

## INSTITUTIONAL DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN MACEDONIA: EVIDENCE FROM PANEL DATA

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### ABSTRACT

The paper uses gravity model, augmented with institutional related FDI determinants to estimate the stock of bilateral FDI potentials between Macedonia and 24 European Union countries. We use panel data on Macedonia's bilateral FDI activity across EU - 24 countries, for the period 1997 - 2010. The paper employs augmented gravity model of FDI, considering for host country institutional factors that determine the entrance of foreign capital in Macedonia. The findings of the paper suggest that FDI into Macedonia from EU - 24 countries is determined by market size and institutional related determinants.

**Keywords:** Foreign Direct Investment, Macedonia, Panel Data.