# Test (ANSWERS)

**Please fill in using the words presented below.**

1. **The cluster approach** groups similar cultures together as clusters and civilizations.
2. **Ownership requirements** are a specific form of restriction that disallow full ownership, but allow foreign investors to operate in a country if they establish a joint venture with a local firm. For example, Vietnam did not allow the acquisition of local firms until about 2001.
3. The role of transnational institutions like the **WTO** & **WIPO** in protecting patents, copyrights & trademarks.
4. Firms formulate & implement environmental management policies to improve their **social legitimacy** & **acceptance** in the eyes of multiple stakeholders.
5. As **MNEs** are key agents in terms of economic & environmental development, they can promote social & environmental values in the host society & simultaneously encourage other organizations & institutions to develop an environmentally responsible attitude.
6. **Corporate governance** means rules by which shareholders and other interested parties control corporate decision makers.
7. **Local content requirements** require a certain proportion of the value of the goods made in the country to originate from that country.
8. **Host governments** benefit from increased tax revenues, provided they have not agreed to extensive tax holidays, or other financial incentives for the investors. Moreover, if foreign investors stimulate growth in the local economy, this has indirect positive effects for the society and government revenues.
9. **Trademarks** are exclusive legal rights of firms to use specific names, brands and designs to differentiate their products from others.
10. **Benchmarking** is an examination of resources to perfor a particular activity compared against competitors.
11. **Trade deficit** is an economic condition in which a nationa imports more than it exports.
12. **Case-by-case approvals of FDI** substitute for outright bans of FDI, and make every FDI subject to a registration and approval process. In practice, this often means that governments can impose a wide range of conditions that are subject to negotiation with the foreign investors.
13. **Factor endowment theory** is a theory that suggests that nations will develop comparative advantage based on their locally abundant factors.
14. **The global financial crisis in 2008-2009** caused liquidity squeezes and support for protectionism.
15. **Vertical FDI** takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.
16. **Leverage** is negatively related to corporate giving because firms with more debt have more pressure to pay off their debt, which reduces available resources.
17. **Non-government organizations** affect the public awareness of environmental issues through the dissemination of green information.

**Fill the blanks (1) ~ (4) in the figure that suggests the distinction between offshoring and outsourcing.**

|  |  |  |
| --- | --- | --- |
|  |  | **Location of Activity** |
|  |  | At home | abroad |
| **Mode of Activity** | Internal | (1) | (2) |
| External | (3) | (4) |

1. Domestic in-house
2. Captive offshoring
3. Domestic outsourcing
4. Offshore outsourcing

**Discuss why foreign direct investment (FDI) is good & bad for host countries (the benefits & costs of FDI for host countries).**

Foreign investors interact in many ways with firms and individuals in their host country, which makes the assessment of their benefits and costs very complex.

1. **Consumers**
	* **Benefits:** Access to internationally quality products and brands
	* **Costs:** Reduces variety of traditional local brands
2. **Suppliers**
	* **Benefits:** Technology transfer enhancing productivity
	* **Costs:** Crowding out by international sourcing
3. **Competitors**
	* **Benefits:** Technology spillovers enable learning
	* **Costs:** Crowding out by overwhelming competition
4. **Workers**
	* **Benefits:** Employment opportunities
	* **Costs:** Often less labor-intensive production than local firms
5. **Government**
	* **Benefits:** Tax revenues, economic growth
	* **Costs:** Costs of subsidies and other incentives
6. **Natural environment**
	* **Benefits:** MNEs often have higher environmental standards than local firms
	* **Costs:** MNEs may locate highly polluting activities in places with less stringent regulation