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**THE MAIN DIRECTION OF ATTRACTING
FOREIGN INVESTMENTS IN ALGERIAN'S ECONOMY**

FINAL QUALIFICATION WORK

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INTRODUCTION

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INTRODUCTION

Value of the qualification work theme. For Uzbekistan, starting from mid 90's of 20th century, manage to overcome the negative trend of discipline in investment activity, to stabilize and gradually increase the pace of growth supporting base. Thanks to the investment activities in the republic signs of improvement in key indicators supporting basis, the rates which have positive trend.

Although the gain sphere developing basis and mechanism of investment activity in the country has done a lot, the measures taken so far do not fully correspond to the modern development stage of Economy. Many of the supporting basis used levers and incentives are not sufficiently aligned with the results of the targeted use of investment resources. In fact, partner code incentives actually improve the technical level of production and development of the competitiveness of enterprises.

With a very limited budget package of measures aimed at deepening the processes of privatization and structural reforms, development of export-oriented type of production, one of the most effective means of recovery is to create favorable conditions for the inflow of foreign capital.

Scales and rates of growth of foreign investments depend on a condition of the investment climate formed due to set of political, economic, social, ecological and other factors, defining an opportunity and advantage of capital investments in economy of this or that country. From this point of view development of the scientifically-proved offers and recommendations on improvement of an investment climate in the country on the basis of studying and generalization experience of attraction of foreign direct investment .

Degree qualification work learning. Theoretical bases of formation and use of investment resources, general metrological questions of attraction of foreign

investments and regulations of investment activity are shined in scientific works both domestic, and foreign scientists-economists.

Among them the work of P.Samuelson's, J. R.Khiks, J.Shumpeter, V.Ivanchenko, Y.Sokolov, V.Loginov, S.Frajzera, A.Chernyavskiy, Y.Yakovets, etc. Theoretical questions of attraction of foreign investments into the countries with transitive economy are considered with Y.Berger, G.Bulychev, V.Komarov, N.Nurlanova, A.Goncharov, N.Kozlov, S.Evstratov, A.Kuznetsov's works, etc.

In research of theoretical bases of efficiency of investment process and attraction of foreign investments the powerful contribution was brought by such scientists of Uzbekistan as A.Khikmatov, M.Sharifkhodzhaev, S.Gulyamov, D.Gazibekov, B.Erkaev, M.Ziyaev, I.Tukhliev, E.K.Makhmudov, N.Yusupova, I.Davletov, etc.

Separate aspects of development of investment processes are considered with D.Baratov, N.Karimov, U.Nadyrkhanov, N.Rasulov, A.Usmanov, F.Yuldashev, S.Yuldashev's research works, etc. Works of the above-named authors make theoretical and methodological base of research of a problem of attraction of foreign investments into national economy.

Features of social and economic development of Algeria and some aspects of attraction of foreign investments in economy of Algeria are considered in works of such researchers, as E.O.Kasaev, N.V.Mokhov, I.M.Mokhova, I.Ivanov, M.Ignatova, A.Brenner and others.

Questions of attraction of foreign investments into economy of Algeria are insufficiently considered in scientific researches of domestic economists.

The purpose of the final qualification work. The purpose of the given work is revealing features of attraction of foreign investments into economy of Algeria in conditions of globalization.

Proceeding from it, following questions are put:

- to reveal essence, advantages and lacks of direct foreign investments;
- to assess an investment climate of Republic Uzbekistan;

- to prove comparative advantages of Algeria in attraction of direct foreign investments in view of natural-economic potential;

- to reveal essence of the State investment programs of Algeria as important factor of attraction of foreign investments.

Objects of qualification work is direct foreign investments into economy of Algeria.

Subject of qualification work - the social and economic attitudes arising during attraction of foreign investments.

Theoretical and methodological base of the given work are works of domestic and foreign scientists in the field of the theory and practice of attraction of foreign investments.

Methods of final qualification work. Methods of the system approach, the scientifically-methodical analysis, a statistical grouping have been put in a basis of carrying out of research. In work materials of the Ministry on foreign economic relations, investments and trade of the Republic of Uzbekistan, Algeria's statistic organization and also annual statistical bulletins of World Bank and other international organizations are used.

Scientific novelty of final qualification work consists in the following:

- advantages and lacks of direct foreign investments are revealed essence;
- the estimation of an investment climate of Republic Uzbekistan is given;
- comparative advantages of Algeria in attraction of direct foreign investments in view of natural-economic potential are proved;

- the essence of the State investment programs of Algeria as important factor of attraction of foreign investments is revealed.

Practical significance of qualification work consists that the basic conclusions and offers can be used at studying foreign experience of attraction of foreign investments. Materials of final qualifying work can be used for teaching the rates connected with investments.

The structure of work. Final qualifying work consists of the introduction, two chapters, the conclusion and the list of the used literature.

In introduction are proved a urgency of research, its degree разработанности, a definite purpose and problems, a subject and object, methodology, and also scientific novelty and the practical importance of carried out research is shined.

In the first chapter it is given the essence of advantages and lacks of direct foreign investments, and given the estimation (score) of an investment climate of Republic Uzbekistan.

In the second chapter proved comparative advantages of Algeria in attraction of direct foreign investments in view of natural-economic potential, and revealed the essence of the State investment programs of Algeria as important factor of attraction of foreign investments.

In the conclusion given the basic results of generalized research, scientifically-practical recommendations of the author on an investigated problem.

CHAPTER 1. SCIENTIFIC AND THEORETICAL ASPECTS OF INVESTMENT IN THE CONTEXT OF GLOBALIZATION

1.1. Foreign – direct investment: advantages and disadvantages

Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development.

Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment. In recent years, given rapid growth and change in global investment patterns, the definition has been broadened to include the acquisition of a lasting management interest in a company or enterprise outside the investing firm's home country. As such, it may take many forms, such as a direct acquisition of a foreign firm, construction of a facility, or investment in a joint venture or strategic alliance with a local firm with attendant input of technology, licensing of intellectual property, In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets profound changes have occurred in the size, scope and methods of FDI. New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The sea change in trade and investment policies and the

regulatory environment globally in the past decade, including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries, has probably been the most significant catalyst for FDI's expanded role.

The most profound effect has been seen in developing countries, where yearly foreign direct investment flows have increased from an average of less than \$10 billion in the 1970's to a yearly average of less than \$20 billion in the 1980's, to explode in the 1990s from \$26.7 billion in 1990 to \$179 billion in 1998 and \$208 billion in 1999 and now comprise a large portion of global FDI.. Driven by mergers and acquisitions and internationalization of production in a range of industries, FDI into developed countries last year rose to \$636 billion, from \$481 billion in 1998 (Source: UNCTAD)

Proponents of foreign investment point out that the exchange of investment flows benefits both the home country (the country from which the investment originates) and the host country (the destination of the investment). Opponents of FDI note that multinational conglomerates are able to wield great power over smaller and weaker economies and can drive out much local competition. The truth lies somewhere in the middle.

For small and medium sized companies, FDI represents an opportunity to become more actively involved in international business activities. In the past 15 years, the classic definition of FDI as noted above has changed considerably. This notion of a change in the classic definition, however, must be kept in the proper context. Very clearly, over 2/3 of direct foreign investment is still made in the form of fixtures, machinery, equipment and buildings. Moreover, larger multinational corporations and conglomerates still make the overwhelming percentage of FDI. But, with the advent of the Internet, the increasing role of technology, loosening of direct investment restrictions in many markets and decreasing communication costs means that newer, non-traditional forms of investment will play an important role in the future. Many governments, especially in industrialized and developed

nations, pay very close attention to foreign direct investment because the investment flows into and out of their economies can and does have a significant impact. In the United States, the Bureau of Economic Analysis, a section of the U.S. Department of Commerce, is responsible for collecting economic data about the economy including information about foreign direct investment flows. Monitoring this data is very helpful in trying to determine the impact of such investments on the overall economy, but is especially helpful in evaluating industry segments. State and local governments watch closely because they want to track their foreign investment attraction programs for successful outcomes.

As mentioned above, the overwhelming majority of foreign direct investment is made in the form of fixtures, machinery, equipment and buildings. This investment is achieved or accomplished mostly via mergers & acquisitions. In the case of traditional manufacturing, this has been the primary mechanism for investment and it has been heretofore very efficient. Within the past decade, however, there has been a dramatic increase in the number of technology startups and this, together with the rise in prominence of Internet usage, has fostered increasing changes in foreign investment patterns. Many of these high tech startups are very small companies that have grown out of research & development projects often affiliated with major universities and with some government sponsorship. Unlike traditional manufacturers, many of these companies do not require huge manufacturing plants and immense warehouses to store inventory. Another factor to consider is the number of companies whose primary product is an intellectual property right such as a software program or a software-based technology or process. Companies such as these can be housed almost anywhere and therefore making a capital investment in them does not require huge outlays for fixtures, machinery and plants.

In many cases, large companies still play a dominant role in investment activities in small, high tech oriented companies. However, unlike in the past, these larger companies are not necessarily acquiring smaller companies outright. There

are several reasons for this, but the most important one is most likely the risk associated with such high tech ventures. In the case of mature industries, the products are well defined. The manufacturer usually wants to get closer to its foreign market or wants to circumvent some trade barrier by making a direct foreign investment. The major risk here is that you do not sell enough of the product that you manufactured. However, you have added additional capacity and in the case of multinational corporations this capacity can be used in a variety of ways.

High tech ventures tend to have longer incubation periods. That is, the product tends to require significant development time. In the case of software and other intellectual property type products, the product is constantly changing even before it hits the marketplace. This makes the investment decision more complicated. When you invest in fixtures and machinery, you know what the real and book value of your investment will be. When you invest in a high tech venture, there is always an element of uncertainty. Unfortunately, the recent spate of dot.com failures is quite illustrative of this point.

Therefore, the expanded role of technology and intellectual property has changed the foreign direct investment playing field. Companies are still motivated to make foreign investments, but because of the vagaries of technology investments, they are now finding new vehicles to accomplish their goals. Consider the following:

Licensing and technology transfer. Licensing and tech transfer have been essential in promoting collaboration between the academic and business communities. Ever since legal hurdles were removed that allowed universities to hold title to research and development done in their labs, licensing agreements have helped turned raw technology into finished products that are viable in competitive marketplaces. With some help from a variety of government agencies in the form of grants for R&D as well as other financial assistance for such things as incubator programs, once timid college researchers are now stepping out and

becoming cutting edge entrepreneurs. These strategic alliances have had a serious impact in several high tech industries, including but not limited to: medical and agricultural biotechnology, computer software engineering, telecommunications, advanced materials processing, ceramics, thin materials processing, photonics, digital multimedia production and publishing, optics and imaging and robotics and automation. Industry clusters are now growing up around the university labs where their derivative technologies were first discovered and nurtured. Licensing agreements allow companies to take full advantage of new and exciting technologies while limiting their overall risk to royalty payments until a particular technology is fully developed and thus ready to put new products into the manufacturing pipeline.

Reciprocal distribution agreements. Actually, this type of strategic alliance is more trade-based, but in a very real sense it does in fact represent a type of direct investment. Basically, two companies, usually within the same or affiliated industries, agree to act as a national distributor for each other's products. The classical example is to be found in the furniture industry. A U.S.-based manufacturer of tables signs a reciprocal distribution agreement with a Spanish-based manufacturer of chairs. Both companies gain direct access to the other's distribution network without having to pay distributor support payments and other related expenses found within the distribution channel and neither company can hurt the other's market for its products. Without such an agreement in place, the Spanish manufacturer might very well have to invest in a national sales office to coordinate its distributor network, manage warehousing, inventory and shipping as well as to handle administrative tasks such as accounting, public relations and advertising.

Joint venture and other hybrid strategic alliances. The more traditional joint venture is bi-lateral, that is it involves two parties who are within the same industry who are partnering for some strategic advantage. Typical reasons might include a need for access to proprietary technology that might tip the competitive edge in

another competitor's favor, desire to gain access to intellectual capital in the form of ultra-expensive human resources, access to heretofore closed channels of distribution in key regions of the world. One very good reason why many joint ventures only involve two parties is the difficulty in integrating different corporate cultures. With two domestic companies from the same country, it would still be very difficult. However, with two companies from different cultures, it is almost impossible at times. This is probably why pure joint ventures have a fairly high failure rate only five years after inception. Joint ventures involving three or more parties are usually called syndicates and are most often formed for specific projects such as large construction or public works projects that might involve a wide variety of expertise and resources for successful completion. In some cases, syndicates are actually easier to manage because the project itself sets certain limits on each party and close cooperation is not always a prerequisite for ultimate success of the endeavor.

Portfolio investment. Yes, we know that you're paying attention and no we're not trying to trip you up here. Remember our definition of foreign direct investment as it pertains to controlling interest. For most of the latter part of the 20th century when FDI became an issue, a company's portfolio investments were not considered a direct investment if the amount of stock and/or capital was not enough to garner a significant voting interest amongst shareholders or owners. However, two or three companies with "soft" investments in another company could find some mutual interests and use their shareholder power effectively for management control. This is another form of strategic alliance, sometimes called "shadow alliances". So, while most company portfolio investments do not strictly qualify as a direct foreign investment, there are instances within a certain context that they are in fact a real direct investment.

The simple answer is that making a direct foreign investment allows companies to accomplish several tasks: Avoiding foreign government pressure for local production.

Circumventing trade barriers, hidden and otherwise.

Making the move from domestic export sales to a locally-based national sales office.

Capability to increase total production capacity.

Opportunities for co-production, joint ventures with local partners, joint marketing arrangements, licensing, etc;

A more complete response might address the issue of global business partnering in very general terms. While it is nice that many business writers like the expression, “think globally, act locally”, this often used cliché does not really mean very much to the average business executive in a small and medium sized company. The phrase does have significant connotations for multinational corporations. But for executives in SME’s, it is still just another buzzword. The simple explanation for this is the difference in perspective between executives of multinational corporations and small and medium sized companies. Multinational corporations are almost always concerned with worldwide manufacturing capacity and proximity to major markets. Small and medium sized companies tend to be more concerned with selling their products in overseas markets. The advent of the Internet has ushered in a new and very different mindset that tends to focus more on access issues. SME’s in particular are now focusing on access to markets, access to expertise and most of all access to technology.

What would be some of the basic requirements for companies considering a foreign investment?

Depending on the industry sector and type of business, a foreign direct investment may be an attractive and viable option. With rapid globalization of many industries and vertical integration rapidly taking place on a global level, at a minimum a firm needs to keep abreast of global trends in their industry. From a competitive standpoint, it is important to be aware of whether a company’s competitors are expanding into a foreign market and how they are doing that. At the same time, it also becomes important to monitor how globalization is affecting

domestic clients. Often, it becomes imperative to follow the expansion of key clients overseas if an active business relationship is to be maintained.

New market access is also another major reason to invest in a foreign country. At some stage, export of product or service reaches a critical mass of amount and cost where foreign production or location begins to be more cost effective. Any decision on investing is thus a combination of a number of key factors including: assessment of internal resources,

- competitiveness;
- market analysis;
- market expectations.

1.2. Investment regulations and the definition of foreign investors and enterprises with foreign investment in Uzbekistan

The rights and responsibilities of foreign investors are set out in the following legislative acts:

- Law of the Republic of Uzbekistan “On foreign investments” №609-I, 30.04.1998
- Law of the Republic of Uzbekistan “On investment activities” №719-I, 24.12.1998
- Law of the Republic of Uzbekistan “On guarantees and means of protection of foreign investors’ rights” № 611-I, 30.04.1998

The Uzbek legislation separates out enterprises with foreign participation from enterprises with foreign investment which qualify to receive certain benefits. Both types of enterprises need to be registered. Enterprises with foreign participation can register at khokimiyat.

But enterprises with foreign investment need to register with the Ministry of Justice or its regional offices. In order to be classified as an “enterprise with foreign investment” an enterprise needs to meet the following criteria:

- foreign investor's share in the statutory capital is not less than 30%
- the statutory capital not less than USD 150,000 equivalent
- at least one of the foreign investors must be a legal entity.

For “enterprises with foreign investments” registered in the Republic of Karakalpakstan and Khorezm Region, the statutory capital requirement is lowered to USD 75,000.

All other enterprises with foreign investments, not meeting the above criteria, are considered by Uzbek legislation as “enterprises with foreign participation”.

As noted in the definition section the Uzbek definition of foreign investment differs from the international definition of foreign direct investment (FDI).

In 2007 Islam Karimov, President of the Republic of Uzbekistan, established “UZINFOINVEST”, the Information Support and Foreign Investment Promotion Agency. Its primary purpose is to provide “one stop shop” for information and other support to foreign investors. The Agency is an independent institution (legal entity) under MFERIT. The Agency has launched a website www.uzinfoinvest.uz, where investors can obtain useful information on investment legislation, the investment climate and the investment potential of the Republic, including investment proposals and profiles of the economic sectors and regions.

A foreign investor may establish and participate in the entities with the following legal forms of ownership¹³ :

- partnerships
- limited liability companies and additional liability companies
- joint stock companies either open or closed
- affiliate or subsidiary enterprises
- wholly owned enterprises
- other forms, which are not contrary to the Uzbek legislation

A foreign enterprise may open a Representative Office (RO) which is not considered to be a legal entity for tax purposes. The RO must be accredited by the

Ministry of Foreign Economic Relations, Investments and Trade and the procedure is described below. The RO is not allowed to conduct any business in Uzbekistan and can only exchange information, establish business contacts and engage in other representative functions.

The accreditation of the RO is done by the Ministry for Foreign Economic Relations, Investments and Trade. A foreign enterprise interested in opening its representative office submits an application in which it indicates:

- information on the foreign enterprise's activities;
- detailed information on its business connections with other enterprises and organizations in Uzbekistan;
- concluded agreements and contracts in progress with which it is assisting
- future business plans in Uzbekistan;
- the period for which the accreditation is requested;

The following documents should be attached to an application:

- copies of the articles of incorporation of its head office prepared in accordance with the home country legislation;
- copy of the certificate of incorporation or an extract from the trade register of the head office prepared in accordance with the home country legislation;
- power of attorney for the head of the RO issued by the head office and containing full passport details and specifying the authority of the person to whom it is granted;
- statute of the RO approved by the appropriate management body of the head office which is authorized to make such a decision, stamped with the enterprise's seal;
- letter from the owner of the office space with confirmation of preparedness of the owner to lease the premises to the RO.

The above mentioned documents should be legalized in consular institutions of the Republic of Uzbekistan in the home country of the foreign enterprise. Documents should be translated into Russian or Uzbek and certified by a notary.

The application for accreditation and the attached documents are examined for ten days. In case of a positive decision the certificate of accreditation is issued during a five-day period. Accreditation is usually given for three years with the possibility of prolongation. Accreditation by MFERIT is done free of charge.

Foreign enterprises may conduct business in Uzbekistan without establishing a legal entity. A foreign enterprise can set up a Permanent Establishment (PE). As mentioned in the tax section, a PE that does not carry on activities that lead to a “taxable” PE, pays withholding taxes as opposed to the profits tax.

In accordance with the legislation of Uzbekistan, the foreign investor has the following rights:

- to decide on the amount, kinds and channels of investments;
- to conclude agreements with legal entities and individuals to carry-out investment activity;
- to own, use and dispose investments and the results of investment activity;
- to patent inventions, useful models and industrial samples belonging to the foreign investor in Uzbekistan;
- to freely repatriate profits from Uzbekistan or to reinvest them into Uzbek legal entities;
- to obtain financial resources in the form of credits and loans;
- to convert local currency into foreign currency;
- to possess and use land on terms provided by the legislation;
- to receive adequate compensation for investments and other assets in case of their expropriation by the state;
- to receive adequate compensation for losses incurred as a result of illegal activity or decisions of the state authorities;
- other rights as may be provided by the legislation of Uzbekistan.

The legislation further provides the following additional guarantees for foreign investors:

- foreign investors may not be discriminated against on the basis of their nationality, place of residence and country of origin;

- legislative acts may not harm retroactively the foreign investor or foreign investments;

- foreign investors have the right to apply at their own discretion those provisions of the new legislation which provide for better conditions for their investments;

- the state authorities have no right to interfere in the economic activity of foreign investors carried out in accordance with the legislation of Uzbekistan;

- if the subsequent legislation of Uzbekistan worsens the investment conditions, then the legislation in place on the date of the investment is applied to foreign investments for ten years following the date of the investment.

The last protection has been difficult to implement as there are different interpretations of what “worsening of investment conditions” means. For this reason the Government has clarified what it means by a “worsening” of investment conditions. The following should be understood as a worsening of investment conditions:

- increasing the withholding tax rate on dividends payable to the foreign investor;

- introducing additional requirements making repatriation more complicated or decreasing the amount of profits (income) of foreign investors transferred abroad;

- introducing limitations on the size of investment as well as increasing the minimum size of statutory capital for enterprises with foreign investments;

- introducing restrictions on shareholding by the foreign investor in the statutory capital of the enterprise;

- introducing additional procedures for visas for foreign investors as well as additional requirements to qualify as a foreign investment.

If investment conditions worsen as described above, then a foreign investor informs the relevant body in writing about his intention to seek protection under the guarantee. The relevant bodies informed by the foreign investor include those institutions that carry out registration of legal entities – the Ministry of Foreign Affairs, the Ministry of Internal Affairs, MFERIT, the State Tax Committee and responsible banks. This notification is the basis for the implementation of the legislation which was in force at the moment when the investment was made.

There is a Department on Legal Protection of Foreign Investment and Enterprises with Foreign Investment in the Ministry of Justice. The Department can monitor violations of investors' rights and request the offending agency to provide justification for the agency's actions against the investor. The Department then assesses the agency's actions and if found in violation, it makes recommendations to the head of the agency regarding ending the violation. If the agency fails to take action, the Department can direct the agency to suspend its actions. If this fails, the Department may take the case to economic and civil courts in order to protect the rights of investors. The rulings of the judicial authorities are binding on all ministries, committees.

Foreign investors are guaranteed transfer of funds in foreign currency to and from the Republic of Uzbekistan without any limitations provided they have paid taxes and other obligatory payments in accordance with the procedures established by the legislation. Such transfers include the following:

- initial and additional sums designed either to support or to increase foreign investments;
- income received from investments;
- funds received as compensation for losses inflicted in accordance with the legislation;
- payments executed according to agreements;
- proceeds of sales of all or part of foreign investments;

- payments arising from dispute settlements including any judicial or arbitral decision;

- salary and other payments to workers;

- funds from other sources received in accordance with the legislation.

In accordance with the rules of international law, the Republic of Uzbekistan may stop the repatriation of a foreign investor's funds in cases of insolvency and bankruptcy of an enterprise with foreign investments or the protection of creditors' rights, criminal acts or administrative infringement of a law by a foreign investor - natural entity, or when necessary to stop such repatriation according to arbitration or a court decision.

Companies with foreign investments may purchase foreign currency for repatriation by foreign investors of profits, dividends and other income in OTC currency market. The procedures for purchasing foreign currency in such market are described in section 4.4 of the present Guide.

In addition to the required documents already described, foreign investors should provide the authorized bank with the following additional documents when repatriating profits, dividends and other income:

- document on distribution of profits (a decision of stockholders meeting) and payment of dividends;

- copy of the audit by an audit firm or state tax organ;

- specification of amounts to be converted;

- calculations of income tax on dividends certified by tax organs;

- confirmation of payment of income tax on dividends.

Non-resident individuals have a right to freely transfer, export and send from the Republic of Uzbekistan foreign currency observing customs regulations in the case where the currency was previously transferred, imported or sent to the Republic of Uzbekistan in accordance with the procedure set by the Central Bank together with the State Tax Committee.

Uzbekistan is a member of the International Center for the Settlement of Investment Disputes and a signatory to the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The main document used during a dispute settlement is the document which regulates a foreign investor's activity, such as JSC or LLC shareholder agreement, joint-venture agreement, production-sharing agreement, investment agreement with the Government and other relevant agreements. These agreements should clearly spell out the method for dispute settlement. If it is not otherwise stipulated in the agreement between the investor and a resident or the Government of Uzbekistan, an economic dispute can be settled in the economic courts of Uzbekistan under the applicable law.

Investors having disputes regarding their business operations should refer to the following legal acts effective in Uzbekistan:

- the Economic Procedural Code, 30.08.1997 (with amendments);
- Law of the Republic of Uzbekistan "On courts", 14.11.2000 (with amendments),
- Law of the Republic of Uzbekistan "On contractual basics of activities of commercial enterprises".

Agreement on procedure on settlement of disputes connected with entrepreneurial activities, 20.03.1992 (for legal entities and citizens of member-states of CIS).

If an investor is a citizen of one of the countries with which Uzbekistan has signed bilateral treaties on the promotion and protection of investment (see list of countries in the Appendices), then the parties may use these agreements in the dispute settlement as all of such agreements provide comprehensive dispute settlement tools in cases of investment disputes with the host Government.

In 2006 the law on arbitration courts was passed to create a non-governmental judiciary or alternative dispute settlement mechanism. As such this alternative mechanism is relatively informal and is designed to cut the cost and

time to reach a settlement while preserving confidentiality. Both parties to the dispute can choose their own arbitrator and they in turn choose a chair. The decision of these courts would be binding and implemented by the judiciary system. The Uzbek Chamber of Commerce and Industry has set up its own non-governmental court and started rendering arbitrator service to business participants.

Uzbekistan has signed a number of bilateral investment treaties (BITs) providing for reciprocal promotion and protection of investments. As of August 1, 2008, Uzbekistan has signed BITs with 49 States (see list of countries in the Appendices). Such treaties typically cover the following areas: scope and definition of investment covered, admission and establishment, national treatment, most-favored-nation treatment, fair and equitable treatment, non-discrimination, compensation of damages to the investor in emergency events, prohibition of expropriation of the investment except for extraordinary cases, guarantee of transfer of funds, and dispute settlement mechanisms, both state-state and investor-state.

Repatriation without restriction is guaranteed to the investor for payments related to investment: initial and reinvested capital, profits, liquidation proceeds, compensation and wages of foreigners. The transfer of funds shall be provided without unreasonable delay in a freely convertible currency at market exchange rates. The BITs signed by Uzbekistan give an investor the choice of national courts, ad hoc arbitration or the World Bank's International Center for the Settlement of Investment Disputes (ICSID) when the dispute is with the Government. ICSID provides facilities for the conciliation and arbitration of the disputes in accordance with the Convention on the Settlement of Investment Disputes between States and Nations of Other States, where Uzbekistan is a member-country since August 1995. ICSID arbitration awards enjoy recognition and enforcement by all ICSID member states, whether or not they are parties to the dispute.

There are many incentives and benefits provided to enterprises with foreign investment. These can be the same as the ones provided to any enterprise under the general tax legislation previously discussed or provided for enterprises participating in the investment program, localization program or sectoral modernization program. In addition enterprises with significant foreign investment in priority sectors or regions can negotiate special benefits by concluding an investment agreement with the Government. All incentives are for a specific period of time.

Some of the tax incentives described below are open to all enterprises including enterprises with foreign investment. Other incentives are only for enterprises with foreign investment.

Tax breaks for enterprises with foreign participation and foreign investment:

- joint ventures with foreign participation in the oil and gas sector carrying out exploitation works have a seven year tax holiday from income tax from the extraction start date and thereafter a 50% reduction, and exemptions from property taxes and dividend taxes (President's Decree, On means for attracting foreign direct investments to exploring and extraction of oil and gas, UP-2598, 28/04/00);

- goods produced and imported by a foreign investor who invested more than \$50 million in Uzbekistan are exempt from customs duty¹⁴;

- enterprises with investments of USD 300,000 and more are exempt from single tax payment, income (profits) tax, property tax, infrastructure development tax, road tax for three to seven years depending on the amount invested; however, the investor's share must be at least 50%; the investment must be made in hard currency or new modern equipment; tax savings are re-invested; there is no sovereign guarantee, and enterprises are located in specific regions (Karakalpakstan, Djizak, Kashkadarya, Syrdarya, Surkhandarya, Khorezm, and rural areas of Navoi, Andijan, Namangan and Ferghana). Investments eligible for this privilege should be in the following economic spheres: 1) electronics and computer parts production, 2) light industry, 3) silk industry, 4) construction

materials, 5) industrial production of poultry and eggs, 6) food industry, 7) production of meat and dairy products, cheese and meat fat, 8) chemical and pharmaceutical production.

The tax incentives are provided based on the amount invested for the following periods of time:

- from USD 300,000 to USD 3 million - exempt for three years;
- from USD 3 million to USD 10 million - exempt for five years;
- more than USD 10 million - exempt for seven years (Decree of President,

On additional means for stimulating foreign direct investment”, №UP-3594, 11 April 2005).

There are exemptions from customs duty and VAT for certain kinds of imported new technological equipment and its spare parts. The list of technological equipment subject to the exemptions is approved by the Inter-ministerial Resolution of the Ministry of Economy, Ministry of Finance, MFERIT and the State Customs Committee (#1802, 03/05/2008). Property imported for productive needs by a foreign investor or an enterprise with foreign investments with foreign share of 33% and up is exempt from customs duty. Imported laboratory equipment is included in the exemption as well as imported raw materials and semi-finished goods used in the production of entities with foreign participation specializing in children's footwear. Property imported as a part of investment obligations within privatization deals with State Property Committee is also exempt from VAT.

Foreign enterprises, making significant investments (more than USD 20 million), usually discuss additional conditions with the Government including tax and customs incentives, government guarantees and co-financing, etc. Such additional incentives should be approved by the Cabinet of Ministers. All rights and obligations of such investors are stated in the investment agreement concluded between the investor and MFERIT. The procedure for concluding an investment agreement with the Government is described in the resolution of the Cabinet of Ministers #180, 2 August 2005.

The investment agreement should include the following provisions:

- rights and obligations of the investor with regard to amount of investment, level of production and localization, quality of products, volume of exports, repayment of loans guaranteed by the Government, environmental protection, compliance with the labor legislation;

- rights and obligations of the Government including obligations for providing additional guarantees;

- responsibilities of the parties for failure to comply;

- procedures for amendments and termination;

- procedures and place for dispute settlement.

CHAPTER 2. CURRENT STATE AND PERSPECTIVES OF ATTRACTING FOREIGN INVESTMENT IN ALGERIAN'S ECONOMY

2.1. The comparative advantage of Algeria in attracting foreign direct investment

The fossil fuels energy sector is the backbone of Algeria's economy, accounting for roughly 60% of budget revenues, 30% of GDP, and over 95% of export earnings. The country ranks 14th in petroleum reserves, containing 11.8 billion barrels (1.88×10^9 m³) of proven oil reserves with estimates suggesting that the actual amount is even more. The U.S. Energy Information Administration reported that in 2005, Algeria had 160 trillion cubic feet (4.5×10^{12} m³) of proven natural gas reserves, the eighth largest in the world. Average annual non-hydrocarbon GDP growth averaged 6 percent in 2003-2007, with total GDP growing at an average of 4.5 percent during the same period due to less buoyant oil production in 2006-07. External debt has been virtually eliminated, and the government has accumulated large savings in the oil stabilization fund (FRR). Inflation, the lowest in the region, has remained stable at 4 percent on average for 2003-07.

Algeria's financial and economic indicators improved during the mid-1990s, in part because of policy reforms supported by the International Monetary Fund (IMF) and debt rescheduling from the Paris Club. Algeria's finances in 2000 and 2001 benefited from an increase in oil prices and the government's tight fiscal policy, leading to a large increase in the trade surplus, record highs in foreign exchange reserves, and reduction in foreign debt.

The government's continued efforts to diversify the economy by attracting foreign and domestic investment outside the energy sector have had little success in reducing high unemployment and improving living standards, however. In 2001, the government signed an Association Treaty with the European Union that will

eventually lower tariffs and increase trade. In March 2006, Russia agreed to erase \$4.74 billion of Algeria's Soviet-era debt during a visit by President Vladimir Putin to the country, the first by a Russian leader in half a century. In return, president Bouteflika agreed to buy \$7.5 billion worth of combat planes, air-defense systems and other arms from Russia, according to the head of Russia's state arms exporter Rosoboronexport.

Algeria also decided in 2006 to pay off its full \$8bn (£4.3bn) debt to the Paris Club group of rich creditor nations before schedule. This will reduce the Algerian foreign debt to less than \$5bn in the end of 2006. The Paris Club said the move reflected Algeria's economic recovery in recent years.

The Algerian Investment Code ("Code des Investissements") that was amended by Ordinance n' 01-03 of August 20, 2001, stipulates the regulations that are applicable to national and foreign investments made towards the production of goods and services, and to investments resulting from the attribution of concessions and/or licenses. Any creation, extension, rehabilitation or restructuring that is conducted by a legal entity and that relates to economic activities producing goods and services (with the exception of trade) are susceptible to give access to advantages as specified for by the Investment Code ("Code des Investissements"). Regulations apply to both residents and non-residents.

The guiding principle is that, the greater the investment interest for the Algerian economy is, the more significant the advantages granted are.

Algeria has always been noted for the fertility of its soil. 25% of Algerians are employed in the agricultural sector.

A considerable amount of cotton was grown at the time of the United States' Civil War, but the industry declined afterwards. In the early years of the 20th century efforts to extend the cultivation of the plant were renewed. A small amount of cotton is also grown in the southern oases. Large quantities of dwarf palm are cultivated for the leaves, the fibers of which resemble horsehair. The olive (both for its fruit and oil) and tobacco are cultivated with great success.

More than 30,000 km² (7,000,000 acres) are devoted to the cultivation of cereal grains. The Tell Atlas is the grain-growing land. During the time of French rule its productivity was increased substantially by the sinking of artesian wells in districts which only required water to make them fertile. Of the crops raised, wheat, barley and oats are the principal cereals. A great variety of vegetables and fruits, especially citrus products, are exported. Algeria also exports figs, dates, esparto grass, and cork. It is the largest oat market in Africa.

Investment regulatory entities: An Investment National Council, I.N.C. ("Conseil National de l'investissement", C.N.1.) defines the governmental orientations in the investment field, and can authorize investments that it deems to be useful for the economic development of Algeria.

Investors' applications are reviewed by the National Agency for Investment Development", N.A.I.D. ("Agence Nationale de Developpement de l'Investissement, A.N.D.I.). This Agency replaces the Agency for the Promotion, the Assistance and the Monitoring of Investments, A.P.A.M.1. ("Agence de Promotion, de Soutien, et de Suivi des Investissements", A.P.S.S.I.). Its mission is as follows:

- Promote, develop, and monitor investments;
- Welcome, inform and assist investors;
- Facilitate the execution of formalities when companies are created;
- Facilitate investment projects by decentralizing the services offered and grouping them in a single office;
- Grant investors the benefits they can claim for under the current system;
- Manage the programs of financial assistance to investors;
- Make sure investors fulfill their commitments during the exemption period.

Achievements of Algeria's attractively condition:

- Back to the political stability;
- Stabilization of the macro economic framework;
- Definition of development policies;

- Implementation of the economic revival plan, specially as for the basis infrastructures development;

- Implementation of the legal and institutional frameworks necessary for the policies implementation;

A reservoir of business opportunities.

Opportunities extracted from the Public investments program 2010-2014:

- Improvement of human development;

- Completion of basis infrastructures construction public services improvement

- National economy development support

- Industrial development

- Encouragement to job creation

- Knowledge economy development

- Opportunities extracted form the sectors needs

- Industry (Agro-good, chemicals/pharmaceuticals, manufacture, paper and packing, engineering, electronics, mechanics...)

- Building trade and civil engineering (housing, concessions, activities related to public services and work...)

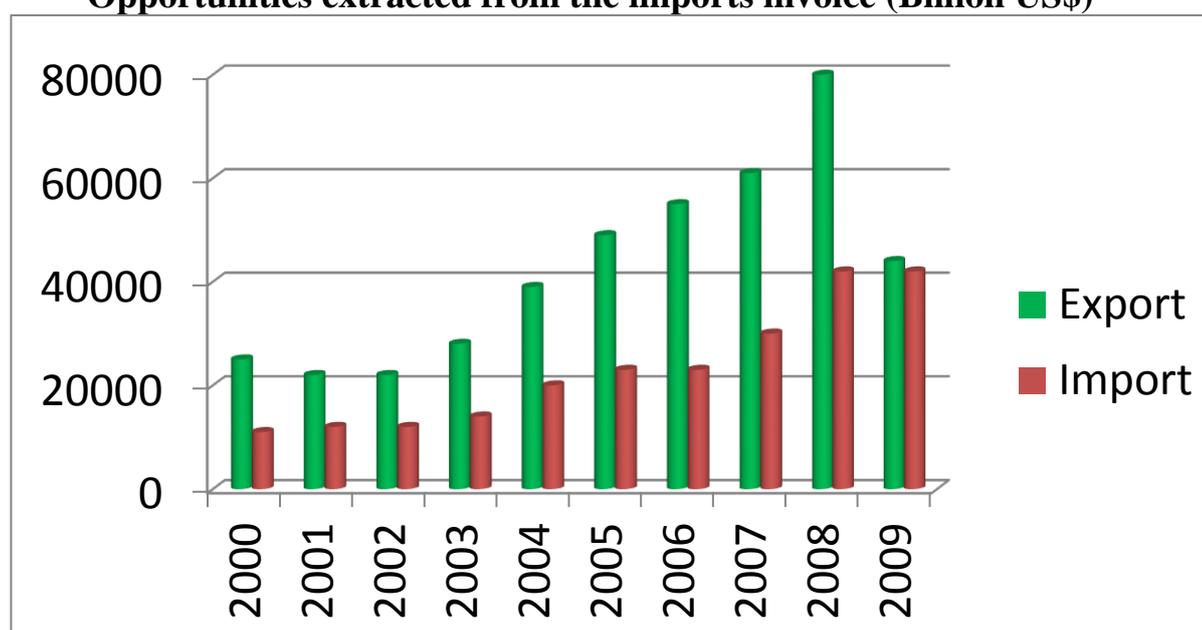
- Mines and Ores (gold , marble, salt, phosphate, ferrous and non ferrous metals

- Agricultures and fishers (development of farmland, fishing and aquacultures, breeding, service to agriculture)

- Services (banking and insurance, financial intermediation, telecommunication, tourism, business, consulting, transport...)

Picture 1

Opportunities extracted from the imports invoice (Billion US\$)



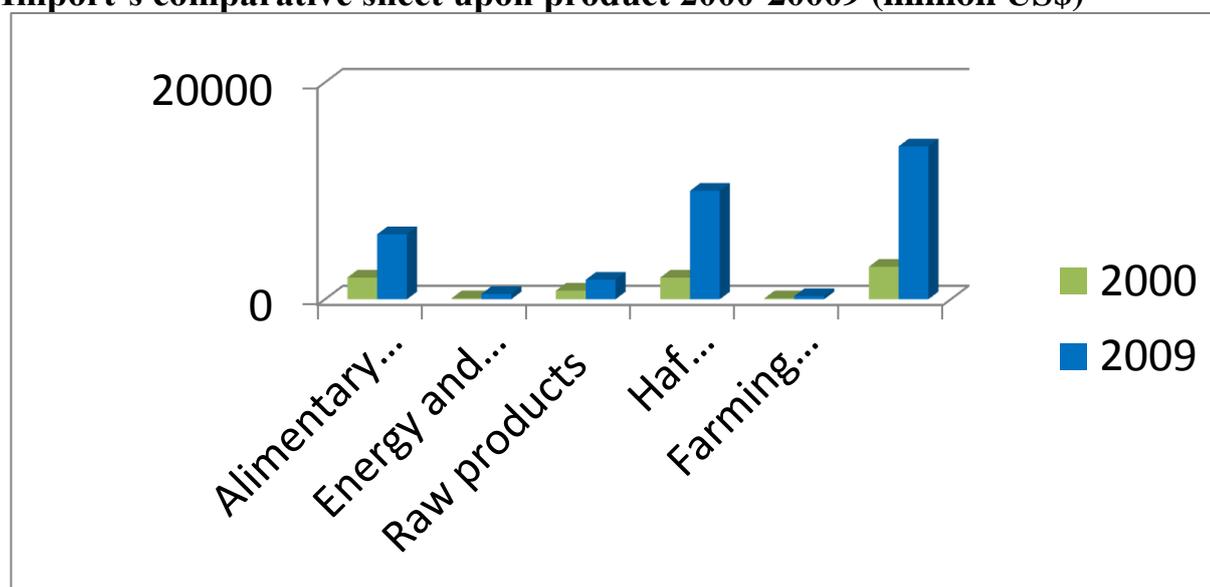
Source: IMF Country Report No. 06/101, March 2010.

Good basis infrastructure:

- A large network for power and distribution (rate of electrification: 97% of the national territory)
- A telecommunication network rapidly developing;
- Availability of Internet with high debit and ADSL
- Roads: +107.000 km
- Railways: +4700 km
- Ports: 11 Multiservice including 2 for hydrocarbon exportation
- Airports: 31 aerodrome opened to civil aviation including 13 for international aviation

Picture 2

Opportunities extracted from the imports invoice
Import's comparative sheet upon product 2000-20009 (million US\$)



Source: IMF Country Report No. 06/93, March 2006.

A reservoir of skilled human resources: 75% of the Algerian population is of training age, each year and schooling of 97% of this population

- 6,805,235 at the college
- 939,000 at the university
- 464,000 in professional training
- An average yearly success rate at the general certificate of 40%
- 120,000 graduated from 80 high schools
- 190,000 graduates from 1,035 professional training schools

Abundant natural resources

- 15th place as far as oil worldwide reserves are concerned (45 billion tons equivalent oil for oil proved reserves)

- 18th oil producer
- 12th oil exporting country
- Refining capacities up to 22 tones/year
- 7th place in the world as far as gas proved resources are consumed
- 5th gas producer
- 3rd gas exporting country

- 1st oil natural and gas producing and exporting country in Mediterranean basin

- 3rd supplier to the European Union in natural gas
- 4th total energy supplier to the EU
- Other wealth: phosphate, zinc, iron, uranium, kaolin ect...

Reasonable companies taxation system

-Corporate tax : 25% for trade and services activities, 19% for production activities and 12.5% if reinvested within the company

Income tax:

- employee's income: imposition upon the scale depending on the income
- shareholder's income: 12,5% deduction at source
- Tax on the professional activity (T.A.P): 2% on the sales tax
- Tax on value added (TVA): 7&17 %
- Employer's social security contribution: 26%

“Pro-Business” attitude

- Dynamic and open country
- Equal treatment for resident and nonresident investors
- Income and invested capital repatriation guarantee, including cession capital gain

- Possibility to recourse to international arbitration

- Membership into different international agreements on investment guarantee and protection

Signature of several bilateral agreements concerning foreign investors:

- 41 investment protection
- 24 non double taxation

The Development Policies

1. Industrial strategy

1.The sectorized deployment of Industry

- To put to advantage natural resources through promoting industries allowing their optimal use: move Algeria from a primary products exporting country to transformed goods producer and exporting country

- Densify the industrial base by encouraging industries that contribute to the integration of activities located at the end of the production chain

- Promote new industries: mostly non existing or poorly developed industries such as ICT and automotive

1. The industrial strategy

2. The special deploy of industry

- Localize and put in place Zones of integrated industrial development , Technologies and specialized Zones: create synergies through the special concentration of the economic activities and network enterprises, states regulation establishments and research, training and enterprise structures

- Generate a real business microclimate and intensify investment

2. Domains covered by the industrial development policies

- Enterprises Upgrading;

- Conception of a National Innovation system to support the technical progress promotion and development policy;

- The human resources and skills development;

- The Foreign Direct Investments promotion;

2. The Fishing and aquaculture Development program

1. Problematic

- Few figures that illustrate the fishing activity in Algeria:

- 130.000 ton yearly production in average, made of up to 80% of small pelagic (sardine and anchovy)

- An average of exploitation of 2,2 million Ha on the global area under the national jurisdiction, estimated of 9.5 Million Ha

- A growing aquaculture activity with a production reaching 500 tons/year

-A present consumption of 4,58 kg/inhab./year against 6,2 kg/inhab./year:
world association of health recommended treshold

2. The Fishing and aquaculture Development program

2. Main objectives

- Increase the production
- Encourage exports
- Contribute to the alimentary security
- Preserve the biological resource
- Create employment

2. The Fishing and aquaculture Development program

3. Actions and measures

- Rational and optimal use of the sea potenteil;
- Organize producing activities;
- Diversify the sea product supplying sources for the local market;
- Fishing fleet rehabilitation, replacement and modernization;
- Construction and equipping of new facilities for fishing activities and optimize the exploitation of the existing infrastructures and superstructures;
- Set up a downstream and an upstream industrial base;
- improve the administrative, legal, scientific, technical and professional framing of the activities within the sector;

3. The National Plan for farming Development

1. Problematic

- Insure the natural potentialities better use and development;
- Adapt the production systems to the physical and climatic environment;
- Intensify and diversify farming production within the favorable zones to increase the natural alimentary security;

3. The National Plan for farming Development

2. Objectives

- Improve the alimentary security of the country by adapting to the chronic aridity (dryness active handling);

- Manage in a considered way the natural resources (fight against desertification, water rational utilization);

- Implement alternatives for weak potential agricole zones

- Identify and multiply land high capital gain products

- Create employment and stabilize rural population

3. The National Plan for farming Development 3. Main actions

- Upgrade farms and intensify farming production;

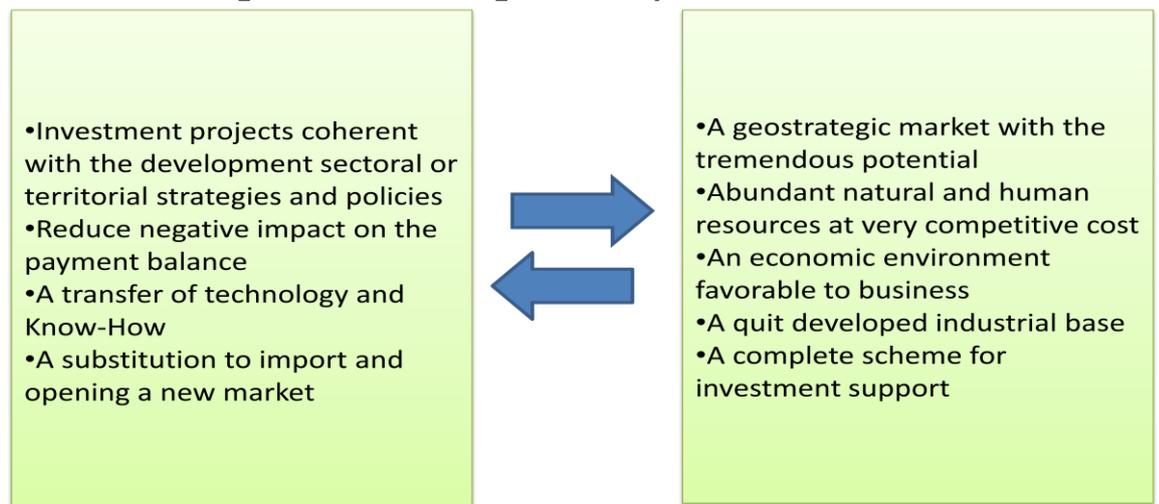
- Develop land through concession granting;

- Develop oasian and peri-oasian agriculture;

- Recourse to the great development (agriculture of enterprise) within the south region

Conclusion 1: A targeted Investment

Balanced partnership: Win/Win bases



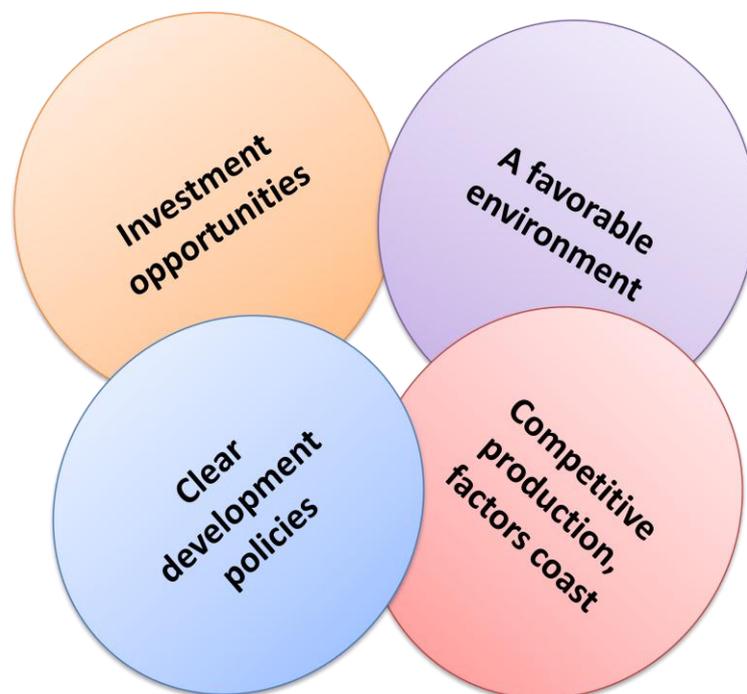
Protect natural resources (fight against desertification) by:

- Adapting the production systems (reconversion) to protect the vital water resources within soil

- Protect the versant basis and improve the forestry cover
- Protect the steppe, develop and handle in a rational way the path zones and the pastorate

4. The Regional planning for Tourism development program-SDAT

Conclusion 2: Algeria...



1. Definition of the SDAT

- Display the National Tourism Development Vision to the different outlooks (mid term- 2015 & long term-2025) to make Algeria a receiving country;
- Define the tools to implement the vision and precise feasibility condition
- Insure the social equity, the economic efficiency and the ecologic sustainability;
- Develop the natural, cultural and historical potential natural of the country and put it at the service of the Algerian tourism

4. The Regional planning for Tourism development program-SDAT

2. Four major actions

- Reorganize the tourism activity within a new governance framework
- Set up the tourism planning upon the ecological and demographic loads
- Manage the tourism policy
- Make the citizen more aware of the tourism fact

4. The Regional planning for Tourism development program-SDAT

3. five dynamics of action

- Promote the destination “Algeria” to increase its attractively and competitiveness;
- Develop excellence tourism centers and villages by rationalizing the investment;
- Deploy a “Tourism quality” plan (PQT)
- Promote the transversality and coherence in the action by shaking the tourism chain and setting up state/privet partnership
- Define and implement an operational financing plan to support the tourism activities and the promoters/developers, and attract major investments

2.2. Public investment programs of Algeria as an important factor in attracting foreign direct investments

Algeria was able to weather the economic crisis fairly well due to its reserve funds created by its Hydrocarbon sector. In fact, the Hydrocarbon sector is its primary sector. Algeria experienced 2.1% GDP growth in 2009 down from 3.0% in 2008, according to the World Bank. Algeria's economy is expected to grow 3.9% in 2010 and 4.0% in 2011.

Algeria also maintained a stable position, during this period, due to low external/internal debt and low inflation while being able to maintain reserve funds. However, due to its heavy dependence on its Hydrocarbon sector, its revenues were hit significantly when the Hydrocarbon sector softened. Therefore, there are signs of strain.

First, the government's budget surplus has been hit drastically. Algeria maintained a budget surplus of over 8% of GDP in 2008, but this may turn to a deficit of over 8% in 2009, according to the International Monetary Fund (IMF).

Second, inflation has risen to 5.8% caused by a rise in fresh food prices. Without accounting for fresh food, inflation is only 1.4%. While on the rise, Algeria is still experiencing single-digit inflation compared to double-digit inflation experienced in the last few years by other African countries like Kenya.

Third, Algeria's current account balance went negative to -3.4% of GDP in 2009 while it was positive and exceeding 20% of GDP from 2006 through 2008. In the short-term, the current account balance is expected to return positive with modest numbers of 2.7% of GDP in 2010 and 5.6% of GDP in 2011, according to the World Bank.

Amidst the strains, Algeria's economy is growing. Outside of the Hydrocarbon sector, Algeria's growth was good in 2008 and 2009. Non-hydrocarbon sectors grew at 6.1% in 2008 and may report 9% for 2009, according to the IMF.

This growth was primarily due to a government program called the Public Investment Program (PIP). In the short- to mid-term, the PIP will fuel the growth in Algeria's economy. For example, the construction sector, a beneficiary of the PIP, experienced 10% growth in 2008. Expect growth in non-Hydrocarbon sectors to fall off when public spending, through the PIP, levels off or decreases.

Overall, Algeria's economy is divided into three key sectors: industry (62.5%), services (29.4%), and agriculture (8.3%). The industrial sector activity is heavily dependent upon the oil and petroleum industry.

While Algeria's short to mid-term outlook is good as long as there are no significant shocks, it cannot maintain or grow the economy in the long-term with government the primary engine of growth. For the long-term, Algeria's challenge is to diversify the economy and strengthen the private sector.

While the economy is favorable for business, the business environment has been more difficult for foreigners to navigate. For example, Algeria has increased import restrictions and now requires foreign firms to enter joint ventures in which 51% is owned by Algerian nationals.

The overall business environment, may hamper future investment and business opportunities. However, high growth sectors like construction at present may provide significant rewards that outweigh the risks.

Destination: two targets, that are:

- Completion of the already started big projects (rail, roads and water)- amount 130 billion USD
- Launching of new projects – amount 156 billions USD

Objectives:

- The improvement of the human development;
- The completion of the development of the basis infrastructures and the improvement of the public services;
- The support of the development of the national economy;
- The industrial development;

- The encouragement to jobs
- The development of the economy of the know how;

Almost 5000 establishments for national education (including 1000 middle schools and 850 high schools)

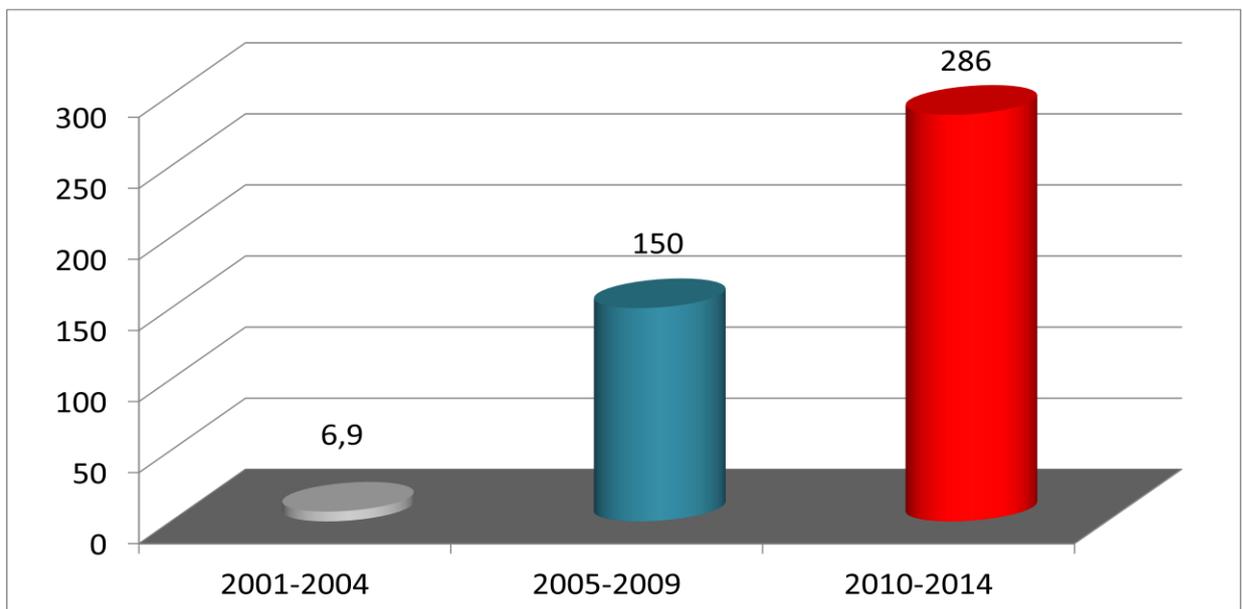
- 600.000 university educational places and 400.000 students accommodation places

- more then 300 professional training and education establishments

More then 1500 health infrastructures, including:

- 172 hospitals
- 45 health specialized complexes
- 377 polyclinics
- More then 70 specialized establishments to the benefit of the disabled

Different state's investment programs



The improvement of drinking water supply:

- The contraction of 35 dams and 25 systems of water transfer
- The completion of all the undertaken sea water desalination plants

- The hook up of a 10 million homes to the natural gas network and supplying of 220.000 country homes of electricity

More then 5000 infrastructures for youth and sports:

- 80 stadiums

- 160 polyvalent rooms

- 400 swimming pools

- More then 200 youth hostels and houses

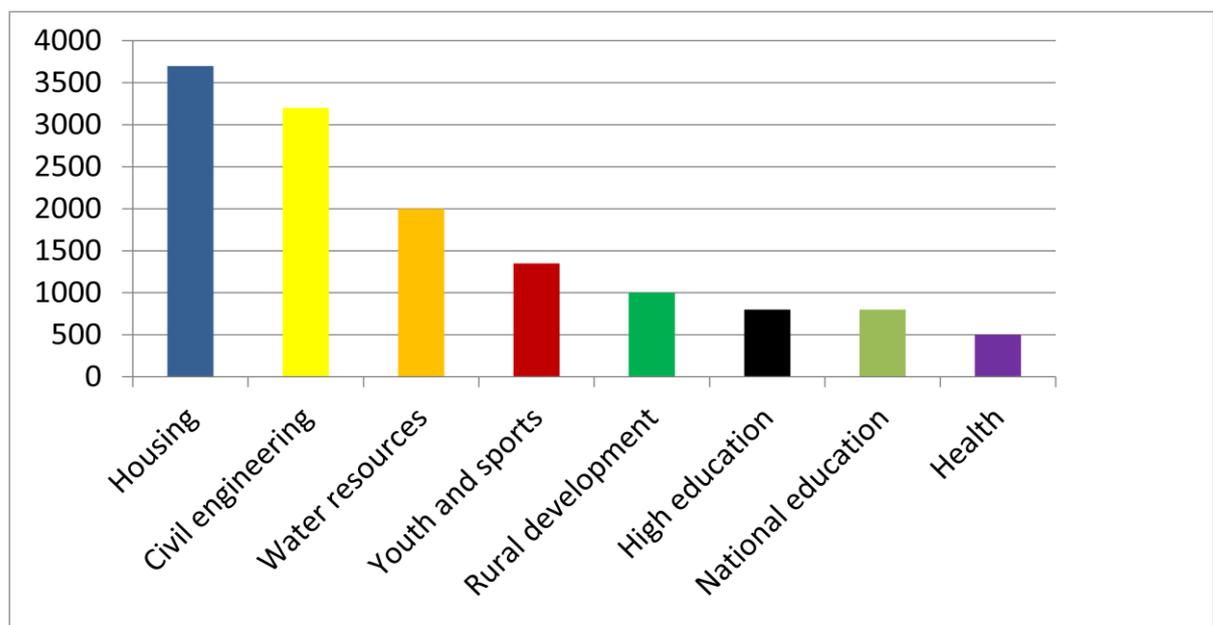
- Important programs for the moudjahidan, the religious affaires, the cultures and the communications sectors

- Nearly 7 billion USD for the town building and the environment

- 24 billion USD for the improvement of the means, judicial sectors, trade and employment regulation

Encouragement results+employment which follows the implementation of the 5 years program and the effect of the economic growth=creation of the 3 million jobs during the next 5 years.

Main economic centers concerned by the 2010-2014 States investment program, billion DZ



Period: 2010-2014 Amount: 286 billion USD dollars

Nearly 27 billion US\$ of bank credits subsidized by the state for:

- The construction of new power plants;
- The modernization of the state owned enterprises;
- The development of the petrochemical industries;

The encouragement to the job creation 4 billion US\$:

- Support the professional integration of the universities and professional training graduates;
- Support the creation of the micro enterprises and finance the system relating to the awaiting employment.

CONCLUSION

The main results of the final qualification work, allow us to make following conclusions:

1. Foreign direct investment can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development.

2. Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment.

3. Companies are still motivated to make foreign investments, but because of the vagaries of technology investments, they are now finding new vehicles to accomplish their goals. Consider the following:

Licensing and technology transfer.

Reciprocal distribution agreements.

Joint venture and other hybrid strategic alliances.

Portfolio investment.

4. The rights and responsibilities of foreign investors are set out in the following legislative acts:

- Law of the Republic of Uzbekistan “On foreign investments” №609-I, 30.04.1998

- Law of the Republic of Uzbekistan “On investment activities” №719-I, 24.12.1998

- Law of the Republic of Uzbekistan “On guarantees and means of protection of foreign investors’ rights” № 611-I, 30.04.1998

5. In order to be classified as an “enterprise with foreign investment” an enterprise needs to meet the following criteria:

- foreign investor’s share in the statutory capital is not less than 30%
- the statutory capital not less than USD 150,000 equivalent
- at least one of the foreign investors must be a legal entity.

6. In accordance with the legislation of Uzbekistan, the foreign investor has the following rights:

- to decide on the amount, kinds and channels of investments;
- to conclude agreements with legal entities and individuals to carry-out investment activity;
- to own, use and dispose investments and the results of investment activity;
- to patent inventions, useful models and industrial samples belonging to the foreign investor in Uzbekistan;
- to freely repatriate profits from Uzbekistan or to reinvest them into Uzbek legal entities;
- to obtain financial resources in the form of credits and loans;
- to convert local currency into foreign currency;
- to possess and use land on terms provided by the legislation;
- to receive adequate compensation for investments and other assets in case of their expropriation by the state;
- to receive adequate compensation for losses incurred as a result of illegal activity or decisions of the state authorities;
- other rights as may be provided by the legislation of Uzbekistan.

7. The legislation further provides the following additional guarantees for foreign investors:

- foreign investors may not be discriminated against on the basis of their nationality, place of residence and country of origin;
- legislative acts may not harm retroactively the foreign investor or foreign investments;

- foreign investors have the right to apply at their own discretion those provisions of the new legislation which provide for better conditions for their investments;

- the state authorities have no right to interfere in the economic activity of foreign investors carried out in accordance with the legislation of Uzbekistan;

- if the subsequent legislation of Uzbekistan worsens the investment conditions, then the legislation in place on the date of the investment is applied to foreign investments for ten years following the date of the investment.

8. The tax incentives are provided based on the amount invested for the following periods of time:

- from USD 300,000 to USD 3 million - exempt for three years;

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- more than USD 10 million - exempt for seven years (Decree of President, "On additional means for stimulating foreign direct investment", №UP-3594, 11 April 2005).

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