

Table of Contents

I	INTRODUCTION.....	1
I.1	PROBLEM DEFINITION	1
I.2	OBJECTIVES OF THE STUDY	3
I.3	RESEARCH PROCEDURE.....	5
I.3.1	<i>Research Approach</i>	5
I.3.2	<i>Research Methodology</i>	8
I.3.3	<i>Layout of the Study</i>	9
II	FOREIGN DIRECT INVESTMENT AND INTERNATIONAL COMPETITIVENESS	11
II.1	DEFINITION	11
II.1.1	<i>Foreign Direct Investment</i>	11
II.1.2	<i>International Transfer of Production</i>	14
II.1.3	<i>Refocused Definition</i>	17
II.2	THEORETICAL BACKGROUND.....	18
II.2.1	<i>Introduction</i>	18
II.2.2	<i>Relevant Theories of FDI</i>	23
II.2.3	<i>International Competitiveness of Nations and Firms</i>	35
III	THE INTEGRATED ANALYTICAL RESEARCH FRAMEWORK..	53
III.1	INTERNATIONAL TRANSFER OF INDUSTRIES	54
III.2	BACKGROUND INFLUENCE FACTORS	61
III.2.1	<i>Actual Profile and Historical Overview of the Company</i>	61
III.2.2	<i>Domestic Environment of the Company in the Specific Industry</i>	62
III.2.3	<i>Long-Term Vision of the Company</i>	64
III.2.4	<i>Worldwide Positioning of the Company</i>	65
III.2.5	<i>General Characteristics of the Industry</i>	67
III.2.6	<i>Worldwide Trends in the Industry</i>	68

III.3	DEVELOPMENT AND/OR ASSESSMENT OF THE FDI STRATEGY	71
III.3.1	<i>Primary Objectives for the Foreign Direct Investment</i>	74
III.3.2	<i>Requirements / Criteria Imposed upon Target Countries</i>	75
III.3.3	<i>Assessment of Target Destinations Based on Defined Criteria</i>	78
III.3.4	<i>Joint Assessment</i>	80
III.3.5	<i>Optimal FDI Strategy</i>	81
III.4	APPLICATION OF THE ANALYTICAL RESEARCH FRAMEWORK.....	88
IV	THE ASIAN CRISIS AND ITS INFLUENCE ON SOUTH KOREAN ... FDI IN CENTRAL EUROPE	90
IV.1	THE SOUTH KOREAN ECONOMY AND THE ASIAN CRISIS	91
IV.1.1	<i>Phenomenal Growth and Industrial Restructuring</i>	91
IV.1.2	<i>The Asian Crisis - How and Why did it Happen?</i>	94
IV.1.3	<i>Possible Post-Crisis Scenarios</i>	100
IV.1.4	<i>Destiny of Chaebols and Analogies with Japanese Zaibatsu</i>	103
IV.1.5	<i>Will There be an Asian-Style Crisis in Central Europe?</i>	106
IV.2	FOREIGN DIRECT INVESTMENTS IN CENTRAL EUROPE.....	108
IV.2.1	<i>The Importance of FDI for Central European Countries</i>	108
IV.2.2	<i>Trends and Features of FDI in the Central European Region</i>	110
IV.2.3	<i>Objectives of Foreign Investors in Central European Countries</i>	112
IV.3	SOUTH KOREAN DIRECT INVESTMENTS ABROAD	115
IV.3.1	<i>Historical Development Between 1968 and 1997</i>	116
IV.3.2	<i>South Korean FDI in the Central European Region</i>	121
IV.4	REASONS FOR SOUTH KOREAN INVESTMENTS IN CENTRAL EUROPE.....	125
IV.4.1	<i>Concentration on Core Competencies</i>	126
IV.4.2	<i>Effect of the Asian Crisis on South Korean Business Activities</i>	128
IV.4.3	<i>Partnerships Between Foreign and South Korean Companies</i>	132

V	AN INTEGRATED ASSESSMENT OF DAEWOO MOTOR'S FDI STRATEGY IN CENTRAL EUROPE	134
V.1	INTRODUCTION	134
V.2	BACKGROUND INFLUENCE FACTORS	137
V.2.1	<i>Actual Profile and Historical Overview of Daewoo Motor.....</i>	<i>137</i>
V.2.2	<i>The Domestic Environment of the South Korean Automotive Industry.....</i>	<i>144</i>
V.2.3	<i>The Long-Term Vision of Daewoo Motor</i>	<i>163</i>
V.2.4	<i>The Worldwide Positioning of Daewoo Motor.....</i>	<i>167</i>
V.2.5	<i>Characteristics of the Automotive Industry.....</i>	<i>177</i>
V.2.6	<i>Worldwide Trends in the Automotive Industry.....</i>	<i>180</i>
V.3	THE ASSESSMENT OF DAEWOO MOTOR'S FDI STRATEGY IN CENTRAL EUROPE.....	187
V.3.1	<i>The Principal Objectives of Daewoo Motor Direct Investments..... in the Central European Region.....</i>	<i>188</i>
V.3.2	<i>Relevant Requirements and Criteria for Assessing the Central European Region.....</i>	<i>192</i>
V.3.3	<i>Central European Region Assessment.....</i>	<i>205</i>
V.3.3.1	<i>Assessment of Daewoo Motor's Crucial Requirements.....</i>	<i>205</i>
V.3.3.2	<i>Assessment of Daewoo Motor's Specific Requirements</i>	<i>218</i>
V.3.3.3	<i>Assessment of Daewoo Motor's General Requirements.....</i>	<i>232</i>
V.3.3.4	<i>An Assessment of Crucial Requirements from the Automotive Industry Perspective</i>	<i>237</i>
V.3.3.5	<i>Assessment of Other Requirements from the Automotive Industry Perspective</i>	<i>241</i>
V.3.4	<i>Joint Assessment of the Central European Region.....</i>	<i>245</i>
V.3.5	<i>The International Production Strategy of Daewoo Motor in Central Europe.....</i>	<i>246</i>
VI	CONCLUSION.....	250

BIBLIOGRAPHY.....	255
OTHER SOURCES.....	277
APPENDIX 1.....	279
APPENDIX 2.....	281

Table of Figures

<i>Figure I.1:</i>	<i>Objectives of the study</i> _____	4
<i>Figure I.2:</i>	<i>The deductive vs. the inductive research approach</i> _____	6
<i>Figure I.3:</i>	<i>ULRICH'S research paradigm</i> _____	7
<i>Figure II.1:</i>	<i>Distinction between FDI and FPEI</i> _____	14
<i>Figure II.2:</i>	<i>Different forms of foreign engagement in production</i> _____	17
<i>Figure II.3:</i>	<i>The definition of foreign direct investment and international transfer of production</i> _____	18
<i>Figure II.4:</i>	<i>Alternative methods of servicing foreign markets</i> _____	27
<i>Figure II.5:</i>	<i>Models of FDI development in Central and Eastern Europe</i> _____	35
<i>Figure II.6:</i>	<i>PORTER'S Diamond</i> _____	44
<i>Figure II.7:</i>	<i>Direct influence of TBAs on the four sets of determinants in PORTER'S Diamond</i> _____	48
<i>Figure II.8:</i>	<i>The interaction between the Diamond and the company's strategy</i> _____	51
<i>Figure III.1:</i>	<i>General objective of the study</i> _____	53
<i>Figure III.2:</i>	<i>Process of international transfer of industries</i> _____	56
<i>Figure III.3:</i>	<i>Links between the principal influence determinants</i> _____	57
<i>Figure III.4:</i>	<i>The integrated analytical research framework</i> _____	60
<i>Figure III.5:</i>	<i>Analytical tool for assessing the domestic environment of a company</i> _____	64
<i>Figure III.6:</i>	<i>Overview of background influence factor modules</i> _____	70
<i>Figure III.7:</i>	<i>Analytical approach for defining and/or assessing the optimal FDI strategy</i> _____	74
<i>Figure III.8:</i>	<i>Requirements / criteria definition process</i> _____	78
<i>Figure III.9:</i>	<i>Country / region assessment process</i> _____	80
<i>Figure III.10:</i>	<i>International production as complex integration</i> _____	84
<i>Figure III.11:</i>	<i>Overview of the development and/or assessment modules</i> _____	87
<i>Figure III.12:</i>	<i>Application of the analytical research framework</i> _____	89
<i>Figure IV.1:</i>	<i>The second objective of the study</i> _____	90
<i>Figure IV.2:</i>	<i>Transformation process of Central European countries with the help of FDI</i> _____	109
<i>Figure IV.3:</i>	<i>FDI flow and stock in the Central European region by country 1990 -1997</i> _____	111

<i>Figure IV.4:</i>	<i>A historical overview of the value of South Korean FDI</i>	<i>119</i>
<i>Figure IV.5:</i>	<i>The industrial and regional structure of South Korean FDI</i>	<i>120</i>
<i>Figure V.1:</i>	<i>Specific objective of the study - the focus of chapter V</i>	<i>134</i>
<i>Figure V.2:</i>	<i>The conceptual framework applied for the assessment of the direct investment strategy of Daewoo Motor in Central Europe</i>	<i>136</i>
<i>Figure V.3:</i>	<i>Major subsidiaries of the Daewoo Group in the Central and East European region</i>	<i>138</i>
<i>Figure V.4:</i>	<i>Daewoo Group worldwide sales by division</i>	<i>139</i>
<i>Figure V.5:</i>	<i>The companies of Daewoo's motor vehicle division</i>	<i>140</i>
<i>Figure V.6:</i>	<i>Growth in South Korea's GDP and number of cars (1970-1995)</i>	<i>145</i>
<i>Figure V.7:</i>	<i>Analytical tool used to examine the South Korean automotive environment</i>	<i>152</i>
<i>Figure V.8:</i>	<i>Worldwide production of cars and light trucks</i>	<i>166</i>
<i>Figure V.9:</i>	<i>Daewoo Motor's worldwide revenue and market share 1997 - 2000</i>	<i>167</i>
<i>Table: V.10:</i>	<i>Daewoo Motor's overseas plants</i>	<i>172</i>
<i>Figure V.11:</i>	<i>Daewoo Motor's planned worldwide production capacity 1998 - 2000</i>	<i>173</i>
<i>Figure V.12:</i>	<i>Daewoo Motor's global R&D and production facilities</i>	<i>174</i>
<i>Figure V.13:</i>	<i>Daewoo Motor's global sales network</i>	<i>177</i>
<i>Figure V.14:</i>	<i>Sales outside the domestic market</i>	<i>181</i>
<i>Figure V.15:</i>	<i>Worldwide sales by region</i>	<i>182</i>
<i>Figure V.16:</i>	<i>Car manufacturers' presence in the less developed parts of Europe</i>	<i>183</i>
<i>Figure V.17:</i>	<i>Capacity utilization rates in Western Europe</i>	<i>186</i>
<i>Figure V.18:</i>	<i>The approach used to assess Daewoo Motor's FDI strategy in Central Europe</i>	<i>187</i>
<i>Figure V.19:</i>	<i>Motives of Western car manufacturers when investing directly in the Central European region</i>	<i>192</i>
<i>Figure V.20:</i>	<i>Overview of the major investment requirements as seen by Daewoo Motor</i>	<i>199</i>
<i>Figure V.21:</i>	<i>Overview of the requirements imposed by the automotive industry</i>	<i>204</i>
<i>Figure V.22:</i>	<i>Market growth / market share matrix for new car sales by region</i>	<i>206</i>
<i>Figure V.23:</i>	<i>Comparison between Central and West European car markets</i>	<i>207</i>

<i>Figure V.24:</i>	<i>The largest European car markets</i>	208
<i>Figure V.25:</i>	<i>Comparison between the Central and West European car market potential</i>	209
<i>Figure V.26:</i>	<i>Lower priced car segments in the Central European countries</i>	210
<i>Figure V.27:</i>	<i>Central European highway network and ports</i>	213
<i>Figure V.28:</i>	<i>Accession of Central European countries to the European Union</i>	216
<i>Figure V.29:</i>	<i>Foreign trade between Central Europe and the EU</i>	218
<i>Figure V.30:</i>	<i>Major Central European car manufacturing and assembly sites</i>	220
<i>Figure V.31:</i>	<i>Central European wages compared to the German and East European ones</i>	223
<i>Figure V.32:</i>	<i>Planned investments of foreign car companies in Central Europe</i>	225
<i>Figure V.33:</i>	<i>Estimated passenger car sales and production numbers for Central European countries by the year 1999</i>	226
<i>Figure V.34:</i>	<i>Principal export products from Central European countries</i>	227
<i>Figure V.35:</i>	<i>Market shares of locally present foreign car companies in the Central European region</i>	230
<i>Figure V.36:</i>	<i>Central European business climate versus the advanced countries' business climate</i>	232
<i>Figure V.37:</i>	<i>Summarized assessment of the Central European countries (I)</i>	237
<i>Figure V.38:</i>	<i>Local vs. West European sourcing for cars assembled in Central Europe</i>	238
<i>Figure V.39:</i>	<i>Major suppliers and product groups from Central Europe</i>	239
<i>Figure V.40:</i>	<i>Production sites of the world's five largest car companies in Central Europe</i>	244
<i>Figure V.41:</i>	<i>A summarized assessment of the Central European countries (II)</i>	245