

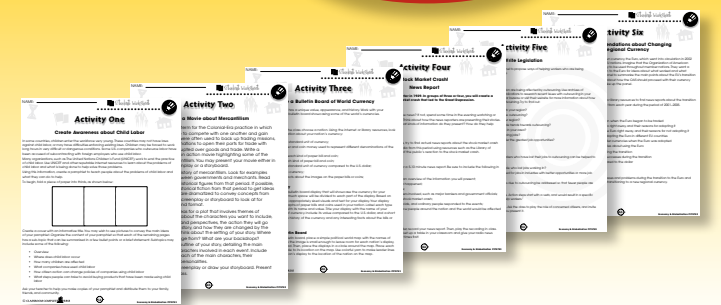
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# Foreign Direct Investment

1. a) Use a dictionary to look up the word FOREIGN. Write the definition on the spaces provided.

The definition of **foreign** is:

\_\_\_\_\_

\_\_\_\_\_

- b) Use a dictionary to look up the word INVESTMENT. Write the definition on the spaces provided.

The definition of **investment** is:

\_\_\_\_\_

\_\_\_\_\_

- c) Why do you think a corporation might make investments in a foreign company? Write your response on the spaces provided.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

- d) What types of investments do you think a company might purchase in a foreign company? Write your response on the spaces provided.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



# Foreign Direct Investment

**M**ultinational corporations own productive **assets**, such as factories, mines, and agricultural land, in other countries. This is called **foreign direct investment (FDI)**. Foreign direct investment is usually measured as a percentage of a country's **gross national product (GDP)**, which is a measure of goods and services produced in a nation. Trends in FDI can be used as one measure of economic globalization. These trends demonstrate how rapidly economic globalization progressed near the end of the 20th century. Prior to the 1980s, large parts of Africa, Latin America and Asia had very little inflow of foreign investment. But by 2000, most developing nations in these regions had an inflow of FDI of 1-5% of their GDP. Foreign direct investment increased in developing nations during this time period as well. As a result, the world is more economically interconnected.



Kenya Airways jet



What does gross national product measure?

\_\_\_\_\_

\_\_\_\_\_

## FDI and Privatization

After World War II, many colonized countries gained independence. At the time, many people in those countries saw foreign ownership of their assets as a new form of colonialism, or **neocolonialism**. As a result, the new leaders of those countries chose to **nationalize** many assets developed by colonial powers, such as mines and factories, meaning they were owned and run by the government. In recent years, however, most developing countries have begun reversing that trend because of low productivity of nationalized assets. The selling of nationally owned assets to corporations is called **privatization**. In some cases, entire industries are nationalized or privatized, such as when Britain privatized their steel industry in the 1950s.

In many cases, privatization increases the productivity of assets. For example, when Kenyan Airways became the first African airline company to privatize, their profits grew substantially and their services and customer base increased dramatically as well. Now, about 31% is owned by individual Kenyan shareholders, 26% by the Kenyan government, and 14% by institutional Kenyan investors. However, not all efforts at privatization are welcomed or successful. For example, many people oppose privatization of essential resources and services, such as water and schools.



# Foreign Direct Investment

1. Write each term beside its meaning.

assets	privatization	GDP
neocolonialism	nationalization	FDI

- a) a measure of the amount of assets held by foreign companies
- b) productive investments, such as mines, agricultural land, and factories
- c) describing a former colony's productive assets being held by foreign corporations
- d) a measure of goods and services produced in a nation
- e) the practice of assets as mines and factories being owned and run by governmental authorities
- f) the selling of national assets to corporations

2. Fill in each blank with the correct word, phrase, or date from the reading.

- a) Trends in FDI can be used as one measure of \_\_\_\_\_.
- b) Prior to \_\_\_\_\_ large parts of Africa, Latin America, and Asia had very little inflow of foreign investment.
- c) By \_\_\_\_\_, most developing nations in these regions had an inflow of FDI of 1-5% of their GDP.
- d) Foreign direct investment increased in \_\_\_\_\_ during this time period as well.
- e) As a result, the world is more economically \_\_\_\_\_.



# Activity Three

Set up an international currency exchange in your classroom, like the kind you might find in an international airport or major city. Students can practice trading currencies using up-to-date currency exchange information.

## Before You Begin

Visit a reputable website that has up-to-date currency exchange rates, such as [www.exchange-rates.org](http://www.exchange-rates.org) or <http://money.cnn.com/data/currencies>. Choose 10-15 currencies that will be traded in your international currency exchange. Assign groups of 2-3 students to make models of the paper money for each currency. Assign another group of 2-3 students to work at the international currency exchange.

## Do Your Research

If you are in a currency-making group, begin by researching your country's currency. Find out the denomination of the paper bills in your country. For example, Japanese yen comes in 4 kinds of bills: 10,000 yen, 5,000 yen, 2,000 yen, and 1,000 yen. Make 5-20 bills of each, depending on the denomination. You will need more of the smaller denomination bills, and fewer of the larger denomination bills. You may copy photographs of the bills, or draw your own.

If you are in the group that will work at the international currency exchange, familiarize yourself with how to do the rate exchange calculations using the formula shown below:

$$\text{amount of Currency 2} = \text{amount of Currency 1 being traded} \times \frac{\text{Currency 2}}{\text{Currency 1}} \quad \left. \begin{array}{l} \text{this ratio is the} \\ \text{exchange rate} \end{array} \right\}$$

Find and print out a copy of the current currency exchange rates from the websites above.

## Open Your International Currency Exchange

Set up a table in your classroom to make the currency trades. Have a calculator, pencil, and paper handy for making the exchange calculations. You may wish to create a setting, such as a busy international airport.

Each group should divide their money in half. To begin, give one half of the currency from each group to the currency exchange table. Divide the other half among the students in each group. Students will be currency exchange customers. Customers may ask to exchange any amounts of the currencies they possess for any of the other currencies. Have fun!



# Crossword Puzzle!

**Across**

- 3. multinational \_\_\_\_\_ offer goods or services in more than one nation
- 8. laws protect \_\_\_\_\_ property such as art and inventions
- 9. an international agreement
- 10. the movement of people across national borders to live and work
- 12. a medium of trade
- 14. \_\_\_\_\_ shells were the longest-used currency

**Down**

- 1. the selling of nationally owned assets to a corporation
- 2. the identifying image of a corporation
- 4. a person who migrates to escape war or natural disaster
- 5. protects a logo
- 6. shares in a corporation
- 7. protects an invention
- 11. things from nature needed in order to survive
- 13. trade



**Word List**

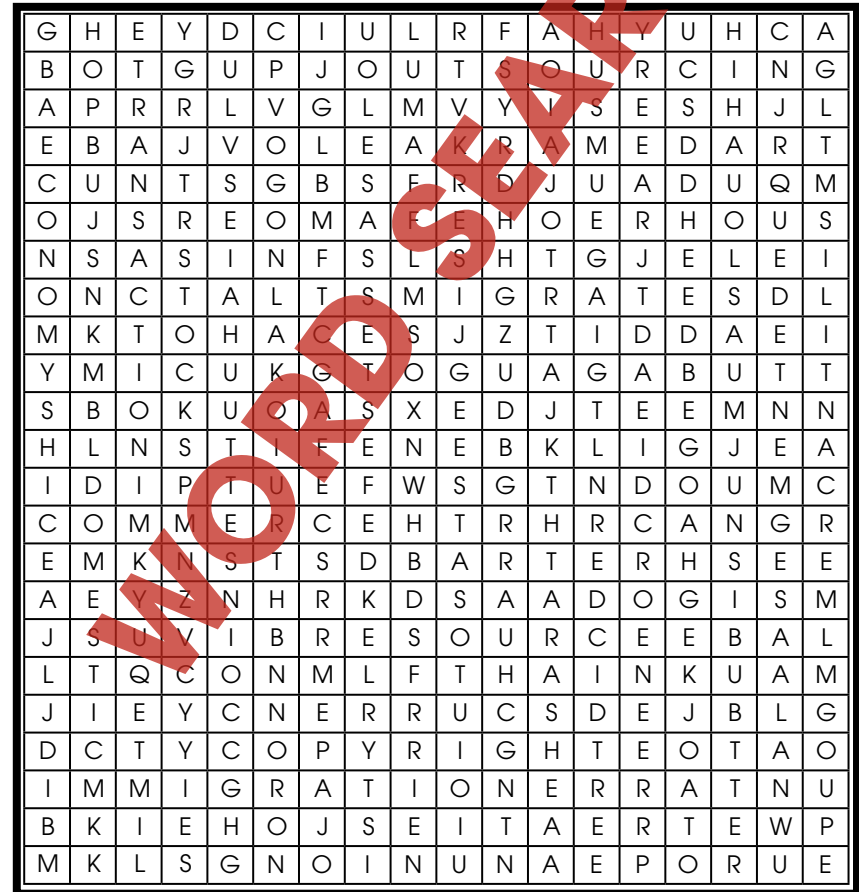
commerce	immigration	refugee
copyright	intellectual	resources
corporations	logo	stocks
cowrie	patent	treaty
currency	privatization	



# Word Search

Find all of the words in the Word Search. Words are written horizontally, vertically, diagonally, and some are even written backwards.

assets	barter	benefits	coins	commerce
copyright	currency	domestic	economy	European Union
GATT	globalization	immigration	labor	logo
mercantilism	migrate	outsourcing	patent	refugee
resource	segmented	stocks	trade	trademark
transaction	treaties	WTO		



# Comprehension Quiz

**Part A**

Circle **TRUE** if the statement is TRUE or **FALSE** if it is FALSE.

- 1. Cowrie shells were the longest used currency in history.  
**TRUE**      **FALSE**
- 2. The use of metal coins as currency began about 1,000 years ago.  
**TRUE**      **FALSE**
- 3. The goal of the World Trade Organization is to protect the rights of workers.  
**TRUE**      **FALSE**
- 4. Disparities are differences in economic conditions between two areas.  
**TRUE**      **FALSE**
- 5. About 1 in 10 people have crossed national borders as migrants in search of work.  
**TRUE**      **FALSE**
- 6. Most migrant workers are men.  
**TRUE**      **FALSE**
- 7. During outsourcing, jobs usually move from a developed country to a developing country.  
**TRUE**      **FALSE**
- 8. Multinational corporations have existed for over 400 years.  
**TRUE**      **FALSE**

**Part B**

On the spaces provided, explain what types of intellectual property are protected by each of the following. Give an example of each type of intellectual property.

Copyright \_\_\_\_\_

\_\_\_\_\_

Trademark \_\_\_\_\_

\_\_\_\_\_

Patent \_\_\_\_\_

\_\_\_\_\_

# Flows of Human Migration





After You Read

NAME: \_\_\_\_\_

# Foreign Direct Investment



### 3. Answer each question with complete sentences.

a) Imagine living in a developing nation that was a former territory of a Colonial Empire. Why might you see ownership of your nation's assets, such as agricultural land, by a foreign company as a new form of colonialism?

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b) Explain the reasons why a government might want to see national assets to a private corporation.

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### Research

#### Write an Opinion Paper

4. Debate the pros and cons of nationalization and privatization. Choose a position on a topic related to nationalization and privatization of assets. Use the library or internet to research your topic and write an opinion paper defending your position.

Possible topics may include:

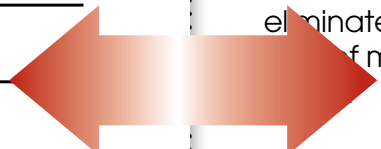
- Privatization helps/harms the economies of underdeveloped nations.
- People's everyday lives in developing nations are better/worse because of privatization/nationalization.
- A specific example of the nationalization or privatization of an asset or industry, and its effects.
- Whether privatization of key natural resources, such as fresh water, should be restricted.

Read and respond to your classmates' opinion papers.

3.

a) Foreigners owned their assets under Colonialism, too.

b) To increase productivity or services, or to eliminate the inefficiency of managing



# EASY MARKING ANSWER KEY

