Revision

Course: International Investment

Name:

Class:

A. True/False questions

1. One of FDI policy's objectives of the host country is to retain national control over strategic industries.

a) True b) False

2. By adjusting ownership ratio in FDI projects, the host government may affect FDI inflow.

a) True b) False

3. Complex fiscal incentives imposed by the host country sometimes are inefficient or even distort location of FDI.

a) True b) False

4. Establishing industrial zones, export proccessing zones is one of the host country's Foreign Direct Investment attraction measures.

a) True b) False

5. Africa may be attractive to foreign investors because it favors with abundant natural resources and imposes liberalization policies.

a) True b) False

6. FDI is seen by executives as a means of circumventing future trade barriers.

a) True b) False

7. International investment speeds up the specialization and production co-operation between countries.

a) True b) False

8. Joint-venture, Wholly-foreign-owned enterprise, Business Cooperation Contract, and BOT are forms of FDI classified by ownership characteristics.

a) True b) False

9. Eclectic paradigm is called OLI paradigm created by John Dunning.

a) True b) False

10. FDI policy is an integral part of a nation's economic development policy made out to regulate FDI activities in order to achieve the goals of economic-social development plan of the nation in a certain period.

a) True b) False

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11. Direct investment consists of purchases and sales of securities, such as bonds and stocks, in amounts that do not imply any direct management control or influence on the businesses issuing the securities.

a) True b) False

12. Vertical FDI consists of MNE investments that duplicate facilities and operation in several countries.

a) True b) False

13. Vernon's theory is also known as the market imperfections approach.

a) True b) False

14. MacDougle-Kempt theory does NOT argue that FDI contributes to raise income in host, home and the world economies.

a) True b) False

15. Flying geese pattern built by Koijima explains the catching-up process of industrialization of latecomer economies.

a) True b) False

16. In developing countries, about one-third of FDI is in the form of mergers and acquisitions.

a) True b) False

17. International investment speeds up the specialization and production co-operation between countries

a)True b) False

18. Internalization theory is also known as market imperfection approach.

a) True b) False

19. Vernon, in theory of product life cycle, assumes that technology will be standardized and commercialized so that it can be applied in other countries using less skilled labour at lower labour cost.

a) True b) False

20. Globalization helps to promote the world FDI.

a) True b) False

21. A major part of international investment before World War I is said to take the form of portfolio invetsment.

a) True b) False

22. Host governments sometimes worry that the foreign affiliates of MNEs may have greater economic power than indigenous competitors.

a) True b) False

23. Since 2007, in Vietnam FDI has been treated by Foreign investment Law, while domestic investment has been treated by Law on promoting investment in Vietnam.

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a) True b) False

24. FDI create jobs to the host country.

a) True b) False

25. Lately some government engages in FDI through Sovereign Wealth Funds?.

a) True b) False

26. FDI does NOT benefit the host country's balance of payments if the foreign subsidiary creates demand for home-country exports of capital equipment, intermediate goods, or complementary products.

a) True b) False

27. One of the problems of licensing is that it may result in a firm's giving away valuable technological know-how to a potential foreign competitor.

a) True b) False

28. Portfolio investment consists of purchases and sales of securities, such as bonds and stocks, in amounts that do not imply any direct management control or influence on the businesses issuing the securities.

a) True b) False

29. Market imperfection is a motive for FDI.

a) True b) False

30. The WTO has been very successful in efforts to initiate talks aimed at establishing a universal set of rules designed to promote the liberalization of FDI.

a) True b) False

31. Foreign investors DONOT care about macroeconomic stability of the Host country.

a) True b) False

32. All technology transferred via FDI positively impacts on the host country. Other things being equal, the greater the capital investment in an economy, the more favorable its future growth prospects are likely to be.

a) True b) False

33. Host country's investment environment comprises such factors as political instability, culture, macroeconomic improvement level, investement policies and legislation, natural conditions.

a) True b) False

34. One objective of Vietnam's FDI policy is to guarantee lawful rights and interests of foreign investors.

a) True b) False

35. Most of international investment prior to World War I was in the form of direct investment.

a) True b) False

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B. Multiple choice questions

1. Linkage effects to domestic sectors are moderate, except the case when:

a) Domestic firms try to improve their competitiveness to engage in regional/global production network

b) Domestic supporting industries are weak

c) Domestic firms operate are at low productivity and obsolete technology

d) Local firms' products are at low quality

2. The rise in FDI in the services sector is a result of the following EXCEPT:

a) the general move in many developed countries away from manufacturing and toward services

b) restriction on services.

c) many services cannot be traded internationally

d) many countries have liberalized their regimes governing FDI in services

3. Trend in settling disputes by political dialogue between countries accelerates international investment because of the following reasons EXCEPT:

a) separate the world into different economic and political systems

b) reduce barriers on goods and production factor flow

c) promote safe investment environment

d) broarden economic cooperation between countries

4. Which of the following is a reason why firms prefer to acquire existing assets rather than undertake Greenfield investments?

a. Foreign firms are acquired because those firms have valuable strategic assets.
b. Firms immediately create new jobs for host country.
c. GGreenfield investments are comparatively less risky for a firm
d. Mergers and acquisitions are more difficult for firms to acquire strategic assets than Greenfield investments

5. FDI stock is:

a) the amount of FDI undertaken over a given period of time

b) the total accumulated value of foreign-owned assets at a given time.

c) the flow of FDI out of a country

d) the flow of FDI into a country

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6. Africa is not able to attract FDI because of the following reasons EXCEPT:

a) political unrest in the region.

b) armed conflict in the region.

c) liberalization of FDI regulations.

d) frequent policy changes in the region.

7. Which of the following is NOT a reason why firms prefer to acquire existing assets rather than undertake Greenfield investments?

a) Foreign firms are acquired because those firms have valuable strategic assets

b) Firms can increase the efficiency of the acquired unit by transferring capital, technology, or management skills.

c) Even though Greenfield investments are comparatively less risky for a firm, acquisitions always yield higher profits

d) Mergers and acquisitions are quicker to execute than Greenfield investments.

8. Policy on ownership and investment guarantee of the host country concerns the following EXCEPT:

a) ratio of holding voting shares of a firm in host country by foreign investors

b) protect lawful rights and interests of foreign investors/ foreign invested enterprises

c) trade liberalization

d) portion of capital contribution in a project by foreign investors

9. Process of screening FDI project and issuing investment liscense is a

a) troublesome administrative process

b) significant process to accelerate FDI attraction

c) process helps to speed up the project operation

d) significant process to select appropriate project. A.

10. Identify the INCORRECT statement regarding the direction of FDI.

a) historically, most FDI has been directed to the developing nations of the world

b) during the 1980s and 1990s, the United States was often the favorite target for FDI inflows.

c) the developed nations of the EU have received significant FDI inflows

d) recent inflows into developing nations have been targeted at the emerging economies of South, East, and Southeast Asia.

11. The current global FDI trend is only one out of the what follows:

a) Among South-South and North-North countries

b) Among North-North, South-South, North-South and South-North countries.

c) Among South-North countries

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d) Among North-South countries

12. Which of the following is NOT stressed in electic paradigm:

a) Location advantage
b) Internalization advantage
c) Internationalization advantage
d) Ownership advantage

13. A foreign firm crowding in foreign firms means direct effect, crowding in domestic firms means _____ to the host country. Pleaae fill in the blank with one of the following:

a) Vertical intergration
b) Horizontal intergration
c) Merger&Acquisition
d) Indirect impact

14. In a licensing arrangement, the _____ bears the risk and cost of opening a foreign market. Fill in the blank with one of the following:

a) Licensor
b) acquiring firm
c) Licensee
d) Greenfield investor

15. _____ is also known as the market imperfections theory. Fill in the blank with one of the following:

a) Internationalization theory
b) Perfect markets theory
c) Closed economy theory
d) Internalization theory

16. Historically, most FDI has been directed at the _____nations of the world as firms based in advanced countries invested in_____. Fill in the blank with one of the following:

a) underdeveloped; underdeveloped countries.
b) developed; underdeveloped countries.
c) developed; each other's markets.
d) underdeveloped; each other's markets.

17. The _____ suggests that a firm will establish production facilities where foreign assets or resource endowments that are important to the firm are located. Fill in the blank with one of the following:

a) product life cycle

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b) strategic behavior theory
c) multipoint competition theory
d) eclectic paradigm

18. The U.S. has been an attractive destination for FDI because of the following reasons EXCEPT:

a) its small and unwealthy domestic market.
b) its dynamic and stable economy.
c) its favorable political environment.
d) its openness to FDI.

19. Three FDI cost concerns of host countries arise from the following EXCEPT:

a) debit on the current account of the home country's balance of payments.

b) adverse effects on competition within the host nation.

c) adverse effects on the balance of payments.

d) the perceived loss of national sovereignty and autonomy.

20. If Viettel, a Vietnamese corporation, purchased a 60 percent interest in of a Laos' company, that purchase would be an example of a (n):

a) minority acquisition.
b) full outright stake.
c) majority acquisition.
d) Greenfield investment

21. FDI is undertaken to serve the home market is known as:

a) Greenfield investment
b) FDI substitution
c) home market FDI
d) offshore production

22. _____is one of the measures of the host country to attract FDI inflow. Pleaae fill in the blank with one of the following:

a) Construction of Economic Zones and Export Processing Zones.
b) Changing macroeconomic policies in the Home country
c) Signing international aggreements
d) Opening the economy.

23. John Dunning, a champion of the eclectic paradigm, argues that:

A. the firms that pioneer a product in their home markets undertake FDI to produce a product for consumption in a foreign market.

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B. combining location-specific assets or resource endowments and the firm's own unique assets often requires FDI.

C. a firm of an oligopolistic industry expanding into a foreign market causes other firms in the industry to make similar investments.

D. impediments to the sale of know-how increase the profitability of FDI relative to licensing.

C. ESSAYS/PROBLEM SOLVING

1) Explain the trends of FDI inflow in Vietnam in the forms of Joint-venture and 100% foreign owned enterprise in 1988-2018.

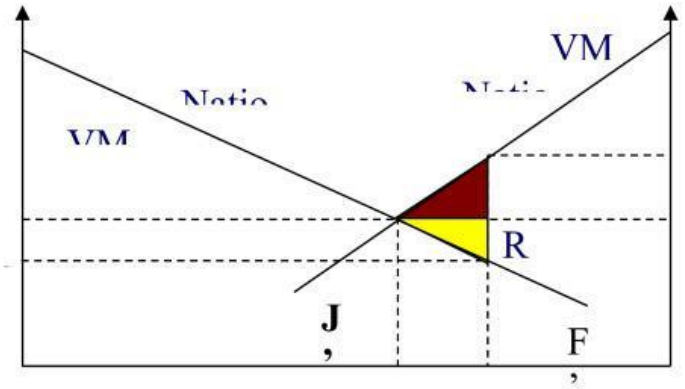
2) Suppose the inward FDI creates both direct and indirect positive impacts on the host economy, which is more important to the host country? Explain?.

3) Figure below denotes Mac Dougall-Kempt model, it is supposed that there are two nations (I, II) in the world, that possessing OO' capital of which Nation I owns OA capital, Nation II owns O'A capital, (OA>O'A); Nation I confronts FF' curve being the curve of value of marginal product of capital (VMPK1), and Nation II does with JJ' curve (VMPK2); VMPK2 is higher than VMPK1. Please identify:

a. GDP of each Nation before and after the movement of AB capital from Nation 1 to nation 2 Change of each Nations' GDP after the movement of AB capital from Nation I to Nation II.(Please clearly identify by which area GDP increase or decrease) (10 points)

b. Volume of loss / gain of Nation II's owners of capital/ owners of other production factors after the movement of AB capital from Nation I to Nation II
Capital owner losses THMR; Owner of other production factors gains HMET

Figure . MacDougall-Kemp Model



3) FDI may cause crowding-in effect to the host country. Explain and give examples to illuatrate.

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