

# TRACTING FOREIGN INVESTMENTS AS THE MAIN COUNTRY COMPETITIVENESS FACTOR

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**Abstract:** *The article provides an analysis of research on the impact of foreign direct investment on the country's economic growth. It is considered how foreign direct investment affects the competitiveness of the economy, the negative and positive consequences of attracting foreign investment. Analyzed the dynamics of attracting foreign direct investment in the Republic of Uzbekistan, the state of the investment climate and the investment attractiveness of the country. The directions of further improvement of the investment policy of Uzbekistan are indicated.*

**Key Words:** *foreign investment, globalization of the world economy, a country's competitiveness factor, growth of the national economy.*

## 1. INTRODUCTION:

The globalization of world economic relations leads to the diversification of the forms and directions of international competition, methods of struggle for the possession and control of technological, labor, intellectual, natural and investment resources. The formation of an optimal economic structure with a predominance of the share of services, high-tech and high-tech products in it is becoming increasingly important. In the context of globalization, countries that actively participate in the international scientific, technical and information exchange, have a developed infrastructure, highly skilled labor force, which is ensured by the presence of sufficient capital and free movement of countries. Financial globalization requires a revision of the existing system of theoretical and practical knowledge about the functioning of the world economy from the point of view of the international movement of capital in the form of investments. Consequently, the question of the place and role of Russia in the global foreign direct investment market is of paramount and predetermining importance for further sustainable and balanced growth of the national economy, for which it is important to determine the level, conditions, forms and methods of integrating the country into the world economy and the international capital market. It is generally recognized that only high growth rates of the state's economy and per capita incomes can ensure the preservation of social and political stability in the country. At the same time, it is possible to ensure the growth of gross domestic product and per capita income by attracting foreign direct investment in the restructuring of the country's economy. Thus, the above-mentioned facts make the methodological aspect of foreign direct investment in the context of globalization of the world economy relevant for the study.

## 2. LITERATURE REVIEW:

Research topic from different angles developed by authors such as Sharifhodzhaev M., Saidov D., Ziyaadullaev C., Buriakov Yu., Shkarlet C., Guliamov S., Umurzaqov U., Ahmedov D., B. T'yraev, Abdullaev.A., B. Foyibnazarov, Dismuratov R. Toshpolatova B., Shodiev R., T. Shodiev and many others.

At the same time, individual problems of the development of the world economy, the movement of foreign direct investment and the assessment of their effectiveness with regard to public interests remain unresolved.

## 3. METHOD:

Methodological and theoretical foundations of the study scientific works of domestic and foreign scientists studying the problems of the economic development of the world economy, globalization and the international movement of capital served. The tasks set in the work were solved using a systematic approach, theoretical and empirical methods of scientific knowledge: the ascent from the abstract to the concrete, historical and logical, analysis and synthesis, induction and deduction, observation and comparison.

## 4. DISCUSSION:

The most significant results of the study include the following:

The methodology of quantifying the depth of globalization on various stages of development of the world economy with the index Theil and found a direct relationship between increasing globalization and increasing differentiation in per capita income between regions and within regions.

A correlation has been revealed between the global volume of FDI inflows and the world's GDP, world exports of goods and services, therefore it is proved that financial globalization by increasing FDI volumes leads to increased competition, increased specialization and international division of labor.

It is proved that in the context of globalization in the global economy there is a divergence of the average per capita income in developed countries, countries with economies in transition and developing countries.

It has been revealed that FDI has been and remains a driving force both in the process of global divergence and in the process of convergence. Since the receipt of FDI, including through international production networks (MEAs), can be combined with more favorable arrangements between national and international economic forces, and is also compatible with the division of labor, providing a higher degree of hierarchical differentiation, in which poor countries acquire competitiveness on base of excess and cheap labor or available natural resources.

## **5. ANALYSIS, FINDINGS, RESULT:**

In Uzbekistan, as well as on a global scale, cross-border cooperation in the investment sphere is the second, after international trade, form of foreign economic relations. Distinction between these forms is that the object of movement across state borders is not goods or services, but investments, capital attachments. These include all types of property and intellectual values invested by the investor in the objects of entrepreneurial activity for profit. International experience shows that the acceleration of rates of economic growth and, as a consequence, an increase in the country's international competitiveness, is possible only on the basis of attracting foreign investment. The most valuable investment is entrepreneurial capital.

Uzbekistan is interested in attracting capital from foreign countries first of all, foreign direct investment. These investments serve as an important supplement to domestic investments and, thus, provide the conditions for a more dynamic economic growth. However, straight foreign investments bring with them not just additional funds but also jobs at new and reconstructed enterprises, advanced technologies, new knowledge, increased production volumes and improved quality, product competitiveness, advanced management experience, access to world markets, etc.

Not only Uzbekistan, domestic enterprises, but also foreign capital investors are interested in foreign direct investment.

Republic attracts many of them: rich, diverse natural resource potential, a reliable energy power base and advanced trans tailor telecommunications infras trukturoy, a high level of education well population and the professional qualifications of employees of employed in sectors of the economy, far-reaching, fast-growing solvent by the market. All these objective factors are combined with political and macro economic stability in the country, a favorable business environment and, in particular, an investment climate, reliable guarantees for investors.

Preference for foreign direct investment does not mean that it is necessary to pursue a policy of attracting only these investments. Abroad will come from enterprise capital is difficult to bring to the implementation of a number of capital-intensive long-term projects that do not provide fast return of invested funds, for example, in objects of transport infrastructure . In these cases, they use loans from foreign banks. or international development agencies.

The most significant results in attracting foreign investments have made some countries in Southeast Asia. For a small period of time in these countries increased industrial production, which allowed them to join the group of "new industrial countries" (NIS).

The investment policy of NIS was based on the strategy of ensuring the competitiveness of products, technical and technological reconstruction of production, productivity growth and income population. Their chosen course of liberalization of the investment's Regis MoU will significantly weaken the restriction cheniya governing worker Nostaforeign companies, starting with simplifying the process of registration and institutions. In almost all NIS countries, the marginal rate of foreign participation in share capital has increased , and in priority industries - high-tech and export - oriented - up to 100%.

At the same time, special attention is paid to strengthening the role of incentives and guarantees that are aimed at reducing the risk of non-commercial risks for investor. The inflow of foreign investment is encouraged by the granting of a special status of "pioneer" (new enterprise), in accordance with which introduces preferential tax treatment of company income.

The duration of benefits varies from 5 to 10 years and depends on the level of skilled labor and research and development expenditures. For example, Singapore may be tax exempt until 40% of the company's revenues. Particular attention is paid to the creation of free economic zones. Uzbekistan also attaches great importance to the formation of favorable conditions for the inflow of foreign investments, the establishment and effective functioning of enterprises with their participation. To this end the regulatory and legal framework is constantly being improved, and the list of tax, customs, and other benefits and guarantees for foreign capital investors and joint ventures is expanding. During the years of independence, the growth of the volume of accumulated investments amounted to 190 billion dollars, of which over 65 billion are foreign investments. With assistance and participation of this capital in the republic built a huge number industrial enterprises and infrastructure facilities, fundamentally new ones were created and the existing production facilities were radically modernized , and export potential was significantly enhanced.

In 2017, the volume of utilized foreign investment in Uzbekistan increased 1.4 times compared with 2016 and exceeded \$ 2.4 billion. On the beginning of 2018, Uzbekistan operated more than 5.5 thousand enterprises with foreign investments. The largest part is located in Tashkent (3624), Tashkent (583) and Samarkand (2 80) regions. The smallest - in Ho Rezma (51), Kashkadarya (54), Surkhandarya (57) and Navoi (60) areas.

The main share of enterprises with foreign capital in the form of economic activity falls on industry (44.2%), trade (19.1%), construction (5.3), services (4), transportation and storage (2.9), agriculture, forestry and fisheries (2.9), information and communication (2.3), health and social services (1,3) and other types of (18%). Keeping the proportion in the total volume of economic entities, joint ventures form about a third of foreign trade turnover Of Uzbekistan. It is characteristic that a significant proportion of enterprises with foreign capital is concentrated in the manufacturing industry - mechanical engineering, cable and wire, textile and other areas producing high value added products.

Enterprises with foreign capital are extremely unevenly distributed throughout the territory of Uzbekistan, which affects the volumes of not only their production, but also exports in the regional section. Moreover, the differences between regions of the republic in these indicators are even greater than in terms of GDP or total exports. There is a marked disproportion in the distribution of foreign investment between regions. More than half foreign investment is concentrated in the city of Tashkent and Tashkent area. The proportion of areas in the distribution of investment involving foreign capital varies from 1 d to about 8% 1. The capital is the leader in the number of joint and foreign enterprises. Such an imbalance reflects the desire of investors to be closer to a functioning production infrastructure, a high level of logistical opportunities, availability of natural resources, market infrastructure services and human resources. Therefore it is necessary to take a set of measures to improve production, road transport, communications and market infrastructure. The quality of training and retraining of personnel required in the labor market specialties in other regions of the republic.

Thus , it is necessary at the state level to purposefully create conditions for the realization of the competitive advantages of the country's regions, thereby attracting foreign investors. Of course, not all NIS experience in attracting investments INOS Tran possible with merit in Uzbekistan. However, it is already possible to create an industry directory and regional priorities for attracting foreign investment . This measure showed good performance in most NIS, especially in China. Moreover , Uzbekistan already has the basis for this “The list of economic sectors to which benefits are applied, provided for private foreign direct investment. ” Complete Determining the list of industries with special access modes for foreign investors would allow for greater transparency and increased opportunities for investing in the country.

In the context of the integration of the national economy into the system of world economic relations, innovations play a decisive role in shaping like its economic development.

Attracting investment and innovation resources has a direct impact on ensuring the employment of the population, creates the necessary conditions for its decent life. Under the impact of innovation processes is transforming the market labor, its professional, regional, sectoral structures, changing level of business activity. It is with an intensity of investments in manufacture innovative field determines the efficiency of the economy as a whole, separate organization, industries and regions. Effective investing in the current.

The period is the key to future growth of industrial, innovative , intellectual, labor, investment and financial potentials , and serves as the basis for improving competitiveness.

In 2017, the volume of investment in the economy increased by 20.4 percent compared to 2016 and amounted to 13.4 billion dollars in equivalent USA. At the same time, over 25 percent of all capital investments, or more \$ 3,348.2 million amounted to foreign investment and loans, of which three quarters are foreign direct investment. 1 A distinctive feature of the investment policy pursued in Uzbekistan is that priority is given to investment projects aimed at creating new high-tech industries, providing deep processing of local raw materials At the same time, in the country investment is currently being directed to development of industrial production with a high degree of processing. Investors and commodity producers are not in a hurry to invest money in high technologies. The main source of funding for innovation activities is budget allocations , and due to them, priority scientific and technical projects are carried out.

Bank lending for investment projects has some difficulties. For the bank - the creditor issue of a loan under the innovative activities are associated with increased risk, therefore credit institutions reluctantly agree to such financing.

A characteristic feature of innovation activity is a high degree of risk and uncertainty. Based on this, the financing system innovation should include a multiplicity of sources of investment . Enterprises, small business, various and investment funds, private funds should be included in the financing and organization of investments .

Creation of venture enterprises is a promising direction for attracting investments in the development of knowledge-intensive high-tech enterprises. productions. Based on this, the development of venture financing are relevant.

Direct and venture financing is an investment in exchange to a significant (over 10%) share in a growing company in order to obtain high profits through the sale of this share, which as a result of the development of the company becomes more expensive in terms of value. Venture financing is more enterprise oriented early phase of development than direct investment.

The peculiarity of direct and venture investments in comparison with other forms of investment is that profit is generated as growth of the company's capitalization, while the investor, in addition to financial funds often assists in the process of creating, developing and managing business. As a rule, private and venture investments are made on early stages of innovation projects that, despite the high risks, involves making more profit.

## 6. RECOMMENDATIONS:

In Uzbekistan, the introduction of venture investment significantly expand funding sources while reducing the credit burden on the banking sector. The application of this type of financing of risky innovative projects allows enterprises to change the production and financial situation and increase annual revenues by intensively developing and introducing new technologies, commercializing know-how.

Increasing innovation activity implies the improvement of tax and monetary mechanisms of state support for investment activities. In order to create conditions conducive to attracting foreign investment, the existing system of tax incentives should be improved.

## 7. CONCLUSION:

In general, the competitiveness of production and economic growth are ensured with targeted and investment investments in structural and innovative modernization of the fixed capital of all sectors of the economy, so that they become a powerful factor in the development of the national economy based on the new technological base.

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