

CLASS: INE2120-E

TEST

PART I: true false and multiple choice questions (circle the right answer)

1. International movement is the only form of international intergration
 - a. True
 - b. False
2. Direct investment is the real investment in factories, capital goods, land, and inventories - True or false?
 - a. True
 - b. False
3. In theory, international capital movements tend to hurt labor in recipient countries
 - a. True
 - b. False
4. International labor mobility leads to wage convergence by raising wages in destination country and lowering in source country
 - a. True
 - b. False
5. A TNC is a firm having many subsidiaries in only one country
 - a. True
 - b. False
6. Movements in factors of production include
 - a. labor migration
 - b. transfer of financial assets through international borrowing and lending
 - c. transactions of multinational corporations involving direct ownership of foreign firms
 - d. All of the above
7. International movement of production factors are politically sensitive and may face
 - a. Restrictions on immigration
 - b. Restrictions on financial asset flows (less common today in Europe and U.S.)
 - c. Restrictions on the activities of multinational corporations
 - d. All of the above

8. Foreign Direct Investment (FDI) may take any of the following forms except
- a. Investors buying bonds of an existing firm overseas
 - b. The creation of a wholly owned business overseas
 - c. The takeover of an existing company overseas
 - d. The construction of a manufacturing plant overseas.
9. Which of the following is considered international investment?
- a. Export goods and services
 - b. Remittance from oversea residents.
 - c. Buy a firm overseas
 - d. Capital inflow funded by a NGO of a foreign country
10. Multinational corporations
- a. Increase the transfer of technology between nations
 - b. Make it harder for nations to foster activities of comparative advantages
 - c. Always enjoy political harmony in host countries in which their subsidiaries operate
 - d. None of the above.
11. The internalization theory focuses on:
- a. Ownership-advantage, Internalization-Advantage and Location-advantage
 - b. Overcome trade-barriers
 - c. Different rates of return on capital
 - d. None of the above
12. In theory, international labour movement will
- a. Reduce labor force and increase real wage in Foreign country
 - b. Raise labor force and real wage in Foreign country
 - c. Reduce labor force and raise real wage in Home country
 - d. Reduce labor force and reduce real wage in Home country
13. In theory, labor mobility is:
- a. A complete complement to trade flows
 - b. A partial complement to trade flows
 - c. A complete substitute for trade flows
 - d. A partial substitute for trade flows
14. In practice, international labor mobility is
- a. A complete complement to trade flows
 - b. A partial complement to trade flows

- c. A complete substitute for trade flows.
 - d . A partial substitute for trade flows
15. What does the theory of location explain?
- a. Why one good is produced in different countries rather than one?
 - b. Why production in different locations is done by the same firm rather than by separate firms?
 - c. Why some transactions are more profitably conducted within a firm rather than between firms?
 - d. Non of the above mentioned arguments.

PART II: ESSAYS

1. It is said that capital mobility to developing countries hurt workers in developed countries? Explain and give an example

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2. It may be argued that international labor mobility and trade are substitutes one from the other. Explain.

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