### 3.3.3 An Alternative Trade Performance Measure

The above analysis serves as a basis for expanding the measurement of trade performance and competitiveness beyond the traditional balance of payments measurements. The alternative measure of trade performance is based on translating export and import data into "foreign sales" and "foreign purchases" data. This alternative measure is based on the assumption that a firm can supply an external market through exports or relocating of its production through direct investment and local sales. The results will then be on an ownership basis rather than a residency basis.

Table 4 shows the results of constructing an ownership-based trade performance measure for the U.S. and Japan, rather than the traditional approach based on residency.[13]

**Table 4**

**OWNERSHIP-BASED TRADE MEASURES FOR THE U.S. AND JAPAN**

*(Billions of U.S. Dollars)*

| | U.S. (1986) | Japan (1983) |
|---|---|---|
| **Foreign Sales** | | |
| Exports (1) | 224.0 | 145.7 |
| Less: FDI-Related Exports to Foreign-Owned Firms Abroad | -71.7 | -55.4 |
| FDI-Related Exports by Local Foreign-Owned Firms | -51.5 | -4.4 |
| Plus: Local Sales to Local Foreign-Owned Firms | +267.0 | +2.9 |
| Local Sales by Foreign-Owned Firms Abroad | +777.0 | +150.0 |
| **Total Foreign Sales (2)** | 1,144.8 | 238.8 |
| **Foreign Purchases** | | |
| Imports (3) | 368.4 | 114.1 |
| Less: FDI-Related Imports by Foreign-Owned Firms Abroad | -66.3 | -45.6 |
| FDI-Related Imports to Local Foreign-Owned Firms | -125.2 | -19.4 |
| Plus: Local Purchases from Local Foreign-Owned Firms | +445.0 | +58.0 |
| Local Purchases by Foreign-Owned Firms Abroad | +446.2 | +90.0 |
| **Total Foreign Purchases (4)** | 1,088.1 | 197.1 |
| Net Foreign Sales (2)-(4) | +56.7 | +41.7 |
| Net Exports (1)-(3) | -144.4 | +31.6 |

*Source: Julius (1990)*

[13] *The annex explains the concepts and calculations needed to construct a ownership-based trade measure.*