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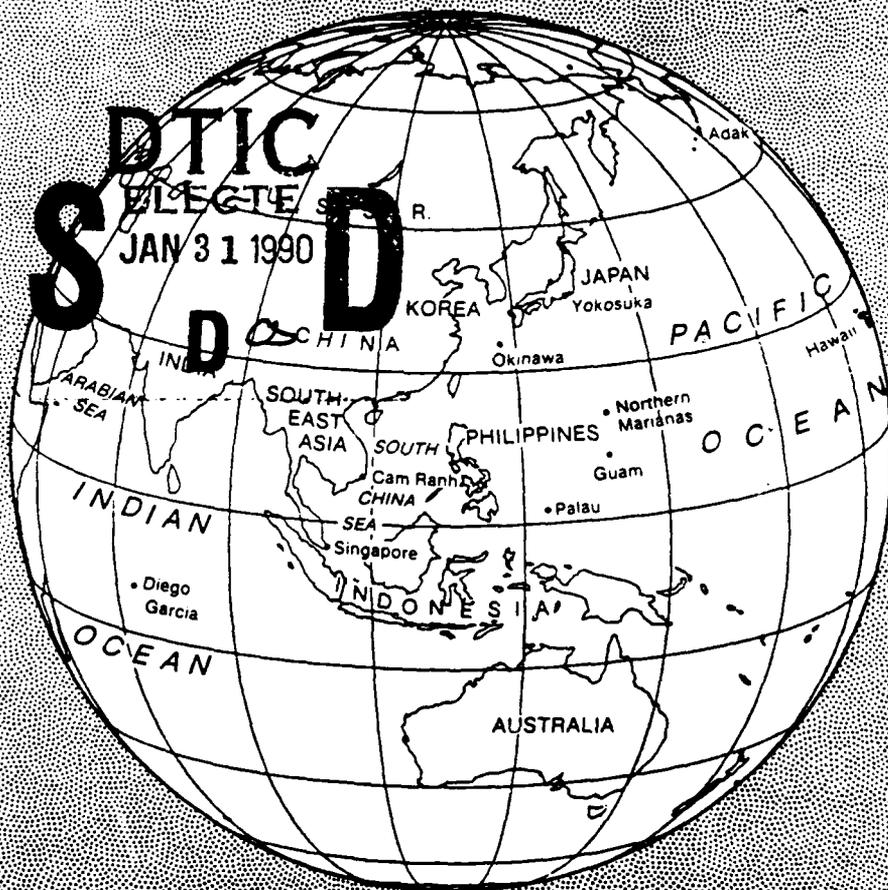
STRATEGIC PLANNING AND POLICY DIRECTORATE
RESEARCH AND ANALYSIS DIVISION
CAMP H.M. SMITH, HAWAII 96861-5025



THE ECONOMIC IMPORTANCE
OF THE ASIA-PACIFIC REGION TO
THE UNITED STATES

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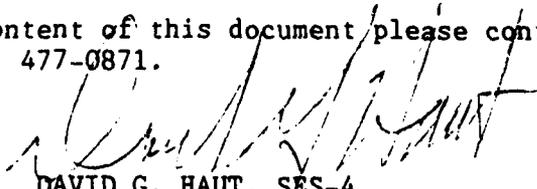
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Encl: (1) "The Economic Importance of the Asia-Pacific Region to the United States," L. L. Henry and M. G. Harstad, USCINCPAC J55 Research and Analysis Division, November 1989

1. Enclosure (1) is forwarded for your information and retention. This report, which is an update to one published in 1988, shows the growing importance of the Pacific in the global economy:

- The overall growth rate of the Asia-Pacific region (APER) increased to 7.4% in 1988, while that of the European Economic Community (EEC) was only 2.8%.
- Double-digit growth rates were registered for Hong Kong, China, Korea, Singapore, and Thailand in 1988. In contrast, the highest growth rate in the EEC was registered by Spain at 5.5%.
- Although average per capita income of EEC was twice that of the APER, Japan's per capita income remained the world's highest at over \$23,000. The U.S. ranked second at \$19,800 and Denmark third at \$19,780.
- The APER accounted for 36% of U.S. world trade in 1988, up from 35% in 1987; the EEC remained the same at 21%.
- U.S. exports and imports increased in 1988. The U.S. trade deficit with APER decreased from \$103 to \$95 billion; from \$24 to \$13 billion in the EEC. As of the first quarter of 1989, the U.S. realized a trade surplus with the EEC.
- In 1988 additional foreign investments of \$238 billion in the U.S. exceeded U.S. investments abroad of \$84 billion by \$154 billion. Japan's 1988 new investments in the U.S. were \$87 billion placing her first.
- Both the APER and EEC received two-thirds of their oil from Africa and Middle East sources. In contrast, the U.S. dependence on Persian Gulf oil is 6% of total domestic consumption.

2. Any questions regarding the content of this document please contact L. L. Henry or M. G. Harstad, J55, 477-0871.


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THE ECONOMIC IMPORTANCE OF THE ASIA-PACIFIC
REGION TO THE UNITED STATES

By

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Approved By

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RESEARCH AND ANALYSIS DIVISION J55

November 1989

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The views, opinions, or findings contained in this report are those of the authors and should not be construed as an official USCINCPAC position, policy, or decision unless so designated by other official documentation.

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DEFINITIONS

- APER.....Asia-Pacific Economic Region (The following countries are used in this study for this economic region: Australia, Brunei, China [PRC], Hong Kong, Indonesia, Japan, Korea [South], Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand.)
- ASEAN.....Association of South East Asia Nations
- CPEs.....Centrally Planned Economies (China [PRC] is used in this study.)
- EEC.....European Economic Community (The countries of this economic entity are described by the U. S. Department of Commerce as Western Europe's Economic Community [EC-12]. They are Belgium, Denmark, France, Germany [West], Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.)
- GDP.....Gross Domestic Product (A measure of the total flow of goods and services produced by an economy over a specified period of time, normally a year.)
- GNP.....Gross National Product (GDP plus the income accruing to domestic residents arising from investment abroad less income earned in the domestic market accruing to foreigners abroad.)
- LDCs.....Lesser Developing Countries (Brunei, Indonesia, Malaysia, Philippines, and Thailand are used in this study.)
- NICs.....Newly Industrializing Countries (Hong Kong, South Korea, Singapore, and Taiwan.)
- PCI.....Per Capita Income
- PRC.....People's Republic of China
- RGR.....Real Growth Rate (The amount of growth [or loss] calculated over a period of time, usually one year.)
- SLOC.....Sea Line of Communication
- USCINCPAC.....U.S. Commander in Chief, Pacific
- USPACOM.....U.S. Pacific Command

SECTION A: ECONOMIC REGION CHARACTERISTICS

THE APER AND EEC PHYSICAL AND ECONOMIC CHARACTERISTICS

Tables A-1 and A-2 summarize the APER and EEC countries' physical and economic characteristics. The tables include baseline values for the U.S. and USSR for comparison [5]. As can be seen from the tables, Asia is a land of contrasts. Including China and Australia, the APER land area is over nine times as large as the EEC. However, the APER includes Singapore and Hong Kong, which together are smaller than Luxembourg. Two other extremes are China and Brunei. China, has five times as many people as all of the EEC combined. Brunei, on the other extreme, has a smaller population than Luxembourg. While the EEC per capita incomes (PCI) ranged between \$3,250 and \$19,780; the APER's ran from \$320 for China to \$23,206 for Japan.

Because of these large and small land areas and populations, the APER population density variations are also extreme. They range from six persons per square mile in Australia to over 14,000 per square mile in Hong Kong. By contrast, average EEC population density was 40 percent higher than the APER density. It varies between 130 per square mile in Ireland to over 900 per square mile in the Netherlands.

The total gross national product of the APER was \$3.9 trillion; that of the EEC was \$4.5 trillion. The APER continued to be dominated by Japan. Japan's \$2.8 trillion GNP was second only to the U.S. (\$4.8 trillion). The third largest GNP of \$2.5 trillion belonged to the USSR. West Germany's GNP (\$1.1 trillion) was 40 percent of Japan's. West Germany was the EEC front runner with 25 percent of the EECs GNP. It was followed by France, Italy, and the United Kingdom.

The APER showed an overall average real growth rate of 7.4 percent. Hong Kong, Singapore, South Korea, Taiwan, China and Thailand all had larger growth rates than any country in the EEC. (Hong Kong, China, South Korea, Singapore, and Thailand enjoyed double-digit growth rates.) Japan's growth rate was higher than all but two European countries, Portugal and Spain. The EEC growth rates were about the same as in 1987 at 2.8 percent; the growth rates for Denmark, Greece, and the United Kingdom declined.

Average per capita income in the EEC was twice that of the APER. The PCIs of Indonesia, Thailand, Malaysia, the Philippines, and China were lower than Portugal's, the lowest of the EEC. On the other hand, Japan's PCI remained the world's highest at \$23,206. This was 17 percent higher than the PCI of the United States.

Appendices 1 and 2 are economic overviews of the APER and EEC countries. Presented are insights to how each country fared in world trade relationships during the past decade.

Table A-1.

Physical and Economic Characteristics of the Asia-Pacific Region*

<u>Country</u>	<u>Area (Sq Mi)</u>	<u>Population (000)</u>	<u>Density (/Sq Mi)</u>	<u>GNP (Bil \$)</u>	<u>RGR% (Yr)</u>	<u>PCI\$ (\$/yr)</u>
Totals	8,167,342**	1,652,861		3,963.3		
Australia	2,967,895	16,452	6	202.2	1.7	12,580(87)
Brunei	2,228	345	155	3.1	NA	13,663(87)
China	3,705,390	1,112,299	300	350.0	11.0	320(87)
Hong Kong	401	5,709	14,237	46.2	13.6	8,260(87)
Indonesia	741,097	187,651	253	69.0	3.8	880(87)
Japan	145,882**	123,220	844	2,859.0	4.9	23,206(88)
Korea, South	38,023	43,347	1,140	171.0	12.0	4,045(88)
Malaysia	127,317	16,727	131	34.3	7.4	2,092(88)
New Zealand	110,687**	3,373	30	27.9	-0.2	8,390(88)
Philippines	115,830	64,907	560	33.6	5.0	546(88)
Singapore	244	2,674	10,959	23.7	10.9	8,870(88)
Taiwan	13,892	20,233	1,456	91.7	7.2	4,325(88)
Thailand	198,456	55,524	280	52.2	11.0	965(88)
Averages	680,612	137,738	202	304.9	7.4	6,472

* Baseline comparisons:

<u>Country</u>	<u>Area (Sq Mi)</u>	<u>Population (000)</u>	<u>Density (/Sq Mi)</u>	<u>GNP (Bil \$)</u>	<u>RGR% (Yr)</u>	<u>PCI\$ (Yr)</u>
USA	3,618,768	248,231	69	4,862.0	3.8	19,800(88)
USSR	8,649,498	288,742	33	2,500.0	1.5	8,700(88)

Note: Table compiled from Reference 5 except GNP, RGR%, and PCI for Japan (from Japanese Consulate General, Hawaii). Population estimates are for July 1989. Growth rate for Brunei not available. Year of data in parenthesis for gross national product, real growth rate, and per capita income columns.

** Several significant (New Zealand +6,950 sq mi, Japan +2,133 sq mi, and Total World +9,115 sq mi) and a few small corrections were made over the previous report.

Table A-2.

Physical and Economic Characteristics of the European Economic Community*

<u>Country</u>	<u>Area</u> (Sq Mi)	<u>Population</u> (000)	<u>Density</u> (/Sq Mi)	<u>GNP</u> (Bil \$)	<u>RGR%</u> (Yr)	<u>PCI\$</u> (Yr)
Totals	871,958**	325,199		4,515.1		
Belgium	11,780	9,888	839	155.0	2.9	16,690(88)
Denmark	16,629	5,130	308	101.3	-1.1	19,780(87)
France	211,208	55,994	265	939.2	2.3	16,800(88)
Germany, West	95,977	60,977	635	1,120.0	3.6	18,370(88)
Greece	50,942	10,041	197	46.6	0.0	6,470(86)
Ireland	27,135	3,550	131	30.6	0.9	6,840(88)
Italy	116,305	57,558	495	814.0	3.9	14,200(88)
Luxembourg	998	366	367	4.9	3.0	13,380(88)
Netherlands	16,023**	14,790	923	223.3	4.0	15,170(88)
Portugal	35,552	10,460	294	33.5	5.0	3,250(87)
Spain	194,884	39,417	202	288.3	5.5	7,390(87)
United Kingdom	94,525	57,028	603	758.4	3.8	13,329(88)
Averages	67,074	25,015	373	347.3	2.8	12,556

* Baseline comparisons:

<u>Country</u>	<u>Area</u> (Sq Mi)	<u>Population</u> (000)	<u>Density</u> (/Sq Mi)	<u>GNP</u> (Bil \$)	<u>RGR%</u> (Yr)	<u>PCI\$</u> (Yr)
USA	3,618,768	248,231	69	4,862.0	3.8	19,800(88)
USSR	8,649,498	288,742	33	2,500.0	1.5	8,700(88)

Note: Table compiled from Reference 5. Population estimates are for July 1989. Year of data in parenthesis for gross national product, real growth rate, and per capita income columns.

** Several significant (Netherlands +1,618 sq mi and Total World +1,612 sq mi) and a few small corrections were made over the previous report.

Table A-3 shows that U.S. Foreign Military Sales Agreements to the APER in FY 1988 were almost twice that of the EEC. Japan, Taiwan, South Korea, and Australia/New Zealand, in that order, accounted for over 90 percent of the transactions with the United States. West Germany, the United Kingdom, Greece, and the Netherlands accounted for over 80 percent of the sales in the European Economic Community.

Table A-3.

U.S. Foreign Military Sales Agreements* for the APER and EEC
(Dollars in thousands)

<u>APER Country</u>	<u>FY 1988</u>	<u>% of Total</u>	<u>EEC Country</u>	<u>FY 1988</u>	<u>% of Total</u>
Aust/NZ	333,425	(13.5)	Belgium	23,838	(2.2)
Brunei	57	**	Denmark	44,737	(3.7)
China	17,175	(0.08)	France	54,760	(4.5)
Hong Kong	-	(-)	Germany, West	474,876	(39.4)
Indonesia	5,226	(0.03)	Greece	127,900	(10.6)
Japan	839,020	(33.7)	Ireland	11	**
Korea, Sout	458,585	(18.5)	Italy	26,684	(2.2)
Malaysia	4,401	(0.02)	Luxembourg	335	**
Philippines	133,124	(5.4)	Netherlands	121,184	(10.0)
Singapore	28,575	(1.2)	Portugal	69,374	(5.7)
Taiwan	505,077	(20.4)	Spain	83,428	(6.9)
Thailand	171,905	(6.9)	United Kingdom	183,156	(15.1)
Totals	2,493,610	(100.00)		1,210,283	(100.0)

* Foreign Military Sales Agreements - Total dollar value of defense articles and defense services purchased with cash, credit, and MAP Merger Funds by a foreign government or international organization in any fiscal year.

** Negligible

Note: Table compiled from Reference 9.

SECTION B: TRADE INDICATORS

U.S. TRADE WITH THE APER AND EEC

In 1988, the United States conducted \$782 billion (U.S. dollars) of trade with the rest of the world. This consisted of \$322 billion in exports and \$460 billion in imports. As seen in Figure B-1, the APER accounted for 36 percent of the U.S. world trade; the EEC accounted for 21 percent [6].

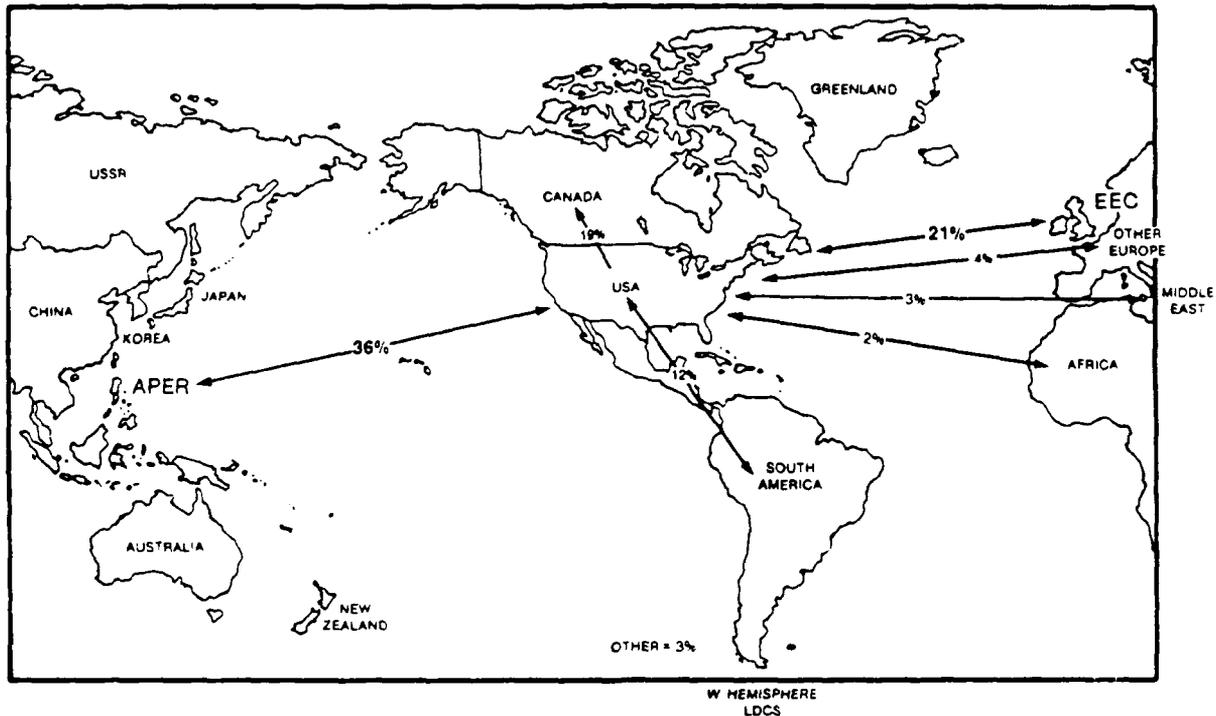
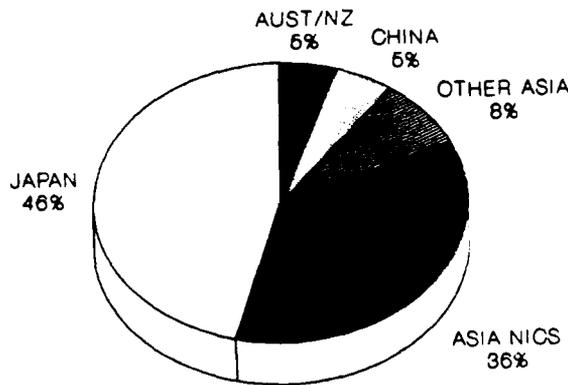


Figure B-1. United States World Trade - 1988

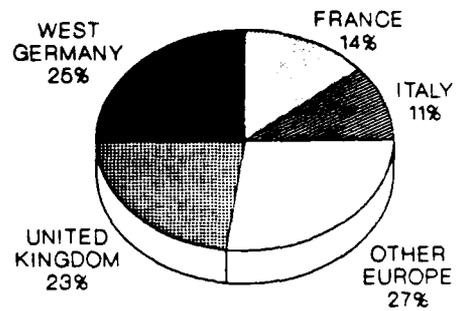
Figure B-2 shows a further breakdown of U.S. trade by country in the APER and the EEC. Japan alone accounted for nearly half of the APER trade with the U.S. and rivals Canada, our largest trading partner. Trade with Japan nearly equals the total combined U.S. trade with West Germany, United Kingdom, France, Italy, and the Netherlands.

U.S. Trade with the APER

U.S. Trade with the EEC



\$280 Billion (36%)



\$165 Billion (21%)

Figure B-2. U.S. Trade with Asia-Pacific/European Economic Regions - 1988

Table B-1 summarizes U.S. trade with the two economic regions for the years 1981-88. Tables 3-1 through 3-3 in Appendix 3 contain U.S. trade data. Figures B-3, B-4, and B-5 show summary data, comparisons, and trendlines for APER and EEC trade.

Table B-1. U.S. Trade Balance with European and Asia-Pacific Regions

	<u>U.S. Exports (Bil \$)</u>							
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
EEC	56.3	48.2	48.2	50.2	48.6	52.7	60.6	75.9
APER	52.24	51.07	51.05	55.53	53.65	59.5	67.29	92.68
	<u>U.S. Imports (Bil \$)</u>							
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
EEC	45.1	46.1	47.6	63.1	70.9	79.2	85.5	88.7
APER	79.4	78.7	89.52	119.81	134.11	153.26	172.41	187.93
	<u>U.S. Trade Balance (Bil \$)</u>							
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
EEC	11.4	5.8	.4	-12.7	-22.5	-26.4	-24.3	-12.8
APER	-27.7	-27.8	-38.2	-63.3	-78.5	-92.7	-103.4	-95.0

In both regions, exports from the U.S. have continued to increase at similar rates since 1983 (Figure B-3). In 1988, U.S. exports to the APER accounted for about 30 percent of the U.S. world export trade; an increase of 38 percent over 1987. U.S. exports to the EEC were 24 percent of U.S. exports; a 25 percent increase over the 1987 exports.

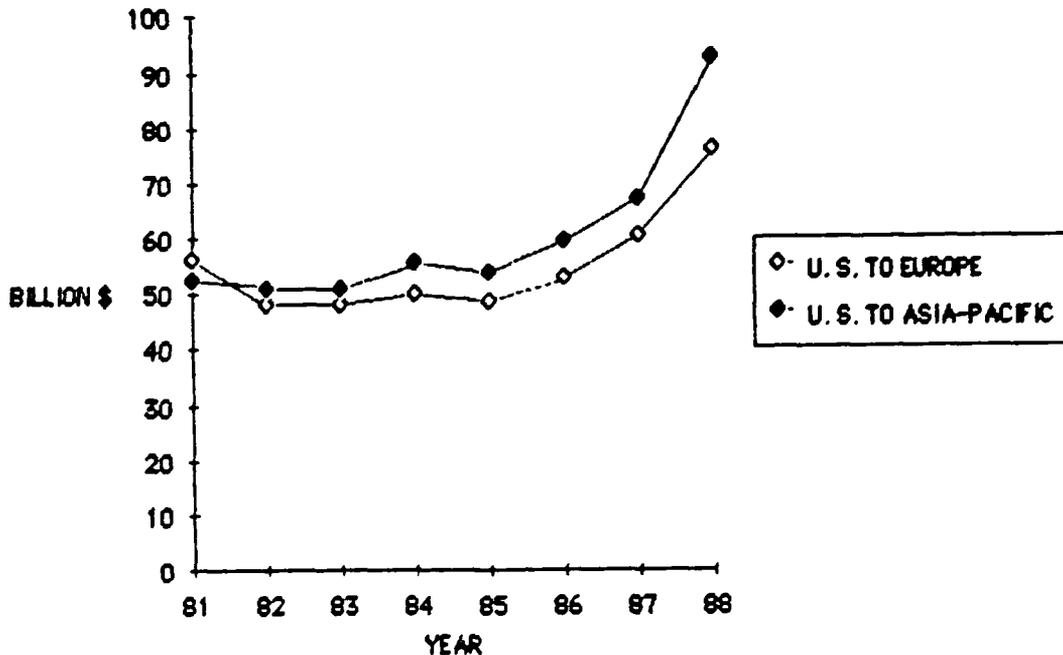


Figure B-3. United States Exports to Asia-Pacific and Europe

Exports to the APER: In 1988, U.S. exports to the APER increased 38 percent to \$92.7 billion. Exports to Japan increased 35 percent to \$37.7 billion from the 1987 level of \$28.2 billion. After rising eight percent in 1986 and 29 percent in 1987, U.S. exports to the NICs increased 48 percent to \$34.9 billion in 1988. Sales to the Lesser Developing Countries (LDCs) increased over twofold from \$5.7 billion in 1987 to \$13.7 billion in 1988. U.S. exports to China rose by 43 percent from \$3.5 billion to \$5.0 billion [6].

Exports to the EEC: Continuing to rise in 1986 and 1987, U.S. exports to the European Community increased to \$75.9 billion in 1988, a gain of \$15.5 billion or 26 percent. This was the largest gain of U.S. exports to the EEC this decade by a factor of over two. Exports to the United Kingdom with a \$4.3 billion gain, led the expansion. West Germany followed with a \$2.6 billion increase in U.S. exports [6].

In the 1990's, U.S. exports are not expected to increase dramatically to the EEC and APER.

Figure B-4 shows U.S. imports from the APER and EEC. In 1988, the U.S. imported twice as much from the APER (\$187 billion) as from the EEC (\$89 billion). For the past four years, Japan alone accounted for more U.S. imports than all of the EEC.

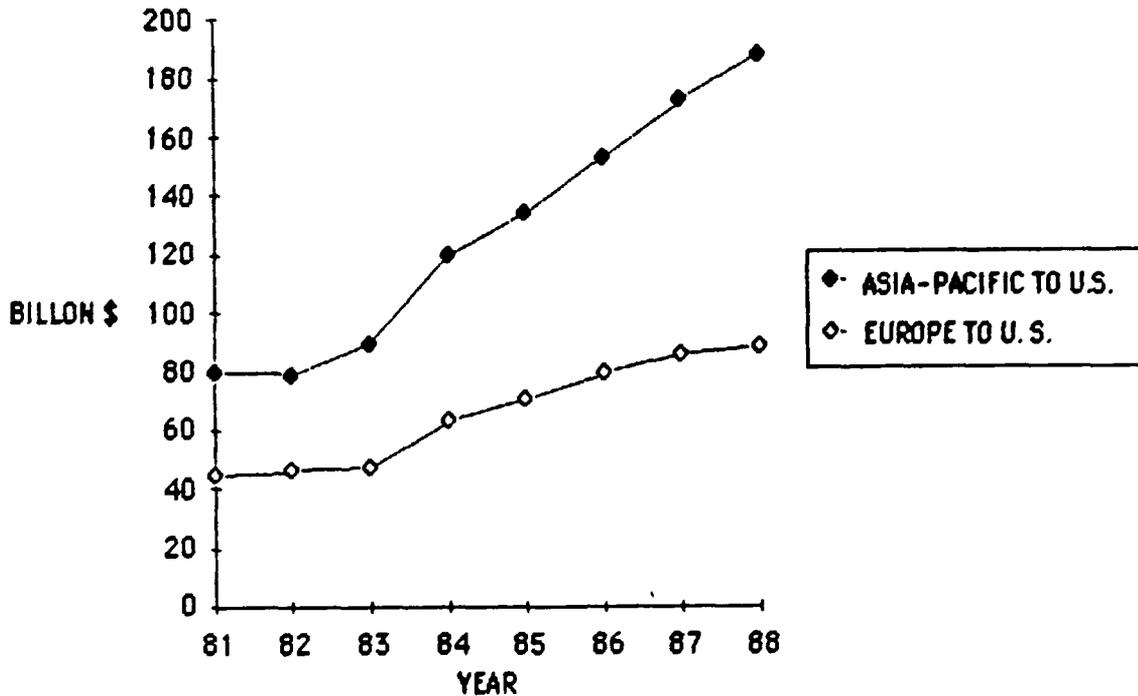


Figure B-4. United States Imports from Asia-Pacific and Europe

Imports from the APER: U.S. imports from the APER increased nine percent to \$187.3 billion in 1988. Japan made up 50 percent of U.S. APER imports. U.S. purchases from Japan rose by six percent to \$93.2 billion. Imports of manufactured goods, which comprise 99 percent of the total imports from Japan, rose despite declines in arrivals of passenger cars, special purpose vehicles, and consumer electronics. U.S. imports from the NICs grew nine percent in 1988 to \$66.5 billion. Appreciable gains were made by Singapore (28 percent) and South Korea (18 percent) while purchases from Hong Kong and Taiwan remained close to the 1987 levels. U.S. imports from the Asian LDCs increased 22 percent in 1988, from \$15.6 billion in 1987 to \$19 billion. U.S. purchases from China rose by 35 percent from \$6.9 billion in 1987 to \$9.3 billion in 1988 [6].

Imports from the EEC: U.S. imports from the EEC increased to \$88.7 billion in 1988. Purchases from all of the EEC countries except Denmark and West Germany grew, with sizable increases from France, Italy, and the United Kingdom leading the import rise. West Germany's decrease was \$700 million [6].

In the 1990's, EEC imports to the U.S. may level off and APER purchases may show signs of slowing.

The continuing high level of U.S. trade with APER highlights the importance of this region to the U.S. and spotlights Japan's significance in the Asia-Pacific region.

Figure B-5 shows the U.S. balance of trade with both economic regions. By 1988, the U.S. deficit with the APER was four and a half times that of the EEC and by 1988, this deficit with the APER was seven and a half times that of the EEC. This was due mainly to the improved U.S. trade balance with the EEC.

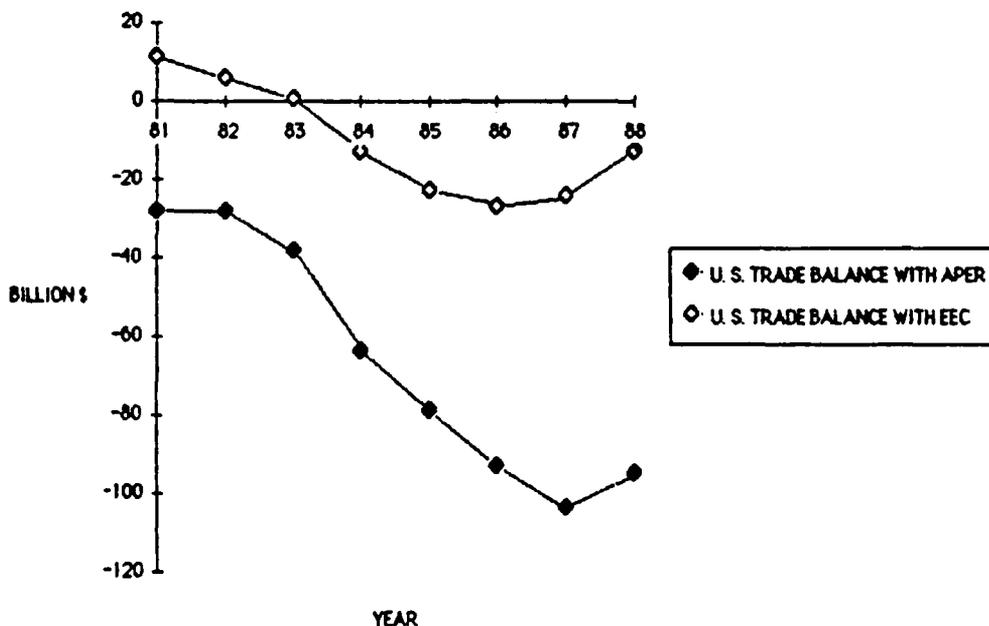


Figure B-5. United States Balance of Trade with Asia-Pacific and Europe

U.S.-APER trade deficit: The U.S. trade deficit with the APER decreased in 1988 for the first time in nearly a decade after peaking in 1987. Japan continued to be the driving force that accounted for 58 percent of the deficit; a decrease of seven percent from \$59.8 billion to \$55.4 billion. The overall U.S. trade deficit with the NICs -- Hong Kong, Taiwan Singapore, and South Korea, -- declined by 16 percent to \$31.6 billion. The overall trade deficit with the other developing countries of Asia, especially Thailand, widened by \$1.5 billion in 1988. The U.S. trade deficit with China rose \$800 million to \$4.2 billion [6].

U.S. - EEC trade deficit: The U.S. trade deficit with the twelve countries of the European Community declined by half from \$24.3 billion in 1987 to \$12.8 billion in 1988. This large improvement in the trade deficit can be attributed to U.S. exports to the EEC rising much more rapidly than imports. Shipments to all of the EEC countries rose, especially to the United Kingdom, West Germany, France, and the Netherlands [6].

1981-1988 APER performance: U.S. exports to the APER increased 77 percent while U.S. imports more than doubled. The overall effect of this import surge was a large continuing U.S. trade deficit with Japan from \$18.1 billion in 1981 to \$59.8 billion in 1987, then declining to \$55.4 billion in 1988. The trade deficit with the NICs tripled from \$8.6 billion to \$31.6 billion, as exports doubled to \$34.9 billion and imports tripled to \$66.5 billion. The U. S. trade deficit with the lesser developing countries in this region widened slightly from \$6.4 billion in 1981 to \$6.6 billion in 1988. Exports from the U.S. increased \$1.5 billion while U.S. purchases increased \$7.2 billion [6].

1981-1988 EEC performance: U.S. exports to the EEC grew 35 percent while imports surged 97 percent. The overall effect was a \$24.2 billion shift in the trade balance, from a surplus of \$11.4 billion in 1981 to a deficit of \$12.8 billion in 1988 [6].

Japan vs European Economic Community: Japan's U.S. trade continues at 80 percent of the level of trade with the twelve-country EEC since 1985. For the past eight years, the U.S. exported an average of \$25 billion of commodities per year to Japan. U.S. purchases from the EEC averaged \$53 billion per year. Japan started to increase its imports to the U.S. in 1983, keeping pace with, and passing, the EEC import level in 1985. As Japanese imports climbed to record highs that peaked in 1987, the U.S. trade deficit with Japan also soared to record highs. The U.S. deficit with Japan increased from \$18 billion at the beginning of the decade to \$55 billion in 1988 - four times that of the U.S. trade deficit with the EEC. During the latter half of the decade, the EEC economy started to show a leveling deficit trend and was cut in half during 1988 to \$12.8 billion while Japan showed a slowing trade deficit with the U.S. In 1988, the U.S. trade balance with Japan took a seven percent upward turn in the reduction of the deficit.

SECTION C: FOREIGN INVESTMENTS

INTERNATIONAL INVESTMENTS

Earlier in this report, the economic importance of the Asia-Pacific Economic Region (APER) to the U.S. was demonstrated by comparing GNP and trade with the APER and the European Economic Community (EEC). However, trade is only part of the equation of international transactions. International investments in financial and physical holdings are another major aspect. First we relate investment income to balance of trade data, as it is found in the U.S. current account. Then we examine the total level of investment holdings (position), which generate the current account income flows. Finally, the annual changes in investment holdings are examined.

Comparison of Trade and Investment Income. Table C-1 extends the previously cited trade balance data by adding the remaining two components of the current account, Investment Income and Other Income. Investment income is derived from direct investment in corporations, private investments (including portfolios of stocks and bonds), and U.S. government security transactions. The Other category includes business services, military sales, and unilateral transfers. Note that in 1981 the total current account balance was near zero and in 1988 it was -\$126.6 billion.

Table C-1. U.S. Trade and Investment Income for 1981 and 1988 (Bil \$)

	U.S. Income from Abroad (Trade Exports/ Investment Receipts)		Foreign Income from U.S. (Trade Imports/ Investment Payments)		Current Account Balance	
	1981	1988	1981	1988	1981	1988
Total	379.4	529.8	371.2	656.5	8.2	-126.6
Trade	237.1	319.3	265.1	446.5	-28.0	-127.2
Investment	86.4	107.8	52.3	105.5	34.1	2.3
Other	55.9	102.8	53.8	104.5	2.1	-1.7

Source: Reference 8.

Europe Compared to Japan. Table C-2 and Figure C-1 indicate that 52 per-cent of total foreign investment income in the U.S. was earned by Europe and 13 percent by Asia (Japan). This accounts for \$55 billion and \$14 billion in income, respectively. Unlike the highly negative Balance of Trade or Other transactions, Investment resulted in a net positive income of (only) \$2.3 billion for the U.S. Thirty-five percent of the total U.S. investment income abroad was in Europe; only seven percent was from Japan.

Table C-2. Investment Income for 1981 and 1988 (Bil \$)

	U.S. Investments Abroad(Receipts)		Foreign Investments in U.S.(Payments)		Balance	
	1981	1988	1981	1988	1981	1988
Total	86.4	107.8	52.3	105.5	34.1	2.3
Europe	25.5	38.2	24.9	55.0	.6	-16.8
Asia (Japan)	5.9	11.3	4.9	14.0	1.0	-2.7
Other	55.0	58.3	22.5	36.6	32.5	21.7

Source: Reference 8.

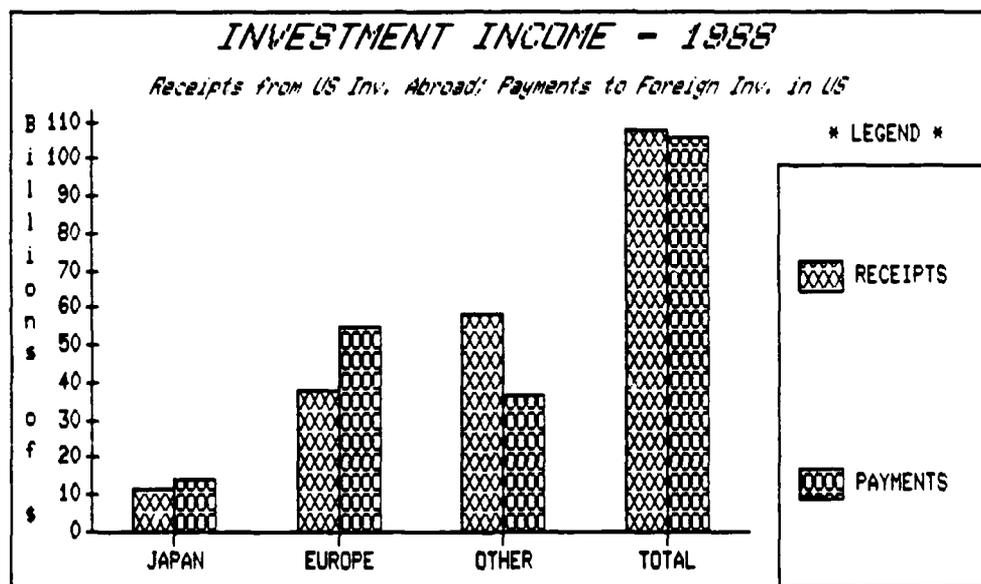


Figure C-1. Investment Income in 1988

Investment Holdings. Since the early 1980s, foreign ownership in the U.S. has increased substantially from \$557 to \$1,788 billion. Table C-3 shows the net debtor position of the U.S. at -\$533 billion. This negative position requires future U.S. income to be set aside to pay the crediting countries. Both Europe and Japan now own more in the U.S. than the U.S. owns in those countries. This is shown in the table and at Figure C-2. This imbalance is partially offset by U.S. overseas investments in other countries.

Also indicated is that 49 percent of the total foreign investment holdings in the U.S. was from Europe; 16 percent was from Japan. Thirty-four percent of the U. S. investment holdings was in Europe; 12 percent was in Japan. In contrast to merchandise trade, the U.S. investment relationship is stronger with Europe than Japan.

Table C-3. Investment Holdings for 1981 and 1988 (Bil of \$)

	U.S. Investments Abroad(Assets)		Foreign Investments in U. S.(Liabilities)		Balance	
	1981	1988	1981	1988	1981	1988
Total	719.6	1,253.6	578.7	1,786.2	140.9	-532.5
Europe	202.6	431.0	252.5	867.9	-49.9	-436.9
Asia (Japan)	44.7	156.3	43.4	284.8	1.2	-128.5
Other	472.3	666.3	282.8	633.5	189.6	32.8

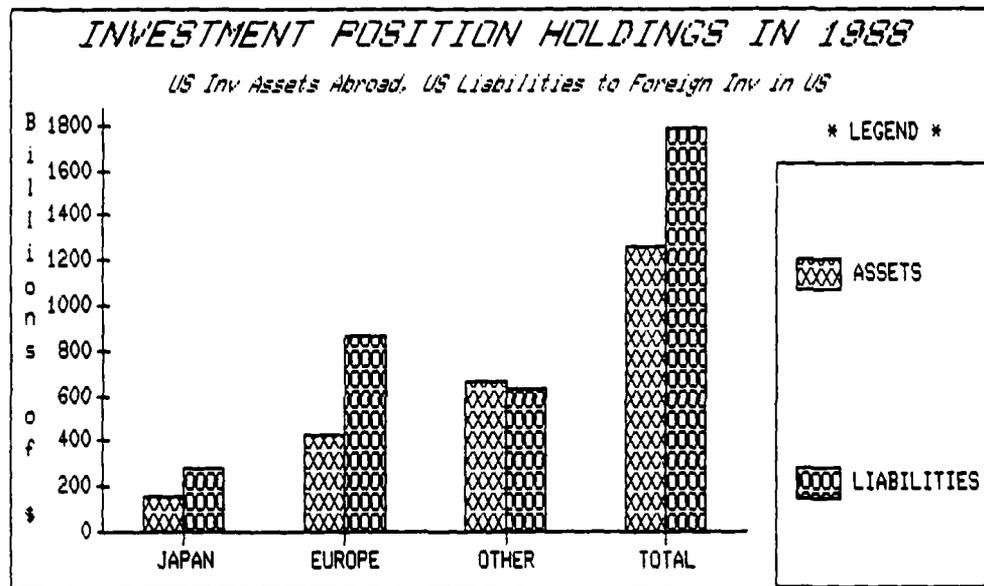


Figure C-2. Investment Holdings in 1988

The economic importance of Asia can be judged by the absolute value of investments with Japan. U.S. investments in Japan were \$156 billion. Japan had investments totaling over \$285 billion in the U.S. in 1988. Although Japan has the world's highest per capita income and the second largest GNP, its investment relationship with the U.S. is not as balanced as that of Europe's. Japanese direct investments in the U.S. were over twice those of U.S. direct investments in Japan. Direct investment in Japanese corporations by U.S. business is disproportionately small compared to Europe. The United Kingdom was our largest direct investor in 1988, with twice the investments of Japan. Other leading investors in the U.S. were Germany, Netherlands, and France as shown in Appendix 4.

Changes in Investment Holdings. As Table C-3 shows, the international investments of countries in each other's economies has grown substantially from 1981 to 1988. Table C-4 shows the annual change for these years. These changes in holdings reflect the changes in the flow of assets as well as changes in exchange rates and price levels. The balance column shows a reversal of growth patterns, where foreign countries are now investing at

greater rates in the U.S. than the U.S. is investing in other countries. The result is a net worldwide divestment rate for the U.S. of \$154.2 billion per year. Table C-4 and Figure C-3 show that the negative balance of the U.S. with Japan now rivals the net flow to Europe.

Table C-4. Changes in Investment Holdings for 1981 and 1988 (Bil of \$)

	U.S. Investments Abroad(Assets)		Foreign Investments in U.S.(Liabilities)		Balance	
	1981	1988	1981	1988	1981	1988
Total	112.5	84.0	77.9	238.2	34.7	-154.2
Europe	26.9	28.4	8.3	74.8	18.6	-46.4
Asia (Japan)	7.4	42.9	8.6	87.1	-1.2	-44.2
Other	78.2	12.7	61.0	76.3	17.3	-63.6

Source: Reference 8.

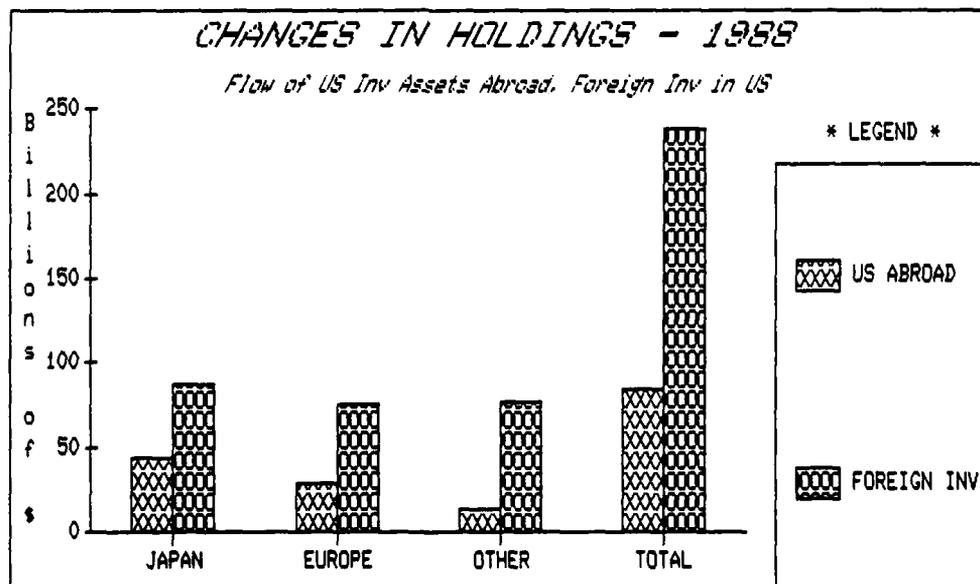


Figure C-3. Changes in Holdings - 1988

SECTION D: ENERGY SOURCE FLOWS

APER AND EEC FOSSIL FUEL FLOW IN THE USPACOM

Fuel products are consumables that require replenishment. The nature of their use is as an ever-flowing resource. U.S. Pacific Command fuel sources must be protected in peacetime as well as in wartime. Figure D-1 summarizes and compares the APER and EEC oil accounts [10,11]. Figure D-2 charts crude oil flow along the Sea Lines of Communication (SLOCs) in the Indian and western Pacific Oceans. Figures D-3 and D-4 show coal and natural gas flows within the same area [11]. The only other significant

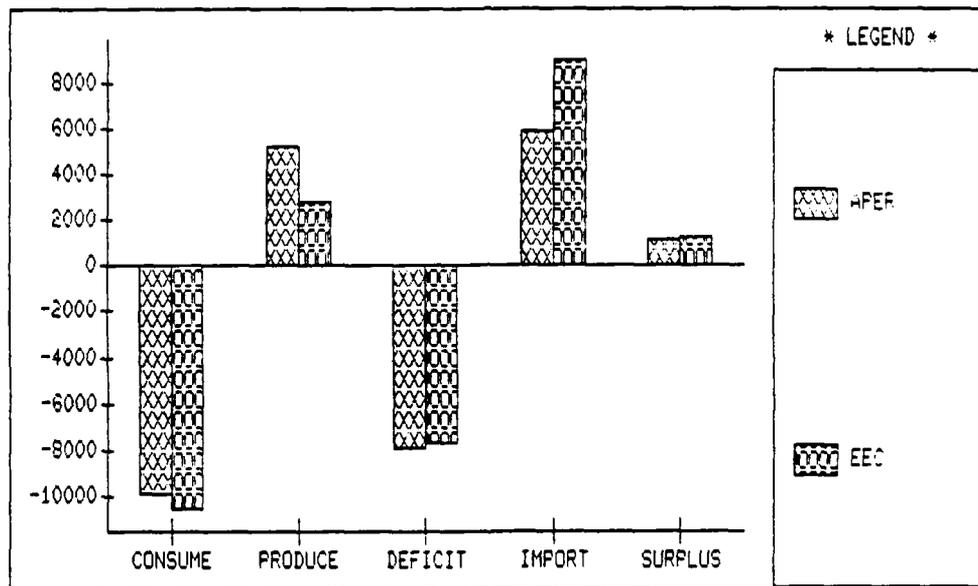


Figure D-1. APER and EEC Oil Accounts (Barrels/day)

energy source for the APER is nuclear electric power. Japan (ten percent), South Korea, and Taiwan produced 15 percent of the world's nuclear power in 1987. The EEC produced twice that of the APER. France produced half of the nuclear power in the EEC, the same as all of the APER nuclear power production.

Figure D-1 and Tables 5-1 and 5-2 of Appendix 5, show that daily oil consumption in the APER and EEC is comparable. However, the APER produces almost twice as much as, and imports 34 percent less than, the EEC. Surpluses are similar.

The APER uses the equivalent of 62 percent of U.S. oil consumption and eight percent more than the USSR. The APER produces half of what it consumes and imports 44 percent from outside the APER. The EEC uses the equivalent of 50 percent of U.S. consumption and 14 percent more than the USSR. The EEC produces about one-quarter of what it uses and imports 59

percent from out European and USSR sources. West Germany and Italy together consume about as much oil as Japan.

The APER produces 26 percent of its oil, 14 percent comes primarily from sources in the Americas, and 60 percent is imported from Africa and the Persian Gulf. About 23 tankers per day (8,400 per year) carry oil along the Indian Ocean and western Pacific SLOCs, mainly from the Persian Gulf sources (Figure D-2). The EEC gets 29 percent of its oil from European and USSR sources. Twenty-nine percent is also imported to the EEC from African sources, 36 percent comes from the Persian Gulf, and the remaining six percent is from the Americas.

Figure D-3 shows coal flow in the Indian and western Pacific Oceans. The bulk of this flow goes to Japan, mainly from Australia. About 25 bulk carriers per day (9,200 per year) move this coal via the western Pacific SLOCs.

Figure D-4 shows natural gas flow, primarily from Indonesia and Brunei. About 2.4 tankers per day (880 per year) ply the South China Sea/Japan SLOCs to deliver this liquid gas.

About 50 tankers and bulk carriers transit the Indian Ocean or western Pacific daily to support APER energy requirements. This equates to over 18,000 energy-related ship transits annually. The APER energy ship requirements are summarized below:

<u>Commodity</u>	<u>Loads/day</u>	<u>Transits/day</u>	<u>Transits/year</u>
Oil	11.5	23.0	8,400
Coal	12.6	25.2	9,200
Gas	1.2	2.4	880
Totals	25.3	50.6	18,480

Japan's oil consumption for the year 2000 is projected to be 4.7 million barrels/day; about a four percent increase over 1986. For a comparison of values, U.S. consumption will rise by 14 percent and West Germany's will increase eight percent [12]. The table below is the projected consumption of energy sources for Japan, West Germany, and the United States for the year 2000. All are increases in percent over the 1986 actual base.

	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Nuclear</u>
Japan	4	18	140	81
West Germany	8	8	30	32
United States	14	30	25	39

Indicated is Japan's definite emphasis towards cleaner fuels in the next decade.

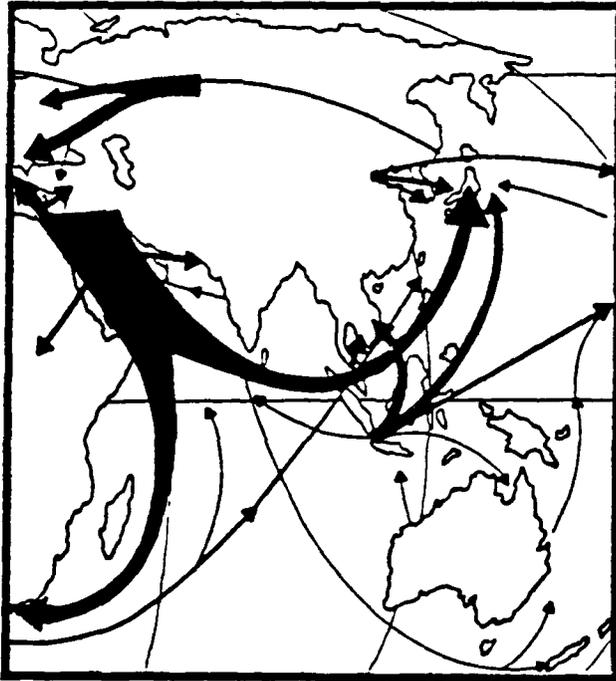


Figure D-2. Crude Oil Flow

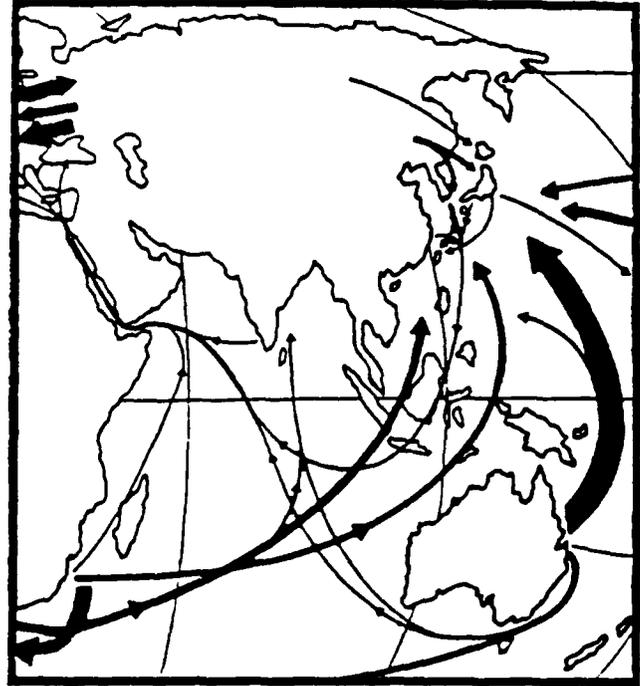


Figure D-3. Coal Flow

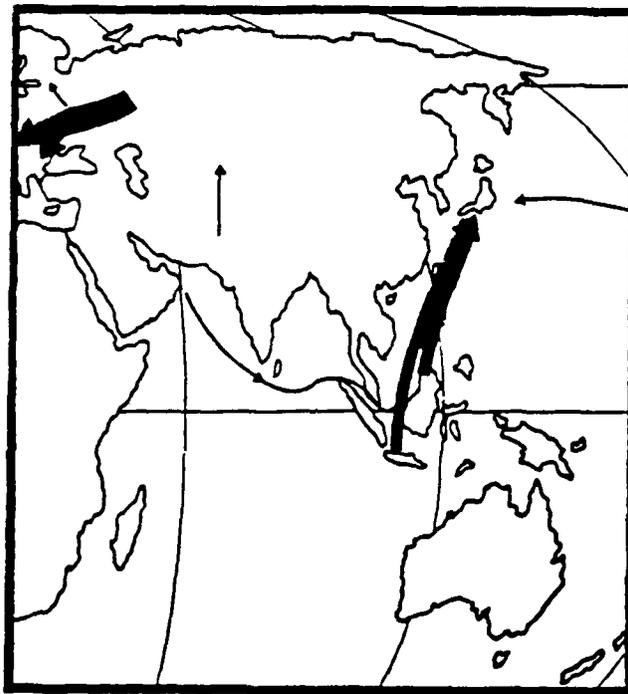


Figure D-4. Natural Gas Flow

Source: Reference 11

APPENDIX 1:

ECONOMIC OVERVIEW OF COUNTRIES IN THE ASIA-PACIFIC REGION (Excerpted from Reference 5)

AUSTRALIA

Australia has a diversified economy, with a relatively high level of prosperity estimated at \$12,580 -- comparable to levels in industrialized West European countries. Rich in natural resources, Australia is a major exporter of agricultural products, minerals, metals, and fossil fuels. Of the top 25 exports, 21 are primary products, so that, as happened during 1983-84, a downturn in world commodity prices can have a big impact on the economy. Growth in GNP remains sluggish with only a 1.7 percent increase estimated for 1987 and a similar rate projected for 1988. Unemployment rates remain high at seven percent. Military budget: \$5.262 billion, ten percent of the central government budget; 2.6 percent of Australia's GNP.

BRUNEI

The economy is almost totally supported by exports of crude oil and natural gas, with revenues from the petroleum sector accounting for more than 70 percent of GDP. Per capita income of over \$13,000 is among the highest in the world. The government provides for all medical services and subsidizes food and housing. Military budget: \$197.6 million, 17 percent of the central government budget; 6.4 percent of Brunei's GNP.

CHINA

China's seventh Five-Year Plan (1986-1990) calls for reforms in the fiscal, financial, banking, price, and labor systems to support continued economic growth. [Note: The direction of the Plan may change in light of the June 1989 Beijing's Tiananmen Square incident.] Light and Heavy industry is planned to grow by 7.5 percent a year, agriculture by four percent, and foreign trade by seven percent -- growth rates lower than those recorded in 1981-1985. Despite the good economic results of the past ten years, China remains one of the world's poorest countries with a per capita income of \$320. Most of the labor force is engaged in agriculture, although only 11 percent of the land is cultivated. They are self-sufficient in grain and is the world's largest producer of rice, millet, barley, and sorghum. Agricultural products also account for a large share of export earnings. The industrial sector's share of real GNP increased from 39 percent in 1984 to 43 percent in 1987, while agriculture's share dropped from 31 to 26 percent. China has vast and largely untapped energy and mineral resources. As part of the drive to modernize its economy, China has pursued a more liberal economic policy in the 1980's. Peasants are now allowed to lease land from the state and to retain earnings after meeting contractual obligations to deliver grain to the state. Joint ventures and foreign loans are now accepted, and commercial links have been diversified. Military budget: \$16 billion, 4.6 percent of China's GNP.

HONG KONG

Hong Kong has a free-market economy and is autonomous in financial affairs. Natural resources are limited and food and raw materials must be imported. Manufacturing is the backbone of the economy, accounting for more than 20 percent of GDP, employing 36 percent of the labor force, and exporting about 90 percent of output. In 1986 real GDP rose by 8.7 percent, a sharp rebound from the 0.6 percent of 1985, largely because of increased exports. The unemployment rate, which has been declining over the past four years, reached a new low of two percent in 1987. A shortage of labor continues to put upward pressure on prices and the cost of living. Military budget: \$293.3 million, 4.3 percent of the central government budget; 0.6 percent of Hong Kong's GNP. Hong Kong's defense is the responsibility of the United Kingdom.

INDONESIA

Indonesia has extensive natural wealth but, with a large and rapidly increasing population, it remains a relatively poor country. GNP growth rates during the period 1985-87 were in the 2-3 percent range. Estimates show that the economy must grow at a four to five percent annual rate to absorb the nearly two million workers annually entering the labor force. Agriculture, including forestry and fishing, is the most important sector, accounting for 25 percent of GDP and over 50 percent of the labor force. The staple crop is rice. Once the world's largest rice importer, Indonesia is now nearly self-sufficient. Plantation crops -- rubber and palm oil -- are being encouraged for both export and job generation. The diverse natural resources include crude oil, natural gas, timber, metals, and coal. Of these, the oil sector dominates the external economy, generating more than 60 percent of the government's revenues and over 50 percent of export earnings in 1987. Military budget: Data not available.

JAPAN

Although Japan has few natural resources, since 1971 it has become the world's third largest industrial economy, ranking behind only the U.S. and the USSR. Government-industry cooperation, a strong work ethic, and a comparatively small defense allocation have helped Japan advance rapidly, notably in high-technology fields. Industry is the most important sector of the economy, but is heavily dependent on imported raw materials and fuels. Self-sufficient in rice, Japan must import 50 percent of its requirements for other grain and fodder crops. Japan maintains one of the world's largest fishing fleets and accounts for nearly 15 percent of the total global catch. During 1988 the economy completed its adjustment to the doubling in value of the yen since 1985, leading in increases in Japan's global trade surplus in the latter part of the year. Inflation remains under one percent as the strong yen dampens domestic prices. Military budget: \$28.8 billion, five percent of the central government budget; 1.5 percent of Japan's GNP.

KOREA, SOUTH

The driving force behind the economy's phenomenal growth has been the planned development of an export-oriented economy. South Korea is now one of the fastest growing and most dynamic of the industrializing countries in the world. GNP increased 13 percent in both 1986 and 1987 and 12 percent in 1988. Such a rapid rate of growth was achieved with an inflation rate of only three percent in the period 1986-87, rising to seven percent in 1988. Unemployment is also low, and some labor bottlenecks have appeared in several processing industries. A booming economy and soaring export earnings have enabled the nation to make early repayment of some of its large foreign debt. Military budget: \$9.2 billion, 34.2 percent of the central government budget; 5.3 percent of South Korea's GNP.

MALAYSIA

The economy is based on fishing, tourism, and shipping. Agriculture is limited to the production of a few subsistence crops that provide only ten percent of food requirements. Fishing is the largest industry, employing 80 percent of the work force and accounting for over 60 percent of exports; it is also an important source of government revenue. During the 1980s tourism has become one of the most important and high-growth sectors of the economy. In 1985 industry accounted for about 12 percent of GDP. Real GDP is officially estimated to have increased by about ten percent annually during the period 1974-1986, and GDP estimates for 1987 show a further growth of nine percent on the strength of a record fish catch and an improved tourist season. Military budget: \$908 million, 3.36 percent of the central government budget; 2.6 percent of Malaysia's GNP.

NEW ZEALAND

The economy continues to remain sluggish. Agricultural exports have been suffering from a drop in world commodity prices and shrinking quotas in the key European Community market. In 1988 unemployment reached a near record, while inflation dropped to about five percent. Interest rates have been at a high of about 20 percent. Military budget: \$789 million, 5.1 percent of the central government budget; 2.8 percent of New Zealand's GNP.

PHILIPPINES

The economy continues to recover from the political turmoil following the ouster of former President Marcos. After two consecutive years of economic contraction (1984 and 1985), the economy once more had positive growth during 1986-87. The agricultural sector, together with forestry and fishing, plays an important role in the economy, employing about 50 percent of the work force and providing almost 30 percent of GDP. The Philippines is the world's largest exporter of coconuts and coconut products. Manufacturing contributed about 25 percent of GDP. Major industries include food processing, chemicals, and textiles. Military budget: \$1.4 billion, 13.3 percent of the central government budget; 4.2 percent of the Philippine's GNP.

SINGAPORE

Singapore has an open community with strong service and manufacturing sectors and an excellent international trading link derived from its entrepot history. During the 1970s and early 1980s the economy expanded rapidly, achieving an average annual growth rate of nine percent. Per capita GDP is among the highest in Asia. In 1985 the the economy registered its first drop in 20 years and achieved less than a two percent increase in 1986. Estimates for 1988 suggest a 10.9 percent growth rate based on rising demand for Singapore's products in OECD countries, a strong Japanese yen, and improved competitiveness of domestic manufactures. In 1988 the inflation rate was insignificant at 1.5 percent, and unemployment dropped below four percent. Military budget: \$1.3 billion, 21 percent of the central government budget; 5.4 percent of Singapore's GNP.

TAIWAN

One of the world's most dynamic economies, real growth in GNP has averaged about nine percent a year during the past three decades. Export growth has been even faster and provided the impetus for industrialization. Agriculture contributes about six percent to GNP, down from 35 percent in 1952. Taiwan currently ranks in the top 20 percent of major trading nations. Military budget: \$6.79 billion, 7.4 percent of the central government budget; 7.4 percent of Taiwan's GNP.

THAILAND

Thailand is one of the more advanced developing countries in Asia, with a per capita income of \$965. During the past decade the relative importance of agriculture to the economy has declined and presently accounts for only 16 percent of GDP. Nevertheless, agriculture employs about 70 percent of the labor force. Industry accounts for about 24 percent of GDP, a share that has not changed much during the past decade. During the same period, the share of industrial exports has steadily increased to almost 60 percent of total exports. Military budget: \$1.62 billion, 18 percent of the central government budget; 3.1 percent of Thailand's GNP.

APPENDIX 2:

ECONOMIC OVERVIEW OF COUNTRIES IN THE EUROPEAN ECONOMIC COMMUNITY (Excerpted from Reference 5)

BELGIUM

Belgium's economy is based on diversified industrial and commercial activities. Industry is mostly concentrated in the populous Flemish area in the north, though the government is encouraging reinvestment in the southern region of Walloon. Belgium has few natural resources so must import essential raw materials, making its economy highly dependent on state of world markets. In 1988 over 70 percent of trade was with other ex. During the period 1986-88 the economy profited from falling oil prices and a lower dollar, which helped to improve the terms of trade. Consequently, real GDP grew by 2.9 percent up from 1.5 percent in 1985. However, a large budget deficit, equal to about 7.7 percent of GNP, and a nearly 11 percent unemployment rate, cast a shadow on the economy. Military budget: \$4.29 billion, 7.6 percent of the central government budget; 2.8 percent of Belgium's GNP.

DENMARK

The highly diversified economy of Denmark is heavily dependent on foreign trade (including services), which accounts for 40 percent of GDP. Over the past 30 years manufacturing has gradually replaced agriculture as the most important sector. In 1987 about 60 percent of total exports came from manufactured products compared to 30 percent from agriculture. Military budget: \$2.235 billion, 7.3 percent of the central government budget; 2.2 percent of Denmark's GNP.

FRANCE

One of the world's most developed economies, France has substantial agricultural resources and a highly diversified modern industrial sector. Large tracts of fertile land, the application of modern technology, and subsidies have combined to make it the leading agricultural producer in Western Europe. France is largely self-sufficient in agricultural products and is a major exporter of wheat and dairy products. The industrial sector generates about one-third of GDP and employs about one-third of the work force. Major branches of manufacturing are steel, motor vehicles, aircraft, mechanical and electrical engineering, textiles, chemicals, and food processing. During the period 1982-86 economic growth was sluggish, annually averaging only 1.4 percent. The economy has had difficulty generating enough jobs for new entrants into the labor force, resulting in an unemployment rate still over 10 percent, but a downward trend may be beginning with the strong growth of 1988. The steadily advancing economic integration within the European Community is a major force affecting the fortunes of the various economic sectors. Military budget: \$36.7 billion, 16 percent of the central government budget; 3.9 percent of France's GNP.

GERMANY, WEST

The West Germany is a major economic power and one of the world's leading exporters. The country has a modern industrial economy, with a highly urbanized and skilled population that enjoyed a per capita GNP of more than \$18,000 in 1988. The West Germany is poor in natural resources, coal being the most important mineral found in the country. Having a highly skilled labor force but lacking a resource base, West Germany's comparative advantage lies in the technologically advanced production stages. Thus manufacturing and services dominate economic activity, and raw materials and semi-manufactures constitute a large proportion of imports. In 1987 manufacturing accounted for 35 percent of GNP, with other sectors contributing lesser amounts. Military budget: \$35.5 billion, 22 percent of the central government budget; 3.2 percent of West Germany's GNP.

GREECE

The economy is characterized by a strong service sector that accounts for over 55 percent of GDP, and a relatively large, inefficient agricultural sector that contributes 14 percent to GDP and employs 27 percent of the labor force. The industrial sector accounts for 25 percent of GDP, employs 20 percent of the labor force, and provides 50 percent of exports. An estimated 90 percent of businesses employ less than 10 workers, and half of the labor force is self-employed. For 1987 the GNP per capita of \$4,670 was the second-lowest among the Economic Community Countries. Since 1981 the economy has shown little growth; GNP stagnated in 1986. Military budget: \$3.51 billion, 14 percent of the central government budget; 7.5 percent of Greece's GNP.

IRELAND

The economy is small, open, and trade dependent. Agriculture, one the most important sector, is now dwarfed by industry, which accounts for 35 percent of GNP and about 80 percent of exports and employs 20 percent of the labor force. The government has successfully reduced the rate of inflation from double-digit figures in the late 1970s to about two percent in 1988. In 1987, after years of deficits, the balance of payments was brought into the black. Unemployment, however, is a serious problem. A 1988 unemployment rate of 18.5 percent placed Ireland second only to Spain as the country with the worst jobless record in Western Europe. Military budget: \$169 million, 4.3 percent of the central government budget; 0.5 percent of Ireland's GNP.

ITALY

Since World War II the economy has changed from one based on agriculture into the West's sixth-largest industrial economy. The country is still divided into a developed industrial north, dominated by large private

companies and state enterprises and an underdeveloped agricultural south. Services account for 59 percent of GDP, industry 36 percent, and agriculture four percent. Most raw materials needed by industry and over 80 percent of energy requirements must be imported. The economic recovery that began in mid-1983 has continued through 1988. During the period 1984-1988, the economy grew at an annual average rate of three percent -- higher than that of France or West Germany. Military budget: \$19.2 billion, 4.5 percent of the central government budget; 2.4 percent of Italy's GNP.

LUXEMBOURG

Luxembourg enjoys a degree of economic prosperity almost unique among industrialized democracies. The economy is stable and enjoys moderate growth, near zero inflation, and negligible unemployment. Agriculture is based on small but highly productive family-owned farms, and the industrial sector, until recently dominated by steel, has become increasingly more diversified, particularly toward high-technology firms. During the past decade the financial sector's growth has more than compensated for the declining steel industry. Services, especially banking, account for a growing proportion of the economy. Luxembourg participates in an economic union with Belgium on trade and most financial matters. Military budget: \$82 million, 3.5 percent of the central government budget; 1.7 percent of Luxembourg's GNP.

NETHERLANDS

The economy is highly developed and based on private enterprise. The government makes its presence felt, however, through the many regulations and permit requirements affecting most aspects of economic activity. The country maintains a high standard of living with a GNP per capita in excess of \$15,000. The trade and financial services sector contributes over 50 percent of GNP. Industrial activity, including construction, provides about 25 percent of GNP, and is led by the food-processing, oil-refining, and metal working industries. The highly mechanized agricultural sector employs only six percent of the labor force, but provides surpluses for export and domestic food-processing industry. An unemployment rate of over 11 percent and a high government budget deficit are currently the most serious economic problems. Military budget: \$6.78 billion, 9.3 percent of the central government budget; three percent of the Netherlands' GNP.

PORTUGAL

In 1987 Portugal's per capita GDP was among the lowest in Europe at \$3,250. Industry employs about a third of the work force, producing 38 percent of GDP, and agriculture employs 22 percent of the work force and contributes nine percent to GDP. Economic recovery began in mid-1985 after two years of recession and continued through 1987, when GDP posted a 5.0 percent increase. Inflation and unemployment rates also declined to single digit numbers for the first time in a decade. In 1987 record tourist and remittance earnings compensated for a trade deficit, enabling the balance of payments to show a surplus. Military budget: \$1.27 billion, 8.7 percent of the central government budget; 3.8 percent of Portugal's GNP.

SPAIN

The economy has done well since Spain joined the European Economic Community in 1986. With an estimated 5.5 percent increase in real GDP in 1987, economic growth was double the average for the EEC. Increased investment (up 14.4 percent) was the most important factor pushing the economic expansion. Inflation moderated to 5.3 percent, in line with efforts to move inflation down to the EEC average of 3.2 percent. The most serious economic problem facing Spain is an unemployment rate of 20.6 percent, the highest in Europe. Military budget: \$7.3 billion, 8.7 percent of the central government budget; 2.5 percent of Spain's GNP.

UNITED KINGDOM

The UK is one of the world's great trading powers and financial centers, and its economy ranks among the four largest in Europe. Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60 percent of food needs with only 1.1 percent of the labor force. Industry is a mixture of public and private enterprises, employing about 23 percent of the work force and generating 22 percent of GNP. The UK is an energy-rich nation with large coal, natural gas, and oil reserves; primary energy production accounts for 12 percent of GNP, one of the highest shares of any industrial nation. Following the recession of 1979-81, the economy has enjoyed the longest period of continuous economic growth it has had during the last 30 years. During the period 1982-88 real GNP grew by about 22 percent, while the inflation rate dropped from 14 to 4.9 percent. Between 1986 and 1988 unemployment fell from 11 to 8 percent. Military budget: \$35.09 billion, 16 percent of the central government budget; 4.6 percent of the United Kingdom's GNP.

APPENDIX 3: U. S. ASIA-PACIFIC ECONOMIC REGION AND EUROPEAN ECONOMIC
COMMUNITY EXPORT AND IMPORT DATA

Table 3-1. U. S. EXPORTS TO EUROPEAN AND ASIA-PACIFIC COUNTRIES

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
EUROPEAN REGION								
BELGIUM/LUXEMBOURG	5.70	5.20	5.10	5.30	4.90	5.30	6.20	7.40
DENMARK	0.80	0.70	0.60	0.60	0.70	0.70	0.90	1.00
FRANCE	7.30	7.10	5.90	6.10	6.10	7.20	7.90	10.10
GERMANY, WEST	10.20	9.20	8.70	9.10	9.10	10.50	11.70	14.30
GREECE	0.60	0.70	0.50	0.40	0.40	0.40	0.40	.60
IRELAND	0.90	0.90	1.10	1.30	1.30	1.40	1.80	2.20
ITALY	5.30	4.60	3.90	4.30	4.60	4.80	5.50	6.80
NETHERLANDS	8.50	8.60	7.70	7.50	7.20	7.80	8.20	10.10
PORTUGAL	1.10	0.80	1.20	0.90	0.60	0.60	0.60	.80
SPAIN	3.50	3.50	2.90	2.50	2.50	2.60	3.10	4.20
UNITED KINGDOM	12.40	10.60	10.60	12.20	11.20	11.40	14.10	18.40
TOTALS	56.30	51.90	48.20	50.20	48.60	52.70	60.40	75.90
ASIA-PACIFIC REGION								
AUSTRALIA/NZ	6.10	5.30	4.50	5.40	6.10	6.30	6.30	7.90
BRUNEI	0.04	0.07	0.05	0.03	0.05	0.20	0.09	.08
CHINA (PRC)	3.60	2.90	2.10	3.10	3.80	3.10	3.50	5.00
HONG KONG	2.60	2.40	2.50	3.10	2.70	3.10	3.90	5.70
INDONESIA	1.30	2.10	1.40	1.20	0.80	0.90	0.70	1.10
JAPAN	21.80	20.90	21.80	23.50	22.60	26.90	28.20	37.70
KOREA, SOUTH	5.10	5.50	5.90	5.90	5.90	6.30	8.10	11.30
MALAYSIA	1.50	1.70	1.60	1.80	1.50	1.70	1.90	2.10
PHILIPPINES	1.70	1.80	1.80	1.70	1.30	1.30	1.60	1.90
SINGAPORE	3.10	3.20	3.70	3.60	3.40	3.30	4.10	5.80
TAIWAN	4.30	4.30	4.60	5.10	4.70	5.50	7.40	12.10
THAILAND	1.10	0.90	1.10	1.10	0.80	0.90	1.50	2.00
TOTALS	52.24	51.07	51.05	55.53	53.65	59.50	67.29	92.68
WORLD	238.70	216.40	205.60	223.90	218.80	226.80	252.80	321.80

In billions of dollars compiled from Reference 6 data.

Table 3-2. U. S. IMPORTS FROM EUROPEAN AND ASIA-PACIFIC COUNTRIES

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
EUROPEAN REGION								
BELGIUM/LUXEMBOURG	2.40	2.50	2.50	3.20	3.50	4.10	4.40	4.70
DENMARK	0.80	0.90	1.10	1.50	1.70	1.80	1.90	1.80
FRANCE	6.10	5.80	6.30	8.50	9.90	10.50	11.20	12.70
GERMANY, WEST	11.90	12.50	13.20	17.80	21.20	26.10	28.10	27.40
GREECE	0.30	0.20	0.20	0.30	0.40	0.40	0.50	.60
IRELAND	0.50	0.60	0.60	0.80	0.90	1.10	1.60	1.40
ITALY	5.50	5.60	5.80	8.50	10.30	11.30	11.70	12.30
NETHERLANDS	2.50	2.60	3.10	4.30	4.30	4.30	4.20	4.90
PORTUGAL	0.20	0.30	0.30	0.50	0.50	0.60	0.70	.70
SPAIN	1.60	1.60	1.60	2.60	2.70	2.90	3.10	3.50
UNITED KINGDOM	13.30	13.50	12.90	15.10	15.50	16.10	18.10	18.70
TOTALS	45.10	46.10	47.10	63.10	70.90	79.20	85.50	88.70
ASIA-PACIFIC REGION								
AUSTRALIA/NZ	3.50	3.30	3.20	3.60	3.90	3.80	4.50	5.20
BRUNEI	0.30	0.20	0.02	0.01	0.01	0.06	0.01	.03
CHINA(PRC)	2.10	2.50	2.40	4.20	5.20	5.20	6.90	9.30
HONG KONG	5.70	5.80	6.80	8.80	8.90	9.40	10.50	10.8
INDONESIA	6.40	4.50	5.60	5.80	4.90	3.60	3.70	3.50
JAPAN	39.90	39.90	43.50	60.30	72.30	85.40	88.10	93.20
KOREA, SOUTH	5.40	6.10	7.60	10.10	10.70	13.40	17.90	21.20
MALAYSIA	2.20	1.90	2.20	2.80	2.30	2.50	3.10	3.90
PHILIPPINES	2.10	1.90	2.10	2.60	2.30	2.10	2.50	2.90
SINGAPORE	2.10	2.20	2.90	4.10	4.40	4.80	6.40	8.20
TAIWAN	8.60	9.50	12.10	16.10	17.70	21.20	26.40	26.30
THAILAND	1.10	0.90	1.10	1.40	1.50	1.80	2.40	3.40
TOTALS	79.40	78.70	89.52	119.81	134.11	153.26	172.41	187.93
WORLD	273.40	254.90	269.90	346.40	352.50	382.90	424.10	460.20

In billions of dollars compiled from Reference 6 data.

Table 3-3. U. S. TRADE BALANCE WITH EUROPE AND ASIA-PACIFIC COUNTRIES

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
EUROPEAN REGION								
BELGIUM/LUXEMBOURG	3.30	2.70	2.50	2.10	1.40	1.20	1.80	2.70
DENMARK	-0.01	-0.20	-0.50	-0.90	-1.10	-1.10	-0.90	-0.80
FRANCE	1.20	1.30	-0.30	-2.40	-3.80	-3.40	-3.30	-2.60
GERMANY, WEST	-1.60	-3.30	-4.50	-8.70	-12.20	-15.50	-16.20	-13.10
GREECE	0.30	0.60	0.20	0.07	0.07	0.00	-0.10	0.60
IRELAND	0.50	0.40	0.50	0.50	0.40	0.40	0.60	0.08
ITALY	-0.20	-1.10	-1.90	-4.10	-5.70	-6.50	-6.10	-5.50
NETHERLANDS	6.10	5.90	4.60	3.20	2.90	3.40	3.90	5.20
PORTUGAL	0.80	0.50	0.90	0.40	0.09	0.03	-0.10	0.01
SPAIN	1.80	1.90	1.20	-0.06	-0.20	-0.30	0.04	0.70
UNITED KINGDOM	-0.80	-2.90	-2.30	-2.80	-4.30	-4.60	-3.90	-0.30
TOTALS	11.39	5.80	0.40	-12.69	-22.44	-26.37	-24.36	-12.83
ASIA-PACIFIC REGION								
AUSTRALIA/NZ	2.60	1.90	1.30	1.60	2.10	2.40	1.90	2.80
BRUNEI	-0.30	-0.10	0.03	0.02	0.05	0.10	0.07	.05
CHINA (PRC)	1.50	0.40	-0.30	-0.40	-0.40	-2.10	-3.40	-4.20
HONG KONG	-3.10	-3.40	-4.20	-5.80	-6.20	-6.40	-6.60	-5.10
INDONESIA	-5.10	-2.50	-4.10	-4.60	-4.10	-2.70	-2.90	-2.40
JAPAN	-18.10	-18.90	-21.60	-36.80	-49.70	-58.60	-59.80	-55.40
KOREA, SOUTH	-0.40	-0.50	-1.70	-4.10	-4.70	-7.10	-9.90	-9.90
MALAYSIA	-0.70	-0.20	-0.50	-0.90	-0.80	-0.80	-1.10	-1.70
PHILIPPINES	-0.30	-0.10	-0.30	-0.80	-0.90	-0.70	-0.80	-1.00
SINGAPORE	0.80	0.90	0.80	-0.40	-0.90	-1.50	-2.30	-2.50
TAIWAN	-4.30	-5.20	-7.40	-11.10	-13.10	-15.70	-18.90	-14.10
THAILAND	-0.30	-0.10	-0.20	0.00	0.20	0.40	0.30	-1.50
TOTALS	-27.70	-27.80	-38.17	-63.28	-78.45	-92.70	-103.43	-94.95
WORLD	-34.70	-38.40	-64.20	-122.40	-133.60	-155.10	-170.30	-138.40

In billions of dollars compiled from Reference 6 data.

APPENDIX 4: TRENDS IN INVESTMENT

Table 4-1. FOREIGN DIRECT INVESTMENT IN THE U.S.
(in \$ Million)

	1982	1983	1984	1985	1986	1987
EUROPE:	83,193	92,936	108,211	121,413	144,181	177,963
EC (10):						
*BELGIUM	1,904	2,261	2,548	2,291	2,487	2,598
*DENMARK	274	308	404	577	552	728
*FRANCE	5,708	5,726	6,591	6,670	17,250	10,195
*GERMANY	9,850	10,845	12,330	14,816	1,323	19,637
*GREECE	50	57	90	na	256	268
*IRELAND	132	219	285	na	360	467
*ITALY	1,120	1,238	1,438	1,237	1,237	1,230
*LUXEMBOURG	336	297	753	345	263	154
*NETHERLANDS	26,191	29,182	33,728	37,056	40,717	47,048
*UNITED KINGDOM	28,447	32,152	38,387	43,555	55,935	55,935
OTHER EUROPE:						
AUSTRIA	140	210	243	127	118	119
NORWAY	243	311	311	396	241	498
*PORTUGAL	15	14	-4	0	18	23
*SPAIN	273	194	231	273	350	421
SWEDEN	1,739	2,124	2,258	2,357	3,963	4,699
SWITZERLAND	6,378	7,464	8,146	10,568	12,058	14,343
TURKEY	0	0	1	1	1	2
OTHER	393	334	471	1,144	7,052	19,598
ASIA-PACIFIC REGION						
APER:	10,972	13,028	19,253	23,733	33,924	41,555
+JAPAN	9,677	11,336	16,044	19,313	26,824	33,361
+AUSTRALIA	730	930	2,125	3,264	5,466	6,373
+NEW ZEALAND	96	98	52	72	97	192
+HONG KONG	229	324	659	640	605	699
+INDONESIA	-5	-2	15	49	37	40
+MALAYSIA	14	22	22	16	39	6
+PHILIPPINES	102	116	121	118	113	122
+SINGAPORE	97	186	208	242	169	358
+SOUTH KOREA	-55	-57	-81	-101	383	210
+TAIWAN	80	69	70	107	177	138
+THAILAND	7	6	18	13	14	56
INDIA	7	12	16	19	18	11
CANADA	11,708	11,434	15,286	17,131	20,318	21,732
WORLD	124,677	137,061	164,583	184,615	220,414	261,927

+ = APER (Brunei and China, no data)

* = EEC

Compiled from Reference 8 data.

Table 4-2. U.S. DIRECT INVESTMENT POSITION ABROAD
(in \$ Million)

	1981	1982	1983	1984	1985	1986	1987	1988
EUROPE:	101,318	99,459	102,461	92,017	106,762	123,183	146,243	152,232
EC (10):								
*BELGIUM	6,275	5,268	5,146	4,602	5,105	6,302	6,757	7,224
*DENMARK	1,362	1,149	1,401	1,144	1,282	1,317	1,091	1,191
*FRANCE	9,102	7,807	6,900	6,224	7,835	9,471	11,771	12,495
*GERMANY	16,077	15,860	15,994	14,794	16,746	20,344	24,792	21,673
*GREECE	222	306	249	257	222	194	132	194
*IRELAND	2,611	3,114	3,674	2,839	3,748	4,250	5,135	5,743
*ITALY	5,356	4,642	4,790	4,592	5,644	6,987	9,008	9,075
*LUXEMBOURG	627	1,149	1,223	399	461	495	787	756
*NETHERLANDS	8,775	8,566	8,649	6,201	7,064	11,874	14,361	15,367
*UNITED KINGDOM	30,086	29,914	30,851	28,635	33,963	34,990	42,031	47,991
OTHER EUROPE:								
AUSTRIA	596	584	551	521	477	420	714	1,167
NORWAY	2,300	3,018	3,460	2,822	3,297	3,798	3,844	3,834
*PORTUGAL	304	271	206	205	216	283	412	4,255
*SPAIN	2,877	2,553	2,440	2,186	2,598	3,111	3,789	4,368
SWEDEN	1,403	1,099	968	851	929	1,043	1,111	1,089
SWITZERLAND	12,437	13,326	15,065	14,865	16,230	17,458	19,518	18,672
TURKEY	210	136	141	228	224	224	207	193
OTHER	698	694	754	651	720	588	783	775
ASIA-PACIFIC REGION								
APER:	26,758	27,985	30,099	31,819	32,616	35,777	42,800	49,154
+JAPAN	6,807	6,928	8,059	7,920	9,095	11,333	14,671	16,868
+AUSTRALIA	8,779	8,488	8,627	8,674	8,564	8,384	11,143	13,058
+NEW ZEALAND	616	588	578	510	549	488	732	826
+HONG KONG	2,655	3,015	3,310	3,249	3,124	3,580	4,390	5,028
+INDONESIA	1,861	2,615	3,042	3,987	4,087	4,305	3,050	3,006
+MALAYSIA	849	1,030	1,118	1,175	1,217	1,074	1,019	1,363
+PHILIPPINES	1,294	1,297	1,102	1,264	983	1,117	1,220	1,305
+SINGAPORE	1,791	1,822	1,965	1,943	1,897	2,291	2,462	3,005
+SOUTH KOREA	778	829	650	731	757	792	1,003	1,302
+TAIWAN	574	622	695	736	754	860	1,280	1,546
+THAILAND	551	585	729	1,088	1,022	1,048	1,274	1,126
+OTHER	203	166	224	542	567	505	556	721
INDIA	431	465	463	403	466	450	439	457
CANADA	46,957	46,183	47,538	46,830	46,435	50,178	58,377	61,244
WORLD	227,342	221,512	226,117	212,994	232,667	259,890	307,983	326,900

+ = APER (Brunei and China, no data)

* = EEC

Compiled from Reference 8 data.

Figure 4-1.

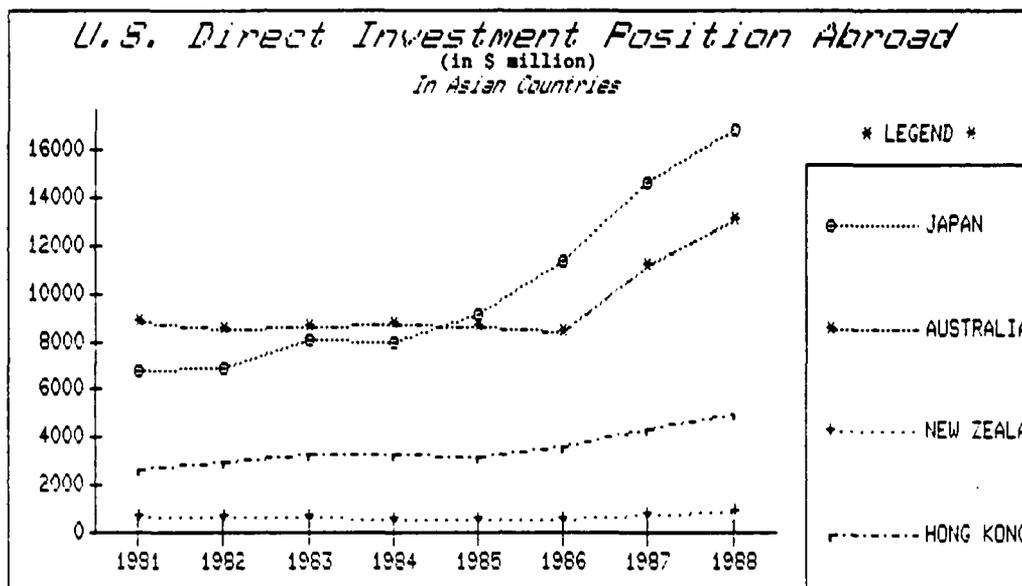


Figure 4-2.

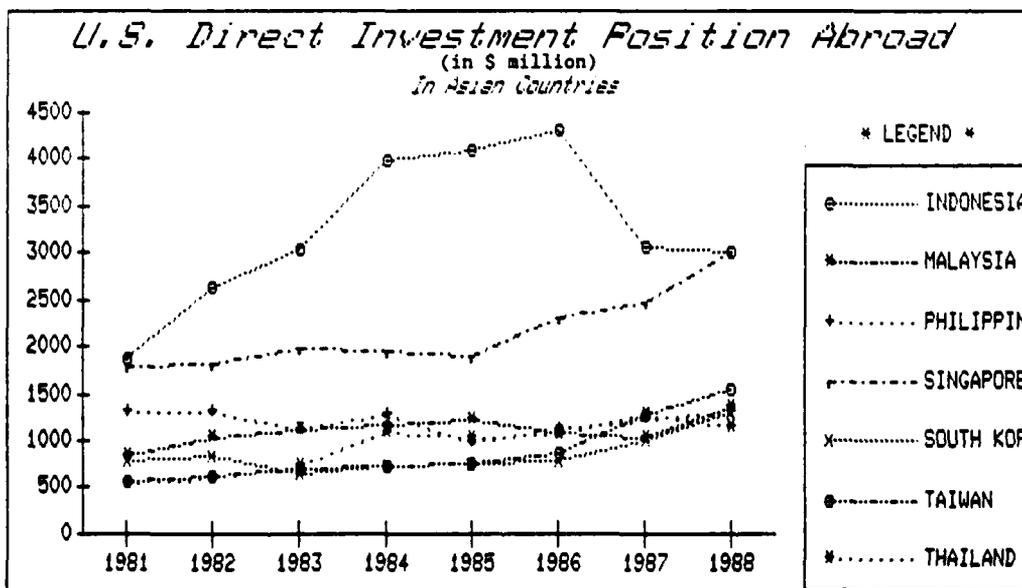
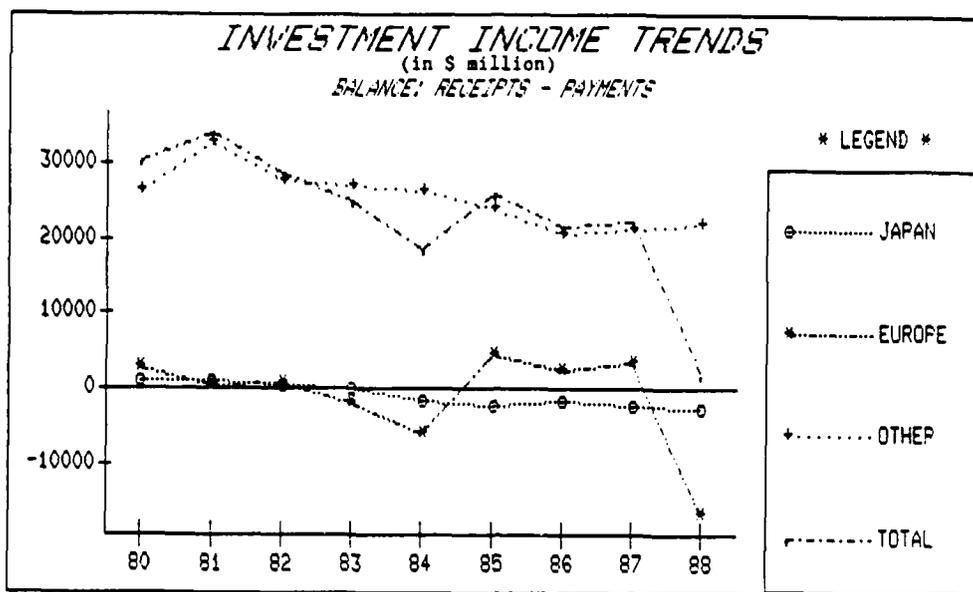


Figure 4-3.



APPENDIX 5: APER AND EEC OIL ACCOUNTS

Table 5-1.

Asia-Pacific Economic Region Oil Account
(000 Barrels/day)

Country	Production (1988)	Consumption (1987)	Surplus(+) Deficit(-)	Imports	Surplus
Aust/NZ	580	720	-140		
Brunei	138	*	+138		
China (PRC)	2,733	2,085	+648		
Hong Kong	0	*	*		
Indonesia	1,338	*	*		
Japan	12	4,510	-4,498		
Korea, South	0	*	*		
Malaysia	540	*	*		
Philippines	9	*	*		
Singapore	0	*	*		
Taiwan	3	*	*		
Thailand	38	*	*		
Totals	4,907	9,900	-4,709	5,874**	1,165***

* = Data for these countries were combined in Reference 11 as:

Consumption 2,585 Deficit -845

Baseline Comparisons:

U.S.	8,166	15,955	-7,789
USSR	12,446	9,090	+3,356

**	From	Bbls/da	(%)	% Change (from previous year)
	Africa & Middle East	3,527	(60)	-6%
	Asia-Pacific	1,546	(26)	-7%
	Americas & Other Areas	801	(14)	+64%

*** 1,165 bbls/day (20%) surplus for industry contingency stockpile at rate of one consumption day per 8.5 import days. For example, this helps Japan maintain a 120-day stockpile of oil.

Compiled from Reference 10 and 11 data.

Table 5-2.

European Economic Community Oil Account
(000 Barrels/day)

<u>Country</u>	<u>Production</u> (1988)	<u>Consumption</u> (1987)	<u>Surplus(+)</u> <u>Deficit(-)</u>	<u>Imports</u>	<u>Surplus</u>
Belgium/Lux	0	485	-485		
Denmark	96	205	-109		
France	69	1,835	-1,766		
Germany, West	79	2,430	-2,351		
Greece	22	260	-238		
Ireland	0	85	-85		
Italy	93	1,845	-1,752		
Netherlands	84	695	-611		
Portugal	0	195	-195		
Spain	30	935	-905		
United Kingdom	2,376	1,610	+766		
Totals	2,849	10,580	-7,731	8,943*	1,212**

Baseline Comparisons:

U.S.	8,166	15,955	-7,789
USSR	12,446	9,090	+3,356

*	<u>From</u>	<u>Bbls/da</u>	<u>(%)</u>	<u>% Change</u> (from previous year)
	Africa & Middle East	5,763	(65)	-20%
	Europe & USSR	2,637	(29)	+38%
	Americas & Other Areas	543	(6)	-67%

** 1,212 bbls/day (12%) surplus for industry contingency stockpile at rate of one consumption day per 8.7 import days.

Compiled from Reference 10 and 11 data.

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