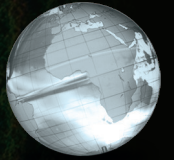


GLOBAL
EDITION



International Trade

Theory and Policy

12th Edition

Paul R. Krugman • Maurice Obstfeld • Marc J. Melitz



International Trade

| THEORY & POLICY |

TWELFTH EDITION

GLOBAL EDITION

Paul R. Krugman

Graduate Center of the City University of New York

Maurice Obstfeld

University of California, Berkeley

Marc J. Melitz

Harvard University



Pearson

Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney • Dubai • Singapore • Hong Kong
Tokyo • Seoul • Taipei • New Delhi • Cape Town • São Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan

International Trade: Theory and Policy, Global Edition

Table of Contents

Cover

Title Page

Copyright

Brief Contents

Contents

Preface

Chapter 1. Introduction

What Is International Economics About?

The Gains from Trade

The Pattern of Trade

How Much Trade?

Balance of Payments

Exchange Rate Determination

International Policy Coordination

The International Capital Market

International Economics: Trade and Money

Part 1: International Trade Theory

Chapter 2. World Trade: An Overview

Who Trades with Whom?

Size Matters: The Gravity Model

Using the Gravity Model: Looking for Anomalies

Impediments to Trade: Distance, Barriers, and Borders

The Changing Pattern of World Trade

Has the World Gotten Smaller?

What Do We Trade?

Service Offshoring

Do Old Rules Still Apply?

Table of Contents

Summary

Chapter 3. Labor Productivity and Comparative Advantage: The Ricardian Model

The Concept of Comparative Advantage

A One-Factor Economy

Production Possibilities

Relative Prices and Supply

Trade in a One-Factor World

Determining the Relative Price after Trade

Box: Comparative Advantage in Practice: The Case of Usain Bolt

The Gains from Trade

A Note on Relative Wages

Box: Economic Isolation and Autarky Over Time and Over Space

Misconceptions about Comparative Advantage

Productivity and Competitiveness

Box: Do Wages Reflect Productivity?

The Pauper Labor Argument

Exploitation

Comparative Advantage with Many Goods

Setting Up the Model

Relative Wages and Specialization

Determining the Relative Wage in the Multigood Model

Adding Transport Costs and Nontraded Goods

Empirical Evidence on the Ricardian Model

Summary

Chapter 4. Specific Factors and Income Distribution

The Specific Factors Model

Box: What is a Specific Factor?

Assumptions of the Model

Production Possibilities

Prices, Wages, and Labor Allocation

Relative Prices and the Distribution of Income

International Trade in the Specific Factors Model

Income Distribution and the Gains from Trade

The Political Economy of Trade: A Preliminary View

Table of Contents

The Politics of Trade Protection

Trade and Unemployment

Case Study: U.S. Manufacturing Employment and Chinese Import Competition

Box: The Trump Trade War

International Labor Mobility

Case Study: Immigration and the U.S. Economy

Summary

Appendix To Chapter 4: Further Details on Specific Factors

Marginal and Total Product

Relative Prices and the Distribution of Income

Chapter 5. Resources and Trade: The Heckscher-Ohlin Model

Model of a Two-Factor Economy

Prices and Production

Choosing the Mix of Inputs

Factor Prices and Goods Prices

Resources and Output

Effects of International Trade between Two-Factor Economies

Relative Prices and the Pattern of Trade

Trade and the Distribution of Income

Case Study: North-South Trade and Income Inequality

Skill-Biased Technological Change and Income Inequality

Box: The Declining Labor Share of Income and Capital-Skill Complementarity

Factor-Price Equalization

Empirical Evidence on the Heckscher-Ohlin Model

Trade in Goods as a Substitute for Trade in Factors: Factor Content of Trade

Patterns of Exports between Developed and Developing Countries

Implications of the Tests

Summary

Appendix To Chapter 5: Factor Prices, Goods Prices, and Production Decisions

Choice of Technique

Goods Prices and Factor Prices

More on Resources and Output

Chapter 6. The Standard Trade Model

A Standard Model of a Trading Economy

Production Possibilities and Relative Supply

Table of Contents

Relative Prices and Demand

The Welfare Effect of Changes in the Terms of Trade

Box: U.S. Consumer Gains from Chinese Imports

Determining Relative Prices

Economic Growth: A Shift of the RS Curve

Growth and the Production Possibility Frontier

World Relative Supply and the Terms of Trade

International Effects of Growth

Case Study: Has the Growth of Newly Industrialized Economies Hurt Advanced Nations?

Box: The Exposure of Developing Countries to Terms of Trade Shocks and the COVID-19 Pandemic

Tariffs and Export Subsidies: Simultaneous Shifts in RS and RD

Relative Demand and Supply Effects of a Tariff

Effects of an Export Subsidy

Implications of Terms of Trade Effects: Who Gains and Who Loses?

International Borrowing and Lending

Intertemporal Production Possibilities and Trade

The Real Interest Rate

Intertemporal Comparative Advantage

Summary

Appendix To Chapter 6: More on Intertemporal Trade

Chapter 7. External Economies of Scale and the International Location of Production

Economies of Scale and International Trade: An Overview

Economies of Scale and Market Structure

The Theory of External Economies

Specialized Suppliers

Labor Market Pooling

Knowledge Spillovers

External Economies and Market Equilibrium

External Economies and International Trade

External Economies, Output, and Prices

External Economies and the Pattern of Trade

Trade and Welfare with External Economies

Box: Holding the World Together

Dynamic Increasing Returns

Table of Contents

Interregional Trade and Economic Geography

Box: The City and the Street

Summary

Chapter 8. Firms in the Global Economy: Export and Foreign Sourcing Decisions and Multinational Enterprises

The Theory of Imperfect Competition

Monopoly: A Brief Review

Monopolistic Competition

Monopolistic Competition and Trade

The Effects of Increased Market Size

Gains from an Integrated Market: A Numerical Example

The Significance of Intra-Industry Trade

Case Study: Automobile Intra-Industry Trade within ASEAN-4: 1998-2002

Firm Responses to Trade: Winners, Losers, and Industry Performance

Performance Differences across Producers

The Effects of Increased Market Size

Trade Costs and Export Decisions

Dumping

Case Study: Antidumping as Protectionism

Multinationals and Foreign Direct Investment

Patterns of Foreign Direct Investment Flows around the World

Case Study: COVID-19 and Foreign Direct Investment Flows around the World

Foreign Direct Investment and Foreign Sourcing Decisions

The Horizontal FDI Decision

The Foreign Sourcing Decision

The Outsourcing Decision: Make or Buy

Box: Whose Trade Is It?

Case Study: Shipping Jobs Overseas? Offshoring and Labor Market Outcomes in Germany

Consequences of Multinationals and Foreign Outsourcing

Summary

Appendix To Chapter 8: Determining Marginal Revenue

Part 2: International Trade Policy

Chapter 9. The Instruments of Trade Policy

Basic Tariff Analysis

Table of Contents

Supply, Demand, and Trade in a Single Industry

Effects of a Tariff

Measuring the Amount of Protection

Costs and Benefits of a Tariff

Consumer and Producer Surplus

Measuring the Costs and Benefits

Case Study: Winners and Losers of the Trump Trade War

Box: Tariffs and Retaliation

Other Instruments of Trade Policy

Export Subsidies: Theory

Box: The Unfriendly Skies: Settling the Longest Running Trade Dispute

Import Quotas: Theory

Case Study: Tariff-Rate Quota Origin and its Application in Practice with Oilseeds

Voluntary Export Restraints

Local Content Requirements

Box: Healthcare Protection with Local Content Requirements

Other Trade Policy Instruments

The Effects of Trade Policy: A Summary

Summary

Appendix To Chapter 9: Tariffs and Import Quotas in the Presence of Monopoly

The Model with Free Trade

The Model with a Tariff

The Model with an Import Quota

Comparing a Tariff and a Quota

Chapter 10. The Political Economy of Trade Policy

The Case for Free Trade

Free Trade and Efficiency

Additional Gains from Free Trade

Rent Seeking

Political Argument for Free Trade

National Welfare Arguments against Free Trade

The Terms of Trade Argument for a Tariff

The Domestic Market Failure Argument against Free Trade

How Convincing Is the Market Failure Argument?

Income Distribution and Trade Policy

Electoral Competition

Table of Contents

Collective Action

Box: Politicians for Sale: Evidence from the 1990s

Modeling the Political Process

Who Gets Protected?

International Negotiations and Trade Policy

The Advantages of Negotiation

International Trade Agreements: A Brief History

The Uruguay Round

Trade Liberalization

Administrative Reforms: From the GATT to the WTO

Benefits and Costs

Box: Settling a Dispute and Creating One

Case Study: Testing the WTOs Metal

The End of Trade Agreements?

Box: Do Agricultural Subsidies Hurt the Third World?

Preferential Trading Agreements

Box: Free Trade Area Versus Customs Union

Box: Brexit

Case Study: Trade Diversion in South America

The Trans-Pacific Partnership

Summary

Appendix To Chapter 10: Proving That the Optimum Tariff Is Positive

Demand and Supply

The Tariff and Prices

The Tariff and Domestic Welfare

Chapter 11. Trade Policy in Developing Countries

Import-Substituting Industrialization

The Infant Industry Argument

Promoting Manufacturing through Protection

Case Study: Export-Led Strategy

Results of Favoring Manufacturing: Problems of Import-Substituting Industrialization

Trade Liberalization since 1985

Trade and Growth: Takeoff in Asia

Box: Indias Boom

Summary

Table of Contents

Chapter 12. Controversies in Trade Policy

Sophisticated Arguments for Activist Trade Policy

Technology and Externalities

Imperfect Competition and Strategic Trade Policy

Box: A Warning From Intels Founder

Case Study: When the Chips Were Up

Globalization and Low-Wage Labor

The Anti-Globalization Movement

Trade and Wages Revisited

Labor Standards and Trade Negotiations

Environmental and Cultural Issues

The WTO and National Independence

Case Study: A Tragedy in Bangladesh

Globalization and the Environment

Globalization, Growth, and Pollution

The Problem of Pollution Havens

The Carbon Tariff Dispute

Trade Shocks and Their Impact on Communities

Summary

Mathematical Postscripts

Postscript to Chapter 5: The Factor-Proportions Model

Factor Prices and Costs

Goods Prices and Factor Prices

Factor Supplies and Outputs

Postscript to Chapter 6: The Trading World Economy

Supply, Demand, and Equilibrium

Supply, Demand, and the Stability of Equilibrium

Effects of Changes in Supply and Demand

Economic Growth

A Transfer of Income

A Tariff

Postscript to Chapter 8: The Monopolistic Competition Model

Merchandise Trade Flows with the United States (in 2018 U.S. dollars)

Gross National Product per Capita (in 2019 U.S. dollars)

Index

Table of Contents