

# Chapter 4: Environment for Int'l Investment

- Goal : Define FDI determinents
  
- Objectives:
  - To be able to grab the factors of Int'l investment
  - To understand the importance of host-country environment for attracting FDI
  - To define the attractions and limitations of Vietnam Environment toward FDI
  
- Contents:
  - Home-country Environment
  - Host-country Environment
  - International Environment

# Determinants for Int'l Investment

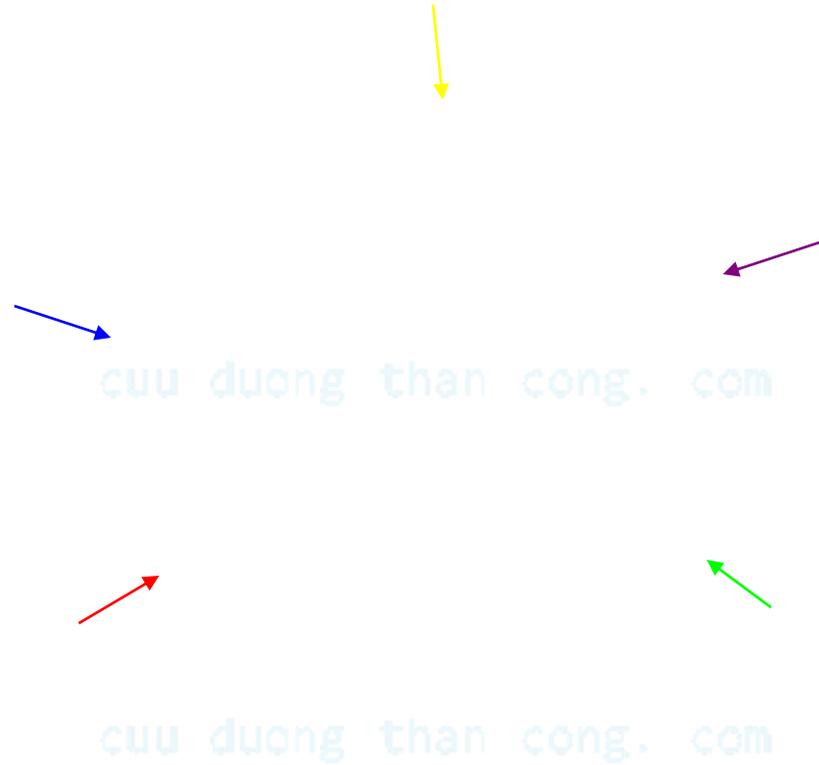
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# Determinants of FDI at the host-country

- Size and the growth prospects of the economy of the country
- The country having a big market
- The population of a country
- Percapita income of the country and their spending habits
- The status of the human resources in a country
- Availability of natural resources
- Inexpensive labor force
- Infrastructural factors
- Economic policies of the country

# Host-country Environment



# Home-country Environment

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# Changes in Macro-economic policy

- Fiscal and Monetary policy:
  - Interest rate, Foreign exchange
  - Tax, Government spendings
- Ex-Im policies:

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- Foreign Currency Management:

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# Policies for Oversea Investment

## ■ Investment Agreements, Double Tax Agreements:

➤ A **bilateral investment treaty (BIT)** is an agreement establishing the terms and conditions for private investment by nationals and companies of one state in another state. This type of investment is called FDI. BITs are established through [trade pacts](#). (A **trade pact** is a wide ranging [tax, tariff and trade](#) pact that often includes [investment](#) guarantees. Trade pacts are frequently politically contentious since they may change economic customs and deepen interdependence with trade partners).

➤ **Multilateral Agreement on Investment (MAI)** was a draft agreement negotiated between members of the [Organisation for Economic Co-operation and Development \(OECD\)](#) in 1995–1998. Its ostensible purpose was to develop multilateral rules that would ensure international investment was governed in a more systematic and uniform way between states. When its draft became public in 1997, it drew widespread criticism from [civil society](#) groups and developing countries, particularly over the possibility that the agreement would make it difficult to regulate foreign investors.

➤ Double Tax Agreement: stems from double taxation

- Financial Support for Investment Promotion Campaigns, Investment Insurance
- Other activities: ODAs, Investment Services

# Economy – Science and Technology - Policy Perspective

- Domestic Accumulation → Capital surplus → oversea investment
- Technology development → oversea investment
- Welfare policy → high tax → oversea investment

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# International Environment

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# Further Discussion

- Competitiveness in attracting FDI among developing countries?.
- Roles of “stable factors” and “changeable factors” at developing countries for attracting FDI?.

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- Impacts of Global Economic Crisis on Investors?.

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# End of chapter 4

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