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# Using The Uae's Experience in Attracting Investments to The Uzbekistan Economy

Otajonova Charoskhon Polvonkuli qizi

1. Tashkent State University of Economics 2nd Year Doctoral Student

\*Correspondence: [otajonovacharosxon@mail.ru](mailto:otajonovacharosxon@mail.ru)

**Abstract:** This article explores the successful experience of the United Arab Emirates (UAE) in attracting foreign direct investment (FDI) and assesses its applicability to improving the investment climate in Uzbekistan. By analyzing the UAE's economic policies, legal reforms, and infrastructure development, the study identifies the key factors contributing to the country's position as one of the top global destinations for FDI. The paper presents a comparative analysis supported by economic and statistical data, highlighting strategies such as the establishment of specialized free economic zones, investor-friendly tax regimes, and legislative liberalization. Drawing on the UAE's model, the study proposes policy recommendations for Uzbekistan aimed at enhancing investment attractiveness, promoting economic diversification, and fostering sustainable development. The findings provide a foundation for adopting best practices to boost investor confidence and economic competitiveness in Uzbekistan.

**Keywords:** : Gross Domestic Product, economic growth, investment, foreign direct investment, foreign experience, economic reforms, creative economy, green economy, free economic zones, tax incentives, investment attractiveness, investment efficiency

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## 1. Introduction

Investment - especially foreign direct investment - is one of the key sources of a country's economic growth and macroeconomic stability. Since the first days of independence, the Government of Uzbekistan has taken numerous measures to attract FDI, drawing on the experience of the United States, China, Singapore, and Russia. The investment policy of the United Arab Emirates also deserves particular attention as a role model [1], [2].

Another reason to examine the UAE's investment climate is the strong and steadily expanding cooperation between Uzbekistan and the UAE.

For example, during the negotiations between the Presidents of Uzbekistan and the United Arab Emirates in Abu Dhabi in January 2025, the following documents were signed:

Declaration on the Establishment of a Strategic Partnership;  
Intergovernmental Agreement on the Mutual Promotion and Protection of Investments;  
Intergovernmental Agreement on Financial and Technical Cooperation;  
Agreement on Cooperation in Standardization, Metrology and Conformity Assessment;

The signing of interdepartmental agreements on cooperation in the fields of investment, industry and advanced technologies, justice, agriculture and food safety, and minerals is a clear proof of this (agentligi, n.d.) [3].

## 2. Materials and Methods

To make this article more accessible and understandable for readers, the following research methodologies were used: scientific approach, comparison, observation, comparative analysis, micro- and macro-level analysis, and statistical analysis.

## 3. Result

The main purpose of studying the experience of the United Arab Emirates as a foreign experience is to highlight the significant increase in the volume of foreign direct investment (FDI) by many foreign investors in the UAE over the past 10 years.

As evidence of the UAE's position among leading FDI destinations, in 2023 the country ranked 12th in the world for FDI inflows as shown in Table 1 (2023, n.d.).

Table 1. List of countries attracting the most foreign direct investment in the global economy in 2023

Country Rankings		
Nº	Name	Inflows, US \$
1.	<u>United States</u>	\$348.78B
2.	<u>Singapore</u>	\$175.24B
3.	<u>Hong Kong</u>	\$111.11B
4.	<u>Brazil</u>	\$64.23B
5.	<u>Canada</u>	\$47.75B
6.	<u>China</u>	\$42.73B
7.	<u>British Virgin Islands</u>	\$39.89B
8.	<u>Spain</u>	\$33.71B
9.	<u>Italy</u>	\$33.14B
10.	<u>Australia</u>	\$32.74B
11.	<u>Poland</u>	\$31.58B
<b>12.</b>	<b><u>UAE</u></b>	<b>\$30.69B</b>
13.	<u>Mexico</u>	\$30.20B
14.	<u>Cayman Islands</u>	\$28.13B
15.	<u>India</u>	\$28.07B

**Source:** Compiled by the author based on data from <https://www.macrotrends.net/global-metrics/countries/are/uae/foreign-direct-investment>.

The results of the economic and statistical analysis of the economic and financial indicators of the object being studied as an experiment give a general idea of the effectiveness or ineffectiveness of studying this object as an experiment. In this context, we will consider foreign direct investments in the UAE, their growth rates and their share in the structure of gross domestic product.

According to Table 2, the volume of foreign direct investments in the UAE for 2023 amounted to 30.69 billion US dollars, which is 34.97% more than in 2022, and its share in GDP increased by 6.09% compared to the previous year.

Table 2. Foreign direct investment inflows into the economy of the United Arab Emirates: volume, growth rate and share of GDP

Years	UAE foreign direct investment 2013-2023 billion US dollars	Growth rates of foreign direct investment in the UAE	Share of foreign direct investment in GDP in UAE
2013	9,76	1,98%	2,44%
2014	11,07	13,42%	2,67%
2015	8,55	-22,76%	2,31%
2016	9,6	12,28%	2,60%
2017	10,35	7,81%	2,65%
2018	10,39	0,39%	2,43%
2019	17,87	71,99%	4,28%
2020	19,88	11,25%	5,69%
2021	20,67	3,97%	4,98%
2022	22,74	9,80%	4,48%
2023	30,69	34,96%	6,09%

**Source:** Compiled by the author based on data from <https://www.macrotrends.net/global-metrics/countries/are/uae/foreign-direct-investment>.

#### 4. Discussion

The United Arab Emirates (UAE) is one of the countries with a successful track record in attracting foreign investment. Their experience in this regard is also considered a model for other developing countries. The following are the main experiences of the UAE in attracting foreign investment:

1. Establishment of free economic zones. There are several free economic zones (Free Zones) in the UAE, which create very favorable conditions for foreign investors:

- 100% foreign ownership;
- Tax incentives (exemption from income and corporate tax);
- Simplified customs procedures;
- Simplified registration procedure.

For example, the Jebel Ali Free Zone (JAFZA) in Dubai is one of the largest free economic zones, hosting more than 10,700 companies from more than 100 countries.

2. Transparency and strength of development strategies and legislative framework. The UAE government pays great attention to creating a favorable legal environment for foreign investors. In recent years:

- Laws allowing 100% foreign ownership (in some sectors starting in 2020);
- Legislative reforms protecting the rights of investors have been implemented.

3. Accessibility and priority of infrastructure and logistics services. The UAE has world-class infrastructure. For example, modern airports and ports in Dubai and Abu Dhabi, rapidly developing transport and communication networks, "Smart city" projects and digitalization strategies. This creates a reliable and effective business environment for foreign and local investors [4], [5].

4. Diversified economic policy. The UAE is allocating significant funds and incentives to develop other sectors of the economy in order to reduce dependence on oil. As a clear example of this, we can see the following:

- the organization of “Dubai Expo 2020” in the tourism sector;
- the establishment of the “Dubai Internet City” in the field of information technologies;
- the establishment of the “Dubai International Financial Centre – DIFC” in the field of financial services.

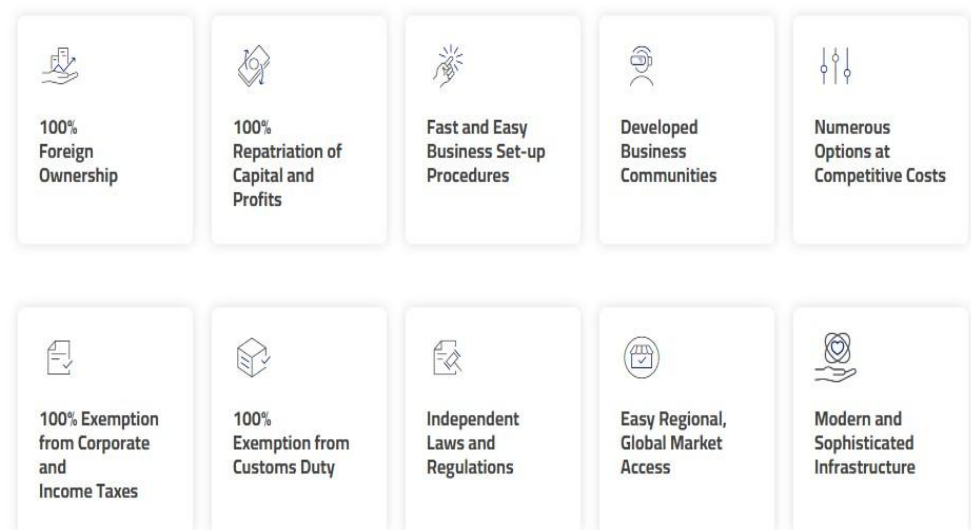
5. International events and promotions. The UAE regularly holds international investment forums, exhibitions and fairs. This allows attracting new investors and establishing long-term cooperation with existing investors [6].

The most promising sectors for investment in the United Arab Emirates are:

1. Healthcare;
2. Agritech;
3. Retail and e-commerce;
4. Education;
5. Smart cities and autonomous transport;
6. Media industry;
7. Manufacturing industry;
8. Information and communication technologies;
9. Space industry;
10. Logistics;
11. Financial technology industry;
12. Tourism;
13. Computer games;
14. Resource processing industry;
15. Creative economy.

The UAE is offering investors a range of incentives to encourage the growth of small and medium-sized enterprises (SMEs) and startups in the country. The government is also supporting the diversification of national revenue sources while removing barriers to investment. The UAE is committed to supporting investment to boost the national economy [7].

The UAE offers investors more than 40 multidisciplinary free zones, where expatriates and foreign investors can fully own companies. These zones are characterized by their highly efficient infrastructure and specialized services that facilitate smooth business processes, significantly saving businesses time and effort. Figure 1 shows the advantages of free economic zones established in the UAE (Economy, n.d.).(Figure 1)



**Figure 1. Advantages of free zones for foreign investors in the United Arab Emirates**

Among the free economic zones that operate most effectively in the UAE, the top ten include:

1. Jebel Ali Free Zone (JAFZA);
2. The Free zone dedicated to the military and security sector in Tawazun Industrial Park;
3. Dubai Airport Freezone (DAFZ);
4. Dubai Financial Services Authority (DFSA);
5. Dubai Auto Zone (DAZ);
6. Gold & Diamond Park;
7. Dubai Knowledge Park;
8. Sharjah Healthcare City;
9. The Sharjah Research, Technology, and Innovation Park;
10. Sharjah Oasis for Technology and Innovation (SOTI);

Jebel Ali Free Zone (JAFZA) - Jebel Ali Free Zone. One of the largest free zones in the world, Jebel Ali Free Zone is located in Dubai and is home to thousands of companies, manufacturers, traders and exporters from all over the world.

The free zone accounts for about 24% of the total foreign direct investment inflows into Dubai's economy and provides global connectivity for companies due to its location next to Jebel Ali Port and its proximity to Al Maktoum International Airport and Dubai International Airport. It is also a key link in the global trade network, connecting to 150 ports. The free zone allows companies to reduce the cost of operating with storage facilities, equipped business premises and industrial land [8].

Jebel Ali Free Zone (JAFZA) offers significant tax incentives that make it one of the most attractive business centers in the Middle East. The main tax advantages of operating in JAFZA are:

1. 0% corporate (profit) tax. There is no corporate profit tax for 50 years from the date of formation. This exemption applies to both local and foreign companies in the free zone.
2. 0% personal income tax. Individuals working or residing in this free zone do not pay personal income tax, which makes it attractive to foreigners and entrepreneurs.
3. The possibility of 100% repatriation of profits and capital. Unlike some countries that impose currency or capital controls, companies can repatriate 100% of their profits and capital in this zone without restrictions.
4. No import or export duties. Companies within the Jebel Ali Free Zone can import raw materials, equipment and goods without customs duties. Exported goods are also duty-free, especially when traded outside the UAE or in other free zones.
5. VAT (Value Added Tax) benefits. VAT in the UAE is currently 5%. However, many transactions within this free zone, especially within designated zones such as the Jebel Ali Free Zone, may qualify for zero-rating of business-to-business (B2B) VAT between VAT-registered businesses.
6. Double taxation avoidance. The UAE has signed over 130 double taxation agreements with countries around the world, which help businesses avoid being taxed twice on the same income. These tax benefits are one of the main reasons why international companies set up regional headquarters or distribution centers in the Jebel Ali Free Zone ((Jafza), n.d.).

Tawazun Industrial Park Free Zone is one of the largest free zones in the United Arab Emirates, specializing in the defense and security industry, and this zone provides extensive opportunities for foreign and local investors. The main advantages of this free zone are listed below:

1. Specialized sector. This free zone is intended exclusively for companies in the defense, security, and advanced technology sectors, which will serve intra-industry cooperation and cluster development [9], [10], [11], [12].

2. Tax and customs benefits include:
  - a. Duty-free and VAT-free import/export opportunities for investors in this zone;
  - b. 100% foreign ownership rights are provided to enterprises operating in this free zone;
  - c. No restrictions on dividends and capital withdrawal for investors.
3. Strategic location. Located near Abu Dhabi and connected to the GCC (Gulf Cooperation Council) countries by convenient logistics routes. The possibility of establishing close cooperation with the largest military and security enterprises in the region [13], [14].
4. Availability of convenient and effective infrastructure and technical services. Availability of high-level technological infrastructure in the region, metalworking, electronics, R&D (scientific research) laboratories and integrated services (one-stop shop, permits, land lease, tax consulting, etc.).
5. Availability of favorable conditions for living and social spheres. In particular, the free zone includes:
  - a. Restaurants, sports fields, green areas, recreation areas. A comfortable living and working environment is also created for employees and entrepreneurs [15].

This free economic zone is also supported by the Tawazun Council, which paves the way for government contracts and strategic partnerships (Economy, n.d.).

## 5. Conclusion

Studying foreign experiences is very important in further developing the economy of countries. Because by studying experiences, a country can foresee the problems and shortcomings it may encounter. It can also have the opportunity to formulate strategies for further development of promising sectors and areas.

In particular, the effective and successful experience and path of the United Arab Emirates in attracting foreign investments can be a lesson and an opportunity for Uzbekistan.

Applying the experience of the United Arab Emirates (UAE) in attracting foreign investments in the conditions of Uzbekistan can be useful in the following areas:

1. Further development of free economic zones (FEZs). Further optimization of existing FEZs (Navoi, Angren, Jizzakh), improvement of their infrastructure. Providing foreign investors with incentives such as 100% ownership rights, 10+ years of tax exemptions. Strengthening the system of issuing expedited permits based on the “one-stop shop” principle.
2. Sectorization of free economic zones. Many free zones located in the UAE specialize in a specific industry, which further increases the flow of scientific and innovative projects in that industry to this territory.
3. Simplification of tax and customs policy. The UAE has attracted investors with low tax rates and simplified customs procedures. Uzbekistan should make a number of changes to its tax system. In particular, reducing or temporarily exempting corporate tax in strategic sectors, expanding tax exemptions in FEZs (for example, exemption from income tax for up to 10 years), digitizing the customs system and reducing excessive paperwork.
4. Liberalization of legislation. UAE experience: 100% ownership rights have been provided for foreign investors since 2020. In Uzbekistan, make entrepreneurship legislation stable and clear for international investors. Do not force foreign investors to operate through a local partner. Also, strengthen the protection of investment contracts through the courts.
5. Strong focus on infrastructure projects. The UAE has attracted investors through large transport, energy and technopark projects. Uzbekistan is also attracting foreign investment in transport and logistics projects (for example,



the Tashkent-Andijan highway, the China-Uzbekistan railway). Focus on sustainable development, like the UAE, in the field of green energy (solar and wind power plants). Develop technoparks and innovative cities (for example, expanding the IT Park).

6. Establish global promotion and branding. The UAE has promoted itself as a global investment hub through the Dubai Expo and other events.

Also, through a properly organized economic policy, free economic zones, investor-friendly and reliable legal norms, laws, tax system, quality infrastructure reforms, and strong international marketing, Uzbekistan can also become one of the strongest centralized investment centers in the world and the region.

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