The Export-Import Sector

The Basis for International Trade

• The basis for international trade is that a nation can import a particular good or service at a lower cost than if it were produced domestically
  – In other words, if you can buy it cheaper than you can make it you should buy it
  – This maxim is true for individuals and nations


Since 1990 our imports and exports as a percentage of goods produced in the United States has grown steadily. More than one-quarter of all the goods produced here are shipped abroad, while our imports are equal to about one-third of the goods we produce in the United States.

Between 1970 and 2000 the foreign trade sector nearly tripled as a percentage of GDP.


Since the late 1980s, we have been running a large and growing balance on services. Our balance on goods, which has been negative since the mid-1970s, has grown steadily worse since 1991 and now totals more than $300 billion.

A Summing Up: C + I + G + Xn

Net exports = Xn

Xn = Exports - Imports
Why is the C + I + G + Xn line lower than the C + I + G line?

Answer: It is lower because net exports (Xn) are negative.