Extended Abstract

Purpose

In today's complex and dynamic economic world, uncertainty is one of the important factors that affect economic decisions. Economic uncertainty refers to uncertainty about a country's economic future and the instability of financial, monetary, and trade policies that can affect investment, production, and international trade. One of the areas that is heavily affected by these uncertainties is foreign direct investment. The importance of examining the impact of uncertainty on foreign direct investment is important because a detailed understanding of this relationship can help policymakers to reduce economic uncertainties and stabilize markets, improve the situation of foreign direct investment, and increase the economic competitiveness of countries. The structure of the article is also organized as follows: In the second section, theoretical foundations are presented, including theories and results of empirical studies conducted on the subject. In the third section, the model, research method, and tests used are stated. The fourth section is devoted to the results of the tests and estimation of the model. The fifth section presents a summary and conclusion.

Methodology

In this article, in a complementary manner and in line with these studies, the effects of economic uncertainty on foreign direct investment in selected developing countries are examined using the Panel VAR model for the period 1992-2022.The results of Table 5 for the model show that the prediction error in the first period was 0.3 and in the second period 0.33 and increased over time. The next columns show the percentage of variance due to a sudden change or a specific impulse. The third column shows that although 100 percent of the changes in the first period and 97.74 percent of the changes in the second period were due to foreign direct investment impulses, in the fourth period the changes in this index were 97.08 percent related to foreign direct investment impulses, 0.43 percent related to population impulses, 0.04 percent related to natural resource abundance impulses, 0.71 percent related to per capita income impulses, 0.59 percent related to economic freedom impulses and 1.13 related to economic uncertainty impulses. Among the variables in the model; The economic freedom shock, the economic uncertainty shock, the population shock, the per capita income shock, and the natural resource abundance shock, respectively, accounted for the highest percentage of explanatory power of the model changes during the period under study, which is fully justified for the economies of the selected developing countries that were analyzed in general.

Finding

The results of the PVAR model estimation show that the uncertainty of the global economy on foreign direct investment is on a downward trend for the first two periods, and then in the lower part, it continues its downward trend

until the period and finally fades towards zero in the long run. Uncertainty cannot be completely eliminated, but it is possible to minimize it through some adjustments in policy regimes. As mentioned in the theoretical foundations, economic uncertainty in recent decades has its roots in the financial and currency crisis that has occurred for various reasons. Countries that experience this crisis witness a continuous current account deficit, an increase in the value of imports compared to the net income from exports of goods and services in the country due to a decrease in the value of exports after the devaluation of their domestic currency. The important point here is that a set of different factors can underlie these crises in the country and these factors require a period of several years to resolve. The results of the PVAR model estimate show that the impulses from per capita income, abundance of natural resources, economic freedom, and population on foreign direct investment follow an upward trend and then a downward trend for the first two periods, and finally fade to zero in the long run. Reducing trade restrictions on the one hand and expanding economic freedom on the other can be an effective step towards making foreign direct investment positive. Because with economic liberalization and, in parallel, adopting policies consistent with the trade liberalization policy, high growth in the economy can be achieved. In this way, existing capacities and capabilities are optimally used, and resources and factors of production are used with maximum efficiency in production. Also, an active link with the global economy and boosting foreign trade should be made by reviewing and amending the Investment Regulations Law, the Customs Affairs Law, and the Foreign Direct Investment Zones Law.

Conclusion

On the other hand, creating economic security and a safe environment for investment, expanding and diversifying financial markets and institutions, moving towards an open economy and utilizing foreign investment, and transforming capital market regulations with the aim of transparency and stability to increase savings and investment can pave the way for increasing foreign investment and production in countries.