

The Role of Foreign Direct Investment in the Socio-Economic Development of the Country

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Annotation: The article discusses the economic nature and importance of foreign direct investment, the role and importance of foreign direct investment in the socio-economic development of the country, existing problems, analytical data, conclusions, proposals and recommendations for solving them

Key words: investment attractiveness, foreign direct investment, investment climate, investment policy, franchising, concession, modernization.

Introduction

Acceleration of the processes of globalization in the world requires increasing the possibilities of attracting direct foreign investments in the economy of the countries. Foreign direct investments are one of the most important factors in the development of the country's economy. "Global foreign direct investment will decrease by 12% to 1.3 trillion US dollars in 2022. The decrease is mainly due to lower financial flows and operations in developed countries. Real investment trends have become more positive with increasing announcements of existing new investment projects"¹.

Assessing the attractiveness and potential of the investment environment in accordance with the rapidly expanding investment processes in the world, the influence of the rational location of productive forces on them, determining the factors that cause natural-demographic, administrative-economic, socio-political differences between the regions, forming a balanced regional investment policy, improving the scientific basis of increasing the competitiveness of the national economy by ensuring investment activity is gaining importance.

The issues of using various means of attracting foreign direct investments are widely covered in the conducted researches. In particular, special attention is paid to venture, concession and franchising methods of investment attraction. However, the issues of targeting foreign direct investments based on the economic potential of the regions have not been thoroughly studied in scientific research.

¹ https://unctad.org/system/files/official-document/wir2023_Key_Messages_and_Executive_Summary_ru.pdf

Literature analysis. The problems of attracting foreign investments to production and their effective use are reflected in the researches of foreign economists J. Dunning, R. Vernon, Stephen Hymer, F. T. Knickerbocker and other scientists.

Strategic leverage-seeking foreign direct investment occurs when businesses invest in a foreign country to fulfill their long-term strategic goals. For example, a multinational enterprise can form an association with another enterprise in a foreign country to carry out mutually beneficial research and design works. The division of foreign direct investments into resource-, market-, efficiency- and strategic-seeking types based on the factors that motivate them is based on the theories of J. Dan². Now we will focus on the origin of the main theories of foreign direct investment. R. Vernon focuses on problems such as the relationship between foreign direct investment and international trade, the life cycle of goods in the theory of international commodity production³. In this theory, the author combines the elements of international economic relations, such as international trade, production and the reasons for the movement of entire industries, with marketing theory (product life cycle curve).

Within the framework of the theory of transnational companies and weak competition, Canadian economist Steven Hymer analyzed the competitiveness of transnational companies (TNCs) and their international activities in his research⁴. For foreign investors, making production investments abroad entails more risks and costs than organizing production in the domestic market. But they take advantage of the imperfection and sluggishness of competition in foreign markets. F. T. Knickerbocker studied the relationship between oligopolistic structures and foreign direct investment in the theory of oligopoly and foreign direct investment⁵. The results of his 20-year study of the international activities of 187 American companies showed that in oligopolistic industries, national competitors unwittingly follow market leaders. This follow-up strategy was followed for 3 years from the time of the first investment in 45% of cases, and for 7 years in 75% of cases. H. Graham further improved this model by explaining the nature of investment activities of European multinational companies. He found that the purpose of these corporations was not to compete with their European competitors in the United States, but to oppose the strategies of American companies in Europe.

Also, the specific scientific and practical aspects of the existing problems in this

² Dunning, John, 1981. International Production and the Multinational Enterprise. Allen & Unwin, London.

³ Vernon R. International investment and international trade in the product cycle // Quarterly Journal of Economics. 016. № 80. P. 190-207.

⁴ Stephen Hymer, the Multinational Firm and Multinational Corporate Capital.

https://www.researchgate.net/publication/267547912_Stephen_Hymer_the_Multinational_Firm_and'_Multinational_Corporate_Capital

⁵ Rugman A., Verbeke A. A perspective on regional and global strategies of multinational enterprises // Journal of International Business Studies. 2014. V. 35. № 1. P. 3-18

regard have been researched by several economists-scientists of our republic, including A. Bekmuradov, B. Berkinov, A. Vakhobov, A. Isadjanov, N. Karimov and others⁶.

Research methodology. Methods such as abstract-logical thinking, generalization, etc. are used to cover this topic.

Analysis and discussion of results. Foreign direct investment is a type of cross-border investment in which a resident of one economy invests in an enterprise resident in another economy to control or significantly influence its management. In this case, at least 50 percent plus one voting right of the enterprise is required to control the management, and 10-50 percent voting right is required to have a significant influence on it.

In the experience of international statistics, a different concept of direct investment is used. For example, according to the definition of the International Monetary Fund, investments are considered direct investment only if the foreign investor owns at least 25 percent of the shares of the enterprise. According to the statistics of the United States and the International Bank for Reconstruction and Development, and according to the description of the Organization for Economic Cooperation and Development, such investments are recognized as direct investment only if they own at least 10 percent of the company's shares. This indicator is 20-25% in the countries of the European Community, 50% in Canada, Australia and New Zealand⁷.

In the Law of the Republic of Uzbekistan on December 25, 2019 on Investments and Investment Activities: foreign direct investment is defined as the investment of a foreign investor without government guarantees, at the expense of own funds or debt funds. In most developing and transition economies, foreign direct investment tends to be resource-seeking in nature. The wealth of raw materials and labor resources of the recipient countries can be cited as motivating factors for this type of investment. The abundance and cheapness of natural resources such as oil, gas, minerals, metals,

⁶Бекмуратов А.Ш. Глобальные тренды на мировых финансовых рынках и проблемы привлечения технологических инвестиций для реализации промышленной политики Узбекистана// Молия ва банк иши электрон илмий журнали. №2, январь, 2016 й.; Berkinov B.B. То'g'ridan-to'g'ri xorijiy investitsiyalar samaradorligi// Iqtisodiyot va innovatsion texnologiyalar. №5, 2015 у.; Вахобов А.В., Г.Х.Разиқова, Ш.Х.Хаджибакиев Иностранные инвестиции и модернизация национальной экономики. Т.: «Молия» 2011 г.-124 с.; Исаджанов А.А. Узбекистан: потенциал инвестиционного сотрудничества// Иностранные инвестиции в Республике Узбекистан. №1, 2008 й.; Karimov N.G'. Iqtisodiy integrallashuv sharoitida investitsiya faoliyatini moliyalashtirishning bozor mexanizmlarini joriy etish masalalari. – Т.: Fan va texnologiya, 2007. -214 b

⁷Доклад Всемирного банка / World Development Report 2011: A Better Investment Climate for Everyone (World Development Report) // The International Bank for Reconstruction and Development / The World Bank. 2010.

and the availability of cheap labor in these countries encourage the attraction of resource-seeking investments. Products produced as a result of this type of investment are mainly exported.

Before the emergence of international companies, all foreign investments were in the form of portfolio investments. Foreign direct investments began to develop from the 20s of the 20th century, but in these years the volume of portfolio investments was twice as large as the volume of direct investments. The implementation of foreign direct investments through the activities of certain financial-industrial groups, international firms, and transnational corporations gives them a certain advantage.

Foreign direct investments are easier to manage than portfolio investments, and their "rules of the game" are more precise. This situation is important in regulating the market economy. In general, direct foreign investment is an important factor in the sustainable development of regions, it creates the conditions for spending sufficient investments in the region, and the rapid development of production, while forming the basis of expanded reproduction. It is known that any country cannot develop without studying world experiences, without accepting the achievements of the world's leading countries in the field of science, science and technology.

Therefore, almost all economic entities are well aware that the future development of the country's economy depends mainly on investments, especially on direct investments based on the risk that may arise in business and mutual trust. In order to create the most favorable investment environment for attracting foreign direct investment in the country, liberalizing the economy, reforming public administration, limiting interference in the activities of business entities, reducing and simplifying licensing and permitting procedures, ensuring free access to goods (works and services) , as well as large-scale measures to create the necessary infrastructure in the regions should be implemented.

At the same time, in working with investors, especially in the localities, the initiatives of investors are not properly supported by all levels of governments, there are still bureaucratic obstacles and pitfalls related to the lack of clear coordination of the activities of ministries and agencies in this regard. prevents strengthening. It is impossible to carry out structural changes and modernize the economy, re-equip enterprises with modern equipment and launch competitive production without attracting foreign direct investments, especially without expanding the participation of foreign investments in leading industries.

Attracting foreign direct investment to the economy of rapidly developing countries allows development of the leading sectors of the economy on the one hand, but on the other hand, it creates difficulties in the issue of placing these processes in connection with the potential of regions and natural resources

Table 1
Foreign direct investment flows by world region⁸

Regions	2019		2020		2021		2022	
	Volume (billion USD)	Growth rate (%)	Volume (billion USD)	Growth rate (%)	Volume (billion USD)	Growth rate (%)	Volume (billion USD)	Growth rate (%)
According to the world	1540	3	999	-35	1478	48	1295	-12
Developed countries	800	5	312	-58	597	91	378	-37
Europe	429	18	73	-80	51	-30	-107	-
North America	297	0	180	-42	453	51	338	-26
Developing countries	685	-2	663	-8	881	33	916	4
Africa	45	-10	40	-16	80	20	45	-44
Asia	474	-5	535	4	662	24	662	0
Latin America	164	10	88	-44	138	57	208	51
Transition economy	55	59	24	-58	-	-	-	-

⁸Compiled by the author based on UNCTAD data.

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According to Table 1, global flows of foreign direct investment (FDI) decreased by 12% in 2022 compared to 2021 (the volume of FDI in 2021 was 1.48 trillion US dollars) and 1.3 trillion. amounted to US dollars. In terms of grouping the countries of the world according to the level of economic development, by the end of 2022, the volume of FDI flows has decreased by 37% in developed countries, including 26% in developed North American countries, and 44% in Africa. 4 percent in developing countries, unchanged in Asian countries, and 51 percent growth was observed in Latin America.

The global political crisis, the war in Ukraine, the increase in the prices of food, energy and debt funds caused a decrease in the volume of TTXI flow. Uncertainty in the global capital market, rising interest rates have had an impact on the conditions of international project financing and cross-border mergers.

Conclusions and suggestions. The role of foreign investments, first of all, direct investments, is incomparable in the implementation of programs for further deepening of structural changes in the national economy, acceleration of investment activities of enterprises, modernization of production, technical and technological rearmament.

Investments play the role of improving the structural structure of production and ensuring reproduction processes in the national economy. The investment policy of the state is purposefully aimed at accelerating the priority directions of economic development. Strengthening the position of the national economy in the world economy, raising the level of competitiveness of national producers in the world market, modernizing the technical structure of the industry, among other factors of state policy, are implemented through investment policy.

In order to achieve effective use of foreign direct investments in increasing the stability of the national economy in Uzbekistan, the following suggestions and recommendations can be made:

1. Improvement of the legal framework and legislation regulating investment activity.
2. Improving the quality of state institutions in investment management through deep institutional changes in our country.
3. Expanding the activities of special economic zones and improving their efficiency.
4. Acceleration and expansion of production infrastructure development processes in the regions.
5. Organization of rational use of labor force and increase of labor productivity by increasing the quality of personnel training in the active absorption of investments.

6. To ensure the acceleration of capital circulation through further development and improvement of the bank's infrastructure.

7. Fundamental change of approaches in the field of corporate management and development of the securities market.

8. Liberalization of foreign economic activity and promotion of export.

9. To increase the weight of processed and ready-made products in export, to develop regional industries, especially to increase the processing of cotton and agricultural products, and to attract foreign investments in this area.

Ensuring the rapid modernization and technical re-equipment of the enterprises operating in our country today, organizing new and modern production capacities in the automotive industry and gas-chemistry, electrical engineering and textiles, food and pharmaceuticals, information and telecommunications networks and other areas operating on the basis of high technologies. active investment policy is given priority.

In the future, it is desirable to attract sources of investment financing to the economy of our country in the following directions: state budget funds - for scientific and technical development (creation of new varieties, development of new technologies), irrigation and land reclamation activities; to organize enterprise funds - entrepreneurship support and processing enterprises; population savings - measures to eliminate unemployment, create additional jobs and social development in general; encouraging foreign investments - production of environmentally friendly, competitive finished products, effective use of agricultural resources, support for export; to strengthen activities such as wide promotion, analysis, evaluation and approval of information on the investment environment in our country, investment opportunities of the leading sectors of the national economy, companies and organizations in the international arena; aimed at creating new production and networks that provide a competitive product, organizing the saving of re-production reserves, introducing advanced methods of managing modern achievements of science and technology into production in order to achieve diversification processes, and encouraging the attraction of foreign direct investment in small business and private entrepreneurship activities measures should be activated.

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