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September 1996
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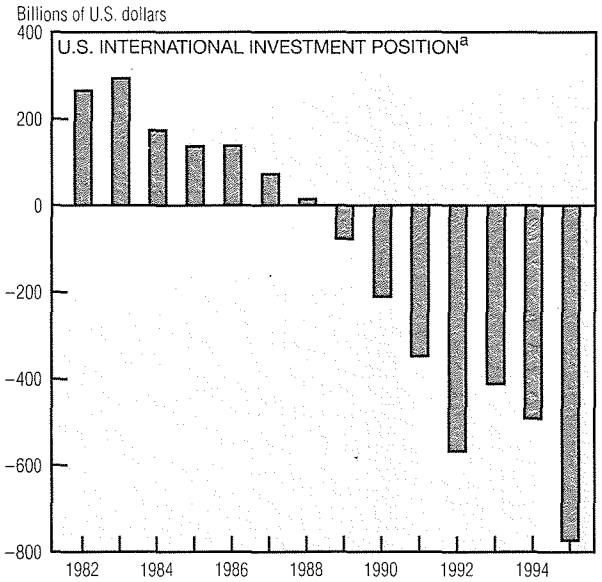
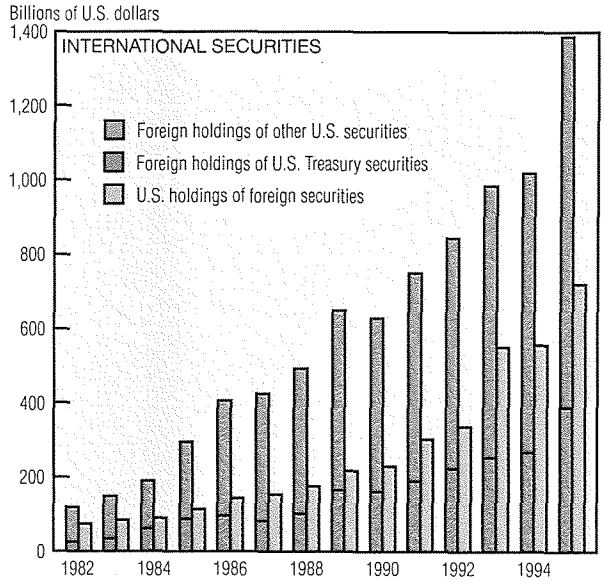
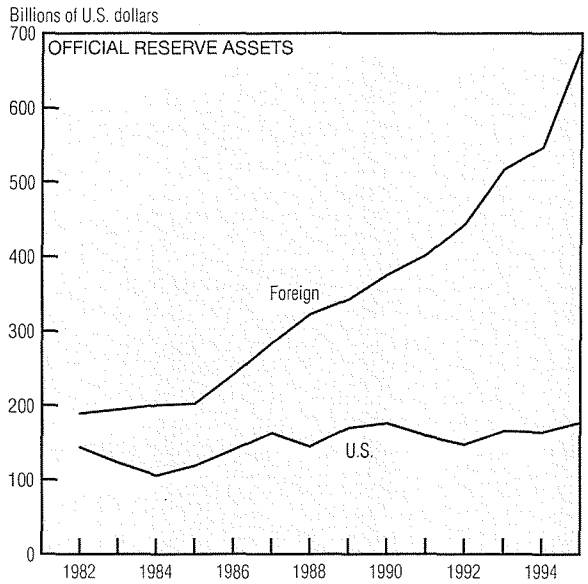
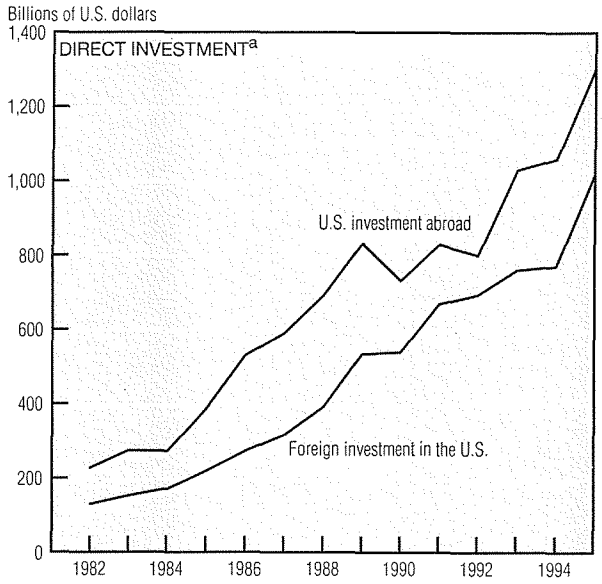
U.S. International Debt









a. Direct investment recorded at market value.
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

As a result of persistent current account deficits, the U.S. international investment position has shifted from a net credit of $265 billion in 1982 to a net debt of $775 billion in 1995. The biggest shift has taken place in portfolio investments. Since 1982, foreigners have acquired $906 billion in private U.S. securities and $360 billion in U.S. Treasury obligations. Over this same period, U.S. holdings of foreign securities have increased by about $650 billion.

The U.S. owes a substantial portion of its international debt to foreign governments, which have added dollar assets to their foreign exchange reserves. These governments often buy dollars to forestall a dollar depreciation against their own currencies, then hold them to thwart any unwanted future appreciation. Official U.S. holdings of foreign currencies have not grown since 1982.

In contrast to our overall investment position, Americans' direct investments abroad continue to exceed foreigners' direct investments here. Direct foreign investments imply a controlling interest in the management of a foreign business.

Our international indebtedness represents a foreign claim on future U.S. output. This claim need not have implications for our future standard of living, provided that the underlying foreign capital inflows enhance our productive capacity.