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SECTION 31. Economic research, finance, innovation, risk management.

FOREIGN INVESTMENTS AND INNOVATIVE DEVELOPMENT - IS THE MOST IMPORTANT FACTOR IN EXPANDING UZBEKISTAN'S PRODUCTION CAPACITIES

Abstract: *The article deals with the content and the role of foreign investment in socio- economic development of the countries of the world , analyzes trends in the dynamics of foreign investment by groups of countries and in Uzbekistan as well as studying the possibility of increasing the inflow of capital in Uzbekistan .*

Key words: *investment, investment attractiveness, return on investment, economic growth, investment, net investment, investment multiplier, capital allocation, consumption and investment, foreign investment dynamics.*

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Introduction

The processes of globalization, the intensification of competition, the development of information and computer technologies, the growing interconnection between capital markets and new technologies, the strengthening of the social orientation of the latter, the large-scale nature of the creation and use of knowledge, technologies, products and services have led to an increase in the role of investment as an institutional basis for innovative development of regions and country as a whole. In economic theory, investments are understood as financial resources channeled by the private and public sectors to: expansion or reconstruction of production; increase in inventories and material resources; improving the quality of products and services; education and training of personnel; maintenance and strengthening of public health; Scientific research; strengthening of industrial and social infrastructure. Economic growth is the fundamental basis for improving the quality of life of the population. For the growing volume of production allows, at the same time, to increase not only current but also future consumption through the growth of net investment.

Literature review

Degree of elaboration of the problem. Innovative development of the economy and its impact on increasing the competitiveness of industry are widely discussed in foreign and domestic economic literature. In foreign literature, this problem is deeply studied and continues to be developed in the scientific studies of I. Schumpeter [1], M.Porter [2], D. Bella, F. Makhlup, El.Goffler, P.Druker [3], J.Robinson, D.Bishop, U.Steger and others. These authors formed the theoretical foundations of processes related to competitiveness and its relationship with the factors of innovative development of the economy. A significant contribution to the development of this problem was made by the works of Russian economists - L.Abalkin, V.Makarov, G.Kleiner, B.Milner, S.Valentey, V.Loginov, M.Novitsky, P.Ivanter, A.Dynkin [4], N.Novitsky [5], V.Goreglyad , A.Barysheva [6], I.Pilipenko [7], L.Krasnova, O.Suharev [8], B.Kuzyka, Yu.Pozdnyakov [9-10] and Y.Yakovtsa, etc. In the works of these authors, various aspects of innovation development of the economy and competitiveness, their interrelationships, innovation evaluation methodologies, etc. have been explored. These works have significantly advanced the study problems of innovation and competitiveness of the economy, one ako has not exhausted her. Many questions remain insufficiently studied. In particular, this concerns the consideration of innovative development in the context of enhancing the competitiveness of industry;

in terms of developing an effective, innovative-oriented model of industrial policy; use of various tools to stimulate investment in the innovative sphere of the economy, as well as the formation of financial and non-financial institutions necessary for the modern innovative economy.

Main part

Investments, although they make up only a small part of the aggregate state expenditures of 15-16% (in developed countries), however they cause the main macroeconomic shifts in the economy. As part of the national economy, the source of investment, as is known, is the savings of households, the accumulation of firms, and the state budget. It should be specially emphasized that changes in investment demand, (determining the size of investments) have a much greater impact on macroeconomic equilibrium than one would expect.

The fall or growth of investment causes disproportionate changes in the volume of production (income), but several times larger. This macroeconomic phenomenon is called the multiplicative (multiplier) effect. The data show that during this period in the developing countries (to which our country belongs), the overall accumulation rate was 2.6 times ahead of the developed ones, and direct investment prevailed in their structure 3.6 times, whereas in developed countries countries - portfolio investment. This is due primarily not to the development of the securities market in developing countries, as well as their desire to develop a weak industrial base, and investors' interest consisted in a relatively higher return on direct investment, as well as other positive effects of their exports to this group of countries. In Uzbekistan, the necessary investment climate has been created and constantly improving, which is understood as the whole aggregate of political, legal, economic, social and other factors that determine the normal opportunities and optimistic prospects for investments corresponding to civilized states. Uzbekistan today is one of the most promising countries for investment and business. Its investment potential is determined by a diversified economy, a small amount of public debt, and large-scale economic reforms. The direction of improving the investment potential is primarily related to the reduction of administrative barriers, improving the management of investment activities, building a positive investment image of the country. Confirmation of the attractiveness of the conditions for international investors in Uzbekistan are the following basic conditions:

1. The system of legal guarantees, privileges and preferences created for foreign investors, which is based on the relevant laws and decrees of the President of the Republic of Uzbekistan. At present, every effort is being made to make the country more open to the outside world. In early 2017, the Development Strategy of Uzbekistan for 2017-2021 was presented. Much attention is paid to inflow of foreign investments into the country, including through the improvement of legislation. Earlier, Uzbekistan was associated with strict control of the outflow of currency, now it is no longer so. Since September 2017 there are no more restrictions for the development of private business and foreign direct investment flows. Uzbekistan is carrying out a significant revision of the legislative framework for attracting foreign investment. A draft concept for the Investment Code has been developed. This is a consolidated legal document that does not have any reference to external regulations or articles, that improving the availability of corporate financial information and bringing the financial statements of Uzbek companies to international standards. [11]

Previously, exporters were required to sell part of their revenues domestically to the government at a low fixed rate. This requirement is no longer relevant. The income that the investor earns is the investor's income, he can spend it as he wants and where he wants.

The exchange rate of the national currency to foreign currencies is fixed by the Central Bank, now it is regulated exclusively by market mechanisms. In the past, repatriation of profits and purchases of foreign currency were significantly limited. Now foreign investors can buy as much currency as necessary at the exchange rate in the free market.

About 160 procedures for licensing and 19 bureaucratic procedures have been eliminated. Uzbekistan is the largest country in the region in terms of its labor force. In the republic, the number of people employed in this or that sphere is about 19 million people, this is almost 40% of the entire labor market in Central Asia.

Uzbekistan is a stable country, both politically and economically, on an attractive macroeconomic situation: external debt does not exceed 18% of GDP, and there is no domestic debt.

Much attention is paid to ensuring the rights of investors. More than 5,000 companies with foreign capital operate in Uzbekistan. About 50 of the world's leading brands have invested in the country.

At the moment, the portfolio of investment projects is more than 300 projects in various industries, totaling $ 9 billion.

2. The Republic of Uzbekistan has established itself throughout the world as a stable and dynamically developing country, which has provided annual GDP growth of more than 8% over the past several years, with a predictable stable not only domestic but also foreign economic policy, which is being built on mutually beneficial terms with all countries of the world . Political and economic stability Uzbekistan is, first of all, political stability, it is confidence in the future and the consistency of reforms in all spheres of public and political life.

This is a state where representatives of more than one hundred nationalities and dozens of religious confessions live in peace and harmony. Thanks to the successful implementation of this model, Uzbekistan managed to achieve and ensure:

Macroeconomic stability, the balance of the domestic and external sectors of the economy, the growth of foreign exchange savings;

Create the conditions for maintaining a sustained high rate of annual economic growth on average by 9% per year, mainly due to internal factors;

To reduce the total tax burden by almost 3 times, while the state granted additional benefits to exporting enterprises, small businesses and enterprises that invest and master new products;

To create a stable banking and financial system with strict observance of the Basel principles of banking supervision. In particular, the level of sufficiency of bank capital is more than 25%, which is almost 3 times higher than international standards;

Develop new high-tech industries through active investment policy, technical modernization of industries and production infrastructure.

Over the years of independent development, the country's economy has attracted more than 120 billion dollars of investment, of which more than 60 billion dollars - the funds of foreign investors.

In Uzbekistan, in 2017, more than $ 4.505 billion of foreign investments were disbursed for 199 projects. At the expense of foreign loans under the government guarantee, $ 1.854 billion was spent on 79 projects, due to foreign direct investments - $ 2.65 billion for 120 projects.

In 2018, the largest amount of foreign investment - $ 10.8 billion for 37 projects - is planned to be mastered in the fuel and energy sector. In particular, Lukoil in early 2018 will invest $ 3 billion in the implementation of two PSAs with a total value of more than $ 8 billion , while GasProjectDevelopmentCentralAsia (GPD, a subsidiary of GazpromInternational) is launching two projects with a total cost of about $ 1.3 billion - the development of gas fields in the Ustyurt region and the Surkhandarya region. Japanese Mitsubishi Corporation and MitsubishiHitachiPowerSystemsLtd will start implementing two projects with a total cost of about $ 1.5 billion - construction of Turakurgan TPP in Namangan region with a capacity of 900 MW and construction of a combined-cycle plant with a capacity of 450 MW at Navoi TPP. Also, the Chinese Zhuhai Singyes Green Building Technology will begin construction of a solar power plant in the Samarkand region.

Uzbekistan plans to invest $ 30.4 billion in oil and gas industry until 2021. "Due to the implementation of these projects, 15 new types of products are expected to be developed: polyvinyl chloride, ABS plastic, synthetic rubber, aromatic hydrocarbons, superabsorbent and others," Uzbekneftegaz informs. The number of the largest projects includes additional exploration and development of the field "25 years of Independence" with the construction of a gas processing complex in Surkhandarya region worth 5.8 billion dollars, the production of synthetic fuel (GTL) based on the Shurtan gas chemical complex (GCC) for $ 3.7 billion and construction a new oil refinery in the Jizzakh region for $ 2.2 billion. In 2018-2020 it is planned to attract financial resources of the World Bank for the amount of three billion dollars for the implementation of 27 projects, by 2019 - funds of the Asian Development Bank to the amount of 3.7 billion for the implementation of 25 projects. Until 2021, Uzbekistan intends to attract loans from international financial institutions worth more than 7.7 billion dollars. 3.Uzbekistan has a huge investment potential of economic sectors. The Republic has a huge investment potential. During the years of independence, new industries have been developed such as automotive, agricultural machinery, biotechnology, the pharmaceutical industry, and information technology. Uzbekistan is rich in various kinds of minerals. In the bowels of the republic more than 100 types of mineral raw materials have been identified. By reserves of gold, uranium, copper, silver, lead, zinc, tungsten, natural gas and some other minerals our country occupies one of the leading places in the world. Only the proven reserves of mineral resources are estimated at about 3.3 trillion dollars. To carry out modernization and technical re-equipment of the processing industry enterprises, it is only necessary to raise $ 3.7 billion in investments in the next three years. In general, the investment attractiveness of the industries is due to relatively low costs of factors of production (electricity, natural gas, labor), a significant domestic sales market (more than 26.3 million permanent residents), duty-free access to the markets of the CIS (280 million. people of the population).

Formation and functioning of free (special) economic zones. So in the Navoi, Tashkent and Jizzakh regions, Free Industrial Zones have been created, where investment projects are being implemented with the participation of foreign companies. Totally there are 15 free economic zones in the country that have implemented about 60 projects for a total of over half a billion dollars. This made it possible to create about 5,000 new jobs in Uzbekistan.

Comprehensive and consistent support and the granting of ever wider economic freedoms to entrepreneurship on the basis of market institutions and economic mechanisms.

Favorable geographical location of the republic, which allows the most rational way to ensure significant volumes of transportation of mutual

commodity flows in South-East Asia and Europe. It should also be noted that the annual share of foreign investment in their total volume for this period in the country was about 22%, the remaining 78% accounted for by internal sources. On the one hand, this indicates that its inflow is increasing, but its share is stable. On the other hand, the created economic potential of the republic allows, and at the expense of its own sources, also steadily support the overall growth of gross investment in the economy, providing significant economic growth.

Thus, the export and import of international investment at all levels of economic activity is beneficial to all countries of the world, albeit to a different extent. This process ensures the rational distribution of limited resources, expands the production capacities of countries, contributes to their social and economic development, disseminates faster and broader achievements in scientific and technological progress, including modern information and communication systems. The day is not far off when our country will also become a full-fledged member of the international exporting countries of investments and will start to take all the benefits that are accompanied by this process. Based on the critical analysis, in order to accelerate the use of the richest mineral and raw materials and labor resources, it seems that further improvement of certain provisions of the Law and other regulatory documents governing their activities should be continued, especially to reduce the so-called sovereign risks. It is equally important to find opportunities and develop measures to increase the flow of foreign loans and portfolio investments, which are three times smaller than FDI. As a result, despite the rather high level of FDI growth, we are ahead of many CIS countries while lagging behind in terms of total foreign investment from some, especially per capita. The purely market mechanism of regulation, as the experience of many developed countries has shown, turned out to be ineffective during the transition from one economic formation to another, more perfect, since the private sector is not economically interested directly in the development, for example, of basic sciences or the implementation of social innovation projects. Therefore, the governments of developed countries develop and implement national programs to implement the strategy of innovative development. In the leading countries of the world, part of the investment functions of the state, namely the financial provision of research and development, the development of applied sciences, the implementation of innovative projects, funding of research and development, and others, have moved into the financial jurisdiction of corporate institutions and the private sector. If in Japan and Korea, the business sector finances about 75% of the total expenditure on research and development, in Switzerland, China, Germany and Sweden, this figure is 65-70%, in the US - about 65%. The investment activity of enterprises in financing innovative activity reduces the financial burden on the state, and in these countries the high costs of the business sector are explained not only by a favorable investment climate, but also by a wide range of stimulating measures by the state.

It should be noted that the country did not create the necessary conditions for the development of science, and there is still no development. The conditions for science in the 1990s in Uzbekistan were much better than today, Uzbek President Shavkat Mirziyoyev said.[12]

"With respect to the country's 32 million people, it's fair to say that there is no development: the conditions for science in the 1990s were a hundred times better than today." We had science and methodology in all spheres, young people wanted All of them aspired to become doctors of science, "the president emphasized. As Mirziyoyev noted, until now the necessary conditions for the development of science have not been created in the country. Now part of the foreign investments attracted to Uzbekistan will be directed to the development of science and training of scientific personnel. "It will be correct to say that we did not think about tomorrow of our people, did not create conditions for young people to strive for education," he admitted. "Of the $ 100 involved in Uzbekistan, 10 dollars should go for the development of science, another five dollars for development scientific cadres". The Ministry of Innovative Development was established to provide support to scientists, attract investment in science and education, and become a bridge to enter the market of science-intensive domestic products, Shavkat Mirziyoyev said. In this direction, in the republic really missed a lot.

Table 1

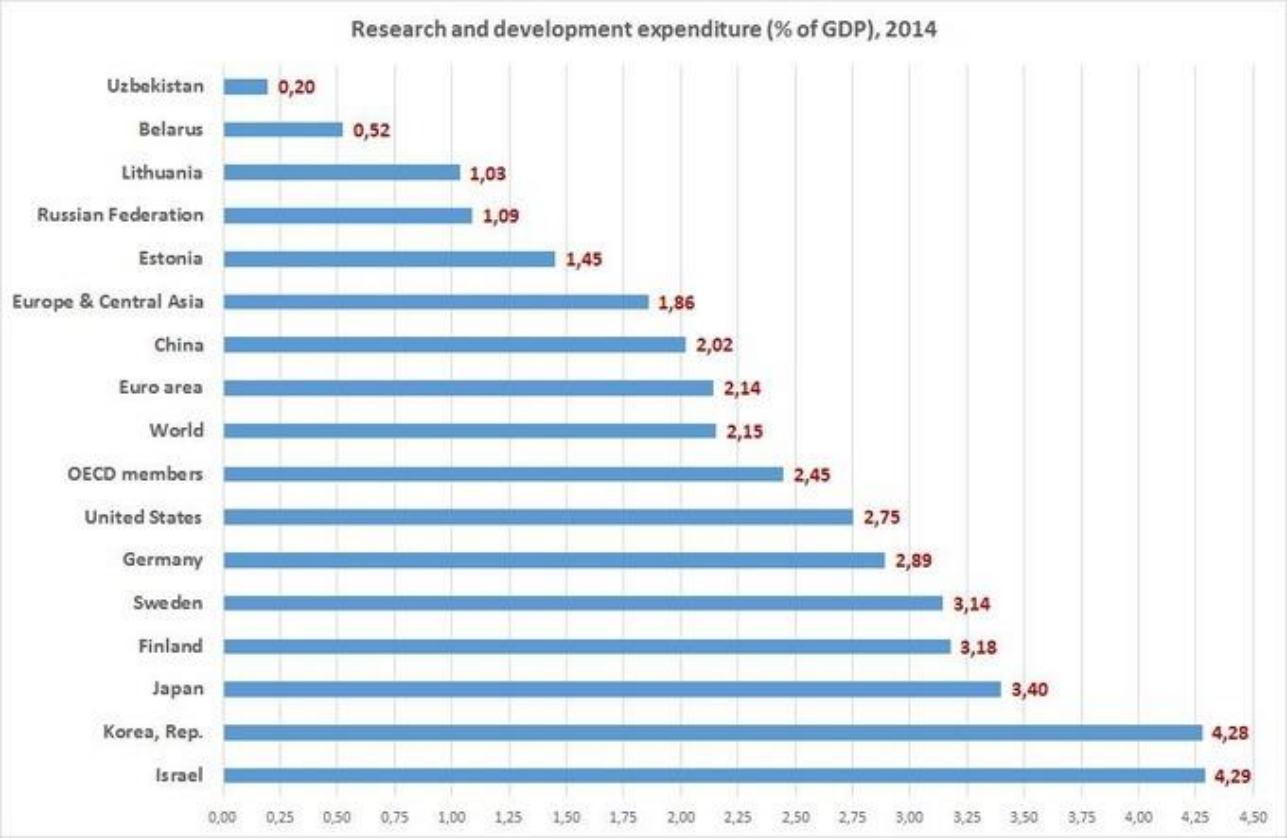
Share of allocated funds for research activities in developed countries as% of GDP

Countries and regions	2012 y.	2015 y.	2016 y.
USA	2,8	2,8	2,8
China	1,8	2	2
Japan	3,4	3,4	3,4
Germany	2,8	2,9	2,9

France	2,3	2,3	2,3
Russia	1,5	1,5	1,5
Others	0,4	0,4	0,4

Source: http://www.unctad.org/fdistatistics - official website of the United Nations Conference on Trade and Development.

According to the World Bank, the share of allocated funds for research and development in Uzbekistan is less than 0.2% of GDP, which is 11 times less than the world average and 22 times less than in Korea (4.28% of GDP)" "Given that in Korea in 2014, GDP was $ 1411 billion, the total amount allocated to science was more than $ 60 billion (almost the total GDP of Uzbekistan), which is 485 times (!) More funds allocated for science in Uzbekistan ($ 124 million, ie, 0.2% of the $ 63 billion of GDP) ... In the parameters of the state budget for 2018, science provides for only about $ 48 million (389 billion soums). In 2018, the science in the state budget of Uzbekistan provides for only about 48 million dollars.



Source: www. Gazeta.uz./ru 2018/04/09

Fig.1. Research and development expenditure in foreign countries for 2014.

Conclusion

In Kazakhstan, 28.6 billion tenge (89 million dollars) was allocated for grant financing of scientific projects in 2018-2020. It should be noted that in the market conditions, enterprises are interested in the results of innovation activity, as market competition forces business structures to constantly innovate in their production activities in order to maintain their niche in the market and increase profitability, so they also act as customers and investors in the innovation market. The issues of activization of business structures, economic stimulation in the innovation sphere through concessional taxation, lending and other instruments of state regulation are included in the coordinating function of the state. In our opinion, in order to accelerate the pace of innovative development of the national economy, it is necessary to widely use the tools of economic stimulation of innovation activity, the creation of public-private partnerships, with the help of which the state will shift part of investment functions to the private and corporate sectors, and enhance international cooperation in innovation. The implementation of these measures will lead to the achievement of the intended goal - the innovative development of the

national economy and the growth of its competitiveness.

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