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HOW FOREIGN DIRECT INVESTMENT AFFECTS NATIONAL COMPETITIVENESS: THE CASE OF THE WESTERN BALKAN COUNTRIES

Marko Janaćković[1*], Marija Petrović-Ranđelović[2]

[1]Academy of Vocational Studies South Serbia, Department of Business School, Leskovac, Serbia
[2]University of Niš, Faculty of Economics, Niš, Serbia

ORCID iDs: Marko Janaćković https://orcid.org/0000-0002-1789-3453
Marija Petrović-Ranđelović https://orcid.org/0000-0003-2905-1023

Abstract

The purpose of this study is to examine the relationship between direct foreign investment and the competitiveness of the economies of the Western Balkan countries (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia) in the period between 2008 and 2017. The countries of the Western Balkan region were included in the analysis due to the fact that, in the last two decades, there has been a noticeable trend of increasing interest of foreign investors in investing in the countries of the region, both because of their good geographical position and because of the advantages they provide in terms of realising the basic, profit motivation of foreign investors. The research was conducted using the UNCTAD database, the international comparable base of data. First, an analysis of the dynamics of foreign direct investment flows in the countries of the Western Balkan region was performed. In order to examine the relationship between foreign direct investment and national competitiveness, Pearson's linear correlation coefficient and Spearman's rank correlation coefficient were applied. The Granger causality test was performed to assess the degree of influence of direct foreign investment on the competitiveness of the economies of the observed countries. The obtained research results not only contribute to the development of the existing literature on foreign direct investment and national competitiveness but also provide valuable knowledge to economic policy-makers about the possibilities of using the potential of foreign direct investments to improve the competitive and development performance of the national economy.

Key words: foreign direct investment, national competitiveness, Western Balkans countries, Republic of Serbia.

* Corresponding author: Marko Janaćković, Academy of Vocational Studies South Serbia, Department of Business School, Vlade Jovanovića 8, 21000 Leskovac, Serbia, janackovic.marko@gmail.com

КАКО СТРАНЕ ДИРЕКТНЕ ИНВЕСТИЦИЈЕ УТИЧУ НА НАЦИОНАЛНУ КОНКУРЕНТНОСТ: СЛУЧАЈ ЗЕМАЉА ЗАПАДНОГ БАЛКАНА

Апстракт

Сврха ове студије је да испита однос између директних страних инвестиција и конкурентности привреда земаља Западног Балкана (Албаније, Босне и Херцеговине, Македоније, Црне Горе и Србије) у периоду између 2008. и 2017. године. Земље региона Западног Балкана су узете у анализу јер је у последње две деценије приметан тренд пораста интересовања иностраних инвеститора за улагања у земље региона, како због њиховог доброг географског положаја, тако и због предности које пружају у смислу остваривања основне, профитне мотивације страних инвеститора. Истраживање је спроведено коришћењем базе података UNCTAD-а, која представља међународну упоредиву базу података. Најпре је извршена анализа динамике токова страних директних инвестиција у земљама региона Западног Балкана. Да би се испитао однос између страних директних инвестиција и националне конкурентности примењени су Пирсонов коефицијент линеарне корелације и Спирманов коефицијент корелације ранга. За процену степена утицаја директних страних инвестиција на конкурентност привреда посматраних земаља коришћен је Грејнџеров тест узрочности. Добијени резултати истраживања не само да доприносе развоју постојеће литературе о страним директним инвестицијама и националној конкурентности, већ и дају драгоцена сазнања креаторима економске политике о могућностима коришћења потенцијала страних директних инвестиција за унапређење конкурентских и развојних перформанси националне економије.

Кључне речи: стране директне инвестиције, национална конкурентност, земље Западног Балкана, Република Србија.

INTRODUCTION

The competitiveness of a country's economy in contemporary conditions is becoming a necessary condition for its existence. This requires the engagement of all available resources, and their optimal use. By working together, countries can improve their competitive positions thanks to higher gross domestic product. In addition, it is possible to improve the existing living conditions of citizens by providing a better standard of living. In the circumstances of the opening of the economies of the countries of the Western Balkans imposed by the processes of globalisation and liberalisation, foreign direct investments became a generator of the development of their national economies in the following period (Andrašić et al., 2018). Foreign direct investment in the modern age is becoming a key development factor for many host countries, and a means to improve their competitiveness. Decisions regarding their attraction in the host countries belong to the domain of strategic decisions, taking into consideration the choice of the location for its implementation, the available resources that the multinational corporation brings with it, as well as the review of the entire investment environment. As an interna-

tionalisation strategy, they bring with them a package of resources that significantly contribute to improving the competitive performance of host economies. In this regard, the issue of improving national competitiveness is becoming crucial, and the focus of those entities responsible for implementing economic policy (Petrović-Ranđelović et al., 2018). It is currently especially important in countries undergoing the process of structural transformation, and in developing countries.

The paper focuses on the possible effects of foreign direct investment on the competitiveness of Western Balkan economies. These countries opened their doors to foreign capital starting with the year 2000 by passing regulations allowing its inflow (Deichmann, 2020). The main focus is considering this issue in the case of the Republic of Serbia. Cross-border investment in this country is set to become its key development factor in the coming period. This became especially relevant after the decision to construct the development path towards membership in the European Union. Having in mind the possible effects that foreign direct investment can have on the competitiveness of the selected countries, the contribution of the paper is reflected in providing certain guidelines to economic policy-makers. They primarily refer to the more efficient use of the potential of foreign direct investment, all with the aim of improving the country's competitive performance.

According to the aforementioned, the structure of the paper is as follows. After introductory considerations, the first section deals with earlier arguments of the authors who considered this topic in their studies. The second part of the paper is devoted to the methodology used in this research. The third section summarises the obtained research results. Concluding remarks are given in the last part of the paper.

LITERATURE REVIEW

The relationship between foreign direct investment and national competitiveness has attracted a lot of attention from the academic community, and has been the subject of numerous empirical studies in the last three decades. This relationship is extremely complex, and due to its complexity, relations of mutual connection and mutual dependence are established between foreign direct investments and national competitiveness. In other words, there are two-way connections between these two phenomena: foreign direct investment contributes to the improvement of the competitive performance of the host country, while the competitive performances of the host country are at the same time important determinants of attracting not only a larger volume, but also higher quality flows of foreign direct investment (Radukić & Petrović-Ranđelović, 2014, p. 518).

In the literature on foreign direct investment, there are many studies dealings with the issue of making strategic decisions regarding foreign

direct investments (AlQur'an, 2022; Bi et al., 2022; Ercilasun et al., 2015; Hayali, & Kucukkosman, 2020; Kuzey et al., 2021; Milovanović & Marković, 2022; Polat, 2017). The purpose of these studies is to identify the factors that determine decisions on the location of foreign direct investments. This strategically based decision is determined by numerous factors, among which the level of competitiveness of the host country's economy stands out as very important.

Numerous empirical studies examine the influence of the level of national competitiveness of the host country on the inflow of foreign direct investment. Popovici and Calin (2012) found that the investment process in seven Central and Eastern European countries follows the trends of national competitiveness, and that the decline in investment inflows during a crisis is determined by the crisis of investor confidence. Similarly, Zlatković (2016) indicates that the preconditions for the growth of foreign direct investment *per capita* in the Western Balkans are more competitive infrastructure, health and primary education, improved innovations, and accelerated technological readiness.

Examining the relationship between foreign direct investment and the pillars of competitiveness of the World Economic Forum is the subject of research of Stankov et al. (2019). The obtained results indicate that the key role in attracting foreign direct investment is played by the market size factor. In addition, labour costs significantly reflect the achieved competitiveness of the host country, and they are often used as a determinant of foreign direct investment.

For the purpose of measuring Poland's competitive position, Wisniewski (2018) used two groups of time series: the GCI series, and the one that follows the flows of foreign direct investment. It was found that there is a two-way causality between these variables, and that the infrastructural competitiveness of Poland plays a key role in attracting foreign direct investment. Recently, Rathnayake et al. (2023) found that the level of national competitiveness measured by the Global Competitiveness Index and Logistics Performance Index achieved a positive impact on the inflow of foreign direct investment in certain African countries (Lesotho and Algeria), but not in all of them (like Mauritius, Namibia and Rwanda).

The results of numerous empirical studies show mixed findings on the impact of foreign direct investment on national competitiveness. For example, in a recent study, Paren (2017) examined the relationship between the value of foreign direct investment inflows and the national competitiveness of the Visegrad Group economies in the 2005-2016 time period. The results of the empirical study indicate that the values of the obtained correlation coefficient oscillated in the observed period, i.e., that there is a positive correlation between foreign direct investment inflows per capita and the individual pillars of competitiveness taken in certain years.

Molendowski et al. (2017) examined the relationship between foreign direct investment and national competitiveness in EU-10 member states between 2004 and 2016. The obtained results indicate that the inflow of foreign direct investment contributed to improving national competitiveness in only six countries (Czech Republic, Lithuania, Romania, Bulgaria, Latvia and Poland), while this cannot be said to be the case in the other countries of the examined group (Hungary, Slovenia, Estonia and Slovakia). Also, the authors noted that the effects of foreign direct investment on national competitiveness were pronounced only in three countries (Poland, Bulgaria and Romania). Similarly, Meemak (2021) found that the effect of foreign direct investment differs among ASEAN countries.

Gamariel and Hove (2019) indicate that foreign direct investment inflows have influenced the export competitiveness of Sub-Saharan Africa countries. In addition, they point out that these countries must work on building and strengthening capacities in the field of human capital to take advantage of technology transfer and strengthen economic ties. In that case, these countries could expect greater benefits from the inflow of foreign direct investment.

In a recent study, Šinik (2019) examined whether the effects of foreign investors were reflected in the export activities of the Republic of Srpska in the 2008-2018 period. This author concluded that investments did not significantly affect the growth of exports of the Republic of Srpska, and thus its competitiveness, in the observed period.

RESEARCH METHODOLOGY

The aim of this study is to determine the impact of foreign direct investment on national competitiveness in Western Balkan countries. Based on the defined goal of the research, the following research hypothesis was defined: H1 – there is a positive link between foreign direct investment and the competitiveness of the economy.

The starting point of the analysis is the examination of the dynamics of foreign direct investment in Serbia, and their comparison with these flows in other Western Balkan countries (Albania, Bosnia and Herzegovina, Macedonia, and Montenegro). For the purposes of the analysis, a period of ten years was taken into consideration – the period between 2008 and 2017. Furthermore, the relationship between the foreign direct investment and the national competitiveness of the selected countries was examined using: (1) Pearson's linear correlation coefficient; (2) Spearman's rank correlation coefficient; and (3) Granger's causality test.

In this study, foreign direct investment is taken as a hypothetical independent variable, with World Bank data used as the primary database. Having in mind that exports are an indicator that measures the in-

ternational competitiveness of the surveyed countries, it will be taken as a hypothetically dependent variable. The share of exports of each of the considered countries in the total exports of the group of surveyed countries (G5) will be considered. An overview of the above statements is shown in Table 1.

Table 1. Variables used in the research

FDI inflow	Inward foreign direct investment
FDI outflow	Outward foreign direct investment
Inward FDI stock	Inbound stock of foreign direct investment
Outward FDI stock	Outward stock of foreign direct investment
Share in total G5 exports	Share in total G5 exports (Western Balkans countries)

Source: Autor's own presentation

RESEARCH RESULTS

The dynamics of foreign direct investment inflows in the Western Balkans countries in the period between 2008 and 2017 are very uneven, observed both year by year and country by country (Figure 1). Serbia had the highest FDI inflow within the group of countries, shown as a percentage of the total FDI inflow for the EU28 during the period between 2008 and 2017.

Serbia had the highest value of FDI inflow in 2008 (1.04%), and it achieved a similar value in 2011. During the period between 2008 and 2017, the value of FDI inflows for Serbia ranged from 0.27% (2012) to 1.04% (2008). The lowest FDI inflow was observed in Macedonia (0.02%) in 2012, as well as in Montenegro and Bosnia and Herzegovina (less than 0.10%).

Regarding FDI outflows, the following results were obtained. Based on the collected data, it can be seen that Serbia is directly responsible for the largest percentage of FDI outflows, where its share in relation to the EU28 is many times ahead of the G5 countries (Figure 2). The exception is the year 2009, when Serbia had a share of 0.01%. Serbia's share in the EU28 also displayed constant growth, from 0.05% to 0.13% in 2014. On the other hand, years with negative FDI outflow are observable (2012 and 2016) in some G5 countries (Macedonia and Montenegro). Thus, the outflow of FDI in Macedonia amounted to -0.01% in 2012, while it amounted to a -0.03% share of the EU28 in total in Montenegro.

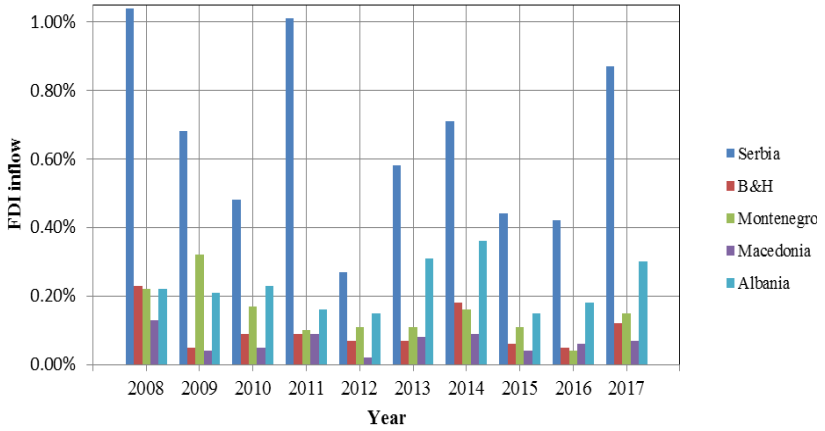

Figure 1. FDI inflows for the Western Balkan countries shown as a percentage of the EU28 in total

Source: Autor's research based on the World Bank Indicators database

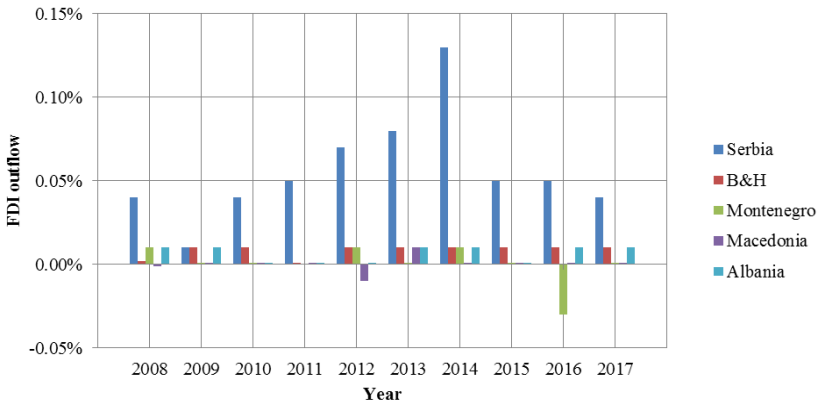

Figure 2. FDI outflows for Western Balkan countries shown as a percentage of EU28 share

Source: Autor's research based on the World Bank Indicators database

Regarding the inward FDI stock (Figure 3), it can be seen that Serbia lagged behind the Western Balkan countries in the period between 2008 and 2012, while Bosnia and Herzegovina is in first place, with an approximate share of 0.08 % in relation to EU28 in total. Starting in 2013, Serbia rose to have an average of 0.35% share in the EU28 in total, while other countries remained at levels similar to the period between 2008 and 2013. Therefore, based on the data from the figure, it can be noticed that Serbia was constantly ahead in terms of inward FDI stock in relation to other countries in the region in the observed period.

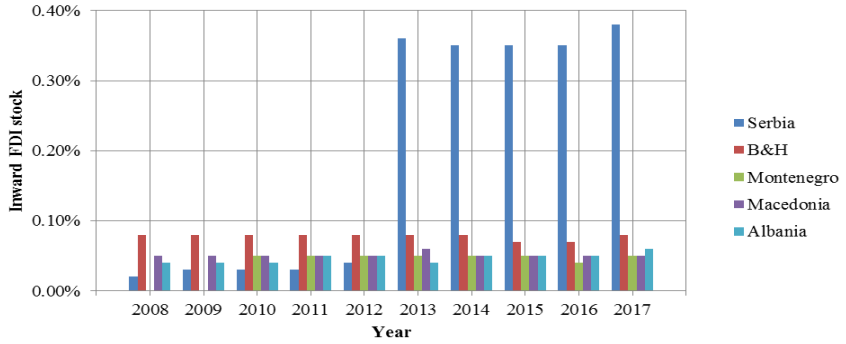

Figure 3. Inward FDI stock for Western Balkan countries shown as a percentage of the EU28 share
Source: Autor's research based on the World Bank Indicators database

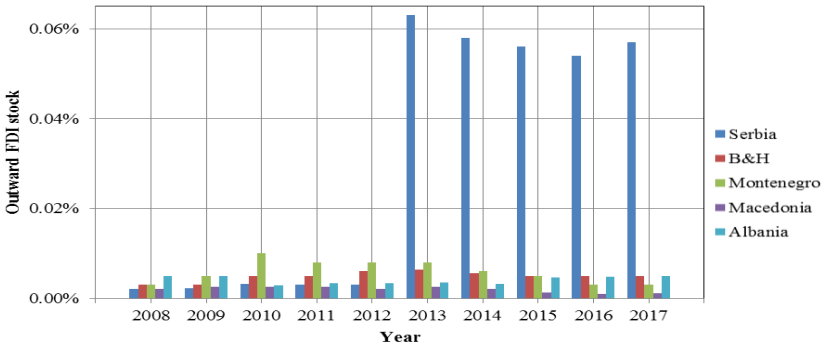

Figure 4. Outward FDI stock for Western Balkan countries as a percentage of the EU28
Source: Autor's research based on the World Bank Indicators database

The outward FDI stock for Western Balkan countries as a percentage of the EU28 share in total is shown in Figure 4. It can be noticed that Serbia did not stand out in terms of outward FDI stock in relation to other countries in the region in the period between 2008 and 2012, when these values were less than 0.01%. Since 2013, it can be noticed that Serbia is becoming the leader in the region, with values over 0.05%. The maximum value of outward FDI stock was achieved in 2013 and 2014, when it was 0.06%.

After considering the dynamics of foreign direct investments, this empirical research will test whether there is a positive relationship between foreign direct investments and the competitiveness of each country individually. Table 2 shows Pearson's correlation coefficient for each country separately (r), as well as statistical significance (p).

Looking at each country separately, it can be seen that there is a significant positive correlation between the competitiveness of the economy of the Republic of Serbia and inward/outward FDI stock ($r = 0,97$, $p < 0,0001$). There is a negative correlation between the outward FDI stock and the competitiveness of the economy of Bosnia and Herzegovina ($r = -0,84$, $p = 0,0020$). A moderate correlation was also observed between FDI inflows and outflows in Montenegro, while a negative correlation was observed between inward and outward FDI stock and the competitiveness of the Albanian economy (presented in Table 2).

Table 2. Pearson's correlation coefficient between the national competitiveness of the Western Balkan countries and FDI

Variable	G5 country	r	p	sig
FDI inflow	Serbia	-0.3380	0.3400	
FDI outflow	Serbia	0.3060	0.3900	
Inward FDI stock	Serbia	0.9780	0.0000	***
Outward FDI stock	Serbia	0.9790	0.0000	***
FDI inflow	Bosnia and Herzegovina	0.0030	0.9930	
FDI outflow	Bosnia and Herzegovina	-0.2500	0.4860	
Inward FDI stock	Bosnia and Herzegovina	-0.4550	0.1870	
Outward FDI stock	Bosnia and Herzegovina	-0.8390	0.0020	***
FDI inflow	Montenegro	0.6900	0.0270	**
FDI outflow	Montenegro	0.5880	0.0740	*
Inward FDI stock	Montenegro	-0.5870	0.1260	
Outward SDI stock	Montenegro	-0.2650	0.4590	
FDI inflow	Macedonia	0.3360	0.3420	
FDI outflow	Macedonia	-0.3270	0.3560	
Inward FDI stock	Macedonia	0.1320	0.7160	
Outward FDI stock	Macedonia	-0.2620	0.4650	
FDI inflow	Albania	-0.3720	0.2900	
FDI outflow	Albania	-0.3080	0.3860	
Inward FDI stock	Albania	-0.5840	0.0760	*
Outward FDI stock	Albania	-0.8000	0.0050	***

Source: Autor's own presentation

Based on the presented results, we can conclude that there is a statistically significant positive correlation between foreign direct investment and national competitiveness in Serbia and in Montenegro, while this correlation is negative in the case of Albania and Bosnia and Herzegovina.

Below is an analysis of the relationship between foreign direct investment and the national competitiveness of the selected countries done using Spearman's rank correlation coefficient. The analysis of Spearman's rank correlation coefficient, as we can see from Table 3, gives us almost identical results to the results of Pearson's coefficient analysis. The only difference is in the level of significance for FDI Outflow in Montenegro, which is at Spearman's level of 0.05.

Table 3. Spearman's rang coefficient between the national competitiveness of the Western Balkan countries and FDI

Variable	G5 country	Spearman r_s	p	sig
FDI inflow	Serbia	-0.0303	0.9337	
FDI outflow	Serbia	-0.1757	0.6272	
Inward FDI stock	Serbia	0.7939	0.0061	***
Outward FDI stock	Serbia	0.8182	0.0038	***
FDI inflow	Bosnia and Herzegovina	-0.0424	0.9074	
FDI outflow	Bosnia and Herzegovina	-0.2121	0.5563	
Inward FDI stock	Bosnia and Herzegovina	-0.4909	0.1496	
Outward FDI stock	Bosnia and Herzegovina	-0.8545	0.0016	***
FDI inflow	Montenegro	0.7333	0.0158	**
FDI outflow	Montenegro	0.7575	0.0111	**
Inward FDI stock	Montenegro	-0.3212	0.3654	
Outward SDI stock	Montenegro	-0.3090	0.3848	
FDI inflow	Macedonia	0.4787	0.1615	
FDI outflow	Macedonia	-0.2484	0.4887	
Inward FDI stock	Macedonia	0.2969	0.4047	
Outward FDI stock	Macedonia	-0.3333	0.3465	
FDI inflow	Albania	-0.3212	0.3654	
FDI outflow	Albania	-0.3212	0.3654	
Inward FDI stock	Albania	-0.6000	0.0667	*
Outward FDI stock	Albania	-0.80606	0.0048	***

Source: Autor's own presentation

Having in mind that the correlation did not prove the causality of the observed phenomena, the Granger test of causality was applied (with α = 5% = 0.05 and H_0: variable *A* does not cause (Granger-cause) variable *B*).

The null hypothesis was rejected in the cases of FDI outflow, inward FDI stock, and outward FDI stock. This result indicates that FDI outflow, inward FDI stock, and outward FDI stock cause, in terms of Granger, the competitiveness of the Western Balkan countries measured by their share in the total exports of the Western Balkan countries. The results of the Granger causality test for these countries are presented in Table 4.

Table 4. Granger causality test for Western Balkan countries

Null hypothesis	F-test	p	sig
The share in exports does not cause FDI inflow in terms of Granger	0.0170	0.8969	
FDI inflow does not cause a share in exports in terms of Granger	2.0799	0.1562	
The share in exports does not cause FDI outflow in terms of Granger	1.0771	0.3049	
FDI outflow does not cause a share in exports in terms of Granger	10.6870	0.0021	***
The share in exports does not cause inward FDI stock in terms of Granger	0.0382	0.8459	
Inward FDI stock does not cause a share in exports in terms of Granger	9.2277	0.0040	***
The share in exports does not cause outward FDI stock in terms of Granger	0.0129	0.9101	
Outward FDI stock does not cause the share in exports in terms of Granger	6.6467	0.0133	**

Source: Autor's own presentation

In order to confirm the results, the Granger causality test was applied individually to each of the countries in the region (Tables 5, 6, 7, 8, and 9.). Table 5 shows the results of the Granger causality test for Serbia. The null hypothesis can be rejected in the case of the inward FDI stock, and outward FDI stock (with risk $\alpha = 10\% = 0.10$). This result indicates that the inward FDI stocks and the outward FDI stocks Granger-cause the competitiveness of the economy of Serbia measured by the share of exports of Western Balkan countries ($p = 0.09$; $p = 0.07$).

Table 5. Granger causality test for Serbia

Serbia			
Null hypothesis	F-test	p	sig
The share of exports does not Granger-cause FDI inflow	0.0497	0.8324	
FDI inflow does not Granger-cause the share of exports	2.3245	0.1879	
The share of exports does not Granger-cause FDI outflow	0.0859	0.7813	
FDI outflow does not Granger-cause the share of exports	0.8280	0.4046	
The share of exports does not Granger-cause the inward FDI stock	3.2703	0.1303	
Inward FDI stock does not Granger-cause the share of exports	4.1480	0.0973	*
The share of exports does not Granger-cause outward FDI stock	3.8452	0.1072	
Outward FDI stock does not Granger-cause the share of exports	4.9416	0.0768	*

Source: Autor's own presentation

Table 6 shows the results of the Granger causality test for Bosnia and Herzegovina. The null hypothesis can be rejected in case of the outward FDI stock (with risk $\alpha = 10\% = 0.10$). This result indicates that the outward FDI stock causes, in terms of Granger, the improvement of the competitiveness of the economy of Bosnia and Herzegovina measured

by its share in the total exports of the Western Balkan countries (p = 0.06).

Table 6. Granger causality test for Bosnia and Herzegovina

Bosnia and Herzegovina			
Null hypothesis	F-test	p	sig
The share of exports does not Granger-cause FDI inflow	0.0254	0.8797	
FDI inflow does not Granger-cause the share of exports	1.2039	0.3225	
The share of exports does not Granger-cause FDI outflow	1.1110	0.3401	
FDI outflow does not Granger-cause the share of exports	2.5109	0.1739	
The share of exports does not Granger-cause the inward FDI stock	0.0002	0.9883	
Inward FDI stock does not Granger-cause the share of exports	0.2183	0.6600	
The share of exports does not Granger-cause outward FDI stock	0.1289	0.7342	
Outward FDI stock does not Granger-cause the share of exports	5.3525	0.0686	*

Source: Autor's own presentation

The results of the Granger causality test for Montenegro are presented in table 7. This result indicates that the outward FDI stocks causes, in terms of Granger, the improvement of the competitiveness of the economy of Montenegro measured by the share in total exports of the Western Balkan countries (p = 0.09).

Table 7. Granger causality test for Montenegro

Montenegro			
Null hypothesis	F-test	p	sig
The share of exports does not Granger-cause FDI inflow	2.6487	0.1646	
FDI inflow does not Granger-cause the share of exports	1.9711	0.2193	
The share of exports does not Granger-cause FDI outflow	0.0342	0.8605	
FDI outflow does not Granger-cause the share of exports	0.0949	0.7705	
The share of exports does not Granger-cause the inward FDI stock	0.1121	0.7598	
Inward FDI stock does not Granger-cause the share of exports	1.4161	0.3196	
The share of exports does not Granger-cause outward FDI stock	4.2118	0.0954	*
Outward FDI stock does not Granger-cause the share of exports	1.7264	0.2459	

Source: Autor's own presentation

In the case of Macedonia, the null hypothesis can be rejected in the case of FDI outflow (with risk α = 10% = 0.10) in both directions: the competitiveness of the economy measured by the share of exports of the Western Balkan countries causes, in terms of Granger, FDI outflow, and FDI outflow causes, in terms of Granger, the competitiveness of the economy measured by the share of the exports of G5 countries (p = 0.03; p = 0.06) (Table 8).

Table 8. Granger causality test for Macedonia

Macedonia			
Null hypothesis	F-test	p	sig
The share of exports does not Granger-cause FDI inflow	0.0674	0.8055	
FDI inflow does not Granger-cause the share of exports	0.8038	0.4111	
The share of exports does not Granger-cause FDI outflow	7.9125	0.0374	**
FDI outflow does not Granger-cause the share of exports	5.2973	0.0696	*
The share of exports does not Granger-cause the inward FDI stock	0.0635	0.8110	
Inward FDI stock does not Granger-cause the share of exports	0.0441	0.8420	
The share of exports does not Granger-cause outward FDI stock	1.6568	0.2544	
Outward FDI stock does not Granger-cause the share of exports	1.5314	0.2708	

Source: Autor's own presentation

Based on the presented results of the Granger causality test for Albania (Table 9), the following conclusions can be drawn.

Table 9. Granger causality test for Albania

Albania			
Null hypothesis	F-test	p	sig
The share of exports does not Granger-cause FDI inflow	0.4846	0.5174	
FDI inflow does not Granger-cause the share of exports	0.0096	0.9256	
The share of exports does not Granger-cause FDI outflow	9.3813	0.0280	**
FDI outflow does not Granger-cause the share of exports	4.9816	0.0760	*
The share of exports does not Granger-cause the inward FDI stock	0.0651	0.8088	
Inward FDI stock does not Granger-cause the share of exports	2.1835	0.1995	
The share of exports does not Granger-cause outward FDI stock	0.2009	0.6727	
Outward FDI stock does not Granger-cause the share of exports	1.8819	0.2285	

Source: Autor's own presentation

The null hypothesis can be rejected in the case of FDI outflow (with risk $\alpha = 10\% = 0.10$), and in both directions: the competitiveness of the economy measured by the share in the total export of Western Balkan countries Granger-causes FDI outflow, and FDI outflow Granger-causes the competitiveness measured by the share in total exports of G5 ($p = 0.02$; $p = 0.07$). Having in mind that the correlation did not prove the causality of the observed phenomena, the Granger test of causality was applied (with $\alpha = 5\% = 0.05$ and H0: variable A does not cause (Granger-cause) variable B).

CONCLUSION

In this study, we examined the impact of foreign direct investments on the competitiveness of the economies of the Western Balkan countries in the period between 2008 and 2017. A time period of ten years was tak-

en into account during this research, having in mind that there was a change in the methodology for assessing global competitiveness by the World Economic Forum after 2018, and that the crisis caused by the COVID-19 pandemic in 2020 called into question the validity of the methodology for the assessment of global competitiveness. Accordingly, the paper starts with analysing the dynamics of foreign direct investment inflow for the selected Western Balkans countries. Observing the dynamics of FDI inflow for the selected Western Balkans countries, certain conclusions can be drawn. First, Serbia had the highest FDI inflow within the G5 group of countries, observed as a percentage of the total FDI inflow for the EU28 in the period between 2008 and 2017. Serbia recorded the highest FDI inflow in 2008 (1.04%), and achieved a similar value in 2011. In the 2008-2017 period, the value of FDI inflows for Serbia ranged from 0.27% (2012) to 1.04% (2008). The lowest FDI inflow was observed in Macedonia (0.02%) in 2012, and Montenegro and Bosnia and Herzegovina (less than 0.10%).

Regarding FDI outflow, it can be noticed that Serbia is directly responsible for the largest percentage of FDI outflow, i.e., it is many times ahead of the other G5 countries in terms of its share in relation to the EU28. The exception is the year 2009, when Serbia had a share of 0.01%. In addition, Serbia's share in the EU28 displayed a constant growth – from almost 0.05% to 0.13% in 2014. In some G5 countries (Macedonia and Montenegro), years with negative FDI outflow can be observed (2012 and 2016). In Macedonia, the FDI outflow in 2012 was -0.01% of the share, while it was -0.03% of the EU28 share in total in Montenegro.

Looking at the inward FDI stock, it can be seen that Serbia lagged behind the other G5 countries in the period between 2008 and 2012, while Bosnia and Herzegovina were in first place (0.08% share in relation to the EU28 in total). Starting in 2013, Serbia is in the lead (on average 0.35% share in the EU28 in total), while other G5 countries are at levels similar to the levels they recorded in the period between 2008 and 2013. It is noticeable that Serbia was constantly ahead in terms of inward FDI in relation to other countries taken into consideration in the observed period.

According to the outward FDI stock for the member countries of the G5 group, it can be seen that Serbia did not stand out in terms of outward FDI stock in relation to other countries in the G5 group, in the period between 2008 and 2012. These values were less than 0.01%. Starting in 2013, Serbia became the leader in the G5 group, with values over 0.05%.

Observing the changes in the share of exports of the economies of the individual G5 countries in relation to the total exports of the G5 group of countries, the following results were obtained. It should be noted that Serbia constantly had the largest share of exports compared to other G5 countries, and it amounted to about 50% for the period between 2008 and

2017. Serbia had the largest share of exports in 2013, followed by Bosnia and Herzegovina, Macedonia, Albania, and Montenegro.

At the level of the country, there is a significant positive correlation between the competitiveness of the economy of Serbia and inward/outward FDI stock (r = 0.97, p <0.0001). A negative correlation is observed between the outward FDI stock and the competitiveness of the economy of Bosnia and Herzegovina (r = -0.84, p = 0.0020). In addition, a moderate correlation was observed between input and output FDI flows in Montenegro, while a negative correlation was observed between inward and outward FDI stocks and the competitiveness of the Albanian economy. In addition, based on the results, we conclude that there is a statistically significant positive correlation between foreign direct investment and economic competitiveness for Serbia and for Montenegro, while this correlation is negative for Albania and Bosnia and Herzegovina. Almost identical results were obtained using Spearman's rank correlation coefficient. The only difference is in the level of significance for FDI Outflow in Montenegro, which is at Spearman's level of 0.05.

The results of the paper can be useful to the economic policy-makers of the observed countries in terms of better understanding and exploiting the potential of foreign direct investment to improve the competitiveness of their economies. In addition, the obtained results can be used for some future analyses that would cover the period between 2018 and the present, as certain changes have taken place in the field of methodology for assessing global competitiveness and the COVID-19 crisis.

It is important to emphasise that economic policy-makers must give priority to improving the essential factors of competitiveness in the coming period. In order to improve the competitiveness of an economy, it is necessary to determine the priority directions of the activities of competent state bodies. One way to improve the level of competitiveness is to improve the innovation of enterprises and entrepreneurship through more intensive technological development and the improvement of the overall level of knowledge. Parallel to the realisation of these goals, it is necessary to work on improving the general factors of competitiveness such as the macroeconomic environment, the quality of legislation, the quality of economic policy, and the rule of law in order to create an adequate business environment.

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КАКО СТРАНЕ ДИРЕКТНЕ ИНВЕСТИЦИЈЕ УТИЧУ НА НАЦИОНАЛНУ КОНКУРЕНТНОСТ: СЛУЧАЈ ЗЕМАЉА ЗАПАДНОГ БАЛКАНА

Марко Јанаћковић[1], Марија Петровић-Ранђеловић[2]
[1]Академија струковних студија Јужна Србија, Висока пословна школа, Лесковац, Србија
[2]Универзитет у Нишу, Економски факултет, Ниш Србија

Резиме

Проблематика утврђивања односа између страних директних инвестиција и националне конкурентности постаје све значајнија у савременим условима услед чињенице да је са јачањем процеса глобализације светске привреде национална конкурентности постала главна тема у академским и ширим, јавним круговима, али и због тога што стране директне инвестиције с правом данас носе епитет развојног фактора савремене глобализоване економије. Подизање нивоа националне конкурентности не представља само изазов, већ и сложен задатак са којим се суочавају креатори економске политике свих земаља. Предузимањем страних директних инвестиција, инострани инвеститори доносе пакет ресурса који могу значајно допринети унапређењу конкурентских перформанси земље домаћина, што се посебно односи на земље у развоју и земље у транзицији.

Извршено истраживање утицаја страних директних инвестиција на конкурентност привреда земаља Западног Балкана (Албанија, Босна и Херцеговина, Македонија, Црна Гора, и Србија) у периоду између 2008. и 2017. године пружа

основу за доношење следећих закључака: применом метода корелационе анализе утврђена је позитивна веза у погледу статистичке значајности између директних страних инвестиција и конкурентности привреда Србије и Црне Горе, док је негативна веза установљена у случају Албаније и Босне и Херцеговине; и СДИ излазни токови, СДИ улазни стокови и СДИ излазни стокови остварују значајан утицај на конкурентност привреда Црне Горе и Србије мерено учешћем у њиховом укупном извозу.

Имајући у виду добијене резултате истраживања, и узимајући у обзир чињеницу да веза између страних директних инвестиција и конкурентности привреда земаља региона Западног Балкана још увек није довољно испитана, ово истраживање је покушај да се елиминише тај недостатак у расположивој емпиријској литератури, али и покушај да се укаже на значај који правилно конципирана политика према страним директним инвестицијама може имати у усмеравању њиховог потенцијала у сврхе подизања нивоа националне конкурентности и убрзаног развоја привреда земаља региона.