# The International Accounts of the United States and their Impact upon the Rest of the World

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**I.** I confess to be surprised and dismayed at the optimistic interpretation given by many of our best economic commentators – outside as well as within the Reagan Administration – to current and prospective international monetary, financial, and economic developments.[1] They should be congratulated, however, for their brave attempt to find an explanation for the extraordinary paradox which confronts us: the spectacular and still continuing rise of the dollar on the world exchange markets, in spite of equally spectacular balance-of-payments deficits on current account, exceeding last year $ 100 billion, i.e. a figure substantially larger than the total official reserves of the world as a whole at the end of 1969 or 1970, and which economic analysts would have dreamed impossible until it happened in fact.

Everybody will agree that the solution of this riddle is that current account transactions constitute today only a minor fraction ("guesstimated" at about one-tenth?) of gross exchange-market transactions, which are dominated in fact by capital movements. What is to be explained, therefore, is the enormous size of the net capital inflows that finance these deficits. It is generally agreed that a significant portion of them is due to the interest-rate differentials favoring the United States over its main rival markets for safe investments (particularly Germany and Switzerland) and due themselves in large part to the over-absorption of low US savings by huge budgetary deficits. Most US commentators, however, tend to put less emphasis on that factor than foreign commentators. They prefer to stress the "confidence of foreign investors in the ability of the US economy to grow at a healthy rate without rising inflation and to the lack of a favorable investment climate in other countries".[2] The deterioration of the US trade balance should not undermine excessively this confidence, for it is due mostly to faster economic growth in the US than in Europe ("about $ 30 billion") and to the impact of the Latin American debt crisis on US trade with Latin America ("$ 20-25 billion") rather than to the overvaluation of the dollar ("at least $ 35 billion").[3]

While recognizing that such huge capital inflows cannot continue indefinitely and that downward readjustments of US exchange rates and interest rates are desirable as well as unavoidable in the future, they see considerable advantages in the present situation, not only for the United States, but for other countries also. "The US trade deficit has acted as a locomotive with major benefit to the world economy.... For many

[1] See, for instance, the 1985 *Annual Report of the Council of Economic Advisers* to the President, Chapter 3, pp. 99-111; "Strengthening U.S. Competitiveness" in *World Financial Markets,* September 1984; "U.S. Economic Policies in a Global Context" by Rimmer de Vries, in *U.S. Competitiveness and its Implications for Europe* (CEPS Papers nos. 11-12-13, 1984, and the statements of H. Robert Heller at the *Hearings* of the Joint Economic Committee of Congress (May 1, 1984) and of the Senate Committee on Banking, Housing and Urban Affairs (June 1984)

[2] Rimmer de Vries, p. 49 of article cited in preceding footnote.

[3] *Id.*, p. 47.

countries, overall export performance has been dominated by the increase in exports to the United States".[4] As for the United States itself, the trade deficit associated with a high exchange rate for the dollar contributes to a lower rate of price inflation, while huge capital imports help to finance budgetary deficits and stimulate economic recovery and employment.[5]

What starts as a factual economic explanation thus tends to end up as a justification – or whitewash? – of current US policies and an invitation to foreign industrial countries to follow the example of the US and adopt also more expansionary policies, to their own benefit as well as to that of the US and of the less developed countries.

**II.** These arguments are certainly valid in part, but they are "neither the whole truth, nor nothing but the truth". They are most persuasive to US politicians whose life is undoubtedly eased by the obvious benefits of the lowering of domestic price inflation consequent upon net inflows of foreign merchandise well in excess of $ 100 billion a year, and bought cheaply at a vastly overvalued dollar exchange rate; and by capital inflows financing even larger current account deficits and over half of unprecedented budget deficits averaging still about $ 200 billion a year. Foreign countries, however, pay dearly the "locomotive role" of the US on their own current account balance. For them, high US interest rates, speculative capital outflows, and the over-appreciation of the dollar mean an acceleration, rather than a reduction, of their domestic price inflation,[6] and the diverting of more than $ 100 billion of their domestic savings to the financing of a suicidal over-armament race between the superpowers rather than of domestic investments, recovery and employment. The inadequacy of their own policies is certainly responsible in part for this, but I shall show later[7] why present institutional arrangements and long-entrenched policies make it incomparably more difficult for them to follow the US expansionary lead in their own fiscal and monetary policies.

The most authoritative spokesmen of the Federal Reserve System do not cease to proclaim that a lowering of US exchange rates and interest rates are essential to a lasting recovery at home as well as abroad. The present situation and prospects are indeed even more alarming than is generally realized. Let us glance at the estimates of the US net international investment position summarized in Table 1. The last annual table published in August 1984 by the *Survey of Current Business* reported it to be $ 106 billion at the end of 1983. But this estimate:

a) excluded huge cumulative statistical discrepancies ($ 129 billion) repeatedly reported in accompanying comments of the *Survey* (and by many

[4] *Id.*, p. 48.

[5] See, for instance, the Heller statements referred to in footnote 1 of this article.

[6] Especially as many imports from third countries as well as from the US are traditionally contracted in the appreciating dollar.

[7] See pp. 25 and 27.

other analysts) as probably due mostly to unrecorded capital inflows; their full inclusion as liabilities would switch the net position from $ 27 billion to *minus* $ 20 billion;

b) included $ 79 billion of "foreign aid" assets held overwhelmingly long-term on less developed countries, and which could hardly be mobilized effectively to defend the dollar on the exchange market, where reported net assets were only $ 27 billion, and net assets including unrecorded capital inflows *minus* $ 102 billion.

The reported 1984 balance-of-payments deficit of $ 102 billion on current account brings to *minus* $ 209 billion the net investment position at the end of 1984, as compared to a reported net position of *plus* $ 34 billion.

As noted in the brief comments at the bottom of Table 1, this would be an excessively pessimistic appraisal, which could be improved by as much as $ 100 billion, or even more, by various adjustments regarding the gold price valuation and the "current account" deficit. I have not hazarded any "guesstimates" in this respect, since it is obvious that any such "improvement" would be far more than offset by:

a) an extrapolation of the downward valuation and other adjustments of 1982 ($ 17 billion) and 1983 ($ 11 billion) whose amount will not be estimated until the second half of this year;

b) most of all, the fact that more than half of the $ 437 billion claims on foreign countries reported by commercial banks are held on countries – particularly in Latin America and the Philippines – regarded today as practically illiquid, and could not be effectively mobilized today to defend the dollar on the world exchange market.

If and when speculators' appraisal of the future evolution of the dollar exchange rate switches from further appreciation to the beginning of a depreciation, a bandwagon effect might be feared and entail a catastrophic decline, unless the US and other major financial powers finally, but belatedly, implement the 1983 Williamsburg resolution for co-ordinated policies to reduce excessive exchange-rate instability. The mid-January 1985 meeting of the "big five" might renew the hopes so persistently belied so far by official policies, including of course those of Beryl Sprinkel.

Even the best of all possible scenarios would entail a long-desired reduction in dollar exchange rates and interest rates.

**III.** *The main shortcoming of the prevailing analysis of current and prospective financial developments in the international market, however, and of the policy recommendations derived from it, is to my mind the failure to mention the fundamental role played in capital movements by the continued* *acceptance of even the inconvertible paper dollar as the major "parallel world currency" in international contracts, settlements and reserve accumulation by commercial banks as well as central banks.*

Table 2 brings this out by distinguishing two types of exchange market assets and liabilities:

*a) Money market* assets and liabilities, i.e.:

1) as *assets: official* US assets abroad and foreign claims of *US Banks,*

2) as *liabilities: foreign official* assets in the US, and other *private foreign assets* on US banks and in Treasury securities, both being regarded as held primarily as working reserves rather than as earnings-directed investments.

*b) Other private assets and liabilities,* held primarily as final – but not necessarily stable – earning investments by the *clients* of the banking system: direct investments, portfolio investments, and assets and liabilities of US non-banking concerns, *plus* the "statistical discrepancy" in cumulative balance-of-payments flows.

By accepting US money market liabilities in payment for their *surpluses,* the monetary systems of other countries finance these deficits through increased issues of their own money supply (currency notes and bank deposits) at the risk, of course, of accelerating their domestic price inflation. They let – to speak crudely – the United States run their own "money-printing presses" to finance its deficits: what President de Gaulle called, quite correctly, "an extravagant privilege", but should be regarded also as an "awesome responsibility" for world monetary management.

It was used responsibly and only moderately in the first twenty years following World War II, for purposes commending general assent: accelerating by US capital loans and grants the reconstruction of war-devastated foreign economies and economic development in the Third World. Its first abuse may be dated to the late 1960's attempt of President Johnson to help finance war expenditures in Vietnam without raising taxes at home, and it took an explosive character throughout the 1970's and early 1980's with the concomitant explosion of the suicidal over-armament race between the US and the USSR. Table 2 shows that US "money market liabilities" account throughout these years for well over half of total "exchange market liabilities", multiplied by about 9 from their estimated amount at the end of 1970 ($ 107 billion) to $ 910 billion at the end of 1983, and by 10 to about $ 1033 billion at the end of last year. "Money market liabilities" are estimated indeed at about $ 508 billion in December 1983, and $ 561 billion in December 1984.

But this is not the end of the story: the world currency role conferred to the dollar also affects profoundly the *assets policies* pursued by the US monetary authorities and commercial banks:

*a)* The *monetary authorities* are relieved of the need to accumulate any large amounts of foreign assets – as other countries must do – to finance their deficits. Even at their peak, at the end of last year, these foreign assets[8] (on the IMF, in SDR holdings, and in foreign exchange) totalled less than $ 26 billion, while liabilities to foreign official agencies ran to about $ 197 billion.[9]

*b)* On the other hand, commercial banks flooded with foreign deposits played fully until the end of 1982 the role of "world banks", rechannelling abroad – to earn the interest payable to depositors – even more than the amounts received by them through the money market alone. By so doing, they contributed powerfully to the vicious circle of world inflation, providing even the most inflationary foreign countries with capital inflows exceeding their current account deficit and reinvested, in a seemingly endless chain, in the US money market.

This process reached its peak in 1982, bank claims rising by about $ 111 billion from $ 294 billion at the end of 1981 to $ 405 billion at the end of 1982. It petered out dramatically in 1983 and 1984, with the eruption of the world debt crisis, bank loans increasing only by $ 25 billion in 1983 and a mere $ 7 billion in 1984. They might even be reversed tomorrow if banks did not feel compelled to negotiate further loans in order to avoid a cessation of interest payments by their debtors.

We must certainly applaud warmly harassed officials and bankers for having been able so far to avoid an open and calamitous collapse of the international monetary and financial system. A lasting solution still requires, to my mind, the fundamental reforms on which a consensus had nearly been reached by the *International Monetary Fund* in 1972[10] and by the *Committee of Twenty* 1974[11] after ten years of continuous debates and negotiations, but cavalierly brushed aside with the Jamaica Agreement and in the Second Amendment to the IMF Articles of Agreement. Preliminary consultations on such – or other? – types of reform are envisaged in the second half of this year, but are likely to remain as difficult as they have proved over the past twenty years, in view of the deep and persistent differences of views still prevailing in this respect between the United States and its main partners in the negotiatons.

The best to be hoped for in the short run is that some radical changes in US

[8] Excluding gold holdings valued at $ 11 billion.

[9] Excluding, as throughout these tables, "contingent" liabilities for SDR allocations.

[10] See the Executive Directors' report on the *Reform of the International Monetary System,* IMF, August 1972.

[11] See the 14 June 1974 "Report to Board of Governors by Committee of Twenty" in *International Monetary Reform: Documents of the Committee of Twenty,* IMF, 1974.

policies will enable other countries, and particularly the European countries, to accept the US suggestions for sharing the US "locomotive" role made easier for it, but more difficult for the other countries, by the "parallel world currency" privilege conferred to the dollar in an unreformed monetary and financial system.

**IV.** Let me turn, finally, to the prospects for the international monetary and financial system in the medium, and particularly, in the long run.

Present institutional arrangements and entrenched policies are obviously bound to change radically,... for better or for worse. I shall stress throughout the first term of this alternative, as the only constructive one for policy-makers and policy-advisers, and focus exclusively on changes which I regard as feasible and desirable, but which many will undoubtedly deem over-optimistic, judging by past experience.

### 1. Lessening Over-dependency on the United States and on the Dollar

More and more countries will undoubtedly pursue more vigorously than ever before their attempts to decrease their over-dependency on the increasingly calamitous vagaries of US domestic and foreign economic, monetary and financial policies. They should certainly be able to reduce the overwhelming role of the dollar as a world parallel currency. The United States itself has encouraged some of the measures – the *European Monetary System,* for instance – taken by them in this direction, as well as the initial creation of the SDR system, repeatedly called upon to assume a central role in international monetary arrangements.

The US dollar will, nevertheless, continue to play a naturally predominant role, compared to any other national currency.

The question is whether the additional – and artificial – element of hegemony derived from its acceptance as a world currency should be switched to the SDR, or to the regional economic, monetary and financial groups that are emerging in various areas of the world.

### 2. Decentralizing the Bretton Woods System

My first answer to this question is that the SDR will not take the place of the dollar as long as the IMF itself is not reformed in a fundamental fashion. Foreign countries regard the IMF decisions as often determined in practice – legally, and sometimes even illegally – by the US itself, making the IMF a mere smokescreen for US hegemony. This has affected particularly the definition of the SDR, now dominated in practice by the exchange rate of the paper dollar, rather than as the unchangeable gold metal content in which it was originally defined.

A second consideration confirms this first answer: the world monetary system should be far more decentralized – and closer to its roots – than the Bretton Woods system, in order to encourage the far greater potential for policy coordination – and even integration – feasible, in a highly heterogenous world, within regional country groups than at the world level.

This is particularly true for the countries of Western Europe, whose *economic* interdependence matches the *political* hopes of European federalists. It will be more difficult to achieve for other regional areas aiming also at political cooperation, but whose *mutual* trade, services and capital transactions are often minimal, and the remaining bulk of their foreign transactions split between European Community, the United States and Japan.[12] These countries will have to hammer uneasy foreign-exchange policy targets taking into account their huge transactions with Western Europe and Japan, and far less dominated by the dollar exchange rates than they are still today.

As for the Communist countries, the scanty statistics available – mostly from the partner countries – abundantly show that their economic relationships are overwhelmingly with Western Europe, and only minimal with the US and Japan.

The international monetary system is evolving toward an *oligopolar* system:

*a)* A *dollar area* englobing most of the Western Hemisphere, but also other countries in Asia and the Pacific. Economic considerations, however, especially for Canada and Latin America, may conflict with political considerations regarding the acceptability of overdominant US leadership;

*b)* An *Ecu-centered area* englobing all of Western Europe and toward which most countries of Africa and the Middle East, and possibly Australia and New Zealand, would tend to gravitate;

*c)* An *Asian area,* centered on the *Japanese Yen,* but subject to political restraints similar to those mentioned under a.

*d)* A *rouble area,* strongly dominated by the USSR, especially as long as the cold war does not abate;

*e)* An area gravitating toward *Communist China,* or possibly including only this "Empire du Milieu".

### 3. The Evolution of the European Monetary System and the ECU

I shall conclude this summary, most appropriately, with a brief reminder of the most spectacular *breakthrough* since the *breakdown* of Bretton Woods: the *European Monetary System,* as it operates today and as it should develop further not only over the years, but even over the months to come.

[12] See Table 4, prepared for me by Mr Marc Bodson.

*a)* The *EMS* proposal was launched in April 1978 by Chancellor Schmidt and President Giscard d'Estaing, at the Copenhagen European Council, approved officially three months later at the Bremen meeting, and its rules of implementation adopted at the Brussels Council in December of the same year. Note that this occurred at a time when the dollar was extremely weak, with large overflows into the strong German Mark adding enormously to the difficulties of monetary management in Germany. Chancellor Schmidt and his advisers felt that an *EMS* type of arrangement could spread more widely these dollar overflows into partner countries which would welcome such dollar accruals as helpful to their own stabilization efforts. This argument finally succeeded in overcoming the adamant opposition of the Bundesbank.

The later strengthening of the dollar, however, deprived the *EMS* proponents of this argument and led to an indefinite postponement of the Treaty committment to transform it, within two years, into a *European Monetary Fund.*

I stress this historical timing, for the renewed weakening and even far deeper crises of the dollar envisaged in this paper and by most commentators should recreate a favorable environment in this respect, making the strengthening of the *EMS* a *sine qua non* condition for decreasing European dependency on its expected vagaries. A confirmation of this view might be the fact that the new and forceful President of the Commission, Jacques Delors, has decided to retain in his own hands the so-called *Directorate General II on Economic and Financial Affairs,* and stressed in his inaugural speech to the European Parliament[13] the crucial importance which he attaches to a reinvigorated and expanded *EMS* in a jointly agreed *European* program for economic recovery and reduced unemployment.

He will be able to build, in this respect, on the unanimously recognized achievements of the *EMS* so far, but Mr Delors is sufficiently realistic to derive from these first years of experience a *feasible* agenda.

He discards from his four-year term of office any ambition to create a real Community currency replacing its present national member currencies. Indeed this would require full confidence in the ability of the participating countries to eschew fundamental balance-of-payments disequilibria through the effective elimination of persistent differentials in the evolution of national price and cost levels. While remarkable progress has been made in this direction since the spring of 1983, it is still too recent and insufficient to guarantee that further realignments of central rates can be entirely avoided in the future without imposing financial support on a scale unacceptable to the borrowers as well as to the lenders.

[13] On January 14, 1985.

What has been achieved so far – and should be built upon – is the preservation, or rapid restoration, of *real,* rather than *nominal* exchange rates, at *competitive* levels among the member countries.[14] Differential rates of national price and cost increases were offset by appropriate exchange-rate realignments preserving this competitiveness. This is indeed the essential, the crucial, role of an exchange-rate system, as long as the concomitant stability of *nominal* exchange rates cannot be assured by fuller harmonization of domestic economic, fiscal, and monetary policies.

The success of the *EMS* in this respect, however, is largely due to the strength of the dollar, which decreases exchange-market tensions between the weaker and the stronger currencies of the Community. An unreformed *EMS* might prove unable to overcome the growing tensions that would flow tomorrow from the strengthening of the German mark *vis-à-vis* a deeply depreciating dollar.

President Delors and the Commission are, thus, working on a concrete and immediately implementable program of expanding the role of the ECU, both in official transactions and in the private sectors of the market. He considers, as I do, that "the burden now placed on the dollar is too great",... and should be shared by Europe through fuller support of the ECU as a *reserve currency...*

"If it were to do this, would it not be in a stronger position to ask Japan to take its share of the load and persuade the United States to introduce the internal discipline which would make for the relative stability on foreign exchanges and a more balanced distribution of savings and financial flows?"

I need not rehash the factual evidence concerning the spectacular developments and future prospects of the ECU in official institutions and policies, and particularly in the private market, which usually assumes the initiative and determines the success or failure of fundamental monetary reforms, internationally as well as nationally.[15]

Even the most recent estimates of Euro-market transactions are likely to be substantially exceeded if and when the $ exchange-rate reverses its present trend. ECU-denominated investments have expanded enormously in spite of being, of course, less profitable in a period in which the appreciation of the dollar *vis-à-vis* the ECU far exceeded minor differences in interest rates. They should be expected to expand far more if a depreciation of the dollar replaces previous exchange losses on ECU assets by exchange gains.

* * *

[14] In utter contrast with the successive waves of growing under-valuation (overcompetitiveness) and later of growing over-valuation (undercompetitiveness) of the dollar.

[15] May I simply refer to the periodic *ECU Newsletter* of the Istituto Bancario San Paolo di Torino, and to two of my most recent publications: *a)* "The European Monetary System: Tombstone or Cornerstone?", pp. 127-178 of *The International Monetary System: Forty Years After Bretton Woods,* Federal Reserve Bank of Boston, 1984; *b)* "Sistema monetario europeo e scandalo monetario mondiale", pp. 49-51 of *Politica ed Economia,* December 1984.

In conclusion, I can offer only three uncontroversial predictions:

- The present international financial scene is bound to change radically over the forthcoming years, and even months.

- An unprecedented degree of wisdom, courage and luck will be required from our political and financial leaders to make it evolve toward the better rather than toward the worse.

- Any change toward the better will require, and is more likely to be initiated by, the intensification of cooperation at the regional level, particularly in the *EMS* as well as at the world level.

*Louvain la Neuve*

ROBERT TRIFFIN

## TABLE 1

**Net International Investment Position of the United States: 1970-84**
($ billions)

| End of Year | 1970 | 1972 | 1979 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|---|
| 1. Reported | +58 | +37 | +94 | +150 | +106 | + 34 |
| 2. Statistical Discrepancy | − 3 | + 9 | −39 | −120 | −129 | −159 |
| 3. Including Discrepancy as Unrecorded Capital Flows = **Current Account Balance** | **+56** | **+46** | **+55** | **+ 30** | **− 23** | **−125** |
| a) Foreign Aid Assets | +32 | +36 | +58 | + 74 | + 79 | + 85 |
| b) Exchange Market Assets | +23 | +10 | − 3 | − 44 | −102 | −209 |

**Sources:**

1. for 1970-1983: *Survey of Current Business*, U.S. Dept. of Commerce, p. 40.

2. for 1984: end of 1983 + 1984 provisional estimates in *Summary of US International Transactions* press relase of U.S. Dept. of Commerce, March 18, 1985. Note that these estimates do not yet include 1984 adjustments for price and exchange rate changes and for coverage, totalling more than *minus* $ 11 billion in 1983.

**Notes:**

1. Apparent addition discrepancies, in this table and other tables, are due to rounding of decimals.

2. *The statistical discrepancy* is repeatedly reported in *Survey* articles as probably due mostly to unrecorded capital movements, and was (more appropriately) included until 1900 in the net investment position reported in *Historical Statistics,* thus equating its annual changes with the reported balance on current account. This is no longer the case since then.

3. *Foreign Aid Assets,* overwhelmingly held long-term and on less developed countries, could hardly be used to defend the dollar on the exchange market.

4. Needless to say, these estimates must be taken with several bags – rather than grains – of salt. I shall not venture, for instance, to guess the price at which gold holdings (valued here at $ 35 per ounce until 1970, $ 38 in 1972, and $ 42.22 afterwards) could be sold to the market, nor which portion of the huge asymmetry in published current account transactions for the world as a whole (totalling $ 242 billion over the years 1973-1983 in the *Balance of Payments Statistics* of the IMF, Vol. 34 Yearbook, Part 2, p. xii) should be attributed to the overestimation of the U.S. current account deficit rather than to unrecorded capital inflows. Rough guesstimates might improve the net investment position reported in the table by $ 100 billion, or more, but this improvement would be far more than offset by the fact that about half of the $ 437 billion reported end of 1984 foreign claims of commercial banks (on countries such as Argentina, Brazil, Mexico, the Philippines, etc.) could hardly be mobilized to defend the dollar on the exchange market.

**TABLE 2**

**Gross and Net International Assets and Liabilities of the United States: 1970-84**
(end of year, in $ billions)

| | 1970 | 1972 | 1979 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|---|
| I. **Exchange Market Net Assets or Liabilities** (–) | + 23 | + 10 | – 3 | – 44 | –102 | – 209 |
| A. **Money Market** | **– 22** | **– 51** | **–108** | **– 8** | **– 44** | **– 87** |
| 1. **Official** | **– 12** | **– 50** | **–141** | **–155** | **–160** | **– 160** |
| a) Gold | 11 | 10 | 11 | 11 | 11 | 11 |
| b) Other | – 23 | – 60 | –152 | –166 | –171 | – 171 |
| 2. **Other** | **– 10** | **– 2** | **+ 32** | **+147** | **+116** | **+ 73** |
| B. **Other, Private** | **+ 45** | **+ 61** | **+105** | **– 37** | **– 58** | **– 122** |
| 1. **Discrepancy** | **– 3** | **+ 9** | **– 39** | **–120** | **–129** | **– 159** |
| 2. **Reported** | **– 48** | **+ 52** | **+144** | **+ 83** | **+ 71** | **+ 37** |
| a) Direct Investments | + 62 | + 75 | +133 | +100 | + 93 | + 78 |
| b) Portfolio Investments | – 14 | – 23 | – 2 | – 18 | – 30 | – 38 |
| c) Nonbanking Concerns | – | + 1 | + 13 | + 1 | + 8 | (– 3) |
| **Gross Assets** | **133** | **171** | **452** | **764** | **808** | **824** |
| A. **Money Market** | **28** | **34** | **176** | **439** | **464** | **474** |
| 1. Official | 14 | 13 | 19 | 34 | 34 | 37 |
| 2. Bank Claims | 14 | 21 | 157 | 405 | 430 | 437 |
| B. **Other, Private** | **105** | **137** | **276** | **325** | **344** | **350** |
| 1. Discrepancy | – | + 9 | – | – | – | – |
| 2. Reported | 105 | 129 | 276 | 325 | 344 | 350 |
| **Liabilities (–)** | **–110** | **–162** | **–456** | **–808** | **–910** | **–1033** |
| A. **Money Market** | **– 50** | **– 85** | **–284** | **–446** | **–508** | **– 561** |
| 1. Official | – 26 | – 63 | –160 | –189 | –194 | – 197 |
| 2. Bank Liabilities and Treasury Securities | – 24 | – 22 | –125 | –257 | –314 | – 364 |
| B. **Other, Private** | **– 60** | **– 76** | **–171** | **–362** | **–402** | **– 472** |
| 1. Discrepancy | – 3 | – | – 39 | –120 | –129 | – 159 |
| 2. Reported | – 57 | – 76 | –132 | –242 | –273 | – 313 |
| II. **Foreign Aid Assets** | **32** | **36** | **58** | **74** | **79** | **85** |
| III. **Total Net Assets** (I + II) | **+ 56** | **+ 46** | **+ 55** | **+ 30** | **– 23** | **– 125** |

**Sources and Notes:** see Table 1.

TABLE 3

**Average yearly Changes in the Net International Investment Position of the United States: 1960-84**

**by Sources: Valuation and other Adjustments, SDR Allocations and Balance of Payments Flows on Current Account**
($ billions)

| | 1960-70 | 1971-72 | 1973-79 | 1980-83 | 1980 | 1981 | 1982 | 1983 | 1984[1] |
|---|---|---|---|---|---|---|---|---|---|
| **Adjusted Estimates** | +1.8 | −4.9 | + 1.3 | −19.5 | −13.3 | +14.7 | −26.5 | −52.9 | n.a. |
| I. Adjustments | −1.5 | − 2.1 | + 1.1 | − 9.4 | −16.4 | + 7.3 | −17.3 | −11.3 | n.a. |
| II. SDR Allocations | +0.1 | + 0.7 | + 0.2 | + 0.6 | + 1.2 | + 1.1 | − | − | − |
| III. **Other Capital Flows = Reported Current Account** | **+3.3** | **− 3.6** | **+ 0.1** | **−10.6** | **+ 1.9** | **+ 6.3** | **− 9.2** | **−41.6** | **−101.7** |
| A. Earnings on Past Investments | **+5.1** | **+ 7.7** | **+18.0** | **+29.0** | **+30.4** | **+34.1** | **+27.8** | **+23.5** | **+ 18.1** |
| B. Other Current Account | **−1.7** | **−11.3** | **−18.0** | **−39.6** | **−28.5** | **−27.8** | **−37.0** | **−65.1** | **−119.8** |
| 1. Merchandise | +3.9 | − 4.3 | −14.0 | −37.8 | −25.5 | −28.0 | −36.5 | −61.1 | −107.4 |
| 2. Military | −2.8 | − 3.2 | − 0.5 | − 0.7 | − 2.2 | − 1.1 | + 0.2 | + 0.5 | −1.1 |
| 3. Other Services | −0.1 | − 0.1 | + 1.7 | + 6.5 | + 6.3 | + 8.2 | + 7.3 | + 4.1 | |
| 4. Unilateral. Transfers | −2.8 | − 3.8 | − 5.2 | − 7.7 | − 7.1 | − 6.8 | − 8.1 | − 8.7 | − 11.2 |

**Sources:**

1. for *Adjusted Estimates* on first line: period differences on line III of Table 1 (and Table 2 for last four columns) divided by number of years of each period.

2. for *Adjustments* on line I: difference between *Adjusted Estimates and sum of lines II and III.*

3. *for estimates on all other lines: Survey of Current Business,* June 1984, pp. 42-43, except for 1984: *Summary of International Transactions* press release of the U.S. Department of Commerce, March 18, 1985.

**TABLE 4**

## Regional Constellation of World Trade in 1983

(Exports **plus** Imports in % of their world total for each region or country)

| Exports and Imports of ↓ / With → | I. Europe Oriented Areas | A. Western Europe | 1. European Community | 2. Other Western Europe | B. Middle East and Africa[1] | 1. Arab Gulf Cooperation Council | 2. Other Middle East | 3. Other Africa | C. Communist Countries[2] | D. Australia, New Zealand, South Africa | II. Western Hemisphere | A. United States | B. Canada | C. Latin America | III. Asia | A. Japan | B. Other Countries | IV. World |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Europe Oriented Areas** | **77** | **58** | 46 | 12 | 10 | 3 | 3 | 4 | 7 | 2 | **13** | 8 | 1 | 3 | **10** | 5 | 5 | 100 |
| A. Western Europe | **82** | **65** | 51 | 13 | 11 | 3 | 3 | 5 | 5 | 2 | **12** | 8 | 1 | 3 | **6** | 2 | 3 | 100 |
| 1. European Community | **83** | **65** | 52 | 13 | 11 | 3 | 3 | 5 | 4 | 2 | **12** | 8 | 1 | 3 | **6** | 2 | 4 | 100 |
| 2. Other Western Europe | **82** | **63** | 49 | 13 | 11 | 3 | 4 | 4 | 7 | 1 | **13** | 8 | 1 | 3 | **6** | 3 | 3 | 100 |
| B. Middle East and Africa[1] | **60** | **46** | 37 | 9 | 9 | 4 | 2 | 2 | 4 | 1 | **16** | 10 | 1 | 5 | **25** | 15 | 10 | 100 |
| 1. Arab Gulf Cooperation Council | **45** | **33** | 27 | 6 | 10 | 5 | 3 | 2 | 1 | 2 | **14** | 10 | – | 3 | **42** | 27 | 15 | 100 |
| 2. Other Middle East | **66** | **47** | 35 | 12 | 9 | 4 | 3 | 1 | 9 | 1 | **14** | 7 | 1 | 6 | **19** | 11 | 8 | 100 |
| 3. Other Africa | **73** | **60** | 50 | 10 | 7 | 2 | 1 | 4 | 4 | 1 | **19** | 13 | 1 | 5 | **8** | 4 | 5 | 100 |
| C. Communist Countries[2] | **83** | **43** | 31 | 13 | 9 | – | 5 | 3 | 30 | 1 | **8** | 3 | 1 | 3 | **9** | 4 | 5 | 100 |
| D. Australia, New Zealand, South Africa | **45** | **31** | 26 | 6 | 6 | 3 | 1 | 2 | 2 | 6 | **20** | 17 | 2 | 1 | **35** | 21 | 14 | 100 |
| **II. Western Hemisphere** | **33** | **22** | 17 | 5 | 7 | 3 | 2 | 3 | 2 | 2 | **48** | 21 | 13 | 14 | **20** | 11 | 9 | 100 |
| A. United States | **37** | **25** | 20 | 5 | 8 | 3 | 1 | 4 | 1 | 3 | **35** | X | 20 | 15 | **27** | 14 | 13 | 100 |
| B. Canada | **14** | **9** | 8 | 2 | 2 | – | 1 | 1 | 2 | 1 | **77** | 73 | X | 4 | **9** | 6 | 4 | 100 |
| C. Latin America | **35** | **23** | 17 | 5 | 9 | 3 | 3 | 3 | 3 | 1 | **57** | 34 | 3 | 20 | **8** | 5 | 3 | 100 |
| **III. Asia** | **37** | **15** | 12 | 3 | 15 | 11 | 3 | 2 | 2 | 4 | **27** | 22 | 2 | 3 | **36** | 11 | 25 | 100 |
| A. Japan | **42** | **13** | 10 | 3 | 20 | 15 | 4 | 2 | 2 | 6 | **33** | 26 | 3 | 5 | **25** | X | 25 | 100 |
| B. Other Countries | **33** | **16** | 13 | 3 | 11 | 7 | 3 | 2 | 3 | 3 | **22** | 18 | 2 | 2 | **45** | 20 | 25 | 100 |
| **IV. World** | **60** | **43** | 34 | 9 | 11 | 4 | 3 | 4 | 5 | 2 | **23** | 13 | 4 | 6 | **17** | 8 | 9 | 100 |

**Source: Direction of Trade Statistics: Yearbook 1984,** International Monetary Fund, 1984.

**Signs und Notes:**

– : less than 0.5%

x : single countries *intratrade* does not enter foreign trade calculations.

\\ figures between diagonal lines show the proportion of mutual trade in total trade with the world.

1 : excluding, for obvious political reasons, Israël, included here with Western Europe, with which it carried out in 1983 more than 58% its foreign trade, as against less than 26% with the US and 17% with all other countries. Financial and political considerations, however, could suggest instead a regrouping with the United States.

2 : Scanty available statistics – mostly from partner countries – preclude any exact calculation, but abundantly show that the economic relationships of the Communist countries are overwhelmingly with Western Europe, and minimal with the United States and Japan.