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### LEGAL PROTECTION MECHANISMS OF INVESTMENTS IN THE REPUBLIC OF UZBEKISTAN: EFFECTIVENESS OF INTERNATIONAL ARBITRATION AND OTHER INSTRUMENTS

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#### Abstract

This article analyzes the mechanisms of legal protection of investments, in particular the international arbitration system and its effectiveness. It also highlights the role of bilateral investment treaties, ICSID and UNCITRAL in ensuring the legal security of investors. The article examines the existing legislative framework for the legal protection of investments, especially foreign investments, in the Republic of Uzbekistan and its state of operation. Also, based on international experience, the strengths and weaknesses of Uzbekistan in this area are studied, and scientifically based proposals are made to improve it and eliminate weaknesses.

**Keywords:** investment, international agreement, international financial institutions, legal protection, international arbitration, ICSID, UNCITRAL, Uzbek legislation, investment disputes, foreign investor rights, economic and legal security.

#### Introduction

In today's global economic environment, where countries are economically competitive, attracting investments, especially foreign investments, and legally protecting their rights and obligations is one of the priority economic tasks for every developed and developing country.

In recent years, the Republic of Uzbekistan has also been taking many measures and reforms to create a favorable legal environment for local and foreign investors, strengthen and guarantee the rights of foreign investors.

In particular, the adoption of laws, resolutions, decrees as a legal guarantee of investments attracted to our country by foreign investors, the development of the international arbitration system, the strengthening of legal guarantees,

and the introduction of mechanisms for alternative dispute resolution between foreign investors and local partners and the state are of great importance in this direction.

**Research methodology.** In order for this study to be clear and understandable for the reader, the following methods were used. In particular, regulatory and legal analysis, that is, national and international legislation regulating investments, was studied. Also, comparative analysis - the experience of Uzbekistan was compared with mechanisms in other countries. The positive and negative aspects of existing mechanisms in practice were studied using the method of critical analysis.

### Analysis and results

A large number of laws, resolutions, decrees and orders, and programs have been adopted in the Republic of Uzbekistan to regulate investment activities, properly organize the rights and obligations of foreign investors, and protect them. In particular, the Law of the Republic of Uzbekistan No. 598 "On Investments and Investment Activities", adopted on December 25, 2019, serves as a basis for investment activities. According to this law, the main principles of investments and investment activities are as follows (O'zbekiston Respublikasining 2019-yilning 25-dekabrida qabul qilingan 598-sonli "Investitsiyalar va investitsiya faoliyati to'g'risida" gi qonuni, n.d.):

- legality;
- transparency and openness;
- freedom to carry out investment activities;
- fairness and equality of investment entities;
- non-discrimination against investors;
- presumption of good faith of investors.

Articles 10 and 11 of the Law "On Investments and Investment Activities" define the rights and obligations of investors investing in our country. According to it, the rights of an investor include the following (O'zbekiston Respublikasining 2019-yilning 25-dekabrida qabul qilingan 598-sonli "Investitsiyalar va investitsiya faoliyati to'g'risida" gi qonuni, n.d.):

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- to freely carry out investment activities that do not contradict the legislation of the Republic of Uzbekistan, to independently determine the volumes, types, forms, areas and directions of investment;
- to conclude contracts with legal entities and individuals for the implementation of investment activities;
- to own, use and dispose of their investments and the results of investment activities, as well as to sell and export the results of investment activities;
- to independently and freely dispose of income received as a result of investment activities after paying taxes, fees and other payments provided for by law (hereinafter referred to as taxes and payments);
- to use property and any property rights belonging to them on the basis of ownership as security for all types of obligations assumed by them, including obligations aimed at attracting borrowed funds;
- to receive adequate compensation in the event of requisition (expropriation) of their investments and other assets;
- to attract funds in the form of loans and borrowings;
- to receive compensation for losses caused by unlawful actions (inaction) and decisions of state administration bodies, local government bodies and their officials.

The obligations of investors include:

- pay taxes and fees;
- fulfill contractual obligations assumed by them in connection with the investment;
- comply with legislative requirements, including legislation on competition, anti-corruption, investments and investment activities, labor, urban planning, environmental protection, as well as technical safety, sanitary norms and rules;
- compensate for losses caused to the participant in the investment activity due to non-fulfillment or improper fulfillment of the terms of the contract;
- fulfill the requirements of authorized state administration bodies and local government bodies within the scope of their powers.

The basic principles of the legislation on investments and investment activities are applied at all stages of the process of investing and

implementing investment activities. Also, the rights and obligations of investors and investment activities are supported by the state in the manner established by this law.

Among the mechanisms for legal protection of investments in the Republic of Uzbekistan, there are international arbitration and other important aspects. In this article, we will briefly provide information about their types, mechanisms of operation, and effectiveness.

First, we will analyze international arbitration, its goals and objectives, and effectiveness. The concept of international arbitration is the process of considering disputes between a foreign investor and a state through independent international judicial bodies. Uzbekistan recognizes international arbitration, including being a member of the ICSID (International Center for Settlement of Investment Disputes) since 1995. It has also signed multilateral investment protection agreements with many countries, which allow for recourse to international arbitration.

The following are the well-known internationally recognized arbitration centers:

- ICSID – United States of America under the World Bank;
- UNCITRAL – UN Disputes Settlement;
- ICC – International Chamber of Commerce Arbitration, Paris;
- LCIA – London Court of International Arbitration;
- TIAC – Tashkent International Arbitration Center.

Along with the advantages, there are also disadvantages of protecting the rights and obligations of investors and investment activities in international arbitration.

### **Advantages of protection in international arbitration:**

- neutral and impartial trial;
- consideration of the court decision based on international law;
- free recognition of decisions by many countries (NY Convention).

### **The disadvantages are:**

- high costs (legal fees and other fees);
- the court process can take a long time;



- states sometimes refuse to enforce the decision, which can cause political problems.

### Conclusions and suggestions

In conclusion, in the Republic of Uzbekistan, the rights and obligations of investors and their investment funds are protected by the state in all respects, including legal, political, economic, and social.

Also, Uzbekistan is creating a system in accordance with basic international standards for the legal protection of investments, that is, investors. International arbitration, especially TIAC and ICSID mechanisms, are being used as an effective tool for the effective protection of investors' rights and obligations.

As a result of the reforms being implemented in our country, the number of foreign investors intending to invest in our country is also increasing.

### List of used literature

1. Law of the Republic of Uzbekistan No. 598 “On Investments and Investment Activities” adopted on December 25, 2019.
2. Resolution of the President of the Republic of Uzbekistan No. PQ-4001 dated 05.11.2018 on the establishment of the Tashkent International Arbitration Center (TIAC) under the Chamber of Commerce and Industry of the Republic of Uzbekistan.
3. Law of the Republic of Uzbekistan No. O’RQ-400 dated January 20, 2016 “On Approval of the Customs Code of the Republic of Uzbekistan”.
4. Law of the Republic of Uzbekistan No. O’RQ-599 dated January 1, 2020 “On Approval of the Tax Code of the Republic of Uzbekistan”.
5. <https://www.lex.uz> – Official website of the National Database of Legislative Information of the Republic of Uzbekistan.
6. <https://www.tiac.uz> – Official website of the Tashkent International Arbitration Center.