EXAMPLES OF PAYBACK FROM U.S. DIRECT PRIVATE FOREIGN INVESTMENT

Item	Aggregate data (period)				Acquisition and expansion (period)							New facility and loss of exports[1] (period)						
	0	1	2	3	0	1	2	3	4	5	6	0	1	2	3	4	5	6
(1) Capital expenditure of which	$100				$100				$50.0			$100.0						
(2) Local borrowing or depreciation	45				65				40.0			30.0	$30.0					
(3) Retained earnings	20					$3.5	$3.5	$3.5	10.0	$7.5	$7.5							
(4) Dollar outflow of which	−35				−35							−20.0	−20.0					
(5) Equipment	5				5				2.5			2.5	2.5					
(6) Patents, technical assistance, and management	5				5								5.0					
(7) Net outflow (−)	−25				−25							−17.5	−12.5					
(8) Income (8 percent of book value)[2]		$4.5	$4.5	$4.5		3.0	3.0	3.0	4.0	5.0	5.0			$3	$3	$3	$3	$3
(9) Exports: direct												10.0	10.0	−20	−20	−20		
(10) Exports to affiliate: Products		4.0	4.0	4.0		4.0	4.0	5.0	6.0	6.0	6.0			5	5	10	10	10
(11) Components		2.0	2.0	2.0		2.0	2.0	2.0	3.0	3.0	3.0			5	5	5	5	5
(12) Exports: Other[3]		2.0	2.0	2.0		1.0	1.0	1.0	1.0	1.0	1.0			2	2	2	2	2
(13) Imports		−2.0	−2.0	−2.0											−2	−2	−2	−2
(14) Net effect in year	−25	10.5	10.5	10.5	−25	10.0	10.0	11.0	14.0	15.0	15.0	−7.5	−2.5	−5	−7	−2	18	18
(15) Cumulative payback (−) drain	−25	−14.5	−3.0	7.5	−25	−15	−5.0	1.0	20.0	35.0	50.0	−7.5	−10.0	−15	−42	−24	−6	21

[1] Assumes that exports of $50 would have continued if there had been no investment; in years 1 and 2, exports rise in anticipation of local supply.

[2] Book value equals U.S. dollar outflow plus retained earnings. In the "new facility" example, there are no earnings to retain for investment to begin with.

[3] Assumes a marginal income propensity to import by the host country of 1/10 and a U.S. share of 20 percent—or, 2 percent of marginal income; in the acquisition case, it is assumed that former sales are doubled, so that only half of sales are new income.