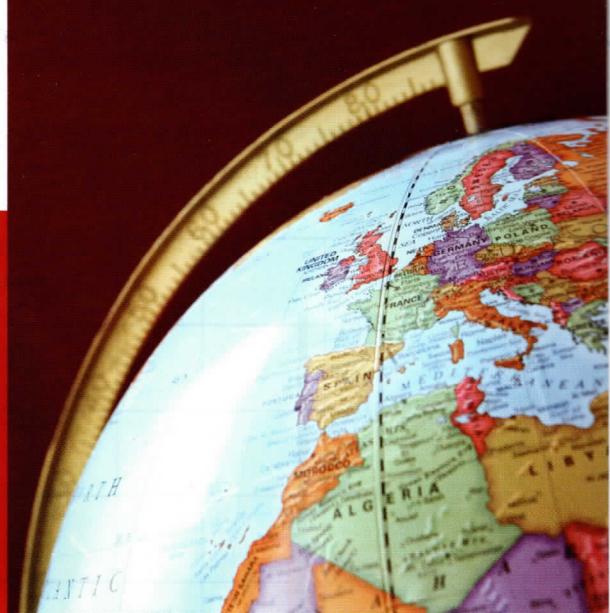


CHAPTER FIVE

TRADING INTERNATIONALLY



LEARNING OBJECTIVES

After studying this chapter, you should be able to

- 1 Use the resource-based and institution-based views to explain why nations trade
- 2 Understand classic and modern theories of international trade
- 3 Appreciate how economic and political institutions influence international trade
- 4 Participate in two leading debates on international trade
- 5 Draw implications for action



OPENING CASE

EU exports: emerging economy opportunities

The growth of emerging economies, such as China, is creating tremendous opportunities for European businesses. Traditionally seen primarily as a source for cheap imports of manufacturing goods and raw materials, emerging economies have become major markets for European exports. Large countries like

Russia, India and Brazil offer large markets, while the four 'Asian tigers' (Korea, Taiwan, Hong Kong and Singapore), in particular, demand sophisticated industrial inputs and consumer brands. Countries in geographic proximity, like Turkey, Ukraine, Algeria and Morocco, offer opportunities to trade without the hassles of long-distance travel and shipments.

However, the pattern varies across countries (Figure 5.1). UK companies are strong in India, Hong