

International Trade & Global Economy

How global markets affect your personal finances

KEY CONCEPTS

Exports: Goods and services sold to other countries

U.S. Examples: Aircraft, machinery, soybeans, movies, software

Imports: Goods and services bought from other countries

U.S. Examples: Electronics, clothing, cars, oil, toys

Trade Balance: Exports minus Imports

U.S. Status: Trade deficit (imports exceed exports)

Benefits of Trade

- Lower prices on imported goods
- Greater product variety
- Access to resources not available domestically
- Job creation in export industries
- Economic growth through specialization

Trade Challenges

- Job losses in competing industries
- Wage pressure in affected sectors
- Dependence on foreign suppliers
- Trade disputes and tariffs
- Currency fluctuation risks

EXCHANGE RATES

Definition: The price of one currency in terms of another

Example: If 1 USD = 0.92 EUR, your dollar buys 92 cents worth of euros

Strong Dollar (Dollar Appreciates):

- ✓ Foreign travel cheaper
- ✓ Imported goods cost less
- ✗ U.S. exports more expensive abroad
- ✗ Foreign investments worth less in USD

Weak Dollar (Dollar Depreciates):

- ✗ Foreign travel more expensive
- ✗ Imported goods cost more
- ✓ U.S. exports more competitive
- ✓ Foreign investments worth more in USD

TRADE POLICIES

Tariffs:

Taxes on imported goods. Protect domestic industries but raise consumer prices.

Example: 25% tariff on steel makes imported steel more expensive, helping U.S. steel mills but raising car prices.

Trade Agreements:

Treaties reducing trade barriers between countries.

Examples: USMCA (U.S.-Mexico-Canada), trade deals with EU, Asia

Quotas:

Limits on quantities of imports. Protects domestic producers, limits consumer choice.

Personal Finance Applications

Shopping:

- Check product origins - tariffs affect prices
- Monitor exchange rates when buying imports
- Buy domestically when dollar is weak

Travel:

- Travel when dollar is strong for better value
- Use credit cards with no foreign transaction fees
- Avoid airport currency exchanges (poor rates)

Career Planning:

- Consider global demand for your skills
- Pursue careers less vulnerable to offshoring
- Learn skills for export-oriented industries

Investing:

- Diversify with international stocks
- Consider currency risks in foreign investments
- Monitor trade policies affecting investments

 **Key Takeaway:** International trade affects prices you pay, products available, job opportunities, and investment returns. Understanding exchange rates and trade policies helps you make smarter financial decisions in a globalized economy.