Volume - 11 | Issue - 07 | July - 2022 | PRINT ISSN No. 2277 - 8179 | DOI : 10.36106/ijsr

INTERNATIONAL JOURNAL OF SCIENTIFIC RESEARCH

NEW DEVELOPMENT OF INTERNATIONAL TRADE THEORY AND DIFFERENTIATION OF INTERNATIONAL TRADE PATTERN

Management

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ABSTRACT

The development of international trade theory has experienced two main stages: traditional international trade theory and new international trade theory.New international trade theory rises with the development of economic theory,it constantly introduces new economic concepts into the field of international trade research,explains the causes of the emergence and development of international trade from the perspective of depth,and greatly promotes the development of international trade theory research.Since the end of the Second World War,the pattern of international trade has not been divided,which is reflected in the rapid rise of developing economies and the multi-polarization development of international trade.

KEYWORDS

Development of international trade theory, International trade pattern

The new international trade theory mainly refers to a series of international trade theories and theories generated to explain the new trade phenomenon following the rapid development of international trade after the Second World War,especially since the 1980s.It breaks through the hypothesis of comparative advantage of traditional international trade theory,introduces the theory of industrial organization,and uses a series of assumptions such as imperfect competition, economies of scale, and differentiated products to discuss the new causes of international division of labor and the development of international trade.This article starts from its assumption premise,carries on the new combing to the new international trade theory.

The Main Content Of The New International Trade Theory

(1) Economies of scale and trade theory of imperfect competition

Under the traditional trade theory model, the return to scale of production is constant. However, in fact, many industries have the characteristics of economies of scale with larger production scale and lower production cost, and the existence of economies of scale is the main reason for market incompleteness, which affects the generation of trade and the formation of trade pattern to a large extent.The economists Poul Krugman and Helpman introduced the theory of scale economy into the study of international trade theory and revised and developed the traditional international trade theory.The theory holds that producers in each country choose between diversification of production and mass production of a single product. Under the condition of open economy, the final choice of the producer is the mass production of a single product or a few products in order to achieve the scale economy. Domestic consumer demand for other products has to be met by imports from other countries. So,under economies of scale,a country produces only a limited number of products and trades with other countries.In this way,not only producers get higher profit levels brought about by economies of scale,but consumers also enjoy lower prices and higher welfare levels brought about by product diversification.

(2) Technology gap theory

In 1959, the American economist Posner modified the Heckscher-Ohlin model with the technology innovation theory and put forward the technology gap theory. According to this theory,there will be a technology gap between two countries with basically the same other conditions due to the existence of technology imitation time lag and demand time lag.The country that makes technological innovation first has the comparative advantage of exporting technology-intensive products, and when technology is transferred to each other with international trade,the technology gap will gradually disappear, and the country's trade will continue until the production of other countries can fully meet the domestic demand.

(3) Differential product theory

Differential products refer to different products produced by many enterprises within the same industry or product group.Product differences can be divided into horizontal product differences and vertical product differences.Vertical product difference refers to the difference in grade,quality and grade of the same kind of product,while horizontal product difference refers to the difference in detail of the same kind of product in the same grade.Differentiation and diversification of products are beneficial to meet the differentiated needs of consumers and thus to improve the level of consumer welfare. Consumers' demand for vertically differentiated products is affected by income level,while the demand for horizontally differentiated products depends on consumers' demand preference.

(4) Demand trade theory

Most international trade theories explain the cause of international division of labor and international trade from the perspective of supply. With the development of international trade theory research,more and more theorists seek the causes,conditions and trade benefits of international trade from the perspective of demand.In his book Principles of Political Economy, the British economist J.S.Mill developed the Reciproal Theory of Needs,which pioneered the approach to international trade from a demand perspective.This theory not only expounds how demand influences international trade, but also discusses the changing direction of international trade terms and the distribution of trade benefits under the influence of demand. Strictly speaking,however,Mill's theory still belongs to traditional trade theory.The representative demand theory is the real explanation of intra-industry trade from the perspective of demand. Representativeness demand theory is also called Overlapping Demand Theory. Different from the theory of mutual demand,the theory of representative consumption demand combines demand and product differences to explain the causes of intra-industry trade.The representative demand theory is proposed by Swedish economist Linder (1961).He points out that the average income level of a country or the income level of the majority of people is the representative demand of a country.Economies of scale can be achieved only if a producer specialises in producing goods that represent this level,which in turn makes domestic production unable to meet the demands of consumers at other income levels within the country.Therefore, a country should concentrate on producing a product that is representative of its own needs,export that product,and import similar products from other countries with similar income levels to meet the consumption needs of consumers at other income levels in the country.The representative demand trade theory shows that in the production of consumer goods,economies of scale are easy to be generated in the products of representative demand of each country.Therefore,the more similar the income level is,the more intra-industry trade between countries will be.

(5) The theory of competitive advantage

In 1990,Michael Porter,a professor at Harvard Business School, published the book National Competitive Advantage and put forward the theory of national competitive advantage, believing that competitive advantage is the source of a country's wealth.According to the theory of comparative advantage,the competitiveness of a country mainly comes from the input of labor,natural resources,financial capital and other factors.However,Porter believes that the role of the input of factors is diminishing with the development of globalization today, so a country should create a good business environment and supportive system. To ensure that the factor input can be efficiently used and upgraded,it is enough to form a country's competitive advantage,so as to be in a favorable position in the international competition.Porter argues that a country's competitive advantage is determined by a set of determinants and their auxiliary factors. They are Factor endowment, Demand factors, supporting industries and related industries, Enterprise strategy, structure and competition. In addition to the above four factors, a country's opportunities and the role of the government play an auxiliary role in shaping the country's international competitive position. Porter's model of the diamond is based on these factors, showing how each of these factors can help or hinder the formation of a country's competitive advantage. The competitive advantage of a country in the international market determines its competitive ability in the international market, and also determines the status and role of the country in international trade.

(6) Intra-company trade theory

The theory of intra-company trade, also known as the theory of international direct investment, breaks the assumption that elements cannot flow freely between countries in traditional trade theory and believes that capital elements flow freely between countries in a profit-oriented way.This theory mainly studies the significant impact of international direct investment, especially the investment behavior of multinational companies, on intra-industry trade.

(7) New classical trade theory

The traditional trade theory has been focusing on international trade since it came into being,but has not paid enough attention to domestic trade.By using the method of transmarginal analysis,economists such as Yang Xiaokai combined domestic and international trade, made a new explanation for international trade from the perspective of division of labor and specialization, and put forward many new viewpoints,which made a great contribution to the development of international trade theory.According to this theory,with the improvement of the efficiency of market transactions, the level of division of labor and specialization has been continuously improved.Higher division of labor and specialization will inevitably correspond to a larger market capacity, while international trade can effectively expand the market capacity. Therefore,with the improvement of the efficiency of international transactions, International trade will be spontaneous.

Differentiation Of International Trade Pattern And Transformation Of Multilateral Trade Rules

The differentiation of international trade pattern is firstly manifested as the multi-polarization development of international trade in goods.The multi-polar development path of international trade in goods can be summarized as follows: from the United States to the United States and Europe,and then to Europe,the United States and Japan,and now it is the multi-polar development of Europe,the United States and Asia.The period from the end of World War II to the 1950s was a period in which American trade flourished.At that time, the economy of European countries had begun to recover.The European Community had not yet been formed, and no economy could match that of the United States. From the 1950s to the 1960s, the European economy, represented by Germany, recovered rapidly, forming an international trade pattern with the United States and Europe standing side by side. In 1960, the share of the United States in total world trade dropped, and the specific weight of the outlet in the total outlet decreased. Germany overtook Britain and France to become the world's second largest trading nation.Its share of global trade rose to 9.7%,accounting for 10 percent of the global total.The United Kingdom,in third place,saw a decline in both categories.During this period,the total volume of trade in goods of EU countries (the EU was not yet formed at that time,but the EU countries were still counted as a whole in the database) accounted for 4.4 percent of the total volume of trade in goods of the world.In the 1960s and 1970s,Japan's economy rose rapidly,forming a three-pronged situation of the United States, Europe and Japan.Japan's share of total world trade rose from 0.8 % increased to 3 % in 1957.Since the 1970s and 1980s,the East Asian economies represented by the Asian Four Tigers have risen rapidly,and then the BRICS countries represented by China have developed rapidly.The international trade pattern has been further developing towards multi-polarization.

Secondly,the differentiation of international trade pattern is manifested by the change of the strength ratio between the development economy and the developing economy (including the transition economy).The share of developing economies in global trade in goods and goods is growing closer to that of the developed economies.In particular,since 1995,the ratio of developing economies has risen rapidly,while that of developing economies has dropped markedly. This is inseparable from the role of WTO multilateral trade rules.

Last but not least, the division of the International Trade Bureau is also manifested in the rapid development of international service trade.In 1980,the total value of global trade in services was 3956.6 billion US dollars,and in 2013,it reached 47201.8 billion US dollars,with an increase of about 12 times.The proportion of global trade in services to trade in goods continues to rise,indicating that inter-country trade in services is playing an increasingly important role in the global trade system.

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