

THE IMPORTANCE OF INVESTMENT POLICY IN THE MODERNIZATION OF THE COUNTRY'S ECONOMY

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Annotation

In this article, it will be briefly discussed investment policy and its role in National Economy of Uzbekistan. The condition in Uzbekistan as politically and economically stable, rich in natural resources and existence of highly specialized labor force have attracted potential foreign investors. In particular, definitions for investments have been provided for better understanding by some famous economists. Mainly two types of investments namely domestic and foreign direct invests will be speculated, consequently their effective results will be mentioned. The increasing foreign direct investments annually affect GDP growth twice as much as domestic investments, which will be illustrated in charts. Localization is a production process of manufacturing local goods and services in order to substitute imported ones, which will lead to efficiently performance of social infrastructure, more job opportunities, and lower price for goods and services. On the balance, this will be responsible for improving life standards of the country's population.

В этой статье будет кратко обсудили инвестиционную политику и ее роль в национальной экономике Узбекистана. Состояние в Узбекистане, как политически и экономически стабильной, богатой природными ресурсами и наличием узкоспециализированных рабочей силы привлекли потенциальных иностранных инвесторов. В частности, определения для инвестиций были предоставлены для лучшего понимания некоторых известных экономистов. В основном два вида инвестиций, а именно внутренних и прямых иностранных инвесторов будут размышляли, следовательно, их эффективные результаты будут упомянуты. Растущие прямых иностранных инвестиций ежегодно влияют на рост ВВП в два раза больше, как внутренние инвестиции, которые

будут проиллюстрированы на графиках. Локализация представляет собой производственный процесс производства местных товаров и услуг для того, чтобы заменить импортные, что приведет к выполнению эффективно социальной инфраструктуры, созданию рабочих мест, а также более низкая цена на товары и услуги. На балансе, это будет нести ответственность за улучшение уровня жизни населения страны.

Keywords:

Investment, foreign direct investment, domestic investment, localization, GDP, Uzbekistan's business opportunities, Uzbekistan.

Ключевые слова:

Инвестиции, прямых иностранных инвестиций, внутренних инвестиций, локализация, ВВП, Узбекистан возможности для бизнеса, Узбекистан.

In the modernization of the national economy, investment plays an important role in the achievement as in the following: provision production with new modern equipments and technologies, industrialization the national economy, additional perfection of competitiveness, increase the role and importance in the world arena, expansion exports and reaching high economic growth in our country. Therefore, special attention has so far been paid to the development of structural change of the economy and to rational, efficient use of investments.

It is concrete evidence that, increasing the volume of foreign and especially foreign direct investment yearly, shows deep structural changes in our economy where active and clearly directed investment policy have been in run and functioning properly.

One of the advantages of running right investment policy in attracting domestic and foreign investments to national economy leads to firstly protecting national economy from global financial and economic crisis and secondly providing stable growth in economy. As a result, the country's gross domestic product in the last 5 years, grew by 8.0 percent each year. (as we can see in the graph 1 below)

Graph 1.



Last year, investments in the economy grew by 10.9 percent, which made 14 billion 600 million USD. Of the total investments involved approximately a quarter that's over 3 billion saw foreign direct investment and loans, from which three fourth of 3 billion related to foreign direct investment and the remaining comprised the loans[1].

It is obvious that active and clearly directed investment policy regulated in our country is responsible for the growth of domestic investment. In particular, such investments amounted to 10.3 percent last year, that's 4,3 billion USD of the total investment volume, approximately 30 percent. Last year, commercial banks' investment activity has also expanded. 1.7 billion USD was directed by them, which is 20 percent more compared to the previous year.

Today, our country's investment policy has another advantageous aspect. More than 73% of the total investment was directed to the manufacturing sector and about 40% was spent on the purchase of machinery and equipment. A distinctive feature of the investment policy to ensure deep processing of local raw material resources, organizing production on the basis of new high-tech industries is reflected in the investment projects as of priority importance.

Usually investments are classified into several criteria, which include namely domestic and foreign investments. In addition, these investments are usually differentiated from each other according to several factors. In particular, domestic investments are regulated by resident legal entities operating in the country, whereas

foreign investments, which are generally devoted in order to take advantage from other state funds, are at the disposal of foreign investors.

General description of foreign investment was defined by Frank Heniusning as follows: foreign investment is an investment from one country into another country's territory as the exported investments.[2] William Sharpe described investments as in the following: Real investments are mainly made on financial assets (land, equipment, factories) investments. Financial investments, on the other hand, are paper agreements, which include for example shares, bonds and other forms of securities. In developing economy, a major part of the investments is real investment. In developing economy, in order to develop financial investments it is important to increase real investments. These two forms of investments are not actually against each other, on the contrary they are complementary.[3]

Foreign investment is an important source of capital for a country. At the moment, only on the account of investments major capital can be renewed, and on this basis, the quality can be improved and production cost can be reduced and this will lead to the growth of competitiveness of products. In addition, many aspects of foreign investments can be mentioned as in the following:

- stimulates the production;
- create more job opportunities;
- expands the production of import-substituting goods. For this, foreign investments should be directed into main spheres of national economy;
- brings new equipment and technology into different sectors of the economy;
- helps the country's integration with the world economy;
- promotes the establishment of enterprises, which process natural resources;
- above mentioned points will lead to the improvement of living standards.

Through foreign investments triggers the revival of the national economy, contemporary manufacturing, and production of highly competitive goods. This, in turn, will lead to creating new job opportunities, solution to economic and social problems in the country.

After all, the President of the Republic of Uzbekistan Islam Karimov stated on January 16, 2015, "the results of socio-economic development of 2014 and the most important priorities of economic program for 2015", in a meeting held at the Cabinet of Ministers: "A rapid and balanced economic growth and implementing deeper structural changes into the economy which is directed to the active and targeted investment policy are considered the most important factor."

We got familiarized with the features of the above mentioned foreign investments. Considering the fact that the demand for domestic investment is increasing day by day, we should take into account a number of characteristics of domestic investments. Currently, localization program is being implemented in practice in our country. The localization is a process of manufacturing the same type of local products, which are previously produced goods in a foreign country and then imported into a host one for the consumption of local community and economic entities.

Today, we can see a number of positive aspects through the localization process of the production and service sectors:

- The creation of new job opportunities due to the localization process, resulting in a sharp decrease in the level of unemployment;
- The establishment and operation of social infrastructure;
- Through establishment of new businesses enterprises, the growing number of taxpayers in turn will facilitate the formation of the state budget revenues;
- The production of import-substituting and export-oriented products and services;
- Much lower prices of domestic goods and services produced on the basis of the localization program than those of imported goods and services gained at a much higher price.

On the basis of decree No. 1590 by President of the Republic of Uzbekistan on July 29, 2010, "On measures of localization and further enhancement of producing finished goods, spare parts and materials by industrial enterprises during the years 2011-2013", a localization program was adopted. According to the program, a total of

1,097 projects, 498 accounts for 45.4%, for which the ministries and departments are responsible for, and the remaining 54.6 percent, or 599 should be established and carried out in the regions across the country.

It is important to note that, during the years 2015-2019 it is under the localization program that planned through 602 new projects to produce finished products, spare parts, components, and materials, which substitute 1225 types of import products. What's more, the same program additionally aims to set up production of export-oriented and highly competitive goods.

Due to local production of goods and services for the leading sectors of the economy and development of industrial cooperation, the share of local trade is growing year by year. As a result of the implementation of the initiative into main sectors of the industry and infrastructure, local producers and trade turnover will be increased by \$ 5.7 billion for the projected 2015-2019. In general, the approved localization program aims to produce local products instead of importing goods whose efficiency forecast to be \$ 3.5 billion as well as provide 13.3 thousand highly qualified employees with new job opportunities.

The above mentioned figures and indicators show that Uzbekistan with a favorable business environment has targets to modernize production, renew technical and technological approach with economic reforms to creating well-being climate for investment in the country.

In order to maintain and further expands these opportunities on attracting investment annually, a number of tasks should be performed and factors affecting the well-being of investment should be deeply analysed:

1. The country's economic and political stability. Favorable conditions have been created in all socio-economic areas by the state, legal entities and individuals can demonstrate their potential abilities in these conditions.

2. The domestic economy continues growing at a steady pace. In this respect, for a few years the GDP growth by 8 percent has proved that the development of the leading sectors of the economy sustains high growth rates.

3. The geographical and geopolitical position. Uzbekistan is located at the crossroads of Central Asia, and has advantages to establish effective regional cooperation, enjoys favorable conditions for participation in projects for regional and transnational transport corridors. Using this opportunity the country can improve mutual relations with foreign countries on foreign trade, it is also significant to recover technological dependency and the situation in the market, work out mutually beneficial programs and projects and improve the development and implementation of joint investment activities.

4. The level of infrastructural development in the region.

5. Accurate and effective order of the country's tax and customs policy. Especially, the government supports high-tech, scientific and technical cooperation, licenses for import and export, and the development of production and exports of finished products through tax and customs policy.

6. Effective use of methods of staff training. Actually, the potential professionals and skilled workforce plays a very important role in the inflow of investment. When training and retraining specialists we should take into account that exchange experience and development of international cooperation in the scientific and practical sphere is one of the means in training specialists. Therefore, priorities of the social policy of the state includes improvement living conditions of every member of the population, enhancement educational opportunities, further development health care and perfection of labor force participation in social life.

On a thorough examination of the factors listed above. By using proposals, it is important to carry out structural transformation and diversification of the economy through further developing country's investment policy. Setting up spheres that perform the leading role, modernization of the production process, carrying out technical and technological renovation programs, completing thoroughly thought and long term targeted work which started at the right time on the formation of a modern market infrastructure, and providing macroeconomic stability will result in a rise in the living standards of the population and increase incomes.

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