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Advanced Foreign Experiences In Attracting Foreign Direct Investment

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ABSTRACT

This article describes the role and importance of the country's investment attractiveness in attracting foreign direct investment, as well as the necessary mechanisms for attracting investment, and studies the opinions of foreign and domestic economists on this topic. The article also analyzes the indicators of foreign direct investment in developed countries. In particular, the investment position of the USA, China, Singapore and Germany is studied. At the same time, as a result of studying advanced foreign experiences, scientific conclusions and recommendations are formulated on increasing the investment attractiveness of the Republic of Uzbekistan.

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Introduction.

Analysis of socio-economic changes taking place in our country shows that the modernization of the economy, and for this purpose the active investment policy, plays a very important role in the achievements and successes achieved. Accordingly, it is important to create an effective system for managing the socio-economic development of the regions of the republic, to study the theoretical and methodological foundations for assessing the attractiveness and potential of their investment environment. No matter which developed country we consider, we will witness the progressive results of the trends related to the country's economy, first of all, as a result of the soundness of the investment environment, its attractiveness, and the rapid inflow of investment flows.

Review of literature on the topic.

According to foreign scientist Yurii A.Rolik, investment attractiveness is a set of characteristics that allow a potential investor to assess how attractive a particular investment object is compared to others for the purpose of investing available funds [1]. According to economists E.Sojli and W.Thamlar, the more favorable the investment environment, the lower the investor's entrepreneurial risk, and this activates the influx of investors. On the contrary, if the investment environment is unfavorable, the risk level is high. This leads to an increase in the costs of the investment recipient. In addition, it was noted that the state of the investment environment is important not only for the investor, but also for the recipient of the investment [2]

Scientist G. Svitlana in her research proved that increasing investment attractiveness is a factor contributing to the effective functioning, development and growth of a company in modern competitive conditions, while in economically developed countries the investment process depends on the influence of market conditions, sources of financing and the volume of investments [3].

According to local economist S. Elmirzayev, companies in the country should determine the normative ratio between dividends and reinvestment in their dividend policy, protect the rights of minority shareholders, achieve an increase in share prices on the market, expand business activities, etc., which, in turn, has a positive effect on the investment attractiveness of the country [4].

The research of the well-known scientist, economist N. Jumayev, indicates the need to pay attention to the following in order to ensure investment attractiveness and rational use of investment potential:

- the region's potential, aimed at increasing investment attractiveness in order to stabilize the economy;
- accelerating investment activities aimed at innovative renewal of the socio-economic structure;
- increasing the level of diversification and innovative investments, which will provide the first appearance of regional research [5].

In his scientific treatises, the local economist A. Shomirov emphasized that in attracting foreign investments, regardless of the field in which joint-stock companies operate, it is important to allocate additional financial resources, including the priority goal of attracting foreign investments, and in this regard, one of the most modern methods of attracting investments in joint-stock companies is the IPO mechanism [6].

Research methodology.

Economic research methods such as data collection, analysis, synthesis, and logical thinking were widely used to assess the country's investment attractiveness and its improvement.

Analysis and discussion of results.

Investment attractiveness is determined by the simultaneous influence of the country's investment potential and the level of investment risk. Such indicators help determine the feasibility and attractiveness of investments. The level of investment risk is directly related to the investment environment.

The investment environment is reflected at the macroeconomic level, that is, in the relations between the investor and specific state bodies and economic entities. The investment environment is an objective state for any specific time and includes a set of conditions for investing capital. However, the investment environment is formed under the influence of the management activities of state bodies. Therefore, the state's investment policy is one of the most important factors. In this sense, each state has its own specific capital acceptance system when importing capital. The worse the level of the investment environment, the higher the investor sets his risk.

Globally, we can witness the implementation of numerous foreign direct investment transactions between countries. According to the analysis conducted by the World Bank, countries are actively attracting foreign direct investment. In particular, we can see the FDI attraction indicators of the USA, China, Singapore and Germany based on analytical data (Figure 1).

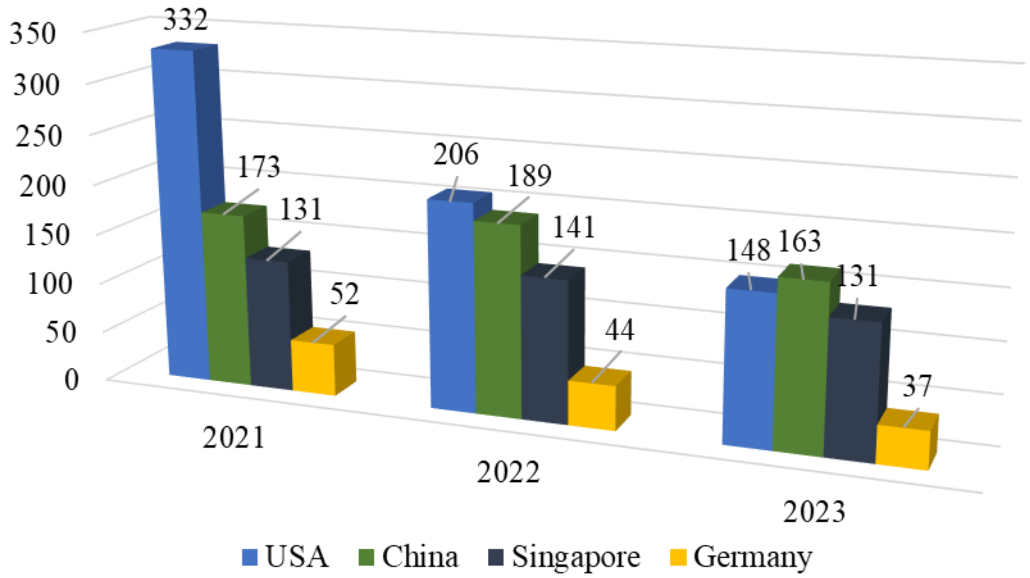

Figure 1. Indicator of foreign direct investment attracted by developed countries, 2021-2023 (in billions of US dollars) [7]

According to the figure above, the volume of the US FDI in 2021 was 332 billion USD, which can be explained by the fact that it reflected the high stage of the recent economic recovery from the pandemic, as well as the fact that companies expanded production and made significant investments in innovative technologies. In 2022, FDI fell to 206.2 billion USD. This can be attributed to the increase in interest rates of the Federal Reserve System and the policy of combating global inflation.

The FDI indicator in the US in 2023 decreased to 148.8 billion USD. This is due to the geopolitical position of the US, in particular, the tension in trade relations with China and the approach to the Ukrainian conflict, which sharply negatively affected the investment attractiveness of investors. The US also redirected production back to the domestic market through a reshoring policy, which limited the participation of foreign investors.

In 2021, China attracted 173.5 billion USD in FDI. This is also explained by the fact that it was stable due to the post-pandemic recovery of the manufacturing sector. In 2022, FDI in China increased to 189.1 billion USD. One of the main factors influencing this was the opening of certain sectors to foreign investors by the government and the strengthening of infrastructure projects. In 2023, we can see that it fell to 163.2 billion USD. In this case, the “Zero-COVID” policy and geopolitical conflicts with the West are losing investor confidence. In addition, the policy of controlling capital movements and encouraging local firms also played a role as a constraint for investors.

Also, in 2021, Singapore attracted 131 billion USD in FDI. The country's position as a financial center and technological ecosystem served to increase the potential of investors. This figure is expected to increase to $141 billion in 2022, driven by the region's political stability, tax incentives, and advanced digital infrastructure, making Singapore an attractive investment destination. In 2023, FDI inflows were expected to reach $131 billion, reflecting rising international interest rates and a reassessment of investment policies by companies. However, Singapore has maintained a generally stable investment climate, reflecting the country's stable investment climate and investment trends. In Germany, this figure was $52 billion in 2021, reflecting increased investment in automotive, alternative energy, and industrial technologies. In 2022, FDI inflows were $44 billion. This is due to the reduction in energy imports from Russia and a sharp increase in gas prices, which have led to an increase in production costs. In 2023, this figure will reach 37 billion US dollars, as the impact of the Ukrainian war, security threats in Europe and economic instability have become a risk factor for investors. In addition, bureaucratic procedures, high tax burden and strict regulations on the labor market have also led to a decrease in the country's investment attractiveness. The above analysis shows that the political and social stability of the country is the most important signal for investors, in addition, the continuity of power and the guarantee of legal order guarantee the long-term retention of capital. At the same time, stable foreign policy and geopolitical security reduce currency, customs and trade risks, turning the region into a regional safe haven.

Attracting and fully utilizing foreign direct investment contributes to increasing employment and living standards in the country, improving the income of the population, and increasing the investment attractiveness of our country in the international arena.

Conclusions and suggestions.

Summarizing the above analysis and considerations, it should be noted that in the context of intensifying modernization processes, it is advisable for the state's medium and long-term investment strategy to focus on solving the following tasks in order to attract foreign investment:

1. Developing models for the efficient use of capital resources and the optimal use of economic resources in increasing regional wealth, based on the law of finite factor depletion;
2. Developing and implementing comprehensive programs that ensure the sustainable development of regions and ensure their uniform development without significant differences;
3. Creating a favorable business environment that will serve to organize joint projects based on high technologies and create high added value;

4. In order to maintain high and stable rates of economic growth, it is necessary to form a stable and competitive model of the country's economy, in which a significant part of the assets of the banking system are in the hands of private investors;
5. In order to increase investment attractiveness and ensure the rapid growth of investments in infrastructure, which is one of the main factors of sustainable economic growth, it is necessary to stimulate investment activity through the development of public-private partnerships and project financing instruments;
6. Optimize relations between investors and the state in order to completely eliminate bureaucratic obstacles and restrictions in the implementation of investment projects through digitalization and remote provision of public services.

Based on the above scientific proposals and recommendations, their in-depth study, analysis and substantiated implementation in practice will yield results in the near future. In addition, creating a favorable investment climate in the country will have a positive impact on further increasing the state's investment attractiveness.

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