

INTERNATIONAL TRADE

*(Essay explaining the relationship between Imports, Exports
and Net Exports in the US Economy)*

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1. Introduction

The gigantic proportions of the American economy contribute immensely to the global economy and trade of goods and services. Moreover, due to the implication of globalization, has further led to the origination of interconnected economies hence, the growth of the American economy has a significant impact on the growth of other nations who are involved in trade with the American economy. Recently, the net import trade in USD for the fiscal year 2017 was ascertained as 2.16 trillion. However, there was a negative trade balance of \$910 billion in the net imports of the country. On the other hand, in 2017, The United States of America exported nearly \$1.25trillion, thus, making it the third-largest exporter of goods and services in the world.

2. Discussion

There is a strong interrelationship between the economic growth and development of America and other countries involved in trade with the USA. Moreover, as the American economy is expanding; thus, in recent times, it prompts the growth of other nations. On the other hand, when there is a contraction in the US economy, it further leads to the parallel declination of net exports and imports in other countries. The import of foreign goods in the American economy has helped in stabilising the prices of goods and services in the national market thus, meeting the apparent consumers' demands in the long-run¹.

a. If a group of Students flock to watch a Hollywood movie, this would certainly increase net exports as the student's flocks to Paris. However, this would lead to a substantive increase in the aggregate demand for American goods and services. In this context, the net imports figure remains unchanged; hence, leading to a trade surplus or positive trade balance.

b. Mrs Jones from Philadelphia is buying a new Volvo; this would lead to a decrease in the national net export of goods and services in the economy thereby, surging the net imports as the products are manufactured in Sweden. This would be leading to negative trade balance as the number of imports exceeds the number of exports prevalent in the economy².

c. A bookstore at Oxford University in England sells a copy of an authorised and printed textbook from the US. Thus, the surging level of net exports leading to an increase in the demand and supply of American goods among foreigners. On the other hand, the level of net imports remains the same, thereby causing a trade surplus situation.

¹Feenstra, R., Ma, H. and Xu, Y. (2019). US exports and employment. *Journal of International Economics*, [online] 120, pp.46-58. Available at: <https://mahong.weebly.com/uploads/2/7/0/9/27093249/feenstra-ma-xu-2019jie.pdf> [Accessed 23 Sep. 2019].

²Osgood, I. (2018). Globalising the Supply Chain: Firm and Industrial Support for US Trade Agreements. *International Organization*, [online] 72(2), pp.455-484. Available at: <https://www.cambridge.org/core/journals/international-organization/article/globalizing-the-supply-chain-firm-and-industrial-support-for-us-trade-agreements/268D5564169A275666AEB9F82E34EBF2> [Accessed 23 Sep. 2019].

d. If a Canadian citizen shop from a store in Northern Vermont to avoid the levy of Canadian taxes, there would be a significant increase in the net exports thereby, increasing the demand for goods and services among foreigners³.

e. There would be an increase in the overall imports in the USA as the American professor is spending foreign currency for the purchase of goods and services from the European economy. Apart from that, the level of exports remains unchanged. However, there would be a substantial decrease in net exports if the professor spends the summer in Europe.

³Fort, T., Pierce, J. and Schott, P. (2018). New Perspectives on the Decline of the US Manufacturing Employment. *Journal of Economic Perspectives*, [online] 32(2), pp.47-72. Available at: <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.2.47> [Accessed 23 Sep. 2019].

3. Conclusion

It can be concluded from the above analysis that; net exports are the difference between the exports and imports of a country respectively. Moreover, due to the prevalence of adept globalisation norms has led to the creation of interconnected economies. Therefore, a slight difference in the exports or imports of a country would be reflected in the latter. On the other hand, from the above scenarios, it is clear that an increase or decrease in the imports and export respectively would result in the fall in net exports.

References

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