Economic integration not only occurs through international trade, but also through foreign direct investment. In fact, the aggregate sales by multinational enterprises have grown faster for a long time than aggregate exports, which themselves have grown faster than world GDP before the Global Financial Crisis. Hence, multinational enterprises carrying out foreign direct investment are a driving force of globalization.

This course will deal with the role of multinational enterprises in the world economy. We will explain why and when they exist, and we will discuss in detail which type of foreign direct investment we may expect, considering different market conditions and country characteristics. Furthermore, we will consider how the existence of multinational firms will change local market structures and welfare. This course is designed for students studying Economics at the Master level. A background in international trade is helpful, and math skills are required.

We will use the textbook by Giorgio Barba Navaretti and Anthony J. Venables, *Multinational Firms in the World Economy*, Princeton University Press (denoted by NV). More detailed information will be provided during the lectures.

In particular, we will deal with the following topics:

- Facts and issues (NV, Chapter 1)
- The multinational enterprise: an overview of theory and empirical findings (NV, Chapter 2)
- Horizontal foreign direct investment (NV, Chapter 3)
- Vertical foreign direct investment (NV, Chapter 4)
- The multinational firm and the market (NV, Chapter 5)
- Extensions: incomplete contracts, different FDI types of and financial frictions (time permitting)

This is a course with an average of three contact hours per week. Classes will be taught on Fridays from 14:15 - 15:45 and 16:00 - 18:00 and on Saturdays from 9:15 – 10:45, 11:00 - 12:30 and 13:00 - 15:00 on May 10/11, May 17/18 and on May 24/25 in room 207 in Naukerstr. 50. The 90-minute exam will take place on May 27 from 18:00 - 19:30 (room to be announced). Registration for the exam will take place in class on May 24.