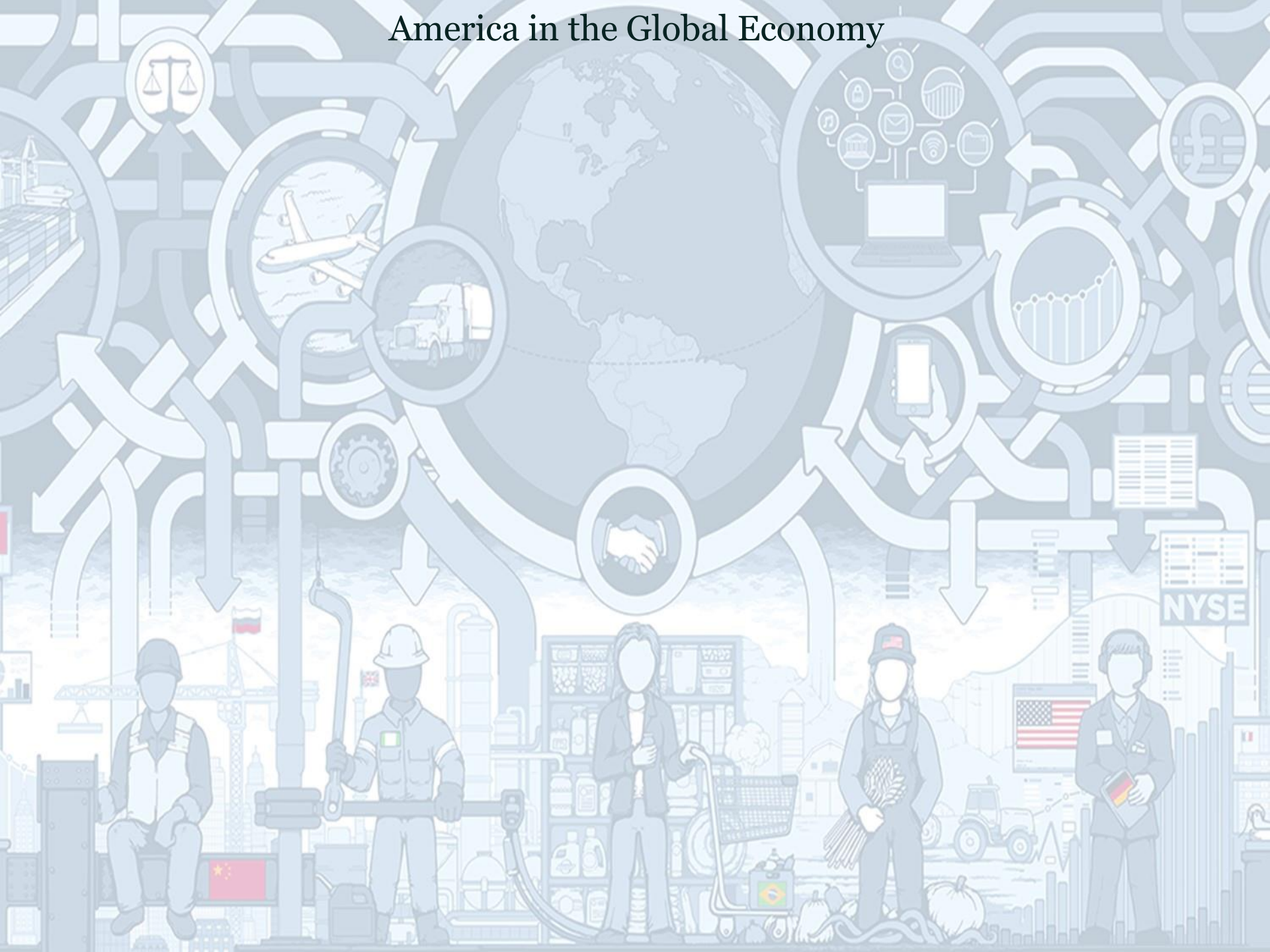


America in the Global Economy



Foreign Trade

-Exports: goods and services a country sends to another country

-Imports: goods and services a country receives from another country

Balance of trade: the number of exports compared to the number of imports; if the amount of money a country makes decreases, a nation will increase its exports

Trade deficits: when imports exceed exports

Nations trade for several reasons:

1. Trading with other countries allows one to specialize in the production of specialized goods and thereby increase their productivity and output
2. A country has different goods and services to provide to the global economy

U.S. Trade Deficit With China

The U.S. trade deficit with China was **\$283.6 billion** in 2020.

Total U.S. imports from China: **\$393.6 billion**

Total U.S. exports to China: **\$110 billion**



Largest U.S. Imports



Computers



Cell phones



Apparel and footwear



Largest U.S. Exports



Commercial aircraft



Soybeans



Automobiles



China owns **15%** of U.S. public debt to foreign countries.

the balance



-Quotas: limitations placed on the amount of a goods imported by a foreign nation

(e.g., in the 1970s, a quota was put on Japanese-made cars because people were buying more of those than American-made cars, hurting our economy, so the government placed a limit on the number of Japanese cars that could be purchased in the U.S.)

Trade Protectionism and Its Methods



1

Smoot-Hawley Tariff of 1930

It was designed to protect farmers from agricultural imports from Europe.



3

Impose quotas on imported goods

No matter how low a foreign country sets the price through subsidies, it can't ship more goods.



2

When the government subsidizes local industries

That allows producers to lower the price of local goods and services.



4

Deliberate attempt by a country to lower its currency value

This would make its exports cheaper and more competitive.

Trade sanction: laws that punish another nation by forcing a trade barrier (e.g., quotas, tariffs, non-tariff barriers (NTBs), asset freezes or seizures, and embargoes)

-Can be unilateral, imposed by only one country on one other country, or multilateral, imposed by one or more countries on different countries



BANNED: US TRADE SANCTIONS

In a world of increasingly free trade, the US routinely imposes its own trade sanctions on many nations. Typically they are for reasons relating to human-rights abuse and other hostile gestures. The more prominent of these sanctions are illustrated below:

KEY:

DATE(S) ENACTED

GROUP / COUNTRY

REASON

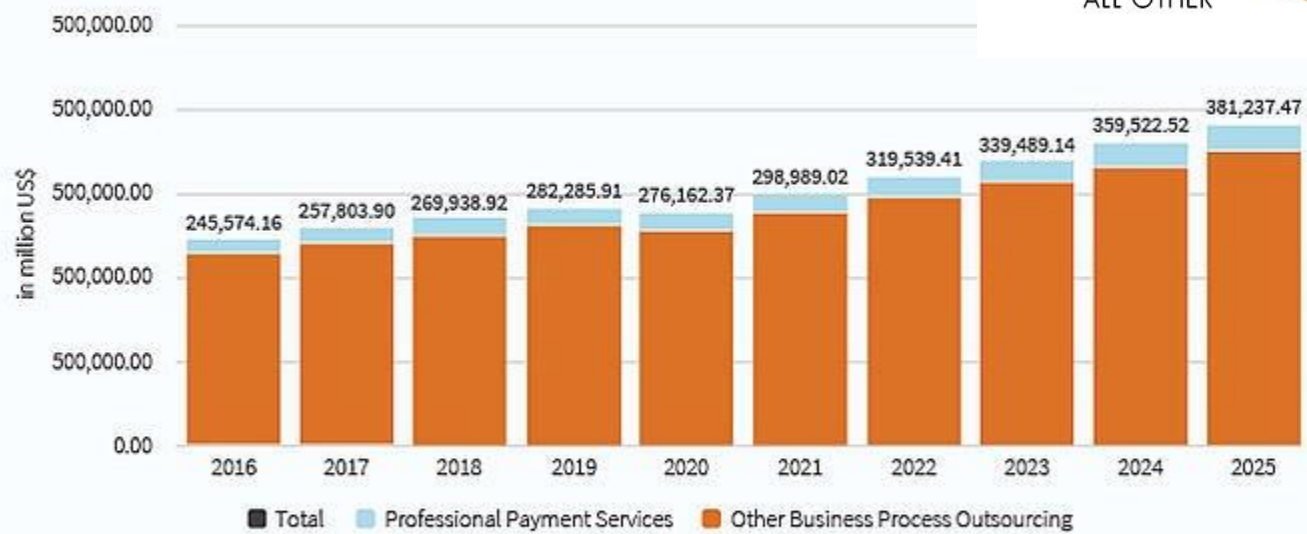
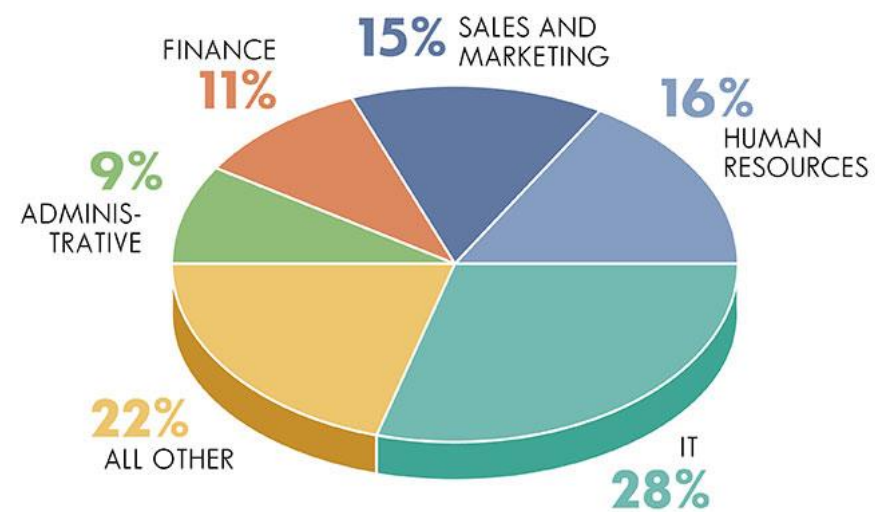
Specifics of sanctioned items.



SOURCE: U.S. TREASURY

Outsourcing: producing goods and services in another country to lower production costs; can also occur when a company subcontracts another company to produce a particular good or perform a particular function

ACTIVE AREA IN OUTSOURCING



Source: Statista (Forecast adjusted for expected impact of COVID-19), December 2020

Free Trade

- Free Trade Policy: an agreement between two or more nations to reduce barriers to imports and exports among them; goods and services can be bought and sold across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange
- European Union: organization of nations to eliminate trade barriers & operate under same currency; regional trade agreement
- The goal of free trade is globalization and economic interdependence



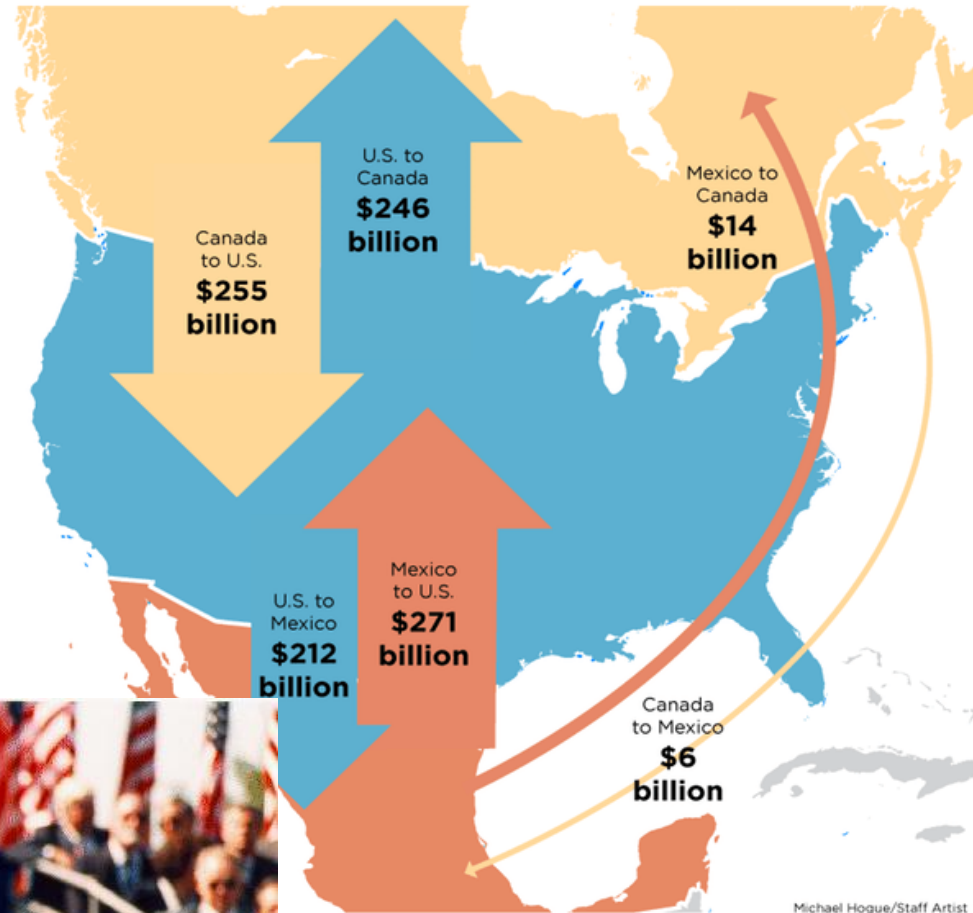
NAFTA (North American Free Trade Agreement)

- 1 January 1994
- Eliminate barriers to trade and investment between the U.S., Canada, and Mexico
- At \$248.2 billion for Canada and \$163.3 billion for Mexico, they were the top two purchasers of U.S. exports in 2010
- Also resulted in outsourcing to Canada and Mexico



Flow of trade between NAFTA partners

Billions of dollars worth of goods move each day between the United States and its neighbors — far more than when NAFTA went into effect in 1994.



*As of 2020, it's been updated as the United States Mexico Canada Agreement (USMCA) to include protections for digital and IP, U.S. auto incentives, greater access to Canada's dairy market, etc.

Global Health Concerns

WHO (World Health Organization): the coordinating authority for health within the United Nations system; monitors the global health situation and assesses health trends



Dr Tedros Adhanom Ghebreyesus
DIRECTOR-GENERAL

Humanitarian Aid

Relief given to developing countries

The United Nations, the IMF, and the World Bank classify countries in different ways than simply “developed” or “developing”, but common characteristics are present throughout the classifications

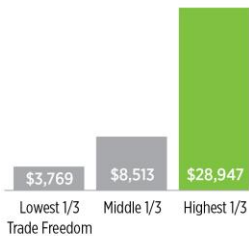
-Countries may be classified as either developed or developing based on the GDP, or gross national income (GNI) per capita, level of industrialization, standard of living, amount of technological infrastructure, and other potential factors

International Monetary Fund (IMF): organization that offers advice and financial assistance to developing nations across the globe

Nations with More Trade Freedom Also Have ...

... Higher Average National Income

Average National Income



... More Food Security

Higher scores indicate more food security



... More Political Stability and Less Violence and Terrorism

Higher scores indicate more political stability and less politically motivated violence and terrorism



... Healthier Environments and Less Polluted Ecosystems

Higher scores indicate better environmental protection



SOURCES: World Bank, The Economist Intelligence Unit, Yale University, and The Heritage Foundation's 2020 Index of Economic Freedom (forthcoming 2020).

The United Nations

International nonprofit organization formed in 1945 to increase political and economic cooperation among its member countries; started with 51 countries, today 193 members of UN

-The General Assembly consists of all members; each country has one vote

-Meets to discuss peace, security, budget, the admission of new members, etc.

Security Council: authorizes peacekeeping missions, accepts new UN members, and approves changes to the UN charter; 15 member countries; 5 are permanent (the U.S., France, the United Kingdom, Russia, and China) others are elected to a two-year term

SUSTAINABLE DEVELOPMENT GOALS



The United Nations' Definition of Climate Change

Long-term shifts in temperatures and weather patterns; shifts may be natural, such as through variations in the solar cycle

- Burning fossil fuels generates greenhouse gas emissions that act like a blanket wrapped around the Earth, trapping the sun's heat and raising temperatures
- The consequences of climate change now include, among others, intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity

