

MAIN TRENDS ATTRACTING FOREIGN  
INVESTMENTS IN UZBEKISTAN

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**Abstract**

*In this article is explained main trends attracting foreign investments into the economy of Uzbekistan, also analyzed dynamics of the influence of investments in fixed assets on the development of the economy and social sphere of the Republic of Uzbekistan.*

**Keywords:** *investment climate, attracting foreign investments, indicators, financing, enterprise, development, growth, projects, assets, compare, economy, results.*

In article is explained achievement sustainable development, increase income and improve conditions life of the population, in general, the socio-economic development of the country, during depends largely on the volume and structure of investments attracted in certain areas and sectors of the national economy. Therefore, the priority area of socio-economic development of any state will be aimed at creating an attractive investment environment. The investment climate of Uzbekistan is assessed as rather favorable for foreign investors. This is facilitated by a stable the macroeconomic situation in the republic, the adoption of a package of laws regarding the conduct of investment activities, a stable socio - political situation in Uzbekistan, the richest natural resources of the country. In recent years, efforts have been made in the country to significantly improve investment processes, determine the procedure for the formation of state development programs, increase transparency and the effectiveness of the selection of projects, their financing<sup>1</sup>. At the same time, the main areas of investment activity in Uzbekistan are: creation of enterprises for the processing of mineral and raw materials and agricultural resources; development of new industries producing import-substituting products; formation of a modern system of transport communications. Assessing the investment climate in Uzbekistan as a whole as favorable, it should be noted that the degree of this favorableness at this stage is not high, and the conditions for foreign entrepreneurial activity in the republic remain rather difficult. Uzbekistan faces the difficult task of attracting foreign investment to the country, while ensuring compliance with the requirements of foreign investors and directing the attracted capital to achieve national goals and ensuring economic development.

Foreign direct investment can serve as a mechanism for increasing the competitiveness of Uzbekistan in the world economy by using existing competitive advantages and introducing new ones. At the same time, an important condition for increasing the inflow of direct foreign investment advocates the implementation of public policy aimed to create stable conditions for the functioning of foreign investors in the national economy. Achieving this goal will contribute to increasing national competitiveness and more active integration of our country into the international economic system.

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<sup>1</sup> Resolution of the President of the Republic of Uzbekistan dated 07.19.2018 No. PP-3874 "On additional measures to accelerate the implementation of investment and infrastructure projects in 2018-2019".

## **FOREIGN INVESTMENTS**

Attracting foreign investment and creating an investment climate is one of the main tasks of today's economic agenda of any state, including Uzbekistan. An important positive result of attracting foreign direct investment for the economy of the country - the recipient of FDI, can be the receipt and subsequent distribution of more advanced production and management technologies. When implementing foreign projects, investors, as a rule, they try to use the most favorable ratio of production factors available to them, including technologies in the form of patents, licenses, know-how. technologies can spread throughout the host economy.

In this regard, it is interesting to separate the ways of the influence of foreign direct investment on the introduction of foreign technologies in recipient countries into direct and indirect. Degree of positive effect of FDI attraction on adoption foreign technologies in the FDI recipient country largely depends on the ability of local producers to improve the level of their use technologies influenced by the operation of enterprises with foreign investment, which depends on the level of human capital development in the FDI recipient country. The lack of specialists capable of introducing or adopting technologies used by foreign investors can likely to have a negative impact on development local companies that compete with enterprises with foreign investment and oust local producers from sales markets (if such companies are available), which in practice leads to the need regulating the degree of FDI incentives and developing comprehensive public policy stimulating desirable directions and limiting unwanted directions of attraction FDI.

Also, attracting FDI for the economy of the recipient country can lead to an increase in the rate of innovative development of the economy, before in total as a result of research and development work by an enterprise with the participation of foreign investments, and indirectly - due to the effect of competition, when national enterprises, competing with enterprises with foreign investment are forced to improve the technologies used. Thus, 68.4 trillion rubles were used in 2017 for the development of the economy and social sphere of the Republic of Uzbekistan from all sources of financing UZS investments in fixed assets (in USD equivalent of USD 13.4 billion), or 120.4% to the level of 2016.

The volume of investments in fixed assets increased by 5.1 times compared to 1991, In 2000 by 6.6 times, in 2005 by 5.1 times, in 2010 by 2.0 times, in 2015 by 129.7%. At the same time, the share of investments in fixed assets in GDP in 2017 amounted to 26.9% and increased by 2.8 percent compared to last year. points (in 1991 - 18.8%, 2000 - 22.9%, 2005 - 19.9%, 2010 -24.6%, 2015 - 24.3%).<sup>2</sup>

The share of the banking sector and other borrowed funds of the real sector economy in 2017 amounted to 13.3%, which is 1.8 percentage points more than in the previous year. The share of foreign investments and loans increased by 3.0 percentage points compared to last year, amounting to 25.1% against 22.1% in 2016.

What influenced the growth of investments in fixed assets. So their volume is per capita in the Republic of Uzbekistan in 2017 amounted to 2,112.6 thousand.

sum or 118.4% to the corresponding period of the last year. The growth trends in investments in fixed assets are shown in Table 1.

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<sup>2</sup> <https://stat.uz/> (Statistic Committee of the Republic of Uzbekistan)

## FOREIGN INVESTMENTS

**Table 1 - Dynamics of the influence of investments in fixed assets on the development of the economy and social sphere of the Republic of Uzbekistan from all sources of financing 1995-2017<sup>3</sup>.**

No.	Indicators	1995	2000	2005	2010	2015	2017
1	The volume of investments in fixed assets, bln USD	88,9	744,5	3165,2	15338,7	41670,5	68423,9
2	Growth rate, %	104,0	101,0	105,7	108,7	109,6	120,4
3	Share of investment in foundations capital in GDP в %	29,4	22,9	19,9	24,6	24,3	26,9
4	Investment in core capital per capita:						
	Investment size, bln USD	3,9	30,2	121,0	543,4	1331,4	2112,6
	Growt rate, %	102,1	99,6	104,5	107,0	107,7	118,4
5	Investment in core capital by source financing, %	100	100	100	100	100	100
	Own funds enterprises and population	53,5	39,1	57,4	49,0	52,9	44,5
	Involved funds	46,5	60,9	42,6	51,0	47,1	55,5

As seen from the table the main source of financing for investments in fixed assets in 2017 were borrowed funds-55.5%, the share of own funds of enterprises and population accounted for 44.5% investment. Compared to 2016, the amount of funds raised increased by 8.4 percentage points. The share of state budget funds amounted to 5.1% of total investment in fixed assets and increased by 0.5 percent points compared to 2016. Investments from the state budget were directed to the implementation of a targeted investment program, the goal which is the support of the social sphere and life support systems, development of the infrastructure of the Republic of Uzbekistan. At the end of the first quarter of 2018, the volume of foreign direct investment in the economy of Uzbekistan amounted to \$ 4.3 billion, which is 7.5% more than in the same period in 2017. During the reporting period, the main investor was the United States, which invested \$ 1.2 billion in the Uzbek economy or 28% of the total investment. In second place is China (10%), followed by the UK (10%), British Virgin Islands (8%), UAE (6%), Russia (6%)<sup>4</sup>.

Based on the above, to enhance the role of investment in quality a necessary element of economic growth of the Republic of Uzbekistan, we offer: creation of advanced training courses for personnel on the basis of the Ministry of Economy and the State Committee of the Republic of Uzbekistan for investments in leading universities of the country that are directly involved in the implementation of investment projects; creation of enterprises with equity participation of foreign capital (joint ventures); creation of enterprises fully owned by foreign investors, their branches and representative offices; provision of tax incentives to investors that could increase investment attractiveness.

### Conclusion

The scope of investments is not only limited to the material production process, but also to socio-cultural fields, science, education, health, physical education and sports, information and communication, environmental protection, application of new technologies. At present, the main content of the agreement, which is beneficial for both sides, is indicated via existing subsidiary banks operating in our country, established on the basis of foreign investment, enterprises and organizations, which are specialized in certain specialities, branches of various well-known foreign institutions in the territory of the republic.

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<sup>3</sup> The table was made by the author based on the data of the State Committee of the Republic of Uzbekistan on Statistics

<sup>4</sup> 1 <http://www.cbu.uz/ru/>. Central Bank of the Republic of Uzbekistan.