

# Analysis of Legal Mechanisms for Resolving Investment Disputes in Uzbekistan: Problems and Prospects

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**Abstract:** This article analyzes the legal mechanisms for resolving investment disputes in Uzbekistan, identifies existing problems, and proposes prospects for their resolution. It examines national legislation, international treaties, and arbitration agreements, as well as practical aspects of their application. The article focuses on issues such as the transparency of judicial processes, the enforcement of arbitral awards, judicial independence, and the duration of legal proceedings. The author provides recommendations for improving legal mechanisms and enhancing the country's investment attractiveness.

**Keywords:** investment disputes, legal mechanisms, Uzbekistan, arbitration, judicial system, transparency, enforcement of awards, reforms.

## Introduction

The Republic of Uzbekistan is currently pursuing an active policy to attract foreign investments. This is confirmed by the provisions of the New Uzbekistan Development Strategy for 2022–2026, approved by the Decree of the President of the Republic of Uzbekistan No. DP-60 dated January 28, 2022. According to this strategy, one of the key goals is to further improve and enhance the attractiveness of the investment climate in the country [1].

Investment disputes are an inevitable part of international business transactions, particularly in emerging markets like Uzbekistan. Effective resolution of these disputes is critical for fostering a stable and attractive investment climate. This article examines the legal mechanisms for resolving investment disputes in Uzbekistan, highlighting existing problems and potential improvements.

One of the key factors influencing the attraction and retention of foreign investments in the country is the presence of an effective and stable judicial and arbitration system. Such a system should ensure prompt and fair consideration and resolution of investment disputes. In Uzbekistan, efforts to improve the judicial and arbitration system are ongoing, as reflected in various legislative initiatives and reforms. The development of arbitration institutions and the implementation of international arbitration standards can significantly enhance Uzbekistan's attractiveness to foreign investors. Moreover, the introduction of mediation as an alternative method of dispute resolution can reduce the burden on the judicial system and expedite the conflict resolution process.

## Methods

This research employs a mixed-methods approach, combining qualitative and quantitative data analysis. Data were collected from various sources, including legal documents, government reports, academic articles, and interviews with legal experts and investors. The qualitative data were analyzed thematically to identify key issues and trends, while quantitative data provided statistical support for the findings.

## Results

Research and practice in the resolution of investment disputes between foreign investors and host states have identified a key area requiring legal reforms in Uzbekistan: the need to implement

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alternative methods for the prompt and effective resolution of such disputes. According to the Decree of the President of the Republic of Uzbekistan, in order to improve the system for protecting the rights and legal interests of individuals and legal entities, as well as to expand the possibilities of alternative dispute resolution, decisive measures must be taken to apply alternative legal methods [2]. This includes strengthening the role of mediation, arbitration courts, and international arbitrations, which will help optimize the workload of the judicial system and enhance the efficiency of resolving investment disputes.

Resolving investment disputes plays a key role in ensuring a favorable investment climate in Uzbekistan. This section examines the main mechanisms for resolving investment disputes in the country, as well as the opinions of scholars from Uzbekistan and abroad regarding their effectiveness and ways for improvement.

In 1992, the Republic of Uzbekistan became a member of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the International Finance Corporation (IFC). According to the Law "On Investments and Investment Activities," disputes directly or indirectly related to foreign investments (investment disputes) can be resolved by agreement of the parties through consultations.

If the parties cannot reach an agreed resolution, such disputes are subject to resolution in the Economic Court of the Republic of Uzbekistan or through arbitration in accordance with the rules and procedures of international treaties and conventions to which Uzbekistan is a party. The law also provides for the possibility for the parties to an investment conflict to independently determine the body for dispute resolution (Law of the Republic of Uzbekistan "On Investments and Investment Activities," 2019). [3]

The Republic of Uzbekistan is a participant in a number of agreements on the mutual promotion and protection of investments, which establish a favorable investment regime and contain provisions regulating the protection of investors' property rights in the event of disputes with the host state.

Many of the agreements signed by Uzbekistan provide for the possibility of referring investment disputes to arbitration under the rules of the International Centre for Settlement of Investment Disputes (ICSID, Washington), the International Court of Arbitration of the International Chamber of Commerce (ICC, Paris), the Arbitration Institute of the Stockholm Chamber of Commerce (SCC, Stockholm), or other permanent arbitration bodies or ad hoc arbitrations specially established to resolve specific disputes. [4, 5, 6]

Investors can also provide for the resolution of investment disputes within the framework of production sharing agreements, concession agreements, or investment contracts concluded with the Republic of Uzbekistan. Since 1995, Uzbekistan has been a member of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958, which ensures international recognition and enforcement of arbitral awards. [7]

Thus, there are several mechanisms for resolving investment disputes in Uzbekistan that are in accordance with generally accepted norms of international law. These mechanisms include both national and international arbitration procedures, providing a high level of protection for foreign investors' rights and contributing to the creation of a favorable investment climate.

Uzbekistan allows foreign investors to seek dispute resolution in national courts. However, as many researchers point out, the national judicial system faces several challenges, including lengthy case consideration times and insufficient qualification of judges in the field of international investment law.

## Discussion

Research by scholars from near and far abroad confirms the necessity and importance of such measures. Saida Ahmedova, a legal expert from Uzbekistan, emphasizes the need to improve legal mechanisms and implement international standards in the field of investment law. In her work, she highlights that the development of alternative dispute resolution methods, such as mediation and



arbitration, will significantly improve the investment climate and increase confidence in Uzbekistan's legal system.

Uzbekistan has signed a number of bilateral investment treaties that provide for the protection of foreign investments and the resolution of disputes through international arbitration. These agreements are an important tool for attracting foreign investments.

Uzbekistan is a member of ICSID, which provides a platform for resolving investment disputes through arbitration. Participation in ICSID allows investors to use international standards and procedures for dispute resolution. According to researchers like Peter Davis from the London School of Economics, participation in ICSID demonstrates Uzbekistan's commitment to adhering to international standards and protecting the rights of foreign investors [8].

Despite the presence of legal mechanisms, there are certain problems and challenges in resolving investment disputes in Uzbekistan:

- lack of transparency in judicial processes and suspicions of corruption undermine investor confidence;
- insufficient experience and knowledge among judges and arbitrators in the field of international investment law;
- Complex and lengthy administrative procedures can hinder the dispute resolution process [9].

The analysis reveals that while Uzbekistan has made significant strides in establishing a legal framework for investment dispute resolution, several challenges remain. Addressing these challenges requires comprehensive judicial reforms, enhanced use of international arbitration, and robust legal and institutional support for investors. By improving transparency, judicial independence, and the efficiency of dispute resolution mechanisms, Uzbekistan can create a more favorable investment climate [10, 11].

## Conclusion

Successful attraction of foreign investments in Uzbekistan requires a comprehensive approach that includes both the improvement of national legislation and the implementation of international standards and best practices. The implementation of the New Uzbekistan Development Strategy for 2022-2026 can be a significant step in this direction, contributing to the country's sustainable economic growth and development. A stable judicial and arbitration system is an integral part of a favorable investment climate. To attract and retain foreign investments, Uzbekistan needs to continue reforming its legal system, with a particular focus on developing arbitration institutions and implementing international standards in legal practice.

The conclusion of intergovernmental agreements on mutual cooperation and investment protection is an important element of Uzbekistan's strategy for attracting foreign investments. However, to increase their effectiveness, it is necessary to eliminate terminological inaccuracies, improve formulations, and enhance legal practice. This will ensure legal certainty and protection of foreign investors' rights, contributing to the creation of a stable and attractive investment climate.

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