

Foreign Direct Investment

Fall 2023

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Class Time: Tue. 2:00 – 4:50 pm

Classroom: 140-2 #202

Office Hours: by appointment

Course Description

Understanding globalization has become paramount in almost every aspect of business. While international trade served as the primary tool for globalization in the past, foreign direct investment (FDI) has taken on greater importance in today's business landscape, as it proves more useful for firms and countries in achieving specific strategic objectives. This course aims to equip students with a comprehensive understanding of FDI and the diverse patterns of overseas investment pursued by multinational corporations (MNCs) from both developed and developing nations. Beyond exploring the key aspects of FDI, the course will delve into the formulation of competitiveness-building strategies for both firms and nations, considering the dynamic global business environment and emerging issues such as anti-globalization policies, reshoring, CSR/ESG (Corporate Social Responsibility/Environmental, Social, and Governance), and the rise of digital firms.

The course is structured into two main segments.

- Part 1 (Classes 2 to 6) delves into the theoretical foundations of FDI studies, encompassing both conventional and unconventional viewpoints.
- Part 2 (Classes 7 to 13) explores FDI practices and additional topics such as the attractiveness of host countries for FDI, clustering, corporate social responsibility, and the rise of digital firms.

Designed as an advanced course, it aims to equip students with a multifaceted understanding of the shifting paradigms of competition and relevant global strategies of MNCs. A rigorous analysis of both theory and practice will help students in honing their analytical skills, conducting thorough research, and delivering professional presentations.

Grading Policy (1)

- **Grading [total 100%]**
 - Professionalism: Attitude, attendance, and participation: 25%
 - Weekly summary of readings for each class: 25%
 - Group presentations: 25%
 - Term paper: 25%
- **Professionalism (25%)**
 - Students should attend all classes. Those who miss more than two classes may not receive a grade. Tardiness and class disturbances may be reflected in the grade.
 - Students are also required to know the Honor Code and apply it to all work and behavior in the class.
- **Weekly summary (25%)**
 - Students are required to submit a one-page summary based on assigned each class readings (Classes 3-13). Summaries should be submitted via eTL at least 24 hours before class (by 2:00pm on Monday).
 - The weekly summary should (i) discuss the most interesting points in the readings, and (ii) provide constructive criticism. The one-page summary should be approximately 400 to 500 words in length.

Grading Policy (2)

- **Group presentations (25%)**

- In the first session of each class, each group will give class presentations of important points from the class readings with related information and research.
- The group should submit the presentation PPT file via email (wenyanyin@snu.ac.kr) at least 24 hours before the class of its presentation, thereby no later than Monday 2:00pm before the group's presentation.
- Intra- and inter-group evaluation

- **Term paper (25%)**

- Students should submit the final paper (no less than 6,000 words) by following the manuscript guidelines via eTL by 5:00 pm on December 19 (Class 15).
- Further instructions will be given in class.

Course Materials

❖ Required Readings

- Moon, Hwuy-Chang. 2016. Foreign Direct Investment: A Global Perspective. Singapore: World Scientific.
- Other assigned readings will be uploaded on the eTL website.
- Students should [read the materials](#) before class, so class meetings can be used for discussion rather than by straight lecture.

❖ Recommended Readings

- It is also recommended that students regularly read good business and economic publications such as [WSJ](#), [NYT](#), [Economist](#), [Harvard Business Review](#), [AIB Insights](#) and other articles.

Class Schedule (1)

- **Class 1 (Sept. 5): Introduction**
 - Course guideline
 - The current world economy: challenges and strategies
- **Class 2 (Sept. 12) International Players: From Western Multinationals to Global Firms**
 - Textbook, Chapter 1 (Changing nature of firms and business landscapes)
 - Rosa, B., Gugler, P., and Verbeke, A. 2020. Regional and global strategies of MNEs: Revisiting Rugman & Verbeke (2004). *Journal of International Business Studies*, 51: 1045-1053.
 - **Student introduction and group formation**
 - **Submit via eTL: One-page C.V. with photo by September 11, 2:00 pm**
- **Class 3 (Sept. 19) International Business Strategy: From Trade to FDI**
 - Textbook, Chapter 2 (FDI and competitiveness building for firms and nations)
 - Dunning, J. H. and Rugman, A. M. 1985. The influence of Hymer's Dissertation on the theory of foreign direct investment. *The American Economic Review*, 75(2): 228-232.
 - **Submit via eTL: One-page summary (1) by September 18, 2:00 pm**
- **Class 4 (Sept. 26) The Western Perspective on FDI: From OLI Paradigm to Global Factory Model**
 - Textbook. Chapter 3 (Conventional FDI theory mainly for explaining the FDI from developed firms)
 - Forsgren, M. and Holm, U. 2022. Controlling without owning – owning without controlling: A critical note on two extensions of internalization theory. *Journal of International Business Studies*, 53, 1734–1746 (2022).
 - **Submit via eTL: One-page summary (2) by September 25, 2:00 pm**

Class Schedule (2)

- (Oct. 3) National Holiday (No Class)
- **Class 5 (Oct. 10) Unconventional FDI by Developing Country Firms**
 - Textbook. Chapter 4 (Unconventional FDI theory for better explaining the unconventional FDI from developing firms)
 - Buckley, P. J, Chen, L., Clegg, L. J., and Voss, H. 2018. Risk propensity in the foreign direct investment location decision of emerging multinationals. *Journal of International Business Studies*, 49: 153-171.
 - **Submit via eTL: One-page summary (3) by October 9, 2:00 pm**
- **Class 6 (Oct. 17) FDI Motivations**
 - Moon, H. C. 2007. Outward foreign direct investment by enterprise from the Republic of Korea, In *Global Players from Emerging Markets: Strengthen Enterprise Competitiveness through Outward Investment*. New York and Geneva: UNCTAD.
 - Meyer, K. E. 2015. "What is "strategic asset seeking FDI"?", *Multinational Business Review*, Vol. 23 No. 1, pp. 57-66.
 - **Submit via eTL: One-page summary (4) by October 16, 2:00 pm**
- **Class 7 (Oct. 24) FDI Impacts on Country: From Negative to Positive Perspective**
 - Textbook. Chapter 5 (FDI impacts on both home and host countries)
 - Buckley, P. J. Clegg, J., and Wang, C. 2006. Inward FDI and host country productivity: Evidence from China's electronics industry. *Transnational Corporations*, 15(1): 13-37.
 - **Submit via eTL: One-page summary (5) by October 23, 2:00 pm**

Class Schedule (3)

- **Class 8 (Oct. 31) How to Do Research: Guidelines for term paper**
 - Structure of a Research Paper
 - Writing Style and Tips
 - **Submit via eTL: Term paper proposal by October 30, 2:00 pm**
- **Class 9 (Nov. 7) Recent Trends of FDI and the Reshoring Issue**
 - UNCTAD. 2022. World investment report 2023: Overview. New York and Geneva: UNCTAD (pp. **1-24**).
 - Pegoraro, D., De Propris, L., & Chidlow, A. (2022). Regional factors enabling manufacturing reshoring strategies: a case study perspective. *Journal of International Business Policy*, 5(1), 112-133.
 - **Submit via eTL: One-page summary (6) by November 6, 2:00 pm**
- **Class 10 (Nov. 14) FDI and Cluster: From Local to Global Link**
 - Textbook. Chapter 6 (Extension of the scope of clusters from regional to global)
 - Mudambi, R., Li, L., Ma, X., Makino, S., Qian, G., and Boschma, R. 2018. Zoom in, zoom out: Geographic scale and multinational activity. *Journal of International Business Studies*, 49: 929-941.
 - **Submit via eTL: One-page summary (7) by November 13, 2:00 pm**
- **Class 11 (Nov. 21) Assessing the Investment Attractiveness: From Theory to Practice**
 - Textbook. Chapter 7 (Devising a comprehensive model for assessing the locational FDI attractiveness)
 - Moon, H. C. and Yin, W. 2021. Four Fundamental Factors for Increasing the Host Country Attractiveness of Foreign Direct Investment: An Empirical Study of India, in Krishna B. Misra, *Handbook of Advanced Performability Engineering*, Springer Nature Switzerland AG, Cham, Switzerland.
 - **Submit via eTL: One-page summary (8) by November 20, 2:00 pm**

Class Schedule (4)

- **Class 12 (Nov. 28) Entry Mode Choices: From Traditional to Digital Firms**
 - Moon, H. C. and Yin, W. 2020. “Industry Drivers of MNCs’ Externalization Choice: A Conceptual Framework and Application to Korea-China Film Co-productions”, *Journal of Business and Industrial Marketing*, 35(11): 1633-1644.
 - Brouthers, K. D., Chen, L., Li, S., and Shaheer, N. 2022. Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *J Int Bus Stud* 53, 2088–2115.
 - **Submit via eTL: One-page summary (9) by November 27, 2:00 pm**
- **Class 13 (Dec. 5) Global Citizenship: From Responsibility to Opportunity**
 - Textbook. Chapter 9 (Multinationals’ co-creating values with host and home countries)
 - Kim, R. C., Saito, A., and Avvari, V. M. 2020. Interpretation and integration of “creating shared value” in Asia: implications for strategy research and practice. *Asian Business & Management*, 19(4), 379-406.
 - **Submit via eTL: One-page summary (10) by December 4, 2:00 pm**
- **Class 14: (Dec. 12) Feedback for Term Paper**
- **Class 15: (Dec. 19) Special Lecture**