

Attachment Foreign Direct Investment & Trade

Chapter A:

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Chapter B:

1. $\pi = px - cx = (p - c)x$

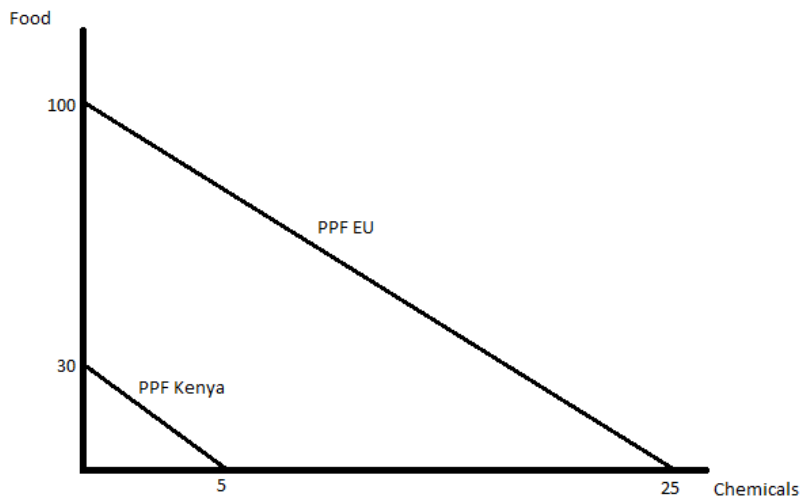
2. Productivity table; labor required to produce one unit of output

	Food	Chemicals
EU	$a_F^{EU} = 2$	$a_C^{EU} = 8$
Kenya	$a_F^K = 4$	$a_C^K = 24$

3. Table: Total labor available and maximum production levels.

	Total labor available	Maximum production	
		Food	Chemicals
EU	200	100	25
Kenya	120	30	5

4.

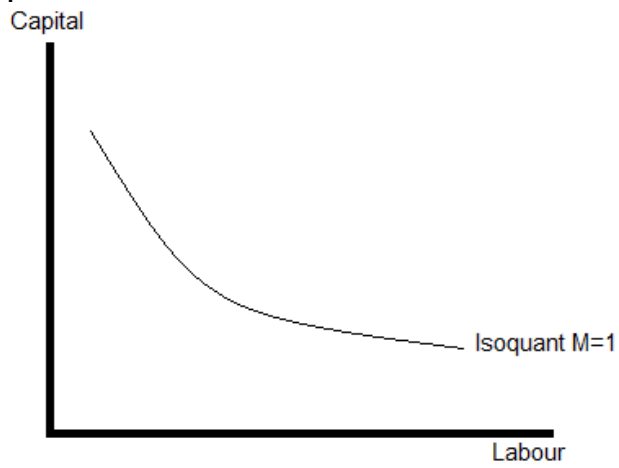


5.

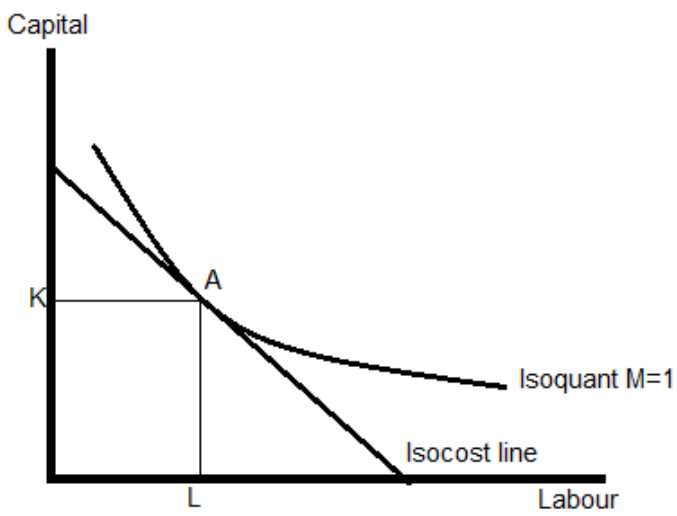
$$BI_j^A = \frac{\text{share of industry } j \text{ in country exports } A}{\text{share of industry } j \text{ in reference country exports}}$$

6. $M = K_m^\alpha L_m^{1-\alpha}$ $F = K_f^\alpha L_f^{1-\alpha}$ with $0 < \alpha_m, \alpha_f < 1$

7.



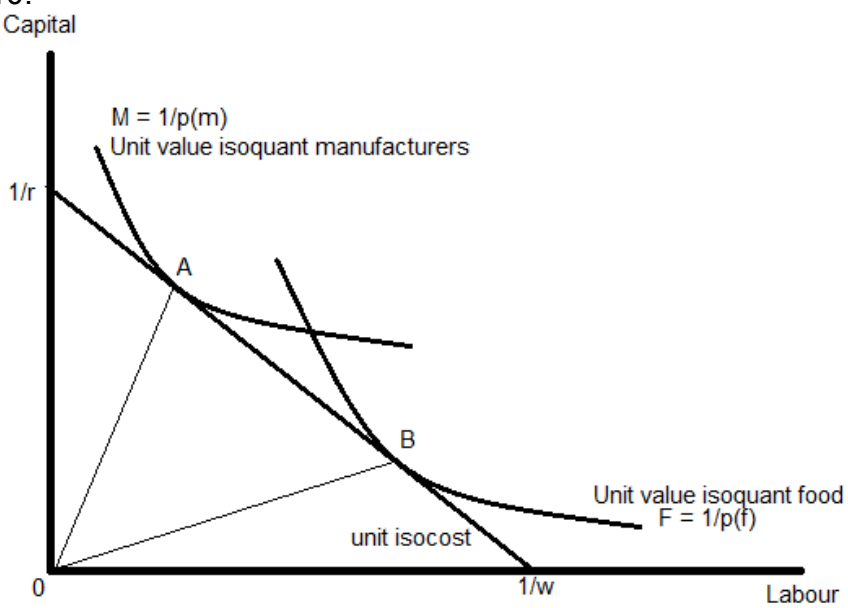
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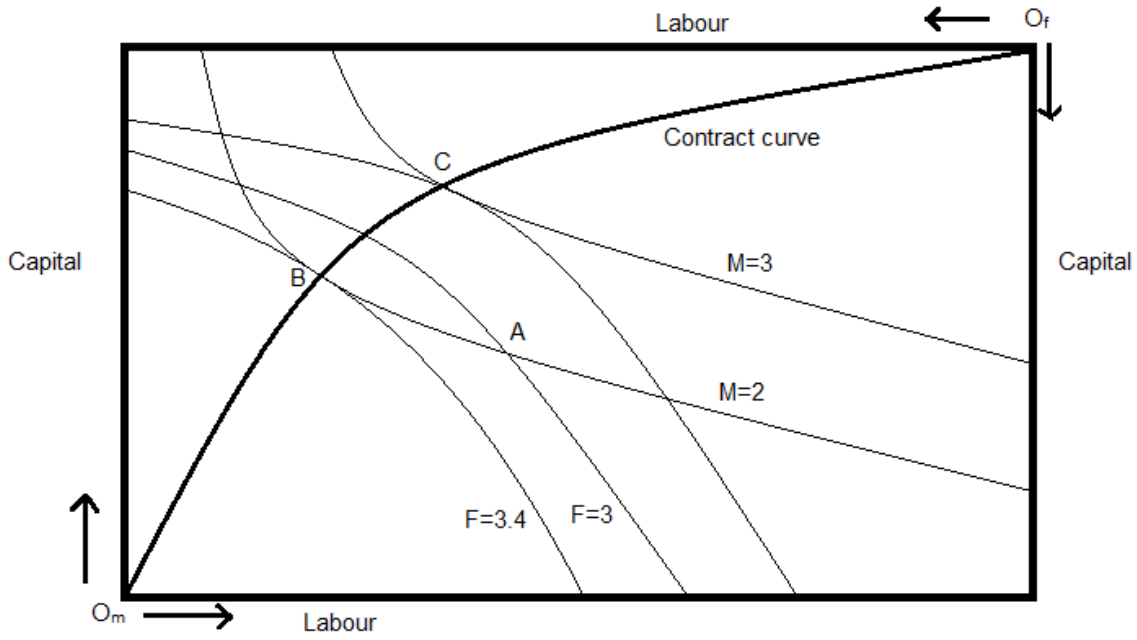
9.

$$\frac{K}{L} = \frac{\alpha}{1-\alpha} \frac{\omega}{r}$$

10.



11.



12.

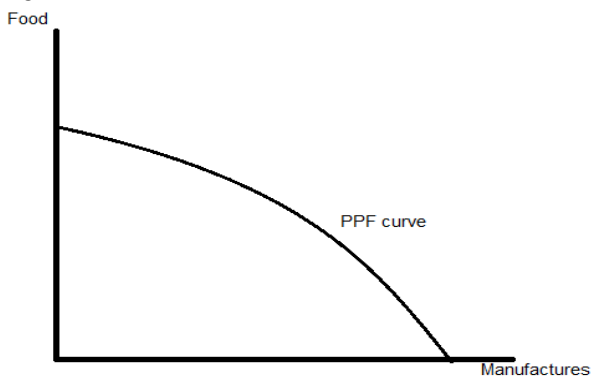
$$\frac{K}{L} = \lambda_m \frac{K(m)}{L(m)} + (1-\lambda_m) \frac{K(f)}{L(f)}$$

13. $I = p_m C_m + p_f C_f$

14. $U = C_m^{\delta(m)} C_f^{1-\delta(m)}$

15.

16.



17.

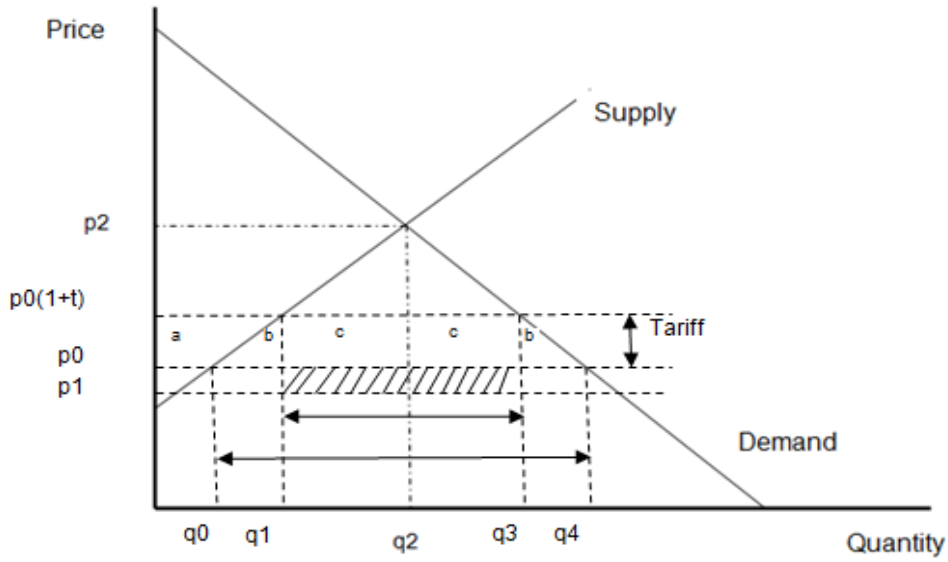
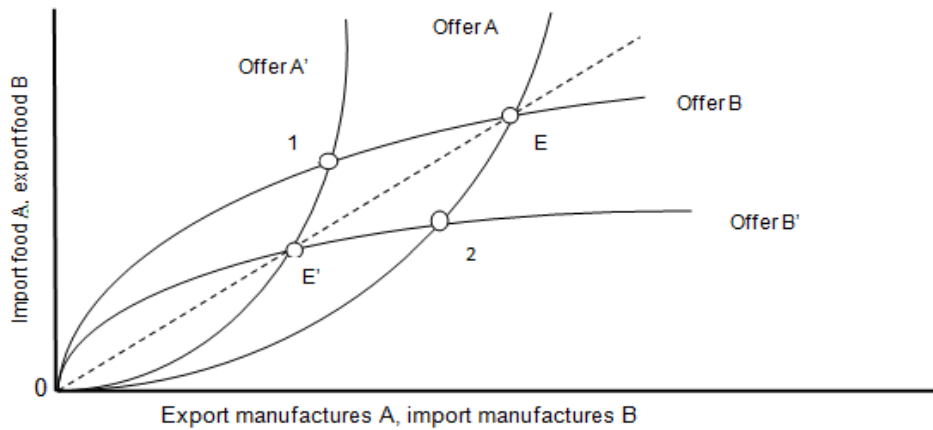


Figure: impact of a tariff

18.

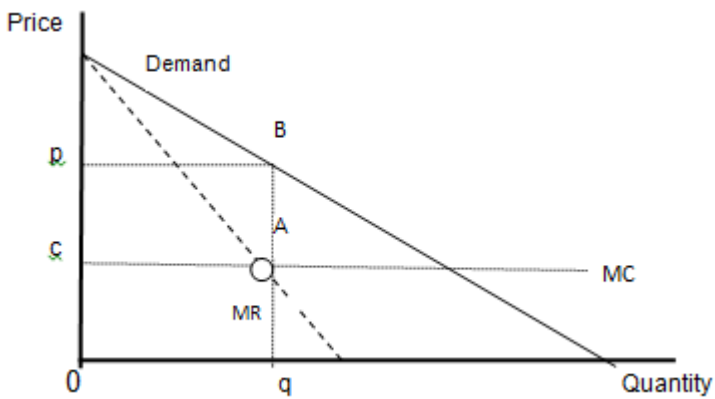
$$MRS_{tariff} = \frac{p_m(1+t)}{p_f} = MRT_{tariff} > \frac{p_m}{p_f}$$

19.



Chapter C:

1.

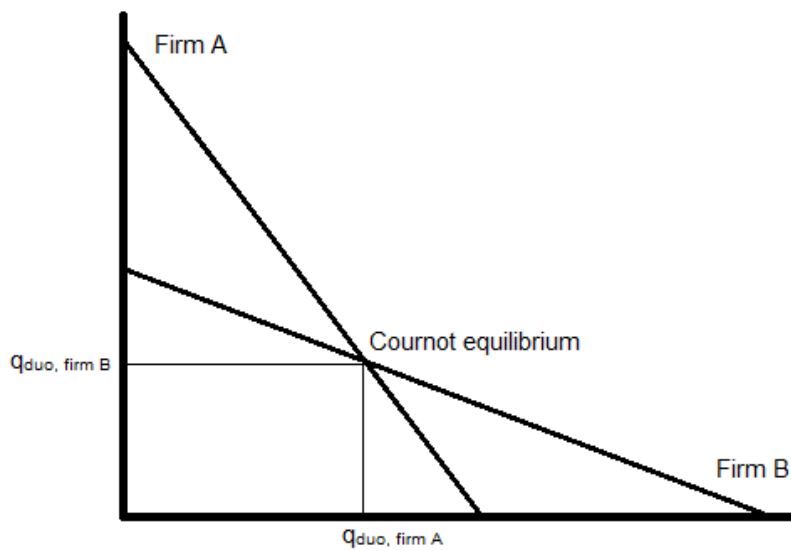


$$2. p \left(1 - \frac{1}{\varepsilon(q)}\right) = MC$$

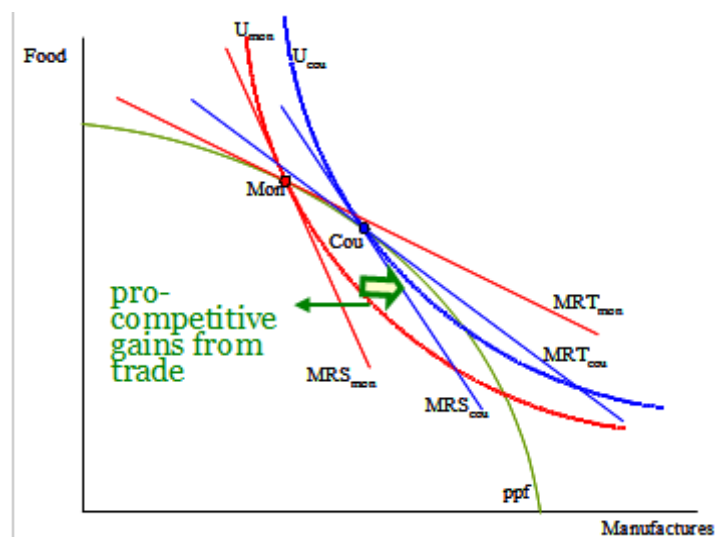
$$3. MRT = \frac{MC_m}{MC_f} = \frac{p_m \left(1 - \frac{1}{\varepsilon_m}\right)}{p_f} < \frac{p_m}{p_f} = MRS$$

$$4. \pi_A = (p-c)q_A = [(a-c) - b(q_A+q_B)]q_A$$

5.



6.



$$7. MRT = \frac{MC_m}{MC_f} = \frac{p_m(1 - \frac{1}{2\varepsilon_m})}{p_f} < \frac{p_m}{p_f} = MRS$$

$$8. p_A = a - b(q_{AA} + q_{AB})$$

9.

$$q_{AA} = \frac{a + Tc - 2MC}{3b}; \quad q_{BA} = \frac{a + MC - 2Tc}{3b}; \quad p_{rec} = \frac{a + MC + Tc}{3}$$

10.

$$GL_i = 1 - \frac{[Ex_i - Im_i]}{Ex_i + Im_i}$$

11.

$$U = \left[\sum_{i=1}^N c_i^\alpha \right]^{\frac{1}{\alpha}}; \quad 0 < \alpha < 1$$

$$12. C_i = p_i^{-\varepsilon} (P^{\varepsilon-1}); \quad U = I/P; \quad \varepsilon = 1/(1-\rho)$$

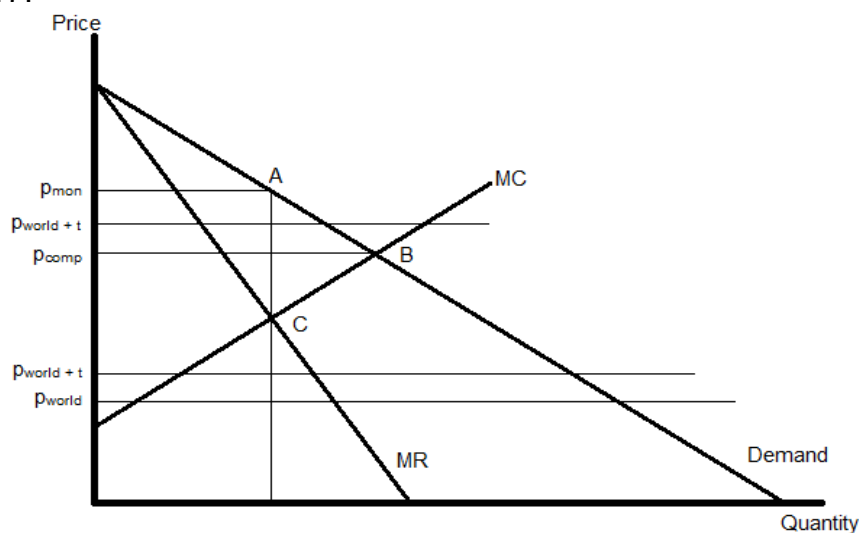
$$13. \Pi = px - W(f + mx)$$

$$14. p(1 - 1/\varepsilon) = mW$$

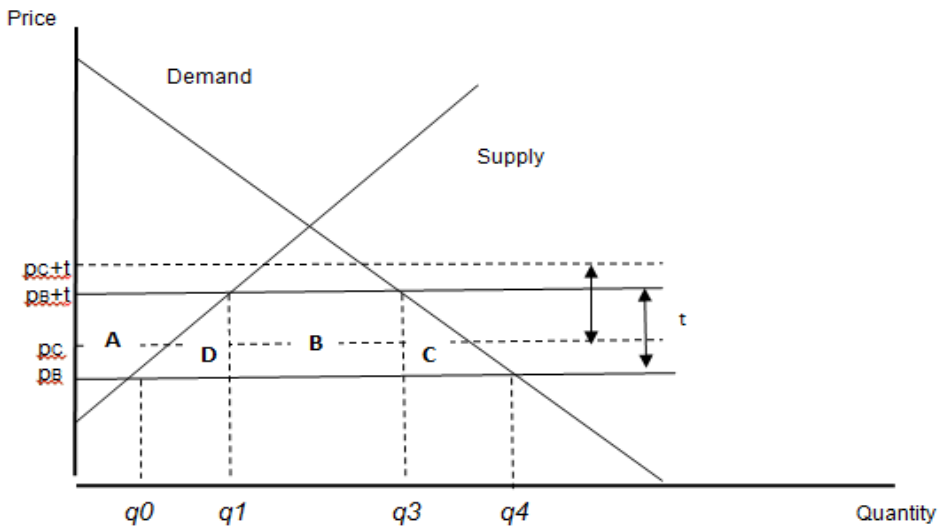
$$15. N_{Belgium} = L_{Belgium} / f\varepsilon \quad \text{and} \quad N_{Netherlands} = L_{Netherlands} / f\varepsilon$$

$$16. Y = \quad ; \quad 0 < \rho < 1$$

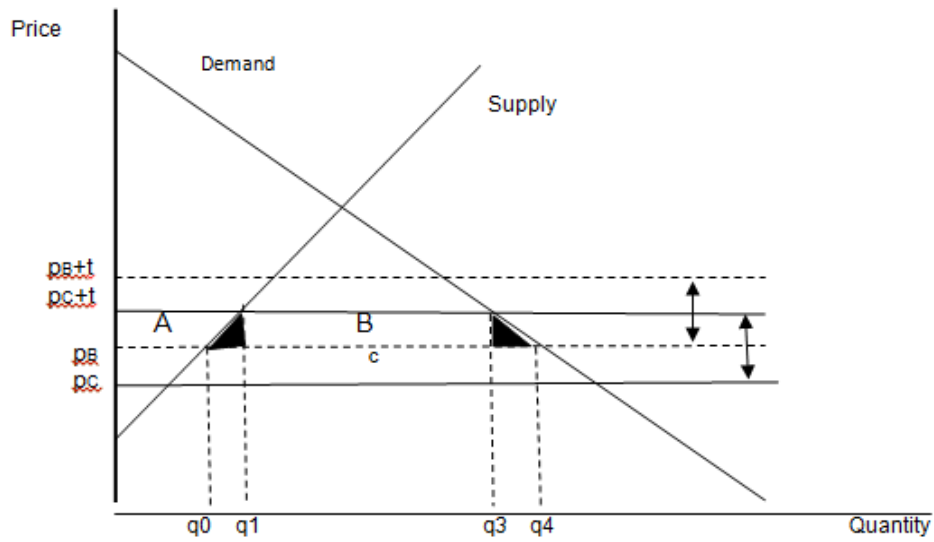
17.



18.



19.



Chapter D:

1. National firm: $(F + G)w_A + cw_A M_{AA}^n + (c + t)w_A M_{AB}^n$
 Multinational firm: $(F + G)w_A + Gw_B + cw_A M_{AA}^m + cw_B M_{AB}^m$

2.

