

Existing Problems in Attracting Foreign Investments to the National Economy

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ABSTRACT

The importance of foreign investments and their role in the development of the national economy was highlighted and analyzed based on statistical data. Also, the article describes in detail the existing problems in attracting foreign investments to the national economy and what measures should be used to activate their prevention.

Keywords:

foreign investment, foreign direct investment, investor, capital export, export, import.

Introduction.

In world practice, scientific studies are being carried out to attract foreign investments to the country on a large scale, to create favorable conditions for foreign investors, to ensure the investment attractiveness of the regions, to effectively use the country's investment potential, to maintain an active investment policy, and to improve the forms of attracting foreign investments. In these scientific studies, special attention is paid to the issues of providing various financial (tax) benefits for foreign investors, developing stock markets, establishing free economic zones, and developing investment programs at various levels.

Nevertheless, under the influence of the crisis that began after the pandemic, in 2020, the volume of foreign direct investments in the world decreased by 35% compared to the previous year and amounted to 1 trillion. formed the US dollar. Restrictions imposed around the world against the pandemic have had a negative impact on ongoing investment projects. This is a very serious problem, and international investment flows are a vital factor in the sustainable development of countries in developing and transition economies. This

shows the need to carry out scientific research on improving the attraction of foreign investments to the economy.

Literature Review.

It should be noted that the meaning of foreign investments is still interpreted differently in different economic literature. This is fully confirmed by the following:

Foreign investment refers to the transfer of tangible and intangible wealth from one country to another for the purpose of creating material wealth under the full or partial control of the owner of the assets[1].

Foreign investments are all types of property and intellectual assets that are transferred from the territory of one country to the territory of another country in order to gain profit or achieve social benefits for business and other activities [2].

Foreign investment means investing capital in a foreign country in order to gain income over a long period of time. This type of investment is a source of additional capital that significantly increases the country's resources to renew and expand the main capital, implement investment policy, ensure the growth and development of the national

economy, fill the market with competitive products and services [3].

Foreign investment is the introduction of foreign capital into business and other objects of activity in order to achieve economic, social and other types of results [4].

Research Methodology. The article uses such methods as abstract-logical thinking, generalization, grouping, induction and deduction, comparative analysis, analysis and synthesis.

Analysis And Discussion Of Results.

Activation of the flow of foreign and domestic investment resources to the spheres of the national economy is one of the decisive factors in ensuring sustainable economic development.

From this point of view, the large-scale attraction of foreign investments is of primary importance in the development of the national economy. Regarding the importance of this, the

President of the Republic of Uzbekistan stated that "in order to attract foreign investments, we must take measures to fully demonstrate the investment potential of our country [5].

Today, in world practice, there are various forms of foreign investment attraction, as the most popular forms (Figura 1): establishment of enterprises with the participation of foreign investment; opening enterprises on the basis of investment belonging to another country; organization of free or special economic zones and offshore zones and development of their activities; obtaining securities issued by residents of the country; consortium, concession and alliances; development of international leasing; obtaining the right to own and use land and other natural resources; obtaining all types of property and non-property rights; international franchise development; development of public-private partnership, introduction of special investment programs, etc.

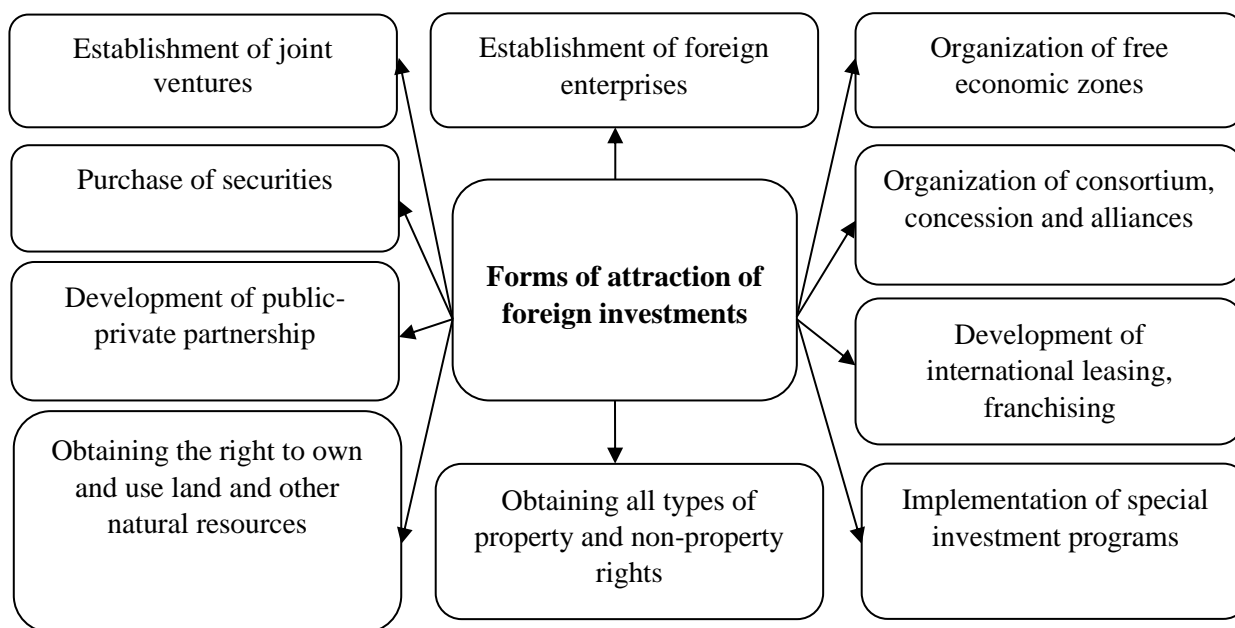


Figura 1. Forms of attracting foreign investments to the economy in world practice [6]

According to the analysis, foreign investments are influenced by several factors. These include political, economic, legal and

social factors, and political and economic factors are of primary importance in attracting foreign investment. (Figura 2).

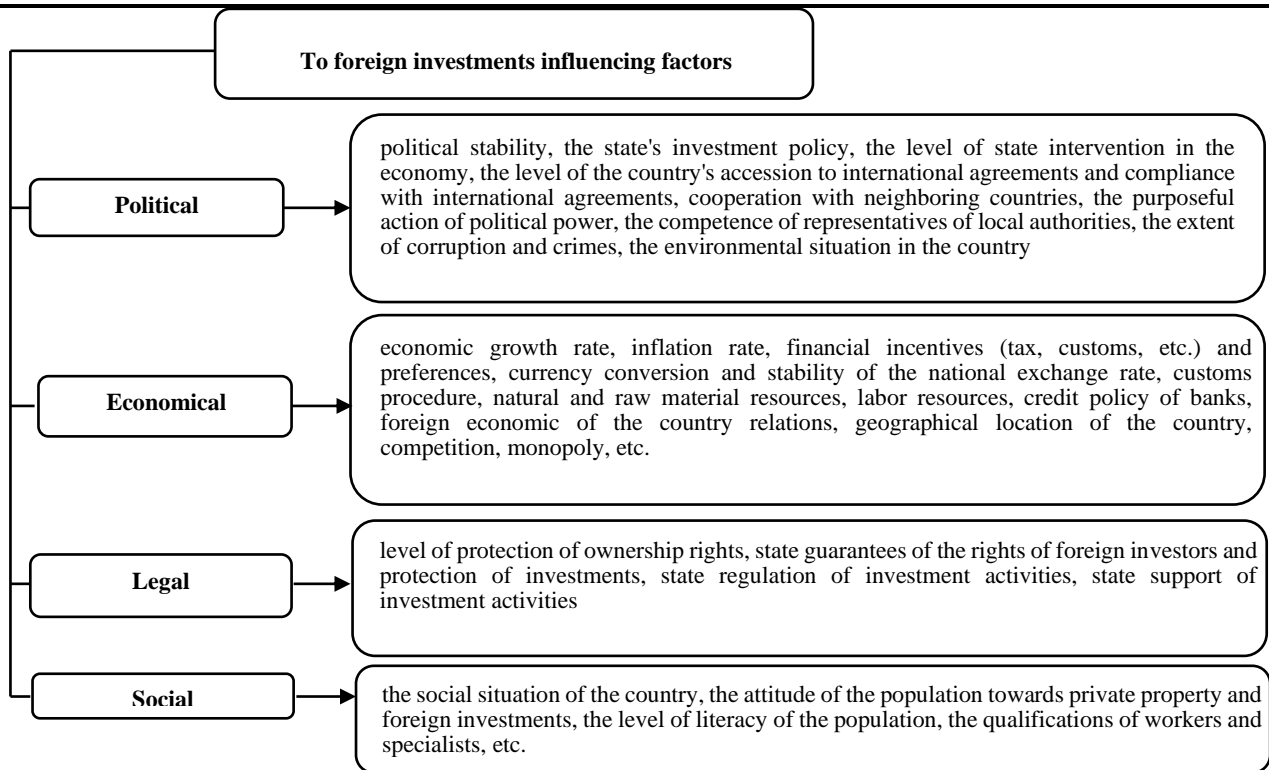


Figura 2. Factors affecting foreign investment [7]

The main ones are, first of all, political stability in the country, economic growth rates, inflation, conversion issues, various forms of financial (tax, customs, etc.) benefits, simplified registration of enterprises, requirements for the formation of the authorized capital of joint ventures, raw materials and consists of natural resources. In this regard, the attraction of foreign investment is a multifactorial process, in which consideration of the influence of the following factors plays an important role in improving the attraction of foreign investment.

In turn, these factors show the country's investment attractiveness, and the attractiveness of the investment environment plays an important role in attracting foreign investments.

Based on the analysis of the data in Table 1, the following important conclusions can be drawn: during 2016-2020, the total amount of GDP in our country decreased by 0.8 times under the influence of all factors (including inflation, conversion, coronavirus pandemic); in the same period, the rate of growth of the total amount of foreign investments increased by 1.1 times due to all factors (including inflation, conversion, coronavirus pandemic). So, it can be seen that during the analyzed period, the growth rate of foreign investments due to all factors was much higher than the growth rate of GDP, and the level of this indicator is equal to 1.37.

Table 1

The trend of changes in the volume of GDP and foreign investment (in billions of US dollars) [8]

Indicators	2016	2017	2018	2019	2020
Gross domestic product volume, bln. US dollars.	67,22	59,1	50,5	58,3	57,7
Foreign investments, bln. US dollars.	3,8	3,2	3,9	4,3	4,2
The weight of foreign investments in the volume of GDP, in %	5,65	5,41	7,72	7,37	7,28

The general conclusion is that during 2016-2020, the role of foreign investments in the country's economy has grown. This shows a positive situation in terms of modernization of the national economy, application of modern technologies, increase of labor productivity, adoption of modern management practices, creation of new jobs.

The following problems were identified in attracting foreign investments. Including:

- the volume of attracting foreign direct investments is not at the level of demand;
- high rates of economic growth and meeting the growing demand for foreign investment are not compatible with each other;
- the underdevelopment of the stock market has a strong negative effect on attracting foreign investments in the form of portfolios;
- insufficient improvement of the investment environment;
- incompleteness of regulation and protection of private property rights;
- non-active orientation of foreign direct investments to high-tech and human capital.

Conclusions And Suggestions.

Establishing enterprises with the participation of foreign investment, opening foreign enterprises, establishing free or special economic zones and offshore zones, obtaining securities issued by residents of the country, forming consortiums, concessions and alliances, obtaining the right to own and use land and other natural resources, acquisition of all types of property and non-property rights, development of public-private partnership, introduction of special investment programs are considered important forms of foreign investment attraction in world practice today.

In 2016-2020, the total amount of GDP in our country decreased by 0.8 times under the influence of all factors (including inflation, conversion, coronavirus pandemic); in the same period, the rate of growth of the total amount of foreign investments increased by 1.1 times due to all factors (including inflation, conversion, coronavirus pandemic). Therefore, during the period under analysis, the growth rate of foreign investments was much higher than the growth rate of GDP due to all factors. This shows a

positive situation in terms of modernization of the national economy, application of modern technologies, increase of labor productivity, adoption of modern management practices, creation of new jobs.

In order to actively attract foreign investments to the economy of Uzbekistan, it is necessary to sell packages of state shares in the authorized capital of large enterprises, provide foreign investors with benefits and preferences in each specific case, provide high-value joint investment projects of foreign investors with external engineering and communication networks at the expense of the State budget, and it is desirable to reduce the minimum amount of the share of foreign investments in the charter fund of enterprises established with investment participation from 15 percent to 10 percent.

Today, there are the following problems in attracting foreign investments: the high rates of economic growth and the satisfaction of the growing demand for foreign investment are incompatible with each other; the investment environment has not yet improved significantly, the sphere of regulation and protection of private property rights is imperfect; lack of active direct foreign investment in high-tech and human capital; problems in providing them with electricity, gas, drinking water, communication networks, in short, external engineering and communication networks during the establishment of joint enterprises.

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6. The picture was created by the author according to the research results. Forms of attraction of foreign investments in scientific-research works of several foreign scientists were analyzed and summarized in its formation.
7. Compiled by the researcher based on the information of the Central Bank of the Republic of Uzbekistan.