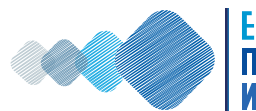


Working Papers



Domestic vs. Foreign Investments in the Republic of Macedonia: Policies for Support and Their Effects

2016 Skopje



**FDI Incentives and Unequal Treatment of Domestic Investors in
Macedonia: Causes and Consequences**

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**Benefits and Costs from Foreign Direct Investments in the
Technological Industrial Development Zones:**

Case: Macedonia in the period 2007-2014

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FDI Incentives and Unequal Treatment of Domestic Investors in Macedonia: Causes and Consequences

Risto Karajkov, Ljupco Despotovski, Marija Suncevska

Introduction

In 2006 with the coming to power of a new right-wing government, the Republic of Macedonia embarked on an aggressive policy for FDI promotion. The country made a stark shift from a previously FDI-inert to an ambitious FDI-promoting policy. The country changed the legislative and institutional framework and began pro-actively seeking foreign investors.

Location incentives are critical part of Macedonia's FDI promotion strategy and they include significant tax holidays, import subsidies, worker benefits subsidies, grants for infrastructure, subsidized construction land, as well as additional incentives. Incentives are offered to new greenfield investors in specific manufacturing sectors. These investors are export-oriented and can be categorized as efficiency-seeking.¹

Incentives are primarily offered to investors located in the technological-industrial zones created by the government, but there have also been cases of investors located outside the zones which have received incentives. The specific amount of the incentive package is considered classified information and it is not available to the public.

The new FDI promotion policy has become a polarizing political issue in the country. The critical issues of contention include the potential benefits of the incentives, the quality of the government-subsidized jobs in the new foreign plants, the lack of transparency in the provision of incentives, and the issue of unequal treatment of foreign and domestic investors.

This analysis will specifically focus on the issue of unequal treatment of foreign and domestic investors, or in other words, the discrimination of domestic investors by favoring inward-FDI through incentives. This issue has, in addition to the issue of measuring of the effects of FDI, been one of the most highlighted in the public debate.

This analysis's specific interest is the extent and the specific dimensions of the argument that domestic investors are subject to unequal treatment by the government's FDI promotion incentives. The argument has been articulated by business representative organizations and it has been taken on by independent or opposition-oriented media, the expert community, and last but not the least, the political parties.

The text will try to explore the specific dimensions of the argument, and how strong this sentiment is in the business community in Macedonia. The analysis will try to explore the additional matter of how typical is this issue to the Macedonian FDI promotion experience. Have other countries with FDI incentives experienced this and in what way? If so, what have been the effects of the debate on the issue or the opposition to the FDI incentives, in particular on the FDI promotion policy?

¹As succinctly presented by Narula & Bellak (2009: 74) "It is generally acknowledged that there are four main motives for foreign investment: 1) to seek natural resources; 2) to seek new markets; 3) to restructure existing foreign production through rationalization; and 4) to seek strategically related created assets. These, in turn, can be broadly divided into two types. The first three represent motives which are primarily asset- exploiting in nature: that is, the investing company's primary purpose is to generate economic rent through the use of its existing firm-specific assets. The last is a case of asset-augmenting activity." According to them, poorer countries are "unlikely to attract much asset-augmenting FDI, but tend to receive FDI that is primarily resource-seeking, market-seeking or efficiency-seeking (Narula & Bellak, 2009: 74).

Methodology

The focus of the analysis is on the Republic of Macedonia. However, the comparative dimension is essential in order to understand the nature of the phenomenon and to consider the policy alternatives based on the international experience. For this purpose, a review of available literature has been conducted with particular focus on the issue of FDI location incentives and its relation to arguments of discrimination of domestic investors.

In addition, a review of media coverage of the same issue has also been conducted. The review of literature has included a broad search of work on FDI incentives and unequal treatment of domestic investors in general, but it has also, in particular, focused on the FDI promotion policies in other transition countries from Central and Eastern Europe (CEE). The media review has also followed this pattern. Whereas there is a tremendous amount of literature available on the FDI promotion experience of the CEE countries, this research has discovered fairly little on the issue of direct interest, that is, the relation of FDI incentives to the unequal treatment of domestic investors. The CEE media review has also revealed little information, in particular due to the fact that little such material can be found online. The language barrier has been an additional constraint. There are nonetheless indications that the issue has in the past received significant media attention in these countries. A more focused research in the media archives in these countries would definitely reveal a lot of material. Such an effort however, is beyond the scope of this analysis.

The approach pursued by the analysis is that of general comparisons with the broader region experiences. This serves primarily to explore potential common characteristics of the FDI incentive experience. In addition, the analysis includes closer comparisons to Serbia, due to the obvious relevant similarities it has with Macedonia. Its current FDI promotion policy also relies on generous location incentives, and the argument of unequal treatment of domestic investors in favor of foreigners is also currently present there.

Most of the data collection effort has focused on Macedonia. An extensive media review has been conducted in order to explore the argument on discrimination of domestic investors. Available domestic literature on the issue has not been identified. In addition, a phone survey of 268 business managers has been conducted in the period 11-18 January 2016. The survey was done on a representative sample of the Macedonian economy, based on the criteria of activity sector, company size, and location. A survey on the same broader topic, but with a different methodology has been identified.² The survey results which are available publicly in a summarized form have been consulted.

The analysis explores in detail the arguments present in the recent Macedonian experience with FDI location incentives. It uses the data conducted from the general review of literature and in particular the data on the regional experience to draw inferences and discuss policy challenges.

² Извештај за анкетата за испитување на јавното мислење за странските директни инвестиции во Македонија, 2015 година, Здружение на млади аналитичари и истражувачи, достапен на: <http://zmai.mk> (не може да се копира целиот линк).

The International Context for FDI Incentives

The key evidence of the discrimination argument proponents in Macedonia is that domestic investors do not get the incentives received by inward-FDI. The government's position is that the normative conditions for incentives qualification are equal for domestic and foreign companies, that is, it argues there is no differential treatment. However, as of present the government has not been able to present a demonstration effect, that is, to show that domestic companies indeed receive equivalent incentives. It is evident that the sentiment of discrimination originates from the provision of the FDI incentives. If there would be no incentives, or they would not be as generous, the feeling of discrimination would not exist. The question then is why does the Macedonian government offer such favorable incentives? Is it a whim, which is not uncommon in policy decisions in Macedonia, a matter of erred estimate, or a carefully considered policy?

Given the general absence of informed, evidence-based public debate in the country, especially over the last decade, during the VMRO-DPMNE led government³, there is no information on how Macedonia developed its FDI promotion policy. It is quite certain that the policy did not emerge from a process of public deliberation. The question then is how did the Macedonian government come up with this model? Is this model of FDI incentives typical to Macedonia, or has the country built it up on the experiences of other countries? This question has indeed long been answered in the literature on FDI, however, given that it is still unanswered in the Macedonian debate, it deserves some attention.

The discussion on the factors for attracting FDI is long-standing and quite broad. For the purpose of this analysis two broad provisional views can be discerned. The first and the dominant one, discusses these factors in the more neutral terms of economic fundamentals and good business environment. Whereas this stream acknowledges the importance of FDI incentives, it perceives them as a smaller part of the FDI promoting process. Its emphasis is on overall sound economic policies and good governance.

The other view has a specific focus on government incentives for FDI. It has a political-economy approach and it considers incentives to be a critical part of the FDI promotion agenda and a major factor influencing multinationals' investment location choices.

According to this view, recent decades have witnessed an increasing international competition for FDI. There is evidence that demonstrates that FDI incentives dynamics between countries have become a sort of "bidding wars", which is the term used in the literature. The term "race to the bottom" is also frequently used in this discussion, used to indicate that governments commonly bid for the investment among each other. The location incentives represent the key weapon in these "locational tournaments".

Countries differ based on their preference for incentives types they offer. For example, it has been noted that CEE countries in the 1990s preferred tax incentives, compared to EU members states which more strongly relied on grants, the reason being the smaller budget capacity of the former (Dreyhaupt, 2006:105). This is noted as a general difference between richer and poorer countries (UNIDO, 2003:8). The bottom line nonetheless is that the FDI incentives are the key mechanism competitor countries use in the process of attracting inward-FDI. A number of authors have pointed out to this increasing competition over the past few decades (Dreyhaupt, 2006; Oxelheim & Ghauri, 2004;Gurtner & Christiansen, 2008).

³Over the last period Macedonia has marked a significant decline in the democracy and political freedom rankings produced by major global watch-dog organizations. In the same period the country has marked a steep rise in some of the major rankings of the business environment

The competition takes place at several levels. First, there is a global-level competition to attract FDI to a certain part of the world. Second, there is an intra-regional competition between the countries of a particular region, which usually takes place after the investor has decided to screen or invest in the region. Third, there is a sub-national level competition between federal states, regions, cities, or local governments within countries (Dreyhaupt, 2006: 98).

One dimension of the increasing competition is the rising number of contestants. Emerging economies have increasingly entered the game. Industrialized countries have also been noted to take part in the FDI competition. Countries which have had a protectionist policy in the past have become FDI-friendly. Cases in point are countries such as Sweden and France which have created strong investment promotion agencies (Dreyhaupt, 2006:103).

A key dimension of the increasing competition is the rising incentives offered to foreign investors. This phenomenon has been documented and analyzed by a number of studies. The amounts of location incentives offered to foreign investors have multiplied over the last few decades (Dreyhaupt, 2006; Oxelheim & Ghauri, 2004). Different aspects of this phenomenon have been subject to attention. Some authors have pointed out the new-learned bargaining behavior of foreign investors which play governments against each other and seek higher incentives from competitor governments even after they have made the investment location decision. This is considered by some authors as a typical rent-seeking behavior (Thomas, 2011:2). The trend of overpaying for the investment as part of the bidding war between countries or regions has been noted. According to some studies, emerging economies end up paying more for the investment than industrial countries. According to the same view, EU member states pay less due to the EU regional aid regulation which limits the amounts of incentives which can be provided (Thomas, 2011:2). However, the major trend observed is the exponential rise of location incentives over the past 3 decades.⁴

Table 1 in Annex 1 presents data on FDI incentives in selected FDI projects in several industries where the FDI competition is considered very fierce. It should be noted that not all industries have such strong FDI competition.

There is strong indication that governments which decide to enter the FDI race have to accept the fact that location incentives are an important part of the process. There is, of course, the well-known argument that the general business environment is of greater importance. However, this may be an over-generalization, as different types of FDI have different preferences. According to UNIDO, for market-seeking projects, the market size and the policies that regulate it are an important factor in the investment decision. This, however, has lesser importance for efficiency-seeking, export-oriented FDI, which is specifically the type of inward-FDI Macedonia is promoting. The UNIDO study notes that “the policy environment is of paramount importance in a country with a sizeable local market and substantial natural resources. For countries with smaller markets and fewer natural resources, an active and focused investment promotion strategy is important as is having an effective Investment Promotion Agency (IPA) to implement the strategy (2003:7).”

⁴ A few examples from literature can be provided. Noting that most of the competition takes place between countries in a specific region, and even at sub-national level, Dreyhaupt (2006:97) points the case of the competition for a new BMW plant in 2001, when over 250 locations in Europe competed for the investment worth estimated USD 860 million and around 5,500 jobs. The winner was the city of Leipzig “which provided incentives that reportedly included a 495 acre site for just US 2.23 million, and an estimated USD 244 million from the EU for locating in disadvantage area. Additional assistance related to training and infrastructure was reportedly also made available from local authorities (Dreyhaupt, 2006:98).” The author concludes that the incentives total cost of over USD 45,000 per created job was nonetheless modest compared to “other parts of the world where FDI competition in the automotive industry has reached six-digit numbers such as in Brazil (USD 340,000/job, Mercedes Benz, 1996), India (USD 200,000-420,000/job, Ford, 1997), or the US (USD 166,000/job, Mercedes Benz, 1993).” Dreyhaupt concludes that “compared with the meagre USD 4,000 per job given to Honda as part of the U.S. state incentive package in 1980, the dramatic and excessive upward spiral becomes quite apparent (Dreyhaupt, 2006: 98).” Looking specifically into the FDI race in the EU, Oxelheim & Ghauri (2004) join the argument of an intensive race for FDI among countries, in this case, EU member states. They specifically analyze how the EU’s policies of harmonization among member states affect their FDI promotion. They argue that even “when macro policies are common to all the member countries... tailor- designed selective (aimed at targeted firms) policies emerge in many countries with the aim of attracting inward FDI... governments under pressure will not remain inactive and watch all FDI end up in neighboring countries.... [governments] will find new ways to convince foreign investors to opt for their country... (2004:5)”. They also agree the race has been intensifying and the amounts of FDI location incentives rising over the past decades. The authors analyze the EU state aid regulation whose aim is to prevent unfair competition and argue that a lot of the greenfield FDI in EU member states has been attracted with the help of EU aid (reportedly up to 80% of all the greenfield FDI in Ireland). According to them, FDI competition among EU member states has been intensifying in spite of the EU state aid rules (2004: 18).

The conclusion is the following. There is significant evidence presented by literature that promoting FDI is a highly competitive race which has been intensifying in the past few decades. Location incentive packages are the key instrument of governments in this process. They bid and outbid each other in the attempt to attract foreign investors. The review of the media in Macedonia offers several examples of investors which screened Macedonia but eventually opted for Serbia, or vice versa. This is of course not presented in terms of a bidding war, but the dynamics is not difficult to discern.

In conclusion, the Macedonian policy of generous FDI incentives is not an invention of the Macedonian government. It is acceptance of the rules of the ever more intense race for FDI. Literature and other available data show that the broader CEE region countries which embarked on intensive FDI promotion in the 1990s, as well as countries from the immediate neighborhood such as Serbia which is also in the race, have competed in the same way. The model Macedonia has developed, resting technological-industrial zones, is to a large extent similar with the models of the CEE countries, as well as Serbia.⁵⁶

In a nutshell, governments which decide to opt for a pro-active FDI policy are compelled to provide incentives. The size of the incentives is also dictated by the terms of the race. They need to be sufficient to outbid the competitors. Macedonia is no exception.

FDI Incentives and Unequal Treatment of Domestic Investors in Macedonia

The establishment of this model in the country caused reactions. The reaction which is of particular interest to this analysis rests on the argument of domestic investors discrimination. To the extent that incentives are only provided to foreign investors, it is obvious that domestic companies are discriminated.

The media review indicates that this issue has been articulated by business managers, business representative organizations such as economic chambers, opposition political parties, certain civil society organizations (CSOs) with mandate in economic development policies, and of course the media.

The issue is politically charged with opposition parties criticizing the government for discriminating domestic companies and proposing policies for stronger support to domestic investors when they come to power. The government in turn responds with the argument that the conditions for receiving state aid for greenfield investment are equal for both foreign and domestic companies. In addition, the government's response is that the argument of domestic companies discrimination has been invented by the opposition. It has also suggested that the perception of inequality exists because of the government's high-profile international effort to attract foreign investors, which includes advertisement, road-shows, etc., which in their view is not required for attracting domestic investment since the government is in day-to-day contact with domestic investors⁷. In a nutshell, the government's argument is that the discrimination is ostensible, that it is misperception.

The key argument which has been proposed, in particular by business representatives, rests on the simple observation that the significant incentives available for foreign investors entering the technological-industrial zones (TIZs) or sometimes investing outside these zones are not available to domestic investors. The government's response that the conditions are the same for all investors has been overturned by the fact that to date no domestic investors has received incentives⁸. In sum, there is no demonstration that the normative equality is also a substantive one.

⁵⁶Poland's model was centered on such zones. Serbia's current model is also based on free economic zones. Both Poland and Serbia's modes have involved use of tax holidays, and grants.

⁷See for example: Груевски: Дискриминацијата на домашните инвеститори е измислица на СДСМ, 30 August 2015, Фокус, available at <http://fokus.mk/gruevski-diskriminatsijata-na-domashnite-investitori-e-izmislicata-na-sdsm/>

⁸The first company to enter a technological-industrial zone was announced at the time of writing this text.

Immediately afterwards the entry of a second domestic company was announced. See for example: Хајтек прва македонска компанија во Бунардзих, 25 December 2015, Телма, available at <http://telma.com.mk/vesti/haitek-prva-makedonska-kompanija-vo-bunardzhik>, Технопласт е втората македонска компанија која ќе инвестира во Бунардзих, 29 December 2015, Е-магазин, available at <http://emagazin.mk/vesti/17664?title=tehnoplast-e-privata-domashna-kompanija-koja-nje-investira-vo-bunardzhik>

Second, the related argument of discrimination is that the hefty incentives to foreign investors are paid from the pockets of domestic investors. They argue that while they pay all the taxes and labor benefits which fill state coffers, the government uses these resources to give grants to foreign investors, which are in addition exempt from these obligations. An additional argument is that, besides the incentives, the inequality is produced by the much higher effort the government spends on attracting foreign investors, or the much larger attention foreign investors receive. On the opposite end, the argument goes, domestic investors do not get even the simplest support from the government (both national and local) in dealing with day-to-day problems.

The debate has at times been sparked in response to specific developments. One investor declared for foreign media that it has been saved from bankruptcy with subsidies from the Macedonian government, thereby indicating the specific amount of the received incentives. The declaration caused strong reactions in the Macedonian public.⁹ The argument was that the government is bringing in bankrupt companies and saving them at the expense of the domestic business sector.

Arguments present in the media have often associated the effects issue with the discrimination issue. It has been pointed out that despite the subsidies, the level of FDI is still low. It is also indicated, that not all foreign investors are large employers. The latter argument is in response to the government's pro-industrial policy claim that it would gladly support domestic investors offering to open a plant with about 1,000 new jobs¹⁰. Partly in response to this the pro-SME argument has been proposed that 1,000 (domestic) companies creating 10 jobs each is much better for the economy than 10 companies times 1,000 jobs.¹¹

Much of the argument about unequal treatment exists at the general level described. At instances, the argument is combined with descriptive evidence of specific cases of lack of government support for resolving problems businesses face.¹²

An important argument has been that local businesses have to struggle to get even the simplest help from institutions, such as a bus line or a pipeline across the street, whereas foreign investors get all of that for free, as a pre-condition for their choice of location.

The view put forth by local businessmen is that they have to pay a market price for the land, building permits, utilities, energy, and pay all taxes and benefits, whereas the foreign investors get all this at a fraction of the cost or free. In the specific words of one manager, "I can also buy the machines and employ workers, if I get everything for free."¹³

⁹See for example: ПДП: Нема странски инвестиции туку странски компании што нашата влада ги спасува од ликвидација, 9 August 2015, +Инфо, available at <http://plusinfo.mk/vest/36065/pdp-nema-stranski-investicii-tuku-stranski-firmi-shto-nashata-vlada-gi-spasuva-od-likvidacija>.

¹⁰See: ЛП: Во македонската економија треба да важи правилото на еднаквост, 31 August 2015, Фокус, available at <http://fokus.mk/lp-vo-makedonskata-ekonomija-treba-da-vazhi-praviloto-na-ednakvost>.

¹¹ibid

¹²Media reports present the case of one of the largest self-emerged industrial zones in Skopje, the zone in Vizbegovo, at the edge of the city on the road to Kosovo. The companies in the zone have recently formed an association to better represent their interests before the government institutions. Their demands include water-supply and sewerage, urbanistic plan (which is a precondition for installing water-supply and sewerage systems), and a regular bus line, which would help workers get to work. As of mid-2015, they have got the bus line which is actually a very small measure of support. The fact that they had to group into an association in order to be heard is indicative of the lack of attention domestic businesses receive from government institutions. According to the businesses active in the zone, the government has never done anything for the zone which includes some 250 companies. In 2015 the media reported a cleaning action in the zone organized by the City of Skopje. It is probable that the action was a token response to the demands by the companies from the zone. If only at anecdotal level, this case is illustrative in describing the difference in the attention provided to the foreign and the domestic companies. See Petrovski, 19 August 2015, Домашните инвеститори сакаат ист третман како странските, Капитал, available at <http://kapital.mk/domashnite-investitori-sakaat-ist-tretman-kako-stranskite>. Similar examples indicative of the lack of government (no just at central level) attention to the specific problems of the business sector, are shared by other businessmen in the media. According to one manager whose plant is located in another industrial zone in Skopje, Pintia, the zone does not have access to natural gas, even though there is a pipeline practically across the street. On account of this when buying new equipment, they have to orient to machines which use another source of energy, making their production less efficient. See Petrovski, 19 August 2015, Домашните инвеститори сакаат ист третман како странските, Капитал, available at <http://kapital.mk/domashnite-investitori-sakaat-ist-tretman-kako-stranskite>.

¹³ibid

There are several other observations which lend themselves from the media review. First, there is no direct argument against FDI promotion. Whereas there is the argument that the government should stop paying incentives, there is no argument that FDI should stop being promoted. However, there is no evidence-based debate about the link between the two. Along this line, there is actually an argument coming from a smaller opposition party, that by accusing the opposition of having fabricated the “discrimination argument”, the government creates the risk of foreign investors fleeing as soon as power changes hands.¹⁴ The point is that foreign investors might fear hostility from a new government. The argument can be interpreted to indicate a fear of foreign investors leaving, or a desire to have them stay in Macedonia.

Second, there is the argument of ethnic solidarity. An opposition Albanian party has criticized the incentives package given to individual investors on grounds that only a tiny portion of the approximately 600 jobs created were given to the ethnic communities.¹⁵ The issue of equitable ethnic representation and the equitability in public resources allocation are important political issues in the country, and FDI incentives are public money. It is debatable whether the argument is indeed fair or may be smacking of political clientelism. Equitable job allocation in the public sector is one thing. Suggesting ethnic quotas in private sector jobs which have been created with public money is a step further.¹⁶ However, governments do indeed insist on overseeing the quality of the jobs supported by state aid. Serbia's regulation prohibited incentives for jobs with salaries lower than 20% above the national average.¹⁷

The media review presents some of the major arguments and positions in the debate over FDI. However, the presence or the strength of these views in the business community cannot be assessed based on a media review. The review is an exploratory process and it is effective in identifying the different aspects of the debate. It cannot, however, quantify them.

In order to measure these attitudes, a survey of business managers was conducted. The survey was done on a representative sample of Macedonian economy, based on the sector of activity, company size, and location criteria. The sample was slightly adjusted to allow for strong participation of companies with a larger number of employees. A total of 268 senior business managers from 268 different companies were surveyed (allowing for margin of error of +/- 5.97% at a confidence level of 95%). They were asked to provide information on their companies, but also to express their individual attitudes on Macedonia's FDI policy. The survey produced some interesting results (Annex 2).

Business managers overall feel they are informed of the process of FDI promotion in Macedonia (Tab/Chart 7). Around 2/3 of them feel they are either somewhat informed (25%), well-informed (25%), or even very well informed (14.6%) with the process.

Asked if the incentives provided to foreign investors are necessary in order to have them come to Macedonia instead of going to another country, over 1/2 half of the managers say that they agree, of whom 28% agree, and 28.4% fully agree that the incentives are indeed necessary (Tab/Chart 8). About 1/4 of the managers disagree, of whom 10.1% fully disagree with this statement, and 13.1% disagree with it. A fairly modest share of 17.5% do not have a clear position either way and some 3% have said they didn't know or did not provide an answer. In conclusion, the majority of the business managers are inclined to agree that foreign investors incentives are necessary. This is an important finding. Over 1/2 of business managers acknowledge the fact that incentives are the factor necessary to attract investors.

¹⁴ ЛП: Во македонската економија треба да важи правилото на еднаквост, 31 August 2015, Фокус, available at <http://fokus.mk/lp-vo-makedonskata-ekonomija-treba-da-vazhi-praviloto-na-ednakvost>.

¹⁵ ПДП: Нема странски инвестиции туку странски компании што нашата влада ги спасува од ликвидација, 9 August 2015, +Инфо, available at <http://plusinfo.mk/vest/36065/pdp-nema-stranski-investicii-tuku-stranski-firmi-shto-nashata-vlada-gi-spasuva-od-likvidacija>

¹⁶ One should note the claim that private sector jobs (not in incentive-supported companies) are sometimes allocated by political party lines on account of the close links between politics and business.

¹⁷ SIEPA: Strani i domaci ulagaci izjednaceni, 15 September 2013, RTS, available at <http://www.rts.rs/page/stories/sr/story/13/Ekonomija/1395638/SIEPA%3A+Strani+i+doma%C4%87i+ulaga%C4%8Di+izjedna%C4%8Deni.html>

When asked about the politics of subsidizing the business sector in general, whereby the question does not specify if the incentives would be for domestic or foreign companies, there is an overwhelming support. Some 3/4 of business managers agree that subsidies are good for the economy. Entire 48.9% fully agree and additional 25% partially agree that subsidies to business are a good thing for the economy. There is an obvious pro-subsidy, or pro-state aid sentiment in the business sector. Macedonian business managers feel that the government should help the economy through direct subsidies (Tab/Chart 12).

However, when asked if by giving subsidies to foreign investors, the government discriminates local business, almost half of the businesses, or 49.3%, have said that they fully agree with this statement (Tab/Chart 10). Additional 20.9% have said they partially agree. In sum, almost 70% of the businesses have said they feel discriminated. Only around 17% of the business disagreed that this is discrimination. The conclusion is that the feeling of being discriminated is strong in the business sector in Macedonia.

There is an obvious contradiction, which is probably typical of human rational self-interest based behavior. Most of the businesses are in favor of direct government subsidies; a majority of them agree that the subsidies are necessary for promoting FDI, but at the same time also feel discriminated when they are offered only to foreign investors.

At that, around 43% of business managers feel that the government policy for FDI promotion has started to produce effects, of which 26.9% said they agreed with this statement, and 16.4% said they fully agreed (Tab/Chart11). Practically, almost half of the business managers feel that the policy has produced good effects. On the other side of the pendulum, around 28% of business managers disagreed the policy has to date produced good effects, of whom 14.9% fully disagreed, and 13.4% disagreed. On this specific question over 1/4 of the surveyed managers (26.1%) have chosen not to have a clear position, for the obvious reason – its political controversiality. The conclusion on this specific issue is that a larger part of business managers feel that the incentives for foreign investors policy has started to produce effects.

The conclusion is that even though the feeling of being discriminated is strong among business managers, many of them agree that foreign investors incentives are necessary.

The feeling of discrimination is fueled by the fact that incentives are only given to foreign investors. It is of course clear that providing to a broad range of domestic companies the amount of subsidies given to foreign investors is not possible. The solution hence is to equalize the conditions under which the domestic and foreign investors can get the subsidies. This would, in the Macedonian case, mean to allow entry into the technological-industrial zone to domestic companies under the same terms as to foreign ones. Government officials keep repeating that this is the case. The nominal equality is however not sufficient since there is lack of demonstration.

At this point the question posed earlier in the text needs to be revisited. Is the discrimination argument typical of the Macedonian case? What are the experiences of other countries taking part in the FDI race? If the issue of discrimination is a consequence of location incentive policies across countries, how has it affected the policies of other countries?

The review of literature on FDI suggests that the discrimination effect of location incentives has been well-documented. However, it is not a major theme in the FDI discussion. The media review also shows that the discrimination debate takes place or has at times taken place in countries that have pursued FDI promotion.

As noted by a number of studies, the inequality created between foreign and domestic investors in the economy is one clear negative effect of location incentives. The review of the comparative practice indicates that the conditions that governments offer to foreign investors are seldom offered to home businesses. According to Gurtner & Christiansen, “investment incentives are discriminatory in so far as they provide a significant financial advantage to external investors and put local businesses at a disadvantage (2008:7). Oxelheim & Ghauri (2004: 10) also note the negative FDI effect of “discrimination in favor of inward investors.” Literature notes that in most cases the government makes the effort to provide the semblance of nominally equal conditions. This is at present the case with the Macedonian government. As noted by Easson, “whilst they may be formally neutral (in that no preference is given to either foreign or domestic investors), in practice [they] benefit only foreign investors, since only they can meet the qualifying conditions. Either the minimum monetary threshold is too high for domestic investors, or the targeted sector is one in which there is no foreign expertise (2004:108).” The same observation is made by Apel (2011), who in describing tax incentives (holidays) in Poland and Hungary in the 1990s notes that “while such tax-incentive packages were formally available to domestic firms, for the most part they were limited to multinational corporations that could afford the initial start-up investment conditions. Apart from the standard legislated conditions, large companies could negotiate even better conditions with local and federal officials on case-by-case basis (2011:72).”

The consequences of this unequal treatment have also been noted. Oman (2000:11) observes that “the distortionary effects of incentives which tend to discriminate against smaller firms, against local firms (de facto, though rarely on a de jure basis) and against firms in sectors or types of activity that are not targeted can be significant.” Related to this he underscores the need to “ensure the accountability of government officials, particularly those involved in the negotiation of discretionary incentive packages”, and points out the need for governments to be able to monitor their own use of incentives (Oman, 2000:12).

Easson argues that “discrimination in favor of foreign investment is likely to cause resentment.” He cites the work of Gray and Jarosz, according to whom the periodic outbursts of anti-foreign sentiments in the CEE in the 1990s have been caused by the privileged treatment of foreign investors. He notes this could also lead to regional political tensions (Easson, 2004:109). In earlier work done together with Zolt, he notes the possible consequences of the discrimination of domestic investors which “...distorts competition... [and] may restrict the growth of domestic enterprises, or even prevent the development of a domestic sector” (Easson & Zolt, 2003:10).

Literature indicates that location incentives for FDI can become a polarizing political issue on the national political agenda, particularly because of the discrimination argument. Easson notes the case of Slovakia whose government had to retract the plan for a new 10-year tax holiday for foreign investors in 2000, “following opposition protests that domestic companies would not be able to compete”. He also refers to the results of a 2002 poll in the Czech Republic which had found 52% of Czech citizens thinking that foreign companies enjoy better work conditions than domestic ones (Easson, 2004:109). However, as Apel (2011: 75) notes, in the Czech Republic in the 1990s, the center- left which provided large tax incentives to foreign investors, managed to prevent an effort from the right-wing opposition to end the incentive program on grounds of discrimination of smaller domestic companies. In the past 10 years Serbia went from providing generous job subsidies to investors, to canceling the subsidies and then back to re-introducing them.¹⁸

¹⁸ Laketic, M 05 May 2015, Vlada se vratila Dinkicevim subvencijama, Istinomer, available at <http://www.istinomer.rs/clanak/1121/Vlada-se-vratila-Dinkicevim-subvencijama>

It is evident from the review of literature that the political dynamics which surrounds the FDI incentives process in Macedonia is a phenomenon found across countries. The evidence also suggests that the outcome of the national political competition can also change the course of a country's FDI incentives policy. In turn, political parties are compelled to take positions on the issue of FDI incentives in response to the reactions by the domestic business community.

The review of the FDI debate in neighboring Serbia at present reveals a similar dynamic. The argument of domestic businesses discrimination is present in the public debate. High government officials have at times taken opposing stances in the debate and called for an end to the domestic companies discrimination.¹⁹ There are however two differences which can be observed. First, based solely on the media review, there appears to be stronger transparency in the process of subsidies awarding in Serbia compared to Macedonia. It is a common practice for media articles to report the specific amount of subsidies which an individual investor has received. This is not the case in Macedonia where media reports use scarce indirect data and speculate.²⁰ It should not be understood however that the location incentives in Serbia are completely transparent. There has been at periods (usually after changes in government) intense criticism of the lack of process and work transparency of the Serbian Investment and Export Promotion Agency (SIEPA).²¹ However, based on the data found in media reports, the impression is that the process is more transparent there. This is an impression based on the qualitative data available and as such it is relevant. A measurement of the views of the business community, based on a consistent methodology, would produce more accurate and comparable results.

Both in Serbia and Macedonia the discrimination argument centers on foreign vs. domestic investors. The anti-corporate multinationals vs. the poor argument is less observed in both countries. But there is another relevant difference. In Serbia, the government has managed to demonstrate (a semblance of) equality in the conditions for receiving subsidies. In response to criticism that the incentives discriminate against domestic investors, it has responded with statistics that the number of domestic companies which have received investment subsidies is actually larger than that of foreign investors.²² The response has received strong media interest. It is this demonstration effect that makes an important difference in the argumentation on domestic investors discrimination. Not all questions have been answered of course, and not all aspects of the process are transparent, but the overall impression is that it is the actual demonstration of equality which subsides the argument of discrimination.

By analogy, the same can be expected in Macedonia at a moment when the number of domestic companies receiving incentives is roughly the same as the number of foreign ones. This process is only just beginning in Macedonia with the recent announcement of the first two companies to enter the zone in Skopje. It is obvious, by its broad advertisement, that the development was used by the government to produce the demonstration effect of equality.

¹⁹ In 2013 President Tomislav Nikolic criticized the job subsidies for foreign investors on grounds of domestic companies discrimination. He said that foreign investors get larger job subsidies. See: Markovic, K, 12 September 2013, Ministar Radulović za "Blic": Ne ukidamo subvencije za investitore, Blic, available at <http://www.blic.rs/vesti/ekonomija/ministar-radulovic-za-blic-ne-ukidamo-subvencije-za-investitore/51w1y8r>.

²⁰ In Macedonia there are no specific figures on the amounts of the various forms of incentives. Some media reports and recent analyses operate with estimates based on indirectly collected data and assumptions. The lack of transparency has been criticized by the media and experts who have suggested that the state aid contracts be made public. A report by the State Auditor (2013) has criticized the lack of transparency of the state aid to foreign investors. There have been repeated calls to the government to make this data public. A look into the experiences of other countries indicates that this is also a common element in the FDI promotion model. The review of literature indicates a pattern. There is evidence emerging from the studies which have looked into this issue that governments are not particularly willing to provide data on FDI incentives. For example, Oxelheim & Ghauri note that in "documenting the incentives, [they] have to rely mainly on anecdotal evidence due to the secret nature of investment packages and agreements between investors and governments (2004: 19)." Specifically focusing on the EU state aid policies, Dreyhaupt (2006:104-105) suggests that EU statistics fudges the data in different ways so that the exact amount of public money spent for location incentives is not known. Looking into the experience of Central and Eastern Europe (CEE) countries, he also finds that incentives are less transparent at a local level; that they are unregistered, and agreed on case-by-case basis. He adds that the same goes for the old member states, but to a lesser extent (2006: 106). Other authors have also given some credit to the EU in this sense. Thomas (2011) suggests that beyond the EU and some states in the US, information on incentives primarily depends on the ability of journalists to report on it. The EU state aid policy framework, designed to prevent unfair competition, is generally considered to have provided a more effective framework for controlling location incentives compared to other developed regions. However, it is not known how much it has succeeded in controlling the FDI incentives race (Oxelheim & Ghauri, 2004: 5). The recent and current investigation of the European Commission into the alleged tax breaks provided by Luxembourg, Ireland, and Belgium to large multinationals, indicates that the incentives race in the EU is still very non-transparent (See for example, Fairless, T 10 June 2014, EU to Investigate Corporate Tax Codes in Ireland, Luxembourg, Netherlands, Wall- Street Journal, State aid: Commission opens formal investigation into Luxembourg's tax treatment of McDonald's, 3 December 2015, European Commission, available at http://europa.eu/rapid/press-release_IP-15-6221_en.htm, Oliver C, Brunden J, and Boland, V, 14 December 2015, Apple's Irish tax Deal Faces Further Scrutiny by Brussels, Financial Times).

²¹ SIEPA davala lazne podatke o subvencijama za radna mesta, 13 November 2013, Kurir, available at <http://www.kurir.rs/siepa-davala-lazne-podatke-o-subvencijama-za-radna-mesta-clanak-1083907>

²² SIEPA: Strani i domaci ulagaci izjednaceni, 15 September 2013, RTS, available at <http://www.rts.rs/page/stories/sr/story/13/Ekonomija/1395638/SIEPA%3A+Strani+i+doma%C4%87i+ulagaci+izjedna%C4%8Di+izjedna%C4%8Deni.html>

The issue remains whether the demonstration effect presents an apparent or substantive equality. The statistics in Serbia appear accurate even though perhaps not all the details are known. Specifically, there was the argument that the subsidy amount per job for foreign investors was larger than for domestic investors²³. With the process in Macedonia being at its very outset, it is yet to be seen whether the domestic companies incentives will be a token or a meaningful adjustment in the policy. The conclusion is that the declaration of de jure equality is not sufficient and that an effective demonstration of real equality is required to subside the feeling of unequal treatment in the domestic business community.

Negative Effects of FDI Incentives

There is an extensive discussion in the academic literature on whether FDI incentives should be provided or not.²⁴ The preceding discussion has shown that the issue is not simple at political level either. In addition to the issue of impact which is the key one in the debate on FDI, it is obvious that the issue of discrimination, or unequal treatment of domestic compared to foreign investors can become an acute political issue. In the case of Macedonia, this issue is mostly discussed at the level of equality between domestic vs. foreign investors. However, as indicated several times, in the international debate there is a broader understanding of the issue of inequality along the axis of multinationals vs. the recipients of public services (with the emphasis being on the poor). In this sense, the negative aspects of FDI incentives relate to the fiscal pressures on the host country, and the consequences of the reduced tax revenue for the provision of public services. This debate is not present in Macedonia.

A few additional potential effects of the location incentives should at this point again be underlined. As already noted, the risk of the incentives race itself is a possible bidding war between countries. Thomas (2011:2) notes that the “bargaining over incentives is characterized by major information asymmetries, leading to the likelihood of a government paying more than needed to attract an investment. Companies often conduct an incentives auction even when they have already made their location decision...” Similarly, Oman (2000: 13) suggests that “the prisoner’s-dilemma nature of competition for FDI creates a permanent risk of costly beggar-thy-neighbor bidding wars and downward pressure on environmental and labour standards.” Along the same line UNCTAD (2002:153) notes the high risk “for host countries attempt[ing] to attract FDI – most particularly export-oriented FDI for which international competition is particularly strong – through incentives and by lowering labour standards, environmental standards or other economic or social standards. This can lead to a race to the top as far as incentives are concerned and a race to the bottom in terms of social benefits for workers.” Finally, there is the risk that the investor relocates once incentives have expired or he has received a better offer. Referring to earlier work by UNIDO (2000), (Gurtner & Christiansen, 2008: 8) note “there are numerous examples of this happening in practice in both developed and developing countries.”

²³ Markovic, K, 12 September 2013, Ministar Radulovic za “Blic”: Ne ukidamo subvencije za investitore, Blic, available at <http://www.blic.rs/vesti/ekonomija/ministar-radulovic-za-blic-ne-ukidamo-subvencije-za-investitore/51w1y8r>.

²⁴ The discussion is broad as it is complex. This debate is closely related to the debate on the FDI effects per se, however they are not one and the same. The debate on location incentives is concerned with issues such as the net benefit of incentives, their necessity, the effects on the tax base and the national business environment, the effects on labor standards and so forth. The debate then distinguishes effects by type of FDI, type and size of host economy and its level of development. Oxelheim & Ghauri suggest that most researchers would agree that the benefit from inward FDI outweighs the cost. However, they relativize the argument by noting that if the amount of incentives per job is too high, this is not the case (2004: 10). According to (Gurtner & Christiansen, 2008:8) who specifically discuss the issue of tax incentives “if the long term gains from these incentives, in the form of job creation, local procurement and tax revenues, exceeds the short term costs, and if tax incentives played a decisive role in attracting the investment in the first place, there is a case for providing incentives. In practice, however, investment decisions are most likely to be based upon key economic criteria, including macroeconomic stability, availability of production inputs, labour productivity, strength of domestic markets, and the absence of institutional barriers....This conclusion does not, however, hold good for investments directed as export oriented production... which is frequently not location-specific and therefore more likely to generate competition between countries.” In essence, Gurtner & Christiansen (2008:8) suggest that “incentives are generally more important for export-oriented projects” than for market-seeking projects

The single most critical effect of the feeling of discrimination in the domestic business community is that it can deter domestic companies from investing. This has emerged very clearly from the review of domestic business managers views presented in the media. Several managers have pointed to the fact that they do not feel like investing in the country when they have to pay for everything, whereas foreigners get the same things for free. A related consequence is the flight of domestic capital. There have been statements by Macedonian managers who said they were considering investing in Serbia where they might even get incentives as foreigners.²⁵ These potential effects of the FDI incentives for inward-FDI are real, measurable, and they deserve specific policy attention. A related phenomenon which has been noted in literature is the so-called round-tripping. According to Easson & Zolt, (2003:10), if “incentives are only available to foreign investors, local firms or individuals can use foreign corporations through which to route their local investments.” This is one of the factors of possible ineffectiveness of the domestic investors discrimination, since they “may engage in 'round-tripping' to disguise domestic investment as coming from foreign sources (Easson & Zolt, 2003:16).” The likelihood of this consequence will depend on a number of specifics, including the type of FDI projects which qualify for incentives. It is nonetheless documented in literature as a relevant consequence of the feeling of discrimination in the domestic business community.

Conclusions and Policy Considerations

The government FDI promotion policy has been a high-profile issue in the public over the past 7-8 years, practically since the onset of the government's campaign. Close to a decade into its implementation, the public interest in the FDI promotion policy remains high. The interest is supported by the government's regular public relations effort in updating the public on developments concerning the arrival of foreign investors and the successes of the process. In response, opposition political parties and opposition media criticize the FDI campaign most often on grounds of insufficient effects, discrimination of domestic investors, and non-transparency. The quality of the jobs created with the FDI incentives has also been a point of criticism. In sum, the government's FDI promotion policy is a highly visible political issue. The government advertises it as a cornerstone of its successful economic growth policies. The opposition criticizes it on the same grounds.

The location incentives provided to foreign investors are the key issue of interest in the public debate. It is clear that if there would be no program of incentives for the foreign investors, the FDI policy would be of lesser interest to the public (as it has been in the period prior to 2006-2007), even though the issue of the other related cost (international advertisement, etc.) would remain.

The central interest of this analysis was to answer the question of why the Macedonian government has embarked on an obviously costly policy of providing generous state aid to foreign investors. The conclusion is that the government was in a sense compelled to do this by the rules of the locational tournament. A fact not discussed in the Macedonian public debate is that the country has joined a fierce international race for FDI. This race is particularly intense in the field of export-oriented FDI that Macedonia is competing for. There is significant evidence from the review of comparative practice presented in literature that countries which decide to promote inward FDI, and especially countries with small markets and fewer resources, have no choice but to accept the rules of the locational tournament. A country can choose to pursue or not pursue a desirable type of FDI (greenfield, export-oriented). But if the decision is to actively pursue FDI, then it has to accept the rules of the FDI race. It is quite clear that for a country such as Macedonia, the FDI incentives are a critical part of the investors' decisions to come and invest. If the country decides to suspend the incentives, it has to accept the fact that the flow of inward FDI, which is anyways small, will further decrease.

²⁵Petrovski, 19 August 2015, *Домашните инвеститори сакаат ист третман како странските*, Капитал, available at <http://kapital.mk/domashnite-investitori-sakaat-ist-tretman-kako-stranskite>.

This is the key policy choice to be considered. It should be noted that this argument about the imperative of FDI incentives is not noticeable in the public debate where the dominant view appears to be that of the good business environment as the foremost factor for FDI promotion. Bringing this argument into the policy debate (which is the aim this paper hoes to contribute to) is thus relevant for considering the policy options.

A key related policy consideration is whether the small and fiscally-constrained Macedonia can effectively compete in this race with larger countries with more resources. This consideration needs to be weighed based on rigorous additional analysis. (Overall, to date there has been rather little analysis on the government's FDI policy beyond the one produced by journalists. Further such analysis is needed). In relation to this, the following consideration emerges: is it worth ending the campaign after almost a decade of investment in it? Is downsizing, for example, a better option?

It is obvious that there are risks to the policy decision to enter the FDI race. The obvious negative effect of this race includes the reduced fiscal capacity for delivering public services. The question is whether the effects of the inward FDI exceed the costs caused by such reduced fiscal capacity. Again, this needs to be decided based on robust measurements of benefits vs. costs. Such measurement should be longitudinal.

The issue of domestic investors discrimination remains a critical point of contention and a polarizing political issue. The preceding sections have shown that the issue is not typical to Macedonia, but that it is a phenomenon that can be observed across countries. The evidence suggests that this issue has the potential to polarize the national political agenda and to require political actors to position themselves on it. The Macedonian case follows this pattern. The survey of the business community has shown a strong feeling of unequal treatment. However, this feeling is combined with an attitude of understanding the necessity of FDI incentives and the feeling that the government's FDI promotion policy has started to show results. It is also evident that the business community is overwhelmingly supportive of state aid, to the extent that it directly benefits from it.

The debate over inequality in Macedonia is directly focused on incentives for foreign investors vs. no incentives for domestic companies. The issue of inequality seen in terms of reduced fiscal capacity to service citizens is not a relevant aspect of the debate.

Evidence from the comparative practice suggests that governments have managed to some extent to counter the discrimination argument by presenting a relevant demonstration of equality which exceeds the rhetorical and normative exercise of providing a *de jure* equality. The effective demonstration of real equality appears to be a key instrument for countering the feeling of discrimination by local businesses.

The reality of the FDI race imposes difficult choices for governments. Literature has noted that such policy challenges "cannot be fully addressed by national governments in the absence of strengthened international policy co-ordination (Oman, 2000: 13). At present such a debate is not present in Macedonia and the pursuing of such a policy objective from a current standpoint seems rather ambitious. Nonetheless, starting a regional forum of discussion on the issue could be a first step in that direction.

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ANNEX 1**Table 1.** Estimated incentives for automotive, electronics, chemicals, and semi-conductor FDI projects - inward FDI (selected projects)

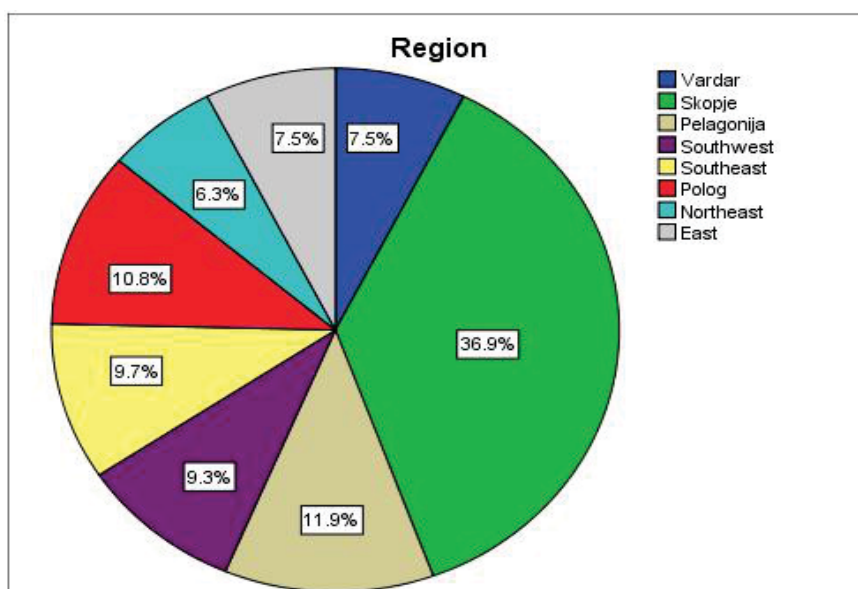
Date of Package	Country of project	Investor	Incentive per job (USD)	New Jobs
1980	United States	Honda	4.000	
1983	United States	Nissan	25.000	1.300
1984	United States	Mazda-Ford	14.000	3.500
1993	United States	Mercedes	170.000	1.500
2000	United States	Honda	105.000	1.500
1991	Portugal	Ford-Volkswagen	255.000	1.900
1993	Hungary	GM	300.000	213
1997	Germany	Volkswagen	180.000	2.300
1995	United Kingdom	Dupont	201.000	100
1996	Germany	Dow	800.000	2.000

Source: (Oxelheim & Ghauri, 2004: 11), based on data compiled from UNCTAD (1995), Moran(1999), Oman (2000), Loewendahl (2001); partially reproduced.

ANNEX 2: Results from survey with business managers

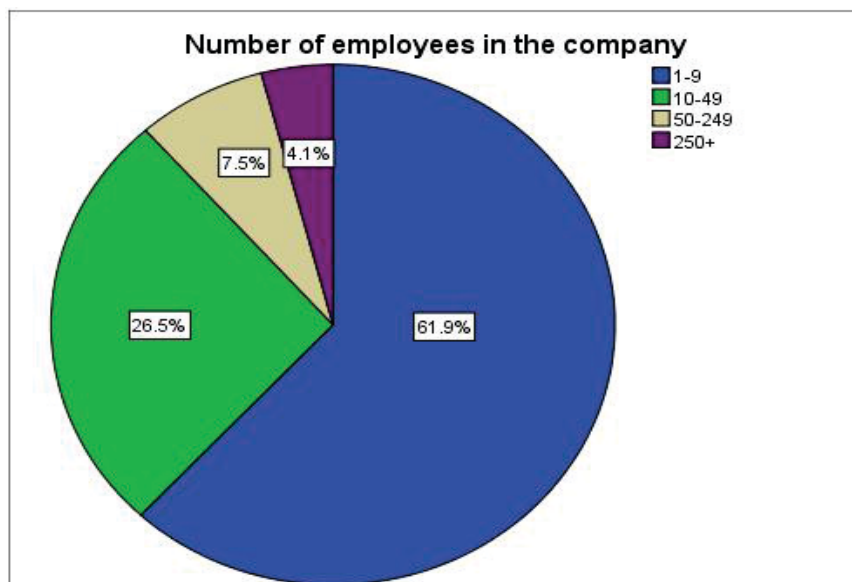
Table/Chart 1. Region

	Frequency	Percent	Valid Percent	Cumulative Percent
Vardar	20	7.5	7.5	7.5
Skopje	99	36.9	36.9	44.4
Pelagonija	32	11.9	11.9	56.3
Southwest	25	9.3	9.3	65.7
Southeast	26	9.7	9.7	75.4
Polog	29	10.8	10.8	86.2
Northeast	17	6.3	6.3	92.5
East	20	7.5	7.5	100.0
Total	268	100.0	100.0	



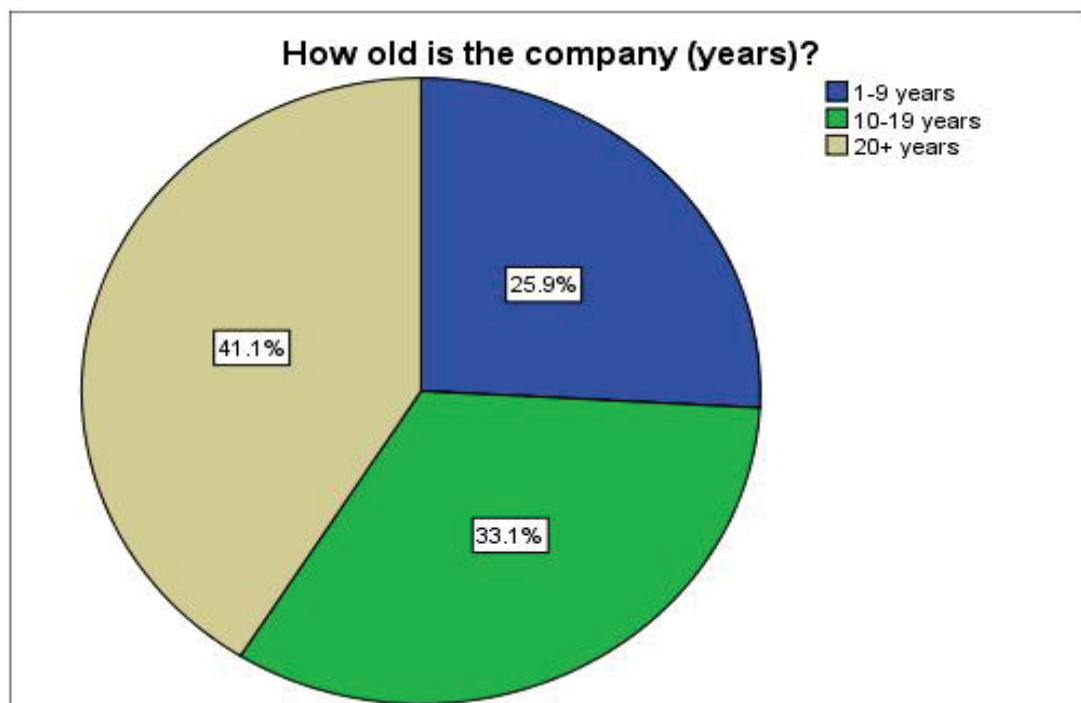
Table/Chart 2. Number of employees in the company

	Frequency	Percent	Valid Percent	Cumulative Percent
1-9	166	61,9	61,9	61,9
10-49	71	26,5	26,5	88,4
50-249	20	7,5	7,5	95,9
250+	11	4,1	4,1	100,0
Total	268	100,0	100,0	



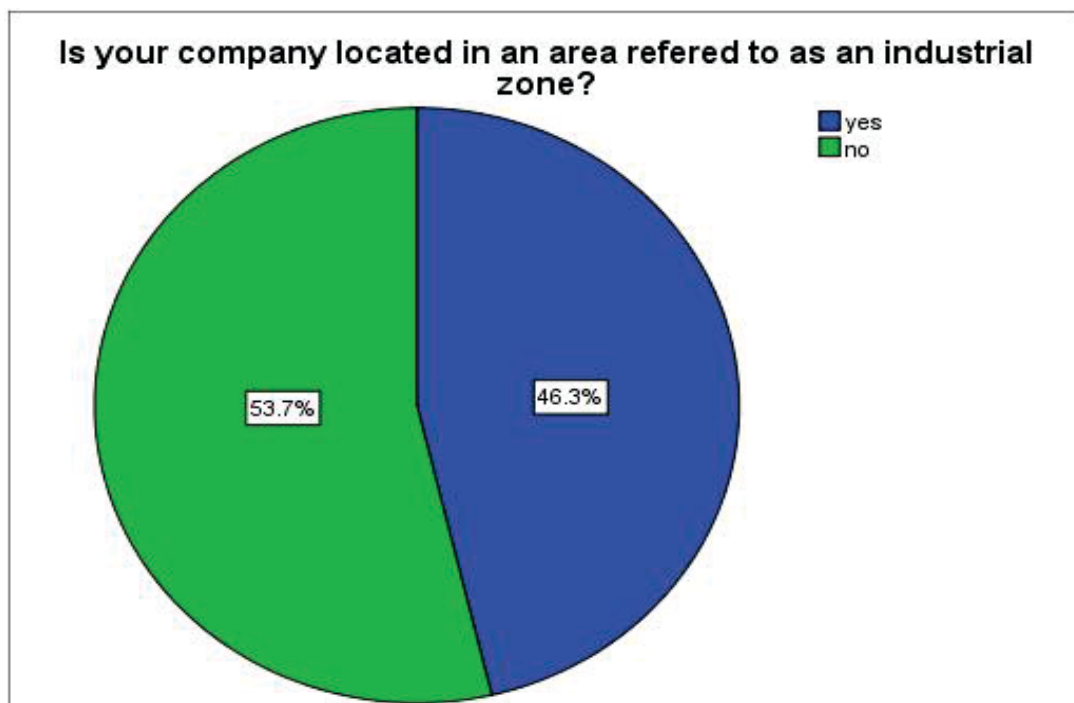
Table/Chart 3. How old is the company (years)?

	Frequency	Percent	Valid Percent	Cumulative Percent
1-9 years	68	25,4	25,9	25,9
10-19 years	87	32,5	33,1	58,9
20+ years	108	40,3	41,1	100,0
Total	263	98,1	100,0	
Missing	5	1,9		
Total	268	100,0		



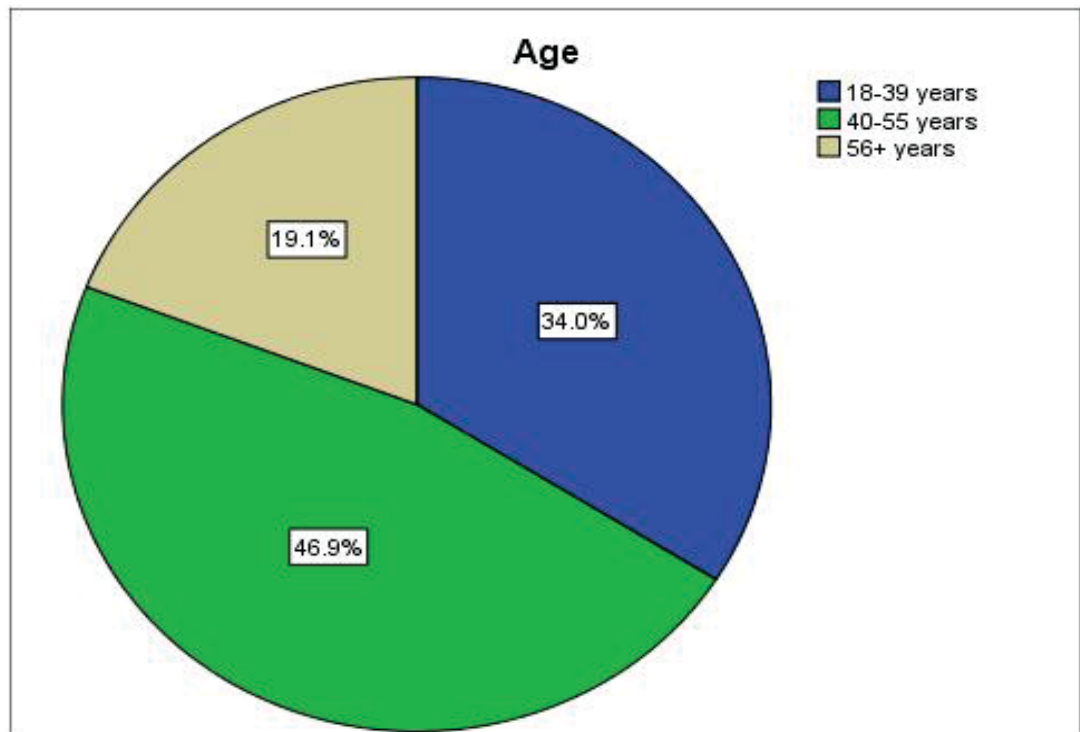
Table/Chart 4. Is your company located in an area referred to as an industrial zone?

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	124	46,3	46,3	46,3
no	144	53,7	53,7	100,0
Total	268	100,0	100,0	



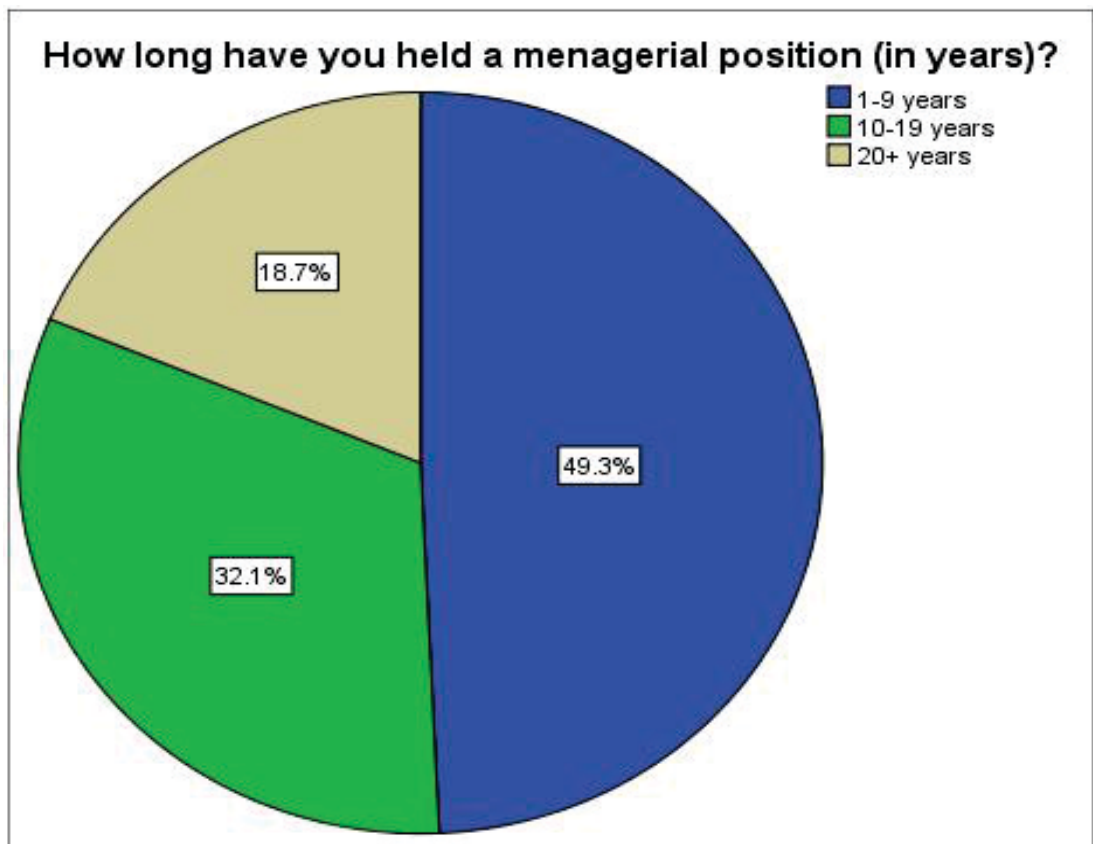
Table/Chart 5. Respondent Age

	Frequency	Percent	Valid Percent	Cumulative Percent
18-39 years	87	32,5	34,0	34,0
40-55 years	120	44,8	46,9	80,9
56+ years	49	18,3	19,1	100,0
Total	256	95,5	100,0	
Missing	12	4,5		
Total	268	100,0		



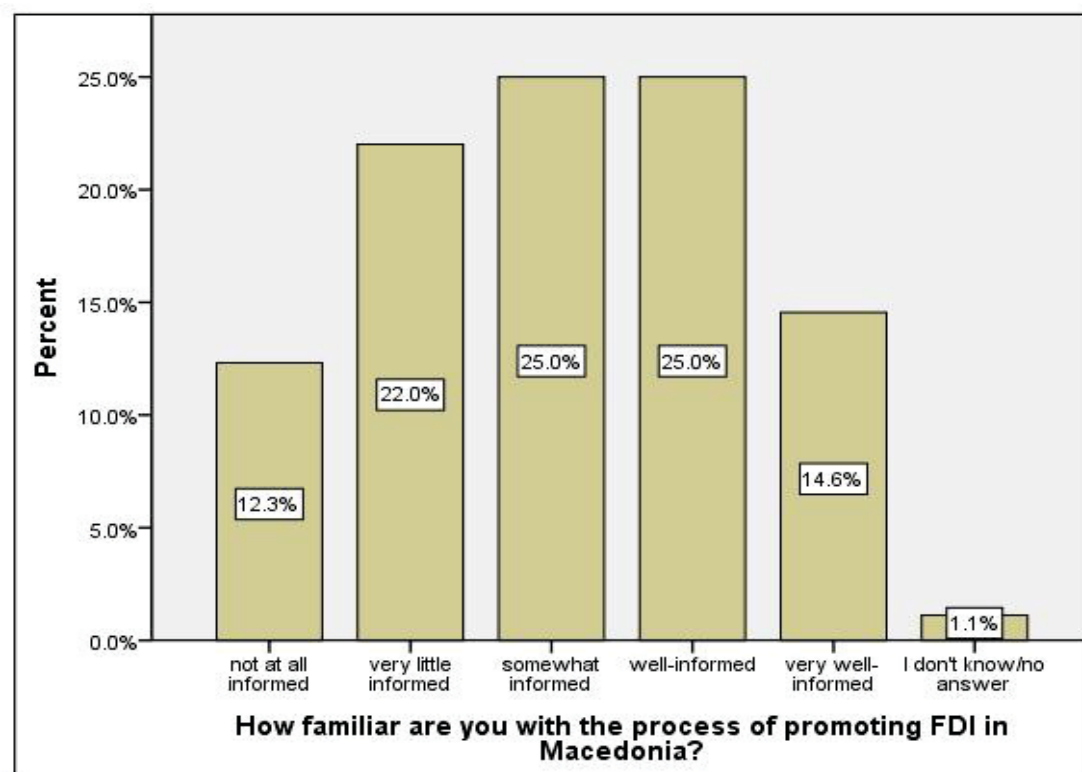
Table/Chart 6. How long have you held a managerial position (in years)?

	Frequency	Percent	Valid Percent	Cumulative Percent
1-9 years	132	49,3	49,3	49,3
10-19 years	86	32,1	32,1	81,3
20+ years	50	18,7	18,7	100,0
Total	268	100,0	100,0	



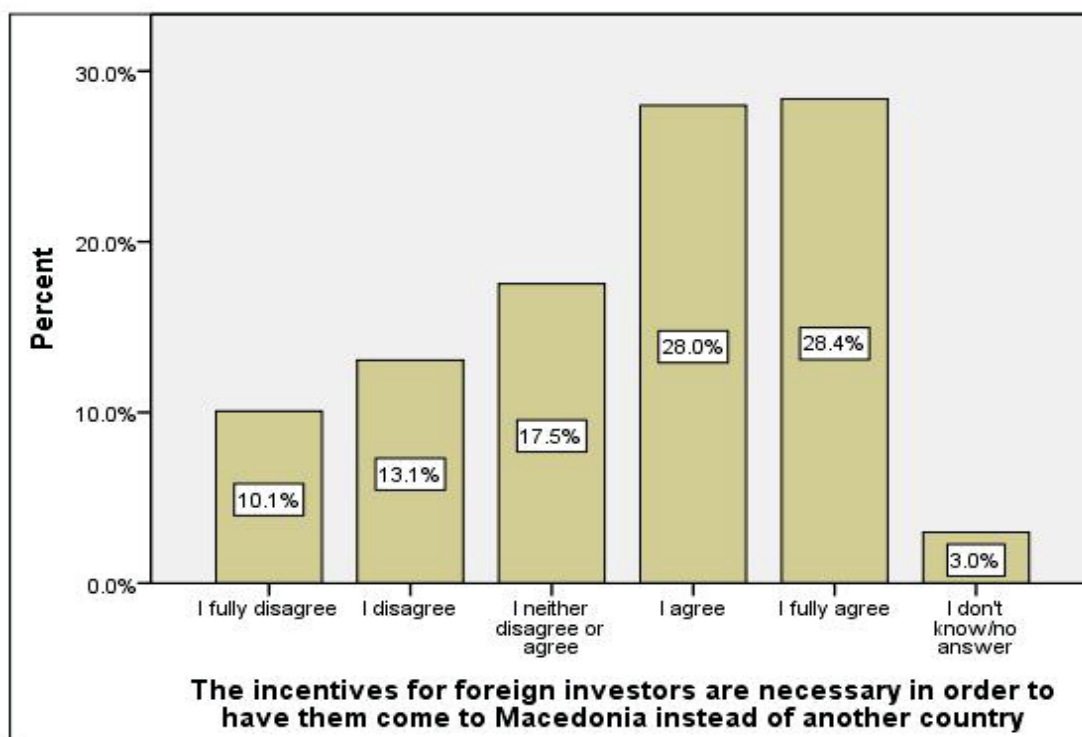
Table/Chart 7. How familiar are you with the process of promoting FDI in Macedonia?

	Frequency	Percent	Valid Percent	Cumulative Percent
not at all informed	33	12,3	12,3	12,3
very little informed	59	22,0	22,0	34,3
somewhat informed	67	25,0	25,0	59,3
well-informed	67	25,0	25,0	84,3
very well-informed	39	14,6	14,6	98,9
I don't know/no answer	3	1,1	1,1	100,0
Total	268	100,0	100,0	



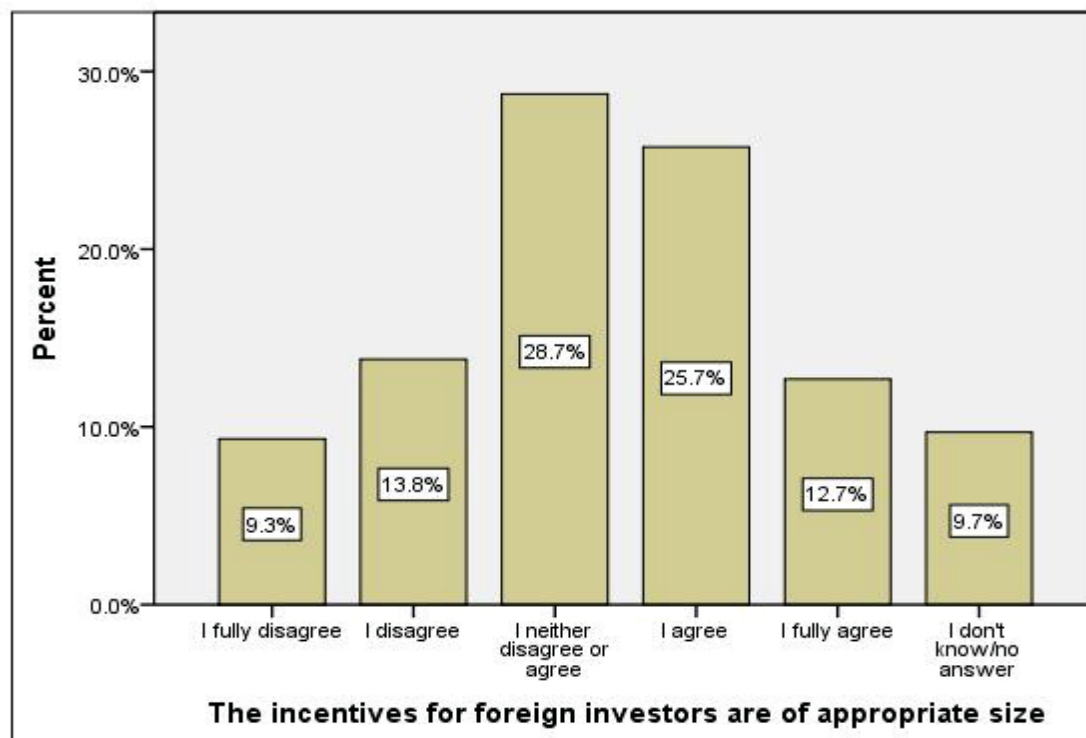
Table/Chart 8. The incentives for foreign investors are necessary in order to have them come to Macedonia instead of another country

	Frequency	Percent	Valid Percent	Cumulative Percent
I fully disagree	27	10,1	10,1	10,1
I disagree	35	13,1	13,1	23,1
I neither disagree or agree	47	17,5	17,5	40,7
I agree	75	28,0	28,0	68,7
I fully agree	76	28,4	28,4	97,0
I don't know/no answer	8	3,0	3,0	100,0
Total	268	100,0	100,0	



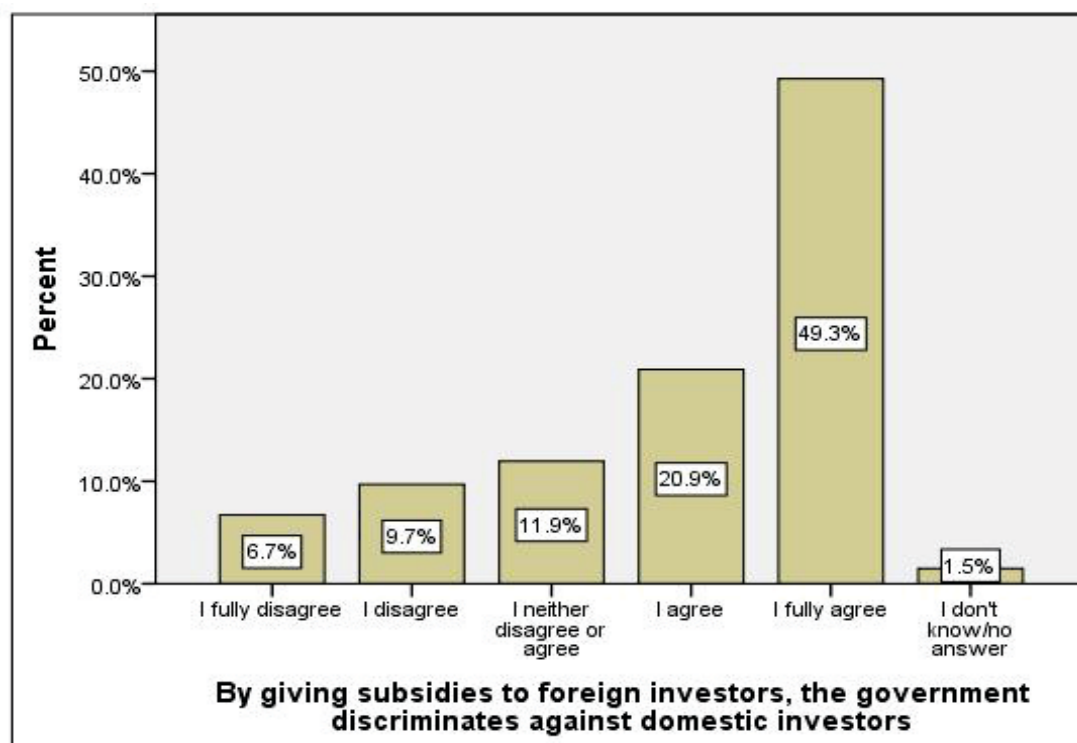
Table/Chart 9. The incentives for foreign investors are of appropriate size

	Frequency	Percent	Valid Percent	Cumulative Percent
I fully disagree	25	9,3	9,3	9,3
I disagree	37	13,8	13,8	23,1
I neither disagree or agree	77	28,7	28,7	51,9
I agree	69	25,7	25,7	77,6
I fully agree	34	12,7	12,7	90,3
I don't know/no answer	26	9,7	9,7	100,0
Total	268	100,0	100,0	



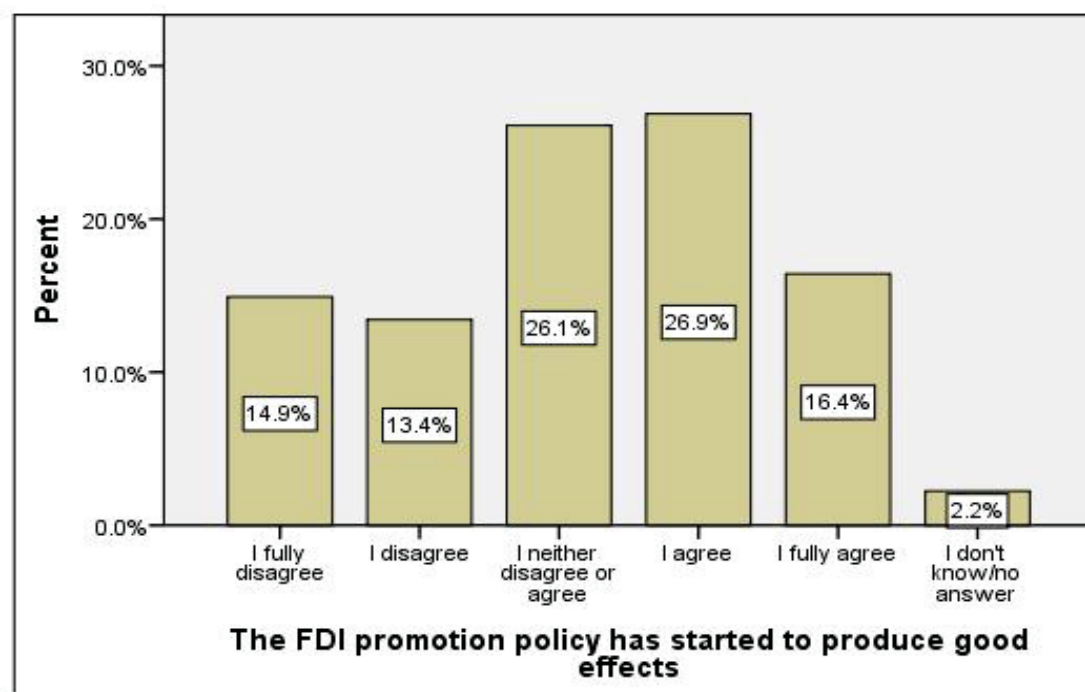
Table/Chart 10. By giving subsidies to foreign investors, the government discriminates against domestic investors

	Frequency	Percent	Valid Percent	Cumulative Percent
I fully disagree	18	6,7	6,7	6,7
I disagree	26	9,7	9,7	16,4
I neither disagree or agree	32	11,9	11,9	28,4
I agree	56	20,9	20,9	49,3
I fully agree	132	49,3	49,3	98,5
I don't know/no answer	4	1,5	1,5	100,0
Total	268	100,0	100,0	



Table/Chart 11. The FDI promotion policy has started to produce good effects

	Frequency	Percent	Valid Percent	Cumulative Percent
I fully disagree	40	14,9	14,9	14,9
I disagree	36	13,4	13,4	28,4
I neither disagree or agree	70	26,1	26,1	54,5
I agree	72	26,9	26,9	81,3
I fully agree	44	16,4	16,4	97,8
I don't know/no answer	6	2,2	2,2	100,0
Total	268	100,0	100,0	



	Frequency	Percent	Valid Percent	Cumulative Percent
I completely disagree	8	3,0	3,0	3,0
I disagree	8	3,0	3,0	6,0
I neither disagree nor agree	36	13,4	13,4	19,4
I partially agree	67	25,0	25,0	44,4
I fully agree	131	48,9	48,9	93,3
I don't know/no answer	18	6,7	6,7	100,0
Total	268	100,0	100,0	

