Principles of Microeconomics

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Author Note

**Major Exports and Imports of the United States**

The US is one of the leading trading economies in the world. It is the 3rd largest export economy in 2018 and leads the world in terms of import of goods and services. Computer and electronic products were the biggest import of the US (“U.S. imports of trade goods in 2018, by product industry class (NAICS),” n.d.). Transportation equipment was the major export of the US in 2008, followed by chemicals and machinery (“U.S. exports of trade goods, by product industry class (NAICS) 2018,” n.d.).

A country can increase its production and consumption possibilities by increasing its trade. The comparative advantage theory explains that a country can get benefits from international trades and the overall wellbeing of the trading economies will be increased. An economy can import those goods and services from other countries in which it has a comparative disadvantage and export the goods and services in which it has comparative advantage. International trade will not only increase consumer surplus but producers will also gain higher profits.

**Determination of Exports**

The pattern of trade is determined by the laws of economics. The comparative advantage theory explains and suggests the pattern of trade. Comparative advantage can be explained as a condition in which a country can produce a good or service at lesser opportunity cost as compared to the opportunity cost of this particular good or service in another economy (McEachern, 2011). A country should export the goods and services in which it has a comparative advantage and should import those goods and services from other countries in which it has comparative disadvantage. For example, the US has a comparative advantage in the production of transportation equipment and it is the major export of the US. The US imports electronics from other countries because it has a comparative disadvantage in the production of electronics. The production of electronics domestically will decrease the overall wellbeing of the US as the benefits of decrease in the import of electronics will be less than the benefits of producing and exporting more transportation equipment.

**What is WTO?**

Soon after World War 2, General Agreement on Trade and Tariffs (GATT) was formed in 1948 to regulate international trade. Industrialization of economies increased the need and importance of international trade. GATT worked with the coordination of all trading economies and tried to minimize the barriers on international trade. In 1995, it was renamed as World Trade Organization. The WTO is an international organization that deals with matters relating to trade between different nations. The promotion of international trade is one of the key objectives of this international organization. The WTO is the destination where all international trade disputes can be discussed and solved with the mutual agreement of trading partners. All major economies of the world are members of this organization and the WTO is also managed by its member countries.

**Cheap Imports and Local Firms**

Local producers of the US have raised many objections over the goods imported from China as they are relatively very cheap. This argument is entirely against the laws of economics as the theory of comparative advantage explains that all the trading countries can increase their production and consumption possibilities by increasing trade. The rule of thumb here is that American producers should produce and export those things in which they have a comparative advantage. The production of goods in which the American producer have comparative advantage will not only become a source of higher exports but it will also increase the employment levels in the US. Any restriction on trade will harm not only local producers but the local consumers too.

References

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