

## Singapore's Experience In Attracting Foreign Direct Investment

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### ABSTRACT

The article examines the experience of Singapore in attracting foreign direct investment to the economy. Also, the possibilities of use in the conditions of Uzbekistan were studied. A scientific proposal and practical recommendations for improving the system of attracting foreign investments to the economy have been formulated.

### ARTICLE INFO

**Received:** 10<sup>th</sup> February 2025

**Accepted:** 8<sup>th</sup> March 2025

### KEYWORDS:

foreign investments,  
foreign direct investments,  
investment climate  
attractiveness, Doing  
business index, Global  
competitiveness index.

### INTRODUCTION

The rich experience accumulated in Singapore, the reforms implemented, the study of the fundamental essence of the decisions and measures taken, the scientific critical analysis of their achievements and shortcomings serve as a comprehensive support for the development of our national economy. Consequently, the rich experience and modern trends existing in the international arena are improving and changing from year to year. In particular, these include issues related to attracting investments, their export and import, protecting the interests of investors, increasing investment activity and competitiveness.

There is a fierce competition between countries in the world to attract foreign capital. In terms of the volume of foreign investment, its quality and the use of favorable conditions, developed countries are creating various forms of innovative instruments from year to year that serve to ensure the attractiveness of the investment environment. With this goal in mind, we will also analyze the experience of the state of Singapore and make comments on the prospects for its use in the conditions of Uzbekistan.

### REVIEW OF RELATED LITERATURE

In turn, when investments are attracted from abroad, they are called foreign direct investment. It should be noted that the essence of foreign direct investment is still interpreted differently in various economic literature. This is fully confirmed by the following:

G. Galeeva and E. Kadeeva - the main factors of attracting foreign direct investment are access to markets and resources. The concentration of foreign capital only in certain regions and in certain sectors limits the development of the economy of other regions, primarily affecting the economy of underdeveloped regions [1].

A. Vakhobov - foreign direct investment is a long-term investment that allows the investor to exercise effective control over economic activities, allowing the investor to own at least 10% of the company's share or shareholders' capital [2].

N. Oblomurodov's scientific research studies studied the macroeconomic factors of improving the system of attracting foreign direct investment, and it is noted that investment attractiveness and investment activity play a high role in improving the system of attracting investments [3].

B. Mamatov, D. Khuzhamkulov, and O. Nurbekov in their research focus on the importance of foreign direct investment in the development of the national economy, in particular, they cite the fact that this type of investment involves the direct allocation of production capital to the production of goods and services, as well as the purchase of a controlling stake in a firm or enterprise, the construction of production facilities, the establishment of joint ventures, etc. [4].

According to A. Bekmurodov, foreign direct investment is the direct export of capital that gives the investor the right to control the enterprise, thereby turning the enterprise into a foreign subsidiary of the main parent company [5].

A. Azizov emphasizes that the term foreign direct investment should be understood, first of all, as an investment in a foreign enterprise by providing partial or full control over economic activities [6].

A. Sotvoldiev - direct investment is an important factor in the sustainable development of regions, which, forming the basis of expanded reproduction, creates conditions for sufficient investment in the region and the rapid development of production [7].

Special attention was paid to the concept of foreign direct investment. According to the Law of the Republic of Uzbekistan "On Investment and Investment Activity", foreign direct investment is defined as investments made by a foreign investor at the expense of his own funds or borrowed funds under risk conditions, without government guarantees [8].

## RESEARCH METHODOLOGY

The article widely uses scientific methods of studying economic processes, generalization, grouping, logical and comparative methods of analysis, induction, deduction, abstract-logical thinking, comparative analysis and other methods.

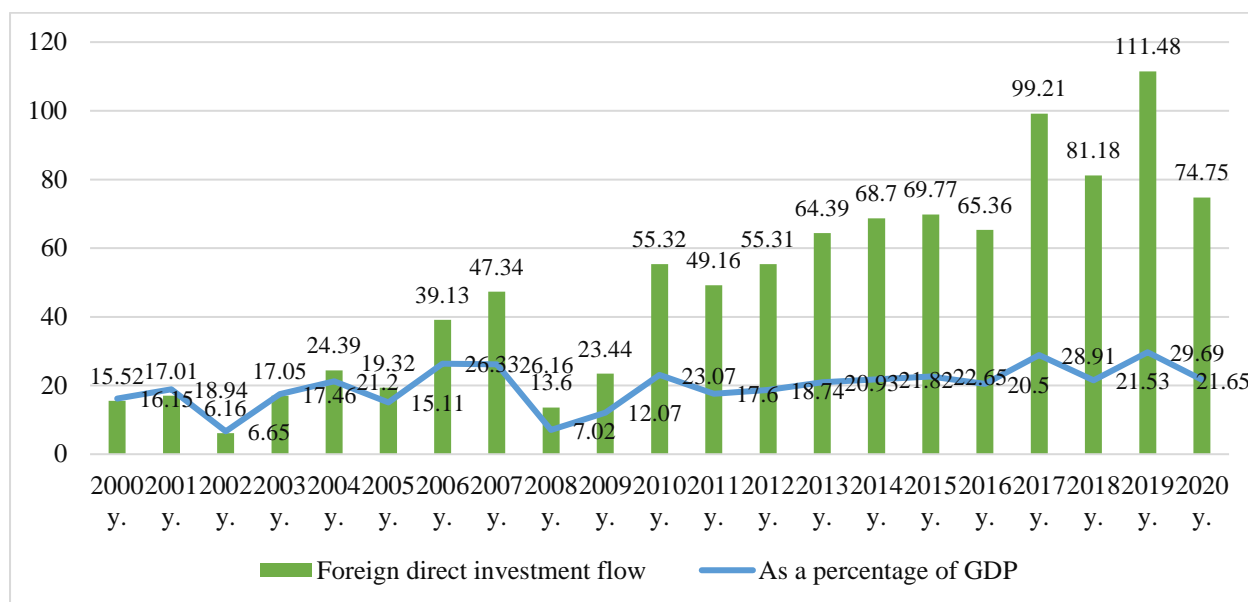
## RESULTS AND DISCUSSION

Singapore, one of the so-called "Asian Tigers", which has demonstrated high indicators in terms of the level of development, ranks high among the countries of the world in terms of its rich experience and high intellectual potential, has a small population, but has considerable influence in the field of computer software creation and telecommunications, ranks 3rd in terms of GDP per capita in reports published by the World Bank, and has accumulated rich experience in attracting foreign direct investment.

In 1959–1990, under the leadership of Lee Kuan Yew, major reforms were carried out in Singapore to modernize the country. As a result, Singapore became known as a country that created a technogenic civilization in Southeast Asia and became a financial and trade center of the world. Therefore, the number of people interested in knowing the reasons for the economic rise of this miracle state is increasing today.

The opinion of all scientists who have studied the development path of the Singapore state, the “economic miracle” it has achieved, comes down to one important point. And that is, the creation of a favorable investment climate in Singapore. It is precisely thanks to this situation that investors have implemented many projects in this new state, and the volume of GDP has increased sharply from year to year. Today, investors continue to direct capital to the state of Singapore without hesitation. The attractiveness of the investment climate there is a constant interest of donor countries.

Analyzing the data in Figure 1, Singapore's foreign direct investment inflows for 2020 amounted to US\$74.75 billion, a decrease of 32.95% compared to 2019. In 2019, Singapore's foreign direct investment amounted to US\$111.48 billion, a 37.32% increase compared to 2018. In 2018, Singapore's foreign direct investment amounted to US\$81.18 billion, a decrease of 18.17% compared to 2017. In 2017, Singapore's foreign direct investment amounted to US\$99.21 billion, which is 51.78% more than in 2016.



**Figure 1. Foreign direct investment inflows to Singapore in billion US dollars as a percentage of GDP, 2000-2020 [11]**

The flow of foreign direct investment from the United States to Singapore exceeded 244 billion US dollars. Today, more than 20 percent of all foreign direct investment in Singapore is accounted for by US companies.

Due to its geographical location, Singapore is a highly influential trading partner in Southeast Asia. Singapore has managed to enter the top 20 countries in the world ranking for import and export operations. In 2022, international trade turnover amounted to 1.4 trillion. US dollars, of which exports amounted to 710 billion, imports amounted to 43.4 billion. US dollars.

The largest share in exports is accounted for by machinery and transport equipment (60.1%). The main consumers of exports are China (18%), Malaysia (17%), Hong Kong (14%) and Indonesia (11%).

According to the recommendation of the World Economic Forum, the global ranking indicators are published annually according to the Global Enabling Trade Index, which determines the state's participation and involvement in international trade, the volume of international trade, export and import operations, and the volume of state participation in it. This index allows us to assess the conditions created by countries for international trade, their economic policies, the level of non-destructive delivery of goods and services to consumers, and the level of customs privileges.

Singapore holds a unique position in foreign trade. According to the Global Enabling Trade Index, Singapore ranked first in 2019-2020. This index is composed of four main indicators: access to the domestic market; administrative management at the border (customs); business environment; and transport communications.

The high level of the business environment can also be assessed through Singapore's participation in the global capital market. Singapore is one of the main recipients of FDI in Southeast Asia (57%). The volume of FDI inflows in 2022 was 2 trillion. US dollars, which is 7 times more than in 2000. Investment inflows are mainly in financial services and insurance, manufacturing, wholesale and retail trade.

Singapore has been ranked No. 1 in the Doing Business Index, published by the World Bank Group and the International Finance Corporation, for 10 years. According to research and survey results, the conditions created for starting and running a business in Singapore and achieving high results are influenced by the stability of the state political system, effective economic policy, high investment opportunities, and developed infrastructure.

That is, Singapore also achieved high results in one important indicator - the Economic Independence Index of countries. This aggregated index is based on 10 indicators. These are: financial independence, investment independence, trade independence, monetary independence, labor independence, educational

independence, government participation, fiscal independence, anti-corruption independence, property inviolability, etc.

These indicators are evaluated from 0 to 10 points and their average is calculated. Taking this into account, the countries of the world are divided into 5 groups according to the Economic Independence Index. The first group includes countries that scored more than 80 points. In 2021, the five countries that achieved the highest results in this group were: Hong Kong (89.6), Singapore (89.4), New Zealand (82.1), Australia (81.4), and Switzerland (80.5).

In the course of studying the above-mentioned experiences, it became clear that the application of the Singapore experience in the conditions of Uzbekistan, their use will serve to ensure the country's further development and increase the income of the population in the future. Also, active participation in surveys conducted by international organizations, work to ensure the participation of Uzbekistan in all ratings indicating the investment attractiveness of world countries, will have a positive impact on investors' investment decisions in the future.

### CONCLUSION

In conclusion, we can say that Singapore's successful experience in attracting foreign direct investment shows that the level of foreign investment attraction depends on many important factors, such as political stability in the country, favorable geographical location, favorable investment climate, business facilities (tax, customs privileges), and labor force potential.

The following proposals and recommendations can be made to attract foreign direct investment:

□ Even if foreign direct investment is less than the amount of the privilege, based on the capabilities of the regions, provide them with "tax holidays", as well as reduced prices for electricity, water, gas, and transport services;

□ State insurance of investors' investments, formation of software platforms aimed at assessing the existing conditions and opportunities for attracting foreign direct investment in the regions;

□ To increase the volume of foreign direct investment for the development of the economy, we can achieve this by widely involving embassy and state consular staff operating in foreign countries;

□ to introduce the principle of "the need to comply with the requirements of global indices" in the development of new laws, decrees and resolutions related to improving the investment climate and encouraging the attraction of foreign direct investment.

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