

SYED SHABI-UL-HASSAN

School of Management, Swansea University, United Kingdom

**ASYMMETRY, UNCERTAINTY AND THE US INTERNATIONAL
TRADE****Abstract:**

This paper studies the role of economic policy uncertainty (EPU) on US trade. It contributes to the literature by analyzing the asymmetric impact of policy uncertainty on the US trade with Canada, China, Germany, Japan and the United Kingdom from December 1989 to December 2017. Results suggest that there is a negative relationship between the EPU and the US trade flows. Further, US trade responds more sensitively to a rise in uncertainty compared to an equal negative shock, confirming the asymmetric hypothesis both in the short run and the long run. Comparing the respective uncertainty indices, US EPU has a significantly greater impact on the trade relative to the EPU of its trading partners. These findings have both demand and supply side implications - i.e. increase in the economic policy uncertainty can reduce the aggregate consumption significantly. Also, due to uncertain profit margins, businesses can choose to delay long-term investment projects and inventory levels resulting in a widespread recessionary effect on the US business cycle.

Keywords:

Real imports; Economic Policy Uncertainty; Asymmetric Cointegration; Financial Crisis

JEL Classification: F10, F01