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**IMPLEMENTATION OF NEW FORMS OF
TRANSNATIONAL INVESTMENTS IN THE
CURRENT CONDITIONS OF GLOBALIZATION:
CASE OF UZBEKISTAN**

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Key words: Foreign direct investment, enterprises with foreign investment, acquisitions and mergers (M&A), joint ventures, greenfield investment, transnational corporations (TNC), investment climate.

Abstract: Foreign direct investments (FDI) mostly occur in a form of mergers and acquisitions (M&A) - about 90%; other two forms are joint venture and greenfield investment. Which form is the most important and efficient one for various FDI-recipient countries? The choice of any form of transnational investment depends on a very large scale of factors, as an economic development level of a country, aims and rate of economy's transformation, national government policy, etc. For example, M&A as a form dominates in developed countries. Creating a joint venture appears as the most efficient form in attracting FDI in many developing and some of CIS countries. The paper examines the particularities of FDI trends in Uzbekistan.

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Cyclical development of the world economy and its permanent globalization affect the evolution of transnational capital forms, in particular foreign direct investments (FDI). There is a large variety of foreign investors' approaches related to foreign markets entry modes. Mergers and acquisitions (M&A), joint ventures and greenfield investments are the most distinguished forms of FDI. There is a permanent great interest among international experts towards this field of research (Harrigan, 1986; Lawrence, 1992; Sell, 1998). It is no wonder that the UNCTAD report (1999) and World Investment Report (2000) were dedicated to special studies on this topic. Studies of specific particularities of countries and regions are more and more emphasized. For example, Zschiedrich (2006) examined forms of implementation of transnational investments in the countries of Central and Eastern Europe. The largest volume of FDI inflows in 2007 was registered in the form of M&A - 1 637 Billion USD (89.3%) (World Investment Report, 1993); consequently, the other forms made about 1/10 of the total world FDI; in particular, joint ventures accounted for 10%, and greenfield investment accounted for less than 1%.

According to the experts' opinion, developing countries and countries with transition economy prefer to attract foreign capital in greenfield investment form, which traditionally entails more significant growth and development impulses (Nunnenkamp, 2000). A choice of a foreign investor for this or another form of capital implementation usually depends on many factors, such as economic development level of a recipient country, aims and transition pace of economy, national government policies, etc. International experts note that the first mentioned form dominates in industrial countries, it accounts for about 4/5 of total FDI volume. At the same time, the study of the world's biggest TNCs' participation in the investment processes in Central and Eastern Europe discovered, that in Czech Republic and Poland in late 90s and early 2000s it took place in a form of privatization, while in Hungary policy promoted mostly greenfield investments (Newton Holding Report, 2003).

The studies show that not all TNCs prefer entering foreign markets in a form of a foreign enterprise (100% owned) or with the majority share of their capital. Thus, in developing countries and countries with transition economy they mostly prefer to establish joint ventures.

World experience demonstrates that minority stock joint ventures (less than 50%) and licensing by TNCs are common in car assembling sectors of developing countries due to property ownership restrictions by national governments. Thus in the mid-80s about 3 million cars were assembled in about 50 developing countries, out of them 47% were distributed under non-equity arrangements, and remaining 53% under equity FDI (World Investment Report, 1993). The higher TNC's technological production level in a recipient country is, the greater will be a demand for such forms as establishment of majority stock joint enterprises or foreign enterprises (100% owned and managed).

These peculiarities determine the relative lesser presence of joint ventures in a world practice; their establishment in several countries can be explained by a market novelty, some market conditions imperfections, a national FDI attracting policy. Thus in Belarus there are only 54 TNC affiliates out of 4218 commercial organizations with foreign investments (MSA of RB, 2008). However, in some countries leading in per capita FDI attraction, a number of foreign affiliates accounts by thousands. For instance in 2005-2007 this number reached 2858 in Estonia, 26019 in Hungary, 2780 in Slovakia, 3256 in Croatia (World Investment Report, 2008).

With regard to the world experience, we will try to examine some FDI trends in the economy of Uzbekistan. A national program of structural reforms stipulates a total abandonment of economy oriented to raw materials production; priority is given to maintaining dominant share of high-tech and competitive goods in the country's exports. It is planned to attract in the current year over 3 billion of foreign investments for implementation of strategically important projects; FDI increase is expected by 46%. This task requires considerable organizational and targeted efforts. Awareness on FDI peculiarities and proper management should contribute not only to the enhancement of the Uzbekistan's investment attractiveness, but also to the efficiency in FDI attraction and implementation.

FDI related legislation and practice in the country developed successively, perceiving world experience and national peculiarities. Scientists and experts are highly interested in studying forms of FDI implementation. In the late 90s and early 2000s first attempts were made to observe the world experience in this area (Turaeva, 2001). At present more than 4000 enterprises with foreign investments operate

in Uzbekistan, and the main form of FDI attraction is joint venture. FDI appear in forms of equity joint ventures (with foreign capital) and contract based joint ventures. For example, "MTS Uzbekistan" (subsidiary company of MobileTeleSystems, Russia) signed an agreement with Huawei Technologies Co. (China) on settling Long-Term Evolution (LTE) system using equipment of the Chinese company, which is one of the world's leaders in this sector.

Following the country's economic development the legislative basis was being improved, strengthening of national enterprises and economy liberalization were consequently leading to positive changes in foreign capital regulation. In 2000 the number of enterprises fully owned by foreign investors (foreign enterprise) was less than 4.6%, and it reached 37.3% by the end of 2009. On the one hand, this collation reflects a permanent improvement of the investment climate in Uzbekistan and growing confidence of foreign investors. On the other side, the role of joint venture as a temporal and transitory form of FDI attraction is gradually decreasing as a result of the reform processes. Presently 44 out of 266 Uzbek-Chinese Joint ventures are enterprises with full Chinese investment. Probably in future, this form will be relevant only for a few economy branches having prior importance for Uzbekistan from the economic security point of view; this form could be reasonable for purposes of temporal protection during the country's WTO negotiations and joining WTO rules.

Another form of FDI attraction - M&A - is rapidly developing in Uzbekistan. World practice shows that biggest TNCs prefer to enter foreign developed markets through this form of FDI. They tend to introduce their technologies through their affiliates and not through external transfer forms (such as licensing, sub-contracts, strategic alliances, equipment purchasing).

Taking into account the importance of this issue for Uzbekistan some positive trends have arisen in this direction too. As example, the current legislation assumes that individual or company has a right to obtain (under preliminary approval of state antimonopoly committee) more than 35% of shares and stocks in the authorized capital of an operating enterprise (Antimonopoly Law, 1996). A positive state's attitude towards this form of direct investments, a legislative base adapting itself to world realities, an improving investment attractiveness of the country enable to intensify these processes. Acquisition of 26% of shares of the national mobile operator „Uzdunrobita“ in 2007 by the Russian „MobileTeleSystems“, followed further with full acquisition of the rest stock, became one of the biggest deals among recent M&A (Avesta Investment Group Report, 2010). This market segment is rapidly developing; within the year 2009 43 deals were concluded covering several economy sectors, and an average amount of a deal reached 5.5 million USD.

Geographical analysis of the national M&A market demonstrates that there is a great share of investors from Turkey (39.2%), followed by China (8.8%), UAE(7%), Canada (2.9%) and others (5.3%), whereas domestic investors occupied a share of 36.8% (Avesta Investment Group Report, 2010). Experts forecast further development of this market. Growth of this volume in 2010 is expected to reach 0.3-0.35 billion USD due to active state involvement, improvement of the world market situation, conducting privatization of large enterprises to foreign investors. Though it is not a significant volume, the positive trend is quite significant. Today world's famous brand companies such as

BAT, GM, Nestle are partners in joint ventures in the Uzbekistan market. M&A, large TNCs transferring modern technologies, equipment and management skills will be more demanded following the deepening of market reforms and liberalization in the country. Apparently, necessary developments to the national legislation on FDI regulations will be required.

Greenfield investment is also important and it is expected to play an increasing role in Uzbekistan. As mentioned above, it is the most preferable form for many FDI recipient countries. However, some experts considering the complicity of classification do not classify greenfield investment as a separate form. For example, greenfield investment can also be implemented in a form of a joint venture. Such an opinion could also be explained by relatively small FDI volumes (1%) being implemented through this form. At the same time in Uzbekistan there are many cases when a foreign partner and a domestic one establish "Greenfield".

This discussion suggests that classification of FDI into three above mentioned forms by international experts and organizations (UN, OECD) is a relative one; practically it is very complicated to draw a border line between them. With regard to the classification of FDI forms and their peculiarities, some additions and amendments have to be introduced into legislative documents and statistics of Uzbekistan. This will contribute to the more efficient work on selection, record keeping, and implementation of foreign capital attracting and evaluation of its economic efficiency.

All the forms are of the same importance both for the donor and recipient countries. A choice for this or another form and their combinations depends on a variety of factors; primary and dominating implementation of one out of these forms reflects the level of development of market relations in a recipient country, priorities of national investment policy, state and prospects of an investment climate.

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