



ATTRACTING FOREIGN INVESTMENT AND MODERNIZATION PROCESSES IN THE CONTEXT OF THE DIGITAL ECONOMY

Qurbanov Azizbek G‘ulom o‘g‘li
Basic Doctoral Student, Tashkent State University of Economics
Azacious.kurbanov@gmail.com
<https://orcid.org/0009-0003-2375-7161>

ABSTRACT	KEY WORDS
<p>This article examines the improvement of investment policy in Uzbekistan, economic modernization, and the development of the digital economy. It highlights the importance of attracting foreign investments, improving the investment climate, and their impact on economic growth. The study also analyzes the efficient use of investment resources, industrial development, and the application of international experience. As a result, scientific conclusions are formulated to enhance national economic competitiveness and ensure sustainable development.</p>	<p>Investment policy, foreign investments, economic growth, digital economy, investment climate, modernization, industrial development, capital investments.</p>

Introduction

Today, in the process of ongoing reforms in our country, special attention is being paid to the technical and technological modernization of the economy, the implementation of structural changes, the expansion of export potential, and the attraction of investments. It is considered important to increase the efficiency and resource-saving capacity of the national economy, create a favorable investment and business environment, attract foreign direct investment, modernize the economy through technical and technological renewal, and further deepen scientific research aimed at developing the digital economy by directing investment processes toward a competitive, high-tech knowledge-based economy.

In the context of Uzbekistan’s transition to an innovative economy, it is necessary to improve the theoretical foundations for increasing the impact of investment on the quality of economic growth, expressed in the transformation of GDP into public welfare. This requires scientific research focused on studying both quantitative and qualitative changes in investment processes.

LITERATURE REVIEW

Ensuring investment attractiveness, maintaining its continuous flow in each country, improving the investment climate in a comprehensive manner, increasing the efficiency of investors’ activities, and reforming international investment integration have been the subject of research by numerous scholars for decades.

Benjamin Graham, Edwin Lefèvre, Paul Krugman, John C. Bogle, Khan M.C., Villanueva D., and many other Western scholars have conducted significant research in the field of investment. Their studies focus on the impact of investment on national economic development, methods of evaluating investment efficiency, and the role of investment in scientific progress and technological growth.

In particular, the works of Askinadzi B., Maksimova F., Zimin A.I., Igor Klyushnev, Tamara Teplova, Dmitry Panchenko, Mann, Ivanov, Ferber, and many others provide deep theoretical and practical insights into ways of increasing investment attractiveness. Their research includes approaches to combining Eastern and Western experiences in improving investment efficiency, considering national interests, and analyzing political factors related to investment processes.

Most authors define investments as funds allocated for the reproduction, preservation, and expansion of capital. A similar approach is supported by scholars in Uzbekistan. According to D. Gozibekov, “investments are the transformation of capital into assets for the purpose of preserving its current value and/or increasing its accumulated value. Therefore, during this period, they are not consumed but are tied to specific objects and processes for a certain time, during which they are exposed to certain and uncertain risks.”

In some Russian economic literature, investments are defined as monetary expenditures aimed not at consumption, but at obtaining higher future income or social benefit through the reproduction of social or private capital. In other sources, investments are described as all types of financial, material, and intellectual contributions to various sectors and investment projects aimed at achieving profit or other final results.

According to some Uzbek scholars, investment is the allocation of financial, material, and intellectual resources—regardless of ownership form—by individuals, legal entities, or the state engaged in entrepreneurial activity, into any lawful business object for the purpose of obtaining economic and social benefits.

In our view, all the definitions provided by the above-mentioned authors adequately reflect the economic essence of investment and are consistent with the current conditions and requirements of the market economy.

RESEARCH METHODOLOGY

In conducting this research, a systematic approach, grouping, comparative analysis, economic analysis, and comparison methods were applied. These analytical methods are particularly useful in studying the development features of international economic relations in the context of the “New Uzbekistan” strategy. They also provide a basis for comparing and evaluating the normative and legal frameworks supporting foreign economic policy and international cooperation, identifying modern trends, and drawing relevant conclusions.

ANALYSIS AND RESULTS

In the context of economic globalization and market economy requirements, intense global competition for attracting investments continues steadily. The liberalization of foreign economic activity, improvement of legal, socio-economic, and institutional conditions for attracting foreign direct investment, implementation of an open-door policy toward foreign investors, and directing financial resources toward priority sectors ensuring economic independence and production of competitive goods are the main principles of investment policy in the Republic.

It is widely recognized that investments influence the rate and scale of expanded reproduction in the economy, support scientific and technological progress, and ensure employment for a large part of the population. This is largely due to institutional changes in the economy, rational allocation of productive forces, and overall investment activity.

The creation of new production capacities and the maintenance of existing fixed assets are also carried out through investment processes. Uzbekistan's economic policy is characterized by clear industrial priorities, where foreign investments and credits play a significant role. Attracting and financing investments is therefore of crucial importance under current conditions.

Investments refer to long-term capital investments (placements) in various sectors of the economy, both domestically and abroad, aimed at economic development. Attracting foreign investment depends heavily on the investment climate in the country and the state's policy in this direction. In Uzbekistan, regulating and coordinating the attraction of foreign investments is considered necessary to ensure effective utilization in the national economy.

Foreign investment refers to all forms of property, financial, and intellectual assets invested by foreign investors into another country's economy for the purpose of achieving high returns and efficiency. In our view, foreign investment includes all long-term investments in material, financial, and intangible forms made by foreign countries into the national economy. This may include participation in joint ventures, establishment of fully foreign-owned enterprises, acquisition of securities by foreign entities, as well as loans and credits.

Investments are a key tool for modernizing production through advanced technologies, scientific and technical development, and the renewal of production capacities. Through foreign investment, the national economy becomes revitalized and production becomes oriented toward competitive, modern goods. This, in turn, leads to the creation of new jobs and the resolution of existing economic and social problems.

The need for investment resources in the economy and the shortage of funds allocated for investment highlight the importance of efficient use of investment resources. The following conditions make Uzbekistan attractive for foreign investors:

- tax and customs incentives for foreign partners;
- political stability;
- favorable geographical location;
- location at the intersection of major transport corridors;
- positioning in the center of Central Asia;
- rich mineral and natural resources;
- proven reserves worth 1.3 trillion USD;
- total potential mineral resources estimated at 3.5 trillion USD;
- human resources:

a) nearly 100% literacy rate;

b) availability of labor force.

The efficiency of the economy of our country and its individual regions is directly dependent on the characteristics and scale of investment policy. Investments serve as an important tool for reducing regional disparities and imbalances in the socio-economic development of the Republic. Their effective use enables the efficient utilization of existing natural-economic and labor resources in the regions, thereby improving the territorial structure of the economy.

Today, fundamental changes taking place in all spheres of social life in Uzbekistan have elevated its development to a new stage. The ongoing economic reforms are aimed at consolidating achieved results and further advancing them. In connection with structural transformations in leading sectors of Uzbekistan's economy, financial institutions—especially those providing investment resources for upgrading the country's machinery and equipment to modern international standards—are being assigned significant responsibilities. These tasks cannot be successfully and rapidly achieved solely through traditional financing methods such as bank loans and other credit instruments.

In the context of the digital economy, a number of measures are being implemented in Uzbekistan to stabilize the economy and develop industrial production. Investment programs and projects are being developed for this purpose. At present, the development and deepening of the investment base in the country is an important condition of reform strategy. The implementation of tasks related to structural transformation of the economy and expansion of export potential is carried out through state investment policy, including attracting investments and financing sectors that contribute to economic development.

The Republic of Uzbekistan is establishing joint ventures with several developed countries. Products manufactured through such cooperation are supplying the domestic market and are also being exported. In order to attract foreign investment, state investment projects and programs have been developed. Investors from many developed countries have been involved in financing these projects and programs. Financing investments through both state and foreign investor funds is currently one of the key issues, as it is difficult for enterprises to produce modern and competitive goods without upgrading equipment and carrying out reconstruction and modernization.

In attracting foreign investments, the investment climate of the country and the state policy in this direction are of great importance. In the Republic of Uzbekistan, it is necessary to regulate foreign investments in order to ensure their effective contribution to economic development. Based on this, it is considered appropriate to coordinate the regulation and attraction of foreign investments in Uzbekistan.

The state uses the following methods to regulate foreign investments:

1. Financial methods: accelerated depreciation; tax incentives; subsidies, loans; credit insurance and guarantees.
2. Non-financial methods: allocation of land plots; provision of necessary infrastructure; technical assistance.

In the context of developing the digital economy, in order to ensure sustainable development of industrial enterprises and improve investment management in this sector, it is necessary to determine which types of domestic funding sources can be used for financing. The structure of investment resources is of great importance in the investment activities of industrial enterprises. Investors choose investment resources based on their economic and entrepreneurial capacity and opportunities.

Attracting foreign investment to industrial enterprises ensures economic development, contributes to the formation of human capital, and increases production efficiency with the participation of foreign capital. As a result, it increases the income of enterprises operating in the local market. Thus, the inflow of foreign investment is an important tool for enhancing competition, which in turn encourages local producers to adopt strategies aimed at improving efficiency.

CONCLUSION AND RECOMMENDATIONS

In conclusion, foreign investment is one of the key factors in the development of the economy. It is necessary to understand their nature and the laws governing their functioning. It should be noted that as economic reforms in Uzbekistan deepen, the importance of knowledge about investments, especially foreign investments, continues to grow. Although foreign investments are of great importance for the economic growth of every country, their effectiveness is also associated with serious challenges.

In attracting foreign investment to the economy of Uzbekistan, the following measures should be implemented:

- creating a system of real incentives for foreign investors in certain sectors and regions (including free economic zones);
- clearly defining property rights and powers between economic entities, higher authorities, and local governments;
- establishing a stable economic and foreign trade legal framework, including regulations for free economic zones and concessions;
- reducing taxes and simplifying the tax system;
- creating an effective mechanism for insuring foreign investments;
- implementing measures to demonopolize sectors of the economy;
- privatizing basic sectors of the economy through individual projects;
- selling a portion of shares of joint-stock companies on stock exchanges and other markets to foreign investors;
- selling enterprises engaged in production and services to foreign investors.

REFERENCES

1. Richard Harris, Q. Cher Li The Role of International Trade and Investment in Business Growth and Development UK 2009.
2. Decree of the President of the Republic of Uzbekistan “On measures to radically improve the investment climate in the Republic of Uzbekistan”, dated 01.08.2018, No. PF-5495.
3. Аскинадзи, В. М. Инвестиции: учебник для бакалавров / В. М. Аскинадзи, В. Ф. Максимова. — Москва: Издательство Юрайт, 2019. — 422 с. ISBN 978-5-9916-3431.
4. Benjamin Graham , Jason Zweig The Intelligent Investor: The Definitive Book on Value Investing. A Book of Practical Couse Harper Business, February 2016.
5. Эдвин Лефевир. Попурри Воспоминания биржевого спекулянта, 2018.
6. Krugman P. Market Strucure and International Trade –Cambridge, Mass: MIT press 1995.
7. John C. Bogle The Little Book of Common Sense Investing: The Only Way to Guarantee Your Fair Share of Stock Market Returns (Little Books. Big Profits), Wiley publishing, 304 p, 2017.
8. Khan M.S. and Villanueva D. Macroeconomic Policies and Long term Growth: A Conceptual and Empirical Review // IMF Working Paper, 2005.
9. Аскинадзи, В. М. Инвестиции: учебник для бакалавров / В. М. Аскинадзи, В. Ф. Максимова. — Москва: Издательство Юрайт, 2019. — 422 с.
10. Игорь Ключнев, Тамара Теплова, Дмитрий Панченко, Манн, Иванов и Фербер Фондовый рынок США для начинающих инвесторов, 2016.