International trade

Have already touched on this: households purchases of imported goods, and firms imports of intermediate inputs
Trade

- Assumes the Armington structure – products are differentiated by origin: rice from China not same as rice from USA
- CES function determines sourcing of imports, depending on relative cif prices
- Imports from various sources then aggregated to a composite import for each commodity
- Another CES function determines optimal mix of domestic and imported commodities depending on relative prices
- Same as firms purchases of imported inputs – see earlier
Looking at some data

- Click on View|Base Data|Core Data
- Double click on VXWD
- Three drop-down boxes on right hand side;
  - The 1\textsuperscript{st} is the \textbf{commodity}
  - The 2\textsuperscript{nd} is the \textbf{source} region
  - The 3\textsuperscript{rd} is the \textbf{destination} region
- This is always the case, for both export data and import data.
VXWD: value of exports at world (fob) prices

- What is the value of EU’s food exports?
- What is the value of EU’s food exports to SSA? (select ‘Food’ in the 1st drop-down box)
- To EU? (what does this mean)?
- What is the value of ROW exports of Mnfcs to SSA?
VIWS: value of imports at world (cif) prices

- Double click on VIWS
- What is value of EU’s total food imports?
  - Be careful with the drop-down box choices!!
- What is the value of the EU’s imports from SSA?
  - From ROW?
Trade balances

- We saw that total EU food exports (fob) were $248,275.9
- We saw that total EU food imports (cif) were $273,199.2
- So EU had a food trade deficit of $24,923.3
- Click on View|Base Data|GTAP View
- Double click on CURRENTACCT
  - Find the above value
Transport costs

- Find *fob* value of EU exports of food to SSA
  - $3209.9 million
- Find *cif* value of SSA’s imports of food from EU
  - $3531.6 million
- The difference (transport costs) is $321.7
- Now look at the variable VTWR for this trade flow
- VTWR is the value of transport services at world prices
- Summed over all goods & routes gives total demand for transport services
- These are supplied by regions, which export them to the global transport sector