

Mico Apostolov*

FDI Uppers and Downers: A Macedonian Case Study

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Abstract: This article examines how foreign direct investments influence the performance and entrepreneurship of domestic firms, a crucial question for economies – especially transition economies – driven by the incursion of global, exogenous factors. This research uses a qualitative research methodology, and specifically a case study method. The country in question is Macedonia, a Southeast European economy. Further, the study is interested in the way foreign direct investments shape the overall business environment. Overall, the results point to the influence of foreign firms in assisting business activity. The impact of foreign investment is, in general, positive, and tends to influence the restructuring process of domestic economy.

Keywords: foreign direct investment, Macedonia, transition economies

1 Introduction

The research examines foreign direct investments in Southeast Europe economies and, in particular, the Republic of Macedonia. Since the beginning of the transition process to a global market economy,¹ foreign direct investments have been a priority, an essential pillar that moves society toward such an economy. Indeed, there are unsettled impressions related to the phenomenon of foreign direct investment related to the transition countries of Southeast Europe. Over the past decade the Republic of Macedonia, a developing country, has tried to attract inward foreign direct investment (FDI), designing policies and incentives that increasingly facilitate the location of multinational companies in the country.

The academic significance of the topic is in determining the factors that influence foreign direct investments, as well as the way FDI spillovers

¹ A transition economy or transitional economy is an economy which is changing from a centrally planned economy to a market economy.

*Corresponding author: Mico Apostolov, UGD, Department of Business Administration – Krste Misirkov b.b. P.O. Box 201 Stip 2000, Macedonia, E-mail: mico.apostolov@ugd.edu.mk