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Foreign Experience of Increasing Investment Potential in the Economy of the Region

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Abstract

The article analyzes the foreign experience of increasing the investment potential in the economy of the region and the prospects for its application in Uzbekistan. It is concluded that tax incentives and comprehensive structural and regulatory reform make the regions attractive to investors, thanks to which the states achieve significant success in business development.

Keywords: potential, regional development, tax benefits, investment climate, economic growth, standard of living of the population.

Introduction. In modern conditions of development, accompanied by the intensification of the processes of globalization and world integration, as well as economic crises, the problems of financing at the enterprise, industry and region level are becoming as acute as possible. In this regard, the relevance of the analysis of promising foreign experience in attracting capital investments increases, which has shown that investment potential is developing and being evaluated in various states taking into account resource, economic, political, social, infrastructural and other features. The need to improve the processes of attracting investment resources has led to the need to study promising foreign experience in this area.

Research methods. General scientific logical methods of analysis and synthesis, induction and deduction, statistical data processing were used in the research process. The information base of the study was the materials of domestic and foreign research institutions, international organizations.

The results of the study. The world experience of economically developed countries confirms the high role of capital investments in achieving economic growth and in the overall socio-economic development of the state, it also indicates that attracting investment is directly related to the investment attractiveness of the recipient country or region.

Singapore's experience in attracting capital investments is unique and at the same time very interesting, which allowed the state to move from developing countries to the list of developed countries of the world, personifying today one of the developed world economies, becoming an international financial center, a center for innovation and business services by attracting foreign investment, implementing favorable tax policy measures, liberalization of the banking sector, etc. [5].

The effectiveness of attracting investments in Singapore was determined by a number of factors (Fig. 1).

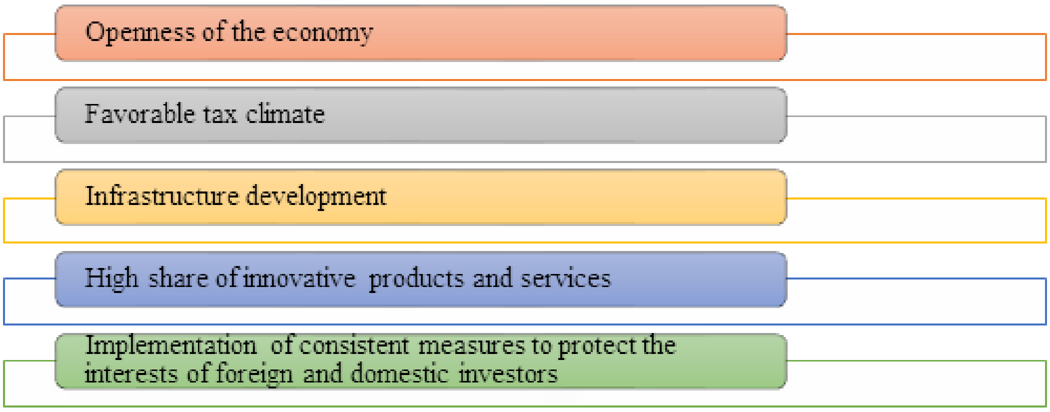

Fig. 1 Success factors in attracting investments in Singapore [2]

In a fairly short period of time, Singapore has become the largest trade, transport and financial center, which was caused by many factors, first of all: a high level of savings and accumulation rate; foreign capital and exports, tax incentives, infrastructure. The strongest incentive for the development of Singapore's economy was foreign direct investment, which was mainly directed to infrastructure development. All of the above contributed to the creation of Singapore's international reputation as a borrower with strong fiscal discipline and a stable economy [6].

Citing as an example the experience of Singapore and Japan in attracting investment resources, foreign authors note that the focus of the state investment policy on liberalization and investment promotion, expressed in the implementation of measures aimed at maximizing the flow of foreign investment into various sectors of the economy, reducing the complexity of administrative procedures, the introduction of tax benefits and preferences for foreign investors, ensuring the protection of investors' rights, increasing transparency and accessibility of information in this area [3].

China's experience in attracting foreign capital is interesting, due to which the country has managed to achieve a high level of economic growth and become a world leader in the production of goods and services. According to official statistics over the past decade, a quarter of all investment flows directed to developing countries are accounted for by the PRC, which is primarily due to the policy initiated in the middle of the last century and still pursued by the Government of the state to stimulate the inflow of foreign investment. One of the directions of China's policy was the creation of special economic zones, in which a sparing tax regime was established with reduced administrative barriers to opening and doing business. The main flow of foreign investment to China was observed from neighboring Hong Kong and Taiwan and was aimed at the development of high-tech, capital-intensive export-oriented projects, as well as projects for the development of natural resource deposits, the use of relatively cheap labor and the production of high-value-added goods.

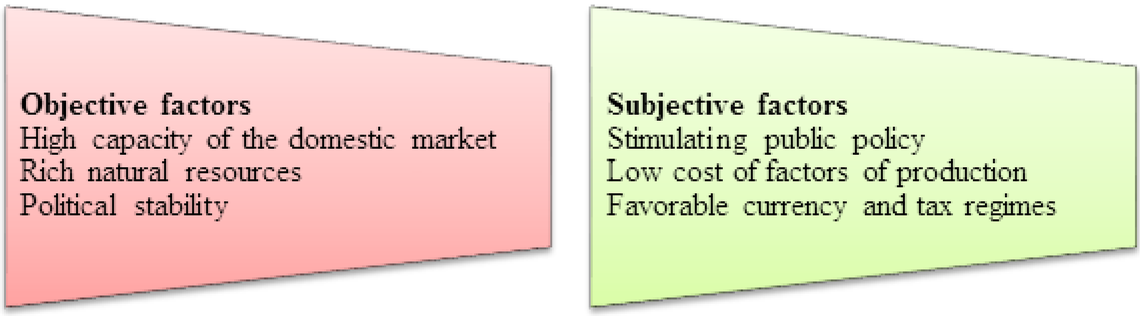

Fig. 2 Factors of investment potential growth in China [1]

A favorable tax regime implies the availability of benefits for joint ventures with foreign capital, including exemption from income tax for five years after the start of their activities, the possibility of duty-free import of raw materials and means of production, as well as free export of profits, interest and dividends abroad. In addition, the implementation of measures to raise investors' awareness of investment opportunities in Chinese enterprises and to establish contacts of potential business partners played an important role.

A characteristic feature of China's policy in attracting foreign capital investments is its flexibility, which manifests itself in the presence of both incentive measures against bona fide investors and restrictive ones otherwise. In general, the experience of the People's Republic of China shows that in order to increase the investment potential of the regions and the state, it is necessary to achieve political and financial stability in the country, increase the competitiveness of manufactured products and services, openness of information, a favorable tax regime.

Japan's successful experience in attracting and using foreign capital deserves attention, primarily due to the active state support of investors, the introduction of special direct lending programs for priority industries, low prices for raw materials and fuel. A characteristic feature of the Japanese model of state investment policy is the existence of close partnership relations between the state and investors, manifested in stimulating investment projects and simultaneously monitoring their implementation.

The widespread attraction and the state policy of stimulating foreign investment (Fig. 3) allowed South Korea to achieve significant economic growth.

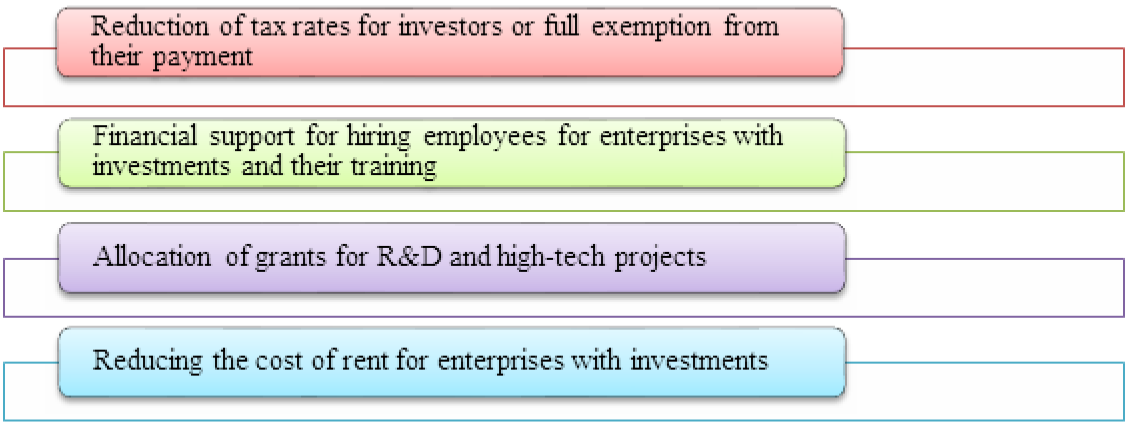

Fig. 3 The main measures of the state policy of South Korea in the field of investment [1]

According to official data, in recent years, foreign capital has been attracted to the Republic of Korea annually in the amount of an average of about 10 billion US dollars, directed mainly to electronics, healthcare and infrastructure development [1]. In order to increase the investment attractiveness of the regions and the republic as a whole in South Korea, a special Office of the Investment Ombudsman has been formed and operates under the Investment Attraction Agency, whose main functions include reducing obstacles and providing comprehensive assistance in registering enterprises with foreign capital and their further activities. The implementation of the above-mentioned measures contributed to the rise of depressed industries, the multifunctional development of territories, the reconstruction and modernization of large-scale industries, and the solution of socio-economic and environmental problems in the country.

Over the past few years, in terms of the volume of foreign capital attracted, the United States has been at the top of the world rankings, which has led to a significant increase in the competitiveness and stability of the national economy. One of the most important areas of using investment resources attracted at the expense of private companies, foreign investors, as well as the state, has been and remains the development of the scientific sphere and innovation.

Table 1. Methods of increasing the investment potential of regions in the USA [1]

Direct financial methods	Indirect financial methods	Non-financial methods
Provision of grants, grants, loans and credits by state Governments	Provision of tax benefits and vacations	Infrastructure development
R&D financing	Provision of discounts, tax credits	Increasing the openness of information for investors

In the USA, which is an example of a country with a high differentiation of territorial development, various methods and incentives are used to develop the investment potential of regions (Table 1). In addition, the information and advertising method of attracting foreign investment has become widespread by publishing detailed information about the development of infrastructure in the region, labor, taxation system, prices on real estate, etc.

In the USA, as in most developed countries of the world, the mechanism of public-private partnership in the investment sphere has been developed, which manifests itself as the integration of economic entities of the real and financial sectors, on the one hand, and scientific institutions, on the other, as well as the pooling of financial resources of the state and private investors and their direction to the development of the innovative component of territories [1].

One of the countries with rich experience in attracting capital investments is Germany. A characteristic feature of the state policy pursued in the country is comprehensive support for the development of small and medium-sized businesses, including the organization of regular international meetings, exhibitions and fairs with the participation of domestic entrepreneurs, partially or completely held at the expense of the state budget, the provision of loans to them on preferential terms with late maturities, the adoption of laws allowing companies to register in a simplified way, availability of Internet sites with the provision of all necessary information for entrepreneurs, professional development programs for representatives of private business. The above-mentioned measures make it possible to productively develop entrepreneurship in Germany, increasing the export of its products and implementing investment projects abroad.

In order to support small and medium-sized businesses in Germany, a number of programs have been adopted, which contributes to increasing the investment attractiveness of the lands and the state as a whole (Fig. 4).

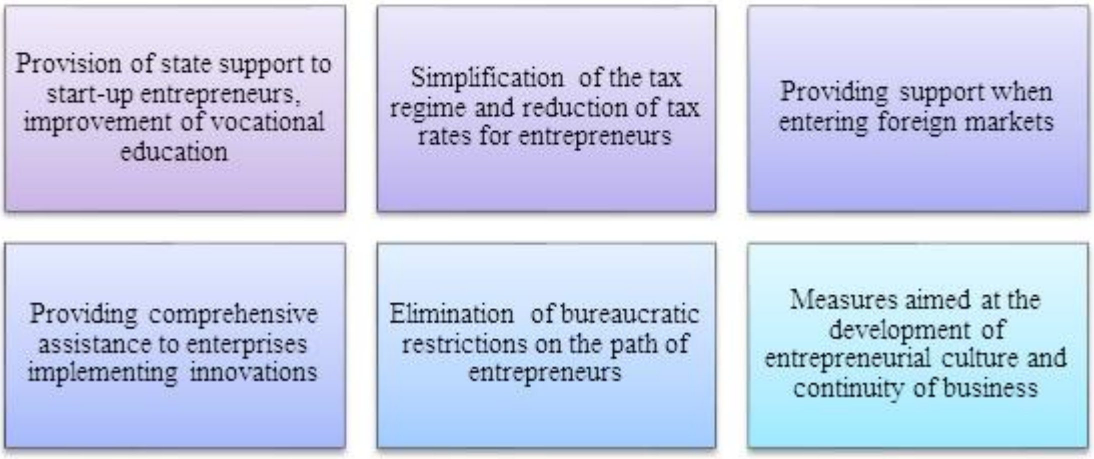

Fig. 4 Main directions of entrepreneurship development programs in Germany [4]

Analysis. An analysis of the experience of foreign countries in increasing the investment potential of regions and the state as a whole has shown that a comprehensive approach is used for this, combining many actions (Table 2).

Table 2. Generalization of foreign experience in improving the investment potential of regions and the country as a whole

№	Country	Ongoing events
1.	Singapore	Orientation of the state investment policy towards liberalization and investment promotion
		Reducing the complexity of administrative procedures for opening and running a business
		Introduction of tax benefits and preferences for foreign investors
		Ensuring the protection of investors' rights
		Increasing transparency and accessibility of information for investors
2.	China	Creation of special economic zones with sparing tax and customs regimes
		Simplification of the procedure for opening and running a business
		The direction of capital investments for the development of high-tech, export-oriented projects, as well as for the production of goods with high added value
3.	Japan	Active state support for investors
		Introduction of special direct lending programs for priority industries
		Close partnership relations between the state and investors, manifested in stimulating investment projects and simultaneously monitoring their implementation
4.	South Korea	Reduction of tax rates for investors or full exemption from their payment
		Allocation of grants for R&D and high-tech projects
		Reducing the cost of rent for enterprises with investments
5.	USA	Providing subsidies, grants, loans and preferential loans to enterprises with investments
		Financing at the expense of the state budget of enterprises engaged in R&D
		Infrastructure development in the United States
		Increasing the openness of information for investors
6.	Germany	Provision of state support to enterprises with investments, especially

		those introducing innovations
		Simplification of the tax regime and reduction of tax rates for entrepreneurs
		Elimination of bureaucratic restrictions on the path of entrepreneurs

Compiled by the authors.

Due to the attraction of capital (both foreign and domestic), the regions have the opportunity to effectively use resources, enter foreign markets, use franchising, however, there is a need to improve the infrastructure of the territories, increase the competitiveness of the goods produced or services offered,

Conclusion. The positive aspects noted by us in foreign practice are that in economically developed countries a large-scale approach is being implemented to improve the mechanisms for increasing the investment potential of regions, manifested in:

- strengthening the regulatory framework, expressed primarily in the introduction of favorable tax and customs regimes for enterprises with investments;
- improvement of the system for evaluating the effectiveness of attracted investment resources;
- active interaction between the state and business representatives;
- application of the principles of scientific planning and forecasting of the volume of investment resources, allowing to ensure a balance between supply and demand and meeting the needs of national economic development and people's lives.

Foreign experience has shown that in order to increase the investment potential of the regions and the country as a whole, it is necessary to conduct a coordinated policy at all levels of government aimed at introducing a favorable tax regime, improving infrastructure, increasing the openness of information to investors, carrying out comprehensive measures to support innovation and business investment in priority areas of the national economy.

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