

DETERMINANTS OF FOREIGN DIRECT INVESTMENTS IN MACEDONIA

Leona Mileva³⁹⁰

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ABSTRACT: *Many developing countries, including Macedonia, have been struggling for decades and trying to achieve higher economic growth, lower unemployment rate, and better competition. In this context, promoting Foreign Direct Investments (FDI) is the main instrument for overcoming the barriers that the country faces. FDI's increase productivity, innovation transfer, technological knowledge and in the same time decreasing the unemployment rate of the host country. Currently, in Macedonia there are many FDI's, operating in fourteen technical industrial development zones. The users are*

given a range of benefits in different forms; tax and customs exemptions, direct state aid for construction of facilities, as well as assistance in the part of salaries for the employees. Thus, Macedonia is a more competitive investment destination in the region.

This research aim to investigate the effects and role of FDI for Macedonian economy. In particular, it is expected to enlighten the costs and benefits driven by the FDI in Macedonia, and the impact that FDI have over the Macedonian economy. This will stimulate further creation of public policies.

Moreover, this research will be investigated using the dataset for Macedonian FDI in a period 2010-2017, actually the quantitative method from secondary data will be used.

The analysis would give better picture for FDI in Macedonia and their direction, as well the indication of whether something is changing and improving though the time in terms of FDI. Additionally, whether Macedonia is getting more benefit than cost from the FDI would also be analyzed through this data. The analysis on FDI in Macedonia would be done based on an established model. There are large numbers of variables or determinants that can be used in order to explain FDI. The model that will be used in the research project links developments in market size, inflation, labor cost, country openness, political risk, infrastructure and tax with the FDI in Macedonia.

We intend to reveal whether the government policies aiming to attract FDI, provide sufficient benefits rather than costs in terms of employment, export, economic growth or taxes, in the same time analysing the main determinants of FDI in the country. Usually, projects related to government policy issues as well projects related to the budgetary resources spending are facing obstacles.

The findings are expected to provide relevant information for the institutions in Macedonia as well for the policy makers. It can be said that the FDI's influence the country Gross Domestic Product only in the period when they are invested and have no influence in the period afterwards.

Key words: *FDI, Macedonia, costs, benefits, growth*

Leona Mileva enrolled in PhD program at University American College Skopje. She has earned her MS degree in the field of international management from International University of Monaco.

She has been involved in a number of research projects and conferences.

Her research interests include foreign direct investments, labor market and human capital.



³⁹⁰ University American College Skopje, Treta Makedonska Brigada nr. 60, Macedonia