



12. Theories of international trade are important to an individual business firm primarily because they can help the firm decide where to locate its various production activities.
13. Firms involved in international trade can and do exert a strong influence on government policy toward trade. By lobbying government, business firms can promote free trade or trade restrictions.

Critical Thinking and Discussion Questions

1. Mercantilism is a bankrupt theory that has no place in the modern world. Discuss.
2. Is free trade fair? Discuss!
3. Unions in developed nations often oppose imports from low-wage countries and advocate trade barriers to protect jobs from what they often characterize as “unfair” import competition. Is such competition “unfair”? Do you think that this argument is in the best interests of (a) the unions, (b) the people they represent, and/or (c) the country as a whole?
4. What are the potential costs of adopting a free trade regime? Do you think governments should do anything to reduce these costs? What?
5. Reread the Country Focus “Is China a Neo-Mercantilist Nation?”
 - a. Do you think China is pursuing an economic policy that can be characterized as neo-mercantilist?
 - b. What should the United States, and other countries, do about this?
6. Reread the Country Focus on moving white-collar jobs offshore.
 - a. Who benefits from the outsourcing of skilled white-collar jobs to developing nations? Who are the losers?
- b. Will developing nations like the United States suffer from the loss of high-skilled and high-paying jobs?
- c. Is there a difference between the transference of high-paying white-collar jobs, such as computer programming and accounting, to developing nations, and low-paying blue-collar jobs? If so, what is the difference, and should government do anything to stop the flow of white-collar jobs out of the country to countries such as India?
7. Drawing upon the new trade theory and Porter’s theory of national competitive advantage, outline the case for government policies that would build national competitive advantage in biotechnology. What kinds of policies would you recommend that the government adopt? Are these policies at variance with the basic free trade philosophy?
8. The world’s poorest countries are at a competitive disadvantage in every sector of their economies. They have little to export. They have no capital; their land is of poor quality; they often have too many people given available work opportunities; and they are poorly educated. Free trade cannot possibly be in the interests of such nations. Discuss.

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International Trade Theory

Use the globalEDGE™ site to complete the following exercises:



Exercise 1

The WTO’s *International Trade Statistics* is an annual report that provides comprehensive, comparable, and updated statistics on trade in merchandise and commercial services. This report allows for an assessment of world trade flows by country, region, and main product or service categories. Using the most recent statistics available, identify the top five countries that lead in the export and import of merchandise, respectively.

Exercise 2

Food is an integral part of understanding different countries, cultures, and lifestyles. In fact, your company is interested in importing Australian wine to the United States. However, you must first identify which *Australian suppliers* can provide specific types of wine for your burgeoning dinner cruise business. After searching the supplier directory, use specific criteria to compare the profiles of companies supplying both red and white. Decide which supplier is best for your company. Be sure to justify your conclusion.