



## International Congress on Economics, Management and Business Studies

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### ANALYSIS OF ECONOMIC CONDITIONS OF ATTRACTING FOREIGN INVESTMENTS

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The economic conditions for attracting foreign investment to the economy are, first of all, the investment environment created in our country for foreign investors and its attractiveness. The investment environment is the legal, economic, political and social conditions that determine the attractiveness of a country for foreign investment. Each of these factors plays an important role in characterizing the investment environment of a country. The investment environment is a very complex, multifaceted concept. By assessing the various components of the investment environment, it is possible to determine the investment risk, feasibility and attractiveness of investments. Regional development trends have led to dramatic changes in traditional investment practices and investor preferences. The global financial crisis has forced investors to reconsider their priorities both in terms of risk assessment and regional potential.

**Table 1 Factors determining the investment climate**

<b>Legal factors</b>	Stability
	Transparency
	Forecasting
<b>Macroeconomic factors</b>	Market size
	Level of political risks
	National exchange rate growth
	Warranty system
<b>Geographic factors</b>	Natural
	Climatic conditions
<b>Entrepreneurial factors</b>	Level of expenses
	Peculiarities of the tax system
	System of financial benefits
	Level of infrastructure development



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Today, competition for investments is more likely to occur in regions with low “social” risks (criminal, administrative and social risks). However, one of the main factors determining investment privileges is not investment potential, but the indicator of infrastructure development. Below we will focus on the main problems of creating a favorable investment climate in the national economy and further increasing its attractiveness. First of all, it is necessary to correctly identify and analyze the main factors determining the investment climate

The first group of factors determining the investment climate includes legal factors, including political and economic stability for market entry and foreign investment, openness, transparency and predictability of the future market, the specific features of the national or most favorable state regime, forms of state guarantees for foreign investors (including protection from nationalization). These factors serve as the initial criteria for assessing the investment climate of the host country. The second group is macroeconomic factors that play the most important role. These include: market opportunities, which are determined by the total GDP of the host country and the size of this indicator per capita; political stability and political risk in the country, which is associated with the democratic nature of the political system. The first of these indicators is determined by the stability of the government and the economy in relation to state requirements. The second indicator is determined by the level of democratic development of the country in terms of guarantees of civil liberties and fundamental human rights; dynamics of the national exchange rate: an increase in the exchange rate directly stimulates the flow of foreign investments, a decrease in the exchange rate, on the contrary, leads to their decline; the development of a system of protecting foreign investments from various risks (state guarantees, investment insurance), etc.

The third group of factors that determine the country's investment environment are geographical and climatic factors, which are especially important for



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investments in extractive industries and agriculture.

The fourth group of factors is the country's business environment. The level of business environment costs, the specific features of the tax system and tax rates, the system of material incentives, the level of labor costs and qualifications, the level of infrastructure development, the level of rent and utilities, administrative procedures, support from local authorities in attracting employees - all of these are of great importance in the activities of foreign investors. The term "investment risk", generally recognized in world practice, is used to define the concept of risk associated with the complete or partial loss of capital investments or non-payment. Risks are usually divided into three levels, and the higher ones include the lower ones. Country risk is the most general concept, combining all risks that may occur within the territory of a country that is a full participant in international relations, including commercial and non-commercial risks, as well as force majeure.

**Table 2 Macroeconomic and country risk indicators for CIS countries (2023)**

Indicators/countries	GDP growth (%)	Average annual inflation (%)	Public debt (% of GDP)	Investments in fixed capital (% of GDP)	Country risk level	Business environment level
Russian Federation	3.6	7.5	16.2	12.1	D - very high	B - stable
Kazakhstan	5.1	10.8	40.5	15.1	B - stable	B - stable
Belarus	3.9	5.1	31.7	11.5	D - very high	B - stable
Azerbaijan	1.1	8.8	21.8	16.4	B - stable	C - high
Uzbekistan	6.0	8.7	34.3	33.3	B - stable	B - stable
Kyrgyzstan	6.2	7.3	47.6	13.6	C - high	D - very high
Tajikistan	8.3	6.0	33.3	10.7	D - very high	D - very high
Turkmenistan	6.3	5.9	5.5	-	D - very high	E - critic



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We can observe that the macroeconomic indicators, the level of country risk and the level of business environment of the CIS member states and developing countries are significantly higher than those of developed countries. For example, the highest GDP growth rate in 2023 was 8.3% in Tajikistan, and the lowest was 1.1% in Azerbaijan. The average annual inflation rate was 10.8% in Kazakhstan, and the lowest was 5.1% in Belarus. The increasing ratio of public debt to GDP, a significant decrease in international reserves or a rapid increase in external liabilities, a high level of state intervention in the economy, the inviolability of private property and the low effectiveness of anti-corruption measures in these countries indicate a high level of country risk and a poor level of business environment.