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STRATEGIC MANAGEMENT OF THE RISKS OF ATTRACTING FOREIGN DIRECT INVESTMENTS - NEW FINANCIAL CHALLENGES

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Abstract: *At the time of the coronavirus pandemic COVID 19, many economies, including the Serbian economy, are facing an unknown cause of many problems, which is bringing many companies into crisis. In such conditions, the strategic approach and way of thinking becomes crucial for the survival or recovery of companies and even the economy of a country. This is especially the case with small underdeveloped and developing economies, which are particularly affected by the pandemic. In such conditions, foreign direct investments are a decisive factor in the survival and recovery of the economy, and decisions of this type are strategic. Especially in the conditions of a pandemic, investors are sensitive when making strategic investment decisions, and economic freedoms are an important factor in that. The aim of this paper is to determine the impact of economic freedoms in Serbia on making strategic decisions on foreign direct investment, and thus the development of Serbia. The results of the research show the existence of a positive correlation between these factors on the development of Serbia. The econometric model of Pearson Correlation and Greene's multiple correlation analysis model was used in the analysis.*

Keywords: *Strategic decision making, foreign direct investment (FDI), economic freedoms, Serbia development*

JET classification: *L1, M21, M11*

INTRODUCTION

Foreign direct investment (FDI) decision-making is a strategic decision influenced by a number of factors. Whether to invest depends on economic conditions, but also on economic freedoms. Less economic freedoms also mean higher country risk, as well as an unstable investment area. That is why the assessment of economic freedoms is very important when making strategic decisions on foreign direct investments in the Serbian economy. This concept is especially important if strategic decision-making is influenced by "force majeure", as in the case of coronavirus COVID 19. With 3.9 billion euros of foreign direct investment in 2021, it only shows how foreign direct investment (FDI) important for the economy of Serbia, and decisions of that type, strategic, of the highest importance and level.

Expectations of an increase in the level of foreign investment are also based on the level of economic freedoms, which significantly affect investors. The results of the research show a significant impact and positive correlation of economic freedoms on strategic decisions on foreign direct investment in Serbia. The role and importance of the impact of economic freedoms on strategic decisions on foreign direct investment significantly affect the economic development of Serbia, a particularly sensitive issue in the COVID 19 coronavirus pandemic, when strategic decisions were associated with even greater risks and vulnerabilities. The COVID-19 pandemic affected foreign direct investment in the world and expectations regarding the trend of foreign direct investment in Serbia.

The liberal economy, access to infotmation, international competition with homogenization of culture as changes in the global economic enviroment are significant factors that affect the competitive position of enterprises. In addition to the above factors, the process of globalization, increased competition and the struggle for market participation, significantly affect the mobility of foreign capital, which significantly affects the development of their countries. Countries in transition continue to see foreign direct investment as a key instrument in the process of transforming their economies and generally the basis of development. Foreign investment is a form of investment, where a foreign investor retains ownership rights, and manages and controls the company in which he invested, in order to achieve long-term benefits. For small and underdeveloped countries, it is extremely important to create conditions on the basis of which strategic decisions will influence foreign direct investment. Today, capital knows no boundaries, and we can say that the capital market is global. Only countries working to increase confidence, greater security, reduce risk and greater economic freedoms can attract foreign direct investment. The inflow of foreign direct investments affects the increase of economic activity, process monitoring, adjustment and harmonization of business conditions, market positioning and great development potential, as well as greater efficiency.

The effects of FDI are very complex when looking at the relationship between FDI and economic development, and are highly dependent on the effects of foreign direct investment as well as areas. If FDI is focused on the most productive areas in the country, economic development will be achieved. The values of FDI in Serbia from 2018 (358,102,436.8 million euros) until today, are constantly decreasing. In 2020, the value of FDI amounted to EUR 129,893,962.4 million. Foreign direct investment in less developed countries such as Serbia will be under additional pressure in 2022/2023.

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years, due to the impact of the COVID-19 pandemic. The decline in global foreign direct investment in 2022 is estimated at 30-40% as a result of the pandemic. The Heritage Index of Economic Freedoms is the result of joint work by the Heritage Foundation and the Wall Street Journal. According to the index of economic freedoms for 2020, published by the prestigious American "The Heritage Foundation", (Foundation., 2019) Serbia ranks 66th in the world out of 186 ranked countries.

The Nobel laureate, Professor Joseph Stigliz, in market-oriented economies, believes that companies are most often to blame for the crisis. There are many causes. The biggest untruth is that market mechanisms alone will lead to the solution of problems and lead to the recovery of companies. In this sense, economic freedoms are the focus of analysis and observation. In connection with the above, it is necessary to influence the creation of a general strategy for the impact of foreign direct investment on the development of Serbia.

The methodological concept of the research includes an econometric model, which is based on the research period from 2002-2021. years. The model involves and models the parameters of strategic decision - making, based on multiple correlation - Pearson Correlation and Greene's multiple correlation analysis model was used in the analysis.

A REVIEW OF LITERATURE THROUGH PREVIOUS RESEARCH

Underdeveloped and developing countries do not have enough accumulation and therefore a lower degree of automation of production, which would enable faster economic development and the creation of internationally competitive domestic products. Foreign direct investment in such a situation is an essential factor in generating economic growth and development. A large number of parameters influence strategic decision-making on foreign direct investment, and economic freedoms are one of the most important, which is the research focus of the paper.

According to Kim (2010), foreign direct investment is characterized as horizontal, vertical and conglomerate (Kim, 2010). When there is situation in which the investor establishes the same type of business abroad because he operates in his own country. If we have investment in which different but related business activities are established or purchased abroad from the main activity of the investor it referes to the vertical investment. Conglomerate means combinig the revious ones.

There are several factors that contributed to Serbia being among the leaders on the world list of countries that, in relation to their gross domestic product, attracted the most direct foreign investments. One of the important factors is certainly that Serbia is a candidate country for the European Union, which has a Stabilization and Association Agreement with the EU, as well as trade agreements with several other countries. In addition to the above, it is important to point out the fact that Serbia has a relatively cheap labor force, at least in comparison with Western Europe, as well as in Eastern and Central Europe, and the fact that the country has a relatively educated and trained labor force. It is important to mention good transport communication with Western and Southeastern Europe, subsidies from the Serbian government to foreign investors, but also construction land for the construction of various plants and production lines. Foreign direct investment (FDI) has financed projects in various sectors, most notably the manufacturing, automotive components, food, tobacco and construction industries.

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Unfortunately, the coronavirus COVID-19 affected the decline in foreign direct investment in Serbia in 2020 and 2021, which significantly affected the country's economic activity.

Strategic decisions of investors are necessary for the realization of FDI, but also the improvement of conditions for investments is necessary, and it is also necessary to create an economic environment suitable for FDI. Foreign investments are a key factor in the development of the modern economy, and together with trade they represent an important lever of the general platform of development of Serbia. Therefore, decisions from this category are certainly from the strategic category. In relation to the previous, strategic decisions are unique in nature, non-routine, concern general goals, address the most important issues and the broader picture of the entire company, are related to strategies and are often unrepeatable and inevitable. Developing countries with high public debt and unfavorable economic situation show great interest in attracting as many foreign investments as possible, as is the case with Serbia. The driving force of the new development is certainly foreign direct investments that integrate the economic system of Serbia into the world economic system, on the basis of which negative economic tendencies can be overcome with the help of the inflow of international capital.

Economic freedoms are an important factor in strategic decision-making and individuals are allowed to decide for themselves rather than have options imposed on them by the political process or the use of violence, theft or fraud by others (Gwartney, 2017). If we look at research, there are several research studies on the impact of FDI on economic performance. The classification and systematization of studies was performed by Sovbetov and Moussa (Sovbetov & Moussa, 2017). Quazi in its research points to an extensive literature on various variables that affect FDI, the most significant being market size or trade openness (Quazi, 2007). Most of the literature refers to the impact of the index of economic freedoms on FDI based on the structure of the index of economic freedoms. Therefore the transparency of economic policies is a strategic issue for investors, especailly fot those focused on FDI.

The positive correlation between economic freedoms, foreign direct investment and economic development affects market trends, resource allocation, better productivity, better production and business portfolio, and return on investment. In general, an important prerequisite for successful foreign direct investment is that clear and predictable economic policies regarding the liberalization of investment and trade regimes can be a powerful tool in attracting FDI, Drabek and Payne (Drabek & Payne, 2001) (Šamu & Hunjet, 2020). In addition to the above, the process of globalization also plays an important role. Economic globalization has meant that we have become more integrated, more interdependent, which means that there is a greater need for collective action Stiglitz (Stiglitz, 2008). So far, several studies have been conducted on the relationship between economic freedoms, economic development and foreign direct investment. Pearson et al. (Pearson, Nyonna, & Kim, 2012) based on his research endeavor analyzes the effects of economic freedoms and other economic factors on state-level FDI in the United States. The results showed a significant positive effect and correlation of the impact of economic freedoms on FDI in all US states.

The basic results of a study conducted by Fofana show the existence of the impact of economic freedom on foreign direct investment in 25 Western European and 26

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sub-Saharan countries in the period from 2001 to 2009 (Fofana, 2014). In this regard, the basis of his analysis was related to the parameters of economic freedoms, such as the size of the economy, population size, legal system and rule of law, and regulatory variables such as the size of government, freedom of international trade and labor regulations, credit. The basic results of empirical research have shown that the aggregate index of economic freedom has no significant effect on FDI in Africa. One of the major restrictions within his empirical study was insufficient observation number.

It is certainly important to mention the issue of responsibility for making strategic decisions. Without the implementation and realization of strategic decisions, they remain just a "letter on paper", and their role is insignificant. Responsibility for the implementation of strategic decisions lies, no more and no less, at all levels of management, the highest level, the middle level of management and the lowest level of management. Some approaches, especially the older ones, believe that the responsibility lies only with the top managers of the company. According to a broader understanding, their main responsibility is related to social responsibility (respect for social responsibility and other related issues) and the general strategy related to achieving the goals of the entire organization. Thus, according to Nordhaus, (Nordhaus, An Economic Theory of Technological Change., 1969) growth can be provided on the basis of knowledge that grows exogenously. According to the same approach, Nordhaus stated that the rate of economic growth of 3% compared to the previous year represents a continuation of the trend of economic recovery (Nordhaus, Evolution of Modeling of the Economics of Global Warming: Changes in the DICE model, 1992-2017. , 2018). Hayrdaroglu was analyzed by BRICS countries namely, Brazil, Russia, India, China and South Africa over the term 1995-2013.This scholar analyzed the interaction findings indicate that economic freedom is positively associated with economic growth, further, and FDI is positively related to economic growth. It is also confirmed that just an index of government size is negatively associated with economic growth (Hayrdaroglu, 2016).

Hypothesis research

Some theorists, such as Kurečić and Kokotović, explored the long-term link between political stability and the FDI for small economies, and concluded that there was a positive correlation. Also in this study, part of the analysis related to large and developed countries was missing (Kurecic & Kokotovic, 2017). Researcher state that in retail and manufacturing industries there wass a significant contribution to economic growth, whic had an impact on the increase in employment compared to the previous year (Gregory, Romer, & Weil, 1992). Trade relations research has been the focus of many researchers, and the most significant ones are below. In his seminal paper on "Optimum Tariffs and Retaliation" (Johnson, 1953) Harry Johnson explored how policy interdependence between governments can be modeled as a non-cooperative balance of the two countries' customs game (see also).

Mayer (Mayer, 1981) and Riezman (Riezman, 1982) similarly explored access to negotiated trade agreements, viewing them as the equilibrium outcomes of two-state negotiation games, which affect the creation of conditions for FDI. Positive effects from FDI inflows are also related to the "increase in labor productivity through technological transfers, management and marketing proficiency that enables long term technological progress and economic growth." Boghean and State (Boghean & State,

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2015). On institutional quality, Estrin (Estrin, 2017) found that it plays an enormous role in the impact of FDI on labor markets and that "stronger and fairer institutions are therefore crucial to obtain the benefits of FDI for the labor market".

Research hypothesis Ho: There is an impact of economic freedoms on foreign direct investment, which affects the economic development of Serbia, measured by gross domestic product.

In addition to other research on the same issue, research by Liu & Mao (2019) has provided „strong evidence from the world's largest developing country on the effectivness of using tax incentives to promote firms investment and productivity". Whalsh and Yu stated that macroeconomics variables have a significant impact on the attraction of foreign investment in highly developed countries then in developing countries. (Walsh & Yu, 2010). Economic freedom means the degree to which a market economy is in place, where the central components are voluntary exchange, free competition, and protection of persons and property. (Caetano & Caleiro, 2009). Ferreira et al. (Ferreira, Carreira, & Serra, 2016) observed moderating effect of corruption on the ability to attract FDI. This study is focused on a more narrow issue and does not cover our research question (Ferreira, Carreira, & Serra, 2016) (Radovanović, Grandov, & Filijović, 2019)

The data show that the share of developing countries in global trends in foreign direct investment (FDI) is growing, so there is a growing interest in researching and studying the strategic approach to these processes. In this regard, the number of research studies investigating the role and importance of FDI, as a strategic resource for the development of small and underdeveloped countries, increasing productivity, technological progress and a better business environment, Sekkat and Veganzones-Varoudakis (Sekkat & Veganzones-Varoudakis, 2007) is growing. Issues of economic freedom are increasingly occupied by the research space, given its effects on the level of trust of agents, as well as the level of strategic decisions on FDI (Voyer & Beamish, 2004).

RESEARCH METHODOLOGY AND SAMPLING

The research focus has been on the Economic Freedom Index, based on the Heritage Foundation, in recent years, to analyze the impact and correlation of the index and FDI. Based on UNCTAD, investors have two strategies at their disposal, the amount of foreign direct investment is declining in developed countries and shifting to developing countries, contributing to their growth. In addition to the above, it is worth mentioning the strategy that investors are applying and refers to the trend, to indirectly reach cheaper resources and cheaper labor through quality FDI. If we look at underdeveloped countries, the development of production capacities certainly contributes to the development of the economies of those countries.

Viewed from the angle of economic freedoms, Serbia records a value of 67.2, which positions it on the 54th position of the world list for 2021. Observed from the angle of key parameters, its value increased by 1.2 points, primarily due to the improvement of the assessment of the tax burden. Also, thanks to the parameters of monetary freedom (81.1) and the parameters of market freedom (77.2). Among the worst rated parameters are government integrity (45.0), government spending (49.6), financial freedom (50.0) and judicial effectiveness (50.6). Prodlem research refers to the impact of economic freedoms on strategic decision-making on foreign direct investment in Serbia and the impact on its development.

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Given the subjectivity of economic freedom, an appropriate methodology consists of using fuzzy logic clustering, (Caetano & Caleiro, 2009). The time period of the research scope covers the period 2001-2021. years. The Heritage Index of Economic Freedoms is jointly published by The Heritage Foundation and The Wall Street Journal, and is based on an analysis of 10 specific components of economic freedoms, namely: business freedom, trade freedom, fiscal freedom, government sector spending, monetary freedom, investment freedom, financial freedom, property rights, absence of corruption, freedom of labor and labor. Each of the 10 economic freedoms is rated using a scale from 0 to 100. Each of the previously listed parameters influences strategic decisions on foreign direct investment.

The causal and causal relationship was defined by Granger and Sims, who believe that when the residual values of the variable xt have the power of explanation in the regression of the variable yt on the residual values of yt and xt. Granger's causality is absent when equal, and states that in the conditional distribution the lag values of yt do not add information to explain the movement of xt beyond what the lag variable of xt itself provides (Greene, 2003). The model is called the VAR model and includes the optimal delay length of each variable in each equation. For our analysis, VAR model with nine endogenous variables (LGDPt, LFDIt, LBCIt, LGDt, LICTSt, LSFPt, LIt, LEFt, LEAt).

Table 1. Research variables - operationalization

| Variable	Initials	Interpretation
Gross domestic product	LGDPt	GDP - refers to the value of products and services in a period of one year.
Foreign direct investment	LFDIt	Foreign direct investment (FDI) represents investments by foreign investors in another country, with the aim of realizing investments.
Index of Economic Freedoms	LBCIt	The Index of Economic Freedom covers the areas regulated by the government's economic policy, the rule of law, government, efficiency and the market.
Business freedom	LGDt	Business freedom implies decision-making and management without any pressure.
Trade freedom and freedom of labor and labor	LICTSt	It includes respect for trade freedoms in the market, human resource management and market freedom.
Fiscal freedom and monetary freedom	LSFPt	It refers to not creating a monetary and fiscal policy suitable for investments.
Government sector spending	LIt	Control of spending at the public level, cost control and better business conditions.
Investment freedom and financial freedom	LEFt	It implies free investments, availability of financial resources under equal conditions.
Property rights and absence of corruption	LEAt	It implies the creation of a legal framework in which the rule of law, the fight against corruption and the transparent work of the courts are respected.

(**Source:** World Bank, 2021, UNCTAD, 2012, OECD, 2021)

LGDPt = F(*LFDIt, LBCIt*)
LBCIt = F(*LGDt, LICTSt, LSFPt, LIt, LEFt, LEAt*)

and can be expressed as follows (Greene, 2003).

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Graph 1. Conceptual model of strategic decision-making - the influence of economic freedoms on foreign direct investments and the economic development of Serbia
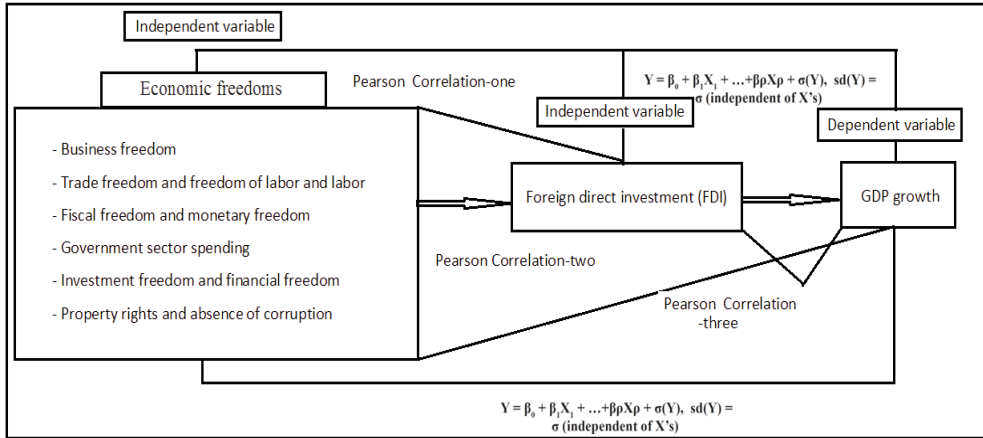
Source: Authors based on Greene, 2003

The strategies to find an appropriate model include the forward method in which we start by assuming the very simple model i.e. a straight line ($Y = a + bX$ or $Y = b0 + b1X$). Then we find the best estimate of the assumed model. If this model does not fit the data satisfactory, then we assume a more complicated model e.g. a 2nd degree polynomial ($Y = a + bX + cX2$) (Draper & Smith, 1998)

In the multiple linear regression model, Y has normal distribution with mean (Draper & Smith, 1998):

$$Y = \beta_0 + \beta_1 X_1 + ... + \beta\rho X\rho + \sigma(Y), sd(Y) = \sigma \text{ (independent of X's)}$$

Y - dependent variable (indicator of the impact of economic freedoms and foreign direct investment on the economic development of Serbia, measured by GDP). The variables of the multiple linear regression model in the above form, express the average regular, quantitative relationship between the dependent variable Y and ρ of the independent variables, $\beta0 + \beta1 + ... + \beta\rho$. These variables, in essence, represent estimates of the parameters of the regression model.

The model parameters $\beta_0 + \beta_1 + +\beta_\rho$ and σ must be estimated from data.

β_0 = intercept and shows that for level zero relative importance

$\beta1$ $\beta\rho$ = regression coefficients, show the relative assessments of the development of the economy of Serbia for the unit change of variables of economic freedoms and foreign direct investment

$\sigma = \sigma_{res}$ = residual standard deviation

β_1 equals the mean increase in Y per unit increase in X_i , while other X_i›s are kept fixed. In other words βi is influence of X_i corrected (adjusted) for the other X›s. The estimation method follows the least squares criterion. The partial correlation coefficient is given in the following form Draper and Smith (1998):

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$$R^2_{Y/X_1X_2} = \frac{r^2_{x_1y} + r^2_{x_2y} - 2r_{x_1y}r_{x_2y}r_{x_1x_2}}{1-r^2_{x_1x_2}} \qquad r_{yx_1 \cdot x_2} = \frac{r_{yx_1} - r_{yx_2} \cdot r_{x_1x_2}}{\sqrt{1-r^2_{yx_2}}\sqrt{1-r^2_{x_1x_2}}}$$

The results of research based on the conceptual model are given on the basis of econometric analysis.

Table 2. The value of the economic index of freedom in Serbia (2001-2021)

Index Year	Overall Score	Property Rights	Government Integrity	Judicial Effectiveness	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	46.6	30.0	10.0	N/A	89.8	74.8	N/A	40.0	N/A	46.8	88.4	10.0	30.0
2003	43.5	30.0	10.0	N/A	79.8	89.2	N/A	40.0	N/A	34.2	68.4	10.0	30.0
2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	56.6	40.0	34.0	N/A	85.9	46.3	N/A	56.0	70.0	65.8	78.0	40.0	50.0
2010	56.9	40.0	34.0	N/A	83.2	41.4	N/A	58.9	72.2	64.5	75.2	50.0	50.0
2011	58.0	40.0	35.0	N/A	83.6	41.9	N/A	59.0	68.9	66.0	75.2	60.0	50.0
2012	58.0	40.0	35.0	N/A	84.1	39.3	N/A	56.5	68.7	68.0	77.9	60.0	50.0
2013	58.6	40.0	33.0	N/A	84.2	40.3	N/A	60.2	70.4	65.3	77.9	65.0	50.0
2014	59.4	40.0	34.0	N/A	83.1	38.6	N/A	59.3	70.1	66.9	77.0	75.0	50.0
2015	60.0	45.0	42.0	N/A	82.4	27.1	N/A	57.8	70.4	72.2	78.2	75.0	50.0
2016	62.1	50.0	41.0	N/A	84.3	44.1	N/A	60.2	66.2	77.5	77.8	70.0	50.0
2017	58.9	50.3	38.2	40.2	83.3	40.3	46.9	62.9	65.9	80.8	77.8	70.0	50.0
2018	62.5	46.2	36.5	48.2	83.5	40.6	67.0	68.3	69.2	82.9	87.4	70.0	50.0
2019	63.9	50.1	37.2	44.8	82.0	45.1	90.1	72.9	67.4	80.0	77.0	70.0	50.0
2020	66.0	55.4	44.0	46.8	83.7	49.7	94.1	72.6	66.9	80.7	78.0	70.0	50.0
2021	67.2	57.9	45.0	50.6	92.5	49.6	94.6	71.0	67.3	81.1	77.2	70.0	50.0

Source: www.heritage.org

Based on the previous data, the movement of the index of economic freedoms and variables that build a given platform is visible. Also, the movement of the index of economic freedoms from 2001 is visible, from when the index of economic freedoms is calculated until 2019, 2020 and 2021 (the years affected by the corona virus COVID 19). Data on the movement of foreign direct investment (FDI) and gross domestic product (GDP) are given below.

Graph 2. Movement of foreign direct investment (FDI) and gross domestic product (GDP) of Serbia in the period 2001 -2021. years

Source: Authors based on World Bank

The previous chart presents data on the movement and trend of GDP and foreign direct investment in the period 2002-2021. The value of performed works in construction in 2021 recorded a real growth of 17.1%, compared to the previous year. Turnover in retail trade achieved a real growth of 9.8%, while turnover in wholesale trade was nominally higher by 22.0%. Foreign trade in euros, in 2021, compared to 2020, shows an increase in exports by 25.5% and an increase in imports by 24.0%. Within the sector of accommodation and food services in 2021, the real growth of catering is estimated at 72.7%, while the number of tourist nights increased by 29.7%. In 2021, compared to 2020, an increase in the physical volume of traffic of 39.9% and telecommunications of 2.9% was registered. If we look at the values of GDP, the average GDP in the observed period grew. If we put foreign direct investments in the focus of observation, we can say that they have not changed much at the average level. There was a growth trend until 2019, which was stopped due to the consequences of coronavirus COVID 19. It is estimated that the total economic activity in the Republic of Serbia in 2021, measured by real trends in gross domestic product (GDP), increased by 7.5% compared to 2020. Gross fixed capital formation in 2021 shows a real growth of 14.1%, compared to the previous year. In 2021, agricultural production recorded a decline in physical volume of 5.0%. In the same period, industrial production grew by 6.3% and manufacturing by 5.5%.

It is important to point out that the inflow of funds through FDI is not just an inflow of capital, but is the basis for increasing trade flows, economic growth and de-

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velopment and job creation. Based on the above, the movement of FDI is influenced by several macroeconomic, socio-political, corporate and technological factors. It is important to mention that one of the most comprehensive studies conducted by UNC-TAD in early 2017 and which included CEOs of leading global companies as the most important factors influencing FDI flows stated: the economic situation of Asian developing countries, the US economy, economic the situation in the European Union, oil prices, changes in tax regimes, exchange rate volatility and rising interest rates. Based on this platform, as a result of the research, most respondents see technological change and the digital economy as positive factors driving cross-border investment, despite the risk of cyber attacks and data security.

FINDINGS AND DISCUSSION

Based on the input parameters, the following research results were obtained (2009-2021).

Table 3. Results of the econometric model research

|	Index Score	FDI (milion $)	GDP (milion $)
Observations	13	13	13
Mean	60,6231	2.938.965.126,6559	47.104.529.804,3554
Stdevp	3,2976	1.071.099.928,6195	12.529.447.810,9047
Variance	10,8741	1.147.255.057.088.600.000,0000	156.987.062.446.185.000.000,0000
Coefficient of variation	0,0544	0,3644	0,2660
Median	59,4000	2.894.615.965,2376	47.062.206.677,6539
Max	67,2000	4.930.532.020,1456	57.335.142.657,3210
Min	56,6000	1.275.339.755,6279	39.655.958.842,5478
Coefficient of determination-one	0,23114877		
Coefficient of determination-two		0,48644708	
Coefficient of determination-three			0,454885597
Pearson Correlation-one	0,480779336		
Pearson Correlation-two		0,697457583	
Pearson Correlation-three			0,674452072
Correlation	0,539698256	0,539698256	0,539698256
(1-α)	0,95	0,95	0,95
α	0,05	0,05	0,05

Source: Authors based on research results

The results of the research based on the econometric model show that there is a significant correlation between economic freedoms and GDP in Serbia (0.697457583).

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This trend mainly depends on freedom of trade, tax burden and monetary freedom, which contributes to the confirmation of the research hypothesis of Ho's work.

The second part of the analysis shows that there is a correlation between economic freedoms and FDI in Serbia (0.447779336) and a significant correlation and impact on GDP (0.674452072). This is a consequence of many other parameters that determine FDI in Serbia, such as country risk, economic environment, ease of starting a business and others. An impact research model based on a strategic approach is given below.

Graph 3. - Conceptual model of strategic decision-making - the impact of economic freedoms on foreign direct investments and the economic development of Serbia - Research results
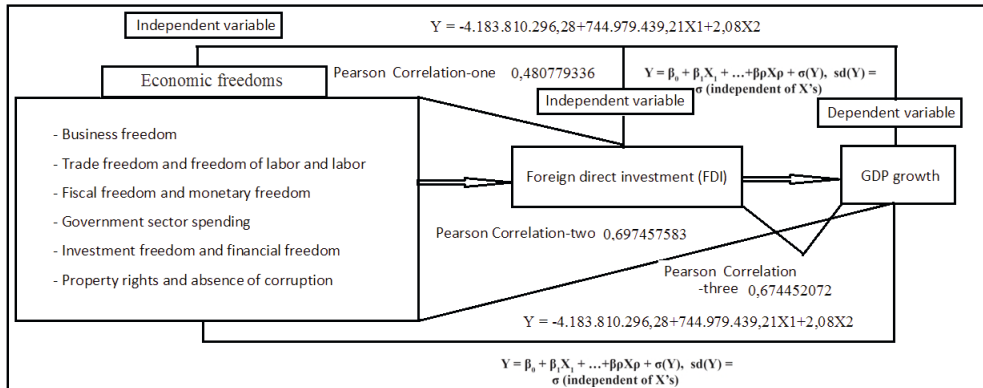
Source: Authors based on research results

Conceptual model of strategic decision-making - the impact of economic freedoms on foreign direct investments and the economic development of Serbia - Research results, becomes an important factor in strategic decision making.

The paper investigates the impact of the strategic concept with two independent variables (economic freedoms and foreign direct investment) on the economic development of Serbia and the interconnectedness of the impact. Theoretical implications relate to the model of strategic decision-making and the impact of research variables on economic development, which is especially important for countries whose development depends on FDI. In addition to research goals focused on results and impact measures, we have systematized the most important scientifically proven and empirically proven benefits of applying the concept of strategic decision making, as well as the most important parameters of its improvement. The cause-and-effect relationship between independent and dependent research variables is explained, as well as the interdependence and interconnectedness. The strategic decision-making model includes 12 research subvariants that build an index of economic freedoms, which can be individually modeled and measure their impact on foreign direct investment and strategic decision-making, as well as Serbia's development, measured on the basis of GDP.

Also, the influence of all individual parameters of the index of economic freedoms is built into the integral model of strategic decision-making, which is a research contribution. The practical contribution is reflected in the results of the application of

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the model in Serbia. The results of the practical research confirmed the research hypothesis of the paper. The practical implementation is also reflected in pointing out the importance of applying the model, especially from the point of view of Serbia, which should work on improving economic freedoms, which are an important factor in strategic decision-making.

The results of the research show that there is an impact of economic freedoms on making strategic decisions on foreign direct investment, which significantly directly affects the growth of GDP in Serbia. Based on the research platform and the econometric model, the results show that foreign direct investment depends on all factors that influence and build economic freedoms. The parameters of the econometric model that have an impact are country risk, trust, experiences of other countries, influences of informal groups, etc. The results of the research are comprehensive, from the beginning of the calculation of economic freedoms for Serbia until today. It is also important to point out the variability between the research platform, especially created during the coronavirus COVID 19, when making investment decisions is under even greater pressure and risks. Based on the previous, in general, only a strategic approach and way of thinking can balance and establish the above correlation with higher goals, which will affect the growth of the Serbian economy.

Viewed through the values of economic freedoms in Serbia, we can say that there is constant progress, which can be seen in the previous chart. Some of the most deserving parameters are certainly tax and fiscal consolidation and assessments in these areas. Also extremely important is the impact of FDI, which has been growing every year. Based on the above, this should certainly instill confidence in foreign direct investors. In order to convince investors, a constant growth trend is needed, which should continue in the future, which requires improvement in areas such as property rights, the efficiency of the judiciary and the integrity of government. As well as a high degree of economic, social and political integration and harmonization at all levels. This will certainly be important in the future, in the context of the coronavirus and the COVID 19 pandemic.

The outbreak of the COVID-19 pandemic has caused a number of negative economic consequences that threaten the decline in gross domestic product (GDP), employment, public revenues, investment and exports, as well as other consequences. At the center of events are multinational corporations - companies whose top management makes strategic decisions on investing foreign direct investment in other companies and countries, such as Serbia. The future depends on several factors, such as the impact of coronavirus COVID 19, state-level economic policy makers and creating conditions and economic environment to attract foreign direct investment, economic freedoms and business confidence in the Serbian economy and integrated into strategic decisions on foreign direct investment FDI .

CONCLUDING REMARKS

Indicators of the business environment, economic freedoms and foreign direct investment (FDI) point to the conclusion that there is a strong need for structural reforms that would ensure an increase in the growth rate of the Serbian economy. Although Serbia does not have a general strategy for attracting FDI, significant progress has been made in recent years. Although the COVID 19 coronavirus pandemic has

greatly slowed the inflow of foreign capital, there are positive developments in Serbia. The COVID-19 pandemic poses a major challenge for strategic decision-making on foreign direct investment, especially in small underdeveloped countries such as Serbia. The experiences of developed countries can be good for Serbia as well. If we look at the most developed ones, we can see that the governments of many countries are applying measures to eliminate bottlenecks in the supply chain, such as China, developed countries in Europe and the United States. The consequences of COVID-19 may be greatest in countries not yet severely affected, including developing countries with weak health systems and small open economies that are heavily dependent on international trade and investment, such as Serbia.

Parameters that influence strategic decisions, and are directly related to economic freedoms, are certainly tax incentives, because foreign investors choose a country that has lower taxes. In order to attract foreign investments, attraction strategies are needed, which include programs for improving the skills of the workforce and taking advantage of increased competition, as well as the resource potential of the country, which Serbia certainly has in abundance.

Based on the model of strategic decision-making and the application of the econometric model, the obtained results show that there is a significant correlation between economic freedoms and GDP in Serbia (0.697457583). Trend-based research results largely depend on freedom of trade, tax burden, and monetary freedom. Also, the analysis shows that there is a correlation between economic freedoms and FDI in Serbia (0.480779336) and a significant correlation and impact on GDP (0.674452072), which confirms the research hypothesis H0, that there is an impact of economic freedoms on foreign direct investment. , which affects the economic development of Serbia, measured by gross domestic product. This is a consequence of many other parameters that determine FDI in Serbia, such as country risk, economic environment, ease of starting a business and more. An impact research model based on a strategic approach is given below.

The strategy for attracting foreign investment should include changes in national laws, financial measures aimed at reducing taxes and providing various financial incentives, which is one of the decisive factors. In addition to the above, it is necessary to include the social and political environment, ease of doing business, starting a business, quality and reliability of infrastructure and utilities, and employment opportunities for professional and educational workers. Also removing administrative barriers to investment, strengthening the investment potential of the SME sector by joining global value chains, adapting education and the labor market to the needs of investors, creating a supportive environment for investment in research, development, innovation and KET technologies, strengthening investment potential in the tourism and development sector regional infrastructure.

Strategic decisions and the way of decision-making are most important here. However, we are witnessing a large number of strategies that have not been implemented, where the phase of action and implementation in the results and achieved goals has failed. Strategic decisions, strategic thinking and decision-making will certainly be the basis for improvement, development of the Serbian economy and attracting foreign direct investment (FDI) in the future.

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