

The Role Of Foreign Investments In Economic Development And The Legal-Economic Conditions Created For Them

Khuramov Zafar Rajabalievich
Tashkent State University of Economics,
Independent Researcher

Abstract: Foreign investments play a significant role in the development of the national economy. They bring not only financial resources but also innovation, technology, and managerial expertise. The effective attraction of these investments is directly linked to the legal and economic conditions established by the state. In Uzbekistan, measures to support foreign investors include tax and financial incentives, investment legislation, free economic zones, and public-private partnership mechanisms. These initiatives create opportunities for job creation, enhancing export potential, and promoting technological modernization in the country. At the same time, ensuring the stability of legal guarantees, reducing bureaucratic barriers, and protecting investors' rights are essential for securing long-term inflows of foreign capital.

Keywords: foreign investments, economic development, legal conditions, capital, tax incentives, free economic zone.

INTRODUCTION. At the current stage of global economic integration, the increasing flow of capital between countries has become one of the most important elements of investment activity in the economies of various nations. The investment attractiveness of a national economy is determined by the extent to which a favorable investment environment has been created, the incentives and preferences provided to foreign investors, and, most importantly, the guaranteed protection of all assets of foreign investors. Therefore, ensuring the effectiveness of investment activity requires, first and foremost, a thorough study of its theoretical foundations, the establishment of a legal and regulatory framework, and its continuous improvement. Since this study focuses on foreign investments, we begin with a comparative analysis of the definitions and theoretical perspectives on foreign investments provided by various economists.

LITERATURE REVIEW

One of the world-renowned economists who significantly contributed to the emergence of the term "investment" is John Maynard Keynes. According to him: "Investment is the increase in the value of current capital assets based on the results of production activities during a certain period, representing the portion of income not used for consumption during that period." According to the theoretical views of the authors of the famous textbook *Investments*, WF Sharpe, GD Alexander, and DV Bailey, in a broad sense, the term "investment" is defined as: "the act of foregoing current money today in order to receive a larger amount in the future." The authors emphasized two factors in the investment process: time and risk.

In studying the relationships of capital flows between countries, the English economist John Stuart Mill pointed out in his textbook *Principles of Political Economy* (published in 1848) that capital flows between countries occur due to differences in profit rates in different nations. One of Singapore's prominent scholars, M. Sornaraja, stated: "Foreign investments mean the transfer of tangible and intangible assets from one country to another for the purpose of utilizing them to create wealth under full or partial control of the asset owner. The general definition of foreign investment was given by F. Henius in the 2nd edition of the *Foreign Trade Dictionary* published in the USA in 1947: Foreign investments are investments exported from the territory of one country to the territory of another.

According to the Russian scholar NN Liventsev, from the CIS states' perspective: "Regardless of the level of economic development, any country strives to attract foreign investments, and macroeconomic factors such as the size of the domestic market, currency policy, political stability, the level of infrastructure development, and the skill level of the labor force play an important role in attracting them." His studies highlighted the international movement of capital and the specific features of foreign investment policies in various countries.

In LA Zubchenko's textbook Foreign Investments, foreign investments are defined as: all types of property and intellectual assets invested by a foreign investor in business and other activity objects for profit

According to EF Avdokushin, foreign investments are "the transfer of capital to establish control through participation in the management of companies in the host country. Uzbek scholars AV Vakhobov, Sh.Kh. Khajibakiev, and NG Muminov have studied: "the content, types, and forms of attracting foreign investments, their role in economic development, international movement of foreign capital, and attracting investments to free economic zones.

Professor D.Gh. Gozibekov stated that foreign investments represent the binding of the capital of an economic entity to another economy for a certain period, differing from domestic investments by a wider range of risks and characterized by changes in legal conditions and the investment environment, resulting in the movement of capital across countries and regions. In this theoretical view, foreign investments are tied to the investment environment in the host country, but the purpose of capital input is not reflected. According to Doctor of Economics N.Gh. Karimov: "Foreign investments are those investments made into the economy of another state, distinguished from domestic investments by a higher level of return."

Doctor of Economics NR Kuzieva stated: "Foreign investments are the placement of assets (movable, immovable, intellectual property, etc.) by foreign states, legal entities, or individuals into host countries to receive income in the future (profit, interest, dividends, license and commission fees, royalties, technical support, and other remunerations)." In her definition, risks and social benefits, as well as the term of capital input, are not specified. Ph.D. in Economics QB Khoshimov defined: "Foreign investments are all property, financial, and intellectual assets mobilized by foreign owners from one economy to another, in various sectors not prohibited by law, for a certain period, considering specific and uncertain risks, to achieve personal interests and relatively high returns." In his view, the possibility of foreign states acting as investors is ignored, and rights to tangible and intangible assets are not included.

According to the Law of the Republic of Uzbekistan on Investments and Investment Activity dated December 25, 2019: foreign investments are defined as "assets, including rights to them and intellectual property objects, invested by foreign investors in social, entrepreneurial, scientific, and other activities, including reinvestments." In this legal definition, the second subject of capital flows and the term of investment are not specified. In this regard, the author expresses his own view as follows, which seems appropriate: Foreign investments are the mobilization of capital by foreign investors into the objects of economic activity of another state, not prohibited by law, for a certain period, considering risks, and with the purpose of generating profit.

ANALYSIS AND RESULTS. Foreign investments can be classified according to their form, which allows for a selective approach. Foreign investments are divided into direct investments and portfolio investments. According to the statistics of the USA and the International Bank for Reconstruction and Development, as well as the description by the Organization for Economic Co-operation and Development (OECD), an investment is recognized as a direct investment only if the investor owns at least 10% of a company's shares. This threshold varies across countries: in the European Community, it is 20–25%, and in Canada, Australia, and New Zealand, it is 50%. According to the Law of the Republic of Uzbekistan on Investments and Investment Activity, direct foreign investments are understood as investments made by a foreign investor at their own risk and using their own or borrowed funds, without government guarantees. In classifying foreign investments, the following distinctions are made:

Net foreign investments (net FDI) – the value of foreign investments excluding withdrawals.

Reinvestments – the portion of profit from primary investment activities that is reinvested.

Disinvestments – withdrawals of invested capital.

Gross foreign investments (gross FDI) – the total foreign investments, calculated as the sum of net investments and reinvestments minus disinvestments.

These classifications are usually presented in

Table 1

1.	<i>According to shape</i>	Foreign direct investment
		Portfolio of foreign investments
		Other foreign investments

2.	<i>On statistical consideration</i>	Net foreign investment
		Foreign reinvestment
		Foreign disinvestment
		Gross foreign investment
3.	<i>According to sources</i>	Private foreign investments
		State foreign investments
		Foreign investments of international organizations
		Mixed foreign investments
4.	<i>According to the deployment directions</i>	Foreign investments
		Investments directed abroad
5.	<i>According to the implementation period</i>	Short-term foreign investments
		Medium-term foreign investments
		Long-term foreign investments
6.	<i>According to the purpose of implementation</i>	Production foreign investments
		Speculative foreign investments
		Hedged foreign investments
		Foreign investments in the form of debt
7.	<i>According to the form of capital being invested</i>	Foreign investments in the form of tangible assets
		Foreign investments in the form of money and financial assets
		Foreign investments in the form of intangible assets and intellectual property
		Conservative investments
8.	<i>According to the level of risk</i>	Aggressive investments

Also, in our opinion, depending on the initial purpose of the investment, foreign investments can be divided into: 1) production investments, that is, investments made purposefully in the production sector, taking into account time, liquidity and risk factors; 2) speculative, the main criterion for its implementation is to ensure the highest profitability in a short time and the main flow of "hot money" that will enhance the processes of destabilization of the global financial market; 3) hedging; 4) ensuring liquidity, strengthening one's position, etc. According to the level of risk, conservative investments, that is, investments with a low level of risk, are characterized by reliability and liquidity. Aggressive investments are high-risk investments with sufficient profitability and liquidity.

The effectiveness of attracting foreign investment in economic development is directly related to the country's investment climate. According to Sh.I. Mustafakulov: "the investment climate is the conditions in which investment processes take place, which is formed under the influence of political, economic, legal, social and other factors that determine the investment activity of the region and the level of investment risk." Economists A. Vakhabov, Sh. Khajibakiev, and N. Muminov emphasize the following about the investment climate: "The investment climate is a set of economic, political, legal, and social factors that determine the level of risk of foreign capital investments and the possibilities of their effective use in the country." Thus, the impact of foreign investments on the economy of the recipient state depends on the attractiveness of its investment climate (Table 2).

Table 2
The impact of foreign investment on the economy of the host country

Positive impact	Negative impact
<i>1) general economic efficiency:</i>	
Development of competition	Weakening of the position of local producers

Acceleration of economic growth	Deterioration of the quality of economic growth
Increasing the efficiency of the use of limited resources in the national economy	Risk of increased economic dependence and loss of economic independence
The possibility of filling the deficit of internal funds	Increasing cross-industry disparity
2) Financial and currency efficiency:	
An increase in capital inflows and an improvement in the balance of payments	Increased capital outflows and worsening balance of payments
Tax revenue growth	Repatriation of profits
3) socio-economic and environmental efficiency:	
Growth of population income and employment	Reduction of employment due to the use of advanced technologies that reduce the volume of work
Improvement of management in enterprises	Changes in the structure of consumption as a result of increasing influence of TMC
Increase labor productivity	Increasing population income differentiation and deepening of social inequality
Involvement of environmentally friendly technologies	Increase in environmentally harmful production
4) technological efficiency:	
Involvement of advanced technologies	Importing old technologies that do not meet modern environmental and cost-effective requirements
Acceleration of scientific and technical progress	Increasing technological dependence

In the early years of independence, the adoption of the Decrees of the President of the Republic of Uzbekistan dated July 24, 1992 "On the Procedures for Promoting Foreign Economic Activity, Attracting and Protecting Foreign Investments in the Republic of Uzbekistan" and " On Measures to Further Deepen Economic Reforms, Protect the Interests of Private Property and Develop Entrepreneurship" No. 745 dated January 21, 1994 initiated the process of attracting foreign investments, the rapid establishment of enterprises with foreign investment, and the development of their activities.

At the next stage of development of issues of attracting and insuring foreign investments, the Laws of the Republic of Uzbekistan No. 609-1 dated April 30, 1998 "On Foreign Investments" and "On Guarantees of the Rights of Foreign Investors and Measures to Protect Them" dated April 30, 1998 No. 611-1, and "On Investment Activities" dated December 24, 1998 No. 719-1 were adopted.

The still existing bureaucratic obstacles and obstacles in working with domestic and foreign investors in the country, especially in places where investors' initiatives are not properly supported by khokimiyats at all levels, and the lack of clear coordination of the activities of ministries and departments in this regard, hindered the strengthening of confidence in the consistency of state policy on the formation of a favorable investment climate. In order to regulate these issues, the Decree of the President of the Republic of Uzbekistan No. PF-5495 dated August 1, 2018 " On measures to radically improve the investment climate in the Republic of Uzbekistan" The decree was adopted.

Since foreign investments play an important role in the development of the national economy, the Ministry of Investments and Foreign Trade was established to coordinate the flow of foreign investments and form a unified state policy in the field of foreign trade and international economic cooperatio. Order to improve the existing investment climate in attracting foreign investments to the national economy, popularize the investment experience of the world's leading developed economies, and further increase the effectiveness of investment activities in the country, an in-depth analysis of international legal norms in the field of investment has led to the need to adopt a new version of the Law on Investment in the Republic of Uzbekistan. As a result,

December 25, 2019 On Investments and Investment Activities of the Republic of Uzbekistan was adopted. This law consolidated all the laws in the field of investment that were in force until the adoption of the current law and supplemented them with new chapters and articles. For example, Chapter 1, Article 3 of the law defines foreign direct investment, and Chapter 6, Article 35 introduces the concept of investment tax credit. The experience of developed countries shows that the successful attraction of foreign investment to certain regions of the country through the organization of special economic zones has proven itself in practice. Among the 123 countries where free economic zones operate, the United States has the largest number. For example, currently in the United States there are more than 230 free economic zones, which include three types: foreign trade, entrepreneurship and technology introduction zones (technoparks). Among Asian countries, China should be mentioned separately, where more than 102 free economic zones are currently operating.

To develop the activities of existing free economic zones, establish new special economic zones based on foreign experience, and regulate their activities, the Law of the Republic of Uzbekistan No. 604 of February 17, 2019 "On Special Economic Zones" was adopted. It was determined that special economic zones can be organized in the following types: free economic zones, special scientific-technological zones, touristic-recreational zones, free trade zones and special industrial zones. Currently, 21 free economic zones, including 7 pharmaceutical zones, 1 tourist zone and 143 small industrial zones have been established in our country.

Benefits and preferences applicable to enterprises with foreign investment in Uzbekistan are regulated by the Law of the Republic of Uzbekistan "On Investments and Investment Activities" dated December 25, 2019. Chapter 6, Article 39 of the Law on Taxes and Payments, Chapter 67, Articles 471-472 and Chapter 68, Articles 473 of the Tax Code of the Republic of Uzbekistan, and Article 297 of the Customs Code of the Republic of Uzbekistan, approved by the Law of the Republic of Uzbekistan No. ZUR-400 dated January 20, 2016, on approval of the Customs Code of the Republic of Uzbekistan,¹ are granted in accordance with the procedure established by law.

Conclusion

Foreign investments are the main driver of the development of the national economy. They provide not only financial resources, but also innovation, technology and professional experience. Tax and financial incentives, free economic zones and public-private partnership mechanisms have been introduced in Uzbekistan for investors, creating legal and economic conditions. This can create jobs in the country, increase export potential and ensure economic stability. At the same time, the stability of legal guarantees and minimal bureaucratic barriers ensure the long-term inflow of foreign capital and the global competitiveness of the national economy.

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¹Law of the Republic of Uzbekistan No. ZURQ-400 dated January 20, 2016 "On Approval of the Customs Code of the Republic of Uzbekistan". <https://lex.uz/docs/2876354>

