Question 1
Suppose the U.S. interest rates are 4 percent more than rates in the European Union.
   a. Would you expect the dollar to appreciate or depreciate against the euro? That is, is e^E <= e? Explain.
   b. If, contrary to your expectations, the forward and spot rates are the same, in which direction would you expect financial capital to flow? Why?

Question 2
Is the theory of the multinational enterprise consistent or inconsistent with the traditional model of comparative advantage?

Question 3
Define the different types of foreign direct investment. What causes each to arise. How does each relate to trade?