

International trade theories: comparing germany and mexico



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International trade theories (Germany, Mexico and Maize/Corn)

1. Introduction

Why country trade

Why countries trade that reason are next four.

First, different natural environment between countries

Some countries have rich seafood because the countries have sea, but some other countries have not, some countries are hot weather, so rich farm produces and so on. All countries are different natural environment, therefore, they make different producers. Accordingly, each country is trade that they give rich produces and they take produces that they cannot take their place.

Second, different resources between countries

Saudi Arabia has rich oil resources, so the country makes money to trade with other countries for oil producers and then the country take other products for trade from other countries.

Third, different skill between countries (Technical difference)

We want good and service and we are looking for, which country made before we buy, that means we want producers of higher quality. Nowadays,

many countries make same products, but it is differentiated technical. So people can take products of higher quality of trade.

Fourth, more money

A country market is small, means that if a country is not trade to another country, the country have limited to make money, but the country makes more money from trade for other countries because other countries trade market is bigger than the country market.

We can take easily products of made in China because many companies are moving to China that it is in China cheaper labor costs. So that is also trading on one that trade in china cheaper labor cost and high technical skill of other countries, they make good and service to customers.

(Economies Online, n. d.)

China can make profit for labors and other countries can make profit for trade on the other hand, having a high technical skill country makes more profit than having cheaper labor.

For example, iPhone Company has high technical skill, but products are in china because in china cheaper labor costs than in America, if the products are made in America the company cannot make high profit because labor is expensive in America.

One iPhone: \$1,	Labor	
000. 00	costs	Profit

Germany economic is highly export than import, so the country have advanced industrial-type trade structure.

The country's trade surplus will continue to be from in 1990. The country has goof profit that export is 1029500 million, import 818500 million in 2005. Export countries of best are France (10. 2%), America (8. 8%), England (7. 9%) and Italia (6. 9%), import countries of best are France (8. 7%), Netherlands (8. 5%), America (6. 6%) and so on.

Notable with respect to trade issues in Germany can be various fairs. The country introduces new products and new skill from the fairs to in the world. Many fairs are opening in the country.

(Ew world economy team, 2013, June 09)

(Naver copyright-1, n. d.)

Analysis of Mexico trade

Mexico trade decrease from in 2009 that oil (-40. 8%), mineral (-25. 0%), manufacturing (-17. 9%) and so on. Many products exported to America in 2009. Export products of the best are electric appliances, parts of the car, machinery, mineral and so on.

(Economy watch content, 2010, March 24)

(Naver copyright-2, n. d.)

Date table

Table 1: Basic economic indicators and trade structure of Germany and Mexico

Germany		Mexico	
Land area (sq. km)	357,022	Land area (sq. km)	964,357
GDP (current USD, millions)	3,428,131	GDP (current USD, millions)	1,178,126
GNI per capita (current USD)	1,670,647	GNI per capita (current USD)	386,789
Total Trade (X+M) (current USD, millions)	278	Total Trade (X+M) (current USD, millions)	270
Total Exports (current USD, millions)	140	Total Exports (current USD, millions)	132
Total Imports (current USD, millions)	138	Total Imports (current USD, millions)	138
Trade to GDP ratio	94.7	Trade to GDP ratio	64.0

(%)

(%)

Share of exports

(%)

Agricultural products	6.5	Agricultural products	6.2
Fuels and mining products	6.1	Fuels and mining products	17.8
Manufactures	85.1	Manufactures	72.7

Share of imports

(%)

Agricultural products	9.5	Agricultural products	7.3
Fuels and mining products	19.7	Fuels and mining products	11.6
Manufactures	68.8	Manufactures	78.2

Source: WTO 2014. Retrieved from: <http://stat.wto.org/Home/WSDBHome.aspx?Language=E>. (13 May, 2014).

World Development Indicator 2014. World Bank. Retrieved from:

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<http://stat.wto.org/Home/WSDBHome.aspx?Language=E>. (13 May, 2014).

3. Absolute advantage and comparative advantage

(a) Absolute advantage

Analysis absolute advantage of Germany and Mexico

What is Absolute advantage: Absolute advantage refers to a country's ability to produce a certain good more efficiently than another country.

(Shmoop, n. d.)

Absolute advantage of Germany is sugar beet and Mexico is sugar cane.

Both countries have similar product to absolute advantage. So I think both countries should trade other products not product (sugar beet and sugar cane) of absolute advantage.

Table 2: Production: five selected agricultural products in Germany and Mexico in 2012

Product	Germany		Mexico	
	Total Production (tone)	Land-output ratio (%)	Total Production (tone)	Land-output ratio (%)
Sugar	27,891	36.51	50,946	64.39

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			beet		
beet	000. 00		(Sugar	483. 00	
			cane)		
Wheat	22, 432, 000. 00	29. 36	Wheat	3, 274, 337. 00	4. 14
Potatoes	10, 665, 600. 00	13. 96	Potatoes	1, 801, 618. 00	2. 28
Barley	10, 422, 000. 00	13. 64	Barley	1, 031, 533. 00	1. 30
Maize	4, 991, 000. 00	6. 53	Maize	22, 069, 254. 00	27. 89

Source: FAOSTAT 2013. Retrieved from: <http://faostat3.fao.org/faostat-gateway/go/to/download/Q/QC/E>. (13 May, 2014).

(b) Comparative advantage

Analysis comparative advantage of Germany and Mexico

Comparative advantage is the ability of one entity to produce goods or services with similar quality

(Wisegeek, 2003-2014)

The comparative advantage of Germany is sugar beet and Mexico is sugar cane, but both countries are similar product therefore comparative

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advantage of both countries is that Germany makes Oats is better than sugar beet because Mexico made a similar product (sugar beet/sugar cane) cheaper than Germany made.

It finds looking for table 3.

Table 3: Producer price: five selected products of Germany and Mexico in 2012

Germany		Mexico	
Product	Price per unit, USD	Product	Price per unit, USD
Sugar Beet	50.00	Sugar cane	49.30
Oats	252.80	Vetches	51.40
Barley	256.90	Sugar Beer	64.60
Potatoes	263.90	Tea	114.70
Cucumbers and gherkins	262.50	Oranges	116.90

Source: FAOSTAT 2013. Retrieved from: <http://faostat3.fao.org/faostat-gateway/go/to/download/P/PP/E>. (13 May, 2014).

4. Factor endowment, trade and income distribution

(a) Hecksher-Ohlin (H-O) model

Analysis H-O model for Germany and Mexico

The HO theorem predicts the pattern of trade between countries based on the characteristics of the countries. The HO theorem says that a capital-abundant country will export the capital-intensive good while the labor-abundant country will export the labor-intensive good.

(Steven, M. S, 2006, July 31)

Germany has good capital and Mexico has good labor.

Table 4: Factor endowment and pattern of trade of Germany and Mexico in 2012

Germany	Mexico
Factors	Factors
Agricultural	Agricultural
Land (million hectares) sq. 00 km	Land (million hectares) sq. 00 km
170, 680.	1, 058, 000.

Agricultural		Agricultural	
Land (% of land area)	48.9	Land (% of land area)	54.4
Labour (millions)	81.84	Labour (millions)	116.90
Capital (USD, millions)	4,230,000	Capital (USD, millions)	1,570,000
Five major exported products	Five major imported products	Five major exported products	Five major imported products
Car	Crude Petroleum	Crude Petroleum	Refined Petroleum
Vehicle Parts	Petroleum Gas	Cars	Vehicle Parts
Packaged Medicaments	Cars	Video Displays	Integrated Circuits
Planes, Helicopters, and/or Spacecraft	Vehicle Parts	Vehicle Parts	Telephones
Machinery	Refined	Computers	Broadcasting

Having

Individual

Petroleum

Accessories

Functions

Source: World Development Indicator 2014. World Bank. . Retrieved from:

<http://stat.wto.org/Home/WSDBHome.aspx?Language=E>. (13 May, 2014).

(b) Stolper-Samuelson (S-S) model

Analysis S-S model for Germany and Mexico

Stolper-Samuelson: d the price of goods which are intensive in their use of goods production to raise the price of the elements.

(Jolie, 2005 October 22)

Between Germany and Mexico that Germany rising demand for capital and decrease demand for labor, but Mexico decrease demand for capital and rising demand for labor.

Therefore, both countries will have the balance of the price of labor.

5. Context of new trade theories

(a) Economies of scale

Analysis economics of scale for Germany and Mexico

Economies of scale in Germany

Germany is ranked 4 of GDP in the world and best of export country.

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The country has been developed after defeated in World War II. So, the average annual growth rate of 5.9% to a high of “the miracle of the Rhine” to achieve from 1950 to 1973 the economic growth, employment, inflation, fiscal exemplary country in terms of development and nowadays, the country has kept high competitiveness of the country.

Many small businesses have made products of global high value, therefore the country has a good economic base.

(Naver copyright-3, n. d.)

Economies of scale in Mexico

Mexico has changed three kinds of thing.

First, changed economic from agriculture to industry so the GDP of agriculture decreased from in 1940's 19% GDP of agriculture and then in 1990's 5% GDP of agriculture.

Second, changed from a closed economy to open economy so, the government was focusing on export.

Third, changed from state enterprise to private enterprise, many public enterprises changed privatization in 1990'

The country possesses abundant natural resources, but vulnerable to the development of manufacturing technology, almost economy is depends largely on USA so, the economic crisis was repeated from in 1980's to in 1990's.

However, many economic specialized sites said the country will develop between 10 years.

(Naver copyright-4, n. d.)

Trade 5: domestic consumption and export: five selected agricultural products of Germany and Mexico in 2012

Product	Germany Domestic consumption (tone)	Germany Export (tone)	Product	Mexico Domestic consumption (tone)	Mexico Export (tone)
Sugar beet	27, 866, 465	24, 535	Sugar cane	50, 946, 483	0
Wheat	16, 263, 110	6, 168, 890	Maize	21, 968, 235	101, 019
Potatoes	9, 069, 305	1, 596, 295	Sorghum	6, 969, 205	297
Barley	10, 418, 508	3, 492	Oranges	3, 650, 328	16, 462

				1,
Maize	4, 226, 638	764,	Tomato	1, 940, 251 493,
		362	es	316

Source: UN Comtrade Database 2013. Retrieved from: <http://faostat3.fao.org/faostat-gateway/go/to/download/T/TP/E>. (13May, 2014).

(b) Imperfect competition and market power

Analysis imperfect competition and market power of five top producing/exporting countries on one selected agricultural product.

Market power: A company made product of the world that it can change demand or supply in the market.

(Investopedia, n. d.)

Product of Maize/corn of countries is America, China, Brazil and so on. Best of three countries have market power for Maize/corn.

WTO (world trade Organization) is rules of trade between nations. So in WTO countries are doing a trade for WTO rules.

(World trade organization., n. d.)

Table 6: One selected agricultural product in 2012

Agricultural

product name:

Maize/Corn

Top five producing countries	Volume of production/export (tone)	Percent of world production/export (%)
United States of America	273, 832, 130	46. 00
China, mainland	208, 130, 000	34. 96
Brazil	71, 072, 810	11. 94
Argentina	21, 196, 637	3. 56
India	21, 060, 000	3. 54
World	595, 291, 577	100

Source: FAOSTAT 2012. Retrieved from: <http://faostat.fao.org/site/339/default.aspx>. (13May, 2014).

6. Conclusion

I can know how a country's trade in the world and how a country show economy in a chart from find both countries which are Germany and Mexico.

The result of the comparison that Germany is higher level than Mexico and United States of America is being most production of the Maize/corn in the world.

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