appreciate the impact NAFTA will have on North American integration or the opportunities it creates for individual firms.

International Trade Theory

International integration is an idea that encompasses a very wide range of institutional arrangements among nations—open borders, coordination of economic strategies, common political institutions, and shared responsibility for the well-being of individuals, to name only a few. International integration is also a matter of degree, with many possibilities between the polar cases of a nation-state that does not engage in international trade (practices autarky) and has no relations with other countries (is isolationist), to the complete abrogation of national sovereignty to another level of political authority. While almost all modern nation-states represent, to some degree, an evolutionary process whereby smaller political groups have surrendered sovereignty, no examples of completely isolated countries exist. All nations trade and enter into discourse with other states, however minimally. Most nations are heavily involved economically and politically with other nations and, hence, exhibit a considerable degree of international integration. While international integration encompasses a wide range of institutional arrangements, the fundamental motivation for interaction with other nations is the perceived benefits from engaging in trade. Hence an understanding of why benefits from trade are expected to arise is essential to any discussion of international integration.

Why Study International Trade Theories?

Even among economists (who are well known for abstract theorizing), the theory of international trade is considered more as a purely intellectual exercise than a policy-making tool. The importance of international trade theory, however, lies in its ability to provide fundamental insights into the economic forces underlying nations' trade. The world of international commerce is exceedingly complex, and only by stripping away the nonessentials can the basic principles of trade be uncovered. Hence, while the assumptions often imposed in trade theory—e.g., only two goods, two countries, two