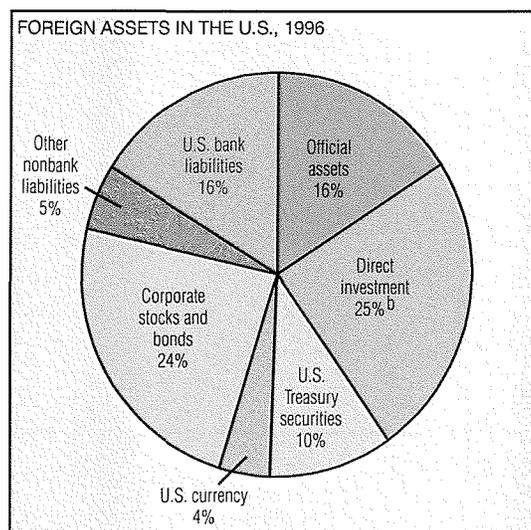
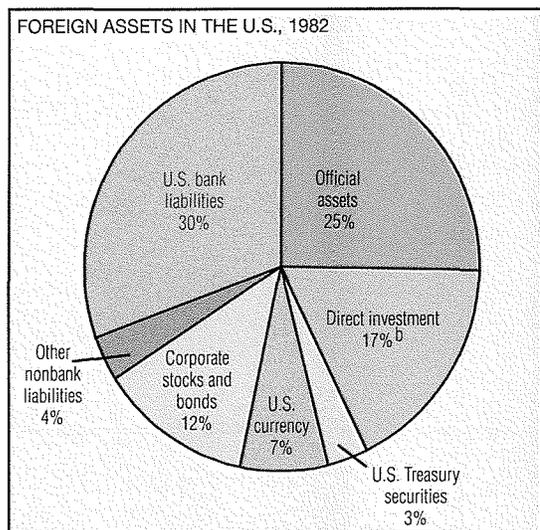
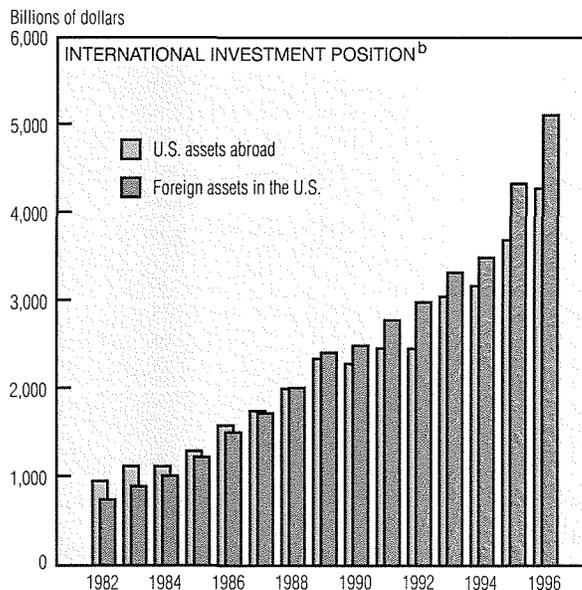
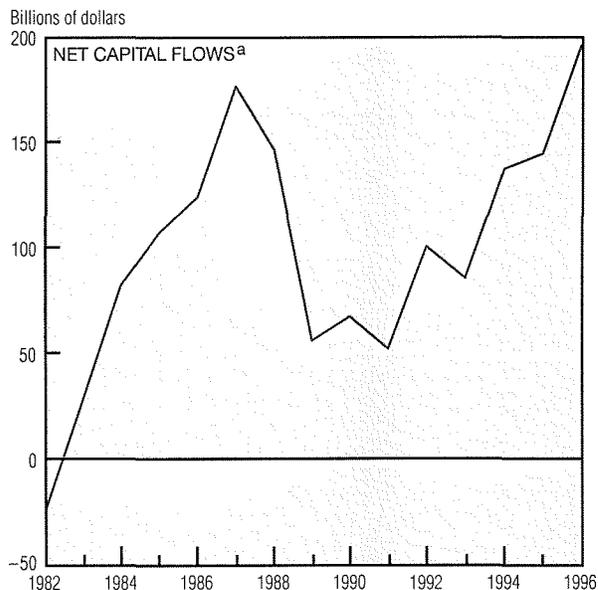


The U.S. International Investment Position



a. Positive values indicate a net capital inflow.
 b. Includes direct investment at market value.
 SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

The U.S. current account deficit has increased thirteenfold since 1982, reaching \$148 billion in 1996 and nearly \$164 billion (annual rate) in 1997:1Q. Our nation has financed the surfeit of imports by selling assets and issuing debt instruments to foreigners. This generates an inflow of foreign capital, but it also gives the rest of the world a claim on our future output.

In the late 1980s, when the stock

of foreign assets held in the U.S. exceeded our assets held abroad, we became a debtor country. The U.S. international investment position—our balance sheet with the rest of the world—reflects the history of our capital flows as well as changes in the value of our external assets and liabilities.

Nearly 25% of the assets that foreigners hold in the U.S. are direct investments, which entail some control over the management of

American businesses. The biggest stakeholders are the U.K., Japan, the Netherlands, and Canada. Another 24% of foreign-held U.S. assets are in corporate stocks and bonds, which do not confer any significant degree of managerial control. This is the share that has expanded the most since 1982, but foreigners have also increased the portion of their U.S. assets held in Treasury securities.