

International Trade

Drill Set 5

Solve the following problems. Remember to create the appropriate graphs when necessary.

1. The U.S. dollar depreciates. What will happen to U.S. net exports?
2. The U.K. sells more shoes to the U.S. What will happen to the international value of the British pound?
3. Venezuela sells more petroleum to the world. How will this trend impact Venezuelan net exports?
4. Real interest rates rise in the European Union relative to the rest of the world. Show what will happen to the international value of the euro.
5. India develops new computer technology and large amounts of software are imported to the European Union. Show what will happen to the international value of the euro.
6. Americans buy more Brazilian goods. Show what will happen to the international value of the dollar.
7. The U.S. trade deficit with China increases. Show what will happen to U.S. GDP.
8. Foreigners are withdrawing money from American banks. What will happen in the American loanable funds market?
9. The dollar depreciates substantially. What will happen to U.S. net exports in the near future? Show this using an aggregate supply and demand curve graph
10. Financial account balance for the U.S. is +\$45 billion. What is the current account balance?