

Economic self sufficiency (no international trade) = Autarchy

China and USA initially in autarchy, then open up to trade, and look to see how different people are affected.

1. USA abundant in high skilled labor
2. China abundant in low skilled labor
3. High-skill sector uses high-skilled labor intensively
4. Low-skill sector employs low-skilled labor intensively.

Put 1-4 together. China is better at producing the low-skilled good, (C). i.e., P_C in china lower than it is in the USA.

USA is better at producing the High-skilled good (H). P_H in USA is lower than it is in China.

Consumers benefit from lower prices (generally), and higher welfare. A reduction in the price level means an increase in real income. This is true in USA and China.