
THE IMPACT OF UZBEKISTAN'S INVESTMENT CLIMATE ON THE DEVELOPMENT OF FOREIGN TRADE

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Abstract

No matter which developed and developing country economy we choose, we can see that improving investment attractiveness has influenced the growth of the country's recipient position. Therefore, our country has determined its own direction of development of the national economy. The role of investments in the effective organization and development of socio-economic processes in the country is incomparable. Because if the investment policy in a given country is correctly established and the investment climate is well created, it will be possible to achieve growth in the gross domestic product (GDP), development of foreign trade and social stability in this country.

At the same time, a deep analysis of the development path that our country has taken, the fact that today the world market situation is changing dramatically and competition is intensifying in the conditions of globalization, requires the development and implementation of a completely new approach and principles for the more stable and rapid development of our country. In our opinion, in the current stage of globalization and technological armament in the world, the role of the investment environment in accelerating foreign trade is becoming important and of great importance. Investment climate is a very broad concept that encompasses all the issues and concerns that an investor considers. The investor evaluates the advantages and disadvantages of investing in a particular country, and also pays great attention to the ideology, politics, economy, and culture of the country in which he intends to invest his capital [1].

In the current socio-economic conditions, the inflow of investments depends on the development of innovative sectors and the development of innovative entrepreneurship, the investment climate and the investment mechanism, if the investment climate is good, on the one hand, it allows for the growth of domestic investment, an increase in savings relative to consumption in the

structure of planned expenditures. This is a guarantee of high economic growth rates.

Realizing the importance of the role of foreign direct investment in increasing the investment attractiveness of our country, a number of works are being carried out to attract these investments. Attracting and fully utilizing foreign direct investment contributes to the growth of employment and living standards in the country, improving the income of the population, and increasing the investment attractiveness of our country in the international arena.

The socio-economic development of the Republic of Uzbekistan and its transformation into one of the most competitive countries in the world are inextricably linked to the investment policy being pursued to increase the investment attractiveness of the country, the region, its economic sectors, and individual enterprises.

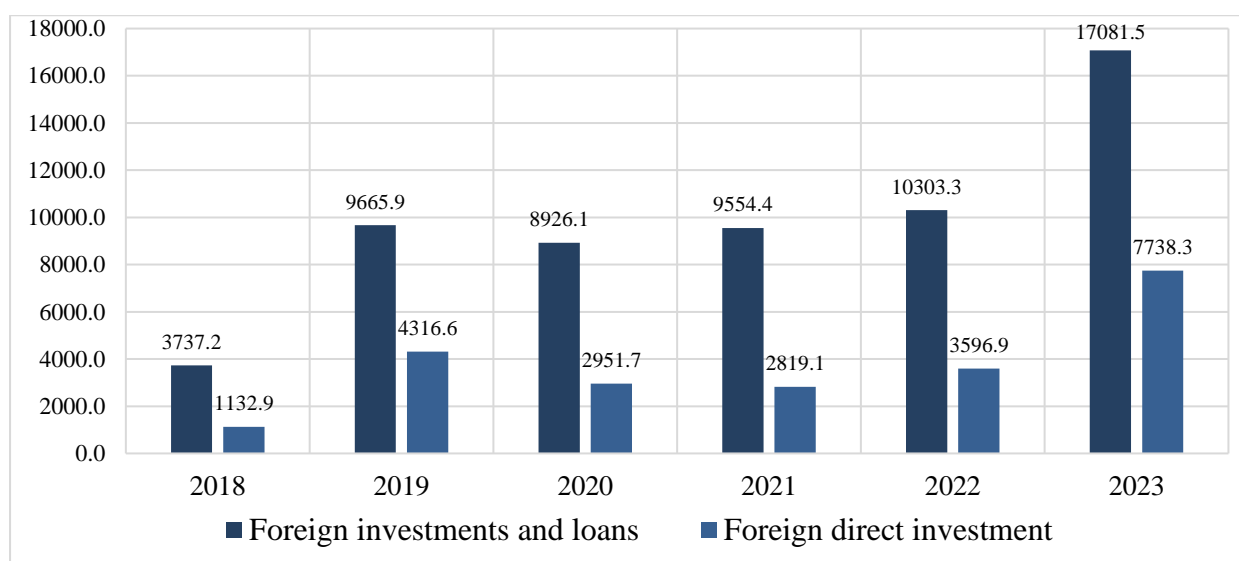


Figure 1. Investments in fixed capital in the Republic of Uzbekistan (in million US dollars) [2]

The figure above shows the indicators of the Republic of Uzbekistan's investments in fixed capital. According to the Statistical Agency under the President of the Republic of Uzbekistan, in January-December 2023, a total of 352.1 trillion soums were invested in fixed capital, which was 122.1% compared to the same period in 2022.

Of the investments in fixed capital, 66.4% or 233.8 trillion soums were financed from attracted funds, while 33.6% or 118.3 trillion soums were

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financed from the own funds of enterprises, organizations and the population. Also, the volume of investments in fixed capital from centralized financing sources amounted to 44.8 trillion soums. amounted to soums, while 307.3 trillion soums of investments were absorbed from decentralized financing sources.

In January-December 2023, investments in fixed capital financed by own funds of enterprises and organizations amounted to 84.9 trillion soums, or 24.1% of total investments in fixed capital, 9.5% of total investments in fixed capital, or 33.3 trillion soums, were absorbed at the expense of the population. Of this, the volume of investments absorbed at the expense of foreign direct investments amounted to 84.3 trillion soums, and their share in total investments increased by 9.1 points compared to the corresponding period of 2022 and amounted to 24.0% [3].

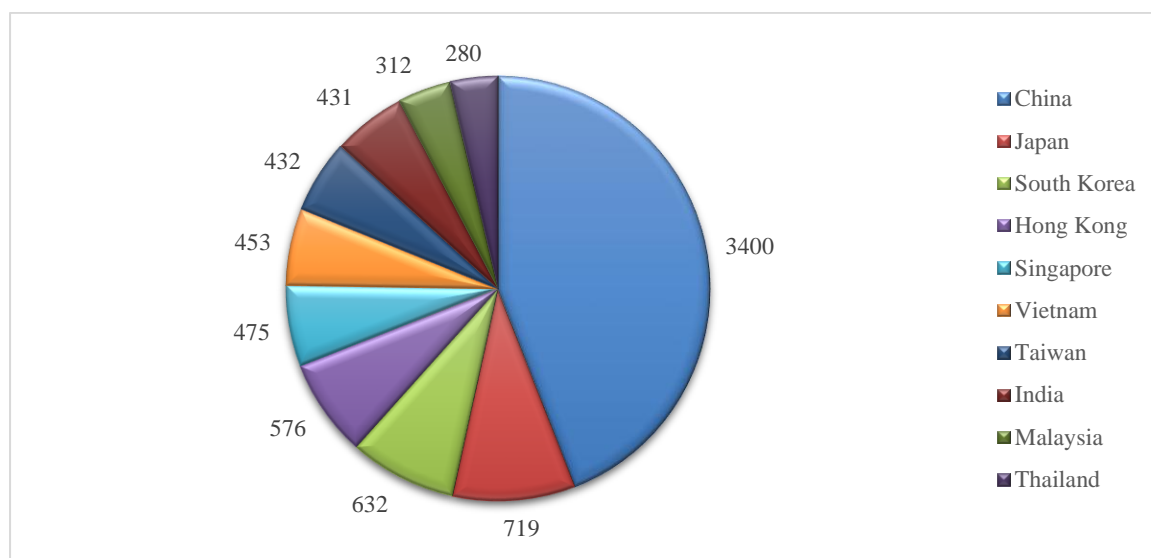


Figure 2. Export performance of the top 10 Asian countries as of 2023 (in trillion US dollars) [4]

As we can see in Figure 2 above, Asia's exports are expected to total \$9.66 trillion in 2023. For the Asian countries as a whole, this dollar amount was \$7.719 trillion in 2019, a 25.1 percent increase over the 5-year trend. Asia's international trade in goods accounts for 41.5 percent of the world's total exports.

Using statistics from the International Monetary Fund's World Economic Outlook database, the total gross domestic product (GDP) for Asian



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countries in purchasing power parity (PPP) terms is estimated to be about \$81.4 trillion in 2023. Therefore, Asia's total exports of goods account for 11.9 percent of Asia's economic output in 2023, based on PPP-based GDP. Considering Asia's population of approximately 4.5 billion people in 2023, the total value of exports from Asian countries is estimated at \$9.66 trillion, which is equivalent to approximately \$2,200 per person living in Asia. This dollar figure was higher than the average per capita of \$1,950 in 2022, a year earlier. This, in turn, indicates that the investment climate in the countries is stable.

In Uzbekistan, export goods included precious stones and precious metals worth about \$11 billion (61% of total exports), copper \$1.1 billion (6%), fertilizers \$915.7 million (5.1%), cotton \$792.7 million (4.4%), mineral fuels, including oil \$719.1 million (4%), cars \$426.8 million (2.4%), machinery, including computers \$310.1 million (1.7%), plastics and plastic products \$281.5 million (1.6%), agricultural products, vegetables \$281.3 million (1.6%), fruits, nuts \$253.4 million (1.4%), and precious stones and precious metals grew by 156.2% from 2022 to 2023. However, in the balance of payments, net exports represent the amount by which a country's foreign spending on its own goods or services exceeds or lags behind its own country's spending on foreign goods or services. The products that caused Uzbekistan's largest trade deficit had a total trade deficit of -\$10.6 billion in 2023, a decrease of -18.6 percent from -\$13 billion in 2022. This, in turn, indicates that the country's external soundness is improving year after year. The above studies show that the stability of the investment climate affects the country's manufacturing sector, as well as the growth of industrial enterprises, and at the same time, the increase in the number of export-oriented goods and services. This determines the macroeconomic image of the country.

Reference

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2. Prepared by the author based on data from the Statistical Agency under the President of the Republic of Uzbekistan. www.stat.uz
3. Information from <https://invexi.org/uz/press/in-2023-uzbekistan-has-mastered-investments-in-fixed-assets-of-about-30-billion-us-dollars/>
4. Created by the author based on information from the official website <https://www.worldstopexports.com/uzbekistans-top-10-exports/>.