



THE ROLE OF INVESTMENTS IN ENHANCING REGIONAL ECONOMIC ACTIVITY AND STRENGTHENING NATIONAL COMPETITIVENESS

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Abstract

This article examines the pivotal role of investments as a driving force behind regional economic revitalization and the enhancement of national competitiveness in the global market. It provides a comprehensive analysis of the theoretical underpinnings of fostering investment activity, emphasizing the transformative potential of strategic resource allocation in achieving long-term sustainable economic growth. The study explores the synergies between investment-friendly policies, infrastructure modernization, and the advancement of high-value industries, highlighting their collective impact on economic resilience and stability at both regional and national levels. Drawing on case studies of successful investment strategies, the article offers actionable insights for policymakers to cultivate a dynamic and attractive investment environment. The findings emphasize that proactive investment initiatives are indispensable for accelerating economic progress, fostering innovation, and strengthening a nation's position in an increasingly competitive global economy.

Keywords: Investment, investment environment, investment attractiveness, investment projects, foreign investments, domestic investments, economic development, infrastructure.

Introduction

In the global arena, countries are increasingly competing to attract capital, which is of significant importance in fostering economic cooperation. Across the world, numerous economic and institutional mechanisms are being employed to draw foreign investments on favorable terms. This includes initiatives by leading nations to attract foreign capital, leverage the production capabilities of state-owned enterprises, and provide robust support for the growth of competitive industries and small businesses. Tools such as venture funds, concessions, and franchising are proving highly effective in facilitating foreign investment inflows. Despite the diversity of approaches in this domain, there remains a pressing need to conduct focused scientific studies to refine strategies for attracting foreign investments more effectively.

Uzbekistan has outlined priority directions for 2022–2026, with a particular focus on improving the investment climate and enhancing its appeal. As part of this initiative, the 26th objective specifically emphasizes fostering external economic relations between regional representatives and international business communities. For example, the Sirdarya region is prioritizing relations with business circles from the People's Republic of China, the Surkhondarya region is focusing on partnerships with the



Russian Federation, and the Jizzakh region is strengthening ties with business groups from India. These efforts are designed to address key challenges in attracting foreign investments at the regional level. Considering the geographical and economic diversity of Uzbekistan's regions, it is vital to align investment strategies with regional potential and prioritize job creation for the population. This underscores the necessity of accelerating the integration of investments into various sectors of regional economies, leveraging their specific capabilities to attract foreign capital. Moreover, positioning investments as a cornerstone of economic growth and national competitiveness highlights the importance of addressing these tasks with urgency.

Main Body

In today's world, investments are a fundamental component not only of the global economy but also of individual financial well-being. People invest for various reasons: to generate additional income beyond their regular earnings, to benefit from potential capital growth, to ensure a more secure retirement, or simply to experience the thrill of investing. Investing serves as a practical tool aimed at achieving specific goals. Many individuals enter this dynamic field due to the growing career opportunities and financial rewards associated with finance and investment sectors.

Finance as a discipline can be divided into three interconnected areas: investments, financial markets and institutions, and corporate finance. The field of investments, in particular, focuses on the decision-making processes undertaken by individuals, businesses, and organizations when building and managing investment portfolios.

Investment activities play a pivotal role in shaping a country's economic position. While the existing system of international economic interactions facilitates communication between nations, it does not necessarily equate to true economic integration. Full economic integration involves a more advanced and interconnected global system. A key driver of this integration is the process of international investment, which serves as a critical mechanism for fostering global economic ties.

The concept of investment encompasses multiple dimensions. On one hand, it refers to the acquisition of financial assets such as stocks and bonds with the aim of achieving financial returns. On the other hand, it involves the procurement and utilization of tangible production assets in economic activities. However, this latter interpretation applies specifically to economic entities operating within the manufacturing sector.

Investments, in a broader sense, can be defined as tangible or intangible assets, along with associated rights, that are allocated by an investor under conditions of risk to support activities in various sectors—social, entrepreneurial, scientific, or other—to achieve profit. Investments may include cash and foreign currency, targeted bank deposits, securities such as shares and bonds, physical assets such as buildings and machinery, and intellectual property like patented technologies or trade secrets. In the context of Uzbekistan's legislation, investments also encompass knowledge, technical expertise, and other legally permissible assets necessary for production. Investments represent a vital economic mechanism for driving economic development and ensuring financial stability. Their strategic allocation and effective



utilization can significantly contribute to a nation's economic progress and its ability to compete on a global scale.

The modern era of globalization is characterized by the increasing flow of capital across borders, with foreign capital—especially foreign direct investment (FDI)—emerging as a key driver of economic growth in developing nations. FDI has gained recognition for its pivotal role in spurring economic progress, fostering job creation, enhancing infrastructure, driving industrialization, encouraging competition among domestic businesses, and facilitating technological advancements that provide competitive advantages.

The interplay between economic growth and investment forms the cornerstone of economic development. Investments stimulate production, generate employment opportunities, and promote economic activity, making them essential for sustained growth. Consequently, policymakers around the world are striving to enhance investment policies to attract both domestic and foreign investors. For many nations, especially those with limited financial resources, attracting foreign investment is a strategic approach to revitalizing and strengthening their economies. During periods of economic challenges, such as crises or inflationary pressures, foreign investments can serve as a stabilizing force, enabling significant transformations in fiscal and budgetary systems.

In developing economies, the decreasing level of government intervention in market dynamics underscores the necessity of efficient investment management to foster economic growth and enhance competitiveness on the global stage. Developing an effective investment strategy involves analyzing investment trends and conditions, identifying barriers to investment, and implementing targeted solutions to address these challenges. Moreover, such strategies often employ specialized regulatory mechanisms to optimize the management and allocation of investments.

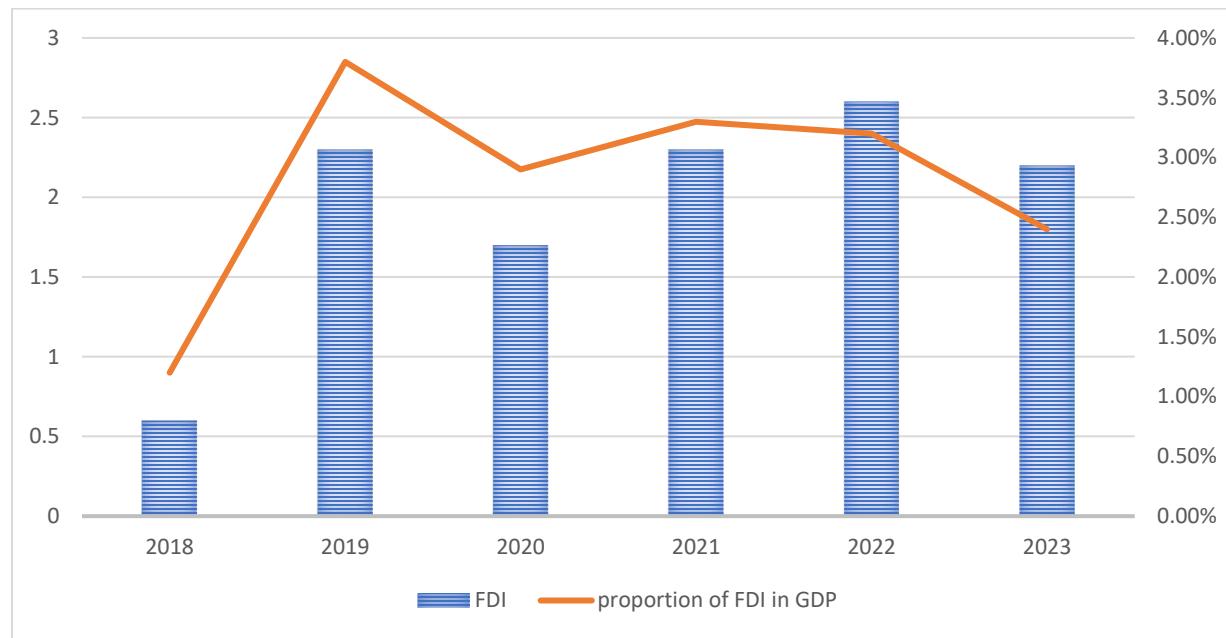
Uzbekistan's investment policy is strategically designed to attract and promote investments that will stimulate economic growth, create job opportunities, and support sustainable development. The policy emphasizes the importance of directing investments into crucial socio-economic sectors, including transportation, energy, water supply, information and communication technologies, social infrastructure, environmental protection, and human capital development. These sectors are seen as fundamental pillars for the country's long-term economic progress and stability.

A key element of Uzbekistan's investment strategy was the "Actions Strategy" for the years 2017-2021, which aimed to accelerate economic reforms and create a more favorable investment environment. This comprehensive program focused on transforming the national economy by fostering the development of key sectors, improving the business climate, and enhancing the country's competitiveness in the global market.

The results of the "Actions Strategy" reflect significant strides in achieving these objectives. Notably, the strategy led to substantial improvements in infrastructure development, enhanced technological capabilities, and better management of natural resources. Furthermore, efforts were made to strengthen the country's human capital by investing in education and workforce skills, which are essential for supporting innovation and increasing productivity.



The policy also prioritized attracting foreign direct investment (FDI) to stimulate growth, increase export capacity, and diversify the economy. This has been particularly important in reducing the country's dependency on traditional sectors and fostering a more diversified and resilient economy. Uzbekistan's investment policy, underpinned by strategic frameworks such as the "Actions Strategy," has proven to be a vital tool in driving the country's economic transformation.



Picture 1. GDP growth and FDI of Uzbekistan¹

The chart illustrates Uzbekistan's GDP growth and the proportion of Foreign Direct Investment (FDI) in GDP from 2018 to 2023. The GDP growth shows relatively stable trends with a notable peak in 2019, followed by a decline in 2020 due to the global pandemic, and a recovery in 2021. The growth rate remains positive in 2022 but slightly decreases in 2023. In contrast, the proportion of FDI in GDP is highest in 2019, reflecting a strong influx of foreign investment, before sharply declining in 2020 due to the global economic slowdown. FDI proportion gradually recovers in 2021 and stabilizes in 2022 and 2023, with a minor decrease in the latter year.

The inverse relationship between GDP growth and the proportion of FDI suggests that as Uzbekistan's economy grows, the reliance on foreign investment slightly decreases, reflecting a growing domestic economy. The significant drop in FDI in 2020 aligns with the global economic downturn caused by the pandemic, while the recovery in 2021 indicates that Uzbekistan's economic policies, including the "Actions Strategy," were effective in attracting foreign capital. The slight decrease in both GDP growth and FDI proportion in 2023 may signal a period of maturation, where the country is transitioning towards more self-sustained growth and domestic investment. This data highlights the important role

¹ Used from the site <https://www.stat.uz/uz/>



of FDI in Uzbekistan's economic development and the effectiveness of its investment strategies in stabilizing the economy.

In recent decades, the global landscape has witnessed a marked increase in economic competition between nations. Every country strives to establish itself as a major player in the world economy and secure its place in the global market to mitigate the risks posed by globalization. While some may question the ongoing intensity of competition between nations, it is clear that this rivalry extends beyond corporations and businesses to include states as well. Countries are competing not only for essential resources such as investments and oil but also for advancements in environmental technologies. The global economic crisis has underscored the vulnerability of nations with lower levels of competitiveness to external shocks, making the issue of national competitiveness, along with strategies for its evaluation and improvement, crucial for future development.

At present, there is no universally accepted definition of national competitiveness or its relationship to other critical economic factors. This lack of consensus is largely due to the complexity and multi-dimensional nature of the term, as well as its systemic characteristics. Competitiveness is a broad concept that refers to the relative advantage a nation's economy holds, particularly in international trade, and its ability to sustain and enhance this position. It involves various aspects such as economic, scientific, technological, organizational, managerial, and marketing capabilities that contribute to the production of goods and services, enabling the country to compete effectively with foreign counterparts in both domestic and international markets.

Moreover, national competitiveness encompasses the capacity of a country to achieve sustained economic growth, raise real wages, and foster the international success of domestic firms. This is often achieved through the development of high-performance clusters that improve product and service quality, ultimately generating new job opportunities. A nation's ability to remain competitive in the global market hinges on its economic factors, such as investment levels, innovation potential, and manufacturing capacity, which must be supported by political and social conditions that facilitate the efficient functioning of the national economy within the global context.

Syrdaryo region of Uzbekistan is experiencing growing investment activity, particularly in the construction, energy, and infrastructure sectors. Investment trends in the region show a steady increase in fixed capital, with the first half of 2023 indicating a positive growth trajectory compared to the previous year. The energy sector, in particular, has seen significant investments, driven by the growing demand for energy resources. The government's focus on creating an investment-friendly environment has resulted in increased foreign and domestic investment, fostering a more competitive regional economy. Furthermore, the emphasis on modernization and development projects has laid a strong foundation for the future. The government's strategic policies continue to focus on attracting and managing both local and foreign investments to further boost the region's economic growth and competitiveness in Uzbekistan's broader economic landscape. By improving infrastructure, enhancing energy production, and supporting business innovation, Syrdaryo is positioning itself as a critical hub for investment in Uzbekistan's economic development.



Conclusion

In conclusion, investments play a pivotal role in driving a country's economic growth and ensuring its competitiveness. Through strategic investments in key sectors such as education, infrastructure, innovation, and technology, countries can improve their productivity, foster job creation, and increase their global competitiveness. Foreign direct investment (FDI) is particularly critical, as it brings capital, technology, and expertise, further enhancing economic growth and boosting exports.

For countries to effectively leverage investments, it is essential to create a favorable investment climate. This includes implementing supportive policies, regulatory frameworks, and incentives that attract both domestic and foreign investors. The role of the public and private sectors in collaboration is also key, as it enables the pooling of resources and expertise to address challenges and promote innovation. However, challenges such as geopolitical tensions, regulatory uncertainties, and macroeconomic factors like inflation and demand fluctuations need to be carefully managed. Addressing these challenges, alongside a focus on sustainable investments and innovation, will be crucial for countries seeking to maintain long-term economic growth and competitiveness.

Overall, the dynamic relationship between investment and economic development underscores the need for a comprehensive, multi-level approach to investment strategy, ensuring that countries remain competitive in an increasingly interconnected global economy.

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