

Local content requirement: A requirement that some specific fraction of a good be produced domestically.

Heckscher-Ohlin theory: Countries will export those goods that make intensive use of locally abundant factors of production and import goods that make intensive use of locally scarce factors of production.

Leontief paradox: The empirical finding that, in contrast to the predictions of the Heckscher-Ohlin theory, U.S. exports are less capital intensive than U.S. imports

-Political risk is the possibility of a change in political environment or government policy that would adversely affect a company's ability to operate effectively and profitably.

-Expropriation—governmental action to dispossess a foreign company or investor. Compensation should be provided in a “prompt, effective, and adequate manner”

-Free trade – A situation where government doesn't attempt to influence through quotas or duties what its citizens can buy from another country or what they can produce and sell to another country.

Common law system: A system of law based on tradition, precedent, and custom. When law courts interpret common law, they do so with regard to these characteristics.

Civil law system: A system of law based on a very detailed set of written laws and codes.

Factor endowments: A country's endowment with resources such as land, labor, and capital.

-Backward vertical foreign direct investment:

Investing in an industry abroad that provides inputs for a firm's domestic processes.

-Vertical foreign direct investment:

Direct investment into production or business in a country by individual/company in another country, either by buying a company in the target country or expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks/bonds.

-Voluntary export restraint:

Quota on trade imposed by exporting country, typically at the request of the importing country's government

World Bank: International institution set up to promote general economic development in the world's poorer nations.

Political Union: A central political apparatus coordinates economic, social, and foreign policy.

Diminishing returns to specialization: Applied to international trade theory, the more of a good a country produces, the greater the units resources required to produce each additional item.