

### FDI Extra Credit

Students who want a chance to improve their overall grade in the class by one point (out of 100) can complete a 1,000 word written assignment about foreign direct investment. Write a paragraph or two on each of the following items:

1. Pick an example of foreign direct investment, such as Honda having a plant producing Accords in Marysville, OH. Describe information about the investment such as year built or purchased, any major expansions, annual production volume, and employment.
2. For your example, discuss what factors may have led to Honda's decision to engage in foreign direct investment - to produce in the United States rather than exporting Accords to the United States or licensing a U.S. firm to produce Accords for them. Address the question of why FDI occurs as best you can for your example.
3. Explain why your example firm chose to locate where it did within the United States (or other host country) – were other locations considered and why did this spot win out? Does your example firm also have other plants in the same country that produce other products? Other plants elsewhere in the world (other than the firm's home country)?
4. Would this FDI be best characterized as horizontal (replicating the full production process) or vertical (breaking up the production process and locating different stages in different locations to minimize production costs)? Where does the firm buy its inputs?
5. Discuss what effects the plant you are examining might have on consumers, local producers of inputs, government tax revenues, workers, or any other potentially important impact. Mention how these effect might differ between soon after the plant is built versus years later, if there are any differences.

Assignments must be typed (word processed) and submitted by Tuesday, April 24 (the date of our exam review). Once the final exam is graded and your grade in the course has been calculated, if you are within one point (out of 100) of the next highest grade and completed this extra credit assignment, I will read it and assign you a score out of one point to be added to your final score for the course. This extra credit could boost you to the next highest grade but you have to do the work before you know for sure whether it will matter.