

which suggests that public infrastructure may not be efficiently provided. Bond (2006) and Bougheas et al. (2003) develop theoretical models of public infrastructure investment in the context of international trade. Since investments in communication and transportation infrastructure benefit producers and consumers in both countries via effects on trade, they argue that there are spillover effects across countries which result in the levels of infrastructure being suboptimal from a global perspective.

Public policy regarding the organization and management of infrastructure also has an effect on trade flows. Fink et al. (2002) argue that public policies in the maritime shipping industry result in market power that leads to substantial impediments to trade by raising shipping costs. Micco and Serebrisky (2004) find that improvements in airport infrastructure and deregulation in the air cargo market resulted in reductions in transportation costs.

Much of the emphasis in this paper will be on policies designed to help domestic firms in foreign markets. However, it is worth emphasizing that investment in transportation and communication infrastructure in one's own country is one of the key ways that governments can facilitate trade.

### *Information: Networks and Contracting*

Information costs impede trade in a variety of ways. Rauch (2001) provides a good survey. These include costs of identifying new markets, developing distribution channels, finding suitable and reliable suppliers, dealing with local regulations, learning how to adapt a product to local market conditions, learning the right marketing strategy for the foreign market, issues of asymmetric information about quality of both one's own product and those utilized in the foreign market, and many others. Information issues are also important for trade within one's own country, but I will focus on those issues which are important for foreign trade and investment.

Although it may be intuitively clear that information problems exist, evidence concerning the magnitude of the problems