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## THEORETICAL AND METHODOLOGICAL BASIS OF ATTRACTING FOREIGN INVESTMENT TO THE NATIONAL ECONOMY

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### ABSTRACT

*The article highlights the objective role of foreign investment in ensuring economic development in modern conditions. The types of foreign investments and the peculiarities of their attraction are described. The article also outlines the priorities for economic development by attracting foreign investment.*

**KEYWORDS:** *National Economy, Development, Investment, Foreign Investment, Capital, Competitiveness, Investment Policy, Investment Climate.*

### INTRODUCTION

Reliable legal protection and guarantees are provided for foreign investors for attraction of foreign direct investment in the implementation of programs to further improve the investment climate in the country, modernization, technical re-equipment and reconstruction of production, creation of new jobs in the regions of the country with surplus labor force. In addition, investments are used as a regulatory tool to ensure the priorities and strategic objectives of sustainable development of certain sectors and regions of the economy.

An important factor in the development of the country's economy is the investment in it and its effectiveness, which is mentioned in a number of textbooks and sources published by domestic and foreign economists. It should be noted that today investment is one of the most talked issues. This is because investment, especially the inflow of foreign investment into the country's economy and thus the development of sectors of the economy, is becoming one of the most pressing issues today. It is noteworthy that the direction in which investments are directed, determines its development, as well as the timely elimination of a number of problems that hinder the development of the country. Investment (Latin: investio-wrapping) is a long-term investment in various sectors, socio-economic programs, innovations, business projects in the

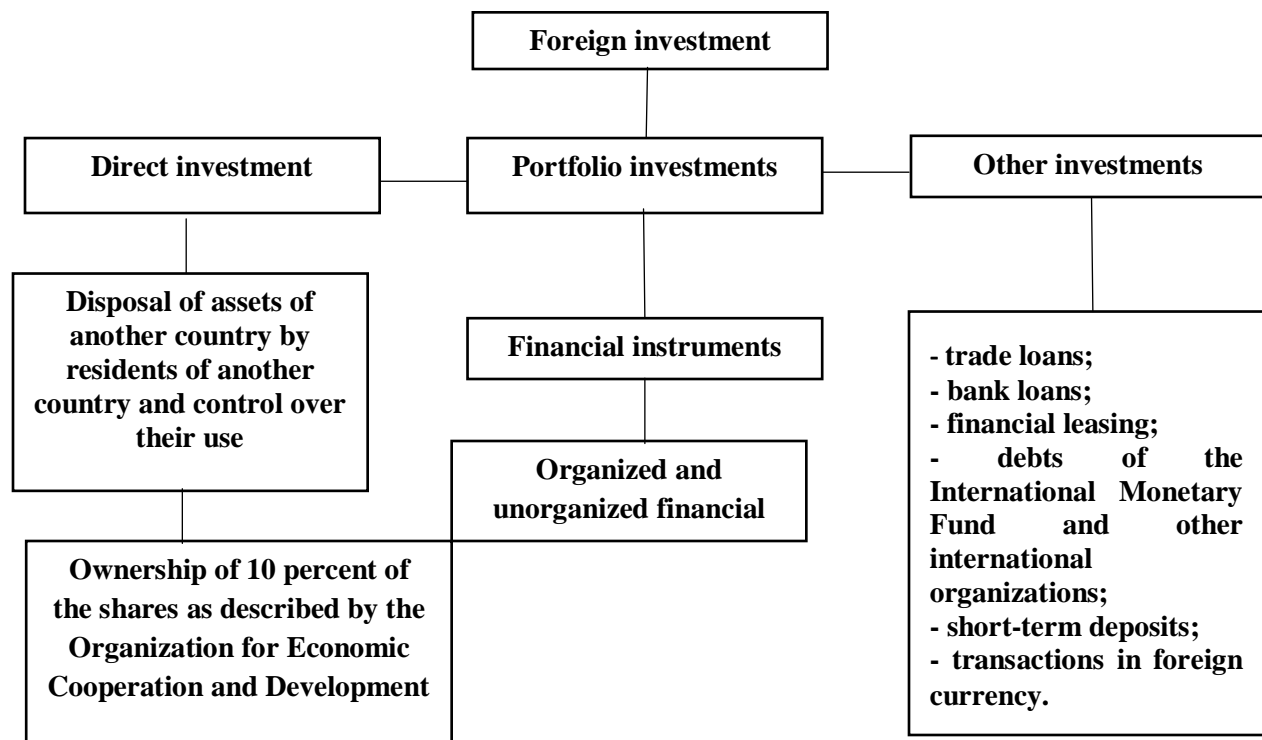
country or abroad for the development of the economy. Traditionally, an investment is the implementation of specific economic projects in order to generate future income. Such an approach to describing the nature of investment is the primary focus of national as well as foreign economic literature. It should be noted that many economists have conducted research on the content of foreign investment. Theoretical view of local economist, D. Gozibekov about foreign investment is the following: "Foreign investment is the binding of the capital of one economic entity to another economy for a certain period of time, differing from domestic investment in the breadth of risks, characterized by changes in the legal environment, the investment climate, resulting in capital movements across countries and regions". From these considerations, it can be concluded that foreign investment is capital that moves from one country's economy to another's economy, which differs from domestic investment in the breadth of its risks. He added that "while foreign investment is a necessary and important source of external financing for countries, it also includes a lot of tangible and intangible assets, various technological, information, financial flows, management skills, work in world markets, experiences and more. They are characterized by cross-border movement, ie migration, change of legal conditions of operation, confrontation with additional risks and specific goals". N. Kuzieva, Uzbek economist in her scientific works states that: "Foreign countries exporting capital for the purpose of future profit, legal entities and individuals to the countries receiving capital in various forms of wealth (migration, real estate, intellectual property, etc.) and income from them (profits, interest, dividends, license and commission fees, royalties, maintenance and other rewards) are called foreign investments. 10 She thoughts, the classification of foreign investments on the basis of various characteristics further clarifies their economic nature.

One of the economists, K. Khoshimov, in his research work described foreign investment as: "Foreign investment - all that foreign owners mobilize a certain amount of capital from one economy to another for a certain period of time in order to achieve a relatively high level of efficiency, taking into account the obvious and uncertain risks to various sectors of the economy of another country that are not prohibited by law? property, financial, intellectual wealth" 11.

In our view, foreign investment means the outflow of capital from one economy to another, with the goal of placing wealth on more favorable terms and ensuring the flow of capital over a relatively long period of time until the investment returns to the foreign owner. They are characterized by cross-border migration, in which foreign investment essentially replaces their national investment climate. In addition to security, profitability, capitalization and liquidity, foreign investment is an important feature of a specific goal. The economy, which attracts their attention, is also trying to achieve its goals. These goals can be as efficiency, productivity growth and market penetration. Therefore, mutual interests, trusting relationships, taking into account the conditions of entry are the basis for the transfer of investment from one country to another. Foreign investment, unlike domestic investment, is subject to additional risks, such as country, currency, nationalization, requisition. This means that their range of risks is much wider.

It is advisable to classify foreign investments into private, public, foreign and mixed investments according to the form of ownership. Depending on the object of direction, foreign investment can be divided into financial and real investments. In developed countries, the main place in the structure of financial investments is occupied by private property owners. The structure of foreign investment can be grouped as follows (Figure 1.1).

Foreign direct investment in the structure of foreign investment is important for the development of sectors of the economy, they accumulate more capital than the level of domestic savings, support the balance of payments and can have a positive impact on economic development by expanding import opportunities.



**Figure 1.1. Classification of foreign investments**

Foreign direct investment plays an important role in improving the operations, production and capital efficiency of individual enterprises, the introduction of new technologies and the improvement of the management system. These processes help to develop the internal market, increase the skills and practical experience of workers by indirectly influencing suppliers, customers and competitors of products and services. The above types of foreign investment have their own characteristics.

#### 1.1-TABLE DISTINCTIVE FEATURES OF FOREIGN INVESTMENT

Signs	Foreign direct investment	Portfolio investments
The main purpose of entry	Control of a foreign firm	High profitability
Ways to achieve the goal	Organization and conduct of production abroad	Buying foreign securities
Methods to achieve the goal	– full ownership of a foreign company; – acquisition of a controlling stake (from 25% of the company's share capital as recommended by the	Acquisition of at least 25% of the share capital of a foreign company (in the USA, Japan and Germany - 10%)

	International Monetary Fund) should not be less);	
Forms of income	Entrepreneurial profits, dividends	Dividends, interest

Particular attention is paid to the work on attracting investment for the implementation of projects on restructuring the economy, modernization of industries, technical and technological renewal. Investment opportunities and real volumes are closely linked to the situation in domestic and foreign markets. Despite the negative changes in foreign markets as a result of the financial crisis, the domestic market of our country continues to grow steadily. This is the most important condition for strengthening the investment climate. It is known that the policy of stimulating the domestic market has been implemented in recent years. The steady increase in the number of jobs and wages, the rapid expansion of income from entrepreneurship through the development of small business are the factors that ensure the stability of demand in the domestic market. The way to expand the benefits and preferences for large-scale, far-sighted free enterprise, which will continue in 2018, is to increase the volume of investments, especially foreign investment, and to ensure the sustainable growth of our economy and its macroeconomic balance. This has had a positive effect on mining.

Large-scale liberalization and stabilization factors play an important role in improving the economic situation in all countries in transition. Liberalization requires free pricing, the abolition of state control over trade, and the creation of new companies without hindrance. Stabilization means reducing inflation, eliminating imbalances in the economy and foreign economic spheres.

These two factors, which are closely linked to reform, can be addressed in the early stages of the transition. Foreign investment plays an important role in international economic relations and is an important source of capital for many countries. In the context of modernization of the economy, it is possible to increase the competitiveness of products only on the basis of investment, renewal of fixed capital and on this basis to reduce production costs and improve quality. Therefore, the President of the Republic of Uzbekistan Shavkat Mirziyoyev said that ensuring the growth of investments from year to year, the launch of new modern enterprises producing high value-added, deeply processed products - to ensure sustainable economic growth, first of all, is one of the most important factors in further improving the living standards and welfare of the population.

Investment policy is a set of targeted measures aimed at revitalizing investment activities, boosting the economy, increasing production efficiency and creating favorable economic conditions for economic entities in order to solve social problems. The state's foreign investment policy is a system of measures to regulate foreign investment flows by the state. Investment policy is one of the most important permanent means of goal-oriented activity of the state in terms of socio-economic development. Such a policy is the core of the entire political sphere of the state, or in other words, it is the basis of the political activity of the whole state. The growth of the country's production capacity, economic growth, increase in the volume and quality of production of material and spiritual goods, the development of the overall infrastructure will largely depend on investment and investment policy.

Investment policy is a function of the state to mobilize investment funds to organize the reproduction of material goods in society. From the organizational and legal point of view, this area of public policy consists of the activities of its relevant bodies to define the goals and objectives of such a policy, to seek funding for its implementation. The development of prudent investment policy plays a leading role in economic growth. For the effective implementation of investment policy, it is necessary to establish a number of institutions that will serve to create a favorable investment climate. The model that works effectively in the world economy relies on a market system and takes full advantage of the national economy. We have every reason to say that Uzbekistan has created a unique investment climate, a system of privileges and preferences for investors.

This is evidenced by the fact that the volume of foreign investment in our economy is growing from year to year. The role of foreign investment, especially direct investment, in the further deepening of structural changes in the economy, the acceleration of investment activity of enterprises, modernization of production, technical and technological re-equipment is invaluable. This will create opportunities for the introduction of advanced technologies, the creation of new jobs and, on this basis, to ensure the sustainable and balanced development of the country's economy. The experience of developed countries shows that the attraction of foreign investment has been one of the decisive factors in the high level of development of these countries. Further deepening of structural reforms in the economy, further revitalization of investment activity of enterprises, wide attraction and effective use of foreign investment, especially foreign direct investment, modernization of production, technical and technological in order to re-equip, create new jobs and on this basis to ensure the sustainable and rapid development of our national economy, a large amount of funds is allocated from the national budget. At the current stage of modernization of the Uzbek economy further improvement of investment activities is required.

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