

International Trade

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### International Trade

Exports are products produced in a country and sold in a different country. In other words, these products are purchased by the citizens of the countries' to which they are exported. Exports have many economic values to the exporting nations including; greater competitive advantage, more foreign exchange reserves, ease of liquidity management and better control of inflation (Pettinger, 2017).

Theory of mercantilism is one of the three classical theories that seek to promote exports. It holds that at any given moment, a nation should encourage exports (Pettinger, 2017). The theory stipulates that the role of promoting exports should be left to the government as it has the absolute power to use either subsidies or taxes in encouraging or discouraging exports and imports. Over the recent past, the US has experienced an increase in the exports as compared to the imports. The main reason for this is the increase in the use of protectionist trade policy. In this sense, the government seeks to increase exports by providing various subsidies packages to the nation's export industries. At the same time, it imposes heavy taxes to imports and thereby decreasing the importation rate. Remarkably, the U.S's service industry has recorded considerable growth in the exportation rate over the years. Therefore, it is considered the nation's best-exporting sector.

Gross Domestic Product (GDP) seeks to measure the monetary value of a country's produce during a particular period. Important to note, exports contribute heavily towards the GDP. This is because it forms a higher percentage of the GDP. Nations add their exports to the GDP after deduction of all the imports. In other words, the net export is what is added to the Gross Domestic Product. The scripture states that one may charge a foreigner interest but may not do the same to his brother. This phrase promotes exportation in that it seeks to encourage free



trade within the country but not in the international business. This explains the reason for import duties imposed by various governments.

Reference

Pettinger, T. (2017, March 31). Mercantilism theory and examples. Retrieved from

<https://www.economicshelp.org/blog/17553/trade/mercantilism-theory-and-examples/>