

Foreign Investments are the Basis for the Development of the National Economy

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ABSTRACT

The article provides an overview of the essence of foreign investments in the implementation of entrepreneurial activity in the modern world, where no business is organized without its own and attracted resources. At the same time, it is necessary to recognize, in particular, that globalization has led to the pooling of capital, scientific technologies and resources within the framework of the activities of States around the world. In order to achieve the maximum level of competitiveness in today's conditions, attracting foreign investments is extremely relevant and important, since they allow the most efficient use of the available resources of the economy and are one of the main means of increasing competitiveness.

KEYWORDS: *investment, foreign direct investment, investment climate, investment attractiveness, net investment flow, transitional economy.*

Introduction

Investments are part of the economic development of different countries, both developed and developing. Investment activity determines the basis for the successful development of the economy, and also helps to determine the prospects for modernization and diversification of the economy.

Foreign investment involves capital flows from one country to another, giving foreign investors extensive ownership interests in local companies and assets. Foreign investment means that foreigners play an active role in management as part of their investments or a share in capital large enough to allow a foreign investor to influence business strategy [2]. The current trend tends towards globalization, when multinational companies invest in a variety of countries.

As the President of Uzbekistan Shavkat Mirziyoyev noted: "World experience shows that the country has achieved sustainable growth of its economy, which pursues an active investment policy. Therefore, investments are the driving force of the economy, and, in Uzbek, the heart of the economy, if we say so, it would not be an exaggeration. Along with investments, new technologies, advanced experience in various fields and industries, highly qualified specialists come to the regions, entrepreneurship is developing" [3], [4].

Attracting foreign investments into the economy of Uzbekistan, and at the same time in direct contact with international financial institutions, is currently an urgent direction in stabilizing the economy, further developing the industrial sphere of the Republic and taking a place among developed countries.

Research. An investment (from the Latin *investio*) is an investment of capital in a business through the acquisition of securities or directly of an enterprise in order to obtain additional profit or influence the affairs of an enterprise, company. It refers to an asset or an item that a firm buys in order to generate income in the short, medium or long term [8], [9].

In an economic sense, investment means the acquisition of goods that are not used at the time of purchase, but will be used in the future to increase wealth. In a financial sense, investments are monetary assets that a firm acquires in order to make a profit as a result of selling them at a higher

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price. Based on this, financial (purchase of securities) and direct or real investments (capital investments in various objects) are distinguished [5]. In other words, an investment is an investment of capital by a private firm or the state in the production of a particular product.

Along with the concept of "investment" there is the concept of "capital investment", which most often involves operations with fixed assets (commissioning, recommendations modernization) [6], [7].

Practical actions for the implementation of financial and material investments are called investment activities, and the persons who make investments are investors.

Foreign investors may be:

- A foreign legal entity whose legal capacity is determined in accordance with the legislation of the state in which it is established, and which has the right, in accordance with the legislation of the specified state, to invest in the territory of the Republic;
- A foreign organization that is not a legal entity;
- A legally capable foreign citizen;
- A permanent resident abroad and a legally capable stateless person;
- An international organization that has the right, in accordance with an international agreement, to invest in the territory of the Republic;
- Foreign state in accordance with the procedure determined by federal laws.

Speaking about foreign investments, it is necessary to distinguish between public and private investments.

The concept of investment resources covers all manufactured means of production, i.e. all types of tools, machinery, equipment, warehouses, vehicles and distribution network used in the production of goods and services and their delivery to the end consumer [10]. The process of producing and accumulating these means of production is called investing.

Thus, investments are those funds that can be "postponed" to the next day in order to consume more in the future. Investments consist of two main parts. The first represents consumer goods that cannot be used in the current period. They are put aside in reserve. The second part of the investment helps to expand production (investments in buildings, machines and structures).

Foreign investment is the investment of foreign capital in an object of entrepreneurial activity on the territory of the republic in the form of objects of civil rights belonging to a foreign investor, if such objects of civil rights are not withdrawn from circulation or are not restricted in circulation in the republic in accordance with federal laws, including money, securities, other property, property and non-property rights, as well as services and information.

Foreign investment is one of the main forms of international economic relations. Foreign investment is understood as the export abroad or import from abroad of funds in tangible or monetary form in order to make a profit.

Foreign investment is fundamentally different from the other most important form of international economic relations – international trade [11]. This difference consists in the transfer of ownership [12].

If, in international trade, ownership passes from the seller to the buyer at the time of sale of the goods and the owner of the goods receives a profit once, then in foreign investment, the investor retains ownership as the owner of capital, who repeatedly receives a profit on the invested capital.

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There are factors that determine the attractiveness of transition economies for attracting foreign direct investment, and they are divided into five groups:

- market factors (domestic market and export opportunities);
- availability of rich natural resources;
- production cost factors;
- Investment climate;
- strategy of economic development of the country ".

Over the past five years, the share of investments in our country's economy has been growing. The inflow of foreign investments into the economy of Uzbekistan is also growing rapidly. As a basis, you can specify the following factors:

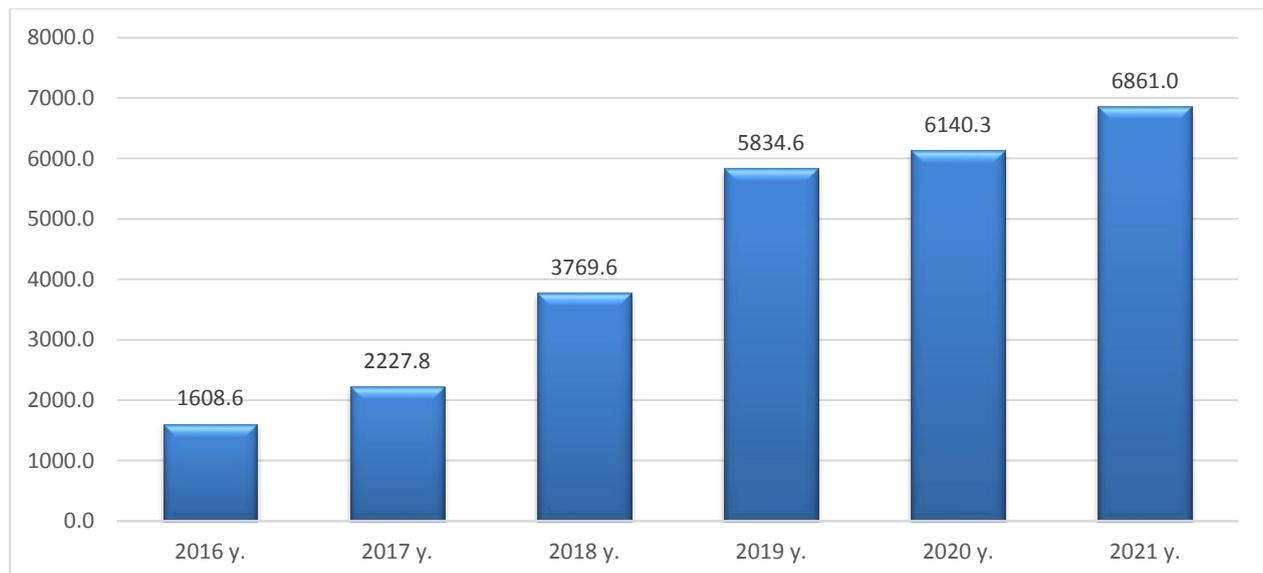
- stability of the investment climate in the country;
- positive changes in the regulation of the exchange rate;
- specific directions for improving the country's tax mechanism have been identified;
- development of solutions and laws regulating the activities of foreign investments in tax legislation;

the emergence of a favorable price environment for exporters in the world commodity markets.

The following statistics can be cited as evidence. (Table 1)

Table 1

Development of investments in fixed assets per capita in the Republic of Uzbekistan (million soums).¹



In January-December 2022, a total of Rs 45,214.9 crore was established. foreign investors were absorbed into the SOM fixed capital. In their composition, foreign direct investment amounted to 37,006.3 billion. sum, or 81.8% of total. The remaining 8,208.6 crore. the sum, or 18.2%, was appropriated at the expense of other foreign investments [14], [15].

¹ The table was created by the author on the basis of data from the State Committee of the Republic of Uzbekistan on Statistics. Source: <https://stat.uz/>

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Recently, due to the many ongoing reforms and sanctions, the problem of investing in the regions has become much more acute than 4-5 years ago.

Taking into account the current problems in the economy, the regional authorities are trying to carry out work to increase the volume of invested funds; for this:

- develop various programs to attract investment to the regions;
- assess the investment attractiveness of the territory;
- identify problems affecting investment decision-making.

Improving the investment attractiveness is a priority task of the republic, which can be implemented only thanks to the competent management of all segments of the investment market. That is why the issue of assessing the investment attractiveness of the region both theoretically and practically is relevant in the general problem of investment management in the republic.

The assessment of the investment attractiveness of the region goes through the same stages as the branches of the economy or an individual enterprise. These stages are:

- selection of a system of informative indicators;
- analysis and evaluation of analytical indicators;
- forecasting of investment attractiveness.

But when assessing the region, there are also its own peculiarities. If, when forecasting the investment attractiveness of an industry and a project, it is important to take into account their four phases, such as: pre-investment, investment, operational and liquidation, then when assessing and forecasting the investment attractiveness of a region, it is important to take into account the specifics of state and regional policy.

How effectively the region is developed (in terms of the diversity of industries, the provision of services), how effectively they interact with each other and how the division of labor occurs.

As a country with a transitional economy facing the challenges of structural transformation and modernization of the national economy, Uzbekistan needs to attract foreign investment. Uzbekistan's bilateral agreements on the promotion and mutual protection of investments play an important role in attracting foreign investment [16]. Bilateral agreements on mutual protection and promotion of foreign investments make it possible to remove the existing concerns of foreign investors about the arbitrary application by the host State of its internal regulations.

Efforts to improve and simplify the procedures for foreign investment should form an international system aimed at obtaining maximum benefits from this process for all parties involved in it.

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The rest relate to measures to liberalize and encourage foreign investment.

The main measures taken include:

- Elimination or easing of restrictions on the import of foreign investments;
- Improvement of business licensing procedures;
- Creation of special economic zones and introduction of various benefits and indulgences;
- Introduction of transparent and predictable procedures for foreign firms.

In strategic industries and land ownership rights, there is a tendency to tighten investment approval procedures [21]. This refers to considerations of ensuring the national security of the country and

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recently investments in these areas have either been limited or are subject to increased control.

The main goal of each country's investment policy is to ensure that any investments, including investments, serve the interests of sustainable development and minimize their negative consequences. It is necessary to find a balance between liberalization and regulation.

Investments in real capital are investments of capital specifically in certain consumer goods or means of production of any branch of the economy or any enterprise, and as a consequence, the result of this is the formation of new capital or an increment of cash capital (buildings, equipment, inventory) [17].

Attracting foreign capital is currently among the main strategic priorities for the development of the economy.

Uzbekistan considers foreign investments as drivers for:

- acceleration of economic and technological progress.
- renovation and modernization of production facilities.
- mastering advanced production management methods.
- job security, and the emergence of personnel capable of responding to changes in the market economy.

Before choosing one or another form of capital investment, foreign investors should be sure that the recipient country has a favorable investment climate, which is determined by a high level of political and economic stability, investment policy, stability of the monetary unit and other factors.

Therefore, if the country is in a bad economic condition, and its deterioration is expected in the future, then there is no need to talk about any inflow of foreign direct investment, because the risks of non-return of investments are too high.

The current financial and economic crisis allows a new look at the results of the development of the country's economy, a deeper analysis of the conditions and sources of its sustainable development in the future [18]. In the future, the post-crisis recovery of the Uzbekistan economy should depend not so much on the dynamics of world oil prices, but on modernization based on innovation and an innovative development strategy, which largely depends on foreign direct investment.

Regulation of the flow of foreign direct investment in any recipient country of these funds is carried out in accordance with national legislation, therefore, when investing, a foreign investor needs to study this legislation on the issues of return on investment, the mechanism of investment, the specifics of receiving dividends, taxation.

Many countries have adopted investment codes, where all the rules related to investment activities, including the regulation of foreign direct investment, are collected in one legislative act.

The main law designed to regulate the investment activities of foreign investors in the Republic of Uzbekistan is the law "On Investments and Investment Activities". [1]

State regulation of investment relations is organized in the direction of creating legal conditions, providing guarantees for conducting this activity, realizing social or state interests through insurance of subjects of this activity and other ways. The essence of investment relations is expressed in the framework and level of participants in this activity [19]. Investment activity in Uzbekistan is regulated by the state.

The State carries out such activities in such ways as improving the legislative framework for investment activities, applying a tax system that stratifies taxpayers and taxable objects, tax rates and benefits for them, establishing norms, rules, standards, applying antitrust measures, conducting credit

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policy and pricing policy and establishing conditions for the ownership and use of other natural resources, creation of mechanisms for the examination of investment projects and Regulation of investment activities, from a legal point of view, provides norms for the formation of specific, complex, socially necessary economic (investment) relations between different owners based on the reproduction of tangible and intangible assets.

All subjects of the investment process – from foreign investors to the state, legal entities and individuals, including foreign individuals (residents and non-residents) - become the driving forces of these relations [20]. From the point of view of the law, foreign investments are associated with the possession, use and disposal of capital on the territory of another state. However, from an economic point of view, their territorial, temporal and spatial actions are more likely to face numerous additional risks.

As mentioned above, investment activity is one of the key factors in the development of the economy, the implementation of structural changes and increased competition, including in world markets [13]. It is obvious that foreign investments alone cannot be the key to the prosperity of the national economy. Foreign investments of various sizes can quickly and effectively contribute to the development of the state, but they can also be completely useless and, in addition, contribute to the theft of natural resources, enrich investors and make residents of host countries dependent on the outside world for many years.

Only with a balanced and thoughtful approach, combined with the interests of investors and the host country, can the effective attraction and use of foreign investment be guaranteed.

Conclusion. Summing up, we can say that the implementation of the above proposals in practice will have a positive impact on the further activation of attracting foreign investment into the national economy. As a result, the continuous technical and technological renewal of production, the implementation of deep structural transformations in the economy, the consistent continuation of modernization and diversification of industry will allow us to fully implement the investment policy in our country in the future.

Studying all the practical and theoretical issues related to attracting foreign investment, we can conclude that a paradigm of displacing interaction between domestic and foreign companies has developed in history. The presented paradigm can be characterized by two most important factors:

1. National companies may have a lower level of competitiveness compared to foreign firms. Taking into account the model of the formation of the transfer of such technologies between competing agents, in order to create a successful procedure for the exchange of all innovations, a fairly stable and approximately equal indicator of competitiveness is needed. Within the framework of the modern Russian economy, this process is not observed, since many domestic companies are insufficiently competitive and as a result do not have the ability to function effectively.
2. The domestic economic system is catching up, and it has a fairly low level of its own innovative primary technologies, as well as products. The remaining technological processes and systems are the result of close cooperation and attracting a huge amount of foreign investment from abroad for the work of many companies.

The investor is considered to be the most important subject in the organization of the investment process. He can invest his own or borrowed funds in the form of investments, being a guarantor for their targeted application in practice. On the world stage, investors can be state authorities, transnational corporations, international structures, public authorities and management bodies.

Taking into account all the trends in the development of recent scientific research and defining the features of improving the economic system of the whole world in the context of globalization, it

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should be noted that direct investment is considered the most developed and qualitative method of investing in the economy. These investments may have horizontal and vertical elements of investment in their composition, taking into account the motives and goals according to which companies enter the international market. Methods of economic activity also play a special role.

As a result, it is necessary to conclude that foreign investments occupy a particularly important place in the total composition of a huge number of economic activities. Foreign investments are considered the most important element of investment development in many countries. It should be remembered that foreign investments are not only money, but they also include high-tech technologies, management mechanisms, and organizational tools for doing business.

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