3.3.2 Local Sales and Purchases by Foreign-owned Firms

As shown above, a substantial portion of exports and imports that are recorded as trade flows between countries actually represents "internal" transactions between foreign-owned firms and their country of ownership. From the viewpoint of the firm, a local sale in the host country by the foreign-owned subsidiary can be viewed as an "export" or "foreign sale" and a local purchase by the foreign subsidiary could be considered an "import" or "foreign purchase". An examination of the data indicates that local sales and purchases are significantly larger in some cases than trade flows. For the U.S., the total sales of foreign-owned firms in the U.S. were 150 percent of total U.S. imports in 1985.[12]

On the export side, for nearly all of its major trading partners local sales by U.S.-owned firms abroad are larger than U.S. exports to the country, as shown in Table 3. This is not surprising given that the U.S. is the largest international investor.

Table 3

LOCAL SALES BY U.S.-OWNED COMPANIES COMPARED WITH U.S. EXPORTS (1986)

	Ratio of Local Sales To U.S. Exports
Total	1.15
Canada	1.99
Japan	1.11
Mexico	0.51
United Kingdom	6.76
Germany	4.97
Netherlands	1.75
France	4.91
Australia	3.68
Taiwan	0.26
Italy	4.85
Brazil	5.10
Singapore	0.48
Venezuela	0.80
Hong Kong	1.04

Note: Countries listed in order of size of U.S. exports

Source: Julius (1990)

[12] *Julius, op. cit., p. 76.*