

SCHOOL OF INTERNATIONAL SERVICE

AMERICAN UNIVERSITY

MULTINATIONAL CORPORATIONS

SIS-504

Spring, 2008

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I. NATURE AND OBJECTIVES

Multinational corporations (MNCs) play an increasingly important role as one of the most influential, powerful, and controversial entities in the international political and economic systems. The objectives of this course include recognizing the impact and importance of MNCs—business entities which are closely related to the process of foreign direct investment (FDI)—and constructing a scholarly economic and political framework to analyze the many facets and controversies associated with this subject. Determining the true nature of MNCs/FDI is a surprisingly elusive quest. They are complex phenomena. In addition, perceptions--sometimes diametrically different--dominate, and universal truths are few and far between. A dispassionate, scholarly critique of MNCs/FDI will be pursued by a three-way approach that encompasses the disciplines of both economics and political science. The first approach consists of an objective academic examination that circumvents value judgments and looks for empirical patterns and discernable cause and effect relationships. The second approach is to examine MNCs in a “real world manner” that focuses on actions and reactions of major companies; in part, this phase of the study will use selected case studies. Finally, we will examine and evaluate the often contradictory recommendations for “appropriate” official policies to regulate MNCs/FDI at the national and multilateral levels. By such means, we will assess the impact of these phenomena on the world’s people, governments, and economy, specifically, their effects, impact, goals, limitations, and “proper” roles.

My intent in this course is not to tell students what to think about MNCs/FDI, but make you appreciate the numerous factors and ambiguities that go into a sound analysis

of this contentious, complex subject. Another objective is to provide you the analytic skills that will increase your marketability with potential employers or internship supervisors.

II. GRADING AND REQUIREMENTS

You will be graded on the basis of four criteria. The relatively short mid-term quiz will count for 20 percent. The final examination will count for 40 percent. To encourage student involvement, class participation counts for 0-12 points (2 bonus points for exceptional contribution). "Participation" is defined as comments, dissent, and asking questions and answering those posed by the instructor, not physical attendance. Giving a good oral summary of your paper (see below) can generate up to 3 class participation points.

The research paper, accounting for 30 percent of your grade, will deal with some aspect of MNCs/FDI. Topics should be on a sufficiently significant topic that, should you want, you may take class time to make a 5-to-8 minute **oral presentation** summarizing your paper's main findings. Examples of possible subjects include: a substantive investment issue (e.g. FDI's effects on economic development in LDCs, governmental regulation of FDI, corporate social responsibility, etc.), a particular country's policies or experience with MNCs, or a case study of a **major MNC** (generally difficult to research). Papers will be graded on the basis of accuracy, development of the subject (as opposed to emphasis on tangential or non-relevant matters), and quality of writing and research.

You may take one side of a controversial issue; good sources are important, but balanced criticism is not necessarily required. Ideally, some students will write and report on opposite sides of a single argument. Students may do research on the same subject; there is no "exclusivity" of topics. The paper should be about 2,000 words, or 9-10 double-spaced pages with standard font size and margins.

Important PROCEDURAL Requirements:

First, papers will be due on the **ELEVENTH** class session. Extensions will be freely granted for approved topics up until ONE WEEK BEFORE the papers are due. Extensions will only be granted to those who have **received final topic approval no later than the TENTH session**. Procrastination will not be rewarded. Since immediate formal approval of your topic is not guaranteed at the time of our initial discussion, ***it is strongly advised that you begin talking to me about your topic at least three weeks prior to this inflexible deadline.*** Second, late papers will be penalized on a cumulative daily basis. Just before the end of the second week of lateness, the penalty will be 40 points+ of your grade; just before the end of the third week of unexcused lateness, the penalty will reach 100%, i.e. the paper will no longer be accepted. **Third**, to assure manageable, relevant research, **ALL subjects must be formally approved by the instructor.** This means that I must **write down** an approved subject. **If you do not see me write down your subject on the class roster, you must assume it is NOT approved.** You should join me in assuming that I will probably not remember verbal discussions. **Papers submitted on unapproved topics will be penalized 40 points** and will not be part of the oral summary presentations.

Because of scheduling needs, the firm deadline for requesting to give an oral presentation on an approved topic is Session Ten.

Fourth, submit original copies, not photocopies.

Finally, **a few words about use of the Internet in doing research.** The vast majority of websites do NOT meet the minimum criteria of objectivity and accuracy required for academic research. Therefore, you must be very selective, and, except in extreme cases, not rely solely on Web surfing to produce the data for your paper. In general, acceptable websites are those that do not have an ax to grind or personal interests to promote, but do feel the need to be intellectually responsible rather than preach the absolute virtue of one side of an issue with little or no attention to the need for accuracy or objectivity. **Books and journal articles are not self-published and undergo some peer review prior to publication. Hence, they are usually far more substantive and reliable—and should be a part of your bibliography, if at all feasible.** No blogs (they cost nothing and usually are worth the price).

III. CLASS ATTENDANCE

Class attendance is highly advisable, but not mandatory. You are adults and can manage your schedule as you see fit. However, you **are required** to keep up with readings and be aware of due dates for exams, papers, presentations, etc. Absences do **not exempt** you from knowing and meeting deadlines for all course requirements. Keep in mind that poor attendance impairs the learning process and that poor grades in this class have always had a close correlation with poor attendance.

IV. A.U. ACADEMIC INTEGRITY CODE

All students are governed by American University's Academic Integrity Code. The Academic Integrity Code details specific violations of ethical conduct that relate to academic integrity. By registering, you have acknowledged your awareness of the Academic Integrity Code, and you are obliged to become familiar with your rights and responsibilities as defined by the code. All of your work (whether oral or written) in this class is governed by the provisions of the Academic Integrity Code. Academic violations include but are not limited to: plagiarism, inappropriate collaboration, dishonesty in examinations whether in class or take-home, dishonesty in papers, work done for one course and submitted to another, deliberate falsification of data, interference with other students' work, and copyright violations. The adjudication process and possible penalties are listed in American University's Academic Integrity Code booklet, which is also available on the American University website. Being a member of this academic community entitles each of us to a wide degree of freedom and the pursuit of scholarly interests; with that freedom, however, comes a responsibility to uphold the high ethical standards of scholarly conduct.

V. REQUIRED READINGS

1. You should purchase three paperback books from the Campus Store:
 - Cohen, Stephen D., *Multinational Corporations and Foreign Direct Investment—Avoiding Simplicity, Embracing Complexity*, Oxford University Press, 2007.
 - Graham, Edward, *Fighting the Wrong Enemy*, Institute for International Economics, 2000.
 - Moran, Theodore, *Foreign Direct Investment and Development*, Institute for International Economics, 1998.
2. As noted below, some articles and book chapters are on E-Reserve, available via Blackboard. In the event that the Library cannot obtain permission from the publisher to post readings electronically, be advised that in all cases, hard copies of articles or book chapters requested to be put on Blackboard are supposed to be available at the Library's Reserve Desk.
3. The remaining required readings can be accessed on the Internet or on one of the various electronic databases on Aladin.

VI. LECTURE OUTLINE

Class Session—

ONE: Introduction to the Subject and Its Ambiguities; Maintaining Objectivity; Main Concepts and Terms

TWO: Fundamentals and History of MNCs and FDI

- Stopford, John, "Multinational Corporations," in *Foreign Policy*, Winter, 1998/99; available on Aladin in the ABI/Inform database.
- Cohen, Stephen D., *Multinational Corporations and Foreign Direct Investment—Avoiding Simplicity, Embracing Complexity* [hereafter *MNCs and FDI*], chaps. 1-3.

Highly Recommended:

- Palmisano, S., "The Globally Integrated Enterprise," *Foreign Affairs*, May/June, 2006, pp. 127-132; available on Aladin's ABI/Inform database.
- Herendeen, J., "To Whom Are Corporate Executives Accountable? Challenge, Mar/Apr., 2004 (available on E-Reserves and Aladin).

THREE: The Heterogeneity Factor

- Cohen, S.D., *MNCs and FDI*, chs. 4 and 5.

FOUR: Why Do Corporations Invest in Other Countries?

- Cohen, S.D., *MNCs and FDI*, Ch. 6.
- Hill, Charles, *International Business*, 2003, pp. 204-220 of Ch. 6; pp. 229-247 of Ch. 7, and pp. 474-479, 491-495 (E-Reserves).
- Case Study: Incentives for Inward FDI--
Moran, Theodore, *Foreign Direct Investment and Development*, pp. 95-102.

Highly Recommended:

-Gilpin, R., *Global Political Economy*, 2001; Ch. 11, pp. 278-294.

FIVE: Where Do MNCs Invest Abroad?; MNCs and National Sovereignty

- Cohen, S.D., *MNCs and FDI*, chs. 7 and 10.
- Strange, Susan, *The Retreat of the State*, chs. 1 and 2 (E-Reserves).
- Kraemer and Dedrick, “Dell Computer: Organization of a Global Production Network,” 2002, at www.crito.uci.edu/GIT/publications/pdf/dell.pdf.

SIX: MID-TERM QUIZ and Lecture Catch-Up**SEVEN: The International Economic Context: How the Proliferation of FDI Is Altering Foreign Trade Flows**

- Quinlan, Joseph and M. Chandler, “The U.S. Trade Deficit: A Dangerous Obsession,” *Foreign Affairs*, May/June, 2001; ABI/Inform database.
- Cohen, S.D., *MNCs and FDI*, Ch. 9.
- U.S. International Trade Commission, *Examination of U.S. Inbound and Outbound Direct Investment*, 2001; pp. 2-6 thru 2-11, 3-15, 3-37, 4-32, and pp. 5-1 thru 5-16; at http://hotdocs.usitc.gov/docs/pubs/research_working_papers/pub3383.pdf.

Highly Recommended:

-UNCTAD, “World Investment Report 2002”; Ch. VI, pp. 151-154, 157-163, 166-170, and 172-178. Available at www.unctad.org; click “Digital Library” link, then “Main Publications,” and “World Investment Report” series.

EIGHT: MNCs & Developing Countries: Do Corporations Help or Hurt the Development Process--or Both?

- Cohen, S.D., *MNCs and FDI*, Ch. 8.
- Moran, Theodore, *Foreign Direct Investment and Development*, 1998; chs. 1, 3, and 4.
- Nunnenkamp, P., “To What Extent Can FDI Help Achieve International Development Goals?” *The World Economy*, May, 2004 (E-Reserves).
- Balasubramanyam, V.N, “F.D.I. in Developing Countries: Determinants and Impact”; at www.oecd.org/dataoecd/53/20/2407305.pdf.

Highly Recommended:

- Klein, Michael, et al, “Foreign Direct Investment and Poverty Reduction,” World Bank Working Paper, 2001, pp. 1-15; at www.worldbank.org/ (locate link at ‘Publications’ search engine).
- Barnett and Muller, *Global Reach*, pp. 136-139 and 148-167 (if not on E-reserve, at Library Reserve Desk).
- Loungani, P. and A. Razin, “How Beneficial is Foreign Direct Investment for Developing Countries?” *Finance & Development*, June, 2001. At www.imf.org/; use ‘Publications’ link.

Spring Break

NINE: FDI as a Target of the Anti-Globalization Backlash

- Micklethwait, J. and A. Wooldridge, “The Globalization Backlash,” *Foreign Policy*, Sept/Oct., 2001; available on Aladin’s ABI/Inform database.
- Cohen, S.D. et al, *Fundamentals of U.S. Trade Policy*, Second Edition, 2002, Ch. 13 (E-Reserves).
- Mathews, Jessica, “Power Shift,” *Foreign Affairs*, Jan/Feb, 1997; available on Aladin: ABI/Inform database.
- Graham, Edward, *Fighting the Wrong Enemy*, Ch. 5 (skip pp. 151-160).

Highly Recommended:

- Spar, Debora, “How Multinationals Export Human Rights,” *Foreign Affairs*, Mar/Apr., 1998. Available on Aladin.
- Kapstein, E., “The Corporate Ethics Crusade,” *Foreign Affairs*, Sep/Oct., 2001; on ABI/Inform database.
- Drezner, Daniel, “Bottom Feeders,” *Foreign Policy*, Nov/Dec, 2000; on Aladin, ABI/Inform.

TEN: National and Multilateral Regulation of MNCs/FDI

- Cohen, S.D., *MNCs and FDI*, Ch. 11.
- Graham, Edw., *Global Corporations & National Governments*, 1996, Chs. 4 and 5 (E-Reserves).
- Graham, Edw., *Fighting the Wrong Enemy*, Ch. 2 (skip pp. 25-34); pp. 51-63 and 72-74 of Ch. 3. Highly recommended: Ch. 6 (entire).
- Case Study: the Defeat of the MAI Agreement
“How the Net Killed the MAI,” at www.gwb.com.au/gwb/news/mai/3004.html.

Highly Recommended:

- Moran, Theo. *Foreign Direct Investment and Development*, pp. 159-168 of Ch.10.
- Gereffi, Gary et al, “The NGO-Industrial Complex,” *Foreign Policy*, July/Aug, 2001. Available on Aladdin’s ABI/Inform database.
- Cohn, Theodore, *Global Political Economy*, 2000, pp. 300-310 of Ch. 10 (E-Reserves).

<p>Reminder: Research Paper Due on the Eleventh Class Session</p>
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ELEVEN: Case Studies of Country Policies and Experiences with MNCs/FDI

- Spar, Deborah, “Whale in a Swimming Pool” (Intel and Costa Rica), *Impact*, Summer 1998; available at [www.ifc.org/ifcext/publications.nsf/AttachmentsByTitle/IMPACT_Summer98Whale/\\$FILE/Impact_Summer98Whale.pdf](http://www.ifc.org/ifcext/publications.nsf/AttachmentsByTitle/IMPACT_Summer98Whale/$FILE/Impact_Summer98Whale.pdf); if URL does not open, search on Google or Yahoo.
- Doherty, Eileen, “Evaluating FDI-Led Development: The Celtic (Paper?) Tiger,” 1998; available on Aladdin’s Columbia University CIAO data base.
- Graham, Edward and P. Krugman, *Foreign Direct Investment in the United States*, Third Edition, chs. 3 and 6 (E-Reserves).
- “The Trouble with India,” *Business Week*, March 19, 2007; available at www.businessweek.com/print/magazine/content/07_12/b4026001.htm?chan=gl.
- Tseng, W. and H. Zebregs, “Foreign Direct Investment in China: Some Lessons for Other Countries,” 2002, pp. 2-21. IMF Policy Discussion Paper 02/3; available at www.IMF.org/external/pubs/ft/pdp/2002/pdp03.pdf.

Highly Recommended:

- Surf the websites of the investment promotion boards of Singapore and Ireland: www.idaireland.com/; especially the link “Vital Statistics.” And www.edb.gov.sg/edb/sg/en_uk/index/why_singapore.html; especially the link “Singapore Facts & Figures.”

- Liberalization and the Attraction of ‘Globalizing’ FDI: The Case of Mexico, pp. 15-21 of World Bank working paper “Improving Russia’s Policy on Foreign Direct Investment, Policy Working Paper no. 2329, May, 2000; at www.worldbank.org (search ‘Publications’ for title).

TWELVE

& THIRTEEN: *Assessing the Costs and Benefits of FDI and MNCs*

- Cohen, S.D., *MNCs and FDI*, chs. 12 and 13.
- Mazur, Jay, “Labor’s New Internationalism,” *Foreign Affairs*; ABI/Inform database.
- Graham, Edward, *Fighting the Wrong Enemy*, Ch. 4 (skip pp. 118-124).
- Barnett, Richard and R. Mueller, *Global Reach*, 1974; Ch. 1 and pp. 26-36 of Ch. 2 (if not on E-reserves, at Library Reserve Desk).
- Case Study: Attacking Sweatshops
Goldberg, Jonah, “Sweatshop Chic: The Know-Nothings Find a Cause,” *National Review*, April 2, 2001; available on Aladdin at Academic Search Premier, or EBSCOHost database).
- Dreier, P. and R. Applebaum, “The Campus Anti-Sweatshop Movement,” *American Prospect*, September 1, 1999; available at www.prospect.org/print-friendly/print/V10/46/dreier-p.html.
- Oxfam, *Rigged Rules and Double Standards*, pp. 175-184 of Ch. 7, “Transnational companies...” Available at www.maketradefair.com; click ‘Research’ link, then ‘The Trade Report.’

Recommended:

- “Globalization: It’s Not Just Wages,” reprint from *The New York Times*, June 17, 2005; at www.corpwatch.org/article.php?id=12409.
- Nike Corporation’s Home Page: www.Nike.com/.

FOURTEEN: *Student Presentations of Main Findings of Their Research Paper; Summing up the MNC/FDI Phenomena*

[A schedule of presenters will be given on Session Eleven. Students who have not gotten final approval of a topic and ask to make a presentation by Session TEN will NOT be eligible. Presentations should be in the 5-to-8 minute range. Further details will be provided in class to those who will present.]

- Cohen, S.D., *MNCs and FDI*, chs. 14 and 15.

FIFTEEN: *FINAL EXAMINATION*

(Covers post-mid-term material only.)