

## FOREIGN EXPERIENCE IN ATTRACTING FOREIGN INVESTMENTS INTO THE NATIONAL ECONOMY

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### Annotation:

The article examines the role and importance of foreign investment in the socio-economic development of the country, studied international experience in attracting foreign investment into the national economy, and considered conclusions, proposals and recommendations based on international experience.

**Keywords:** foreign investment, investment attractiveness, foreign direct investment, investment environment, investment policy, investment regime, newly industrialized countries.

### Introduction

The world experience of attracting foreign capital to the national economy and regulation, management and promotion of its activity is diverse and noteworthy. The experience of industrialized or developed countries in this regard is rich and extensive. The question of the influence of foreign investments on the economy of developing countries has become one of the central problems of the world economy in recent years. Along with the growth of international investment flows, the growth of the share of developing countries in these flows occurred due to modern communication technologies, a significant evolution of international trade cooperation, and a general increase in the openness of regional economies.

The main players operating effectively in the global investment market are countries with developed economies. However, the group of developing countries should do more to increase and diversify investment flows and maximize foreign investment and its impact on sustainable development indicators of national economies.

Investing abroad is a complex process, and FDI does not only represent the transfer of capital, but also the transfer of technology, marketing and management skills. An important feature of modern international capital movement is that there is fierce competition to attract it.

"Global foreign direct investment will decrease by 12% to 1.3 trillion US dollars in 2022. The decrease is mainly due to lower financial flows and operations in developed countries. Real investment trends have become more positive with increased announcements of existing new investment projects"<sup>1</sup>.

<sup>1</sup> [https://unctad.org/system/files/official-document/wir2023\\_Key\\_Messages\\_and\\_Executive\\_Summary\\_ru.pdf](https://unctad.org/system/files/official-document/wir2023_Key_Messages_and_Executive_Summary_ru.pdf)

The presence of both positive and negative effects of foreign investment on the national economy requires, first, classification and identification of multidirectional effects on the economy and opportunities to compensate or strengthen them.

Second, the experience of development through external financing sources shows that the effectiveness of foreign investments depends on the parameters of the economic environment and measures of the state investment policy. Thus, it is necessary to study, analyze and substantiate the experiences of economically developed countries in attracting foreign investments in the development and implementation of the main directions of the state investment policy.

### Literature Review

In the economic literature, there are different approaches to the evaluation of the factors affecting the attraction of foreign direct investment in the national economy. In their scientific work, various researchers use indicators such as transparency and openness of the economy, market capacity, real income per capita, and annual GDP growth rates. Thu Trang LE says in his research, "The biggest factor for FDI exports is usually low-cost, low-cost labor"<sup>2</sup>.

However, some economic literature (for example, the works of Lacyna Kornecki and E. M. Ekanayake) also focused on quantitative indicators: expenditures on research and development, production intensity and unemployment rate. In addition, based on the analysis of the qualitative determinants of the flow of foreign direct investment: the level of literacy of the population, the development of infrastructure, the quality of work (taking into account the share of scientists and engineers in the total workforce, which has a small positive effect on the flow of foreign direct investment), ease of investment level, the place of the country in the rating of attractive countries receiving foreign direct investments and the degree of development of the democratic system can be given as an example.

According to the results of many studies, in addition to the quality indicators mentioned above, the country's attractiveness for the flow of direct investment can be affected by: the level of development of legislation, the level of corruption, as well as the systematization and specialization of the economy.

As modern researchers on the effectiveness of foreign investments and their attraction: A. Rezin, E. Sadka, V. Torbeke, M. Blomstrom, A. Kokko, H. Gorg, E. Strobl, F. Syokholm, A. Hoenen, B. Djavorczyk, L. Alfaro, R. Lipsey, G. Blalock, P. Hertler, L. D. Cues can be enumerated.

Also, the specific scientific and practical aspects of the existing problems in this regard are discussed by several economists-scientists of our republic, including D. Gozibekov, A. Vakhobov, N. Karimov, N. Kozieva, J. Karimkulov, G. Karimova, B. Mamatov and others researched<sup>3</sup>.

<sup>2</sup>Tariff Act of 1930 (Hawley-Smoot Tariff Act (19 U.S.C. 1202-1527, 46 Stat. 741)

<sup>3</sup>Ғозибеков. Д.Ғ.. Инвестицияларни молиялаштириш масалалари. Т. "Молия", 2003-45 бет.; Вахобов А.В., Ғ.Х.Разиқова, Ш.Х.Ҳаджибакиев Иностранные инвестиции и модернизация национальной экономики. Т.:

## Research Methodology

Methods such as abstract-logical thinking, generalization, etc. are used to cover this topic.

## Analysis and Results

Currently, almost all countries of the world are participating in the capital import process. Foreign investment, particularly foreign direct investment, has become a major generator of success and prosperity. The scale of foreign investments, the activity of countries in export and capital import, the relationship between the forms of capital movement and the geographical distribution of foreign investments largely depend on the political and economic development of the world economy. Based on the characteristics of the economic, political, social and technological situation, countries are trying to develop various tools and methods that help to increase the investment attractiveness of the host country for foreign investors. In the table below, we consider the investment environment, policy and strategy created by the example of developed and developing countries.

**Table 1 Comparative description of the investment policy of China and Kazakhstan<sup>4</sup>**

Criteria	China	Kazakhstan
<b>Beginning of attraction of foreign direct investments</b>	Modernization of the economy began in 1979, and foreign direct investment took the main place in it.	Since the country's independence in 1991.
<b>Establishment of free economic zones</b>	In 1980, the first free economic zones were established: Shenzhen, Shantou, Zhuhai (Guangdong Province) and Xiamen (Fujian Province).	The first free economic zone was established in 2001 in the city of NurSultan (formerly Astana) "Astana - a new city".
<b>Conditions created for the activity of foreign investors</b>	Until 1984, the activities of foreign investors outside the free economic zones were prohibited, and until 1986, the activities of foreign investors were allowed with the participation of Chinese partners.	There are no territorial restrictions. Foreign investors are not prohibited from owning 100 percent foreign enterprises in the country.
<b>Privileges</b>	Since 1986, investment incentives have been granted and the protection of the	Prior to 2003, investment preferences were provided separately for each investment agreement.

«Молия» 2011 г.-124 с.; Karimov N.G'. Iqtisodiy integrallashuv sharoitida investitsiya faoliyatini moliyalashtirishning bozor mexanizmlarini joriy etish masalalari. – Т.: Fan va texnologiya, 2007. -214 б., Қўзиева Н.Р., Хорижий инвестиция иштирокидаги корхоналар фаолиятини рағбатлантиришнинг молия-кредит механизмларини такомиллаштириш йўналишлари. Иқт.фандок.илм.дар.олиш учун ёзилган дисс. Автореферат. Т.БМА, 2008. 11-бет., Каримқулов Ж.И. Эркин иқтисодий ҳудудларга хорижий инвестицияларни жалб қилишни ривожлантириш йўналишлари. Иқтисодиёт фанлари доктори (Doctor of Science) диссертацияси Автореферати. – Т.: ТМИ, 2021. – 78 б.; Каримова Г.А. Миллий иқтисодиётга хорижий инвестицияларини жалб қилишнинг молиявий механизмларини такомиллаштириш. Иқтисодиёт фанлари бўйича фалсафа доктори (PhD) диссертацияси Автореферати. – Т.: ТМИ, 2019. – 31 б.; Маматов Б.Ш. Ўзбекистонда давлат мулкни хусусийлаштириш жараёнига хорижий инвесторларни жалб қилишни кенгайтириш. Иқтисодиёт фанлари бўйича фалсафа доктори (PhD) диссертацияси Автореферати. – Т.: ДБА, 2021. – 53 б

<sup>4</sup> Муаллиф ишланмаси, қуйидаги маълумотлар асосида: Комитет по коммерческой работе со странами СНГ Китайско-европейской ассоциации технико экономического сотрудничества [Электронный ресурс] URL: <http://www.cniru.ru/gyzg/shownews.php?lang=ru&id=3672> (дата обращения 18.04.2019); Американский институт предпринимательства [Электронный ресурс] URL: <https://www.aei.org/china-global-investment-tracker/> (дата обращения 27.10.2018 г.)

	rights of foreign investors has been established.	
<b>The principle of selectivity</b>	Since 1995, a directory of sectors for foreign investors has been adopted.	In 1997, a list of priority sectors of the economy was approved for attracting direct local and foreign investments. This list continued until 2000. In 2016, the list of priority areas of investment projects was adopted in the Republic of Kazakhstan.
<b>State administration</b>	Strict control and monitoring of the activities of foreign investors is established, for example, on capital movements	Since 2004, the reestablishment of state control over objects in strategic directions has begun.

As can be seen from Table 1, state regulation of investment activities in China began almost simultaneously with the "opening" of the country to the outside world. Initially, foreign investors carried out their activities in China in strictly defined areas and only together with Chinese enterprises.

A different situation was observed in Kazakhstan, therefore maximum benefits and guarantees were given to the first foreign investors (mainly employed in the mining and metallurgical industry). At that time, free economic zones were not established in the country, and foreign companies could conduct their activities independently. However, many benefits remain to this day. At present, the guarantees of the previously concluded investment contracts in Kazakhstan remain.

It should be noted that the main part of the foreign direct investments attracted today is in free economic zones and the contribution of the real sector of the countries of the world. According to the data, the measures taken to attract foreign direct investment in developed and newly industrialized countries are of great importance. In this regard, infrastructure networks created in free economic zones and a favorable investment environment serve as one of the main factors in the absorption of foreign investments.

**Table 2 A comparative description of factors attracting foreign direct investment in the US and Brazil <sup>5</sup>**

Criteria	US	Brazil
<b>Investment mode</b>	National regime	
<b>Tax benefits</b>	Not provided	National regime
<b>Income tax</b>	20-60%	Offered only in the construction sector.
<b>Access to natural resources</b>	Forbidden	60-79%
<b>Qualified specialists</b>	Sufficiently	It's open
<b>The openness of the economy</b>	An active participant in export and import operations	High scarcity
<b>The level of corruption</b>	Low	An active participant in export and import operations

From the data of Table 2, it can be seen that the large number of foreign direct investment flows to the USA is explained by the following: - stable economy; - reduction of taxes for

<sup>5</sup>Муаллиф ишланмаси. (8-9-10-11 адабиётлар асосида)

foreign investors; - provision of qualified personnel; - low level of corruption; - high standard of living of the population; - the country has large reserves of natural resources, but limits the possibility of using them for foreigners; - large market capacity and openness of the economy.

Despite the significant advantages of the United States, Brazil is a worthy competitor for capital imports, ranks first in the group of developing countries (second only to China) and in Latin America, and is one of the leaders in attracting direct investment.

### **Conclusions and offers**

The historically formed structure of the economy of Uzbekistan, the nature of property relations, the scope and directions of socio-economic results expected from joining the world community, the characteristics of regional integration relations, the country's natural-geographical location and climatic conditions, etc does not give. It is desirable for us to take positive aspects from the experience of more developing countries, especially transition countries. Because the property and technological organizational structure of production in these countries is similar to our economy, and the directions for solving the current problems of the reforms are close in terms of content. It will not be right for us to accept the investment regime of industrialized countries such as the USA, Germany, France, and Japan and the conditions created for foreign capital.

In addition, it is necessary to distinguish the status of developed and developing countries in order to study foreign experiences in directing foreign investments to the national economy. Developing countries (developing countries) usually include countries with low indicators of industrial development, infrastructural development, level of democratization of society and development of public institutions, and in addition, the level of education and health indicators is also low. However, there is no universally accepted single criterion that allows us to clearly distinguish a developed country from a developing country.

In recent years, the share of developing countries in the flow of foreign direct investments in the world has been steadily increasing. According to this parameter, the so-called "Newly Industrialized Countries" (YASM) countries stand out. They are of greatest interest to the researcher, because foreign investments in them are expressed in an aggregated form due to the development process. The high volumes of foreign capital in these countries have reached economically significant proportions, and the large number of investments in high-tech industries and effective state policy on optimizing the impact of capital flows have created an opportunity for rapid modernization of the economy.

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