Course: Econ2020—042

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Eportfolio assignment

International trade

International trade is not an uncommon term to most people in the world. In the 21th century, international trade and global economy is concerned by everybody in any country. As a Hong Kong people, most of the things I see and buy are imported from other countries, I thought I am very familiar with the term “international trade”, however, after reading the chapters from the book, I really have more deep understanding about it.

It is so common that a country has both import and export. I always thought about why one country does not produce everything itself. But now, I learn about comparative advantage. Comparative advantage means a situation in which a person or country can produce a specific product at a lower opportunity cost than some other person or country; the basis for specialization and trade. A producer (an individual, firm, or nation) has a comparative advantage in producing a particular product if it can produce that product at a lower opportunity cost than other producers. Comparative advantage is the key determinant in whether or not nations can gain from specialization and trade. In fact, absolute advantage turns out to be irrelevant. To me, I think it is a very clever and effective way to decide who produces what products.

Of course, while determining who produces which items, other than comparative advantage, demand and supply is a significant factor for international trade as well. We need them to find out the equilibrium price, imports and exports as well. In a two-country world model, equilibrium world prices and equilibrium quantities of exports and imports occur where one nation's export supply curve intersects the other nation's import demand curve. A nation will export a particular product if the world price exceeds the domestic price; it will import the product if the world price is less than the domestic price. In the text, I also learn about trade barriers, for instance, tariff, quotas, ‘voluntary’ export restriction and so on. I learn different effects caused by them.

International trade is a complicated but very interesting topic. Looking more into this issue is very useful, especially in this century, global economy is what most people concerned about every day and which would affect our living as well.