

Impact Factor:

ISRA (India) = 4.971
ISI (Dubai, UAE) = 0.829
GIF (Australia) = 0.564
JIF = 1.500

SIS (USA) = 0.912
PIHII (Russia) = 0.126
ESJI (KZ) = 8.716
SJIF (Morocco) = 5.667

ICV (Poland) = 6.630
PIF (India) = 1.940
IBI (India) = 4.260
OAJI (USA) = 0.350

SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2020 Issue: 02 Volume: 82

Published: 29.02.2020 <http://T-Science.org>

QR – Issue



QR – Article



Jasurbek Anvarovich Ismatullaev

Research Center “Scientific Foundations and Problems of Development of the Economy of Uzbekistan”
Applicant, Tashkent, Republic of Uzbekistan

FOREIGN EXPERIENCE IN IMPROVING THE ORGANIZATIONAL AND ECONOMIC MECHANISM TO INCREASE THE INVESTMENT ATTRACTIVENESS OF THE REGIONS

Abstract: The article describes the foreign experience in improving the organizational and economic mechanism to increase investment attractiveness in the regions.

Key words: investments, investment climate, organizational and economic mechanism, foreign investment, national economy.

Language: English

Citation: Ismatullaev, J. A. (2020). Foreign experience in improving the organizational and economic mechanism to increase the investment attractiveness of the regions. *ISJ Theoretical & Applied Science*, 02 (82), 430-436.

Soi: <http://s-o-i.org/1.1/TAS-02-82-70> **Doi:**  <https://dx.doi.org/10.15863/TAS>

Scopus ASCC: 2000.

Introduction

Today, in the world practice, the investment attractiveness of countries is determined by the investment potential and investment risk, characterized by a combination of a number of important factors. Doing Business (World Bank), Global Competitiveness Index, Fragile States Index, Economic Freedom Index, Frazer Institute).

The main condition for radical change of the economy of the Republic during the years of independence, as well as ensuring stable and high rates of economic growth is accelerating investment activity, regulating the main reforms of the state in order to ensure the efficiency of these processes, in this regard. measures for the development and consistent implementation of the annual investment programs were implemented. Institutional changes, such as regulatory documents, standards and requirements, and management structures have been improved to ensure that foreign investments and infrastructure are formed internationally in the national economy.[1]

In particular, on March 31, 2017 the State Committee for Investment of the Republic of Uzbekistan was established. Improvement of the investment climate, active attraction of foreign, first of all, direct foreign investments into the sectors and

regions of the country's economy is identified in the Strategy of Action of the Republic of Uzbekistan for 2017-2021.

Successful implementation of these tasks requires improvement of scientific and methodological basis for increasing the attractiveness of the investment climate in Uzbekistan.

Assessment of the attractiveness and potential of the investment climate in accordance with the rapidly expanding investment processes in the world, the impact of the rational distribution of productive forces on them, the emerging factors of natural-demographic, administrative, economic and socio-political differences between the regions, the formation of a balanced regional investment policy. Improvement of the competitiveness of the national economy through the provision of investment activities plays an important role.

Literature review

Scientific and methodological aspects of increasing the attractiveness of the investment climate are led by many foreign scholars: Y. Schumpeter, JM Keynes, E.N. Akerman, A.A. Mikhachuk, A.Yu. V.Bocharov, A.Margolin, A.Bystryakov, T.G. Glushkova, Yu.A.Doroshenko, N.I.Klimova, ESGubanova, Yu.Korchagin, I.P.Malichenko, V.B.

Impact Factor:

ISRA (India)	= 4.971	SIS (USA)	= 0.912	ICV (Poland)	= 6.630
ISI (Dubai, UAE)	= 0.829	PIHHI (Russia)	= 0.126	PIF (India)	= 1.940
GIF (Australia)	= 0.564	ESJI (KZ)	= 8.716	IBI (India)	= 4.260
JIF	= 1.500	SJIF (Morocco)	= 5.667	OAJI (USA)	= 0.350

Researches by V.Bykovsky, B.A. Chub, S.A. Kostornichenko, N.I. Klimova and others.

Among the scientists of our country are G.K.Saidova, A.M. Sadykov, S.S. Gulomov, A.M. Kadyrov, Sh.Kh.Nazarov, D.G.Gozibekov, N.G.Karimov, R.Z.Yuldashev, F.O.Dodiev, N.R. Kuzieva, S.R.Rajabbaev, Sh.R. Muminov, M.A. Raimzhanova, M.H. Elmurodov, D.H. Nabiev, S.A. Nuriddinov, S.R.Umarov, B.K.Hashimov, A.Khudaiberdiev, Sh.I.Mustafakulov.

Analysis and results

The high level of competitiveness of the US economy was achieved largely because stimulating the influx of investment in research and the development of new technologies is one of the key functions of government at all levels. At the same time, the state assumes about half of the R&D expenditures and finances more than half of all basic research. The remaining funds are provided by private corporations, universities and foreign investors, whose contribution is also significant [5].

This is due to the fact that the development of the investment potential of individual states and the country as a whole has always been defined as one of the key areas of activity of authorities at all levels.

The whole set of methods used in the United States at different levels of government in order to develop the investment potential of their regions can be divided into three groups:

- 1) direct financial incentives:
 - the provision of grants, grants, loans and credits by state governments;
 - financing of research and development;
- 2) indirect financial incentives:
 - tax benefits;
 - tax exemptions;
 - discounts;
 - investment tax loans, etc .;
- 3) non-financial incentives:
 - infrastructure development;
 - transparent information policy, etc.

As a rule, in practice a combination of certain methods is used, the nature and ratio of which depend on local specifics. State authorities are forming differentiated conditions for different investors, depending on the significance of the proposed investment projects.

Typically, investment projects involving the development of state-priority sectors of the economy enjoy a more favorable investment regime than others carried out in sectors that are not included in this category. The priority sectors include the most

competitive, as well as those whose development can bring the greatest effect.[7]

for the economy of the region. Also, special preferences are given to projects that involve attracting investment in the creation and development of enterprises whose activities are export or import-substituting.

The most important levers of influence on the investment activity of entrepreneurial structures include:

- development at the expense of the state authorities of the production, social and technical infrastructure;
- Creation of specially equipped industrial parks, technopolises, science and technology parks, etc.

Particular importance is attached to attracting foreign investors to the country. Currently, local governments offer more than 6,000 programs for stimulating economic development, providing a wide range of benefits for foreign investors. These privileges are presented within the framework of specially created "entrepreneurial zones", of which there are already about 1,300.[6]

State governments inform investors about the costs of acquiring land and construction, transportation services, the state of communications, training opportunities, environmental protection measures, development prospects for sales markets, that is, they give them all the necessary information to decide in favor of selling their advertised territories investment projects.

In the United States, the mechanism of public-private partnership (PPP) has been developed to a large extent, the positive effect of which is manifested through:

- creating structural elements of the new economy through the integration of entrepreneurial organizations in the real and financial sectors, on the one hand, and institutes of science and research, on the other;
- combining the financial resources of the state and private investors and their direction for the development of the innovative component of the territories.

For example, the cooperation of universities, federal departments and laboratories, state and territory authorities, the private sector of industry, financial and credit institutions in the following forms is widely used:

- public-private cooperation agreements in the field of research and development;
- innovative and technological partnerships.[2]

Impact Factor:

ISRA (India) = 4.971	SIS (USA) = 0.912	ICV (Poland) = 6.630
ISI (Dubai, UAE) = 0.829	PIHHI (Russia) = 0.126	PIF (India) = 1.940
GIF (Australia) = 0.564	ESJI (KZ) = 8.716	IBI (India) = 4.260
JIF = 1.500	SJIF (Morocco) = 5.667	OAJI (USA) = 0.350



Fig.1. Top 5 destinations in developed countries

The authorities of the states, municipalities, and other administrative-territorial entities are also widely using the information and advertising method of attracting industrial investment through the mass media, which has given rise to a phenomenon called

“competition of burgomaster”. They provide investors with detailed information about the local infrastructure, labor force, tax system, real estate prices, etc.

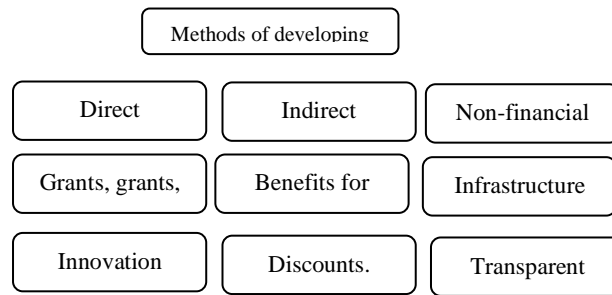


Fig.2. Methods using in USA for development investment potential in regions

Thus, a well-coordinated policy at all levels of government contributes to the creation of a favorable investment climate in the United States. This approach has made this country one of the most investment attractive for different groups of investors.

For China, foreign capital plays an important role in the development of the national economy, as foreign companies import new technologies into the country. That is why a whole range of government support measures is aimed at stimulating the attraction of foreign capital.[3]

There are other objective factors that contribute to the influx of foreign capital into China. Among them it is worth highlighting:

- large capacity of the domestic market;
- huge resources;
- low labor costs;
- favorable exchange rates;
- favorable tariff rates;
- political stability.

Benefits granted to joint ventures typically include:

- exemption from income tax for 5 years after the start of its activities;
- The right to duty-free import of raw materials and means of production;
- The right of free export abroad of profits, interest and dividends.

In case of nationalization, the PRC bears material responsibility to the country - exporter of capital, which is manifested in the immediate payment of compensation and its transfer abroad.

As a result, increased FII investments in the China bond market can be expected. According to HKEx, by the end of January 2019, the number of FIIs registered with PBOC for the Bond Connect, one of several channels to access the China bond market, already reached 59830. Figure 2 below indicates the total number of accounts opened by foreign investors in the CIBM across the various channels.

Impact Factor:

ISRA (India) = 4.971	SIS (USA) = 0.912	ICV (Poland) = 6.630
ISI (Dubai, UAE) = 0.829	PIHHI (Russia) = 0.126	PIF (India) = 1.940
GIF (Australia) = 0.564	ESJI (KZ) = 8.716	IBI (India) = 4.260
JIF = 1.500	SJIF (Morocco) = 5.667	OAJI (USA) = 0.350

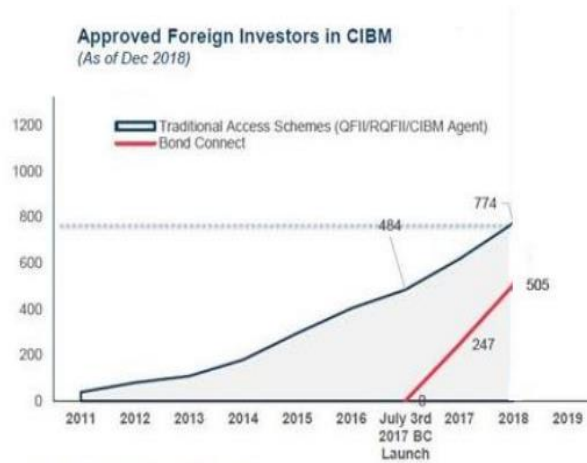


Fig.3. Foreign investor's CIBM accounts

<https://www.asifma.org/wp-content/uploads/2019/03/aamg-paper-on-foreign-institutional-investment-in-china-12-mar-2019.pdf>

Foreign capital flows are concentrated mainly:

- in the processing and assembly of industrial products;
- in capital-intensive industries;
- in high technology;
- in trade;
- in the service sector and infrastructure.

The share of investments in agriculture is still low.

Back in the early 1980s. In China, the first special economic zones were created, characterized by a liberal tax regime and significant easing of administrative barriers to opening a new business.[4]

The Chinese government has also invested in so-called "export networks." These were priority sectors of the economy (in particular light industry and electronics), which were allocated subsidies for the modernization of factories and the acquisition of raw materials. The goal of the program is to improve the quality and quantity of Chinese export goods. In the "networks", companies that were more than 25% controlled by foreigners were given special benefits and access to loans from the Central Bank of China. Now, such companies produce more than 80% of Chinese export goods.

In China (as in the USA), a clear system has been created to inform foreign investors about investment opportunities in the country and contacts with potential partners.

At present, China is striving to pursue a flexible policy towards foreign capital. This is manifested in a combination of incentive measures with restrictive measures, and administrative control does not contradict the active use of economic levers and incentives in order to influence the territorial and sectoral allocation of capital. As a result, foreign capital has become an important long-term factor in the country's economic prosperity.

In developed countries, cluster strategies have been actively applied for many years to increase the investment attractiveness of territories.

Development of cluster strategies to enhance regional and sectoral competitiveness. The concept of "cluster" was introduced into the economic literature by a professor at Harvard Business School, a recognized expert in the field of studying economic competition, Michael Porter. In his opinion, a cluster is a group of interconnected companies concentrated on a geographical basis, specialized in suppliers, service providers, firms in the relevant industries, as well as organizations related to their activities (for example, universities, standardization agencies, and trade associations) in certain areas that are competing, but at the same time conducting joint work [4].

The idea of increasing the competitiveness of the national economy through the implementation of cluster strategies is not new. But at the stage of overcoming the crisis, when traditional methods of diversification can no longer give a proper return, the use of the cluster model of business organization as a tool for modernizing the economy is practically uncontested [3].

Over the past two decades, clusters have been actively created in the United States and in the countries of the Asia-Pacific region. Their role is also great for the member states of the European Union.

And if at the end of XX century. If industrial clusters were introduced, then the so-called innovative clusters have been actively developed. Unlike traditional industrial clusters, innovation clusters represent a system of close relationships not only between firms, their suppliers and customers, but also between knowledge institutions: large research centers and universities. There is an opportunity to coordinate efforts and financial resources to create a new product and technology, enter the market with them. In fact, within the framework of such a cluster, the creation and construction of a complete

Impact Factor:

ISRA (India)	= 4.971	SIS (USA)	= 0.912	ICV (Poland)	= 6.630
ISI (Dubai, UAE)	= 0.829	PIHHI (Russia)	= 0.126	PIF (India)	= 1.940
GIF (Australia)	= 0.564	ESJI (KZ)	= 8.716	IBI (India)	= 4.260
JIF	= 1.500	SJIF (Morocco)	= 5.667	OAJI (USA)	= 0.350

technological chain takes place - from the development of an innovative product to its introduction into production and sales. Thus, clusters are formed where a breakthrough is expected in the field of technology and technology, contributing to its implementation.

The ancestor of innovative clusters is considered to be the American Silicon Valley. However, at present they are also actively developing in Europe, where it is becoming less and less profitable to produce just standard products every year for the following reasons:

- the high cost of raw materials, electricity, labor;
- serious environmental requirements, etc.

For many years now, European governments have been seriously supporting both financial and non-financial nature of cluster development. Back in the 1990s. The United Nations (Industrial Development Unit - UNIDO), with the help of the Private Sector Development Branch, has prepared a series of recommendations designed to help European governments and private businesses work together to develop and implement cluster development programs. In July 2006, the European Union approved and adopted the Clustering Manifesto in the EU countries. And in December of the following year, the document "European Cluster Memorandum" was submitted for approval, which was finally approved on January 21, 2008 at the European Presidential Conference on Innovations and Clusters in Stockholm [3]. The main goal of the adopted documents is to increase the "critical mass" of clusters, which can have an impact on increasing the competitiveness of both individual countries and the EU as a whole.

An important role in the implementation of state support for the development of clusters in Europe is played by the formation of a special infrastructure: the creation of grant-forming funds, special economic zones, technology parks, business incubators, which are actually catalysts for the formation of industrial clusters.

It is worth noting that clusters can be formed both "from above" - at the initiative of state authorities, and "from below" - at the initiative of regional authorities. In Russia, precisely such clusters are created in the Kaluga region - one of the most investment-attractive (including among foreign investors) regions of the country. In accordance with the cluster strategy, the entire infrastructure through which the investor is provided with the necessary resources for production is created within the framework of industrial parks. They are formed throughout the region - mainly in the immediate vicinity of the main transport arteries.

An example of cluster formation from above is Austria. The development of the cluster model in this country is based on stimulating integration between research institutes and the industrial sector, lowering regulatory barriers, specializing clusters and creating

competitiveness centers. The driving force has become innovative research

The TIP program, which was developed in the first half of the 1990s. TIP was both an innovative, research and consulting program, based on the initiative of the federal government [1].

One of the most successful cluster models among all European states is considered to be a structure created in France. Cluster policy in this country is implemented in the form of the formation of the so-called poles of competitiveness, designed to unite business, the scientific community and educational institutions. Close cooperation with regional authorities plays a significant role in this process. French "poles of competitiveness" are divided into "regional", "European" and "international". And the number of internationals is constantly increasing.

It should be noted that the French Investment Agency strongly supports the participation of foreign investors in cluster structures, helping them find the most attractive projects. In addition, foreign companies are often involved in certain research activities.

An important feature of the development of cluster models in foreign countries is that within the framework of the created clusters, support is provided not only to large businesses (which, of course, is the locomotive of cluster development), but also to medium and small enterprises that are allocated auxiliary and servicing (but no less significant) role. The latter receive both privileges from the authorities and a stable market for their products and services. Thus, this form of organization of the economy becomes attractive to investors not only of different types, but also of "scale." This makes it effective, and its implementation is promising.

The main criteria for choosing priority sectors of the regional economy are:

- the presence in the region of competitive advantages of the industry. For example, the cheapness of raw materials and energy, the necessary level of qualification of the workforce, high labor productivity, the presence of significant scientific potential, high profitability of production, etc. ;
- the presence and growth prospects of solvent demand for products planned to support the areas. Obviously, a sphere with no potential will not become a driver of the regional economy;
- the multiplicative effect of the development of the chosen sphere, which extends adjacent industries. Only such a sphere can become the "core" of an industrial cluster being created in the region.

Regional authorities need to know and objectively evaluate the strengths and weaknesses of their territory, which determine its investment potential and investment risk. In addition, it is necessary to extend incentive and preferential policies that are effective in relation to large businesses

Impact Factor:

ISRA (India)	= 4.971	SIS (USA)	= 0.912	ICV (Poland)	= 6.630
ISI (Dubai, UAE)	= 0.829	PIHHI (Russia)	= 0.126	PIF (India)	= 1.940
GIF (Australia)	= 0.564	ESJI (KZ)	= 8.716	IBI (India)	= 4.260
JIF	= 1.500	SJIF (Morocco)	= 5.667	OAJI (USA)	= 0.350

(which, of course, should become a driver of regional economic growth), to small and medium-sized businesses (they play a service and service role). The application of such criteria, close interaction with business, and also taking into account the interests of the population are important components of a successful regional investment policy.

Cooperation of various subjects of investment activity can be carried out in other forms:

- science parks;
- cooperation agreements;
- innovative and technological partnerships, etc.

In addition to the state and business, institutes of science and higher education should participate in such cooperation. It is necessary to take into account the country's high scientific potential - the existence of a large number of research centers, science cities, etc. Its implementation is simply necessary. Indeed, this is the only way to talk about sustainable investment attractiveness in the long term and stable "demand" of investors who prefer to "launch" their projects in the Russian regions. Otherwise, all this risks becoming a PR campaign, not supported by any specific actions, not generating any results.

Creating a business-friendly administrative environment. It is not enough just to use different types of benefits to attract different groups of investors in the economy of the region. All the created "advantages" can be leveled when an investor, faced with bureaucracy and paperwork, is forced to incur significant time and money costs in the course of going through all the necessary coordination procedures for starting a business. An example is the closure in December 2012 of the Special Economic Zone of the tourist-recreational type in the Kaliningrad Region, which for three years of its existence has not been able to attract a single investor. The reason for this was the existing administrative barriers in the region. In order to prevent this situation from happening again, interaction with authorities must be made clear, transparent and as quick as possible.

Firstly, the formation of information channels providing the potential investor with all the necessary information about the region, existing opportunities for support from the authorities, etc.

It seems advisable to create a special agency to attract investment and work with investors. Its main functions may be:

- increase in Russia and abroad the investment popularity and attractiveness of the subject of the Federation;
- regular search and attraction of investors;
- development of promising areas of investment;
- Creation of project teams to support specific projects.

An example of the implementation of this idea in practice is the creation of specialized Internet portals and investment passports of the regions, providing the investor with all the necessary information about the potential place of investment activity. However, these resources are not formed by all subjects of the country and often contain outdated information.

Secondly, the reduction in the number and timing of the negotiation procedures. Investment promotion agencies need to be empowered to enable them carry out permissive and conciliation procedures with the minimum necessary participation of the investor in cooperation with regional authorities, territorial structures of the federal center, state and municipal control bodies, etc. Unfortunately, such an idea is currently unpromising.

It is worth noting that forming a favorable infrastructure for investment activities, the regional authorities are quite capable of creating prepared industrial sites:

- carry out a complex of land management works,
- put the formed land on the state cadastral registration,
- register the rights to the land plot,
- bring the necessary infrastructure to it (as is done, for example, in the USA and in the Kaluga region).

Monitoring of investment policies of regional authorities. Do not forget that in the end, the main goal of regional (and state) development is to increase the welfare of the population. That is why the choice of priority areas of the regional economy should not impair the quality of life of its residents. Therefore, it is very important to monitor exactly which investment projects are "given the green light": are there objective economic reasons and prerequisites for this, is there a "corruption component". This task is fully included in the responsibilities of the federal authorities.

So, international experience and the Russian practice of creating a favorable investment climate show that the main steps should be taken at the regional level. The effectiveness of the efforts of regional authorities and local leaders is often crucial when choosing investors to invest in. Some Russian regions apply modern measures to increase investment attractiveness. However, they have not acquired a systematic character; they are not being implemented everywhere and at a insufficiently high rate. This in the current geopolitical and economic environment is a serious risk factor.

The regional policy of authorities to increase the investment attractiveness of their territories should be formed in the interests of investors based on criteria that are key to them. Only within the framework of dialogue and joint activities can achieve positive results.

Impact Factor:	ISRA (India) = 4.971	SIS (USA) = 0.912	ICV (Poland) = 6.630
	ISI (Dubai, UAE) = 0.829	PHHI (Russia) = 0.126	PIF (India) = 1.940
	GIF (Australia) = 0.564	ESJI (KZ) = 8.716	IBI (India) = 4.260
	JIF = 1.500	SJIF (Morocco) = 5.667	OAJI (USA) = 0.350

References:

1. Bykova, T.P., & Pyatinkin, S. F. (2008). *Cluster development: essence, relevant approaches, foreign experience*. Minsk: Theseus.
2. Valentei, S. (n.d.). *Russian regions and innovative development*. Retrieved from: <http://www.kommersant.com/doc/2035347>
3. Vlaskin, G. A., & Lenchuk, B. (2010). Cluster approach to the strategy of innovative development of foreign countries. *Problems of forecasting*, No. 5.
4. Porter, M. E. (2010). *Competition*. Moscow: Williams.
5. Smitienko, B. M. (2009). *World economy*. Moscow: Yurayt. Higher education.
6. Titov, D. (2010). *How to create a favorable investment climate in the regions*. *Economics and Life*, No. 34.
7. (n.d.). Retrieved from <http://russian.doingbusiness.org/data/exploreconomics/russia>