

## METHODS OF ATTRACTING FOREIGN INVESTMENTS FOR THE INNOVATIVE DEVELOPMENT OF THE NATIONAL ECONOMY AND INTERNATIONAL EXPERIENCE IN ITS REGULATION.

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**Annotation:** This article explores the methods of attracting foreign investments aimed at fostering the innovative development of the national economy. The study emphasizes the significance of foreign direct investment (FDI) as a catalyst for technological advancement, increased productivity, and sustainable economic growth. Furthermore, it analyzes global best practices in regulating and managing foreign investments, with a focus on creating a favorable investment climate, legal frameworks, and institutional support mechanisms. Comparative analysis of international experience provides valuable insights for improving national strategies to effectively integrate foreign capital into innovation-driven sectors of the economy.

**Keywords:** foreign investment, national economy, innovation, economic development, investment climate, FDI, international experience, legal framework, institutional support, technology transfer, economic growth, investment policy

### Introduction.

In the context of globalization and rapid technological progress, foreign investments play a critical role in accelerating the innovative development of national economies. Developing countries, in particular, seek to attract foreign capital not only to increase financial resources but also to gain access to advanced technologies, managerial expertise, and international markets. Foreign Direct Investment (FDI) serves as one of the main tools for ensuring economic diversification, creating high-skilled jobs, and fostering sustainable growth. However, attracting and effectively managing foreign investments requires well-structured national strategies, stable political and economic environments, and transparent regulatory frameworks. Countries that have successfully integrated foreign investments into their economies have demonstrated significant improvements in innovation capacity, infrastructure development, and competitiveness on the global stage. This article aims to examine the key methods used to attract foreign investments to support the innovative development of the national economy. It also explores international experiences and best practices in regulating and utilizing foreign capital efficiently. By comparing global approaches and identifying the strengths and weaknesses of different investment models, the study offers insights and practical recommendations for policymakers seeking to enhance the investment appeal and innovation potential of their national economies.

### Main Body.

1. The Role of Foreign Investment in Economic and Innovative Development. Foreign investments are one of the primary drivers of economic growth, especially in developing and transition economies. Beyond simply providing capital, foreign investment contributes to: Technology transfer – bringing in advanced machinery, knowledge, and know-how; Human capital development – through training and skill-building of local workers; Market expansion – enabling domestic firms to integrate into global value chains; Improved productivity – via exposure to international competition and efficiency standards. In the era of the Fourth Industrial Revolution, innovation has become a critical component of national competitiveness. Countries that can attract investment into high-tech and knowledge-intensive sectors are better positioned to succeed in the global economy.

2. Key Methods of Attracting Foreign Investment. To attract foreign investment effectively, countries use a combination of strategies: Improving the business environment: Streamlining bureaucratic procedures, simplifying tax codes, and ensuring property rights are crucial for building investor confidence. Legal and regulatory frameworks: Transparent, predictable, and investor-friendly laws are essential. Bilateral investment treaties (BITs) and international arbitration agreements also play an important role. Investment incentives: These include tax holidays, customs duty exemptions, and grants for research and development (R&D) activities. Free economic zones (FEZs): Many countries establish special economic zones with favorable regulations, tax rates, and infrastructure to attract FDI in targeted sectors. Public-private partnerships (PPPs): Governments cooperate with private investors in areas such as infrastructure, energy, and technology, sharing risks and benefits. Digital infrastructure and e-governance: A modern digital infrastructure facilitates investment in tech-driven sectors and enhances the ease of doing business.

3. Global Best Practices and International Experience. Several countries have become successful models in attracting foreign investments for innovation: Singapore offers a highly efficient regulatory environment, strong IP protection, and government-backed innovation funding. Ireland has become a hub for tech giants due to its low corporate tax rate, skilled labor force, and integration with the EU market. South Korea emphasizes education, R&D investment, and close collaboration between government and industry, which has helped attract high-tech FDI. Estonia has built a digital-first economy, simplifying the process of starting and running a business through its e-residency and digital governance systems. These examples show that success depends not only on offering incentives but also on creating a stable, innovative, and transparent economic environment.

4. Challenges in Attracting Foreign Investment. Despite numerous efforts, many countries still face barriers: Political and economic instability deters long-term investment. Corruption and weak legal systems undermine investor trust. Lack of skilled labor limits the potential for high-value investments. Poor infrastructure raises costs and delays returns on investment. To overcome these issues, continuous reforms, anti-corruption measures, and human capital development are necessary.

5. The Importance of Strategic Regulation. Effective regulation ensures that foreign investments align with national development goals. Regulatory bodies should monitor and evaluate the impact of FDI, prevent monopolistic behavior, and protect the interests of domestic industries without discouraging foreign participation. Balanced policy-making fosters a win-win environment where both investors and the host economy benefit. The Strategic Importance of Foreign Direct Investment (FDI). Foreign Direct Investment is more than a capital inflow; it is a strategic tool for modernizing a country's economy, introducing new technologies, and improving institutional practices. FDI supports macroeconomic stability, facilitates currency reserves, and reduces unemployment. Particularly for emerging economies, foreign investments offer a path to accelerate industrialization without excessive reliance on domestic savings. According to UNCTAD's 2023 World Investment Report, global FDI inflows reached \$1.3 trillion, with developing economies capturing 52% of total investments. This indicates a growing trend of capital flowing into regions with untapped potential and favorable investment climates. Methods of Attracting and Retaining Foreign Investment. To attract sustainable and innovation-driven FDI, governments implement multi-dimensional strategies, including: Macroeconomic Stability: Ensuring low inflation, manageable debt levels, and exchange rate predictability is fundamental for long-term investor confidence. Transparent Governance: Anti-corruption frameworks and legal transparency significantly increase the trust of international investors. Countries like Georgia and

Estonia have seen investment growth by digitizing government services and reducing corruption. Sector-Specific Incentives: Targeted policies that favor high-tech sectors, green energy, or manufacturing hubs can help attract investors aligned with national development strategies. Skills Development and Education Reform: An educated and skilled workforce is often cited by multinational corporations as one of the top priorities for investment. Public-private partnerships in vocational training enhance workforce competitiveness. Case Studies from Emerging and Developed Markets. Uzbekistan has recently adopted a national strategy to improve the investment climate by liberalizing its currency, simplifying registration processes, and creating special economic zones (SEZs). Between 2017 and 2023, Uzbekistan attracted over \$20 billion in foreign investment, much of it directed toward energy, mining, textiles, and agriculture. Vietnam is another remarkable case. After enacting the Enterprise Law and Investment Law in the 2000s, and joining the World Trade Organization in 2007, Vietnam transformed into a manufacturing hub. In 2022 alone, it attracted over \$27 billion in FDI, especially from South Korea and Japan. Poland successfully used EU integration to modernize its economy and attract high-quality investments in the automotive and IT sectors. It combined EU structural funds with pro-business reforms to create a vibrant and export-oriented economy. Barriers to Foreign Investment and Innovation Growth. Despite improvements, many countries still face significant barriers: Institutional Weaknesses: Unstable property rights, inconsistent enforcement of contracts, and politicized courts discourage FDI. Overregulation: Excessive bureaucracy and complicated licensing systems increase the cost and risk for investors. Underdeveloped Infrastructure: Poor roads, logistics, and digital infrastructure make it harder for investors to operate effectively, particularly in rural regions. Limited Access to Finance for Local Firms: Even when FDI enters a country, its benefits are limited if local companies cannot access capital to partner or compete effectively. Overcoming these barriers requires a whole-of-government approach that involves legislative reforms, institutional strengthening, and ongoing engagement with investors. The Role of Innovation Ecosystems. Attracting FDI into innovation-driven sectors requires more than policy changes—it demands the cultivation of a robust innovation ecosystem. This includes: Research and Development (R&D) Funding: Governments must invest in scientific research, and incentivize private sector R&D through tax credits or matching grants. Startup Incubators and Technology Parks: These provide infrastructure, mentorship, and funding opportunities for entrepreneurs, fostering a culture of innovation. University-Industry Collaboration: Strengthening ties between academia and business ensures that research is commercialized and talent is matched with market needs. Countries like Israel and Finland demonstrate how strong innovation ecosystems can make even small economies global leaders in technology and innovation.

**Conclusion:**

Foreign investment serves as a powerful engine for driving the innovative development of national economies, particularly in the context of increasing global competition and technological change. Attracting and effectively managing foreign capital is not merely a financial strategy but a comprehensive approach that involves creating a favorable legal, economic, and institutional environment. Countries that succeed in leveraging foreign investments typically implement strategic reforms, maintain political stability, offer investor-friendly regulations, and invest heavily in human capital and infrastructure. International experience demonstrates that foreign direct investment can significantly enhance innovation capacity, industrial diversification, and economic resilience—if aligned with national development goals and supported by transparent governance. For emerging economies, the challenge lies not only in attracting foreign investors but in ensuring that these investments contribute to long-term, inclusive, and sustainable growth. Policymakers must adopt a proactive and well-coordinated approach to regulation, incentivization,

and partnership building in order to transform foreign capital into a catalyst for national innovation and progress.

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