FINC5090 - Finance in Global Economy

Week 1: Weekly Assignment Outline

Semester 2, 2023

1 Instructions

1. Read the instructions carefully.

2. This assignment forms part of your individual assignment.

3. The DUE DATE is **10 SEPTEMBER 2023** as a part of your individual assignment. The submission link will stop accepting submissions at **23:59** on the submission date. DO NOT send your work via email if you miss the deadline.

4. Plagiarism is a serious academic offense and will result in zero marks and disciplinary action.

5. Make sure you write your *correct* Student Id as the page header. Student Id uniquely identifies an author, and it is important that the marker knows the author of an assignment.

6. Submit your assignment in PDF format only.

2 Task 1

1. Goto http://unctadstat.unctad.org.

2. In the bulk download section of this website, download the *Foreign direct investment: Inward and outward flows and stock, annual* zipped folder that contains data files. You may need 7-zip software to open these files. The website provides a link to this free software. Make sure you install 7-zip software before opening the downloaded zipped files.

3. In these files, you will see individual countries and groups of countries (world, G7, Asia-Pacific, et cetera). For the following countries (or groups of countries), you are required to estimate the net investment for the years 1970, 1980, 1990, 2000, 2010, 2018, 2020, and 2021.

   World, Developed Economies, Europe, Belgium, France, Germany, Italy, Netherlands, Spain, Switzerland, United Kingdom, North America, Canada, United States, Japan, Australia, Developing Economies, Africa, South Africa, Latin America and the Caribbean, Brazil, Mexico, Asia and Oceania, Qatar, United Arab Emirates, China, Hong Kong, South Korea (Republic of Korea), Malaysia, Singapore, Turkey, India, Bangladesh, Pakistan, Russia.

   For each year, you should consider having a sample of countries for which there are data available for all relevant variables.

   The task asks you to focus on specific years and aggregate country-level numbers, but the dataset is much richer. You would ideally come up with more questions that may intrigue you. For instance:

   i. What are the cross-sectional and time-series patterns in the data? What can you infer from these patterns? Are there any obvious structural breaks in the data that you can exploit to your advantage to enrich your analysis? For instance, when does a country's net investment become positive or negative, and why?

   ii. Is comparing one country with the other, as is, the right way? For instance, is it appropriate to compare India with Belgium, or China with Australia? If not, then what adjustments do you need to make to your analysis?

   iii. What is the empirical relation between foreign direct investment and economic growth?

   iv. What is the empirical relation between foreign direct investment and greenhouse gas (GHG) emissions? What is the empirical relation between foreign direct investment and income inequality, poverty, education levels, or living standards?

v. You may think of statistical techniques for inference. These techniques range from simple correlation to more advanced techniques, such as panel regressions. If you want to learn more about it, you can read any book on Multivariate Analysis, available from the Library.

To answer some of these questions, you would need more data that are available at *our world in data* that provides clear information on macroeconomic quantities and emissions. The country classification into income groups data are available from the World Bank.

To be clear, the data available in the downloaded file is more than sufficient to answer the bare minimum question of this task, i.e., producing a table for aggregate net investment for each country for the above-mentioned years.

4. Based on the numbers that you get and any further analysis you undertake, you must present your analysis in writing. For the write-up, the limit is up to two A4-sized pages, single-spaced, 2.5cm margins (top, bottom, left, and right) A4 page with the Times New Roman font of the size of 12.

5. Refrain from writing stories. Make your point as quickly as possible. A succinct write-up of analysis is always appreciated by the readers. Again, note that this is academic work. Your work must be based on your analysis. If not, then you must provide a reference from an academic journal (not random websites or blogs). The referenced work must be peer-reviewed (academic journals) or reputable (the Economist, the Time, Wall Street Journal, et cetera). You have access to all sources via the University's library.

6. You may download additional data and incorporate that into your analysis, OR you may produce some statistical analysis of the data that you may use to enrich your analysis. If you do this, you are allowed up to two additional A4 pages (single-sided) (font size 12) in the appendix. The contents of the appendix should be legible. These pages may be used to present the work based on which you present your argument(s) in answering this task.