

Foreign Investment Negotiations Simulation (Shorter Version)

(Adapted by Prof Raymond Saner, 2007, original by Prof. Richard W. Moxon et al, 1994)

Overview

This exercise simulates a negotiating situation involving multinational corporations (MNCs), Southeast Asian governments and their local companies of three newly-industrializing countries (NICs) of Asia. The negotiations are concerned with the development of a high technology manufacturing industry in these countries, and may involve foreign investments, joint ventures and technology transfer agreements. The simulation is hypothetical and based on the microanalyser industry, and the multinational enterprises and local countries are hypothetical as well. The countries involved are real--- Thailand, Indonesia, Malaysia but the information provided on them is condensed and simplified.

The goal of the simulation is to improve the participants' understanding of the interaction of the strategies of multinational firms, local companies, and host country governments. The simulation is set in the newly industrialised countries because of the important role of the government policy in these countries, and the complexity and difficulty often involved in reconciling company and government objectives.

The exercise is a simulation of reality, and although a simulation can never duplicate all the nuances of an actual negotiation, many of the complexities and frustrations of real negotiations will be evident. The focus is more on the negotiating issues than on the negotiation process, though considerable learning can occur with regard to process questions. It is also possible to focus more specifically on either cluster of actors and related concerns e.g. MNC (Strategy Development), Government (Commercial Diplomacy), local companies (SME policies).

Roles involved in this FDI negotiations:

- a) Three multinational companies are from USA (Megatronics), Europe (Eurodata) and Japan (Tanaka)
- b) Three ASEAN countries namely Thailand, Malaysia and Indonesia
- c) Six local enterprises (two for each country) active in the microanalyzer sector namely Thailand (Siam Data Systems Trading Ltd, Thai Electric Industries Ltc.), Malaysia (United Malayan Industries Berhard), Indonesia (Infocom Indonesia PT, Electronic Industries Indonesia Pt.)

Issues to be negotiated:

There are many issues to be negotiated. At the end of the first round (1,5 hrs), the goal is to come up with a MoU which covers some of the key aspects of a deal. A separate evaluation sheet will help participants focus on the essential items. In reality, such a negotiation can easily take several months and consist of very detailed economic, financial, legal and political sub-negotiations. While participants might understandably prefer to have more detailed information (e.g. about sales forecasts, production costs, local legal requirements etc), the simulation as such should not distract the participant. The goal is to have a MoU outlining the main areas of agreement which will form the basis for future detailed negotiations.

Some basic statistics:

	Low Speed	Low Speed	High Speed	High Speed
	Sales 2007	Forecast Sales 2010	Sales 2007	Forecast Sales 2010
World				
Units	500K	750K	50K	150K
Values US	1000 Mio	1500 Mio	500 Mio	1500 Mio
Indonesia				
Units	10K	20K	0.1K	1K
Value US	20 Mio	40 Mio	2 Mio	10 Mio
Malaysia				
Units	5K	10K	0.1K	0.5K
Value US	10 Mio	20 Mio	1 Mio	5 Mio
Thailand				
Units	6K	12K	0.1K	05.K
Value US	12 Mio	24 Mio	1 Mio	5 Mio

	Mini Plant	Mini Plant	Maxi Plant	Maxi Plant
	Low Speed	High Speed	Low Speed	High Speed
Estimated Costs US	5 Mio	8 Mio	10 Mio	15 Mio
Employment Creation	60	100	400	600

	<i>MNCs (each)</i>	<i>Governments (each)</i>	<i>Local SME (each)</i>
Budgets available	15 Mio	5 Mio	2 Mio