



ADVANCED FOREIGN EXPERIENCES IN ATTRACTING INVESTMENTS TO THE AGRICULTURAL SECTOR

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ABSTRACT

The article studies the scientific and theoretical foundations of attracting foreign investment to the agricultural sector. The definitions expressing the content and essence of investments are analyzed and their specific features are identified. The role of foreign investment in the development of the agricultural sector, in contrast to domestic investment, is revealed. The features, goals, forms and stages of attracting foreign investment to the agricultural sector are highlighted. Factors affecting the investment environment in the agricultural sector are described and classified. Based on the results of the research, practical recommendations are developed for the development of attracting foreign investment to the agricultural sector.

KEY WORDS

Agrarian, agrarian sector, agriculture, investment, investment activity, foreign investments, investment environment, fixed capital, working capital, production funds, labor productivity, agriculture, forestry and fisheries, investment projects, risks.

Introduction

Investments play a very important role in implementing structural reforms in the economy of Uzbekistan. Because the modernization and retraining of the productive forces in our republic require huge capital investments. The improvement of agriculture, which is considered a strategic sector of the economy, is also one of the priority areas today. However, factors such as the privatization of property and the development of private property relations, the reduction in the volume of large state investments directed to agriculture, which is constantly in need of financial support due to the specific requirements of a market economy, the disparity in prices set for the products of this and other sectors, the disruption of the system of supplying raw materials and working capital to enterprises producing agricultural products, and the high level of obsolescence of productive forces have led to a decrease in the level of profitability in the enterprises of the sector, and the greater allocation of funds to consumption, which has led to a decrease in the volume of investments.

In this regard, the insufficient experience gained in the Republic of Uzbekistan in the conditions of market relations and requirements makes it necessary to study the experiences of developed countries. Accordingly, it is vital to develop directions for actively attracting foreign investment to the sector and improving the system of financing investment activities, taking into account the national, socio-economic development characteristics of Uzbekistan, based on a thorough study of the experiences of

investing in agriculture and increasing the investment activity of enterprises in the sector in developed countries.

If we look at world experience, many developed countries direct large investments to the development of agriculture. For example, in the UK, many types of assistance were provided free of charge to farms until 1971. Even today, large subsidies are allocated to agriculture.

World experience shows that farming is a highly efficient form of economic activity. Therefore, in the USA, the Netherlands and other foreign countries, farms are considered the main producers of agricultural products, and solving their problems directly has a significant impact on the development of agriculture as a whole.

Literature Review

A number of scientific studies have been conducted by foreign and domestic economists on attracting foreign investments to the agricultural sector, practical results have been achieved, and scientific conclusions have been formulated. In this regard, first of all, it is possible to theoretically substantiate the content and characteristics of the concepts of "agrarian sector", "investments", "foreign investments", and then, paying special attention to each of them, consider the issue of improving the mechanism for attracting foreign investments to the agricultural sector. In existing scientific sources, the concept of "agrarian" (Latin *agrarius* - relating to land, field) means land-water relations, land ownership and land-water use.

The concept of "agricultural sector" can be interpreted in two ways. In the narrow sense of the word, it is agriculture, that is, the production of food and agricultural raw materials for processing industries. In the broad sense, in the process of evolution of the agrarian sector, independent industrial sectors began to separate from agriculture, taking over the functions previously performed by agricultural producers: the production of means of production for agriculture, processing, packaging, storage and transportation of agricultural products, work on the introduction of mineral fertilizers, land reclamation, a whole system of production services for the agricultural sector.

A whole chain of economic sectors closely related to the agricultural sector has been formed, and the totality of these sectors has been called the agro-industrial complex. "Today, the main producers of agriculture in our republic are farms, peasant farms or private subsidiary farms of the population, as well as organizations carrying out agricultural activities" [1]. The agricultural sector is an important sector of the economy aimed at providing the population with food and obtaining raw materials for a number of industrial sectors. As the most important link in the agro-industrial complex, agriculture is distinguished from other sectors of the economy by the seasonal nature of production, the use of land as an object and means of labor, and its strong dependence on natural conditions. From this point of view, this sector is constantly in need of investments.

According to economists M. Donkt, F. Chan, A. Silvestri, "foreign investments in the agricultural sector intensively develop the production of agricultural products (services) and increase labor productivity. In most developing countries, the lifestyle of households relies on the agricultural sector, and their well-being directly depends on the effective use of the resources at their disposal" [2]. Indeed, foreign investments in fixed capital in agriculture lead to an increase in the volume of agricultural GDP, while intensive development ensures labor productivity based on the use of resource-saving techniques and technologies in agriculture.

According to D. Alimjonova, “foreign direct investment in the agricultural sector is the most effective way to achieve economic growth in agricultural production. In this case, investing in agricultural enterprises involves establishing control to one degree or another, otherwise the risk of non-return of funds is high. Therefore, it is necessary to attract foreign investment in the agricultural sector in the form of establishing a joint venture” [3]. However, there are specific requirements for attracting foreign direct investment in the agricultural sector. In particular, “according to the definition of the International Monetary Fund (IMF), foreign direct investment means that a foreign owner owns at least 25 percent of the authorized capital of a joint-stock company. According to US legislation, this figure is at least 10 percent, in the European Union countries - 20-25 percent, in the Russian Federation - 10 percent, in Canada, Australia and New Zealand - 50 percent” [4]. The legislation of Uzbekistan recognizes “investments of a foreign investor without government guarantees, at the expense of his own funds or borrowed funds, in risky conditions, as foreign direct investment” [5]. In our opinion, the attraction of foreign direct investment in the agricultural sector is carried out by establishing new enterprises in agriculture and purchasing or merging existing ones, and the goal of foreign investors is not only to receive income, but also to expand the sphere of influence, to ensure future mutual financial benefits, and to obtain the right to directly participate in the management of the enterprise.

Research Methodology

Economic research methods such as data collection, analysis, synthesis, logical reasoning, and grouping were used to study scientific research conducted by world economists on the role and importance of foreign investment in the development of the agricultural sector.

Analysis and Results

It can be noted that there are two approaches to clarifying the essence of foreign investments in the agricultural sector: the first is the set of resources necessary for the reproduction of fixed and circulating production funds in agriculture; the second is the costs associated with the targeted formation of fixed and circulating production funds.

The results of the conducted research and comparative studies show that the role of foreign investments in the development of the agricultural sector, unlike domestic investments, is determined by the following:

- Foreign investment is an additional source of capital, significantly increasing the country's resources for the modernization and technical re-equipment of fixed assets in agriculture, ensuring the development of agriculture through the implementation of an agrarian investment policy, and filling the market with competitive goods and services;
- It serves as a source of funds for the introduction of advanced technologies, know-how, modern management and marketing methods in agriculture;
- The issues of training personnel who effectively use new technologies, market mechanisms and international experience in the agricultural sector are positively resolved;
- It ensures the profitability of foreign investors' investments in the agricultural sector and at the same time accelerates the process of forming a favorable investment climate for local and foreign investors;
- It contributes to the development of effective integration processes in agriculture, the integration of the national economy into the world economy, and supports the skillful use of the advantages of the international division of labor.

Investments will be made in all sectors of the agricultural sector, in particular: industrial enterprises supplying agricultural inputs, mineral fertilizers and chemicals; farms and dehqan farms, agro-firms and other agricultural enterprises; enterprises performing tasks such as processing and selling agricultural products; and sectoral enterprises servicing agricultural infrastructure, ensuring their economically sustainable operation.

In world experience, foreign direct investment in the agricultural sector is carried out through the establishment of joint and foreign enterprises, the transfer of shares from the parent company to a subsidiary of the host country, the reinvestment of profits from subsidiaries, and the provision of corporate loans from the parent company to a subsidiary located in the host country. One of the popular forms of attracting foreign direct investment in agriculture is the establishment of new enterprises and the acquisition or purchase of existing enterprises. In international practice, foreign direct investment is understood as capital investments directed to production, in which there is investor participation in the management of the enterprise. In particular, "the fact that the investor owns at least 10 percent of the shares of the enterprise indicates that it is a direct investment." Also, investments that provide for the investor's goals such as "establishing effective control over the management of the enterprise, long-term mutually beneficial cooperation, the creation of new property complexes, and the further development of the enterprise's activities"[6] are considered foreign direct investments.

According to the results of the study, foreign direct investment is an investment made by a foreign investor, legal entity or individual, who owns the enterprise in full or in part or controls at least 10 percent of the share capital of the enterprise, that is, has the right to participate in the management of the enterprise. At the same time, such investments are mainly directed to the development of production and the renewal of fixed capital. Thus, the attraction of foreign direct investment in the agricultural sector represents expenditures on agriculture, the purchase of machinery, equipment, vehicles, etc.

During 2019-2023, investments in the agricultural sector as a share of fixed capital investments in the countries of the Eurasian Economic Union (EEU) had a downward trend (Table 1).

Table 1 Dynamics of investments in the agricultural sector as part of investments in fixed capital in the countries of the Eurasian Economic Union (million US dollars) [7]

| Indicators | 2019-y. | 2020-y. | 2021- y. | 2022- y. | 2023- y. |
|--------------------------------|---------|---------|----------|----------|----------|
| Eurasian Economic Union | | | | | |
| Fixed capital investments | 348519 | 327723 | 361310 | 468125 | 456987 |
| of which: agricultural sector | 16042 | 15030 | 16663 | 20190 | 18865 |
| Armenia | | | | | |
| Fixed capital investments | 938 | 887 | 1014 | 1371 | 1579 |
| From that: agricultural sector | 40 | 30 | 41 | 40 | 33 |
| Belarus | | | | | |
| Fixed capital investments | 13788 | 12046 | 12221 | 10781 | 11911 |
| From that: agricultural sector | 1621 | 1574 | 1714 | 1741 | 1921 |
| Kazakhstan | | | | | |
| Fixed capital investments | 32859 | 29713 | 31083 | 33120 | 39543 |
| From that: agricultural sector | 1293 | 1369 | 1813 | 1847 | 2150 |
| Kyrgyzstan | | | | | |
| Fixed capital investments | 2324 | 1594 | 1452 | 1657 | 1918 |
| From that: agricultural sector | 46 | 30 | 32 | 37 | 25 |
| Russian Federation | | | | | |
| Fixed capital investments | 298610 | 283483 | 315540 | 421196 | 402036 |
| From that: agricultural sector | 13043 | 12027 | 13063 | 16525 | 14737 |

In particular, in 2023, the share of investments in the agricultural sector in the structure of investments in fixed capital amounted to 4.1 percent, which is a decrease of 0.5 percentage points compared to 2019, while investments in fixed capital increased by 1.3 times. Firstly, the growth rate of investments in fixed capital was higher than the growth rate of investments in the agricultural sector, secondly, during the analyzed period, investments in all types of construction work in the EOI countries, in particular, investments in equipment installation, purchase of machinery, equipment, vehicles, equipment and farm inventory, other capital works and expenses, etc., had growth rates, and thirdly, investments in the agricultural sector had a downward trend (Table 1). Although the volume of investments in fixed capital in all EAEU countries increased during 2019-2023, a downward trend was observed, with investments in the agricultural sector as a share of investments in fixed capital decreasing by 2.2 percentage points in Armenia and by 0.7 percentage points in Kyrgyzstan and the Russian Federation.

Conclusion

Taking into account the economic potential of the agricultural sector and based on the country's near-term development strategy, it can be noted that agriculture will remain the leading sector of the economy in the coming years. For this reason, a comprehensive and in-depth study of the financial foundations of the development of this sector is a requirement of the time. In particular, the issue of attracting foreign investments to enterprises engaged in production in the sector (agriculture, forestry and fisheries) and developing financing of investment activities remains an extremely urgent task. In our opinion, the following recommendations are appropriate to use in activating the attraction of foreign investments in the agricultural sector:

Exemption from customs duties of all types of agricultural machinery and aggregates, as well as their components and spare parts, imported from abroad by agricultural enterprises, manufactured no more than three years ago, ensures the timely and high-quality implementation of agrotechnical measures necessary for the production of agricultural products in the agricultural sector, satisfies the demand for agricultural machinery in the sector, and encourages the provision of agricultural enterprises with modern and intensive equipment;

Within the framework of investments allocated to leasing companies by international financial institutions, it is necessary to develop leasing of agricultural machinery and aggregates to self-employed persons and individual entrepreneurs. This will further stimulate the provision of modern agricultural machinery to the agricultural sector. In particular, it will create the opportunity for any legal or individual entity to purchase agricultural machinery from any economic entity without any restrictions and on a competitive basis.

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