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Master of Business Administration

Master thesis

**THE IMPACT OF CORRUPTION, FREEDOM OF
PRESS AND ECONOMIC FREEDOM ON FOREIGN
DIRECT INVESTMENT IN UZBEKISTAN**

The Graduate School of the University of Ulsan

Department of Business Administration

Esanov Shukhratbek

**THE IMPACT OF CORRUPTION, FREEDOM OF
PRESS AND ECONOMIC FREEDOM ON FOREIGN
DIRECT INVESTMENT IN UZBEKISTAN**

Advisor Prof. Doyle Kim

Submitted to

The Graduate School of the University of Ulsan
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By

Esanov Shukhratbek

The Graduate School of the University of Ulsan

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This certifies that the master thesis of

Esanov Shukhratbek is approved

Professor Park, Jong-Hee

Committee member

Professor Park, Ju-Sik

Committee member

Professor Kim, Doyle

Committee member

Graduate school of Business Administration

The university of Ulsan

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ABSTRACT

As the world is globalized, more and more businesspeople tend to invest in overseas countries. In 2019 the global foreign direct investment was \$1.54 trillion. Under such conditions, some countries receive a lot of advantages, increasing local infrastructure and creating new vacancies. However, due to political, legal and financial issues some countries are yet to take advantages of this phenomenon.

One of them is Uzbekistan, freedom of press, corruption and economic freedom appear to be the main culprit for the deterioration of free market and business world. This paper is expected to cast a light on these issues in Uzbekistan's case. Understanding such kind of problems in-depth could also help this country carry out a feasible policy to attract foreign direct investment which in turn, is expected to boost local economy. More importantly, Uzbekistan would improve its status in international business arena.

CHAPTER 1: INTRODUCTION

1.1 The motivation of research

Cross-border trades and investments have already been the driving force for the economy of small-to-large countries. Under such a condition, almost all countries are making valiant efforts to create a friendly atmosphere for investors, ranging from compensation for doing to legal rights for investors' properties. Not only foreign investors help a host country create jobs and pay taxes, they could also be a reliable facilitator in increasing local infrastructure and make the country find its own position in international arena, by boosting exports and services.

External investment could especially be a feasible option for developing countries, like Uzbekistan, Kazakhstan and the Ukraine. However, it is not to say that developed nations are exceptions, in fact, developed countries such as The United States of America, France and Singapore show themselves as the role model for these nations that are trying to attract investors. In 2019, the USA was one of the top recipients of foreign direct investments that its FDI was approximately \$251 billion compared to Singapore that attracted almost \$110 billion. The global flows of FDI has also increased surprisingly. For example, between 1990 and 2016 the FDI improved approximately sixfold, at the same period world trade increased by fourfold and world output by 60 percent.

Because of strong FDI flows, by 2016 the global stock of FDI was about \$26

trillion. In fact, the flows of FDI has accelerated faster than the growth in world trade and world output.

Undoubtedly, Understanding the importance of investment for local economy, our government, Uzbekistan has put a lot of effort in the attraction of FDI, making various reforms in legal, political and economic organisations which could and should enchant investors. The current president of Uzbekistan also said that “Uzbekistan is open to any conscientious foreign investors”.

However, Uzbekistan is yet to make many implementations in many sectors. By law, foreign investors are welcome in all sectors of the Uzbek economy and the government cannot discriminate against foreign investors based on nationality, place of residence, or country of origin. However, government control of key industries has discriminatory effects on foreign investors. In addition, the Government of Uzbekistan retains strong control over all economic processes and maintains controlling shares of key industries, including energy, telecommunications, airlines, and mining. So, these drawbacks appear to be preventing FDI inflows from implementation at greater numbers. For example, in 2017 FDI inward inflow was \$1.797 million and \$625 million in 2018 compared to a relatively higher \$2.286 million in 2019. Still these are a mere number in comparison with Hong Kong or France. Low rates in FDI measurement are due to the lack of reliable rights, poor PPP (purchasing power parity), governmental interference into privately owned businesses, lack of

partners (Uzbekistan's main global partners are China, Russia and Turkey, which means diversity in local competition is impoverished) and poor telecommunication.

1.2 The purpose of the research

The purpose of this research is to bring some reliable data about the current business-climate of Uzbekistan, demonstrating and comparing international standards in FDI. Besides, it will analyse previous mistakes of local authorities in negotiation with investors, at the same time, it will offer feasible solutions. It is also expected to investigate some apparent culprits in current laws that appear to be a daunting task for foreign investors in doing-business in Uzbekistan.

On the managerial front, this research is an attempt to solve any future problems that may arise post-investment, it will especially be useful for international joint ventures, foreign indirect investors, and strategic partners. Although above-mentioned cooperation and negotiations have been carried out slowly but surely, in today's world concrete laws and swiftness in business are more important than ever before. And the business potential of Uzbekistan is greater than it appears and can be revolutionized.

1.3 Organization of the research

This research consists of six parts: introduction of research, literature review, research model and hypotheses, methodology, research results, and discussion and conclusion. First, current condition of targeted country is introduced and the object of the research is briefly revealed. The second part demonstrates the definition of each variable studied in the research. After that, introduction of related data, presentation of the hypothesis development and research model appear. The methods of the thesis are presented in four sections including sample and quantitative data collection. The fifth part provides research results. Finally, there are discussions, implications, limitations, directions for future results.

CHAPTER 2: LITERATURE REVIEW

2.1 Literature review

This part will be divided into six sections. Firstly, I will reexplore the history of foreign direct investment from an academic perspective in order to understand what factors may have an impact on FDI. Secondly, I will review the corruption and its forms. the third section is about transparency and its impact on foreign investors. And then I will review Economic freedom of Uzbekistan. Combining both factors, the fifth section is about the linkage of limited partner countries. Finally, I will also review the geographic location of Uzbekistan.

2.2 Foreign direct investment

There is no doubt that the Monopolistic Advantage Theory is a crucial concept, which broke down perceptions under the assumption of perfect competition market. It recommended that the motivation of FDI is to obtain the utmost out of monopolistic advantage, and this sort of advantage could offset all the negative factors because of cross-border competition and liability of foreignness, and help the company gain a higher reputation in foreign countries. This theory not only lays the theoretical foundation of multi-national enterprises (MNEs) and FDI, but also exerts a profound influence on other scholars. Vernon (1966) published his paper with respect to FDI outflows of the United States and product life-cycle model. His research, which provided an academic basis for the United States FDI outflows, was concentrated on opportunity selection of the innovation cycle in the oligopolistic industry, and massively used to make a FDI choice and corporate strategy in terms of mother country and host country. Finally, I cannot stop mentioning John Dunning, who is famous as the father of international business, as well as his Eclectic Paradigm and subsequent reviews. Nowadays, his theory still serves as an instrument on recent researches. Based on their work, of course many researches have been done in Uzbekistan, For example, according to Umar Burkhanov's (Tashkent Financial institute) results of analysis of investment climate in Uzbekistan shows the currency convertibility, lack of transparency, dominant role of government in economy, inefficient judicial mechanisms and diversifications in "strategic" sectors are the obstructions for many potential foreign investors. Currently the government of Uzbekistan is striving against problems of investment climate of country. He concludes that investment in Uzbekistan needs reform further enhancement in the following areas: Institutional reforms focusing on securities, market and corporate governance enhancement, reduction of the role of state in economy, and creating favourable business environment for small business development. Structural reforms towards further diversification and

modernization of the economy with sectoral diversification of attraction of foreign investments. Infrastructure development reforms focusing on regional development.

However, UNCTADs' report is positive regarding Uzbekistan. They claim that during the last three decades there has been a noticeable increase in the country, such as liberalization of the foreign currency market and establishment of various economic zones where taxes low or tax-free for investors, has made the country a more appealing destination for foreign direct and indirect investors. According to their report, FDI inflows increased dramatically in 2019 to USD 2,3 billion, compared to USD 625 million in 2018. Overall FDI stock reached USD 9.5 billion in 2019. FDI traditionally comes from Russia, China, South Korea and Germany, but Canada recently increased its financial input. Investments focus on the energy sector, including alternative/renewable energy in recent years.

2.3 Corruption index

Corruption is a serious economic, social, political, and moral blight, particularly in many emerging nations. It is an issue that affects companies, particularly in international commerce, finance and technology transfer. It is becoming an international phenomenon in scope, substance, and consequences (Argandona, 2007). There are many forms of corruption including bribery, extortion, cronyism, nepotism, parochialism, patronage, influence peddling, graft, and embezzlement any forms of it can negatively affect foreign direct investment. Among them, bribery is viewed as the chief instrument in deterioration of investment processes. The past four decades saw a substantial change in thinking towards corruption in developing countries. However, some policy makers appear to be slow in combating against corruption. And this indirectly affects foreign direct investment. Mauro (1995) has provided econometric analysis and proof of the negative impact of corruption on investment and growth. What he found is that when corruption is widespread individuals do not have initiatives to fight against it even if everybody would be better off without it. More broadly Keefer and Knack (1995) did the research on corruption rate and its effect on national growth and foreign investment. They also showed that weak institutions as manifested in part by the extent of corruption, impede economic growth, preventing from effective investment. The abovementioned researches mainly focused on inappropriate governance and its impacts on investment.

On the other hand, Wei (1997) has attempted the first empirical analysis that poignantly addresses the East Asia puzzle. What he found is that controlling other factors such as the impact of corruption on foreign direct investment, gross domestic products (GDP) are no different in East Asia relative to other countries. The implication is that in East

Asia other factors swamp the negative effect that corruption has on FDI. This offers a possible explanation for why East Asian countries have grown more rapidly despite significantly high levels of corruption. To some extent, similar to Uzbekistan Wei has also found out that there is more to the corruption story than meets the eye. His research suggests that ethnic ties lead to higher flows of FDI and, in particular, that much of the FDI that flows into China comes from overseas Chinese. What this suggests is that informal institutions may be an important omitted variable that affects the nature of corruption and thus its impact on investment. supports the thesis that in East Asia, informal norms bound inseparably with illicit exchanges help enforce intertemporal transactions that facilitate relatively larger inflows of FDI. Why the case is similar? According to Ulster University (Kristian Lasslett) some foreign direct investors are actually Uzbek businesspeople who invest in some lucrative sectors, ranging from cotton cluster, mines to Metallurgy.

2.4 Global economic freedom index

Economic freedom is the independency experienced by individuals within a given society to pursue their interests. It is the liberty to engage and make choices about economic activities and endeavours. Every year heritage.org publishes international research about each country's economic freedom based on in-depth analysis. Economic freedom of Uzbekistan has changed over the past 2 decades. Although there are both positive and negative trends, the overall parameter was on an upward trajectory. Of course, a considerable number of researches have been done about economic freedom in many countries. One of them is Brinda Sooreea-Bheemul study according to his research, there is a strong connection between economic freedom and foreign direct investment in some African countries. Also, Economic freedom is increasingly being considered one of the key drivers of FDI (Hossain, 2016) because it plays a substantial role in creating a positive image about the investment climate of host economies (Berger and Bristow, 2009). Another important factor that determines the economic freedom's role in foreign direct investment inflow is transparency of a host country, the condition of being clear or transparent is transparency. The term transparency of economic policy is a common phrase that relates to the clarity and effectiveness of activities with impact on public policy. In the economic literature, the discussion about transparency has been especially focussed on two key topics—bribery and corruption and on protection of property rights, but the problem is much bigger as we will now discuss. non-transparency also relates to the degree of bureaucratic inefficiency in the government and inappropriate enforcement of the rule of law. Those two factors can pose major barriers to business environment. If the quality of government service is unpredictable, companies' exposure to additional risks is increased. Moreover, their ability to cover against these risks is impeded due to the unpredictable nature of government service. OECD (1997b), for instance, demonstrates that bureaucratic

inefficiency and weak rule of law threaten economic activities by imposing additional costs on economic agents. detentions in licensing, the inability of the courts to draw up contracts and the capricious and arbitrary enforcement of rules and regulations all reduce economic efficiency and effectiveness.

However, Papandroupulos and Seabright (1998) argue in their study of the European competition policy that the Competition Commission of the European Union enjoys high level of discretion with very little transparency. It is perhaps, therefore, not surprising that we have so far witnessed little of international mergers and acquisitions in the European Union. So little transparency does not necessarily mean low inflow of foreign investment if it is discrete and reliable for both sides. But interestingly, according to Rapp's study, Foreign investors require transparent protection of property rights. As we have argued above, investors generally require that their property be protected and that the protection be transparent. Another broad research was done by Devesh Singh. His research focuses on the EF and its impact on FDI with the help of macroeconomic determinants in South Asia, Latin America, Sub Saharan Africa, East Asia, Northern Europe, Southern Europe, Western Europe, Eastern Europe and the Middle East and North Africa. And other Previous literature has extensively examined the relation between EF and FDI significant relation in different economies Sayari, Sari and Hammoudeh (2018) examine the long-run relation between FDI, economic freedom index (EFI) and GDP in thirty European countries from four regions Central Europe, Eastern Europe, Western European. Imtiaz and Bashir (2017) investigate the relation between EF's macroeconomic factors and FDI in South Asian economies.

To some extent, similar to Uzbekistan's case is African countries, Leavell et al (2004) addressed the role of political organizations, efficient markets, level of political corruption, property rights and enforceable contracts in attracting FDI. They put an emphasis on the need

for social, political and economic reforms in many African countries as a precondition to attract more foreign investors, and argued that national pride may lead, however inappropriately, to an opposition to receiving foreign capital. Asiedu (2002) and Haque et al. (1997) contended that countries located in Sub-Saharan Africa are perceived as inherently risky, which likely keeps foreign investors away.

Another in-depth research has been done by Likewise Bengoa and Sanchez-Robles (2003). The interplay between economic freedom, improvement and FDI inflows using a panel data analysis of sample of 18 Latin American countries from 1970 to 1999. They observed that economic freedom remains positive and significant both in fixed- (0.0043) and random-effects (0.0046) regression models deriving similar coefficient magnitudes which imply their robustness. On the other hand, the impact of growth on FDI appears substantial only in fixed-effects model with magnitude of 0.01. Eventually, it is summarized that both economic freedom and growth in host countries generate benefits on FDI inflows only if there is an enough human capital accompanied by economic stability and liberalized markets.

In 2006, Asiedu studied 22 African countries from 1984 to 2000, she did research on the role of natural resources (export of oil, gold and others), government policy (human capital in terms of literacy rate, quality of infrastructure, and inflation rate), market size (income per capita), institutions (rate of corruption and rule of law) and political instability (number of coup, assassinations and revolutions) on FDI in a panel data analysis of 22. She employs Hausman test and finds that the random-effects model generates biased estimators. Preferring the fixed-effects model she exhibits that a unit change in openness of economy alters FDI by 0.20 units when policy variable is proxied with human capital (literacy rate), and by 0.23 units when it is proxied with investment of infrastructure (landline phone penetration) of the country. She noticed that an increase in FDI does not necessarily indicate acceleration in

economic development, because she addresses an empirical correlation of these two in literature as some studies that made augmentations of economic growth with some specific conditions such as when the local country has higher degree of education (Borensztein, 1998); optimal income level (Lund, 2010); or well-established financial markets and regulations.

2.5 Freedom of press

Freedom of the press—the right to report news or circulate opinion without censorship from the government. Nowadays, freedom of press is paid more attention to than ever before, its role has widened, playing a significant role both social and economic life. Most of the countries economies and business sectors are using media to not only deliver their messages to their customers but also essential information in their inner sphere. It is especially true that media plays an important role in showing the host countries economic condition to potential investors one of them is rsf.org which provides annual data about each country globally. They do empirical and in-depth research in every country based on a number of criteria. Many investors use their materials before taking a serious step to invest in target countries. Many researches have been done based on this website. This paper is also expected to import some data from this website.

A number of researchers have done empirical researches, one of them is Graciyal (2018) she focused on not only an economic role of media freedom but also a political role which is considered to be of paramount importance. Other researches include Using the Internet and social media to seek information, including news, has been linked to greater political participation (Kwak, Lee, Park, & Moon, 2010, Shah, Cho, Eveland, & Kwak, 2005). But social media is used for much more than seeking information, due to advancement of technologies social media contributes to new models of citizenship as emerging in younger generations (Bennett, Wells, & Freelon, 2011). What's more Bennett approached to the research from a modern point-of-view. to determine, discover, interpret and formulate research facts. A quantitative research was proposed to find out the freedom of expression in social media. The Questionnaire method was followed for data collection from users for

this study. A total number of 100 respondents were used for data collection. The responses are used for further analysis for the outcome of study objectives by In-depth interview by renowned journalists who are data analysts in finance and economy. They also found that freedom of press has a positive relationship with economic enhancement.

CHAPTER 3: RESEARCH MODEL AND HYPOTHESIS

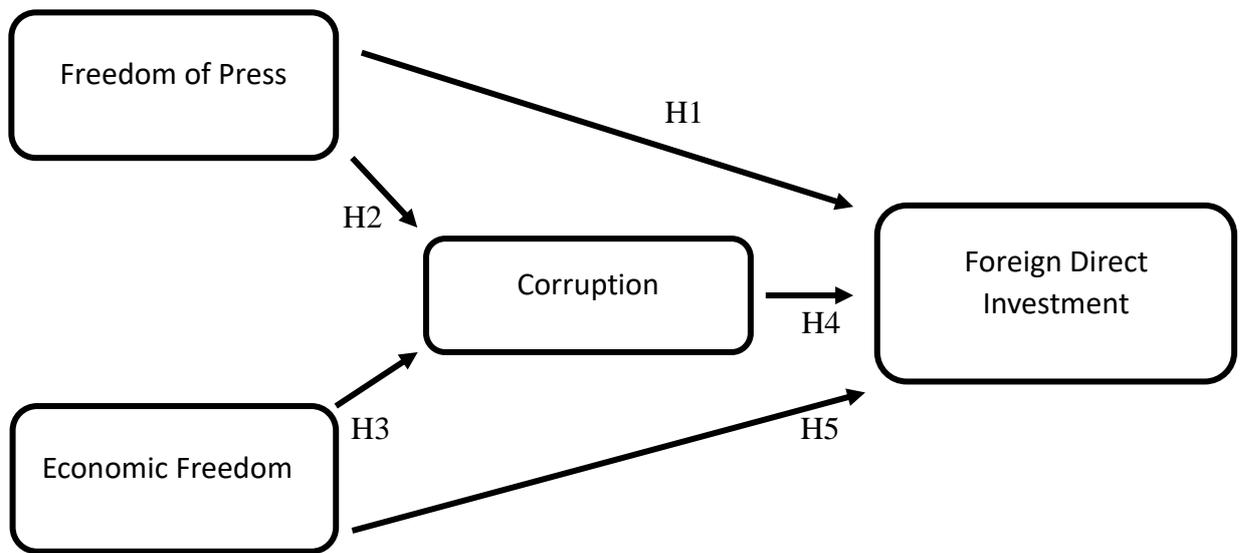
3.1 Research model

The proposed hypotheses in this thesis are mainly based on literature theory, several previous researches, international statistical organizations' data and surveys. Many studies on corruption have been done throughout the world, most of them are orientated towards a specific region or a country. So far, not a single academic research on the corruption of Uzbekistan has been done. In order to approach to the given case properly, readily available data of transparency.org will be used. Combined with the received data, like Pradhan's research analysis (1999), surveys will be carried out among Uzbek segments. Combination of bilateral data is expected to be more reliable and will provide in depth perception. At the same time, freedom of press and its roles in investment attraction will be analysed. Correlations between corruption rate and transparency rate will also be discovered. What's more, I will also find out the negative connection between economic freedom and corruption.

Next, like abovementioned method, transparency of Uzbekistan will be analysed based on Transparency.org's data. Of course, surveys will be conducted among those who felt the indirect effects of low transparency.

Finally, based on global economic freedom index and respondents' reactions to the comparative survey, I will observe direct impacts of economic freedom on foreign direct investment.

The proposed model



3.2 HYPOTHESIS

3.2.1 Freedom of press

Foreign direct investment and freedom of press have a noticeable correlation, and a number of researchers have a proof to present. One of the most international researches is the work of Alam, according to his study, to determine strong causality, joint tests were applied on the three equations for the coefficients of explanatory and the error correction terms. As a result, he received the expected results, press freedom impacts on both economic growth and foreign direct investment. He concludes that as a country's press freedom becomes the more free, the more attractive it becomes for investors. Besides as Lehnert study shows similar figures, "Press freedom in a country contributes positively to what economists would call the 'good' volatility of stock markets. This refers for instance to conditions that make it advantageous for firms to take risks that is necessary to greater economic growth. This is why it should certainly not be understood as an argument to reduce the freedom of press. On the contrary, freedom of press creates more welfare and economic growth, as well as increases investment inflow

Hypothesis 1: Freedom of press negatively impacts on foreign investors' inflow

Freedom of Press, to some extent, serve as the fighter against corruption, Kalenborn (2012) has done an in-depth analysis about democracy, freedom of press and corruption, his theoretical and empirical studies reveal that democracy helps to reduce corruption since corrupt officials can be punished through voting out of office and press freedom makes the probability of detection of corrupt behaviour higher thereby reducing the expected gain from corruption.

To further explore the relationship between free media and corruption, Daniels () conducted a third regression analysis, applying the apparent threshold that was observed in the second regression. In his analysis a fourth explanatory variable was used, “TH2,” which represents the World Wide Press Freedom index for countries that score a 21 or below. Table 4 displays these results. So, the following hypothesis is proposed

Hypothesis 2: there is a negative correlation between freedom of press and corruption.

3.2.2 Corruption

Researches on corruption's impacts on investment inflows have been done both on small-to-large scale. Weak institutions as manifested in part by the extent of corruption, impede economic growth, preventing from effective investment Keefer (1995). Not only this research, but also many researchers have already demonstrated reliable results of negative correlations between corruption rate and foreign direct investment. One of them is Ohlsson (1997), his conclusion is that corruption affects the living standard of the people of a country not only by misallocating productive resources and by its moral effects, but also because it reduces Foreign Direct Investment.

Okpara (2019) used T-test to analyse various different variables' impacts on FDI and concludes that Corruption is both ethically and morally wrong even though some studies including this study have provided statistical evidences and supports for the helping hand theory of corruption on FDI. So, the following hypothesis is proposed

Hypothesis 3: corruption negatively affects foreign direct investment.

3.2.3 Economic freedom

In the context of international economic freedom rate, the relationship between economic freedom and foreign direct investment has already been found out, however, most of the research was done on the global scale. In the case of my hypothesis, we will exclusively focus on Uzbekistan's case. Positive case was supported in Turan (2011) study, he used the data cover a period of 16 years (1990-2005). The country sample includes 15 target countries, including North American countries and African nations. However opposite well-documented facts are also available, one of them is Khun (2018), his method differed widely, and he put an emphasis on the impact of FDI on economic freedom. He used quantitative data analysis about Cambodia (which is to some extent similar to Uzbekistan). To test the relationship between economic growth and FDI, Inflation Rates and Exports variables, they estimated a linear regression model of the following form by using the SPSS with Ordinary Least Squares (OLS) estimator. Another partly similar and interesting research was done Haydaroğlu (2016), he used various control variables that might influence growth and we forecast equation with the whole index of economic freedom and foreign direct investment. they solved the economic freedom into all genres building the index. So, the following hypothesis is proposed

Hypothesis 4: global economic freedom rate has a partial negative impact on FDI.

Not only economic freedom rate is connected to foreign direct investment, but also it has a strong relationship with corruption, according to Kochanova (2002), there was clear correlation between economic freedom and corruption, she found that corruption negatively influences ongoing business, which indirectly prevents business people from effectively doing their business. On the other hand, Ott (2012) has a lit bit different evidence about above case, he approached from a different aspect to investigate

economic freedom. The summary scores are now the averages of the 8 remaining indicators related to institutional qualities. I see a substantial improvement in the convergent validity. The Alpha goes up from .75 to .90. what he found is that economic freedom and economic growth goes hand in hand. So, the following hypothesis is proposed.

Hypothesis 5: global economic freedom rate has a partial negative impact on fdi.

CHAPTER 4: METHODOLOGY

4.1 Data collection

Because this research requires more accurate and meticulous data analyses about each variable and are politically sensitive, data are collected from transparency.org, rsf.org and heritage.org. these sources are more trustable than small-scale surveys and could help carry out a reliable research. As mentioned in the body part, data derived from transparency.org used to reveal a connection between corruption index and foreign direct investment index. Similarly, in order to assess the impact of freedom of speech on foreign direct investment, data gathered and offered by rsf.org are applied. Finally, and equally importantly, one of the most popular and reliable websites that can offer needed information for this research is heritage.org. data of this source is used to evaluate the correlation between economic freedom index and foreign direct investment inflow.

4.2 Model specification

To test the relationship between variables and FDI, I estimated a linear regression model of the following form by using the SPSS with Ordinary Least Squares (OLS) estimator.

$$FDI=C+B1FOP+B2TOC+B3GEFR+e$$

Where:

C = constant term

B1.....B3 = Regression coefficient

FDI = Foreign Direct Investment (dependent variable)

FOP = Freedom of Press

CI = Corruption Index

GEFI = Global Economic Freedom Index

e = error term

Variable	Definition	Reference
FDI	when a company takes controlling ownership in a business entity in another country.	worldbank.org
FOP	the right to publish and disseminate information, thoughts, and opinions without restraint or censorship	rsf.org
CI	Corruption is dishonest behavior by those in positions of power, such as managers or government officials.	Transparency.org
GEFI	Economic freedom is the ability to prosper through the free exercise of economic activity while letting others do the same	Doingbusiness.org

4.3 Measurement

The measures for the constructs are drawn from previous researches and where the same method was applied (Multiple linear regression analysis in SPSS).

CHAPTER 5: DATA ANALYSIS, INTERPRETATION AND RESULTS

5.1 Descriptive statistics

The below findings in Table1 indicate the descriptive statistics of studied variables throughout 2010-2019. The minimum value of corruption index is 16 while the maximum value of corruption index is 74. Moreover, minimum value of foreign direct investment is 0, compared to 74 billion dollars. Another important point to highlight is that freedom of press of these countries reached its most reliable rank, 10 in the international arena, yet maximum value for this trend is 180-which is considered to be the worst in the world.

It must be emphasized that global economic freedom index has rather positive data to show with 41 minimum and 111 maximum, standard deviation for this value is 54.751

Table 1: Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CI	150	16	74	35.11	15.108
FDI	150	.00	69.22	4.2159	9.90733
FOP	150	10	180	104.62	54.751
GEFI	150	41	111	62.65	14.100
Valid N (listwise)	150				

Regression Analysis

The study conducted multiple regression analysis to determine the relationship between Corruption index, Freedom of Press, Global Economic Freedom Index and foreign direct investment in 5 different ex-soviet-union countries. The findings of the study are presented in the tables below.

Table 2: Regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.251 ^a	.063	.044	9.68856

a. Predictors: (Constant), GEFI, CI, FOP

As mentioned above there are three independent variables including Corruption index, Freedom of Press, Global Economic Freedom Index, and these variables accounted for 63% of the variance in the dependent variable.

Table 3: Anova results

ANOVA^{a,b}						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	920.345	3	306.782	3.268	.023 ^c
	Residual	13704.769	146	93.868		
	Total	14625.114	149			

a. Dependent Variable: FDI

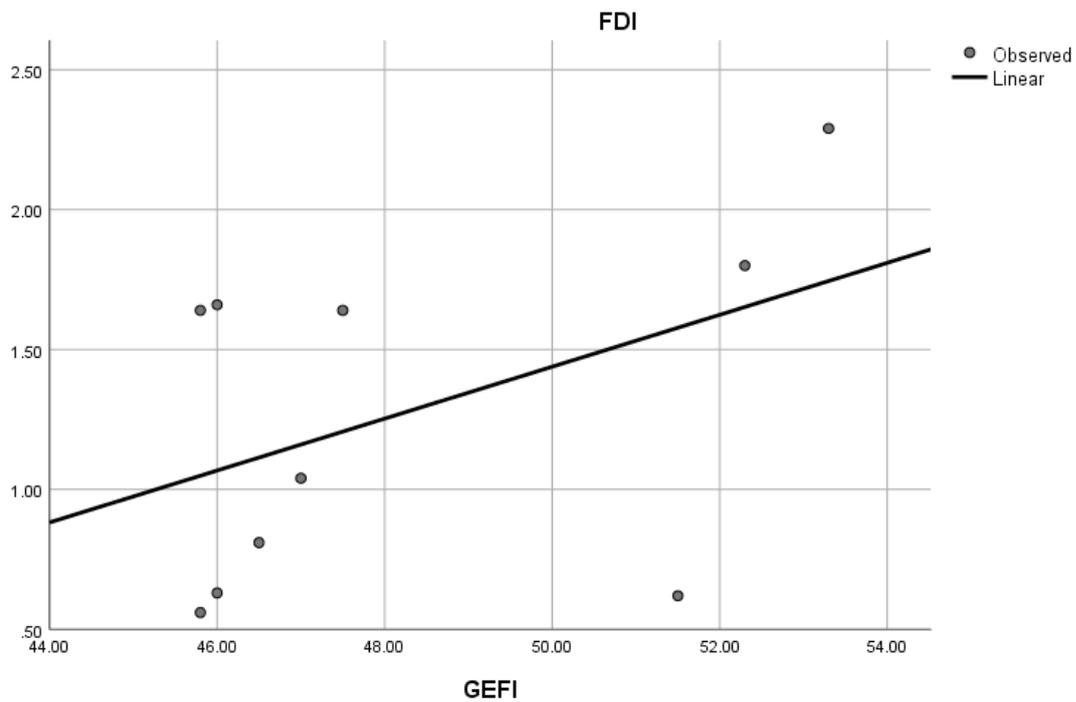
b. Selecting only cases for which VAR00001 = 1.00

c. Predictors: (Constant), GEFI, CI, FOP

I can see the significance in Anova is not that desirable. So, in order to find out reliable correlations between the variables, we apply curve fit regression analysis for each independent variable individually.

Table 4:

Curve fit Parameter estimates FDI is in billion-dollar GEFI is based on 100 score. If the score goes up, it means the country becomes economically independent



Here Y axis is the amount of foreign direct investment and X axis is the index of global economic freedom. It is clear from the graph that despite some fluctuations, the overall trends are upwards. So positive a correlation has been found in curve fit test of GEFI and FDI.

Table 5: Linear regression analysis

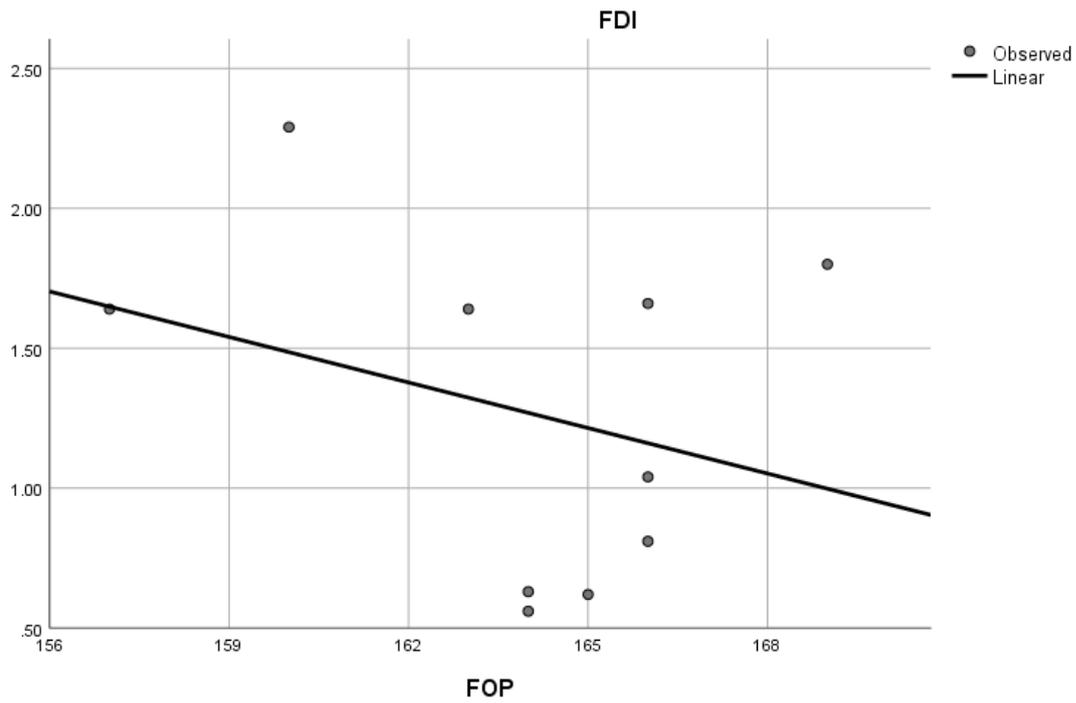
		Coefficients^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	5.049	8.116		.622	.535
	CI	.007	.081	.011	.091	.927
	FOP	.032	.027	.179	1.222	.224
	GEFI	-.072	.076	-.102	-.941	.348

a. Dependent Variable: FDI

Table 6

FDI is in billion

Freedom of Press is the rank of Uzbekistan's media freedom among 186 countries.



Despite some fluctuations, overall, when the global FOP of Uzbekistan increases, its linearity with FDI goes up.

CHAPTER 6: DISCUSSION AND CONCLUSION

6.1 Discussion and Implication

The focus of the thesis is to examine the connection between corruption index, freedom of press, economic freedom of the country and foreign direct investment. This study indicated that over the last 10 years, from 2010 to 2019, all three variables had positive impacts on the inflow of foreign direct investment into Uzbekistan. In fact, corruption free countries are expected to receive more foreign direct investment, this is also the case in Uzbekistan, as the nation took some initiatives to combat against corruption, the role of international investment became greater. It must be emphasized that freedom of press has manifested itself as an effective facilitator in attracting foreign direct investment. Although, in Uzbekistan, freedom of press is not that commendable, there is a strong correlation between FOP and foreign direct investment. It also interesting to note that over the past decade despite a mere increase in Uzbekistan's FOP, it served as bridge in bringing FDI. Finally, and more importantly, economic freedom of Uzbekistan, while corruption free index and freedom of press played an important role in creating desirable condition for international investment in Uzbekistan, economic freedom of this country appeared to be the core stone not only for the implementation of foreign investment, but also for local economy overall.

Consistent with the previous researches, above-mentioned variables revealed positive relationships with FDI. It is noted that economic freedom of Uzbekistan is the main motive in foreign direct investors' willingness to invest in Uzbekistan. Consistent with Nadeem Iqbal (2013) study, curve fit parameter estimates found median changes in GEFI impacted positively FDI inflow. However inconsistent with Khun Sokang (2018) study, the result showed insignificant relationship between economic freedom and foreign direct investment

inflow. But it must be remembered that he conducted the research in another country, and different nations require different economic condition.

In developed countries, corruption is not overlooked in the negotiation process between investors and host countries. Although the case is dissimilar in Uzbekistan, the overall decrease in CI is the increase in FDI as showed in curve fir parameter estimates.

6.2 Limitation and Future research

The study has several limitations. Considering the result shown in ANOVA, the significance did not appear to be as expected. It is also interesting to emphasize that in some years between 2010 and 2019, despite insignificant correlation between FDI and GEFI, in other words, although the general economic freedom index is low in a typical year, the amount of foreign direct investment increased exponentially. However, some authors suggest that the amount of foreign direct investment fluctuates according to the host country's internal and external policies, negotiation between satellite countries and politicians' mood to some extent. Another inexplicable case found in this research is that there are no, or even negative correlations between freedom of press, corruption index and foreign direct investment in some years in the decade.

Limitations associated with some variables that do not appear accordingly throughout the period should be noted. To understand such kind of incomprehensible outcomes in depth, future researchers can be recommended to conduct their research over at least 20 or 30-year period. By doing so more general outcomes are highly probable to occur, which can help to general conclusion about foreign direct investment and its influencers.

Another recommendation to potential future researchers is that they should not depend on solely one country, in other words, including at least 10-50 countries could help find the relationship between variables.

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