

Interconnectivity of Communications Networks and International Trade

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Abstract

This study develops a multi-country model of trade that captures the role of country-specific communications network interconnectivity, which enhances trade in intermediate business services. The number of countries connected to internationally interconnected networks is found to determine the structure of comparative advantage. That is, countries with interconnected networks have a comparative advantage in the good that requires business services provided via networks. In connected countries, producers of that good benefit from the efficient transmission of business services. This research also demonstrates that countries whose country-specific networks are not connected to the interconnected networks may become worse off as the result of trade.

Key words: communications networks, interconnectivity, trade patterns.

JEL Classification: D43, F12.

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