International trade and world output

This work describes the relationship between international trade and world output. The relationship between supply and demand, world output and international trade are discussed and examples are provided for specific countries such as the United States and Canada. International Business – International trade is the purchase, sale or exchange of goods and services across national borders.

Griffin, Pustay, 2010) International trade is important not only for the country exporting the goods by means of revenue for the exporting country but also for the importing country by means of bringing in goods that country may not have readily accessible. This trade relationship between countries not only provides a greater choice of goods for consumers but also provides for job creation in many countries as well. 1. Explain the relation between international trade and world output.

(Give an example also). The quantity of world output in a given year will affect the international trade for that year. The slower a countries economic output the slower the volume of international trade as well. The same rings true for the reverse, the higher the output from a country the greater the international trade.

Trade decreases and increases with the world’s economy; in times of recession trade will decrease due to a decrease in consumer spending most closely related to economic uncertainty. Trade will increase as the recession ends and consumer spending and confidence grows. Exchange rates also affect international trade, as countries currency weaken to trading countries it becomes more costly to do business with that country. This also affects the costs of importing goods from other countries and can make those imports more costly to that country than the domestic products already found within its borders.

Economists believe that the balance of trade is governed by a countries wage rates, tariffs, as well as national savings and investment. By trading internationally countries and consumers are provided the opportunity to be exposed to goods and services not available within their own country. Trading also allows countries to focus on their won areas of production and/or export where an import can be provided at a lesser cost. For example; a country may import oil for consumption by its consumers while conserving its natural resources and limiting environmental effects from drilling oil locally.

A country may also focus on importing textiles and leather for the production of shoes where their country does not have textile and livestock resources for producing leather. Rather, that country can import the needed resources to produce the shoes at a lesser cost than the combined costs for manufacturing all of the resources needed to produce the shoes. 2. Describe the broad pattern of international trade.

This means who trades with whom and is covered in the e-text. Give examples of countries/regions doing most of the trading). Countries with higher income account for about sixty percent of the World’s merchandise trade, while trade between high income and low and middle income countries accounts for nearly thirty four percent of the world merchandise trade. (Motley, 2005) However trade between low and middle income nations still equate to about six percent of the world trade.

Knowing these numbers helps us to determine who exactly is trading with whom. The countries involved in the most trading are United States, Canada, Japan and China as well as the European Union. 3a. If the nations of the world were to suddenly cut off all trade with one another, what products might you no longer be able to obtain in your country? (Also discuss where these products are being imported from and the implications for YOUR country having to go without these products.) If all nations of the world were to cease all trade the US would suffer greatly.

Essentially all of the oil consumed within the US is imported from other countries such as Mexico, Canada and abroad. This would have an immediate devastating effect on the US transportation industry followed shortly by the families providing heat to their homes with oil based products and many other areas. The US also imports many tropical fruits and vegetables from other countries such as Chile and Brazil. The US would also experience issues in the automobile and electronics markets as a large number of cars driven within the US are foreign made and most electronics are manufactured in Japan, China and Korea. 3b. Choose one other country and identify the products it would need to do without.

Also discuss where these products are being imported from and the implications for THIS country having to go without these products.) Canada is one of the largest importers of goods from the US. Canada exported $303.

4 billion worth of merchandise to the United States in 2006, up 4. 5% from 2005 and up 45% in just 4 years. Canadian imports from the U.

S. rose 8. 7% to $230. 3 billion in 2006, up 43.

1% since 2002. Canada's largest trading partner is America, and America's largest trading partner is Canada (Suite101, n. d.).

Canada relies heavily on the US for nuclear fuels to provide energy and electricity to its consumers (Census, 2008). If trade amongst counties ceased Canada may be unable to power its cities. In conclusion, world output is very closely related to the volumes of international trade. Each country produced certain products and decides to import or export others. Trade is very important between countries. References Griffin, R.

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