Factor endowment theory - ✓✓A theory that suggests that nations will develop comparative advantages based on their locally abundant factors.

Heckscher-Ohlin theory - ✓✓Another name for factor endowment theory

First-mover advantage - ✓✓Advantage that first movers enjoy and do not share with late entrants.

Free trade - ✓✓The idea that free market forces should determine how much to trade with little or no government intervention.

Import - ✓✓Buying from abroad.

Import quota - ✓✓Restriction on the quantity of imports. Import tariff - ✓✓A tax imposed on imports.

Infant industry argument - ✓✓The argument that if domestic firms are as young as "infants," in the absence of government intervention, they stand no chances of surviving and will be crushed by mature foreign rivals.

Local content requirement - ✓✓A requirement stipulating that a certain proportion of the value of the goods made in one country must originate from that country.

Merchandise - ✓✓Tangible products being traded.

Modern trade theories - ✓✓The major theories of international trade that were advanced in the 20th century, which consist of (1) product life cycle, (2) strategic trade, and (3) national competitive advantage of industries.

Nontariff barrier (NTB) - ✓✓Trade barrier that relies on nontariff means to discourage imports.

Market imperfection (market failure) - ✓✓The imperfection of the market mechanisms that make transactions prohibitively costly and sometimes make transactions unable to take place.

Obsolescing bargain - ✓✓The deal struck by MNEs and host governments, which change their requirements after the initial FDI entry.

OLI advantages - ✓✓A firms quest for ownership (O) advantages, location (L) advantages, and internalization (I) advantages via FDI.

Oligopoly - ✓✓Industry dominated by a small number of players.

Ownership - ✓✓An MNE's possession and leveraging of certain valuable, rare, hard-to-imitate, and organizationally embedded (VRIO) assets overseas in the context of FDI.

Pragmatic nationalism on FDI - ✓✓A political view that only approves FDI when its benefits outweigh its costs.

Radical view on FDI - ✓✓A political view that is hostile to FDI.

Sunk cost - ✓✓Cost that a firm has to endure even when its investment turns out to be unsatisfactory

Technology spillover - ✓✓Technology diffused from foreign firms to domestic firms.

Upstream vertical FDI - ✓✓A type of vertical FDI in which a firm engages in an upstream stage of the value chain in a host country.

Vertical FDI - ✓✓A type of FDI in which a firm moves upstream or downstream at different value chain stages in a host country.

Antidumping law - ✓✓Law that makes it illegal for an exporter to sell goods below cost abroad with the intent to raise prices after eliminating local rivals.

LLL advantages - ✓✓A firm's quest for linkage (L) advantages, leverage (L) advantages, and learning (L) advantages. These advantages are typically associated with multinationals from emerging economies.

Location-specific advantages - ✓✓The benefits a firm reaps from the features specific to a place.

Mode of entry - ✓✓Method used to enter a foreign market.

Non-equity mode - ✓✓A mode of entry (exports and contractual agreements) that tends to reflect relatively smaller commitments to overseas markets.

R&D contract - ✓✓Outsourcing agreement in R&D between firms

Scale of entry - ✓✓The amount of resources committed to entering a foreign market.

Turnkey project - ✓✓A project in which clients pay contractors to design and construct new facilities and train personnel.

Wholly owned subsidiary (WOS) - ✓✓A subsidiary located in a foreign country that is entirely owned by the parent multinational.

Beijing Consensus - ✓✓A view that questions Washington Consensus' belief in the superiority of private ownership over state ownership in economic policy making, which is often associated with the position held by the Chinese government.

Bounded rationality - ✓✓The necessity of making rational decisions in the absence of complete information.

Civil Law - ✓✓A legal tradition that uses comprehensive statutes and codes as a primary means to form legal judgments.

total cost - ✓✓the market value of the inputs a firm uses in production total

revenue - ✓✓the amount a firm receives for the sale of its output profit -

✓✓total revenue minus total cost

explicit costs - ✓✓input costs that require an outlay of money by the firm implicit

costs - ✓✓input costs that do not require an outlay of money by the firm

economic profit - ✓✓total revenue minus total cost, including both explicit and implicit costs

accounting profit - ✓✓total revenue minus total explicit cost

production function - ✓✓the relationship between quantity of inputs used to make a good and the quantity of output of that good

marginal product - ✓✓the increase in output that arises from an additional unit of input

diminishing marginal product - ✓✓the property whereby the marginal product of an input declines as the quantity of the input increases

fixed costs - ✓✓costs that do not vary with the quantity of output produced variable

costs - ✓✓costs that vary with the quantity of output produced average total cost -

✓✓total cost divided by the quantity of output

average fixed cost - ✓✓fixed cost divided by the quantity of output average

variable cost - ✓✓variable cost divided by the quantity of output

marginal cost - ✓✓the increase in total cost that arises from an extra unit of production

efficient scale - ✓✓the quantity of output that minimizes average total cost