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# Res novae



*Revija za celovito znanost*  
*Journal for Integrated Science*

*Jože Ruparčič*

PRAVIČNOST, ETIKA, ČLOVEKOVE PRAVICE IN PRAVO

*Robert Petkovšek*

MIR IN PRAVIČNOST – ZAPRISEŽENA CILJA MONOTEIZMA  
(JAN ASSMANN)

*Bernard Goršak*

SOME PARALLELS BETWEEN TRILATERAL SITUATION ETHICS AND  
SOBORNOST

*Vanja Kočever*

ODMEVI TRIDESETLETNE VOJNE V LETOPISU LJUBLJANSKEGA KOLEGIJA  
DRUŽBE JEZUSOVE

*Zoran Vaupot*

PROCESS AND AGENTS IN FDI PROMOTION

**Fakulteta za pravo in poslovne vede, Katoliški inštitut**  
**Faculty of Law and Business Studies, Catholic Institute**

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LETNIK 5 • 2020 • ŠTEVILKA 1

# **Vsebina**

*Jože Ruparčič*

Pravičnost, etika, človekove pravice in pravo

**7**

*Robert Petkovšek*

Mir in pravičnost – zaprisežena cilja monoteizma  
(Jan Assmann)

**71**

*Bernard Goršak*

Some Parallels between Trilateral Situation Ethics  
and Sobornost

**95**

*Vanja Kočever*

Odmevi tridesetletne vojne v letopisu ljubljanskega  
kolegija Družbe Jezusove

**115**

*Zoran Vaupot*

Process and Agents in FDI Promotion

**146**

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## **Site-Selection Process and Agents in FDI Promotion**

**Abstract:** In the last few decades, foreign direct investments have grown in their importance. We have access to a rich set of literature about FDI determinants and FDI promotion activities. The research about the site-selection process conducted by foreign investors is much less abundant. We propose an explanation to this phenomenon and possible changes in strategic approach by combining conclusions from existing literature concerning the topics about investment promotion process, its stakeholders, site-selection process, and institutional theory. The main conclusions are that a better customer-centric orientation is needed in the whole process of FDI promotion and that the relatively neglected importance of media should be improved by putting more attention on their role according to the findings of institutional theory; these are also the proposed axes of future research. The originality of the present research is the combination of theoretical findings with the practical experiences of the author gained while working as an international business consultant.

**Key words:** FDI promotion, promotion agents, site selection, Investment Promotion Agency (IPA), formal and informal institutions, role of media.

## Proces izbire lokacij in udeleženci promocije tujih naložb

**Izveček:** V zadnjih desetletjih opažamo rast pomena neposrednih tujih naložb. Imamo dostop do obsežne literature s področja determinant tujih naložb in z njimi povezanih promocijskih aktivnosti. Raziskave o postopkih izbire lokacij, ki jih izvajajo tuji vlagatelji, pa so veliko manj številčne. V prispevku predlagamo nekaj možnih razlag tega pojava in sprememb, ki zadevajo strateški pristop, pri čemer upoštevamo zaključke obstoječe literature o procesih promocije za pridobivanje tujih naložb, njihovih deležnikih, postopkih izbire lokacij in institucionalni teoriji. Glavni zaključki so, da je v celotnem procesu promocije tujih neposrednih naložb potrebna boljša usmerjenost v potrebe strank in da je treba celoviteje ovrednotiti razmeroma zapostavljen pomen medijev, da se tako več pozornosti posveti njihovi vlogi v skladu z ugotovitvami institucionalne teorije; to so tudi predlagane smeri možnih prihodnjih raziskav. Izvirnost pričujočega dela je kombinacija teoretičnih ugotovitev s praktičnimi izkušnjami avtorja, pridobljenimi v vlogi mednarodnega poslovnega svetovalca.

**Ključne besede:** promocija TNN, deležniki promocije, Institucija za promocijo naložb (IPN), formalne in neformalne institucije, vloga medijev.

### Introduction

Growth in the volume of international trade and cross-border investments has been a fact since the 1980s. It is now widely publicly accepted and proved by academics that the positive implications (new jobs, higher wages,

increased tax base, increased exports, growth of local suppliers, access to investment capital and modern technology ...) of foreign direct investments (FDI) clearly outnumber their negative consequences (external control, drainage of most skilled workforce from indigenous companies, transfer of R&D abroad ...). In such circumstances it seems logical that an overwhelming majority of countries worldwide are welcoming inward investment and trying to create a macroeconomic environment to attract foreign investors.

However, the activities of the agents involved in FDI promotion are not always coordinated well enough. The consequences in business reality are possible mixed messages concerning the real welcome of foreign investors in a country which may result in negative decisions about their investments. We hypothesize that especially an unclear or even dominantly negative public opinion about inward FDI may create ex-ante doubt about the outcome of their potential investment. This may result in abandoning the project idea in a selected country even before it has been publicly announced.

In our research we first propose a literature review to define the theoretical background. We start with presenting literature about countries' specialized institutions for FDI promotion, so-called Investment Promotion Agencies (IPA); this is followed by the research about the other main stakeholders of the investment promotion process: governments and Regional Development Agencies (RDA). We continue with the most important findings about the promotion activities in the FDI attraction process and their results. Finally, the existing approach concerning the FDI site-selection process by potential foreign investors is presented.

This is followed by the discussion chapter where we comment on the results from the literature and complete them with personal observations and improvement proposals about the researched topics. The conclusion chapter is devoted to the final remarks and idea development concerning future research in the discussed areas.

### **Theoretical Background**

A country's attractiveness for inward FDI has been a very popular research topic since the 1980s which corresponds to the beginnings of the fast-growing volume of cross-border investment flows. Not all characteristics of the country, which are important FDI determinants, can be influenced by the local politics, e.g. size and population. Hence, focus should be put on those locational determinants that are possible to influence (general investment climate, institutional quality, political stability, etc.) and this corresponds to the "L" (stands for Location specific advantages) in the well-known OLI eclectic paradigm. (Dunning 1980)

#### *Investment Promotion Stakeholders*

In trying to diversify the number and tasks of different promotion stakeholders Bickl (2004) distinguishes between those agents that are promoting the place, and those that contribute to the process of "image making" and "image doing." Zanatta, Costa and Filipov (2006) point out the fact that in most countries the typical functions in connection with FDI promotion (disseminating information about investment opportunities in the country, providing services



for investors, contributing to improving overall investment climate and creating a positive image of the country abroad) are distributed across a range of institutions which often operate in a not clearly defined institutional framework. The conclusions of Bickl (2004) are further developed by Capik (2019) who proposes a scheme of relations between different stakeholders included in FDI promotion: government of different scales (EU, national, regional, local), public economic development agencies (including IPAs and RDAs), companies and their interest groups (e.g. chambers of commerce, industrial associations), citizens and community groups (e.g. local initiatives, NGOs). In short, these stakeholders can be grouped as follows: state, private sector, and civil society.

Most countries worldwide have specialized governmental or quasi-governmental institutions whose main task is to promote international business activities (cross-border investments, import, export) of their companies. These institutions generally operate at the national level and, in some cases, they establish subsidiaries at the subnational level. Among them, Investment Promotion Agencies (IPAs) are focused to promote the countries or target industries (Charlton et al. 2004) as an attractive destination for (potential) foreign investors. Besides that, the IPA's tasks often include support activities for local companies which seek interesting investment opportunities abroad since "there is a growing recognition that FDI generates benefits not only for host countries but for home countries as well." (Hayakawa, Lee and Park 2010, 2)

The seminal research focused on the role of IPAs in a country's promotion as a tool to attract inward FDI is the publication of Wells and Wint (1990), updated in 2000. The

authors list four key functions of IPAs: policy advocacy (e.g. providing feedback from foreign investors to policy makers), image building (e.g. disseminating favorable information about the country), investor services (e.g. identification of investment locations), and investment generation (e.g. sales presentations or specific research about firms or industries). Among empirical research concerning promotion effectiveness, it is worth mentioning Morisset and Andrews-Johnson (2003) who point out that the effectiveness of the IPAs strongly depends on the country's business environment, especially with the quality of the investment climate and the general level of the country's development. More precisely, "countries with poor investment climates or low levels of development, get better results from improving these conditions than from spending limited resources on investment promotion." (Morisset and Andrews-Johnson 2003, 4)

However, it seems that a too simplified public image concerning FDI promotion appears and is also based on the connected literature: FDI promotion is organized and executed almost exclusively at the national (country) level and depends mostly on the IPAs' activities. None of these two statements correspond to reality. FDI promotion is not an activity solely executed at the national level but also at the subnational; regional and even the city-conglomeration level. Focusing on the role of subnational institutions (development agencies, educational institutions, local government, trade associations, skill bodies, trade unions, indigenous enterprises, established domestic and foreign MNE) in FDI promotion, Monaghan, Gunnigle and Lavelle (2014) conclude that "subnational institutions (should) be considered as an endogenous feature of internationalization for inward investment, as they contribute substantially to

reducing the uncertainty of MNEs.” (Monaghan, Gunnigle and Lavelle 2014, 148)

Also, the state-owned or state-controlled IPAs are not single agents that act in cohesion to attract more inward FDI. Even more, unless these agencies have the authority to change or at least just simplify the local legislation, the “one stop shop” (as targeted by theoretical ideas about the existence of IPAs themselves) can become the “one more stop” for foreign investors. (Lall 2000) Governments prepare and execute national policies with a goal to establish a foreign investor welcome environment which includes macroeconomic and political stability, developed infrastructure, investment in human capital and an overall quality of life. The major step towards this direction has been achieved by the GATT (predecessor of the World Trade Organization) Uruguay Round (1986–1993) whose aim was the liberalization of investment policies and ensuring market access for service industries. (Young and Brewer 1999) Particularly in the last decades, marketing consultants have promoted the activities within the scope of Countries or Nations Branding, with a rich history of activities to be found, for example, in France’s, Germany’s or Spain’s past. (Olins 2002)

By their philosophy of existence, Regional Development Agencies (RDAs) are the institutions closest to the IPAs role in connection to foreign investors. According to Almond, Ferner and Tregaskis (2015) other “governance” actors in regional business systems – local and sub-regional government, cluster/sectoral bodies, RDA and LEP executives, and those involved in the coordination of skills provision – and subsidiaries of foreign-owned multinational corporations. It is based on qualitative research in two regions of England

conducted between 2008 and 2011. Within a context of international competition for investment within global production networks, it explores recent politically driven changes in sub-national governance, including the abolition of Regional Development Agencies, alongside the more long-standing instability of economic development and skills coordination in England. The analysis is centred on an argument that a more adequate understanding of sub-national economic governance requires the active integration of perspectives on political systems of governance, and embedded patterns of economic coordination, as analysed in the varieties of capitalism literature. The authors who present an example of England, the national IPA (UKTI) retained a role as the national “account manager” for the most important inward investors, and the nine RDAs’ role in promoting inward FDI is similar but on a more variable and ad hoc basis, acting as (foreign) investor developer or facilitator which may include: ensuring skills supply for the firms, which includes coordination between the regional skills actors and local firms; acting as an intermediary between authorities and existing firms in the case of threats of disinvestment; brokers in managing the redeployment of workers made redundant by large MNCs; support for EU funding which includes consulting services in applying to public tenders, etc. The focus of RDAs, however, remains on strategic oversight over economic development and regeneration of the region.

### *Investment Promotion Activities and Results*

Charlton and Davis (2007) find that targeting of a selected industry increases the FDI in that industry by 41 per cent and they conclude that a positive effect of investment

promotion on inward FDI is robust across various empirical specifications. In other words, investment promotion activities are associated with an increase in inward FDI. Similar general conclusions are presented by Harding and Javorcik (2011) who suggest that investment promotion efforts lead to higher FDI inflows. Their research is based on results for 124 countries in connection to data on US outward FDI, both for the period 1990–2004. More detailed results reveal that investment promotion efforts are more effective in developing countries (about 75 % of the sample) where a lower share of the population speaks English, which are more culturally distant from the US and where more time is needed to obtain construction permits. Authors claim that “these findings are consistent with investment promotion alleviating problems associated with the scarcity of information and cumbersome bureaucratic procedures. /... / Combining the benefit and the cost side, we conclude a dollar spent on investment promotion leads to 189 dollars of FDI inflows. In other words, bringing a dollar of FDI inflows costs half a cent in investment promotion expenditures. /... / This is only the effect of targeting on flows of FDI from the US.” (Harding and Javorcik 2011, 2)

The positive influence of investment promotion on the volume of FDI has also been confirmed in other research; let us just mention Lim (2008), Djokoto (2012), Harding and Javorcik (2012) and Šimelytė (2012). However, Papadopoulos and Heslop (2002) warn that country marketing for FDI must target two different markets which consist of companies with distinct needs and decision-making processes. The first group includes firms which must invest, and whose only question is the location choice, which is not necessar-

ily available in many countries. In other words, the country attractiveness depends on the, more or less scarce, existing resources. The second group includes firms which may (or may not) invest. They adopt sequential entry mode and invest only when this is considered as the most appropriate form to fulfil market demand. The authors conclude that the latter group of companies, which already offer their products on the local market, should be the main promotion target to attract their investment.

Based on the work of International Finance Corporation (1997), Christodoulou (1996), Young et al. (1994) and Dicken (1990), in his influential work Loewendahl (2001) highlights the importance and proposes four areas of general investment promotion: strategy and organization (setting the development policy context, structure of investment promotion, competitive positioning and sector targeting strategy), lead generation, facilitation, and investment services (monitoring, evaluation, product improvement, aftercare). Mostly attributed as a task of governments (national, regional and local), the marketing concept, the so-called Place Branding which can be viewed as "the conscious attempt of governments to shape and promote a specifically designed place identity through policy-making" (Cleave et al. 2016, 210), is gaining the attention of "place promoters" but also academics. Place branding includes place-based elements (logos, slogans), locally specific built and natural environments, targeted actions and attitudes of local government and key stakeholders, promoted quality of local infrastructure and place marketing activities. Ashworth and Woogd (1990) attribute the theoretical emergence of place marketing to three developments within the marketing discipline: Marketing

in Non-Profit Organizations, Social Marketing and Image Marketing. The latter has been openly accepted especially by city administrators. (Kavaratzis 2005)

In the modern period, two constitutional sub-concepts of place branding have attracted the special attention of academics: Destination Branding and City Branding. As suggested by Morgan, Pritchard and Pride (2007), the majority of widely recognized commercial brands can be linked to the countries or regions also considered as a top 10 place brand: America, Britain, France, Italy, Spain, Scandinavia, Japan, Switzerland, Germany, and South Korea. Pantzalis and Rodrigues (1999) claim that the international transfers of capital are influenced by perceptions of countries as brands by investors, which is a combination of its politico-economic situation and a country's image perception. The connection between capital transfers and country perception is valid in positive circumstances, when the country is perceived as an interesting investment location, but also in the negative context when capital may flee the countries. It can happen in times of crisis or as the consequence of irrational economic behavior based on the negative perception of the herd-type mentality of global capital to move quickly and which often overreacts based on only the latest piece of information. (Friedman 2000)

When treated as a form of place management, the main task of city branding is creating the place identity which includes contents that are perceived as original and practically uncopyable by the targeted audience. This is valid for infrastructure, local activities or events and even the local population behavior. (Florian 2002) But the creation of identity itself is not the final goal; what also counts is "the subsequent

use of that identity to further other desirable processes, whether financial investment, changes in user behavior or generating political capital." (Kavaratzis 2005, 334) Another warning worth mentioning comes from Ashworth (2010) who claims that place branding should not be used as a substitute for product improvement or problem solving; no structural problems, whether economic, social or political, will be solved by rebranding activities..

### *FDI Decision Process*

From the marketing perspective, the stakeholders in the FDI promotion process with connected activities can be treated as the "supply" and, by consequence, the site-selection activities of potential foreign investors as the "demand" side. (Wells and Wint 1990; Rein, Kotler and Haider 1993; Young, Hood and Wilson 1994) We present selected research which define, describe and evaluate different phases of the site-selection process which is considered "as one of elimination rather than discovery." (Cleave et al. 2016, 215)

We start with the observation that the information base of MNC concerning the site-selection process is far from perfect, and because of that, the decision-making process can be subjective and biased. (UNCTAD 1999) Even more, the lack of information on the country considered leads to an image of instability and uncertainty. (Šimelytė 2012) The research of relevant information is thus needed. Brosard (1998) focuses on the information sources used by an organization in the complex decision process of site selection. He defines three main stages of the process: problem recognition (investor recognizes the need and defines



requirements for a new location), feasibility study (selection and evaluation of selected regions), and the final choice (negotiations of grants and permits). After performing the factor analysis, he identifies five sets of information sources: commercial, noncommercial-impersonal, noncommercial-personal, internal, and external consultants. He concludes that "in a complex decision process characterized by a high level of uncertainty, results suggest that buyers rely heavily on personal sources, whatever the stage of the process considered." (Brossard 1998, 47–48)

According to Mariotti and Piscitello (1995), a clear information asymmetry between the local and foreign investors exists and, by consequence, the spatial distribution of inward FDIs depends on information costs, rather than by other types, for example transport or production costs. Wei and Christodolou (1997) base their research on the previous findings of Mintzberg, Raisinghani and Theoret (1976) and propose their model of decision-making process, classified in three phases: initiation and preliminary thinking, investigation, evaluation and final decision-making. Wells and Wint (2000) present an interesting analogy; they compare the behavior of firms investing abroad with the decision process when corporations are purchasing industrial products. By consequence, they claim that FDI promotion activities should be adapted to the specific stages in the investment decision process. According to Morgan, Pritchard and Pride (2007), the investors start by selecting a region and collecting general information about the potential country candidates within this region. This information is connected with: situation on the labor, customer and supplier markets; infrastructure and amenities' development; formal and informal education; overall

business and life quality; banking and tax system. (Rein, Kotler and Haider 1993)

An interesting work by Chen and Moore (2010) points out the conclusion in connection with the first phase investment location decision, "that more productive firms are significantly more likely to invest in countries with a small market potential, high entry barriers and large fixed costs of investment. The probability of investing in countries that set relatively low tariffs is also higher for these firms." (Chen and Moore 2010, 197–198) Harding and Javorcik (2011) define four main phases of the site-selection process: preparation of a long list of possible locations (8–20 countries: popular FDI sites, locations close to the existing investor's facilities and emerging destinations); narrowing to a short list (around 5 locations: selection is usually based on available online data and additional IPAs' support); visit to the potential host country/countries (which may include the consultants' support) and investment decision (main information taken into account: availability of potential sites, connected costs, general quality of business climate and proposed incentives).

At this place we mention Papadopoulos and Heslop (2002) who claim that the criteria taken into account by investors in defining a shortlist are not the same as criteria in choosing the final location from this list. They also point out that the needs of technology-intensive firms are specific and focused on effective networks of interconnected organizations, such as: producers, their suppliers and contractors, R&D institutions, etc. By consequence, these potential investors must be treated differently already in the country-branding activities. In his empirical research, Quaran (2018) concludes that Arabian international firms included in the

analysis undertook a process of five stages: internationalization drivers analysis; search and development of location determinants and alternatives; obtaining and assessing the adequate information about potential countries; selection of the country and effective implementation. The author claims that the country selection process is strongly dependent on the international experience and country knowledge of the investing company's management team, but also on the expertise of external consultants from the home and analyzed countries. Capik (2019) differentiates between the strategic (political, cultural, social, legal, economic, and technological factors) and operational (procedures of evaluating the risks connected to the number of pre-selected choices) level investment location decisions. During the initial scanning, the comparison of publicly available data leads to the creation of a shortlist of potential investment locations to be examined in detail. The next phase of scanning procedures is more time consuming and usually includes place visits and first negotiations with partners evaluated as relevant, that includes government representatives, potential clients and suppliers. (Daniels, Radebaugh and Sullivan 2019) After the "terrain" phase, the internal analysis of the data gathered is conducted where often the risks-opportunities matrix is used for comparison of the shortlisted locations and on that basis the final decision about the site selection is taken.

## **Discussion**

When summarizing the presented existing research in the areas of investment promotion stakeholders, investment promotion activities with connected outcomes and FDI deci-

sion process, we conclude that the FDI promotion process is certainly very complex and offers numerous opportunities for academics to continue their research activities in all analyzed topics. However, based on the existing literature and personal experience from working as a business and management consultant for several decades, and regularly with (potential) foreign investors during their site-selection processes, we add several evaluations of the previously presented conclusions and propose an additional approach to the researched topics.

The first, general remark is about an overall research approach to the topic of FDI promotion. When understood as a type of marketing activity, it seems that it is very often focused mostly on the "supply" and not enough on the "demand" side. In other words, academics tend to discuss promotion agents, processes, specific activities, organization, relations between national-regional, etc. In these discussions the most important "player" is often missing or at least not valued enough: their "clients." Everything that promotion agents do or should do, all reasons they were established for, relate to the services they were meant to propose to their clients: (potential) foreign investors. When this "customer orientation," as one of the most important marketing principles, is missing then we can easily conclude that the FDI promotion organization, including different agents and their activities, is based on the premise of what these agents think that potential investors expect from them and not on the basis of what these investors are really expecting to receive from the FDI promotion services providers. This kind of behavior may result in situations where investors receive correct answers, but on questions never asked. In order to illustrate the previous statement, we pres-

ent personal experience from the year 2008. At that time, we were engaged as consultants in the site-selection process for a big MNC from Europe in the area of pharmaceuticals. They were in the process to decide whether Slovenia was the most appropriate location for their new facility. During an interview with their representatives, we first found out that they already had created a short list of three European countries, Slovenia being one of them. The company's representatives admitted that general presentation of the country was done well by the national IPA of Slovenia. The macro-economic situation of the country at that time was excellent. Several years ago, Slovenia had joined the European Union and just recently (2007) it had become a member of the Euro zone, the first such country from the former Eastern Europe. However, the investors were stuck taking their final investment decision because the additional info they requested was never received. The more their questions were focused on the precise potential location details with connected operational procedures, the more general answers, given by the IPA's representatives, were about the promises concerning legislation changes in the future. Finally, they chose another from the three shortlisted countries.

Our second remark is logically connected with the previous one. From the three selected areas of presented research, the one connected with the FDI decision process was the least discussed, according to our findings. This observation may lead to basically two different conclusions from whom at least one seems to be valid. It's either in the business practice that there is not enough attention paid to information support during the site-selection process (demand side) and the expectations of foreign investors or it is just that academics in general pay less attention to this topic

which, according to our opinion, should be treated first, as the starting point whose conclusions should give valuable information to the agents of FDI promotion activities.

Perhaps the most important conclusion is based on our observation that among the main agents in FDI promotion, local mass media of all types are in general omitted. Certainly, media are indirectly included as “information carriers” or promotion channels in the paid or non-paid advertising activities of the place branding process. However, the relatively neglected role of mass media in their redaction-related (and not advertising) activities is somehow surprising, and we think they should be considered as important formal institutions, also with their potentially specific, own agenda,<sup>1</sup> within the process of FDI promotion activities. According to Hall and Hubbard (1996), the local media are part of local interest groups; besides the local authority or

1 For example, in the year 2019 the Kolektor group from Slovenia owned 100 % share of the leading local editing company Delo, which was publishing various offline and online editions. Besides that, one of the main pillars of Kolektor’s business activity was also civil works. Let’s imagine that a foreign company in the area of civil works was planning to establish a subsidiary in Slovenia which would directly compete with Kolektor on the local market. Having in mind the ownership structure of Delo and based on their previous practices concerning the treatment of foreign competitors in civil works, for example bidders on the public tender concerning the tunnel under Karavanke Alps, there is a rather high probability to successfully predict that the publishing house with its editions would not only act as the potential advertising media if the mentioned foreign company or their already established local subsidiary ordered the ads (advertising point of view) but also with the additional, more or less subtly executed, agenda as the “foreign investors’ competition threat protector” in their editorial policy.

city government the authors mention property interests, rentiers, utility groups, universities, business groups, and trade unions. Also, Kulchina (2014) concludes that even though media information is not perfect, companies are still significantly affected by it. She claims that different location patterns of realized foreign and domestic investments may be partially explained by the different effects of media information about the investment location choices.

When trying to rationalize the reasons for the presented treatment of media, we conclude that one of them is likely to be the expected self-evidence of the positive role the media are supposed to play in the FDI promotion process. This is undoubtedly true when media are included in paid advertising campaigns as part of FDI promotion activities. The same is valid for the redactional part of their work, which is “guided” by the FDI promotion agents, e.g. governments. We think that the somewhat “romantic” perception of media when treated as the “dogwatch of democracy” should be replaced by a more realistic and not exactly recent concept about media as the “fourth branch of government.” (Brucker 1949; Cater 1959) Not only is there an impact from the media on the executive and legislative branches, but also on the judiciary branch. (Luberda 2014) In many countries this is nowadays an ongoing situation; media are largely or even exclusively government-run or at least government-funded. But even in the cases where media are privately owned, the government’s influence is difficult to avoid completely.<sup>2</sup>

- 2 This is especially true in situations where a big proportion of the national economy is state-owned. For example, in Slovenia in 2019 approximately 50 % of the national economy is directly controlled by the government through the state-ownership of companies. This kind of situation enables government to control a large part of

However, owners of the media can have their own agenda which may not be in-line with the general “FDI welcome” politics, supported by the FDI promotion agents. The same may occur when certain partial groups of interests, with or without direct financial interest, use media to promote adverse politics towards FDI. As an illustration, Vaupot and Fornazarič (2019) present the role of local print media in Slovenia in creating generally unbalanced and mostly negative public opinion toward foreign investors and investments. In 1992, the result was the adoption of de-facto hostile foreign investor privatization legislation with its consecutive non-welcome message to other potential foreign investors, both with a long-lasting negative effect on the volume of inward FDI in this country.

If accepted that media are considered as equally important formal institutions and agents in the FDI promotion process, we propose that the findings of institutional theory (North 1991) concerning FDI determinants is carefully analyzed and included in the understanding of the before-mentioned process. Both the importance of media as formal institutions but also their relation in mutual influence with the informal institutions (Pejovich 1999; Helmke and Levitsky 2004; North 2005), such as public opinion and trust, should reinforce the awareness about the importance of their role in the FDI promotion process. The level of trust, expressed through public opinion, is not only important in connection with the (potential) foreign investors’ decision-making process but also as an informal institution for the national economy

media through distribution of the ad’s budgets of the state-controlled companies which are regularly amongst the largest advertisers in the country.



in general; as stated by Seyoum (2011) more trust results in more growth because of its positive influence on lowering transaction costs and facilitating cooperation. A general importance of media, as formal institutions in the process of FDI promotion but also in influencing, through creation of public opinion, the levels of (dis)trust towards FDI should be thus considered seriously. Both, in including media as “equal players” when creating a general FDI promotion policy but also in trying to influence their positions in cases where their interest in supporting inward FDI is not self-evident or even opposed to general policy.

### **Conclusion**

The contribution of IPAs in the process of FDI promotion and the FDI promotion activities in general are recognized as positive. However, several other preconditions (e.g. good investment climate, sufficient general level of country's development, critical size of IPA's in terms of disposable budget and number of employees, etc.) are necessary in order to achieve the desired effectiveness and efficiency. Hence, it is not the question whether to promote inward FDI or not but rather how to organize and execute the connected activities in order to maximize the results. Many actors on different geographical and organizational levels are included in creating a positive “FDI welcome” environment which may attract foreign investors to make a desired choice. However, not all stakeholders in this process can be identified, e.g. influential individuals. But, when primary focus is put on the site-selection process of the potential investors, then accordingly the whole FDI promotion organization and connected activities may give better results

especially when carefully adapted to the specific phases and individual needs of the site selection process. We think that integrating and well coordinating all important actors in the promotion process, media included, but also identifying and neutralizing the activities and especially results of the FDI hostile stakeholders is crucial. We thus propose to continue the presented research in the direction of in-depth analysis of identification and motivation of the FDI hostile formal and informal institutions.

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