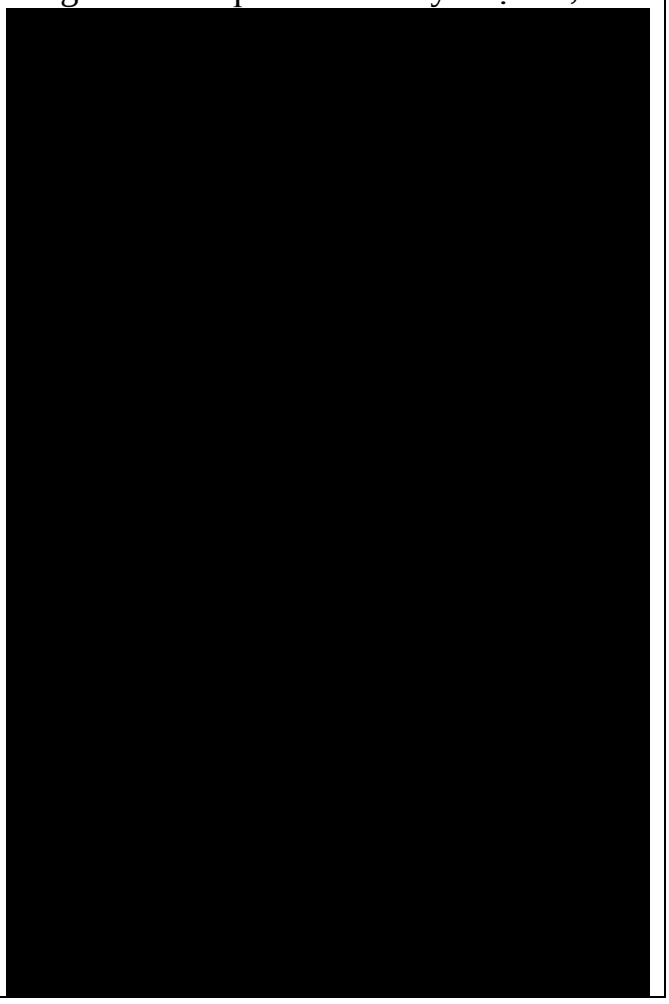
Bài 1: The impact of Foreign Direct Investment on Economic growth in China 9 h 29 29/9 1. FDI stocks FDI stocks are presented at book value or historical cost, reflecting prices at the time when the investment was made.	Bài 1: Tác động của Đầu Tư Trực Tiếp Nước Ngoài đến tăng trưởng kinh tế ở Trung Quốc 1.FDI tích lũy FDI tích lũy thể hiện qua giá trị sổ sách hoặc phí tổn lịch sử, phản ánh giá tại thời điểm diễn ra hoạt động đầu tư. Đối với đa

For a large number of economies, FDI stocks are estimated by either cumulating FDI flows over a period of time or adding flows to an FDI stock that has been obtained for a particular year from national official sources or the IMF data series on assets and liabilities of direct investment.	số nền kinh tế, FDI tích lũy được tính theo sự tích lũy dòng vốn FDI trong một khoảng thời gian hoặc lượng gia tăng dòng vốn FDI so với FDI tích lũy của một năm cụ thể, giá trị này được tính từ các nguồn dữ liệu chính thức quốc gia hoặc IMF về tài sản và các khoản nợ của đầu tư trực tiếp. FDI stock: FDI được tích lũy, lượng vốn FDI của một nước trong một giai đoạn, dự trữ vốn đầu tư nước ngoài.
2. Reviews on FDI and domestic investment There are also some studies which argue that attracting FDI for resource industries may contribute to enhance domestic investment in related field (as petroleum industries). Sun (1998) and Shan (2002) in their surveys support these arguments. More specifically, Sun (1998) using panel data analysis argues that there is an extremely high and positive correlation between FDI and domestic investment in China. In line with these arguments Shan (2002) attempts to analyse the inter-relationships between FDI and industrial output growth in China. The results indicate that FDI has more beneficial impact on growth as the ratio of FDI to industrial output become larger. On the other hand, some studies stress the negative impact of FDI on domestic investment in China. Braunstein and Epstein (2002) show for the provinces of China for the period 1986-1999 that FDI affects domestic investment in China negatively. They interpret this result as the crowding out of domestic investment because of the additional competition for FDI in the provinces of China. The situation is becoming worse for domestic	2.Tổng quan về FDI và đầu tư trong nước Có một số nghiên cứu cho rằng thu hút FDI vào ngành công nghiệp nguyên liệu có thể góp phần thúc đẩy đầu tư nội địa trong những lĩnh vực có liên quan (chẳng hạn như ngành dầu khí). Trong nghiên cứu của mình Sun (1998) và Shan (2002) đã củng cố thêm quan điểm này. Cụ thể, Sun 

investment when taxes, or wages decrease and main regulations for the protection of the environment change. Finally Huang (1998, 2002) points out the same evidence as Braunstein and Epstein

3. The model specification

In this section of my thesis, the endogenous growth model will be briefly described which I am going to use in order to estimate the relationship between Foreign Direct Investment and economic growth at the provincial level. To achieve these objectives, we begin with the following Cobb-Douglas production function:

Y=AKaLb,

where Y demonstrates the output level of Gross Domestic Product, A denotes the exogenous state of technology or the efficiency of production, K denotes the amount of capital and L is the labour (measured by labour force of the country). The production function shows that output of a province depends on the productivity parameter and its input (capital and labour).

This rudimental model is based on the endogenous growth model used by (Balasubramanyam et al, 1996) and (Borensztein et al, 1998). The assumptions of this model are that Foreign Direct Investment adds to economic growth through new technology. It enters in the production function through productivity parameter A, by transferring technology and managerial skills (know-how) from developed countries and also by augmenting missing capital. Moreover, it contributes to economic growth by enhancing infrastructure, human capital and the level of institutions of a country.

Therefore, the productivity parameter A depends on human capital.

The objective of this thesis is to examine the impact of FDI on economic growth. In my regression model some additional explanatory variables are also needed in order to examine the influence on the growth rate of GDP.

We assume that capital stock depends only on fixed capital and foreign direct investment and we include this input to our regression as Wei (1996) did. Thus, the output depends on Labour and capital input (also on productivity parameter A).

Assuming that the production function will take a linear form, the empirical regression model which we are going to use to test the relationship, will be specified by the following equation:

Growth rate of GDP$_{i,t}$= $\alpha + \beta X_{i,t} + \varepsilon_{i,t}$,

Bài 2:Tổnghợp

Real interest rate (%)

Real interest rate is the lending interest rate adjusted for inflation as measured by the GDP deflator

General government final consumption expenditure (% of GDP)

General government final consumption expenditure (formerly general government consumption) includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation.

Gross fixed capital formation (% of GDP)

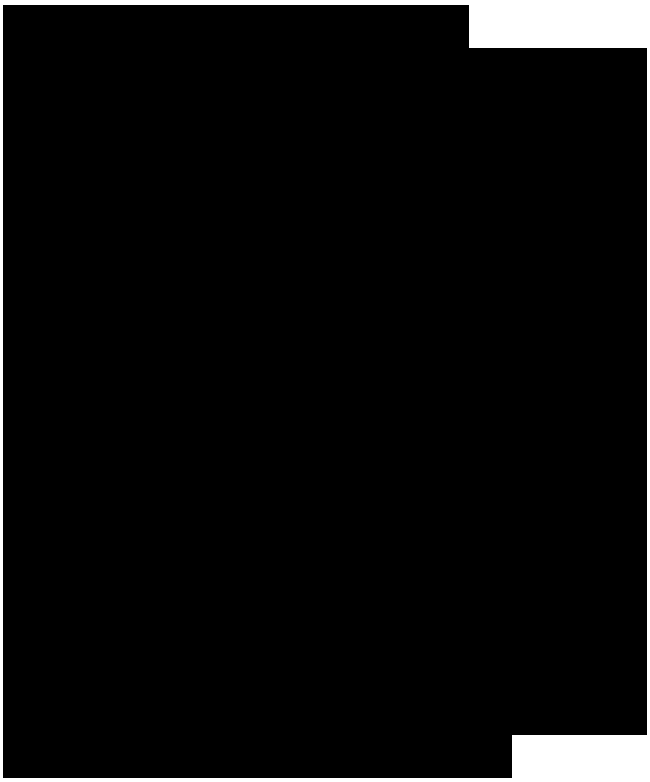
Gross fixed capital formation (formerly

gross domestic fixed investment) includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. According to the 1993 SNA, net acquisitions of valuables are also considered capital formation.

Gross capital formation (% of GDP)

Gross capital formation (formerly gross domestic investment) consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." According to the 1993 SNA, net acquisitions of valuables are also considered capital formation.

Gross capital formation is one of the expenditure components of Gross Domestic Product (GDP), together with final consumption and net exports, and serves as an indicator of the level of investment in an economy. Investment is made possible through saved income, which implies the sacrifice of consumption today in the expectation that the saved and invested income will yield an increased flow of income and consumption tomorrow. Poorer countries and territories



typically face a dilemma whereby little income may be available for saving and investment if a large proportion of income is spent only to meet the essentials of life, thus limiting the expectations of growth in the future. Another way Capital Formation refers to "capital stock", capital stock is one of the basic determinants of an economy's ability to produce income."Capital formation" is simply the enlargement of the capital stock. Through capital formation output, income and employment are increased in Underdeveloped countries. If this increased income is properly and equitably distributed among people, it will promote economic welfare and will help to eradicate poverty. Capital formation promotes production in the country and as such imports can be reduced and exports can be increased. Rising exports imply large foreign earning. It lessens dependence on foreign countries. In this way Economist have considered capital formation as the instrumental factor of Economic development. In the opinion of Planning Commission, "The key to higher productivity and expanding income and employment lies in stepping up the rate of capital formation". Gross capital formation consists of expenditures by the private and public sectors on additions to the fixed assets of the economy, such as equipment, machinery and buildings, plusnet changes in the level of inventories, and acquisitions less disposals of valuables, such as precious metals andworks of art

Bài 3: FDI
The concept of FDI

According to UNCTAD (2006), Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). Investments of MNCs can be of several types depending on the motives of investment or the modes of entry in the host country. In principle, four main motives influence investment decisions by Transnational Companies: market-seeking, efficiencyseeking, resource-seeking and created-asset seeking. The former three are "asset -exploiting strategies" and the latter is "asset-augmenting strategy".

According to Yan Gao et al. (2008), "market-seeking FDI" involves investing in a host country market in order to directly serve that market with local production and distribution rather than through exporting; and "resource-seeking FDI" involves investing in a host country market in order to achieve cost -minimization motives by obtaining resources either too costly to obtain or unavailable in the home -market. And as far as "efficiency-seeking FDI" is concerned, it involves investing in foreign operations to create the most cost - effective and competitive global production networks, it aims at reducing the cost of producing goods and services, while "created-asset seeking FDI" involves investing in foreign countries to acquire the assets

of foreign companies to promote long-term strategic objectives. The first three motives are termed as "asset-exploiting strategies", the firms utilize their existing competitive advantages to establish affiliates abroad. The last motive is called the "asset - augmenting strategy" whereby in order to improve their competitiveness, firms exploit their limited competitive advantages to acquire created assets such as technology, brands, distribution networks, R&D expertise and facilities, and managerial competences that may not be available in the home economy (UNCTAD, 2006). On the other hand, FDI can be distinguished depending on the modes of entry in the host country; depending on whether FDI involves new investment in physical capital, or whether it just involves acquiring the existing assets or merging with an existing local firm (UNCTAD, 2000). Direct investment undertaken by foreign firms in a host country can hence take the form of either "Greenfield investment" or "Mergers and Acquisitions" (M&As).

According to UNCTAD (2006), "Greenfield FDI" refers to investment projects that entail the establishment of new production facilities such as offices, buildings, plants and factories, as well as the movement of intangible capital (mainly in services). This type of FDI involves capital movements that affect the accounting books of both the direct investor of the home country and the enterprise receiving the investment in the host country. The latter (or foreign affiliate) uses the capital flows to purchase fixed assets, materials, goods and services, and to

hire workers for production in the host country. As for "Cross-border M&As", they involve the partial or full takeover or the merging of capital, assets and liabilities of existing enterprises in a country by TNCs from other countries. M&As generally involve the purchase of existing assets and companies. The target company that is being sold and acquired is affected by a change in ownership of the company. There is no immediate augmentation or reduction in the amount of capital invested in the target enterprise at the time of the acquisition.

A further distinction of M&As can be made between "cross-border mergers", which occur when the assets and operations of firms from different countries are combined to establish a new legal identity, and "cross-border acquisitions", which occur when the control of assets and operations is transferred from a local to a foreign company (with the former becoming an affiliate of the latter). It is important to note here that in most of the cases, M&As are associated with the privatization of state enterprises and with the sales of bankrupt or near bankrupt firms (UNCTAD, 2000).

A firm can decide to serve a foreign market either by exporting, licensing or by investing abroad (FDI enterprise) (UNCTAD, 2006). The choice among those three options will depend on many factors; a Multinational Corporation that is setting up production abroad has to compare the disadvantages related to that, like communication costs, differences in culture, language, legislation, exchange and sovereign risks, to the

alternatives like exporting or licensing. Dunning (1979) argued that a MNC‟s choice between the three alternatives, that is, exporting, licensing or investing abroad, depends on the combination of the three following advantages: Ownership-specific advantages, Internalization advantages and Locational advantages in the target market, and that was called the OLI paradigm of international production (Camarero and Tamarit, 2003). Ownership-specific advantages are the firm -specific assets and can constitute production technologies, special skills in management, distribution, product design, marketing, brand names and trademarks, reputation, benefits of economies of scale, etc. (Vahter, 2004)

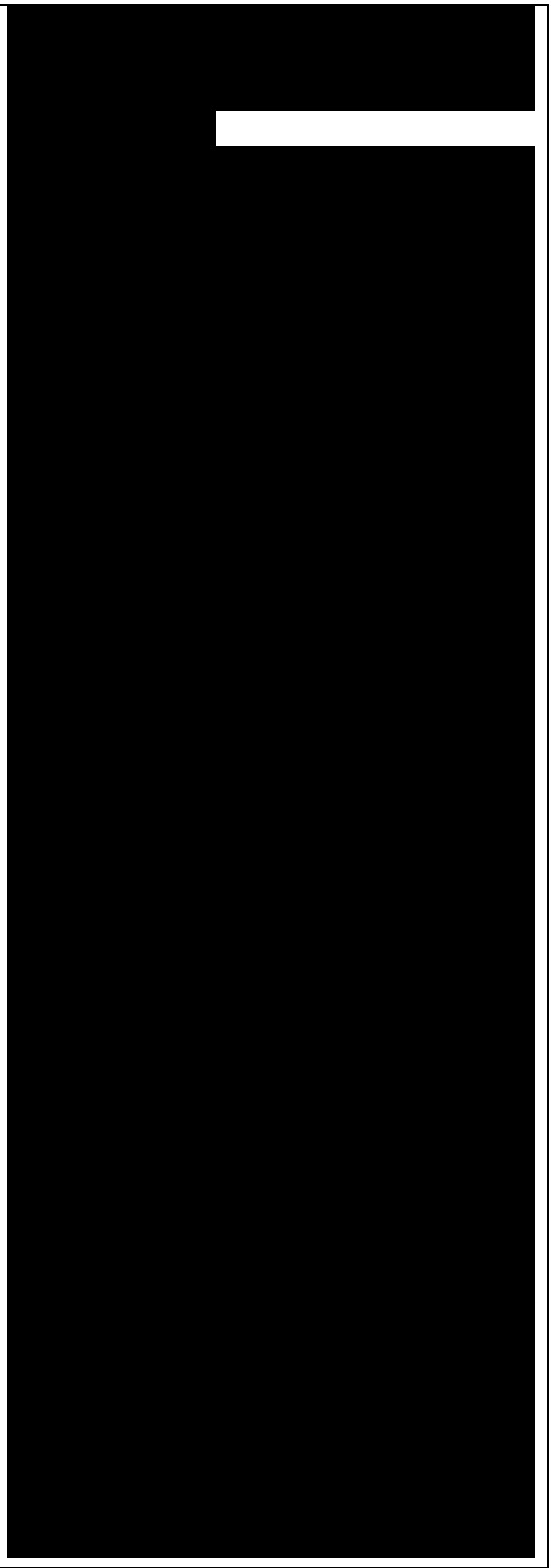
The Impact of FDI in enhancing economic growth in Host countries

The impact of inward FDI on domestic investments

According to UNCTAD (1999), there exist different sources of capital such as bank loans, bonds, portfolio equity capital, FDIs and so on. But FDI is the only source that internalizes foreign savings, meaning that firms bringing these savings undertake investment; the other sources of capital represent externalized forms of foreign savings that are used for investment by local firms. MNCs can affect investment in host countries directly through their owninvestment activities, and indirectly by affecting host country firms‟ investment. The direct contribution of foreign affiliates to host countries‟ total investment is normally examined by comparing investment of these affiliates proxied by FDI

inflows with domestic firms‟ investment proxied by gross fixed capital formation.

As far as the indirect impact of FDI on host country firms‟ investments is concerned, the question is whether foreign investment leads to a decrease in domestic investment activity, which is termed "crowding-out", or in an increase in domestic investment termed as "crowding-in". According to UNCTAD (1999), crowding-out or crowding-in of domestic investment can occur via product markets or financial markets. In the first case, if TNCs finance their investment by borrowing in the host country under conditions of scarcity of financial resources, and hence cause a rise in domestic interest rates, they may make borrowing unaffordable for some domestic firms, thereby reducing the domestic investment. This crowding out in financial markets can take place regardless of the industry. Moreover, if the capital flows coming into the country are relatively large, this may lead to an appreciation of the real exchange rate, making a host country's exports less competitive and discouraging investment for export markets. In product markets however, crowding out takes place when firms are from the same industry. It is generally said that foreign affiliates are more efficient and competitive than local fi rms. Here, domestic firms might give up investment projects to avoid the prospects of competing with more efficient foreign competitors. The net effect on total host country investment will depend on what happens to the released resources. If



they go to other activities in which local firms have greater competitive advantages, there will be no crowding-out of investment in the economy as a whole. It may also be that FDI forces local competitors to raise their efficiency and so leads to raising their investment and profitability.

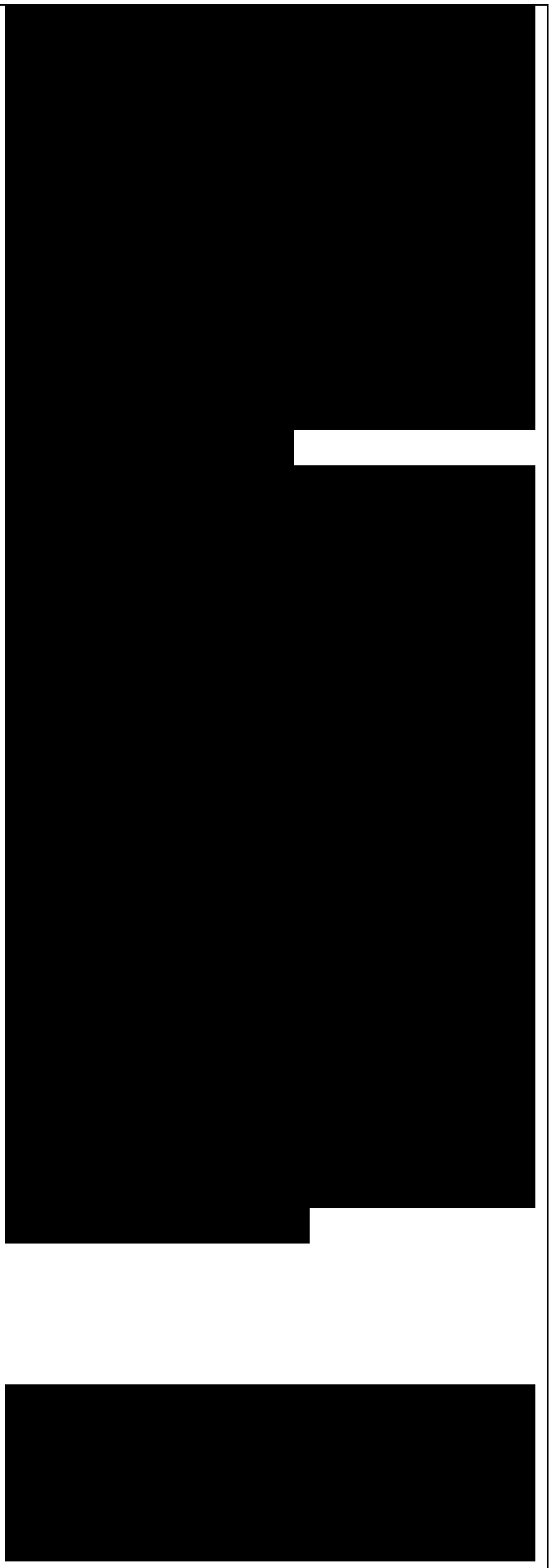
Furthermore, UNECA (2006) adds that the preferential treatment provided to foreign investors in terms of tax breaks, cash grants, duty exemptions and subsidies, which are not available for local investors, can increase the competitiveness of foreign companies and contribute to crowding-out of domestic firms in the local market.

As far as the crowding-in effect of FDI is concerned, it takes place when investment by foreign affiliates stimulates new investment in downstream or upstre am production, by other foreign or domestic producers. In fact, a multinational corporation may source raw materials from domestic suppliers or it may outsource particular activities to firms in the host country. In case the MNCs affiliate sources raw mat erials from domestic suppliers, local firms‟ investments will increase. However, it may happen that foreign affiliate -established linkages lead to crowding-in after the foreign affiliate has crowded -out its direct competitors. The net effect on the host country's investment will depend on the relative strengths of the two effects.

The effect of FDI on domestic investments may however depend on the motives of FDI, the mode of entry

and activities undertaken by the MNC. The effect of FDI on domestic firms‟ investment may depend on whether the FDI is market-seeking, resource-seeking, efficiency seeking or created-asset seeking. It is said that FDI flowing into the natural resources sector (resource-seeking FDI), its indirect effect on domestic firms‟ investment is likely to be marginal because such FDI creates few linkages with the local firms (UNECA, 2006).

The extent to which FDI affects the domestic firms‟ investment may also depend on the activities undertaken by the MNCs. For instance according to UNCTAD (1999), foreign affiliates introducing new goods and services to a domestic economy are more likely to have favourable indirect effects on capital formation than foreign investments in areas where domestic producers already exist. Crowding-in is more likely to occur when the investments are made in non-existing sectors, so that MNCs introduce new goods and services, which do not compete with domestic firms and displace them from the market. But crowding -out is likely to result if MNCs invest in established sectors competing with domestic producers. In this case, by taking away investment opportunities that were open to domestic investors prior to foreign investments, FDI reduces domestic investments that would have been undertaken by domestic producers. Similarly, the extent to which FDI affects local firms‟ investments may depend on the mode of entry, whether they Cross-border M&As or Greenfield Investments. In case of Greenfield



Investment, FDI involving the establishment of new production facilities such a s offices, buildings, plants and factories, add directly to production capacity in the host country and, other things remaining the same, contributes to capital formation in the host country.

However, for Cross-border M&As, involving the partial or full takeover or the merging of capital, assets and liabilities of existing enterprises in a country by TNCs from other countries, there is no immediate augmentation in the amount of capital invested in the target enterprise at the time of the acquisition or merging, involving just the transfer of the existing assets. However, over the longer term there is no difference in the impacts on capital formation of the two modes of entry since both forms can be followed by new sequential investment and can be sizeable even in case of M&As.

As far as the indirect effect of FDI on local firms‟ investments is concerned, Greenfield FDI are likely to crowd-out domestic investments more than M&As. Greenfield FDI are more likely to bring in newer technologies than in case of M &As, which involve taking over existing facilities. However, the crowding-in effect is likely to be greater in case of M&As FDI than in Greenfield FDI, since an acquired firm, as an established firm, is likely to have stronger linkages with other firms in the economy than a new foreign entrant (Greenfield FDI)

Bài 4 Corruption and Growth

Corruption has affected many countries

all over the world especially the developing countries. It has various implications for both the developed and developing economies. Corruption hampers development and thus raises the level of poverty in any economy that finds itself entrenched in corrupt practices. Corruption creates uncertainty and risk in the growth and development potential of any country.

LITERATURE REVIEW

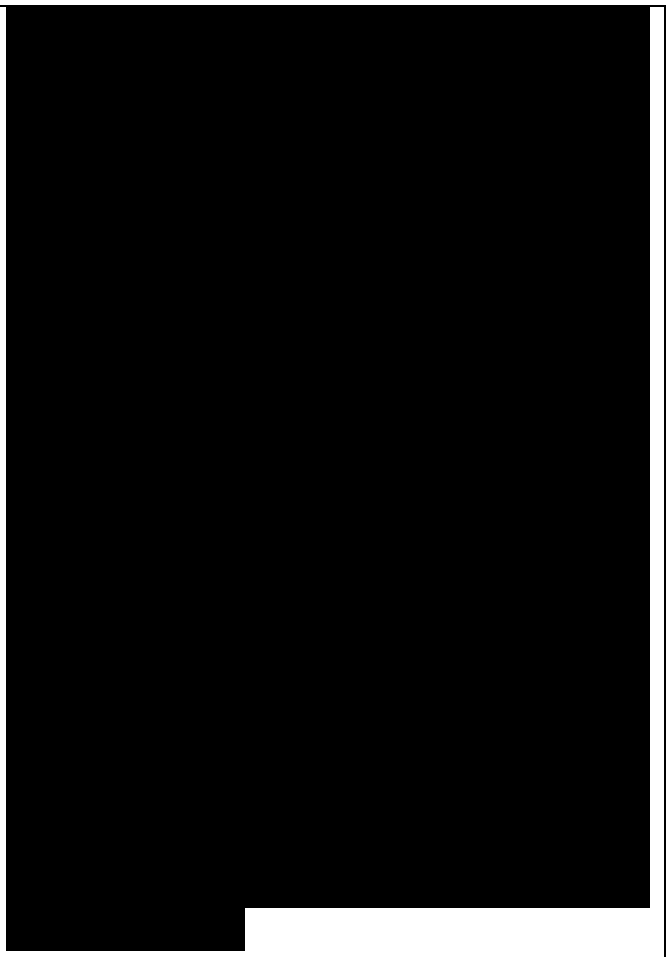
Literatures on the issue of corruption are abound because of its impact on economic development but there exist little research literatures on the concepts, determinants, severity and implications of corruption on economic development. The reason for this is not farfetched; it is because data are not readily available, particularly when the need to pin- point the size of corruption and the people that engaged in it arises.It is only recently that Transparency International started providing a measure of corruption in countries around the world which it started in 1995 and Nigeria started featuring a year later. Nevertheless, some authors such as Joseph,Osunyikanmi (2009), Tolu –Ogunro(2012), Adewale(2011) among others have examined the issue of corruption, provided some definitions of corruption, and have also analysed the determinants and implications of corruption. According to Ngouo (2000) and the World Bank, corruption is the exploitation of public positions for private benefits. She also stated that the lack of any civil spirit among all categories of civil servants leads to corruption and misappropriation of

public funds. Akindele(2005) sees corruption as behavior, which deviates from the formal rules of governing the actions of someone in a position of authoritySeveral authors who studied corruption have concluded that corruption has negative impacts on the growth and development of any nation. According to Ekpo and Egenedo(1985), Obadan (2001) and Adewale (2011), corrupt practices inherently introduce distortions in the economic system; it impairs hard work, diligence and efficiency. It is capable of diverting resources meant for the development of the society to private or personal use. They maintain that corruption does not give room for honest selection processes and also distort prices. Adewale (2011) discovered a strong significant negative relationship between corruption and output growth in Nigeria. He undertook an empirical investigation of the relationship between a number of key variables in Nigeria. After carrying out a test ofstationary and co integration properties on the variables, he further estimated the econometric parameters of the variables which included Gross Domestic Product (GDP) as the dependentvariable and Gross Capital Formation (CAPL), Money Supply (MS).

Bài 4: Corruption and FDI

Corruption and FDI: Short Review of Theory and Empirical Evidence

Most of the theoretical literature as well as case study and microeconomic evidence support the notion that corruption negatively impacts inward



FDI flows and economic growth. Mauro (1996) noted that in the presence of corruption, entrepreneurs are aware that a portion ofthe proceeds from their investments may be claimed by corrupt officials. Payment of bribes is often required up front if the necessary permits are to be issued. Therefore, corruption increases uncertainty and may act as a "tax" on FDI. Extra costs in the form of bribes in order to get licenses or government permits to conduct investment raise the total costs of investment and consequently decrease the expected profitability. Many other economists including Murphy, Shleifer, and Vishny (1991, 1993), Choi and Thum (1998), Svensson (2003), Aidt, Dutta, and Sena (2008) and others also conclude that corruption has a negative impact on investment and growth. Figure 1 reflects the conceptual framework of so-called investment channel through which the negative impact of corruption on growth materializes: corruption as a significant risk factor adversely affects the investment behavior of entrepreneurs (they are investing less or not investing at all), which in turn leads to the slower economic growth. Mauro (1995) provides tentative empirical evidence that corruption lowers investment and economic growth. The magnitudes of these effects are considerable: a one-standard-deviation improvement in corruption indices drawn from Business International (BI) causes investment to rise by 5 percent of GDP and the annualper capita GDP growth rate to rise by half a percentage point.

Some experts note that there are relatively small number of studies,

which are devoted to the estimation of impact of host country corruption on inward FDI flows (Dahlstrom& Johnson, 2007; Javorcik& Wei, 2009). Moreover the results of these studies provide ambiguous results. Mody and Wheeler (1992) in their study on the impact of corruption on inward FDI flows in the U.S. economy have not found any statistically significant effect. Similarly, Hines (1995) finds no significant negative impact of corruption on inward FDI in a host country economy. However, Hines found that inward FDI flow growth rates in highly corrupted countries declined after the anti-corruption legislative changes (introducing criminal penalties) entered into force. By contrast, Henisz(2002) analyzing U.S. multi-national corporations (MNC) microdata, finds surprising evidence that corruption increases the inward FDI in a host country.

However, there are also studies that provide evidence that host country corruption reduces inward FDI flows. Smarzynska and Wei (2000) using micro-data on foreign investors' business activities in Eastern Europe and former USSR countries found that corruption in the host country reduces the probability of FDI inflows. Wei (2000) using the data on three different indexes of corruption also concludes that corruption has a statistically significant negative impact on inward FDI flows. Wei draws attention to the interrelationships between corruption and the structure of inflows of foreign capital and finds that corruption significantly reduces FDI, as corruption distorts the structure of the total foreign

capital inflow by reducing the share of FDI in it. Scandinavian experts studying the MNC data in Sweden derive similar conclusions (Hakkala, Norback, &Svaleryd, 2005). However, it should be noted that they also find that the effect of corruption is asymmetric. Corruption lowers the sales of MNCs subsidiaries in a hostcountry market because the increase in costs for local business is not as great as for subsidiaries of MNCs because of corruption. However corruption increases their exports to the MNCs home countries as corruption can help to reduce taxes or administrative and regulatory costs. Result: The value of the regression coefficient obtained as the result of the estimation of the model (see equation (2)) describing the impact of CPI variation on inward FDI flow amount (see Table 1) can be interpreted as follows: decrease (increase) of host country corruption level which is reflected in the improvement (decline) of CPI score per one unit, on average results in increase (decrease) ofinward FDI flow amount in the host country by 199.43 USD per capita.