**CHAPTER 1**

THE WORLD OF INTERNATIONAL ECONOMICS

I. *Outline*

Introduction

The Nature of Merchandise Trade

- The Geographical Composition of Trade

- The Commodity Composition of Trade

- U.S. International Trade

World Trade in Services

The Changing Degree of Economic Interdependence

Summary

Appendix: A General Reference List in International Economics

II. *Purpose of Chapter*

The purpose of this introductory chapter is to provide the student with an overview of the current nature of international trade in goods and services for the world in general and for the United States in particular. It is useful to make the student aware not only of the broad nature of international transactions, but also of the increased international interdependence that now characterizes the world economy. Although this chapter contains a great amount of “data,” we have found that discussing this kind of information on the first day of class motivates student

interest in the subject and in the course in general.