**Balance of Trade**

**What Is the Balance of Trade (BOT)?**

Balance of trade **(BOT)** is the difference between the value of a country's [exports](https://www.investopedia.com/terms/e/export.asp) and the value of a country's imports for a given period. Balance of trade is the largest component of a country's [balance of payments](https://www.investopedia.com/terms/b/bop.asp) (BOP). Sometimes the balance of trade between a country's goods and the balance of trade between its services are distinguished as two separate figures. The balance of trade is also referred to as the trade balance, the international trade balance, the commercial balance, or the net exports. A country that imports more goods and services than it exports in terms of value has a trade deficit while a country that exports more goods and services than it imports has a trade surplus.

**Understanding the Balance of Trade (BOT)**

The formula for calculating the BOT can be simplified as “*the total value of exports* **minus** *the total value of its imports”*. Economists use the **BOT** to **measure the relative strength of a country's economy**

​**BOT=Exports−Imports**

**A country that imports more goods and services than it exports** in terms of value has a **trade deficit** or a negative trade balance. Conversely, a **country that exports more goods and services than it imports** has a **trade surplus** or a positive trade balance.

**Example of How to Calculate the BOT**

Here's an example of how to calculate the balance of trade:

Let's say that a country's exports of goods in a given year are worth $100 million, and its imports of goods are worth $80 million. To calculate the balance of trade, you would subtract the value of the imports from the value of the exports:

Balance of trade = Exports - Imports  
 $100 million - $80 million  
= $20 million

In this example, the balance of trade is $20 million, which means that the country has a trade surplus of +$20 million.

**Examples of Balance of Trade**

The United States imported $239 billion in goods and services in August 2020 but exported only $171.9 billion in goods and services to other countries. So, in August, the United States had a trade balance of -$67.1 billion, or a $67.1 billion [trade deficit](https://www.investopedia.com/terms/t/trade_deficit.asp).

A country with a large trade deficit borrows money to pay for its goods and services, while a country with a large [trade surplus](https://www.investopedia.com/terms/t/trade-surplus.asp) lends money to deficit countries. In some cases, the trade balance may correlate to a country's political and economic stability because it reflects the amount of foreign investment in that country.

**Balance of Trade vs. Balance of Payments**

The balance of trade is the difference between a country's exports and imports of goods, while the balance of payments is a record of all international economic transactions made by a country's residents, including trade in goods and services, as well as financial capital and financial transfers. The balance of trade is a part of the balance of payments and is represented in the current account, which also includes income from investments and transfers such as foreign aid and gifts. The capital account, which is another part of the balance of payments, includes financial capital and financial transfers.

It's important to note that the balance of trade and the balance of payments are not the same thing, although they are related. The balance of trade measures the flow of goods into and out of a country, while the balance of payments measures all international economic transactions, including trade in goods and services, financial capital, and financial transfers.

**Words Translation**

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| **English** | **Arabic** | **English** | **Arabic** |
| Balance of trade | الميزان التجاري | Goods and services | بضائع وخدمات |
| imports | الواردات | Borrows money | يقترض المال |
| Exports | صادرات | Lends money | يقرض المال |
| Component | عنصر | correlate | ترتبط ب |
| Balance of payment | ميزان المدفوعات | transactions | المعاملات |
| Trade deficit | العجز التجاري | Income from investments | الدخل من الاستثمارات |
| Trade surplus | الفائض التجاري | Financial transfers | التحويلات المالية |

**Quiz: Answer the following questions:**

1. **Is Balance of trade the same as Balance of payment?**
2. **What is the term used when the total of imports is larger than the total of exports?**
3. **Which countries lends money to trade deficit’s ones?**
4. **What is the formula of calculating balance of trade?**
5. **When do we say that the economy of a country if strong?**