
BOOK REVIEWS

Foreign Direct Investment: Six Country Case Studies

Yingqi Annie Wei and V.N. Balasubramanyam, editors
(Cheltenham, Edward Elgar, 2004), 218 pages

The vast literature on foreign direct investment (FDI) has been suffering from a lack of comparative work based on specific case studies drawn from different regions of the world. This gap is now being filled with the book under review written by well-known contributors and discussants in the area. The choice of the six countries for case studies: China, India, Malaysia, Mexico, Ireland and sub-Saharan Africa with a specific focus on Nigeria “ is pertinent, for these countries belong to various regional groupings of the world, which, beyond their many differentiating factors, share many common features. In particular, membership to more economically integrated regions of the world (such as the EU, ASEAN, NAFTA) implies the firms are able to use the selected host economies as export platforms within regional groupings. The countries studied in this volume have all moved from import substitution regimes to FDI-led growth and export-oriented regimes.

The inclusion of Africa in the analysis, the forgotten region of the world, is most welcome, and the addition of Ireland is not surprising if one considers the fact that, up until the early 1990s, Ireland was one of the four poorest member states of the EU. The analysis of FDI is presented with due reference to a number of recurrent themes in each of the chapters. These are the determinants, characteristics and impact of FDI in terms of economic growth and economic development. When combined with the discussion on the differentiating features of each country, this common thread allows the reader to explore a number of important questions. One critical issue implied by this comparative work is whether any of the countries under

analysis can be viewed as a role model for other countries in the world.

The chapter on China provides a comprehensive review of the existing literature on the characteristics, determinants and growth impact of FDI. Starting with a brief presentation of the four stages in China's FDI development path, the chapter highlights the importance of the Chinese diaspora (also in Western countries) in the inward FDI phenomenon. It shows how wholly-owned foreign affiliates have increased lately. It reasserts the importance of trade by foreign affiliate (usually referred to as "foreign-invested enterprises" in China) and it points to the uneven regional distribution of FDI. The chapter brings to the fore a number of new and challenging features of FDI in China, in particular, the increasing importance of FDI in the capital and technology intensive industries. The literature on the determinants of FDI in China has built up considerably in the past decade. An interesting finding is that the low labour cost advantage of China is probably a feature of the past, for China will not be able to withstand much longer the labour cost competition from neighbouring countries such as Viet Nam, and also India. The author argues that FDI has certainly benefited the Chinese economy from both a macroeconomic and microeconomic level, although the benefits have been spatially skewed. An interesting comment proffered by the discussant ought certainly to be given more consideration by the Chinese authorities. This is that, in spite of a very high savings rate, domestic entrepreneurs face a finance constraint which allows, in effect, FDI to become a substitute for domestic investment.

The case study of India brings extremely useful and thought provoking elements to the analysis of FDI in general. The problem of the relatively low level of FDI inflows into the country when compared with China since the beginning of the economic reforms in 1991 opens the chapter. From the outset, the authors warn against the mechanistically beneficial impact of FDI, a common and rarely challenged view in the literature. The authors argue, indeed, that "sweeping generalizations such as that FDI brings huge advantages, it has no downside, and

that throwing doors wide open would necessarily attract increased volumes of FDI are suspect” (p. 48). In particular, India’s FDI policy framework has been one of the most liberal investment regimes, and yet the country has not attracted levels of FDI comparable to those of China. Caution must be exercised for, again in the view of the authors, “it is a bit farfetched to argue that FDI is a panacea for the development problem and India should throw all doors open to FDI” (p. 59). Consequently, the authors question whether China is a role model for India in its effort to attract FDI. Their review of the differentiating factors that oppose the two countries shows, for example, that the large Chinese diaspora community often active in business “is found mostly in Asia, whereas the Indian diaspora are mostly in the United States, the United Kingdom and other western countries, and belongs to professions such as education, health services and science. FDI in India has traditionally been found in high-tech industries and in services, whereas it has been in low-tech industries in China. It is the quality of FDI as well as its surrounding environment, rather than its quantity, that determines its impact on economic development. The efficacy of FDI is greater in India compared with China, for India is capable of generating relatively high growth rates with less FDI. Finally, the chapter concludes with some policy implications, such as the necessity to implement policies that are also in the interest of domestic investors.

The chapter on Malaysia is a valuable case study on the difficulties encountered by a fast developing economy that has opted for an FDI-led growth and export-oriented policy since the late 1960s, with a priority given to the development of the electronics industry. The chapter reviews the developmental stages of the country since independence and it provides an insight into the incentive package to attract FDI. It shows indeed how the policies to attract FDI have evolved, in line with the international division of labour and the comparative advantages of competing countries, and with the move towards high value-added and research intensive activities (a pattern which is common to many countries of the world, including Ireland). The problem of weak linkages is mentioned, although rather briefly,

and the authors explain the weakness in terms of backward linkages by the low technological capability of domestic firms, as well as by the lack of investment incentives targeted at specific outcomes – such as local content requirements. Another important problem is the “distortion” that has been created by government policies in the productive structure of Malaysia, with an inappropriate indigenous sector and discrimination in favour of Malay entrepreneurs.

Another case illustrating the shift from import substitution industrializing policies (back in the 1940s) to an open regime (in the 1980s) is represented by Mexico. Making up for approximately 10% of all FDI inflows into the developing countries in the 1980s, FDI in Mexico has been spatially concentrated in the *maquiladoras* (developed during the 1960s), increasing thereby wage inequality and potentially regional disparity in the country. The analysis of the spatial impact of FDI remains, nevertheless, at a very preliminary stage, for the authors prefer to fill a notable gap in the literature on FDI in Mexico by analyzing the determinants of FDI and by analyzing the FDI-growth relationship with the help of econometric modelling. Although the findings of their analyses are subject to great caution (as acknowledged and warned by the authors themselves), the authors find that FDI played a role in Mexican economic growth over two sub-periods (1979-1985 and 1986-1999). These sub-periods correspond to two different trade and investment regimes. The explanation for the increase of FDI over time, in relative terms, by Japanese and EU firms may be, as pointed out by the discussant, because the Mexican *maquiladoras* are increasingly used by these firms as production and export platforms to the United States. This shows the importance of regional integration in the FDI phenomenon.

The chapter on Ireland has the merit of proposing a comprehensive description of industrial policy in a small open Western economy that has succeeded in catching up with the EU average. This chapter portrays a picture of FDI in Ireland over the past four decades, with a specific focus on policy aspects. It shows the evolving industrial policy of the

Government, with its corporate tax rate as the cornerstone since the late 1950s. Although evolving over the years so as to respond to international trends, with, for example, more selectivity and coercion, the policy is characterized by consistency. By focusing on the policy aspects, the chapter examines the role of FDI in Ireland's growth process. After a discussion of policy objectives and approach, it analyzes whether or not the policy objectives have been met and goes on by suggesting an assessment. Given the current problem of sustainability of the Irish developmental model, the chapter then looks at future policy objectives, future policies and at the possible relevance of the Irish model to other countries, notably those in Eastern Europe.

The discussion on the determinants of FDI (in particular, the low corporate tax rate) leads to the conclusion that Ireland has attracted firms precisely in the areas in which it had no comparative advantage. Nevertheless, and in contrast with Malaysia for example, Ireland has been relatively successful in fostering linkages and spillovers, although the strength of the indigenous industries in Ireland is still open to debate. The FDI policies have certainly succeeded in maximizing growth and employment in the country. This invites the author to question whether the future policy goals for promoting FDI should move away from employment and towards more qualitative targets, such as economic welfare, a stronger research base or/and a decreasing dependence of the Irish growth process on foreign firms.

The chapter on FDI in sub-Saharan Africa (SSA) brings a much-needed addition to the literature dealing with the widespread theme of Africa's many "lost decades" since independence and its connection with protectionist trade and investment policies. This chapter provides an excellent review of the main issues connected with FDI in Africa.

The share of the SSA in the world total FDI stock has declined from 9.1% in 1980 to 4.8% in 2002. One notable characteristic of FDI in SSA is its spatial concentration in mineral rich countries such as Angola, Nigeria, South Africa,

representing more than three-quarters of FDI flows to Africa in 2001. Although in terms of GDP or of gross fixed capital formation, the volume of FDI in Africa is on par with that of other developing regions, this volume is, nevertheless, not adequate in terms of stimulating growth and alleviating poverty. The determinants of FDI are classified into *policies towards foreign firms* and *economic and business environment* (including corruption, governance and the financial structure). Since corruption features as the main obstacle to FDI in Africa, the chapter focuses on this issue, by trying to measure its incidence in the case of Nigeria. The author estimates the size of the Nigerian hidden economy using the MIMIC technique (multiple indicators, multiple independent causes). Because of the lack of data, the author is compelled to discard a number of standard causal variables, and the model is reduced to a few variables such as the tax burden, inflation and per capita income, as well as the changes in the cash demand deposit ratio. Again, because of data and methodological limitations, the results need to be interpreted with great caution. The author finds that the size of the hidden economy in Nigeria has increased since the 1970s, and that strikingly, FDI inflows have continued to rise during this period. In the eyes of the author, this is explained by high returns on investment in the oil industry. The further econometric analysis, which could have benefited from further refinements, reveals that FDI promotes growth, whereas corruption retards growth, and that growth enhancing efficiency of FDI is adversely affected by corruption.

The case study approach proposed in this book integrates up-to-date elements pertaining to the study of FDI, and this is certainly extremely useful as it allows the reader to refine the theoretical underpinnings of FDI. It may be said, nevertheless, that the book suffers from the absence of a synthetic chapter pulling together the lessons drawn from the individual case studies. These limitations notwithstanding, the comparative approach in this book is highly commendable, and this work is an essential reading for anyone interested in the comparative aspects of FDI. It brings to the fore the latest developments in the area of FDI in relation to the six selected countries. It offers

interesting challenges to some of the views that permeate the FDI literature, and it should therefore be of considerable benefit to scholars, practitioners and businesses alike.

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Investment Strategies in Emerging Markets

Saul Estrin and Klaus Meyer, editors
(Cheltenham, UK and Northampton, MA, Edward Elgar,
2004), 371 pages

The aims of this book are ambitiously comprehensive – that is, to investigate investment strategies in four emerging markets in relation to the determinants of foreign direct investment (FDI) and its implications for the host economy, business and public policy. Emerging economies pose particular challenges to investors because of weaknesses in their institutional environment and the extent to which informal institutions vary from those in developed market economies. Unusually, therefore, in analyzing the link between the host country environment and investment strategies, the book not only draws upon the corporate strategy literature and addresses the social and corporate outcomes of FDI but also utilizes literature on entry modes and the impact of institutions on strategy.

The authors' starting assumption is that the link between FDI and corporate and social performance depends on the chosen entry strategy. This determines when, how and where inward investment is located and sets the framework for subsequent corporate performance and impact on the host country. The research focuses on two complementary aspects of FDI: first, on how foreign investors adapt their strategies to the specific context of emerging markets, particularly to their imperfect institutional frameworks and weak resource bases; and second, on how and to what extent the host economy can gain from FDI in terms of spillovers for factors like employment, knowledge and technology transfer and diffusion, the impact on local businesses and suppliers, etc.

The research design and the subsequent reporting of the results are highly structured to facilitate navigation through such a complex set of issues. Egypt, India, South Africa and Viet Nam were chosen as the subjects of the study on the grounds

that, despite significant cultural, geographical and economic differences, these emerging markets share common characteristics. In the not so distant past, all four were relatively closed economies with a significant degree of state involvement and all underwent economic liberalization in the 1990s and experienced big increases in FDI inflows from the mid-1990s onwards.

Given the varied research objectives, multiple complementary research methods are utilized. Background papers review the institutional and economic framework for FDI in each country and trends in FDI and entry modes. This analysis is augmented by questionnaires (with a minimum of 150 responses in each country) that establish the basic characteristics of investing firms (such as size, sector, entry modes and strategies); the importance of resources in inward investment; the role of training; the role of the institutional environment and overall assessment of investment performance in the host economy and whether the context in which investment is taking place has improved. More in-depth analysis arises from the inclusion of three case studies from each of the four countries. The case studies and the questionnaire-based surveys have been conducted by researchers from leading local institutions in the emerging countries themselves in accordance with a jointly-developed common framework co-coordinated by a team at the London Business School.

The book's structure reflects the systematic nature of the research and facilitates presentation of its comparative aspects. The first chapter introduces key themes and outlines the scope of the book. Chapter two summarizes and interprets the empirical findings of the research from a comparative perspective. The core findings are presented in the following eight chapters •one pair of chapters for each of the sample countries. The first of each pair of chapters provides an overview of the key contextual issues influencing FDI in that country and a summary of the key findings of the relevant questionnaire. The second chapter in each pair presents the three detailed case studies of foreign investors. The disparate strands of the research findings are

pulled together in the concluding two chapters. The penultimate chapter draws out the inferences and practical implications of the research for managers in transnational corporations (TNCs) and for their local partners whereas the final chapter does a similar job for policy makers at a national level and above.

The results of the research paint a very different picture from the experience of FDI in developed markets. Some findings confirm expectations whereas others confound them. For example, the survey reveals that most FDI to emerging economies is of relatively small scale, both in terms of capital deployed and jobs created, and that a surprisingly high proportion of it is directed towards financial and business services and tourism. The exception is Viet Nam where manufacturing dominates FDI. Moreover, around three quarters of FDI in the sample countries is motivated by market-seeking rather than efficiency-seeking reasons, thereby confounding expectations based on models of comparative advantage that much TNC involvement in developing countries consists of manufacturing outsourcing to take advantage of cheap labour and abundant, low cost natural resources. The market-seeking motivation is particularly true of South Africa and India. However, the latter does contain a small but important efficiency-seeking element in the information technology industry. Efficient-seeking investment is more prevalent in Viet Nam.

The research aims to identify the relative influences on entry mode choice rather than the effectiveness of alternative entry modes. Indeed, the choice of entry mode in emerging markets is frequently constrained by local conditions and is dominated by greenfield investment and joint ventures which, according to the entry modes literature, generates more modest spillover opportunities than acquisitions, the entry mode of choice in developed countries. The unpopularity of acquisitions in emerging markets is partly explained by the absence of appropriate acquisition targets and the under-development of capital markets. Acquisitions do play a greater role in South Africa due to its greater institutional maturity compared to the

other three sample markets. However, entry modes are not fixed and the research indicates there are significant gains to be made by customizing modes to the local context.

Findings about the business environment and its impact on business strategies confirm the conventional wisdom about FDI in emerging markets. Indeed, for investing firms, their overriding concern is the policy, legal and institutional environment. The questionnaires revealed general dissatisfaction about bureaucracy and corruption: the managers surveyed did not rate the host country institutional and policy environment highly and, with the exception of Viet Nam, reported no improvement in these factors over time. Indeed, the questionnaires suggest that weak institutional environments distorted the choice of entry mode even further away from acquisitions in favour of greenfield and joint venture entry. If this is combined with a preference for market seeking investment, which reduces pressure for international competitiveness, foreign investors will tend to adapt to the existing local environment rather than lobby for institutional and policy reform.

In terms of spillovers, the results suggest that, even in emerging markets with relatively large FDI inflows, policy makers should not regard FDI as a major source of job creation. Rather, the main spillover benefits from FDI come from improvements in competitiveness. This implies that the efforts of policy makers should be directed towards the creation of an institutional and regulatory infrastructure that enables inward investors to take advantage of investment opportunities with limited risk. The sectoral composition of FDI implies that the policy focus should not only be on the industry but also on the spillovers to be obtained from the development of capital markets and business services through inward FDI.

One clear conclusion emerging from the research is that local familiarity, experience with emerging markets and integration into regional trading blocs also play an important role in the FDI process. Many investors in the sample countries

originate from within the region and regional trade and integration policies, as well as global ones, often influence location decisions. The authors, therefore, recommend that policy makers should think more carefully about how to develop their FDI strategies in the context of regional trade policies and development of regional trade groupings.

As this far from exhaustive summary of the book's findings shows, its findings and conclusions are wide-ranging in scope. There is something for everybody with the remotest interest in FDI. For example, I find the conclusions regarding the importance of regional integration in FDI particularly interesting. Entry mode scholars, on the other hand, also have plenty to whet their appetite. Overall, the book is a stimulating read that both confirms and challenges conventional wisdoms and indicates an exciting future research agenda.

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The Future of Foreign Investment in Southeast Asia

Nick J. Freeman and Frank L. Bartels, editors
(London, RoutledgeCurzon, 2004), 288 pages

In the past two decades, some major trends of foreign direct investment (FDI) in South-East Asian countries have become evident. First, FDI inflows increased rapidly from the mid-1980s to the early 1990s, rising from \$2 billion in 1985 to peak at \$21 billion in 1995. However, after the Asian crisis in 1997-1998, foreign investment into the region declined dramatically. In contrast to the global FDI expansion during the latter half of the 1990s, inflows into South-East Asia collapsed to \$12 billion in 2000. At the same time, China emerged as a major regional competitor for FDI, attracting significant volumes of capital (up from \$15 billion in 1998 to \$62 billion in 2000). On top of this, the beginning of the millennium saw a major downturn in worldwide FDI flows with implications for most host countries, including those in South-East Asia.

This twelve-chapter volume, edited by Frank Bartels and Nick Freeman, attempts to re-examine the much analyzed topic of FDI in South-East Asia in a forward-looking manner. As the title indicates, the main topic that the authors attempt to address is the prospects for foreign investment activities in the region. However, like most writings about the future, the book is also very much about the present. It sets out to understand better the dynamics that lie behind South-East Asia's current foreign investment activity and, based on this, extrapolates likely future scenarios.

In the first chapter, the editors provide an historical profile of world, regional and South-East Asian FDI patterns in a 20-year perspective. While short and concise, the introduction conveys a quite pessimistic sentiment regarding the current situation and outlook for South-East Asian FDI. A main concern is that the region will remain overshadowed by China, especially

if Governments fail to recognize the importance of adapting policies to the changing forms and content of FDI with respect to, for example, the rising numbers of M&As and recent technological developments impacting on the sourcing choice of transnational corporations (TNCs). In the context of increasing competition, regional initiatives to support intra-ASEAN investment flows are put forward as a source of competitive advantage, which is yet to be realized in its full potential.

The subsequent contributions address the above-mentioned themes from a variety of empirical angles. While the editors make no such classification explicitly, I found it useful to organize the individual chapters into those that examine the conditions for (different types of) investment in South-East Asia in general terms and those that focus primarily on the prospects for intra-regional cooperation.

The first category includes chapter two by Peter Buckley which addresses the challenges of the “new economy” for TNCs and its implications for South-East Asian policy makers; chapter three by Christopher M. Dent on the political economy of FDI in South-East Asia from an economic security perspective; chapter seven by Adam R. Cross and Hui Tan on the impact of China’s WTO accession on South-East Asian FDI; chapter nine by Nick Freeman on the prospects for FDI in the transition economies of South-East Asia; and chapter ten (also by Freeman) on foreign portfolio investment into the region.

Buckley’s contribution is interesting since it provides an account of the supply side of FDI (i.e. the underlying motives of TNCs to invest abroad) to a volume that is dominated by writings on demand side elements (notably host country policies that may attract foreign investors). However, as the assessments of investment opportunities are made inside companies, I believe that the book as a whole would have benefited from more analysis from an organizational perspective. For example, an examination of possible strategic considerations on the part of

TNCs in choosing China over South-East Asia would have been illuminating.

The two chapters by Freeman also deserve a special mention, since they help to nuance the broad-brush picture provided in the introductory chapter. The chapter on transition economies points to the need for recognizing South-East Asia's economic diversity and diverging experiences with FDI. The chapter on portfolio investment provides a refreshing break with the rest of the writings, which mostly consider FDI in isolation. (After all, several studies have found a consistently lower volatility of FDI flows into developing countries when compared with portfolio investment and loans, which raises the question of where policy reform efforts should be concentrated).

The contributions assessing intra-regional activities consist of chapter four by Amale Scally and Jayasinghe Wickramanayake, which examines the impact of the ASEAN Free Trade Area (AFTA) agreement on South-East Asian FDI; chapter five by Frank Bartels on intra-regional FDI patterns in South-East Asia; chapter six by Axèle Giroud on cross-border production networks in the region; chapter eight by Frank Bartels on intra-regional M&A activity; and chapter eleven by Kee Hwee Wee and Hafiz Mirza on the past, present and future of ASEAN investment cooperation.

A majority of these authors call for deepened collaboration among the South-East Asian countries in order to position the region (rather than individual countries) as a production base capable of matching China. A general sentiment is that South-East Asia ought to be a natural economic zone with vibrant intra-regional trade and investment flows. There is little evidence, however, that increased integration is under way, notably in terms of true policy harmonization beyond framework agreements, such as AFTA and the ASEAN Investment Area. As Hal Hill notes in the concluding chapter, an explanation for South-East Asian authorities' passivity might be found in the increased presence in recent years of the region's historically dominant investors: the United States and Europe (especially in

the wake of Japan's prolonged economic stagnation). In light of these developments, one might have asked for greater caution when considering whether "national treatment" for investors from neighbouring countries is the right way to go.

Altogether, this volume offers a wealth of qualitative and quantitative information on FDI in South-East Asia. It would perhaps have been helpful to the reader if the editors had addressed the imbalance among the various contributions. Notably, a few of the chapters contain overly long and detailed appendices which could have been reduced to provide room for more reflection and discussion. Taken as a whole, however, the topics covered fit well in the debate on the post-crisis South-East Asian investment environment.

Editing takes time. The fact that most data do not go beyond 2000 (with some ending already at 1997) makes it difficult to assess the robustness of the depicted trends. Therefore, I especially enjoyed reading the concluding chapter by Hill, which puts the conclusions drawn in the earlier chapters into a larger perspective. Drawing on his extensive track record in FDI research, Hill scrutinizes the contents of this book by asking the question: what sort of volume might this have been, had it been compiled 10, 20 or 30 years ago? Against the broader backdrop of South-East Asian development, his conclusion is that the worry over recent FDI decline seems exaggerated. It needs to be remembered that "crises present both challenges and opportunities [and] may well be accompanied by rising FDI" (p. 257). Likewise, with respect to the competitive threat posed by China, Hill argues that "it would be a mistake to overstate the concerns" (p. 259). On the contrary, he believes the big picture to be a positive-sum game, with pro-active South-East Asian countries having much to gain from two-way trade (including FDI flows) with China.

Hill wraps up with a discussion on an issue prevalent in South-East Asia's FDI regimes, but not addressed in much detail in the earlier chapters – the use of incentives. He argues that the deployment of various fiscal incentives to attract foreign

investors is symptomatic of on-going deficiencies in the business environments in several South-East Asian countries. Despite changes in the policy environment, the size and growth of domestic markets remain the main factors attracting FDI. The author's crude conclusion is that, in the long run, addressing the sources of any unattractive features of the host country investment climate is the only viable means for attracting TNCs, an assertion that is probably valid also outside South-East Asia.

My overall impression is that this volume will be of most value for those with a particular interest in intra-regional South-East Asian cooperation. I also consider it to be a good complementary read for anyone curious about current developments of FDI in the (former) "miracle" economies of South-East Asia.

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***Managing the Road to Globalization:
The Korean Experience***

Wan-Soon Kim and Michael Jae Choo, editors
(Seoul, Korean Trade-Investment Promotion Agency, 2002),
271 pages

The Asian financial crisis of 1997 and its repercussions for the economy of the Republic of Korea led to significant reforms of the country's economic make-up and the opening-up to foreign direct investment (FDI). New institutions were established to reach out to foreign investors, including the Korean Investment Service Center (1998) and the Office of the Investment Ombudsman (1999). The main author of this book, Wan-Soon Kim, is the first Foreign Investment Ombudsman of the Republic of Korea. The book is, to a large extent, his reflections on how Korean society has been handling foreign economic interventions, including FDI, and how globalization has influenced Korean norms, rules and practices as well as its institutions. The co-author of this book is Michael Jae Choo, Communications Manager of the Office of the Investment Ombudsman. He contributed a number of articles, which were originally published as an "Ombudsman Diary" newspaper column.

Most of the 67 articles in the book had already been published in *The Korea Times* and *The Korea Herald* (2001-2002) and are, in the first instance, written for a domestic audience. In order to open up to an international readership, the authors grouped the articles around a number of subjects that provide the reader with a good look into the Korean experience with globalization and FDI. They managed to provide a window to the Korean mindset, the country's public services and business practices; but it does not escape the reader that the underlying lessons of the book are addressed to the Korean public, politicians, government officials and business leaders.

The book consists of six parts. Part I gives a short overview of the conditions that led to the financial crisis of 1997, the liberalization of Korea's FDI regime in the late 1990s and the remaining obstacles to FDI. This section often praises the political achievements made in opening up the economy against the backdrop of a suspicious general public, bureaucracy and opposition from special interest groups, such as trade unions.

What follows in Part II is a series of short stories, sometimes anecdotal, explaining the Korean mindset and how this often slows down "The winds of change"¹ as explained in an article on how the Government half-heartedly reacted to FDI proposals in the renewable energy sector. In these articles, the Investment Ombudsman is highly critical of his countrymen's attitude to anything foreign. No parts of Korean society are spared, including the media.

In a number of articles dealing with the Korean business sector and transnational corporations (TNCs) operating in the country (Part III), the Investment Ombudsman signals several key problems in the corporate culture, in government and in business-labour relations. In an article entitled "Clear as mud",² he addresses, for example, the loss of international investment opportunities due to a lack of transparency in policies and regulations governing business and due to poor company accounting and shady business practices. He also presents solutions to problems, sometimes based on best practices by TNCs operating in Korea, such as in an article on labour relations.³

Despite the critical tone in most parts of the book, there are also articles, in Part III, in which the strong sides of the Korean economy, such as the country's competitiveness in the information technology industry⁴ and its sophisticated

¹ "The winds of change", pp. 68-70.

² "Clear as mud", pp. 105-107.

³ "Foreign-invested firms gaining industrial peace", pp. 114-116.

⁴ "Technology development and the role of information", pp. 127-

manufacturing sector, are highlighted. The authors make suggestions on how to stay competitive⁵ and how the country could strengthen its position among competing nations in the region.⁶

In Part IV, articles relate to one of the main functions of the Korean Office of the Investment Ombudsman, “to serve as a trouble-shooting mechanism to improve or transform the quality of regulations in Korea” (p. 141). Case studies are based on complaints received by the Office and provide an insight into the role of an Investment Ombudsman. It is apparent from reading the book that an Investment Ombudsman needs to have many human qualities as a broker between government and business, but the person also needs to have a strong and consistent message. This message “in favour of liberalization and the removal of obstacles to business” is very up-front in Part IV and may, to some readers, be somewhat repetitive. This, hopefully, will not discourage readers, since the authors address a number of issues that also have relevance outside the Republic of Korea, for instance, with respect to taxation policy and the role of local government in attracting FDI.

In Part V, the benefits of FDI are highlighted, often by referring to success stories in other countries. The authors particularly like to draw lessons from the experiences of small to medium-sized countries. Ireland is repeatedly used as an example. There are also special articles devoted to Costa Rica⁷ and the Netherlands,⁸ which, according to the authors, have managed to advance economically through favourable FDI policies, a welcoming attitude and the adoption of modern international business practices.

In every country, developed or developing, an important issue in the discussion on FDI is how local companies can benefit from the presence of TNCs. The authors cover some ground on

⁵ “Countering the ‘brain drain’ effect”, pp. 120-123.

⁶ “Transforming Korea into a design Mecca”, pp. 130-132.

⁷ “Costa Rica: a flourishing FDI frontier”, pp. 219-222.

⁸ “Benchmarking the Netherlands”, pp. 229-231.

this in a piece on business linkages between local firms and TNCs.⁹ It is interesting to note that, in this article, not only do the authors advise the Government to set up a comprehensive linkages programme following the example of a growing number of Asian, European and Latin American countries, but also “and not for the first time in this book “ express their reservations on the industrial complexes for TNCs in the Republic of Korea, which, according to them, “may in actuality be highly non-conducive to spillover effects due to their isolated nature” (p. 202).

The last part of the book deals with social and cultural issues related to the globalization process. The Republic of Korea is benchmarked on a number of issues, using international indices measuring the globalization level of the country, standards in the educational system, living conditions for foreign investors and female participation in the economy, again in an attempt by the authors to highlight shortcomings in the country that may have a negative effect on FDI. In the last article of the book, Kim talks about the absence of a tipping culture in the Republic of Korea and how the introduction of it may improve the quality of services by, for instance, employees in the food and beverage industry and taxi drivers. Given the social and cultural history of the country, he finds it unlikely that it would be easy to introduce a tipping system from within and expresses the hope that “visitors” to the country will introduce the practice. He also mentions that, on a solo grassroots crusade, he often provides a tip himself with the hidden motive of spreading the custom.

Although the messages in this book are directed at Korean readers, many of the issues raised are universal. The experience of the Republic of Korea with FDI-led globalization will help others to understand the problems faced in emerging economies that are similarly trying to attract FDI and benefit from it. What is missing is an account of the success that the Office of the Investment Ombudsman had in resolving difficulties

⁹ “Linking an economy: FDI in action”, pp. 200-203.

experienced by foreign investors and in helping to improve the investment environment.

This book is a good example of the work that the Office of the Investment Ombudsman does. One could think of a number of countries that might consider a similar critical look at how they are managing the road to globalization.

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