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 1st is the **commodity**
  - The 2nd is the **source** region
  - The 3rd is the **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