

STIMULATION OF ATTRACTION OF DIRECT FOREIGN INVESTMENTS IN THE REGIONS OF UZBEKISTAN WITH THE help OF “DOING BUSINESS” INDICATORS

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Annotations: Attracting foreign direct investment is traditionally believed to lead to stimulation of domestic investment, increased competition, technological growth, improved sectoral structure of the economy and an increase in the standard of living of the population.

Keywords: foreign direct investment, technological growth, increased competition, foreign economic activity.

СТИМУЛИРОВАНИЕ ПРИВЛЕЧЕНИЯ ПРЯМЫХ ИНОСТРАННЫХ ИНВЕСТИЦИЙ В РЕГИОНЫ УЗБЕКИСТАНА ПРИ ПОМОЩИ ПОКАЗАТЕЛЕЙ “DOING BUSINESS”

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Аннотации: Привлечение прямых иностранных инвестиций, традиционно считается, ведет к стимулированию внутренних инвестиций, повышению конкуренции, технологического роста, улучшению отраслевой структуры экономики и роста уровня жизни населения.

Ключевые слова: прямых иностранных инвестиций, технологического роста, повышению конкуренции, внешнеэкономической деятельности.

Each country seeks to create a favorable investment climate to attract foreign direct investment. Attracting foreign direct investment is traditionally believed to lead to stimulation of domestic investment, increased competition, technological growth, improved sectoral structure of the economy and an increase in the standard of living of the population.

As the President of the Republic of Uzbekistan Sh.M. Mirziyoyev noted: “As world experience shows, only a country that pursues an active investment policy reaches stability and competitiveness of the national economy. Therefore, it can be argued that investment is the driver of the economy, figuratively speaking, its heart. There is no doubt about it” [1], however, he emphasizes that “In order to widely attract foreign investment we need to take measures to demonstrate the investment potential of our country” [1], which means that large-scale work to improve the investment climate requires coverage all regions of Uzbekistan.

The attractiveness of the investment climate is formed from many components: stability and transparency in the economic environment, ensuring social and legal protection, as well as freedom in foreign economic activity.

There are different approaches to assess the investment attractiveness of a country. For example, in Japan, this is determined by interviewing existing or potential foreign investors to formulate further steps in removing barriers to investors [5]. In the United States, a combination of several indicators is used, which encompasses many quantitative and qualitative indicators, such as: indicators of the development of the economic system, economic efficiency of investments, and basic indicators of tax policy [6].

Various international organizations and editorial offices are also developing their approaches in determining and evaluating the investment climate, for comparison and ranking among countries. However, the Doing business rating of the World Bank [4], which covers the largest number of economies in the world and makes it possible to conduct a comparative analysis and build a clear picture of attractiveness for foreign investors, is becoming the most popular among foreign investors.

The Doing business project provides an assessment based on special methodologies developed by World Bank experts, the climate for doing business and measures taken to improve the environment in 190 countries.

The assessment is carried out on the basis of ten key indicators affecting the conduct of business in the country, such as: the creation of enterprises, obtaining building permits, connecting to the power supply system, registration of property, obtaining loans, protecting minority investors, taxation, international trade, enforcement of contracts and permission insolvency.

To identify qualitative results for each indicator, separate evaluation methodologies have been developed, based on scientific papers and proven methods for identifying realistic indicators in the study area. However, due to the scale of the deployed events around the world, one city from each country falls into the coverage of geographical locations. Therefore, indicators for Uzbekistan are

based on the data of the most developed city in the country, the capital of Uzbekistan, Tashkent.

According to the results of the Doing business experts' assessment, in 2018/2019 Uzbekistan achieved the best results in improving indicators due to the improvement of the business environment and undertaken reforms [3]. This is confirmed by the indicator of attracted FDI in the total investment in 2019, which amounted to 20.4%, which is 40.7% higher than the previous year.

However, is this the state of the investment climate in other regions of the country? We will try to conduct a survey on two main statistical indicators of the State Committee of the Republic of Uzbekistan on statistics: the growth dynamics of enterprises with the participation of foreign capital, and the share of existing enterprises with the participation of foreign capital by region.

The report of the State Committee of the Republic of Uzbekistan on Statistics states that the number of operating enterprises with the participation of foreign capital in 2019 compared with 2005 increased 2.2 times. However, in the color of significant reforms being undertaken since 2015 to improve performance in the Doing business rating, the growth was 579 enterprises, and in percentage terms by 13%, which is not significant (Fig.№1)

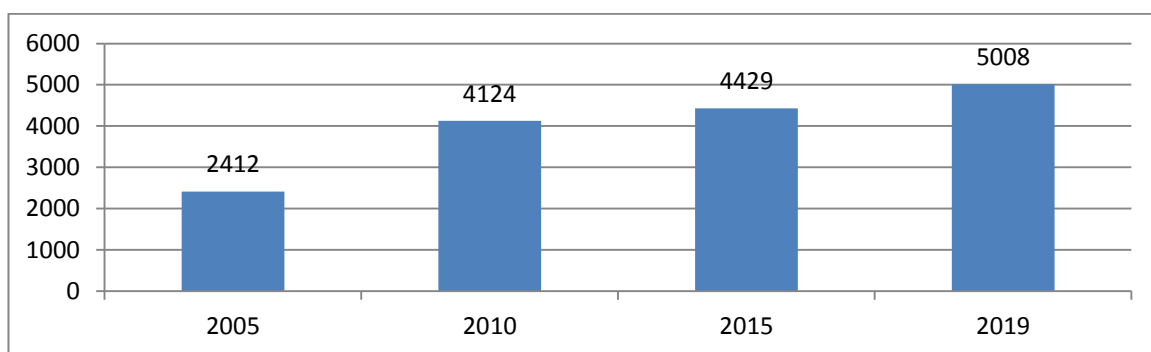


Fig.№1. The growth dynamics of existing enterprises with the participation of foreign capital [2]

By regions, the largest share of enterprises with foreign capital is in the city of Tashkent - 66.8% and the Tashkent region -10.7% (see Figure 2). In other regions of the country, this indicator does not even exceed the 5% barrier, which confirms

the compliance of Doing business indicators only with the city of Tashkent, and in other regions the state of the investment climate is significantly different.

Therefore, we can conclude that the Doing business indicators serve as a good indicator of assessing the investment climate in the city under study, but do not reflect the reality of the investment climate in the whole country.

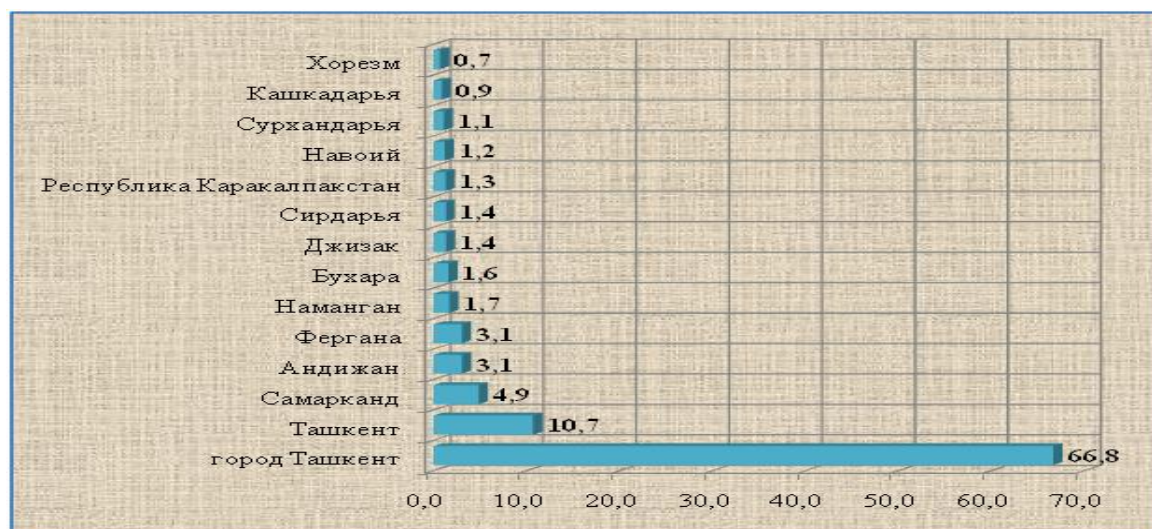


Fig. №2. The share of existing enterprises with foreign capital by region, (in percent) [2]

In this regard, in our opinion, the following is necessary:

Firstly, it is necessary to develop a special public institution responsible for conducting such studies in all regions of the country to align indicators with the indicators of the city of Tashkent, according to the requirements of the “Doing business”, and identify existing problems in creating an attractive climate throughout the country;

Secondly, it is necessary to involve state bodies in aligning indicators with the city of Tashkent and improving the investment climate in accordance with the requirements of the “Doing business” in each region of Uzbekistan;

Thirdly, the development of domestic tools based on international instruments for assessing the investment climate and improving the business environment, as well as a responsible state and / or public institution for monitoring and implementing measures taken in this area;

Fourth, the organization of a sustainable platform (electronic platform, forum or other) for the exchange of information, experience and study of existing problems in the field of investment climate.

In conclusion, the Doing business indicators can serve as tools to attract new foreign direct investment, and at the same time they can serve as repulsive factors in case of mismatch between indicators and the reality of the investment climate in the regions of Uzbekistan.

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