

Chapter 6 – Revision Questions

1. Distinguish key terminology with respect to FDI: direct versus portfolio investment, horizontal versus vertical FDI, upstream versus downstream FDI, FDI stock versus FDI flows!
2. When do we call a firm a 'multinational enterprise (MNE)'?
3. Why do firms need ownership advantages to compete abroad?
4. What sort of locational advantages can attract foreign investors, and why?
5. Why would firms want to 'internalize' cross-border transactions within their organization?
6. Why would firms set up a FDI sales operation, rather than export from the home country?
7. Why would firm set up a subsidiary to exploit a technology rather than licensing that technology to a local partner?
8. Why would firms set up a subsidiary to manufacture abroad rather than outsource the activity to an independent manufacturer?
9. What policies do national governments use to control or restrict the activities of foreign MNEs?
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11. What are the potential benefits and disadvantages that local firms may experience as a result of FDI coming to their country?
12. What are the potential benefits and disadvantages that ordinary people – as consumer or workers – may experience as a result of FDI coming to their country?
13. Is FDI good or bad for the natural environment?
14. Explain the phenomenon of 'obsolescing bargain' in the relationship between MNEs and host governments!
15. What is the role of sovereign wealth funds in the global economy?