



# Our previous lecture :



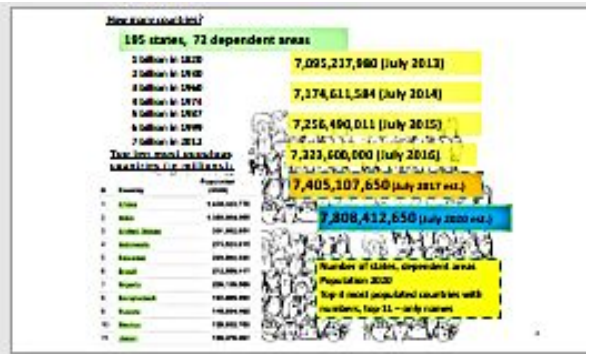
1 ★

World economy main preliminary indicators

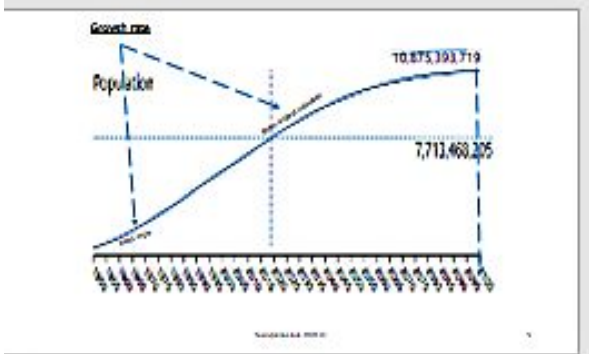
2

1. Population Connected indicators (and tools)

3



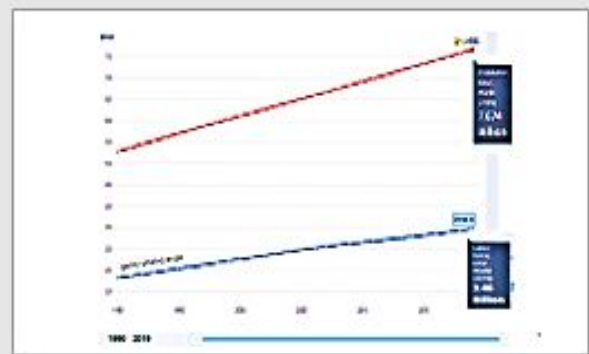
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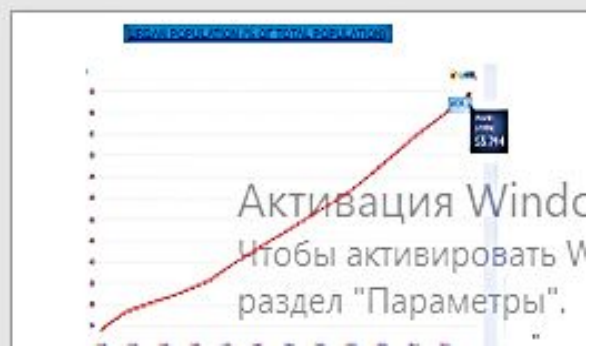
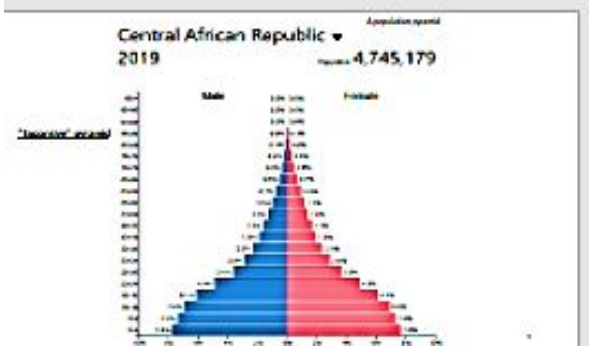
6 ★



7 ★



8



Активация Windows  
 Чтобы активировать Windows, перейдите в раздел "Параметры".

### MAJOR AGGLOMERATIONS OF THE WORLD

| Rank | Name             | English Name | Country                  | Population |
|------|------------------|--------------|--------------------------|------------|
| 1    | Osaka/Kobe       | Osaka        | China                    | 46,700,000 |
| 2    | Tokyo            | Tokyo        | Japan                    | 40,400,000 |
| 3    | Shanghai         | Shanghai     | China                    | 33,600,000 |
| 4    | Jakarta          | Jakarta      | Indonesia                | 31,300,000 |
| 5    | Delhi            | Delhi        | India                    | 30,900,000 |
| 6    | Manila           | Manila       | Philippines              | 25,700,000 |
| 7    | Bombay           | Bombay       | India                    | 25,100,000 |
| 8    | Sao Paulo        | Sao Paulo    | Brazil                   | 24,800,000 |
| 9    | Clusad de Mexico | Mexico City  | Mexico                   | 23,000,000 |
| 10   | Sao Paulo        | Sao Paulo    | Brazil                   | 22,400,000 |
| 11   | New York         | New York     | United States of America | 22,100,000 |
| 12   | Al-Ghazal        | Cairo        | Egypt                    | 21,000,000 |
| 13   | Dhaka            | Dhaka        | Bangladesh               | 20,200,000 |
| 14   | Beijing          | Beijing      | China                    | 19,800,000 |
| 15   | Lagos            | Lagos        | Nigeria                  | 19,400,000 |
| 16   | Krungs Thep      | Bangkok      | Thailand                 | 18,800,000 |
| 17   | Karachi          | Karachi      | Pakistan                 | 17,800,000 |
| 18   | Los Angeles      | Los Angeles  | United States of America | 17,700,000 |
| 19   | Osaka            | Osaka        | Japan                    | 17,700,000 |
| 20   | Moscow           | Moscow       | Russia                   | 17,300,000 |

## 2. Production Connected indicators

### RICHEST CITIES

| Rank | City        | GDP (Billion) |
|------|-------------|---------------|
| 1    | Tokyo       | \$1,320       |
| 2    | New York    | \$1,210       |
| 3    | Los Angeles | \$798.7       |
| 4    | Sao Paulo   | \$778.4       |
| 5    | London      | \$733.2       |
| 6    | Paris       | \$668.2       |
| 7    | Moscow      | \$654.8       |
| 8    | Chicago     | \$519.6       |
| 9    | Mumbai      | \$512.1       |
| 10   | Shanghai    | \$516.5       |

### Agglomerations

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### GDP PPP (constant 2017 international \$)

\$162.26 trillion (2018 est.)  
 \$127.26 trillion (2017 est.)  
 \$128.26 trillion (2016 est.)  
 \$124.87 trillion (2015 est.)  
 \$124.87 trillion (2014 est.)  
 Note: Data are in 2016 US dollars.

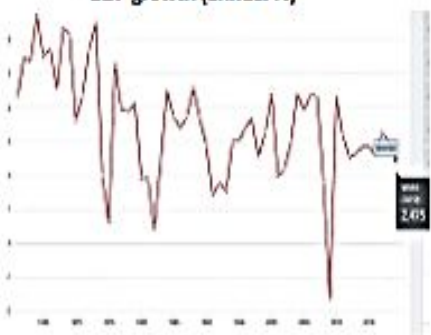
**World GDP - real growth rate**  
 2.87% (2018)  
 6.6% (2017)  
 8% (2016)  
 6.2% (2015)  
 6.8% (2014)

**GDP per capita, PPP (constant 2017 international \$)**  
 \$17,819 (2017)  
 \$17,800 (2017)  
 \$16,900 (2016)  
 \$16,000 (2015)  
 \$15,800 (2014)

GDP growth rate  
 GDP per capita



### GDP growth (annual %)



### GDP - composition by sector

Agriculture 6%  
 Industry 37%  
 Services 57% (2017 est.)



## 3. International economic relations ind.

### International economic relations



**Resident**  
 a legal or natural person, registered as residing in this state

**Nonresident**  
 1) organization without legal entity status, established in accordance with the legislation of a foreign state or  
 2) diplomatic representative offices of foreign states or other official organizations located in the territory of the Russian Federation

if natural person residing outside the Russian Federation for more than 183 calendar days within last 12 months, but is not having permanent residence in the territory...

Economic relations between residents and non-residents of the country including factors of production moving and of accompanying operations.

### The forms of international economic relations

#### International trade in goods and services

- ✓ The international movement of capital
- ✓ Labour migration
- ✓ International exchange of knowledge
- ✓ The international currency and settlement relations.

The forms of international economic relations (page 7)

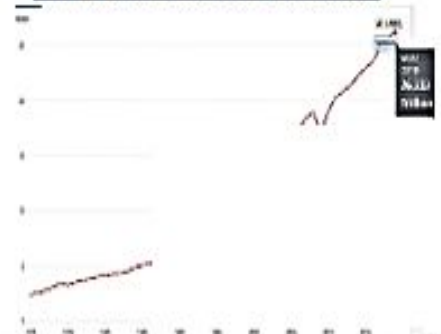
### International trade in goods and services



**Exports - commodities: top ten - share of world trade:**

- ✓ electrical machinery, including computers 16.8%
- ✓ mineral fuels, including oil, coal, gas, and refined products 14.0%
- ✓ nuclear reactors, boilers, and parts 14.2%
- ✓ cars, trucks, and buses 8.8%
- ✓ scientific and precision instruments 2.5%
- ✓ plastics 2.0%
- ✓ iron and steel 2.7%
- ✓ organic chemicals 1.8%
- ✓ pharmaceutical products 1.8%
- ✓ diamonds, pearls, and precious stones 1.8%

### Exports of goods and services (constant 2010 US\$)



# The forms of international economic relations

- ✓ International trade in goods and services;
- ✓ The international movement of capital;
- ✓ Labour migration;
- ✓ International exchange of knowledge;
- ✓ The international currency and settlement relations.

The forms of international economic relations (open ?)

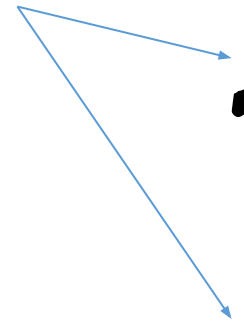
Capital



Timofeeva A.A. 2020 c



*narrow*



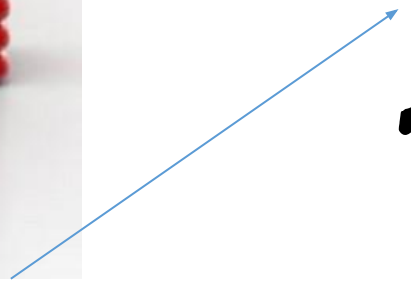
✓ *wealth, esp. money used to produce more wealth through investment or a new business*

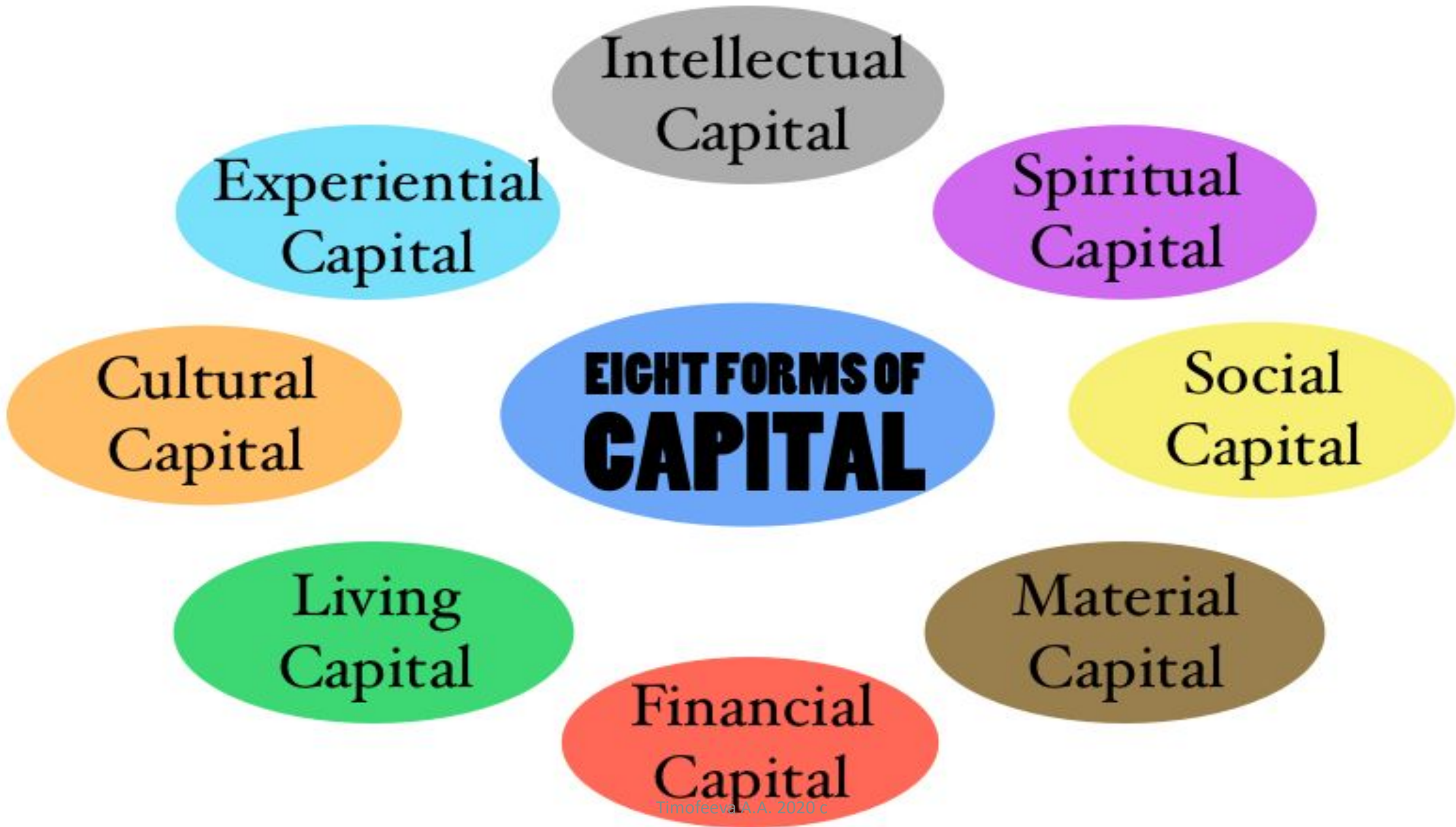
✓ *money that used for investment or for starting a business*

✓ *value that brings in surplus value*

✓ **Capital is an important factor of production.** It consists of those goods which are produced by the economic system and are used as inputs in the production of further goods and services.

*broad*







# Form of Capital

## • Its Currency and Manifestations

Social

•Connections: influence & relationships

Material

•Materials and "natural resources":tools, buildings, infrastructure.

Financial

•Money: financial instruments & securities

Living

•Carbon, Nitrogen, Water: soil, living organisms, land, ecosystems

Intellectual

•Ideas, Knowledge: words, images, "intellectual property"

Experiential

•Action: embodied experience, wisdom

Spiritual

•Prayer, Intention, Faith, Karma: spiritual attainment

Cultural

•Song, story, ritual: community

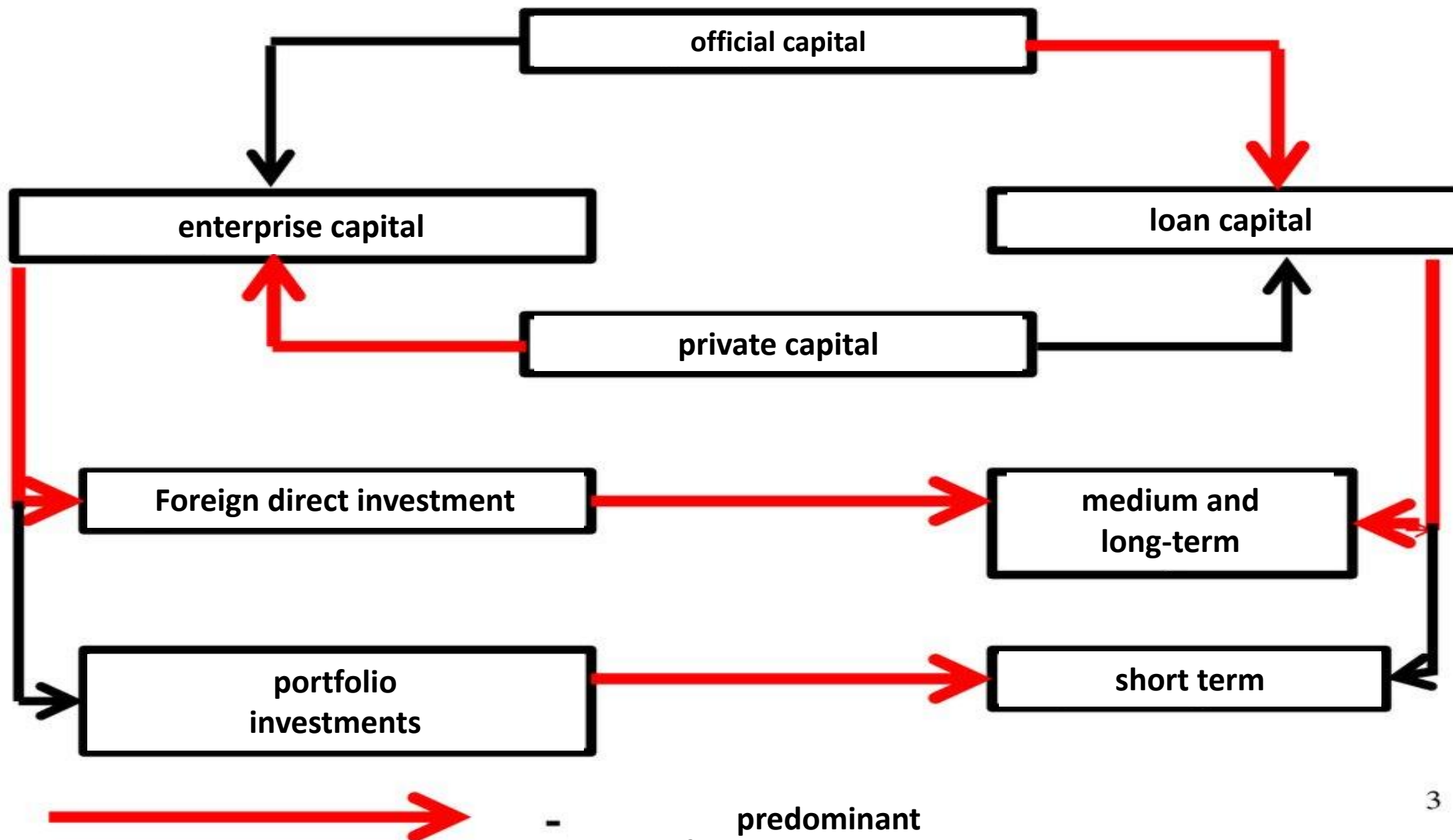
*If about international movement of capital as form of international economic relations...*

# Forms of international capital movement

# Forms of international capital movement



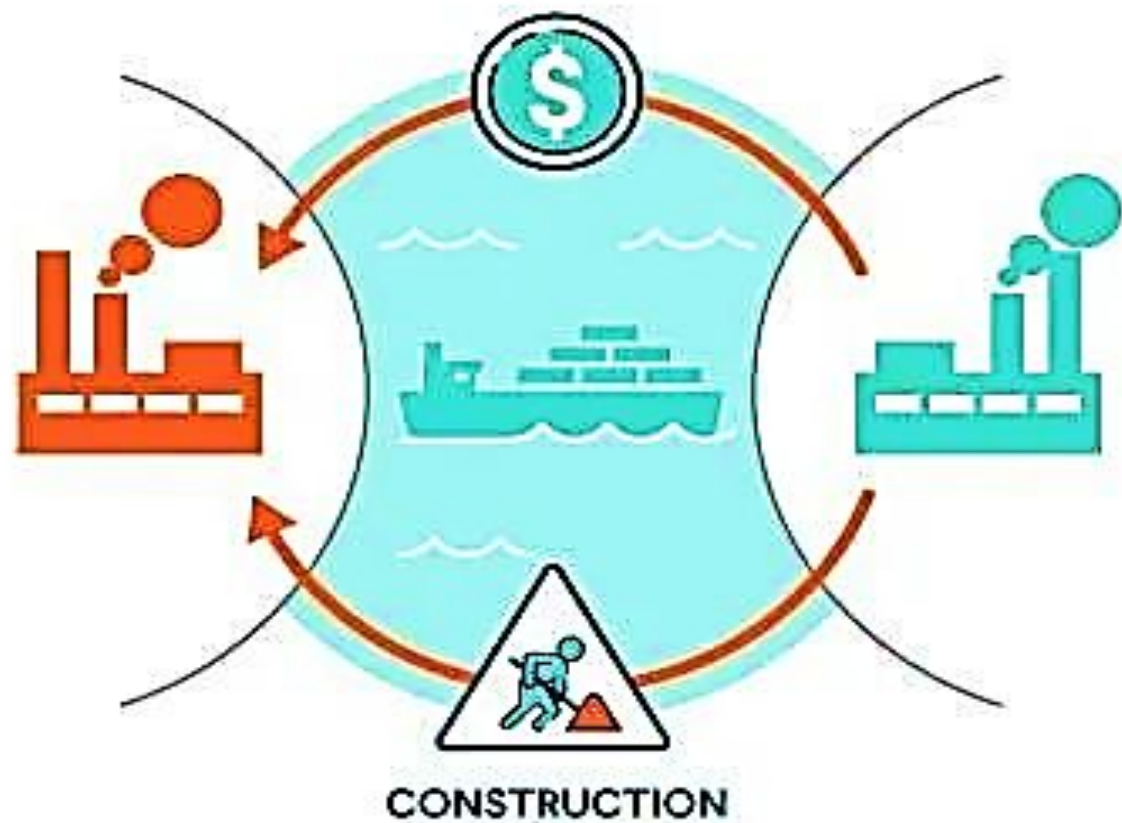
# Forms of international capital movement



# What is Foreign Investment?

## A: Foreign Direct Investment

A company buying or building a factory in another country



## B: Foreign Portfolio Investment

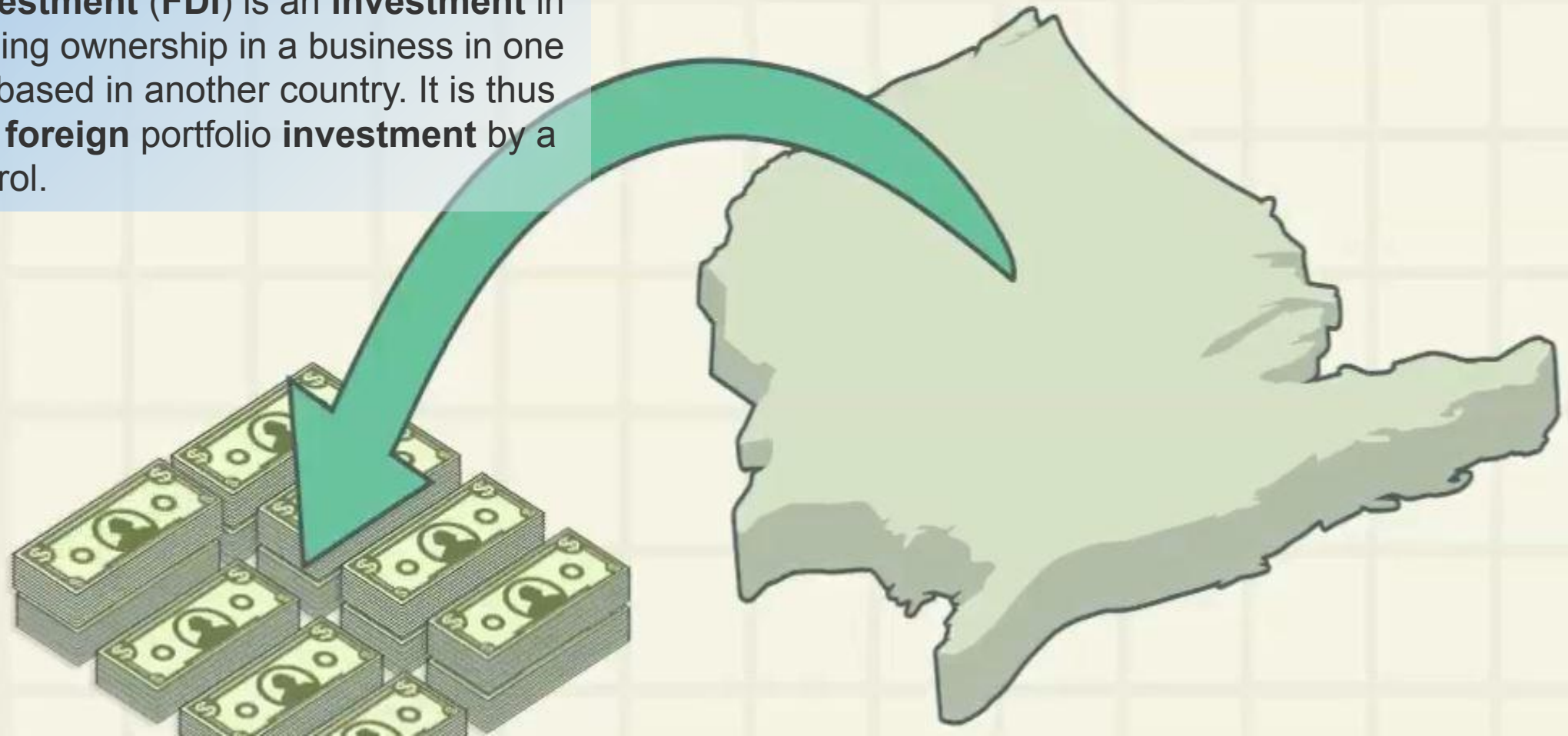
Buying stocks and bonds from another country



**F D I**

# FDI

A **foreign direct investment (FDI)** is an **investment** in the form of a controlling ownership in a business in one country by an entity based in another country. It is thus distinguished from a **foreign portfolio investment** by a notion of **direct** control.





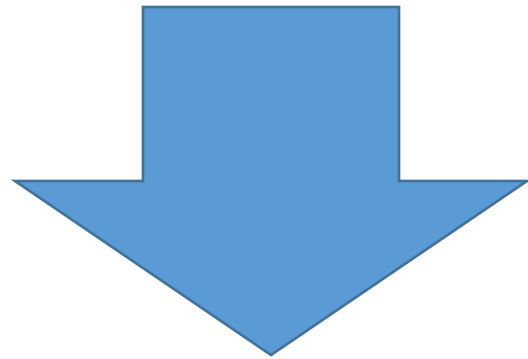
Broadly, foreign direct investment includes

- ✓ mergers and acquisitions,
- ✓ building new facilities,
- ✓ reinvesting profits earned from overseas operations,
- ✓ intra company loans

In a narrow sense, foreign direct investment refers just to building new facility, and a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor.



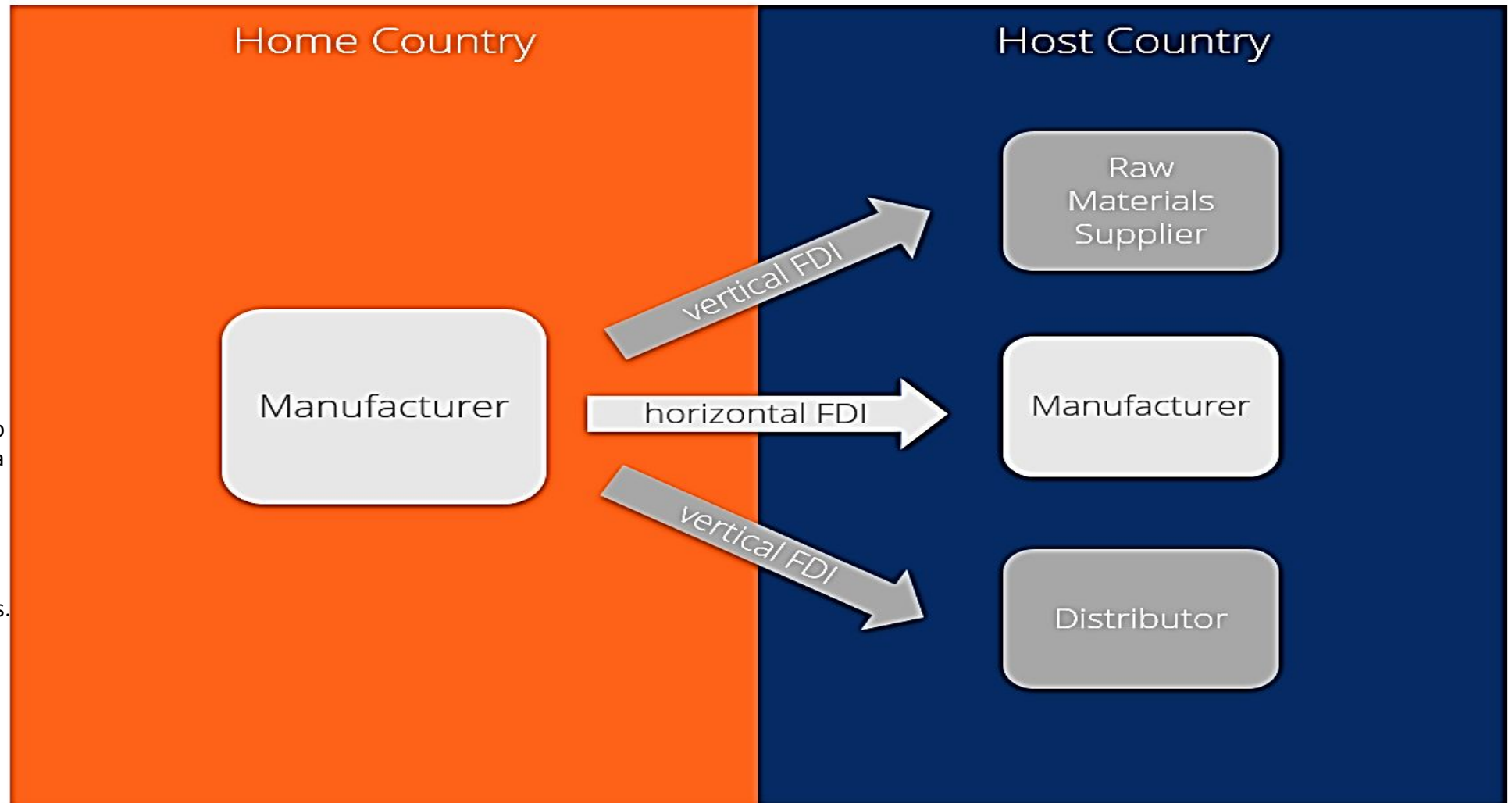
# FDI TYPES



# FDI

## Foreign

**Horizontal:** a business expands its domestic operations to a foreign country. In this case, the business conducts the same activities but in a foreign country. For example, McDonald's opening restaurants in Japan would be considered horizontal FDI.

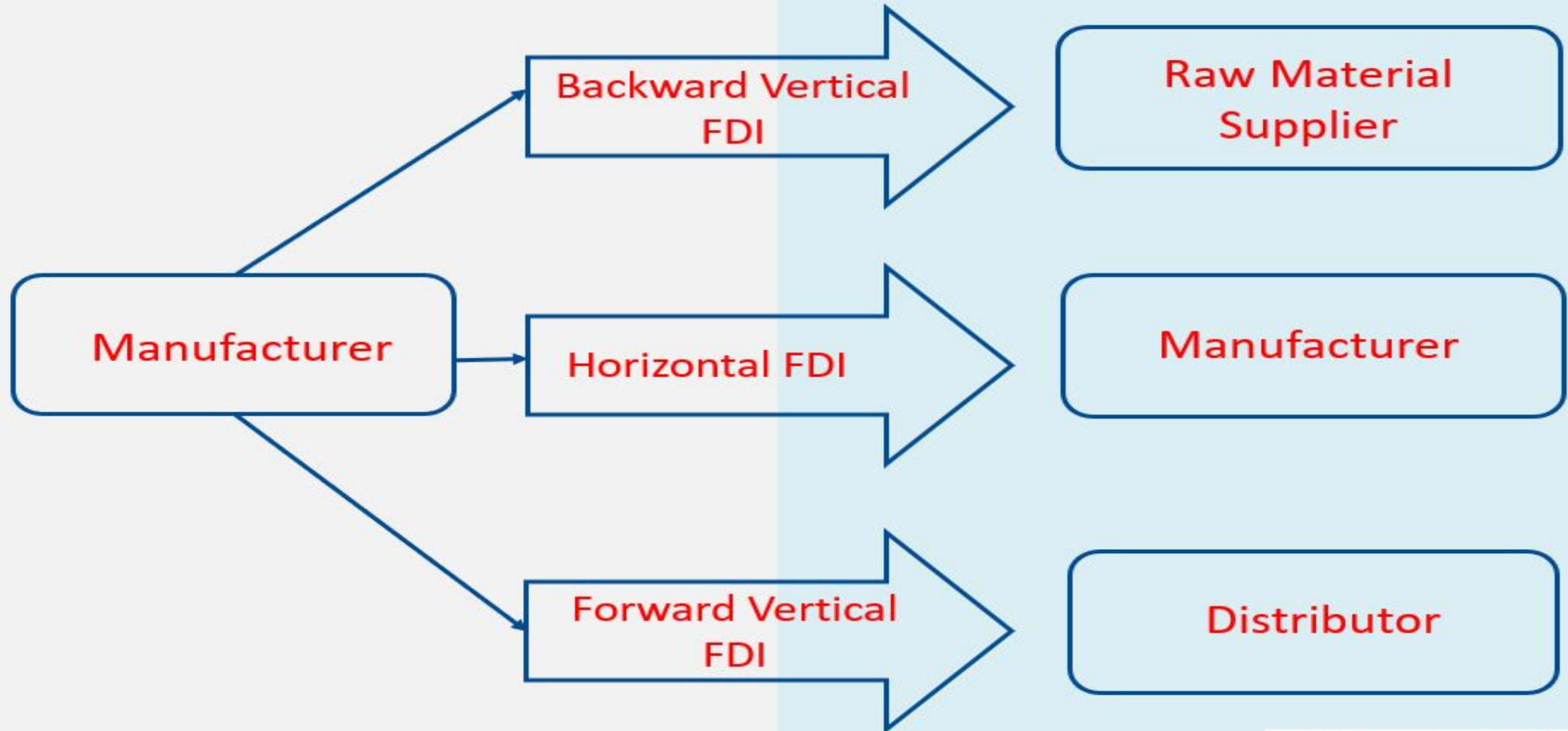


**Vertical:** a business expands into a foreign country by moving to a different level of the supply chain. In other words, a firm conducts different activities abroad but these activities are still related to the main business. Using the same example, McDonald's could purchase a large-scale farm in Canada to produce meat for their restaurants.

# Foreign Direct Investment (FDI)

Home Country

Host Country

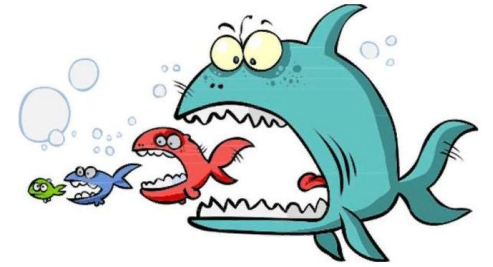


# Platform:

**Platform:** a business expands into a foreign country but the output from the foreign operations is exported to a third country. This is also referred to as export-platform FDI. Platform FDI commonly happens in low-cost locations inside free-trade areas. For example, if Ford purchased manufacturing plants in Ireland with the primary purpose of exporting cars to other countries in the EU



# Types of FDI



## Greenfield Investments

- Building new manufacturing facilities in foreign countries.
- Example: Honda built USA facility in early 1980s

## Cross-Border Mergers and Acquisitions (M&A)

- Merge with or buy foreign companies.
- Example: Ford bought Mazda (Japan) and Jaguar (UK).

FDI + and -

# Foreign Direct Investment

## Pros



Diversifies investors portfolios



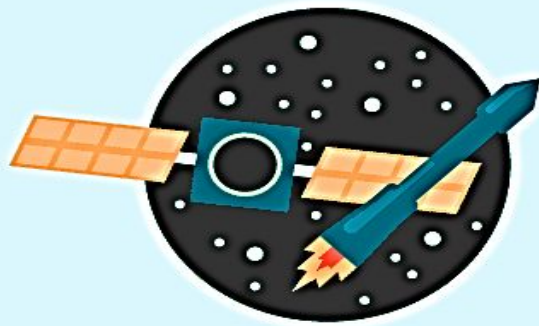
Promotes stable long term lending



Provides financing to developing countries



Provides technology to developing countries



Not suitable for strategically important industries



Unethical access to local markets

# FOREIGN DIRECT INVESTMENT

**BOOST ECONOMIC RESILIENCE BY:**



**CREATING MORE AND  
BETTER-PAID JOBS**



**LIFTING PEOPLE OUT  
OF POVERTY**



**BOOSTING  
PRODUCTIVITY**



For country

## Advantages of FDI

- ✓ Increase investment level and thereby income & employment
- ✓ Increase tax revenue of government
- ✓ Facilitates transfer of technology
- ✓ Encourage managerial revolution through professional management
- ✓ Increase exports and reduce import requirements
- ✓ Increase competition and break domestic monopolies
- ✓ Improves quality and reduces cost of inputs

## Disadvantages of Foreign Direct Investment

- Displacement of local businesses
- Profit repatriation

# Foreign Direct Investment

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## **Advantages**

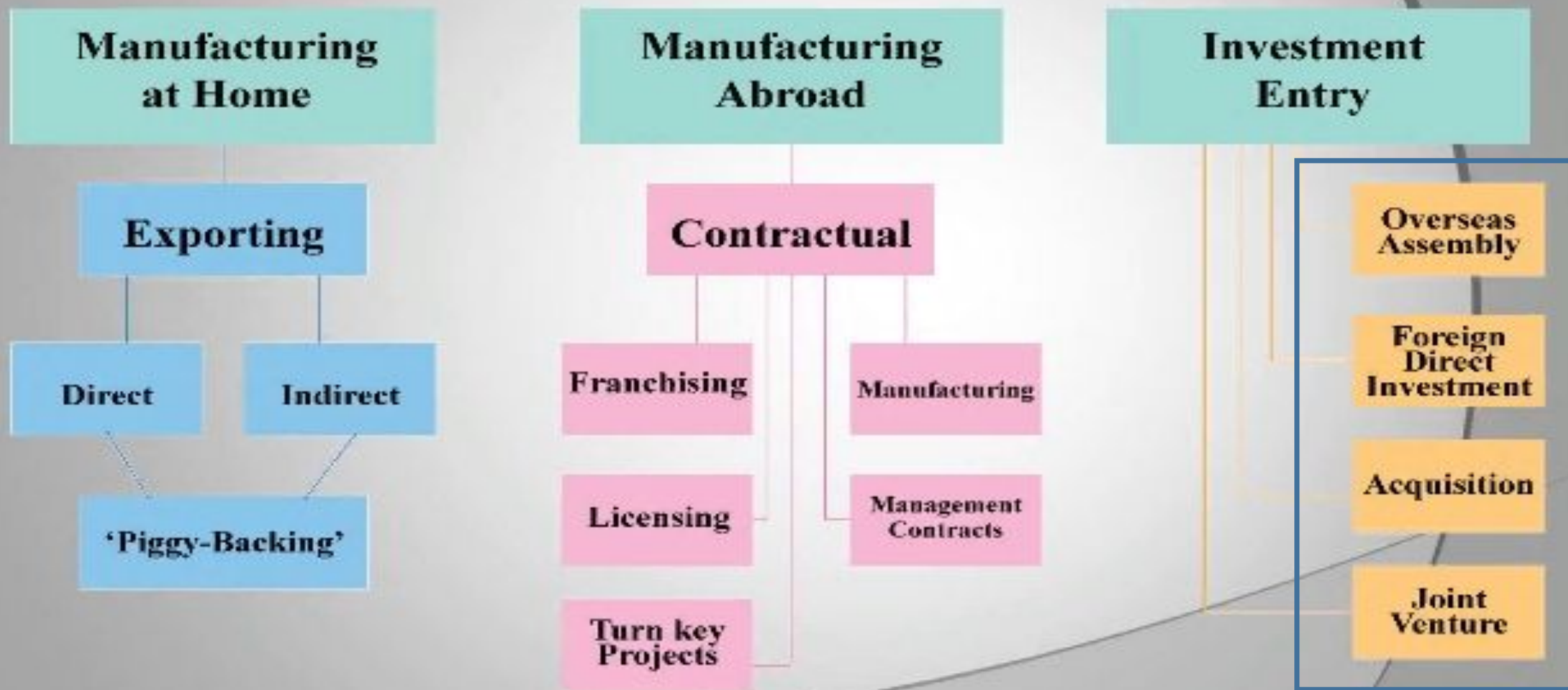
- High profit potential
- Maintain control over operations
- Acquire knowledge of local market
- Avoid tariffs and NTBs

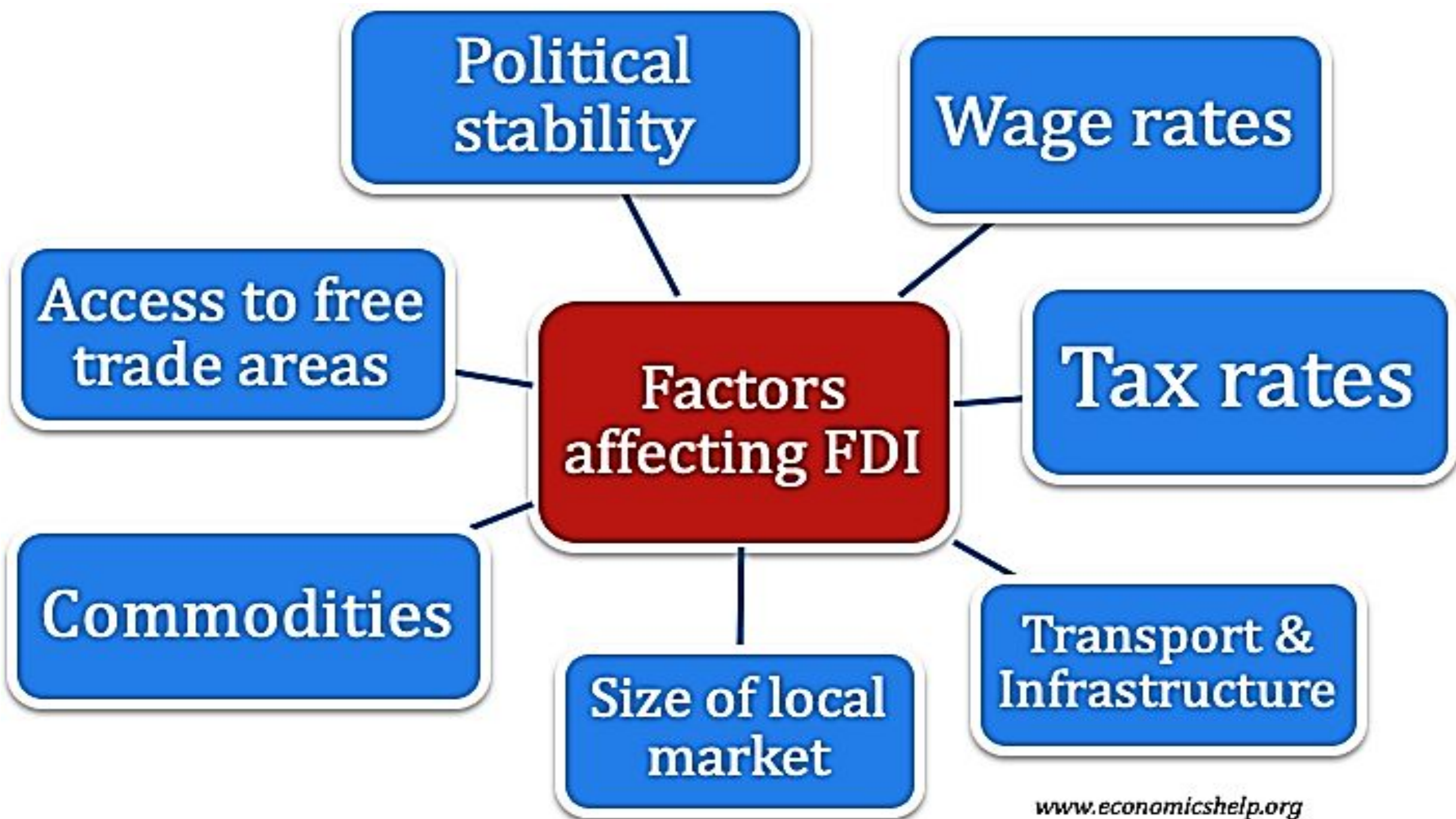
## **Disadvantages**

- High financial and managerial investments
- Higher exposure to political risk
- Vulnerability to restrictions on foreign investment
- Greater managerial complexity

# FDI in strategies

# Global Market Entry Strategies





# FDI in numbers

# The international movement of capital

## Stock of direct foreign investment - abroad:

\$33.6 trillion (31 December 2017 est.)

\$28.4 trillion (31 December 2016 est.)

\$26.2 trillion (31 December 2014 est.)



Forms of international movement of capital are typically installed in countries investment and banking legislation



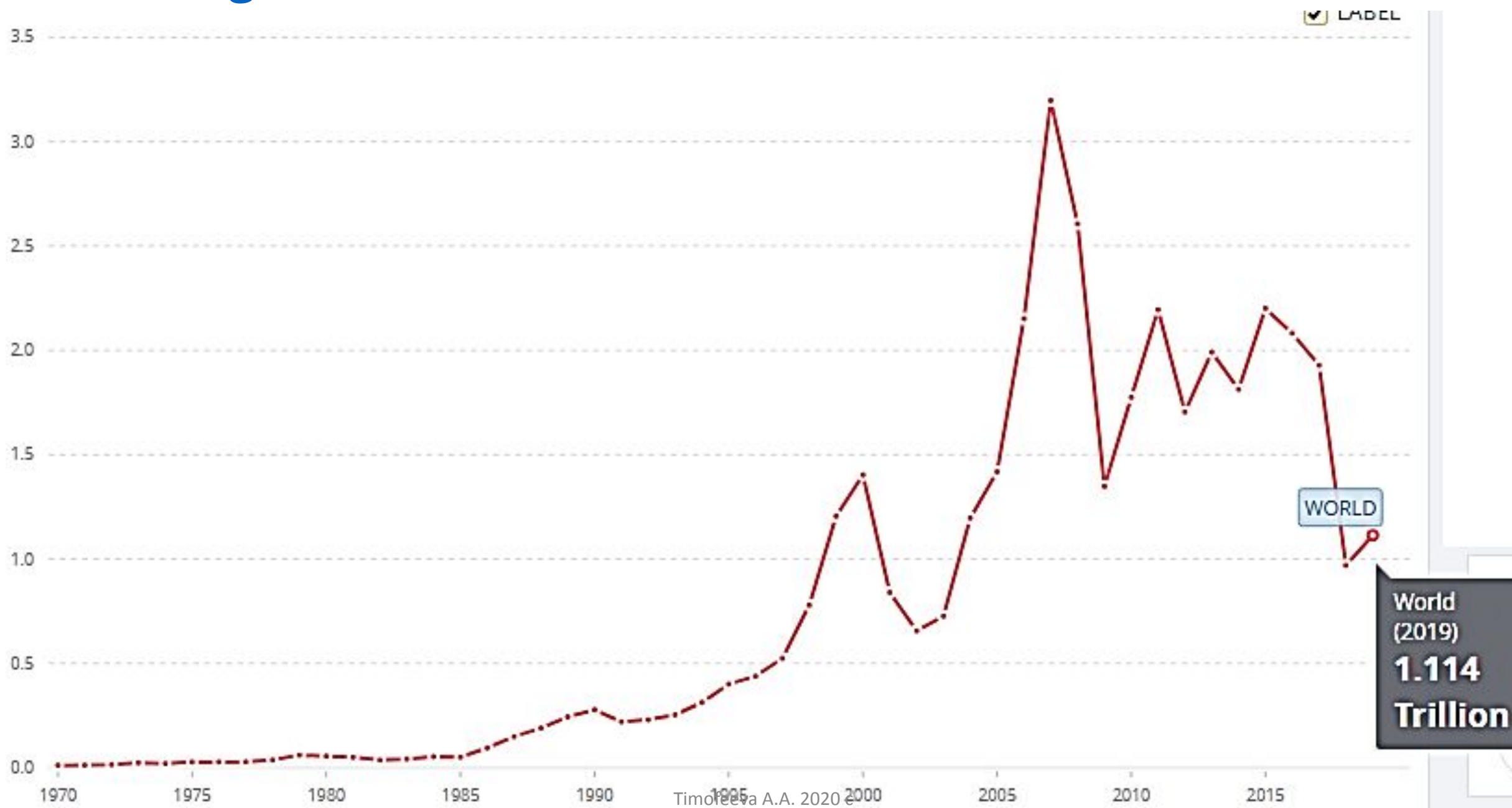
Types of FDI  
(video: what is FDI))



Why attract Foreign Direct Investment

FDI / number  
Definition of FDI in comparison with portfolio investment  
Why attract Foreign Direct Investment? (video)  
Types of FDI (video: what is FDI))

# Foreign direct investment, net outflows (BoP, current US\$)







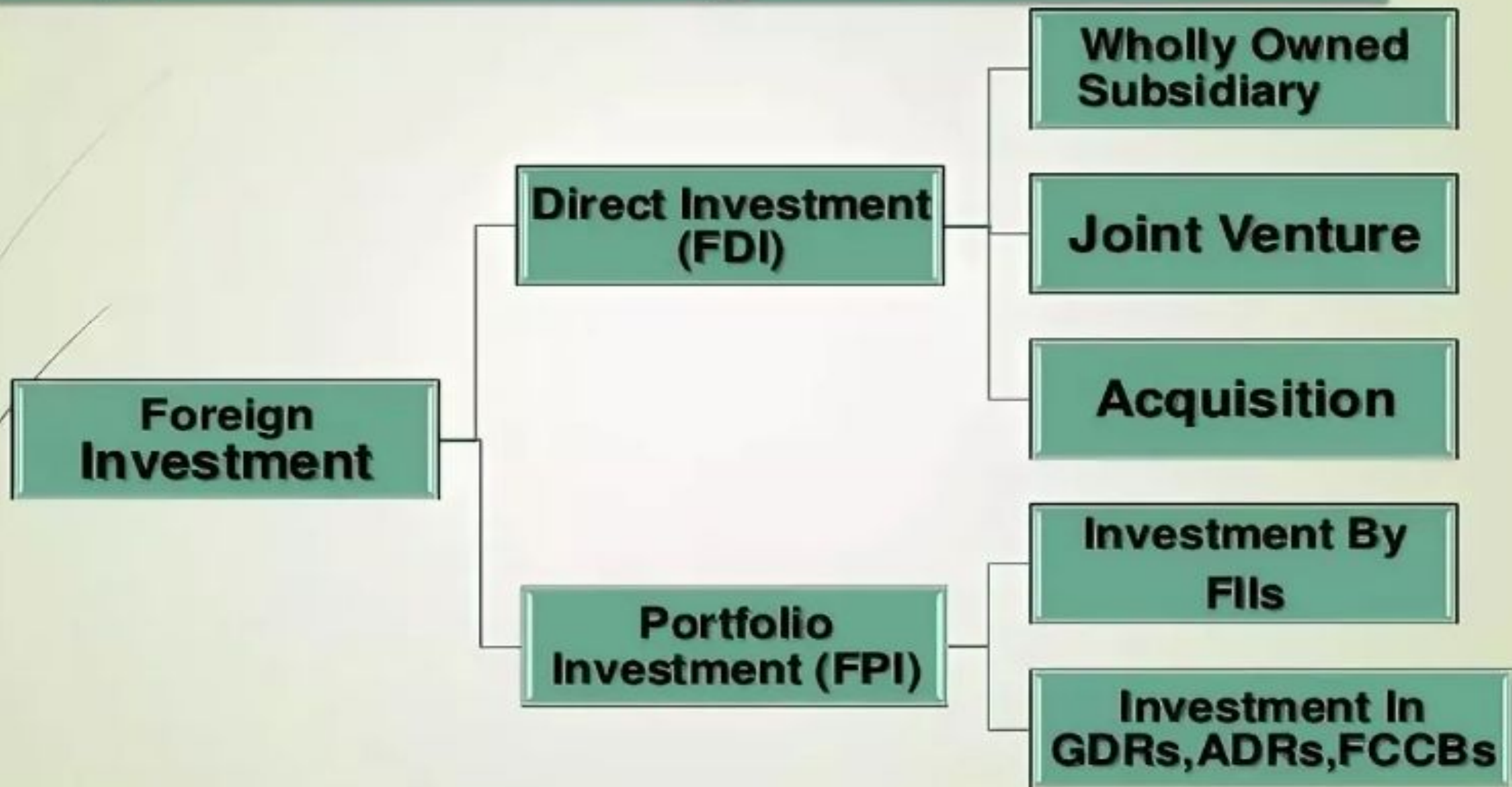
top 15 countries and jurisdictions receiving FDI inflows:

| <b>Rank</b> | <b>Jurisdiction</b>    | <b>FDI Inflows</b> |
|-------------|------------------------|--------------------|
| #1          | United States          | \$275.4 billion    |
| #2          | China                  | \$136.3 billion    |
| #3          | Hong Kong (SAR)        | \$104.3 billion    |
| #4          | Brazil                 | \$62.7 billion     |
| #5          | Singapore              | \$62.0 billion     |
| #6          | Netherlands            | \$58.0 billion     |
| #7          | France                 | \$49.8 billion     |
| #8          | Australia              | \$46.4 billion     |
| #9          | Switzerland            | \$41.0 billion     |
| #10         | India                  | \$39.9 billion     |
| #11         | British Virgin Islands | \$38.4 billion     |
| #12         | Cayman Islands         | \$37.4 billion     |
| #13         | Germany                | \$34.7 billion     |
| #14         | Mexico                 | \$29.7 billion     |
| #15         | Ireland                | \$29.0 billion     |

Portfolio

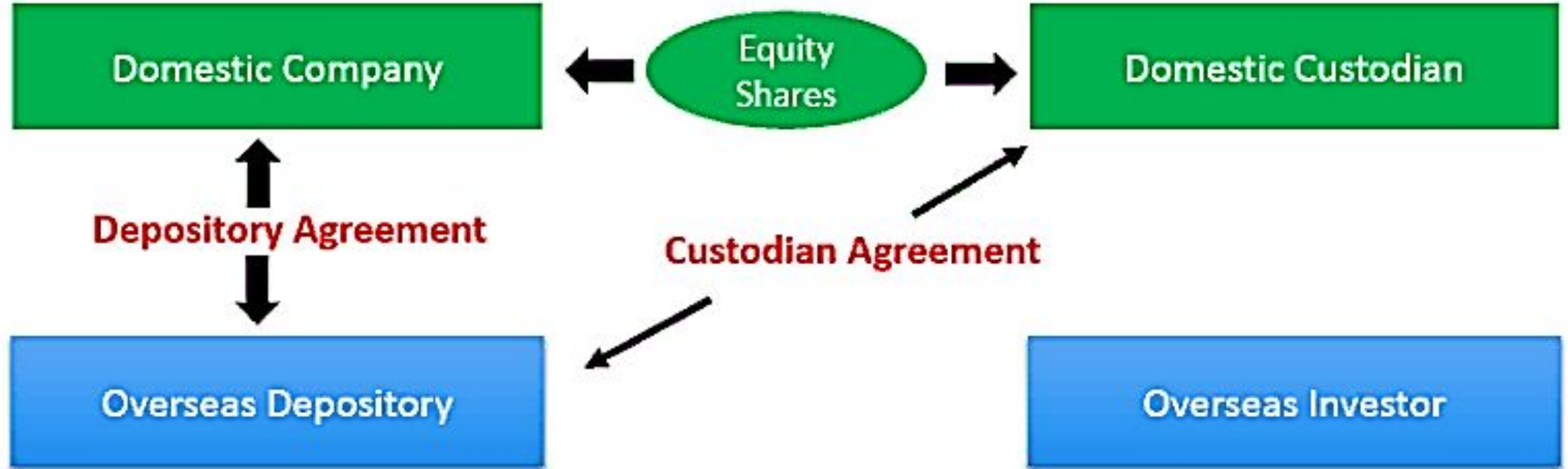
investment

# Types Of Foreign Investment



W

# What is Global Depository Receipts (GDR)?



# What are American Depositary Receipts (ADR)?



# The forms of international economic relations

- ✓ International trade in goods and services;
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- ✓ International exchange of knowledge;
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The forms of international economic relations (open ?)