

PLIR 4410: Political Economy of Foreign Direct Investment
Fall 2015
(version 11/10/2015)

Mondays, 1-3:30 pm

Location: Gibson 241

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[allow 24 hours for replies to email]

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Office Hours: Mondays, 4-6 p.m.

Course Description

Foreign direct investment (FDI) is the single largest form of international capital flow. Countries actively court FDI in hopes of job creation, access to cutting-edge technologies, and, ultimately, sustained economic growth. At the same time, multinational corporations, the primary agent of FDI, are frequently implicated in a “race to the bottom,” accused of eroding environmental, health, and safety standards and exploiting labor to the detriment of workers in both developed and developing countries. This course reconciles competing views through a rigorous examination of the economics and politics of FDI.

Requirements

Papers

Students must submit four papers, each five pages in length (no more, no less), double-spaced, 12-point font, one-inch margins, single-sided, and stapled. To receive credit papers must be submitted by the student, in hard copy form within the first five minutes of the class in which the paper topic’s will be discussed. Papers that deviate from these terms (e.g. submitted late, emailed to the instructor, submitted by someone other than the student, on a different topic than that week’s scheduled class topic) will not receive credit. Students must also post an abstract of their paper to the Collab discussion site (see below for further details).

Papers will be given letter grades. Students may choose the weeks for which they write papers within the following parameters:

- First paper is due September 14
- Rewrite of first paper due September 28
- Second paper due October 19
- Third paper must be submitted October 26, November 2, or November 9
- Fourth paper must be submitted November 23, November 30, or December 7

For each paper, students must STAPLE to their paper a completed copy of the writing worksheet (available on in Collab Resources folder).

Papers address the topic on which the paper was submitted. Students will not have had a class discussion on the topic prior to writing their paper.

Students should approach the assignment as someone preparing a legal brief. See the circulated document on writing advice for a more extensive discussion on the principles of analytical writing. A central goal of this course is to teach students rigorous analytical skills. Papers should address the readings for the week in which they are submitted. **They should briefly summarize the readings as necessary to establish the paper's value added.** Then they should stake out a position about the readings and issues. For example, students may dispute a claim based on its theoretical foundations or the evidence used to support it. Alternately, students can build on the readings by stating and testing an observable implication of findings in the assigned readings. "A" papers will address the following issues in a careful and precise manner:

1. What seems most likely to be true based on the evidence you can marshal?
2. What motivate(d)s various actors (and authors) to stake out the policies (analyses) they do?
3. What are the distributional implications of policies (e.g. who are the winners and losers of the possible policy outcomes?)
4. What motivates actors and structure their interests? How do they make common cause with other people sharing the same interests? What institutions and organizations they use to attain those interests?

data: Authors that support their claims data make the most convincing arguments. Note that this does not necessarily mean formal statistical analysis – summaries of raw data can also serve this purpose. Students will be penalized for making assertions unsupported by evidence.

resources: You may bring any external sources you wish to bear on these papers, consistent with the honor code and common sense. Take cues from the course readings; use well-documented, credible sources (as opposed to Wikipedia or other undocumented and unreliable sources).

Students may choose to "apply" the insights of the readings to a case or an issue to which it is related. For example, a week in which readings address FDI's effects on democratization a student may write a paper on these issues as they manifest in a particular country. The paper would examine data for this particular country and assess how that country's experience compares to the general claims made in the readings.

Class Participation

Class participation is a central element of the course and consists of three parts:

1. Posting critical reflection/discussion questions or paper abstract to the Collab site in advance of class

Students are required to post critical reflection and discussion questions about a given week's readings 12 hours prior to the beginning of class. Questions must critically engage one or more

assigned reading, identifying points of discussion for the class. In class, students may be called upon to pose their posted questions in order to initiate discussion. For those weeks that a student has written a paper they may post an abstract of their paper in lieu of reflections and questions. The abstract should briefly summarize the paper's thesis, evidence, and how it builds upon that week's assigned readings. Posts should be a minimum of 1-2 paragraphs (approximately 300 words).

Students can also choose to post course-related content to the course web site. These posts are optional but will count towards students' participation grade. Student may post relevant current events to the designated Collab forum. Posts should describe the event and reflect on its implications for the course. These posts are optional but will contribute to students' course participation grade. Students may also contribute to the terminology wiki. Additional web-related exercises may be available during the course of the semester.

2. Writing Assignments

Students will complete two writing assignments designed to develop and reinforce specific research and writing skills. Assignments will be distributed one week in advance and are due at the beginning of the following week's class session. Writing assignments will be graded on the scale: check plus, check, check minus.

3. Active engagement in class

Throughout the semester there will be in-class exercises that require students to collaborate and produce some collective output. The instructor will assess each student's participation/contribution to their group and factor this into class participation grades. See separate handout on class participation for more specific guidelines.

Students who do not provide quality discussion questions prior to class or participate in class discussions will receive lower class participation grades.

Attendance

Students are allowed one unexcused absence during the semester – no questions asked. Students will receive a zero class participation grade for any subsequent unexcused absences. Unexcused absences are those without written documentation of medical illness or other exceptional circumstances. Students who anticipate missing class for official university purposes (e.g. scheduled athletic events) should advise the instructor at the beginning of the semester.

Composition of Final Grade:

Four papers @ 19% each = 76%

Class Participation and Writing Assignments = 20%

Completion of Final Course Evaluations = 4%

Materials

All readings are available electronically on the course Collab site or at the web link indicated on the syllabus.

In-Class Computer Use

During the second class meeting Professor Pandya and the students will discuss and agree on a policy regarding in-class computer use.

Honor Code

All students are subject to the University of Virginia's Honor Code. If a student has questions about any aspect of this code, he or she should consult the instructor for guidance. Students should take particular care to adhere to standard practices for the citation of published work. For further details see: <http://www.virginia.edu/honor/wnew/links.html>

Statement on Violence Prevention

The University of Virginia is dedicated to providing a safe and equitable learning environment for all students. To that end, it is vital that you know two values that I and the University hold as critically important:

1. Power-based personal violence will not be tolerated.
2. Everyone has a responsibility to do their part to maintain a safe community on Grounds.

If you or someone you know has been affected by power-based personal violence, more information can be found on the UVA Sexual Violence website that describes reporting options and resources available - www.virginia.edu/sexualviolence.

As your professor and as a person, know that I care about you and your well-being and stand ready to provide support and resources as I can. As a faculty member, I am a responsible employee, which means that I am required by University policy and federal law to report what you tell me to the University's Title IX Coordinator. The Title IX Coordinator's job is to ensure that the reporting student receives the resources and support that they need, while also reviewing the information presented to determine whether further action is necessary to ensure survivor safety and the safety of the University community. If you would rather keep this information confidential, there are Confidential Employees you can talk to on Grounds (See http://www.virginia.edu/justreportit/confidential_resources.pdf). The worst possible situation would be for you or your friend to remain silent when there are so many here willing and able to help.

Schedule

August 31: Course Introduction and Overview of FDI Trends
[read prior to first class meeting]

United Nations Conference on Trade and Development (UNCTAD). *World Investment Report 2015*. Chapter 1.

Sana, F., Weston, T., & Cepeda, N. J. (2013). Laptop multitasking hinders classroom learning for both users and nearby peers. *Computers & Education*, 62, 24-31.

Mueller, P. A., & Oppenheimer, D. M. (2014). The Pen Is Mightier Than the Keyboard Advantages of Longhand Over Laptop Note Taking. *Psychological Science*.

September 7: Economic Effects of FDI Flows in Sending and Receiving Countries

* writing assignment #1 due

Laura Alfaro. 2014. "Foreign Direct Investment: Effects, Complementarities and Promotion." Harvard Business School Working Paper 15-006 (August).

Sonal Pandya. (2014) *Trading Spaces: The Political Economy of FDI Regulation, 1970-2000*. Chapter 2.

Paul Romer. (1993) "Idea Gaps and Object Gaps in Economic Development," *Journal of Monetary Economics*, 32:3 (December) pp. 543- 573.

Recommended

National Public Radio. 2013. Planet Money T-Shirt Project:
<http://www.npr.org/series/248799434/planet-moneys-t-shirt-project>

September 14: Politics of FDI Regulation in Receiving Counties

* first paper due

Karl Sauvant. (2009) "FDI Protectionism is on the Rise" World Bank Policy Research Working Paper No. 5052 (September).

Sonal Pandya. (2010) "Labor Markets and Demand for Foreign Direct Investment" *International Organization* 64:3.

Ha-Joon Chang (2003) "Regulation of Foreign Investment in Historical Perspective," United Nations University Discussion Paper Series 2003-12 (December).

September 21: International Cooperation and the Anti-Globalization Movement

Edward Graham (2000) *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprise*. Washington: Institute for International Economics

Chapter 2: The MAI and the Politics of Failure: Who Killed the Dog?

Rodrik, Dani (2001) "The Developing Countries' Hazardous Obsession with Global Integration," January.

Oxfam (2003) "Unwanted, Unproductive and Unbalanced: Six Arguments Against An Investment Agreement at the WTO," Briefing Paper, May

United Nations Global Compact

September 28: In Class Writing Workshop

* revision of first paper due

No posting of discussion questions

Bring paper copy of revised first paper without identifying information

[October 5 – Fall Break; no class]

October 12: Political Risk and Volumes of FDI Inflows

Stephen J. Kobrin. (1987). "Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries," *International Organization* 41:4 (Autumn).

Nathan M. Jensen. (2003) "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment," *International Organization* 57:3 (Summer).

Quan Li. (2009) "Democracy, Autocracy, and Expropriation of Foreign Direct Investment," *Comparative Political Studies* 42:8.

October 19: FDI, Democratization, Human & Labor Rights

* second paper due

Edmund J. Malesky. (2008) "Straight Ahead on Red: How Foreign Direct Investment Empowers Subnational Leaders" *Journal of Politics* 70 (February)

Shannon Lindsey Blanton and Robert G. Blanton. (2007) "What Attracts Foreign Investors? An Examination of Human Rights and Foreign Direct Investment," *Journal of Politics* 69 (February)

Kucera, D. (2002). Core labour standards and foreign direct investment. *International Labour Review*, 141(1-2), 31-69.

October 26: FDI, Gender, and Race

Aguayo-Tellez, Ernesto. 2011. "The Impact of Trade Liberalization Policies and FDI on

Gender Inequalities: A Literature Review. 2012 World Development Report Background Paper.

Appold, S. J., Siengthai, S., & Kasarda, J. D. (1998). The employment of women managers and professionals in an emerging economy: Gender inequality as an organizational practice. *Administrative Science Quarterly*, 538-565.

Gelan, A., Fealing, K. H., & Peoples, J. (2007). Inward foreign direct investment and racial employment patterns in US manufacturing. *The American Economic Review*, 378-382.

Recommended

Fessler, Peter. 2015. "Learning to Speak Lingerie" *New Yorker* August 10.
<http://www.newyorker.com/magazine/2015/08/10/learning-to-speak-lingerie>

November 2: FDI and "Land Grabs"

Derek Byerlee and Klaus Deininger. 2013. "Growing Resource Scarcity and Global Farmland Investment." *Annual Review of Resource Economics* 5:13-14.

Andreea Mihalache-O'keef, and Quan Li. 2011. "Modernization vs. Dependency Revisited: Effects of Foreign Direct Investment on Food Security in Less Developed Countries." *International Studies Quarterly* 55.1: 71-93.

November 9: National Security Implications of FDI/Sovereign Wealth Funds

* last day to submit third paper

Stephen G. Brooks (1999). "The Globalization of Production and the Changing Benefits of Conquest" *Journal of Conflict Resolution* Vol. 4. 646.

Edward M. Graham and David M. Marchick (2006) *US National Security and Foreign Direct Investment* (Washington: Institute for International Economics)
Chapters 2 and 5.

Robert M. Kimmitt. 2008. "Public Footprints in Private Markets." *Foreign Affairs* January/February.

November 16: In-Class Case Study
no posting of discussion questions
[readings TBA]

November 23: Race to the Bottom?: The Politics of Investment Promotion

* writing assignment #2 due

Quan Li. (2006) "Democracy, Autocracy, and Tax Incentives to Foreign Direct Investors: A Cross-National Analysis," *Journal of Politics* 68(1):62-74.

Zachary Elkins, Andrew T. Guzman, and Beth A. Simmons. (2006) "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000." *International Organization* 60 (Fall).

Tim Bueth and Helen Milner. (2008). "The Politics of Foreign Investment into Developing Countries," *American Journal of Political Science* 52:4 (October).

November 30: Pollution vs. Technology: FDI and the Environment

Edward Graham. (2000) *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprise*. Washington: Institute for International Economics
Chapter 5: Globalization, Foreign Direct Investment, and the Environment.

Peter Newell. (2001) "Managing Multinationals: The Governance of Investment for the Environment," *Journal of International Development* 13.

OECD. (2002) "Environmental Impacts of Foreign Direct Investment in the Mining Sector in Sub-Saharan Africa. Conference on Foreign Direct Investment and the Environment, February 7-8.

December 7: FDI and Corruption

[students' choice]

***last day to submit fourth paper**

Pinto, P. M., & Zhu, B. (2009). Fortune or Evil? The Effect of Inward Foreign Direct Investment on Corruption. *The Effect of Inward Foreign Direct Investment on Corruption* (June 23, 2009).

Hines Jr, J. R. (1995). *Forbidden payment: Foreign bribery and American business after 1977* (No. w5266). National Bureau of Economic Research.

Wei, S. J. (2000). Does corruption relieve foreign investors of the burden of taxes and capital controls?. In *International Taxation and Multinational Activity* (pp. 73-88). University of Chicago Press.