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ANALITICAL FRAMEWORK OF FDI DETERMINANTS: IMPLEMENTATION OF THE OLI MODEL

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Abstract. *The paper represents the author's attempt to stress the importance of foreign direct investment (FDI) as the key factor of economic development, and basic mechanism of capital flows, more desirable than bank debts or portfolio equity investment.*
The fundamental premise of Dunning's eclectic paradigm or the OLI model is that returns on foreign investment as a basic motive for FDI can be explained by three groups of factors: the ownership advantage of the firm (O), location factors (L), and by internalisation of trasaction costs (I). Since we can assume that foreign investors already posses certain competitive (ownership) advantage, and they are able to internalize transaciton costs, the key remaining factor in decision-making process are the location advantages of the host country. There is a bulk of location determinants, and among them the author especially points out the institutional factors, which derive from the FDI policy regime of a country.

Key Words: *Foreign direct investment, eclectic paradigm, location factors, FDI policy regime, financial incentives.*

INTRODUCTION

Foreign Direct Investment (FDI) is one of the most important factors of economic development in the contemporary world. Today, FDI is a basic mechanism of capital flows in the globalized economy, and the key factor for economic development in many countries.

Foreign investments are of substantial importance for both the host country and foreign investor. For the host country, foreign direct investment contributes to the growth of business activity, increase of export, and employment, as well as to initiation or acceleration of the economic growth and development of the country. FDI is a valuable source of capital, but also an advantageous source of new technologies, technical and managerial know-how, and in this way it represents the source of human capital improvement. Firm specific assets, such as capital, technology, technical, managerial and human resource skills, according to some estimations [1, p. 497-498], are scarce and lacking in the most part of developing countries.

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Apart from the access to global capital market, the benefits from access to goods and services market are also of great importance. FDI serves as a platform for increased export on the global market. In this manner, FDI contributes to additional GDP and economic growth of the host country. According to one study [2, p. 498] "…a rise of one percentage point in the ratio of the stock of FDI to GDP will raise GDP by 0.4%… The rise of 14 percentage points (in developing countries - comment by Stefanovic) implies an improvement in GDP of 5.6%". On the other hand, FDI is also important for foreign investors as a mode of entry, which facilitates acquisition of assets, and management and control of acquired capital. As multinational companies struggle to do their business in the global market, they are enforced to displace their manufacturing capacities close to those markets. They are not interested in foreign markets only to sell their products, but also to buy low cost raw materials, energy, and labour on those markets.

There are different ways to procure foreign capital inflow nowadays. But FDI is considered as the most desirable form of capital inflow to facilitate economic growth of developing countries against other types of foreign capital such as bank debt, portfolio equity investment, loans, etc. [1, p. 498]. Among them, in the author's opinion, the most risky is bank debt because the debtor is obligated to return the loan regardless of income or profit incline. There is also a risk of short maturities or floating interest rates. Similarly, portfolio equity investments, especially with short time horizon, are affected with capital retraction in the case of macro-economic crises, such as currency crises, inflation, banking crises, etc., and those problems give rise to return on investment fail to be as anticipated. According to the study mentioned above [2, p. 499] FDI is the most desirable mode of foreign capital inflow because it "…has a long-time horizon, and is relatively safe because it is harder to withdraw FDI when economic times are difficult. FDI also offers the benefit of risk-sharing with the host country because the cost of capital investment is dependent upon and moves in step with the host country's economic fortunes".

The 1990s were the period of significant growth of FDI in the world, which was initiated by the globalization of the world economy, rapid economic growth of the Southeast Asia countries economies, and transition of Central and East European countries to market economy. But FDI at the global level has decreased from 2000 to 2003, in the context of the decline of the economic growth of the world economy, as well as in the decrease of equity business. However, by 2004 these unfavourable global trends changed, and the growth of FDI is evident, particularly in Asia, and Central and Eastern European countries. There is a doubt that nowadays the world financial and economic crises could also contribute to the decline of FDI inflows, especially from the developed countries, such as the USA or Great Britain for example, which are most affected by the crises.

Hence there is a growing need for access to foreign capital in the developing countries as well as the FDI brings distinct benefits for them, and on the other hand that foreign investors expect high rates of return on investment, one would expect that most of foreign investments flow from the developed to the developing countries. But the facts are quite different. The so-called countries of *triad* – North America, Western Europe, and Japan attract the largest percentage of FDI inflows [by one source more than three quarters of FDI inflows – 1, p. 500]. Although, as we mentioned above, there was a significant growth of FDI to the developing countries, especially to transition countries during the 1990s and early 2000s, prevailing inflows of FDI go only into ten countries – the so-called big *emerging markets*. Among them are China (which in 1994 became the second best destination host by annual FDI inflows, along with the United States), Mexico, Brazil, India, South Africa, and a selected group of Asian countries [1, p. 499].

These recent developments raise the question why such a moderate amount of FDI flows from the developed to the less-developed countries? In order to answer this question one must contemplate two additional questions: 1) what are the determinants of FDI inflow? and 2) Why the largest share of FDI goes to the selected group of developing countries? The first question is a matter of factors that motivate MNCs to invest into a specific country, and the second one is the question of distinct location advantages of these countries, which attract the highest amount of FDI inflows in contemporary world.

The conceptual framework to answer these two questions gives the Dunning's eclectic paradigm, and the so-called OLI model.

1. Dunning's eclectic paradigm and the OLI model

Eclectic paradigm of J.H. Dunning [3], known as the OLI model, has been the most influential framework for empirical investigation of FDI determinants for decades. The paradigm offers a holistic framework to take in consideration all of the important factors that influence the decision of a MNE about going international in production and other operations, which will drive its growth. But because of its generality, as Dunning alone noticed, this paradigm i.e. the OLI model has only limited power to explain specific modes of international production. As some authors accurately noticed [4, p.351], the model is context-specific, and its configuration will depend a lot on the type of the firm, region or country, industry or value-added activity in which the firm operates.

In terms of the Dunning's eclectic paradigm Stoian and Filippaios [4, p.351] cited that the returns to FDI and FDI itself, can be explain by three groups of factors: the ownership advantages of firms (O), which indicate what are the competitive advantages of the firm which is going to do its business internationally; by location factors (L), which explain where MNC is going to produce or do its business; and by internalisation factor (I), which explains why MNC is going to engage in FDI rather than to sell license to a foreign firm or to contract a franchising arrangement.

There are, in contemporary literature, some extensions of the OLI model in an attempt to fully develop conceptual framework and to explain other considerations of MNC during foreign investment decision-making process. Well known are extensions made by Guisinger [5, p. 353] in his "evolved eclectic paradigm". His model has often been defined as OLMA model. There are two distinctions in relation to the OLI model. First, he replaces the "I" group of factors with "M" factors, which stands for the mode of entry. Involving this group of factors in analytical framework allows researches to explain how different determinants affect the decision about the mode of entry in different context of factors' influence that exist in different countries. The second is the adaptation ("A") of the firm's operation to the international business environment that is based on the institutional theory. There is a distinction between domestic and foreign environment, which can govern the decision to invest abroad. Although this insight can better highlight why MNCs decide to invest in specific country or to choose a specific mode of entry, we will introspect determinants of FDI through the OLI model only, and deal with the extended model in future research.

First of all, the theory of FDI expansion is grounded [1, p. 501] on the presumption that some firms have certain specific assets that give them competitive advantage abroad. Competitive or so-called ownership advantage is based on the possession of certain intangible assets, which are needed to undertake international production and to become successful in the international markets. These assets include advanced technology, brand name, marketing skills, logistics, the state-of-the-art management and organization. These assets enable MNC to carry out FDI and to achieve "product/service differentiation", which gives it competitive advantage over competitors abroad. The technological intensity, advanced marketing skills and capabilities, superior brand names, and other intangible advantages bring not only competitive but sometimes even "monopolistic" advantages [4, p. 352] to MNC, which can compensate for the additional costs associated with setting up international production. Domestic producers do not face these costs, and therefore can achieve cost advantage.

Theoretical framework for explaining the ownership advantages of MNCs, as Tarzi accurately observes, derives from the Vernon's product life-cycle theory [1, p.502], and stands for explaining the driving force behind FDI generally. This theory underlines that MNCs have some products and processes, as well as skills and capabilities, such as marketing and management skills, research and development capabilities, which cannot be efficiently exploited in their home market. This holdback can be overcome through investing abroad. But these firms invest not only capital, but also bring their assets such as technologies, know-how, capabilities and skills and other intangible assets, which were designed primary to innovate product for their home market. On the other hand, internationalisation of production due to the leverage of intangible assets enables those MNCs to remain competitive on their home market, too.

The second determinant is the internalisation which explains why MNCs decide to invest abroad and set international production rather than to license or contract franchising agreement. At the core of this variable explanation is a transaction theory, which indicates what the best manner to transfer ownership advantages, as they were explained above, is internationally. The internalisation of competitive (ownership) advantages occurs when the international market is not the best modality for transaction of intermediate products and services [4, p. 352]. It is better for MNC to transfer its ownership advantages through investing abroad than by selling it to other company via licensing or franchising contract, for example. The choice is actually between investing abroad and making licensing or franchising arrangement with a local firm in order to exploit "O" advantages poses by MNC. The answer to this question depends on perceived costs of market failure. The greater the perceived costs of market failure are, the more likely it is that MNC is going to internalise their competitive (ownership) advantages through foreign direct investment. A MNC must be able to internalise transaction costs, regardless of the mode by which it undertakes FDI operations, namely through a joint venture, by setting up a wholly-owned subsidiary, or by acquisition of an existing company.

The third determinant in the OLI model is concerned with questions where to start international production. Although in this theoretical framework the location advantages are treated independently from competitive/ownership advantages, the decision where to invest internationally is not independent of ownership advantages [4, p. 352]. In order to connect these two groups of factors, Stoian and Filippaios differentiate between firm-specific ownership advantages that can be exploit at different locations, and those that are result of interacting with firms and institutions in a local environment. This aspect is influenced by the theory of learning experience curve. Some of the (dis)advantages of local environment can be overcome/annul owing learning experience effects, which also give rise to first mover advantage. Since most foreign investors who expand their production/activities internationally have some ownership and internalisation advantages, the key remaining determinant are the location advantages of the host country.

There are varieties of location advantages of the host country which can attract MNC to invest, including cheap labour or other resources, proximity of a specific market, its size, geographical factors or public intervention, tax and exchange rate policies, etc. Nowadays, this location factors explanation is expanding to incorporate institutional theory acknowledge in order to comprehend all potential determinants. These determinants are not only firm but also country specific, and explain why certain locations attract more FDI than other. Of course, it is in the best interest of the local government to attract bigger FDI inflows, owing to potential improvements that certain ownership advantages of MNC can contribute to location advantages of the country [4, p. 352]. Because of the importance of location factors in attracting FDI in contemporary conditions of the world economy, we will consider these factors in depth.

2. Location factors in the OLI model

As we mentioned above, since one can assume that MNCs, which undertake foreign direct investment possess certain competitive (ownership) advantage, and they are able to internalize transaction costs (internalisation), the key remaining determinant in decision-making process to invest abroad are location advantages of the host country. There is a bulk of location factors and many researchers point out that different aspects of these factors depend on specific advantages of the host country and the government economic policy objectives. So, we have tried to categorize them and point out their specific significance for the host country economic development.

Most of the location factors are basically economic by nature, although in contemporary business increasingly more important are political, especially institutional determinants of the host country. There is also a change of focus from resources that are given (such as natural resources) to resources that are created, such as knowledge based assets, infrastructure and institutions of the host economy.

Among location advantages which are primarily economic determinants, and bring certain benefits to foreign investors, the most important are: cheap labour and other natural resources, market size and openness of the market, rapidly growing economy, macroeconomic environment and its stability, as well as some additional economic factors.

One of the most important motives for MNCs to invest in a country has been lower cost of raw materials, labour, and land. Lower wages of labour, cheaper raw materials and land enable global firms to reduce production costs and achieve cost efficiency. Through FDI multinational corporations urge to capture economic of scale, rationalize operations, and remain profitable and competitive. This is why cheap resources are an important motive for investing abroad, especially for efficiency-seeking MNCs. Although it is true that both skilled and unskilled labour is much cheaper in the developing countries, plentiful cheap labour is not by itself a factor for inducing capital inflows, as Tarzi noticed [1, p.

504]. If this were true, total FDI inflows would be concentrated to the developing countries, and the developed as well as the so-called emerging market countries would not be among the biggest recipients of FDI. If the labour, although plentiful and cheaper, is less well educated and trained in industrial skills in contrast to workforce in developed countries, it could be an important deterrent factor for foreign investment. Lower wages or cheaper natural resources are easy to copy by other less-developed countries, and do not bring sustainable competitive advantage to the host country [see more in 6].

On the other hand, market-seeking investors are attracted by market size as a predominant factor. The larger the size of domestic market, measured by gross domestic product (GDP) per capita, the more attractive it would be for foreign investors hence the greater market potential to sell their products/services on such a big market. Furthermore, as Stoian and Filippaios argued [4, p. 356] larger host market means that economic of scale is more likely to be achieved by potential investors in local production. However, besides market size that will increase the probability of investing in a host country, another important determinant is openness of the economy, influencing competitiveness position of the country in term of international trade and exposure. Openness of the local economy will increase the probability of investing into the host country. It is a very important additional factor when it comes to location advantages of the host country. Competitiveness of the country refers to the country's ability to achieve sustained high rate of growth per capita real income, measured by GDP per capita in constant prices. It is given by the overall competitiveness index (CI), which includes eight factors as contributed by World Economic Forum: openness, government, finance, technology, infrastructure, management, labour, and institutions [7].

Among other key economic location variables, the rate of the economy growth is especially stressed in the literature [1, p. 507]. A sustainable moderate-to-high rate of growth makes the host country particularly attractive for foreign investment because it reflects through GDP growth and accordingly higher market potential. The other important economic factor – macroeconomic stability, which is reflected through a relatively stable exchange rate, low rates of inflation, etc., attracts foreign investors and improves competitive position of a host country. Although there are controversial opinions about the influence of FDI on economic growth, some results from Deutsche Bank involving state-of-the-art statistical techniques and the most recent database suggest that on average FDI lies behind 74% of all growth achieved in the transition countries since their emergence as market economies [8, p. 895].

The additional factor that stands out as a critical location factor is the infrastructure of the host country. It includes the quality of roads, bridges, ports, runways, electricity generation and transmission, communication and networking infrastructure, etc. The government of a host country must improve infrastructure quality i.e. transportation, logistics and communication networks in order to attract more foreign investment.

But our research captures not only location economic advantages but also points out the importance of political, especially institutional environment investigation as important variable in FDI decision-making process. Generally, high level of macro-political and micro-political risks deters foreign investment. Macro-political risk refers to the general political stability in the country, which is important because FDI tends to be more long-term commitment of capital investment through international production compared to portfolio investment, for example. Also, high level of micro-political risk deters foreign investment. This risk is expressed in restrictions to the free flow of capital, treatment of foreign investment by law, as well as FDI policy regime. Namely, when we talk about global capital mobility and flows of capital, it stands that a large number of developing countries are still less open to international capital mobility compared to developed countries. Some of them still restrict foreign firms share on equity ownership of local firms to less than 50%. Such ownership restrictions are usually a barrier for foreign investment entry, and have a bad impact on the host government's effort to attract new FDI. Also, inability of foreign investors to repatriate capital and remit profits strongly deters them from investing in a certain country. Openness of an economy implies fewer restrictions on remittances of capital income in the form of interests, dividends, profits, or capital, and offer free capital movement, which attract new investors to come.

In contemporary conditions of global economy institutional determinants become more and more important in attracting foreign investment. That expanding of location determinants comes from institutional theory. Institutions, as an element of the environment, consist of institutional rules, regulations, cultures and exchange rates and other elements, which are usually captured within national boundaries [4, p. 353]. The institutional environment can attract or deter foreign investment inflows as well as force MNCs towards modes of entry, which are basically non-equity structures or, on the other hand, which represents wholly-owned ownership structure. Among those institutional determinants most important are: the rule of law, regulation on private property rights and property of intellectual capital, quality of bureaucracy, expropriation risk, level of corruption, and also ethnic tension in the host country. Since it is supposed that in the developed countries there is a high level of law enforcement (the rule of law), and protection of property rights as well as intellectual capital, restitution of basic market institutions, and enforcement of law is more important for the less-developed countries, such as transition countries and so-called emergent market economies. In the first stage of transition to market economy the resolution of basic institutional rules, such as property rights and the rule of law increase environment uncertainty for foreign investors. Also, bureaucratic quality means that there is an established mechanism for recruitment and training of people who work in the government, and that autonomy from political pressures exists when it comes to government change [4, p. 357]. Corruption, in terms of illegal payments that can appear in the form of bribes, for example, and connected with licenses permits, tax assessment, etc., negatively affects the decision to invest in a country. Higher level of corruption implies higher transaction costs when entering a new economy and reduces probability of investment [4, p. 361]. The authors also point out that a stable and well-regulated legal environment, where there is a high level of enforcement and monitoring of contract, as well as existence of efficient bureaucracy, increase motivation of foreign companies to invest.

Expropriation risk as a location variable refers to the risk of confiscation and forced nationalization of property. In decision-making process regarding FDI, lower ratings are given to countries where expropriation of private foreign investment is more likely to happen. Finally, ethnic tension is a determinant that refers to degree of tension within a country connected with racial or nationality conflicts among people. Lower ratings are given to countries where these tensions and conflicts are high, because of possible problems that can result from them.

3. THE INFLUENCE OF FDI'S POLICY REGIME INCENTIVES AS LOCATION FACTOR

As we have discussed above, the international FDI inflows strongly depend on rates of return on these investments, which are different among countries. As Tung and Cho correctly cited from the literature considering that issue [9, p. 120] "…FDI flows from a capital-abundant country to a capital-scarce country in response to their relative factor proportions and the resulting differential rates of return on capital." Therefore, to attract and increase FDI inflows, a country or local government can undertake a lot of additional measures by creating incentive FDI policy regime. Among other determinants in contemporary business, FDI policy regime has become one of the most attractive factors in increasing FDI inflows. FDI policy initiatives, the so-called incentive schemes, involve a quite broad range of different measures associated with the "location marketing" [8, p. 888]. These initiatives involve incentives such as corporate taxation and tax holidays, other financial incentives, strategic incentives negotiated with individual investors, and recent development of special economic zones and industrial parks, within which the incentives are offered to foreign investors. Many countries offered these incentives in the scope of liberalization of foreign investment regimes in order to become more attractive investment locations, but some of them offered additional stimuli. Tarzi [1, pp. 510-514] noticed different measures accepted by the new emerging market economies (India, China, Indonesia, and Nigeria), which include the removal of burdensome, long procedures for the application and approval of foreign investment, ease of entry and exit for foreign investors, a number of Bilateral Investment Treaties to tailor investment projects to the need of specific types of foreign investors, flexible labour laws, reduced tariffs on imports, reduced capital control of FDI, legal protection for foreign investors, and majority equity ownership, among others.

The best example is offered by China, which declared "open door" economic policy in 1979 and began a new era of socioeconomic change, after a long period of economic stagnation. This long path of institutional and economic reforms turned China to the second best foreign investment destination (along with the USA) in 1994, and to tremendous growth rate of its economy. The open-door policy was enabled in 1980 when China opened four Special Economic Zones in the less developed, rural areas of Southern China [9, pp. 119-120]. During 1980s and 1990s to attract FDI into the special tax incentive zones, generous tax incentives were offered to foreign investors. Specifically, foreign investment enterprises operating in the zones were granted concessionary tax rates, which were lower than statutory tax rates for foreign investors operating outside these areas. But Special Economic Zones also provided a package of financial incentives for a new employment, a convenient approval process for FDI, advanced transport, communication and logistics infrastructure, minimal performance requirements, flexible labour laws, and other characteristics. That way, the Chinese government succeeded not only in attracting foreign investors but also in influencing faster economic development of the less developed, rural part of the country.

In the last decade there has been a high level of competition among the CEE countries to attract more FDI. Consequently, the Czech Republic, Hungary and Poland have been the most aggressive countries in terms of location marketing after 2000 in the run up to EU enlargement [8, p. 889]. They all announced the so-called incentive schemes to attract foreign investment. The most generous was the Czech Republic whose scheme included up to 50% of all investment expenditures on potentially all investments outside Prague, depending on investment amount. Hungary and Poland followed the example of the Czech Republic with similar incentive schemes strategically tailored to the needs of multinational investors.

The question of great importance is what measures of FDI policy regime are most effective during the different phases of transition. Jensen's study [8, pp. 884-891] shed more light on this issue explaining FDI inflows during different phases of transition of CEE countries. In the initial phase of transition the most important determinants are liberalization and stabilization of economy. Namely, during the initial phase the risk perception of a foreign investor is very high and FDI inflows depend on largely on the general transition environment. There is a lot of uncertainty about basic institutional issues, such as property rights and the rule of law, so the market economy institutions building are the most important factor during this first phase. Also political factors such as economic reforms have large effects on FDI inflows. So, most authors find that legal development and trade liberalization are the most important aspects of institution building, which affect FDI. In this initial phase, in many transition countries hyperinflation and negative economic growth make the general economic environment highly unattractive for investors. Ownership rights are not resolved, so the privatization of the state enterprises is perceived as one of the cornerstones of economic transition because it helps to establish property rights and corporate governance systems. This is expected to improve economic efficiency and help to achieve long-run economic growth. Also, privatization facilitates the new industry structure building and the establishment of rules of competition on the market. In summary, during first phase of transition the predominant factors in attracting FDI are those of institutional building and economic reforms (with special impact on stabilization and liberalization of economy).

Only after that, in the second phase of transition some factors of location marketing can be effective in attracting FDI inflows. This puts emphasis on different incentive schemes including tax and strategic incentives, often offered into the Special Economic Zones and industrial parks, as we have explained in depth above.

The third phase starts with the EU enlargement, when most of the new member countries expect that EU accession will have a positive impact on further FDI inflows. But some of the incentives implemented during the first two phases are not to be allowed after EU accession, so the new member country must be prepared to involve in severe competition for new foreign investment along much developed countries of EU.

In order to increase competitiveness of domestic economy and create favourable environment for attracting FDI, the Serbian government has already taken steps in terms of law regulative, infrastructure improvement, tax system reform, and tax relief and credits. Total low tax rate of enterprises is acknowledged as the best approach, from the aspect of economic and institutions factors, because that way a serious stimulus is given to investors. In that sense, Serbia has taken serious steps, which resulted that it is among countries which have the lowest corporate income tax rate in the region of only 10%, the lowest standard value added tax of 18%, and one of the lowest salary taxes of 12%. Besides Bulgaria, and Macedonia, which also have corporate profit tax rate of 10%, other countries in the region have much higher rates (Romania and Hungary 16%; Slovakia and Poland 19%; Croatia 20%; and the Czech Republic 24%). Recently, Macedonia took initiative to become "New Business Heaven in Europe" by offering substantial investment incentives for foreign investment in so-called Free Economic Zones (FEZ) and technology parks. Among other incentives, it offers foreign investors no corporate tax for 10 years, and 10% thereafter within FEZs [10].

CONCLUSIONS

Serbia has a lot of possibilities to use various good examples from the transition and emarging market countries in taking advantage of institutional variables as important location determinants in attracting FDI. After termination of privatisation of socially-owned and state enterprises, new greenfield investment could be expand only by some measures of location marketing. Among those incentives, tax and financial incentives especially within special or free economic zones and industrial and technological parks are particularlly important. Serbia should pay attention especially to attracting FDI of those MNCs, which bring new technologies and recognizable brands, as well as contribute to new employment. In that sense, regulations should be brought that will secure the allocation of tax credits and relief to investors who invest not only in production, but also in R&D activities, training programs for employee, marketing activities, etc. The government should provide all the necessary infrastructure and protection of property rights and intellectual property. All of these should minimize negative effects of high political risks, which are also factors which deter multinational enterprises from investing in Serbia.

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ANALITIČKI OKVIR DETERMINANTI SDI: PRIMENA OLI MODELA

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Rad predstavlja pokušaj autora da ukaže na značaj stranih direktnih investicija (SDI) kao ključnog faktora ekonomskog razvoja i bazičnog mehanizma tokova kapitala, poželjnijeg u odnosu na druge forme kao što su zaduživanje kod banaka ili portfolio investicije u hartije od vrednosti.

Osnovna premisa Deningove eklektičke paradigme i njegovog OLI modela je da prinos na investicije kao bazični motiv za preduzimanje SDI može da se objasni uticajem tri grupe faktora: konkurentskom prednošću (prednost vlasništva nad određenom imovinom), faktorima lokacije i internalizacijom transakcionih troškova. Pošto možemo pretpostaviti da strani investitori već poseduju određenu konkurentsku prednost zasnovanu na imovini koju poseduju, kao i da su u mogućnosti da internalizuju transakcione troškove, preostali ključni faktor jesu prednosti lokacije zemlje domaćina. Postoji mnoštvo lokacionih determinanti i među njima autor posebno naglašava uticaj institucionalnih faktora koji proizilaze iz režima politike prema stranim direktnim investicijama jedne zemlje.

Ključne reči: *strane direktne investicije, eklektička paradigma, faktori lokacije, režim politike SDI, finansijski podsticaji*