



**Figure 2-1**

**Total U.S. Trade with Major Partners, 2008**

U.S. trade—measured as the sum of imports and exports—is mostly with 15 major partners.

Source: U.S. Department of Commerce.

services, and the issues raised by that trade, later in this chapter.) Taken together, these 15 countries accounted for 69 percent of the value of U.S. trade in that year.

Why did the United States trade so much with these countries? Let's look at the factors that, in practice, determine who trades with whom.

### Size Matters: The Gravity Model

Three of the top 15 U.S. trading partners are European nations: Germany, the United Kingdom, and France. Why does the United States trade more heavily with these three European countries than with others? The answer is that these are the three largest European economies. That is, they have the highest values of **gross domestic product (GDP)**, which measures the total value of all goods and services produced in an economy. There is a strong empirical relationship between the size of a country's economy and the volume of both its imports and its exports.

Figure 2-2 illustrates that relationship by showing the correspondence between the size of different European economies—specifically, America's 15 most important Western