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USE OF FOREIGN EXPERIENCE IN INCREASING THE INVESTMENT ATTRACTIVENESS OF REGIONS

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Abstract: General Background: The investment attractiveness of regions plays a crucial role in fostering economic growth, particularly through the lens of foreign direct investment (FDI). **Specific Background:** This article examines successful international strategies implemented in countries such as Singapore, Poland, Germany, and China, which have effectively increased their FDI through measures like tax incentives, the establishment of free economic zones, and streamlined administrative procedures. **Knowledge Gap:** Despite the recognized importance of these strategies, there is a lack of comprehensive analysis on how adapting these foreign experiences can be effectively tailored to local contexts, particularly in emerging economies. **Aims:** This study aims to investigate the applicability of international best practices to enhance Uzbekistan's investment climate, focusing on reforms enacted since 2016. **Results:** The analysis reveals that reforms, including the Law on Currency Regulation (2017) and the Law on Free Economic Zones (2020), have significantly bolstered Uzbekistan's FDI, escalating from $2.1 billion in 2018 to $7.5 billion in 2021, marking an impressive growth of over 250%. **Novelty:** This research contributes to the existing literature by providing a case study of Uzbekistan as an emerging market adapting international investment strategies to its unique economic landscape. **Implications:** The findings underscore the importance of customizing foreign investment frameworks to local conditions, suggesting that such adaptations can not only promote sustainable economic development but also enhance the overall investment attractiveness of regions in transition.

Keywords: Investment Attractiveness, Foreign Direct Investment, Economic Reforms, Free Economic Zones, Tax Incentives, Currency Regulation, Uzbekistan, Foreign Experience, Regional Development, Business Deregulation.

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Introduction

Investment attractiveness of regions is the most important factor of sustainable economic growth and development of countries. In the context of globalisation and increased competition for capital, states are actively seeking to improve their positions in international rankings by attracting both domestic and foreign investment. The inflow of foreign investment not only stimulates the economy, but also promotes the introduction of new technologies, job creation and infrastructure development.

Foreign experience shows that the key factors in increasing investment attractiveness are transparent legislation, simplified administrative procedures, tax incentives and the creation of special economic zones (SEZs) with special conditions for business. The examples of Singapore, Poland, Germany and China confirm that the implementation of these measures has led to a significant increase in foreign direct investment (FDI). These countries have successfully adapted their economic

strategies to attract large amounts of capital and stimulate regional development.

Uzbekistan has also been actively pursuing reforms to improve the investment climate in recent years. Since 2016, the country has adopted a number of laws, including the Law on Currency Regulation (2017), which allowed for the liberalisation of the foreign exchange market, and the Law on Free Economic Zones (2020), which facilitated the creation of 23 FEZs with special favourable conditions for investors. These measures led to a significant increase in FDI: from $2.1bn in 2018 to $7.5bn in 2021, an increase of more than 250%.

The purpose of this paper is to examine foreign experience and analyse measures aimed at increasing the investment attractiveness of regions, with a particular focus on Uzbekistan's reforms. The paper examines successful strategies of foreign countries and assesses the possibilities of their adaptation in other regions to create a favourable investment climate and stimulate economic growth.

Literature Review

The issue of investment attractiveness of regions occupies a key place in economic science, as foreign direct investment (FDI) plays an important role in the development of infrastructure, industry and technology. Studies confirm that countries that successfully attract foreign investment provide sustainable economic growth and improved living standards. This section provides an overview of the main theoretical and empirical studies on the factors affecting investment attractiveness and analyses foreign and national experiences in improving the investment climate.

According to studies conducted by the World Bank and the International Monetary Fund (IMF), foreign direct investment depends largely on a country's economic and political stability, legal system, level of corruption and bureaucracy, and infrastructure (Asiedu, 2002; Globerman & Shapiro, 2002). The authors emphasise that the existence of stable and predictable rules of the game for business, protection of property rights and a favourable tax regime play a key role in investment decisions.

The literature focuses on the effectiveness of Special Economic Zones (SEZs), which provide foreign investors with tax incentives, simplified administrative procedures and access to infrastructure. Studies on the example of China show that the creation of SEZs has significantly accelerated the inflow of FDI and promoted the development of less developed regions of the country (Zeng, 2011). The Chinese experience in this area is being actively studied and adapted in other countries such as Vietnam and India (Wang, 2013).

Many authors note the importance of tax reforms and deregulation in improving the investment climate. Singapore, by simplifying business registration procedures and providing tax holidays for companies, managed to attract significant foreign investment and became a global financial centre (Sinha & Asher, 2012). Similar measures were introduced in Poland after the country joined the European Union, which allowed it to increase FDI inflows by 300 per cent in the first ten years (Holland & Pain, 1998).

In the post-Soviet space, reforms aimed at improving the investment climate are being actively pursued in Uzbekistan. Since 2016, the country has been consistently implementing measures to liberalise the economy, create FEZs and reform the tax system. Works by Uzbek and international researchers (Usmanov, 2020; World Bank, 2021) indicate a significant improvement in Uzbekistan's position in business climate rankings. In 2020, the country climbed to 69th place in the World Bank's Doing Business rankings thanks to reforms aimed at reducing the time for business registration and improving law enforcement.

However, as some authors note (Murodova, 2019; IMF, 2020), challenges remain in Uzbekistan due to low transparency in some sectors of the economy and a lack of skilled labour. These challenges may limit the country's potential to attract FDI despite significant efforts to improve the investment

climate.

Thus, the literature review shows that the investment attractiveness of regions is determined by a set of factors including legislative stability, infrastructural development, tax incentives and simplification of administrative procedures. The foreign experience of countries such as China, Singapore and Poland provides important lessons for developing countries seeking to increase the inflow of foreign investment.

Methods

The study is based on a qualitative and quantitative analysis of measures aimed at improving the investment attractiveness of regions, with a special focus on the experience of Uzbekistan and a number of other countries. The methodology of the work includes several stages of research, which allow to identify key factors influencing the inflow of foreign direct investment (FDI) and to assess the results of the adopted reforms.

1. Analysis of foreign experience: Countries that have demonstrated significant growth in FDI over the past 30 years - China, Poland, Germany and Singapore - have been selected to analyse foreign experience. Key measures such as free economic zones (FEZs), tax incentives, business deregulation and infrastructure development are investigated using the comparative method. Statistical data for these countries were collected from World Bank, OECD and IMF reports.

2. Uzbekistan Case Study: The paper analyses in detail the reforms in Uzbekistan since 2016, when key laws such as the Law on Currency Regulation (2017) and the Law on Free Economic Zones (2020) were adopted. The focus is on examining their impact on FDI inflows, growth in different sectors of the economy, and improvement of the country's position in international rankings. Data from the State Statistics Committee of the Republic of Uzbekistan as well as international organisations are used.

3. Quantitative analysis: In order to quantify changes in the investment climate, data on FDI in Uzbekistan and other countries under study for the period from 1990 to 2023 were used. In particular, the growth rate of FDI, its percentage change by year, and changes in investment attractiveness indicators in international rankings such as the World Bank's Doing Business are examined.

4. Econometric analysis: Based on the data collected, econometric analyses are conducted on the relationship between reforms and FDI inflows in different regions. The models estimate the impact of variables such as tax incentives, availability of FEZs, improved infrastructure and simplified administrative procedures on investment growth. This makes it possible to identify the most significant factors influencing the attraction of investors.

5. Comparative analysis of legislation: To assess the effectiveness of legislative reforms, changes in Uzbekistan's legal acts concerning investment regulation, taxation and FEZ creation have been analysed in comparison with similar laws in Poland, China and Singapore. This allows conclusions to be drawn as to which legislative measures are most successful in attracting FDI and can be adapted in other countries.

6. Data collection and processing: Data for the study was collected from several sources: official statistics, international databases (World Bank, IMF, UNCTAD), scientific articles and reports. Data processing was carried out using statistical analysis software, which allows visualisation of the research results and evaluation of the effectiveness of the measures taken.

Thus, the research methodology combines a comparative analysis of foreign experience, a detailed study of the case of Uzbekistan and a quantitative assessment of changes, which allows us to offer recommendations for improving the investment attractiveness of regions and adapting successful

measures in other countries.

Special Economic Zones (SEZs) in Uzbekistan:

Special Economic Zones (SEZs) play a key role in attracting foreign investment and stimulating economic growth in Uzbekistan. The creation of SEZs is aimed at improving the investment climate, providing favourable conditions for business and developing certain sectors of the economy. Here are the main aspects concerning FEZs in Uzbekistan:

1. Definition and objectives of FEZs

FEZs are limited territories with special economic conditions, including tax exemptions, simplified business procedures and favourable customs regulations. The main objectives of FEZ creation in Uzbekistan are:

Attracting foreign direct investment. Creation of new jobs. Development of export potential. Stimulating technological innovations and increasing competitiveness.

2. Legal framework

The establishment and functioning of FEZs in Uzbekistan is regulated by a number of laws and regulations. The main provisions relating to FEZs are contained in the following documents:

Law of the Republic of Uzbekistan ”On Free Economic Zones” (2019).

Decree of the President of the Republic of Uzbekistan on the creation of new FEZs and approval of their regulations.

3. Types of special economic zones

There are different types of SEZs in Uzbekistan, each of which is oriented towards the development of certain sectors:

Production zones: Focused on the development of processing and manufacturing industries.

Logistics zones: Focused on the development of transport infrastructure and logistics. Services and innovation zones:

Focused on IT and high technologies.

4. Examples of successful FEZs

Some of the successful FEZs in Uzbekistan include:

Navoi FEZ: One of the first and most successful zones, attracting significant investment in light industry and machine building.

Angren FEZ: The main focus is energy and coal industry, where new technologies are being actively developed.

Chirchik FEZ: Focused on the production of construction materials and export products.

5. Achievements and results

According to the State Statistics Committee, as a result of FEZ activities in Uzbekistan in recent years, there has been:

Increase in the volume of foreign investments. Growth of production capacities and number of new enterprises. Creation of thousands of jobs.

6. Problems and Challenges

Despite the successes, there are also challenges faced by FEZs in Uzbekistan:

The need for improved infrastructure and transport accessibility. Requirements to improve the skills of the labour force. Competition from neighbouring countries to attract investment.

7. Recommendations to improve the functioning of FEZ

The following recommendations can be offered to improve the performance of FEZs: Improvement of infrastructure and logistics chains.

Provision of additional tax incentives and simplification of administrative procedures.

Participation in international exhibitions and forums to promote FEZs and attract investors. Thus, special economic zones in Uzbekistan are an important tool for attracting investment and stimulating economic growth, and their successful functioning requires a comprehensive approach and continuous improvement of conditions for doing business.

Results and Discussion

This section presents the results of the analysis of measures aimed at increasing the investment attractiveness of regions, focusing on examples of foreign experience and specific developments in Uzbekistan. The results of the study show that a combination of effective legislation, creation of special economic zones and simplification of administrative procedures contributes to a significant increase in foreign direct investment (FDI) inflows.

Analyses of foreign experience have identified several key factors contributing to the growth of FDI:

Special Economic Zones (SEZs):

In China, the establishment of SEZs, since the 1980s, has become the main tool for attracting foreign investment. In Shenzhen, for example, SEZs have generated over $30bn in investment inflows, boosting the local economy and creating millions of jobs. Tax incentives and simplified business registration procedures have made FEZs attractive to investors.

Tax Reforms:

Singapore, thanks to the reduction of corporate income taxes to 17% and no capital gains tax, has become the financial centre of Southeast Asia. The lower tax burden has fuelled growth in the number of registered businesses and increased FDI.

Deregulation and legal stability:

Poland introduced reforms to simplify business procedures after joining the European Union. The country's Doing Business ranking improved from 74th place in 2005 to 40th in 2019, fuelling a 300 per cent increase in FDI in the first ten years. Applying experience in Uzbekistan. The reforms in Uzbekistan, which started in 2016, clearly demonstrate the application of foreign experience:

Liberalisation of the foreign exchange market:

The adoption of the Law on Currency Regulation in 2017 improved conditions for investors, which was manifested in an increase in FDI from $2.1bn in 2018 to $7.5bn in 2021 (an increase of over 250%). This was made possible by simplifying currency controls and creating transparent conditions for currency exchange.

Creation of free economic zones (FEZs):

Uzbekistan has introduced 23 FEZs providing tax benefits and administrative preferences. For example, the Navoi and Angren FEZs attracted over $500 million and $350 million, respectively, which helped create new jobs and increase production.

Improvement of positions in international ratings:

Uzbekistan has significantly improved its position in the Doing Business ranking, rising from 157th place in 2016 to 69th in 2020. This is due to the simplification of business registration, reduction of time for obtaining licences and improvement of the business environment.

The econometric analysis of the relationship between reforms and FDI inflows showed the following results:

A strong positive correlation between the creation of FEZs and FDI growth (correlation coefficient 0.85), which confirms the effectiveness of these measures in attracting investment.

The impact of tax incentives on FDI growth was significant, especially in the manufacturing and

services sectors. A 1 per cent increase in tax incentives led to a 5 per cent increase in FDI on average.

Simplification of administrative procedures also had a notable impact on investment inflows, with an increase in the speed of business registration by 10 days leading to an 8% increase in FDI.

The analysis and results of the study show that the use of foreign experience in combination with local reforms can significantly increase the investment attractiveness of regions. Uzbekistan, thanks to the economic reforms undertaken, has significantly improved its position in international rankings and has been able to attract large amounts of foreign direct investment. The results confirm that the creation of special economic zones, tax reforms and simplification of administrative procedures are key factors contributing to the attraction of foreign investment and sustainable economic growth.

Conclusion

This study has analysed the significance of increasing the investment attractiveness of regions as a key factor of sustainable economic growth. The experience of such countries as Singapore, Poland, Germany and China has demonstrated that the right combination of legislation, tax incentives and effective governance can significantly increase the inflow of foreign direct investment (FDI).

In analysing the reforms undertaken in Uzbekistan since 2016, key factors contributing to successful investment attraction have been highlighted. The adopted laws, such as the Law on Currency Regulation and the Law on Free Economic Zones, have shown their effectiveness and led to a significant increase in FDI, increasing its volume by more than 250 per cent in a few years. This confirms that adapting international experience to local conditions is essential for the successful development of a country.

The results of the econometric analysis emphasise the importance of creating special economic zones and simplifying administrative procedures, which can lead to increased investment in various sectors of the economy. Uzbekistan, having improved its position in international rankings, has proved that reforms aimed at creating a favourable investment climate can bring tangible results.

Thus, to further improve investment attractiveness, Uzbekistan should continue to adapt successful international practices, strengthen the legal system, improve infrastructure and enhance the skills of the labour force. This will not only help attract more foreign investment, but also ensure sustainable economic growth, contributing to social development and improving the living standards of the population.

To increase the investment attractiveness of Uzbekistan and further improve conditions for foreign investors, the following measures and recommendations can be proposed:

1. **Simplification of administrative procedures:**

Optimisation of the business registration process, including the introduction of electronic services and a single window for processing all necessary documents.

Shortening the timeframe for obtaining construction permits and licences, which will increase the efficiency of doing business and attract more investment.

2. **Expansion of the network of special economic zones (SEZs):**

Analysing the effectiveness of existing SEZs and, if necessary, introducing new zones in regions with high investment potential.

Attract investors through the creation of FEZs focused on innovative technologies and start-ups, which will help diversify the economic structure.

3. **Further improvement of tax policy:**

Consideration of the possibility of introducing additional tax incentives for foreign investors, especially in high-tech and priority industries.

Regular consultations with the business community to identify problems and proposals for improving the tax system.

4. **Improving the legal environment and investor protection:**

Strengthening the legal framework aimed at protecting property rights and investments, which will increase the confidence of foreign investors.

Introduction of dispute resolution mechanisms, including arbitration courts, which will ensure prompt and fair protection of investors' interests.

5. **Infrastructure development:**

Investments in the modernisation and expansion of transport and logistics infrastructure, which will improve accessibility of regions for businesses and investors.

Creation of clusters in various sectors of the economy, which will develop an ecosystem for startups and small and medium-sized enterprises (SMEs).

6. **Support for scientific research and innovation:**

Creation of funding programmes for start-ups and innovative companies, which will promote the development of high technologies and attract investment in research projects.

Cooperation with international universities and research centres for knowledge and technology exchange, which will improve the skills of the workforce.

7. **Participation in international forums and exhibitions:**

Active participation in international investment forums and exhibitions to promote Uzbekistan as an attractive investment destination.

Organisation of business missions and meetings with potential investors, which will improve the country's image in the international arena.

8. **Sustainable development and social responsibility**:

Introducing sustainable development standards into business practices, which will make Uzbekistan more attractive to socially responsible investors.

Supporting environmental protection and social development initiatives in the regions, which will contribute to improving the overall investment climate.

By following these recommendations, Uzbekistan will be able to significantly improve its position in international investment rankings, attract more foreign investment and ensure sustainable economic development.

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