

MECHANISMS FOR IMPROVING THE ATTRACTION OF FOREIGN DIRECT INVESTMENTS TO OUR COUNTRY

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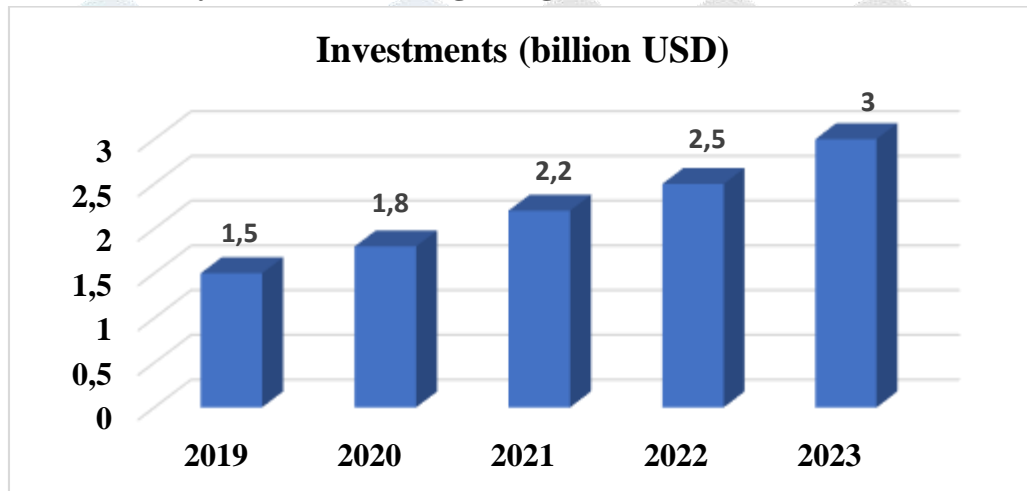
Abstract. This article analyzes the mechanisms for attracting foreign direct investments (FDI) to our country. Factors such as improving the investment environment, legislative changes, and creating favorable conditions for foreign investors are discussed. Statistical data is presented and analyzed to assess their impact on economic growth.

Keywords: Foreign direct investments, investment mechanisms, economic development, legislation, investment environment

Foreign direct investments are a crucial component of the country's economy. They contribute to economic growth and the introduction of new technologies. Currently, there are several challenges in attracting foreign investments to our country, which can negatively affect economic growth. This article discusses these challenges and offers recommendations for improvement.

Currently, numerous studies have been conducted on foreign investments. Data provided by the State Statistics Committee of Uzbekistan and the International Monetary Fund (IMF) indicate significant achievements in attracting foreign investments, but there are still areas that require further action.

Dynamics of Attracting Foreign Investments (2019-2023)



Evaluation of the Investment Environment (2023)²

Indicators	Uzbekistan	Regional Average
Investment Growth	10%	7%
Business Climate	75	65
New Projects	1500	1000

¹ O'zbekiston Respublikasi Prezidenti huzurdagi statistika agentligining statistik ma'lumotlari asosida tuzilgan (<https://stat.uz/uz/2-uncategorised/6692-makroko-rsatkichlar2>).

² O'zbekiston Respublikasining 2019-yil 25-dekabrda "Investitsiyalar va investitsiya faoliyati to'g'risida" gi O'RQ-598-son qarori. Qonun hujjatlari ma'lumotlari milliy bazasi, 31.12.2022-y., 03/22/812/1145-son.

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The table above compares Uzbekistan's indicators with the regional averages. Uzbekistan's investment growth rate stands at 10%, significantly higher than the regional average of 7%. This indicates positive growth in the country's economic performance and the creation of a favorable environment for foreign investors.

The evaluation of the business climate gives Uzbekistan a score of 75, which is also above the regional average of 65. This reflects improvements in the conditions created for investors. The number of new projects in Uzbekistan is 1500, compared to a regional average of 1000, further illustrating the country's competitiveness in attracting foreign investments.

These statistics indicate the positive trajectory of Uzbekistan's economic development and the increasing influx of foreign investments, crucial for fostering economic diversification.

Foreign investments significantly impact various sectors of the economy. They can be categorized as follows:

- Foreign Direct Investments made by companies to establish new production facilities or expand existing ones. For instance, foreign corporations may open new factories in Uzbekistan as a form of FDI.
- Portfolio Investments involve financial instruments such as stocks and bonds. These investments typically carry higher financial risks but can yield substantial returns.
- Other Financial Inflows include loans and grants provided by creditors. Such investments are especially crucial for developing countries.

Understanding these distinctions is vital for investors in determining which investment strategies to pursue. Consequently, optimizing the types of investments entering the country can enhance economic growth.

The assessment of the investment environment is critical for investors when choosing a country. The investment climate in Uzbekistan is evaluated based on several indicators:

- Economic stability in the country is essential for investors. Factors such as economic growth rates and inflation levels are included in this assessment.
- The stability and transparency of the legal framework are significant factors influencing the investment environment. The presence of protective mechanisms for foreign investors and their alignment with existing legislation is crucial.
- Uzbekistan's business climate evaluation stands at 75 points, which exceeds the regional average of 65. This indicates improvements in the conditions created for foreign investments.

To further enhance Uzbekistan's investment environment, additional measures must be implemented by the government. Creating favorable conditions for investors and strengthening economic and legal protections is essential.

Legislation plays a pivotal role in attracting investments. Recent legislative reforms and initiatives in Uzbekistan aim to create a favorable environment for foreign investors.

- There are laws enacted to protect foreign investments in the country. These laws safeguard investors' rights and provide guarantees for foreign entities.
- Reducing taxes and offering incentives to investors are strategies designed to stimulate economic development.
- Increasing legal transparency in Uzbekistan and engaging investors in discussions regarding legislative changes are essential for building trust.

These reforms instill greater confidence in foreign investors and expedite the investment attraction process.

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Providing additional support to foreign investors can enhance the flow of investments into the economy. This support should include:

- Offering advisory services to investors regarding project management and legal matters can significantly boost investor confidence.
- Assisting investors in establishing new projects or expanding existing ones fosters strong relationships between the government and investors.
- Organizing international expos and events to showcase Uzbekistan's opportunities can attract foreign investors.

Such support mechanisms are vital for attracting foreign investments and facilitating economic development.

Several successful foreign investment projects in Uzbekistan serve as exemplars. For instance:

- A project executed by Chinese companies, this initiative enhances resource management and gas processing capabilities in the country.
- Tashkent Automobile Plant established by Hyundai, this factory represents a successful case of foreign investments in Uzbekistan's automotive sector.
- Numerous foreign investors are executing projects in established industrial parks, contributing to job creation and economic growth.

These examples illustrate the significant impact of foreign investments on Uzbekistan's economy and underscore the country's role in the global economic landscape.

Future prospects and strategies for attracting foreign investments warrant discussion. Uzbekistan has several key areas for enhancing foreign investment attraction:

- Developing digital technologies and innovations can create new opportunities for attracting foreign investments, particularly in the IT and digital services sectors.
- Fostering environmental sustainability and promoting green technologies can yield new avenues for attracting foreign investments.
- Strengthening regional cooperation can open new avenues for foreign investments. This, in turn, will contribute to economic growth and stability.

These prospects highlight the potential for Uzbekistan's economic development and the role of foreign investments in achieving future goals.

Attracting foreign investments is crucial for the economic growth of the country. Ongoing reforms and improvements in the investment environment are essential for creating favorable conditions for foreign investors. This will, in turn, be vital for diversifying the economy and achieving sustainable growth. Future efforts should focus on digital economy initiatives, ecological investments, and enhancing regional cooperation to maximize the influx of foreign investments.