

Econ 274

11.01 notes

trade: specialization is the goal, trade is necessary to achieve it. to reiterate: it's not about imports or exports, it's about specialization

3 core theories:

Comparative Advantage 2x2x2:

2 goods, 2 factors of production, 2 countries. Adam Smith theme of specialization, David Ricardo 1817 on specialization in abundant factor of production

in China's case, we look at K, L where L is abundant.

data on actual trade:

exports: labor intensive

imports: capital intensive

data more challenging because of global value chains

it looks like China dominates high-tech exports, BUT ...

study on value added in cell phones: all the expensive components are imported

Differentiated Goods:

biggest component of trade US, Canada, Mexico (and intra-EU) are autos

econ of scale \longleftrightarrow Chrysler minivans in Windsor ON, jeeps in Toledo OH as production more efficient when done in an assembly plant focused on a specific product. so lots of cross-border sales. cf. BMW SCarolina, biggest exporter in the auto industry as global market much bigger than the domestic US market.

some of this for China, but doesn't jump out. almost no auto exports, or aircraft. some now though in industrial goods / specialized machinery

Natural Resources:

China has little petroleum. or iron ore. or cobalt. or ... so stands out as an importer