

Our previous lecture :



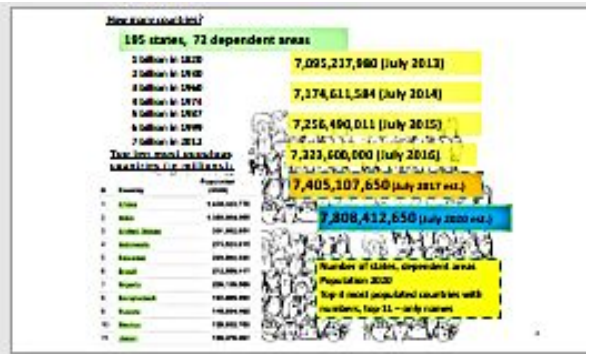
1 ★

World economy main preliminary indicators

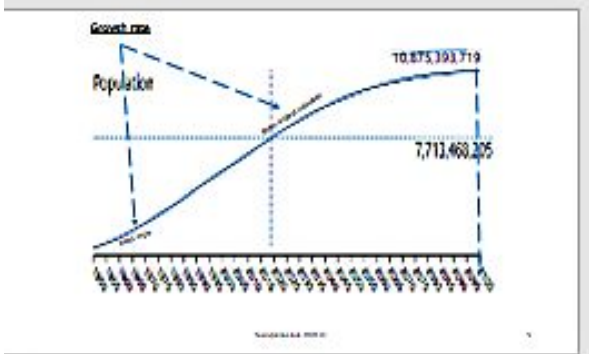
2

1. Population Connected indicators (and tools)

3



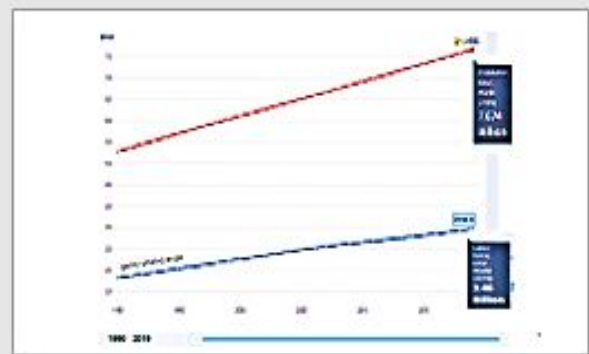
4 ★



5 ★



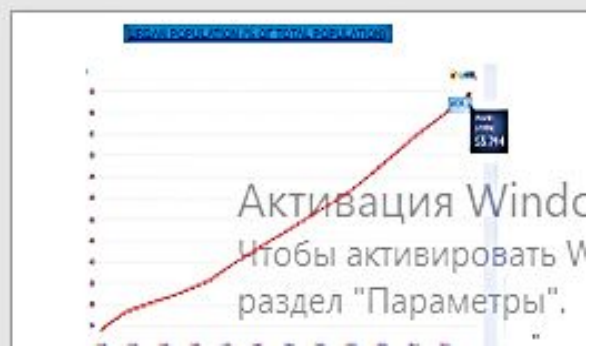
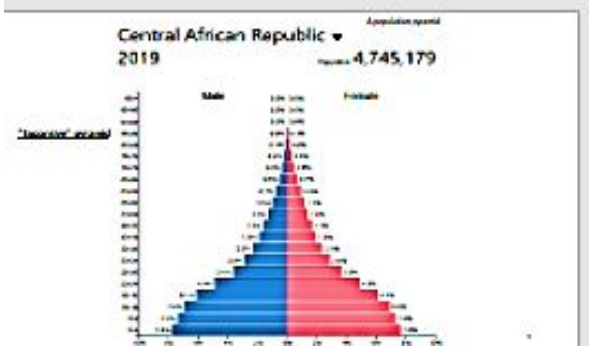
6 ★



7 ★



8



MAJOR AGGLOMERATIONS OF THE WORLD

Rank	Name	English Name	Country	Population
1	Colonyville	Colony	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	30,300,000
6	Manila	Manila	Philippines	25,700,000
7	Bombay	Bombay	India	25,100,000
8	Sao Paulo	Sao Paulo (Brazil)	Brazil	24,600,000
9	Cluj-Napoca	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	Krungsri	Bangkok	Thailand	18,900,000
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

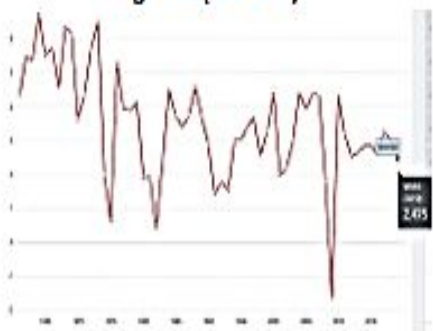
RICHEST CITIES

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

Rank	Name	Population	Rank	City	GDP (Billion)
1	Colonyville	46,700,000	1	Tokyo	\$1,320
2	Tokyo	40,400,000	2	New York	\$1,210
3	Shanghai	33,600,000	3	Los Angeles	\$798.7
4	Jakarta	31,300,000	4	Sao Paulo	\$778.4
5	Delhi	30,300,000	5	London	\$733.2
6	Manila	25,700,000	6	Paris	\$668.2
7	Bombay	25,100,000	7	Moscow	\$654.8
8	Sao Paulo	24,600,000	8	Chicago	\$519.6
9	Cluj-Napoca	23,000,000	9	Mumbai	\$512.1
10	Sao Paulo	22,400,000	10	Shanghai	\$516.5
11	New York	22,100,000			
12	Al-Ghazal	21,000,000			
13	Dhaka	20,200,000			
14	Beijing	19,800,000			
15	Lagos	19,400,000			
16	Krungsri	18,900,000			
17	Karachi	17,800,000			
18	Los Angeles	17,700,000			
19	Osaka	17,700,000			
20	Moscow	17,300,000			

GDP growth (annual %)



GDP - composition by sector

Agriculture 4%
Industry 37%
Services 59% (2017 est.)



3. International economic relations ind.

International economic relations



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

A nonresident—
1) an organization without legal entity status, established in accordance with the legislation of a foreign state or
2) a branch, representative office of a foreign state or other official organizations located in the territory of the Russian Federation

If a 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

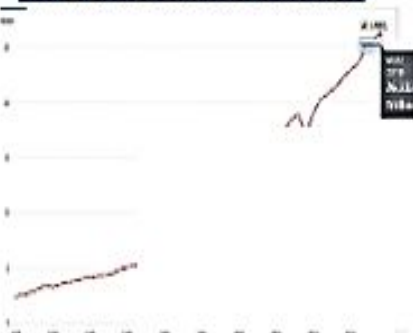
- ✓ The international movement of capital
- ✓ Labour migration;
- ✓ International exchange of knowledge;
- ✓ The international currency and settlement relations.

International trade in goods and services



- Exports - commodities: top ten - share of world trade:**
- ✓ electrical machinery, including computers 14.8%
 - ✓ 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.

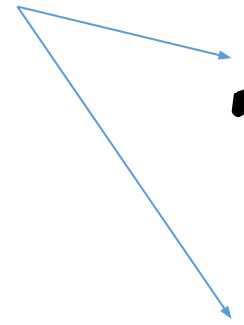
The forms of international economic relations (open ?)

Capital





narrow



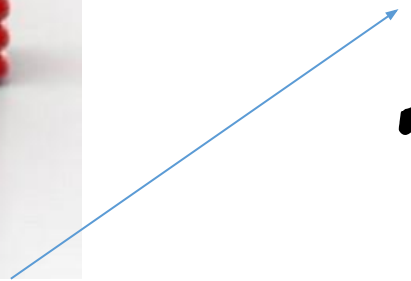
✓ *wealth, esp. money used to produce more wealth through investment or a new business*

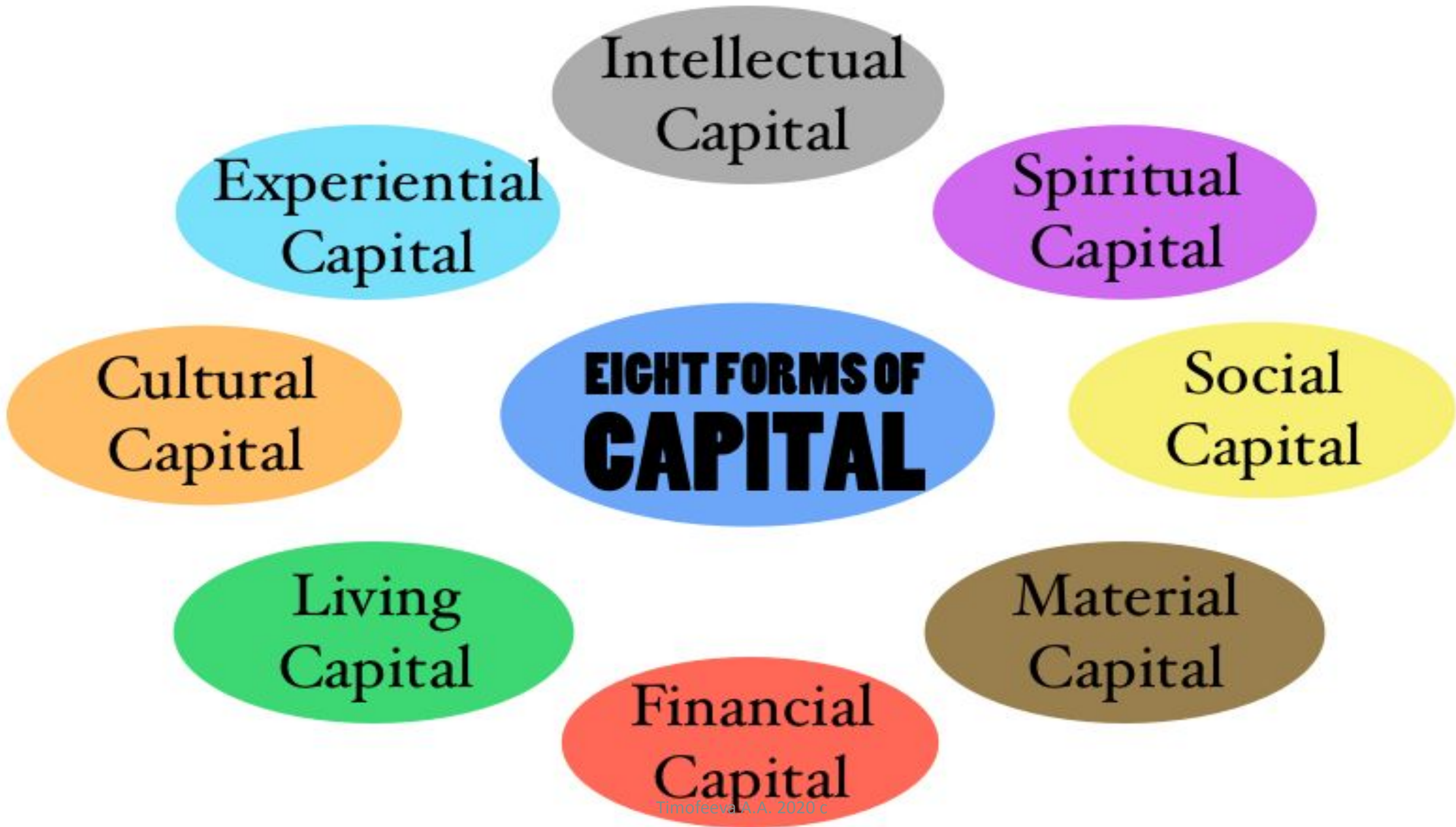
✓ *money that used for investment or for starting a business*

✓ *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

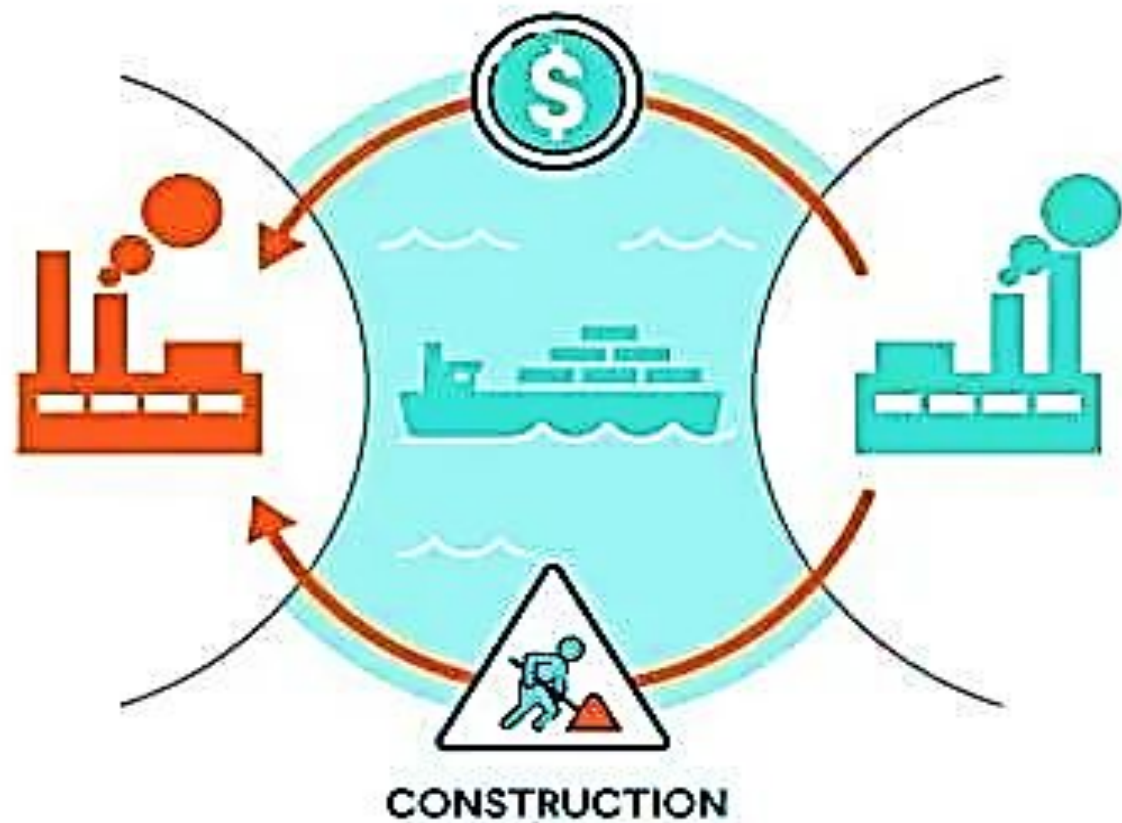
Forms of international capital movement



What is Foreign Investment?

A: Foreign Direct Investment

A company buying or building a factory in another country



B: Foreign Portfolio Investment

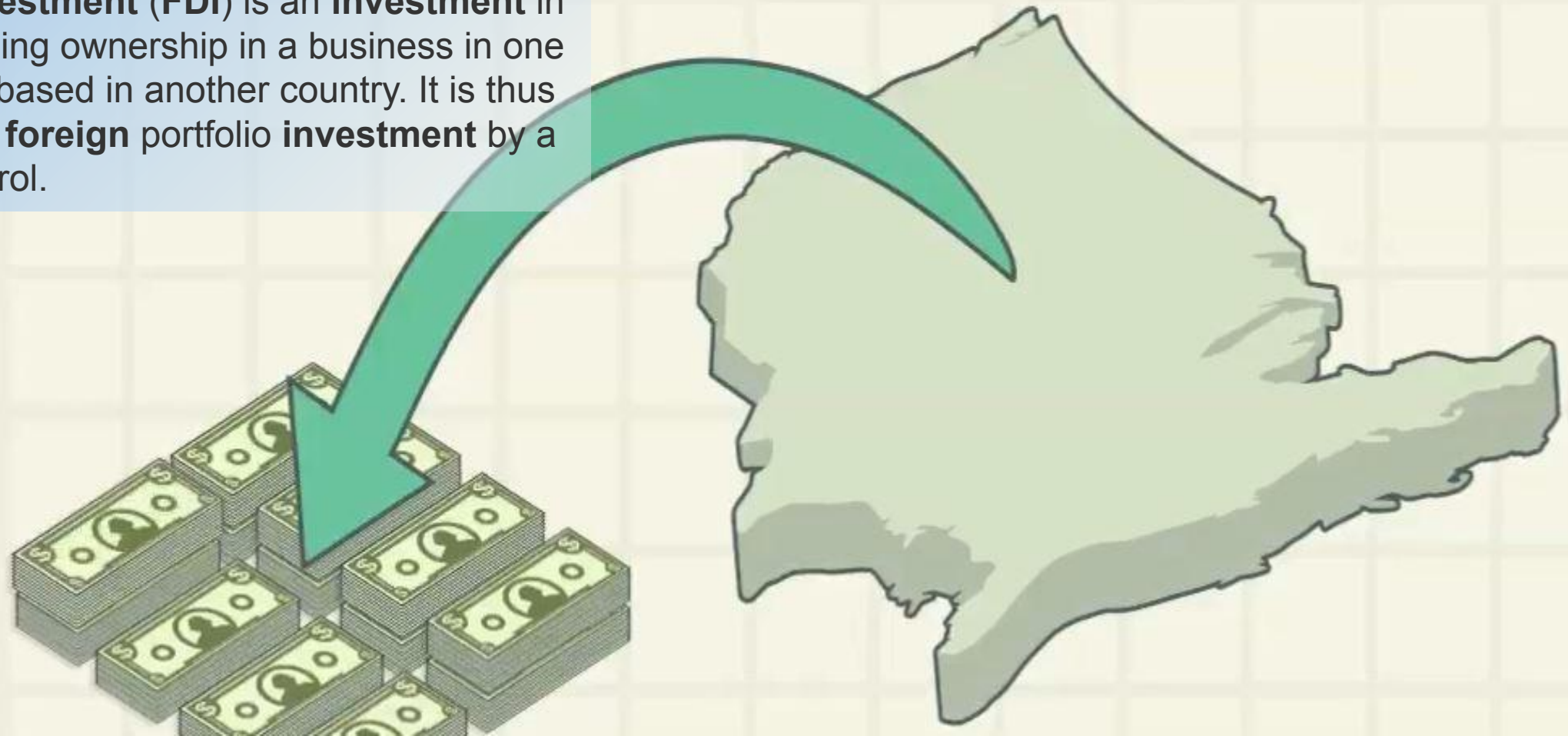
Buying stocks and bonds from another country



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.



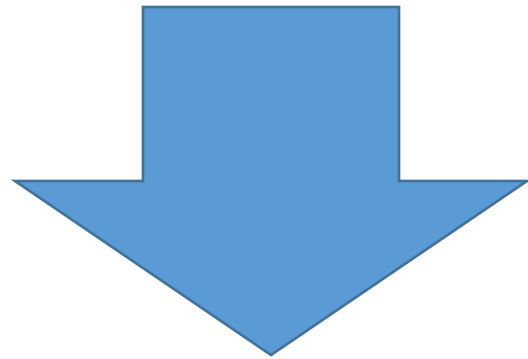


Broadly, foreign direct investment includes

- ✓ 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.

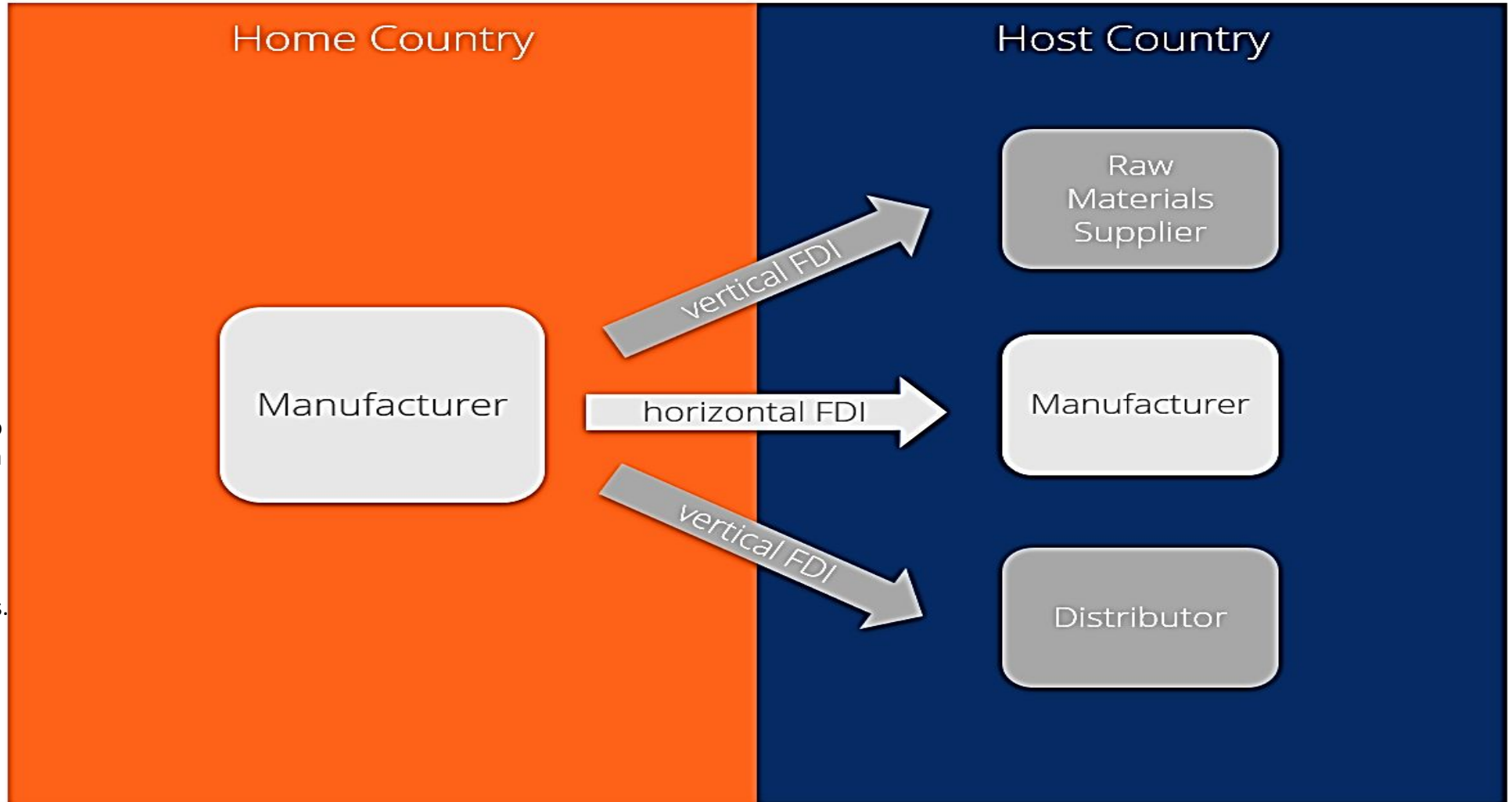
FDI TYPES



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.

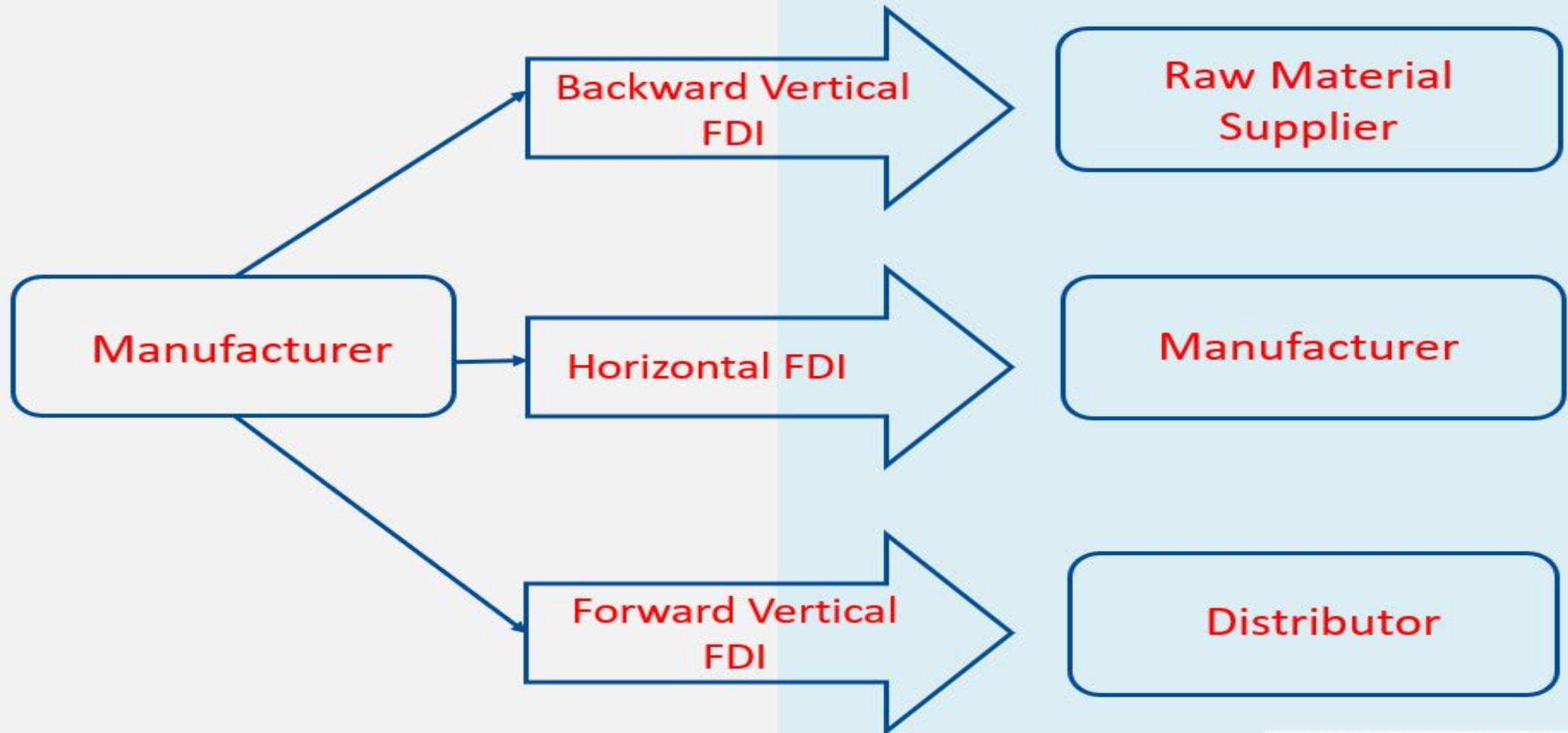


Vertical: a business expands into a foreign country by moving to a different level of the supply chain. In other words, a firm conducts different activities abroad but these activities are still related to the main business. Using the same example, McDonald's could purchase a large-scale farm in Canada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

Foreign Direct Investment (FDI)

Home Country

Host Country

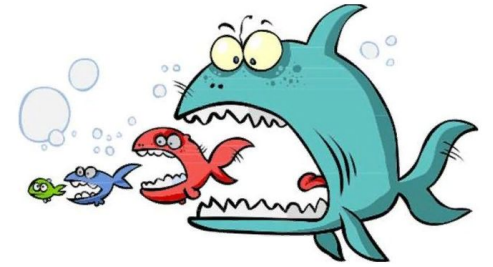


Platform:

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



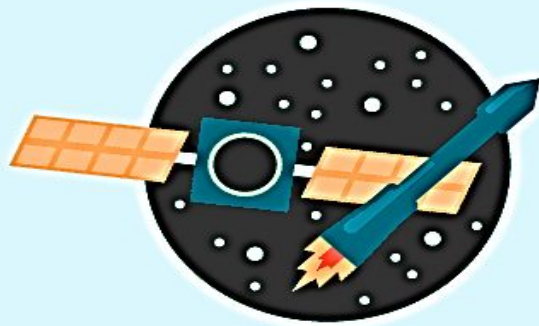
Promotes stable long term lending



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

Advantages

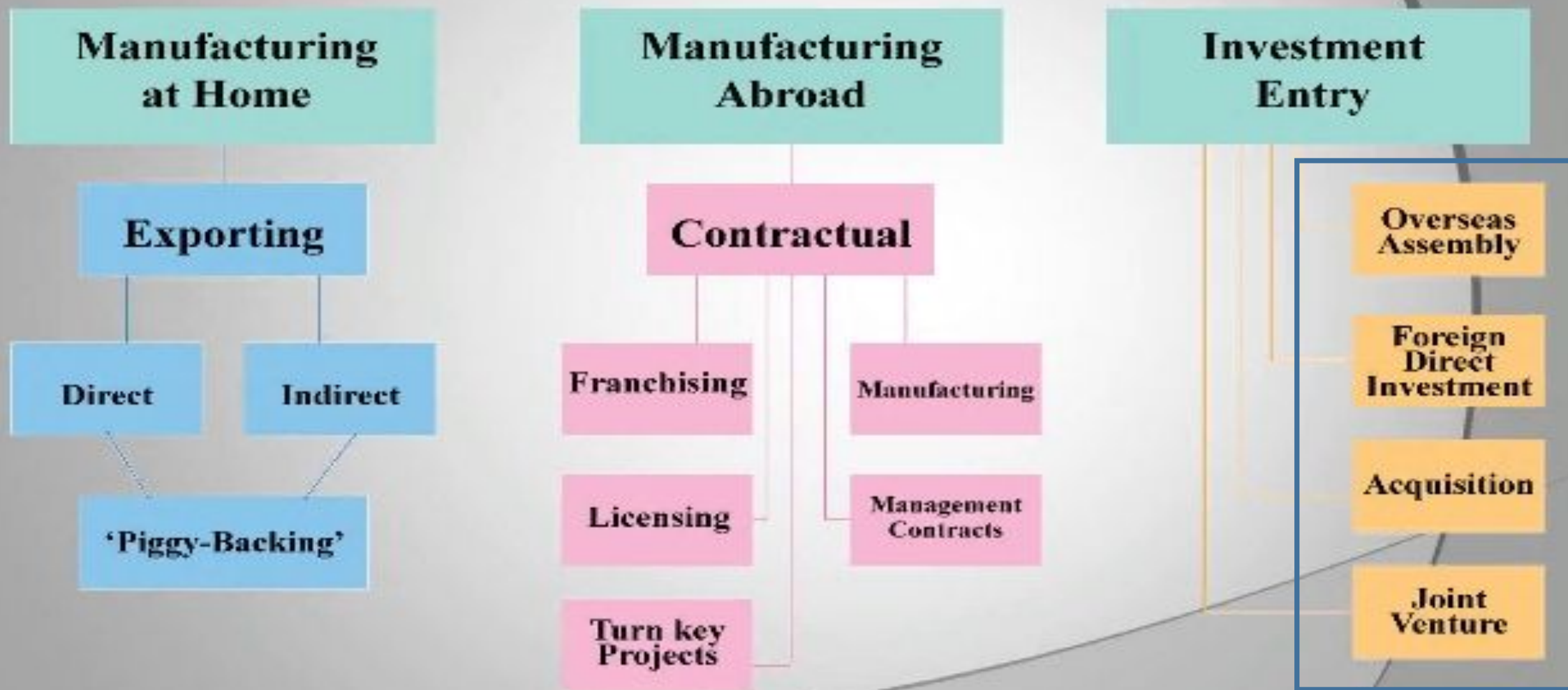
- High profit potential
- Maintain control over operations
- Acquire knowledge of local market
- Avoid tariffs and NTBs

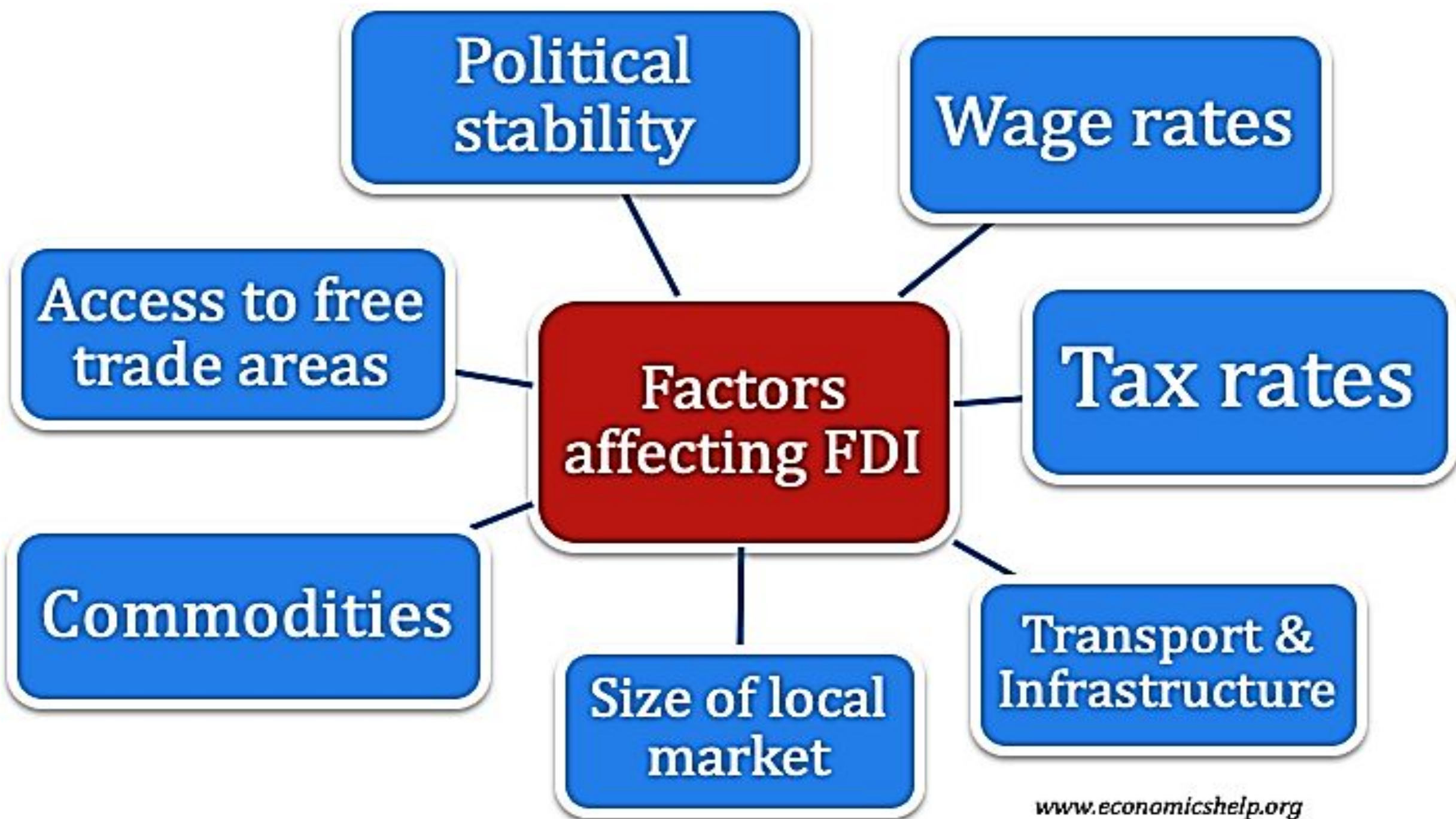
Disadvantages

- 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



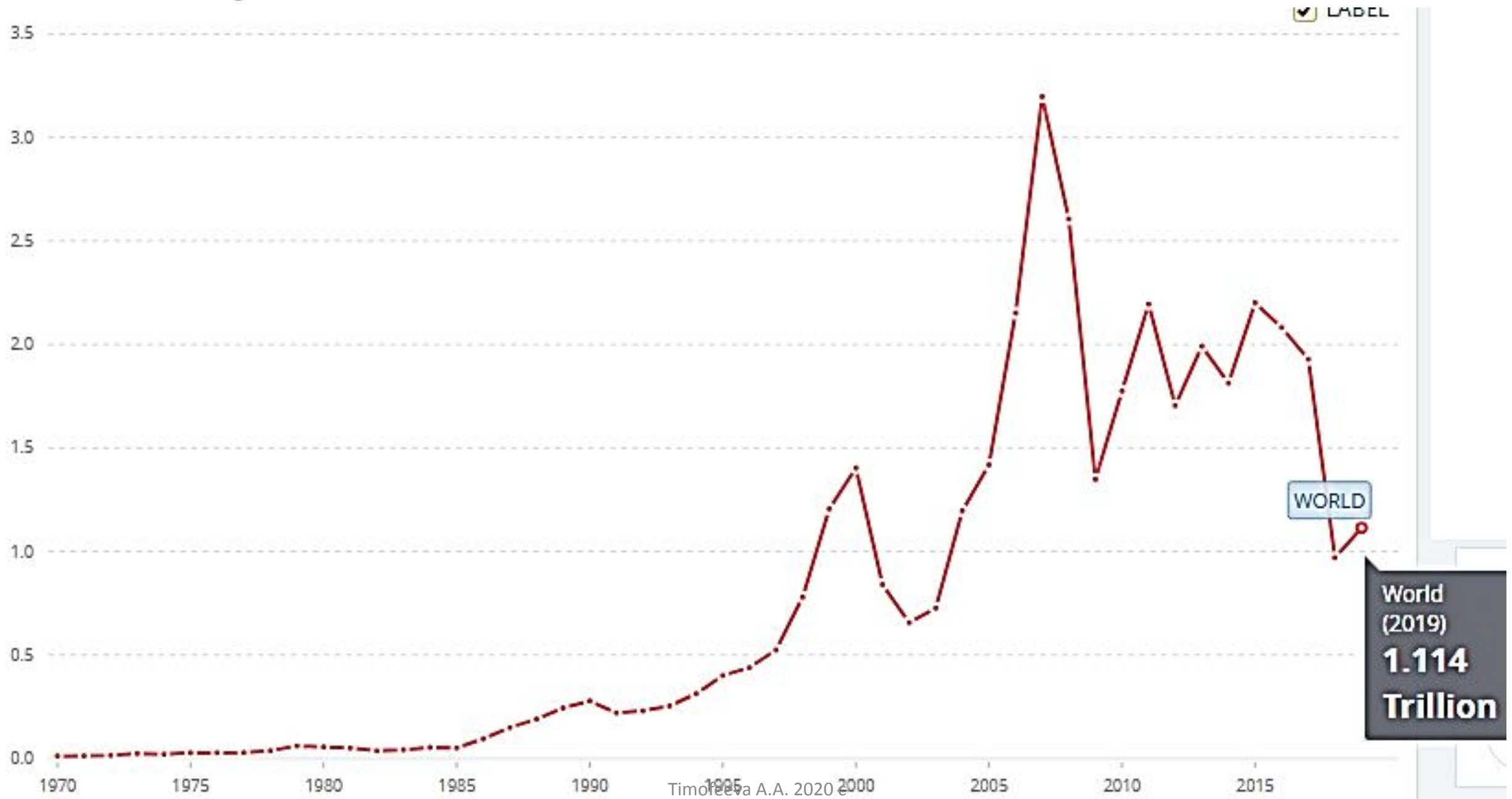
Types of FDI
(video: what is FDI))

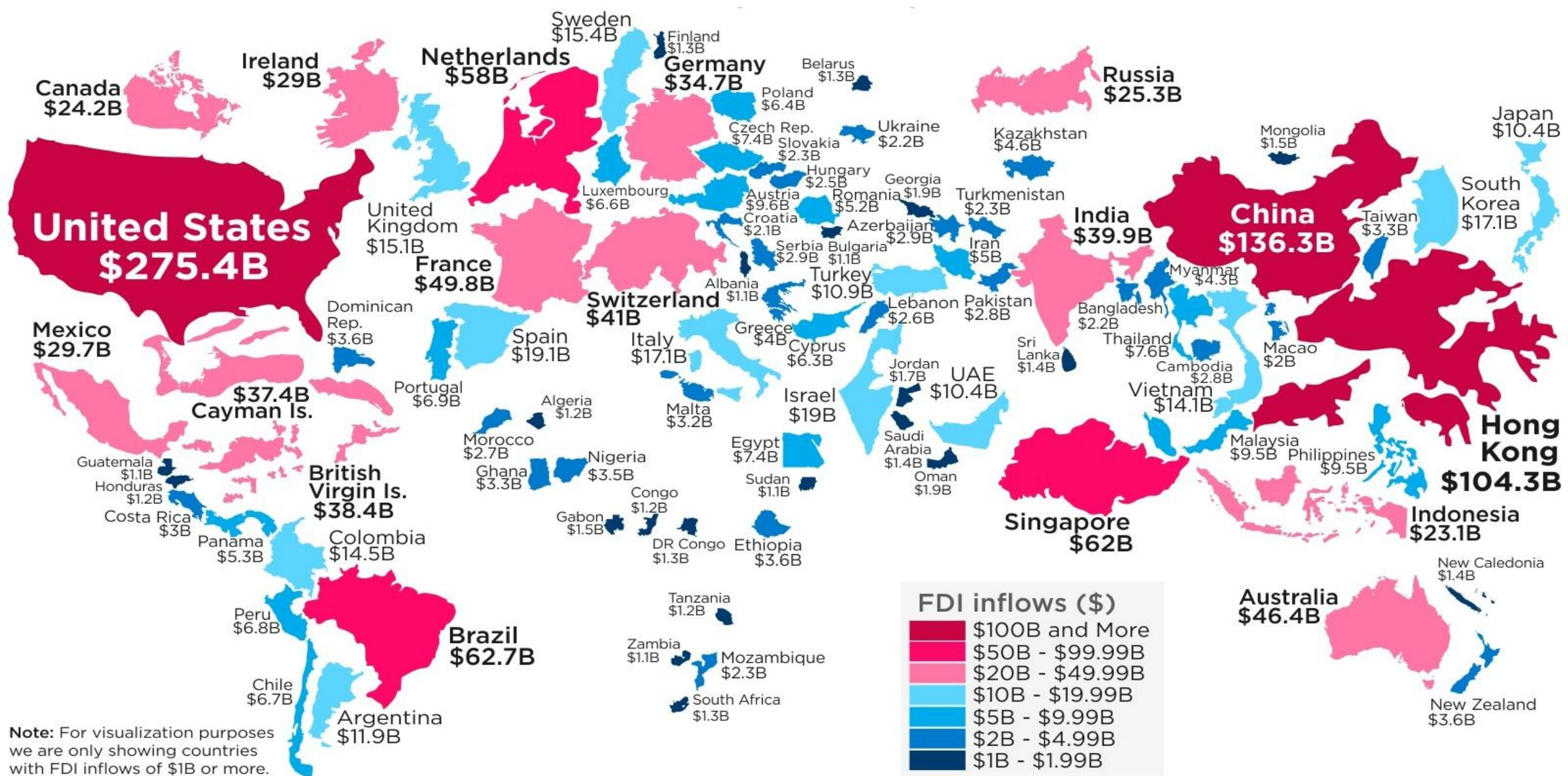
Why attract
Foreign
Direct
Investment



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\$)





Note: For visualization purposes we are only showing countries with FDI inflows of \$1B or more.

How to read this map: Countries appear bigger as their FDI inflow is higher. e.g. United States. Conversely, countries that have a lower FDI inflows appear smaller e.g. Sudan.

Article & Sources:
<https://howmuch.net/articles/countries-receiving-most-investment-from-abroad>
 United Nations, World Investment Report 2018 - <https://unctad.org>

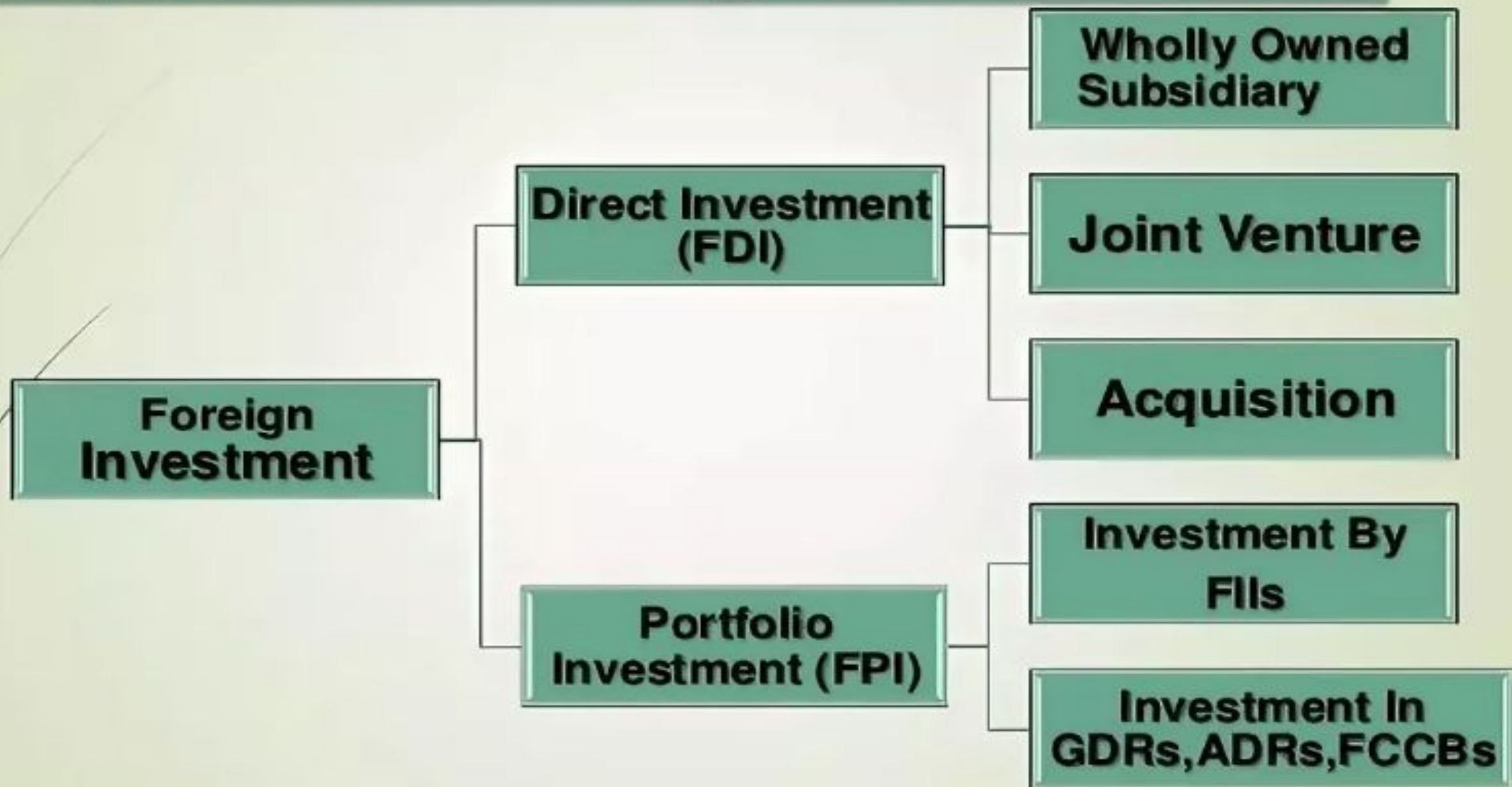
top 15 countries and jurisdictions receiving FDI inflows:

Rank	Jurisdiction	FDI Inflows
#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

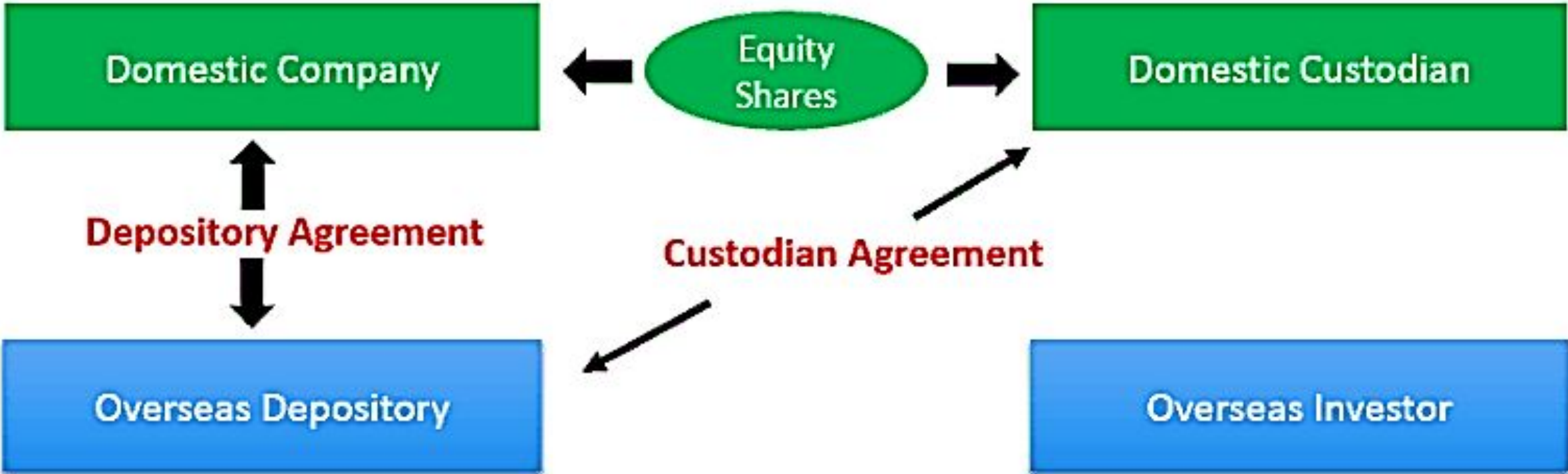
investment

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

The forms of international economic relations (open ?)