# Course Title: C.1.3.3 Legal Issues

# Abstract:

The goal of this class is to introduce students to some legal problems of international firms. A short overview of typical legal systems and problems is provided and three challenges (contractual issues, terms of payment, intellectual property) are explained in more detail. Regarding contractual issues, some must have clauses are explained. Regarding terms of payment, the advantages and disadvantages of payments in advance vs. on account vs. letter of credit are explained. While the first part of the session is rather practice-driven, the property rights section is stronger on theoretical concepts; discussing competing interests between governments and MNCs. Property rights are deployed as an example to illustrate the importance of legislative actions for MNCs, which depending on the stakeholder’s interest property rights, might be beneficial or harmful. This is illustrated using a case study on how the change of property protection in India affects the firm Novartis. If time allows, the property rights section includes the discussion of academic papers and videos.

# Learning Objectives:

* Learning Objective 1: Familiarise students with the importance of governmental and legislative support when going abroad
* Learning Objective 2: Explain common options in terms of payment and to sensitise students to important clauses in contracts
* Learning Objective 3: Illustrate the limited possibilities to protect intellectual property without governmental support
* Learning Objective 4: Provide a basic overview of the theoretical concepts: obsolescing bargain, flying geese model, property rights theory, tragedy of the commons, prisoner’s dilemma

# Assessment Method:

Report on the case study

# Comment:

Blue font is for interactive parts, orange for self-study time.

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| Session # | Session Content | Method(s) | Learning Objectives of Session | Material | Time (mins.) | Comments |
| 1 | **Legal and contractual issues in trade** | | | | **30** |  |
| General legal restrictions that international companies | Presentation  + We recommend a short class discussion on what legal issues are actual, what is in the newspaper. Let students find examples of all legal issues on the overview slide. | Understand the relevance of the topic  Raise Awareness for the impact of jurisdiction on the daily business | PPT presentation (Slides 1-8) | 20 | Setting the stage |
| Contractual issues | Discussion, I usually start with a random example of a b2b contract (e.g. assume you are a Belgian chocolate producer that wants to go to Germany by exporting. You already identified a retail chain that wants to sell your product in Germany.) What do you need to include in the contract with this firm?  I write down the answers on the board and compare that to the criteria in the next slides. | Learn what to include in a contract and why some clauses are highly important | PPT presentation (Slides 9-11)  Board  A practical example of a contract (if allowed to show) | 10 | I usually bring a current b2b contract to class (ask for permission) and discuss the position in it and why they might be important. None is included here, because of the restriction to not share it outside the classroom. |
| 2 | **Payment methods in international trade** | | | | **50** |  |
| Payment methods in international trade | Presentation and class discussion | Understand common terms of payments in international trade with their advantages and disadvantages for the involved parties | PPT presentation (Slides 12-33) | 50 |  |
| 3 | **Property Rights Influences on International Business** | | | | **145** | **4hrs self-study** |
| Kick-off Questions for property rights:  Which type of country benefits the most from attracting FDI?  What can a foreign firm contribute to a country’s welfare that a local firm cannot provide?  At which stage (beginning with the market entry) is a foreign firm of most use for a country?  How can a country/MNC control and manage spill overs? | Open questions for group discussion | Understand the main interests of governments for attracting FDI (spill over effects)  Understand the concept of “spill over effects” | Board (slide 34) | 20 |  |
| Introduction to IPR and The Obsolescing Bargain (Vernon, 1971) and consequences for property right politics | Presentation  Reading of a current paper on the obsolescing bargain recommended (depending on access, e.g. Eden et al, 2004) | Illustrate the diminishing selling proposition against governments for foreign firms related to spilllovers  Understand the consequences of the “obsolecing bargain” | PPT presentation (Slides 34 – 41) | 20 | The reading is useful to understand the concept in full and see how it developed over time  Additional reading in self-study: Reading: Eden et. al. (2004). From the Obsolescing Bargain to the Political Bargaining Model. Bush School Working Paper. (Available at ResearchGate) 2hrs |
| The Flying Geese Model as an illustration of changing public interests | Presentation  Discussion of transferability to other regions | Illustrate changing governmental interests with economic transformation | PPT presentation (Slide 42) | 10 | It is a good idea to compare why the flying geese model has worked in Asia, but not in Africa and which institutions might be the excessive factor for this- |
| How can a country/MNC control and manage spill overs? | Slides/discussion | The goal is to show that a government can actively influence the spillovers, while MNCs’ possibilities are limited without legislative support | PPT presentation (Slides 43-45) | 15 |  |
| Case Study Novartis in India | Case Study | Illustrate the consequences of legal regulations for the involved stakeholders (particularly the MNC).  Introduce the prisoner’s dilemma, tragedy of the commons, and property rights theory | PPT presentation (Slide 46-47)  Case Study (attached teaching note),  YouTube Video (see teaching note)  Annual Reports Novartis 2013, 2016 | 60 |  |
| Property Rights and types of goods | Presentation  Extension to a class discussion about the tragedy of the commons possible  Reading of a “classic” paper on property rights recommended (depending on access, e.g. Demsetz, 1974) | Understand that the relevance of property protection depends on the type of good or service | PPT presentation (Slides 48-49)  If time allows video on the tragedy of the commons (https://www.youtube.com/watch?v=bs2P0wRod8U) | 20 | Self-study: I recommend letting the students read and discuss at least one “classic” paper on property rights at the end of the class to illustrate the concept, e.g. Demsetz. (1964). The exchange and enforcement of property rights. *Journal of Law and Economics, 7,* 11-26. (Available at JSTOR and ResearchGate)  2hrs hrs |