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ATTRACTING FOREIGN DIRECT INVESTMENTS IN FIXED CAPITAL

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Foreign direct investment (FDI) in fixed capital is one of the most important drivers of economic growth, technological advancement, and industrial development. Fixed capital investments include expenditures on long-term assets such as machinery, equipment, buildings, and infrastructure that are essential for expanding production capacity and improving competitiveness. Attracting FDI in this area allows countries to benefit not only from financial resources but also from modern technologies, management expertise, and access to international markets.

The effectiveness of attracting foreign investments in fixed capital largely depends on the investment climate of the host country. Key determinants include legal and regulatory frameworks, property rights protection, tax incentives, and macroeconomic stability. Countries that offer transparent legislation, investor protection mechanisms, and preferential regimes are more likely to secure long-term foreign capital. Moreover, well-developed infrastructure and efficient administrative procedures reduce investment risks and costs, increasing the appeal for foreign investors.

The role of FDI in fixed capital is particularly significant in developing economies, where domestic savings and internal resources may be insufficient to fund large-scale industrial and infrastructure projects. By attracting foreign investors, these countries can accelerate industrial modernization, introduce advanced technologies, and integrate into global value chains. Additionally, FDI



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often leads to job creation, skill development, and increased productivity in the host economy.

However, several challenges can hinder the attraction of foreign investments in fixed capital. These include institutional weaknesses, bureaucratic obstacles, political instability, underdeveloped financial markets, and insufficient skilled labor. Addressing these challenges requires comprehensive reforms, including legal and regulatory improvements, infrastructure development, financial sector modernization, and investment promotion policies. Establishing special economic zones, public-private partnership mechanisms, and investment facilitation services can also significantly enhance FDI inflows.

One of the key tasks at the next stage of market reforms is to improve the attraction of direct foreign investment to our country, eliminate problems with attracting foreign investment, increase the volume of foreign investment and expand the opportunities for its effective use. Due to the implementation of such tasks, it is noted that during the years 2016-2021, foreign investments attracted to our country are provided with funds.

In modern conditions, despite the diversity of foreign direct investment regulation policies in different countries and their national specificities, its main goal is to attract the necessary volume of investments and use them qualitatively and effectively. The main changes in recent years in the formalization of foreign direct investment in developed and developing countries include the liberalization of foreign direct investment policies, the opening of previously inaccessible sectors and territories to foreign capital, the streamlining of procedures, the expansion of privileges, the reduction of taxes, and the increase in transparency for foreign investors.

State policy measures to encourage (attract) foreign direct investment are very diverse, and a brief description of the most important instruments for encouraging



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the flow of foreign direct investment into the country is given in Table 2.1. of direct foreign investments, the academic and practical guidelines of a number of countries (the USA, Japan, Central and South-Eastern Europe, China, Latin America) are useful in the development of such mechanisms in the practice of our country: it is necessary to develop a detailed, transparent institutional and regulatory environment; development of basic industries, regional production clusters and creation of national financial and investment institutions; integration into the system of world economic relations should be ensured while protecting promising national interests.

Table 1 Immediate measures to stimulate the flow of foreign investment into the national economy

Measures to stimulate the flow of direct investments	Summary of measures	Form of measures to be used
Organization of special economic zones	Establishment of favorable technical and industrial infrastructure and preferential regime (taxes, customs) in economic zones	Organizational
Arrangement of fees	Benefits, tax breaks for activities related to state priorities (exports, scientific achievements)	Fiscal
Creating a database for vectors	Holding presentations of investment projects, presenting collections, reports on the socio-economic situation of the host country, etc.	Organizational
Projects financed directly with the participation of foreign investors	Financing through leasing, forming banking consortia for the implementation of large-scale canoe and infrastructure projects, issuing shares and bonds in the domestic capital market, financing through venture capital, external loans, etc.	Financial
State participation in investment projects	Custody, lending, state insurance on preferential terms, allocation of funds from the budget.	Financial

Based on the analysis of world experience in managing foreign investment flows, the author believes that the formation and implementation of the mechanism for



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regulating foreign direct investment by the state should be based on clarity in the strategic direction, control over the degree and choice of changes in the policy for regulating foreign direct investment, differentiation, consistency, maintaining a balanced structure, and predictability. safety measures must be followed.

Foreign direct investment plays an important role in the economic development of countries around the world, and it is precisely such investments that are directed to the real sector of the economy.

Table 2 Foreign direct investment flows by world region

Regions	2020		2021		2022		2023	
	Volume (billions USD)	Growth rate (%)	Volume (billion USD)	Growth rate (%)	Volume (billion USD)	Growth rate (%)	Volume (billions USD)	Growth rate (%)
Worldwide	999	-35	1478	48	1356	-12	1352	-2
Developed countries	312	-58	597	91	426	-37	464	+9
Europe	73	-80	51	-30	-106	-	16	-
North America	180	-42	453	51	379	-26	361	-5
Developing countries	663	-8	881	33	930	4	867	-7
Africa	40	-16	80	20	54	-44	53	-3
Asia	535	4	662	24	662	0	621	-8
Latin America and the Caribbean Basin	88	-44	138	57	196	51	193	-1
Central Asia	6	-	7	+12	10	+39	7	-27

According to Table 2, global flows of foreign direct investment (FDI) are expected to decline by 2% in 2023 compared to 2022, amounting to 1.3 trillion US dollars. In terms of the grouping of countries of the world by the level of economic development, by the end of 2023, the volume of FDI flows was observed to decrease by 5% in North America, 7% in Developing Countries, 3%



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in Africa, 8% in Asia, 1% in Latin America and the Caribbean, and 27% in Central Asia. In developed countries, an increase of 9% was observed.

The global financial crisis, the war in Ukraine, the fall in the prices of food, energy and debt funds caused a decrease in the volume of TTXI flow. Uncertainty in the global capital market, the increase in interest rates have affected the conditions of international project financing and cross-border mergers.

Direct financing of innovative projects aimed at high-tech development through foreign investments is one of the key factors in strengthening the export potential of the national economy and increasing the share of products with high added value in its composition. Since such projects are high-value, require large investments and international professional experience.

Table 3 Export indicators of the Republic of Uzbekistan (million US dollars)

Indicators	Years					In 2023, it will decrease in % compared to 2022
	2019	2020	2021	2022	2023	
Export	17458.7	15102.3	16662.8	19732.6	24426.2	19%

From the data of Table 3, it can be seen that the export of goods and services in our Republic amounted to 24.4 billion US dollars in 2023, and compared to 2022, it increased by 4.7 billion US dollars, i.e. by 19.3%. The annual increase in the flow of foreign direct investment into the country's economy, in turn, will ensure an average annual growth of about 7 percent in the volume of investments in the authorized capital by 2030.



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Attracting foreign direct investment to fixed capital is an important factor in the sustainable development and competitiveness of the national economy. These investments not only provide financial resources, expand the capital of enterprises and introduce modern technologies, but also play an important role in increasing production efficiency and strengthening export potential. In this process, the state's legal and economic conditions, tax and financial benefits, investment risk minimization mechanism and encouraging investors through free economic zones are important.

As a result of foreign direct investment in the main capital, the possibility of technological modernization of enterprises and implementation of innovative projects will expand. This, in turn, accelerates economic growth, creates jobs and ensures the competitiveness of national products in global markets. Therefore, directing foreign direct investments to fixed capital and strengthening the conditions that encourage them is one of the main factors of the country's economic stability and long-term development.