

The Effect of Skill Investment on FDI

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Abstract

We investigate the effect of investment to management skill by a labor on a firm's production strategy, foreign direct investment(FDI) or export. Firms decide which FDI or export strategy is taken after a labor chooses the investment level of human capital which has advantages in FDI strategy. We show strategic relationship between the labor and the firm and derive the skill level and firm's decision in the equilibrium by solving 2-stage game. When fixed cost of FDI increases, a labor tends to obtain skill level enough to attract the firm to serve the foreign market via FDI.

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