

NAVIGATING THE PATH TO PROSPERITY: THE POWER OF PRIVATE DIRECT INVESTMENT

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Abstract

This article provides a comprehensive analysis of the opportunities and challenges associated with investing in Uzbekistan. The article highlights the recent economic reforms undertaken by the Uzbek government to create a more business-friendly environment and attract private direct investment. It emphasizes the importance of regulatory reforms in instilling investor confidence and fostering a conducive investment climate.

However, the article also acknowledges the challenges that investors may face in Uzbekistan, including issues related to infrastructure, availability of skilled labor, legal and regulatory uncertainties, corruption risks, and governance mechanisms. It emphasizes the importance of transparency, accountability, and innovation in overcoming these challenges and maximizing the country's economic potential.

Keywords: private direct investment, economic reforms, business-friendly environment, regulatory reforms, investor confidence, strategic location, consumer base, diversification, renewable energy, infrastructure development, challenges, infrastructure, governance mechanisms, transparency, accountability, innovation, entrepreneurship, economic potential, strategic advantages.

Introduction

To determine the extent to which an enterprise or company will carry out its activities for the longest possible period, the high pace of its development and the level of competitiveness will determine the level and volume of required investment activity. The term “investor” means an individual or legal entity who makes investments at his own expense and at his own expense. In a broad sense, investment is an investment of capital aimed at its further increase, and the source of this is the motivation for increasing capital and the investment process, i.e. profit. Often in the scientific literature the concept of “investment” corresponds to the concept of “capital investment”. It is converted into buildings, structures, i.e. fixed assets, since the corresponding investments are considered as investments in reproduction. But investments can be current assets, any financial instruments, such as shares or bonds, as well as the purchase of intangible assets in the form of patents or licenses. Based on this,

we can say that the concept of capital investment is a narrower concept and can be considered as one of its forms, and not as an analogue of investment.

All investments can be divided into two groups: financial and real, that is, capital investments. Real investment is invested directly in the means of production and is usually a long-term investment. Therefore, real investments are usually made in a specific and long-term project. Real assets associated with this project will be acquired. Both equity and debt capital are available for investment. As debt capital, it can be similar to a bank loan. In this case, the bank becomes an investor who makes real investments.

The acceleration of globalization processes in the world requires increasing opportunities to attract foreign direct investment into the economies of countries. Foreign direct investment is one of the most important factors in the development of the country's economy.

Effective use of production space and capacity of state-owned and state-owned economic companies in attracting foreign direct investment in scientific research around the world, creating favorable conditions for actively attracting investment, special attention is paid to issues of further support for new competitive production and the development of small enterprises.

The role of regions in the development of the economy of Uzbekistan is extremely important. One of the main problems of attracting foreign investment into the national economy is the problem of their correct distribution across regions. "Full realization of the investment potential of the Republic of Uzbekistan, further improvement of the investment environment, high-quality development of annual investment programs, creation of favorable conditions for attracting foreign investment, international financial institutions, financial institutions of foreign governments, leading foreign companies and the task of expanding cooperation with banking structures, as well as increasing the efficiency of attracted foreign investments" [1].

Foreign direct investment is a broad concept and we will explain it as follows.

According to the Law of the Republic of Uzbekistan "On Investments and Investment Activities", foreign direct investment is the own funds of a foreign investor without government guarantees, on risky terms or investments using borrowed funds. [2].

According to A.Sh. Bekmurodov, foreign direct investment is a direct export of capital, which gives the investor the right to control the enterprise, and thus the foreign branch of the main parent company of the enterprise becomes a company [3].

B.A. Vakhobov argues that foreign direct investment is a long-term investment that allows the investor to effectively control the economic activities of the company, owning at least 10% of the company's shares or share capital. [4].

A.S. Azizov emphasizes that foreign direct investment should be understood as investment in a foreign enterprise that provides partial or complete control over economic activity [5].

Access to markets and resources is a key factor in attracting foreign direct investment. The concentration of foreign capital only in certain regions and certain industries limits the development of the economies of other regions, primarily affecting the economies of underdeveloped regions [6].

The main problems of attracting direct investment are: insufficient development of investment infrastructure; lack of effective participation of commercial banks, investment funds, insurance and leasing companies in the implementation of investment projects; lack of high-quality and in-demand skilled labor, etc.

Also, the lack of active foreign direct investment in high technology and human capital threatens the process of achieving the goals of achieving high levels of inclusive growth and reducing poverty in the country. We believe that the main step in improving the investment climate is to create a complete and effective institutional framework through efforts to create conditions for attracting private and foreign direct investment.

In 2021, a total of more than \$10 billion will be spent in Uzbekistan, including \$8.1 billion in foreign direct investment. As a result, 318 large and more than 15 thousand regional projects were implemented, more than 273 thousand jobs were created. The new businesses could offset more than \$1 billion in total exports and \$530 million in imports.

The development of ready-made investment proposals to attract foreign direct investment into the economy of our country, the widespread use of investment and business forums, presentations and marketing campaigns were noted as priority areas.

It is also desirable to increase the role of the state in strengthening guarantees of the inviolability of private property, strengthening restrictions on the placement of foreign direct investment and stimulating investment in the development of priority areas of the economy.

It is noted that in cases where a foreign investor requests benefits under the national treatment, attention should be paid to two aspects. First, it is necessary to determine whether foreign and domestic investors are in the same, comparable context, in American terminology, "similarly situated" or "similarly situated." Secondly, it is necessary to clarify that a foreign investor is not provided with treatment that includes conditions no less favorable than those provided to domestic investors [7]. It is worth noting here that when clarifying these issues, controversial issues arise, and the practice of resolving investment disputes on them has not reached a unanimous conclusion.

In some cases, the fact that local and foreign investors are in a similar situation is assessed based on the business sector in which they operate, in other cases it is noted that it is based on specific activities or goods (services). in the business sector. In some cases, it is advisable to evaluate the fact that investors are in a similar position in terms of their competitive relationships. Including *Pope & Talbot Inc. v. Canada* and *SD Myers, Inc. v. Canada*. In the case of *Canada*, the business sector in which domestic and foreign investors operate was taken as the basis for comparison on this issue. In turn, there is no established definition of such a sector. It is recommended that economic activity and the business sector in academic papers be defined broadly according to the UNCTAD economic sector classification or OECD statistics. Examples of business sectors are agriculture, fishing, transport, communications, construction, food industry [8]. Basing on economic activities or business sectors is considered a broad approach to assessing a similar situation. However, it is noted that in investment practice there is a broader approach. In particular, in the case of *OEPC v. Canada*.

Ecuador, regardless of the line of business in which investors operate and the goods (services) they trade, local and foreign investors engaged in export activities must be treated equally and in a non-discriminatory manner. they must be provided. Indicated [9]. However, as mentioned above, in some cases there are narrower approaches to the business sector. For example, in *Feldman v. Mexico*, the arbitrator's interpretation of a "similar situation" applied to resale and export activities in the tobacco industry, not limited to the economic sector. [10]

Providing conditions for attracting investment and doing business (favorable investment and business environment, access to credit resources, simplification of formalities in lending and international trade), regulatory framework for attracting investment in the regions and providing tax preferences for their development Simultaneously with improvement Increasing the responsibility of local authorities authorities for decisions made can serve to attract foreign direct investment into the country's economy and increase their influence on socio-economic development.

The following conclusions were made regarding the attraction of foreign direct investment. Including: firstly, the development of a development strategy, secondly, the creation of "road maps", thirdly, the development of a concept for future years in order to create an effective system for attracting foreign direct investment. The set of factors influencing the investment decision varies depending on the investor's sector, but it has been scientifically proven that it is advisable to have indicators that describe the investment environment of the region and serve it to attract all types and groups of investors.

It is necessary to improve the system for attracting foreign direct investment and ensure the practical implementation of the following tasks:

harmonization of national legislation on foreign direct investment with international and regional standards, the use of various models of methods of legal regulation of state support for investment activities in international experience;

providing additional incentives and benefits to high-tech industries and enterprises developing and implementing innovative projects;

We believe that it is necessary to develop cooperative relations with enterprises with foreign direct investment, in particular, to ensure the integration of the local economy into the world market by entering their production chain.

Private direct investment refers to the process of individuals or companies investing directly in a business or project, rather than through a third-party intermediary such as a mutual fund or investment bank. This form of investment offers several advantages and disadvantages, and understanding these can help investors make informed decisions.

One of the key benefits of private direct investment is the potential for higher returns compared to traditional investment vehicles. By investing directly in a business or project, investors have the opportunity to benefit from the success of that venture in a more direct and potentially lucrative way. This can be particularly appealing for investors seeking to diversify their portfolios and potentially achieve above-average returns.

Additionally, private direct investment allows investors to have more control over their investments and the ability to actively participate in the decision-making process of the business or project. This level of involvement can provide investors with a sense of ownership and empowerment, as well as the opportunity to contribute their expertise and insights to help shape the direction and success of the investment.

However, private direct investment also comes with its own set of risks and challenges. One of the main drawbacks is the lack of liquidity associated with these investments. Unlike publicly traded securities, private investments can be illiquid and difficult to sell or exit quickly. This means that investors may need to commit their capital for an extended period of time, potentially limiting their ability to access their funds when needed.

Furthermore, private direct investments can be inherently risky due to the lack of regulatory oversight and transparency compared to publicly traded securities. Investors may face challenges in conducting thorough due diligence on potential investment opportunities and assessing the true risks involved. This can increase the likelihood of investment losses and expose investors to potential fraud or misconduct.

Private direct investment in Uzbekistan has been gaining momentum in recent years, as the government has implemented a series of economic reforms aimed at attracting foreign capital and promoting private sector development. With its strategic location at the crossroads of Central Asia and abundant natural resources, Uzbekistan presents a promising investment destination for both domestic and international investors looking to capitalize on its growing market potential.

One of the key drivers of private direct investment in Uzbekistan is the government's commitment to creating a more business-friendly environment through regulatory reforms and liberalization measures. In recent years, Uzbekistan has implemented a series of reforms to streamline bureaucratic processes, improve transparency, and protect investors' rights. These efforts have helped to boost investor confidence and attract a diverse range of businesses across various sectors, including manufacturing, agriculture, energy, and technology.

Furthermore, Uzbekistan's young and rapidly growing population presents an attractive market for investors looking to tap into a consumer base with increasing purchasing power and demand for goods and services. The country's strategic location along the historic Silk Road trade route also offers opportunities for investors to access regional markets and benefit from cross-border trade and investment opportunities.

In addition to the government's reform efforts, Uzbekistan has been actively seeking to diversify its economy and reduce its dependence on traditional sectors such as cotton and natural gas. This has led to increased investment opportunities in non-traditional sectors such as renewable energy, tourism, information technology, and infrastructure development. Foreign investors are particularly interested in these emerging sectors, which offer high growth potential and opportunities for innovation and collaboration.

Despite the promising investment climate in Uzbekistan, challenges remain for private direct investors looking to enter the market. One of the main obstacles is the lack of

infrastructure and skilled labor in certain regions, which can impede business operations and increase costs for investors. Additionally, legal and regulatory uncertainties, as well as corruption risks, pose challenges for investors seeking to navigate the local business environment.

To address these challenges and attract more private direct investment, Uzbekistan will need to continue its efforts to improve infrastructure, enhance the rule of law, and strengthen governance mechanisms. The government should also focus on promoting transparency and accountability in public institutions, as well as fostering a culture of innovation and entrepreneurship to support the growth of the private sector.

In conclusion, private direct investment offers both opportunities and challenges for investors seeking to diversify their portfolios and potentially achieve higher returns. While this form of investment can provide greater control and potential for significant gains, it also comes with risks and limitations that investors should carefully consider. By conducting thorough due diligence, seeking professional advice, and diversifying their investments, investors can navigate the complexities of private direct investment and make informed decisions that align with their financial goals and risk tolerance.

Private direct investment in Uzbekistan presents significant opportunities for investors seeking to capitalize on the country's economic potential and strategic advantages. With ongoing reforms and a growing focus on diversification and innovation, Uzbekistan is well-positioned to attract more private direct investment in the coming years. By addressing key challenges and creating a more conducive investment environment, Uzbekistan can unlock its full potential as a dynamic and competitive investment destination in Central Asia.

We note that there are different approaches to attracting foreign direct investment into the country's economy, and their main goal is to ensure the development of the country's economy.

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