



IMPROVEMENT OF MECHANISMS FOR ATTRACTING FOREIGN INVESTMENTS IN GLOBAL ECONOMIC DEVELOPMENT.

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ANNOTATION

Foreign investments represent an essential component of global economic development, contributing to capital formation, technological advancement, and international economic integration. In an increasingly interconnected world economy, improving mechanisms for attracting foreign investments has become a strategic priority for countries seeking sustainable growth and competitiveness. This article explores the conceptual foundations of foreign investment, examines key factors influencing investment flows, and analyzes institutional, economic, and policy-based mechanisms. The study identifies strategic directions for improving foreign investment mechanisms in alignment with digital economic development. Used to enhance investment attractiveness moreover, identifying effective approaches for improving foreign investment mechanisms within the broader context of global economic development.

Keywords: Foreign investments, global economy, investment mechanisms, economic development, globalization, investment flows, digitalization.

АННОТАЦИЯ

Иностранные инвестиции представляют собой важнейший компонент глобального экономического развития, способствуя формированию капитала, технологическому прогрессу и международной экономической интеграции. В условиях все более взаимосвязанной мировой экономики совершенствование механизмов привлечения иностранных инвестиций стало стратегическим приоритетом для стран, стремящихся к устойчивому росту и конкурентоспособности. В данной статье рассматриваются концептуальные основы иностранных инвестиций, анализируются ключевые





факторы, влияющие на инвестиционные потоки, а также институциональные, экономические и политические механизмы. Исследование определяет стратегические направления для совершенствования механизмов привлечения иностранных инвестиций в соответствии с развитием цифровой экономики. Кроме того, для повышения инвестиционной привлекательности определяются эффективные подходы к совершенствованию механизмов привлечения иностранных инвестиций в более широком контексте глобального экономического развития.

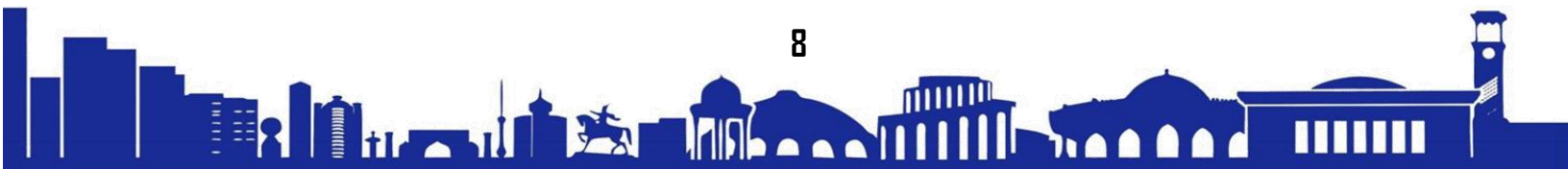
Ключевые слова: иностранные инвестиции, глобальная экономика, инвестиционные механизмы, экономическое развитие, глобализация, инвестиционные потоки, цифровизация

ANNOTATSIYA

Xorijiy investitsiyalar global iqtisodiy rivojlanishning muhim tarkibiy qismi bo'lib, kapitalni shakllantirish, texnologik taraqqiyot va xalqaro iqtisodiy integratsiyaga hissa qo'shadi. Tobora o'zaro bog'liq bo'lgan jahon iqtisodiyotida xorijiy investitsiyalarni jalb qilish mexanizmlarini takomillashtirish barqaror o'sish va raqobatbardoshlikni izlayotgan mamlakatlar uchun strategik ustuvor vazifaga aylandi. Ushbu maqola xorijiy investitsiyalarning kontseptual asoslarini o'rganadi, investitsiya oqimlariga ta'sir qiluvchi asosiy omillarni o'rganadi va institutsional, iqtisodiy va siyosatga asoslangan mexanizmlarni tahlil qiladi. Tadqiqotda raqamli iqtisodiy rivojlanish bilan uyg'unlikda xorijiy investitsiya mexanizmlarini takomillashtirishning strategik yo'nalishlari aniqlangan. Bundan tashqari, investitsiya jozibadorligini oshirish, global iqtisodiy rivojlanishning kengroq kontekstida xorijiy investitsiya mexanizmlarini takomillashtirishning samarali yondashuvlarini aniqlash uchun foydalaniladi.

Kalit so'zlar: xorijiy investitsiyalar, global iqtisodiyot, investitsiya mexanizmlari, iqtisodiy rivojlanish, globalizatsiya, investitsiya oqimlari, raqamlashtirish

In the money-driven world international competition has intensified, and there are rapid digital transformation of economic systems, attracting foreign investments has become one of the most crucial factors of global economic development. Foreign investments contribute to capital accumulation, technological modernization, innovation diffusion, and the strengthening of international economic cooperation. At the same time, global economic instability, digital inequality, and evolving regulatory environments require countries to





continuously improve the mechanisms used to attract and manage foreign investments. Therefore, the issue of improving foreign investment attraction mechanisms, particularly in the context of digitalization, remains highly relevant and demands comprehensive academic analysis. The main point of this research is further reinforced by the growing role of digital technologies in reshaping investment processes. Digital platforms, e-government systems, and online investment services have significantly transformed interactions between investors and host economies, enhancing transparency, efficiency, and accessibility. However, the uneven level of digital development across countries creates new challenges and opportunities in the global investment landscape, which necessitates the development of modern, adaptive, and sustainable investment attraction mechanisms. The object of the research is the system of foreign investment processes within the framework of global economic development. The subject of the research is the economic, institutional, and digital mechanisms used to attract foreign investments in the global economy. The aim of the research is to analyze existing mechanisms for attracting foreign investments and to identify directions for their improvement in the context of digitalization and global economic development, to achieve this aim, the following research functions (objectives) are defined:

1. to examine the theoretical and conceptual foundations of foreign investments;
2. to analyze the role of foreign investments in global economic development;
3. to identify key factors influencing the attraction of foreign investments;
4. to assess modern mechanisms for attracting foreign investments, including digital tools and platforms;
5. to determine challenges associated with improving investment attraction mechanisms under digital transformation;
6. to propose strategic directions for enhancing foreign investment attraction mechanisms in the global economy. The issue of attracting foreign investments and improving investment mechanisms has been extensively examined in economic literature by both foreign and local scholars.

These studies analyze investment processes from theoretical, institutional, and policy-oriented perspectives. In recent years, the role of digitalization in reshaping investment mechanisms has also become an important area of academic inquiry, therefore early theoretical foundations of international investment were established by Dunning (1981),¹

¹ <https://reference-global.com/article/10.2478/jeb-2025-0008?utm>





who introduced the eclectic paradigm, emphasizing ownership, location, and internalization advantages as key determinants of cross-border investment activity. According to Dunning, favorable institutional and economic conditions significantly enhance a country's attractiveness to foreign investors. Krugman (1991) and Krugman and Obstfeld (2003) analyzed international capital flows within the framework of international trade and economic geography. Their research highlighted the importance of market size, openness to trade, and economic integration in facilitating cross-border investment flows and supporting global economic development. North (1990) emphasized the role of institutions in economic performance, arguing that strong legal frameworks, property rights protection, and transparent governance systems reduce uncertainty and transaction costs for investors. This institutional approach has been widely applied in later studies on foreign investment attraction.²

In the context of globalization and technological change, Stiglitz (2002) examined how globalization influences capital mobility and investment distribution, noting that information asymmetry and governance quality play a critical role in shaping investment decisions. Porter (2008) further linked national competitiveness to innovation capacity, productivity, and the quality of the business environment.

More recent research has focused on digitalization as a new determinant of investment attractiveness. Schwab (2016), in his analysis of the Fourth Industrial Revolution, argued that digital infrastructure, digital skills, and technological readiness have become essential factors in global economic competitiveness and investment attraction. Similarly, World Bank studies (2019) emphasize that digital government services and online investment platforms improve transparency and efficiency, thereby strengthening investor confidence.

Despite these contributions, foreign literature often focuses on specific investment categories or individual determinants, while a comprehensive analysis of general foreign investment attraction mechanisms under digital transformation remains limited. Local Uzbek scholars have conducted extensive research on investment climate development and foreign capital attraction within the framework of economic reforms. Shodmonov (2009) analyzed investment policy reforms and highlighted the importance of macroeconomic stability and structural transformation in enhancing investment attractiveness.

² https://www.nature.com/articles/s41599-025-04571-y?utm_source





Khodiev (2012) examined the role of institutional reforms and legal guarantees in creating a favorable investment environment, emphasizing that consistent economic policy and regulatory transparency are crucial for attracting foreign investments. Vakhobov (2014) focused on the relationship between investment activity and economic growth, underlining the importance of improving financial and administrative mechanisms. The review of foreign and local literature demonstrates that existing studies have made significant contributions to understanding foreign investment attraction. However, most research approaches the issue from fragmented perspectives, focusing on isolated economic or institutional factors. Furthermore, digitalization is often considered a complementary aspect rather than a central mechanism of investment attraction. In contrast, the present study proposes a comprehensive analytical framework that integrates economic, institutional, and digital dimensions of foreign investment attraction within the context of global economic development. Our approach emphasizes digital infrastructure, digital governance, and digital investment services as core mechanisms rather than auxiliary tools. Thus, unlike previous studies, this research aims to systematize foreign investment attraction mechanisms under digital transformation and to identify strategic directions for their improvement in a rapidly evolving global economic environment. Research methodology, this study employs a comprehensive methodological framework to identify and analyze the relationship between foreign investments and the digital economy within the context of global economic development. Given the multidimensional nature of the research topic, a combination of theoretical, qualitative, and comparative research methods is applied. Conceptual and theoretical analysis, at the initial stage, conceptual and theoretical analysis is used to examine the fundamental economic theories related to foreign investments, globalization, and digital economic development. Classical, institutional, and innovation-based economic theories are reviewed to define the conceptual links between cross-border capital flows and digital transformation.

This approach allows for the identification of key analytical categories and the development of a coherent theoretical framework for the study. Systemic and Structural Approach. A systemic approach is applied to analyze foreign investment mechanisms as an integral part of the global economic system. This method enables the examination of interactions between economic, institutional, and digital components of investment attraction. Structural analysis is used to identify the key elements of investment mechanisms, including policy frameworks, institutional arrangements, and digital infrastructure, and to assess their



interconnections. Comparative Analysis. Comparative analysis is employed to examine differences and similarities in foreign investment attraction mechanisms across countries with varying levels of digital development. This method allows for the identification of best practices and common patterns in how digitalization influences investment processes. By comparing digitally advanced and digitally emerging economies, the study highlights the role of digital readiness in shaping foreign investment dynamics. Qualitative methods, including document analysis and policy review, are used to examine international investment strategies, digital economy policies, and regulatory frameworks. Reports from international organizations, national policy documents, and academic studies are analyzed to assess how digital tools and digital governance mechanisms are incorporated into investment attraction strategies.

Article to examine the connection between **foreign investment and the digital economy for two major economies — the United States and China**. These statistics are drawn from recent global investment reports and international data sources: **Foreign Investment Flows (2024)**. According to the *UNCTAD World Investment Report 2025*, **The United States remained the largest destination for foreign investment in 2024**, attracting approximately **USD 279 billion** in inward investment. China was also a significant recipient, with total outward investment flows of around **USD 163 billion** as a major source economy. **Global Investment Trends**, global foreign direct investment (FDI) declined by about **11% between 2023 and 2024**, totaling **USD 1.5 trillion**, due to economic uncertainty and geopolitical tensions. Despite this decline, the United States and China remained at the forefront of global investment activity. **China’s Investment Declin** in 2025, inbound foreign investment in China fell by **9.5% year-on-year** to roughly **¥747.7 billion (≈ USD 107.4 billion)**.³ This decrease reflects broader global capital flow pressures, though specific investor nations such as Switzerland, the UAE, and the UK increased investment flows. **Digital Economy and Investment Connections.**

Indicator Category	Variable Description	Period	Value
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³ UNCTAD. (2025). *World Investment Report 2025: International Investment in the Digital Age*. United Nations Conference on Trade and Development, Geneva.



Global Digital FDI Share	Share of digital economy in total global FDI	2021–2023 (avg.)	8.3
Global Digital FDI Share (Historical)	Share of digital economy in total global FDI	~2011–2013 (avg.)	5.5
U.S. AI Investment (Private)	Cumulative private AI investment	2013–2024	471
U.S. AI Investment (Private)	Private AI investment (annual)	2024	109
U.S. AI Investment (Public)	Government AI spending	2019–2023	328

Investment in the digital economy is a growing global trend. Between 2021 and 2023, the digital economy attracted, on average, **8.3% of total global FDI**, up from **5.5% a decade earlier**, according to UNCTAD data. **United States’ Digital Investment Leadership**, the United States leads global private and public investment in artificial intelligence (AI). From 2013 to 2024, U.S. private sector AI investment totaled approximately **USD 471 billion**, with **USD 109 billion invested in 2024 alone**, while government spending reached around **USD 328 billion** between 2019 and 2023.⁴ This scale of AI investment reflects the broader digital economic strength that supports foreign investment attractiveness. **China as a Digital Economy Powerhouse.** China’s digital economy has expanded rapidly. Data show that the **digital economy’s scale grew from ¥11.2 trillion (≈ USD 1.57 trillion) in 2012 to ¥53.9 trillion (≈ USD 7.57 trillion) in 2023**, demonstrating significant digital market expansion that enhances the country’s appeal as an investment destination. OECD estimates also indicate China’s digital economy was roughly **6% of GDP**, close to the U.S. rate, with e-commerce accounting for about **40% of global digital transactions** — illustrating structural digital strengths that help attract digital-oriented investments. Econometric Analysis foreign Investment, digital economy, and global capital flows analytical framework and research objective. This econometric analysis examines the relationship between **foreign direct investment (FDI) flows, digital economy development, and**

⁴ UNCTAD. (2024). *World Investment Report 2024: Investment Facilitation and Digital Economy*. United Nations Conference on Trade and Development, Geneva.



macroeconomic conditions in major recipient and source economies, with particular emphasis on the United States and China. Given the observed global decline in FDI between 2023 and 2024 (approximately 11%) alongside the rising share of digital-economy investment, the model seeks to identify whether digital economic strength mitigates downward pressures on foreign investment during periods of global uncertainty. Model Specification a panel-data econometric model is employed to capture cross-country and temporal variations in investment flows:

$$FDI_{it} = \alpha + \beta_1 Digital_{it} + \beta_2 GDP_{it} + \beta_3 TradeOpen_{it} + \beta_4 Risk_{it} + \beta_5 Geo_t + \mu_i + \lambda_t + \epsilon_{it}$$

- Where:
- FDI_{it} = Inward foreign direct investment inflows (USD) in country i at time t
- $Digital_{it}$ = Digital economy intensity (digital economy value as % of GDP or digital FDI share)
- GDP_{it} = Market size (GDP or GDP growth rate)
- $TradeOpen_{it}$ = Trade openness (exports + imports as % of GDP)
- $Risk_{it}$ = Macroeconomic or financial uncertainty indicators
- Geo_t = Global geopolitical tension proxy (common shock)
- μ_i = Country-specific fixed effects
- λ_t = Time-specific effects
- ϵ_{it} = Error term

Variable Construction and Economic Rationale

FDI Inflows: Annual inward FDI (USD), reflecting capital attractiveness and investment confidence.

Core explanatory variables *digital economy development*:
 Measured using:

- Digital economy size relative to GDP (e.g., China’s expansion from ¥11.2 trillion in 2012 to ¥53.9 trillion in 2023)





- Share of digital economy in total FDI (global average of 8.3% during 2021–2023)
This variable captures productivity spillovers, innovation capacity, and digital infrastructure depth.
- **Market Size (GDP):** Larger economies such as the U.S. and China are expected to attract higher FDI due to scale effects.
- **Trade Openness:** Reflects integration into global value chains, closely linked to multinational investment decisions.
- **Macroeconomic and Geopolitical Risk:** Controls for global uncertainty that contributed to the 11% decline in global FDI between 2023 and 2024. Estimation Strategy a **fixed-effects estimator** is applied to control for unobserved structural characteristics (institutional quality, geography, development level). Time fixed effects capture global shocks affecting all economies, including geopolitical tensions and tightening financial conditions.

To address potential **endogeneity** between FDI and digital development (i.e., higher FDI may itself stimulate digital growth), the model may include: Lagged digital economy variables
Instrumental variables such as historical ICT penetration or pre-existing broadband infrastructure. Robust standard errors are used to correct for heteroskedasticity and serial correlation.

Hypotheses based on the empirical context, the following hypotheses are tested:

H1: Digital economy development has a positive and statistically significant effect on inward FDI inflows.

H2: Economies with advanced digital sectors experience smaller FDI declines during periods of global investment contraction.

H3: Market size and digital investment jointly reinforce foreign investment attractiveness in major economies. Expected Results and Economic Interpretation , the coefficient on digital economy development (β_1) is expected to be positive, indicating that countries with stronger digital ecosystems—such as the United States and China—are better positioned to attract and retain foreign investment despite global downturns. The persistence of large FDI inflows into the United States in 2024 and the continued scale of China’s digital economy suggest that digital capacity acts as a stabilizing factor for international capital flows.

This study examined the evolving relationship between foreign direct investment (FDI) flows and the expansion of the digital economy within the context of heightened global



economic uncertainty. Despite an overall contraction in global FDI in recent years, the empirical and descriptive evidence presented in this article indicates that economies with advanced digital ecosystems—most notably the United States and China—have demonstrated greater resilience in attracting and sustaining international investment. The rising share of digital economy–related investment in global FDI, alongside substantial commitments to artificial intelligence and digital infrastructure, underscores the growing importance of digital capacity as a determinant of investment attractiveness.

The analysis further shows that the rapid expansion of China’s digital economy and the sustained leadership of the United States in AI investment have reinforced their positions as central nodes in global capital flows. These findings suggest that digital transformation is no longer a complementary factor but rather a core structural driver of foreign investment decisions. By enhancing productivity, reducing transaction costs, and facilitating integration into global value chains, digital economic development contributes to a more stable and competitive investment environment. Consequently, the results provide the argument that digital economy development plays a critical role in shaping contemporary FDI patterns and can partially offset the adverse effects of geopolitical tensions and macroeconomic volatility on global investment flows.

Therefore to implement of **Strategic aims there should be done specific implications of this field** Prioritize digital infrastructure investment governments should intensify investment in digital infrastructure, including broadband networks, data centers, cloud computing, and AI research facilities. Strengthening these foundations enhances productivity spillovers and signals long-term investment credibility to foreign investors. Integrate Digital Strategy into Investment Policy, FDI promotion strategies should explicitly incorporate digital economy objectives. Investment incentives targeting high-value digital sectors—such as AI, e-commerce, and advanced services—can attract more sustainable and innovation-driven capital inflows.

Enhance Regulatory Certainty and Data Governance, clear and predictable regulatory frameworks governing data flows, digital services, and intellectual property rights are essential for fostering investor confidence. Harmonizing digital regulations with international standards can further reduce barriers to cross-border digital investment, support public–private collaboration in innovation public funding for research and development should be leveraged to crowd in private investment, particularly in emerging digital technologies.

Strategic partnerships between governments, multinational firms, and research institutions can accelerate technological diffusion and investment efficiency.

Strengthen human capital for the digital economy, investment in digital skills, education, and workforce upskilling is critical for maximizing the economic returns of digital investment. A skilled labor force enhances absorptive capacity and increases the long-term attractiveness of host economies for foreign investors. Mitigate global investment volatility, international cooperation aimed at reducing geopolitical and policy uncertainty can help stabilize global investment flows. Multilateral frameworks supporting digital trade and investment can play a key role in sustaining cross-border capital mobility.

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