Seminar

Foreign direct investment and public policy (L. 8031)

Karl P. Sauvant, Ph.D. Fall 2014

This seminar addresses the role of foreign direct investment (FDI), as undertaken by multinational enterprises (MNEs), in the economic growth and development of host countries and national policy and regulatory issues this role raises. More specifically, it begins with a brief review of MNE strategies, before looking at the salient features of FDI and the factors that drive its expansion and that will be doing so in the future (especially emerging market MNEs, offshoring). An assessment of the role of FDI in trade and the transfer of technology follows. While the discussion of the impact of FDI will deal with policy and regulatory issues, the remainder of the seminar focuses entirely on the role that policies, laws and regulations can play in maximizing the positive and minimizing the negative effects of MNEs, starting with an examination of tensions over FDI and MNE activity, and continuing with issues related to policies to attract FDI, host and home country policies, corporate social responsibility, and the rise of international investment agreements. Participation in the ninth Columbia International Investment Conference, "Raising the bar: Home country efforts to regulate foreign investment for sustainable development", November 12-13, 2014, will provide an opportunity to focus on one particular part of the *problematique*. A debate about whether or not FDI contributes to economic growth and development, and policy issues related to this question concludes the seminar.

The seminar is open to cross-registration. Participants earn two credits.

MNEs are hierarchically organized business entities that control, typically through FDI, the creation and use of productive assets outside their home countries. They have become key actors in the economies of developed and developing countries, as well as in the major dimensions of international economic transactions (capital flows, trade, transfer of technology). Given their importance, all countries today seek to attract FDI (which was not always the case and may change again), with a view toward reaping benefits for their competitiveness, economic performance, growth and development. For that purpose, they pursue various policies and establish regulatory frameworks that, increasingly, have to be formulated within the evolving international investment law and policy framework. The national public policy and institutional dimensions will be addressed throughout the seminar.

The seminar consequently first seeks to provide participants with a critical understanding of the role of FDI in, and its impact on, national economies, economic growth and development and international economic transactions, starting with a discussion of the nature of MNEs and salient features of their activities as reflected primarily in FDI. (The seminar does not deal with issues pertaining to portfolio investment and trade.)

Second, the seminar seeks to provide participants with a critical understanding of the role of national public policy and regulation vis-à-vis FDI (and MNEs). Public policy and regulation in this area can be examined within several sets of tensions, both from the perspective of MNEs seeking a favorable investment climate and governments seeking to attract FDI and benefit from it as much as possible: the global corporate interests of MNEs vs. the national development interests of countries; foreign vs. domestic ownership; policies to attract FDI vs. policies to maximize its benefits; a country's interest as a host country vs. its interests as a home country;

and the constraints of the emerging integrated international production system, a globalizing world economy and international investment law vs. the need for policy space in the interest of national development.

The seminar schedule below lists the topics that will be addressed; the syllabus elaborates the topics, indicates the principal questions that will be addressed and identifies required and additional readings. (The additional readings are for those participants who want to delve deeper into a given topic.) The schedule may be adjusted in light of the interest of the participants and the actual development of the seminar.

The seminar does not assume knowledge of economics or international law, although some might be useful background. However, it is a challenging course because there is a lot of material to master.

Requirements

This is a semester-long two-credit seminar. It will meet for two hours on a weekly basis, with readings available at least two weeks before the class meets **Thursdays, 4:20 p.m. – 6:10 p.m.**, as photocopies, electronically and on reserve. (The readings indicated as "required" below are already available in electronic form on the courseweb, and they are also on reserve. The UNCTAD readings are available from UNCTAD's website at http://www.unctad.org.)

Students will have the opportunity to participate, for credit, in activities of the Columbia Center on Sustainable Investment, e.g., the preparation of the November 12-13, 2014 conference.

Assignments and other readings for the first class meeting **– on Thursday, September 4, 2014 –**will be available at the Columbia University Bookstore, for purchase at the end of August**.**

The seminar may be of particular interest to those who intend to take other seminars on investment law/arbitration that are being taught during the course of this academic year, as students who take the present seminar will get a more complete picture and deeper understanding of the issues.

Seminar attendance and participation are, as with all seminars, essential. **If you anticipate that you will not be able to attend sessions due to call-backs or other commitments, you should not enroll in this seminar. It is important not to get behind with the readings as later topics build on earlier sessions.**

As with most seminars, participants should come ready to participate actively in discussions; this is not a lecture course, but rather an interactive participatory seminar. Starting with the second week of class, all participants are required to submit a total of ten two-page "reaction papers" on the weekly readings (if more are submitted, the weakest paper(s) will be disregarded for the purpose of grading; fewer than ten submissions will be penalized); participants are free to select for which classes they prepare reaction papers, as long as the total is ten. **Only one reaction paper may be prepared for any single class.** The reaction papers will be due, at the latest, by 9:00 a.m. of the morning when the seminar meets; papers submitted late will be penalized. They must be posted on the discussion portion of the course web page by the time indicated and will be the focus of class discussion in the afternoon. (Students who have difficulties posting their reaction papers onto the course website by the 9:00 a.m. deadline should e-mail their reaction papers directly to Professor Sauvant's personal e-mail at karlsauvant@gmail.com, with a copy to Nancy Siporin (nsiporin@gmail.com)). Participants should skim the reaction papers of their colleagues prior to class, bring them to class and be ready to discuss them.

Reaction papers should ideally discuss *one* question raised for a given class in the syllabus. The heading should specify the topic to be discussed; the first paragraph should explain why the question raised is important; the arguments pro and con follow; and then your own conclusions should be drawn. The reaction papers should bring the relevant arguments from the required readings to bear on the discussion (including through the use of short quotes), as well as your own experience and other readings you may have done. (See also the "Guidelines for reaction papers" on p. 5.) Apart from showing that the required readings have been *critically* digested and that the relevant arguments have been brought to bear on the question you have chosen to address, the reaction papers also are meant to help stimulate discussion in the seminar. Individual participants may be called upon to lead class discussion on selected issues.

The (a) reaction papers and (b) various forms of class participation (interventions, class presentations, leading discussions, press clippings, debate) each count equally toward the final grade for this seminar.

If you are interested in registering for this seminar, please submit a letter of interest and a résumé via e-mail to Karl P. Sauvant **[ksauva@law.columbia.edu]** as soon as possible, with a copy sent to Nancy Siporin (nsiporin@gmail.com). (Note: Law School students are already registered or wait-listed.) Experience from the Fall 2013 semester suggests that a number of interested students on the wait list will be admitted into the seminar.

Required books

The following paperback is required for purchase. It should be available at the Columbia University Bookstore:

Theodore H. Moran, *Harnessing Foreign Direct Investment for Development: Policies for Developed and Developing Countries* (Washington: Center for Global Development, 2006) (referred to below as "Moran").

Students are encouraged to read the *Financial Times* regularly.

Suggested optional background reading (available in paperback at most bookstores)

You may want to glance through Karl P. Sauvant and Jennifer Reimer, eds., *FDI Perspectives: Issues in International Investment*, 2nd edition (New York: Vale Columbia Center on Sustainable International Investment, 2013), available free of charge from www.ccsi.columbia.edu.

Jeffrey Sachs, *The End of Poverty: How We Can Make It Happen in Our Lifetime* (New York: Penguin Books, 2006).

Thomas L. Friedman, *The World is Flat 3.0: A Brief History of the Twenty-first Century* (New York: Farrar, 2007).

Joseph E. Stiglitz, *Making Globalization Work* (New York: W.W. Norton, 2007).

Journals that contain useful materials (especially for those writing papers):

Transnational Corporations
Management International Review
Journal of World Investment and Trade
Journal of International Economics
Journal of International Business Studies
Journal of International Business and Economy
International Business Review
ICSID Review – Foreign Investment Law Journal

International investment agreements (or excerpts from such agreements) are contained in UNCTAD, *International Investment Instruments: A Compendium* (Geneva: UNCTAD, 1996-2005), available on reserve and also at www.unctad.org/iia.

Some useful websites:

Columbia Center on Sustainable Investment	www.ccsi.columbia.edu
Columbia Law School	www.law.columbia.edu/library/electronic/ind_db (international law databases, including for transnational dispute management, foreign investment research tips, and the OGEMID archive)
ICSID	www.worldbank.org/icsid/
MIGA	www.miga.org
	www.fdi.net
	www.developmentgateway.org/fdi
OECD	www.oecd.org
UNCTAD	www.unctad.org[a]
UN Global Compact	www.unglobalcompact.org
WAIPA	www.waipa.org
WTO	www.wto.org/wto/index.htm

I am looking forward to an interesting seminar with you!

Karl P. Sauvant, June 2014

[a]/ Most of the UNCTAD publications referred to below are available on this website.

GUIDELINES FOR REACTION PAPERS

A. Structure

1. Give your name, title of class, and date of class for which the reaction paper has been prepared.

2. Identify, in the title of the reaction paper, the question/issue you want to discuss. The question/issue you choose needs to be directly related to the topic of the class for which the reaction paper is prepared.

   It is not advisable to identify several questions – unless perhaps they are very closely related -- because you can't discuss that much in an in-depth and sophisticated manner in up to 2 pages. The easiest is to pick a question from those identified in the syllabus, but you can formulate your own question -- as long as it is directly related to the topic of the session.

3. The first paragraph of the reaction paper provides the reasons *why* the question/issue you have chosen is important. In other words: what is the *problematique*?

4. The following paragraphs contain the arguments, pro and con, in relation to your question/issue. It is not sufficient that each paragraph makes sense by itself; it needs to be directly related to your topic.

5. The concluding paragraph (you may want to start it by saying "In conclusion...") contains your own evaluation/recommendation in light of the foregoing discussion. In other words, the conclusions contain the answer to your question/issue.

B. Other points

A reaction paper should bring all relevant arguments from the required readings (and not only one reading) to bear on the discussion. At the same time, arguments from other readings, as well as your own experience, are very much welcome. It is also very good to build on material covered in earlier sessions of the seminar and, in particular, use the concepts discussed in them.

The discussion should be ***critical***. This is particularly important. In other words, it is not sufficient to describe a particular phenomenon/issue or to summarize the material covered—you need to discuss it critically. The idea is to show that the required readings have been critically digested and that you can work with them -- which, in turn, puts you in a better position to participate in the discussions of the seminar.

Each paragraph in the reaction paper should be related to the question /issue you have identified as being discussed. Don't waste space by writing about something else.

Subheadings can be useful.

Use brief quotes in the text. Every quote needs a full reference, incl. page number.

Readings and other materials referred to need to be footnoted, or, when abbreviated forms of reference are being used (e.g. Dunning, 1999), listed at the end of the note.

Reaction papers should not be more than 2 pages. They can be shorter (but not shorter than 900 words) -- which means they need to be extremely dense as there are typically a number of arguments that need to be brought to bear on a given question/issue.

Please read through the text carefully before submitting it – a text full of mistakes doesn't make a good impression.

The reaction papers are due, at the latest, by 9:00 a.m. of the morning when the seminar meets.

Ten reaction papers need to be prepared in the course of the seminar. **Not more than one reaction paper can be prepared for one class.** If more than ten are prepared, the weakest will be disregarded

Seminar schedule

Week

1.	Sept. 4, 2014	Introduction: setting out the *problématique*
2.	Sept. 11, 2014	Salient features of FDI and MNE activities (*first reaction paper*)
3.	Sept. 18, 2014	Explaining FDI and MNE activity
4.	Sept. 25, 2014	The future of MNE activities
5.	Oct. 2, 2014	FDI and trade
6.	Oct. 9, 2014	FDI, transfer of technology and innovatory activities
7.	Oct. 16, 2014	Tensions over FDI and MNE activity
8.	Oct. 23, 2014	Policies to attract FDI
9.	Oct. 30, 2014	Host country policies to maximize benefits from FDI
10.	Nov. 6, 2014	Home country policies
11.	Nov. 13, 2014	Corporate social responsibility (and the ninth Columbia International Investment Conference, which will take place on November 12-13, 2014, at Columbia Law School). (There will be a make-up class.)
12.	Nov. 20, 2014	The rise of international investment agreements
13.	Dec. 4, 2014	Debate on whether or not FDI contributes to the competitiveness, economic growth and development of host countries and policies related to this question

Accessing readings

All of the readings are contained in the coursepack and are on the seminar’s website (on courseweb). If you have any trouble accessing courseweb or any individual reading, please contact Nancy Siporin (nsiporin@gmail.com).

Week one

Introduction: setting out the *problématique*

By way of introduction, various concepts and definitions used in the multinational enterprise (MNE) and foreign direct investment (FDI) literature and the general *problématique* surrounding the topic will be reviewed. Most importantly, we will walk through the syllabus to obtain an overview of the issues involved and also to see whether there are any other issues that may require attention. National FDI laws and international investment agreements (IIAs) indicate what countries consider to be important issues related to FDI.

Issues for discussion:

1. What are MNEs, what is FDI, what are MNE activities, what are international production networks, what is offshoring, what are relevant national policies and institutions, what are IIAs?

2. What issues – in particular regulatory ones – arise from the growth of FDI and MNE activities in the context of globalization? In particular, what issues arise from the orientation of MNEs to promote their global interests while governments seek to maximize national welfare? MNEs can bring all sorts of tangible and intangible assets that are important for growth and development, but their entry into a country can also raise concerns among local stakeholders. Hence while countries seek to attract FDI, they also have to be aware of potential downsides.

Readings:

Required

1. Various recent newspapers articles addressing MNE issues available on the seminar website (courseweb).

2. Glossary from MIGA available on the seminar website.

3. Bhagwati, Jagdish, *In Defense of Globalization* (New York: Oxford University Press, 2004), ch. 12, “Corporations: predatory or beneficial?”, pp. 162-194.

4. Stiglitz, Joseph E., *Making Globalization Work* (New York: W. W. Norton, 2006), ch. 7, “The multinational corporation”, pp. 187-210.

5. Moran, ch. 1, pp. 6-44.

6. Sauvant, Karl P. and Joerg Weber, eds., *International Investment Agreements: Key Issues* (Geneva: UNCTAD, 2005) (referred to below as “Sauvant/Weber”), vol. III, ch. 27, “Foreign direct investment and development”, pp. 141-163.

Additional

1. UNCTAD, *Economic Development in Africa: Rethinking the Role of Foreign Direct Investment* (Geneva: United Nations, 2005).

2. Muchlinski, Peter T., *Multinational Enterprises and the Law* (Oxford: Oxford University Press, 2007), 2nd edition, pp. 1-44.

3. Dicken, Peter, *Global Shift: Mapping the Changing Contours of the World Economy* (New York: Guilford Press, 2007), 5th edition (referred to below as "Dicken"), chs. 1 & 2, 16, pp. 459-473.

4. Broad, Robin, ed., *Global Backlash: Citizen Initiatives for a Just World* (New York: Rowman Littlefield, 2002), Part IV.

5. Hill, Charles W. L., *International Business: Competing in the International Marketplace* (New York: McGraw Hill, 2005), 5th edition (referred to below as "Hill"), ch. 1.

6. Williamson, Jeffrey G., "Winners and losers over two centuries of globalization" (Helsinki: WIDER, 2002).

7. UNCTAD, *International Investment Instruments: A Compendium* (Geneva: UNCTAD, 1996-2005), available at www.unctad.org/iia (contains various IIAs, or excerpts, dealing with MNE issues).

8. Dunning, John, "The moral imperatives of global capitalism: an overview", in John H. Dunning, ed., *Making Capitalism Good* (Oxford: Oxford University Press, 2003), pp. 11-40.

9. OECD, "Declaration on International Investment and Multinational Enterprises", available at www.oecd.org.

10. United Nations, "Draft United Nations Code of Conduct on Transnational Corporations", available at www.unctad.org/iia.

Week two

Salient features of FDI and MNE activities

The readings for this week deal with entry and expansion strategies of MNEs; their organization and management; the degree of transnationalization of firms; and in particular FDI characteristics and trends over time. They show that the universe of MNEs has expanded substantially; that these firms undertake a wide range of activities internationally; that their degree of transnationalization differs by sector and industry; that they often use mergers and acquisitions (M&As) to enter foreign markets; that the nature of organization of their activities depends on the corporate function involved; and that the types, motives and strategies of MNE activities differ. An integrated international production system is emerging.

FDI flows are the most widely available measure of the transnational activities of MNEs. Global FDI inflows grew from $50 billion at the beginning of the 1980s, to $2 trillion in 2007; in light of the crisis, they declined to about $1.5 trillion in 2013. The *World Investment Report 2014* ("WIR") provides the basic data, showing the expansion of international production by MNEs. This expansion has taken place against the background of countries' policies to liberalize their FDI laws and, more generally, to create a more welcoming investment climate (including by establishing investment promotion agencies, offering incentives, and discontinuing performance requirements), although there is now a trend toward making the regulatory framework for FDI less welcoming.

Issues for discussion:

1. Does it still make sense (as Perlmutter suggested) to distinguish between ethnocentric, polycentric and geocentric corporate strategies? Why do firms become multinational? What in the nature of MNE activities is advantageous/disadvantageous to host and home countries? Is there a difference in this respect between developed and developing countries?

2. What are the advantages/disadvantages of M&As vs. greenfield investments from the point of view of companies and host countries? Would you advise governments to be less open to M&As?

3. Do you think that the data about global FDI flows and stocks suggest that there is something to be concerned about with regard to the nature, direction, size or scope of these flows and the distribution of the stock? Do some regions or countries receive too much or too little FDI? Are companies in some countries investing too much or too little abroad? What is the impact of the crisis on FDI flows?

4. Should countries regulate FDI flows and, if so, how? What is the story of FDI regulation? Should countries worry about which industries are open to FDI and which are not? Why has the boundary shifted as regards openness, reflected e.g. in the opening up to FDI in services industries? Does FDI in privatization programs give rise to special questions? What is the impact of the crisis on the regulatory framework for FDI?

5. What are the characteristics of the emerging integrated international production system? Is the nature of integration changing? What are the vulnerabilities that arise for countries and companies? What does it mean for the distribution of benefits? What effect does the

emergence of such a system have on national policy? Particularly, what constraints and opportunities does it create?

Readings:

Required

1. Dunning, John H. and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy* (Cheltenham: Edward Elgar, 2008), 2nd edition (referred to below as "Dunning and Lundan"), ch. 7, "Entry and expansion strategies of MNEs", pp. 201-232.

2. Aharoni, Yair, "Reflections on multinationals in a globally interdependent world economy," in Karl P. Sauvant and Geraldine McAllister, with Wolfgang Maschek, eds., *Foreign Direct Investment from Emerging Markets: The Challenges Ahead* (New York: Palgrave Macmillan, 2010), pp. 37-60.

3. Perlmutter, Howard V., "The tortuous evolution of the multinational corporation", *Columbia Journal of World Business*, vol. 4, pp. 9-18.

4. UNCTAD, *WIR2000: Cross-border M&As and Development* (Geneva: United Nations, 2000), "Overview", pp. xix-xxviii.

Additional

1. UNCTAD, *Assessing the Impact of the Current Financial Crisis on Global FDI Flows* (Geneva: UNCTAD, 2009).

2. UNCTAD, *WIR1994: Transnational Corporations, Employment and the Workplace* (Geneva: United Nations, 1994), ch. 7B, "The process of liberalizing foreign-direct-investment policies", pp. 286-293.

3. UNCTAD, *WIR2008*, Part One.

4. Dunning and Lundan, chs. 8-9.

5. Hill, ch. 6.

6. Dicken, chs. 4-5.

7. UNCTAD, *WIR2004: The Shift Towards Services* (Geneva: United Nations, 2004), "Overview", pp. xx-xxiv.

8. Pitelis, C.N. and R. Sugden, *The Nature of the Transnational Firm* (London: Routledge, 2000), 2nd edition.

9. Buckley, Peter J. and Pervez N. Ghauri, "Globalization, economic geography and the strategy of multinational enterprises", *Journal of International Business Studies*, vol. 35, no. 2 (2004), pp. 81-98.

10. McKern, Bruce, *Managing the Global Network Corporation* (London: Routledge, 2003), esp. chs. 1 and 10.

11. Westney, D. Eleanor and Srilata Zaheer, "The multinational enterprise as an organization", in Alan M. Rugman and Thomas L. Brewer, eds., *The Oxford Handbook of International Business* (Oxford: OUP, 2003) (referred to below as “Rugman and Brewer”), ch. 13.

12. UNCTAD, *WIR2002: Transnational Corporations and Export Competitiveness* (Geneva: United Nations, 2002), ch. 5, “International production systems”, pp. 121-142.

13. Tallman, S. and G.S. Yip, “Strategy and the multinational enterprise”, in Rugman and Brewer, pp. 317-344.

14. Ghoshal, S., “Global strategy: an organising framework”, *Strategic Management Journal*, 8 (1987), pp. 425-440.

15. Bartlett, C. and S. Ghoshal, *Managing Across Borders: The Transnational Solution* (Century Business, 1998), 2nd edition.

16. Rugman, Alan and Alain Verbeke, "Regional transnationals and Triad strategy", *Transnational Corporations*, vol. 13, no. 3 (December 2004), pp. 1-20.

17. UNCTAD, *WIR2000*, Part Two.

18. UNCTAD, *WIR1993*, Parts Two and Three.

19. Zhou, Yuping and Sanjaya Lall, "The impact of China's FDI surge on FDI on South-East Asia: panel data analysis for 1986-2001", *Transnational Corporations*, vol. 14, no. 1 (April 2005), pp. 41-65.

20. Audretsch, David B., ed., *SMEs in the Age of Globalization* (Cheltenham: Edward Elgar, 2003), Part III.

21. UNCTAD, *WIR2005: Transnational Corporations and the Internationalization of R&D* (Geneva: United Nations, 2005), “Overview”, pp. xxiv-xxxii.

22. UNCTAD, *WIR1993: Transnational Corporations and Integrated International Production* (Geneva: United Nations 1993), “Introduction”, pp. 4-10.

Week three

Explaining FDI and MNE activity

Given the growth of FDI and MNE activity, a key question is: what drives FDI? Why do firms invest abroad (as opposed to, say, staying at home and exporting) and why do they invest where they invest? The theory of FDI and MNE activity is still relatively young. The principal paradigm is the eclectic paradigm that sees FDI decisions as a function of ownership, location and internalization advantages.

Issues for discussion:

1. What are the elements of the ownership, location and internalization (OLI) advantages that explain FDI? What are the strengths and weaknesses of the OLI paradigm?

2. From a host country perspective, how can governments influence locational determinants? What is the role of institutions in this respect? What is the role of policies, the regulatory framework and IIAs? What is the role of investment promotion? What is the role of economic determinants? What is the relative importance of the various types of determinants?

Readings:

Required

1. Dunning and Lundan, "The main types of foreign production", pp. 67-77, and "General explanations of MNE activity", pp. 93-111.

2. Eden, Lorraine, "A critical reflection and some conclusions on OLI", in John Cantwell and Rajneesh Narula, eds., *International Business and the Eclectic Paradigm: Developing the OLI Framework* (London: Routledge, 2003), ch. 13, pp. 277-297.

3. UNCTAD, *WIR1998: Trends and Determinants* (Geneva: United Nations, 1998), ch. 4, "Host country determinants of foreign direct investment", pp. 89-96.

Additional

1. Dunning, John H. "Reappraising the eclectic paradigm in an age of alliance capitalism", *Journal of International Business Studies*, vol. 26 (1995), pp. 461-491.

2. Cantwell, John, "A survey of theories of international production", in C.N. Pitelis and R. Sugden, *The Nature of the Transnational Firm* (London: Routledge, 2003).

3. Meyer, K. and C. Jensen, "International business and government relations in Central and Eastern Europe", in Robert Grosse, ed., *International Business and Government Relations in the 21st Century* (Cambridge: Cambridge University Press, 2005).

4. Brouthers, L. E., K. Brouthers and S. Werner, "Is Dunning's eclectic framework descriptive or normative?", *Journal of International Business Studies*, vol. 30 (1999), pp. 831-844.

5. Vernon, Raymond, "International investment and international trade in the product cycle", *Quarterly Journal of Economics*, vol. 80 (1966), pp. 190-207.

6. Vernon, Raymond, "The product cycle hypothesis in a new international environment", *Oxford Bulletin of Economics and Statistics*, vol. 41 (1979), pp. 255-267.

7. Mucchielli, Jean-Louis and Thierry Mayer, *Multinational Firms' Location and the New Economic Geography* (Cheltenham: Edward Elgar, 2004), esp. chs. 4 and 8.

8. Itaki, Masahiko, "A critical assessment of the eclectic theory of the multinational enterprise", *Journal of International Business*, vol. 22, no. 3 (September 1991), pp. 445-460.

9. Godfrey Yeung, "Scramble for FDI: the experience of Guangdong Province in southern China", in Nicholas Phelps and Philips Raines, eds., *The New Competition for Inward Investment* (Cheltenham: Edward Elgar, 2003).

10. Stiglitz, Joseph E., "Development policies in a world of globalization". Personal website, Columbia University.

11. Boston Consulting Group, *Capturing Global Advantage* (Boston: BCG, 2004).

Week four

The future of MNE activities

What will the future bring? FDI and MNE activity have grown rapidly over the past two decades. In the process, FDI has moved into new countries (e.g. the former socialist countries), new industries (e.g. telecommunications) and new activities (e.g. call centers, R&D), and has come from new kinds of firms (e.g. SMEs). In addition, emerging markets MNEs are assuming increasing importance, as has, in particular, the phenomenon of the offshoring of services. The determinants of FDI, as well as the factors explaining the transnationalization of firms, are relevant here.

Issues for discussion:

1. What are the forces driving the future expansion of FDI? What are the risks and conditions, especially in light of the crisis? What are the future growth areas for FDI and MNE activity? Is there a limit to the multinationalization of firms? Where will future FDI go? What should investment promotion agencies (IPAs) focus on? What can governments do to influence this development? What are alternative scenarios? Is a backlash in the making?

2. Developing countries are typically capital importers, not exporters of capital. Why are firms from developing countries starting to engage in outward FDI, acquiring a portfolio of locational assets? What is the potential for emerging market MNEs? How do these firms distinguish themselves from developed-country MNEs? Should governments of developing countries help or hinder their firms to multinationalize? And, if so, how should this be done (taking into account the balance-of-payments constraint most face)?

3. What forces drive the offshoring of services and what is its potential? What kinds of services are affected? Who benefits, who loses, why and how? What is the regulatory framework? What are the policy dilemmas the United States (and other countries) face concerning offshoring? How to deal with them?

Readings:

Required

1. Sauvant, Karl P., "Reservoirs of the future", in Samuel Passow and Magnus Runnbeck, eds., *What's Next? Strategic Views on Foreign Direct Investment* (Stockholm: ISA, 2005), pp. 90-97.

2. Sauvant, Karl P. and Geraldine McAllister, "Foreign direct investment by emerging economy multinationals: Coping with the global crisis," in Marin A. Marinov and Svetla T. Marinova, eds. *Emerging Economies and Firms in the Global Crisis* (New York: Palgrave Macmillan, 2010), pp. 1-47.

3. Rugman, Alan, "How global are TNCs from emerging markets?" in Karl P. Sauvant with Kristin Mendoza and Irmak Ince, eds., *The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity?* (Cheltenham: Edward Elgar, 2008), pp. 86-

106.

4. de Beule, Filip and Daniel Van Den Bulcke, “Changing policy regimes in outward foreign direct investment: from control to promotion,” in Karl P. Sauvant and Geraldine McAllister, with Wolfgang Maschek, eds., *Foreign Direct Investment from Emerging Markets: The Challenges Ahead* (New York: Palgrave Macmillan, 2010), pp. 277-304.

5 Milhaupt, Curtis J., “Is the U.S. ready for FDI from China? Lessons from Japan’s experience in the 1980s”, in Karl P. Sauvant, ed., *Investing in the United States: Is the US Ready for FDI from China?* (Cheltenham: Edward Elgar, 2010), pp 185-208.

6. Drezner, Daniel, "The outsourcing bogeyman", *Foreign Affairs,* 83 (May/June 2004), pp. 22-34.

7. UNCTAD, *WIR2004: The Shift Towards Services* (Geneva: United Nations, 2004), ch. 4, “The offshoring of corporate service functions: the next global shift?”, pp. 147-180, and ch. 5B, “Home-countries: the challenge of adapting”, pp. 208-212.

Additional

1. Passow, Samuel and Magnus Runnbeck, eds., *What’s Next: Strategic Views on Foreign Direct Investment* (Stockholm: ISA, 2005).

2. Ramamurti, Ravi and Jitendra V. Singh, eds., *Emerging Multinationals in Emerging Markets* (Cambridge: Cambridge University Press, 2009).

3. Goldstein, Andrea, *Multinational Companies from Emerging Economies: Composition, Conceptualization and Direction in the Global Economy* (Hampshire, U.K. and New York: Palgrave Macmillan, 2007).

4. Buckley, Peter J. et al., “What can emerging countries learn from the outward direct investment policies of advanced countries,” in Karl P. Sauvant and Geraldine McAllister, with Wolfgang Maschek, eds., *Foreign Direct Investment from Emerging Markets: The Challenges Ahead* (New York: Palgrave Macmillan, 2010), pp. 243-276.

5. Broadman, Harry G., *Africa’s Silk Road: China and India’s New Economic Frontier* (Washington D.C.: The World Bank, 2007).

6. Daniel H. Rosen and Thilo Hanemann, *An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment* (New York: Asia Society, 2011).

7. Sauvant, Karl P. and Jaya Prakash Pradhan, with Ayesha Chatterjee and Brian Harley, eds., *The Rise of Indian Multinationals* (New York: Palgrave Macmillan, 2010).

8. Luo, Yadong and Rosalie L. Tung, “International expansion of emerging market enterprises: a springboard approach,” *Journal of International Business Studies,* 2007, pp. 481-498.

9. Sauvant, Karl P. “New sources of FDI: the BRICs. Outward FDI from Brazil, Russia, India and China”, *The Journal of World Investment & Trade*, vol. 6 (Oct. 2005), pp. 640-647.

10. Estrin, Saul and Klaus E. Meyer, *Investment Strategies in Emerging Markets* (Cheltenham: Edward Elgar, 2004), esp. ch. 2.

11. Niraj, Dawar and Tony Frost, "Competing with giants: survival strategies for local companies in emerging markets", *Harvard Business Review*, March-April 1999, pp. 119-129, 187.

12. Andreff, Vladimir, “The newly emerging TNCs from economies in transition: a comparison with Third World outward FDI”, *Transnational Corporations*, vol. 12, no. 2 (August 2003), pp. 73-118.

13. Aykut, Dilek and Dilip Ratha, “South-South FDI flows: how big are they?”, *Transnational Corporations*, vol. 13, no. 1 (April 2004), pp. 149-176.

14. Arquit Niederberger, Anne and Raymond Saner, “Exploring the relationship between FDI flows and CDM potential”, *Transnational Corporations*, vol. 14 (April 2005), pp. 1-40.

15. McKinsey Global Institute, *The Emerging Global Labor Market* (San Francisco: McKinsey, 2005).

16. Bhagwati, Jagdish and Alan S. Binder, *Offshoring of American Jobs: What Response from U.S. Economic Policy* (Cambridge and London: The MIT Press, 2009).

Week five

FDI and trade

This session, as well as the following one, focusses on the potential positive and negative impacts of FDI and MNE activity on the economic growth and development of countries and the competitiveness of their firms. Although the internationalization of production raises issues for both home and host countries, the focus is on the latter. While discussing impact, attention will be given to policies that can help maximize positive impacts and minimize negative ones, taking into account the various factors that determine impact, especially stage of development, size of the economy, economic structure, and openness of an economy to competition.

Trade is important as it allows a country to benefit from the international division of labor (by exploiting its comparative advantage) and, in this manner, to promote growth and development. But countries are not only interested in exploiting their current (i.e. static) corporative advantage. For all countries, continued economic transformation and industrial upgrading is part of economic growth and development. The various contributions that MNEs can make to host countries must ultimately help advance those objectives by making firms more competitive and economies perform better. Policies play an important role here as well. MNEs tend to respond to the static comparative advantage of a country and its locational assets. Governments, on the other hand, seek not only to exploit their countries' current comparative advantage, but seek also to build new, dynamic comparative advantages and to strengthen the competitiveness of their firms, encouraging firms on their territories to engage in the constant upgrading of their activities. Trade and FDI can be tools to upgrade a country’s comparative advantage.

MNEs play an important role in both imports and exports – some one-third of world trade is in fact intra-firm. The role of MNEs is particularly important in the international trade of high-tech products.

Issues for discussion:

1. What is the relationship between FDI and trade? Does trade lead to FDI, FDI to trade? What are the implications of this for firms and countries, as well as the regulatory regimes of the latter? What do you think about the “flying geese” paradigm? Is there a potential for it outside Asia? Can firms be “born global”?

2. Has the role of MNEs in trade changed over time? Why? What is good/problematic about it? What would be the elements of a regulatory framework that encourages export-oriented FDI? What are the pitfalls you have to guard against and how would you do that? What limitations (including those arising out of IIAs) would you need to take into consideration? What is the role of free trade agreements in this respect?

3. What is the role of FDI and MNE activity in economic upgrading to develop a country’s comparative advantage, and what policies and regulatory actions are particularly important in this respect? What are the lessons of the experiences of Japan, the Republic of Korea and Taiwan Province of China compared to, say, Hong Kong (China), Malaysia and Singapore? What is the role of linkages between foreign affiliates and domestic firms in promoting the growth of the domestic enterprise sector? What would be the elements of a

regulatory framework that encourages linkages? What are the pitfalls you have to guard against and how would you do that? What limitations (including those arising out of IIAs) would you need to take into consideration?

Readings:

Required

1. Cantwell, John, "The relationship between international trade and international production", in David Greenaway and L. Alan Winters eds., *Surveys in International Trade* (Wiley-Blackwell, 1994), pp. 303-328.

2. UNCTAD, *WIR2002: Transnational Corporations and Export Competitiveness* (Geneva: United Nations, 2002), chs. 6B-C, "Patterns of export competitiveness", pp. 151-189, and ch. 7, "Policy measures", pp. 197-220.

3. UNCTAD, *WIR2001: Promoting Linkages* (New York: United Nations, 2001), "Overview", pp. xxi-xxv.

Additional

1. Dunning and Lundan, ch. 14, "The balance of payments and the structure of trade", sections 14.3.1; 14.3.2.1; 14.3.2.2; 14.4.2; 14.4.3; 14.5; 14.6.1.

2. Feinberg, S. and M. Keane, "Accounting for the growth of MNC-based trade using a structural model of U.S. MNCs," *American Economic Review* 96(5) (2006), pp. 1515-1558.

3. UNCTAD, *Trade and Development Report 2002* (Geneva: United Nations, 2002), part II.

4. UNCTAD, *WIR1995: Transnational Corporations and Competitiveness* (New York: United Nations, 1995), ch. 5, "Transnational corporations and economic restructuring", pp. 227-266.

5. Moran, Theodore H., Edward M. Graham and Magnus Blomstroem, eds., *Does Foreign Direct Investment Promote Development?* (Washington: IIE, 2005), chs. 3, 4, 6, 7, 10.

6. UNCTAD, *WIR1999: FDI and the Challenge of Development* (Geneva: United Nations, 1999), chs. 6 and 8.

7. Khanna, Tarun and Krishna G. Palepu, "Globalization and convergence in corporate governance: evidence from Infosys and the Indian software industry, *Journal of International Business Studies*, vol. 35, no. 6 (2004), pp. 484-507.

8. Gray, H. Peter, ed., *Transnational Corporations and International Trade and Payments* (London and New York: Routledge, 1994), esp. the Introduction.

9. Eden, Lorraine, “Taxes, transfer pricing, and the multinational enterprise”, in Rugman and Brewer, ch. 21.

10. Dunning, John H., “What’s wrong – and right – with trade theory?”, *International Trade Journal*, vol. 10 (1995), pp. 153-202.

11. Hejazi, W. and P. Pauly, “Motivations for FDI and domestic capital formation”, *Journal of International Business Studies*, vol. 34, no. 3 (2003), pp. 282-289.

12. UNCTAD, *WIR2001: Promoting Linkages* (Geneva: United Nations, 2001), Parts Two and Three.

13. Dunning and Lundan, ch. 16, “Linkages, spillovers and clustering”.

14. Giroud, Axèle, *Transnational Corporations, Technology and Economic Development: Backward Linkages and Knowledge Transfer in South East Asia* (Cheltenham: Edward Elgar, 2003), ch. 7.

15. Ozawa, Terntomo, “Foreign direct investment and economic development”, *Transnational Corporations*, vol. 1 (February 1992), pp. 27-54.

16. Petri, Peter A., “The regional clustering of foreign direct investment and trade”, *Transnational Corporations*, vol. 3 (December 1994), pp. 1-24.

17. UNCTAD, *WIR1996*: *Investment, Trade and International Policy Arrangements* (Geneva: United Nations, 1996), “Executive summary”, pp. xix-xxvi.

Week six

FDI, transfer of technology and innovatory activities

Technology and skills provide firms with key competitive advantages; they are also key ingredients of economic growth and development. More than capital, many countries expect technology transfer and the upgrading of skills (including management skills) from FDI and MNE activities, as well as the creation of jobs. Yet most research and development (R&D) is carried out by MNEs in their home countries, although new patterns are emerging. The question of the transfer of technology and especially the development of indigenous innovatory capacities, as key "created assets", is therefore important. The additional readings identify literature relevant to skills and employment.

Issues for discussion:

1. To what extent and why do MNEs transfer technology and under what circumstances do such transfers benefit host economies? Through what policies can these benefits be increased? What role does the protection of intellectual property rights (IPRs) play?

2. What are the forces that make for a concentration of R&D at home, what for its location abroad? What are the advantages/disadvantages for home and host countries? How can governments influence the benefits? What is the role of IPR protection?

3. What would be the elements of a regulatory framework that encourages transfer of technology and the development of innovatory capacities? What are the pitfalls you have to guard against and how would you do that? What limitations (including those arising out of IIAs) would you need to take into consideration?

Readings:

Required

1. Cantwell, John and Yanli Zhang, "The innovative multinational firm: the dispersion of creativity, and its implications for the firm and for world development", in Simon Collinson and Glenn Morgan, eds., *Images of the Multinational Firm* (Chichester, England: John Wiley, 2009), pp. 45-67.

2. UNCTAD, *WIR1999: FDI and the Challenge of Development* (Geneva: United Nations, 1999), ch. 7, "Enhancing technological capabilities", pp. 195-228.

3. UNCTAD, *WIR2005: Transnational Corporations and the Internationalization of R&D* (Geneva: United Nations, 2005), "Overview", pp. xxiv-xxxii.

Additional

1. Dunning and Lundan, chs. 11, “Technology and innovatory capacity: the role of firms”, 12, “Technology and innovatory capacity: the role of government”, 13, “Employment and human resource development”.

2. Hejazi, Walid and A. Edward Safarian, "Trade, FDI and R&D spillovers", *Journal of International Business Studies*, vol. 30, no. 3 (2001), pp. 491-511.

3. Moran, Theodore H., Edward M. Graham and Magnus Blomstroem, eds., *Does Foreign Direct Investment Promote Development?* (Washington: IIE, 2005), ch. 5.

4. Chen, Edward K. Y., *Transnational Corporations and Technology Transfer to Developing Countries* (New York: Routledge, 1994).

5. Kuemmerle, W., "The drivers of foreign direct investment into research and development", *Journal of International Business Studies*, vol. 30 (1999), pp. 1-24.

6. Cantwell, John, "Innovation and information technology in the MNE", in Alan M. Rugman, ed., *The Oxford Handbook of International Business* (Oxford: Oxford University Press, 2009), chapter 16.

7. Lall, Sanjaya, "Linking FDI, technology development for capacity building and strategic competitiveness", *Transnational Corporations*, vol. 11 (2002), pp. 39-88.

8. UNCTAD, *WIR2005: Transnational Corporations and the Internationalization of R&D* (New York: United Nations, 2005), Part Two.

9. Muchlinski, chs. 12,13.

10. OECD, "Guidelines for multinational enterprises", chapters on science and technology and employment and industrial relations at www.oecd.org

11. ILO, "Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy", at www.unctad.org/iia.

12. UNCTAD, *WIR1994: Transnational Corporations, Employment and the Workplace* (Geneva: United Nations, 1994), chs. 4-6, 9-10.

13. Burgoon, Brian, "The rise and fall of labour linkages in globalisation politics", *International Politics*, vol. 41, no. 3 (2004).

14. Sparrow, Paul, Chris Brewster and Hilary Harris, *Globalizing Human Resource Management* (New York: Routledge, 2004).

15. Kiely, Ray, "Capitalist expansion and the imperialism-globalization debate", *Journal of International Relations and Development*, vol. 8, no. 2 (2005), pp.27-57.

16. Dicken, ch. 3.

Week seven

Tensions over FDI and MNE activity

Against the background of the role of FDI and MNE activity in, and their impact on, national economies and the world economy, this session introduces a series of sessions that deal with a number of key policy issues vis-à-vis MNEs and FDI and how approaches to them have changed over the years.

Public policy in this area can be examined within several sets of tensions: the global corporate interests of MNEs vs. the national development interests of countries; foreign vs. domestic ownership; policies to attract FDI vs. policies to maximize its benefits; a country's interest as a host country vs. its interests as a home country; and the constraints of the emerging integrated international production system, a globalizing world economy and international investment law vs. the need for policy space in the interest of national development. Furthermore, the growing awareness of various social and environmental issues has to be taken into account.

The international regulatory framework for FDI will be touched upon only briefly as this issue is dealt with in other courses. However, the interaction of national and international norms has to be kept in mind when discussing policy options.

Issues for discussion:

1. How do the various tensions mentioned above manifest themselves? In particular, what is "foreign" or controversial about FDI and MNE activity as opposed to domestic ownership? What are the main fears generated by inward FDI?

3. What should be the role of national policy toward FDI and MNE activity? How have attitudes changed in this respect, and why? How has the nature of the relationship between MNEs and states changed and why? How do the various tensions influence the relationships between MNEs and states?

3. How do the views and approaches of the business community, labor and non-governmental organizations (NGOs) enter the picture and with what effect? What differences exist between the perspectives of developed and developing countries? What is the role of development strategy in formulating policies?

Readings:

Required

1. Reich, Robert, "Who is us?", *Harvard Business Review*, 1990, pp. 53-64.

2. Tyson, Laura D'Andrea, "They are not us: why American ownership still matters", *The American Prospect*, 1991, pp. 37-48.

3. Reich, Robert, "Who do we think they are?", *The American Prospect*, 1991, pp. 49-53.

4. Tyson, Laura, "Are US multinationals abandoning America?", Project Syndicate, available at https://www.project-syndicate.org/

5. Sauvant, Karl P., "Driving and countervailing forces: a rebalancing of national FDI policies," in Karl P. Sauvant, ed., *Yearbook on International Investment Law and Policy 2008-2009* (New York: Oxford University Press, 2009), pp. 233-263.

Additional

1. Dunning and Lundan, "Governments and MNE activity: The unilateral response" and 20, "Governments and MNE activity: The multilateral response", ch. 19.

2. Graham, Edward M. and David M. Marchick, *US National Security and Foreign Direct Investment* (Washington D.C.: Institute for International Economics, 2006).

3. Dicken, ch. 8.

4. Muchlinski, ch. 4.

5. Gilpin, R., *Global Political Economy: Understanding the International Economic Order* (Princeton: Princeton University Press, 2001), chs. 11, 14.

6. UNCTAD, *WIR1994*: *Transnational Corporations, Employment and the Workplace* (Geneva: United Nations, 1994), chs. 3, 11.

7. Agmon, T., "Who gets what: the MNE, the national state and the distributional effects of globalization", *Journal of International Business Studies*, vol. 34, no. 4 (2003), pp. 416-427.

8. Graham, Edward M., *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprises* (Washington, D.C.: Institute for International Economics, 2000).

9. Zifcak, Spencer, *Globalisation and the Rule of Law* (London and New York: Routledge, 2005).

10. Vernon, Raymond, "The multilateral enterprise: power versus sovereignty", *Foreign Affairs*, vol. 49 (1971), pp. 736-751.

11. Servan-Schreiber, Jean-Jacques, *The American Challenge* (Melbourne: Penguin, 1968), pp. 3-30, 153-156.

12. Vernon, Raymond, *In the Hurricane's Eye* (Cambridge, Mass.: Harvard University Press, 1998), chapters on home and host countries.

13. Sunkel, Osvaldo, "Big business and 'dependencia' ", *Foreign Affairs*, vol. 50 (1972), pp. 517-531.

14. Moran, Theodore H., ed., *Governments and Transnational Corporations* (London and New York: Routledge, 1994).

15. Kobrin, Stephen J., “Sovereignty @ bay: globalization, multinational enterprise and the international political system”, in Rugman and Brewer, ch. 7.

16. Grosse, Robert, ed., *International Business and Government Relations in the 21st Century* (Cambridge: Cambridge University Press, 2005).

17. Various FDI laws available on the seminar website.

Week eight

Policies to attract FDI

Since all governments seek to attract FDI, a key question becomes: how to do that successfully and what are the risks involved? Any effort in this respect needs to be undertaken in light of the locational determinants of FDI: economic factors, the regulatory framework and investment promotion.

Typically, many economic factors cannot be easily manipulated, although governments often use incentives to try to compensate for negative aspects. Moreover, a number of non-economic long-term policies need to be considered; for example, as more and more FDI becomes knowledge-intensive, the role of education policies grows in importance. The regulatory framework and promotional efforts, however, are more easily susceptible to relatively quick improvements. Hence the great majority of countries has made the regulatory framework for FDI more welcoming (both at the national and international levels) and has established investment promotion agencies tasked to attract FDI.

Among the policy tools IPAs use, incentives are particularly important; special attention will be given to the issues surrounding incentives, especially in light of the escalation in the use of incentives and the question of regulatory competition.

Issues for discussion:

1. How to influence the key FDI determinants? What is the role of export processing zones? What difference does investment promotion make? Is there a role for policy advocacy for investment promotion agencies? How to deal with conflicting internal policy interests? What would be an appropriate institutional setup and terms of references for an investment promotion agency in a country of your choice? How should a country's development strategy figure in investment promotion? How to create new locational advantages?

2. What role should incentives play in attracting FDI? What are the advantages and disadvantages of different types of incentives? Do incentives compensate for weaknesses or are they icing on the cake? How to prevent a race to the bottom? What are the risks involved in offering incentives? How to guard against them?

Readings:

Required

1. Moran, ch. 2, pp. 45-74.

2. Moran, Theodore H., *Foreign Direct Investment and Development: Launching a Second Generation of Policy Research* (Washington: Peterson Institute of International

Economics, 2011), pp. 87-92.

3. Loewendahl, Henry, "A framework for FDI promotion", *Transnational Corporations*, vol. 10, No. 1 (April 2001), pp. 1-42.

4. James, Sebastian, “Incentives and investments: evidence and policy implications” (Washington: Investment Climate Advisory Services of the World Bank, 2009), mimeo., 35 pages.

5. Oman, Charles P., *Policy Competition for Foreign Direct Investment: A Study of Competition Among Governments to Attract FDI* (Paris: OECD Development Centre, 2000), pp. 9-24, 77-80, 113-126.

Additional

1. Muchlinski, ch. 7.

2. MIGA-FIAS, *Global Investment Promotion Benchmarking 2009: Summary Report* (Washington: MIGA, 2009).

3. Blomström, Magnus and Ari Kokko, “The economics of foreign direct investment incentives” (Stockholm: Stockholm School of Economics, 2003), mimeo.

4. Thomas, Kenneth P., *Investment Incentives and the Global Competition for Capital* (New York: Palgrave Macmillan, 2011).

5. UNCTAD, *WIR2003: FDI Policies for Development: National and International Perspectives* (Geneva: United Nations, 2003), ch. 4F, “Incentives”, pp. 123-128.

6. UNCTAD, *Incentives and Foreign Direct Investment* (New York: United Nations, 1996).

7. Globerman, Steven and Daniel Shapiro, “Governance infrastructure and US foreign direct investment”, *Journal of International Business Studies*, vol. 33, no. 1 (2002), pp. 11-39.

8. Morisset, Jacques and Kelly Andrews-Johnson, *The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment* (Washington: FIAS, 2004).

9. Wells, Louis and Alvin Wint, *Marketing a Country: Promotion as a Tool for Attracting Foreign Investment* (Washington: FIAS, 1990).

10. World Bank, *World Development Report 2005: a Better Investment Climate for Everyone* (Washington: World Bank, 2005).

11. UNCTAD, *WIR1995: Transnational Corporations and Competitiveness* (Geneva: United Nations, 1995), ch. VIB, “The role of incentives”, pp. 288-299.

12. *Handbook on Investment Promotion in Medium-size, Low-Budget Cities in Emerging Markets* (New York: Vale Columbia Center on Sustainable International Investment and Millennium Cities Initiative, 2009), available at: http://www.vcc.columbia.edu/pubs/documents/MCIHandbook-Final.pdf

13. Various incentive programmes of individual countries.

14. Various Investment Guides of countries, available at www.unctad.org and www.vcc.columbia.edu

15. Various Investment Promotion Agency websites; see www.waipa.org.

Week nine

Host country policies to maximize benefits from FDI

The purpose of attracting FDI and MNE activity is to benefit from them as much as possible in terms of advancing economic development. While MNE activities in and by themselves bring a number of benefits, government policies – and the institutions that implement them – are important to maximize positive effects and to minimize negative ones. A number of policies and policy instruments have already been discussed in this respect in earlier sessions, as has been the role of a development strategy to provide an overall framework. This session will round out this picture by looking at two particularly important policy instruments in depth: targeting (i.e. seeking to attract the type of FDI that contributes most to a country's development) and performance requirements. However, some policies seeking to maximize benefits of FDI and MNE activities may make a given country less attractive as an investment location.

Beyond that, this seminar will take a holistic view. The discussion so far has dealt with individual policy instruments for attracting FDI and benefiting from it; the policy responses, accordingly, were partial. However, a country needs to pursue an integrated policy that deals with all aspects. In this session, therefore, an effort will be made to discuss issues related to an appropriate host country framework (policy and institutional) to attract FDI and benefit as much as possible from it in light of the various tensions discussed in week 7. Moreover, the discussion will consider what would be an appropriate sequencing strategy if a country wishes to liberalize its FDI regime.

Issues for discussion:

1. How would you design a targeting strategy for a given country, including by assessing its strengths and weaknesses? What are the pros and cons of such a strategy? What are the pitfalls you have to guard against and how would you do that? What limitations (including those arising out of IIAs) would you need to take into consideration?

2. What is the experience with, and what are the pros and cons of, various performance requirements? The WTO TRIMs Agreement prohibits four types of performance requirements, on grounds that they create distortions to the trade in goods. If there were an effort to expand the list of prohibited performance requirements in the TRIMs Agreement, which ones would you advise countries to safeguard and why?

3. What would be the ideal regulatory framework to attract FDI while, at the same time, safeguarding national interests, especially as regards development and capturing as much as possible the positive effects of FDI? How to maximize the overlap of interests between the objectives of MNEs and countries?

4. If you had to advise a government with a fairly restrictive FDI regime that wants to liberalize it in order to attract more FDI while still benefiting from it as much as possible, what would you suggest and how far would you go?

5. Which policy instruments are particularly important for a country to be able to attract FDI

and maximize benefits and which would need to be kept in mind when negotiating IIAs?

Readings:

Required

1. Moran, Theodore H., Edward M. Graham and Magnus Blomström, "Conclusions and implications for FDI policy in developing countries, new methods of research, and a future research agenda", in Theodore H. Moran, Edward M. Graham and Magnus Blomström, eds., *Does Foreign Direct Investment Promote Development?* (Washington: IIE, 2005), pp. 375-395.

2. Moran, *Foreign Direct Investment and Development*, pp. 125-138.

3. UNCTAD, *WIR2002: Transnational Corporations and Export Competitiveness* (Geneva: United Nations, 2002), ch. 8, "Targeted promotion", pp. 221-242.

4. UNCTAD, *FDI and Performance Requirements: New Evidence from Selected Countries* (Geneva: United Nations, 2003), ch. 1, "The overall picture", pp. 1-41.

Additional

1. Dunning and Lundan, "Governments and MNE activity: the unilateral response" and 20, "Governments and MNE activity: the multilateral response", ch. 19.

2. Muchlinski, chs. 4, 6, 7.

3. Rugman, Alan M. and Alain Verbeke, "Multinational enterprises and public policy", in Rugman and Brewer, ch. 28.

4. UNCTAD, *WIR2003: FDI Policies for Development: National and International Perspectives* (Geneva: United Nations, 2003), pp. 86-87, 99-154.

5. Moran, Theodore H., *Parental Supervision* (Washington: IIE, 2001), *passim*.

6. Doh, J.P., H. Teegen and R. Mudambi, "Balancing private and state ownership in emerging markets' telecommunications infrastructure: country, industry and firm influences", *Journal of International Business Studies*, vol. 35, no. 3 (2004), pp. 233-250.

7. Balasubramanyam, V.N., "Putting TRIMs to good use", *World Development*, vol. 19, no. 9 (1991), pp. 1215-1224.

8. Mirza, Hafiz and Axèle Giroud, "Regional integration and benefits from foreign direct investment in ASEAN economies: the case of Viet Nam", *Asian Development Review*, vol. 21, no. 1 (2004), pp. 66-98.

9. Chang, Ha-Joon, *Kicking Away the Ladder: Development Strategy in Historical Perspective*

(London: Anthem Press, 2002).

10. Dunning, John H., *Multinational Enterprises and the Global Economy* (Wokingham, England: Addison Wesley, 1993), chs. 19, 20.

11. Rubin, Seymour J., and Don Wallace, Jr., eds., *Transnational Corporations and National Law* (London and New York: Routledge, 1994).

12. Ramamurti, Ravi, "The obsolescing 'bargain model'? MNC – host developing country relations revisited", *Journal of International Business Studies*, vol. 32, no. 1 (2001), pp. 23-39.

13. Various national FDI laws (available at the course website).

14. Various Investment Policy Reviews of countries, available at www.unctad.org

15. UNCTAD, *WIR2003: FDI Policies for Development: National and International Perspectives* (Geneva: United Nations, 2003), "Overview", pp. xvi-xix.

Week ten

Home country policies

So far, the discussion of attracting FDI and benefiting from it has focused on what *host* countries can do in this respect. But the investment relationship involves also *home* countries and *MNEs*. Hence the question arises what these can do to help developing countries, and especially the least developed among them, to attract FDI and benefit from it. This session deals with home countries, the next with corporate social responsibility ("CSR"). While there is considerable writing on CSR, there is very little on home country measures – it is a new area to explore.

Two aspects of home country policies deserve special attention. One concerns the desire of home countries to maximize the benefits they derive from the activities of their MNEs abroad. Related to that is the fact that all the principal home countries are also important host countries – which involves, when it comes to policies, the need to balance the interests of governments in their capacity as host countries with those in their capacity as home countries.

The other concerns the measures that home countries can take to help their firms to invest abroad – in the interest of the international competitiveness of their own firms and, by extension, in the interest of their own economic performance, as well as in the interest of helping developing (host) countries to advance their development. The concept of "competitive neutrality" is relevant in this context.

Issues for discussion:

1. Why should home countries permit – let alone encourage – outward FDI by their firms? What are the pros and cons regarding home country measures? What works best and why? What are the pitfalls and how can you guard yourself against them? What kind of risk-mitigating measures could one consider?

2. What are policies that home countries can pursue to maximize the benefits they derive from the activities of their MNEs abroad? What are their pros and cons? What are the pitfalls you have to guard against and how would you do that? What limitations (including those arising out of IIAs) would you need to take into consideration?

3. What are the principal objectives of a government in its capacity as a host country and what are they in its capacity as a home country? How do you balance them? What are policy and regulatory implications?

Readings:

Required

1. Visser, Hans, "Outward foreign direct investment: is it a good thing?", in G. Meijer, W.J.M. Heijman, J.A.C. van Ophem, and B.H.J. Verstegen, eds., *Heterodox Views on Economics and the Economy of the Global Society* (Wageningen: Wageningen Academic Publishers,

2006), pp. 343-358.

2. Karl P. Sauvant, Persephone Economou, Ksenia Gal, Shawn Lim, and Witold Wilinski, "Trends in FDI, home country measures and competitive neutrality", Andrea Bjorklund, ed., *Yearbook on International Investment Law and Policy*, 2012-2013, pp. 5-84.

3. Moran, *Foreign Direct Investment and Development*, pp. 99-124.

4. UNCTAD, *WIR2003: FDI Policies for Development: National and International Perspectives* (Geneva: United Nations, 2003), ch. 6A, "Home country measures", pp. 155-163.

5. Mistry, Percy S. and Niels E. Olesen, *Mitigating Risks for Foreign Investments in Least Developed Countries* (Stockholm: Edita Norsteds Tryckeri, 2003), pp. 245-251.

Additional

1. Moran, Theodore M., "What policies should developing country governments adopt toward outward FDI? Lessons from the experience of developed countries", in Karl P. Sauvant with Kristin Mendoza and Irmak Ince, eds., *The Rise of TNCs from Emerging Markets: Threat or Opportunity?* (Cheltenham: Edward Elgar, 2008), ch. 13, pp. 337-366.

2. Globerman, Steven and Daniel M. Shapiro, "Outward FDI and the economic performance of emerging markets", in Karl P. Sauvant with Kristin Mendoza and Irmak Ince, eds., *The Rise of TNCs from Emerging Markets: Threat or Opportunity?* (Cheltenham: Edward Elgar, 2008), ch. 12, pp. 229-271.

3. Falzoni, Anna Maria and Mara Grasseni, "Home country effects of investing abroad: evidence from Italy", in Lucia Piscitello and Garzia D. Santangelo, eds., *Do Multinationals Feed Local Development and Growth?* (Oxford and Amsterdam: Elsevier), pp. 195-221.

4. Te Velde, Dirk Willem, "Understanding developed country efforts to promote foreign direct investment to developing countries: the example of the United Kingdom", *Transnational Corporations*, 16 (December 2007), pp. 83-104.

5. Kokko, Ari, "The home country effects of FDI in developed countries," European Institute of Japanese Studies, Working Paper 225, April 2006.

6. Moran, Theodore H., "American multinationals and American economic interests: new dimensions to an old debate" (Washington D.C.: Peterson Institute for International Economics, 2009), Working Paper 09-3, mimeo.

7. Sauvant/Weber, *International Investment Agreements: Key Issues* (Geneva: United Nations, 2005), vol. III, ch. 22, "Home country measures", pp. 1-28.

Week eleven

[Seminar participants are invited to participate in the ninth Columbia International Investment Conference, which will take place November 12-13, 2014, at Columbia Law School. The program will be made available in due course.]

Corporate social responsibility

As we have seen, countries have liberalized their FDI regimes and established more business-friendly policy frameworks. Firms, in turn, have multinationalized, and their impact on countries and international economic exchanges has risen, making MNEs the most important private actors in the global economy. In turn, counties expect to draw net benefits for their national economic objectives from the presence of MNEs. At the same time, there is an interest of countries and MNEs to cooperate with each other to advance their public and private goals, respectively. Beyond the economic area, furthermore, the issue of corporate social responsibility (CSR) raises questions concerning the social impact of MNEs and the ethical and moral dimensions of business. In discussing this issue, the question also arises whether there should be a difference between multinational and purely domestic firms.

Issues for discussion:

1. Should the increased role of MNEs be accompanied by increased responsibilities of these firms toward the countries in which they operate? What are the pros and cons regarding CSR?

2. What does CSR entail? To what extent do CSR prescriptions address economic and development issues? If you had to add three principles to the Global Compact that deal with economic and development issues, what would you say, why, and how would you go about getting acceptance for them?

3. What has been the experience with the implementation of the CSR prescriptions so far? What are alternative ways to give them effect and what are their pros and cons?

Readings:

Required

1. Friedman, Milton, “The social responsibility of business is to increase its profits”, *The New York Times Magazine*, Sept. 13, 1970, pp. 32-34, 122-126.

2. UNRISD, “Corporate social responsibility and development: towards a new agenda”, *Conference News* (Geneva: UNRISD, 2003), pp.1-27.

3. Henderson, David, “Misguided virtue: false notions of corporate social responsibility” (New Zealand Business Round Table, 2001), pp. 63-80.

4. Fox, Tom, “Corporate social responsibility and development: in quest of an agenda”, *Development*, vol. 47, no. 3 (September 2004), pp. 29-36.

5. Kell, Georg and John Gerard Ruggie, "Global markets and social legitimacy: the case for the 'Global Compact'", *Transnational Corporations*, vol. 8, no. 3 (December 1999), pp. 101-120.

6. UN, Human Rights Council, *Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework* (New York and Geneva: United Nations, 2011).

Additional

1. Dunning and Lundan, “Political, cultural and social responsibility issues”, ch. 18.

2. UN, Human Rights Council, “Report of the Working Group on the issue of human rights and transnational corporations and other business enterprises”, UN document A/HRC/23/32, March 14, 2013.

3. UN, Human Rights Council, “Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie: Business and human rights: further steps toward the operationalization of the ‘protect, respect and remedy’ framework,” UN document A/HRC/14/27, April 9, 2010.

4. UNCTAD, *WIR2003: FDI Policies for Development: National and International Perspectives* (Geneva: United Nations, 2003), ch. 6B, “Good corporate citizenship”, pp. 164-171.

5. UNCTAD, *WIR1999: FDI and the Challenge of Development* (Geneva: United Nations, 1999), ch. 12, “The social responsibility of transnational corporations”, pp. 345-370.

6. UNCTAD, *WIR1994: Transnational Corporations, Employment and the Workplace* (Geneva: United Nations, 1994), ch. 8.

7. Sauvant/Weber, *International Investment Agreements: Key Issues* (Geneva: United Nations, 2004), vol. II, ch. 18.

8. *The Economist*, 22 January 2005, special section on CSR.

9. NGLS and UNRISD, *Voluntary Approaches to Corporate Responsibility: Readings and a Resource Guide* (Geneva: NGLS and UNRISD, 2002).

10. Kuper, Andrew, “Harnessing corporate power: lessons from the UN Global Compact”, *Development*, vol. 47, no. 3 (September 2004), pp. 9-19.

11. Hildy Teegen, Jonathon Doh and Sushil Vachani, “The importance of nongovernmental organizations in global governance and value creation: an international business research

agenda”, *Journal of International Business Studies*, vol. 35, no. 6 (2004), pp. 463-483.

12. Kolk, Ans, Rob van Tulder and Carlijn Welters, “International codes of conduct and corporate social responsibility: can transnational corporations regulate themselves?”, *Transnational Corporations*, vol. 8 (April 1999), pp. 143-189.

13. Lund-Thomsen, Peter, “Towards a critical framework on corporate social and environmental responsibility: the case of Pakistan”, *Development,* vol. 37, no. 4 (2004).

14. Arora, Bimal and Ravi Puranik, “A review of corporate social responsibility in India”, *Development*, vol. 47, no.3 (September 2004), pp. 93-100.

15. Picciotto, S. and R. Mayne, eds, *Regulating International Business: Beyond Liberalization* (Basingstoke: Macmillan 1999), chapters by Kearney and Fridd and Sainsbury.

16. Cornerhouse, “Codes in context: TNC regulation in an era of dialogues and partnerships”, 2002, Briefings 26, available at www.thecornerhouse.org.uk.

17. Transnational Resource and Action Centre, “Tangled up in blue: corporate partnerships at the United Nations”, available at http://corpnatch.org/downloads/tangled.pdf

18. Leisinger, Klaus M. “Opportunities and risks of the United Nations Global Compact: the Novartis case study”, *The Journal of Corporate Citizenship*, issue 11 (Autumn 2003), pp. 113-131.

19. Leisinger, Klaus M. and Karin M. Schmitt, *Corporate Ethics in a Time of Globalization* (Basel/Colombo: Vishva Lekha, 2003).

20. Jenkins, Rhys, Ruth Pearson and Gill Seyfang, *Corporate Responsibility Labour Rights* (London: Earthscan, 2002).

21. Blanpain, R., *The OECD Guidelines for Multinational Enterprises and Labour Relations*: 1976-1979. *Experience and Review* (Deventer: Kluwer, 1979).

22. See also Nike Code of Conduct (1997); US Council on International Business Position Paper on Codes of Conduct (1998); Workers Rights Consortium Model Code of Conduct (2001); Executive Summary of the U.S. Department of Labor Study on Apparel Industry Codes of Conduct (1998).

23. Various codes and guidelines reprinted in UNCTAD, *International Investment Instruments: A Compendium* (Geneva: United Nations, various years) (also contains the OECD Guidelines, the ILO Tripartite Declaration and the RBP and UN Codes).

24. International Chamber of Commerce, “Guidelines for International Investment” (Paris: ICC, April 2012).

Week twelve

The rise of international investment agreements

The expansion of FDI and MNEs activity has been accompanied by a proliferation of international investment agreements ("IIAs") – agreements that either in their entirety (e.g. bilateral investment treaties ("BITs")) or in parts (e.g. modern free trade agreements) contain important disciplines dealing with FDI and MNE activities. Most prominent among them are BITs (of which 2,902 had been signed by the end of 2013). Increasingly, IIAs set the parameters for national policy making – a fact partially reflected in the rise of the number of treaty-based investment disputes during the past few years.

We will not look in detail into the contents of IIAs and the specific issues that arise in them as this will be done in other courses. Rather, the discussion will focus on the development of the IIA universe, its overall characteristics and the impact of IIAs on FDI flows.

Issues for discussion:

1. What is the story of the development of IIAs and, in particular, what is driving their proliferation and why and how has their orientation changed over time? How does their orientation relate to developments in national FDI regulations? What can we learn from it and what can be expected for the future?

2. What is the story of investment disputes and what explains their rise? What are their characteristics, what has been the reaction of governments and to what problems do they give rise to? What are options for the future?

3. What does the rise of IIAs, the emergence of an integrated international production system and the globalizing world economy mean for the possibilities of governments to pursue national FDI policies?

4. To what extent do BITs (and other IIAs) help attract FDI and increase the benefits from such investment?

Readings:

Required

1. Graham, Edward M., *Global Corporations and National Governments* (Washington, D.C.: IIE, 1996), pp. 69-100.

2. Sachs, Lisa and Karl P. Sauvant, "BITs, DTTs and FDI flows: an overview", in Karl P. Sauvant and Lisa Sachs, eds., *The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties and Investment Flows* (New York: Oxford University Press, 2009), pp. xxvii-lxii.

3. Salacuse, Jeswald, "Explanations for the increased recourse to treaty-based investment dispute settlement: resolving the struggle of life against form?", in Karl P. Sauvant with

Michael Chiswick-Patterson, eds., *Appeals Mechanism in International Investment Disputes* (New York: Oxford University Press, 2008), ch.6, pp. 105-125.

4. Graham, Edward M., “Will emerging markets change their attitude toward an international investment regime?” in Karl P. Sauvant with Kristin Mendoza and Irmak Ince, eds., *The Rise of TNCs from Emerging Markets: Threat or Opportunity?* (Cheltenham: Edward Elgar, 2008), ch. 14, pp. 299-318.

Additional

1. World Economic Forum, Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment (Geneva: WEF, 2013).

2. Gary Hufbauer and Jeffrey Schott, Payoff from the World Trade Agenda 2013 (Washington, D.C.: Peterson Institute, 2013).

3. Karl P. Sauvant and Federico Ortino, “Improving the international investment regime: options for the future”, forthcoming.

4. Sauvant, Karl P. and Victoria Aranda, "The international legal framework for transnational corporations", in A.A. Fatouros, ed., Transnational Corporations: The International Legal Framework (London and New York: Routledge, 1994), ch.3, pp. 83-115.

5. Sauvant, Karl P. and Lisa Sachs, eds., The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties and Investment Flows (New York: Oxford University Press, 2009).

6. Sauvant/Weber, International Investment Agreements: Key Issues (Geneva: United Nations, 2004), vol. 1, chs. 1, 2.

7. Elkens, Z., A. Guzman and B. Simmons, “Competing for capital: the diffusion of bilateral investment treaties, 1960-2000” (University of Illinois, University of California at Berkley and Harvard University, 2004), mimeo.

8. Dunning and Lundan, “Governments and MNE activity: the multilateral response”, ch. 20.

9. UNCTAD, WIR2003: FDI Policies for Development: National and International Perspectives (Geneva: United Nations, 2003), ch. 3, “Key national FDI policies and international investment agreements”, pp. 85-97.

10. UNCTAD, “Latest developments in investor-state dispute settlement”, IIA Issues Note, a vailable on the UNCTAD website.

11. UNCTAD, Compendium of International Investment Instruments (Geneva: United

Nations, 1996-2005). Available at www.unctad.org/iia. (This includes texts or extracts of texts from IIAs – a resource). A database containing some 2,000 BITs is also available at this website.

Week thirteen

Debate on whether or not FDI contributes to the competitiveness, economic growth and development of host countries and policies related to this question

The seminar participants will be divided into two groups to debate this question, based on the topics covered so far and the additional readings for this session. One group will argue that they do, the other that they don't, addressing in the process relevant policies.

The debate will be followed by an effort to pull the various arguments together and, from an integrated perspective, seek to ascertain under what circumstances, in which ways and with the help of what policies FDI and MNEs help or hinder competitiveness, growth and development, with the ultimate goal of poverty reduction.

Readings:

Required

1. Schmidt, Rodney, "Enough foreign direct investment quickens economic growth everywhere" (Ottawa: North-South Institute, 2008), mimeo., 23 pages.

2. Narula, Rajneesh and Brian Portelli, "Foreign direct investment and economic development: opportunities and limitation from a developing country perspective", in Lucia Piscitello and Garzia D. Santangelo, eds., *Do Multinationals Feed Local Development and Growth?* (Oxford and Amsterdam: Elsevier, 2007), pp. 13-34.

3. Borensztein, Eduardo, José de Gregorio and Jong-Wha Lee, "How does foreign direct investment affect economic growth?", *Journal of International Economics*, vol. 45 (1995), pp. 115-135.

4. Moran, *Foreign Direct Investment and Development*, pp. 1-8, 65-71, 125-138, *passim*.

5. Moran, chs. 3, 5 and 6, pp. 75-96, 113-141, 142-149.

6. Nunnenkamp, Peter and Julius Spatz, "FDI and economic growth in developing economies: how relevant are host economy and industry characteristics?", *Transnational Corporations*, vol. 13, No. 3 (December 2004), pp. 53-86.

Additional

1. Dunning and Lundan, "FDI, growth and development" and 17, "Distribution of the value added created by MNEs", ch. 10.

2. Moran, Theodore H., Edward M. Graham and Magnus Blomstroem, eds., *Does Foreign Direct Investment Promote Development?* (Washington: IIE, 2005), chs. 1, 2, 12, 14, and *passim*.

3. Moran, Theodore H., *Parental Supervision: The New Paradigm for FDI and Development* (Washington, D.C.: IIE, 2001).

4. Dunning, John H., “Re-evaluating the benefits of foreign direct investment”, *Transnational Corporations*, vol. 2, no. 1 (February 1994), pp. 23-51.

5. Ghosh, Madanmohan and Weimin Wang, “Does FDI accelerate economic growth? The OECD experience based on panel data estimates for the period 1980-2004”, *Global Economic Journal,* vol. 9 (2009), pp. 1-21.

6. Dicken, Part IV.

7. Hill, ch. 7.

8. Lall, Sanjaya, ed., *Transnational Corporations and Economic Development* (London and New York: Routledge, 1994), esp. the Introduction.

9. UNCTAD, *WIR1995: Transnational Corporations and Competitiveness* (Geneva: United Nations, 1995), Part Two.

10. Kosack, Stephen and Jennifer Tobin, "Funding self-sustaining development: the role of aid, FDI and government in economic success", *International Organization*, vol. 60, no. 1 (Winter 2006), pp. 205-243.

11. Ramamurti, Ravi, “Developing countries and MNEs: extending and enriching the research agenda”, *Journal of International Business Studies, v*ol. 35, no. 1 (2004), pp. 277-283.

12. Wells, Louis T., “Multinationals and the developing countries”, *Journal of International Business Studies, v*ol. 29, no. 1 (1998), pp. 101-114.

13. World Commission on the Social Dimension of Globalization, *A Fair Globalization: Creating Opportunities for All (Geneva: ILO, 2004),* passim.

14. UNCTAD, *Investment and Technology Policies for Competitiveness: Review of Successful Country Experiences* (Geneva: United Nations, 2003).

15. Chudnovsky, Daniel, ed., *Transnational Corporations and Industrialization* (London and New York: Routledge, 1994).

16. Dunning, John H., “The geographical sources of the competitiveness of firms: some results of a new survey”, *Transnational Corporations*, vol. 5 (1996), pp. 1-29.

17. Lipsey, R.E. “Home and host country effects of FDI”, in R. Baldwin and L.A. Winters, eds., *Challenges to Globalization* (Chicago: University of Chicago Press, 2004), pp. 333-382.

18. Eden, Lorraine and Wendy Dobson, eds., *Governance, Multinationals and Growth* (Northampton, Ma.: Edward Elgar, 2005).

19. Caves, Richard E., *Multinational Enterprise and Economic Analysis* (Cambridge: Cambridge University Press, 1996), 2nd edition.

20. Dunning, John H., "Re-evaluating the benefits of foreign direct investment", *Transnational Corporations*, vol. 3, no. 1 (February 1994), pp. 23-51.

21. UNCTAD, *WIR1999: FDI and the Challenge of Development* (Geneva: United Nations, 1999), ch. 11, "Assessing FDI and development in the new competitive context", pp. 313-328.