

Article

# The Impact of International Arbitration on Foreign Investment in Uzbekistan

Dinara Abdunayimova\*<sup>1</sup>

1. LL.M. in Advanced Legal Research at University of Illinois at Urbana-Champaign, B.S. in Civil and Business Law at Tashkent State University of Law

\* Correspondence: [dinaraabdunayimova@gmail.com](mailto:dinaraabdunayimova@gmail.com)

**Abstract:** This article explores the transformative role of international arbitration in enhancing Uzbekistan's foreign investment climate amid ongoing legal and economic reforms. Following the adoption of modern arbitration laws and the establishment of the Tashkent International Arbitration Centre (TIAC), Uzbekistan has positioned itself as an emerging arbitration-friendly jurisdiction in Central Asia. The analysis traces the legal developments, treaty commitments, and institutional advancements that have improved investor confidence and catalyzed a significant surge in foreign direct investment (FDI). By examining both international frameworks and domestic reforms, the article demonstrates how arbitration mechanisms serve not only as tools for dispute resolution but also as pillars of economic diplomacy and investor protection. With a particular focus on recent trends, investment inflows, and TIAC's rising international presence, the study highlights Uzbekistan's potential to become a regional hub for trade and arbitration.

**Keywords:** Uzbekistan, International Arbitration, Foreign Direct Investment (FDI), Tashkent International Arbitration Centre (TIAC), Legal Reform, Investor Protection, UNCITRAL, Arbitration Law, Investment Treaties, Central Asia

## 1. Introduction

Uzbekistan is undergoing significant legal and economic transformations to enhance its appeal to foreign investors. Historically a pivotal player on the Silk Road, Uzbekistan is strategically positioned at the crossroads of Central Asia. Under President Shavkat Mirziyoyev's leadership, the country is implementing reforms to align its legal and economic frameworks with international standards, fostering a more investor-friendly environment. Key to these efforts is the establishment of the Tashkent International Arbitration Centre (TIAC), designed to boost investor confidence and offer reliable dispute resolution.

Recent legislative changes and international treaty ratifications signal Uzbekistan's commitment to becoming an arbitration-friendly jurisdiction. These reforms are already yielding positive results, increasing foreign direct investment, and underscoring Uzbekistan's potential as a central hub for global trade in the region. This article examines the impact of these initiatives on foreign investment and explores how international arbitration is shaping Uzbekistan's economic prospects.

## The Role of International Arbitration

The investment attractiveness of a country is influenced by various factors, including judicial and legislative frameworks. Over the past two decades, scholars have examined the effect of international arbitration on the appeal of Foreign Direct Investment (FDI) in a region. It is given that investors are primarily attracted by the availability of direct means of enforcement of international dispute resolution awards in a host country as well as the

**Citation:** Abdunayimova, D. The Impact Of International Arbitration On Foreign Investment In Uzbekistan. International Journal of Development and Public Polic 2025, 5(2), 57-60.

Received: 28<sup>th</sup> May 2025

Revised: 4<sup>th</sup> Jun 2025

Accepted: 18<sup>th</sup> Jun 2025

Published: 13<sup>th</sup> Jul 2025



**Copyright:** © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

out-of-court dispute resolution systems. The investment arbitration, being one of the ADR methods helps depoliticize disputes between investors and a host state.

Uzbekistan has embraced this approach. The United Nations Convention on Contracts for the International Sale of Goods (CISG) is a key international instrument for interpreting international commercial sales contracts, and Uzbekistan relies on this and several other international conventions in investment and commercial disputes, such as:

- Islamic Corporation for Investment Credit Insurance (1992).
- Convention on the Establishment of a Multilateral Investment Guarantee Agency (MIGA) (1985).
- Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958).
- Convention on the Settlement of Investment Disputes between States and Nationals of Other States (1965).
- United Nations Code of Conduct for Transnational Corporations (1983).
- World Bank Guidelines on the Treatment of Foreign Direct Investment (1992).

Additionally, Uzbekistan has ratified treaties with investment provisions:

- US-Central Asia TIFA (2004).
- EU-Uzbekistan Cooperation Agreement (1996).
- Energy Charter Treaty (1994).
- Agreement on the Promotion, Protection and Guarantee of Investments among Member States of the Organisation of the Islamic Conference (1981).

Uzbekistan has signed 49 BITs, including with major economies like Spain, China, Turkiye, Saudi Arabia, and Japan.

### **FDI Trends in Uzbekistan**

The COVID-19 pandemic significantly impacted the global economy, but some regions, including Asia, have shown resilience. According to James Zhan, Director of UNCTAD's Division on Investment and Enterprise, Asian economies, particularly developing countries, have demonstrated stability in FDI flows despite the pandemic. Central Asia, specifically, increased FDI flows by 12%, with Uzbekistan showing an 18% growth in FDI inflows in 2022, reaching \$2 billion. This growth reflects Uzbekistan's strategic location, natural resources, and market potential.

### **Legislative Reforms and Arbitration Friendly Environment**

Since 2016, Uzbekistan has undertaken extensive legislative reforms to create a more attractive investment environment. Key among these reforms is the Law "On International Commercial Arbitration" (2021), modeled after the UNCITRAL Model Law. This law is expected to enhance cross-border cooperation and improve Uzbekistan's standing as a legal venue for international disputes. The new arbitration law acts as a guarantee for foreign investors, improving the business climate and reducing costs.

In 2018, the establishment of the TIAC under the Chamber of Commerce and Industry was a significant step toward fostering a favorable investment environment. Since its inception till 2021, TIAC has handled 22 arbitration requests and two emergency arbitration requests, covering disputes in construction, real estate, agriculture, oil, and gas sectors.

### **Uzbekistan's Position in the Global Arbitration Landscape**

Despite its young age, TIAC is rapidly gaining recognition. It has signed Memoranda of Understanding with established arbitration centers worldwide, including the Hong Kong International Arbitration Centre (HKIAC), Vienna International Arbitration Centre (VIAC), Astana International Financial Centre (AIFC), Florence International Chamber of Mediators (FIMC), and the China International Economic and Trade Arbitration Commission (CIETAC).

TIAC's international collaborations and growing caseload demonstrate its potential to become a key player in the global arbitration market, particularly in the CIS region.

### **Current State of Foreign Direct Investment in Uzbekistan**

Uzbekistan has seen a dramatic rise in foreign direct investment (FDI) due to extensive reforms and legislative actions that improve the investment climate. In 2023, the country drew \$22.4 billion in foreign investments, a 193% increase. Key reforms include the Investment Law and Public-Private Partnerships Law, providing a stable and predictable legal environment for investors.

In early 2024, Uzbekistan created 544 new enterprises with foreign investment, distributed as follows:

- Trade: 234
- Industry: 84
- Information and Communications: 47
- Construction: 39
- Accommodation and Catering Services: 28
- Agriculture, Forestry, and Fishing: 15
- Transportation and Storage: 12
- Health and Social Services: 6
- Other Areas: 79

This distribution shows growth in key sectors like trade and industry, aligning with goals of technological advancement, infrastructure development, and economic diversification. The establishment of the TIAC has enhanced investor confidence by ensuring reliable dispute resolution, while efforts to improve transparency and reduce bureaucracy have further attracted investments. The state investment program in 2023 launched 306 projects and created over 56,000 jobs.

To enhance its appeal, Uzbekistan has:

- Streamlined Regulation: Implemented one-stop-shop services for business registration and licensing.
- Offered Incentives: Provided tax holidays and established Special Economic Zones (SEZs) to attract investments in textiles, automotive, and electronics.
- Reformed Legally: Adopted modern arbitration laws and strengthened property rights protection.
- Focused on Infrastructure: Invested in transportation and logistics to boost regional connectivity.
- Developed Human Capital: Invested in education and vocational training to create a skilled workforce.
- Promoted Sustainability: Encouraged renewable energy and sustainable practices to attract eco-conscious investors.

## **2. Conclusion**

The impact of international arbitration on foreign investment in Uzbekistan is profound, catalyzing the nation's journey to reclaim its historical position as a vibrant hub of trade and commerce. Historically a central point along the Silk Road, cities like Samarkand stood as beacons of cultural and economic exchange. Today, Uzbekistan is poised to revive that legacy by strengthening investor confidence and attracting foreign direct investment through legislative reform, combating corruption, and promoting the TIAC as a premier arbitration center.

These efforts reflect a patriotic vision to transform Uzbekistan into a vital crossroads of global commerce once again. As Uzbekistan aligns itself with international standards and best practices, it is strategically positioned to capitalize on its unique geopolitical advantages, making it a pivotal hub for foreign investors in Central Asia.

## REFERENCES

- Baizakova, D., 2021. The Tashkent International Arbitration Centre: A New Player in the Region. *Global Arbitration Review*. <https://globalarbitrationreview.com>
- International Centre for Settlement of Investment Disputes (ICSID), 2023. ICSID Caseload Statistics. <https://icsid.worldbank.org>
- Kaufmann-Kohler, G. and Potestà, M., 2020. Why Investment Arbitration and Not Domestic Courts?. In: *International Arbitration and FDI Attraction: A Global Perspective*. <https://investmentarbitration.org>
- Mirziyoyev, S., 2022. Decree on the Strategy for the Development of New Uzbekistan 2022-2026. Tashkent: Government of Uzbekistan. <https://gov.uz>
- Tashkent International Arbitration Centre (TIAC), 2024. News. <https://tiac.uz>
- The Republic of Uzbekistan, 2006. Law on Arbitration Courts No. ZRU-641. Tashkent: Legislative Chamber. <https://lex.uz>
- The Republic of Uzbekistan, 2021. Law on International Commercial Arbitration No. ZRU-674. Tashkent: Legislative Chamber. <https://lex.uz>
- The Republic of Uzbekistan, 2019. Law on Investments and Investment Activities No. ZRU-598. Tashkent: Legislative Chamber. <https://lex.uz>
- The Republic of Uzbekistan, 2019. Law on Public-Private Partnership No. ZRU-537. Tashkent: Legislative Chamber. <https://lex.uz>
- Toshtemirova, N.R., 2024. Issues of Arbitrability of Investment Disputes under the Legislation of Uzbekistan. [Online] <https://lawjournal.uz>
- UNCTAD, 2023. World Investment Report 2023. Geneva: United Nations Conference on Trade and Development. <https://unctad.org>
- Uzbekistan National News Agency, 2024. Uzbekistan Attracts \$22.4 Billion in Foreign Investments in 2023. <https://uza.uz>
- Uzbekistan Statistics Agency, 2024. Foreign Investment in Uzbekistan: New Enterprises Established in 2024. <https://stat.uz>
- World Bank, 2024. Doing Business 2024: Central Asia Overview. Washington, D.C.: The World Bank. <https://worldbank.org>
- Zhan, J., 2024. Asian Economies Show Resilience Despite Global Challenges. United Nations Conference on Trade and Development. <https://unctad.org> [Accessed 18 July 2024]