B U L G A R I A N A C A D E M Y O F S C I E N C E S
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Sustainable Foreign Direct Investment Based on the Example of Northern European Countries – Factors and Economic Impact.

ABSTRACT
of
a Dissertation

For the award of the educational and scientific degree
"Doctor"

in the scientific speciality "World Economy and International Economic Relations"

Scientific supervisor:
Prof. Dr. Iskra Christova-Balkanska

Sofia
2026

The dissertation was discussed at an extended meeting of the International Economics Department, Economic Research Institute, Bulgarian Academy of Sciences (Protocol No. .... dated ..... 2025).

The defence of the dissertation will take place on ..... at ..... h., in ..... hall of the Economic Research Institute at the Bulgarian Academy of Sciences before a specialized jury approved by Order of the Director of the Institute No. ..... dated ..... consisting of:

Reviews by:

Opinions by:

The defence materials are available at

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I. GENERAL CHARACTERISTICS OF THE DISSERTATION

Relevance and significance of the topic

Foreign direct investment (FDI) is one of the most striking manifestations of globalization and integration of the world economy. They are not only an instrument of foreign economic policy and a form of capital mobility, but also a channel for the dissemination of innovations, technologies, management practices and organizational culture, which can transform the economic structure of the host country. With the liberalization of foreign trade relations, companies, driven by their goal of maximizing profits, are increasingly beginning to export production facilities to third countries. In modern conditions, however, when economic development is getting closely linked to the principles of sustainability, the analysis of FDI acquires a new perspective - on the one hand, a quantitative indicator of economic growth, and on the other, a qualitative factor for achieving sustainable development.

The topic of sustainable FDI is often discussed in the context of global and European sustainable development goals. The 17 Sustainable Development Goals adopted by the UN in 2016, as well as the European Green Deal, emphasize the need to transform economies towards a more environmentally friendly and socially responsible growth model. In this context, the role of FDI as a tool for achieving these goals is becoming increasingly important.

In line with this shift in the economic paradigm, this study builds on the traditional scientific focus on the factors for attracting capital, expanding the scope of the study to their retention and long-term sustainability. The priority of quality over the simple quantity of investments reflects the need to rethink existing policies. Of particular importance is the analysis of screening mechanisms - a relatively unresearched topic in the Bulgarian literature as a key tool for overcoming the model of uncritical "open access" and ensuring national and economic security.

Bulgaria, as a member state of the European Union (EU), has the opportunity to benefit from good practices and policy instruments applied in more highly developed European economies. The analysis of the experience of the countries considered leaders in sustainable development - Sweden, Denmark and Finland - provides a valuable basis for formulating policies that would encourage the attraction and absorption of sustainable FDI in the Bulgarian economy.

The object of the study is sustainable FDI in Sweden, Denmark, Finland and Bulgaria.

The subject of the study is the influence of selected factors on the flows and absorption of sustainable FDI, as well as the effects of FDI on the economic, social and environmental development of the host countries.

The aim of this study is to identify factors that determine the success in attracting and absorbing sustainable FDI for the host countries, and to propose specific measures to improve the Bulgarian foreign economic policy in this direction. In this regard, the study focuses on the factors

influencing the attraction and absorption of sustainable FDI in the economies of Sweden, Denmark and Finland - countries that are recognized as leaders in the implementation of sustainable development policies. Based on a comparative analysis, recommendations are formulated to promote the positive impact of FDI on the sustainable development of Bulgaria.

To achieve the main goal of the dissertation, the following **research tasks** have been set:

1. Based on the theories of international trade, institutional theories and the theory of competitive advantages, to identify the factors influencing the attraction and absorption of FDI in the national economy, with an emphasis on sustainable economic development.
2. To study the main determinants of the flows and absorption of sustainable FDI in Sweden, Denmark and Finland.
3. To analyze the specific features and give recommendations for promoting sustainable FDI in Bulgaria.
4. To assess the applicability of good practices from the Nordic countries in the Bulgarian context and to formulate proposals for improving the investment environment.

Thesis and Hypotheses

The main thesis of this study is that sustainable FDI is determined by a set of economic, institutional and social factors, and their successful attraction and absorption in Bulgaria can be supported by adapting proven Scandinavian policies to the needs of the Bulgarian economy.

The following **main hypotheses** are formulated:

1. Institutional stability and developed innovation infrastructure attract long-term and sustainable FDI from highly developed countries.

2. The higher level of sustainable economic development of the host country attracts FDI in high-tech and sustainable sectors.

3. Regional integration of countries with a higher degree of sustainable development stimulates the inflow and absorption of sustainable FDI.

Despite the results achieved, the study has some **limitations** that should be taken into account when interpreting and applying the results:

- Limited time scope: The analysis covers the period 2016–2023, which allows for tracking trends, but not long-term effects.
- Geographical focus: The study focuses on four countries, which limits the possibility of generalizing the results to all EU countries or other regions.
- Methodological limitations:
  - The indicators and models used are selected in view of the available data, which may affect the accuracy of the conclusions.
  - The data used are limited by the availability and reliability of statistical sources and the

lack of a unified classification of "sustainable FDI".

- At a conceptual level, the analysis is limited by the lack of a unified methodology for identifying and measuring sustainable FDI, as well as by the heterogeneous nature of the indicators used, which do not always fully reflect the social and environmental dimensions of sustainability.

The **theoretical basis** of the study includes classical theories of international capital movements, such as the OLI paradigm (ownership-location-internalization), institutional theories and concepts of market internalization. Particular attention is paid to the development of the modern theory of sustainable FDI, which integrates the economic, social and environmental aspects of the investment process.

The **methodological approach** is based on descriptive statistical analysis, which is a combination of empirical research and comparative analysis of FDI flows and stocks in the selected countries, and is complemented by a situational (SWOT) analysis of the economic conditions in Bulgaria. Descriptive statistical analysis uses statistics and visualizations to summarize, organize and describe the main characteristics of the data set. Secondary data from national statistics, Eurostat and other established international economic organizations are used for the period 2016 - 2023, and where necessary, they are supplemented with data for shorter historical periods (2021 - 2024) outside the base period, which do not change the logic of the basic comparisons. This allows for an assessment of the dynamics of certain indicators of the influence of selected factors on the investment attractiveness of the studied countries.

The following **basic definitions** are used in this study:

Foreign direct investment: "A type of cross-border investment made by a resident of one economy for the purpose of establishing a lasting interest in an enterprise that is a resident of another economy" (OECD, UNCTAD, 2025).

- Sustainable development: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987).
- Sustainable FDI: "Investments that support economic growth while achieving sustainable development objectives" (OECD, 2025); environmentally sustainable investments are defined under Regulation EC 2020/852 as "… an investment in one or more economic activities that qualify as environmentally sustainable under this Regulation."
- The author provides her **own definition** of sustainable FDI: FDI originating from countries with a high degree of sustainable development, as well as FDI that is established in sustainable economic activities in the host country.
- Investment competitiveness of the economy: "The ability of countries not only to attract, but

also to retain and integrate private investment into their economies" (World Bank, 2017)

Justification for the selection of countries and study period

The selection of Sweden, Denmark and Finland is based on their long-standing experience and consistency in implementing sustainable development policies, as well as the visible results achieved in their economic, social and environmental development. Bulgaria is included as a representative of a less developed economy within the EU, which seeks to integrate the principles of sustainability into its economic policy.

The study period (2016–2023) was chosen in view of the adoption of the Sustainable Development Goals by the UN in 2015 and the dynamic changes in the global and European economy during this period, including the impact of the COVID-19 pandemic.

II STRUCTURE AND CONTENT OF THE DISSERTATION

The dissertation has a total volume of 184 pages, including main text - 124 pages; literary sources - 12 pages; appendices - 47 pages. The list of literature used contains 148 sources. The main text of the dissertation includes 14 tables and 12 figures.

INTRODUCTION

CHAPTER I: FOREIGN DIRECT INVESTMENT - NATURE AND DETERMINANTS

1. Fundamental Theoretical Concepts on the Nature of FDI
2. Empirical Studies on the Locational Determinants of FDI
3. Theoretical Concepts and Empirical Studies on FDI Absorption
4. Concepts of Sustainable FDI and Their Impact on the Sustainable Development of the National Economy.

4.1. Effects of FDI in Terms of Environmental Protection

4.2. Effects of FDI on Social Aspects of Sustainable Development

4.3. Measuring the interaction between FDI and sustainable development

CHAPTER II: FOREIGN DIRECT INVESTMENT IN SWEDEN, DENMARK AND FINLAND - NATURE, ECONOMIC, AND SOCIAL CHARACTERISTICS

1. Current trends in the development of FDI in Europe and the world
2. General overview of the social model and economic development of Sweden, Denmark and Finland
3. Regional cooperation in Northern Europe and its impact on FDI
4. Description of the methodology and methodological approaches
5. Analysis of the inflow and absorption of sustainable FDI in Sweden, Denmark and Finland

5.1. Sweden

5.2. Denmark

3. FDI inflow in Finland, by industry (NACE rev.2 code), transactions, in million euros (EUR), for the period 2016 - 2023

4. FDI stock in Finland, by industry (NACE rev.2 code), in million euros (EUR), for the period 2016 - 2023

Annex 5: Bulgaria

1. FDI inflow in Bulgaria, by country of origin, in million euros (EUR), for the period 2016 - 2023

2. FDI stock in Bulgaria, by country of origin, in million euros (EUR), for the period 2016 - 2023

3. FDI inflow in Bulgaria, by industry (NACE rev.2 code), in million euros (EUR), for the period 2016 - 2023

4. FDI stock in Bulgaria, by industry (NACE rev.2 code), in million euros (EUR), for the period 2016 - 2023

III. SUMMARY OF THE DISSERTATION

The introduction presents the relevance of the topic of sustainable FDI as well as the object and scope, subject and goal of the study, and the research tasks. It defines the thesis of the study and the hypotheses that are tested. The limitations, main methods are also presented and a brief description of the chapters and the information database for the study is provided.

The dissertation is structured in three main chapters, which sequentially: examine the theoretical concepts of FDI and empirical studies of localization and absorption factors; analyse the determinants of sustainable FDI and their impact on sustainable development; present the methodology and discuss the experience of Sweden, Denmark, Finland; furthermore, the situation in Bulgaria is analysed and recommendations are made for promoting sustainable FDI.

CHAPTER I: FOREIGN DIRECT INVESTMENT - NATURE AND DETERMINANTS

Chapter One traces the development of theories of international capital movements and the role of MNEs in the world economy, thus establishing the basis for studying the determinants of FDI. Classical theories, such as the OLI (ownership-location-internalization) paradigm, the product cycle theory and institutional theories, provide an analytical toolkit for understanding the factors that determine the localization and absorption of FDI.

With the growing importance of sustainable development, there is a need to expand the theoretical framework by integrating the social and environmental aspects of investment processes. The concept of sustainable FDI is based on the understanding that investments should contribute not only to economic growth, but also to environmental protection, social well-being and the long-term competitiveness of the host country. In this sense, sustainable investments are seen as trans-

forming and adapting the economy of the beneficiary country towards a more sustainable future. Therefore, the study further analyses the factors that influence sustainable FDI in two aspects: not only the ability of countries to attract "quality" foreign direct investment (location factors), but also their ability to retain and absorb these investments (absorption factors), which would support their transition to sustainable development.

In the first chapter, section 1 Fundamental theoretical concepts on the nature of FDI focuses on the theoretical explanations of foreign direct investment as an economic phenomenon. Different theoretical models seek to clarify different aspects of this phenomenon, such as prerequisites, factors, strategies, etc.

In order to clarify the nature of FDI and to select an appropriate theoretical basis on which to build the study, a review of various established theoretical concepts is made. For example, the three main traditional theories are considered - the neoclassical, with founders E. Heckscher, B. Ohlin; the neoKeynesian, with the founder J. M. Keynes; and the Marxist, with its founder K. Marx. The main characteristics of the neoclassical theory are the static microeconomic approach it uses, the assumption of perfect competition and free international trade. Unlike the neoclassical, the neoKeynesian theory applies a dynamic approach and does not focus on the behavior of individual investors, but is based only on macroeconomic analysis. For Marxists, capital is not a production factor or a sum of money, but a certain social-production relationship. Given that the study analyses the factors influencing investors' decisions where and in what to invest, it can be concluded that FDI is considered in the context of the microeconomic approach of neoclassicism.

Thereafter, the theoretical basis is supplemented with the international trade theory, the product life cycle theory, the internalization theory, the eclectic or so-called OLI paradigm (ownership-location-internalization), the new trade theory, institutional theory and the theory of the competitive advantages of nations. From the context of these theories, the study derives a definition of sustainable FDI.

In Chapter 1, Section 2. Empirical Studies on the Locational Determinants of FDI, empirical studies of the determinants of FDI are examined and a relationship is drawn between empirically proven factors that determine the attraction of FDI and the theoretical concepts. Empirically proven factors such as market size, wage level, level of corruption, corporate taxes, political risk, country credit rating, educational level of the workforce, supranational integration and international agreements, geographical distance and cultural differences significantly affect the ability of a country to attract FDI.

The analysis shows that each determinant of FDI finds a logical place within one or more of the leading theoretical paradigms in international economic relations, as the OLI paradigm encom-

passes most of the listed determinants by grouping them into location advantages, ownership advantages, and internalization advantages.

A working definition of sustainable FDI is then derived, based on the OLI paradigm, as this is the concept that most comprehensively explains the impact of the spillover effect and the hypothesis about the influence of FDI's country of origin on its sustainability. The definition states that sustainable foreign direct investment is FDI that originates from countries with a high degree of sustainable development, as well as foreign direct investment that is established in sustainable economic activities in the host country. Such FDI supports the sustainable development of the host country and is therefore sustainable FDI in the sense of the OECD definitions (OECD, 2025) and the EU Taxonomy (EC Regulation 2020/852).

Section 3. Theoretical concepts and empirical studies on FDI absorption discusses theories on FDI absorption.

This section traces the ways of realizing the spillover effect, defines the types of effects (positive and negative) and describes the determinants that influence it. It is concluded that the spillover effect from FDI is a complex and multifaceted process, depending on a number of factors related to both the characteristics of MNEs and local firms, and the macroeconomic conditions and policies of the host country. The ways of realizing the spillover are diverse - from direct technology transfer to increased competition and building ties between firms. The impact of FDI on the sustainable development and productivity of local firms is determined by the absorption capacity, technological difference, regional characteristics and other specific factors, which requires a comprehensive approach in analyzing and implementing policies to maximize the benefits of foreign investment.

Section 4. Concepts of sustainable FDI and their impact on the sustainable development of the national economy traces the development of the theories of sustainable development and the place of FDI in them.

The section begins with a historical overview of the emergence of the concept of sustainable development and continues with the adoption of the UN Sustainable Development Goals in 2016. The analysis of the relationship between FDI and sustainable development allows answering the question of how to achieve sustainable development with the help of FDI - in parallel with the increase in FDI flows, the risk of their negative environmental and social impact should be reduced. In their attempts to attract private foreign capital, host countries often underestimate the environmental and social aspects of FDI, although they play an important role in the sustainable development of their economies. The conclusion is that attention should be paid to studying the effects of FDI on the sustainable development of national economies, and these effects should be taken into account in the formulation and implementation of national policies.

In subsection 4.1. Effects of FDI in terms of environmental protection, the effects of FDI in terms of environmental protection are considered as of a positive or negative nature, which affects the sustainable development of the host country.

The study then describes two widely used and competing hypotheses: the pollution haven hypothesis and the pollution halo hypothesis. According to the pollution haven theory, FDI seeks out countries with weak regulations, generating weaker environmental standards. A corollary of this effect is the concept of "regulatory chill", which suggests that countries prefer not to set stricter environmental standards in order not to lose competitive advantages with other countries for attracting FDI. This leads to a deterioration of the regulatory environment and harms the sustainable development of the host country. In contrast to the previous hypothesis, the pollution halo hypothesis claims that FDI spreads best practices and technologies for environmental management and thus contributes to improving environmental protection. FDI can contribute to positive environmental change through the transfer of "clean" technologies and through spillover effects of best practices in environmental management to affiliates, local competitors and suppliers. In this context, FDI could be a useful tool for creating an enabling environment for environmentally friendly economic and social development.

The scale of FDI's contribution to sustainable development is largely unknown, as there is no common understanding of how to define and measure green FDI. Different definitions are presented, but the study adopts the European Union definition set out in the Taxonomy Regulation, which is also integrated into the author's own definition.

If the factors influencing the attraction of "green" FDI are examined, the previous research confirms that a higher degree of sustainability and a higher share of renewable energy in the energy mix are key factors to attract sustainable FDI. Technological progress and the quality of the workforce are also important factors in attracting sustainable FDI, which usually applies higher technology and thus requires a certain level of education and innovation.

While developed countries are often favored for their higher institutional standards, such as rule of law, property rights, and regulatory efficiency, developing countries have an abundance of labor and often lower environmental standards, which might attract polluting industries.

An interesting classification by J. Dunning, based on his eclectic theory, divide investors into three main categories: resource-seeking, market-seeking, and technology-seeking. Countries that are abundant in resources (natural or human) become attractive to resource-seeking FDI, countries with market potential will attract market-seeking FDI, and technology-seeking FDI will be attracted to technologically advanced markets where there is easier access to new technologies and knowledge. A new category is added to the above, namely low regulation-seeking FDI. This is FDI that some countries use to finance the relocation of their polluting industries to countries

with lower environmental standards. But climate change is a global problem, and this relocation of polluting industries only shifts the problem rather than solving it.

Subsection 4.2 Effects of FDI on Social Aspects of Sustainable Development synthesizes competing paradigms that explain how cross-border capital flows of MNEs interact with social equity, human development, and the institutional frameworks of different countries.

The theoretical review begins with a review of neoclassical growth theory. In contrast to traditional models that define FDI as a channel for the diffusion of technology and the development of human capital, contemporary critics argue that these models overestimate the automatic spillover effects while underestimating the effect of deepening inequalities between different settlements within a country. The review continues with: stakeholder theory and corporate legitimacy, which argues that MNEs adopt the social norms of host countries to gain operational legitimacy (trust); the integration theory of the capabilities approach. It also examines the impact of FDI on employment dynamics; technology transfer and human capital development; the effect of FDI on the development of social infrastructure; the impact of institutional quality thresholds; the effects of sectoral composition; time dimensions in the context of endogenous growth theory; criticism of the neoliberal concept; the pitfalls of geographical inequality; the paradoxes of measurement. It also mentions the impact of digital FDI on social inclusion, as well as polycentric models of governance.

In conclusion, it is stated that the social impact of FDI cannot be assessed unambiguously as only positive or negative, because it depends on institutional choices and the balance between market efficiency and social equity; the alignment of the time perspective of investors with the needs of social development; promoting geographical integration that does not lead to economic enclavization.

In the last subsection 4.3. Measuring the interaction between FDI and sustainable development, the study focuses on indicators for measuring economic development.

The brief historical review made at the beginning reveals that before the mid-20th century, technology and engineering were not considered separately, but during the Second World War, changes in technology began to be considered as the main driver of economic growth. Since the mid-1980s, the so-called “endogenous” theory of economic growth has been developing, which challenges the popular neoclassical theory. The major changes in the external environment during this period forced governments to adapt their national policies to the information revolution, globalization and regionalization that were taking place at that time. In this context, the 2025 Nobel Prize in Economics was awarded to scientists who “identified the prerequisites for sustainable growth through technological progress” (The Royal Swedish Academy of Sciences, 2025).

The study then discusses the gross domestic product (GDP) indicator, which is used to measure a

country's income level and categorizes countries into low-income and high-income countries. For a long time, the widespread use of this categorization as a reference in international agreements and in the development of national policies led countries to focus solely on increasing their GDP. However, the narrow pursuit of growth measured solely by GDP may be incompatible with the Sustainable Development Goals (SDGs) and may even negatively affect the well-being of the population. As a major source of private capital, FDI could help to increase sustainability, especially if implemented using the concept of "sustainable investment".

The theory considers various indicators of sustainable development. However, most of these indicators fail to capture all three pillars of sustainability – economic, social and environmental – and it is therefore important to find a sustainability indicator that combines all three dimensions. Of these sustainable development indicators, which include all three dimensions, the Genuine Progress Indicator and the Index for Sustainable Economic Welfare are the most common. These indicators are calculated using different methodologies, but to ensure comparability, the calculation method should be standardized. To overcome this shortcoming, the Comparable GPI is used, which reduces the conditional nature and allows for comparisons across countries.

Then, some indicators for measuring the impact of FDI on economic development are also listed in the study, and vice versa - how sustainable development can contribute to attracting FDI. In developed economies, inward FDI is assumed to be high-tech and therefore more environmentally friendly. In addition to the level of development, another important factor in attracting FDI to a country is its capacity to absorb new knowledge and technology, and in this context, investment in education is crucial, because a country with a skilled workforce is more likely to attract sustainable FDI. The ratio of the number of employees with a higher level of education to the total number of employees in the country is used to represent the impact of human capital. Innovative potential is another factor attracting FDI, which is often measured by the number of patents registered by the residents of a country, and it can be supplemented by the extent to which registered innovations aim to reduce environmental pollution. Indicators such as the consumption of renewable energy (RES), the size of domestic investment, the degree of openness of the economy, an environmental regulation index, taking into account the number of environmental policies introduced in a country, etc. are also mentioned in this study.

The 2018 OECD FDI Qualities initiative helps measure the impact of FDI on sustainable development. The selected FDI quality indicators consider how FDI impacts the three main aspects of sustainable development in host countries, i.e. economic, social and environmental sustainability. Within the framework of economic sustainability, the indicators listed are: labour productivity; product and process innovation; research and development (R&D) expenditure; introduction of foreign technologies; number of jobs created per unit of FDI; growth in employment, wages and

job security, measured in terms of an increase in permanent versus temporary employment; and improvement in workplace safety, measured in terms of the number of workplace injuries.

Within the framework of social sustainability, the indicators include: highly skilled jobs; on-the-job training, shortages or surpluses of technical skills in the workforce; the gender employment gap; the gender pay gap; the share of women in senior management (women's empowerment); female entrepreneurship. Within the framework of environmental sustainability, the indicators for carbon emissions are included as well as for energy efficiency and renewable energy.

The main conclusions from the review of theoretical concepts and empirical research in the first chapter include:

- **The diversity of theoretical approaches reflects the complexity of FDI** - Theories of FDI have evolved from traditional neoclassical, neo-Keynesian and Marxist concepts that consider capital movements through the prism of macroeconomic balances, incomes and socio-economic relations, to modern models that emphasize market imperfections, firm advantages and the institutional environment. This diversity confirms that there is no universal model that fully explains the motives and effects of FDI, but rather a set of complementary theories, each of which sheds light on specific aspects of the phenomenon.
- **The eclectic OLI paradigm (Dunning) provides the most comprehensive analytical framework** - The OLI (ownership-location-internalization) model synthesizes the advantages of ownership, location and internalization, unifying different theories and applying them to the internationalization decisions of firms. The OLI approach is particularly relevant for the study of sustainable investment, as it takes into account both firm specificities and the institutional and market characteristics of the host country.
- **The institutional environment and state policies are key determinants of sustainable FDI** - Modern research and reports emphasize that, in addition to macroeconomic stability and security, a favorable legal and regulatory environment is a crucial factor in attracting and retaining FDI. Institutional theories emphasize the role of the “rules of the game” – regulations, incentives, tax breaks and transparency – that shape the behavior of multinational companies and the competitiveness of countries in the global investment race.
- **Contemporary theories emphasize the strategic and dynamic aspects of FDI** - These theories emphasize that sustainable FDI is not only a function of available resources, but also of the ability of firms to manage risk, knowledge and innovation in a dynamic international environment.
- **Sustainable FDI is a key factor for economic transformation and sustainable development** - Attracting, retaining and effectively absorbing FDI supports the transition to a more sustainable economy through technology transfer, productivity gains and integration into

global value chains.

- **Need for an interdisciplinary and empirical approach** - The review of scientific publications relating to the nature of FDI and the analysis of its determinants show that interdisciplinary research is needed to fully understand the phenomenon, combining economic, institutional, managerial and political perspectives, as well as empirical analyses that take into account the specificities of individual countries and regions.

Chapter II: FOREIGN DIRECT INVESTMENT IN SWEDEN, DENMARK AND FINLAND - NATURE, ECONOMIC, AND SOCIAL CHARACTERISTICS

The second chapter consistently presents the context of the current development of FDI in a global and European aspect, examines the socio-economic development of Sweden, Denmark and Finland, and provides a descriptive and comparative analysis of FDI in the selected countries.

Section 1. Current trends in the development of FDI in Europe and the world begins with a review of the dynamics of global FDI. Statistical information for the period 2020 - 2023 indicates that global investment is decreasing, with the exception of a significant increase in 2021, which may be a consequence of the large public investment to address the consequences of the Covid 19 pandemic crisis. Despite this decline, FDI in sustainably developing, digitalized economies, such as Sweden, is increasing. It is noteworthy that at the sectoral level, there is a significant increase in investment in digital products and services.

Then the study examines the current trends in the development of FDI in Europe. UNCTAD analyses show that in 2020, seventeen EU Member States reported a decline in FDI inflows, while in contrast, FDI inflows in Sweden doubled for the same year. Inward investment in the European Union in 2021 increased by 8% supported by large public incentives for infrastructure investments with multi-year implementation periods. According to UNCTAD, the industrial structure of inward investment in the EU in 2021 shows that information and communication technology (ICT) remains the leading sector for cross-border mergers and acquisitions and greenfield projects, while renewable energy is the leading sector for investors in internationally financed projects. In 2022, FDI in Europe stabilized, and data for 2023 show moderate growth, led by strong performances in the digital technology, healthcare and renewable energy sectors. Global trends are leading to changes in the sectoral dynamics of global FDI, with investments in IT and digital services growing significantly (accounting for 25% of inward FDI in 2023), and Europe's green transition attracting significant FDI in renewable energy projects (30% growth between 2021 and 2023). Focusing financial resources on green sectors can be defined as a growing trend in support of sustainability, but on the other hand it reinforces the tendency for investments to "return" to developed countries, including Europe. In addition, it is striking that

despite global trends of relative decline in FDI to developed European countries, the three countries from Northern Europe manage to implement balanced economic policies, including a policy to promote foreign investment and thus maintain stable levels of FDI inflows.

Section 2. General overview of the social model and economic development of Sweden, Denmark and Finland, sheds light on the similar social model, geographical proximity and historical development, cultural traditions and long-standing cooperation between the countries of Northern Europe.

In this regard, the focus is on the Scandinavian (or Nordic) economic and social model, characterized by low unemployment, stable inflation and exchange rates, a significant public sector and active social policy. This model also implies high taxes, a high degree of income redistribution, high social protection and highly subsidized social services. Despite the many advantages of the Nordic socio-economic model, this model also poses certain challenges and limitations to their economic development. The main problems in administering a welfare state are related to determining the optimal level of service provision by the state; ensuring that the social system meets the needs of people, while at the same time creating sufficient incentives for productive work; ensuring efficiency in the functioning of state monopolies and administration.

The contradictory historical development of the countries of Northern Europe allows us to clarify the economic achievements of these countries, which are currently some of the richest, most sustainable and competitive economies in the world. In the 19th century, Denmark and Sweden had a higher standard of living than Finland, due to the earlier industrialization. During the 1960s, Denmark experienced persistent economic difficulties, and after the country joined the European Economic Community (EEC) in 1973, exports and FDI increased in the short term, but the opening of the market also led to severe macroeconomic imbalances. As a result of serious structural reforms and restrictive economic policies, the Danish economy had fully recovered by the late 1980s. In the mid-1970s, Finland also experienced a deep recession, but its large trade with the Soviet Union (USSR) helped it maintain a relatively good trade balance, and by the late 1980s, Finland's trade account was in increasing surplus. In the 1970s, Sweden suffered from structural problems caused by the economic crisis and its effects on shipbuilding and mining, with productivity falling sharply and the public sector growing rapidly. Despite the problems of the 1970s, by the mid-1980s all Nordic economies were recovering.

The global recession of the early 1990s had a severe impact on the small, open economies of these countries, but a period of recovery began in the mid-1990s across the region, driven by tight economic policies, low inflation targets, sound public finances, and strong banking supervision. With the exception of Finland, these countries were significantly less affected by the 2007–2008 crisis than many other European countries. After a GDP decline in 2007–2009, the Swedish

and Danish economies recovered in 2010 and subsequently grew steadily. In contrast, the Finnish economy experienced a severe economic downturn in 2008, which was followed by a decade of sluggish growth.

The early industrialization of these countries was based on their natural resources. For Finland, these are the riches of forests, for Sweden, the extraction of iron ore, and for Denmark, the availability of arable land. Currently, the countries of Northern Europe are highly developed industrial countries, although, like other developed economies, the service sector is growing at a high rate and already occupies a major share in the economic structure of these countries. Sweden, Denmark and Finland are open economies, particularly sensitive to international changes in geoeconomic and geopolitical terms.

Section 3. Regional cooperation in Northern Europe and its impact on FDI clarifies regional cooperation between neighboring countries with similar social models as a factor in attracting FDI.

The study shows that as a result of policy coordination, pooling of resources and integration of markets, countries increase their attractiveness to multinational enterprises (MNEs). For investors, who often seek stability, predictability and access to large consumer markets, regional cooperation brings significant advantages. The Northern European EU Member States have long-standing economic, social and political ties, and their participation in the EU has further strengthened this integration. In this sense, membership in the European Union provides Sweden, Denmark and Finland with an institutional platform for coordinating economic policies, reducing regulatory barriers and promoting cross-border trade and investment flows. It should be emphasized that, in contrast to the active competition between countries for foreign investment, regional cooperation in Northern Europe has emerged as an important tool for attracting FDI. Through coordinated action within the EU, as well as through the institutions and instruments of regional cooperation, these countries increase their potential for sustainable economic development. Despite differences at national level in investment promotion policies, the governments of the Nordic countries share a common regional understanding on key priorities related to their position for balanced economic growth, environmental sustainability and technological progress. This cooperation increases their international competitiveness and allows them to cope more effectively with global economic shocks.

Chapter Two, Section 4. Description of the methodology and methodological approaches examines the effects of determinants of the inflow and absorption of sustainable FDI.

First, the theoretical grounds of the applied methodology are highlighted, including descriptive statistical analysis based on empirical research and comparative analysis of FDI flows and stock in Sweden, Denmark and Finland. Secondary data "2016 - 2023" with analytical value are used,

which allow highlighting the dynamics of certain indicators, in order to assess the impact of determinants on the attraction and absorption of sustainable FDI. Where necessary, additional observations are made (e.g. 2021 - 2024), outside the main period, which do not change the logic of the basic comparisons.

The first stage of the analysis involves a summary of statistical data on the inflow and stock of FDI in individual countries, calculating an arithmetic mean for the period 2016 - 2023. Then, certain trends are identified in the data set that describe the impact of the factors included in the hypotheses. These trends are analyzed using selected indicators, and a comparison is made between countries. The results are interpreted based on the "OLI" paradigm, institutional theories and the theory of competitive advantages. For greater clarity, the main characteristics of the data, such as the distribution of FDI by country of origin and by economic activities, are presented in tables and graphs. Information from national investment strategies is used, as well as quantitative data from the national statistics of the three member states of the European Union (EU), as well as official data from the EU and international economic organizations.

In order to determine whether a foreign direct investment has a lasting and positive impact on the sustainable development of the host country's economy, the potential for the impact of sustainable FDI on the national economy is examined. This includes two types of effects - the effect of attraction and the effect of absorption or retention of sustainable FDI. The effect of attraction of sustainable FDI is assessed by analyzing data on the value of inflows from the countries of origin of FDI and their distribution by economic sectors in the host country. Data on the value of accumulated FDI by country of origin and by economic sectors in the host country are analysed based on the potential for absorption of sustainable FDI.

The selection of indicators (determinants) is based on the scientific theories about the nature of FDI. They reflect the indicated hypotheses, which shows the complex nature of the factors (determinants) influencing FDI. A brief comparison of selected and important sustainable business activities with the relevant NACE Rev. 2 codes and in accordance with the objectives of the EU Environmental Taxonomy is provided.

In Section 5. Analysis of the inflow and absorption of sustainable FDI, subsection 5.1. Sweden, the investment policy of Sweden and the inflow and stock of FDI are analyzed sequentially according to the indicators already mentioned.

The presence of a clear and consistent investment strategy, supported by a predictable investment policy at the government level, is assessed as reducing political and regulatory risk and supporting long-term and strategic investment decisions by MNEs. Sweden's investment policy includes bilateral investment agreements with third countries, which provides regulatory stability, transparency and legal protection for both foreign investments in Sweden and Swedish investments in

third countries.

The study notes the impact of the newly introduced investment screening mechanism, assessing the advantages and disadvantages of this EU policy instrument. The assessment shows that despite the obvious benefits of introducing the screening mechanism to protect the right of the state to regulate in the public interest, any measure introducing restrictions on market entry may have a negative effect on investment interest and reduce a country's investment competitiveness in the long term.

The analysis shows a high FDI to GDP ratio in Sweden (between 60% and 75%), which suggests a large inflow of capital, technological progress, job creation and positive effects on the productivity of the economy. Such a ratio might indicate dependence on foreign capital, market displacement of local companies and increased foreign control in key sectors of the Swedish economy. During the selected period, the attractiveness of FDI in Sweden has increased due to a favorable business climate, good regulatory environment, high capacity for absorbing FDI. Over 93% of FDI inflow in Sweden is from 14 priority partner countries. The other remaining countries in the region (Finland, Norway, Denmark) are a priority investors in Sweden with a total average share of 27% in total FDI, and 9 priority investor partners are EU member states. Sweden's high economic and technological development also determines the geographical structure of its investor partners - all of them are members of the OECD. Their profile fits the expectations of a sustainable and long-term presence in the Swedish economy, which affects its sustainable economic development.

For the period 2016 - 2023, almost half of FDI in Sweden went into the manufacturing industry, and in services, the largest share was in financial and insurance services. The data also show that, on average for the period, almost one tenth of FDI inflow went into important sustainable activities. As for the FDI stock, most of it is concentrated in the manufacturing industry, and the share of FDI in more important sustainable business activities is just under 12%.

In Section 5. Analysis of the inflow and absorption of sustainable FDI, subsection 5.2. Denmark, the investment policy of Denmark is examined and selected indicators are analysed.

The investment strategy of Denmark aims at sustainable investments in high technologies and environmentally friendly production, in conditions of active international marketing. This allows Denmark to maintain a high international status as a technology country with stable institutions, a transparent regulatory framework and a favorable business climate. The regulatory framework is complemented by 46 bilateral investment agreements with third countries, which guarantee transparency and legal protection for investors. Denmark has also introduced new rules for market access for third-country investors into its national legislation.

The analysis reveals that, unlike Sweden, in recent years, Denmark has applied a more balanced

approach and has traditionally shown a lower ratio (between 35% and 45%) of FDI stock to GDP. This allows for the realization of the benefits of foreign investment, while mitigating some of the risks of economic dependence. In recent years, Denmark's investment competitiveness has declined, which is likely due to the decline in global investment.

Over 90% of inward FDI in Denmark comes from 12 priority partner countries with an average share of over 1%. Two-thirds of the inward FDI for the period originated from just two investment partners, which are neighbouring countries, in almost equal proportion - the United Kingdom and Norway. The inflow of FDI from four investment partners proves to be an important factor for the Danish economy and this indicates the possible vulnerability to a sharp contraction of investment from these countries. As in the case of Sweden, FDI inflow from developed neighbouring economies shows that integration in the Nordic region and that in the EU are an important factor influencing the geographical profile of FDI inflows. The data on FDI stock show that 12 priority countries maintain a long lasting presence in the Danish economy. This is due to the long-term stability of investment from neighbouring countries, the high degree of economic integration in the EU and the technological sophistication of investors, which stimulates long-term, sustainable growth. In Denmark, FDI is mainly concentrated in the services sector, including high-tech services, and in the manufacturing sector, the most significant FDI has entered the food and beverage industry. Unlike Sweden, Denmark has seen strong investment inflows into its well-developed agricultural sector, including fishing. The sustainable nature of FDI is confirmed by its absorption by important sectors of the Danish economy.

Section 5. Analysis of sustainable FDI inflows and absorption, subsection 5.3. Finland examines Finland’s investment policy and analyses FDI by selected indicators.

The forecast of Finland’s institutions are aims at sustainable, linear economic development, avoiding the influence of business cycles in the EU and the world economy. According to the Finnish competitiveness strategy, economic change and digital transition, after the pandemic crisis, can support the country in developing new business models and new competitive advantages. This allows Finland’s more remote location to be of no significant importance. Finland implements 58 bilateral investment treaties with third countries and joins the European practice of monitoring FDI.

The country maintains a traditionally lower ratio (between 27% and 37%) of FDI stock to GDP, which potentially indicates strong local firms and a stable economic environment. The lower ratio, however, may also be a sign of a less attractive investment climate for foreign companies compared to competitors in the region. The inflow of FDI from conduit (transit) countries such as Luxembourg, but also from the Cayman Islands, shows significant vulnerability to sudden changes in global investment activity. Conduit economies are often used as transfer centers for

investment and do not imply long-term integration into the host Finnish economy. This creates a false picture of growth and to some extent diverts attention from the real investment absorption capabilities of Finland. Investments from transit economies may even hinder sustainable development, which requires real investments in infrastructure and other activities important for economic development. Priority investors in Finland from important regional partners such as Sweden, Denmark and Norway show resilience. Furthermore, the economic integration in the EU, as well as the similar technological level, determine the Netherlands, Luxembourg, Germany, France, Ireland and the United Kingdom as long-term priority partners. It should also be noted that FDI from OECD member countries accounts for over 95% of the FDI stock in Finland.

In Finland, the largest share of FDI has entered the service sector, in particular financial services; real estate activities, information and communication activities, etc. In the manufacturing sector, the largest share of FDI has entered the production of computers, electronics and optical products, metalworking and engineering, etc. The share of FDI in more important sustainable business activities is about one third of the total FDI inflow, of which investments in information and communication activities, electricity, gas and steam supply, transport and storage are prioritized. The service sector remains with the largest share in the FDI stock, and these are mainly financial and auxiliary services and information and communication activities, while industrial sectors such as metalworking, chemical industry, pharmaceuticals, etc. retain their role as sectors attracting FDI. A significant share of FDI has gone into important sustainable economic activities.

Conclusions from Chapter II

Sweden, Denmark and Finland are integrating the green and digital transitions into their investment strategies. In all three countries, FDI is concentrated in sectors with high added value, innovation and technological development: manufacturing, ICT, financial services, machinery and trade. A relationship is found between the origin of investment (mainly OECD), the innovative capacity of investors and the targeting of sustainable sectors, confirming the hypothesis of "quality FDI". Long-term investment patterns are associated with political predictability and strong regional integration. All three countries rely on the EU/EEA for over 80% of FDI, with geographical proximity being a secondary factor. These results show that the Nordic countries have successfully directed FDI towards sustainable development through a combination of targeted policies, technological convergence and maintaining long-term investment relationships.

Chapter III: APPLICABILITY OF THE EXPERIENCE OF SWEDEN, DENMARK AND FINLAND TO BULGARIA

The third chapter analyses the factors that may influence the success of attracting and absorbing sustainable FDI in Bulgaria, using a comparative analysis with Sweden, Denmark and Finland.

Based on this analysis, recommendations are formulated for improving investment policy and promoting sustainable development.

Chapter III, Section 1. Model of the socio-economic development of Bulgaria after the transition from a planned to a market economy.

The analysis is based on the economic development of Bulgaria, focusing on two important stages in the development of the Bulgarian economy: the economic and financial crisis (1996-97) and the period 1998 - 2004, when Bulgaria made progress in its accession to the EU, implementing reforms such as economic restructuring, institutional reforms and the introduction of the currency board. In 2002, the European Commission (EC) defined Bulgaria as a functioning market economy., The EU Accession Treaty was signed in 2005 as a result of Bulgaria's efforts to restructure its economy

Thereafter, the socio-economic model of Bulgaria is analysed on the basis of the social model types presented in the second chapter. The differences in the role of the conservative (German) and social-democratic (Scandinavian) welfare states lie in the particularly enhanced social function of the latter. In the Scandinavian model, the main priority of the state is the well-being of society, which is expressed in increasing incomes and achieving full employment. The current social model of Bulgaria differs significantly from the Scandinavian model of socio-economic development, and in order to even partially overcome this lag, the principle of social investment must continue to be applied and further developed in the future, as the neoliberal paradigm, which assumes minimal state participation, is not advisable for Bulgaria.

Chapter III, Section 2. Bulgaria's Investment Policy clarifies the main characteristics of Bulgaria's policy regarding FDI in the context of the EU's Common Commercial Policy, making a comparison with Denmark, Sweden and Finland.

The three main areas in which investment policy is conducted are described, according to the FDI establishment stage and the applicable competence, namely EU competence, national competence of the Member States and mixed competence between the Member States and the EU. These areas are: liberalisation of investments (market access) before its entry into the host country (EU competence), protection of FDI after its establishment on the local market (mixed competence), and facilitation and promotion of investments (national competence). As an EU Member State, the investment policy of Bulgaria, as well as that of Sweden, Denmark and Finland, is part of the EU's Common Commercial Policy. The Treaty on the Functioning of the EU, Article 207, regulates the scope of EU's Common Commercial Policy, including FDI.

The study continues with assessment of the impact on Bulgaria of the entry into force on 19 March 2019 of Regulation (EU) 2019/452 of the European Parliament and of the Council (the so-called Investment Screening Regulation) limiting access to the EU market for investors from

third countries. The provisions related to the monitoring of foreign investments were introduced into Bulgarian legislation in 2024 with the adopted Investment Promotion Act. Given that this mechanism is a new instrument of investment policy at the EU level, which can significantly affect the investment competitiveness of the host country, a comparison is made of its effective implementation in the three countries of Northern Europe and Bulgaria. In the context of common policies and rules within the EU, the regulatory environment and investment attractiveness are determined by the effectiveness of the implementation of European rules at the national level (number of procedures, implementation time, transparency and accessibility), including the influence of factors such as corruption and e-government.

Investment facilitation is also considered - an area mainly regulated by the World Trade Organization (WTO) Agreements and discussed in international organizations. Investment promotion is a competence of national governments, and in the case of Bulgaria, this policy is regulated in the national Investment Act and in the bilateral investment agreements concluded by Bulgaria with third countries.

Given the supranational nature of policies regarding investment liberalization and protection and the relatively limited possibilities for influencing them, the creation and maintenance of a favorable local investment climate and the adoption of adequate, governmental incentive measures are essential. The development and implementation by Bulgaria of a national foreign trade strategy, including international investments, would significantly improve the transparency and coordination. This allows for increased confidence in the local investment climate and the effective use of economic diplomacy.

A brief comparison is made of how trade policies at the national and European levels influence the ability of Bulgaria, Sweden, Denmark and Finland to attract and retain sustainable FDI, which allows for the identification of successful policies that can be adapted to support Bulgaria's strategic development. Despite extensive research on the factors influencing FDI, there are still significant gaps in understanding the interaction between specific instruments of international investment policy and the qualitative dimensions of FDI, especially within the EU. Sustainability-oriented trade policies, built on transparency and strategic thinking, are essential for attracting quality FDI, and the harmonization of the national investment policy with the EU Common Commercial Policy increases the country's attractiveness for sustainable investors.

Section 3. Current status and trends of FDI development in Bulgaria provides a brief overview of the dynamics of FDI in Bulgaria, draws conclusions about the country's investment competitiveness and, through a SWOT analysis, assesses the attractiveness of the Bulgarian economy for FDI.

The dynamics of FDI development for the period 2021 - 2024 shows that the FDI inflows in Bul-

garia in 2021 decreased sharply, after which significant growth was observed in 2022. Growth continues in 2023, followed again by a sharp decrease in 2024.

Accumulated FDI in Bulgaria at the end of 2021 amounted to 55,144 million USD, decreased to 54,179 million USD in 2022, and in 2023 recorded significant growth (almost 8%) and reached 61,282 million USD. In 2024 there was a decrease of 2.2% and the amount of FDI in Bulgaria stabilized at 59,924 million USD.

It is interesting to mention that the overall investment attractiveness in terms of the levels and dynamics of the indicator of FDI stock to GDP, Bulgaria shows similarities with Sweden (and differences with Denmark and Finland). Bulgaria, like Sweden, maintains a relatively high investment attractiveness, which, however, has been decreasing in recent years.

The high FDI/GDP ratio (over 50%) signifies technological progress, which is reflected in the positive growth of FDI in Bulgaria in the information and communication technologies (ICT) sector. New jobs were created there and the productivity of the sector increased. On the other hand, however, this may also be an indicator of high dependence on the entry of foreign capital.

Bulgaria’s investment competitiveness could also be seen in the participation of Bulgarian companies in global value chains (GVCs). With the growing interdependence between national economies, integration in GVCs is becoming increasingly important in attracting FDI to stimulate sustainable economic growth, and the Bulgarian economy is strongly integrated into the network of European GVCs. The country’s participation in GVCs is characterized by high dependence on external resources and low domestic value added. Although services occupy a smaller share, their importance increases with the raising complexity of production and exports. Bulgaria's strategic geographical location, low operating costs and the rapid pace of development of high-tech sectors, on the one hand, increase the country's investment competitiveness, but on the other hand, the challenges related to regulatory efficiency, low innovation activity and workforce development should also be taken into account.

Conclusions are drawn, based on a SWOT analysis, about Bulgaria as a destination for FDI. Strengths include strategic geographical location; EU membership and access to the EU single market; low taxes and labor costs; rapidly developing ICT, outsourcing sector; macroeconomic stability. Bulgaria's weaknesses are related to the insufficient development of innovation and research; shortage of qualified personnel in some sectors; bureaucracy and administrative obstacles; regional differences in infrastructure. Threats to Bulgaria as a destination for FDI are: geopolitical instability; delay in structural reforms; emigration of qualified personnel abroad; external economic shocks (inflation, energy crisis). Opportunities for Bulgaria include integration into EU supply chains and the green transition; attracting investments in renewable energy and digital services; using European funds for infrastructure modernization and human capital devel-

opment; innovation in industrial zones and innovation hubs; expanding public-private partnerships with leading technology companies, should all be prioritised in future Bulgarian investment strategy.

Bulgaria could increase its attractiveness as a destination for sustainable and digital investments by: investing in human capital; accelerating administrative and regulatory reforms; supporting innovation and entrepreneurship; modernizing infrastructure; active positioning as a destination for green and digital investments.

Within the framework of **Section 4. Analysis of FDI in Bulgaria by the indicators applied for Sweden, Denmark and Finland,** the potential of Bulgaria to attract sustainable FDI is analysed according to the methodological framework of the analysis for Sweden, Denmark and Finland.

The data on inward FDI for the period 2016 - 2023 are analyzed, which indicate that with the exception of Turkey, which is a neighboring country, the main investment inflow in Bulgaria is from the EU Member States. German investments have the largest share, followed by FDI from two conduit economies such as the Netherlands and Luxembourg. The large share of conduit economies carries a risk to the sustainability of investments, given the possibility that they may only play the role of financial intermediaries used for the purpose of tax avoidance, and not a source of real FDI that would bring long-term benefits to the local economy. In contrast to the analysis of the three Nordic countries, the share of inward FDI in Bulgaria from neighboring countries is significantly limited.

The long-term impact of FDI on sustainable development, determined by the economy's ability to retain FDI, is analyzed through the geographical profile of FDI stocks in the country. The leading investors - the Netherlands, Austria, Germany, Italy and Greece, accounting for over half of FDI in the country, are EU member states. This reflects the importance of economic integration and the stability of the institutional environment. A current trend is that in 2023, increased interest is also observed from the USA and Turkey.

The analysis of the sectoral structure of inward FDI, where a change has been observed since 2011, presents an increasing share in sustainable activities, such as transport, logistics and energy. Data for the period 2016 - 2023 indicate that FDI is entering mainly two service sectors - Financial and insurance activities and Trade. Inward FDI also has a significant share in sustainable sectors such as professional activities and scientific research, creation and dissemination of information and creative products, construction and transport. Real estate operations are the services sector with the largest FDI stock. Manufacturing is in second place, followed by financial and insurance activities and trade. Investments in industry, and in particular in energy, would support Bulgaria’s sustainable development in line with the EU’s green and digital reform goals.

The study continues with a comparative analysis between Bulgaria and the three Northern

European countries regarding the influence of the factors listed in the hypotheses on the attraction and absorption of sustainable FDI. Sweden, Denmark and Finland are recognized as leading examples in Europe in terms of the integration of sustainable development in all aspects of the economy. In response to the question about the extent to which their experience can be applied in the Bulgarian context, this study draws conclusions for Bulgaria and the three Northern countries related to: 1. Similarities in environmental conditions, such as EU membership and a common regulatory framework, access to European funds and programs, common sustainable development goals; 2. There are differences in the institutional environment, innovation capacity, quality of the workforce, company culture and corporate responsibility; 3. Practices of Sweden, Denmark and Finland that can be adapted for Bulgaria, such as facilitating administrative procedures, e-government, public-private partnership, investments in education and science, incentives for green investments, high standards of corporate social responsibility; regional integration and cooperation; 4. Possible limitations to adaptation are cultural differences, institutional inertia, economic constraints.

The following conclusions are drawn about the impact of FDI on the sustainable development of Bulgaria:

- FDI plays an important role in the economic development of Bulgaria, providing not only capital, but also access to modern technologies, management practices and know-how. This contributes to the modernization of the economy and increasing the competitiveness of Bulgarian enterprises.
- Qualitative FDI is of significant importance for the economy of Bulgaria. Increasing attention is paid not only to the quantity, but also to the quality of FDI. Sustainable FDI – those that support economic growth, while taking into account environmental and social aspects – have a stronger and longer-lasting positive impact on sustainable development compared to traditional investments. .A cumulation effect is observed: sustainable FDI attracts new similar investments, especially when they are directed at sectors with high innovation potential.
- Sustainable FDI encourages investments in green technologies, energy efficiency and social responsibility. This leads to better environmental protection, creation of quality jobs and improvement of social standards in Bulgaria.

Then**, recommendations for Bulgaria,** based on the analysis and comparison with the three Nordic countries, are made to promote sustainable FDI:

- *Institutional strengthening*: It is necessary to improve the transparency, predictability and effectiveness of the institutions responsible for investment policy, as well as to reduce the administrative burden for investors.
- *Integration of sustainability*: The principles of sustainable development should be integrated

into all levels of economic policy, including through incentives for investments in green technologies, energy efficiency and social responsibility.

- *Human capital development*: Investments in education, training and innovation are key to increasing the capacity of the Bulgarian economy to absorb sustainable FDI.
- *Regional integration and cooperation*: Strengthening cooperation with EU countries and the region and the use of European programs and funds to support sustainable investments would facilitate the transfer of good practices and technologies.
- *Public-private partnership*: Promoting cooperation between the state, business and academia would create a favorable environment for the development of innovations and sustainable business models.

CONCLUSION

This dissertation, is focused on researching sustainable FDI, based on the analysis of traditional and contemporary theories, as well as empirical sources. The practical dimensions of the process of attracting and absorbing sustainable FDI come from the experience of Sweden, Denmark and Finland. The main goal – to clarify the factors that determine the attractiveness of these countries for sustainable FDI, as well as what the lessons for Bulgaria can be – has been achieved and this is reflected in the main conclusions contained in the dissertation. The tasks set have been fulfilled, the three main hypotheses have been confirmed for Sweden, Denmark and Finland, and for Bulgaria they have been assessed as partially valid.

Hypothesis 1: "Institutional stability and a developed innovation infrastructure attract long-term and sustainable FDI from highly developed countries."

This hypothesis was confirmed through the analysis of the three countries from Northern Europe. The economic model of these countries shows that a stable institutional environment, clear strategic priorities, low levels of corruption and well-developed innovation policies attract sustainable FDI. However, in Bulgaria, the opposite trend is observed – institutional uncertainty and a weak innovation base limit sustainable investments.

Hypothesis 2: "The higher level of sustainable economic development of the host country attracts FDI in high-tech and sustainable sectors."

This hypothesis was also confirmed by the example of Sweden, Denmark and Finland. Foreign direct investment in these countries is concentrated in sectors such as information technology and green industries. These countries demonstrate that investments are not directed only towards the search for cheap labor, but towards added value and sustainable development. However, in Bulgaria, a significant share of FDI is still concentrated in low-tech sectors, which highlights the need for strategic change.

Hypothesis 3: "Regional integration of countries with a higher degree of sustainable develop-

ment stimulates the inflow and absorption of sustainable FDI."

Confirmation of this hypothesis is found in the example of regional cooperation within the Nordic Council, as well as in the EU, where harmonized standards and integrated markets create a predictable and stable environment. Bulgaria can benefit from this experience by deepening regional cooperation within Southeast Europe and positioning itself as a bridge for sustainable investments between the EU and neighboring countries.

In conclusion, it can be said that the dissertation successfully fulfills its goal and proves its main thesis – sustainable FDI is the result of the interaction of economic, institutional and social factors, and their attraction in Bulgaria is possible by adapting the Scandinavian experience.

IV. MAIN SCIENTIFIC CONTRIBUTIONS OF THE DISSERTATION

An analytical framework for sustainable FDI has been developed, which integrates classical theories of international investment with new concepts of sustainable development, which includes:

– A working definition of sustainable FDI has been introduced.

– The main factors that influence the attraction and absorption of sustainable FDI have been systematized.

– The scientific discussion has been enriched by a comparison between traditional economic motives for FDI and modern sustainable practices.

– A comparative analysis of Sweden, Denmark and Finland with Bulgaria for the period 2016–2023 has been carried out, which is a contribution to the scientific economic literature

– A SWOT analysis has been developed for Bulgaria as a destination for sustainable FDI.

– Statistical dependencies between the level of sustainable development and the volume/quality of attracted investments have been derived.

– It has been shown that Bulgaria's investment profile can be improved through targeted institutional and infrastructure reforms.

– Specific recommendations for improving the Bulgarian investment policy are formulated.

– Good practices from Scandinavian countries are presented, which can be adapted in a national context.

V. LIST OF PUBLICATIONS ON THE TOPIC OF THE DISSERTATION

1. "Foreign Trade Policy and Quality Foreign Direct Investment: A Comparative Study of Sustainable Investment Strategies in Bulgaria and the European Union Member States from Northern Europe", included in Collection of Reports, 2025, ISBN: 978-619-7622-83-6, UIF Publishing House "Sveti Grigorii Bogoslov".

2. "Regional cooperation as a competitive advantage in attracting foreign direct investment: The

Case of the EU member states from Northern Europe", included in Collection of Articles, 2025, ISBN 978-954-9313-27-7, Economic Research Institute at the Bulgarian Academy of Sciences

3. "Global Foreign Direct Investment and its impact on Bulgaria", 2025, Economic Thought Journal, Bulgarian Academy of Sciences

4. "Regional Cooperation and Bulgaria's Foreign Direct Investment Competitiveness", included in Collection of Articles, 2026, ISBN 978-954-9313-35-2, Economic Research Institute at the Bulgarian Academy of Sciences