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Regulatory Framework for Creating a Favorable Investment Climate in Uzbekistan and Malaysia

Nazokat Khaydarova
Tashkent State University of Oriental Studies, Tashkent, Uzbekistan
Corresponding author email: kh.nazokat@mail.ru

Abstract---*In today's world, where globalization is deepening as a result of the deepening of science and technology, competition for investment is intensifying. In this context, any country seeks to develop its economy by attracting investment, modernization, and renewal of the material and technical base of production, the introduction of new types of production. This requires the creation of a favorable investment climate, which is achieved through the implementation of appropriate investment policies.*
Keywords---*investment climate, investment policy, Malaysia, Malaysian investment development agency, Uzbekistan.*

Introduction

Since the early years of independence, the Government of Uzbekistan has been paying special attention to creating a favorable environment for attracting investment, creating and improving its regulatory framework. In particular, during the years of reforms, more than 100 normative and legal acts regulating investment activities were adopted. “On Concessions”, “On Free Economic Zones”, “On Foreign Investments”, “On Guarantees and Measures to Protect the Rights of Foreign Investors”, “On Investment Activity”, “On Foreign Economic Activity” These laws are among them (Alba et al., 2010; Hanif & Jalaluddin, 2013).

Adopted and in force laws and regulations are aimed at ensuring freedom of economic activity, protection of private property, limiting the interference of state bodies in the subjects of economic activity. In particular, foreign investors are provided with many guarantees, which are reflected in the absence of restrictions on national, religious, and regional characteristics, the creation of conditions for free access to their funds, access to information about the activities of investors, and others.

The favorable investment climate in Uzbekistan

The peculiarity of the investment policy pursued in Uzbekistan is the priority given to investment projects aimed at the creation of new types of products based on high technology, providing deep processing of local raw materials release can be highlighted. Another important feature of the investment policy pursued in our country is the support of projects aimed at organizing export-oriented production. According to the tax legislation of Uzbekistan, the tax rate has been more than halved in favor of enterprises that export more than 30% of their products abroad.

One of the priorities of Uzbekistan's investment policy is the focus on attracting advanced technology and know-how. Because they provide an opportunity to increase the competitiveness of Uzbek products in the world market. At the same time, the wide range of opportunities created for foreign investors and clearly defined development priorities ensure a high level of aspiration of leading multinational companies and corporations to bring their investments to Uzbekistan (Koldunova, 2013; Lutfullaevich, 2020). In this regard, according to the Decree of the President of the Republic of Uzbekistan dated April 11, 2005 "On additional measures to encourage foreign direct investment", the volume of foreign investment ranges from \$ 300,000 to \$ 3 million for 3 years, from \$ 3 million to \$ 10 million. up to 5 million US dollars - for 5 years, more than 10 million US dollars - for 7 years for income tax, property tax, social infrastructure development, and landscaping tax, micro and small enterprises on the main

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activities of enterprises of the economy attracting foreign direct investment foreigners are exempt from the established single tax payment, as well as from the payment of mandatory contributions to the Republican Road Fund.

Following the Decree of the President of the Republic of Uzbekistan dated April 10, 2012, additional measures were taken to encourage foreign direct investment. In the case of changes in tax legislation for 10 years from the date of state registration of newly established enterprises with a foreign investment with a monetary share of at least $ 5 million, the date of state registration of 7 of taxes and deductions in the country. Has the right to apply the rules and regulations (Lutfullaevich, 2020; Razin & Sadka, 2006).

Also, on March 15, 2013, the Decree of the President of the Republic of Uzbekistan "On additional measures to encourage foreign direct investment" dated April 10, 2012, was adopted, according to which from January 1, 2013, with the participation of new foreign investments It is envisaged that the established enterprises will be exempted from payment of import customs duties on import of property for personal production needs for two years from the date of state registration. It should be noted that to create the most favorable investment climate for foreign direct investment in the country, liberalize the economy, reform public administration, limit interference in business activities, reduce and simplify licensing and permitting procedures, free access to goods (works and services). Extensive measures have been taken to ensure the use, as well as to create the necessary infrastructure in the regions. Tax policy and customs-tariff reforms aimed at reducing the tax burden and simplifying the tax system for investors, maintaining a healthy competitive environment are being implemented at a rapid pace (Rodrik, 1991; Dahiya & Chaudhary, 2016).

At the same time, there are still bureaucratic hurdles and obstacles in working with investors, especially in the field, due to insufficient support of investors' initiatives by all levels of government, lack of clear coordination of ministries and departments. Hinders the strengthening of trust. Therefore, to further improve the investment climate in the country, encourage direct investment, strengthen investor confidence in the consistency of public policy and increase the responsibility of government agencies in working with investors, on August 1, 2018, the President of the Republic of Uzbekistan The decree "On measures" was adopted. Following this Decree, the minimum share of foreign investment in the charter capital of enterprises with foreign investment was reduced from 30% to 15%, the requirement for a foreign legal entity to participate as a participant in a foreign investment enterprise was abolished, the minimum charter capital of enterprises with foreign investment is 600 The state duty for state registration of enterprises with foreign investment has been reduced by three times, the minimum charter capital of joint-stock companies has been set at 400 million souls, export contracts for fruit and vegetable products have been reduced from the prices announced by Uzagroexport JSC. The conclusion at low prices, as well as customs clearance of fruits and vegetables based on invoices at prices not lower than the prices listed on the official website of JSC "Uzagroexport" without concluding an export contract the screw transfer procedure was abolished.

The investment climate in Malaysia

Despite the above positive aspects, it should be noted that in Uzbekistan there is a wide range of work to be done to improve the regulatory framework of the investment climate. This requires the study and generalization of experience gained in foreign countries. One such country is Malaysia. The Malaysian economy ranks fourth in Southeast Asia and 38th in the world in terms of gross domestic product. In 2018, the country ranked 25th in terms of global competitiveness. Thanks to industrial development and effective investment policy, Malaysia has formed a diversified economy (Nini et al., 2009; Anwar & Sun, 2011).

In this regard, the study of the regulatory framework for investment in Malaysia and the preparation of proposals for the use of its positive aspects in Uzbekistan is a topical issue today. The Malaysian Investment Development Agency (MIDA) is the state body responsible for attracting and developing foreign and domestic investment in Malaysia. The agency operates on the principle of "single window". Here, a potential investor can get the latest information on investment opportunities and ways to set up businesses, as well as issues related to public policy on investment. For this purpose, representatives of the Ministry of Employment and Labor, the Migration Service, the State Customs Service, Tenaga National, and Telecom Malaysia are constantly working at the Agency's headquarters. The Agency will also evaluate investment projects in the industrial and service sectors, which are eligible for government benefits. The main tasks of the Malaysian Investment Development Agency are:

- Attracting foreign and domestic investment in industry and services;
- Consideration of applications for projects in the field of industry and services, including:
- Provision of tax benefits;

- Issuance of production licenses and certificates (license value is around 13 US dollars);
- Full or partial exemption from customs duties and taxes for raw materials, components, and equipment imported to Malaysia under investment projects;
- Issuance of permits to foreigners to obtain work visas under investment projects;
- Assisting companies in implementing projects through consultations and cooperation with the government at the federal and regional levels;
- Coordinating the activities of agencies and organizations involved in industrial development and facilitating the exchange of information between them.

To attract foreign investment, the Malaysian government has developed a flexible system of providing incentives to investors. Under this system, investors are given a special status (Feenstra & Hanson, 1997; Smith Jr & Watts, 1992). This status allows companies to take advantage of tax benefits, special conditions for the purchase of equipment and materials, assistance in the commercialization of technologies developed in the territory of Malaysia, guaranteeing the right to intellectual property. It also guarantees free access to infrastructure, allowing investors to own a 100 percent stake in the company in individual cases.

For example, the Multimedia Super Corridor (MSC) provides the following benefits and advantages to companies with the status of residents of a separate economic zone to attract investment within a separate economic zone: free import of multimedia equipment, a guarantee of intellectual property protection; Lack of Internet censorship, provision of advanced ICT infrastructure, free consultation by the Malaysian ICT Development Corporation, availability of developed urban infrastructure, access to advanced research complex, entrance duties, excise duties, tax breaks for equipment and materials, etc.

It should be noted that Malaysia has created a legal framework for attracting foreign and domestic investment. These legal documents introduce a favorable system of incentives to attract foreign and domestic investment in the economy. In Malaysia, the system of direct and indirect tax benefits is reflected in the following laws: Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972, Excise Act 1976, and Free Zones Act 1990". These legal documents apply to investments in industry, agriculture, tourism, as well as the services sector, research activities, and environmental protection activities. At the same time, direct tax exemptions mean full or partial exemption from income tax for a certain period, while indirect tax exemptions mean exemption from income taxes, sales taxes, and excise duties (Ang, 2008; Isa et al., 2013).

Currently, Malaysia also imposes many restrictions on foreign investors and capital investments in various sectors of industry and services. In particular, the implementation of investment projects with foreign investment requires the permission of the Committee on Foreign Investment in the following cases:

- If as a result of acquisition, merger, and acquisition, control over the local company passes into the hands of foreign investors.
- If the volume of investments exceeds 10 million Malaysian ringgit (at the exchange rate of 2.5 million US dollars)
- If the share of each foreign investor is 15%, the joint share is more than 30%.

When buying shares of Malaysian companies, foreign and Malaysian investors have the right to buy 70% of the shares of the joint-stock company. The remaining 30 percent of the shares should belong to the local "bumiputra" Malay capital.

Bumiputra is ethnic Malays and other indigenous peoples of the country. To encourage their business activity, some legal benefits have been attached to them, including benefits related to participation in the capital of local companies. Investments in the Malaysian oil and gas sector will be made through the conclusion of production sharing agreements with the national oil and gas company Petronas. Such investment projects are approved by government agencies on an individual basis, in which the share of foreigners in some cases reaches 85%. There are no restrictions on foreign capital participation in the oil refining industry (Harrison & Rodríguez-Clare, 2010; Gaver & Gaver, 1993). In some cases, foreign companies have the right to own 100% of the share capital. In particular:

- In new processing industry projects or an expanded or diversified form of existing production (for companies licensed by the Malaysian Agency for Innovation Development and approved by the Ministry of International Trade and Industry or participating in the project "Multimedia Super Corridor" with ICT status) ;
- Regional distribution centres, headquarters, and international centers supplying products;

- In research companies.

Malaysia supports investment in information technology, tourism, export-oriented, high-capacity, and high-tech industries. In particular, the practice of providing financial and tax incentives to companies is widely used to stimulate export activities. In Malaysia, for example, pioneering status, tax exemptions for investments, export crediting, grants for research and training, exemption from import duties on certain types of raw materials and equipment, etc. are the main incentives for export promotion.

Conclusion

This the results of the analysis of the regulatory aspects of the investment climate in Uzbekistan and Malaysia show that the legislation adopted in both countries, first of all, takes into account national interests and is aimed at creating favorable conditions for foreign investors. There are general and specific aspects in the system of measures aimed at attracting foreign investment in these two countries. In particular, in both countries, foreign investors are provided with tax benefits in various forms and forms, guarantees of property protection, preferential import of equipment and raw materials into the country, and more. At the same time, it would be expedient to use some aspects of the Malaysian investment climate in Uzbekistan. In particular, measures to maintain a competitive market environment, restrictions on foreign investment in the use of raw materials, especially oil and gas, information technology, tourism, support for foreign investment in export-oriented, high-capacity, and high-tech industries. The study and implementation of these measures in the practice of our country will play a special role in creating a favorable investment climate in Uzbekistan.

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