



Introduction

Prof. Ralph Ossa



Welcome

- Welcome to this BA class in International Trade
- Lecturers:

Prof Ralph Ossa

Office: SOF-G14

Office hours: Monday 13-13:45 (every other week)

Email: ralph.ossa@econ.uzh.ch

Dr Roza Khoban

Office: SOF-F17

Office hours: Monday 13-13:45 (every other week)

Email: roza.khoban@econ.uzh.ch



Why should we care about international trade?

- International trade has always generated a great deal of controversy
- Over time, the specific concerns have changed:

1980s: Japan

1990s: WTO

2000s: China and India

2010s: CETA, TTIP, and TPP

Now: Trump



What is this course about?

This course provides an introduction to the economics of international trade and demystifies some of the complex issues surrounding globalization:

- What determines an economy's competitiveness in world markets?
- Who gains and who loses from trade?
- Does trade liberalization increase inequality?
- How does trade affect labor markets?
- Can trade foster economic development?
- Is running a trade surplus desirable?
- What are the economic effects of tariffs?
- What is the WTO, and what are the consequences of a breakdown in trade policy cooperation?



Course outline

- Topic 1: Gravity equation
- Topic 2: Ricardian trade theory
- Topic 3: Gains from trade
- Topic 4: Factor proportions theory
- Topic 5: Trade and inequality
- Topic 6: New trade theory
- Topic 7: Heterogeneous firms
- Topic 8: Trade, growth, and development
- Topic 9: Aggregate trade imbalances
- Topic 10: Trade wars and trade talks
- Topic 11: The world trading system
- Topic 12: Global challenges



Some of the fine print

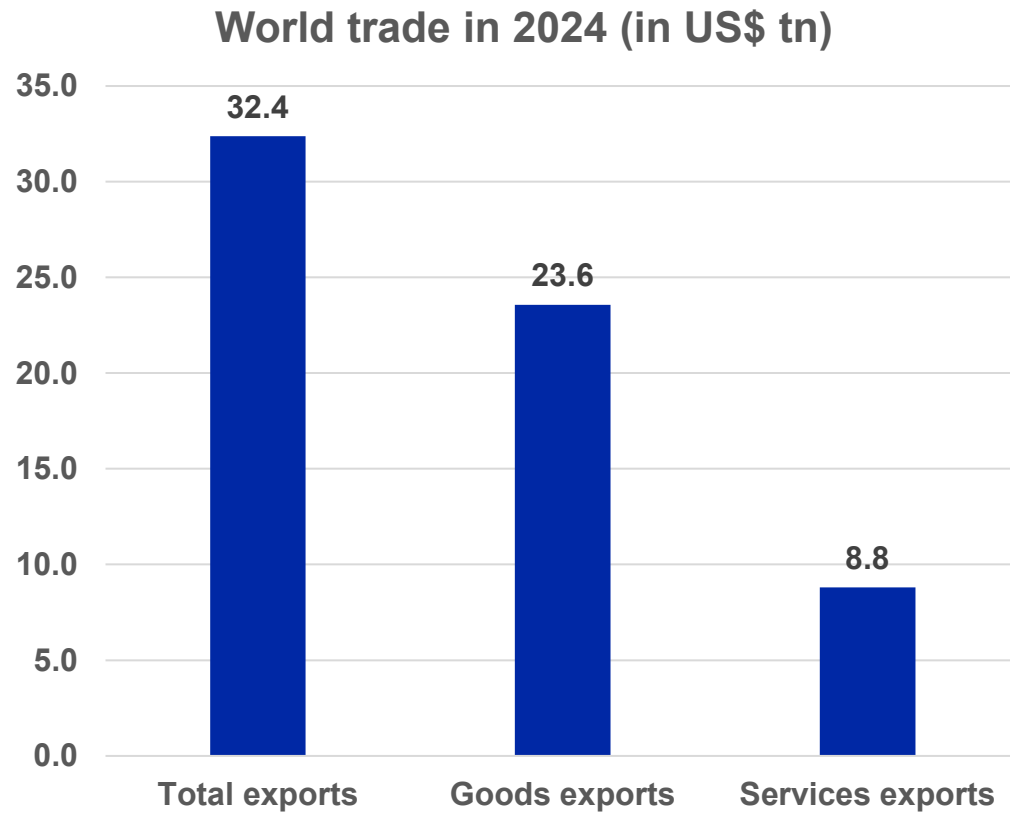
- Category: Lecture
- ECTS credits: 3
- Prior knowledge: Prior knowledge of microeconomics and econometrics is essential
- Requirements: Microeconomics II and Introductory Econometrics are highly recommended
- Target group: Advanced Bachelor students
- Type of assessment: Written exam (5 Jan 2026, 14:30-15:30)
- Auditors accepted: Yes
- Sessions not recorded



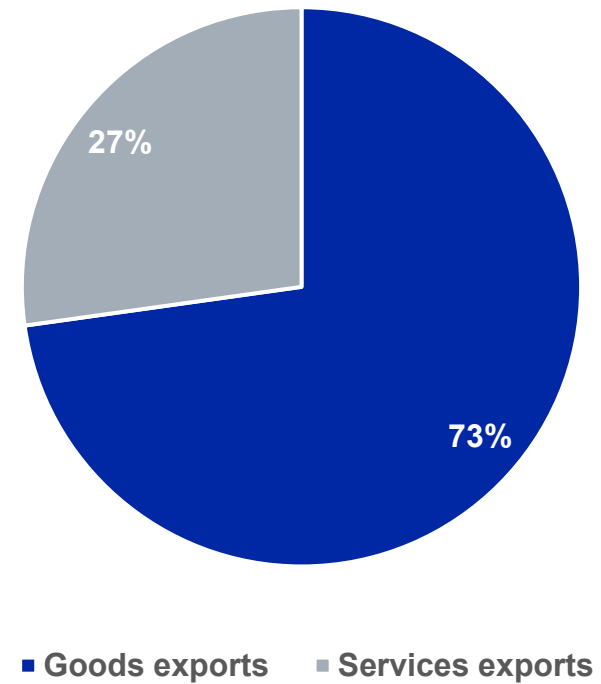
Course design

- This class is a modern take on a standard undergraduate trade course, drawing more heavily from the research frontier
- As a result, it does not follow any particular textbook but often relies on recent research papers or survey articles from the field
- While the details of most articles are too advanced for typical students, it can sometimes be helpful to read at least their introductions and conclusions
- I recommend “International Economics: Theory & Policy” by Krugman, Melitz, and Obstfeld to those who would like to use a textbook alongside the lecture slides

Value of world trade



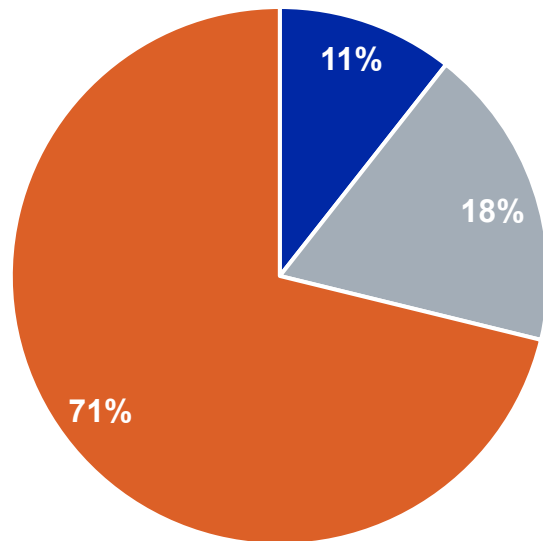
World trade shares in 2024



Source: World Bank, World Development Indicators

Structure of world merchandise trade

Structure of merchandise exports



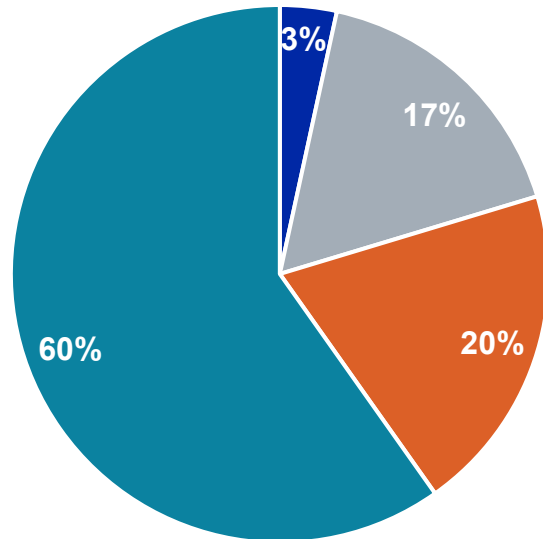
■ Agricultural products ■ Fuels and mining products ■ Manufactures

- “Goods trade” is from the Balance of Payments and covers all resident-nonresident transactions in goods
- “Merchandise trade” is based on customs data capturing goods that are physically crossing borders
- In practice, both measures line up closely but are not identical, so you have to be careful when using them

Source: World Trade Organization, Stats portal

Structure of world services trade

Structure of services exports



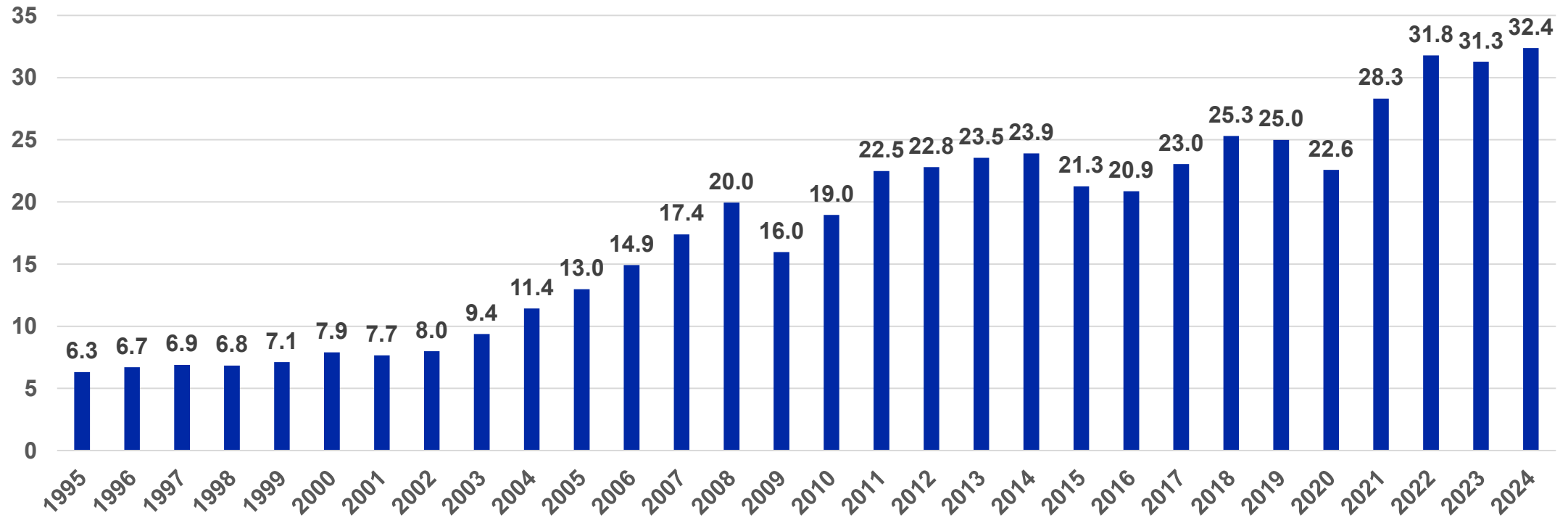
■ Goods-related services ■ Transport ■ Travel ■ Other commercial services

Source: World Trade Organization, Global Services Trade Data Hub

- “(Commercial) services trade” is from the Balance of Payments and covers all resident-nonresident transactions in services
- It does not capture Mode 3 services trade (commercial presence) as defined in the General Agreement on Trade in Services (GATS) but only Modes 1 (cross-border supply), 2 (consumption abroad), and (partially) 4 (presence of natural persons)
- “Other commercial services” includes construction, insurance & pension services, financial services, telecommunication, computer & information services, other business services, etc.

World trade in goods and services 1995-2024

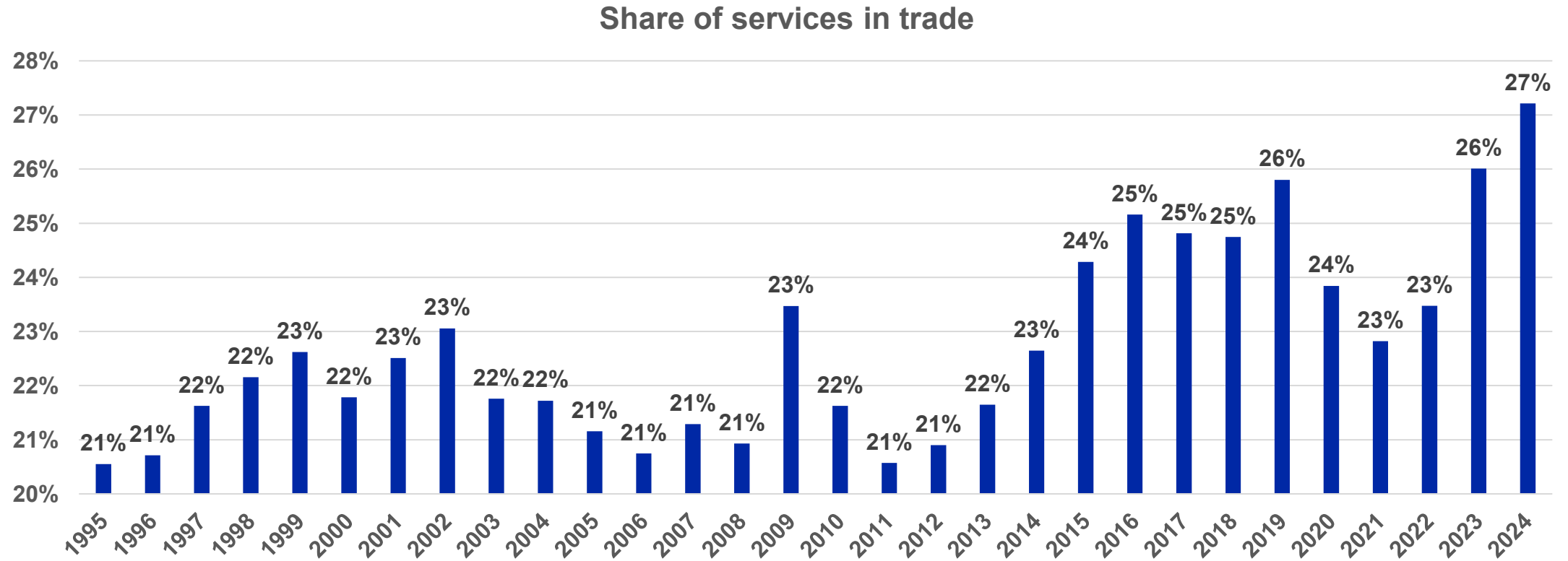
World goods and services exports (US\$ tn)



Source: World Bank, World Development Indicators



Share of services in world trade 1995-2024

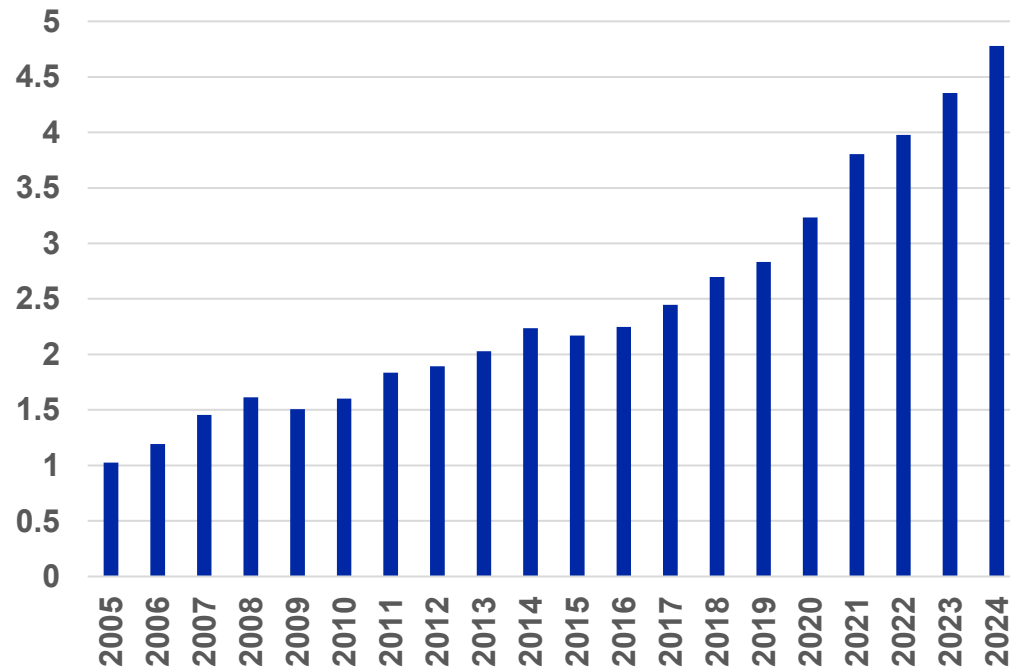


Source: World Bank, World Development Indicators

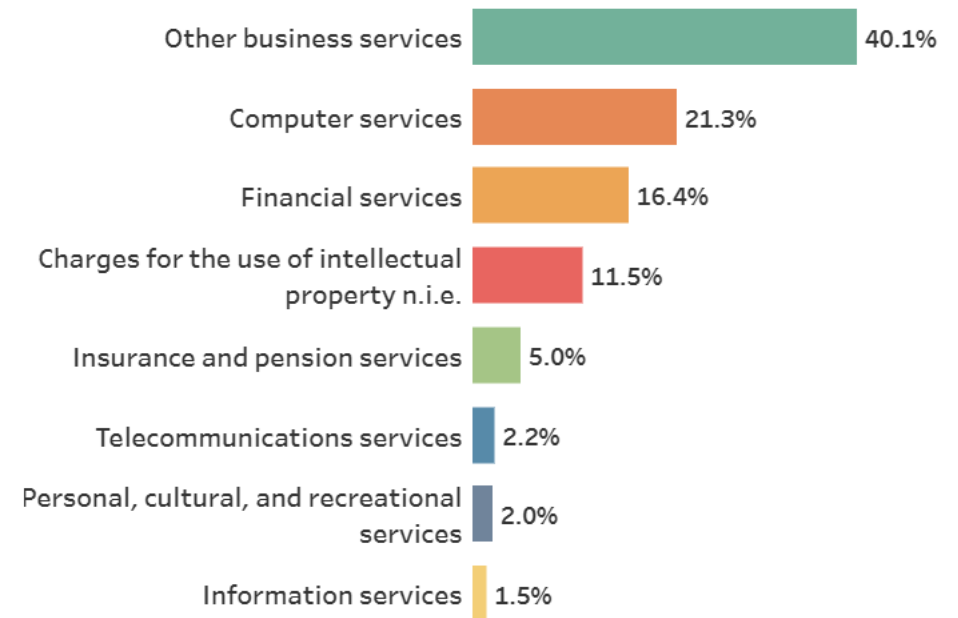
Prof. Ralph Ossa, BA International Trade, Introduction

World trade in digitally delivered services

Total exports of digitally delivered services (in US\$ tn)

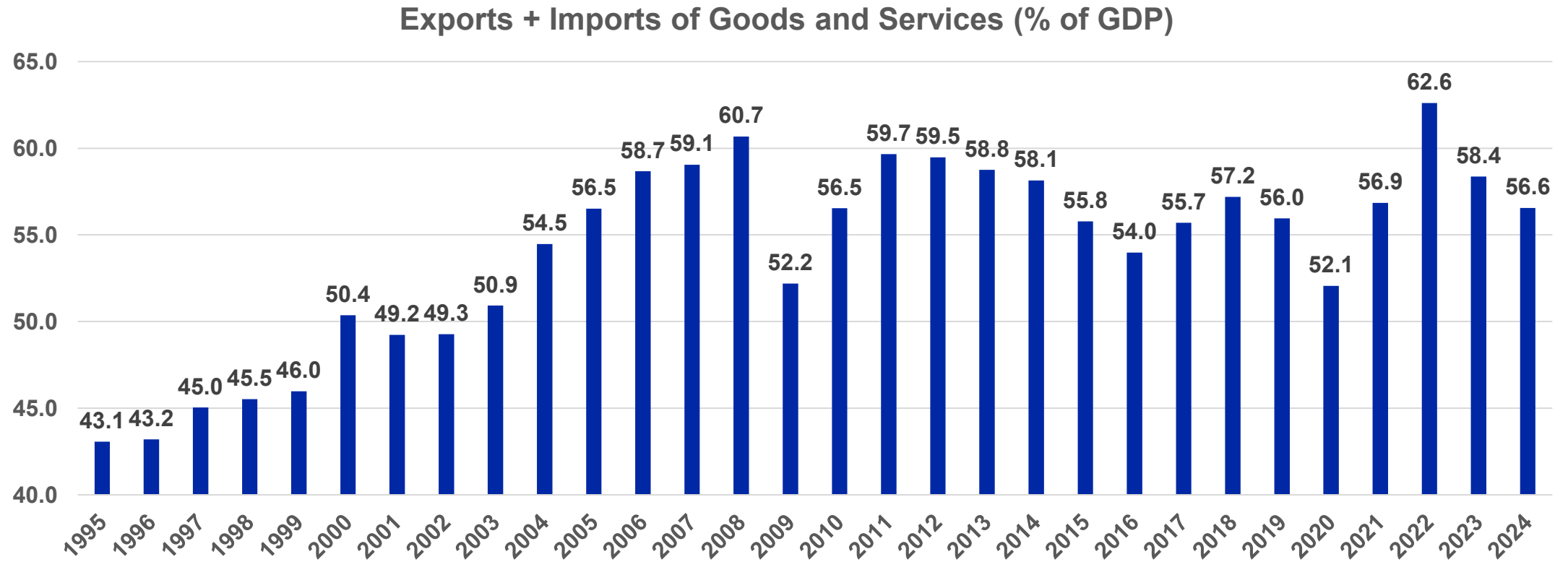


Structure of digitally delivered services in 2024



Source: World Trade Organization, Global Services Trade Data Hub

World trade-to-GDP ratio 1995-2024

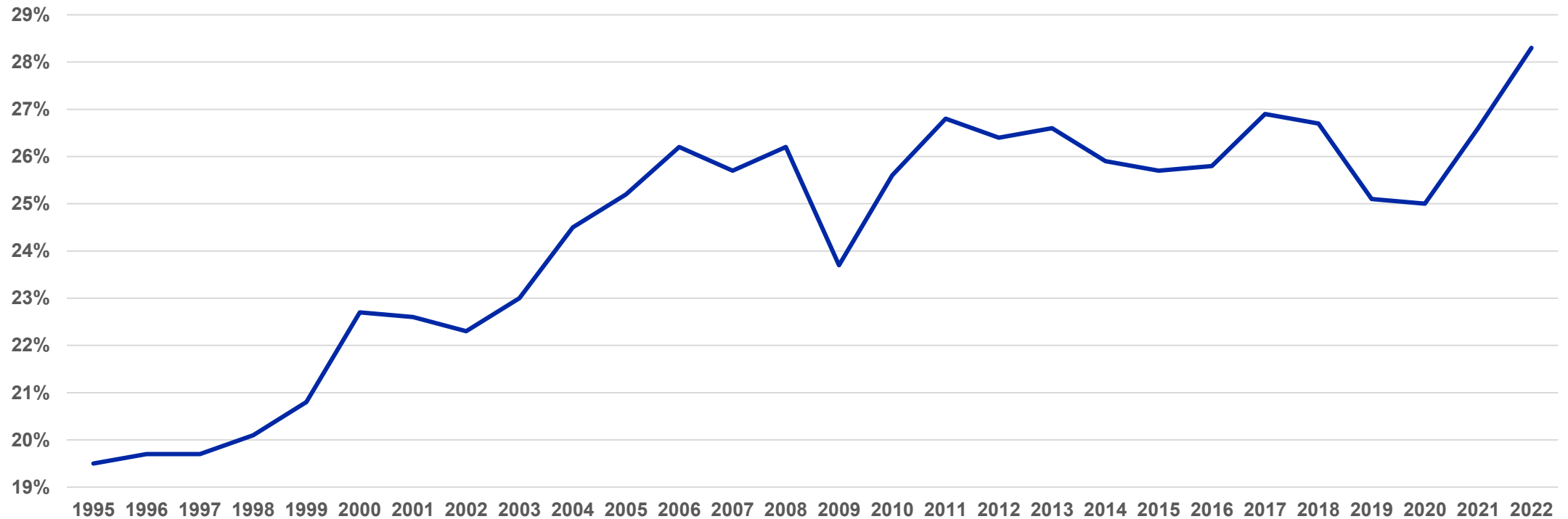


Source: World Bank, World Development Indicators



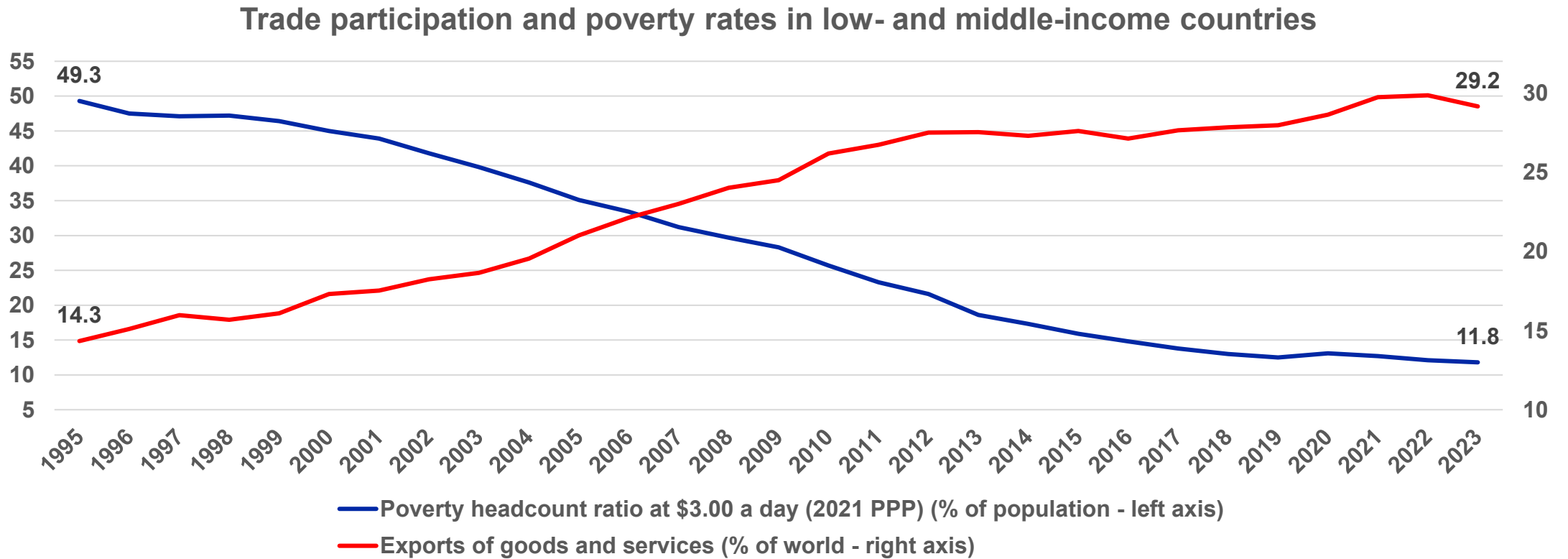
Global value chain participation rates 1995-2022

Share of foreign value added in total exports



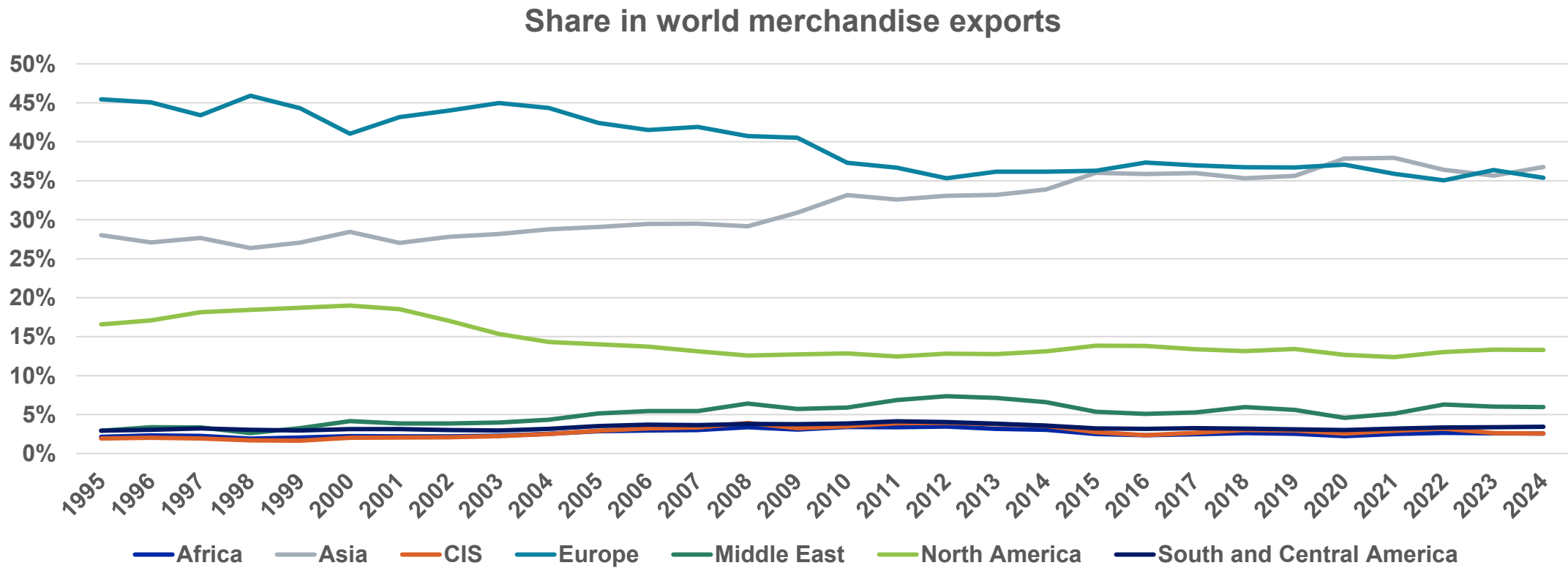
Source: World Trade Organization, Data Blog

Trade and poverty 1995-2023



Source: World Bank, World Development Indicators

Regional trade shares 1995-2024



Source: World Trade Organization, Stats portal



References

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- World Trade Organization. *Global Services Trade Data Hub*. Accessed: https://www.wto.org/english/res_e/statis_e/services_trade_data_hub_e.htm
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