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THE ROLE OF BUSINESS ASSOCIATIONS IN IMPROVING THE INVESTMENT CLIMATE: EVIDENCE FROM UZBEKISTAN

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Abstract: The formation of a positive investment climate is essential for sustainable economic development and capital attraction, both locally and internationally. Recently, business associations have been increasingly influential. They actively contribute to the development of the business environment, protect the interests of businessmen, build connections between the business community and authorities, and promote changes in the regulatory environment. While the importance of business associations increases significantly, there is a lack of scientific research about the real influence of these associations on the investment climate in the Republic of Uzbekistan. The goal of the present paper is to estimate the contribution of business associations to the improvement of the investment climate in Uzbekistan and to find out in what ways business associations affect the attractiveness of the investment environment. This paper employs a qualitative, document-based research design, combining analysis of scientific literature, policy and legal documents, and institutional materials with a case study of Uzbekistan's Chamber of Commerce and Industry (CCI). The findings indicate that CCI contributes to Uzbekistan's investment climate primarily through two mechanisms: participation in tripartite social dialogue, which allows it to shape and communicate labor-related regulatory reform to businesses, and the operation of dispute-resolution infrastructure through the Tashkent International Arbitration Center, which directly addresses investor concerns over reliable dispute resolution. It is our recommendation that through building up the institutional power and scope of business associations, Uzbekistan will be able to further improve its investment environment.

Keywords: business associations, investment climate, public-private dialogue, Chamber of Commerce and Industry, Uzbekistan, institutional reform, regulatory environment

Introduction: The development of globalization and rising competition on the international arena for the attraction of investments became one of the main concerns of economic policies due to the fact that a positive investment climate stimulates entrepreneurship, investment flows, and sustainable economic development. The improvement of investment climate is therefore still one of the objectives in developed and developing countries alike.

Over the last ten years, the reforms have been carried out in Uzbekistan with the aim of improving the business climate and increasing investment attractiveness of the country. They comprise legal support of the investors, lowering of administrative obstacles, public services digitalization, and promoting the development of the private sector. This made the interaction between public authorities and businesses extremely relevant.

Among the organizations that help to promote economic development, there are business associations that have a number of functions, including representation of entrepreneurs' interests, facilitating communications between businesses and government organizations, developing economic policies and providing information on investment possibilities. They all contribute to increased transparency, quality of regulation and confidence of investors.

The purpose of the research is to investigate the role of business associations in the improvement of the investment environment in Uzbekistan. It will include analysis of their impact on strengthening dialogue between the public sector and private sector, promoting business development and increasing investment attractiveness of the country.

Literature review: The place of business associations in economic development is an area characterized by two different theoretical approaches. According to the classical approach based on the theory of collective action by Olson, associations should be viewed as rent-seeking coalitions. Business firms are supposed to participate in these associations in order to reap selective gains from the government (export quotas, tariffs, privileged access to resources), rather than creating any economic gain, and their lobbying efforts are seen as distorting otherwise functioning markets. There is a second, relatively new, stream of research questioning this assumption. Based on the New Institutional Economics, researchers like Doner and Schneider suggest that business associations often have "developmental" roles in developing countries characterized by the failure of state and market institutions. They reinforce property rights, reduce transactions and information costs, facilitate horizontal and vertical coordination, set industry standards, and facilitate skill formation. Whether a business association acts as a rent seeker or as a developer depends on the strength of its institutions, which, in turn, is determined by the density of its membership, selectivity of the benefits offered, and ability to arbitrate conflicting interests of the members.

The following are the ways this development perspective has been expanded which are relevant to this research study. The study conducted by Bennett on business associations in the UK shows that business associations tend to be narrowly specialized on one or two services and exhibit high path dependency; indicating that voluntary activities in business associations usually fail to move out of their conventional economic roles without any outside pressure or incentives from governments. The study conducted by Perez-Aleman on the Chilean associations brings another dimension to this rent-seeking perspective, which shows that associations have the ability to change their members' interest through collective problem solving and learning. Hence, according to this literature review, economic contribution of the business association does not lie in its defined mandate but rather in the way it functions and interacts with the government.

An associated yet different body of literature studies the role of business associations in the context of reforms to the investment climate, primarily through the notion of public-private dialogue (PPD). From the mid-2000s onward, development organizations – in particular, the World Bank via its Doing Business reports – have pushed the idea that reforming the regulatory and administrative environment in which businesses operate is the key to economic growth, job creation, and poverty alleviation, and have advocated for the inclusion of organized private sector representation as an accepted forum for setting reform priorities. Under this concept, business associations do not act as lobbyists but rather as intermediaries that help pool diverse business interests into a reform agenda and monitor the implementation process, while lending legitimacy to government commitment to investors. One such regional effort to implement the concept of PPD is represented by the Investment Climate Facility for Africa.

There is a lack of research on the role of business associations in post-Soviet and Central Asia countries, which is exactly what this paper aims to fill. The existing literature on business-

government relations in the region, including the comparison between Kazakhstan and Uzbekistan, examines how the nature of state-business relationship affects the quality of institutions and investments. However, there has been little discussion about the role of formalized business associations themselves as an institution in this process. In addition, practice-oriented organizations like the Center for International Private Enterprise (CIPE) has been working since 2018 to build the capacity of advocacy of various business associations in Central Asia regarding cross-border investment and trade – meaning that international donors consider business associations a relevant tool for investment climate reform despite a lack of independent scientific evaluation of its effectiveness in the region. Recent literature on regional integration in Central Asia adds that emerging cross-border business associations (fintech and e-commerce, for example) do not yet possess a mandate for advocating regional policies. This paper contributes to closing this gap by examining the case of the Chamber of Commerce and Industry of Uzbekistan.

Methodology: This paper adopts a qualitative, document-based research design. Primary data sources include Uzbekistan's legal and regulatory texts relevant to business associations and labor relations — notably the Law "On the Chamber of Commerce and Industry," the 2025 Social Insurance Law, and Cabinet Resolution No. 796 (2025) — together with institutional materials published by the CCI, international assessments of Uzbekistan's investment climate, and reports from international organizations engaged with Uzbekistan's labor and business environment, including the International Labor Organization (ILO) and CIPE.

The paper additionally draws on a short period of practitioner observation by the author, who works within CCI's Department of Legal Protection of Employers' Labor Relations and Confederation Affairs. This includes first-hand observation of an internal briefing session held on July 2, 2026, in which CCI representatives explained the newly adopted maternity-benefit reform to member-company HR representatives and addressed implementation questions. This observation is used illustratively, to document a concrete instance of the associational mechanism this paper analyzes — the reduction of information and compliance costs for member businesses — rather than as a basis for generalizable claims.

The case study focuses primarily on CCI's statutory role in tripartite social dialogue on labor and economic policy, illustrated by the 2025–2026 social insurance reform, with CCI's dispute-resolution function via the Tashkent International Arbitration Center (TIAC) discussed briefly as supporting evidence of its broader institutional reach.

Limitations: This is a single-country, single-association case study relying primarily on secondary/documentary sources, supplemented by limited first-hand observation from a single, recently-hired staff member; findings should be read as illustrative of associational mechanisms rather than as a systematic evaluation of CCI's overall effectiveness.

Findings:

1. Tripartite social dialogue and the reduction of regulatory/information costs

In this way, the role of CCI in the investment climate is most clearly seen in the process of tripartite dialogue established in its founding statutes. It means that through departments like the Department of Legal Protection of Employers' Labor Relations and Confederation Affairs, CCI can influence and announce labor law changes in favor of the business community.

This example is provided by the upcoming changes in the sphere of social insurance in Uzbekistan for the year 2026. The Social Insurance Law was introduced in December 2025 and came into force in January 2026. According to this law, payment of the maternity benefits will be transferred from individual employers to the State Social Insurance Fund, while payment of sick leave will be transferred in July 2026. This way, it decreases the burden on employers. This is a

good example of the regulation cost reduction, which is considered an element of the investment climate within such frameworks as the World Bank's Doing Business project.

Implementation of the reforms required the intervention of intermediary organizations in order to convert legislative requirements into practice. On July 2, 2026, the author attended a briefing organized by CCI in which representatives were discussing the new rules on maternity benefits to HR representatives of the companies-members and were responding to questions on implementation of the rules. This was a concrete example at the micro level of "information-cost reduction", which the literature identifies as one of the functions performed by developmental business associations: rather than every company individually trying to understand new legislation, CCI provided an authoritative interpretation of it to its members.

2. Dispute resolution: The Tashkent International Arbitration Center (TIAC)

The involvement of CCI in creating a favorable investment environment is not limited to its activity concerning the labor policy and includes establishing the Tashkent International Arbitration Center (TIAC) in 2018-2019. In particular, according to the presidential decree setting up TIAC, the creation of this center is seen as an integral part of improving the investment environment, especially for foreign investors, by providing arbitration services not linked to the domestic court system. This organization has been created specifically to cater to investors' needs since no administrative fee is charged, no taxes are payable by foreign arbitrators regarding their remuneration, no license is required for foreign attorneys, and foreign law can be applied with the use of foreign arbitrators. As of early 2025, the number of cases accepted by the center had already tripled compared to the previous year, and more than half of them included the international element, as well as involved disputants from such countries as the Netherlands, Italy, China, Russia, and Turkey. A 2022 cross-institutional agreement with the Hong Kong International Arbitration Centre further signals CCI's effort to integrate TIAC into international arbitration networks rather than operate it as a purely domestic institution.

In sum, both these processes – the regulatory/information intermediation role played via tripartite social dialogue and the dispute-resolution structure created via TIAC – show that CCI's role in enhancing Uzbekistan's investment environment takes place not in terms of lobbying for individual companies but rather in the realm of institution building, where certain costs and risks related to working in Uzbekistan are minimized.

Table 1. Summary of CCI's investment-climate mechanisms

Mechanism	What CCI does	Investment climate barrier addressed	Evidence
Tripartite social dialogue (Department of Legal Protection of Employers' Labor Relations and Confederation Affairs)	Represents employer interests in government-union-employer policy discussions on labor law	Regulatory/financial burden on private employers; hiring-related labor market distortions	2025 Social Insurance Law shifting maternity-benefit payments from employers to the State Social Insurance Fund (effective Jan 1, 2026)
Regulatory information	Briefs member-company HR representatives on	Compliance uncertainty and information costs	CCI briefing session for HR

intermediation	new labor regulations and implementation practice	for firms adapting to new rules	representatives, July 2, 2026, on the new maternity-benefit rules
Dispute resolution infrastructure	Established and operates the Tashkent International Arbitration Center (TIAC), offering zero-fee, internationally-integrated arbitration	Investor concern over reliable, neutral dispute resolution outside domestic courts	TIAC caseload tripled year-on-year by early 2025; over half of cases involve an international party (Netherlands, Italy, China, Russia, Turkey, etc.)

Discussion: These results provide stronger evidence for the developmental understanding of business associations than the classical rent-seeking model presented in the literature review. According to Olson's approach, business associations seek to extract redistributive benefits from the government for themselves, usually damaging market efficiency in the process. However, neither of the two mechanisms studied in this paper has anything to do with that type of behavior. The involvement of CCI in tripartite social dialogue does not imply any kind of special benefit or privilege for some group of firms; on the contrary, it implies an information exchange about a general regulation that affects all the members of CCI. In the same way, TIAC was not created for the sole purpose of benefiting either CCI or its members, but for the development of the overall investment climate in Uzbekistan, both for local and foreign investors; its establishment was a presidential initiative. Both mechanisms correspond perfectly with the "developmental" function of business associations discussed by Doner and Schneider.

Meanwhile, the research needs to take note of several important nuances that need consideration. Firstly, while the case studies presented in the research demonstrate CCI's participation in communicating and facilitating the adaptation to the change in the labor law, there is no guarantee that it has any effect on the creation and the content of the legislation itself. In other words, the author witnessed the process of implementation only after the law was adopted and thus it is not possible to say anything about the role of CCI and especially the Department of Legal Protection of Employers' Labor Relations and Confederation Affairs in the creation of the legislation during the drafting process. Secondly, the growth of caseloads for TIAC can be considered an institutional indicator and indeed it is quite an achievement. However, this cannot be attributed solely to the activity of CCI since the general legal reforms of 2018-2021, the changing requirements of the region and the partnerships of the institution can contribute to it. The paper's case-study design, relying on a single association observed over a short window, is not equipped to isolate CCI's specific causal contribution from these parallel factors.

This research also has implications for the broader regional literature on business associations in Central Asia. While CIPE identifies the absence of the necessary official mandate that would enable many associations active in Central Asia – especially new trans-boundary associations in emerging sectors such as fintech and e-commerce – to have any influence on public policy, CCI represents a different case, since its official function of conducting tripartite dialogues and its presidential-decreed legal status to conduct TIAC makes it much more institutionally grounded compared to some of its regional peers. In this respect, the legal and institutional mandate, rather

than just the presence of an association itself, might be a critical issue when trying to determine the ability of the business association to shape the investment climate of a country, which supports Bennett's view that association activities without external encouragement do not go beyond their scope.

As a final point, there is one important practical implication of the results that should not go unnoticed by both policymakers and the CCI itself. The information intermediation process seen during the briefing session in July 2026 — whereby the new regulation is turned into guidance directly understandable by the companies – seems to be a low cost and replicable approach that can be used for the systematic implementation of the same with respect to any other regulatory change relevant to the investment environment, rather than being implemented on an ad-hoc basis. This would also solve one of the limitations faced by this study, that is, the lack of easy access to documentation or published cases of the involvement of CCI in its associational activities. In fact, keeping track of and publishing this kind of information about the institution's actions would improve both its accountability and the understanding of the real role of business associations in Uzbekistan's investment climate.

Conclusion and recommendations: The present paper was intended to explore the mechanisms through which business associations impact the development of an investment environment in Uzbekistan with special focus on the activities of the Chamber of Commerce and Industry (CCI). The conclusions made within the framework of the study indicate two clear mechanisms of the performance of such function by CCI. These mechanisms include participation in the tripartite social dialogue that enables CCI to influence and spread information about labor regulation changes, reducing thereby transaction costs and uncertainties for private companies; and management of the dispute resolution mechanism through the Tashkent International Arbitration Center, dealing with one of the major investors' concerns - the impartiality of the process. Both mechanisms help to diminish transaction costs and risks of carrying out businesses in Uzbekistan, thus proving the thesis of the New Institutional Economics that business associations in developing countries may have developmental functions rather than rent-seeking ones.

Several important practical conclusions can be drawn based on these results. First, for the CCI and other business organizations in Uzbekistan, the results indicate that information intermediation measures, including the HR briefing session analyzed in this paper, represent a cost-effective and easily replicable measure to provide investment-climate-related assistance to the member firms and, thus, should be institutionalized as a regular publication rather than being performed on an ad hoc basis. Second, for the policy makers, the results imply that a better legal mandate and institutional capacity of the business organizations, as opposed to an assumption of their inherent value, would be a more efficient tool for investment climate reform, in light of the relatively weaker mandates of some of CCI's regional peers in Central Asia.

The study has obvious drawbacks and restrictions that may prove helpful in the design of future research. First of all, due to the case-study design of the research, its focus on one particular association, and the limited time period within which it took place, it is impossible to determine the level of impact that CCI has compared to other factors that influence Uzbekistan's investment climate. Also, it is difficult to trace the specific role of CCI in the changes, such as TIAC's increased caseload. For future research, it would be helpful to have longitudinal and systematic information about activities of business associations in Uzbekistan and Central Asia as a whole. In particular, it would be useful to know what kind of policies associations propose, how often these proposals are adopted, and how it influences indicators of the investment climate.

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