**Case study**

Please read Case 8: **“Volkswagen in Russia”** available in your e-book (page no.619), and answer the following questions:

**Assignment Question(s):**

1. What factors underlay the decision by Volkswagen to invest directly in automobile production in Russia? Why was FDI preferable to exporting from existing factories in Germany?
2. Which theory (or theories) of FDI best explain Volkswagen’s FDI in Russia?
3. How do you think FDI by foreign automobile companies might benefit the Russian economy? Is there any potential downside to Russia from this inflow of FDI?
4. Russia is largely dependent on oil exports to drive its economy forward. Given the sharp fall in global oil prices that occurred in 2014 and 2015, what impact do you think this will have on FDI into Russia?
5. Volkswagen has signaled that it is going to stay the course in Russia, despite current political and economic headwinds. Why do you think it made this decision? What are the pros and cons of this decision? In your opinion, is it the correct decision?

**Answer:**

1.

2.

3.

4.

5.