



Article

Legal Regulation Of Investment Placement In The Economy Of Administrative And Economic Regions

Murtazaev Ardasher Zafar Ugli

Independent researcher of the Department of Finance, SamIES

* Correspondence: murtazaevardasher@gmail.com

Abstract: The article notes that today in our country a foreign investor can expect a decline in production, growing inflation, an unsettled internal resource management mechanism, constant fluctuations in customs tariffs, repeated changes in the tax regime and underdevelopment of the business services sector. It is also noted that the ambiguity, inconsistency and variability of legislative acts concerning the economic sphere, including foreign investment, their inconsistency with world analogues, the declarative nature of provisions and guarantees traditional for international practice continue to be characteristic features of today's domestic legislation. Specific proposals are given to improve the investment climate for foreign countries

Keywords: Investment, Benefit, Stimulation, Financial Policy, Tax Regime, Guarantee, Competitiveness, Mechanism

1. Introduction

In the context of the implementation of economic reforms in Uzbekistan in accordance with the requirements of the concept of socio-economic and innovative development of the economy, legal regulation of financial and legislative relations should be of great importance. One of the new areas of state activity in Uzbekistan is attracting investment in the economy of the regions. The President of the Republic of Uzbekistan Sh.M. Mirziyoyev noted that 2030 should be a prosperous, safe year and a year of improving the well-being of all groups of the population, and economic growth based on an innovative economy will also be included in the priority long-term goals and implementation strategy.

Attracting investment into the economy, in particular foreign investment, is a strategic goal of economic policy, without achieving which one can hardly expect a noticeable pace, intensity and sufficient breadth of development of economic progress, which requires improving the necessary legal framework for attracting investment.

Literature Review

According to Lapina M.A., the system of organization of modern public administration of territories in the Russian Federation has undergone fundamental changes caused by the reform of the economy during the transition to market relations. Scientific substantiation of the need to transform approaches to the socio-economic development of existing territorial economic systems is given, first of all, by economists. In turn, this was the determining factor for the existing changes in the system of public administration of territories based on regional policy and changes in the system of economic zoning. From

Citation Murtazaev Ardasher Zafar Ugli. Legal Regulation Of Investment Placement In The Economy Of Administrative And Economic Regions. Central Asian Journal of Innovations on Tourism Management and Finance 2024, 5(8), 686-691.

Received: 10th Sep 2024

Revised: 11th Oct 2024

Accepted: 24th Nov 2024

Published: 27th Dec 2024



Copyright: © 2024 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

the standpoint of public law, state regulation of the economy is defined as a set of organizational and legal measures aimed at adaptation, stabilization and further development of the socio-economic system in the context of changing external and internal factors affecting the economic performance of both an individual economic entity and the whole. Taking into account the indicators of the Russian Federation, subjects of the Russian Federation, municipality or other territorial entity created to determine the goals of economic development.

Moreover, it is stated that in the context of economic liberalization and decentralization of management of the most important spheres of society, the mechanisms of management of the integrated development of territories have changed radically. The process of decentralization of management presupposes the delimitation of powers between the Center, regions and subjects. The ratio and forms of implementation of these powers do not remain constant, but change and improve over time. In this regard, we consider it very important to consider the commonality and difference of the goals and objectives of management of the Center and the subject and the delimitation of the development resources that they have and manage. Today, there is a significant differentiation in the levels of socio-economic development of the regions in terms of per capita income to the subsistence minimum: the subjects differ by more than 10 times. This suggests that the most important task of the Center's management was and remains the task of equalizing the economic conditions and social status of the population of the country's territories by the subjects by redistributing resources through the federal budget and federal funds. Management of the region as a single territorial-economic complex requires the development of a concept of interaction of interests and coordination of territorial development goals on a new methodological basis that considers the processes of decentralization of management, liberalization of the economy and development of market relations.

Additionally, it is noted in the literature that innovative development sites (including within the framework of priority development areas) are divided in Western literature into "greenfield" and "brownfield" based on their initial development level. A greenfield industrial park is a park created on a completely new, previously undeveloped land plot. Most often, such a park does not have a ready-made infrastructure, but "accumulates" it. A brownfield industrial park is created differently; it is organized on previously existing production sites (very often these are former factories and plants, workshops, or even port docks)." As can be seen from the above quote, the first type of innovative sites implies the creation of all necessary facilities "from scratch". In this sense, "greenfield" can be interpreted as an "open field" for entrepreneurial and innovative activities. In terms of encumbrances, it is necessary to point out the lack of infrastructure that would allow new enterprises to be launched quickly. On the other hand, this may also be an advantage of the project, since the most modern technological and communication solutions can be envisaged even at the conceptual stage, rather than spending significant funds on the renovation of morally and physically obsolete structures and objects.

2. Materials and Methods

Both quantitative and qualitative research methods have been used in this study in order to get desired results. Data for this research has been acquired from official databases of Uzbekistan. Statistical methods have been used to analyze the obtained data.

3. Results and Discussion

Uzbekistan has a number of advantages and opportunities for the effective promotion of economic reforms. According to the Business Information Center for the Newly Independent States at the US Department of Commerce, opportunities for investing in Uzbekistan are assessed by foreign investors as more attractive compared to other CIS countries. In 2023 alone, more than \$ 1.8 billion were attracted to Uzbekistan, which,

according to the EBRD, brought Uzbekistan to the forefront among the CIS countries and among the countries of Central Asia.

Uzbekistan is a confident leader in such indicators as currency stability and investment climate, as well as business ethics. In terms of legislation and price stability, Uzbekistan also occupies a solid place among the CIS countries.

The increase in Uzbekistan's investment rating against the backdrop of an annual increase in the volume of foreign direct investment inflows, as well as other measures taken, allowed Uzbekistan to take third place among the CIS countries in terms of the level of attracted direct investment per capita, and thereby strengthen its position in foreign direct investment markets, where the current situation is characterized by a high degree of competition between recipient countries.

These markets annually concentrate approximately 210-240 billion US dollars, of which the CIS countries account for about 60 billion US dollars. Uzbekistan's main competitors in the fight for these 60 billion US dollars are Russia, Kazakhstan, Azerbaijan, Turkmenistan and Kyrgyzstan. In this competitive struggle, the Government of Uzbekistan uses a constantly renewed bank of search for potential investors, which today contains more than 4,400 investment projects capable of attracting more than 3 billion US dollars to the economy of Uzbekistan, necessary to meet the need for direct investment.

At the same time, although Uzbekistan has a large market potential, an abundance of natural resources and a strategic business location, many foreign investors believe that the investment climate of the Republic of Uzbekistan is promising but unstable. Instability is accompanied by the prevalence of a number of negative factors that hinder the inflow of foreign investment into the Republic. As a result of a survey of interested foreign investors, the following main obstacles to the inflow of investment into Uzbekistan were identified:

- bureaucracy;
- financial risk;
- tax and financial regime of Uzbekistan;
- currency control.

One of the negative factors on the path to the inflow of foreign investment is also the imperfection of our legislation in this area.

The Ministry of Economy and Finance of the Republic of Uzbekistan is called upon to implement investment policy in the republic. Currently, the Ministry of Economy and Finance should be the only state body in the implementation of state policy to stimulate investment, in particular, foreign direct investment. In this regard, good work has been established in the Republic of Kazakhstan among the CIS countries.

A new direction in state regulation of foreign investment activity is the formation of the Council of Foreign Investors under the President of the Republic of Uzbekistan.

The newly formed Council of Foreign Investors is a consultative and advisory body under the President of the Republic of Uzbekistan. The objectives of its creation are: 1) submitting proposals for improvement of legislation regulating investment activities, proposals on issues related to the implementation of major investment programs and projects of the Republic of Uzbekistan of international importance to the President of the Republic of Uzbekistan for consideration; 2) developing recommendations for improving the investment climate, as well as on the strategy for attracting foreign investment into the economy of the Republic of Uzbekistan; 3) developing proposals for integrating the country's economy into global economic processes.

At the initiative of the President of the Republic of Kazakhstan, the Council of Foreign Investors on December 8, 2000 adopted the "Declaration on the Code of Ethics of Foreign Investors Working in Uzbekistan", which established the basic ethical principles for the activities of foreign investors in the republic.

Current legislation in the field of investment includes: Law of the Republic of Uzbekistan "On Foreign Investments" dated December 27, 1994 of the year and "On state support for direct investments" of February 28, 1997, as well as multilateral and bilateral

agreements, among which it is worth noting the agreements on the promotion and mutual protection of investments between the Republic of Kazakhstan and other countries.

The Law "On Foreign Investments" in the Republic of Uzbekistan is a generic legislative act defining the legal and economic basis for attracting foreign investment, the procedure for resolving disputes involving foreign investors. One of the main objectives of the Law was to create conditions for attracting foreign investment to the Republic and ensure the protection of the interests of foreign investors against their violation not only by business partners, but also by the state, government bodies, and officials. This legislative act regulates the legal regime of foreign investment, establishes state guarantees in cases of changes in the political situation and legislation, defines the organizational forms of investment, regulates issues of registration, licensing, liquidation and reorganization of enterprises with foreign participation, issues of labor relations at enterprises with foreign participation, and the procedure for resolving disputes.

The Law of the Republic of Uzbekistan "On Direct Investments" quite clearly defines the position of investors, contains a list of benefits and preferences provided to foreign investors, determines the size of benefits and preferences depending on the volume of direct investment, the investor's obligations regarding the terms of the project implementation, its payback, the priority of the economic sector and other conditions. However, in this regard, there are different opinions of economists, indicating a low level of protection of foreign investment.

But guarantees to foreign investors provided by national legislation may be cancelled at any time due to the adoption of a new Law, then, in our opinion, guarantees provided by an international treaty should come into force, which the state cannot cancel unilaterally. Despite the similarity in the content of national laws and international treaties on investment protection, international legal regulation of foreign investments is important, especially for foreign investors.

4. Conclusion

To date, Uzbekistan has signed many intergovernmental agreements on the promotion and mutual protection of investments. Many of these agreements have been ratified. Uzbekistan has also ratified the Convention on the Protection of Investor Rights with the CIS countries. The Republic of Uzbekistan was among the first of the CIS countries to become a full member of the Washington Convention of 1965 on the Procedure for the Settlement of Disputes between States and Foreign Nationals (ICSID Convention).

In this regard, on the basis of bilateral investment agreements, its participants are able to more clearly define their relationships, based on the interests of only two parties to a given investment agreement.

In order for foreign investment inflows to be transparent, foreign innovations are necessary, in some industries foreign technologies are necessary, foreign investments will contribute to an increase in the production of consumer goods, expansion of exports. Interaction with foreign partners will allow domestic entrepreneurs to master foreign experience in management, marketing, personnel training. At the same time, the development of joint entrepreneurship should contribute to the formation of competing structures in the country. One of the significant problems for a foreign investor is the problem of risk when making investments in our economy, which is of great importance to them. It is important for foreign investors:

- stable legislation, clear legal framework in financial, tax and customs regulation;
- flexible financial policy that promotes the achievement of priority ideas in economic development;
- competence of government agencies, absence of duplication on the part of various departments.

To create a favorable investment climate, the formation of appropriate legal and organizational-state support is of paramount importance.

Only under such conditions can foreign investment act as a catalyst for economic growth. The country is potentially attractive to investors. Real attractiveness should be determined by the investment climate, environment, and conditions for capital investment.

And here the Republic has a number of opportunities to attract foreign investors:

- political stability with strong presidential power;
- rich natural resources;
- a vast market with many free, unoccupied areas for capital investment;
- relatively high purchasing power of the population compared to other CIS republics;
- relatively cheap labor;
- high professional level of the workforce.

When creating favorable conditions for foreign investors, it was not always considered that a large expansion of the range of tax, customs benefits and currency and trade privileges for foreign investments leads to a deterioration in the competitive positions of domestic producers, an increase in foreign monopoly in industrial production zones, and losses in the budget from a reduction in income taxes.

It would be useful for the government of the republic to turn to the experience of foreign countries that stimulate the construction of new enterprises and slow down the purchase of old ones, limit the inflow of foreign capital into the development of non-renewable resources and welcome investments in mechanical engineering, which is important in the context of the technological race. In this regard, it should be noted that government agencies need to pay closer attention to the nature of the activities of foreign investors.

The insufficient volume of investments was connected with the long-term commitment to the trade doctrine, as a result of which Uzbekistan, like other CIS republics, it can be concluded that without access to the latest technological and economic developments, without the ability to operate in the modern cruel geo-economics space, in the investment flows, not a single national economy will survive.

REFERENCES

- [1] Law of the Republic of Uzbekistan "On Investments".
- [2] Law of the Republic of Uzbekistan "On Foreign Investments" dated December 27, 1994
- [3] Law of the Republic of Uzbekistan "On state support of direct investments" dated February 28, 1997.
- [4] Basin Yu.G., Chentsova O.I. Legal regime of foreign investments under Kazakhstan legislation.
- [5] Lapina, M. A. (2020). Legal aspects of the system of organizing public administration of territories in the Russian Federation. *Administrative and municipal law*, (2), 26-38.
- [6] Varavenko, V. E., Litvinova, S. F., & Niyazova, M. V. (2018, December). Special Economic Zones of the Russian Far East: economic and legal prerequisites for improvement of investment climate. In *IOP Conference Series: Materials Science and Engineering* (Vol. 463, No. 4, p. 042100). IOP Publishing.
- [7] Popadyuk, N. K., Panina, O. V., Eremin, S. G., Galkin, A. I., & Savelyev, A. A. (2018). Features of financial and legal incentives of investment activities in the regions. *Journal of Advanced Research in Law and Economics*, 9(1 (31)), 210-218.
- [8] Blakely, E. J., & Leigh, N. G. (2013). *Planning local economic development*. Sage.
- [9] Boyko, N. N., & Usmanova, R. M. (2018). State regulation of special economic zones in Russia. *Journal of advanced research in law and economics*, 9(1 (31)), 48-57.

-
- [10] Boyko, N. N., & Usmanova, R. M. (2018). State regulation of special economic zones in Russia. *Journal of advanced research in law and economics*, 9(1 (31)), 48-57.
- [11] Huifang, L. (2023). Analysis and Research on the Functions and Characteristics of Local Governments in Attracting Investment. *Social Security and Administration Management*, 4(8), 1-6.
- [12] Kvon, G. M., Lushchik, I. V., Karpenko, M. A., Zaitseva, N. A., Kulkov, A. A., Galushkin, A. A., & Yakupova, N. M. (2017). Regional investment policy: analysis and assessment of the investment environment state. *Eurasian Journal of Analytical Chemistry*, 12.
- [13] Bozarov, S., & Younas, A. (2022). EVOLUTIONARY MODEL OF FREE ECONOMIC ZONES IN THE REPUBLIC OF UZBEKISTAN. *World Bulletin of Management and Law*, 6, 42-52.
- [14] Gulyamov, S. S., Rustambekov, I., & Bozarov, S. S. (2020). Legal bases for business activities in free (special) economic zones of the Republic of Uzbekistan. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(10), 1884-1895.
- [15] Isobe, T., Makino, S., & Montgomery, D. B. (2000). Resource commitment, entry timing, and market performance of foreign direct investments in emerging economies: The case of Japanese international joint ventures in China. *Academy of management journal*, 43(3), 468-484.