

The concept and nature of foreign investments

**Выполнил
студент 3
курса
группы ЭКМ-
41 Биченов
Алан.**

CONTENTS:

- 1. The concept of foreign investment**
- 2. State regulation of investment relations**
- 3. Foreign investments and reasons of their attraction**
- 4. Place and role of foreign investments in economy of Uzbekistan**
- 5. Funding Sources of investment activity**

1. THE CONCEPT OF FOREIGN INVESTMENT

- Investment plays a very important role in the economy^[1]. They volume objectively necessary for the stable development of the economy, ensuring of sustainable economic growth. Active investment process determines the economic potential of the country as a whole, contributes to improving the living standards of the population. Economic setting action of individual businesses depends to a knowledge-large extent on the amount and form of ongoing investment.

1. THE CONCEPT OF FOREIGN INVESTMENT

- According to the law of the Republic of Uzbekistan "On foreign investments" *a foreign investments*^[2] in the Republic of Uzbekistan, recognized all types of tangible and intangible benefits and ownership rights for them, including intellectual property rights, as well as any income from foreign investments invested by foreign investors to business and other activities, which are not prohibited by law, mainly for profit (income).

1. THE CONCEPT OF FOREIGN INVESTMENT

At the economy-wide level, investment is required for:

- expanded reproduction;
- structural changes in the country;
- improve the competitiveness of domestic products;
- solving social and economic problems, in particular
- problems of unemployment, environment, health, development, education, etc.

At the micro level investments contribute to:

- developing and strengthening the company's position;
- replacement of fixed assets;
- increase the technical level of the company;
- stabilize the financial condition;
- improve the competitiveness of enterprises;
- further training of personnel;
- improvement of management practices.

THE STRUCTURE OF INVESTMENTS.

- Efficiency of investment depends on their structure. Under the *structure of investment*^[3] means their composition by type and direction of use, as well as the proportion of the total investment.
- Distinguish technology, reproductive, territorial, sectorial structure, sources of financing and by property type.

THE STRUCTURE OF INVESTMENTS.

- **The technological structure of real investment** gives an idea of the composition of costs for building and construction works, purchase of machinery, equipment, tools, for other capital expenditures.
- **The reproductive structure of capital investments** characterizes the distribution of the ratio of investment in forms of reproduction of fixed assets, shows the share of capital investments allocated for reconstruction, modernization of existing businesses, new construction, modernization of production.
- Under **the territorial structure of capital investments** means their distribution and the ratio of the territories, regions, areas of the country.
- **Sectorial structure** refers to the distribution and the ratio of capital investment by industry and the economy. It indicates the degree of balance and proportionality in the development of industries and the development of industries, providing acceleration of scientific and technical progress in the country.

Funds are also the structure of capital investments **by source of funding**, which reflects the distribution and the ratio by source of financing: own and funds raised.

Plays an important role and the structure of capital investments **ownership**, which means the distribution and the ratio of capital expenditures by types of ownership: state, municipal, mixed, foreign, etc.

2. STATE REGULATION OF INVESTMENT RELATIONS

- Under *state regulation of investment activities* are understood as defined in law forms and methods of administrative and economic measures used by all levels of government to implement the investment policy of providing state of the problem of socio-economic development of the country and its regions, improve the efficiency of investment, providing a safe environment for investments in various investment properties.

Methods of state regulation of foreign investments:

- *Financial:* accelerated depreciation, tax credits, grants and loans, insurance and credit guarantees;
- *Non-financial:* the delivery of land, provision of the necessary infrastructure, the provision of technical assistance.

2. STATE REGULATION OF INVESTMENT RELATIONS

State regulation of investment activities carried out by:

Improving the legislative base of investment activity;

application of the tax system, taxpayers and differentiating objects of taxation, tax rates and benefits on them;

accelerated depreciation of fixed assets;

establish rules, regulations and standards;

conducting monetary policy and pricing policies ;

the establishment of mechanisms for the examination of investment projects;

determine the conditions of ownership and use of land and other natural resources;

monitoring the implementation of investment projects included in the investment program of the Republic of Uzbekistan.

State regulation of investment activities carried out in other forms as provided by law.

2. STATE REGULATION OF INVESTMENT RELATIONS

- During the years of independence Uzbekistan has created a favorable investment climate , a broad system of legal guarantees and privileges for foreign investors to develop a comprehensive system of measures to stimulate the activity of the enterprises with foreign investments.
- Investment Laws of the Republic of Uzbekistan is one of the most advanced in the legislation of CIS countries , having incorporated the main provisions of international investment law, in particular the provisions guaranteeing the rights of foreign investors , the provision of certain preferences for investors and others.

2. STATE REGULATION OF INVESTMENT RELATIONS

The basis for the legal regulation of foreign investment in the Republic of Uzbekistan are:

• The Law "On Foreign Investments";

• The Law "On investment activity";

• Law "On guarantees and measures of protection of the rights of foreign investors";

• Law "on Protection of investors rights in securities markets"

• Etc, a number of legal acts adopted in the form of decisions of the President of the Republic of Uzbekistan and regulations of the Government of the Republic of Uzbekistan.

3. FOREIGN INVESTMENTS AND REASONS OF THEIR ATTRACTION

- In the implementation of structural reforms in the economy of Uzbekistan foreign investment plays a crucial role, as the productive forces of the republic are in need of major investment for modernization and reconstruction, and internal sources of investment financing are insufficient. And the involvement of a large scale foreign investment pursues strategic goals and is one of the most important areas of government policy

3. FOREIGN INVESTMENTS AND REASONS OF THEIR ATTRACTION

The main task of the state is to create an enabling environment for investment. Our country has everything you need to attract significant foreign investment:

formed the legal framework that defines the legal framework for entrepreneurship, protection of private property and competition;

established infrastructure to support the investment process ;
political stability ;

political stability ;

favorable geographical position;

skilled labor ;

capacious market.

rich mineral resources , and the potential development of the agricultural sector;

3. FOREIGN INVESTMENTS AND REASONS OF THEIR ATTRACTION

The effectiveness of foreign capital depends on a number of macroeconomic indicators, among which the most representative are:

- The share of foreign investment in total domestic gross investment ;
- The amount and percentage of products produced by companies with foreign capital in the total volume of industrial production ;
- The number and percentage of employees in enterprises with participation of foreign capital in total employment ;
- labor productivity in enterprises with foreign capital ;
- The proportion of enterprises with participation of foreign capital in total exports and imports of the country;
- The share of enterprises with participation of foreign capital in GDP.

3. FOREIGN INVESTMENTS AND REASONS OF THEIR ATTRACTION

The use of foreign investment allows you to:

- revive the economy ;
- access to advanced technologies and management methods ;
- counteract the increase in the external debt of the state , providing the means for its repayment ;
- encourage the development of their own society's productive forces ;
- promote the efficient production and boosting the economy and its integration into the world economic system as a result of industrial, scientific and technical cooperation.

The indirect benefits of foreign investment are:

- attraction of new technologies, equipment and "know -how " ;
- opportunity to train personnel specialists , managers and entrepreneurs who own modern management and organization of production ;
- activation of the export potential of the donor country ;
- resource development regions.

4. PLACE AND ROLE OF FOREIGN INVESTMENTS IN ECONOMY OF UZBEKISTAN

- Over the past five years, the largest foreign investor in Uzbekistan were - Russia, China, Britain, Turkey, United States, South Korea, Germany, Hong Kong, Ireland, Israel, France, Belarus, Georgia, Greece.
- However, the overall level of investment remained relatively small, their value is calculated only a few hundred million dollars, and the number of contracts fluctuated around 300-350 . Recently, the State Statistics Committee of Uzbekistan announced the continuation of decline in foreign direct investment in the country .
- According to the report , the volume of foreign investment in the first quarter of 2012 fell by more than 50% and reached 216 million dollars. For comparison, in the same period of 2011 , the level of investments amounted to 481 million dollars. Although the decline was observed in 2011. , But then it was 22 %

4. PLACE AND ROLE OF FOREIGN INVESTMENTS IN ECONOMY OF UZBEKISTAN

- **The most important source of sustained high economic growth and diversification of its structure was a growing volume of investment in fixed assets , amounting to 22.9 percent of GDP. Attracted investments in the equivalent \$ 11.7 billion , or 14 percent more than in 2011 . More than 22 percent of total investment , or more than \$ 2.5 billion were foreign investments, of which more than 79 percent - foreign direct investment. About 74 percent of all investments were directed at industrial construction . 205 completed the implementation of investment projects.**

4. PLACE AND ROLE OF FOREIGN INVESTMENTS IN ECONOMY OF UZBEKISTAN

- Total volume of investments in fixed assets in January-June 2013 in local currency amounted to 12,080.6 billion soums or 110.5 percent of the corresponding period in 2012.
- The distribution of investments in fixed assets by ownership for January-June 2013 are as follows:

(в процентах к итогу)

в том числе финансируемых за счет средств:

	всего инвестиций, млрд. сум	в том числе финансируемых за счет средств:					
		государственного бюджета	фонда мелиоративного улучшения земель	предприятий и населения	иностранных инвестиций и кредитов	кредитов банка и других заемных средств	внебюджетных фондов, включая фонд Реконструкции и развития
Всего	12080,6	5,1	0,4	55,7	19,3	9,4	10,1
в том числе предприятиями:							
государственной собственности	2887,4	21,1	1,6	22,2	17,1	2,2	35,8
негосударственной собственности	9193,2	0,0	-	66,2	20,2	11,6	2,0

млрд. сум в % к общему
объему

4. PLACE AND ROLE OF FOREIGN INVESTMENTS IN ECONOMY OF UZBEKISTAN

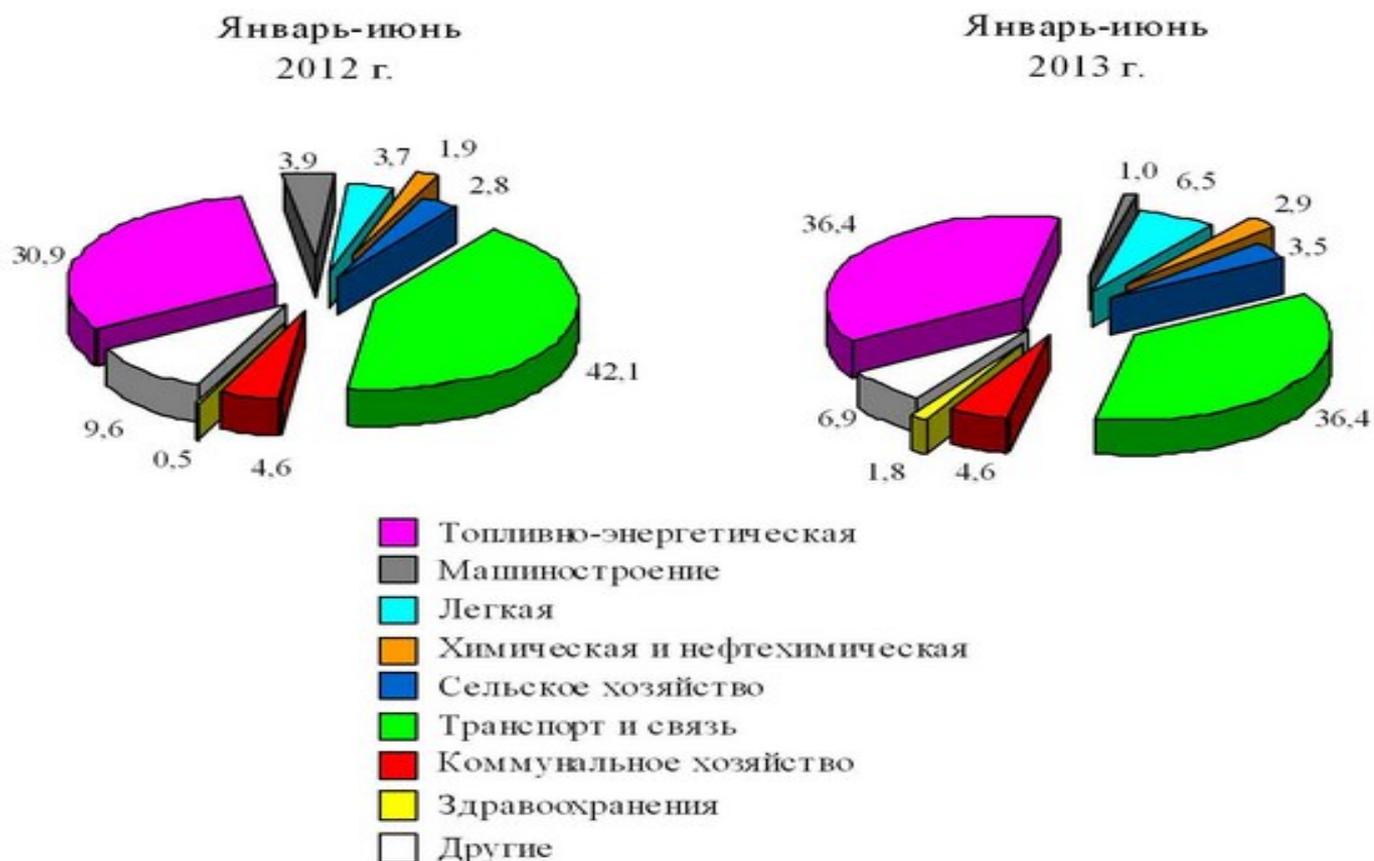
Всего	12080,6	100,0
Производственного назначения	7556,5	62,6
промышленность	3938,0	32,6
из нее:		
топливно-энергетическая	2197,7	18,2
металлургия	328,1	2,7
химическая и нефтехимическая	250,0	2,1
машиностроение	358,8	3,0
легкая	338,9	2,8
пищевая	136,4	1,1
строительных материалов	174,9	1,4
сельское хозяйство	516,9	4,3
строительство	244,2	2,0
транспорт и связь	1999,9	16,6
торговля и общественное питание	509,7	4,2
геология и разведка недр	148,2	1,2
другие	199,6	1,7

■ Investments in fixed capital by industry in January-June 2013 is represented by the following data:

Непроизводственного назначения	4524,1	37,4
жилищное строительство	2884,1	23,9
коммунальное хозяйство	276,8	2,3
здравоохранение	383,0	3,2
образование	461,6	3,8
культура и искусство	80,2	0,6
другие	438,4	3,6

4. PLACE AND ROLE OF FOREIGN INVESTMENTS IN ECONOMY OF UZBEKISTAN

- The use of foreign investment and loans in certain sectors of the economy is characterized by the following data:



Percentage of
the total
volume

WHY INVESTMENTS GO FROM UZBEKISTAN?

- In April 2012, the Government of the Republic of Uzbekistan announced that it is seeking to attract investors with new tax incentives, restrictions on state interference in the activities of foreign companies, and so on. But these measures have not produced the desired effect. Capital continued to flee from the country and this is despite the fact that "on paper" investment climate in Uzbekistan seems almost perfect.

Experts put forward quite a few versions to explain this phenomenon:

- **1. The International Monetary Fund in late March urged Uzbekistan to further development of the private sector and promote economic diversification.** And this is despite the triumphant official Tashkent is that the economy is not a commodity , and in the private sector employs more than 75 % of the working population.
- **2 . Foreigners have serious complaints about the transparency of the Uzbek official statistics, which introduces a potential investor in serious error.** This also applies to the general situation in the economy and such separate , but important , issues such as the actual level of inflation.
- **3 . The government still continues to control food prices , which leads to the existence of an extensive black market .**
- **4 . Features of the national financial system, in particular the complexity of the inter-bank transfers are also a matter of great concern to investors.** Profit from Uzbekistan can only take Uzbek sums real value at any given time is not always possible to accurately determine.
- **5 . The lack of conversion and the possibility to pay in foreign currency for the purchase of raw materials required for production and materials.**
- **6. The complexity of the customs associated with the arbitrariness of officials as well as with numerous instructions "from above" , designed to regulate the flow of goods across the border of Uzbekistan.**
- **7. Direct and immediate intervention by the authorities in matters of economic activity and business:**
 - Instructions for the transfer of funds to certain organizations or charities ;
 - Indication of the performance of duties for the collection of secondary raw materials ;
 - Guidance on the provision of personnel for certain jobs , mostly agricultural ;
 - Even indications of the need to maintain a certain loss-making activities , also for agriculture .
- **8. Very high levels of corruption .**
- **9. There are frequent cases of direct pressure on the business , including foreign , intimidating them .**

5. FUNDING SOURCES OF INVESTMENT ACTIVITY

- There are various sources of financing investment activity, which can be subdivided into two groups:

- 1. Internal sources: means the share capital of the organization; undistributed profit; amortization.

- 2. External sources: share capital; various debt securities; bank loans; budget funds and special programs; leasing.

The formation of the internal sources of investment can be targeted to influence methods of state regulation of economic (fiscal and amortization policies, the activities of money and capital markets, credit and emission policy of the central bank). These sources are mainly controlled by the magnitude and direction of travel of a lot of financial resources.

THANK YOU!!!