

**Industrialisation**

***Intra-industry trade increases*** faster than trade in general as technology changes, quality increases, industrialisation accelerates, and factor endowment differences get smaller.

***Trade diversifies*** as the share of manufactures in trade increases, and horizontal product differentiation (innovative products with new purposes) and vertical product differentiation (new products with similar functions of existent ones but of better quality) take place.

***Trade shifts toward more capital-intensive*** products, since competitive advantages are developed around increased quality, diversification and productivity.

***Total trade tends to increase*** as the share of manufactures in aggregate expenditure increases, and because the world trade tends to shift towards products experiencing fast technical change and heterogeneous products. Hence, an increase in the technological gap between two countries reduces trade between the two.