Syllabus of International Investment (Somchai Ratanakomut)

(University of Utah, Salt Lake City, Utah)

1. Introduction (Monday, May 12, 2014)
   Multinational Corporations
   Macro versus Micro Approaches
   Topics in "Microeconomic Approach to International Investment"

   2.1 Market types
   Monopoly, Oligopoly, Monopolistic Competition and Perfectly Competitive Markets,
   Concentration index and Innovation
   2.2 Macroeconomic environment
   Aggregate Demand, Macroeconomic Policy, Exchange Rate and Crowding Out Effect
   International Trade and Investment (Vernon and Krugman)
   Economic Development Strategies (Import Substitution, Outward looking and
   Business Cycles)

3. Theories of Industrial Organizations (Monday May 19, 2014)
   3.1 Relationships of Structure, Conduct and Performance
   3.2 Price and Non-Price Competition

   4.1 Infrastructure and Investment Promotion
   4.2 Investment Promotion and Competition

5. Areas of Research in International Investment (Wednesday, May 28, 2014)
   5.1 Trends in International Business Practices
   5.2 Summary

**Supplement Texts:**


**Suggested Readings:**

1. Introduction (Monday, May 12, 2014)

Richard E. Caves Chapters 1 and 2

2. Markets and Its Environment (Wednesday, May 14, 2014)

Richard E. Caves Chapters 5 and 6

Timothy C. G. Fisher, David Prentice and Robert Waschick, *Managerial Economics*

3. Theories of Industrial Organizations (Monday May 19, 2014)

Richard E. Caves Chapters 3, 4 and 7, and

Pual Cashian, *Economics Strategy and the Firm*

Richard E. Caves Chapters 8 and 9

David Besanko, David Dranove and Mark Shanley, *Economics of Strategy*

5. Areas of Research in International Investment (Wednesday, May 28, 2014)

Richard E. Caves Chapter 10
GENERAL DESCRIPTION: PART II EXAMINES THE THEORY, EXPERIENCE AND POLICY OF INTERNATIONAL ECONOMICS OF INVESTMENT WITH A MACROECONOMIC ORIENTATION. THE MAIN TOOLS OF ECONOMIC ANALYSIS IN THIS PART COME FROM (1) THE THEORY OF INTERNATIONAL ECONOMICS (TRADE AND FINANCE) AND (2) THE THEORY OF ECONOMIC DEVELOPMENT. THESE MACROECONOMIC PERSPECTIVES ARE BASED ON "STYLISTIC FACTS," ASSUMPTIONS, DRAWN FROM MICROECONOMIC ANALYSIS, FOCUS OF PART I OF THE COURSE WITH PROF. RATANAKOMUT. IN READING THE ASSIGNMENTS FOR PART II, PLEASE, FOCUS ON THE MAIN THEMES -- NOT THE TECHNICAL DETAIL -- OF THE READING. YOU DO NOT NEED TO READ EVERYTHING BUT SHOULD SELECT SOME ITEMS IN EVERY SECTION TO READ CAREFULLY (* IS MORE IMPORTANT THAN NO *) AND "SKIM" OTHERS. PARTICULARLY IMPORTANT ASSIGNMENTS ARE MARKED **; THEY SHOULD BE READ CAREFULLY BY EVERYONE.

THE COURSE IS VERY INTENSIVE. IF YOU PLAN TO MISS EVEN ONE CLASS MEETING (THE EQUIVALENT OF MORE THAN A WEEK'S WORK DURING A REGULAR SEMESTER) YOU ARE ENCOURAGED NOT TO REGISTER.

OCCASIONALLY A READING ASSIGNMENT MADE IN PART I WILL BE REPEATED IN PART II. PLEASE REVIEW THE READING SINCE DIFFERENT ASPECTS WILL BE EMPHASIZED IN THE DIFFERENT PARTS OF THE COURSE.

ALL UNCTAD WORLD INVESTMENT REPORTS CAN BE ACCESSED ELECTRONICALLY, FREE, THROUGH THE MARRIOTT LIBRARY CATALOG WHEN YOU ENTER THROUGH THE MY UTAH PORTAL AT: http://www.unctad.org/ THAT IS HOW YOU WILL GET THEM, NOT ON RESERVE.

ASSIGNMENTS FOR INTRODUCTION AND PART I:

June 2 I. INTRODUCTION: TRADE VERSUS FOREIGN DIRECT INVESTMENT AND GENERAL EQUILIBRIUM MODELS.
*** R. CAVES, MULTINATIONAL ENTERPRISE AND ECONOMIC ANALYSIS, CHAPTER 1, Multinational Enterprise (MNE) as an Economic Organization AND CHAPTER 2 The MNE and Models of International Economic Activity
* UNCTAD WORLD INVESTMENT REPORT, INVESTMENT, TRADE AND INTERNATIONAL POLICY ARRANGEMENTS, CHAPTER 3, 1996
* UNCTAD WORLD INVESTMENT REPORT, PAGES 43-47, JAPAN, CHINA AND ASEAN, 2002
*UNCTAD WORLD INVESTMENT REPORT, 2009, OVERVIEW

June 4, II. SPECIFIC FACTORS, PROPRIETARY ASSETS, PRODUCT & PROCESS CYCLES & INCREASING RETURNS: TRADE WITH FDI.
* UNCTAD, WORLD INVESTMENT REPORT, CHAPTER 4, 1996
*** R. VERNON, "THE PRODUCT CYCLE HYPOTHESIS IN A NEW INTERNATIONAL
June 9, **III.** INTERNATIONAL INVESTMENT AND FINANCIAL FLOWS. 
INTERNATIONAL FINANCIAL FLOWS AND THE MACROECONOMY: BALANCE OF PAYMENTS, AND FOREIGN EXCHANGE MARKETS.

*** R. CAVES, MNE, CHAPTER 6, Investment Behavior and Financial Flows
* M. FRY, "FOREIGN DIRECT INVESTMENT IN SOUTHEAST ASIA: DIFFERENTIAL IMPACTS," INSTITUTE OF SOUTHEAST ASIAN STUDIES, SINGAPORE, 1993 (compares L.A and SEAsia)
*** M. DOOLEY, ET. AL., "IS THE DEBT CRISIS HISTORY?" THE WORLD BANK ECONOMIC REVIEW, JAN 1996
*** E. FERNANDEZ-ARIS AND P. MONTIEL, "THE SURGE IN CAPITAL INFLOWS TO DEVELOPING COUNTRIES," THE WORLD BANK ECONOMIC REVIEW, JAN 1996

June 11, **IV.** NATIONAL DEVELOPMENT CONSEQUENCES OF MULTINATIONAL ENTERPRISES. INCOME DISTRIBUTION, TECHNOLOGICAL CHANGE AND TAX COLLECTIONS & COMPARISONS OF MNE & NATIONAL FIRMS.

*** R. CAVES, MNE, CHAPTERS 5, 7, 8, 9: Income Distribution, Technology, Taxation, MNEs in LDCs
*** R. JENKINS, "COMPARING FOREIGN SUBSIDIARIES AND LOCAL, FIRMS IN LDCS, " THE JOURNAL OF DEVELOPMENT STUDIES." NO. 2, 1990
*** S. URATA AND H. KAWAI, "INTRA-FIRM TECHNOLOGY TRANSFER BY JAPANESE MANUFACTURING FIRMS IN ASIA" IN "THE ROLE OF FOREIGN DIRECT INVESTMENT IN EAST ASIAN ECONOMIC DEVELOPMENT" ITO AND KREUGER, EDS., 2000.

June 16 **V.** THE INVESTMENT DEVELOPMENT PATH AND PUBLIC POLICY, MNEs AND THEIR DEVELOPMENT CONSEQUENCES: MATURE INDUSTRIALIZED NATIONS VS. RECENTLY AND LATER INDUSTRIALIZING NATIONS.

June 18, 2nd MIDTERM EXAM IN CLASSROOM: 6:00-8:00p

No make-up exams will be given, regardless of reason, except when required under University regulations. University regulations permit “incomplete” grades only when no more than 20% of the required work remains to be completed. The topic paper and the two midterm exams are 100% of the course grade unless classroom performance is especially good (or bad).

The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations.

All written information in this course can be made available in alternative format with prior notification to the Center for Disability Services.

The assigned readings may be found by going, on line from a University computer, to the Marriott Library main page; on the left, click on “course reserves;” in the search box enter “Gander;” on the left will be a course list, click on 6620 (yes, I know it is the wrong course number) where a list of 28 items will be found; click on the desired item -- often there are several by the same author be careful to get the right one.