
The new determinant creation theory: the case of Mexico and Guatemala

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Abstract

According to the literature related to the movement of foreign direct investment (FDI) worldwide, there are two main causes for these flows. The first one is related to the decision taken by companies to invest in certain markets according to their own international strategy and, the second corresponds to the government's policy designed to attract capital through the use of various factors such as infrastructure, skilled labor, cheap labor, industrial policy, natural resources, gross domestic product, the legal system, geographic location, cancellation fees, among others. Thus, governments attract capitals to different types of industries depending on the attractiveness of their determinants.

Considering the above approach, if a government wants to attract FDI, should it create new determinants to attract new investment flows or renews the most common used to? Based on the new determinant creation theory, a comparison between Mexico and Guatemala was made to determine the effectiveness of FDI public policies in these countries to attract investment flows.
