

What happens when there is a surplus of imports brought into the us

[Economics](#), [Trade](#)



What happens when there is a surplus of imports into the US: A surplus of imports is good for consumers but bad for local business. We have to produce and manufacture in order to export. As our export trade shrinks, so does our workforce and economy. The surplus of imported cars for 2012 has exceeded the exportation by \$152 billion. Also the shelf life of cars is 1 year. Every year at the end of the cycle the existing models are sold off at huge discounts to make room for the new models, which is good for the consumer. What are the effects of international trade to GDP, domestic markets and university students.

International trade comprises exports and imports, the net result of which affects our GDP. Since our imports exceed our exports our GDP would be impacted by our net exports or deficits. The rippling effect of financing deficits is an increase in interest rates from selling bonds that reduces investments and growth. This further reduces GDP. Domestic markets flourish when there is a demand for local products overseas. If the domestic markets have to compete with imported products it could be a struggle. However jobs can be created for the advertising, sales, and distribution of foreign imports.

The effect of international trade on university students has recently brought about an awareness of a vibrant industry in the education services. Of the \$35 billion worldwide market for international students, the U. S was able to capture a market share of 45%, showing a healthy surplus of \$12.6 billion in higher education. A foreign exchange rate is the rate at which one currency would be exchanged for another. It is essentially the value of a currency

when compared to another and is determined by two fundamental forces of economics, supply and demand. When the supply of a currency exceeds the demand, the value of the currency falls.

However when the demand for a currency exceeds the supply the value rises. When the value of a currency is low the exchange rate is low and vice versa. Exchange rates of currencies are influenced and determined as a result of a country's income, changes in interest rates, price of goods and changes in trade policies. When income is high, imports are high and exchange rate is low. When interest rates are high there is a demand for U. S currency to invest in U S assets and exchange rate is high. When the prices of local goods are high there is low demand for the local currency in favor of high demand for foreign goods and foreign currency.

This results in a low exchange rate. Trade with a foreign country could be adversely affected by hiking trade restrictions like tariff. This increases the cost of imports and lowers the exchange rate. How do government choices in regards to tariffs and quotas affect international relations and trade. Tariffs and quotas are just two of the direct methods used in trade restrictions.

There are also indirect methods of trade restrictions like protecting the health and safety of residents seen in the importation of consumables, time consuming inspections on general goods, special codes for packaging.

Some of these restrictions are imposed for legitimate reasons but most of them are designed to protect the domestic producers from international competition. The most legitimate form of trade restrictions used are tariffs,

which are taxes governments impose on internationally traded goods and quotas, which are quantity limits placed on goods imported. Trade is good for all countries because they all have comparative advantages they try to implement amicably with the use of tariffs and quotas. However these restrictions occasionally are used politically to influence relationships with foreign countries.

Why doesn't the U. S. simply restrict all goods coming in from China? Why can't the U. S. just minimize the amount of imports coming in from other countries: The first reason why the U. S doesn't restrict all goods coming in from China is because this action would belie the main purpose of the World Trade Organization (WTO) which is to ensure that trade flows freely between nations. The U. S is the largest importer of Chinese goods. If the U. S stops the importation of Chinese goods, it is unimaginable what they would do with all these unused products. There would be no production or manufacturing of goods.

Unemployment would be high, there would be no source of income and the country's economy would be ruined. As the largest importer of Chinese goods most of the local U. S companies rely on these imports for doing business. They import spare parts, automobiles, manufacturing goods, appliances, electronics and building materials just to name a few. If Chinese imports are stopped the economy of both countries would be ruined as well as the world's economy. In order to minimize the amount of imports coming in from all other countries the U. S government would have to change the regulatory trade restrictions that are resently in place by increasing taxes

and quotas. This would not be in the best interest of the U. S economy. We rely heavily on imports. If we do this, the other companies would retaliate. The Smoot-Hawley tariff was tried in 1930 when tariff on imported goods was raised to an average of 60% . As a result, trade wars ensued and the international trade plummeted from \$60 billion in 1928 to \$25billion in 1938. In 2002 President George Bush imposed a 30% tariff on imported steel, the EU countries, Japan, and China retaliated with threats of \$335million worth of tariffs on U. S imports (Colander, 2010). No country has all the resources it needs. There might be lots of oil in the desert but there is lack offood, water and trees. Countries have to rely on their neighbors to fulfill their wants and needs. Even though China might want to impose unfair trade practices yet we cannot shut off their imports, because they are our lifeline just as we are theirs. The world satisfies its wants and needs through Trade. Without it lots of countries would not survive.

References

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