

OPINION

of a member of the scientific jury,
for obtaining the educational and scientific degree "Doctor"
in D. A. Tsenov Academy of Economics

In compliance with **Order No. 848/03.10.2022** of the Rector of D. A. Tsenov Academy of Economics, concerning a dissertation for obtaining the educational and scientific degree "Doctor".

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Author of the dissertation: doctoral student Elitsa Petkova Petkova, self-preparation form of study, tuition fees paid by the doctoral student, Department of "General Theory of Economics"

Topic of the dissertation: "Foreign direct investments – a basis of the transnationalization of the economy"

I. General presentation of the dissertation paper

The object of the dissertation research is foreign direct investment, and the subject of the study is the role of foreign direct investment for the transnationalization of the economy and the investment development of Bulgaria.

The dissertation paper consists of an introduction, three chapters, a conclusion, appendices, references and table of contents and has a volume of 183 pages. The dissertation paper is designed in accordance with the requirements of the Act on the Development of the Academic Staff in the Republic of Bulgaria and the Regulations for its implementation in the Academy of Economics. It includes: Table of contents (p. 1), List of abbreviations (p. 2), Introduction (p. 3-8), First chapter (p. 9-61), Second chapter (p. 62-122), Third chapter (pp. 123-161); Conclusion (pp. 162-166), three appendices (pp. 167-169) and Reference list (pp. 170-183). The chapters are coherent and well organised. There is a transition between the them, which gives the exposition the necessary logical sequence.

The **introduction** properly draws the attention to the topicality of the issue. The object and the subject of the study are defined well. The aim of the study is well formulated and, on that basis, the main objectives of the dissertation study are determined. The thesis statement is presented clearly, namely that "the inflow and stock of FDI are determined by the degree of development of a given economy, and the FDI stock, in turn, creates preconditions for economic growth and further investment development of the country. That is why it is necessary to develop, adopt and implement a stimulating policy towards FDI by the respective institutions." (p. 5).

In that part, attention is also paid to the theoretical and methodological framework of the study, which "is built on general neoclassical and neoinstitutional concepts of the cross-border movement of capital" (p. 5). Some of the Bulgarian and foreign authors who made a significant contribution to the development of ideas and principles related to FDI are also mentioned.

Some of the main information sources used in the empirical dissertation research are highlighted. Emphasis is placed on the main logical, empirical and theoretical methods used in the research.

The challenges and limitations of the scientific research work of the doctoral student are outlined. More attention could have been paid to the first problem mentioned, where a certain contradiction is noticed, which could have been avoided.

The study period of the dissertation is 1990-2020. This thirty-year time span is long enough and provides a good basis for in-depth analyses, conclusions and generalizations, which serve as a basis in providing guidelines for improving the country's investment development.

A total of 148 sources have been used, covering 14 pages (pp. 170-183). Of these, 36 are by Bulgarian authors, 60 by foreign authors, and the remaining 52 are Internet sources. All this shows that the author has a good knowledge of the problem being developed, which allows her to get into the root of the matter and to achieve the aim and the objectives put.

II. Assessment of the form and content of the dissertation paper

The doctoral student and her dissertation advisor deserve admiration for having focused on an important issue for economic theory and practice, which in the years of transformation of the Bulgarian economy from a totalitarian to a free-market model is worthy of attention. The so-called in the economic literature "foreign direct investments" have an increasingly strong impact on the country's social and economic development in the short as well as in the long term. The reason lies in the process of economic globalization and the impact it has on Bulgarian economy and society.

A large volume of empirical material is used and the doctoral student succeeded in processing it well in view of the objectives and the main aim and the thesis statement she defends.

In the first chapter, the theoretical and methodological aspects of foreign direct investments are considered (pp. 9-61). The impact of globalization and transnationalization of the economy is brought to the fore, where FDI is the binding element. Here, the author rightly points out that they "are established as the main instrument for the integration of countries in the world economic space", and on the other hand, through them "the economy of the country turns into a transnational system of production, trade and financial relations" (p. 60). The main causes and preconditions for the development of globalization and transnationalization processes are convincingly indicated, such as the liberalization of economic relations after 1989; the economic policy of countries, aimed at open and market-oriented economic systems; the development of science and technology, as well as the evolving and the increasing economic importance of TNCs.

This chapter successfully outlines the role of FDI for the transnationalization of the economy. It has been found that FDI accelerates the processes of internationalization and transnationalization of economic relations and deepens economic globalization; it leads to GDP growth of countries; increases the share of TNCs in the formation of world GDP (up to 30%) and their participation in world production (up to 10%). It has been proven that FDI promotes employment and increases the socio-economic development of both the countries from which the investments come (donor countries) and the countries which receive the investments (recipient countries).

The author should be congratulated for not missing the negative effects of FDI on both home and host countries. To this effect, the opposition of the goals of FDI and the government economic policy, namely the import of outdated and environmentally polluting technologies, the outflow of highly qualified personnel to the donor country, etc., is noted.

In the context of the objectives set, this chapter examines the main approaches and models to study and analyse FDI, as well as the main FDI motives. The doctoral student shows a very good knowledge of these approaches, models and motives, which enables her to consider the problems in depth and to rationalise the findings of the research.

The second chapter of the dissertation is devoted to the trends in the development of FDI for the period 1990-2020 (pp. 52-122). First of all, the chapter examines FDI

dynamics in the global economy. It is found that during the past three decades a rapid increase in the volume of FDI have been observed, especially compared to world exports and world output. It is noted that the cause of this is the collapse of the socialist bloc after 1989 and the transition of the countries of Central and Eastern Europe to a free-market economic system. It is stated that in the early 21st century, FDI continued to grow, but at a slower pace, which was mainly due to the "significant decline in FDI flows after 2000, as a result of the "Internet (dot-com) bubble burst", which led to bankruptcy and loss of market capitalization of a number of large companies from the IT sector. It is concluded that the past 11 years have seen serious fluctuations in FDI, which is mainly due to the slow recovery of economies after the 2008-2009 crisis and the weak investment activity, especially in developed countries, where FDI remains well below the levels before 2008. Emphasis is placed on the negative impact of the Covid pandemic on FDI in 2020 due to the contraction of demand and the disruption of the supply process as a result of the transport restrictions imposed.

Attention has also been paid to the structural changes in world FDI. The most important change here is related to the shift of investment activity abroad from the manufacturing sector to the service sector.

In terms of the geographical structure of FDI (in the world), it has been found that during the period under consideration, developed countries have lost their predominant position in terms of inward FDI and their share is gradually decreasing at the expense of developing economies and economies in transition, which have already received almost half of the world direct investments (p. 67). It is pointed out that this is due to the decrease in FDI inflows to the USA and Europe and the increase in FDI inflows to transition countries, as well as to China, Singapore, India, Mexico, Brazil and Hong Kong. Despite that, it is noted that at present the countries that attract most FDI are still the USA, Great Britain, Germany, the Netherlands and some other developed countries.

The main FDI methods, namely greenfield investment or merger and acquisition, are also in place in this chapter. It is noted that greenfield investments dominate.

It is **particularly important** to point out the original **scientific and applied contribution** of the doctoral student, concerning the **specific character and the challenges in foreign direct investment in Bulgaria**. The attention is directed to the distinguishing characteristics of FDI in the Bulgarian economy, which have been influenced by the environmental changes and the specific conditions that influence FDI outflows and inflows in our country. The author traced out the economic development of Bulgaria after 1989 and defined several stages within it. Emphasis is placed on the influence that the country's economic development has had on FDI. The problems and causes for the delay in the economic reforms and the creation of favourable FDI climate in our country are indicated.

The years 2006-2008 are characterized as very good as regards the dynamics of FDI and the period 1990-1996 is determined as the worst in this respect. It has been indicated that after 2008 there was a stable process of reduction in the FDI inflows in our country, which has continued up to the present (see fig. 18 on p. 67). It is aptly noted that in our country the FDI volume is unsatisfactory and declining despite the low corporate tax rates, the low wages and the proximity of our country to the market of the EU. This unfavourable trend has been completed by the low outward FDI stock. **It should be noted here that the author correctly points out some of the main reasons for the existence of this disadvantageous trend in the amount of FDI in our country.**

This chapter also focuses on the sectoral structure of FDI in our country. The main causes for these changes are indicated, namely the transition from the planned to the free market economy, the impact of globalization, the membership of our country in the EU, the technological change and, last but not least, the digitalization of the economy. It is concluded that as regards the sectoral structure of FDI in our country, there is a tendency of a gradual decrease in their amount in the manufacturing sector and an increase in the service sector

(especially in the financial and insurance industries). All these coincide with the global sectoral structure trends.

Changes in the **geographical structure of FDI** in our country are also considered here. It was established that after the collapse of the former Soviet Union and the CMEA in the early 1990s, the major sources of FDI in Bulgaria were the EU countries (77%, see fig. 25, p. 110). Leading positions have Austria, Germany, Great Britain, the Netherlands, Cyprus, Greece, etc. The amount of inward FDI is low from the USA, Poland, Finland and the Baltic countries. It is noteworthy that the amount of Bulgarian outward FDI is very low. Major destinations are Italy, the Netherlands and Romania, followed by Germany and Greece.

In this chapter, the doctoral student appropriately dwells on the structure of FDI by **elements of the balance of payments**. In this regard, it is noted that in our country equity capital predominated and have reached 95% of FDI by 1998. This manifests the long-term intentions of foreign investors for doing business in Bulgaria, which is favourable for the economic growth and the standard of living of the population. It is noteworthy that during the period 1999-2008 this share decreased to 62%, and then increased again and reached an average of 85% by 2015 (p. 119). A disadvantageous trend of reduction of the share of equity capital in our country has been observed in the last five years, and in 2017 and 2019 it even became negative (p. 120). This indicates that, even before the Covid pandemic, a gradual withdrawal of foreign investors was noticeable in our country. The causes for that are pointed, namely net losses suffered by companies or excessively large amounts of distributed profits that do not remain in Bulgaria (p. 120). At the same time, the share of reinvested earnings increased during the last five years (on average up to 80%), which shows the willingness of foreign investors to reinvest the earnings from their activities in Bulgaria, which is beneficial for the national economy.

The author reached to the conclusions that Bulgaria is highly dependent on foreign capital, that the outward stock of FDI is extremely small, which points to the lack of competitive advantages, knowledge and skills for doing business of Bulgarian companies in international conditions.

In the third chapter of the dissertation paper (pp. 123-160) emphasis is placed on the investment development of Bulgaria. Here the author analyses the investment development path of Bulgaria according to the theorem of J. Dunning, which associates the economic development of the country and the capital mobility in the form of FDI. The statement that "a country attracts more FDI, the more developed its economy is (or the higher economic growth it has achieved)" (p. 124) has been successfully defended. The interdependence between the values studied is highlighted, namely that the economic development of the country affects the amount of FDI, but the latter also has an influence on the first. It is found that in the time span of the study, namely 1990-2020, there are three investment development stages of the country (fig. 31 on p. 130).

The first stage of the country's investment development was in the period 1990-1996. Then the country's net outward investment position (net export of direct investments) was negative. The main reasons are pointed, namely the low level of technological development, the lack of established and successful management and organizational practices, own scientific developments, etc.

The second stage was during the period 1997-2013, when there was a rapid increase in inward FDI – they almost doubled (91%). The main causes for this are the intensification of the privatization process, the growing domestic market and the macroeconomic stabilisation after the implementation of the Currency Board in 1997, which is a precondition for attracting more market-oriented FDI. At the same time, the negative value of Bulgaria's net outward investment position continues to increase, which means that the causes (mentioned above) are strengthening.

Since 2014 till now, **the third stage** of the country's investment development path has been apparent. Initially (during the period 2014-2017) it is characterized by the fact that the

negative net investment position of Bulgaria starts to decrease as a result of the increasing value of outward foreign direct investments. The main cause for this change is the growing competitive advantages of some Bulgarian companies, which comes as a result of their participation in the international production networks. At the same time, FDI inflows in our country decrease. The main cause for this is the growth in labour costs as a result of the gradual increase in the minimum and the average wages in our country.

The research after 2017 can be qualified as **avant-garde**, as *the country's net outward investment position (NOIP) has started rising*, which is due to the increase in the direct investment inflows. At the same time, the growth rate of outward direct investments remains the same, and it cannot compensate for the increase of FDI inflows. **An explanation for this interesting trend is sought in the improved location advantages and the macroeconomic stability in our country, which boost the inflow and the outflow of FDI. The relation in question is not described in the model of J. Dunning and can be declared a kind of scientific and applied research finding of the doctoral student.** As an additional argument in confirmation to what has been said, is the usage of statistical methods, which allows analysing the correlation between GDP per capita and NOIP of the country. **Thus, the doctoral student has offered a rather original investment development path of Bulgaria, which has been described by a curved line with breaking points, corresponding to the stages of the investment development through which our country had already passed (p. 137).**

In order to account for the potentiality of the investment development of Bulgaria, the dissertation also comments in depth on the **environment for direct investment**. In order to explain the possibility of further investment development of Bulgaria, the dissertation examines thoroughly the environment for direct investment. The main factors of the environment are indicated, namely size and state of domestic and foreign markets (taking into account the market of neighboring countries and the EU), population size, income level in the country, infrastructure and foreign trade policy, etc. Emphasis is placed on the well-functioning labor market, education and qualification of the workforce, labor productivity, innovation, and the state of financial markets, the well-developed infrastructure, as well as taxation and social security policy. It is accurately mentioned that the factors noted above need to be improved and brought closer to the EU criteria.

For the achievement of the aims set in the dissertation paper, it is of importance to outline **guidelines for improving** the investment development of Bulgaria. The doctoral student well and selectively directs her attention to the following more important suggestions, namely: overcoming disproportions in the labour demand and supply; increasing labour productivity; technological development and development of the country's innovation capacity; improving the transport infrastructure; ensuring a favourable economic and financial environment for foreign investments; building lasting relations between Bulgarian and foreign companies; ensuring political stability, a clear legal and administrative system, reducing corruption, etc.

The conclusion displays the research results well. The achievement of the aim set and the objectives, arising from it are proved in a logically consistent and reasoned way. The research thesis statement is convincingly defended.

The dissertation is written in a clear language and at the same time has a scientific style that meets the requirements of the Act on the Development of the Academic Staff in the Republic of Bulgaria. Upon verification of the authenticity and accuracy of the information presented and used, as well as regarding the content of the dissertation paper, the values shown are within the lowest acceptable ones.

The abstract of the dissertation paper has the following characteristics:

1. It corresponds to the structure and the content of the dissertation discussed in the department;
2. The main research findings are shown;

3. The publications on the dissertation subject are listed – a total of 3 articles from participations in scientific-practical conferences;

4. A declaration of authenticity and reliability is submitted, stating that:

- The results and findings in the dissertation paper on the topic *"Foreign direct investments - the basis of the transnationalization of the economy"* are original and are not borrowed from research and publications in which the author has no participation.
- The information presented by the author in the form of copies of documents and publications, personally compiled references, etc. corresponds to the objective truth.
- Results obtained, described and/or published by other authors are cited in the bibliography duly and in full.

III. Scientific and scientific-applied findings of the dissertation

I accept the scientific and scientific-applied contributions specified by the doctoral student in the Author's summary of the dissertation, and I want to put an accent on some of them, which in my opinion are of great importance, namely:

1. Scientific and applied contribution of the doctoral student is the consideration of the specific character and the challenges in foreign direct investment variations in Bulgaria during the period 1990-2020.

2. The conclusions that the doctoral student makes regarding Bulgaria's high dependence on foreign capital and the extremely small outward stock of FDI are meaningful as it shows the lack of competitive advantages, knowledge and skills for doing business in international conditions of Bulgarian companies

3. The original presentation of the investment development path of Bulgaria made by the doctoral student, which she presents through a curved line with breaking points corresponding to the investment development stages that our country has gone through. This is avant-garde and can be defined as a kind of scientific and applied contribution of the doctoral student.

4. The main factors determining the environment for the investment development of the country have been presented in a consistent and well-grounded manner. It is properly noted that they need to be amended and brought closer to the EU criteria in order to improve the investment development climate.

5. The main guidelines for improving the investment development of Bulgaria are resourcefully presented.

IV. Questions on the dissertation

I have no significant comments or questions regarding the content of the dissertation.

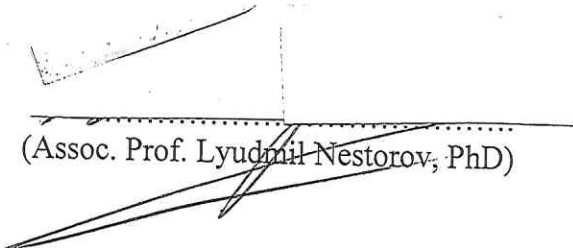
V. Assessment summary of the dissertation paper and conclusion

The dissertation paper presented meets the requirements of the Act on the Development of the Academic Staff in the Republic of Bulgaria and the Regulations for its Implementation in D. A. Tsenov Academy of Economics, according to Art. 68 para 1. The dissertation has the topicality, the authenticity, the in-depth theoretical knowledge, the methodological soundness and the practical focus needed for the defence. The doctoral student demonstrates skills for conducting scientific research independently, extensive knowledge of the character, the features and the role of foreign direct investments for the transnationalization of the economy and the investment development of Bulgaria.

Based on the positive comments and the contributions mentioned above, the careful comparative and critical analysis of the issues regarding transnationalization of the economy and the investment development of Bulgaria **I give a positive assessment** of the dissertation presented for discussion on the topic: "Foreign direct investments – the basis of the transnationalization of the economy" and **to propose to the respected members of the**

scientific jury to vote for awarding the educational and scientific degree "doctor" to **Elitsa Petkova Petkova** in professional field 3.8. "Economics", in the scientific specialty 05.02.01. "Political economy".

Svishtov
08.11.2022



(Assoc. Prof. Lyudmil Nestorov, PhD)