

PROBLEMS AND SOLUTIONS IN ATTRACTING FOREIGN DIRECT INVESTMENTS TO OUR COUNTRY, ECONOMETRICAL TIME SERIES ANALYSIS OF THE LAST 30 YEARS.

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Abstract: *In this article, the problems encountered in attracting foreign direct investments to our country, reforms and solutions are analyzed. The latter through econometric time series analysis. Investments of the past 30 years were studied and analyzed, and predictions for the next years were given.*

Key words: *foreign direct investment, investor, country, economy, reforms, econometric time series.*

Foreign direct investment is an ownership interest in a foreign company or project by an investor, company or government of another country. Generally, the term is used to describe a business decision to acquire a majority stake in a foreign business or to buy it outright to expand operations in a new region. The term is not generally used to describe an equity investment in a foreign company alone. Direct investment is a key element of international economic integration, as it creates stable and long-term links between economies.

Of course, foreign direct investments have a great impact on the growth and development of the economy of the country. At the same time, it is very important for countries to be ready to accept investments, to be able to demonstrate the country's economic attractiveness for investors. Therefore, countries are in the state through long-term programs every year introduces ways to improve the economic environment and attract more investment. There are some problems in this field in our country:

Problems encountered in attracting foreign investments in Uzbekistan:

1. Limited protection of property rights: There are concerns about the effectiveness of legal mechanisms to enforce contracts and protect intellectual property rights.

2. Infrastructure Constraints: Deficiencies in transportation, energy, and other infrastructure can increase operating costs and discourage potential investors.
3. Limited experience and skills: Lack of skilled professionals in areas such as project management, finance and legal services can hinder the smooth implementation of investment projects.
4. Corruption: Concerns about corruption and lack of transparency in decision-making processes can deter investors.
5. Limited market size and diversification: The relatively small size of the Uzbek market and its dependence on a few key sectors may limit the opportunities for certain types of investments.
6. Land scarcity: Difficulty in owning or long-term leases of land may pose challenges for some industries.

Such problems are encountered in many countries. Reforms and practical works are being carried out in our country to eliminate the problems encountered in the field of foreign direct investments. Rapid development of sectors of the republic's economy, expansion and modernization of production capacities, wide introduction of modern technologies in industry, service and agriculture sectors, increase in the volume of production of export products with high added value.

We can also see the investment program of the Republic of Uzbekistan for 2023-2025 in order to accelerate investment processes and actively attract foreign direct investments to the regions, as well as create high-income jobs in the localities and ensure employment of the population. a number of tasks have been set to further increase its investment attractiveness.

My solutions and conclusions to the problems encountered in attracting foreign investments in Uzbekistan:

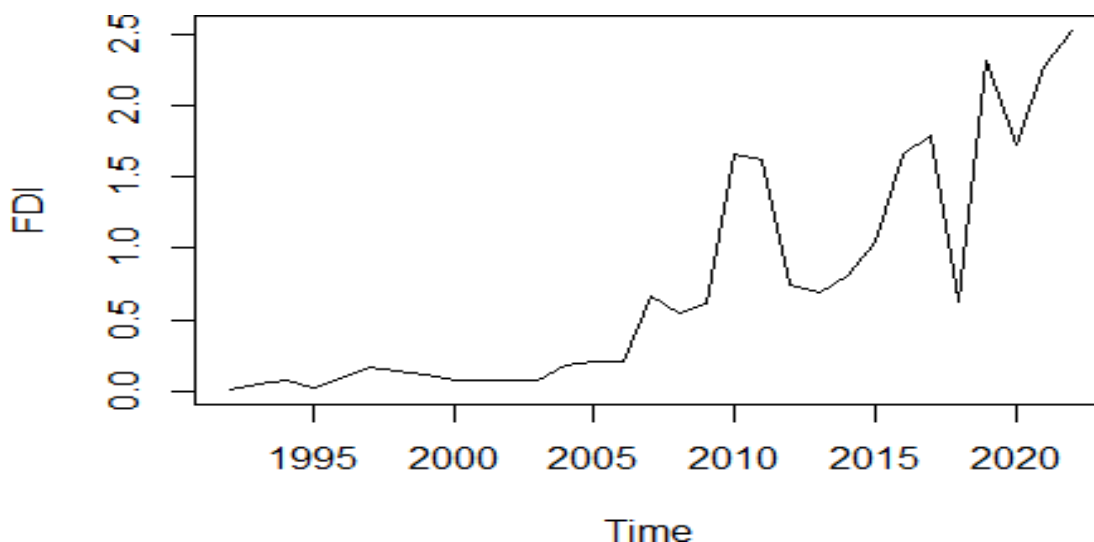
1. Reduce administrative burden: simplify business registration, licensing, permits and approval procedures.
2. Strengthen the rule of law: ensure a fair and predictable legal system with an independent judiciary and effective dispute resolution mechanisms.

3. Modernization and harmonization of the legal system: adapting the laws to international standards and best practices to increase the comfort level of investors.
4. Infrastructure Upgrade: Focus on improving transport, energy, communication and other critical infrastructure to facilitate business operations.
5. Skilled Workforce Development: Invest in education and training programs to provide the skills and experiences foreign investors require.
6. Reduction of trade barriers: simplification of import and export procedures and harmonization with international trade agreements.
7. Develop specialized economic zones: offer attractive incentives and infrastructure to attract specific sectors such as technology or manufacturing.
8. Use digital platforms: Use technology to connect with potential investors, showcase investment opportunities and provide online services.

If we look at the statistics of foreign direct investments made in our country over the last 30 years, in recent years only positive situations have been achieved. We can see that it will continue to grow in the following years from the ongoing reforms and programs, and it can also be scientifically analyzed through econometrics. Using the R studio program, we will conduct an econometric time series analysis of the last 30 years.

Picture 1. The volume of foreign direct investment is given in billion dollars¹

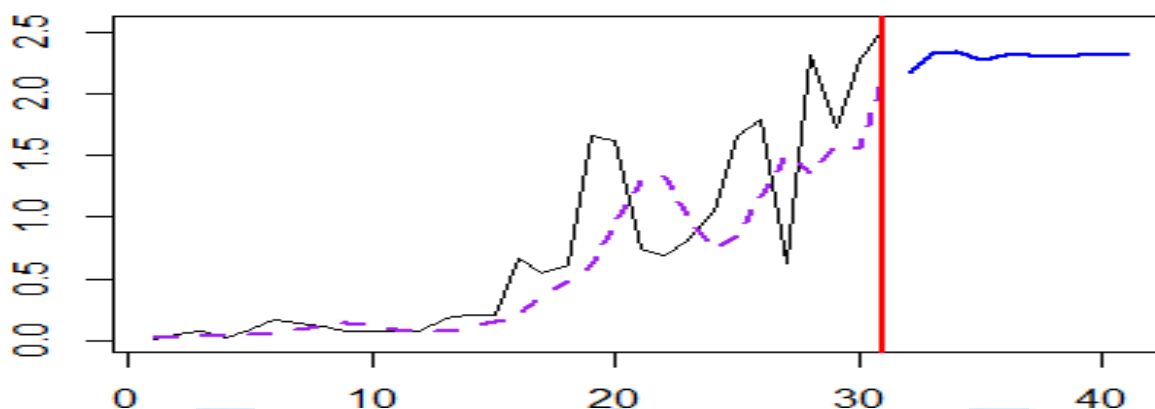
¹ Borensztein, E., De Gregorio, J., & Lee, J. W. (2021). How does foreign direct investment affect economic growth? *Journal of International Economics*, 45(1), 115-135.



Our graph has a trend, seasonality is not observed.

The stationarity of the data was checked through the acf command, and we can see from the data that it is non-stationary. Now we will analyze our time series data based on models. First, we start by constructing a simple native.

Picture 2. Forecast from SMA(3) with Normal distribution



$$F_{t+1} = \frac{X_t + X_{t-1} + X_{t-2}}{3}$$

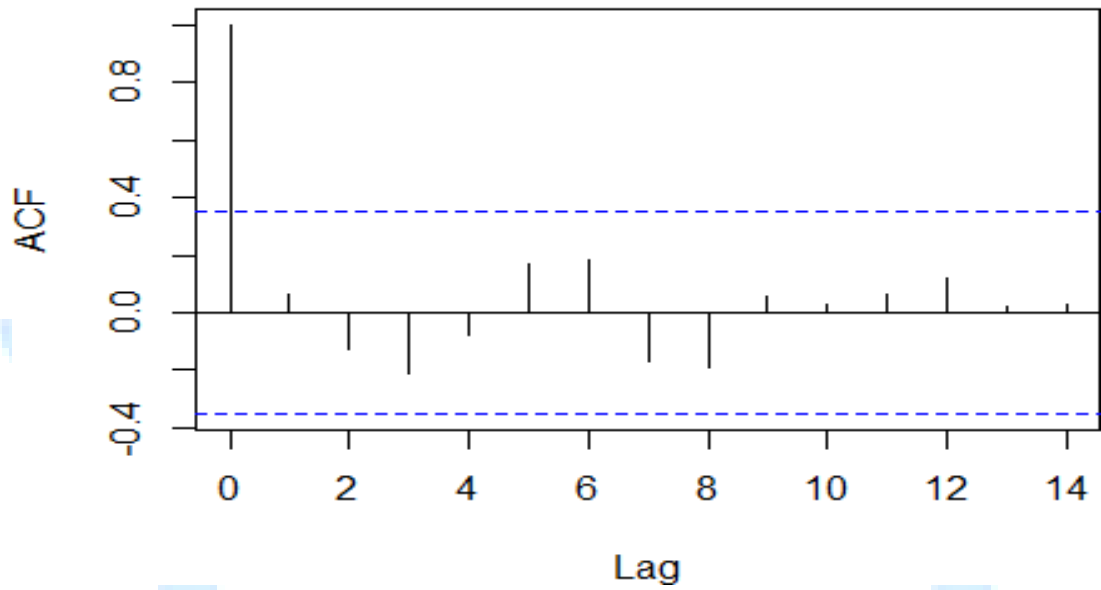
We can see that FDI is projected to increase slightly until 2030.

Checking residuals of the MA model

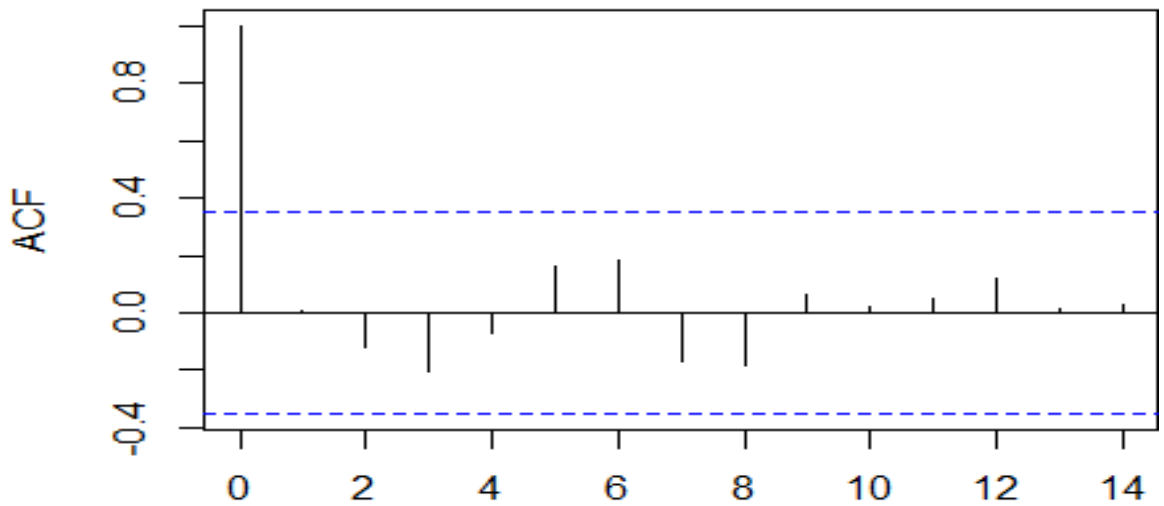
Picture 3. Series errorma2

2

https://www.researchgate.net/publication/358833051_Crop_Detection_Using_Time_Series_of_Sentinel-2_and_Sentinel-1_and_Existing_Land_Parcel_Information_Systems



Picture 4. Series maar 1\$ residuals³



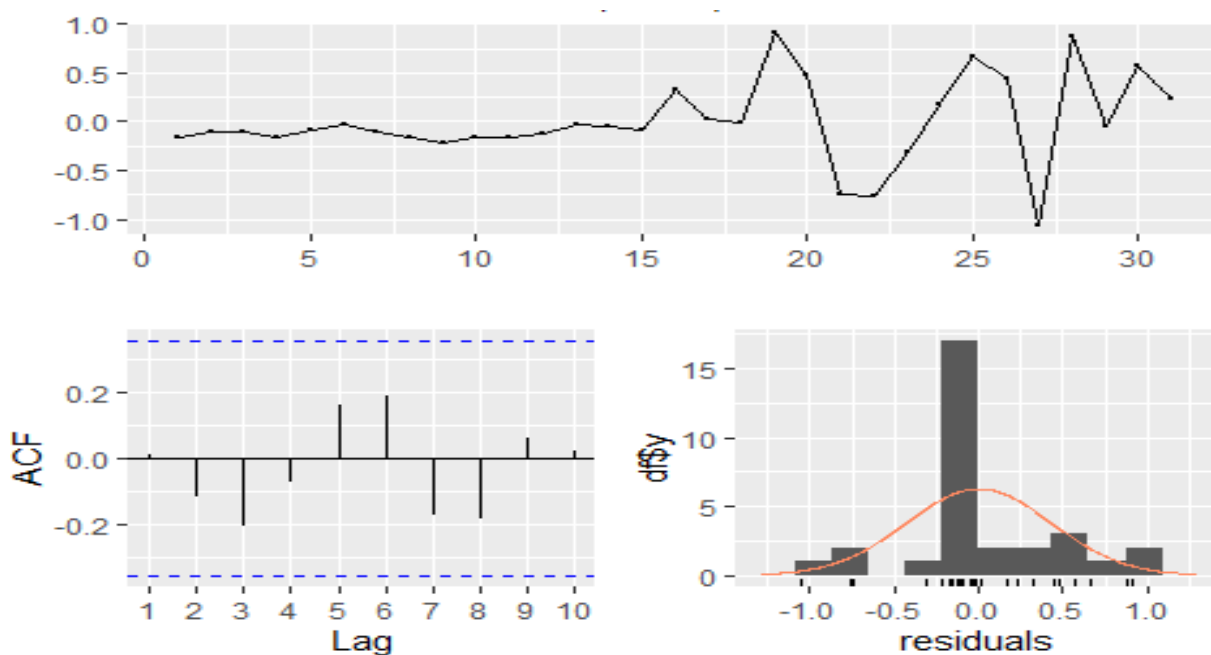
Our

residuals are not autocorrelated and uncorrelated. Residues are random. Our residuals are normally distributed.

³

https://www.researchgate.net/publication/358833051_Crop_Detection_Using_Time_Series_of_Sentinel-2_and_Sentinel-1_and_Existing_Land_Parcel_Information_Systems

Picture 5. Residuals from ARIMA (1,0,0) with non-zero mean⁴



$$e_t = 0.75873 \cdot e_{t-1} + w_t$$

In conclusion, we can say that from the above models, the NAIVE MODEL is reliable and can predict the next 3 years. The prediction of this model works more accurately even when it comes to life. The reason is that the volume of foreign direct investments has been increasing in recent years, and even if we see the reforms and programs of the next year, efforts are being made only for positive growth. I will compare the model we created in the following years, and it is very interesting for me to see how reliable and justified the work I did with this assignment.

If we make a general conclusion, since the country's independence, foreign investments have been in a positive state, and the decrease in some years may be due to the influence of external factors. All the ongoing reforms, agreements, and programs will definitely become more positive provides.

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