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THE SIGNIFICANCE OF FOREIGN INVESTMENTS IN THE GROSS REGIONAL PRODUCT (GRP)

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ABSTRACT

In this article, the GRP of the regions of the country and the importance of foreign investments in it are studied and the economic indicators recorded in the regions of the country are analyzed. In particular, the importance of special economic zones in actively attracting investments to the country has been studied. In the course of the scientific work, the GRP level of 3 regions, Tashkent region, Jizzakh region and Samarkand region, and the dynamics of investments attracted to the region were analyzed. In addition, a general conclusion was formed, proposals and practical recommendations were given for attracting foreign investments to the regions of the country.

KEYWORDS

Gross regional product (GRP), foreign direct investments, infrastructure, investment activity, special economic zone, investment environment, investor, foreign trade, import, export.

INTRODUCTION

Today, the transformation of the world market conjuncture and the growing competition in the conditions of globalization of the world economy, Today, the transformation of the world market conjuncture, the growing competition in the conditions of globalization of the world economy,

require the development of a completely new approach and principles for the development of Uzbekistan at a more stable and rapid pace. In this case, the attraction of foreign investments in state territories consists of pressing issues.

The growing interest of foreign investors in our national economy activates investment processes in the country, primarily in the real sector of the economy. In particular, it is pointed that, further improvement of the investment environment and its attractiveness in the country and take measures to attract 120 billion US dollars in the next five years, including 70 billion dollars of foreign investments, according to the No 26 purpose of the Decree of the President of the Republic of Uzbekistan No. DP-60, dated January 29, 2022 «On the new development strategy of Uzbekistan for 2022-2026».[1]

The level of economic development of the country, the rate of growth of investment activity largely depends on the effective implementation of investment projects. It is important to create the necessary conditions for attracting foreign investments to the economy of the republic, which can be invested in the economy of that country only when there are (positive) economic, political, social and legal conditions in the country.[10] Successful implementation of investment projects is an important factor in increasing the flow of foreign investments. In turn, it is important to implement investment projects involving foreign investments.

Literature review. One of the important conditions for ensuring the liberalization of the country's economy, sustainable growth of the economy and the increase of the country's economic potential is to conduct an active investment policy. Today, measures are being

taken to actively organize investment projects, which are the main factor in the implementation of investments in the economic regions of our country, regarding the development of investment activity. One of the economists of our country, Professor D.G. Gozibekov described the investment as follows: «The content of investments consists of obtaining funds from clear and reliable sources, mobilizing them in a reasonable manner, maintaining capital value taking into account the level of risks, and obtaining the intended effect.»[8]

Economists have given different definitions of investment projects. In terms of legislation, investment projects are defined as follows in the Law of the Republic of Uzbekistan No. LRU-598, dated December 25, 2019 «On Investments and Investment Activity»: Investment project - a set of interrelated activities aimed at attracting investments to obtain economic, social and other benefits.[2]

Regarding special economic zones, economists T.P. Danko and Z.M. Okrutlar expressed the following opinions: «...they evaluated it as a mechanism for creating a favorable investment environment and stimulating production, trade, and scientific activity.»[7] We believe that this opinion is in accordance with the trends of increasing the importance of special economic zones in terms of activating the attraction of investments in the regional economy.

METHOD

It is used research methods such as statistical observation, verbal interpretation, systematization and classification, scientific abstraction in this article. Also, in the collection, systematization and interpretation of the statistical data presented in the scientific article, the data of the World Bank, the Ministry of Investments, Industry and Trade of the Republic of Uzbekistan, and the data of the Statistical Agency under the President of the Republic of Uzbekistan, were used.

ANALYSIS AND RESULTS

In order to prevent the creation of bureaucratic obstacles for investors by the official institutions involved in the regulation and attraction of foreign investments in the Republic of Uzbekistan and to ensure the transparency of the activities of these institutions, it is necessary to create a platform that

gathers all institutions for investors' appeals. In this case, regardless of which institution the investor applies to, the other institutions will be informed about this application, and this will prevent bureaucracy and corruption.

At the next stage of market reforms, one of the main tasks is to solve the issues of improving the attraction of foreign investments to our country, to eliminate the problems of attracting foreign investments, to increase the volume of foreign investments and to expand the possibilities of their effective use.

Today, the indicators of Tashkent region in gross regional product and attracting foreign investments are high. The «Angren» free economic zone, which is considered the main factor for attracting foreign investments, plays most important role of growing these indicators. (Figure 1).

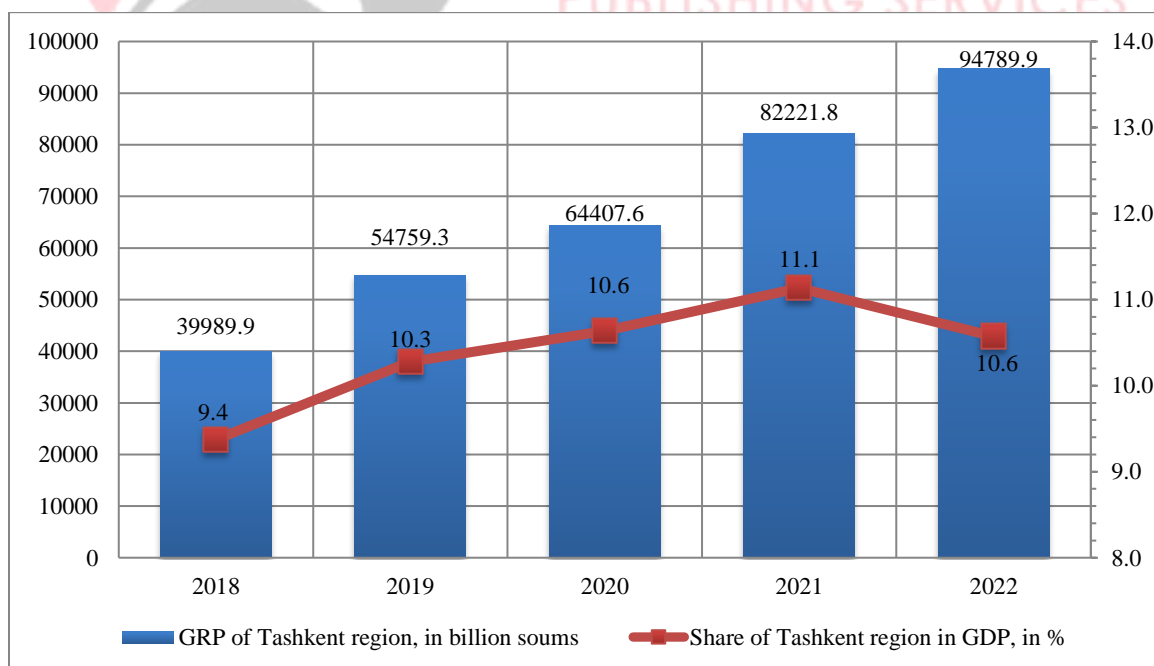


Figure 1. The volume of GRP of Tashkent region and the dynamics of changes in its share in the country's GDP [11]¹

If we pay attention to the above data, we can see that the volume of products produced in Tashkent region has reached a stable growth trend during 2018-2022. In 2022, products worth 94,789.9 billion soums were produced in Tashkent region, which is 10.6% of the GDP of the Republic. It is necessary to focus on one more situation regarding the data. In 2022, almost 2.5 times more products were produced in the Tashkent region than in 2018, which in turn means that development is observed in the industrial sector of the Tashkent region.

Participants of the «Angren» FEZ are also in accordance with the Decree of the President of the Republic of Uzbekistan No. DP-4853, dated October 26, 2016 «On additional measures to activate and expand the activities of free economic zones» the system of general benefits established for zones applies. [3]

In addition, vacant enterprises and state-owned property will be sold to the participants of the «Angren» FEZ at “zero” value.

Currently, «Angren» SEZ is leading among the special economic zones established in the country by some indicators, especially in terms of attracting foreign investments, it owns 42.3% of the total share of special economic zones, 25% in terms of job creation. The favorable conditions created by the FEZ «Angren» are

of great importance in attracting investments to the Tashkent region. [4]

Tashkent region is one of the high potential regions in terms of investment activity. The implementation of large investment projects within the framework of the state programs of modernization of the main sectors of the economy creates the basis for the rapid growth of the volume of investments in the region.

In 2018, the volume of foreign investments in the Tashkent region amounted to 1,077.8 billion soums, and in 2019, this indicator increased by almost 5 times to 5,292.0 billion soums. In 2020, due to the «COVID-19» pandemic, the growth trend in attracting foreign investments returned to a much lower figure and amounted to 5,646.7 billion soums. By 2021, the volume of foreign investments rocketed 9 times compared to 2018 and went up 1.7 times compared to 2020 and amounted to 9,643.0 billion soums. In 2022, the volume of foreign investments in the Tashkent region climbed by 1.2 times compared to the previous period, reached 11,588.7 billion soums and made up 10.2% of the total foreign investments in the Republic. Another case is of particular importance. In 2018, the volume of foreign investments attracted to the Tashkent region was 3.6 percent of the total

investments in the Republic, and in 2022, this indicator was 10.2 percent. (Figure 2)

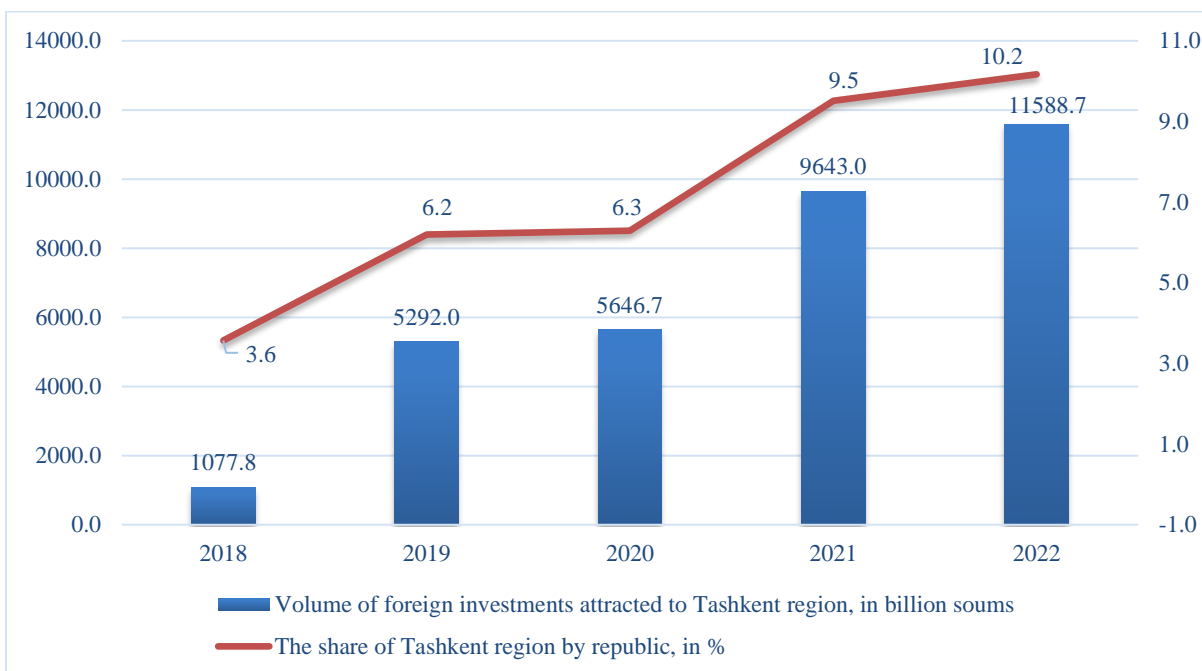


Figure 2. Foreign investments in the regions of Tashkent region in 2018-2022 [11]²

This situation indicates that the investment environment in the region is changing in a positive direction.

Of course, «Angren» FEZ has a significant role in attracting these foreign investments to the economic sectors of the region. Major projects in this zone are being implemented and supported by investors selected from among the leading companies of countries such as Great Britain, South Korea, Singapore, Austria, India, Bulgaria, as well as «Uzbekneftgaz» national holding and

«Uzkurilishmateriallari» joint-stock companies, Almalyk Mining and Metallurgical Combine, «Uzbekcharmpoyabzali» and the Association of Food Industry Enterprises

For example, «Today, the construction of the second factory producing silicon with an annual capacity of 5,000 tons is being completed in the Angren special industrial zone with the participation of the Korean company Shindong Enerkom.» In the future, this product can serve as a source of raw materials for the production of high-efficiency photovoltaic solar

panels.» More than 550 jobs were created in the Angren Sugar factory, which was established in this region with the participation of 100% foreign capital, with a production capacity of 1000 tons of finished products per day. The Uzbek-South Korean joint venture «EGL-NUR» was established as a result of the cooperation of «Uzbeknorgo» JSC and the South Korean company «EGL Lightings» in 2013.[5]

Jizzakh is also one of the developing regions today. The establishment of the «Jizzakh» FEZ in the region is one

of the important factors in attracting foreign investments, especially direct foreign investments, to regional economic sectors.

The creation of the “Jizzakh” SEZ has a positive effect, ensuring a significant increase in GRP in the region. But today’s potential of the region shows that there is an opportunity to increase its recorded economic indicators several times. (Figure 3)

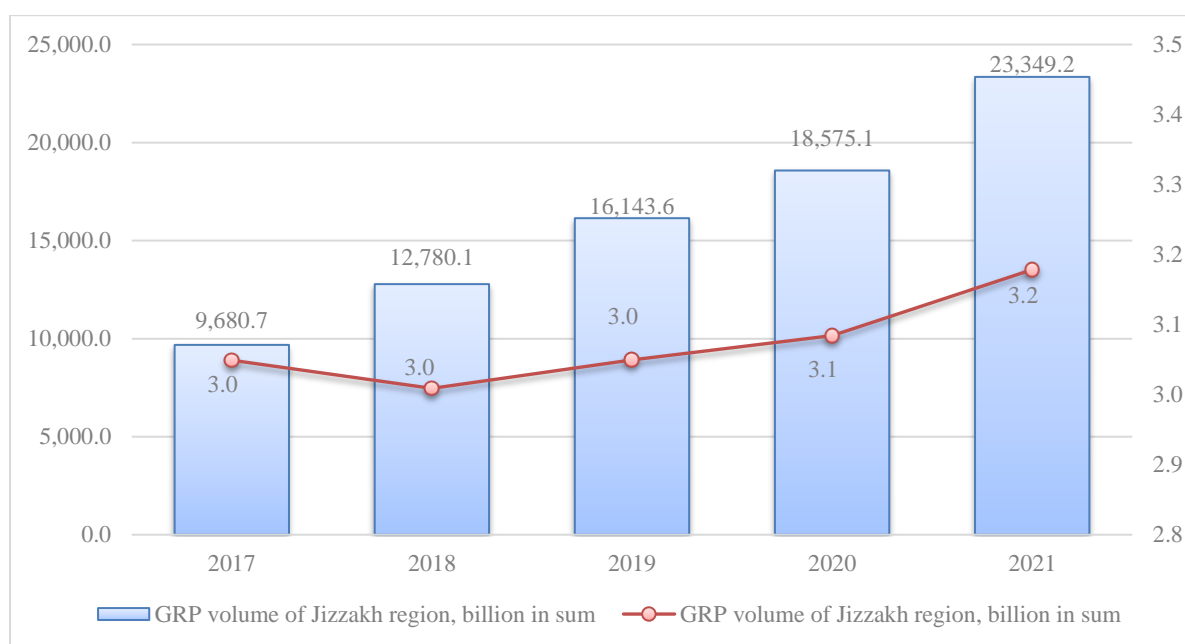


Figure 3. The dynamics of changes in the GRP volume of Jizzakh region and its share in the country’s GDP [11]³

From the above data, we can see that the GRP in Jizzakh region increased year by year during 2018-2022. Products worth 12,715.6 billion soums were produced in Jizzakh region in 2018, and in 2019 products worth

16,056.1 billion soums were produced. In 2020, it amounted to 18,441.7 billion soums. In 2021, the rate of production went up by 126.2%, and the volume of GRP in Jizzakh region reached 23,274.3 billion soums. By

2022, the GRP has sharply uplifted by 216.6% compared to 2018, products worth 27,545.4 billion soums were produced increasing by 118.4% compared to 2021. But we cannot say that these indicators have achieved a very positive result. A clear example of this is that during 2018-2022, the share of Jizzakh region's GRP made an average of 3.0 percent of the Republic's GDP. As we mentioned above, paying more attention to the activity of special economic zones in the Jizzakh region

can show its positive effect in the increase of the production volume of the region.

Of course, by establishing a free economic zone in this region, one of the main tasks is to improve the investment environment of the region, ultimately attract foreign investments, and achieve higher growth rates in the main development indicators.

In general, a common feature of the development of the regional economy is the increasing share of the service sector in the GRP.

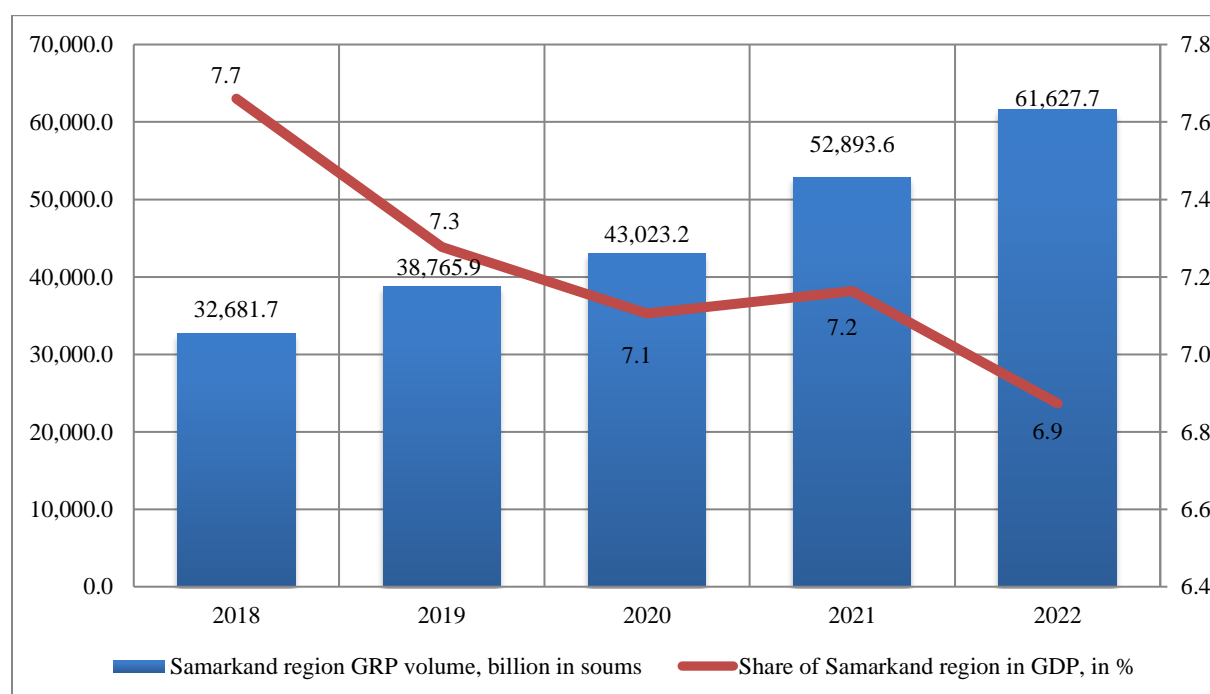


Figure 4. The volume of GRP of Samarkand region and the dynamics of its share in the republic's GDP [11]⁴

In Samarkand region, during the years 2018-2022, the trend of growth in GDP was also observed, but its share in GDP decreased. Taking into account the existing

potential of the country, the use of the factor of special economic zones to increase the volume of production and services in the region can be effective. In 2018, the

volume of GRP in the region was 32,681.7 billion soums, and in 2022, this figure will almost double to 61,627.7 billion soums. Of course, the volume of investments, especially foreign investments, also showed its positive effect on the increase of GRP in the region. (Figure 4)

Today, Samarkand occupies an important place in the economy of our country and is one of the actively developing regions. The favorable investment environment created in the region and the development of production infrastructure create a great opportunity to increase the weight of foreign direct investments.

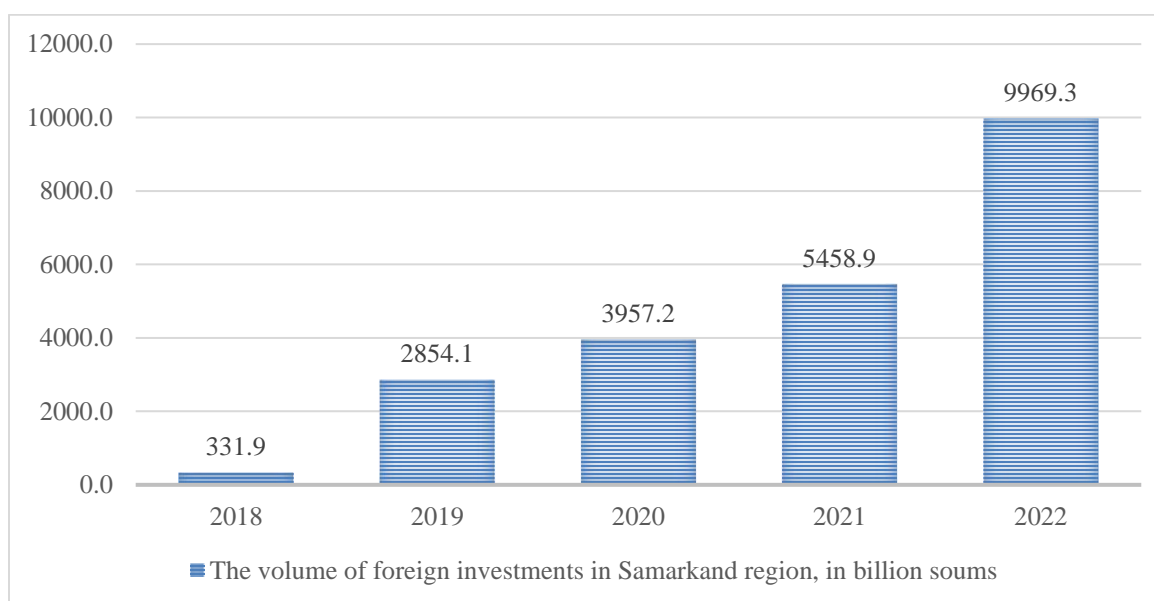


Figure 5. Volume of foreign investments in Samarkand region, billion soums [11]⁵

In 2018, 331.9 billion soums worth of foreign investments were involved in Samarkand region, and by 2019, a sharp increase trend was observed. In 2019, the volume of foreign investments attracted to the economic sectors of the region uplifted by 8.5 times and amounted to 2,854.1 billion soums, and in 2020 it

amounted to 3,957.2 billion soums. By 2021, we can see that this indicator has increased to 5,458.9 billion soums. In 2022, high growth indicators were recorded in the volume of foreign investments in the region. In particular, we can see that the volume of foreign investments in 2022 amounted to 9,969.3 billion

soums. This, in turn, means that the volume of foreign investments attracted to Samarkand region in 2022 has rocketed 30 times compared to 2018, and almost went up 1.8 times or 4,510.4 billion soums compared to 2021. Another important factor regarding the situation studied as a result of the research, special importance should be paid to the importance of the existing special economic zone in increasing the volume of foreign investments in the region.

CONCLUSION

In conclusion, it can be said that the active attraction of foreign investments to the regions of the country is important in increasing the GRP of these regions. In particular, we can observe that the use of the factor of special economic zones has a positive effect in attracting foreign investments to the region.

Based on the above experiences, the implementation of the following measures to attract foreign investments to the regions of Uzbekistan can have a positive effect:

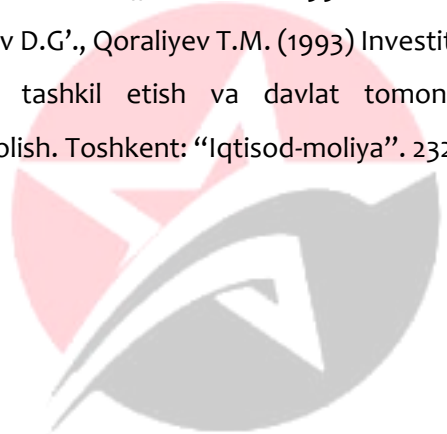
- In order to activate the flow of foreign investments, especially foreign direct investments, to the regions of the country, it may be important to introduce the rating of the investment climate of the regions;
- It is necessary to simplify the organizational and legal processes related to the establishment of current special economic zones in our republic. In this direction, it is appropriate to introduce digital technologies into the system. In this direction, using

the process of non-governmental organization of small industrial zones in India can have a positive effect.[9]

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