading destination for FDI in Central Asia since its independence in 1991. The country attracted over \$170 billion in cumulative FDI by 2023, driven primarily by the oil and gas sector. Following the introduction of the "Kazakhstan 2050 Strategy" and WTO accession in 2015, investor confidence improved significantly. The largest sources of investment include the Netherlands, the United States, Switzerland, and China. Kazakhstan's vast mineral resources, liberal legal environment for foreign investors, and active promotion of special economic zones have made it a regional leader.

Despite global challenges, Kazakhstan received approximately \$28 billion in FDI in 2022, underscoring its strong position<sup>5</sup> as a key investment hub in Eurasia.

The graph below illustrates the trends in Foreign Direct Investment (FDI) inflows into Kazakhstan and Uzbekistan over a 20-year period from 2003 to 2023. Kazakhstan shows fluctuations with growth trend, driven by its resource-rich economy and liberal investment policies. Uzbekistan, while starting from a lower base, shows accelerated growth especially after economic reforms initiated in 2017, with projections of continued improvement for the next years.

<sup>4</sup> Center for Action Strategy. <https://strategy.uz/index.php?news=1478&lang=en>

<sup>5</sup> World Investment Report 2023: International Investment Trends. Geneva: United Nations. <https://unctad.org/publication/world-investment-report-2023>



### 1-picture. The amount of FDI inflows to Uzbekistan and Kazakhstan from 2003 to 2023 <sup>6</sup>

Looking at this line graph, it can be said that the amount of FDI inflows in Kazakhstan has increased noticeably over the past 30 years, while the figure for Uzbekistan have not increased significantly during this period.

Regarding key investment sectors in both nations, Kazakhstan's FDI is heavily concentrated in the extractive industries, particularly oil and gas, with Chevron, ExxonMobil, and TotalEnergies being major players in the sphere. Uzbekistan, on the other hand, has focused on textiles, pharmaceuticals, and agribusiness, although recent reforms are starting to attract technology and renewable energy investments. Both countries are targeting economic diversification through industrial zones and incentives for investors. When it comes to MNCs and TNCs operating in these countries, Kazakhstan and Uzbekistan have increasingly become attractive destinations for multinational and transnational corporations (MNCs and TNCs), with Kazakhstan leading in resource-based investments.

<sup>6</sup> World Bank (2025). Foreign direct investment, net inflows (BoP, current US\$) - Kazakhstan, Uzbekistan | Data





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2-table

### Sector-Wise FDI Distribution (2023)<sup>7</sup>

Sector	Uzbekistan (USD Billion)	Kazakhstan (USD Billion)
Oil & Gas	0.3	17.8
Mining	0.25	4.5
Textile	0.6	0.3
Agribusiness	0.4	0.7
Renewables	0.15	0.6
ICT	0.2	0.8

In Kazakhstan, Chevron's Tengizchevroil generated over \$17 billion in revenue in 2023 alone, employing approximately 5,500 workers directly and supporting over 30,000 through contractors. ExxonMobil, TotalEnergies, and CNPC also maintain large-scale operations.



### 2-picture. MNCs operating in Uzbekistan and Kazakhstan.

In Uzbekistan, Coca-Cola Uzbekistan itself reported \$240 million in revenue in 2023 and employs over 1,000 workers in its bottling and distribution plants across the country. Moreover, Lukoil, operating in the Kandym gas field in Bukhara region, earned around \$600 million from Uzbek operations, employing over 2,500 personnel. Other than that, another well-known MNC,

<sup>7</sup> State Committee of the Republic of Uzbekistan on Statistics (2023) Investment Reports <https://stat.uz/en/press-center/news-of-committee?start=3996>

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Volkswagen<sup>8</sup>, operates in Uzbekistan through a joint venture with Uzavtosanoat. The production plant in Jizzakh has a capacity of manufacturing 20000 light vehicles in one year. Huawei supports digital infrastructure across both nations, employing several hundred technical staff in regional offices and training centers. These corporations not only bring capital and technology but also contribute to local employment, knowledge transfer, and fiscal revenues. However, Uzbekistan still trails Kazakhstan in hosting larger volumes of high-revenue MNCs due to its relatively recent liberalization efforts. When it comes Samsung, it has maintained a significant presence in Kazakhstan since 1996 through its regional subsidiary, Samsung Electronics Central Eurasia, headquartered in Almaty. This branch oversees operations not only in Kazakhstan but also in neighboring Central Asian countries, including Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, and Mongolia. Other than that, Samsung Electronics Central Eurasia actively exports products to neighboring countries, including Uzbekistan, Mongolia, and Turkmenistan, reinforcing Kazakhstan's role as a regional hub for Samsung's operations. However, Samsung products are not manufactured locally in Uzbekistan, they are only sold via retailers like Media Park. Additionally, it also does not have plant for assembly or research and development in Uzbekistan. Therefore, Samsung products are imported from Kazakhstan to Uzbekistan.

It is crystal clear that the best way to compare these two countries in terms of international investment climates is to do SWOT analysis. It helps to study whether it is easy and beneficial for investors to invest in these countries or not. By doing this analysis, we will learn strengths, weaknesses, opportunities and threats in terms of investment climates in Kazakhstan and Uzbekistan. If investors look at this analysis, they can decide whether they are going to invest or not. Moreover, it also gives information for investors about the best sectors to invest in.

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<sup>8</sup> Kun.uz (2020). Volkswagen begins car production in Uzbekistan. <https://kun.uz/en/news/2020/06/03/volkswagen-begins-car-production-in-uzbekistan>



### 3-table First of all, the situation in Uzbekistan will be analyzed:<sup>9</sup>

<b>Strengths:</b> <ul style="list-style-type: none"><li>- Young and growing population</li><li>- Strategic Silk Road location</li><li>- Rapid economic liberalization</li><li>- Government reforms</li><li>- Emerging consumer market</li></ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"><li>- Weak institutional capacity</li><li>- Bureaucracy and red tape</li><li>- Limited capital market development</li><li>- Energy infrastructure constraints</li></ul>
<b>Opportunities:</b> <ul style="list-style-type: none"><li>- Green and renewable energy investment</li><li>- Expansion of free economic zones</li><li>- Technological upgrading</li><li>- Regional trade corridors (e.g., Belt and Road)</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>- Geopolitical tensions</li><li>- Competition from neighboring countries</li><li>- Corruption perception</li><li>- Slow privatization process</li></ul>

From this table we can see that Uzbekistan's main strength is its labour force, while it has problems in its regulatory frameworks and political stability which are being obstacles for investment flows.

### 4-table

#### Then, we will analyze Kazakhstan:<sup>10</sup>

<b>Strengths:</b> <ul style="list-style-type: none"><li>- Rich in natural resources (oil, gas, minerals)</li><li>- Investment-friendly legal framework</li><li>- WTO member</li><li>- Developed financial institutions</li></ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"><li>- Overdependence on oil sector</li><li>- Environmental risks</li><li>- Urban-rural inequality</li><li>- Complex land regulation</li></ul>
<b>Opportunities:</b> <ul style="list-style-type: none"><li>- Renewable energy potential</li><li>- Logistic hub via Belt and Road</li><li>- Diversification into ICT and agriculture</li><li>- Deepening integration with global markets</li></ul>	<b>Threats:</b> <ul style="list-style-type: none"><li>- Commodity price volatility</li><li>- Political centralization</li><li>- Regional instability</li><li>- Foreign investor exit risks</li></ul>

<sup>9</sup> The investment prospects of Uzbekistan – Mukhammadkhon Soliev (2020). [https://www.researchgate.net/figure/SWOT-analysis-of-investment-climate-in-Uzbekistan\\_fig3\\_340346535](https://www.researchgate.net/figure/SWOT-analysis-of-investment-climate-in-Uzbekistan_fig3_340346535)

<sup>10</sup> 2019 Investment Climate Statements: Kazakhstan. <https://www.state.gov/reports/2019-investment-climate-statements/kazakhstan/>

If we take a look at this table, we can notice that Kazakhstan's advantage is related to its land, while it faces problems related to price fluctuations which have a negative impact on welcoming investments.

### Conclusion

This comparative analysis of Uzbekistan and Kazakhstan highlights the evolving dynamics of investment climates in Central Asia as a whole. It is true that while Kazakhstan continues to lead in attracting foreign direct investment, largely due to its vast natural resources, established legal frameworks, and integration with global financial systems, Uzbekistan is quickly emerging as a strong contender as well. Since 2017, Uzbekistan has made significant efforts in liberalizing its economy, improving investor protections, and diversifying its sectoral investment base (high value-added production industries). However, despite this progress, Uzbekistan still faces challenges such as bureaucratic inefficiencies (largely due to corruption), underdeveloped financial markets, underdeveloped infrastructure for multinational companies, and perceptions of institutional weakness. On the other hand, Kazakhstan, though more mature in its investment appeal, is vulnerable to global commodity price volatility and the risks of overdependence on extractive industries.

The SWOT analyses underscore each country's unique strengths and vulnerabilities, offering investors a clearer understanding of sectoral opportunities and potential risks. According to this analysis, for Uzbekistan to improve its investment climate and compete more effectively, it should prioritize deepening its capital markets, accelerating privatization efforts, and enhancing regulatory transparency. Learning from Kazakhstan's proactive engagement with multinational corporations and commitment to infrastructural development, Uzbekistan can set up its position as a regional investment destination. Lastly, both nations have substantial potential to benefit from sustainable investment if they continue aligning their policies with international standards and deepening regional cooperation.

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