

IMPORTANT: For release 2:00 pm Thursday, July 1, 1999

CB-99-127 Press Copy

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U.S. GOODS TRADE: Imports & Exports by Related Parties; 1998

The Bureau of the Census, Department of Commerce, announced today that in 1998 related party trade accounted for \$425.7 billion or 47 percent of the total annual import value, and \$216.1 billion or 32 percent of the total annual export value. The related party trade for 1997 was 46 percent for imports and 32 percent for exports. "Related party trade" includes trade by U.S. companies with their subsidiaries abroad as well as trade by U.S. subsidiaries of foreign companies with their parent companies.

The relationship of goods trade by related parties to total goods trade varies markedly among our major trading partners; from highs of 74 percent for imports from Japan and 45 percent for exports to Mexico to lows of 16 percent for imports from and 11 percent for exports to the former Soviet Union. The ratios for Western Europe and the European Union are comparable to the 47 and 32 percent averages for all U.S. imports and exports. Taiwan and China are at the lower tier of related party trade at 22 and 18 percent for imports, and 14 percent and 11 percent for exports, respectively. Over half of the imports from our North American trading partners consist of transactions between firms with some common ownership. Many of these related party imports come from U.S. owned plants located in Canada and Mexico.

Approximately 43 percent of the total trade between the United States and Canada is between related parties. Over 66 percent of the imports from Mexico are between related parties, partly due to extensive assembly operations along the border. Related party exports to Mexico are somewhat lower at 45 percent.

Exhibits 2, 3, 5, and 6 provide detailed data on the types of commodities traded and their relative importance.

The five leading U.S. imports from the world, including motor vehicles (13.6% of the total import value), electrical machinery (8.7%), office machines and ADP equipment, (8.4%), articles of apparel and clothing (5.9%), and miscellaneous manufactured articles (5.2%) account for 42 percent or \$380 billion of the total import value. The related party trade for articles of clothing and apparel is much lower than for the other top commodities at 15 percent.

The five leading U.S. exports to the world, including electrical machinery (9.6% of the total export value), transportation equipment (8.0%), motor vehicles (7.8%), office machines and ADP equipment (6.0%), and general industrial machinery (4.4%) account for 36 percent or \$244 billion of the

total export value. The related party trade for transportation equipment is much lower than for the other top commodities at 10 percent.

Explanatory Notes:

The statistics in this report are compiled using information from the Shipper's Export Declaration (SED) and Custom's Imports Form 7501.

For list of countries included in area groupings, see FT900 Supplement.

Related Party:

Imports:

Related Party trade as defined in Section 402(g) (1) of the Tariff Act of 1930, as amended, includes transactions between parties with various types of relationships including "... Any person directly or indirectly owning, controlling, or holding with power to vote, 6 percent of more of the outstanding voting stock or shares of any organization..."

Exports:

A related party transaction is defined in the Foreign Trade Statistics Regulations reference 30.7(v) as one between a U.S. exporter and a foreign consignee, where either party owns (directly or indirectly) 10 percent or more of the other party.

Customs Value: The import data in this report are based on Customs value, generally defined as the price actually paid or payable for merchandise when sold for exportation to the United States, excluding U.S. import duties, freight, insurance, and other charges incurred in bringing the merchandise to the United States.

Imports for Consumption: The import data shown in this report are imports for consumption, which measures all merchandise that has physically cleared through Customs either entering consumption channels immediately or entering after withdrawal for consumption from bonded warehouses under Customs custody or from Foreign Trade Zones.

Low Value Estimates: Import statistics are compiled on transactions valued over \$1,250 for imports before July 1998 or over \$2,000 for imports during July 1998 or later, or under certain textile articles which must be reported on a formal entry. Data for transactions valued under \$1,251 or \$2,001 are estimated for industrial countries using factors based on the ratios of low-valued transactions to individual country totals for past periods. Export statistics are compiled on transactions valued over \$2,501 and are estimated under the same procedure as applied to imports.

Special Transactions: Special transactions include such items as exports of articles donated for relief or charity and imports of articles admitted free of duty under special classification provisions.

F.A.S. Value: Exports are valued on a free alongside ship basis, which reflects transaction price including inland freight, insurance and other

charges incurred in placing the merchandise alongside the carrier at the U.S. port of exportation.

Reexports: Reexports are exports of foreign merchandise. They consist of commodities of foreign origin that have entered the United States for consumption or into Customs bonded warehouses, or U.S. Foreign Trade Zones, and which, at the time of exportation, are in substantially the same condition as when imported.

Inquiries related to these data may be directed to Bureau of the Census, Foreign Trade Division, Special Projects Branch, Washington, D.C. 20233. Contact name: Christopher Deaver (301) 457-3629.