Why Study International Trade?
- Does trade really benefit societies?
  - By studying the differences in the economic performance of closed and open economies we can draw our own conclusions.
- Should Trade be completely free?
  - What would happen to developed country wages if trade with developing countries continue to grow?
  - Would trade mean a demise of some of our industries, like steel, apparel?

International Interdependence:
The degree to which economic events in one country can affect others.

International Economic Integration:
It is a measure of how freely goods, services, labor and capital can move freely across international borders.

Countries differ in terms of their laws, customs, language, currency, etc., and these differences can generate significant barriers to the free flow of goods, services, labor and capital. The question that is addressed under international economic integration, therefore, is how to lower these barriers and promote the flow of goods, services, labor and capital across international borders.
Trade Policy Implications of International Interdependence

In a world which is becoming increasingly interdependent, policy makers have to be more cautious in designing and implementing policy.

Symptoms of International Interdependence
Figure 6: Regional Flows of Merchandise Trade, 2002 (Billions $)

The Economic Significance of Political Boundaries

International Trade Theory: Microeconomic Analysis
Open Economy Macro: Macroeconomic Analysis

Positive Economic Models: Models that describe in a simplified way how the world economy works.

Normative Economic Models: Models that suggest the path that has to be followed or policies that have to be pursued.