

IMPROVING THE ATTRACTION OF FOREIGN DIRECT INVESTMENT IN THE MANUFACTURING INDUSTRY

Nazarova Asal Nuriddin qizi

Master of Tashkent State University of Economics

Email id: asalnuriddinovna@gmail.com

Abstract: This article provides feedback on the role and importance of foreign direct investments in the manufacturing industry of our country, and the work being done to attract them. Evaluation of its capabilities and determination of development prospects are also emphasized.

Keywords: investment, FDI (foreign direct investment), investor, investment project, investment attractiveness, infrastructure.

Introduction. In the conditions of economic liberalization, modernization of the national economy and ensuring its integration into the world economy depends to a large extent on the correct and based investment policy. Development of investment activity in our country in accordance with the conditions of the economic environment, ensuring their activity in all aspects of the economic life of the society, modernization of the national production process and ensuring stable economic growth is one of the important factors. Therefore, one of the main sources of the agenda of the reforms implemented by our government every year is the issue of attracting investments to the national economy.

In addition, many reforms are currently being carried out in our republic in order to increase investment attractiveness, create a favorable business environment, and conduct an active investment policy. The main goal of this was the socio-economic development of our country, increase of population welfare, reduction of unemployment, increase of real income of the population. In this matter, President Shavakat Miromonovich Mirziyoyev, in paragraph 3.4 of the decree on "Strategy of Actions on the Five Priority Areas of Further Development of the Republic of Uzbekistan", states that "Improving the investment environment, foreign, first of all, the main areas such as active attraction of foreign direct investments" have been selected and work is being actively carried out in these areas.

Literature review. While writing this article, we had to turn to several literatures, including national and foreign materials. In order to further reveal the



essence of the topic, we will first clarify the concept of foreign direct investment, cited by scientists.

Foreign direct investment (FDI) is an investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest. Lasting interest differentiates FDI from foreign portfolio investments, where investors passively hold securities from a foreign country. A foreign direct investment can be made by obtaining a lasting interest or by expanding one's business into a foreign country.

An investment into a foreign firm is considered an FDI if it establishes a lasting interest. A lasting interest is established when an investor obtains at least 10% of the voting power in a firm.

The key to foreign direct investment is the element of control. Control represents the intent to actively manage and influence a foreign firm's operations. This is the major differentiating factor between FDI and a passive foreign portfolio investment.

Analysis and results. Factors such as political and macroeconomic stability in the country, a strong guarantee of protection of the rights of foreign investors and a wide system of benefits create the most favorable conditions for entrepreneurs. In addition, the low price of raw materials, materials, energy resources and highly qualified labor force, which are important for production, attracts foreign investments to our country. In addition, it is no secret that an active policy aimed at accelerating the attraction of foreign investments is being carried out in the Republic of Uzbekistan. Ensuring the conversion of the national currency according to current operations and the strategy of implementing reforms will form a favorable basis for the further liberalization of the economy in Uzbekistan and the implementation of projects with the participation of foreign capital.

Foreign direct investment has its own conveniences and advantages:

- Economic growth

The creation of jobs is the most obvious advantage of FDI, one of the most important reasons why a nation (especially a developing one) will look to attract foreign direct investment. FDI boosts the manufacturing and services sector which results in the creation of jobs and helps to reduce unemployment rates in the country. Increased employment translates to higher incomes and equips the population with more buying powers, boosting the overall economy of a country.

- Human capital development

Human capital involved the knowledge and competence of a workforce. Skills that employees gain through training and experience can boost the education and human capital of a specific country. Through a ripple effect, it can train human resources in other sectors and companies.

- Technology

Targeted countries and businesses receive access to the latest financing tools, technologies, and operational practices from all across the world. The introduction of newer and enhanced technologies results in company's distribution into the local economy, resulting in enhanced efficiency and effectiveness of the industry.

- Increase in exports

Many goods produced by FDI have global markets, not solely domestic consumption. The creation of 100% export oriented units help to assist FDI investors in boosting exports from other countries.

- Exchange rate stability

The flow of FDI into a country translates into a continuous flow of foreign exchange, helping a country's Central Bank maintain a prosperous reserve of foreign exchange which results in stable exchange rates.

- Improved Capital Flow

Inflow of capital is particularly beneficial for countries with limited domestic resources, as well as for nations with restricted opportunities to raise funds in global capital markets.

- Creation of a Competitive Market

By facilitating the entry of foreign organizations into the domestic marketplace, FDI helps create a competitive environment, as well as break domestic monopolies. A healthy competitive environment pushes firms to continuously enhance their processes and product offerings, thereby fostering innovation. Consumers also gain access to a wider range of competitively priced products.

On the other hand there exist some disadvantages coming with FDI:

- Hindrance of domestic investment

Sometimes FDI can hinder domestic investment. Because of FDI, countries' local companies start losing interest to invest in their domestic products.

- The risk from political changes

Other countries' political movements can be changed constantly which could hamper the investors.

- Negative exchange rates

Foreign direct investments can sometimes affect exchange rates to the advantage of one country and the detriment of another.

- Higher costs

When investors invest in foreign countries, they might notice that it is more expensive than when goods are exported. Often times, more money is invested into machinery and intellectual property than in wages for local employees.

- Economic non-viability

Considering that foreign direct investments may be capital-intensive from the point of view of the investor, it can sometimes be very risky or economically non-viable.

- Expropriation

Constant political changes can lead to expropriation. In this case, those countries' governments will have control over investors' property and assets.

- Modern-day economic colonialism

Many third-world countries, or at least those with history of colonialism, worry that foreign direct investment would result in some kind of modern-day economic colonialism, which exposes host countries and leave them vulnerable to foreign companies' exploitation.

- Poor performance

Multinationals have been criticized for poor working conditions in foreign factories.

One of the main directions of the new strategy of the Republic of Uzbekistan in the field of foreign economic relations, investments and trade is the attraction of foreign investments. Currently, Uzbekistan has signed agreements on mutual protection of investments with 47 countries. The Republic of Uzbekistan is a member of a number of international financial organizations such as the World Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, and the Islamic Development Bank. The Republic has been closely cooperating with several international and regional economic organizations.

According to the statistics, in recent years, 31 billion dollars worth of foreign direct investments have been attracted to our country for the purpose of industrial

development. Last year alone, 8 billion dollars of foreign direct investments entered our economy. As a result, it can be seen that the industry has increased by 1.4 times and exports by 1.5 times in the past 5 years. In the next 5 years, for the stable growth of the economy, the goal is to increase the industry by another 1.5 times, to increase the export to 30 billion dollars. For this, 120 billion dollars of investment is needed, including 70 billion dollars of foreign investment, 11 billion dollars of direct foreign investments were absorbed last year, 304 large and 3 thousand regional projects were planned to be launched by the end of 2023. As a result of them, the tasks of starting the production of products worth 10 trillion sums and using additional reserves in industry sectors and regions, as well as the implementation of a number of tasks aimed at increasing the competitiveness of products, were determined from Sh. Mirziyoyev's report on investment and industry priorities on February 27, 2023 can be seen.

Conclusion. A number of measures and reforms to attract direct investments are being actively implemented in Uzbekistan. The priority areas of investment are production and energy, including electrical equipment, vehicles, building materials production projects, projects in the chemical industry, and construction of solar power plants. In recent years, Uzbekistan has been looking for ways to increase the volume of foreign direct investments. Last September, the country's government partnered with the International Finance Corporation (IFC), an organization that offers investment, advisory and asset management services to less developed countries, to attract more direct investment. For a wider attraction of foreign capital, it is necessary to ensure state guarantees for property in Uzbekistan, the stability of economic development, the development of a system of encouraging investment activity in the country, as well as the formation and implementation of investment legislation.

According to research, creation a favorable investment climate in Uzbekistan needs:

- create economic prerequisites, such as the provision of benefits for taxation of profits, property and infrastructure to increase the flow of investment in the economy;
- ensure the same legal regime for all investors;
- ensure transparency of business entities;

- every year to allocate lists of priority industries that require investment at the state and regional levels;
- establish priority areas for the flow of foreign investment in enterprises of those industries in which the importer has absolute advantages.

List of used literature:

1. Report of the State Committee of the Republic of Uzbekistan on Demographic Statistics // <https://stat.uz/ru/press-tsentr/novosti-komiteta/5260-demograficheskayasituatsiya-4>
2. Speech by the President of the Republic of Uzbekistan Sh. Mirziyoyev in his message to the Parliament of the Republic of Uzbekistan on December 22, 2017 // <http://uza.uz/ru/politics/poslanie-prezidenta-respubliki-uzbekistan-shavkata-mirziyeev23-12-2017>
3. Uzbekistan News // <https://www.uzdaily.uz/>
4. World population statistics // <https://countrysmeters.info/en>
5. Paltrinieri A., Hassan M.K., Bahoo S. & Khan A., A bibliometric review of sukuk literature, International Review of Economics and Finance (2019), In Press <https://doi.org/10.1016/j.iref.2019.04.004>.
6. Echchabi A., Abd.aziz H., Idriss U., 2016. Does sukuk financing promote economic growth? An emphasis on the major issuing countries. Turk. J. Islam. Econ. 3, pp. 63-73. 16. Global islamic finance report
7. Ahmad N., Daud S.N., & Kefelia Z. (2012). Economic forces and the sukuk market. Procedia: Social and Behavioral Sciences, 65, pp. 127-133.
8. Beck T., Demirg-Kunt A., Merrouche O., Islamic vs. conventional banking: business model, efficiency and stability. J. Bank. Finance 37, pp. 433-447.
9. Набижонов, О., Шавкатова, Ш. ., & Сатторова, С. . (2022). КОРХОНАЛАРДА ИШЛАБ ЧИҚАРИШ ХАРАЖАТЛАРИНИ МИНИМАЛЛАШТИРИШ СТРАТЕГИЯСИНИНГ НАЗАРИЙ АСОСЛАРИ. Евразийский журнал права, финансов и прикладных наук, 2(7), 27–29. извлечено от <https://in-academy.uz/index.php/EJLFAS/article/view/1918>
10. Отабек Ганиевич Набижонов, Зоҳиджон Раббимқул Ўғли Хужамқулов, and Ф. Б. Шакирова. "ИННОВАЦИЯЛАР НЕГИЗИДА БАРҚАРОР ИҚТИСОДИЙ ЎСИШНИ ТАЪМИНЛАШНИНГ НАЗАРИЙ

ЖИҲАТЛАРИ" Central Asian Academic Journal of Scientific Research, vol. 2, no. 4, 2022, pp. 326-334.

11. Otabek Ganiyevich Nabijonov, & Sh. A. Kholbutaeva (2022). THE ROLE OF CONSULTING IN THE MODERN MARKET ECONOMY. Central Asian Academic Journal of Scientific Research, 2 (2), 5-8.

12. Ugli, A. S. O., Ganiyevich, N. O., Ugli, Y. S. Z., & Ugli, K. R. A. (2021). About how cheap (actually very expensive) loans may not enrich the poor. ACADEMICIA: An International Multidisciplinary Research Journal, 11(10), 2191-2193.

13. Nabijonov Otabek Ganiyevich (2021). IQTISODIYOTDA RAQOBATBARDOSHLIKNI OSHIRISHNING NAZARIY ASOSLARI. Scientific progress, 1 (3), 136-139.

14. Otabek Ganiyevich Nabijonov, Shokhzod Otabek ugli Abdurazzokov, Sanjarbek Zokhidjon ugli Yuldashaliyev Academic research in modern science 1 (1), 220-222, 2022

Research Science and Innovation House