

Scientific and theoretical basis for creating a favorable investment climate for attracting foreign investment in various sectors of the economy of Uzbekistan

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Аннотация: Ушбу мақолада иқтисодиёт тармоқларига хорижий инвестицияларни жалб қилишда қулай инвестиция муҳитини яратишнинг илмий-назарий асослари ҳақида фикр юритилган. Ўзбекистоннинг бугунги кунда йирик хорижий инвестицияларни қабул қилувчи мамлакатлар қаторига кириши учун барча иқтисодий, сиёсий ва ҳуқуқий асос ва шарт-шароитлар яратилган. Лекин, Ўзбекистонга хорижий инвесторларни жалб қилиш ва улар киритаётган сармоялар миқдори ҳозирги давр талабларига тўлиқ жавоб бермаслиги, бозор ислохотларининг ҳозирги босқичида мамлакатимизга жалб қилинган хорижий инвестициялар самарадорлигини ошириш масалалари муҳим аҳамиятга эга бўлган устувор вазифалардан бири сифатида қаралиши лозимлиги эътироф этилган. Шу боисдан ҳам нафақат ички, балки хорижий инвестицияларни иқтисодиёт тармоқларига фаол жалб қилиш билан бирга, унинг самарадорлигини ошириш бўйича илмий асосланган хулоса ва тавсиялар ишлаб чиқиш механизмлари баён этилган.

Таянч сўзлар: модернизация, иқтисод, валюта, инвестиция, жамғарма, мол-мулк, акция, қимматли қозғоз, банк, суғурта ташиқоти, европа, осие, бизнес, бизнесмен, маблағ, сармоя, бошиқарув, менежмент, авторитар, либерал, авторитар, шенген, иқтисодиёт.

Аннотация: В данной статье рассматриваются научно-теоретические основы создания благоприятного инвестиционного климата для привлечения иностранных инвестиций в различные отрасли экономики. Сегодня созданы все экономические, политические и правовые основы и условия для того, чтобы Узбекистан стал одним из крупнейших получателей иностранных инвестиций. Однако признается, что привлечение иностранных инвесторов в Узбекистан и объем инвестиций не полностью соответствуют современным требованиям, и на современном этапе рыночных реформ следует считать одним из важнейших приоритетов повышения эффективности иностранных инвестиций в нашей стране. Поэтому описаны механизмы выработки научно обоснованных выводов и рекомендаций по повышению эффективности не только внутренних, но и иностранных инвестиций в различные отрасли экономики.

Ключевые слова: модернизация, экономика, валюта, инвестиции, сбережения, собственность, акции, ценные бумаги, банковское дело, страховая компания, Европа, Азия, бизнес, бизнесмен, капитал, капитал, управление, менеджмент, авторитарный, либеральный, авторитарный, шенген Экономика.

Resume: This article discusses the scientific and theoretical foundations of creating a favorable investment climate for attracting foreign investment in various sectors of the economy. Today, all economic, political and legal

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foundations and conditions have been created for Uzbekistan to become one of the largest recipients of foreign investment. However, it is recognized that the attraction of foreign investors to Uzbekistan and the amount of their investments do not fully meet the requirements of the times, and at the current stage of market reforms to increase the efficiency of foreign investment in our country should be considered a priority. Therefore, mechanisms for the development of scientifically based conclusions and recommendations to improve the efficiency of not only domestic but also foreign investment in various sectors of the economy are described.

Keywords-- *modernization, economy, currency, investments, savings, property, stocks, securities, banking, insurance company, Europe, Asia, business, businessman, capital, capital, management, management, authoritarian, liberal, authoritarian, Schengen, Economy.*

I. INTRODUCTION

Modernization and intensive development of economic sectors, renewal of fixed assets, overcoming the country's social problems, increasing the competitiveness of products based on modern technologies and strengthening the country's export potential is ensured by foreign investment. It is well known from the practice of the world's leading countries that no country can develop without attracting foreign investment in its economy. Therefore, over the years of independence, a number of measures have been taken to increase the stability and attractiveness of the investment climate in our country, relevant legislation has been adopted, and a number of financial incentives have been created for foreign investors. For this reason, in the current process of changing and developing forms and methods of ownership, it is important to study the scientific and theoretical foundations of increasing the attractiveness of foreign investment in the national economy and increasing its effectiveness. In addition, all economic, political and legal foundations and conditions have been created to make Uzbekistan one of the largest recipients of foreign investment. However, the attraction of foreign investors to Uzbekistan and the volume of their investments do not fully comply with modern requirements. Therefore, at the present stage of market reforms, issues of improving the efficiency of foreign investment in our country should be considered as one of the most important priorities. Therefore, in our opinion, one of the most pressing issues is the development of scientifically based conclusions and recommendations to improve the efficiency of not only domestic but also foreign investment in various sectors of the economy.

First of all, an important factor in the development of a country's economy depends on investments in it and its effectiveness, as described in a number of textbooks and sources published by domestic and foreign economists. It is worth noting that today, investments are indeed one of the most discussed topics. This is due to the fact that investments, especially the attraction of foreign investment in the country's economy and, consequently, the development of economic sectors, are becoming one of the most pressing tasks today. It is noteworthy that the sector in which investments are directed determines its development, and also allows the country to timely resolve a number of problems that impede its development. Investment (Lat. Investio - wrapping) is a long-term investment in various sectors, socio-economic programs, innovations, business projects in the country or abroad for the development of the economy. Traditionally, investment refers to the implementation of specific economic projects now with the aim of generating future income. Such an approach in describing the nature of investment is given primary attention in the national as well as foreign economic literature. In the scientific work of our country's economist N. Kuzieva, the importance of foreign investment is described as follows: "Foreign investment is an

investment of various forms of wealth (movable, real estate, intellectual property, etc.) and income (profit, interest, dividends, licensed and commissions, royalties, maintenance and other fees) received from them by foreign states, legal entities and individuals exporting capital in order to receive future profit in countries receiving capital". According to her, the classification of foreign investment based on various characteristics further clarifies their economic nature.

It is known, that the level of economic development of any country, as well as the effectiveness and growth rate of the state investment policy, will certainly depend on a favorable investment climate. Creating a favorable investment climate will serve as a general criterion for the allocation of investment resources and, above all, will ensure the return on capital. It is known that there are several forms of attracting foreign investment in various sectors of the economy. According to the legislation, foreign investors can make investments in the territory of the Republic of Uzbekistan in the following ways:

1. Participation in the charter funds and other property of economic societies and companies, banks, insurance companies and other enterprises established jointly with legal entities and (or) individuals of the Republic of Uzbekistan. An example of this is enterprises with foreign investment (EFI) (at least 30% of the authorized capital must belong to a foreign investor), ie the establishment of joint ventures is the most popular form of attracting foreign investment.

2. Attracting foreign investment through the establishment and development of business societies and companies, banks, insurance companies and other enterprises that are wholly owned by foreign investors, ie the establishment of enterprises with pure foreign investment. In this case, the total (100%) authorized capital will belong to a foreign investor.

3. Attracting foreign investment on the basis of acquisition of property, shares and other securities, including debt obligations issued by residents of the Republic of Uzbekistan.

4. Attracting foreign investment through the introduction of intellectual property rights, including rights to copyright, patents, trademarks, utility models, industrial designs, trade names and know-how, as well as business reputation (goodwill).

5. Attracting foreign investment on the basis of concessions, including concessions for the exploration, development, extraction or use of natural resources.

6. Acquisition of property rights to objects of trade and services, residential buildings together with the land plots on which they are located, as well as the right to own and use land (including lease) and the right to own and use natural resources attracting foreign investment.

7. Attracting foreign investment through the establishment of free economic zones.

8. Attracting foreign investment through the development of international leasing practices.

The level of economic development of the country, the growth rate of investment activity depends in many ways on the investment climate. It is important to create the necessary conditions for attracting foreign investment in the economy of the republic, which can be invested in the economy of the country only when the economic, political, social and legal conditions exist (positive). The attractiveness of the investment climate is an important factor in increasing the inflow of foreign investment. In turn, what is the investment climate itself? What does its attractiveness depend on? How to describe the investment climate? In addition, what factors affect the investment climate? It is obvious that such questions arise.

The economists of our country A.Vakhabov, Sh.Khadzhibakiev, N.Muminov say about the investment climate as follows: “The investment climate is a combination of economic, political, legal and social factors that determine the level of risk of foreign investment and their effective use in the country. The investment climate is a complex, multifaceted concept that includes indicators such as national legislation, economic conditions (crisis, growth, stagnation), customs regime, monetary policy, economic growth rates, inflation rates, exchange rate stability, the level of external debt”. It is also a set of economic, political, regulatory, social and other conditions that affect the investment process in the country.

II. DISCUSSION

The state of the investment environment is determined by summarizing signs of economic, social, organizational, legal, political, environmental and other conditions that determine the feasibility and attractiveness of investment activity. An investment climate is a set of economic, social, political, organizational, legal, environmental, cultural and other conditions aimed at ensuring the efficiency and security of investments in a country's economy or a particular region. It represents the existing pros and cons of the conditions that determine the appropriateness and attractiveness of investing in a particular area.

Investment attractiveness is the assessment of investments of a country, industry or any individual enterprise in terms of profitability, development prospects and level of investment risk. Investment attractiveness is determined by the simultaneous influence of two groups of factors that shape the level of investment potential and investment risk. By assessing such indicators, it is possible to determine the feasibility and attractiveness of investments, the level of investment risk.

The following should be taken into account when describing and assessing the investment climate:

- ❖ increase or decrease in gross domestic product, national income and industrial production; distribution of national income; changes in savings and consumption relations; progress of privatization processes; status of administrative regulation of investment activities; development of individual investment markets, including stock and money markets.

- ❖ Taking into account all the factors affecting the investment climate. It is advisable to include the following among these factors: the economic potential of the region, ie the availability of funds in the region; availability of vacant land for production and investment; level of availability of labor and energy resources; level of development of scientific and technical potential; general economic conditions, ie ecological situation, development of material production; volume of unfinished constructions; the degree of depreciation of fixed assets; the development of housing construction;

- ❖ The composition of the market environment in the region, ie the development of a full market infrastructure, the impact of privatization on the investment process, the level and impact of inflation, The level of involvement of the population in investment activities, the level of development of competition among entrepreneurs, the level of activity of inter-sector relations, export opportunities, the level of availability of foreign capital;

❖ Political factors, ie the level of public confidence in the authorities of the region or country, the relationship of the regional authorities with the central government, the level of social stability, the state of national and religious relations;

❖ Social and cultural factors, ie living standards, living conditions, development of health care, prevalence of alcoholism, drug addiction and similar negative habits, crime rate, average real wages, the impact of migration on the investment process, the population's own relations with the state and foreign state entrepreneurs, conditions for the work of foreign specialists;

❖ organizational and legal factors, ie the attitude of the government to its own and foreign investors, the observance of investment laws and regulations by the regional authority; Problems of registration of the enterprise and its level of solution, access to information, qualification level of local administration, efficiency of law enforcement agencies, товарларни, капитални ва ишчи кучини ташиш ва кўчириш шарт-шароитлари, conditions of transportation and movement of goods, capital and labor, business qualities and cultural and moral level of local entrepreneurs;

❖ Financial factors, ie the income of the regional budget, per capita availability of extra-budgetary funds, access to finance from central and regional budgets, access to foreign currency loans, bank interest rates, development of interbank cooperation, percentage of bank loans per thousand population, the share of long-term loans in total loans, the amount of deposits per capita, the share of loss-making enterprises in the total number of enterprises, etc.

We believe that the above factors can adequately reflect the investment climate in the region. One of the important aspects of creating a favorable investment climate is the legal and regulatory framework, which should protect and guarantee the property interests of every potential investor, as well as ensure the understanding and clarity of the existing investment mechanism in the country. Simply put, the investment climate is a reality that embodies a number of opportunities and amenities that can make investment relationships possible. The purpose of improving the investment climate is to create the necessary and favorable conditions for increasing investment potential, accelerating investment activities and, ultimately, to raise the economy, solve social problems, increase production efficiency.

The inflow and development of investment in any country will directly depend on the factors affecting the investment climate in that country. Factors affecting the investment climate are mainly divided into four groups, which include legal, political, economic and social factors.

In Uzbekistan, it is important to develop investment programs and projects that meet international standards and national characteristics. This will require the following additional measures: development of a generalized specific program for the proportional attraction of foreign investment in sectors of the economy; encourage the attraction of foreign investment through the establishment of free economic zones, depending on the nature of the industry and economic development; increase the activity and responsibility of industry executives in attracting foreign investment; ensuring free and complete access to information for investors through the development of communication and telecommunications in the networks. In order to create a favorable investment climate for foreign investors in Uzbekistan and attract more foreign investors to the country, a number of tax incentives and customs privileges have been established. The investment climate in any country is first and foremost about its political stability. It is this factor that allows foreign investors to invest in another country on the basis of long-

term contracts. Such an climate is very important in the implementation of long-term investment plans. The main feature of the investment climate in Uzbekistan is that it is the most stable country in Central Asia. Of course, here a foreign investor focuses primarily on the security of his capital in a particular country. After that, he will think about how to effectively profit from his capital. This means that the investment climate is a condition for the investor in which the investor thinks about the risk of the capital he invests in this or that country.

To do this, it takes into account the following factors that affect capital risk:

- ❖ political stability within the country;
- ❖ good neighborly relations in the region;
- ❖ Level of perfection of government regulations aimed at developing investment relations.

Although the investment climate in Uzbekistan has been stabilizing year by year, large-scale investments are gradually entering the economy. This is due to: Uzbekistan's lack of direct access to sea trade routes; underdeveloped telecommunications; low cost of national currency in the economy in relation to freely convertible currency; the existence of shortcomings in some laws and regulations and, in particular, the lack of special laws on minerals; existing deficiencies in the credit system and currency conversion, as well as the emerging stock market. So, today it is necessary to bring the economy of the republic closer to the world economy. To do this, it is necessary to pursue a policy with a clear goal of further liberalization of foreign economic activity, the establishment of direct contacts with foreign partners for business entities, the introduction of a more preferential regime for the export and import of goods. It is important to consider investment risk. As noted above, a certain level of acceptance of foreign capital exists in the country. It envisages a set of legal norms, rules and institutions that express the state policy towards foreign capital. The system of acceptance of foreign capital is an integral part of the investment climate and is also considered independent because it has the property of changing the system. The elements of this system are as follows; granting tax incentives and customs privileges for foreign capital; favorable mode of transfer of profits to another economy; guarantees from nationalization; simple registration rules; granting concessions; establishment of free economic zones; limiting the share in the share capital; price control; licensing of foreign trade operations, etc. Strengthening the incentive role of taxes in the development of a favorable investment climate is of paramount importance. The incentive role of taxes can be viewed in four ways: temporary exemption from paying taxes; tax rate reduction; narrowing the tax base; deferral of tax liability (tax credit). These incentives apply to a wide range of enterprises with foreign investment. It is necessary to introduce incentive tax incentives, as well as investments in human capital, development and expansion of technological growth and technical knowledge. All this raises the issue of modeling the investment climate in Uzbekistan. This model provides an opportunity to gather comprehensive information on the factors affecting a foreign investor, clearly assess the political, economic and social situation and understand the motivation of foreign partners, to reform the main tools for regulating foreign investment.

III. CONCLUSION

Investing in the development of intellectual potential in Uzbekistan is one of the key factors in the future development of the country's economy. Therefore, it is very important to provide tax incentives to investors who

have invested in this area. The rapid growth of foreign investment in the economy of Uzbekistan is determined by the following factors:

- ❖ Stability of the investment climate in the country. It is characterized by the long-term implementation of large investment projects. For the above reasons, foreign investors need a favorable investment environment, confidence to do business;

- ❖ Positive changes in exchange rate regulation. The diversification of the national currency gives domestic producers a certain advantage in the competitive struggle over foreign producers and imported goods;

- ❖ Favorable prices for the main goods in the structure of national exports (gold, copper, cotton) have expanded the financial capacity of major national exporters and led to the activation and expansion of funding for their investment programs. This, in turn, has led to an increase in demand for the products of interconnected industries;

- ❖ The stabilization of public finances and public debt service has allowed the country to accumulate gold and foreign exchange reserves equal to 18 months of imports, to eliminate the budget deficit and to achieve a budget surplus since 2005. In particular, in 2013 the state budget was executed with a surplus of 0.3% of GDP.

Thus, the investment climate is an environment created for the effective and free operation of investors, the convenience and attractiveness of which depends on the level of influence of legal, economic, political and social factors that affect it.

The interest in attracting foreign investment to the national economy requires any country to develop its own investment policy. This policy determines the specific direction of attracting foreign investment, as well as the system of incentives to attract them and determines the legal order of investment activities. The main purpose of the Law of the Republic of Uzbekistan "On Foreign Investments" is to determine the legal framework and procedure for foreign investment in the territory of the Republic of Uzbekistan. The main functions of this law are:

- ❖ promoting the development of the Uzbekistan's economy and its integration into the world economic system by encouraging the inflow of foreign investment;

- ❖ attraction and rational use of foreign financial, material, intellectual and other resources, modern foreign technologies and management experience.

The purpose of the Law of the Republic of Uzbekistan "On guarantees and measures to protect the rights of foreign investors" is to establish guarantees and measures to protect the rights of foreign investors carrying out foreign investment activities in the territory of the Republic of Uzbekistan:

- ❖ formation of comprehensive measures to guarantee the rights of foreign investors and protect them

- ❖ establishment of conditions for additional guarantees and measures to protect certain categories of foreign investors and foreign investments.

The state guarantees and protects all the rights of foreign investors in carrying out investment activities in the territory of the Republic of Uzbekistan. The state shall ensure a fair and equal regime for foreign investors and foreign investments, their full and permanent protection and security. Such a regime cannot be more inconvenient than the regime established by international agreements of Uzbekistan.

- ❖ In accordance with generally accepted norms of international law, the legislation of the Republic of Uzbekistan may provide for restrictions or prohibitions on foreign investment in certain areas of the economy and activities in order to protect the interests of national security of Uzbekistan. Foreign investors are guaranteed the

unhindered transfer of funds in foreign currency to Uzbekistan and abroad, provided that they pay taxes and other obligatory payments in the manner prescribed by law, without any restrictions. Such transfers include: initial and additional amounts to maintain or increase foreign investment; income from investments; funds received as of that date as compensation for damages; payments made in the order of execution of contracts;

- ❖ proceeds from the sale of all or part of foreign investment; payments arising from any decision of a court or arbitral tribunal, including the settlement of a dispute;

- ❖ wages and other payments to employees;

- ❖ funds received from other sources in accordance with the legislation.

Insurance of investments and risks of foreign investors is voluntary. Foreign investors enjoy the right of any insurance protection of the country along with their own investors, legally operating in the territory of the Republic of Uzbekistan. Insurance of foreign investments against political and other risks can also be carried out by international organizations, export credit agencies of foreign countries, other insurance companies. The foreign investor has the following rights in accordance with the principles of international law and the legislation of Uzbekistan:

- ❖ independent determination of volumes, types and directions of investment;

- ❖ concluding agreements with legal entities and individuals to carry out investment activities;

- ❖ own, use and manage their investments and investment results. At the decision of a foreign investor, the rights to own, use and dispose of investments and their results may be transferred to other legal entities and individuals in the manner prescribed by the legislation of Uzbekistan. When rights are transferred to another person, the relationship between the parties is regulated by agreements;

- ❖ Independent decision-making on patenting own inventions, utility models and industrial designs obtained as a result of investment activities in the Republic of Uzbekistan abroad and in the Republic of Uzbekistan;

- ❖ independent and free management of income received as a result of investment activities (including its unimpeded repatriation);

- ❖ attracting funds to the Republic of Uzbekistan in the form of loans and borrowings;

- ❖ use of national currency funds in their account to purchase foreign currency in the domestic foreign exchange market;

- ❖ Acquisition of land rights in cases and under the conditions provided by law;

- ❖ In accordance with the legislation of the Republic of Uzbekistan, the use of property and any property rights in accordance with its property rights as collateral for all types of obligations, including debt obligations;

- ❖ receive compensation on a pro-rata basis in case of requisition of own investments and other assets;

- ❖ recovery of damages caused by illegal actions (inaction) and decisions of public administration bodies, local public authorities and their officials.

The foreign investor has other rights provided by the legislation of the Republic of Uzbekistan. In conclusion, it should be noted that the need to attract large amounts of foreign investment in the economy stems from the following:

- ❖ physical and spiritual obsolescence of existing fixed assets in the economy, extremely low material and technical base in the industrial sector; The ratio between savings and consumption in the national income of the republic is mainly spent on consumption, and savings are reduced as a source of investment;

❖ Uzbekistan's richness in raw materials and natural resources, the possibility of building many processing enterprises; relatively low export potential of the republic, the main share of raw materials in the structure of exports, the need to further change the volume and composition of exports by developing finished products through the involvement of advanced modern technology;

❖ The inflow of foreign investment largely depends on the rate of return on investment mobilization and interest rates on deposits in the bank, the high level of which ensures the inflow of foreign capital.

Foreign investment is divided into direct and portfolio investments depending on the purpose. Today, the demand for foreign direct investment in the world economy is higher than the supply, which allows to equip production with modern advanced equipment, technology, know-how and skilled labor, to study foreign experience. While carrying out investment activities in the territory of the Republic of Uzbekistan, foreign investors must: comply with the current legislation of Uzbekistan; pay taxes and other payments in accordance with the legislation of Uzbekistan; be liable for the contractual obligations assumed in connection with the investment; to receive an expert opinion on compliance of investment projects with sanitary-hygienic, ecological and other requirements arising from the legislation of Uzbekistan; in order to obtain additional benefits and advantages over their competitors, they must refrain from any form of direct and (or) indirect illegal influence on their investment partners or public authorities and local authorities;

In order to further improve the investment climate in Uzbekistan: increase the value of the soum and on this basis to stabilize bank interest rates; to improve based scientifically the tax system, taking into account the gradual implementation of reforms; increase the prestige and liquidity of shares of joint-stock companies in Uzbekistan, to attract foreign investors, to develop the securities market.

Today, the regulatory framework for foreign investment has been created, and the conditions created in it, including tax and customs benefits, guarantees of the invariance of legislation, guarantees against requisition of profits and property, and other guarantees will further stimulate foreign investment in the national economy and ensure its adaptation to the world economic system.

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