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ENHANCING INTERNATIONAL DIRECT INVESTMENT RELATIONS

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In today's globalized economy, with reduced trade barriers and increasingly liberalized tax regulations and regulatory regimes, the flow of foreign investments has been growing rapidly. Measures aimed at deepening market economy reforms, liberalizing the economy, and strengthening property rights protection positively influence international investment relations and the attraction of steadily increasing foreign investments in our country.

According to Article 46 of the Law of the Republic of Uzbekistan No. O'RQ-598 "On Investments and Investment Activities" dated December 25, 2019, foreign investors and foreign investments are provided with a fair and equal regime, ensuring full and continuous protection of their safety. It emphasizes that this regime cannot be less favorable than the regimes set forth in Uzbekistan's international agreements. This reflects the significant emphasis placed on enhancing international investment relations in our country.

Direct foreign investments in developing countries have historically been viewed with some skepticism. However, recent data indicate an increase in direct investments within the production sectors of developing nations. Moreover, many developing countries increasingly rely on foreign direct investment (FDI) inflows as a foundation for their growth.

In transition economies, it is nearly impossible to strategize foreign investment attraction without incorporating and utilizing modern information technologies. Therefore, investment attraction agencies must structure their operations based on effective use of technologies, new software tools, and data. Foreign investments play a significant role in improving international investment relations.

For instance, in the first quarter of 2023, the volume of investments assimilated into Uzbekistan's main capital amounted to 56.6 trillion UZS. Among the foreign investors with the largest share in assimilated foreign investment and loans were the following countries:

- China – 19.9%
- Russia – 15.7%
- Saudi Arabia – 13.5%
- Turkey – 6.1%
- Cyprus – 5.4%
- Germany – 3.3%
- Switzerland – 3%
- Singapore – 2.9%
- Hong Kong – 2.8%
- United Kingdom – 2.7%

In our view, the following measures can effectively regulate international investment relations through the attraction of foreign investments:

1. Ensuring Access to Open Markets and Allowing Inflows of Direct Foreign Investments. Reducing restrictions on foreign investments, creating open, transparent, and reliable conditions for all types of external and local firms, and enhancing the ease of doing business, access to imports, a relatively flexible labor market, and protection of intellectual property rights.

2. Establishment of a Private Investment Promotion Agency. A successful private agency can attract foreign investors and potentially establish connections with the local economy. On

the one hand, it should act as a one-stop-shop meeting the demands of investors from host countries.

3. Strategically Planned Initiatives. Careful consideration should be given to initiatives targeting specific objectives.

4. Development of Essential Infrastructure for Investors. This includes convenient access to transport, reliable energy supplies, a sufficiently qualified workforce, and ideally, opportunities for professional training of specialized workers, alongside close collaboration with investors.

5. Reform of Domestic Financial Markets to Improve Access to Credit. This contributes to the establishment of a functional financial system.

6. Human Capital Development. Another significant benefit of attracting foreign investments is the improvement of human capital, which refers to the skills and knowledge of individuals capable of performing labor, generally recognized as the workforce. The qualities gained through education and experience exchange enhance the country's education system and overall human capital. A country with foreign direct investments can retain ownership rights while deriving considerable benefits from human resource development.