IMPACT OF FOREIGN ENTERPRISES WITH FOREIGN CAPITAL ON THE COUNTRY'S INVESTMENT ENVIRONMENT

Makhmudov Shokhzod
Tashkent State University of Economics
E-mail: shokhzodmakhmudov999@gmail.com
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The experience of developed countries demonstrates that attracting foreign investment is one of the decisive factors for achieving a high level of development. Investment policies aim not only to increase capital funds but also to enhance the structural composition of their reproduction, channeling investments into highly efficient and competitive production sectors. Furthermore, these policies facilitate the adoption of new technologies and innovations within the country, while providing financial resources for production development and service quality improvement. Such initiatives accelerate economic growth, foster job creation, and enhance professional expertise. Improving tax-budget policies by reducing the tax burden on producers, alongside measures to expedite the strengthening of payment discipline, not only create opportunities for increasing a company's own funds but also positively impact the country's investment environment. The Law of the Republic of Uzbekistan dated December 25, 2019, "On Investments and Investment Activity", LRU-598, defines enterprises with foreign investment as follows: "Enterprises with foreign investment in the territory of the Republic of Uzbekistan means enterprises in which foreign investments constitute at least fifteen percent of their shares or authorized capital"[1].

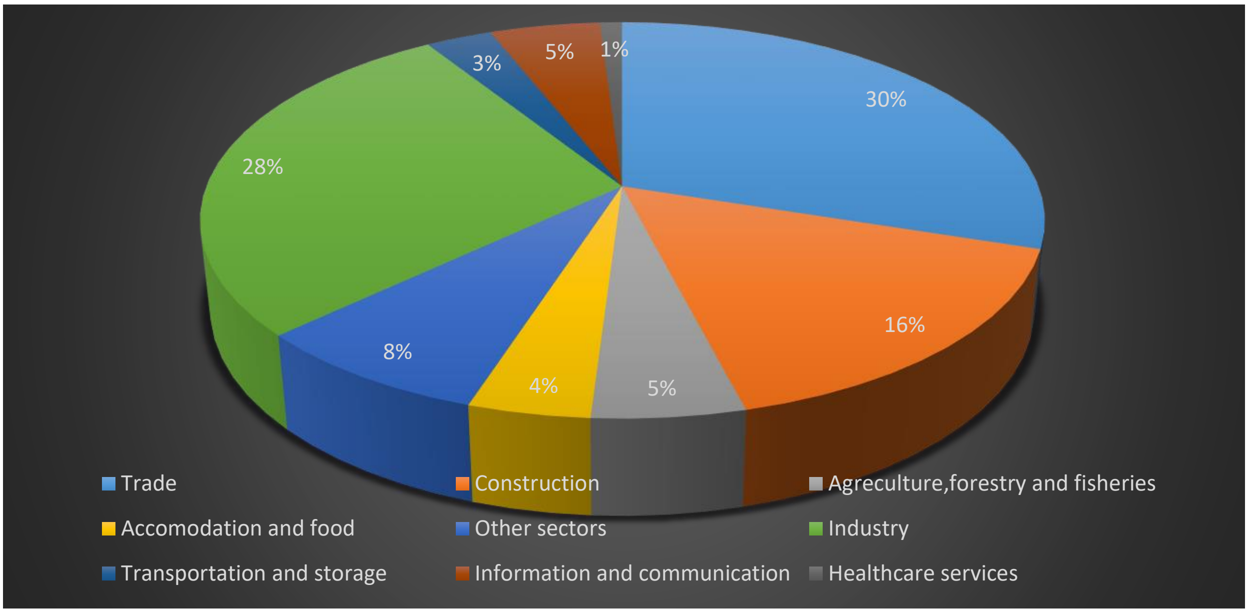

Figure 1. The shares of foreign-invested enterprises operating in Uzbekistan by economic sectors

Regarding their role in the country's economy, analysis conducted by IMRS (Institute for Macroeconomic and Regional Studies) indicates that enterprises with foreign capital represent the most productive and active sector in the country. According to IMRS, the significance of enterprises established with foreign investments in the country's economy is increasing. Between 2017 and 2021, the number of enterprises with foreign investments increased by 2.7 times, reaching 13.2 thousand as of January 1, 2022. China, Russia, Turkey, Kazakhstan, and South Korea are among the leaders of more than 50 investing countries.

It is understood that the composition of investment financing sources is closely linked to the deepening of economic reforms. Examining the composition of enterprises with foreign investment operating in Uzbekistan by economic sectors as of December 2022, the highest shares are in trade - 4700 (30%), industry - 4280 (28%), and the construction industry - 2479 (16.0%). Conversely, the smallest shares are allocated to the provision of healthcare services - 229 (1%), and transportation and storage - 446 (3%) [2]. This data indicates that the majority of enterprises with foreign investment in the country are engaged in trade and industry, while a smaller portion operates in healthcare and transportation and storage. Sectors such as accommodation and food services, as well as information and communication, still have relatively low participation from enterprises with foreign capital. Therefore, developing the service sector significantly contributes to expanding the scope of attracting foreign capital.

Despite only 6% of the officially employed population working in enterprises with foreign capital participation, these enterprises contribute 15% to production and account for 24% of investments in fixed capital. Although they constitute only 2.5% of the total number of enterprises in the country, they significantly impact foreign trade turnover, representing 19.8% of it in 2021, with 19.7% for exports and 25% for imports. According to the Development Strategy for 2022-2026, the goal is to attract $70 billion in foreign investments to the economy over the next 5 years and increase export volume to $30 billion by 2026. Hence, there's an emphasis on boosting the number of enterprises with foreign investments and stimulating their export activities, as highlighted in the IMRS analysis [3].

In conclusion, it is crucial to highlight that the effective organization of activities of enterprises with foreign investment participation, along with the improvement of the investment environment and investment image, is vital for the stable development of the country's economy. The foundation of our state's investment policy lies in supporting enterprises with foreign investments through a system of tax and duty incentives, as well as recent incentives applied to enterprises with foreign capital.

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