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Top Five Exporters to the U.S. Answers

Directions: Read the following information.

All the information in this table can be found at:
http://www.census.gov/foreign-trade/statistics/product/enduse/imports/index.html

It will help your students to know exactly where to find out about the imports from other countries. An explanation of how to read the charts may be necessary.

Year	China	Canada	Mexico	Japan	Germany	Comments
2004	196.7	255.9	155.8	129.6	77.2	
2005	243.5	287.9	170.2	138.1	84.8	
2006	287.8	303.4	198.3	148.1	89.1	
2007	321.5	313.1	210.8	145.5	94.4	China overtakes Canada as #1.
2008	337.8	335.6	215.9	139.2	97.6	
2009	296.4	224.0	176.5	94.9	71.3	Recession lowered all trade.
2010	364.9	276.5	229.7	120.3	82.7	China, Mexico regain 2008 level.
2011	399.3	316.5	263.1	128.8	98.4	Japan, Germany regain 2008 level.
2012	425.6	324.2	277.7	**146.4**	108.5	Japan hit record.
2013	440.4	332.1	280.5	138.5	114.6	
2014	466.7	**346.1**	294.2	133.9	**123.2**	Canada, Germany hit record.
2015	481.9	295.2	294.7	131.1	71.8	
2016	462.8	278.1	294.2	132.2	114.2	
2017	**505.6**	299.9	**314.1**	136.5	117.8	China, Mexico imports hit record.

(Source: "Top Trading Partners," U.S. Census, December 2017.)

Further background:

- China primarily exports electrical equipment. This would include computers and optical and medical equipment. It's also a big exporter of low-cost apparel, fabric, and textiles. A lot of China's exports are manufactured products made for U.S. companies. These companies pay to ship raw materials to China. There the low-cost factory workers process the materials into the final product. The top import categories in 2017 were: electrical machinery ($147 billion), machinery ($110 billion), furniture and bedding ($32 billion), toys and sports equipment ($26 billion), and plastics ($16 billion).
- Almost 75 percent of Canada's exports go to the United States. Canada has abundant supplies of oil, gas, and uranium. Its main exports include oil, vehicles and wood. The top import categories in 2017 were: mineral fuels ($73 billion), vehicles ($56 billion), machinery ($21 billion), special other (returns) ($14 billion), and plastics ($11 billion).
- Mexico sends even more of its exports to the United States (78 percent). Mexico's No. 1 export is manufactured products, for many of the same reasons as China. Its main exports are vehicles, machinery (including computers), oil and furniture and bedding. The top import categories in 2017 were: vehicles ($84 billion), electrical machinery ($62 billion), machinery ($54 billion), optical and medical instruments ($14 billion), and mineral fuels ($11 billion).
- Japan's biggest export to the United States is fuel-efficient and reliable automobiles, like Toyotas and Hondas. It also supplies machinery, medical instruments, and aircraft parts. The top import categories in 2017 were: vehicles ($51 billion), machinery ($31 billion), electrical machinery ($17 billion), optical and medical instruments ($6.7 billion), and aircraft ($4.0 billion).
- Germany's biggest export to the United States is high-end automobiles, like BMW, Porsche, and Mercedes-Benz. It also exports pharmaceuticals, machinery, and equipment. Germany exported more to the U.S. than any other country it trades with. In 2017 the top import categories were: 20% vehicles, 9.3% packaged medicines, and 4.9% vehicle parts. An increasing number of German cars are being assembled in the U.S.
- The U.S. exports a lot of soybeans, meat and poultry to the world. America is the number one producer of civilian aircraft and aircraft engines. The U.S. exports a lot of auto parts, engines and car tires to assembly plants in other countries (Canada and Mexico mostly). In addition, the U.S. exports crude oil, fuel and other petroleum products like chemicals.
- The U.S. is both an importer and exporter of crude oil for two reasons. First, not all crude oil is the same and some of the crude produced in the U.S. is better suited for products in other countries. Second, not all of the U.S. produced petroleum products can get to all parts of the U.S. efficiently. The oil is refined in the middle of the country but pipelines don't always reach the coasts (especially Florida, New England and Oregon).

(Source: U.S. Census)

Directions: Use your understanding of specialization and comparative advantage to answer the following questions.

1. Why does China specialize in making low cost apparel and the U.S. specialize in civilian aircraft?
2. Why does the U.S. manufacture many of the parts that go into cars, but ship those parts to manufacturing plants in Canada and Mexico?
3. If we stopped trading with China, what would happen to the price of clothing and computers for American consumers?
4. Notice that there is little mention of the U.S. importing food or agriculture. What does that say about America's farmers?
5. Why do so many of Mexico's and Canada's exports go to the U.S? What problems could that create for their economies?

Possible Answers to Questions:

1. *Both have a comparative advantage in these items. China has a lot of cheap labor and the U.S. has a significant advantage in technology.*
2. *Mexico and Canada have a comparative advantage when it comes to the cost of assembly.*
3. *Prices for these items would increase making it more difficult for consumers to afford them, thus lowering our standard of living. Students may notice how much less packed their closets and dresser drawers would be if the price of clothing and shoes spiked from higher labor and raw material costs.*
4. *This indicates that American farmers have a comparative advantage in producing agriculture over the rest of the world. American farmers benefit from great climate and soil, advanced technology and a lot of agricultural science to make them the best.*
5. *The proximity of these nations to the U.S. makes transporting goods easier. But the overwhelming dependence means that a recession in the U.S. will cause great harm to the producers in those nations. Students may point out that there are times when Americans stop buying cars and building houses. Since Mexico and Canada send so many cars to us and Canada so much lumber, this dependence could hurt these countries financially.*