International investment is transforming the character of the world economy; for one thing, it is no longer whimsical to speak of a world economy. The output associated with U.S. production in other nations' markets is large in relation to the national GNP's of the industrialized world. While the history of international investment goes back almost as far as the history of international trade, only recently has it emerged as the most important fact of international economic life. The implications of this fact are only beginning to be understood. Here an effort will be made to sketch the basic picture and suggest some of the implications for questions of trade policy.

THE SCOPE OF U.S. DELIVERIES TO FOREIGN MARKETS

The most important trade concept, and one that is essentially new in the structure of world trade, as fundamentally altered by international investment, is that of total deliveries to a market, in contrast to the traditional concept, now secondary in importance, of deliveries (exports) that happen to cross international borders. The aggregate world GNP, excluding Communist countries, for which compatible market statistics are not available, is in the order of magnitude of $1,600 billion, about half accounted for by the United States. Of this, a rapidly growing portion—perhaps $250 billion, but not definitely estimatable—is product associated with internationally owned and operated plants. U.S. statistics on investment abroad and associated production permit a firmer rough estimate of $150 billion as its share of this international production. U.S. total deliveries to foreign markets are some $180 billion. Of these, about a fifth—$30 billion—are exports; the rest emanating from U.S. production facilities located abroad.

The rapid and steady growth of our foreign investment and production is shown on the accompanying graphs (page 111). The calculated trend rate of growth of the known book value of investment is 10 percent since 1950, and a striking feature of this growth is its regularity: the growth each year has been close to trend.

Accompanying growth of exports has been buoyant but somewhat slower. Shown on the graph is an earlier calculated trend rate of 5.4 percent. In view of the livelier growth in recent years, however, the average annual rate of growth of 7 percent from 1960 through 1966 appears more representative and this line has been added to the second graph, where also is shown (1) the inferred volume of U.S. production abroad and (2) the sum of this plus exports—"Total Foreign Sales"—representing the value of total U.S. deliveries to foreign markets from both exports and local (foreign) production.

PRODUCTION ABROAD AND EXPORTS GROW TOGETHER [1]

The concept of total foreign sales properly brings together U.S. deliveries in response to foreign demands, whether involving product made here or there. Basically the two sources of supply are complementary, and, in fact, they have grown in a parallel and vigorous manner, as can be seen at a glance from the graphs. The fact of their

[1] The discussion here of the relationship between exports and production abroad incorporates material previously developed for the National Export Expansion Council's Subcommittee on Less Developed Countries.