

Investment Potential and the Significance of Foreign Investments in the Development of the Economy of the Republic of Uzbekistan

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ABSTRACT

This article describes the investment potential of the country. The role and importance of foreign investment for the development of the economy of Uzbekistan is revealed.

Introduction. Today, the issue of the formation and development of investment activity in the Republic of Uzbekistan is very relevant. Modern Uzbekistan is the leading industrial state in the Central Asian region, ensuring stability and economic development of the region as a whole. Among the advantages offered by the modern economy of Uzbekistan for foreign companies are political and macroeconomic stability, favorable natural and climatic conditions, hospitable and hardworking people, and many others.

The investment legislation of the Republic of Uzbekistan is one of the most advanced in the system of legislation of the CIS countries, incorporating the main provisions of international investment law, in particular, the provisions on guaranteeing the rights of foreign investors, providing certain preferences for investors and others.

As the head of state Shavkat Miromonovich Mirziyoyev noted, over the past 5 years, the volume of foreign investment in the economy of Uzbekistan has increased 10 times and amounted to about \$40 billion. "We have set ourselves the goal of doubling the gross domestic product over the next 10 years. We have enough will and opportunities for this," he stressed.

To achieve these goals, Uzbekistan expects to increase the volume of investments to \$120 billion over the next 5 years, including attracting at least \$70 billion of foreign investment [2].

Main part. The concept of "investment" is used in both the broad and narrow sense of the word. It is very difficult to unambiguously determine its content and essence. In different sections of economic science, as well as in relation to various areas of practical activity, different meanings are invested in it, based on the characteristics of the sphere and objects of application. Literally translated from Latin, the word "invest" means "to invest".

Considering the essence of this category, it should be noted that in modern literature it is very often identified with the concept of "capital investments". In these cases, investments are defined as investments in the reproduction of fixed assets, but this is not entirely correct, since investments are made in current assets, and in certain types of intangible assets, and in various financial instruments.

In the popular textbook Investing, co-authored by Nobel Laureate in Economics (1990) W. F. Sharp, investment is defined as giving up some value in the present in order to gain (perhaps indefinite) value in the future. From the foregoing, it follows that investments are a concept that is much more capacious than "capital investments". Investments are involved in the processes of capital movement. They are linked for a certain time for specific assets. Their main goal is to preserve the value of capital or increase it, and their main difference from capital is that they predict risk and determine the rate of return.

The national legislation in the field of investment regulation in Uzbekistan consists of a number of legal acts adopted in the form of decisions of the President of the Republic of Uzbekistan and government decrees.

According to the law, Investments are tangible and intangible benefits and rights to them, including rights to intellectual property objects, as well as reinvestments invested by an investor on the terms of bearing risks in objects of the social sphere, entrepreneurial, scientific and other types of activity in order to make a profit [1].

Uzbekistan is a huge market with an investment capacity of up to \$4 billion annually. But at the same time, I want to emphasize that we attract investments not for the sake of investments, but are interested in attracting modern technologies and quality management systems, best practices in organizing production.

In this regard, I would like to briefly outline the prospects and priority areas for further cooperation in various fields.

First. Especially promising today, in our opinion, is a bilateral partnership in the energy sector.

The republic accounts for 74% of Central Asian gas condensate reserves, 30% of oil, 40% of natural gas, and 55% of coal. At the same time, the degree of depletion of explored oil and gas reserves is 30-32%. Explored coal reserves produce over 2 billion tons and we look forward to the broad development of investment cooperation. It should be noted that companies actively working in this direction are granted the most favored nation treatment, including extensive tax and customs benefits.[6]

Second. The Government of Uzbekistan supports the implementation of investment projects aimed at developing the textile sector, especially enterprises with a complete production cycle of finished products.

Being one of the world's leading producers of cotton fiber, Uzbekistan has a high potential for the development of the textile industry. About 3.5 million tons of raw cotton are harvested annually in the republic, from which up to 1.3 million tons of cotton fiber are produced. In recent years, the share of textile industry products in the gross volume of industrial production has increased to 21%, light industry enterprises of the republic process 27% of the volume of cotton fiber. In accordance with the program for the development of the textile industry, we plan to bring this figure up to 50% in the coming years.

The absence of export customs duties, a system of quotas and export licensing, and additional tax

incentives stimulate the production and growth of exports of cotton products. In order to stimulate the attraction of investments in this industry, the Government of the Republic of Uzbekistan has provided an additional benefit in the form of exemption from customs payments for technological and auxiliary equipment imported to equip enterprises in the industry.

Third. We are also ready to expand bilateral cooperation in the creation of joint structures in the financial and banking sectors, marketing, engineering, leasing, auditing and investment companies.

It should be noted that the development of effective financial instruments will contribute to the expansion of cooperation in the financial sector. The incentive for the development of business contacts will also be the transfer of Uzbekistan to a more favorable category of insurance risk, as well as an increase in the limit of insurance guarantees for investment projects implemented in our country.

Fourth. Uzbekistan has a huge potential in the field of tourism, which is based on unique natural conditions, an abundance of national parks and reserves, numerous architectural and historical monuments and the spiritual and ethnic heritage of the peoples inhabiting Central Asia, as well as the modern infrastructure of the tourism industry - a network of hotels, tourist bases, engineering and transport communications.

According to the World Tourism Organization (WTO), the capacity of tourism resources in Uzbekistan is 6 million person-days per year, or 1 million people per year with an average stay of 6 days, which creates real prerequisites for achieving world indicators in this area. At the same time, Uzbekistan occupies a very modest place in the world tourism market - less than 0.01% of the world tourist flow.

Fifth. The chemical industry of Uzbekistan, which has a significant production raw materials and scientific and technical potential, is one of the leading basic sectors of the economy of the republic.

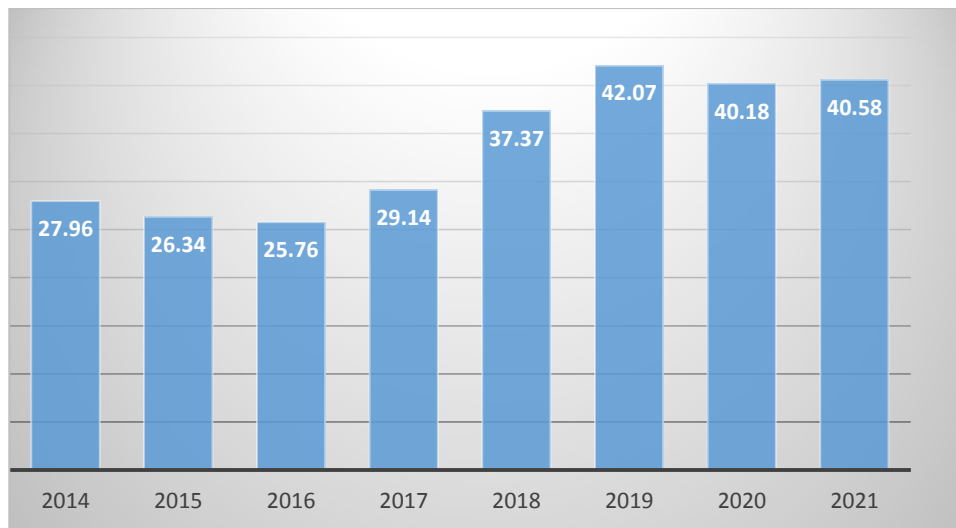
The manufactured products of the chemical industry are widely used in the chemical, metallurgical, gold mining, textile, light, food industries, in agriculture of the republic and are also shipped for export.

In the last 3 years, the export potential of chemical industry enterprises has sharply increased. If in 2003 the export of products amounted to 42.4 million US dollars, in 2004 this figure amounted to 60.7 million US dollars, the growth rate was 143%. For 8 months of 2005, the industry's enterprises shipped products for export to the amount of 49.3 million US dollars.

In the share expression of exports of enterprises, the main part is occupied by the export of mineral fertilizers 67.3%, synthetic chemical fibers 7.0%, other products 25.7%. Joint development of investments in this direction will allow exporting products to Asian countries and the Central Asian region - Kazakhstan, Turkmenistan, Tajikistan, Kyrgyzstan, Afghanistan, Iran, China, the Russian Federation, Ukraine, Turkey.

Conclusion. All ongoing reforms contribute to a sharp increase in foreign investment in the country. In 2014-2022, the volume of foreign direct investment in Uzbekistan increased by 1.5 times. In the following chart, you can observe the dynamics of the growth of foreign investment:

Diagram 1. Dynamics of growth of foreign investments in the Republic of Uzbekistan in the period from 2014-2021 years



If by the beginning of 2017 there were only 3 free economic zones (FEZ) operating in the country, then by 2022 their number reached 22.

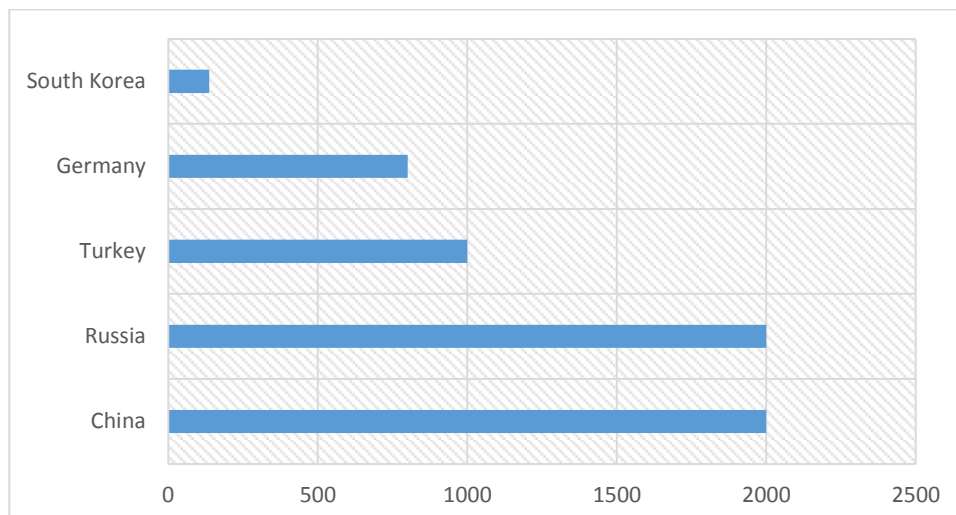
Of these, by specialization: 12 FEZs are industrial, 6 are pharmaceutical, 2 are tourism and 2 are agricultural. Changes in legislation and created opportunities have a positive impact on the investment climate in the country.

For example, in 2019, Uzbekistan was included for the first time in the Index of Regulatory Restrictions Foreign Direct Investment” by the OECD, ranking 43rd in the world by 2020 and 7th in the Asian region.

Uzbekistan plans to implement investment projects worth about \$52.15 billion in 2022-2024. This is stated in the draft presidential decree on the investment program of Uzbekistan for 2022-2024, published by the Ministry of Investment and Foreign Trade. According to the document, in 2022 Uzbekistan plans to implement projects worth \$16.57 billion, of which \$6 billion is foreign direct investment.

Currently, more than 50 countries are investing in the economy of Uzbekistan. The top five investor countries are as follows: China - \$2.2 billion, Russia — \$2.1 billion, Türkiye — \$1.18 billion, Germany - \$800.7 million, South Korea - \$137.4 million. The following chart shows the Top 5 Top Investors:

Diagram 2. Top 5 leading investors in Uzbekistan.



Summing up the results of the study, I would like to note that foreign experience clearly shows that in the transition period, investments become the most important factor not only in reconstruction and renovation, but also in the creation of new industries and enterprises. Therefore, the attraction and use of foreign capital in the economy of Uzbekistan seems to be an essential regularity of the investment process at the present stage. At the same time, attraction of foreign investments should be carried out on the basis of the principles of socio-economic efficiency, environmental and economic security, mutual benefit and maintaining the priority of the state structural and reproductive policy.

Thus, having considered the dynamics of attracting foreign investment in the economy of the republic, we can conclude that the government's targeted policy is to attract foreign direct investment, which allows attracting not only the investor's own funds, but also modern advanced technologies.

A study of the advantages and disadvantages of existing forms of attracting foreign investment shows that direct investment can be considered the most acceptable, since they are characterized by the presence of long-term investor interests in the economy of the host country and cause greater benefits compared to external loans. The ongoing administrative reform in the country, aimed at reducing the role of the state in investment processes, contributes to a decrease in the volume of invested centralized funds.

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