The Consequences of the Pandemic on the Inflow of Foreign Investment Abroad and in the Republic of Uzbekistan

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Abstract. The study is devoted to foreign investment, ways to attract investment to the Republic of Uzbekistan, the experience of foreign countries is analyzed, proposals are made to improve the country's investment potential, and methods of recovery after the pandemic are also emphasized. The authors tried to capture all the topical issues related to foreign investment, based on current data, using methods of analysis, synthesis, deduction, grouping, theoretical and empirical methods. The article considers the experience of foreign countries, such as Hungary, China, South Korea, and compared with the economy of Uzbekistan. In conclusion, based on the analysis of foreign countries, proposals were made to attract investment to the Republic of Uzbekistan.

Keywords: Key word: investments, foreign, attraction, Republic of Uzbekistan, experience, economy, efficiency, analysis, inflow, capital.

1 Introduction

The investment climate is very important for the stable development and growth of the national economy. The President of the Republic of Uzbekistan Sh.M. Mirziyoyev subtly noted: “World experience shows that a country that pursues an active investment policy will be able to achieve sustainable growth. That is why it will not be an exaggeration to say that investments are the engine of the economy, in Uzbek, the heart of the economy.” (Video conference call in Tashkent on 04/08/2019 chaired by the President of the Republic of Uzbekistan “Analysis of the implementation of foreign direct investment projects and international financial institutions for the first quarter of 2019”). The mechanism for attracting investment requires innovation.

Foreign investment today is a very significant part of the global economy. Each country has its own experience in attracting foreign investment to the country. It is impossible to create a unified system for attracting foreign investment, since the investment climate in all countries is different, what can be achieved in one country cannot be achieved in another. Many scientists studied the theories and practices of attracting foreign investment in the economy and regions of the country, of which foreign scientists: Miriam Ruiz, Mehdi Behname, Henryk Dzwigol, Olena Aleinikova, Yuliia Umanska, Nadiia Shmygol, Yaroslav Pushak, Vitaliy Okulov Ann Vlasovets, Ataul Karim Rukon, Vlada Petrova Vitaliy Okulov, Rudolf Ferdinand Danckwerts, V.N. Vedyapina, G.A. Brock, K.M.Galyar, Kadochnikov, Kovalev, A.P. Kosintsev, A.A. Maltsev and others.

Of the local scientists dealing with the economic essence of investments, functions, and their role in the country's economy, attracting foreign investment, one can single out D.G. Gozibekov, N.G. Karimov, R.Kh. Khozhimatov, Kh.Kh. A.M.Kodirov, K.Kh.Abdurakhmonov.

Attracting foreign investment is an important aspect for developing countries, because without foreign investment, the market loses its economic stability and separates from the world economy. In the world economy, several types and methods are known to attract foreign investment in the economy of the country's industry. Among such methods to attract foreign investment is the introduction of benefits and privileges (financial incentives, tax holidays, subsidies, credit holidays, etc.).

2 Methods

When researching a topic, the division of countries is taken into account, and their experience is taken separately. The experience of countries similar to the economy of the Republic of Uzbekistan is taken as a basis. The purpose of the study is the economy of the Republic of Uzbekistan and the economy of the world as a whole. As a result, recommendations and scientific conclusions were made. The study used methods of analysis, comparison, grouping, mathematical methods to calculate the decline in investment during the pandemic. Of particular difficulty was the volatile state of the economy in the world. In order to soberly assess the investment climate in the country, it is necessary to analyze about 10 components:

1) Market size is a global competitiveness index determined by Geneva, World Economic Forum Ed. by Klaus Schwab

2) Openness of the economy - determined by the Foreign Direct Investment, Regulatory Restrictiveness Index. The index includes 4 types of restrictions on foreign investment: limiting the participation of foreign enterprises in the capital of enterprises, conducting a screening or permitting procedure, reducing the hiring of foreign citizens for key positions and operational restrictions. The essence of this method is that the fewer restrictions, the higher the openness economy for foreign capital.

3) Infrastructure from the Global Competitiveness Index determined by Geneva, World Economic Forum Ed. by Klaus Schwab

4) The quality of labor resources - according to it, the level of development of human capital is assessed - Human Capital Index determined by Geneva, World Economic Forum Ed. by Klaus Schwab

5) Labor costs - data on wages on average in the countries of the world, the lower the level of labor costs, the higher the value of the indicator.

6) Investment protection Strength of investor protection published by the World Economic Forum.

7) Risks - political risk index, an integral assessment of the main risks of the political, financial and economic zone.

8) Financial Market Development - a global competitiveness index published by the World Economic Forum.

9) Tax burden - data on corporate and indirect tax rates.

10) Regulatory environment, the data of the indicator include business registration, building permit, electricity system, property registration, loan disbursement, taxation, contract enforcement, etc.

According to these indicators, it is possible to develop a strategy for attracting foreign direct investment (Figure 1)

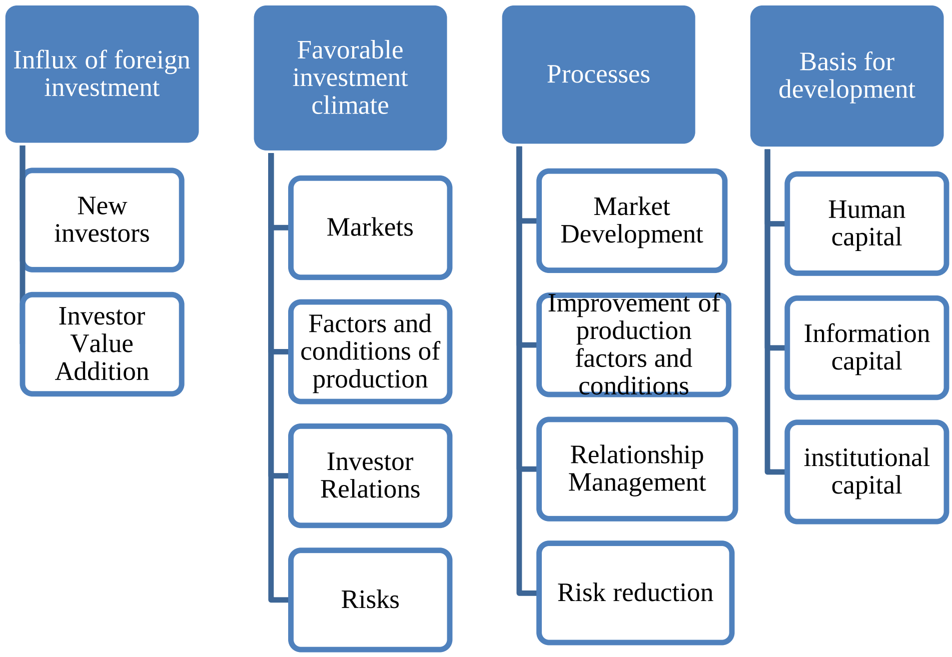

Fig. 1. Map of strategies for attracting foreign direct investment

3 Research

The pandemic that broke out in 2020 caused foreign investment inflows to fall globally, compared to 2005 levels. Industrial and infrastructure projects, international production were hit hard. More damage was done towards developed countries, where foreign investment fell to 58%, and in developing countries to 8%. According to the above, 2/3 of world investments were in developing countries.

The pandemic caused more damage to attracting global foreign investment in early 2020, and in the second half of the year, international mergers and acquisitions and international project financing began to fall into place. However, investment in new businesses important to developing countries continued to underperform throughout 2020 and early 2021. The figures varied across countries: in Latin America and the Caribbean it decreased by 45%, in Africa by 16%, and in Asia it increased by 4%.

Against the backdrop of the economic crisis, all countries of the world began to develop their own policies to attract foreign investment. If earlier the investment policy included more liberalization methods, then since 2020 everyone has tried to include regulatory or restrictive measures. Of the 152 global investment policy measures adopted, about 50 included regulations or restrictions, about 72 remained stable, including encouraging or facilitating foreign investment, and 30 were neutral.

The experience of foreign countries in attracting foreign investment is very rich. In particular, we can consider the experience of such countries as Hungary, China, South Korea.

Hungary. Hungary is located in Eastern Europe and is considered the gateway to Central and South-Eastern Europe, the interest in this country from the side of attracting foreign investment lies in multinational corporations that make up corporate internal structures that are taken into account when planning taxes. Another big plus is the absence of restrictions on participation in capital.

The Hungarian economy is developing rapidly and its financial system is considered one of the most developed in the region. It has a highly skilled and highly educated workforce, especially in the fields of engineering, medicine and economics, and is also considered very cheap.

The Hungarian government has prioritized attracting foreign investment. The Government has set up the Hungarian Investment Promotion Agency to provide professional assistance to foreign companies who are about to invest in Hungary.

Hungary maintains a stable position, despite any crises, and the way out was the implementation by the state of measures to maintain the attractiveness of the country. The most significant of them are:

-Specially designed programs for loans and for banks

- Modernization of the administrative structure and reduction of formalities

-Facilitation of the process of obtaining a building permit

-Corporate tax rate reduced to 9%, social security contributions to 15.5%.

China. China ranks second in the world ranking for attracting foreign investment. The Chinese economy is developing by attracting investment, this is evidenced by the indicators. The share of foreign direct investment in 2013 in relation to GDP was 53.9%, and at the end of 2020, this figure increased to 70.3%.

China attracts investors due to the stable socio-economic and political state in the country, and even despite the situation after the pandemic, China maintains stability in the global market. Another favorable criterion is the continuity of power and the political course. In China, high investment access, free trade, intracontinental openness, the government and the market are separated here, thereby reducing state intervention in the distribution of resources, and restrictions on the access of private entrepreneurs to a number of industries have been lifted.

China has a capacious domestic market with great development prospects. According to research by scientists, the volume of China's consumer market by 2025 will take first place and will reach more than 14.5 trillion US dollars. China is a promising market due to the constantly growing income of the population and its demand. In addition to all this, China is based not only on the amount of foreign investment, but also on their quality. In attracting foreign investments, they focus on investment projects that have at least 3 characteristics: science intensity, a high level of resource saving and environmental safety.

For foreign investors, China provides the transfer of advanced technologies, special economic zones and incubators are being formed to support high-tech industries, where tax incentives have been introduced. The purpose of the SEZ (free economic zone) is to attract foreign investment without restrictions, equal conditions for the private and public sectors, as well as free conversion of local currency on capital accounts.

South Korea. Korea has a very favorable environment and climate for attracting foreign investment. South Korea has a strong legal framework to support the inflow of foreign investment, the Foreign Investment Promotion Law makes regulation easier and removes restrictions on investment and expands tax incentives for investment. In South Korea, one of the first countries created a commission on foreign investment, which includes the heads of Ministries, Agencies, and managerial political personnel who deal with foreign investment issues. The main basis for attracting investment in Korea is market liberalization and expansion. Capital market liberalization will increase access to capital and technology, and expansion will improve economic efficiency.

The Republic of Uzbekistan.

Investment during the pandemic fell into disrepair. So in 2020, tourist travel of people and in general any kind of travel was limited, this led to the decline of the tourism sector. Foreign investment in tourism fell from $48.5 billion in 2019 to $12.6 billion in 2020. Investment activity in this area is gaining momentum, and has almost fully recovered. Another of the affected areas during the pandemic is the real estate market and the oil and gas sector. In the energy industry, oil prices have been critically low for several weeks, and international oil companies have lost billions of dollars of their assets. Newly introduced investment projects in the development of the coal, oil and gas industry fell to $42.1 billion in 2020 compared to $112.3 billion in 2019. Foreign investment in real estate, especially commercial real estate, fell to $34.3 billion, a figure less than half that of previous years.

The pandemic, in addition to a decline in foreign investment, has led to an increase in the inflow of investments into the sphere interacting with the digital economy. Investment in telecommunications infrastructure, equipment and services increased to $50.1 billion in 2020, up 30 percent from 2019. Similarly, the biotech sector had positive growth during the pandemic as foreign investors invested heavily in laboratory development, the biotech sector provided $6.6 billion worth of projects in

2020, down from $4.2 billion in 2019. The renewable energy sector can also be attributed to those sectors that have seen positive growth in investment. Foreign investors provided wind, solar and other energy projects totaling $80.8 billion in 2020, down 17% in 2019.

4 Discussion

The prospect of growth in global investment during the pandemic was in doubt. The investment sentiment index in December 2020 was 583 points, which is 23.98% lower than in 2019, and is stable in terms of indicators compared to the start of the pandemic. Foreign direct investment flows have weakened; investors have become wary of investing in new foreign projects. So in 2020, international project financing in infrastructure amounted to 2%, and this figure was concentrated in developed countries.

The flow of foreign investment already in 2021 was due to cross-border mergers and acquisitions, for example, in the field of technology and healthcare. India and Turkey are actively developing projects in the field of IT consulting and digital technologies, as well as e-commerce platforms, the development of digital payments and data processing services.

In 2021, the total amount of assimilated foreign investments amounted to USD 11.1 billion, which indicates the fulfillment of the annual forecast by 113 percent, of which investments in fixed assets amounted to USD 9.8 billion, a growth rate of 110% compared to 2020, and foreign direct investment amounted to 8.6 billion US dollars.

In 2021, 318 large investment projects were implemented under the Investment Program, the amount of these projects is 5.9 billion US dollars, 15,710 projects worth 7.4 billion US dollars were implemented as part of regional investment programs. All these projects have created more than 275,000 new jobs.

The volume of investments for 2021 fell on such areas as the energy sector, metallurgy, the chemical industry, the production of electrical products, computer technology, construction, pharmaceuticals, light industry, the agricultural sector, and so on. At the end of 2021, more than 50 countries invested in the economy of the Republic of Uzbekistan, of which the following can be distinguished:

People's Republic of China - more than 2.2 billion US dollars, Russia - 2.1 billion US dollars,

Turkey -1.18 billion US dollars,

Germany - 800.7 million US dollars,

South Korea - $137.4 million

All these data show a positive growth in dynamics (Fig. 2)

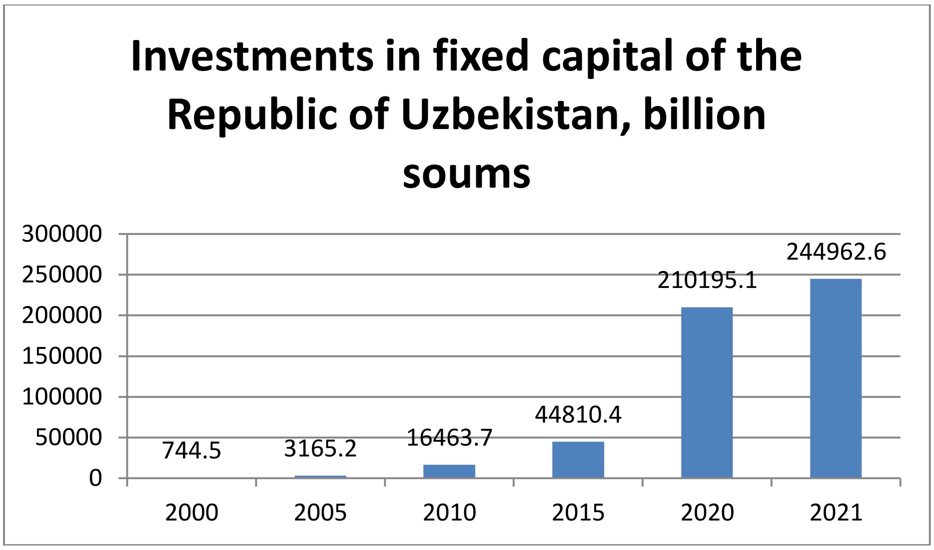

Fig. 2. Dynamics of development of investments in fixed assets of the Republic of Uzbekistan, billion soums.

Wavteq, a global investment consulting firm, has made its forecast that by 2025 the volume of capital investments will increase to 1 trillion dollars, and, accordingly, the number of jobs will increase to 2.7 million. According to studies, the most attractive for foreign investment inflows are: the financial sector and the provision of business services -64%; information and communication technologies - 56%; energy and mining industry - 54.7%; renewable energy sources - 46.7%; agro-entrepreneurship - 44%; logistics - 42.9%, medical sector - 37.4%.

The pandemic has affected: supply, demand and politics, and, accordingly, foreign investment and global direct investment. Global foreign direct investment will recover in its place from 2022.

Until 2030, according to research, it is expected:

- reduction of fragments of the value chain, leading to a decrease in intermediate products in the world, for example, the transition from sales of cars with internal combustion engines to the production of electric vehicles;

-strengthening platforms of technological transnational corporations with business models aimed at small foreign assets;

-strengthening value chains in the service sector;

5 Conclusion

In conclusion, we can say that the influx of foreign investment into the national economy is the engine of the economy to the world market and the achievement of the social well-being of each country.

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- on the basis of natural resource, economic, and investment resources available in the country, develop a regional investment policy, taking into account its potential. In the Republic of Uzbekistan, apply a firm investment policy in regions with high potential in Tashkent, Tashkent, Samarkand, Fergana regions, as well as an easy investment policy in Jizzakh, Syrdarya, Surkhandarya regions and the Republic of Karakalpakstan.
- benefits to areas with low employment and high demand for labor, weak regions are Fergana, Namangan, Andijan regions.
- introduction of income tax incentives for foreign investors for a certain period of time in regions with lagging development.
- application of tax incentives in certain regions, similar to free economic zones. For example, in the Surkhandarya region and in the districts of the Republic of Karakalpakstan, investors who have decided the issue of infrastructure have extended the maturity of loans.
- attracting investments to environmentally problematic areas, applying special benefits to investors, for example, in the Aral Sea region, investors are provided with tax incentives or credit holidays.
- holding international conferences by the state for entrepreneurs in order to attract investment to the regions.

All of the above methods can have a positive effect on attracting foreign investment if they are carried out within the framework of the country's legislation.

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