

WAYS TO INCREASE THE ATTRACTIVITY OF FOREIGN INVESTMENT IN UZBEKISTAN

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Abstract- In this article have been contained suggestions and recommendations on how to increase the attractiveness of attracting foreign investment to Uzbekistan. Also, the necessary feedback on improving the investment climate in Uzbekistan was identified, and priorities were identified that could ensure a high level of efficiency of the investment process.

Index terms: Investment, foreign investment, investment attractiveness, investment policy, modernization, reconstruction, integration, scientific and technological progress, technology, capital market, foreign capital, budget revenues, gross national product, world experience, benefits, infrastructure, shareholders, insurance companies, credit institutions, interest rates, export-import operations.

1. INTRODUCTION

In the context of modernization of the economic system in Uzbekistan, one of the most pressing issues today is to identify and implement factors that can affect the stabilization of the economic environment and stimulate economic development in the short term. Public administration also plays an important role in shaping a multi-sectoral market economy. It is the implementation of structural restructuring of the state, increasing the disparities in intersectoral and economic regions that can ensure the development of science and technology.

The Investment Program of the Republic of Uzbekistan for 2021-2023, approved by the Resolution of the President of the Republic of Uzbekistan dated December 28, 2020 No. PP-4937, sets out the following:

- Aggregate forecast parameters of capital investments in 2021-2023, as well as forecast parameters of development and attraction of investments and loans in the amount of 928.7 trillion soums, including the development of foreign investments in the amount of 37.5 billion US dollars;

- Targeted program for the commissioning of large production facilities and capacities in 2021, which provides for the creation of 226 new production facilities and more than 34 thousand jobs.

The development of proposals and recommendations to ensure the effective implementation of these tasks and increase the attractiveness of foreign investment in Uzbekistan is one of the urgent tasks in the field of investment today, in which the role of free economic zones is great.

2. ANALYSIS AND RESULTS

2.1. Suggestions and feedback.

Issue of statistics of competition of small business and private entrepreneurs assessment methods were studied by Odilov R.[5], the empirical research on

causal relationship between export and foreign investments in the economy of Uzbekistan based on granger test were made by Mustafakulov S. I.[6], econometric model of production capacity usage of textile enterprises in Uzbekistan were researched by Tursunov B.O. [7,10], Modernization and intensification of agriculture in the republic of Uzbekistan were investigated by Yuldashev N. K., Nabokov V. I., Nekrasov K. V. [8,11], Regional features of industrial production dynamics in the research of textile enterprises financial security in Uzbekistan were studied by Zarova E.V.[9] and et.al.

Today, it will be more effective if the country integrates into the world economy and makes extensive use of various forms of economic cooperation, exchange of capital, goods, technology, cooperation in production. Investment cooperation with foreign partners and international financial institutions should be encouraged in order to increase and support budget revenues. Attracting foreign investment in the economy of Uzbekistan will help build a highly civilized socially oriented society in our country. The inflow of foreign investment is also necessary for medium-term issues, ie to prevent a slowdown in production. The current political, socio-economic, financial, cultural-historical and organizational-legal conditions in the country do not effectively stimulate the flow of foreign investment, regardless of their financial, material and intellectual form. One of the main reasons for this is the pandemic conditions that are currently affecting the entire world. In addition, Uzbekistan is attractive to investors for its rich natural resources, production capacity, highly skilled labor, scientific and technological advances and the capacity of the consumer market. At the macro level, investments provide funding for the country's economic development mechanism. In general, according to world experience, for significant economic development, it is advisable to invest 15-

30% of GDP.[2]

We can also see from the world experience that in the short term, the inflow of foreign investment can be stimulated by creating special land plots in the form of free economic zones. However, we cannot fully apply foreign experience to Uzbekistan in this regard. Therefore, it is necessary to develop the basic principles of zoning in Uzbekistan, to define a system of goals, to prioritize the development of industries.

Attracting foreign investment in the Uzbek economy is a key issue. To solve this task, a number of conditions need to be met, including tax incentives, as well as political and social stability, financial conditions, and the strength and potential of the sales market.

Financial terms are understood as a credit system. In order to increase the efficiency of work in this area, it will be necessary to develop active, high-quality methods of management, simplification of conditions for the arrival or departure of workers from abroad, the development of favorable conditions. In the management of foreign economic activity and foreign relations created in Navoi region, the regional state administration has the authority to centralize, simplify the implementation of import and export orders, customs procedures for investment.

If we answer the question of what priorities create free economic zones for foreign capital, they include, first of all, tax benefits, access to national and regional markets, lower production costs, including access to cheaper labor, low interest rates. We can include the possibility of financing, land ownership.

Favorable conditions for foreign capital in free economic zones, the growth of foreign investment can lead to economic imbalances in other regions of the country. It is obvious that the priority of opening free economic zones provides ample opportunities for unequal, more privileged rights than other regions, that is, state support will increase the acceptance of foreign investment in the form of capital.

The emergence of free economic zones can also cause a number of problems.

First, new challenges arise in regional politics. This is due to the need to ensure different development of all regions of the country.

Second, there are also problems with the composition of foreign capital sources. It is a matter of attracting developed countries as investors.

Third, it is necessary to add long-term real efficiency in attracting foreign investment, to combat the desire of investors to achieve only short-term results. [3]

At the same time, it should be noted that Uzbekistan has created the necessary basis for the creation and effective functioning of free economic zones, ie the availability of favorable natural conditions, natural and labor resources, transport infrastructure, scientific and technical potential. system, an industrially developed country equipped with production and social infrastructure facilities. The absence of strict economic restrictions and barriers to the creation of free economic zones is also of great importance. Therefore, the formation of different types of free economic zones with a diversified structure in Uzbekistan is more promising.

It should be noted that on February 17, 2020, the Law "On Special Economic Zones" No. ZRU-604 was signed.

The law stipulates that participants in special economic zones are exempt from paying the following:[12]

- customs payments for construction materials not produced in the country and imported in the prescribed manner during the construction period for the implementation of the investment project in accordance with the investment agreement (except for value added tax and customs clearance fees);
- customs duties on import of technological equipment on the approved list, the analogy of which is not produced in the Republic of Uzbekistan (except for customs clearance fees);
- when importing into the territory of the Republic of Uzbekistan of raw materials, materials and components used by participants of special economic zones for production and sale of products for export, no customs duties (except for customs clearance fees) are paid.

Participants in the special economic zone may pay VAT up to 120 days in advance when importing goods.

Table 1

Evaluating the effectiveness of free economic zones

Level of implementation of planned indicators,%	Scores on the implementation of the indicators set in the plan
90-100 %	5
70-89,9 %	4
51-69,9 %	3
41-50,9 %	2
35-40,9 %	1
20-34,9 %	0

Currently, there are 21 free economic zones (FEZ) in the Republic of Uzbekistan, of which 19 specialize in industry, 1 in agriculture and 1 in tourism.

In the period from 2008 to 2021, a total of 448 projects worth \$ 2.4 billion were implemented in the free economic zones. Of the total amount, 764.6 mln.

dollars of foreign direct investment. About 34,000 new jobs have been created due to the projects. The largest of these projects are Angren Free Economic Zone (73 projects worth \$ 730.7 million), Urgut Free Economic Zone (55 projects worth \$ 312.9 million), Navoi Free Economic Zone (53 projects worth \$ 282.8 million)

and Implemented in Bukhara-Agro Free Economic Zone (112 projects worth \$ 325.1 million).

By the end of 2020, 487.4 mln. 128 projects worth \$ 1 billion were implemented. Of these, 162.1 mln. dollars of foreign direct investment. The projects include the construction of modern greenhouses (62 projects worth \$ 204.7 million), the production of building materials (18 projects worth \$ 140 million), the chemical and petrochemical industries (13 projects worth \$ 50.6 million), food processing. food industry (10 projects worth \$ 15.9 million), textile industry (8 projects worth \$ 20.1 million), machinery (2 projects worth \$ 6 million), leather and footwear industry (\$ 14.9 million) 5 projects), electrical engineering (3 projects worth \$ 13.7 million), pharmaceutical industry (6 projects worth \$ 56.3 million), furniture and paper production (1 project worth \$ 1.1 million) covered areas.

During the period under review, the enterprises participating in the FEZ paid 11.9 trillion soums. It produced 538 types of industrial products worth 257.6 million soums. dollars, which is an increase of 145% compared to the 2019 figure, despite the negative economic consequences of the pandemic. In addition, 186 new enterprises became FEZ participants.

Currently, large-scale work is underway to improve the regulatory framework governing the development of free economic zones. In particular, the Law of the Republic of Uzbekistan "On Special Economic Zones" was adopted. The document defines the procedure for creating FEZs, extending and terminating their operation, changing their boundaries, and revises the management system, the principles of selection of investment projects for placement on their territory, as well as the procedure for registration of FEZ participants.

In addition, the document stipulates that the construction or reconstruction of infrastructure facilities in the FEZ can be financed from centralized and decentralized sources.

Providing FEZs with the necessary infrastructure is a key factor in their effective operation and attracting new investors and entrepreneurs to implement projects in their areas. In this regard, in 2021, 890 billion soums will be allocated to connect the existing FEZ to engineering and communication networks. UZS is planned to be allocated.

In particular, this is due to the positive forecasts of investment activity in the FEZ. In 2021 in the free economic zones of the Republic will be 2.9 billion soums. It is planned to implement 443 new investment projects worth \$ 1.4 billion. dollars are foreign direct investment. As a result of these projects, the production of 552 new types of industrial products will be launched and 41.6 thousand new jobs will be created.

In addition, this year the expansion of the territories of SEZ "Bukhara-agro", SEZ "Gijduvan" and SEZ "Urgut", as well as a new free economic zone in the Republic of Karakalpakstan - "Karakalpakstan-agro" and two special free economic zones in Fergana

region - "Andijan- Textile "and" Namangan-Textile ".

The main obstacles to investment in the country today are insufficient development of the stock market and the unity of a small number of financial instruments, low level of corporate culture in local enterprises, insufficient development of the tax system and the inability of existing legislation to manage conflicts in the market. we can quote.

Special attention should be paid to the activities of the state as a shareholder. First of all, it is important that the controlling stake in the hands of the state remains. The stock market must ensure the attraction and rational allocation of investment resources, the activation of the increase in capital investment.

Uzbekistan's stock market is characterized by a low level of capitalization and low liquidity of outstanding shares. The stock market is an integral part of the financial market. At the same time, taking into account the current rates of bank lending, it is practically impossible to calculate the investments of investors in corporate securities.[4]

Today, we cannot look at insurance companies as a major institution for attracting and redistributing idle money.

Typically, credit resources are more actively focused on lending to commercial and financial transactions, the needs of trade intermediaries. Commercial banks prefer short-term lending.

In 2015-2020, structural changes in the monetary income of the population played a positive role, as a result, the low-income group in the stratification of the population was reduced, and the consumer market was significantly revived.

At the same time, it should be noted that the investment climate in *Uzbekistan is becoming more complicated due to a number of problems:*

- capital investments still do not make up a significant share of GDP;
- the company has a deficit of its own investment resources;
- interest rates are set at a high level;
- Insufficient development of the capital market;
- The need to improve the organizational and legal framework of investment activity entrepreneurship;
- Insufficient development of infrastructure, transport, communications, energy systems;
- The need to clearly develop priorities for the implementation of public investment policy.

The attractiveness of attracting direct investment to Uzbekistan may increase due to the following factors:

- availability of rich natural resources and opportunities for their extraction;
- cheap country labor, availability of potential market.

Foreign investors often understand that the main factor in Uzbekistan's investment attractiveness is the lack of fiscal preferences, primarily the prospect of occupying a large Uzbek market, which requires it to be at the center of shaping the regional economy of

Uzbekistan.

The legal framework for foreign investors should cover all aspects of this multifaceted activity. At the present stage in Uzbekistan, the law does not fully define foreign lending, the establishment of credit unions, concessions, land ownership, as well as state insurance of foreign investments, the establishment of insurance funds.

The way out of this situation should be based on a rational investment policy, the concept of technical re-equipment of industrial production with the involvement of foreign investors, the re-formation and management of the ownership structure by the state. Such a concept provides an increase in investment activity when the following economic conditions are met:

- Attracting foreign investment, taking into account the goals and objectives of the target programs of structural transformation, conversion, intersectoral development of industrial complexes;
- Increasing the volume of investment resources that form the production capacity on the basis of new science and technology;
- effective use of investments;
- substantiation of the choice of priority sectors of material production, which determine the competitive position of the country in world markets;
- Creating a dynamic export potential that can quickly adapt to the external market environment.

The existence of the economic conditions for increasing investment activity mentioned above can be a sufficient basis for substantiating the specific goals of attracting foreign investment in various sectors of our economy, primarily industry.

The main purpose:

- Ensuring the achievement of a modern technical level of development on the basis of new technologies;
- Development of environmentally friendly technologies based on resource savings, scientific achievements;
- Increasing the export potential of Uzbekistan;
- prevention of dependence of the country's economy on imports;
- development of production using local natural resources;
- support for private sector development.

This can be achieved by developing and implementing a local strategy for attracting foreign capital, attracting foreign partners and implementing mutually beneficial projects that are economically viable for local and foreign partners.

The organization of financial and industrial groups, joint-stock companies can serve as an organizational form to ensure the implementation of technologically advanced investment projects. Some countries become members of such unions, whose goal is, on the one hand, to encourage domestic producers to increase production, and, on the other hand, to pursue a protectionist policy towards other countries.

The state strategy for attracting foreign investment can be based on grouping, depending on

the availability of potential sources of financing of industrial production:

- Areas, the development of which is provided by centralized state capital investments;
- production facilities with more private capital;
- Areas that require credit subsidies at a certain stage;
- productions with certain restrictions on the participation of foreign investors in their financing;
- Areas related to the protection of national wealth, national security, considered closed to foreign investors.

Uzbekistan has a modern, industrial, traditional scheme of development of the country, consisting of 3 stages:

- creation of import-substituting industries;
- formation of competitive export potential;
- Development of areas based on scientific and technological progress.

Practice shows that over the past period, the traditional approach to investment has been used, foreign capital has not had much impact on the efficiency of industrial complexes, its structure, the introduction of advanced technologies, the technical recovery of production. It is clear that it is necessary to find an economic mechanism that would balance the level of risk of profit, guarantee and encourage foreign investors in the development of export potential, develop the economy, increase its efficiency, apply modern technologies and management methods.

Taking into account the above, we can identify priorities that can ensure a high level of efficiency of the investment process. ***This requires us to do the following:***

- Determining the direction of investment and implementation of projects, taking into account the existing innovative potential;
- inclusion of both public and private resources in the investment process;
- Involvement of foreign partners in the implementation of investment projects related to the use of innovative and industrial potential;
- creation of new organizational forms of financial industry capital integration;
- development and implementation of regional investment programs. At the same time, state-guaranteed foreign loans should be focused on financing priority areas, investment projects that ensure the development of export potential.

To address the problems of foreign investment in Uzbekistan, it is expedient to create a four-tier infrastructure complex: legislative and executive state institutions - investment banks - information and consulting networks - recipients of foreign investment.

The main functional responsibilities of primary institutions should include:

- Determining the investment capacity of the Uzbek market (sectoral, regional and individual demand for foreign investment) by comparing data from potential recipients using existing methods;
- Analysis of the competitiveness of the

products of these entities in accordance with international conditions and determination of the payback period of investment projects;

- taking into account the favorable factors for the supply of foreign investment in proportion to demand, identifying effective tools to improve the investment climate;

- assessment of the level of threat to the national economic security of investment activities in a particular region, region, enterprises, forecasting the negative consequences of foreign investment for related activities;

- Development of preferential systems for foreign investors, mainly aimed at directing long-term projects to competitive and export-oriented enterprises;

- not to interfere in the final decision-making process on the expediency of foreign investment by a particular local entity.

The second level should be the institutional elements that determine the effectiveness of the investment process, ie investment banks. Their functions include servicing their own and local investments, monitoring the implementation of investment projects. Elements of the first level should not interfere in the financial affairs of the second level, except in cases of advice and force majeure.

The interaction between the first and second tier elements should occur in the process of creating competitive conditions for the activities of domestic and foreign investment banks. In this case, local commercial banks can be considered as investment banks.

The third level of the investment complex should include an effective network of consulting and information structures. ***Their main responsibilities include:***

- providing local entities with accurate information on the investment activities of the expected partner;

- Advising partners on the development of business plans based on international standards and assisting in determining the rating of investment attractiveness of the enterprise;

- provision of other types of consulting services, including privatization, bond issuance, marketing services, management audit, etc.

The fourth level is the recipient himself, whose needs are focused on the activities of the investment complex.

At the same time, the attraction of foreign capital to Uzbekistan can be intensified only on the basis of improved legislation, provided that the macroeconomic environment is stabilized. The state should strengthen its management and control functions, pursue a policy of encouraging foreign investment in priority areas and sectors.

3. CONCLUSIONS

In our opinion, it is expedient to carry out the following work:

- focus on attracting transnational corporations

to the investment potential as investors with national needs;

- creation of preferential treatment for strategic investors in some national cases;

- One "initiating" free economic zone - Systematic support of the Navoi free economic zone as a basis for the development of appropriate procedures in the economic conditions of Uzbekistan.

Carrying out the work of international organizations in order to form the image of Uzbekistan as a country with a favorable investment climate.

The complex mechanism of attracting foreign investment, presented here, which is scientifically based and recommended for practical use, is aimed at creating a favorable investment climate and increasing investment activity. At the heart of this mechanism is an economic and organizational bloc based on a conceptual framework and strategy for attracting foreign investment, a system of tax incentives, identifying priorities for foreign investment, expanding opportunities for foreign investors to participate in the privatization process and creating joint ventures.

Depending on the volume and timing of foreign investment, it is necessary to improve the system of preferential taxation. In particular, it is expedient to develop and implement a system of incentives based on the priority of the object being invested in the industrial sector, the volume of investments and the period of implementation.

In our opinion, certain organizational work needs to be done to create a single system of public administration of investment processes, that is, a system that can attract appropriate systems for working with foreign investment, manage activities with international organizations, examine important projects and revive them. The economic-organizational block of the mechanism of investment attraction can be realized only in the joint activity of development of effective state guarantee and legislative system, normative, information security of foreign investments, guarantee and re-guarantee of foreign investments, banking and credit system.

It is expedient to organize exhibitions of investment projects, contract exchanges, aimed at the development of the private sector, primarily small and medium-sized enterprises that need investment loans and guarantees.

One of the ways to increase the attractiveness of attracting foreign investment to Uzbekistan is the creation of free economic zones.

In order to successfully operate free economic zones and their wider implementation in the development of the economy of Uzbekistan, special attention should be paid to the following.

The creation of free economic zones is one of the elements of Uzbekistan's domestic and foreign policy. The establishment of free economic zones should be based on the balance of interests of the state, regions, business entities, the population, and should be able to respond in terms of goals and functions. If the country accelerated its integration into the

international economy using various forms of cooperation with foreign partners, the efficiency of the process of modernization of the economy would increase. Among the existing decrees in world practice - free economic zones are widely used. We can see from world practice that the countries that use this form of economic cooperation are achieving significant results.

Decide on the expediency of creating and operating free economic zones if the feasibility study and calculation of economic results of the zone costs are covered by revenues, as well as has a positive socio-economic effect for the state, the zone, the subjects and the population of the zone It is advisable to do. In view of the purpose, it is necessary to describe the main indicators of free economic zones - the effectiveness of economic, technical, financial, social and environmental indicators.

In addressing the practical issues of establishing free economic zones, it is important to develop a scientific basis for stimulating economic development. We can include the following:

- creation of a methodological basis for the structure and substantiation of functions of different types of zones;
- formation and organization of a special procedure for customs control;
- substantiation of the financial and tax policy of the State in relation to free economic zones;
- organization of interaction of free economic zones with local authorities and administration.

In short, in order to attract foreign investment in Uzbekistan, increase the investment attractiveness of economic zones, to plan the activities of free economic zones, the problems must be addressed, taking into account the above factors.

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