FOREIGN DIRECT INVESTMENTS IN BULGARIA: MAIN RESULTS OF FOREIGN INVESTORS SURVEYS

Valentin GOEV
Faculty of Applied Informatics and Statistics
University of National and World Economy
Sofia, Bulgaria
vgoev@hotmail.com

Venelin BOSHNAKOV
Faculty of Applied Informatics and Statistics
University of National and World Economy
Sofia, Bulgaria
venelinb@unwe.acad.bg

Ekaterina TOSHEVA
Faculty of Applied Informatics and Statistics
University of National and World Economy
Sofia, Bulgaria
ekaterina_tosheva@yahoo.com

Abstract

The paper presents some main results obtained from a survey of foreign investors in Bulgaria conducted at the end of year 2009. The goal of the survey was to reveal and outline various aspects and effects of the operation of foreign controlled companies on the improvement of inter-firm relations during the continuing restructuring of Bulgarian economy after the official EC membership since 2007. A comparison with results from a similar survey conducted in 2001 is derived in order to assess the main shifts occurred in respect of these effects during the EU accession period.

Keywords: foreign direct investment, questionnaire survey, inter-firm relations, Bulgaria.
JEL classification: F21, F23

1. INTRODUCTION

Foreign investment influx in Bulgaria has always been the focus of special interest to Bulgarian and foreign researchers. This interest has been growing in parallel with the impressive increase in the amount of foreign direct investment /FDI/ after year 2002. While in the initial stage of the European integration of Bulgaria (1999) the FDI amounted to 866 million EUR, by year 2007 the cumulative volume of FDI was already 8.6 billion EUR, i.e.

a growth of approximately 10 times during this period. Another phenomenon of the Bulgarian economy during this period with such a remarkable expansion is hardly to be found. In this respect, the main direction of the research on FDI in Bulgaria is related to the role and impact of FDI on the economic development of the country. This is fully understandable, as far as FDI play the role of one of the most important factors for economic recovery of the Bulgarian economy during the market transition.

However, it is also important to seek answers to few other research questions such as: why foreign investors come to Bulgaria, what are their strategies for entering the Bulgarian market, how are the FDI realized; what are the preferred economic sectors, what kind of relationships with local companies – customers and suppliers – are created. The answers to these and other related questions were explored through sample questionnaire surveys among representatives of foreign investors in Bulgaria. Among others, such surveys have been conducted in the years 2001 and 2009 and some main results of these surveys are presented in this study. The survey results can be considered as representative for medium- and large-scale foreign investors and are restricted to companies with headquarters established in Western Europe.

The following study consists of two parts. The first part presents a brief review of the theoretical views and some fundamental tenets of the dominant theories for foreign investments on the basis of which the survey objectives and research tasks were formulated. The second part is essentially empirical and presents selected results from these studies which seek to provide clarification to some of the above mentioned issues.

2. SHORT LITERATURE REVIEW

The world’s scientific literature suggests a number of theoretical views on foreign direct investments and the factors behind the reallocation of production activities abroad, particularly to the emerging market economies in Europe and Asia. In the 70's and 80's of the last century, research on the activities of multi- and transnational companies were dominated by established theoretical views on international business. Various authors studied specific aspects and factors such as the imperfections in capital markets, technology transfer, organizational and entrepreneurial skills; the relation between the effectiveness of the production cycle and production localization; the forms of cross-border business strategies for acquisition of property; the effective technology transfer and utilization of comparative advantages, the possible positive and negative "externalities" of the activities of foreign investors and others [see for example Vernon, 1974; Buckley & Casson, 1985; Buckley, 1987; Casson, 1990; Caves, 1996; Norbäck, 2001; Markusen, 2001; Konrad & Lommerund, 2001; Haddad & Harrison, 1993; Desai et al., 2005; etc.].

An important one among these views is the so called "theory of internalization" seeking an explanation of the decision “to buy” or “to make” as well as the emergence of specific non-market mechanisms, suggesting the use of intermediate forms and agreements for cooperation, strategic alliances, developing joint ventures, etc. [Buckley & Casson, 1985; Casson, 1992]. It provides a grounded theoretical framework in which to analyze the decision whether a foreign company should be improved by "absorption" of the specific activity (i.e. "to make”) or should contract for external delivery (i.e. "to buy”). The motivation for "internalization" or buying from the market depends on different groups of factors specific to the industry, the region, the country, and the company. The famous author John Dunning developed the so called "eclectic paradigm", which outlines the cross-border initiatives of multinational companies depending on the configuration of three factors, respectively "ownership-location-internalization" [Dunning, 1993; 1995].

The development of the so-called "theory of networks” is related to the occurrence of specific interactions in which foreign economic agents establish direct and lasting relationships with local organizations aiming to stabilize and control resources, information and production flows. Such relationships are typically based on information, reciprocity, trust, acceptance of rules for loyalty, etc. [Dunning, 1993; Graber & Stark, 1997; Markusen & Venables, 1999; Norbäck, 2001; Ghauri et al., 2005]. Despite the accumulated scientific knowledge in various fields of foreign investment, however, more and more popular becomes the view that traditional theories, together with the views of internalization, are not sufficiently compelling in the study of foreign investment in emerging market economies [Meyer, 1998; Moosa, 2002; Campos & Kinoshita, 2003; Demekas et al., 2004; etc.].

Economic studies show traditionally high interest in the characteristics and factors of cross-border movement of capital to the countries of Central and Eastern Europe /CEE/. The motivation of companies-investors to relocate their activities in CEE countries is identified as an important aspect of these processes. The organizational forms, long-term strategies, motivation for investment decisions, and the effects of "attracting" factors (geographical, economic, human and natural resources) in these countries, and particularly those of South-East Europe have been studied by a wide range of researchers [see for example Djarova, 1996; Rizopoulos, 1997; Bevan et al., 2001; CSD, 2001; Todeva & Ebbers, 2002; Mintchev et al., 2002; Campos & Kinoshita, 2003; Hunya, 2004; Marangozov, 2005, etc.).

In large extent, FDI studies focus on traditional issues related to the characteristics of the profile of the countries towards which investment is directed, and the orientation of transnational companies to search for the specific comparative advantages of the reallocation of its business in CEE countries. Currently, research in this area is reporting more and more effects associated with the process of economic globalization and reduction in the number of barriers to the free movement of capital across borders. Along with this emphasis is placed on: motivational mechanisms, processes of decision-making by transnational companies to enter into certain countries and regions; linking corporate strategies for entering using the "attracting" factors in the country where the subdivision is built, the role of rising competitiveness on product markets, etc. [see for example Moosa, 2002; Meyer 1995; Ernst & Young, 2008; Garibaldi et al., 2002; Campos & Kinoshita, 2003; Demekas et al., 2004; Demirbag et al., 2007; Botric & Skuflic, 2006; etc.].

The results of various studies indicate that the analyzes of investment opportunities in Bulgaria are tied to the strategic goals of companies-investors [Djarova, 1999; Anastassopoulos et al., 2000; KPMG, 2000; Mintchev et al., 2002; Dimova, 2004; Marangozov, 2005; Grigorova, 2007; Marangozov, 2009; etc.]. Some of the trends in particular characteristics of the local and international joint ventures in Bulgaria are empirically tested, e.g. the evolution of the number of such established companies, the branch structure and their territorial concentration, the distribution of equity between partners, the size of these companies, etc. [Marangozov, 2009]. As major causes for this process are identified some qualitative changes in the business environment (such as the intensification of competition related to the regionalization and globalization, the shortening of life cycles of products, the acceleration of the rate of technological change, etc.). The impact of these factors made it necessary to invest significant resources in company self-development of the so called "value chain" of transnational companies. It is believed that companies with mostly high organizational and technological development will be able to secure competitive advantages through cross-border relocation of production and/or distribution of its products.

3. MAIN RESULTS OF THE SURVEYS

3.1. General formulation of the surveys

The surveys conducted in 2001 and 2009 on the impact of relocation of some activities of European companies on the development of inter-firm relations in Bulgaria use the same methodology and similar sample size. The method of providing primary data in 2001 and in 2009 was the same – "face to face" interview during which a questionnaire is filled in: 89 firms were interviewed in 2001 and 99 companies were interviewed in 2009. The companies were randomly selected from a big group that includes companies-investors in Bulgaria having the largest volume of realized foreign investment. Therefore the results can be considered representative only for medium-sized and large foreign investors in Bulgaria that are registered at the Bulgarian Investment Agency (formerly, Agency for Foreign Investments). Both questionnaires were structured in a similar way with four blocks of questions: “General information" (A), "Relationships with suppliers and customers" (B), "Relationships with banks, financial institutions and public administration" (C) and "Passport data" (D).

Despite the uniform structure the questions in the two questionnaires are not absolutely identical. There are some differences both in the number of questions and in their content. These modifications are due to the varying conditions under which the surveys were conducted, the objective circumstances and characteristics of the economic situation in Bulgaria, and the experience gained from the study conducted in 2001. The most substantial divergences are in block B. Regardless of this, the content of the questions is similar and the comparative analysis of the results of both surveys is undoubtedly consistent. It should highlight the major changes that have occurred in the type, size and origin of foreign investors in Bulgaria, their relationships with suppliers and customers, as well as with banks and official institutions during the period between 2001 and 2009.

The first study was conducted three years after the bank and currency crisis year for Bulgaria (1997) – a year of hyperinflation and when a currency board system was introduced. Four years later (2001) the economic situation in Bulgaria could be described as stable and in many aspects attractive to foreign investments. The next survey in 2009 was conducted two years after the accession of Bulgaria to the European Union and one year after the financial crisis of the 2008 autumn when its consequences have not yet reached their full effect in Bulgarian economy. The 5 years period before the second survey can still be characterized as favorable for foreign investors, so in this sense, the comparison is made for two periods when the economic environment is generally characterized as stable and attractive for foreign investment activities.

3.2.Basic characteristics of the companies

Particular disparities of surveyed companies are identified by some changes in the industry affiliation, size, ownership structure, and countries in which they are headquartered. In 2009 compared to 2001 there is an increase in the number of companies in services sector – trade, finance, tourism, transport – as well as the construction industry. This increase is on account of the reduction of nearly 10 percentage points of manufacturing companies - they were 58.4% of the total number of companies surveyed in 2001 while in 2009 this percentage dropped to 48.5%. Unlike 2001 when there were 3 foreign companies in agriculture in 2009 there were none. The reasons for this may be sought in two directions: first, the diminishing number of foreign companies in this sector, and second, very few companies in the industry and thus (because the mechanisms of sample formation) very low probability of selection of such companies.

Table no. 1 Sectoral distribution of respondent companies

Sector	2001		2009	
	Count	**%**	**Count**	**%**
Manufacturing	52	58.4	48	48.5
Trade	14	15.7	21	21.2
Finance	2	2.2	6	6.1
Tourism	1	1.1	3	3.0
Transport	3	3.4	8	8.1
Telecommunications	2	2.2	2	2.0
Construction	1	1.1	5	5.1
Agriculture	3	3.4	–	–
Other	11	12.4	6	6.1
Total	**89**	**100.0**	**99**	**100.0**

There are significant changes in the distribution of firms by number of employees. In 2001 the share of companies with 200 employees was 66.3% whereas in 2009 this share decreased by nearly 15 percentage points to 52.5%. Moreover, the proportion of very large companies (those with over 500 employees) in 2001 was about 10% while in 2009 it was nearly 30%. This shows that, for the covered period, there was a clear trend towards increasing the share of larger companies-foreign investors in Bulgaria.

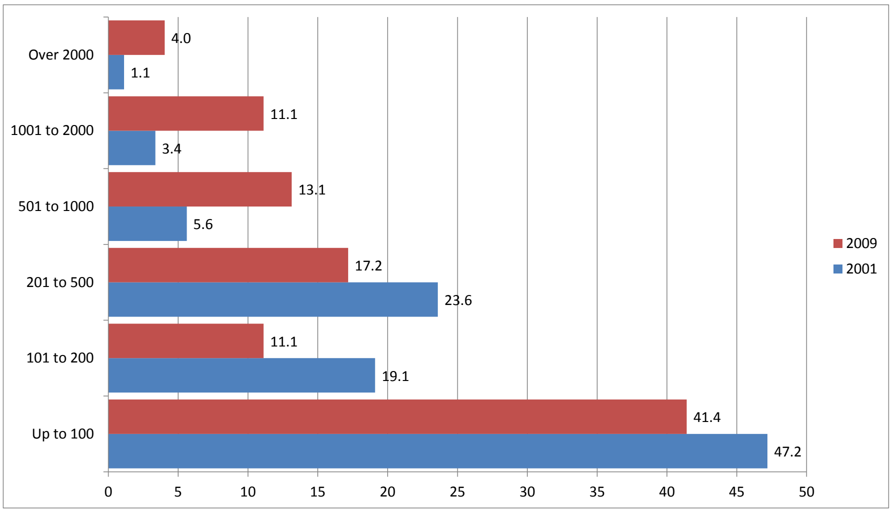

Figure no. 1 Size distribution of respondent companies (number of employees)

Shifts in the ownership structure of respondent companies have been observed.

- In 2001 about 15% of the surveyed companies were up to 50% foreign equity and 36% with total foreign participation.
- In 2009 the share of firms with a substantial share of foreign participation has increased – only 2% had up to 50% share of foreign-controlled capital and over 70% of the companies had 100% foreign capital.

A disparity is found in the distribution of firms by country in which company head-quarter is located as well as the number of countries where this principal owns subsidiaries. In 2009 the proportion of firms with headquarters in Germany, Italy and Austria has increased: the share of German investors had increased from 22 to 27%; a substantial increase in the proportion of Italian and Austrian companies has also been observed by nearly 9 percentage points (from 5 to 14% for Italian and from 3 to 12% for Austrian companies). In the same time, the share of companies based in Greece and Cyprus decreased. The comparison of the distributions of respondents by number of countries in which the investor company has subsidiaries is presented in Figure2. There is a clearly expressed trend of change in the type of foreign firms in our country - more and more large multinational companies with branches in over ten or even more than 20 countries invest in Bulgaria.

3.3. Reasons for entering Bulgarian economy

One of the core questions raised in the survey was related to the reasons of the foreign companies to enter Bulgarian economy. In both surveys nearly two thirds of the respondents indicate as a main reason “long-term strategy for entering the CEE markets”. This reason, together with “taking market positions in Bulgaria”, are the most frequently declared incentives. Difference is observed in respect of “market positioning” which was identified by larger share of companies in 2001 (85%) compared to 2009 (64%). A significant reduction of responses is observed in respect to “economies in production costs” (also identified as a reason for FDI influx) – almost twice lower is the share of companies that have indicated this reason in 2009 compared to 2001. A clear conclusion can be derived that larger share of the foreign investors active in 2009 considered their investments in Bulgaria as part of their overall expansion in CEE and not directly related to economies of production costs.

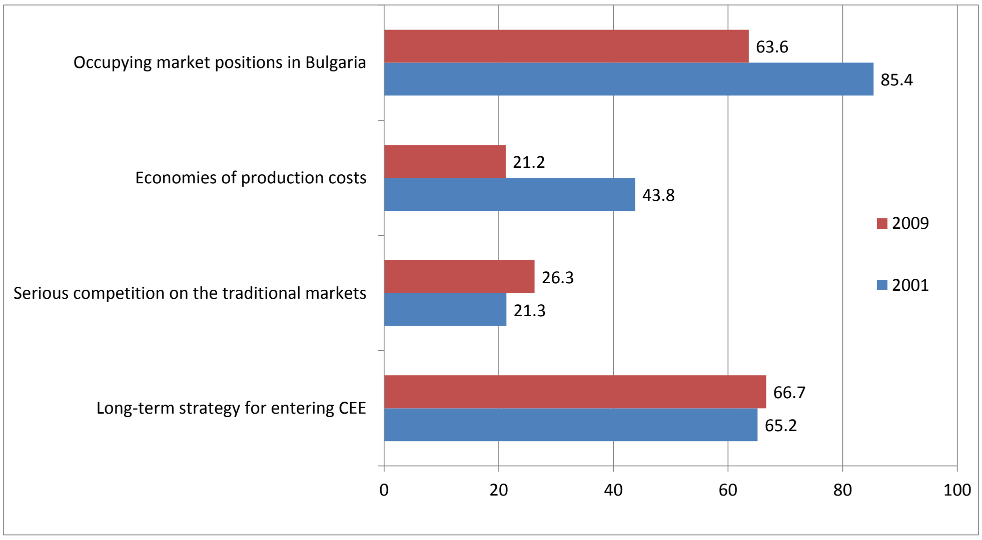

Figure no. 2 Share of companies indicated particular main reason for entering Bulgarian economy

The changes in responses to questions about the biggest market for the production of foreign investors and their major competitors are very indicative for the shifts occurred in the period. The number of those who indicated the EU market as the most important for their company production increased in 2009 compared to 2001 by 60% (from 26 to 42 companies). At the same time, the relative share of those who indicated the national Bulgarian market as the main market decreased by 13 percentage points in 2009 compared to 2001.

An essential increase is found for the number of those foreign investors who indicated that other foreign companies are their main competitors. If in 2001 only 19 firms (22%) identified as their rivals firms from abroad whereas in 2009 their share have doubled (46%). At the same time the share of respondents who indicated Bulgarian national companies as main competitors has significantly decreased (from 36% in 2001 to 10% in 2009).

Table no. 2 Largest markets for the Bulgarian affiliate of the foreign investors

Market	2001		2009	
	Count	**%**	**Count**	**%**
Domestic market	55	61.8	48	48.5
EC market	26	29.2	42	42.4
Other international markets	8	9.0	9	9.1
Total	**89**	**100.0**	**99**	**100.0**

All this provides evidence that, compared to 2001, in 2009 foreign investors in Bulgaria exported a substantial share of their overall product to the European and other international markets. In other words, two years after the EU membership the Bulgarian affiliates of respondent companies are competitively involved in greater extent on the international markets. This conclusion is somehow related to the results obtained by the question "*How would you assess the level of technology used by you in Bulgaria in comparison with the average technological level of the industry in the European Union countries?*".

While in 2001 only five firms (or 6%) indicated technological level in Bulgaria as higher than the EU average, in 2009 their share was already 17%.

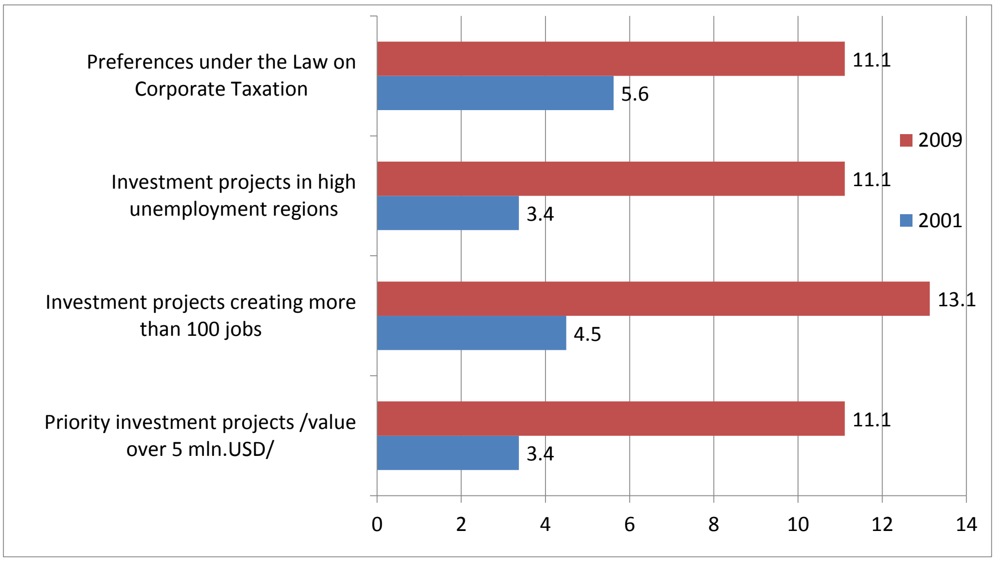

Figure no. 4 Shares of companies that have utilized a particular form of preferential treatment of foreign investors

Table no. 3 Opinion on the impact of business environment conditions

	Positive impact		Negative impact	
	2001	**2009**	**2001**	**2009**
Legal framework	37.1	55.6	43.8	31.3
Taxation	12.4	61.6	82.0	28.3
Credit terms	28.1	33.3	58.4	46.5
Educational level of the work force	76.4	60.6	12.4	31.3
Labor remuneration	84.3	73.7	7.9	18.2
Export potential	42.7	36.4	19.1	26.3
Geographical position of Bulgaria	58.4	58.6	5.6	30.3
Infrastructure	16.9	50.5	56.2	37.4
Technological level	34.8	43.4	33.7	39.4
Business culture	31.5	40.4	32.6	31.3
Competitive process of raw materials and supplies	59.6	36.4	16.9	43.4
Administrative and bureaucratic procedures	1.1	16.2	93.3	65.7
Political climate	18.0	21.2	32.6	47.5
Corruption practices	1.1	12.1	75.3	66.7
Customs regime	22.5	31.3	49.4	34.3
Unfair competition	3.4	15.2	80.9	55.6

The positive changes in the role of Bulgarian governments during the period toward encouraging investment as well as improving the business environment and overall economic conditions significantly affected the activities of foreign firms. While in 2001 only 15 firms (or 17%) benefited from incentives for foreign investors provided by the Bulgarian legislation, in 2009 their number was almost doubled to 29 (30%). Interesting results have been obtained when the respondents have been asked to express their opinion whether certain element of Bulgarian business environment had positive or negative impact on their operation (table 3). The greatest increase in the share of positive evaluation (and the corresponding decrease in the share of negative evaluation) is identified regarding circumstances such as: taxation, country's infrastructure, administrative and bureaucratic procedures, and unfair competition. It could be asserted that, compared to year 2001, Bulgaria substantially improved these conditions up to 2009 from the point of view of foreign investors.

On the other hand, a decrease is also observed in the share of positive evaluations regarding the prices of raw materials, the wage level, and the educational level of the population. Therefore, in 2009 these were not the most important factors to foreign investors for developing the businesses of their Bulgarian affiliates. For the studied period there are also improvements in conditions such as: customs regime, overall technological level, and business culture of management. In the same line of reasoning, a positive shift is perceived regarding the sources of information which foreign investor firms take into account when making investment decisions. While in 2001 the companies used mainly their own sources, in 2009 the share of own sources have decreased by 15 percentage points (from 82% to 67%) and the shares of public administration, official statistics and international financial institutions have significantly increased.

3.4. Market relations with suppliers and customers

A key moment in analyzing the politics and positions of foreign investors on the Bulgarian market is the analysis of their relations with suppliers and customers. In the context of the comparative analysis of the foreign companies which participated in the surveys in 2001 and 2009 there are some disparities in the number and kind of suppliers with whom they work for the realization of their activities on the Bulgarian market. Unlike 2001, in 2009 the share of firms that operate with only one supplier and many (more than 11 suppliers) at the expense of those who work with from 2 to 10 suppliers. Unlike number of suppliers, there were no significant changes in the number of clients with which companies operate. In both 2001 in 2009 over two thirds of the surveyed companies indicated that they worked with many clients - over 20. The number of companies which stated that they worked with between 5 and 10 clients, and between 11 and 20 clients were both about 10% in both studies. The number of companies which have only one client is negligible.

Table no. 4 Suppliers of the Bulgarian affiliates of surveyed foreign investors

Suppliers of predominant share of inputs	**2001**		**2009**	
	Count	**%**	**Count**	**%**
Foreign-controlled Bulgarian firms	15	17.2	23	23.7
Nationally-controlled Bulgarian firms	51	58.6	41	42.3
Foreign firms	21	24.2	33	34.0
Total	**87**	**100.0**	**97**	**100.0**

It is interesting to examine what kind of suppliers the companies use depending on the degree of foreign control (table 4). As a whole, in 2009 compared to 2001, the share of companies with predominantly foreign supplier has increased by 10 percentage points. In the same time, the number of companies which indicated as predominant suppliers (i) foreign-controlled Bulgarian companies or (ii) foreign companies increased by more than 50%. Most likely this is due to the fact that in 2009 foreign companies operating in Bulgaria are mainly multinational companies with strong positions on the European market, and particularly in CEE, that typically use supplies from other large multinational companies that may have or may not have any Bulgarian affiliates. This conclusion is also confirmed by the increase in the number of respondents in 2009 that indicate less than 25% of their supplies as provided from nationally-controlled companies. Another possible reason for that could be found in the spread of Bulgarian companies with foreign participation nationwide and the existence of closer links between firms with foreign capital in our country.

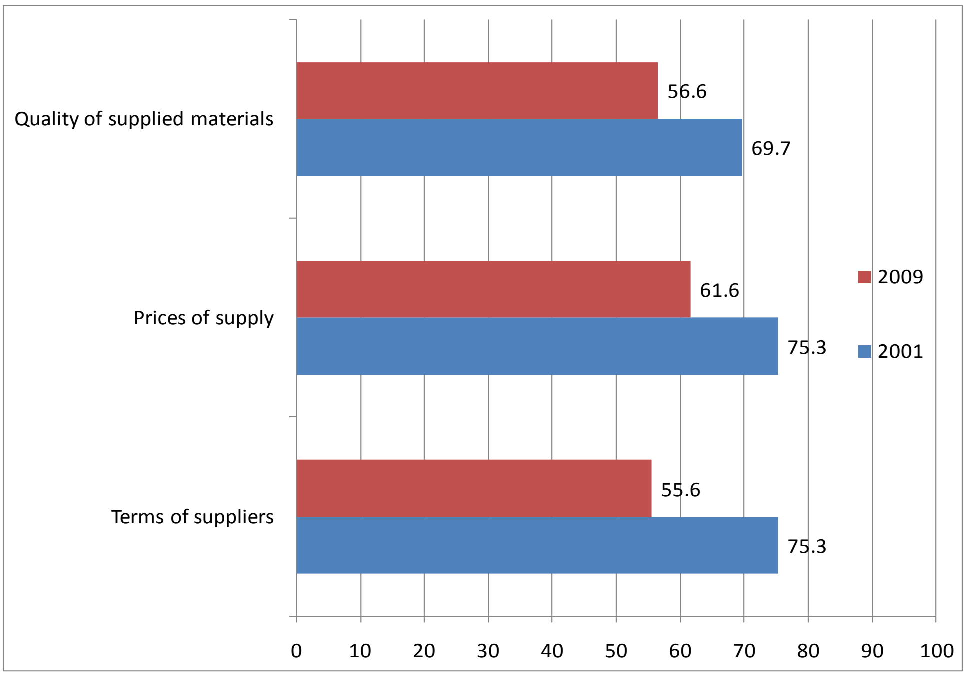

Figure no. 4 Shares of companies that link the satisfaction from their Bulgarian suppliers to particular reasons

It is important to explore the reasons for the decrease in the number of foreign investors who work with Bulgarian suppliers. Some of them could be identified through the shares of positive responses to the question "Are you satisfied with your main Bulgarian supplier in respect of delivery times, supply prices and quality of delivered materials?" (fig.5). In 2009 the share of respondents who gave a positive answer to all three criteria has decreased. The greatest drop (nearly 20 percentage points) is observed regarding the responses on “delivery terms”. The shrinkage of the share regarding the “delivery price” and the “quality of supplied inputs” is also significant (from 75% to 62%). It can be concluded that not-so-good delivery terms offered by the Bulgarian companies made foreign investors to additionally shift to foreign or foreign-controlled suppliers. Perhaps the lack of trust regarding quality, prices and delivery terms prevented investors from entering long term contractual relationships with Bulgarian companies – the share of firms operating long term contracts with Bulgarian suppliers has decreased at the expense of those who prefer separate contracts for each delivery (fig.6).

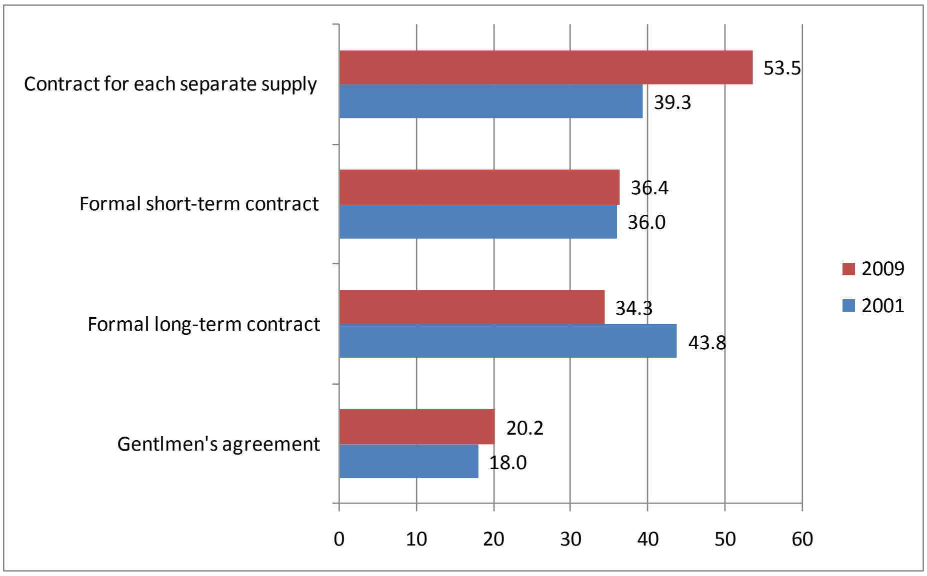

Figure no. 6 Shares of companies that indicate the main preferred form of contracting with Bulgarian suppliers

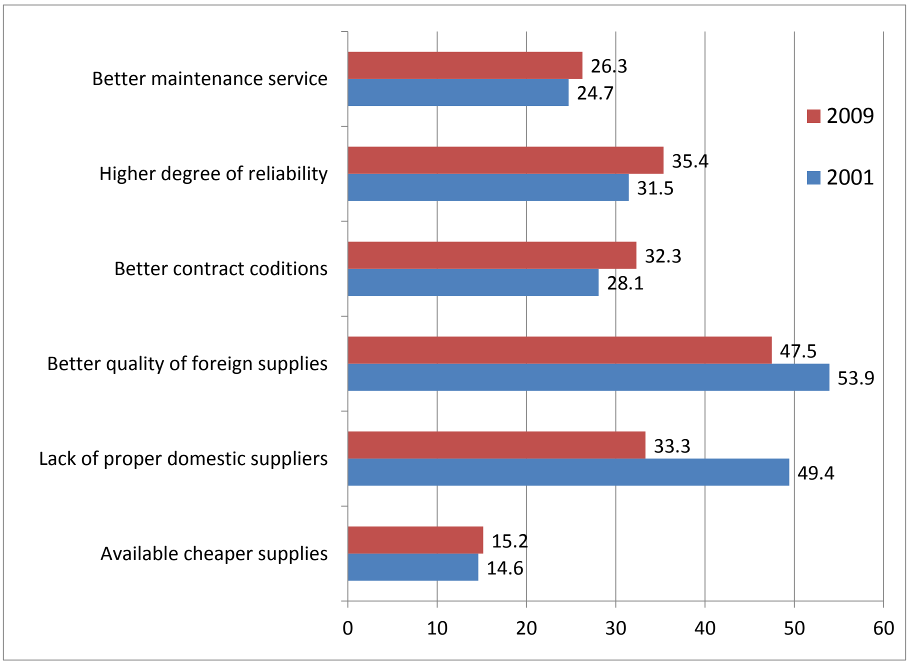

Figure no. 6 Main reasons for preferring suppliers from abroad

With some exceptions, no significant change in 2009 is observed regarding the reasons why foreign investors in Bulgaria deliver raw materials and other inputs from external suppliers (fig.7). Among the main reasons for both studies were better quality (indicated by about half of the companies), higher degree of reliability, better contractual conditions, and better maintenance services. In both survey years only about 15% indicate as a reason for supplies from abroad the lower price. The only substantial change is observed regarding the lack of suitable Bulgarian suppliers where the share of respondents has dropped from one half to one third which indicates the expanded availability of domestic providers in 2009 as compared to 2001. The survey results on suppliers selection and the reasons why foreign investors' companies ship from abroad provide grounds for the conclusions that if the Bulgarian suppliers would like to increase their sales to foreign investors' local affiliates they should emphasize more on the quality of their supplies and to improve their practices regarding the terms and conditions of supply.

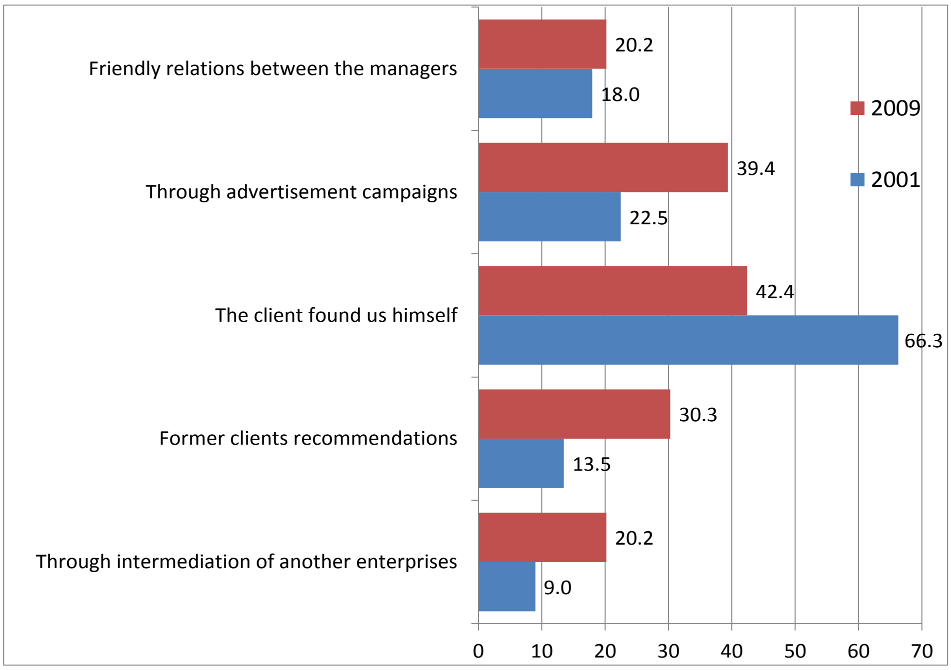

Figure no. 7 Main channels for establishing contacts with domestic clients

Interesting results are obtained regarding the establishment of contacts with the main local clients of respondent companies. In 2001 the highest share (two thirds) of the respondents were contacted by their Bulgarian customers, less than one fourth actually made connection through advertising, and less than one fifth had relied on the friendly relations between managers. A significant shift is observed in 2009 when the share of foreign investment companies directly contacted by their clients declined to 42%. By contrast, there was a significant increase in the shares of firms that found their clients mainly through advertising campaigns and through recommendations from former clients. All this suggests that, compared to 2001, foreign investors in Bulgaria in 2009 acted to a greater extent as companies with well established client networks on the Bulgarian market looking for various ways to attract Bulgarian customers in the long term and not relying so much on the initiative of the local clients to contact them.

Changes have also occurred in the way of regulating the business relations between the foreign investors and their Bulgarian clients. Likewise the establishment of relationships with the suppliers, there is a noticeable reduction in the share of firms that enter into long term contracts with the domestic clients (at the expense of an increase in the share of companies using short-term contracts, oral/informal contracts, and specific arrangements for each separate delivery). Another possible explanation of this effect is the intensification of the global crisis and worsening of the economic situation in 2009 – a less favorable business environment could be among the reasons why client companies were reluctant to commit to long-term contracts with foreign investment companies in a turbulent and insecure economic perspectives.

An important aspect considered regarding the development of inter-firm relations in the domestic economy is the possible business cooperation through joint investment projects or other kind of agreements between foreign investors and their customers or suppliers. However, no significant changes are observed regarding the practices of developing technical cooperation with Bulgarian suppliers (about 12% of respondents). In respect of the joint investment projects with Bulgarian suppliers, however, there is a significant increase in the share of firms having such projects: each fifth company in 2009 as compared to each tenth in 2001. The survey results also show that in 2001 only one of eight companies declared to have leasing agreements with Bulgarian clients whereas in 2009 this share doubled.

Similarly, the number of foreign investor companies that had agreements for technical cooperation with Bulgarian customers has also increased from 7% in 2001 to 14% in 2009. Albeit the small number, this result is indicative of the closer ties developed between foreign and domestic firms reflecting the long-term orientation of foreign investors' businesses in Bulgaria. In the same line of reasoning, an additional indicator for the substantiated positions of foreign investor firms on Bulgarian market is the enhanced participation of these companies in public procurement. A considerable change in the share of the positive answers to the question "Has your company any contracts with the Government?" is observed from 27% in 2001 to 36% in 2009. This change could be linked to the process of EU integration of Bulgaria and alleviated access of European companies to public procurement supplies. For the covered period this contracting has been conducted in larger extent through the local affiliates of European companies that has stabilized their market positions in the country and improved their public credibility and image.

A core aspect of both surveys is focusing on the opinion and assessment provided by respondent company representatives in respect of a range of factors for successful cooperation with their Bulgarian counterparts (table 5). At first place, quite remarkable is the observed drop in the share of those companies which did not respond to this question – in 2001 survey for each of the suggested factors about 22%-25% of the firms did not provide any answer whereas in 2009 these shares have been drastically reduced to 2-3 respondents. This provides clear evidence that, compared to year 2001, in 2009 the representatives of foreign investors' companies already had much better orientation about the dimensions and the key circumstances that are essentially important for the development of a successful cooperation with Bulgarian partner companies.

Table no. 5 Factors of successful cooperation with local firms

"How important are the following factors for the successful cooperation of your company with other Bulgarian firms?"							
	Year	Impor-tant	Partly impor-tant	Without impor-tance	Can't judge	N/A	Total
Established long-term relations	2001	36.0	29.2	3.4	6.7	24.7	100.0
	2009	57.6	31.3	3.0	6.1	2.0	100.0
Frequency of the mutual contacts	2001	28.1	25.8	14.6	7.9	23.6	100.0
	2009	46.5	41.4	9.1	1.0	2.0	100.0
Geographic prox-imity	2001	11.2	21.3	31.5	11.2	24.7	100.0
	2009	36.4	45.5	15.2	1.0	2.0	100.0
Personal contacts with the manager of the other firm	2001	14.6	39.3	14.6	9.0	22.5	100.0
	2009	30.3	46.5	11.1	10.1	2.0	100.0
Trust in the other firm	2001	52.8	14.6	3.4	6.7	22.5	100.0
	2009	57.6	29.3	7.1	4.0	2.0	100.0
Ability to work with flexible and formal contacts	2001	40.4	24.7	2.2	9.0	23.6	100.0
	2009	40.4	38.4	8.1	11.1	2.0	100.0
Ability to work with flexible and informal contacts	2001	20.2	38.2	12.4	7.9	21.3	100.0
	2009	29.3	43.4	14.1	11.1	2.0	100.0
Activity in the same branch	2001	23.6	21.3	14.6	16.9	23.6	100.0
	2009	29.3	35.4	21.2	12.1	2.0	100.0
Activity in com-plementary branches	2001	7.9	32.6	12.4	22.5	24.7	100.0
	2009	22.2	43.4	21.2	11.1	2.0	100.0
Activity in the same chain of supplies	2001	18.0	14.6	16.9	25.8	24.7	100.0
	2009	35.4	34.3	15.2	13.1	2.0	100.0
Common business culture	2001	39.3	21.3	4.5	12.4	22.5	100.0
	2009	32.3	45.5	8.1	11.1	3.0	100.0

The most significant differences are identified in respect of the following factors. Firstly, the assessment of the geographical proximity has substantially increased its importance as in 2001 only one third of the companies evaluated it as "important" or "partly important" whereas in 2009 these shares reached 82%. Another interesting shift is observed in the share of those who assess the long-term established relationships as “important” from 36% in 2001 to 58% in 2009. This appears to be quite reasonable since for such a period of 8 years of intensive economic restructuring foreign investor companies have rebased their operations much more on the development of sustainable economic relations with their domestic partners.

However, having in mind the specifics of the local business culture, during 2009 survey foreign investors perceived in larger extent the role of personal contacts – in 2001 just over half the company representatives assessed this factor as "important" or "partly important", whereas in 2009 three out of four respondents provided such an evaluation. Obviously, after accumulating substantial experience in operating in Bulgaria, recent opinions of foreign investors considered interpersonal business relations as a key factor of successful business cooperation. Other noteworthy differences are found concerning the appraisal of how important it is for Bulgarian counterparts – which the foreign investors’ companies cooperate with – to have experience in activities in complementary industries or in the same supply chain. Most likely, these assessments are related to the evolution and “maturation” of the activities of foreign investors in the country – evidence for which is the fact that in 2001 the most important thing for the domestic partners was to have experience only in the same sector whereas in 2009 the most important was to have experience in the respective supply chain.

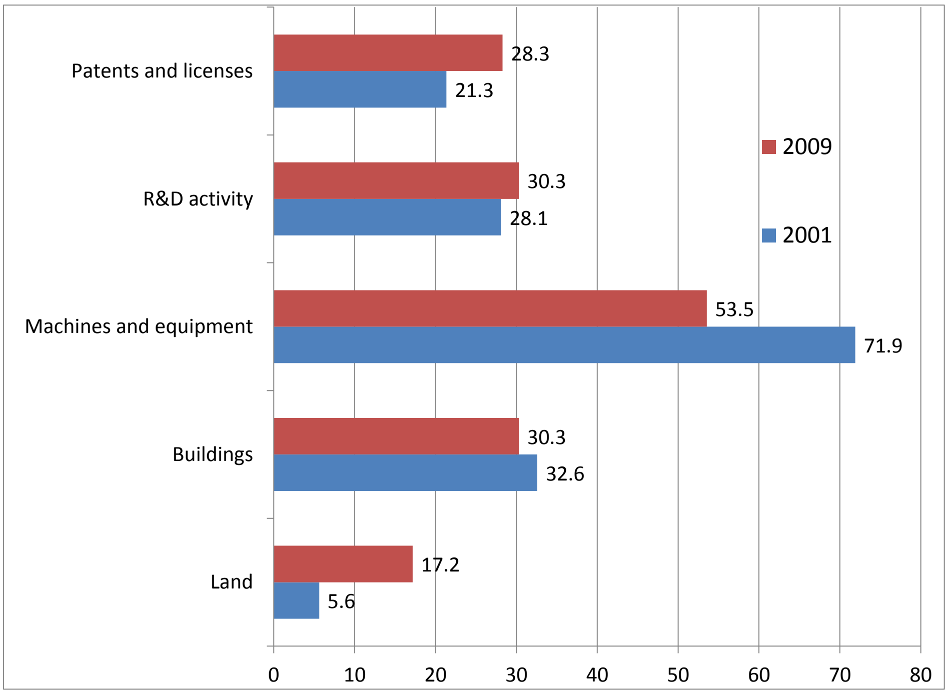

Figure no. 8 Main elements of investment activity of foreign investors’ companies

The priorities of the investment behavior of foreign controlled firms in Bulgaria has been evaluated using a question whether in the past 12 months the company has invested in particular assets. In 2001 almost three fourths of respondents declared to have invested in machinery and equipment whereas in 2009 this share contracted to about 54%. This has its natural explanation since in 2001 most foreign-owned affiliates were a relatively new phenomenon in the Bulgarian economy and this type of initial investment was essential for them. Unlike that period, in 2009 it was expected that they already had developed this “hardware” business infrastructure. Opposite shift is observed regarding the investments in land, in R&D activities, and in patent and licenses. For example, in 2001 only 6% declared to have bought land during last year whereas about 17% have already made such investment in 2009. This appears to be another important indicator for the longer-term intentions of foreign investors in Bulgaria which is supported to the stable and slightly growing share of foreign controlled companies that have invested especially in patents and licenses companies (from 21% in 2001 to 28% in 2009) and in targeted R&D activities (from 28% in 2001 to 30% in 2009).

3.5. Relationships with banks and public administration

Undoubtedly an important element of the business environment related to the investment policy of foreign firms in Bulgaria is the way these companies perceive and evaluate the levels of taxes in the country (table 6). In both surveys the question "How would you rate on a 5-grade scale the burden of the following taxes/liabilities in Bulgaria?" has been asked for the main types of taxes where the respondents were expected to assess the tax burden on the scale 1 (too low) to 5 (too high). The answers to this question’s items provide particular evidence that assists the evaluation of tax environment at the respective years as one of the core factors supposed to influence the attraction of foreign investors.

Table no. 6 Opinion on the degree of tax burden in Bulgaria

Types of taxes	**Year**	**Too low**				**Too high**	**Total**
		1	**2**	**3**	**4**	**5**	
Corporate income tax	2001	0.0	3.4	26.1	35.2	35.2	100.0
	2009	2.2	26.7	38.9	26.7	5.6	100.0
Personal income tax	2001	1.1	2.3	20.7	29.9	46.0	100.0
	2009	21.5	53.8	22.6	1.1	1.1	100.0
Real estate tax	2001	5.7	11.4	52.3	18.2	12.5	100.0
	2009	1.1	18.0	47.2	28.1	5.6	100.0
Social & health insurance	2001	2.3	8.0	36.4	25.0	28.4	100.0
	2009	1.1	17.4	47.8	27.2	6.5	100.0
Customs tariffs	2001	6.0	7.1	50.0	23.8	13.1	100.0
	2009	4.5	11.4	58.0	21.6	4.5	100.0

Firstly, the distribution of opinions on the scale regarding the personal income tax /PIT/ shows the most radical drop from 45% (2001) to 1% (2009) of the share of respondents assessing the PIT burden as “too high” – this obviously can be related to the introduction of the 10% flat PIT rate since 2008. Similar decrease (although not so radical) is observed for the share of respondents that perceive the Corporate tax burden as "too high" (from 35% in 2001 to 6% in 2009); parallel shift is observed also for the share of respondents that indicated score 4 (i.e. high tax burden). Analogous changes are also observed for the burden of social insurance contributions (28% of respondents in 2001 rated them as “too high” whereas this share in 2009 dropped to 7%) as well as for the customs tariffs. All this gives ground for a conclusion that since in 2001 foreign investors perceived the direct taxes as rather high or too high, in 2009 the predominant opinion has substantially shifted to “neither high nor low” which indicates a definite relaxation of the taxation level in Bulgaria for the covered period.

Table no. 7 Opinion on the effectiveness of relations with other institutions

Types of institutions	**Year**	**How do you assess your relations with the following institutions?**				**Total**
		Very good	**Good**	**Not very good**	**Can’t judge**	
Your serving banks	2001	62.5	31.8	3.4	2.3	100.0
	2009	50.0	41.7	1.0	7.3	100.0
Auditing firms	2001	25.3	50.6	5.7	18.4	100.0
	2009	35.1	45.4	2.1	17.5	100.0
Central Government administration	2001	1.1	44.8	23.0	31.0	100.0
	2009	19.6	68.0	4.1	8.2	100.0
Local Government administration	2001	9.2	49.4	25.3	16.1	100.0
	2009	18.6	69.1	7.2	5.2	100.0
Customs authorities	2001	6.9	46.0	19.5	27.6	100.0
	2009	16.5	64.9	5.2	13.4	100.0
Employers' organizations	2001	4.6	29.9	9.2	56.3	100.0
	2009	17.5	49.5	3.1	29.9	100.0
Trade unions	2001	6.9	29.9	11.5	51.7	100.0
	2009	10.3	47.4	0.0	42.3	100.0
Tax administration	2001	9.1	68.2	18.2	4.5	100.0
	2009	15.5	62.9	6.2	15.5	100.0
Foreign investment agency	2001	11.6	19.8	9.3	59.3	100.0
	2009	13.4	47.4	0.0	39.2	100.0

Other dimension of the business environment assessed by the representatives of the foreign investors’ companies is related to the effectiveness of their interaction with various private and public institutions (table 7). The results from both surveys show a definite improvement of the relations with most types of institutions. The best rated relationships are between the foreign investor firms and their serving banks (in 2001 survey 63% rated them as "very good" and 32% as "good" whereas in 2009 these shares were 50% and 42% respectively). This result is easily explainable as the majority of commercial banks in Bulgaria are actually foreign controlled banks and, in most cases, the choice of a serving bank is performed by the headquarters of the foreign investor companies. The situation regarding the auditor firms is similar, however, unlike the banks many respondents evaluated these relationships as "good" (51% in 2001 and 45% in 2009) followed by "very good" (25% in 2001 and 35% in 2009).

A positive progress is identified with respect to the observed rise of the share of respondents that defined their relations with public administration bodies as "very good" – in 2001 minor shares of foreign investors' companies rated their relations with the Central and Local Government administration as "very good" whereas in 2009 these shares expanded respectively to about 20%. The largest and even growing shares are estimated for those assessing these relations as "good" (about one half in 2001 and over two thirds in 2009) which naturally comes at the expense of a drastic shrinkage of the share of respondents evaluating them as "not very good."

It's worth mentioning the positive restructuring of the assessments of their relations with other institutions, both non-governmental (employers' organizations, trade unions) and governmental (customs offices, tax administration, investment agency). For example, in 2001 less than a half of the surveyed companies assessed as "very good" or "good" their interaction with the customs authorities, and every fifth company has identified its relations as "not very good", whereas in 2009 about 80% provided positive ratings and only 5% declared unfavorable patterns of interaction. Similar developments are observed regarding the relations with employers and trade unions – the share of positive evaluations of the interaction with employers' organizations increased from one third in 2001 to two thirds in 2009 and to some lesser extent also for the relations with trade unions (from 37% to 57% in 2009). A noticeable development is definitely the considerable expansion of the shares of respondents that positively rated their contacts with Bulgarian Investment Agency (form 31% to 61% in 2009) – a sign of the substantially improved interaction between the state and foreign companies operating in Bulgaria.

4. SELECTED DETERMINANTS OF THE DECISION TO ENTER THE BULGARIAN ECONOMY: EVIDENCE FROM LOGISTIC REGRESSION MODELS

As an upgrade to the explorative study of survey data hereafter we provide the results from four binary logistic regression models that have been estimated in order to identify possible net effects for a selection of independent variables on the main reasons for entering Bulgarian economy in 2009. The following four binary dependent variables have been constructed on the basis of the answers to the following question: "Which are the reasons that have motivated your company to come in Bulgaria?"

(y1) Occupying market positions in Bulgaria (1 – yes; 0 – no, doesn't know, n/a).

(y2) Economy of production costs (1 – yes; 0 – no, doesn't know, n/a)

(y3) Serious competition on our traditional markets (1 – yes; 0 – no, doesn't know, n/a)

(y4) Long-term strategy for entering the countries in Central and Eastern Europe (1 – yes; 0 – no, doesn't know, n/a)

The following set of independent variables has been involved for each model with the respective dependent variable.

(1) Independent variables introducing the main attributes that are expected to motivate the foreign investors to establish a local affiliate. They are constructed on the basis of the question: "According to your opinion, how the conditions listed below influence your business activities in Bulgaria?".

(x1.1) Educational level of the population (1 – positive impact, 0 – negative impact, doesn't know, n/a)

(x1.2) Taxation system (1 – positive impact, 0 – negative impact, doesn't know, n/a)

(x1.3) Labour remuneration level (1 – positive impact, 0 – negative impact, doesn't know, n/a)

(x1.4) Opportunities for export (1 – positive impact, 0 – negative impact, doesn't know, n/a)

(2) Control variables in respect of:

(x2.1) Size of the company: Large (1 – with over 500 employees; 0 – otherwise)

(x2.2) Level of technology used (1 – higher; 0 – otherwise: approximately the same, lower, doesn't know, n/a). The variable is constructed on the basis of the answers to the question "How would you define the level of technology used by you in Bulgaria compared to the average technological level for the same industry in the EU countries?".

(x2.3) Expansion of trans-border activity of the company. A proxy for this is constructed on the basis of the answers to the question "In how many countries your company has subsidiaries?" (1 – over 20; 0 – otherwise: l, 2-5, 6-10, 11-20, doesn't know, n/a).

(3) Control variables in respect of the main economic sectors: Industry (1, 0), Trade (1,0), Transport (1, 0), and Finance (1, 0).

The probability of having a positive indication for any of the main reasons (dependent variable value: y=1), conditional on the values of the set of independent variables, is modeled by the logistic function:

$$P(y=1|\mathbf{X}) = \frac{\exp\left(b_0 + \sum b_j x_j\right)}{1+\exp\left(b_0 + \sum b_j x_j\right)}$$

where "x_j" are the independent variables explained above. Model parameters are estimated by the maximum likelihood method, i.e. through maximization of the log-likelihood function [Wooldridge, 2002, 533-534]. The main empirical results are presented in table 8.

Table no. 8 Logistic regression models results

Independent variables	Dependent variable							
	1. Occupying market positions		**2. Production costs economies**		**3. Competition on traditional markets**		**4. Long term strategy**	
	b	**Exp(b)**	**b**	**Exp(b)**	**b**	**Exp(b)**	**b**	**Exp(b)**
Educational level	0.307	1.36	0.196	1.22	0.023	1.02	0.514	1.67
Taxation	-0.936*	0.39	-0.197	0.82	0.152	1.16	0.133	1.14
Labour remuneration	0.505	1.66	-0.476	0.62	-0.400	0.67	0.105	1.11
Export opportunities	-0.608	0.54	1.310**	3.71	1.324**	3.76	-0.205	0.81
Size (>500 employees)	1.407**	4.08	1.779**	5.92	-0.371	0.69	0.235	1.26
Higher technology	-1.148*	0.32	1.257*	3.51	0.270	1.31	0.024	1.02
Foreign affiliates (>20)	-0.735	0.48	-1.570**	0.21	0.474	1.61	1.032**	2.81
Industry	1.419*	4.13	2.393**	10.94	0.081	1.08	-0.350	0.70
Trade	2.703***	14.93	1.326	3.77	1.002	2.72	-0.912	0.40

Independent variables	Dependent variable							
	1. Occupying market positions		2. Production costs economies		3. Competition on traditional markets		4. Long term strategy	
	b	Exp(b)	b	Exp(b)	b	Exp(b)	b	Exp(b)
Transport	1.928	6.88	2.237	9.36	-0.389	0.68	-0.961	0.38
Finance	-1.703	0.18	-18.262	0.00	-19.897	0.00	0.075	1.08
Intercept	-0.356	0.70	-3.651	0.03	-1.749	0.17	0.354	1.42
–2 Log-likelihood	105.81		77.21		97.58		117.27	
Cox & Snell R-square	0.215		0.224		0.153		0.085	

*Note: *** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level.*

1) The first model results (regarding the "market motive") provide grounds for the following conclusions.

- Only two of the sectoral dummies (for "industry" and "trade") are statistically significant, hence other things equal, companies from the trade and industrial sectors are more likely to enter Bulgaria with a basic motive for occupying market positions on the domestic market.
- Opposite effect is observed for the "higher technology" variable – those indicating such a status tend not to select this motive (as the coefficient on that dummy variable is negative and statistically significant).
- In the same time, the coefficient on the "size control" variable has been estimated as positive and significant, which gives evidence that – *ceteris paribus* – the largest respondent companies tend to indicate this motive which is explainable – these are usually large producers of goods and services for the mass of end consumption users.
- Only one of the four selected attraction factors have revealed a statistically significant effect which, surprisingly, has a negative coefficient. It turns out that, after isolating the net effects of the other independent variables, the "taxation stimulus" negatively correlates with the choice of the "market motive". In other words, those companies who suggest that taxation level is positively influencing their activity in Bulgaria tend not to indicate this motive as a main reason for entering Bulgarian economy, other things equal.

2) The second model results (regarding the "cost motive") gives basis for the following deductions.

- Only the "industry" coefficient remained statistically significant, hence only the companies from this sector reveal a higher likelihood to enter Bulgaria with a basic motive for realizing production costs. However, the net effect of the dummy variable for "labour remuneration" level remained insignificant – perhaps this is due to the absorbing of its impact by interaction with other variables (which needs to be specifically explored).
- In this model, both "higher technology" and "size" variables reveal positive and significant net effects. In other words, larger companies as well as those indicating a higher level of technology used in Bulgaria are more likely to select the "cost motive", other things equal. As it is explainable for the large companies hiring a wide range of personnel, this result confirms a commonly shared hypothesis that high-tech (e.g. companies operating in the ICT sector) also utilize low-cost inputs provided in a country like Bulgaria.

- Here another but still only one of the four attraction factors have revealed a statistically significant effect, namely, the export opportunities that foreign investors' companies face. After isolating the net effects of the control and other independent variables, the "export opportunities stimulus" positively correlates with the choice of the "cost motive", i.e. those foreign investors that perceive the export opportunities as positively affecting their activity in Bulgaria tend to indicate this motive as a main reason for entering Bulgarian economy, other things equal.

3) Unlike the first two, the results from the third model (regarding the "competition motive") provide little evidence for any detailed conclusions about the covariates of the likelihood for indicating that motive. All parameters of the independent variables are found to be statistically insignificant except that for the export opportunities. On this basis we can infer that – whatever levels the other specific attributes have – those investors that emphasize the importance of export opportunities tend to indicate the "competition motive". In other words, all the included attributes of the respondents appear not to be correlated with the search of better competitiveness, except the opportunities for utilization of efficient options for export and trans-border distribution of their products.

4) Similar situation is observed for the results from the fourth model (regarding the "strategy motive") – all parameters of the covariates are statistically insignificant except that for the number of foreign affiliates of the principal investor's company. This provides grounds to conclude that – in respect of the strategic orientation for entering CEE – the respondent companies cannot be differentiated by any of the attributes incorporated in the model, except by the number of their affiliates established in foreign countries. In other words, only those investors that operate a substantial number of foreign affiliates tend to indicate the "strategy motive", i.e. the development of their Bulgarian affiliate can be considered as part of the overall strategy for expanding the operations of transnational corporations in as many as possible CEE countries.

5. CONCLUSIONS

The selected results for the two surveys presented above show a range of advances related to the process of development of foreign investors' businesses in Bulgaria for the period 2001-2009.The main results can be summarized as follows.

- Foreign investors in Bulgaria in 2009 compared to 2001 were large transnational companies with headquarters in EU countries (Germany, Italy, Austria, Greece, Belgium, etc.) that have affiliates in numerous other host countries.
- The vast majority of respondent companies (about two thirds) in 2009 indicate as a main reason for entering Bulgarian economy the accomplishment of a long-term strategy for entering CEE countries. Almost the same share of companies affirms that another main reason is occupying market positions in Bulgaria. Much less frequently respondents are identifying as such reasons the intensified competition on the traditional markets (26%) and the possible economy of production costs (21%).
- Compared to year 2001, in 2009 foreign investors in Bulgaria preferred in greater extent to work with foreign suppliers or foreign-controlled Bulgarian suppliers. The main reasons for this are, generally, better terms, conditions, and reliability of the deliveries of the foreign companies. If Bulgarian supplier-companies wish to increase their share of supply to foreign investors' affiliates in the country they should definitely improve the quality of their supplies and to better comply with the terms and conditions required by the buyers.

- Among the clients of foreign investors in Bulgaria, the share of foreign controlled Bulgarian companies is increasing. The investors interviewed in 2009, as compared to 2001, have diversified their approaches for attracting customers which provides indirect indication for the reinforcement of their positions on the Bulgarian market.
- A favourable shift is observed about the share of foreign investors who operate joint investment projects, leasing contracts, and technical agreements with their Bulgarian suppliers and/or clients. Foreign companies in 2009, as compared to 2001, were to a greater extent achieving such cooperation not only in respect of their core business but also regarding their complementary and product distribution activities.
- The representatives of foreign investors' companies in 2009, as compared to 2001, conveyed more favourable assessment of the elements of business environment, taxation, and the interaction with governmental and non-governmental institutions. These relations have considerably improved in many aspects which was clearly identified by the surveys.

Finally, although a range of positive shifts have been identified, still various problems and obstructs of foreign investors' activity are to be resolved through energetic and targeted state intervention that is expected to provide additional positive impacts on the investment activity of foreign companies contributing to the combat with global crisis effects.

References

[1] Anastassopoulos G., Maroudas, L., Rizopoulos, Y., Determinants of inward FDI in the Bulgarian manufacturing, *EACES Paris Workshop III*, June, 2000, pp.118-122.

[2] Bevan, A., Estrin, S., Grabbe, H., The impact of EU accession prospects on FDI inflows to Central and Eastern Europe, *ESRC One Europe or Several? Programme*, Policy Paper No.06/01, 2001.

[3] Botric, V., Skuflic, L., Main determinants of foreign direct investment in the Southeast European countries, *Transition Studies Review*, v.13 (2), 2006, pp.359-377.

[4] Buckley, P.J., *The Theory of the Multinational Enterprises*, Uppsala: Almquist and Wiksell Intl., 1987.

[5] Buckley P.J., Casson, M.C., *The Economic Theory of the Multinational Enterprise*, London: Macmillan Press, 1985.

[6] Campos, F.N., Kinoshita, Y., Why does FDI go where it goes? New evidence from the transition economies, *IMF Working Paper* No.228, 2003.

[7] Casson, M.C., The theory of foreign direct investment, in Buckley P.J. (ed.) *International Investment*, Aldershot: Edward Elgar, 1990.

[8] Casson, M.C., Internalization theory and beyond, in Buckley P.J. (ed.) *New Directions in International Business*, Aldershot: E.Elgar, 1992.

[9] Caves, R., *Multinational Enterprise and Economic Activity*, Cambridge: Cambridge University Press, 1996.

[10] Demekas, D., Horváth, B., Ribakova, E., Wu, Y., Foreign direct investment in Southeastern Europe: What do the data tell us?, Conference paper, *Austrian National Bank Conference on European Economic Integration Southeastern European Challenges and Prospects*, Vienna, 2004.

[11] Demirbag, M., Glaister, K.W., Tatoglu, E., Institutional and transaction costs influences of MNEs' ownership strategies of their affiliates: Evidences from an emerging market, *Journal of World Business*, v.42 (4), 2007, pp.418-434.

[12] Desai, M.A., Foley, C.F., Hines Jr., J.R., Foreign direct investment and domestic economic activity, *NBER Working Paper* No.11717, 2005.

[13] Dimova, R., International corporations in globalizations, *Economic Thought*, 2004, No.4 (in Bulgarian).
[14] Djarova, J. (ed), *Foreign Direct Investment in Central and Eastern Europe. The Case of Bulgaria*. Rotterdam: Copynomie, 1996.
[15] Djarova, J., Foreign investment strategies and the attractiveness of Central and Eastern Europe, *International Studies of Management & Organization*, Vol. 29, 1999.
[16] Djarova, J., *Cross-Border Investing: The Case of Central and Eastern Europe*, Norwell: Kluwer Academic Publishers, 2004.
[17] Dunning, J.H., *Multinational Enterprises and the Global Economy*, New York: Addison-Wesley Publ.Co., 1993.
[18] Dunning, J.H., Reappraising the eclectic paradigm in an age of alliance capitalism, *Journal of Business Studies*, v.26 (3), 1995, pp.461-491.
[19] Ernst & Young, South East Europe: An Emergent FDI Destination in Europe, *SEE Attractiveness Survey*, April 2008.
[20] Garibaldi, P., Mora, N., Sahay, R., Zettelmeyer, J., What moves capital to transition economies?, *IMF Working Paper* 02/64, 2002.
[21] Ghauri, P., Hadjikhani, A., Johanson, J. (eds), *Managing Opportunity Development in Business Networks*, Chippenham: Palgrave, 2005.
[22] Graber, G., Stark, D. (eds), *Restructuring Networks in Post-Socialism*. New York: Oxford University Press, 1997.
[23] Grigorova, V., *Foreign Direct Investment in Bulgarian Industry*, Sofia: ROLL Co., 2007 (in Bulgarian).
[24] Haddad, M., Harrison, A., Are there positive spillovers from direct foreign investment?, *Journal of Developing Economics*, v.42, 1993, pp.51-74.
[25] Hunya, G., Foreign Direct Investment in South East Europe in 2003-2004. Vienna: *OECD and WIIW*, 2004.
[26] Konrad, K.A., Lommerund, K.E., Foreign direct investment, intra-firm trade, and ownership structure, *European Economic Review*, v.45, 2001, pp.411-427.
[27] KPMG, Foreign Investors in Bulgaria, *Survey 2000*, Sofia, 2000.
[28] CSD, Problems with Foreign Direct Investment in Bulgaria, *Technical Report*, Sofia: Centre for the Study of Democracy, 2001.
[29] Marangozov, I., Characteristics of the international joint ventures in Bulgaria (1989-2003), *European Business Review*, v.17 (3), 2005, pp.242-262.
[30] Marangozov, I., *Strategic Alliances*, Sofia: Avangard Prima, 2009 (in Bulgarian).
[31] Markusen, J.R., Venables, A.J., Foreign direct investment as a catalyst for industrial development, *European Economic Review*, v.43, 1999, pp.335-356.
[32] Markusen, J.R., Contracts, intellectual property rights, and multinational investment in developing countries, *Journal of International Economics*, 2001, pp.189-204.
[33] Meyer, K.E., Direct foreign investment in Eastern Europe: The role of labor costs, *Comparative Economic Studies*, v.37 (4), 1995, pp.69-88.
[34] Meyer, K.E, *Direct Investment in Economies in Transition*, Cheltenham, UK: Edward Elgar Publishing, 1998.
[35] Mintchev, V., Goev, V., Tsenova-Knudsen, T., Boshnakov, V., Determinants of EU enterprises relocation in Bulgaria, *Economic Thought*, Yearbook XVII, Institute of Economics at BAS, 2002, pp.56-72.
[36] Moosa, I.A., *Foreign Direct Investment: Theory, Evidence and Practice*. Basingstoke: Palgrave Macmillan, 2002.
[37] Norbäck, P.-J., Multinational firms, technology and location, *Journal of International Economics*, v.54, 2001, pp.449-469.
[38] Rizopoulos, Y., Foreign direct investment and western firms' internationalization strategies in the Balkan countries, *ACE Project Report 94-0760 Economic Cooperation in the Balkans: A Regional Approach to European Integration*, 1997, pp.1-4 (mimeo).

[39] Todeva, E., Ebbers, H., Integration of Central and Eastern Europe into the 21st century world economy, in Dunaway, W. (ed), *Crises and Resistance in the 21st Century*, Greenwood Press, 2002, pp.81-102.

[40] Vernon, R., The location of economic activity, in Dunning, J.H. (ed), *Economic Analysis and the Multinational Enterprise*, London: George Allen and Unwin, 1974, pp.89-114.

[41] Wooldridge, J., *Introductory Econometrics - A Modern Approach*, 2nd ed., Thomson South-Western College Publ., 2002.