

ECONOMICS OF FOREIGN DIRECT INVESTMENTS

Course Description

Fall 2020

COURSE LEVEL	7 th Semester- 4 th year
CREDIT VALUE:	4 ECTS
LECTURER:	Dr. Amin Sokhanvar, E-mail: sokhanvar@urfu.ru
DURATION OF COURSE:	One semester
LANGUAGE OF INSTRUCTION:	English
PREREQUISITES	Intermediate level Micro and Macro-economics
WEB LINK:	https://elearn.urfu.ru/course/view.php?id=615

CATALOG DESCRIPTION

This course provides an introduction to the theories of foreign direct investment (FDI) and covers the causes of FDI (including cross-border mergers and acquisition), its impacts on the host country's domestic economy, national government policies towards it, and the barriers to it. The course also examines the issues of sources and types of FDI, investment climate, and new FDI trends.

AIMS AND OBJECTIVES

Multinational companies are more inclined to invest in developing countries when they fully understand their opportunities and risks. This course reviews the findings of most recent studies on hundreds of executives of multinational companies regarding their investment location decisions to better understand investment drivers. Business-friendly, legal, and regulatory environment along with political stability, security, and macroeconomic conditions are studied as key factors for investment decisions. Finally, this course tries to motivate students to leverage their obtained knowledge to conduct their own research on the impact of these factors on FDI inflows in different regions and propose actionable recommendations for policymakers to attract, facilitate, and retain foreign investment and maximize its development impact. The students will also be able to study the business environment and provide the investors with the most profitable investment options with minimum risk.

GENERAL LEARNING OUTCOMES

On successful completion of this course, all students will have developed their knowledge to understand:

- The importance of FDI for an economy;
- The theories of FDI;
- How political ideology shapes a government's attitudes toward FDI;
- The benefits and costs of FDI to home and host countries.

On successful completion of this course, all students will have developed their skills to:

- Perceive new FDI trends;
- Recognize and analyze the investors' needs;
- Identify the key conditions for attracting FDI;
- Discuss the range of policy instruments that governments use to influence FDI;

TEXTBOOK:

- **Main Textbook:** International Business: Competing in the Global Marketplace, 7th edition by Charles W. L. Hill, McGraw-Hill
- **Supplementary Textbook:** International Business: The Challenge of Global Competition, 13th Edition by Ball, Geringer, Minor and McNett

INDICATIVE BASIC READING LIST:

- World Bank. (2020). *Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Times of Uncertainty*. Washington, DC: World Bank Group.
- World Bank. (2018). *Global Investment Competitiveness Report 2017/2018: Foreign Investor Perspectives and Policy Implications*. Washington, DC: World Bank.

Specific articles and reading materials are suggested during the lectures.

EXTENDED READING LIST

- Dunning, J. H. (1993). *Multinational enterprises and the global economy*. Wokingham: Addison-Wesley.
- Dunning, J. H. (2002). Trade, location of economic activity, and the multinational enterprise: A search for an eclectic approach. In J. H. Dunning (Ed.), *Theories and paradigms of international business activity e The selected essays of John H. Dunning* (pp. 52e76). Cheltenham: Edward Elgar Publishing Limited.
- Anderson, D. (1983). *A relationship between the rate of economic growth and the rate, allocation, and efficiency of investment* (No. SWP591, p. 1). The World Bank.
- Easterly, W. (1993). How much do distortions affect growth?. *Journal of Monetary Economics*, 32(2), 187-212
- Harberger, A. C. (1998). A vision of the growth process. *The American Economic Review*, 88(1), 1-32.

The course materials will be distributed via Web-link.

CONTENT AND SCHEDULE:

<i>Week</i>	<i>Topics to be covered</i>	<i>Source</i>
1	Introduction	
2	FDI in the World Economy Theories of FDI	Main Textbook
3	Political Ideology and FDI Benefits and Costs of FDI Government Policy Instruments and FDI	Main Textbook
4, 5	Overview of FDI in 2020 <ul style="list-style-type: none">• An unprecedented decline• Rebuilding investor confidence• FDI as leverage for robust recovery from COVID crisis	Global Investment Competitiveness Report (2020)
6, 7	Outlook and Priorities for Foreign Investors <ul style="list-style-type: none">• Policy uncertainty and foreign investors' outlook• Importance of predictability for foreign investment	Global Investment Competitiveness Report (2020)
8, 9	Regulatory Risk and FDI <ul style="list-style-type: none">• Sources of regulatory risk• A composite measure of regulatory risk Elements of the regulatory framework and investment	Global Investment Competitiveness Report (2020)
10, 11	Corporate Tax Incentives and FDI <ul style="list-style-type: none">• Tax incentives and Cost-Effectiveness• FDI motivation and the effectiveness of incentives• Firm- and country-level variables influencing the impact of incentives	Global Investment Competitiveness Report (2018)
12, 13	Effects of FDI on High-Growth Firms <ul style="list-style-type: none">• High-Growth firms and benefit from linkages channel• Policies to maximize the gains from FDI	Global Investment Competitiveness Report (2018)
14, 15	How Beneficial Are Foreign Acquisitions of Firms <ul style="list-style-type: none">• The choice between Brownfield and Greenfield FDI• Characteristics of markets attracting Brownfield FDI• Differences between Brownfield affiliates and other firms• Policy considerations for Brownfield FDI	Global Investment Competitiveness Report (2020)

METHOD OF ASSESSMENT

Term project	20%
Term project presentation	10%
Article presentation	15%
Quizzes	15%
<u>Final exam</u>	<u>40%</u>
Total	100%

NOTE: Course grades are determined by your performance and not by individual needs or problems.

TERM PROJECT ASSESSMENT CRITERIA

- 1- Relevance of Research Topic.
- 2- Clarification of understanding of the field.
- 3- Discussing key concepts and ideas.

PRESENTATION ASSESSMENT CRITERIA

- 1- Delivery: speed, clarity, audibility.
- 2- Content and structure: setting out relevant issues, explaining key terms, easy to follow.
- 3- Response to questions.

RECOMMENDED CREDIBLE SOURCES FOR THE TERM PROJECT

- 1- <https://www.nber.org/>
- 2- <https://www.aeaweb.org/journals/>
- 3- <https://elibrary.worldbank.org/>
- 4- <https://www.oecd-ilibrary.org/>
- 5- <https://www.imf.org/en/Publications/>
- 6- <https://ec.europa.eu/eurostat/publications/all-publications>
- 7- <https://www.unido.org/researchers/publications>
- 8- <https://unctad.org/en/Pages/publications.aspx>
- 9- https://www.wto.org/english/res_e/reser_e/reser_e.htm