

THE ROLE OF FOREIGN INVESTMENTS IN ENSURING THE STABILITY OF THE NATIONAL ECONOMY

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In recent years, various obstacles to business and investments have been removed in Uzbekistan, and an open and strict policy is being implemented. Today, our country has established close cooperation with major international financial institutions and organizations such as the World Bank, the Asian Development Bank, the Islamic Development Bank, the European Bank for Reconstruction and Development, and the Asian Infrastructure Investment Bank.

As a result of active foreign policy, the geography of countries investing in our republic is also expanding. By 2022, the number of countries investing in our economy will increase to 50. Countries such as Russia, China, Turkey, Germany, and South Korea are leading among them. The volume of foreign investments and loans to our country amounted to 3.3 billion US dollars in 2017, and by the end of 2022, this indicator has tripled to 9.8 billion US dollars. As a result, the share of foreign investments and loans in total investments increased from 23.8% to 40.5%.

If we look at the data presented below (Fig. 1), we will consider the work carried out to attract foreign investments to Uzbekistan in 2017-2022, as well as the analytical results of enterprises with foreign investment.

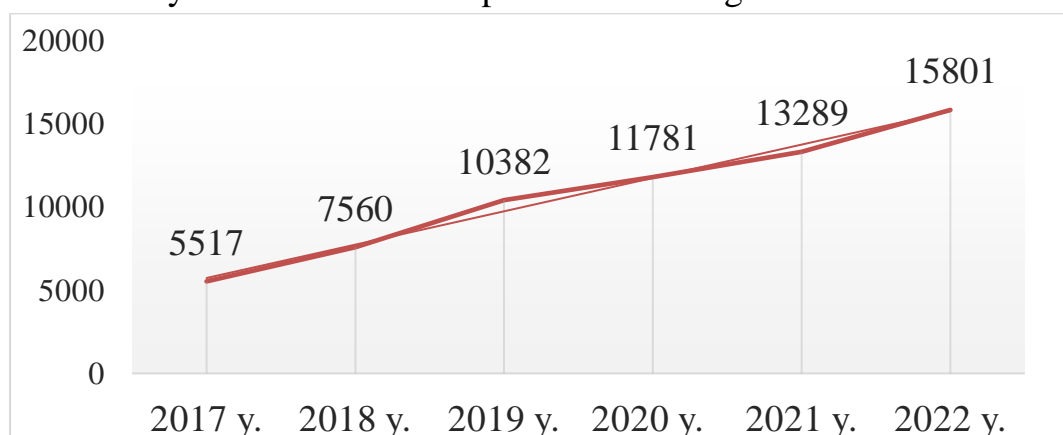


Figure 1. Number of enterprises with foreign investment¹

¹ It was prepared by the author based on statistical data.

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At the same time, the volume of foreign direct investments and loans amounted to 2.5 billion US dollars in 2017, by 2022 it increased 3.4 times and reached 8.5 billion US dollars. Their share in total investments increased from 17.7% to 35.4%. The number of enterprises and organizations with foreign investments is increasing year by year: in 2017, there were 5,500, and by 2022, their number will reach 15,800. 6.4 thousand of them are joint ventures, 9.3 thousand are wholly foreign enterprises.

30.5% of enterprises with foreign capital are trade, 27.5% are industry, 8.0% are construction, 4.8% are agriculture, 4.1% are accommodation and catering establishments, 2.9% are storage and transportation, 4.8 percent are working in communication and information fields, 17.4 percent are working in other fields.

Looking at the data on investments made in these sectors and gross regional product in 14 regions of Uzbekistan in 2010-2021, we scientifically draw the following conclusions on the impact of investments in infrastructure sectors on economic development:

- investments in all sectors of infrastructure have a positive effect on economic growth;
- investments in infrastructure related to human capital increase have the highest impact, that is, when investment in education and health systems increases by 1 percent, GRP increases by 0.52 percent and 0.43 percent respectively;
- investments made for the development of transport and digitization sectors are also important for the development of the economy, that is, when the investments directed to these sectors increase by 1%, GRP will grow by 0.32% and 0.30% respectively.

We can also say that Uzbekistan is experiencing significant growth in the fields of energy, chemistry, construction, metallurgy, automotive and electrical engineering, and construction. More than 300 investment and industrial projects were launched with the participation of international investors, hundreds of thousands of new jobs were created.

Globally, the flow of direct foreign investments to developing countries has a general growth trend, reaching 222.7 billion dollars in 2000, 632.6 billion dollars in 2010, and by 2022 it reached 916.4 billion dollars. At the same time, it is possible to observe sharp changes in the flow of foreign direct

investments around the world. In particular, the share of developing countries in the flow of direct foreign investments in the world increased from 16.4% in 2000, to 45.4% in 2010, and to 70.8% by 2022. Among the developing countries, it is appropriate to highlight the Chinese economy, which attracts a large amount of direct foreign investment. According to the World Investment Report-2023, in 2022, China will invest 189.1 billion dollars (\$306.9 billion dollars including Hong Kong) attracted foreign direct investment, which accounted for 20.6% of all developing countries' foreign direct investment (33.5 percent).

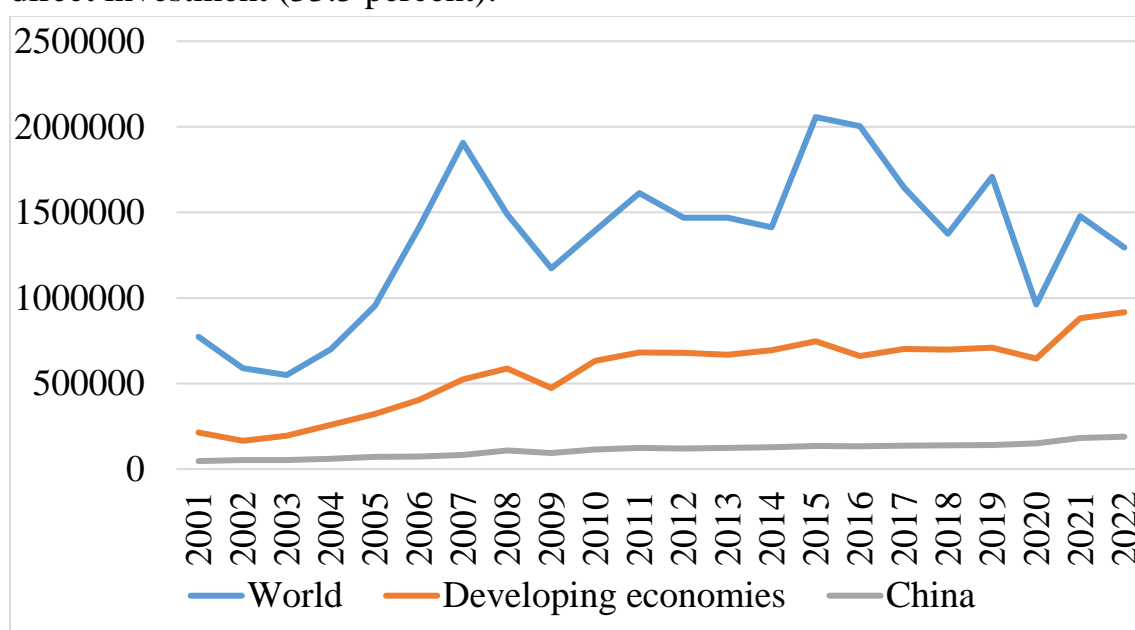


Figure 2. 2001-2022 Global foreign direct investment flow in million dollars²

According to the “Uzbekistan-2030 strategy”, which defines the priority directions of the development of our country, it is planned to absorb investments in the amount of 250 billion dollars in the national economy, including the attraction of foreign investments of 110 billion dollars. The implementation of these goals requires an increase in the average annual volume of attracting foreign direct investment to the national economy from the current 2.5 billion dollars to 4.0-4.5 billion dollars. This, in turn, increases the importance of foreign direct investment in the national economy in ensuring sustainable economic growth.

² It was prepared by the author based on statistical data.