

**UNIVERSITY OF ECONOMICS – VARNA**  
**FACULTY “FINANCE AND ACCOUNTING”**  
**DEPARTMENT OF ECONOMICS**

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**ACCEPTED BY:**  
**RECTOR:**  
(Prof. Plamen Iliev)

**SYLLABUS**

**SUBJECT:** “Transnational Corporations and Foreign Direct Investment”;  
**DEGREE PROGRAMME:** International Business  
**YEAR OF STUDY:** 3      **SEMESTER:** 5;  
**TOTAL STUDENT WORKLOAD:** 240 h.; Lectures; incl. curricular 75 h.  
**CREDITS:** 8

**DISTRIBUTION OF WORKLOAD ACCORDING TO THE CURRICULUM**

<i>TYPE OF STUDY HOURS</i>	<i>WORKLOAD, h.</i>	<i>TEACHING HOURS PER WEEK, h.</i>
CURRICULAR, incl: LECTURES	45 h.	3 h.
SEMINARS	30 h.	2 h.
EXTRACURRICULAR	165 h.	

**PREPARED BY:** 1.....  
(Prof. Zoya Mladenova)  
2. ....  
(Asc. Prof. K. Kolev, PhD)

**HEAD OF THE DEPT. OF ECONOMICS:** .....  
(Prof. Zoya Mladenova)

## **I. ANOTATION**

The “Transnational Corporations and Foreign Direct Investment” (TNC and FDI) course deals with one of the most important aspects of contemporary economic development – the activity of TNCs. In the era of globalization they are one of the main agents of the world economy and the driving force of the process of globalization (UNCTAD). The discipline analyses the nature of FDI and TNCs, their causes and consequences. It includes three groups of problems. The first is the definitional one: defining the TNC, the relationship between FDI and TNC, classification of TNC, indicators, measuring the transnationalization of the world economy. The second group of problems focuses on the economics of TNC and deals with the international production of TNC, TNC and international trade, international intra-firm trade and transfer pricing of TNC. Finally, the effects of FDI and forms of control over TNC activity are discussed. Special attention is paid to FDI and TNC in the Bulgarian economy. As a result of the course students will be able to understand the reasons for the rapid internationalization of business activities, its current scope, forms and peculiarities as well as its consequences for the world economy. They will learn to assess critically the on-going process of globalization and economic activity of TNCs.

## **II. THEMATIC CONTENT**

No.	TITLE OF UNITS AND SUBTOPICS	NUMBER OF HOURS		
		L	S	LS
<b>1.</b>	<b>Internationalization and economic globalization</b>	<b>4</b>	<b>4</b>	
1.1.	The nature and preconditions of the globalization of the economy. Stages of globalization. The Theoretical and empirical discourse.			
1.2.	Consequences and contradictions of the economic globalization.			
1.3.	The role of TNC in the process of globalization.			
<b>2.</b>	<b>TNC – economic agent of the world economy</b>	<b>6</b>	<b>4</b>	
2.1.	Definition of TNC and its main characteristics. TNC v/s MNC. Classification of TNC.			
2.2.	TNC and foreign direct investment (FDI). FDI and portfolio investment.			
2.3.	Emergence and maturing of TNC: a historical overview.			
2.4.	Measuring the transnationalization of the world economy.			
<b>3.</b>	<b>The motives for foreign production</b>	<b>2</b>	<b>-</b>	
3.1.	Objectives of the export of capital in the form of FDI.			
3.2.	Main types of FDI.			
3.3.	New determinants of FDI in the era of globalization.			
<b>4.</b>	<b>Theoretical approaches for the explanation of TNC</b>	<b>3</b>	<b>2</b>	
4.1.	Early theories about FDI and TNC.			
4.2.	The internalization theory of A. Rugman.			
4.3.	The eclectic paradigm of J. Dunning.			
4.4.	New theories about FDI and TNC.			
<b>5.</b>	<b>The international production of TNC</b>	<b>3</b>	<b>2</b>	
5.1.	TNC and the international division of labor. International intra-firm division of labor.			

5.2.	Strategies of TNC for the organization of international production.			
5.3.	International production and the efficient allocation of resources.			
<b>6. TNC and international trade</b>		<b>3</b>	<b>2</b>	
6.1.	FDI and international trade: compliments or substitutes ?			
6.2.	The impact of TNC on international trade.			
6.3.	TNC and international trade of a selected country: the case of U.S.			
<b>7. International intra-firm trade of TNC</b>		<b>6</b>	<b>4</b>	
7.1.	Definition and preconditions of international intra-firm trade.			
7.2.	Factors, influencing international intra-firm trade.			
7.3.	The role of intra-firm trade in international trade. The problem of measurement.			
<b>8. Transfer pricing within TNC</b>		<b>3</b>	<b>2</b>	
8.1.	Transfer prices as an instrument of internal corporate management.			
8.2.	Methods of transfer pricing.			
8.3.	The specific nature of transfer prices in TNC. Motives for the manipulation of international transfer prices.			
8.4.	Empirical assessment of transfer pricing practices in TNC. Consequences and forms of national and international control.			
<b>9. Entry and expansion strategies of TNC</b>		<b>3</b>	<b>2</b>	
9.1.	Equity forms of transnational expansion.			
9.2.	Non-equity forms of transnational expansion.			
9.3.	Strategic alliances.			
<b>10. Effects of the international activities of TNC</b>		<b>6</b>	<b>4</b>	
1.	Effects of TNC on international economic relations.			
2.	Host countries effects.			
3.	Home countries effects.			
4.	International and national regulation of TNC activities.			
<b>11. FDI and TNC in Bulgaria</b>		<b>6</b>	<b>4</b>	
1.	Motives for the import of FDI in Bulgaria.			
2.	The volume and dynamics of FDI imports. Industry and geographical distribution.			
3.	The importance of FDI for the Bulgarian economy.			
4.	The policy towards FDI in Bulgaria: current trends.			
<b>TOTAL:</b>		<b>45</b>	<b>30</b>	

### **III. FORMS OF CONTROL:**

No.	TYPE AND FORM OF CONTROL	№	Extracurricular hours
<b>1.</b>	<b>Midterm control</b>		
1.1.	Project (on a predefined theme)	<b>1</b>	<b>60 h.</b>

1.2.	Test (mixed questions)	<b>1</b>	<b>40 h.</b>
1.3.	Test on separate themes	-	
<b>TOTAL:</b>		<b>2</b>	<b>100 h.</b>
<b>2.</b>	<b>Final term control</b>		
2.1.	Written exam on a specific theme + test	<b>1</b>	<b>65 h.</b>
<b>TOTAL:</b>		<b>3</b>	<b>165 h.</b>

#### **IV. LITERATURE:**

##### **REQUIRED (BASIC) LITERATURE**

1. Dunning, J.H. and S. M. Lundan, *Multinational enterprises and the global economy*, L., Addison-Wesley, 2<sup>nd</sup>., 2008 (textbook) – university library
2. Ietto-Gillies, G., *TNC and International Production (Concepts, Theories and Effects)*, E. Elgar, 2<sup>nd</sup> ed., 2012
3. Buckley, P., *Globalization and the Global Factory*, E. Elgar, 2011, 633 p.
4. Forsgren, M., *Theories of the Multinational Firm: A Multinational Creature in the Global Economy*, E. Elgar, 2<sup>nd</sup> ed., 2013
5. UNCTAD, *World Investment Report*, various years
6. Current publications in: *The Journal of World Business*, *International Business Review*, *Harvard Business Review*, *TNC*, etc.

##### **RECOMMENDED (ADDITIONAL) LITERATURE:**

1. Navaretti, G.B. and A. J. Venables, *Multinational Firms in the World Economy*, Princeton Univ. Press, 2004
2. Caves, R., *Multinational Enterprises and Economic Analysis*, Cambridge Univ. Press, 3d ed., 2007
3. Hood, N. and St. Young (eds.), *The globalization of Multinational enterprises activity and economic development*, L., Macmillan Press, 2000
4. Michie, J. (ed.), *The Handbook of Globalization*, 2011, 2<sup>nd</sup> ed., E. Elgar, Part III: “Transnational Corporations” – university library
5. Rugman, A. and T. Brewer (eds.), *The Oxford Handbook of International Business*, Oxford Univ. Press, 2003