

Balance of Trade and Balance of Payment.

In order for countries to determine how well they are doing in global business they use two indicators, Balance of Trade and Balance of Payment.

Balance of Trade is the difference between Imports and Exports. When exports are larger than imports there is a trade surplus and when exports are smaller than imports, there is a trade deficit.

Balance of Payment is the difference between all money coming into the country from international transactions and money leaving the country from international transactions. These transactions include Exports, Imports, Tourism, International Aid and Foreign Investments.

- Exports are positive
- Imports are negative
- Tourism is positive (people bring money and spend it while on vacation)
- International Aid is positive when given to the country
 - Ex. Ghana **receives** \$5 Billion from the U.S. as aid. (positive for Ghana)
- International Aid is negative when given by the country
 - Ex. The U.S. **gives** Ghana \$5 Billion to help their economy. (negative for U.S.)
- Foreign Investments are positive when invested in the country
 - BMW invested \$3 Billion on a new car plant in the U.S. (positive for U.S.)
- Foreign Investments are negative when invested out of the country
 - Apple invested \$2 Billion on a new facility in France. (negative for U.S.)

Example

We add all Imports and put the total in the table. Next, we add all Exports and put the total in the table. Then we add or subtract the following:

- Money coming in from Tourism
- Money coming in or going out from Foreign Aid
- Money coming or going out from Foreign Investment

Use the Table below as an example to calculate Balance of Trade and Balance of Payment

	PLUS	MINUS
Exports: \$300 Billions (Positive)	\$300 Billions	
Imports: \$450 Billions (Negative)		\$450 Billions
Tourism Revenues: \$25 Billions (Positive)	\$25 Billions	
Foreign Aid Received: \$15 Billions (Positive)	\$15 Billions	
Foreign Investments: \$12 Billions (Positive)	\$12 Billions	
Foreign Aid Provided: \$14 Billions (Negative)		\$14 Billions
Totals		