

IR 324—Multinational Enterprises and World Politics

Monday/Wednesday/Friday 1:00-1:50

CPA 156

Dr. Douglas Becker

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Office: CPA 231C

Office Hours: MW 6:30-8:00 pm by appointment

NOTE: I will hold office hours in-person, although an in-person appointment can be arranged

The Challenge of the Return: We are meeting in person this semester. Of course, we still have the challenge of the pandemic, the potential for quarantines and other class disruptions. So first and foremost, the real keys this semester are flexibility and empathy. If we need to take part of the semester back online, we'll adjust. If some of you miss class time because of the pandemic, we will accommodate. That being said, attendance is expected in class and *asynchronous or distance options should be considered temporary accommodations* and not full semester options. I will make material available outside of the classroom but the entire class will not be available outside of the classroom. Consider this available material supplemental to help you prepare for exams and papers. On occasion I have powerpoints. When I do, I will post them. But for every class, I will post questions to serve as the key takeaways from readings and the class material. I suggest you review those questions after every class and make sure you can answer them. If you can't, reach out and I will help ensure you have all of the material. And rest assured, I know you don't love taking classes on Friday. So I will make sure these have some fun topics.

Multinational corporations have played an important role in global politics for several centuries. Ranging from the role of the East India Company in forming British colonial policies in South Asia, to the role of American MNC economic interests in promoting the Open Door in China, multinational corporations have helped to shape the global order. But international relations has a remarkably underdeveloped theoretical foundation for how these corporations act. This course seeks to address this gap, introducing students to some new theorizing and empirical work explaining the role of MNCs. In particular, this course will consider the interaction between MNCs, nation-states, global governance, and non-governmental organizations.

This course will address the following questions:

1. What has been the historical role of MNCs in world politics? Has this role grown as significantly as many analysts suggest, with the advent of globalization and a global drive toward liberalization? What is the impact of these changes?
2. Why do MNCs choose to invest overseas? What are the financial, political, economic, and legal incentives for MNCs to invest in multiple nations?
3. What is the impact of MNCs on the economic and political development in the investment host country? What exactly is the relationship between economic development and MNCs?
4. What is the motivation of home governments in encouraging international investment? Does the home government matter in how MNCs operate? In particular, is there a difference between state-owned enterprises and private enterprises? In Global South MNCs and Global North MNCs? In democratic home governments and less democratic home governments?

5. What governance is emerging to address the issues raised with the relationships between MNCs, host governments and home governments? In particular, what role does trade law and treaty obligations under Bilateral Investment Treaties commonly found in trade agreements? Should international law emerge that govern these relations in a multilateral forum?
6. What are the international political relationships between host governments, home governments, and MNCs? What types of moral suasion can NGOs or home governments place on MNCs in considering their corporate social responsibility alongside their investment motives? In short, how much are MNCs concerned with their public profiles on CSR in comparison to profit motivation?

So in essence, we will examine why MNCs choose to invest overseas, what impacts they have, and what role that global governance and NGOs can play at ensuring these impacts are increasingly positive.

The grades for this course are as follows:

Research paper	30%
mid-term	25%
final	30%
2 short case briefs	5% each
class participation	5%

Students will prepare a research project examining one of the topics of the course. All research paper topics should be approved by the instructor, and there are two distinct approaches. You may research a broad theoretical or empirical topic that cuts across multiple cases, or you may choose to examine a specific company or industry within a nation or region and compose an in-depth cases analysis. I will provide a detailed paper prompt during the 3rd week of the class. The mid-term is an in-class exam that will test both the student's knowledge of material presented and a critical thinking essay. The final is comprehensive and is in-class as well, with both an objective portion and an essay which should engage your critical thinking. Finally, we will have a number of case discussions, mostly on Fridays. I will assign a case brief for two of them. These are maximum 3 pages and will include a critical question about the lessons of the case. They will be due in the next class meeting after the case discussion.

We will have twelve case discussions from the Harvard Business Case catalogue:

1. August 27: Distance Still Matters
2. September 9: Canopy Growth Corporation: Canada First and the World Next
3. September 16: El Salvador: Launching Bitcoin as Legal Tender
4. September 30: Tata Group in 2021: Pursuing Profit through Purpose
5. October 8: Keystone XL Parts 1-2
6. October 10: Dolce and Gabbana: Racism, Stereotypes, or Being Funny
7. October 10: Starbucks: Battling the Racism Allegations In Case Packet
8. October 21: IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor
9. November 4: LOOKING INSIDE: Intel and Conflict Minerals
10. November 11: Greening Walmart: Progress and Controversy
11. November 18: H&M Global Supply Chain: Factories and Fast Fashion
12. November 28: Socially Responsible Pricing: Lessons from the Pricing of AIDS drugs in Developing Countries

Each of these cases must be read prior to the class. We will spend the entire class meeting discussing these cases in depth. Class participation is required which requires demonstration of prior completion of the reading, and thoughtful response to questions posed. Participation in case discussions is the surest way to bolster your class participation grade (and will provide ample opportunity for response). **The penalty for late work is 5 points a day.** When work is turned in late, you may email me a copy only to establish when it was completed. I do not accept emailed copies of papers, but only hard copies. The only excuses accepted are University sanctioned excuses and must be documented. Also, this course will follow all of the guidelines for reasonable accommodations laid out in the University Handbook.

Purchasing and Downloading Instructions for Custom Publishing Website: (this is also included on the sheet in Blackboard in the Syllabus section)

NOTE: Please be sure you are permanently enrolled in the class before purchasing. There are **NO REFUNDS** on course readers.

To purchase your course reader online, please follow these instructions:

- Go to <https://shop.universitycustompublishing.com/my-account/>
- Select School: University of Southern California
- If you are a **new customer**, click Continue and fill out the required information (Note: when creating a password, do not add spaces or too many special characters)
- If you are a **returning customer**, log-in with your E-mail address and password and click Log In
- Select a **Term** (Semester and Year) and Select a **Department**, from the menu.
- Locate the course reader desired to purchase (**IR 324, Fall 2021**)

COURSE READER OPTIONS:

- **EZ-Reader Digital** – Students download a PDF of the complete course reader readings.
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If you need further assistance or have any questions, please contact us at 800.934.9313 or custom.publishing.readers@usc.edu

Grading Scale

Course final grades will be determined using the following scale

- A 93-100
- A- 90-92
- B+ 87-89
- B 83-86
- A- 80-82
- C+ 77-79
- C 73-76
- C- 70-72
- D+ 67-69
- D 63-66
- D- 60-62
- F 59 and below

Grading and Correction of Grades

Excerpts for this section have been taken from the University Grading Handbook, located at <http://www.usc.edu/dept/ARR/grades/gradinghandbook/gradingpolicies.html>

Please see the link for the course before the semester ends. All missing grades must be resolved by the instructor through the Correction of Grade Process. One calendar year is allowed to resolve a MG. If an MG is not resolved [within] one year the grade is changed to [Unofficial Withdrawal] UW and will be calculated into the grade point average a zero grade points.

A grade of Incomplete (IN) “is assigned when work is not completed because of documented illness or other ‘emergency’ occurring after the twelfth week of the semester (or 12th week equivalency for any course scheduled for less than 15 weeks).”for more details on grading concerns.

A grade of Missing Grade (MG) “should only be assigned in unique or unusual situations... for those cases in which a student does not complete work

The books for this class are as follows:

Jeffrey Frieden, David A. Lake and J. Lawrence Broz. International Political Economy. 6th edition. W. W. Norton, ISBN: 9780393603880

Haley Sweetland Edwards, Shadow Courts: The Tribunals that Rule Global Trade. Columbia Global Reports, ISBN: 9780997126402

John Ruggie. Just Business: Multinational Corporations and Human Rights. W. W. Norton, ISBN: 9780393062885

Harvard Business Case Packet. It can be purchased in electronic form—purchasing instructions are posted to Blackboard and indicated on the syllabus

Outline of the Course

1. What is a Multinational Corporation and What is their History in World Politics
2. Why do Multinational Corporations Invest Abroad
3. What is the Impact of Multinational Corporations and Foreign Direct Investment on the Economic Development of the Host Country
4. The Impact of Multinational Corporation Investments on the Home Government
5. Governance and Regional Trade: Free Trade Agreements and ISDS Courts
6. Challenges And Controversies of Corporate Behavior
 - a. Human Rights and Conflict
 - b. Environmental Challenges and the Greening of Business
 - c. Labor Rights and Practices
 - d. Intellectual Property and Technology Transfer in Human Security Industries
 - e. Building Transparency and Avoiding Corruption
7. Voluntary Corporate Strategies and Social Responsibility

PART 1: WHAT IS A MULTINATIONAL CORPORATION AND WHAT IS THEIR HISTORY IN WORLD POLITICS?

August 22: Introduction, What is the relationship between companies and government
Markman Ellis and Richard Coulton, Empire of Tea pgs 53-72; 202-219; 267-275
Blackboard

24: What is a Multi-National Enterprise?
Freiden et al, "Introduction" in Frieden reader, pgs 1-19

Richard E. Caves "The Multinational Enterprise as an Economic Organization" in Frieden reader, pgs 144-155

26: **Case Study 1: Distance Still Matters, from Case Packet**

Part 2: WHY DO MULTINATIONAL CORPORATIONS INVEST ABROAD

29: Why do Firms Invest Abroad?
Elhanan Helpman et al, "Export Versus FDI with Heterogenous Firms"
Blackboard

Stephen Ross Yeaple, Firm heterogeneity and the structure of U.S. multinational activity," Journal of International Economics (2009) pgs 206-215 **Blackboard**

31: Trade or Invest: Free Trade vs FDI and Global Trade Norms

Cheryl Schnhardt-Bailey, "Free Trade: The Repeal of the Corn Laws"
Frieden et al pgs 81-91

Peter Alexis Gourevitsch, "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896." Frieden et al, 92-112

Michael Bailey, Judith Goldstein, and Barry Weingast, "The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade." Frieden et al, 119-139

Barry Eichengreen, "The Political Economy of the Smoot-Hawley Tariff" Frieden et al, 286-296

2: The Local Market in a Globalized Industry—the case of Globalized Wine Markets

Mike Veseth, Wine Wars, pgs 27-94 **Blackboard**

5: Labor Day, no Class

7: State Power, Domestic Interests, and Liberal Trade: Power of States or Power of MNCs?

Ronald Rogowski, "Commerce and Coalitions: How Trade Affects Domestic Political Alignments). Frieden et al, pgs 20-29

Stephen D. Krasner "State Power and the Structure of International Trade" Frieden et al, pgs 43-61

Christina Davis "International Institutions and Issue Linkage: Building Support for Agricultural Trade Liberalization." Frieden et al, pgs 62-76

9: **Case Study 2: Canopy Growth Corporation: Canada First and the World Next, from case packet**
Case Brief #1 assigned

September

12: MNCs and Political Risk
The Political Risk of MNCs—Challenges to Overseas Investments
Benjamin A.T. Graham et al, "A Unified Model of Political Risk" **Blackboard**
Case Brief #1 due

14: Attracting Foreign Direct Investment
Sonal Pandya "Labor Markets and Demand for Foreign Direct investment"
Frieden et al, pgs 156-166

Beth A Simmons "Bargaining over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investments." Frieden, et al, pgs 167-183

Quan Li and Adam Resnick, "Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries." Frieden, pgs 184-205

16: **El Salvador: Launching Bitcoin as Legal Tender**

Part 3: WHAT IS THE IMPACT OF MULTINATIONAL CORPORATIONS AND FOREIGN DIRECT INVESTMENT ON THE ECONOMIC DEVELOPMENT OF THE HOST COUNTRY?

20: The Impact of Foreign Direct Investment on Development

Branko Milanovic "Global Income Inequality in Numbers: In History and Now." Frieden et al, pgs 416-427

Dani Rodrik "The Past, Present, and Future of Economic Growth: Frieden, et al, pgs 428-448

Kenneth Sokloff and Stanley Engerman "History Lessons: Institutions Factor Endowments, and Paths of Development in the New World." Frieden et al, pgs 449-458

22: FDI in Growing African Economies--Insights from Nigeria and South Africa
Osmund Osinachi Uzor, "African Small and Medium Enterprises and the Challenge in Global Supply Chains: The Case of Nigerian Garment Enterprises."
Blackboard

Soeren Jeppesen and Justin Barnes. "Is Attracting Foreign Direct investment the Only Route to Industrial Development in an Era of Globalization? The Case of Clothing and textiles Sector in South Africa." **Blackboard**

24: No class, I will be at ISA-West

27: Does The Home Country for TNC Matter? The Cases of India and China
Jorgen Dige Pedersen, "Is Indian FDI Developmental" Transnational Corporations and Development Policy: Critical Perspectives. pgs 105-136
Blackboard

Andrew Crabtree and Andy Sumner "Chinese Outward FDI in Africa: How much do we know?" Transnational Corporations and Development Policy: Critical Perspectives. pgs 137-154 **Blackboard**

PART 4: THE IMPACT OF MULTINATIONAL CORPORATE INVESTMENT ON THE HOME COUNTRY

29: Strategies for Later-Developed Home Countries in Investing Abroad
Yadong Luo and Rosalie L. Tung. International expansion of emerging market enterprises: A springboard perspective Journal of International Business Studies, 2007, vol. 38, issue 4, pages 481-498 **Blackboard**

Karl Sauvart, "The Rise of TNCs from Emerging Markets: The Issues." **Blackboard**

Edward Mansfield and Diana Mutz, "US versus Them: Mass Attitudes toward Offshore Outsourcing" Frieden et al, pgs 535-563

PART 5: REGIONAL GOVERNANCE AND FOREIGN INVESTMENT: ISDS COURTS

September 30: **Tata Group in 2021: Pursuing Profits through Purpose in Case Packet**

3: What is so objectionable about Free Trade Agreements?
Edwards, Introduction, Chapters 1-4, pgs 12-71

5: Some high profile ISDS cases
Edwards, Chapters 5-8, pgs 72-121

7: ISDS and Environmental issues: The Keystone Pipeline Case
Keystone XL, Part 1 and 2, Case Packet

Companies and Race Issues

October 10: **Dolce and Gabbana: Racism, Stereotypes, or Being Funny In Case Packet**

Starbucks: Battling the Racism Allegations In Case Packet

12: Mid-Term

14: No Class, Fall Recess

17: Corporate Inversions' Impact on Tax Collection and Employment in the Home Country
Nirupama S. Rao, "Corporate Inversions and Economic Performance"
National Tax Journal, December 2015, 68 (4), 1073–1098 **On Blackboard**

READING ON TREATY ON MINIMUM TAX FOR CORPORATIONS
On Blackboard

19: Investing in Challenging Human Rights Climates
Ruggie, Chapter 1-2, pgs 1-80

21: **IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor in case packet**

PART 6: CHALLENGES AND CONTROVERSIES OF CORPORATE BEHAVIOR

PART A: HUMAN RIGHTS AND CONFLICT

25: LECTURE ONLINE (I'll post it for Asynchronous Viewing)
Is there a market for corporate social responsibility?
David Vogel, The Market for Virtue. Chapters 1-3, pgs 1-74 **Blackboard**

27: LECTURE ONLINE (I'll Post it for Asynchronous Viewing)
"Protect, Respect, and Remedy"
Ruggie, Chapter 3, pgs 81-127

Susan Ariel Aaronson and Ian Higham "Re-righting Business: John Ruggie and the Struggle to Develop International Human Rights Standards for Transnational Firms" **Human Rights Quarterly**, Volume 35, Number 2 (May 2013) pgs 333-364

29: No class, I will be in Poland at a conference

31: International Human Rights Laws and Corporations
Ruggie, Chapters 4, pgs 128-169

November 2: Voluntary Approaches or New International Treaty?
Ruggie Chapter 5, pgs 170-202

4: **LOOKING INSIDE: Intel and Conflict Minerals in Case Packet**

SECTION B: ENVIRONMENTAL CHALLENGES AND CORPORATE BEHAVIOR

7: Jeffrey A. Frankel, "Globalization and the Environment." Frieden et al, gs 461-488

Robert Keohane and David Victor "Cooperation and Discord in Global Climate Policy" Frieden et al, pgs 506-517

Ion Bogdan Vasi "Is Greenness In the Eye of the Beholder? Corporate Social Responsibility Frameworks and the Environmental Performance of US firms" pgs 365-392 In Corporate Social Responsibility in a Globalizing World. **Blackboard**

9: Green Business Cases
Greening Walmart: Progress and Controversy in case packet
Case Brief #2 assigned

11: Veterans Day, no class

SECTION C: LABOR RIGHTS AND PRACTICES

14: The Status of Labor in MNCs in Developing Countries
Layna Mosley and Saika Uno (2007). Racing to the Bottom or Climbing to the Top? Economic Globalization and Collective Labor Rights. Comparative Political Studies 40 (8):923-48 **On Blackboard**

Nancy Plankey Videla "It Cuts Both Ways: Workers, Management, and the Construction of a 'Community of Fate' on the Shop Floor of a Mexican Garment Factory. pgs 2099-2120 **Social Forces**, 2006, **Blackboard**
Case Brief #2 due

SECTION D: MNCs and Global Corruption

- 16: The UN Global Compact's Transparency Principles
Peter Rodriguez "The Challenges of Corruption in Business, Government, and Society" **Blackboard**
- Matti Joutsen and Adam Graycar, "When Experts and Diplomats Agree: Negotiating Peer Review of the UN Convention Against Corruption" pgs 425-439 Global Governance (2012). **Blackboard**
- Doh, Jonathan, Peter Rodriguez, Klaus Uhlenbruck, Jamie Collins, Lorraine Eden. "Coping with Corruption in Foreign Markets. Academy of Management Executive, 17.3: 114-127. **Blackboard**

18: **H&M Global Supply Chain: Factories and Fast Fashion in Case Packet**

SECTION E: Intellectual Property and Technology Transfer in Human Security Industries

- 21: Global Agribusiness, Intellectual Property, and the "Right to Food"
P. D. Goldsmith, D. K. Nauriyal, and W. Peng. "Seed Biotechnology, Intellectual Property, and Global Agricultural Competitiveness." In Seeds of Change: Intellectual Property Protection for Agricultural Biotechnology. Pgs 19-37 **Blackboard**
- T. Dhar and J. Foltz, "The Impact of Intellectual Property Rights in the Plant and Seed Industry." In Seeds of Change: Intellectual Property Protection for Agricultural Biotechnology. Pgs 161-171 **Blackboard**
- J. Chen. "Biodiversity and Biotechnology: A Midunderstood Relationship." In Seeds of Change: Intellectual Property Protection for Agricultural Biotechnology. Pgs 347-372 **Blackboard**

RESEARCH PAPERS DUE!!

24, 26: No Class, Thanksgiving Break

PART 6: VOLUNTARY CORPORATE STRATEGIES AND SOCIAL RESPONSIBILITY

- 28: **Socially Responsible Pricing: Lessons from the Pricing of AIDS drugs in Developing Countries in Casebook**
- 30: What is the UN Global Compact and How Does it Work?
Andreas Rasche "The United Nations and Transnational Corporations: How the UN Global Compact Has Changed the Debate" **Blackboard**
Sandra Waddock "Context and Dynamics of the UN Global Compact: An Idea Whose Time has Come" **Blackboard**
- Oliver F. Williams, "Responsible Corporate Citizenship and the Ideals of the United Nations Global Compact." P 413-430 in Peace through Commerce:

Responsible Corporate Citizenship and the Ideals of the UN Global Compact.
Blackboard

- December 2: The Promise of Fair Trade
Sean D. Ehrlich "The Fair Trade Challenge to Embedded Liberalism, Frieden et al, pgs 489-505
- Douglas L. Murray and Laura T. Raynolds "Globalization and its Antinomies: negotiating a Fair Trade Movement." Pgs 3-14 in **Fair Trade: The Challenges of Transforming Globalization (Blackboard)**.
- Daniel Jaffee, **Brewing Justice**, Chapters 2, 8-9 **Blackboard**
- 5: Voluntary Review Session

Final Exam: Wednesday December 14, 11:00 am -1:00 pm

Support Systems

Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

<https://engemannshc.usc.edu/counseling/>

National Suicide Prevention Lifeline - 1-800-273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class. <https://equity.usc.edu/>

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

Student Support & Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

Diversity at USC – <https://diversity.usc.edu/>

Tab for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

USC Department of Public Safety – UPC: (213) 740-4321 24-hour emergency or to report a crime.

Provides overall safety to USC community. dps.usc.edu

Academic Conduct

USC seeks to maintain an optimal learning environment. Students are expected to submit original work. They have an obligation both to protect their own work from misuse and to avoid using another's work as their own. All students are expected to understand and abide by the principles of academic honesty outlined in the University Student Conduct Code (see University Governance, Section 11.00) of SCampus (www.usc.edu/scampus or <http://scampus.usc.edu>). The recommended sanctions for academic integrity violations can be found in Appendix A of the Student Conduct Code.

Emergency preparedness/course continuity

If an officially declared emergency makes travel to campus infeasible, USC Emergency Information <http://emergency.usc.edu> will provide safety and other updates, including ways in which instruction will be continued by means of Blackboard, teleconferencing, and other technology.

Students with Disabilities

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs (www.usc.edu/disability). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu