

# International trade and finance speech

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



What happens when there is a surplus of imports into the U S? 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” (Colander. 2010). 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 dollar 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.

How do government choices in regards to tariffs and quotas affect international relations and trade? Tariffs in this context are essentially a tax on imports coming from foreign countries. The federal government see a <https://assignbuster.com/international-trade-and-finance-speech/>

huge chunk of its revenue come from tariffs, so it plays an important role in international relations. The government is able to control trade with other countries by raising or lowering tariffs. For example, if the government wanted to promote trade with an underdeveloped economy, such as Mozambique, it could lower tariffs on imports from this country.

This would give businesses an incentive to conduct trade with Mozambique because of the lower costs of importing goods. What are foreign exchange rates and how are they determined? International exchange rates are the measure of how much one unit of currency may be exchanged for a different unit of currency. There are two types of exchange rates which are floating, and pegged rates. With floating rates, change is continual and is directly related to many factors. " Floating rates are determined by the market forces of supply and demand" (MacEachern, 2011).

Pegged rates (or fixed) mean that those rates are fixed to another currency, so they still float, but they move in unison with the currency they are pegged to. Some governments of emerging countries often choose to use pegged exchange rates to create stability in the value of their currencies. These rates are set and maintained artificially by the government and will not fluctuate intraday. They also may be reset on pre-determined dates known as revaluation dates.

However, any country using a pegged exchange rate system must hold large reserves of the currency to which its currency is pegged in order to control changes in supply and demand. To determine a currency's value in relation to another currency, we must calculate the amount of demand there is for that currency in relation to the current supply of that currency. " For <https://assignbuster.com/international-trade-and-finance-speech/>

example, if the demand for U. S. dollars by Europeans increases, the supply-demand relationship will cause an increase in price of the U. S. dollar in relation to the euro” (MacEachern, 2011).

There has been many economic announcements that affect the exchange rates between two countries, but a few of the most decisive have been; inflation reports, gross domestic product numbers, interest rate decisions, unemployment rates, and manufacturing information. Why not just restrict all goods coming in from China? According to Baizhu Chen of “ Forbes” magazine, because china is the U. S. ’s third largest export market, behind only Canada and Mexico, our two immediate neighbors, with whom we have free trade agreements.

In recent years, U. S. exports to China have grown much faster than exports to any other top trading partners. From 2000 to 2011, U. S. exports to China increased by 632%. “ In contrast, during the same period America’s exports to the rest of the world increased by only 170%” (Chen, 2012, para. ). The advantage China offers as an export market for the U. S. is nationwide. The largest group effected by these opportunities China presents are thousands of small and medium sized businesses owned by Americans.

Small business may not hire many people, but combined they make up a large amount of job opportunities for American workers. For example, A Texas based organization with ten employees can sell fruits online directly to Chinese consumers. Additionally, large scale benefits can be measure by looking at each states exports to China. Forty-seven out of fifty states have seen triple digit rate expansion in exports since the early 2000’s.

Astonishingly there are more than twenty states that have been reporting exports in the billions.

The import rates from china are also important and for some economist, overshadow the export figures. We are still running a trade deficit but as we all know, the question to be asked is not whether we're running a deficit or a surplus, its, is the economy healthy. “ China is, in fact, the biggest opportunity presented to America in this century. Embrace it and we will reap benefits for years to come. Instead of exchanging words with China, we should be exchanging goods. When China and America work together, nothing will stop them from making the world an even better place to live” (Chen, 2012, para. ).