

Determinants of FDI Inflow in Regional Port with Resource-Based View and Institutional Theory: A Case of Pohang-Yeongil Port

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Abstract

Given that FDI inflows can serve to encourage economic growth in host countries, FDI has been a popular research theme in academic and practical territories. This study provides important theoretical implications to the literature on global supply chain management in port hinterlands. In specific, FDI inflow in Pohang-Yeongil port hinterland is closely examined. This study shows how the government supporting policy can be effective to FDI inflow in Pohang-Yeongil port hinterland with regard to the institutional theory. The resource-based view is used to justify FTZ, industry cluster, and ICT infrastructures as major determinants to attract MNEs' FDI. Reviewing the theoretical implications assists in understanding how Pohang-Yeongil port can attract MNEs' FDI in the hinterland.

Key Words : Supply Chain Management, FDI, Port Hinterland, The Resource-based View, The Institutional Theory

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I. Introduction

Flows of FDI (Foreign Direct Investment) expanded rapidly over the past few decades. More than 64,000 MNEs (Multinational Enterprises) with over 870,000 affiliates abroad are driving the FDI flows.¹ In general, FDI has contributed to strengthen economic growth and create higher employment around the world. FDI refers to the purchase of physical assets or a significant amount of the ownership (stock) of a company in another country to gain a measure of management control.² FDI has been considered an important power source to affect the economic health of nations. In Asia, many countries including China and India are attracting the majority of worldwide FDI inflows because of low wage workforce and enormous domestic markets. Many Asian countries, in particular developing countries, could realize economic growth throughout the 1980s and 1990s. There was the FDI inflow in it. Interestingly, many developed countries have been the destination of FDI inflows. EU nations, the United States, and Japan account for the majority of world FDI inflows. FDI has been an important economic theme in developing as well as developed countries. Also, FDI plays an important role in various territories. The maritime industry is one of them.

There is a close relationship between FDI and globalization. Globalization accounts for the rising tide of FDI inflows around the world. Also, increasing globalization is causing a growing competition in the maritime industry and will continue to propel it in the future. Under the circumstances, it is required for logistics companies to create and adopt new strategies to survive in the competitive marketplace. It is true that Korean logistics companies are still far from global standard. Han-Jin Corporation, Korea's biggest logistics company, is about 0.7 percent of USPS (United States Postal Service) regarding the size.³ Also, Korea's maritime infrastructures are not enough by comparison with global standards. As the result, according to IMD World Competitiveness

1 Wild et al.(2006), pp.202-221.

2 Wild et al.(2006), pp.202-221.

3 Lee(2007), pp.4-18.

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