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ATTRACTION DIRECTIONS OF FOREIGN INVESTMENTS IN TERMS OF INVESTMENT ENVIRONMENT ATTRACTIVENESS

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A B S T R A C T

The article analyzes the main directions of attracting foreign investments based on the concept of investment environment attractiveness. Investment environment attractiveness is a set of factors that determine a country's or region's potential to attract investors. The study examines how economic, political, legal, social, and infrastructural factors affect investment attractiveness. Additionally, it considers incentives created for foreign investors, free economic zones, tax benefits, and government support mechanisms.

K E Y W O R D S

Investment environment, investment attractiveness, foreign investments, attracting investments, free economic zones, tax incentives, public-private partnership, innovation, export, economic policy, infrastructure, investors, investment strategy, economic development, international experience, investment policy.

Introduction

The concept of investment environment attractiveness reflects a country or region's ability to attract investors and is an important factor for economic development. The quality and conditions of this environment play a significant role in attracting foreign investments. In recent years, many countries, including Uzbekistan, have been developing policies aimed at improving the investment environment and creating favorable conditions for investors. This article examines the main directions for attracting foreign investments based on the concept of investment environment attractiveness. The research focuses on analyzing economic, political, legal, and social factors, while also considering investment areas such as innovative sectors, export-oriented production, and public-private partnerships.

Analysis and Result

In today's process of globalization, attracting investments and efficiently directing them is a key factor in the economic development of countries. Especially within the "New Uzbekistan" development strategy, economic liberalization, increasing the share of the private sector, and creating a favorable investment environment are prioritized directions. From this perspective, financial mechanisms play an indispensable role in supporting and stimulating investments.

In recent years, systematic reforms aimed at encouraging investment activities have been implemented in our country, creating favorable conditions for both foreign and domestic investors. Financial institutions, banking systems, investment funds, and other financial instruments play a crucial role in this process. At the same time, the need to introduce and improve financial mechanisms that meet modern economic demands is increasing.

The main directions for enhancing the attractiveness of the investment environment and attracting foreign investments include: improving legislation, providing tax incentives and preferences, reducing administrative barriers, developing infrastructure, directing investments to strategic sectors of the economy, and offering additional services to investors.

In the modern global economy, the attractiveness of the investment environment is a decisive factor in ensuring a country's economic growth, technological renewal, and competitiveness. Particularly important is the presence of a stable, open, and predictable investment environment for attracting foreign investments. From this point of view, investment attractiveness is defined not only by existing economic indicators but also by institutional stability, legal protection, infrastructure development, human capital, and the investor-friendliness of state policies.

Foreign investors consider a number of factors when investing in a country. The main ones include:

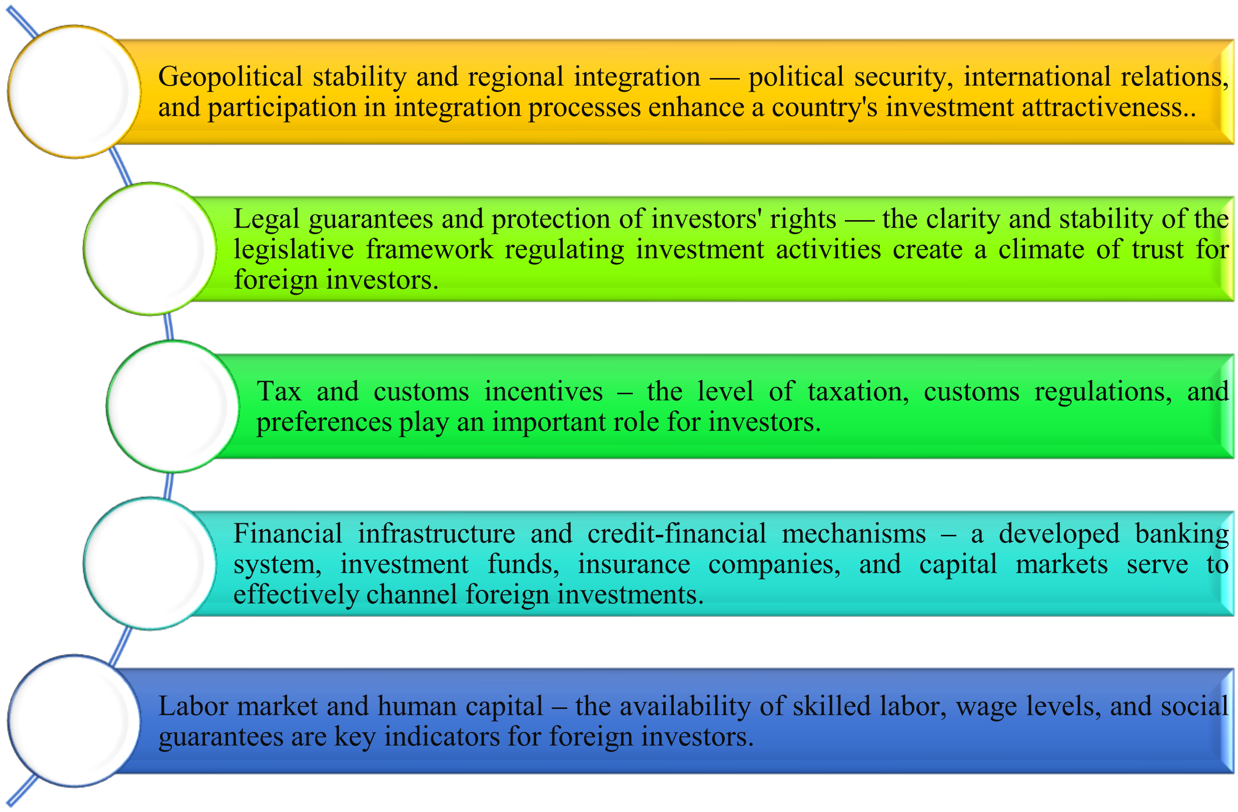

Figure 1. Key Factors Influencing Foreign Investors to Invest in the Country

In the context of New Uzbekistan, extensive reforms are being implemented in these directions. Notably, within the framework of the Ministry of Investments, Industry, and Trade, the expansion of "One Stop Shop" services, cooperation with international arbitration institutions for resolving investment disputes, as well as the increase in the number of special economic zones and technoparks, are creating additional conveniences for foreign investors.

Furthermore, the development of digitalization and the “Electronic Government” system ensures transparency of public services and reduces the risk of corruption, which directly contributes to increasing the attractiveness of the investment environment. Thus, a comprehensive approach to enhancing investment environment attractiveness in attracting foreign investments—a strategy based on the harmony of institutional, legal, economic, and technological factors—is of great importance.

Effectively attracting foreign investments is today one of the main factors determining the competitiveness of countries. Ensuring the attractiveness of the investment environment is achieved not only through individual measures or short-term incentives but through a broad, interconnected, and systematic approach known as the investment ecosystem (i.e., a complex environment supporting investments).

An investment ecosystem is an integrated system of all economic, institutional, legal, and social factors that create a favorable, stable, and attractive investment environment for foreign and local investors. Within this ecosystem, the following structural elements stand out:

Table 1 Investment Environment Attractiveness in the Context of Foreign Investment Attraction Ecosystem

Legal and Economic Infrastructure	Institutional Environment	Financial Infrastructure	Infrastructure Factors	Human Capital and Innovation Potential
Legislation protecting investors' rights; mechanisms for resolving investment disputes (including the possibility of recourse to international arbitration); freedom of contract and guarantees of property rights.	Investment promotion agencies (e.g., "UzInvest"); public-private partnership institutions; service delivery system based on the “One Stop Shop” principle.	Credit mechanisms and reliability of the banking system; availability of capital markets, stock exchanges, and venture funds; insurance and guarantee systems.	Transport and logistics systems (roads, railways, airports); electricity, water, and telecommunications services; special economic zones and technoparks.	Availability of skilled labor; higher education and research institutions; development of an innovative environment and startup ecosystem.

Today, the attractiveness of the investment environment is formed not simply by a collection of separate factors, but through an integrated and continuously functioning investment ecosystem. The comprehensive development of this ecosystem in the country plays a crucial role in strengthening foreign investors’ confidence and accelerating economic growth. Therefore, in New Uzbekistan’s investment policy, the consistent improvement of every link in this system is recognized as a pressing priority.

In the context of globalization and economic integration, foreign direct investment serves as a vital factor for any country’s economic development, competitiveness, and technological innovation. The volume and quality of foreign investment flows directly depend on the attractiveness of the investment environment created in the country, institutional stability, and the openness and reliability of economic policies. In New Uzbekistan, attracting foreign investments is recognized as one of the state policy’s priority directions, with comprehensive reforms being implemented in this regard. By improving the investment environment, expanding the activities of free economic zones, and enhancing tax and customs incentives, favorable conditions are being created for foreign investors.

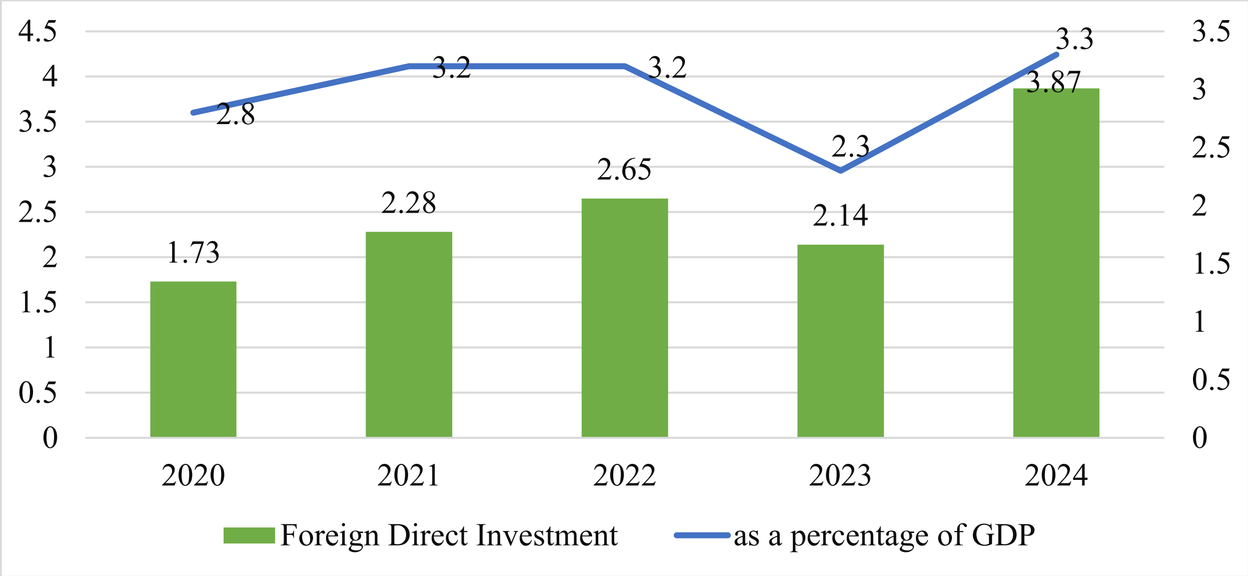

Figure 2. Foreign Direct Investment Inflows in Billion USD and Their Percentage Share of GDP

According to statistical data, the volume of foreign direct investment (FDI) attracted to Uzbekistan fluctuated from 2020 to 2024. In 2020, this figure amounted to 1.73 billion USD, while by 2024 it had increased to 3.87 billion USD. Additionally, the ratio of FDI to Gross Domestic Product (GDP) also changed, rising from 2.8% in 2020 to 3.3% in 2024. This indicates growing investment activity in the country and strengthened confidence among foreign investors.

The attractiveness of the investment environment is currently one of the key factors determining the global competitiveness of national economies. Many factors interact in attracting foreign investments, including economic stability, the political environment, legal guarantees, infrastructure quality, and the simplicity of the taxation system. In recent years, reforms aimed at increasing investment attractiveness have intensified in developing countries such as Uzbekistan.

Analysis shows that free economic zones, tax incentives, and public-private partnership projects stand out as effective mechanisms to improve the investment environment. Innovative technologies, high value-added production, and export-oriented sectors are especially attractive to foreign investors.

Focusing on trends, there is growing attention to diversification and high-tech sectors in global investment flows. At the same time, sustainability, environmental requirements, and social responsibility have become important factors for investors. This calls for strengthening the directions of the "green economy" and digitalization in investment policy.

Conclusion

The attractiveness of the investment environment is a key factor in attracting foreign investors to a country or region and is an important condition for economic growth and development. Research results show that economic, political, legal, and social factors significantly influence investment attractiveness. Mechanisms such as free economic zones, tax incentives, state support measures, and public-private partnerships are effective tools for attracting foreign investments.

Innovative technologies, export-oriented production, and infrastructure projects have been identified as priority areas for investment. Additionally, based on international experience, the need to improve investment policies and create a more favorable environment for investors has been emphasized. Going forward, enhancing the investment environment by improving legislation, removing bureaucratic barriers, and providing guarantees to investors is one of the urgent tasks. This approach will increase the competitiveness of the country's economy and achieve sustainable economic growth.

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