

Fake News and Foreign Direct Investment Inflows: Is there a Relationship?

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Abstract

CHD triad – capitalism, human and digitalization is considered as critically important aspect of the inflow of foreign direct investments. Synergy of systemic, human, and technological factors established within CHD triad redefined the pattern of foreign direct investments. Nowadays, they are not created solely by the international investors, but rather developed in interaction of the investors with governments and the local population. Knowing the ability of fake news to influence human attitudes and behavior, the aim of the research was to analyze whether fake news can annulate the positive impact of three key aspects of CHD triad and negatively influence the efforts of the countries related to the FDI attraction. Using an interdisciplinary approach, the existence of key elements of CHD triad, as well as existence and impact of the fake news, were analyzed on the sample of the European countries with the above average percentage of FDI contribution to their total gross domestic product. Based on the document analysis, it has not been identified that fake news has relevant impact on the FDIs inflow, if all pillars of CHD triad are at place within the country that attempts to attract foreign direct investments.

Keywords: Foreign Direct Investment (FDI); CHD triad; fake news; digital economy; political system;

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1. Introduction

Foreign direct investment (FDI) is defined as an investment moving across the borders. Foreign direct investments are characterized by ownership by a foreign investor allowing the execution of control over an enterprise and a long-term perspective (OECD, 2008). Foreign direct investments emerged strongly in the recent decades. Vasyechko (2021) argues that two factors enabled the acceleration of the FDI growth. The first factor is that dismantlement of the colonies and dissolution of the communist system enabled creation of new destinations and access to them for foreign investors. The second factor is advancement and adoption of digital technologies that significantly facilitated execution and flow of cross-border capital transactions. The process of foreign direct investment process is complex by nature and includes multiple factors and aspects that need to be taken into consideration (Vasyechko, 2021).

Foreign direct investments are an important pillar of economic development and improvement for numerous countries and regions. The flow of FDI is important from the

perspective of both investors and host markets: investors are benefiting from diversifying the portfolios and increasing their returns by having access to faster growing markets, while markets receiving FDIs get access to the funds (Ta *et al.*, 2020). Further to this, some destinations became attractive to foreign investors due to ability to stimulate or incentivize foreign investors to form their intention and implement decision-making behaviors to choose investment capital. This attractiveness is represented by the volume and value of FDI capital flows into the host country (Georgiou and Kontakos, 2018; Ta *et al.*, 2020).

Decision about FDI depends upon numerous exogeneous and endogenous variables and factors, including management expertise, technological skills, or company size (Dunning, 2001). Exogenous variables that affect a firm's FDI decisions, such as market size, labor costs, market imperfections (Ta *et al.*, 2020), incentives and benefits system (Georgiou and Kontakos, 2018), or infrastructure (Shah, 2014). Summarizing these considerations, Vasyechko (2021) argued that FDI process evolution and decision are defined by CHD triad - capitalism, human and digitalization are key pillars of the FDI evolution. *"Together, the elements of the CHD triad form iterative loops and produce an effect more significant than a simple sum of their individual effects"* (Vasyechko, 2021, p. 93). Rohatinski (2017) suggested that there is a causality of economic, political, and social categories over time. With the interdependence of these categories, the aim of this research was to investigate whether fake news, as a recent and broadly investigated phenomenon (Burkhardt, 2017; Habgood-Coote, 2019; Waisbord, 2018), is having an impact on the inflow of foreign direct investments into the countries that are considered as attractive destination for FDIs.

2. Fake news and its impact

As highly interactive platforms, the internet and social media have enabled two way-communication and content generation at levels that have been unprecedented in history. The occurrence of user-generated content has created opportunities to reach large audiences in the same way as content generated by traditional mass media, with production of the fake content on a massive scale (Mustafaraj and Metaxas, 2017). Any faulty information that appropriates the look and feel of real news is defined as fake news (Tandoc Jr *et al.*, 2018). The body of the available literature provides the evidence that fake news has the capability to frequently generate crises or to create the crisis challenges that exist in the digital space of social media (Coombs and Holladay, 2012; Michele Ewing and Lambert, 2019).

Online content that is easily shareable and has the capacity to become viral is the core element in the successful distribution of the fake news (Fernandez, 2017). Any content that offers novelty and sensation has strong sharing potential. When certain information is novel, it not only has a surprising effect but is also more valuable, from both an information perspective and a social perspective (Vosoughi *et al.*, 2018). Guadagno and Guttieri (2019) confirmed the findings of Vosoughi *et al.* (2018) and suggest that news that makes false claims is 70 per cent more likely to be shared on Twitter. The online environment used to be encouraging for the creation and sharing of false news; algorithms within social media platforms used to be set in such a way as to give more visibility to posts with high engagement. Nowadays, users pay more attention to the credibility and trustworthiness of posts, taking into consideration whether fact-checking

solutions embedded in the social media platforms mark the content as false or misleading (Nekmat, 2020).

Direct involvement with fake news occurs when an individual, brand, or country is either targeted by fake news (Jahng, 2021), initiates the generation of fake news or directly supports a fake news website. Taking into account the fact that brand perception in the digital era is considered to be an active construct that is continuously updated and impacted by several external and internal elements such as environmental factors, individual cognitive schemas and perceptual exploration (Berthon and Pitt, 2018), the impact of fake news on perceptions of an individual, brand or country can be significant and can negatively impact brand reputation by creating a reputational risk (Vafeiadis *et al.*, 2019). According to Sturm (2013), the Basel Committee on Banking Supervision, one of the key supervising authorities in the financial sector, enhanced a definition of reputational risk and defined it as the risk arising from negative perceptions on the part of the customer, counterparties, shareholders, investors, debtholders, market analysts and other relevant parties or regulators. Although it does not necessarily cause a negative impact (Selaković *et al.*, 2019), reputational risk has the potential to adversely affect the ability of an organization to maintain existing or establish new business relationships and continued access to sources of funding. Further to this, any reputational risk bears the negative perceptions of stakeholders and economic agents and can cause further negative effects in terms of sustainability, corporate or brand image and stakeholder engagement (Gonzalez Sanchez and Morales de Vega, 2018). Fake news is having power to influence and change human behavior, therefore possibly influencing not only the decision-making process of the investors, but also population of the country, by creating beliefs and biases (Di Domenico *et al.*, 2021). Knowing that human capital is one of the pillars of CHD triad (Vasyechko, 2021), the existence of fake news, both about the country and inside the country, has the potential to endanger its efforts related to the FDI attraction and investment destination promotion.

3. Methodology

Purpose of the research

There is no research that indicates if there is the correlation between the existence of fake news related to a particular country and level of foreign direct investments to the country affected by the fake news. Clarke *et al.* (2021) investigated whether fake news in financial markets attract more investor attention. The findings of their study indicated that fake news stories generate significantly more attention of the investors, but do not indicate if fake news has power to impact the FDI inflow. Moreover, the profound literature review indicates that possible influence of fake news onto the FDI inflow has not been investigated.

CHD triad – capitalism, human and digitalization is considered as critically important aspect of foreign direct investments. Synergy of systemic, human, and technological factors established within CHD triad redefined FDI patterns: they are not created solely by the international investors. In the actual moment, the patterns of foreign direct investments are rather developed in interaction of the investors with governments and the population of the host countries (Vasyechko, 2021). Knowing the ability of fake news to influence human attitudes and behavior (Bastick, 2021), the aim of the research was to analyze whether fake news can annulate the impact of the key pillars of CHD triad and

negatively influence the efforts of the countries related to the FDI attraction, or to influence human dimension of CHD triad through behavioral or cognitive change. Further, the research should provide the answer to the question whether existence of fake news should be introduced in the set of the factors that have an impact on the FDI level.

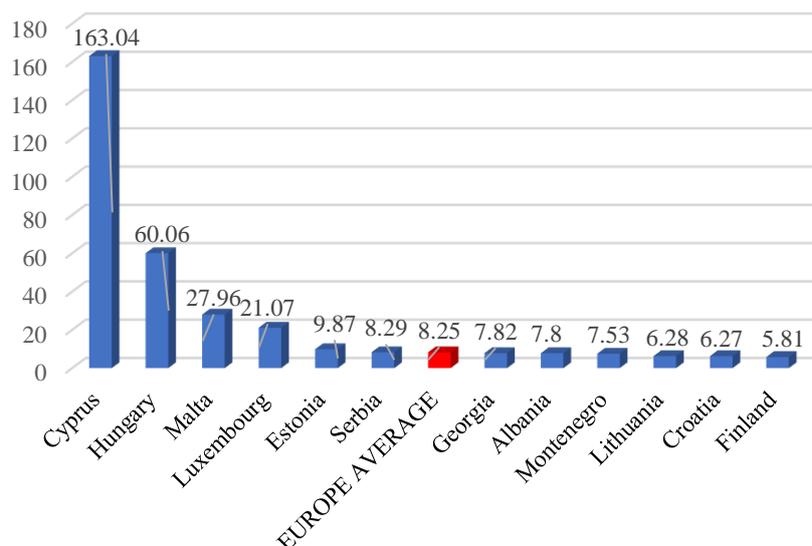
Data collection

European countries with the above average FDI contribution to total GDP have been identified and selected for further analysis. Due to COVID-19 impact, it has been analyzed whether data from 2020 or data from 2019 should be used for the identification of the countries that need to be included into the sample. Global FDI in 2020 fell by 42% due to COVID-19 impact, with an uneven distribution of the drop in the level of the FDI's (UNCTAD, 2021). Therefore, the data related to the percentage of FDI contribution to total GDP for 2020 cannot be considered as relevant for such analysis. Thus, the data collected in 2019 have been used to determine the percentage of FDI's in total GDP of the country.

Global and country data and rankings for 2019 have been sourced from the World Bank (Global Economy, 2020). On the global scale, the average FDI contribution to total GDP for 2019, based on 183 countries, was 4.88 percent. However, Europe has significantly higher percentage of FDI contribution to the GDP than the global average. The European average FDI contribution to the GDP for 2019, based on 42 countries, was 8.25 percent. Based on the available data, European countries with percentage of FDI contribution to total GDP in 2019 that was higher than European average have been identified and selected for further and more detailed examination, data collection and analysis.

The list of European countries with FDI contribution to total GDP higher than European average includes Cyprus (163.04%), Hungary (60.06%), Malta (27.96%), Luxembourg (21.07%), Estonia (9.87%), and Serbia (8.29%), as shown in the **Graph 1**.

Graph 1. Percentage of FDI contribution to total GDP of the European countries (2019)



Source: Global Economy (2020)

It is noticeable that, among the countries with above European average percentage of contribution of FDI's to total GDP, only Serbia is not part of the European Union. All other countries with the above average contribution of FDI's to total GDP are integrated

into EU. It is also noticeable that Luxembourg is the only founding member of the European Union that has contribution of FDIs to total GDP higher than the European average.

For the purposes of more detailed analysis, literature sources were scrutinized to identify the existence of fake news for the selected countries. Identifying possible correlation required interdisciplinary approach, that was treating fake news from multiple perspectives: as an instrument of contemporary economic warfare (Selakovic *et al.*, 2021), as a cause of negative economic impact (Fedeli, 2020), and as a cause of change in the human behavioral patterns (Bastick, 2021). Existence of fake news for the selected countries has been identified throughout the examination of available scientific literature and online media sources and fact-checking software solutions – snopes.com and hoax-slayer.net. Use of selected online fact-checking software solutions is already practiced in the scientific research to identify different types of fake news (Jiang and Wilson, 2021; Pal and Loke, 2019).

The document analysis performed for the selected countries included the following:

- Analysis of body of the available scientific literature, available public sources, and fact-checking software solutions to identify whether there is fake news published about the countries in the mainstream media and online portals.
- Analysis of the political outlook of the country to identify if key elements of capitalism are at place.
- Analysis of investment promotion efforts of the country.
- Analysis of the available Government and mainstream media sources to understand if digitalization is ongoing.
- Analysis of available mainstream media sources to understand if there were other confounding events that could critically influence the decision of the investors to invest in the country, such as wars, civil unrests, natural disasters, major political instabilities, or withdrawal of a major international investor.

As phenomenon of fake news emerged after 2016 (Ceron *et al.*, 2021), there is no sufficient data, neither in the available literature sources, nor through fact-checking software solutions or public domains, to perform historical comparative analysis of volume and intensity of fake news for the selected countries. Knowing that media literacy, and particularly information literacy, helps identification of fake news (Jones-Jang *et al.*, 2021), Media Literacy Index, that indicates level of resilience of population of a country to the fake news (Lessenski, 2021) is taken as parameter to assess the proneness of local population of the selected countries to the possible negative impacts of fake news.

4. Findings

The findings the document analysis have been discussed for each of the selected countries separately, in order to ensure compliance of various elements identified in the body of scientific literature and available sources with the core principles of CHD triad, as defined by Vasyechko (2021).

4.1. Country overview - Cyprus

Capitalist system is integral part of political and economic ecosystem in Cyprus (Boukas and Ziakas, 2013). Irrespective of the instabilities caused by division of the country on northern part, controlled by Turkish, and southern part, controlled by Cypriot Greek population, Cyprus has success in attraction of foreign direct investments, although partly dependent on political positions of Turkey, for the investments in northern part, and Greece, in regard to the inflow of the investments in the southern part of Cyprus (Balcilar *et al.*, 2017). The important geostrategic position of Cyprus makes it to be an attractive destination (Petasis, 2014). High oscillations in the FDI inflow are characteristic for Cyprus in the recent years. It is also noticeable that strong inflow of FDIs to Cyprus started after 2004, when Cyprus became a member state of the European Union (**Graph 2**).

Graph 2. Historical overview of FDI contribution to total GDP – Cyprus



Source: Global Economy (2020)

Cypriot Government offers numerous incentives and benefits to foreign direct investments: tax exemptions, incentives, partial exemptions of the intellectual property income taxations, citizenship by residency for the investors are some of the measures applied (Georgiou and Kontakos, 2018). In addition, Cyprus has diversified portfolio of the foreign investors: although it was a popular destination for Russian FDIs for a while, in recent years other countries start to play more important role, with certain decline of attractiveness of Cyprus for Russian businesses (Oxford Analytica, 2019).

In terms of fake news, literature evidence confirms that there is fake news targeting the country both in Cyprus and about Cyprus. Fake news regarding Cyprus is found mostly in the digital media (Pavlidis, 2019). In addition to the decision-makers, local population is also sensitized regarding fake news and is highly confident into the ability to unveil fake news (Borges-Tiago *et al.*, 2020). Despite demonstrated self-confidence, Cypriot population is relatively prone to the influence of fake news, with 2019 media literacy index of 43 (Lessenski, 2019). Moreover, Cyprus developed numerous legislative mechanisms to prevent propagation of fake news within the country (Goldberg, 2017).

In 2012/13, the country, particularly its southern part, suffered an unprecedented economic and banking crisis that led to significant changes of the ecosystem, speeding up digitalization (Maniou and Seitanidis, 2018). Although level of digitalization in terms of economy is still lower than in more developed European countries (Bezrukova *et al.*, 2022), Cypriot economic sector demonstrates understanding of importance of agility and

digitalization (Hadjielias *et al.*, 2021). Moreover, not only the southern part is showing commitment to digitalization: movement towards integration of digitalization in Northern Cyprus in terms of digital citizenship and e-government is evidenced (Ciftci, 2022).

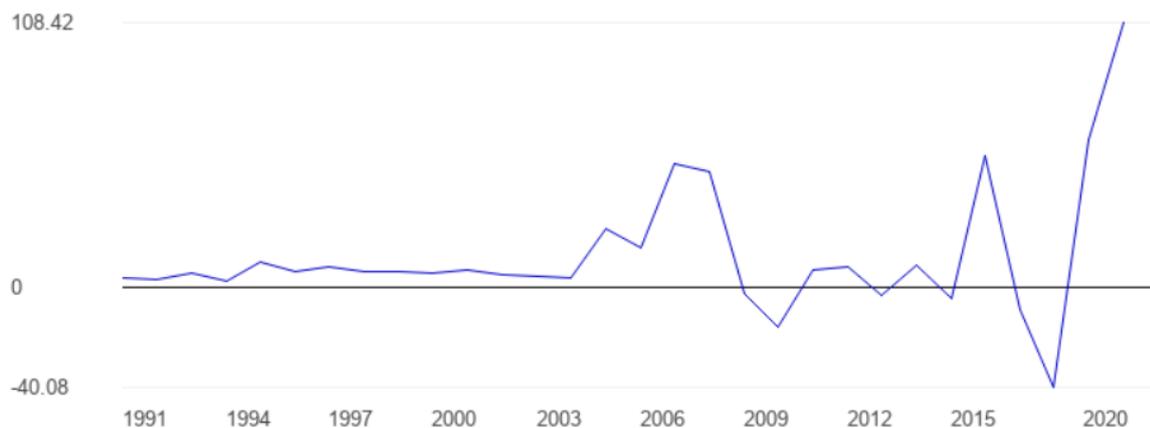
Thus, in terms of CHD triad (Vasyechko, 2021), it may be concluded that Cyprus has capitalistic system (Boukas and Ziakas, 2013), that population and foreign investors are exposed to the fake news (Antoniades, 2020; Pavlides, 2019), and that Cyprus has solid understanding of digitalization, despite the fact digitalization level is still lower than in more developed European countries (Bezrukova *et al.*, 2022; Ciftci, 2022).

4.2. Country overview - Hungary

Hungary embraced capitalism as the system following post-communist transformation after dissolution of the Eastern bloc (Szanyi, 2012). Following successful transition and European integration, Hungary began to establish more connections with the neighboring countries, particularly bolstering the relations with the Western Balkans (Bieber, 2018; Remenyi *et al.*, 2021). Integration of Hungary into the European Union in 2004 opened new horizons and avenues and encouraged arrival of FDI to the country (**Graph 3**). The economic model developed in Hungary is integrative and initiatives to increase investment inflows are led by the governmental entities (Acs *et al.*, 2007).

Despite the presence of the non-EU investors, the FDI attraction model of Hungary was dependent on the European Union (Bohle and Greskovits, 2019). After period of stagnation for inflow of FDI in the years following the global economic crisis (**Graph 3**), Hungary redesigned the FDI attraction model, and concentrated around few primary sectors (Bod, 2019). This approach resulted in high influx of various international investors, including high volume of Chinese investments, what is in line with Chinese strategy to increase synergies with Europe (Costea *et al.*, 2019; Matura, 2018).

Graph 3. Historical overview of FDI contribution to total GDP – Hungary



Source: Global Economy (2020)

With the European integration and inflow of foreign direct investments, Hungary has opened up for employees from various nationalities, adding to the cultural diversity and multilateral labor market (Papp *et al.*, 2019). There is both inbound and outbound fake news circulated about Hungary. From the inbound perspective, literature sources indicate that partisanship is playing bigger role in fake news acceptance than a conspiracy mentality. Hungarian population is especially vulnerable for anti-government fake news in the periods of economic crisis and deprivation (Farago *et al.*, 2019). General proneness of Hungarian population to the fake news is indicated by 2019 media literacy index with relatively low score of 41 (Lessenski, 2019). Moreover, numerous fake news emerged in

relation to the inflow of migrants to Europe, connecting increased number of migrants with the crimes (Juhász and Szicherle, 2017). From the outbound perspective, fake news is circulated by the powers who want to establish their political interest over Hungary (Rosulek, 2019). Fake news is concern of the pro-Government side, especially after its emergence during the initial stage of COVID-19 pandemic (Merkovity *et al.*, 2021). Nowadays, Hungary is having number of organizations and IT companies that identify and track fake news in the digital sphere (Ninkov, 2020).

In terms of digitalization, it is important to note that Hungary has strong position regarding digital skills, being better than average of the European Union (Hegyes *et al.*, 2017). This was enabler for strong digitalization in Hungary, spreading across the sectors. Digitalization is widely adopted in the Government, especially in terms of e-Government (Kinnunen *et al.*, 2019), and across the industries (Setyaningsih *et al.*, 2020).

Analyzed from the perspective of CHD triad (Vasyechko, 2021), it may be concluded that Hungary has capitalistic system (Szanyi, 2012), openness towards foreign investors (Papp *et al.*, 2019), and solid development of digitalization (Hegyes *et al.*, 2017). Further, both Hungarian population and foreign investors are exposed to the fake news (Farago *et al.*, 2019; Juhász and Szicherle, 2017; Merkovity *et al.*, 2021; Rosulek, 2019).

4.3. Country overview - Malta

Being an island country with limited territory and population, Malta was traditionally oriented towards fishing and tourism (Markwick, 1999). In the last decades, Malta started attraction of the foreign direct investments more extensively. Along with the process of opening for more foreign direct investments, Malta enabled shift from perennially colonial capitalist system (Mayo, 2013) towards highly capitalist system (Said *et al.*, 2016). Despite high geopolitical risk, small domestic market, and lack of natural resources (Simionescu, 2016), Malta managed to attract significant inflow of foreign direct investments. In the early stage of FDI attraction, cheap labor force was the strongest competitive advantage of Malta. However, this advantage has been eroded (Montfort, 2002).

Using its location and developing quickly after the accession to the European Union, in early 2000s Malta positioned itself as fast-growing destination in the domains of export-oriented services, tourism, gaming, and construction (Holicza and Chircop, 2018), resulting in historical inflow of FDIs (**Graph 4**).

Graph 4. Historical overview of FDI contribution to total GDP – Malta



Source: Global Economy (2020)

In the recent years, Malta is one of the leading countries in creating gateway for the investors from the United Kingdom (Gouder and Scicluna, 2018), as well as one of the leaders in development of luxurious real estate and developmental projects (Speake and Kennedy, 2019). Citizenship for sale schemes (Přivara, 2019) coupled with attractive incentives and tax holiday packages (Inotai, 2019) became important additional elements of positioning Malta as attractive destination for foreign direct investments and creating stable FDI inflow to the country (**Graph 4**).

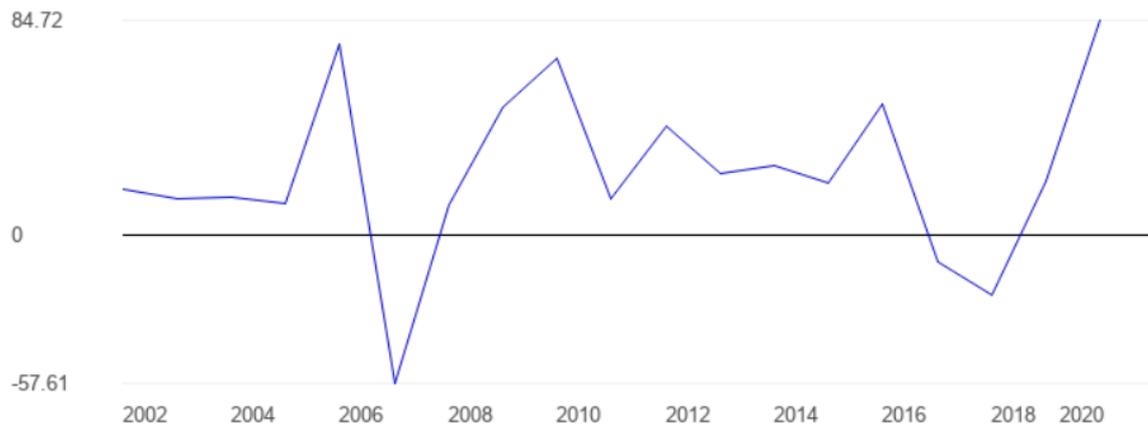
Continuous influx of foreign population in Malta sensitized local population that is welcoming towards foreign direct investments. However, there are concerns of the local population about overwhelming presence of the foreign labor force in the country (Holicza and Chircop, 2018). Evidence of fake news is found in the case of Malta: Briguglio (2021) argues there are fake accounts and keyboard warriors who disseminate fake news. Even some Maltese mainstream media are accused of spreading fake news (Sant, 2021), while fake news have been detected in relation to the migrants and COVID-19 pandemic (Stierl and Tazzioli, 2021). Maltese population is on lower level of media literacy than population of leading European states, with 2019 media literacy index value of 44 (Lessenski, 2019).

In terms of digitalization, Malta is among leading European countries, with very intense and successful process. Bezrukova *et al.* (2022) argue that, according to The Digital Economy and Society Index (DESI), Finland, Sweden, Denmark, the Netherlands, and Malta have been among the top 5 leaders with the highest level of digitalization of the economy. Digitalization is broadly accepted across the country and has a significant positive impact on Maltese economy, especially from the perspective of the development of the tourism sector (Saseanu *et al.*, 2020).

Observed from the perspective of CHD triad (Vasyechko, 2021), it may be concluded that Malta has capitalistic system (Mayo, 2013; Said *et al.*, 2016), human attitude welcoming foreign investors, however with certain concerns (Holicza and Chircop, 2018), and advanced level of digitalization (Bezrukova *et al.*, 2022). The literature evidence (Briguglio, 2021; Sant, 2021; Stierl and Tazzioli, 2021) indicates that Maltese population and foreign investors are exposed to the fake news, both in the mainstream media and in the digital space.

4.4. Country overview - Luxembourg

As one of the smallest European countries and member of the European Union since 1958, Luxembourg based its capitalistic model onto creation of small and stable open European economy (Graf and Gardin, 2018). With active and agile economic diplomacy that is oriented towards strengthening and enhancing competitiveness of the national economy on the global scale (Kavvadia *et al.*, 2018), Luxembourg has successfully attracted numerous direct investments in the last decades (**Graph 5**). With strong orientation towards creating its position of multimodal gateway to Europe and full integration to the European market, Luxembourg is leveraging on the advantages of its geographic position (Phandanouvong and Nimsai, 2018). With long tradition in the services sector, Luxembourg is also attracting numerous foreign direct investments into banking and finance. In addition to the traditional European investments, Chinese FDIs to Luxembourg became especially noticeable in the recent period, taking Luxembourg among the top European countries by the volume of Chinese investments (Hanemann *et al.*, 2019).

Graph 5. Historical overview of FDI contribution to total GDP – Luxembourg

Source: Global Economy (2020)

Differently from other countries that are focused on attracting FDIs, the literature sources do not indicate that Luxembourg is offering comprehensive state incentives and benefits to attract foreign investors. Hybrid tax system includes certain tax sparing provisions (Azemar and Dharmapala, 2019), however there are no literature indications of further systemic economic measures oriented towards the attraction of foreign direct investments.

Limited available literature sources indicate that Luxembourg population has a pragmatic attitude towards foreign investors (Casier, 2013). With traditional entrepreneurial approach and systemic growth of the entrepreneurship (Dana and Dana, 2003), the community is very open and welcoming for the developmental projects. Although literature sources indicate the existence of inbound fake news related to migrants (Blanco-Herrero and Calderon, 2019), outbound fake news have been recently noticed only in the context of Luxembourg relations with the United Kingdom (MacKenzie and Bhatt, 2020). Limited exposure of local population to the fake news is logical, given the fact that population of Luxembourg demonstrates relatively high level of media literacy, with media literacy index of 62 in 2019 (Lessenski, 2019).

In the business context, digitalization in Luxembourg is on relatively low level comparing to other advanced economies (Pyroh *et al.*, 2021), at the same time putting an emphasis on logistical and infrastructure digitalization (Alekseeva *et al.*, 2019). This is logical, observing from the perspective of Luxembourg efforts to position itself as multimodal gateway to the entire Europe.

From the perspective of CHD triad (Vasyechko, 2021), it may be concluded that Luxembourg has traditional and well-established capitalistic system (Graf and Gardin, 2018), has a human attitude that is positive towards foreign investors (Casier, 2013), and is in the advanced stage of digitalization, however focusing digitalization efforts on the infrastructure (Alekseeva *et al.*, 2019). At the same time, Luxembourg population has high media literacy and limited exposure to the fake news (Lessenski, 2019).

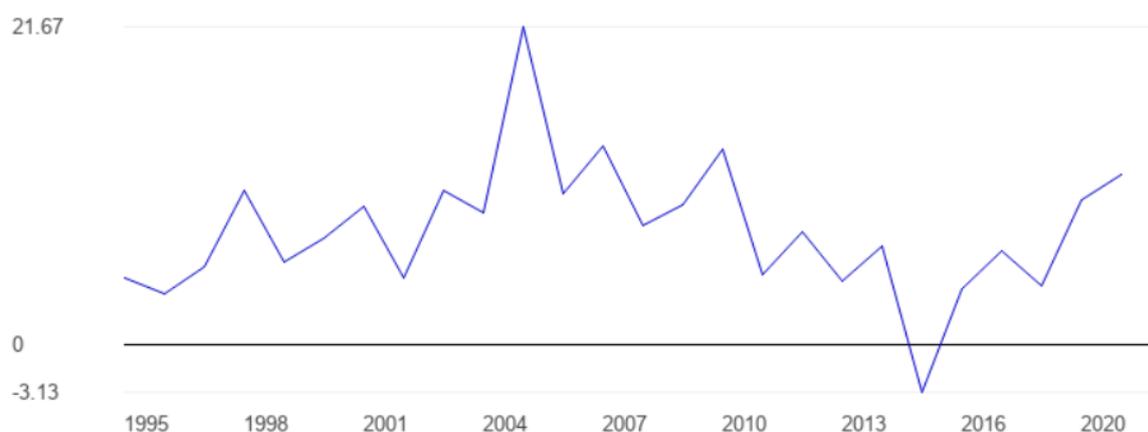
4.5. Country overview - Estonia

After dissolution of former Soviet Union, Estonia successfully transitioned from the economic system of the classical Soviet type with centrally planned regulation to the capitalist model (Feldmann, 2006). During the transition, Estonia established a state regulation and capitalist type of the economic structure close to the neoliberal model (Adam *et al.*, 2009). The economy of Estonia is completely reoriented towards market capitalism (Wu, 2021) and attraction of foreign direct investments is one of the important

pillars of the development. After joining the European Union, Estonia became a business-friendly destination and one of the most liberal countries globally in terms of policies related to property rights, government intervention, trade, and investment (Sokhanvar and Jenkins, 2021).

In the 21st century, Estonia is continuously occupying top positions regarding the economic freedom and ease of doing business and attracting numerous foreign investors (Papiashvili *et al.*, 2017). In addition, continuous attempts to create a highly competitive business environment focused on entrepreneurship are made (Dumbrava, 2016). As a result, Estonia is fairly developed in the FDI-attractive fields of green industries, biotechnologies, and ICT. In terms of the incentives aimed to attract FDIs, all reinvested corporate profits from income tax are exempted. However, due to weak international demand in the recent years, there are arguments that Estonia's growth rate has peaked and is set to soften (Sokhanvar and Jenkins, 2021). Inflow of FDIs and their contribution to the Estonian GDP is shown at the **Graph 6**.

Graph 6. Historical overview of FDI contribution to total GDP – Estonia



Source: Global Economy (2020)

Estonian citizens are open towards foreign investors; the only exception are investors from Russian Federation, as Estonians are showing predominantly negative attitude towards Russian culture and language (Karpava, 2018). Literature sources indicate that Estonia has been systematically targeted by fake news and disinformation, mostly originating from Russia (Meister, 2018). Prior to the establishment of NATO cyber-defense strategy (Efthymiopoulos, 2021), Estonia was target of cyberterrorism and cyberattacks, hacking even Estonia's social media and placing and sharing fake news through them (Kardelya, 2021). At the same time, Estonian citizen developed very high level of resilience to the fake news: in 2019, media literacy index of Estonia was 70, among the highest in Europe (Lessenski, 2019).

Estonia is one of the pioneering countries regarding the digitalization process (Robinson and Hardy, 2021). Estonia has established all elements of digital government (Goede, 2019), is moving towards digital economy (Mets, 2017) and has even introduced digital residency, which consequently became one of the tools for country branding (Kimmo *et al.*, 2018). The literature findings indicate that Estonia is in very advanced stage of going digital (Gat, 2018).

From the perspective of CHD triad (Vasyechko, 2021), it may be concluded that Estonia has successfully transitioned towards capitalistic system (Feldmann, 2006), has a human attitude that is welcoming and encouraging foreign investors except Russian ones

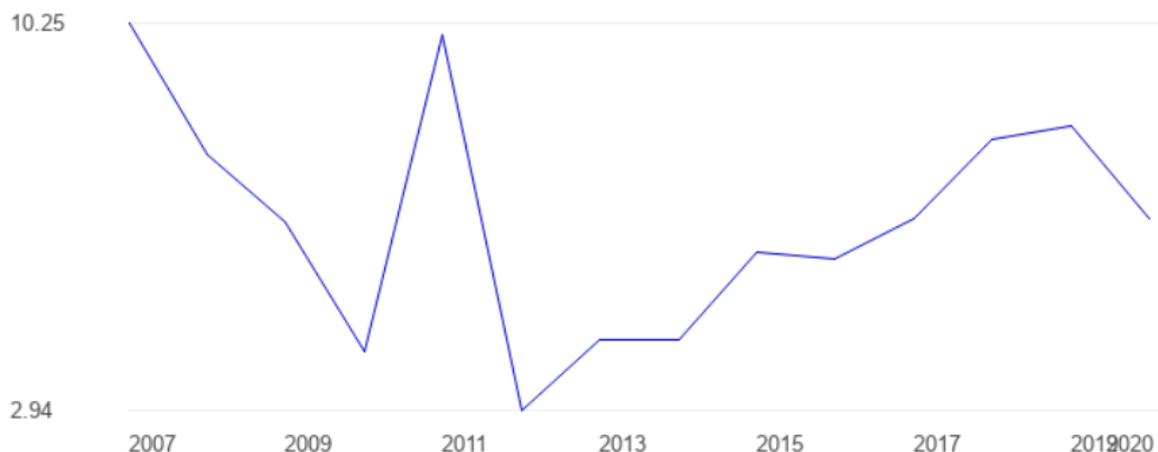
(Karpava, 2018), and is in very advanced stage of digitalization (Goede, 2019; Mets, 2017). At the same time, even though both Estonian population and foreign investors are continuously exposed to the fake news, local population is highly resilient and fake news is creating a limited impact (Lessenski, 2019; Meister, 2018).

4.6. Country overview - Serbia

After the conflicts in 1990s and dissolution of former Yugoslavia, Serbia has moved from self-management socialism to the capitalism (Zaccaria *et al.*, 2018). Although Bartlett (2021) argues that model of capitalism in Serbia is not a natural outcome of the transition from self-management, but rather a consequence impacted by war, conflict, and sanctions, other authors suggest that Serbia went through slow or delayed period of transition (Uvalić *et al.*, 2020). The Government that came on power after political changes in 2000 was unable to solve most of the acute economic issues of the country (Khodunov, 2022). However, overall economic circumstances in Serbia have gradually improved from towards the end of the second decade of the 21st century (Uvalić *et al.*, 2020): financial system is stabilized, unemployment is on the decline, and both GDP and the living standard increasing (Lazić and Pešić, 2020; Uvalić *et al.*, 2020). Such development created the conditions for the reinforcement of general value patterns typical of capitalism (Lazić and Pešić, 2020).

The critics of some authors about state interventions in the capital projects (Grubbauer and Čamprag, 2019) did not undermine the efforts of Serbia to develop the framework for FDI attraction and support successfully. Foreign direct investments are playing an important role in the development of Serbian economy (Vukmirović *et al.*, 2021). In the last several years, Serbia was very successful in attracting FDI (Vasa and Angeloska, 2020). This success is outcome of simultaneous undertaking of numerous economic reforms (Vasa and Angeloska, 2020) and having strong political stability (Oláh *et al.*, 2019). According to the report published by IBM (2018), Serbia ranked first in the world by number of jobs per capita opened through FDIs. Although not yet part of the European Union, Serbia managed to diversify portfolio of the investors and add the investors from the European Union, China, Japan, Korea, Russian Federation, USA, and United Arab Emirates (Marciacq, 2019; Vasa and Angeloska, 2020). Numerous incentives and support mechanisms for foreign direct investors are available (Marjanović *et al.*, 2020). As an outcome, Serbia has established steady positive contribution of FDIs to its GDP (**Graph 7**).

Graph 7. Historical overview of FDI contribution to total GDP - Serbia



Source: Global Economy (2020)

Literature evidence indicates that Serbian population has positive attitude towards foreign direct investments. Petrović (2018), for example, argues that young people particularly are having very positive attitude toward Chinas' investments in Serbia. Both Serbian population and investors are exposed to the large number of fake news, spreading from the political arena, across different issues such as migrants or COVID pandemic, to the unresolved dispute over the territory of Kosovo (Meister, 2018; Šantić and Antić, 2020). Low resilience to the fake news is indicated by relatively low level of media literacy index – 31 in 2019, which is higher than other countries of the Western Balkans, but lower than media literacy index of any European Union member state (Lessenski, 2019). Finding of Bieber *et al.* (2021) that more than 40% of the Serbians included in their research believe into conspiracy theories is an additional indicative confirmation of high proneness of local population to the fake news.

In the recent years, Serbia has achieved successful developments in terms of digitalization. Overall, Serbia has fast development of digitalization and digital economy (Đorić, 2020). Number of e-Government services has been increased, while digitalization of public administration is set as one of the pillar priorities of the development of the Republic of Serbia (Radnović, 2021). Digitalization of tax administration is contributing to the development (Pitić *et al.*, 2018). Moreover, digital transformation increased number of opportunities across the sectors, especially regarding creative industries and tourism (Novaković, 2021; Simić and Matović, 2018).

Within the context of CHD triad (Vasyechko, 2021), it may be concluded that Serbia has capitalistic system (Zaccaria *et al.*, 2018), human attitude that is welcoming foreign investors (Petrović, 2018), and fast development of digitalization (Đorić, 2020). At the same time, it can be concluded that both Serbian population and foreign investors are exposed to the fake news (Meister, 2018; Šantić and Antić, 2020), while level of resilience of local population towards fake news is lower than in other countries observed within this research (Lessenski, 2019; Bieber *et al.*, 2021).

5. Conclusions

Fake news is a relevant event from the market perspective (Brigida and Pratt, 2017). At the same time, fake news does not have critical impact on the FDI inflow, irrespective of level of media literacy of the local population, as long as three key pillars of CHD triad: capitalism, human and digitalization, are at place. Further to this, whether or not fake news is used as a tool of the economic warfare (Selakovic *et al.*, 2021), or it is just created unintentionally, fake news cannot crucially influence the decision-making process of the international investors if capitalism, digitalization, investment promotion efforts and awareness of the local population are solid. Moreover, fake news as a phenomenon does not seem to have power to impact human component of CHD triad, despite its ability to change human behavior and beliefs. Fake news in the financial market attracts more attention of the investors (Clarke *et al.*, 2021; Hendershott *et al.*, 2021). Thus, the country that is capable to present its competitive advantages may have more opportunities to attract foreign direct investments if all the elements of CHD triad are solidly developed and clearly communicated towards the investors in an unbiased way.

An emergence of the digital media and user-generated content increased volume of fake news in the digital space (Mustafaraj and Metaxas, 2017). At the same time, existence of

digital platforms, ability of the users to report fake content, and existence of diverse software solutions enabled immediate mitigation of possible risks caused by fake news (Verstraete *et al.*, 2021). In order to prevent the adverse effect of fake news on the reputation, identification and countering fake news needs to be handled properly and timely in the synergy of Government authorities, specialists, and investment promotion agencies, within the framework of appropriate regulatory mechanisms.

Research limitations include limited sample size of the countries, analysis of literature sources, online sources, and fact-checkers in English language only, as well as lack of publicly available data about the discussions between the investors and Government authorities related to FDIs. Therefore, findings of this research should be taken as preliminary.

In the future research, the impact can be examined using larger sample of the countries. Moreover, quantitative research that would include investors could be performed to confirm the conclusion that pillars of CHD triad are more impactful in the decision-making process of the investors than fake news. Further examination and investigation of the impact of fake news on the investment promotion efforts is possible, through the analysis of opinions and experiences of the representatives of the investment promotion agencies that liaise directly with the representatives of foreign direct investors. With future emergence of more historical data related to the fake news and development of advanced fact-checking solutions, it will also become possible to analyze possible correlational impacts of fake news on the behaviors, attitudes, and beliefs of local populations of the countries that are putting an emphasis on the attraction of foreign direct investments.

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