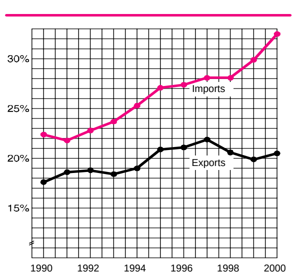
The Export-Import Sector

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**

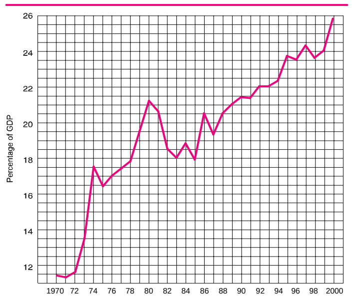
Merchandise Imports and Exports as Percentage of Goods Produced in the United States, 1990-2000

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



Sum of U.S. Imports and Exports as Percentage of GDP, 1970-2000

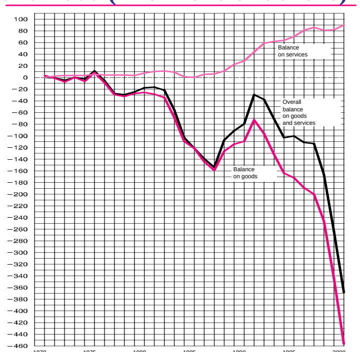
Between 1970 and 2000 the foreign trade sector nearly tripled as a percentage of GDP



 8-5

U.S. Balance of Trade in Goods, Services, and Overall Balance, 1970-2000 (in billions of dollars)

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



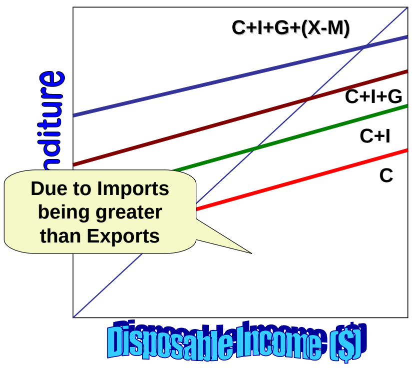
 8-6

A Summing Up: C + I + G + Xn

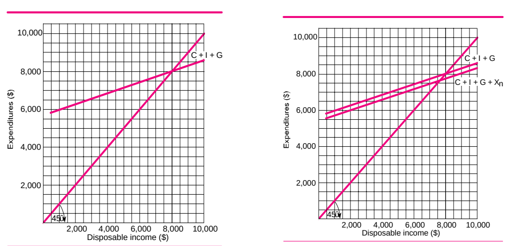
Net exports = X_n

X_n = Exports - Imports

 8-7



C + I + G + Xn



Why is the C + I + G + X_n line lower than the C + I + G line?

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

The World's Top Ten Exporting Nations, 1999