**Lesson 1.2 -Theories of Global Trade and Investments**

**Formal Assessment**

**Objective:** To determine your level of understanding of the advantages of

specialization, the concept of comparative advantage and your ability to distinguish

between direct investment and portfolio investment.

**Please answer the following questions (be specific and detailed).**

1. What are some advantages of specialization?
2. What is the concept of comparative advantage?
3. Distinguish between a foreign direct investment (FDI) and a foreign portfolio investment (FPI).
4. What are three terms and their definitions, from each chapter (1-4) that you learned?