

International Trade: An Overview

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May 18, 2020

The Lecturer

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What Is International Trade About?

- In simple words: **International Trade** is about cross-border economic activity.
- Topics covered by this field of economics are numerous:
 - Firm boundaries: outsourcing vs. offshoring
 - Internal firm organization and globalization
 - Trade agreements
 - Trade and labor markets
 - trade and income inequality
 - Political economy of trade: lobbying tariffs, trade and military conflicts

Three main questions:

- The patterns of trade (who sells what to whom?):
 - the Ricardian and Heckscher-Ohlin models of trade: trade between different countries
 - the Krugman model (the new trade theory): trade between similar countries
- The magnitude of the gains from trade (modern approaches):
 - a quantitative general equilibrium approach
 - some evidence from natural experiments
- Trade policies: if trade is beneficial, why do countries protect domestic production?