PROBLEMS OF THE U.S. TRADE STRUCTURE

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1. INTRODUCTION

The trade deficit, which together with the budget deficit constitutes one side of America's "twin deficits," is still an enormous sum. Since Japan accounts for one third of the trade deficit, one has to pay close attention to it in the sense that the deficit trend forecasts the future of U.S.-Japan economic friction. The trade deficit under the Reagan administration jumped with the strong dollar of the first half of the 1980s, which was seen as symbolizing a "strong America." Even though the strong dollar certainly was corrected after the 1985 Plaza Accord, the deficit grew even more swollen (Figure 1).

The trade deficit's continuation became a headache for Washington's policy makers as well as something beyond the predictions of economists and academics. In general they saw this phenomenon as something running counter to "theory," or as nothing more than a sign that the dollar's fall had been insufficient.

Such macroeconomic approaches as the bilateral comparison of the balance of savings and consumption provide a large framework for explaining America's trade deficit. However, paying attention to the kinds of changes which occurred in American industry in the period in which were adopted exceptional policies to stimulate a consumption which left behind huge budget deficits should provide one with a clue. Although these changes were in some sense irreversible, they were not noticed as such at the time. While showing a framework which takes into account
America's trade balance from that standpoint, let us view also the prospects for the optimism which has recently appeared.

2. THE PARADOX OF THE DOLLAR'S FALL

America's trade deficit became conspicuous in the latter half of the 1970s. Although there were such troubles as the "almighty dollar" at the time of the second oil shock, in general there were indications of the dollar's weakness. Under such conditions, although the trade deficit continued, its scope did not expand. Until the beginning of the 1980s it was around $30 billion a year. However, the trade deficit exhibited a rapid expansion, especially after 1983. It continues even now to increase, although at a slackening tempo.

Let us ascertain the deficit's expansion according to the preceding information and Figure 1. This is an expression of 1980's dollar rate, America's trade balance, and corporate profits as well. Regarding the dollar rate, it is the effective exchange rate according to the representative Morgan Guaranty Bank. It is a weighted average rate based on the trade weight of 15 advanced countries. With the 1980-82 average as 100 until 1985's 127, the rate witnessed a rise of nearly 30 percent. The reasons for this rise are complex and are thought to be related to technical factors in foreign exchange markets. Whatever the reasons, it was an exceptional thing for the currency of a trade-
deficit nation. The dollar since the Plaza Accord continued to fall, 1987's average of 94 going so far as to fall under 1980's level.

The dollar's rise of the mid-1980s has been wiped out, the dollar returning to its starting point. However, the movement of the trade balance differs from the expectations of multilateral policy makers and "pure" economic theory. The deficit which swelled to $130 billion in 1985 continued to increase even after the dollar's fall. Even though it took a favorable turn for the last two months of 1987, in the end the deficit climbed to a record $170 billion.

Although the dollar returned to level existing at the start of the 1980s, a deficit 5 to 6 times its prior size at that time remains. Naturally, there may be objections to this understanding. "There is a trade deficit because the dollar's devaluation is insufficient." Such arguments are easy to put forth from the American side. Of course the deficit's relationship to the currencies of the expanding NICs trade partners is also a problem. Consideration is being given to widening the weighted average to include the developing countries. There is also the possibility of substantiating and adjusting for the range of inflation between countries. On the whole, there is no change in the deficit as a result of these refinements in the way to recognize the "true" exchange rate.
It goes without saying here that the corporations responsible for economic activity are ultimately led by profits. One has to pay attention, then, to the considerable stability America's corporate profits have shown in contrast to the widening trade gap. It was in 1982 that the trade balance for industrial products went into deficit. The deficit has expanded since then, industrial products accounting for most of it. The manufacturing industry's corporate (pre-tax) profits, however, after falling in 1982, changed to recovery with the advent of improved business conditions since 1983. Profits in 1987 reached their previous peak at a level of approximately $90 billion. Naturally, corporate profits have in the end been flat for the 1980s. At any rate, the situation is completely different from the destruction of manufacturing, as might be imagined from the trade deficit.

3. A WIDENING GAP OF IMPORTS OVER EXPORTS

In concrete terms, how did the trade deficit expand? Looking at annual export and import figures by item from 1980 to 1986, we see that the dollar value of export totals from $216.7 billion to $206.4 billion are almost flat. Consequently, one can say that the deficit's expansion resulted entirely from the increase in imports. Until 1983, the increase in imports remained moderate. It increased at an extremely rapid rate after 1983.
In Table 1, it is evident by which product group the increase occurred. Remarkable are the machinery (electrical and general) and transportation equipment categories whose sum of 100 billion since 1980 nearly amounted to the total import figure's rise. Most of it, then, arose after 1983. Once these were America's representative export industries. The bottom line of these groups, which in 1980 was still showing a fair surplus, had worsened dramatically by 1986. The next largest import increases were for the so-called purely consumer goods such as furniture and fashion apparel. America not having been strong in these exports, the import expansion was joined to this group's trade deficit. The increase in the import of primary processed industrial products was moderate. There was a decline in the import value of crude materials due to the fall in the price of crude oil.

Import unit prices after 1983 for industrial products, excluding petroleum, were almost stable on a dollar base. Increased import totals for industrial products, then, directly reflected that volume increase. The increase in import volume shows the deep influx of imports into the American economy.

Table 2 shows how, corresponding to the rise in GDP, domestic production and imports increased. As stated before, since exports were almost stable, we can ignore their fluctuations. Therefore, one can think of GDP in terms of economic activity. Also, we will adopt industrial production indexes for domestic production, and volume as a basis for
imports. Here we see domestic production and imports both on a quantity basis in relation to economic activity. According to Table 2, the production level in 1986 was approximately 20 percent greater than in 1982. In total it increased at the same tempo as the expansion in demand.

However, within the manufacturing industry, the rise in domestic production lagged considerably behind the average, particularly for the three sectors in question due to their importance in exports and imports: electrical machinery, general machinery and transportation equipment. The rise is particularly great in clay/glass/stone and furniture/fixtures. Although they push up the total level, these industries are of secondary importance in trade.

The rise in imports also, as reflected in their GDP elasticity, was far greater than production. The 1986 level exceeded that in 1982 by 70 percent. It grew by almost 90 percent for manufactured imports. Viewed by group by item according to their final use, there is a great increase for capital goods (except automobiles), automobiles/parts/engines, and consumer goods (except food). These correspond roughly in Table 1 respectively to "machinery," "transportation," and "consumer goods." As mentioned before, the rise in these import figures was due to an increase in import volume.
The next question is why such a rapid increase occurred in such key industrial products and consumer goods. It cannot be considered apart from the exceptional character of the improved business conditions occurring under the Reagan administration from 1983 thereafter.

Under the Reagan administration, the large-scale tax cuts made in 1981-82 increased consumer spending. This increase in spending is sometimes mistaken for a strengthening of consumers' buying power. The illusion of increased buying power created during the early euphoria of Reaganomics led to greatly increased consumer borrowing and depleted savings rates. Imports increased as a result of a consumer binge which domestic production could not satisfy. This in turn worsened the trade deficit. However, this deficit was covered by the foreign capital drawn in due to the strong dollar. A peculiar economic environment emerged as a result.

4. THE DEMAND-SIDE ECONOMY

In the midst of this, automobiles alone came to be the greatest product for Japan's exports and America's imports. "Voluntary restraints" were implemented on the rapidly growing exports of chiefly small Japanese automobiles to the United States. Automobiles, which account for most of the transport equipment imports, actually rose at a rate after 1982 surpassing the preceding ones.
In the machinery category, the greatly expanded consumer spending was directed to the broad range of consumer electronics products such as VCRs and CD players. If automobiles were, so to speak, the first generation, and color television sets the second generation, then these products could be called the third generation of mass-volume consumer durables.

Presently, while the third generation of market scale does not correspond as before to automobiles, it is expanding with the appearance of new products. As these two representative products, VCRs and CD players, have come to be manufactured in Japan, American corporations withdrew from competition after a time. One cannot overlook the product development and manufacturing capability of Japanese corporations having grown in their place. In these conditions, the increase in demand becomes directly linked simply to an increase in these imports. Incidentally, the percentage of American households owning a VCR rose from 5.5 percent in 1983 to 36 percent in 1986.

A remarkable phenomenon of the 1980s' strong dollar was the movement of American corporations to switch from in-house production to out-sourcing their supplies of components and sometimes even finished products, particularly to overseas suppliers. Although a rational act to protect profits, in the cases where corporations in doing so reduce their manufacturing base, resuming production becomes difficult. It is, then, thought "irreversible" (see bibliography for author's earlier article on this subject). A considerable part of these increased
machinery and transportation equipment imports have become integrated into the production process.

In Figure 1, despite the widening of the trade deficit and deficit for industrial products therein, the manufacturing industry's profits are shown to be relatively stable. A clue to understanding the puzzling joint existence of these two phenomena lies here.

The large-scale tax reduction under the Reagan administration could not achieve its goals even in its emphasis on supply. Throughout the 1980s investment in plant and equipment has continued to decline relative to GNP. Even the small investment boom of 1984-85, at under 4 percent, does not match the level at the decade's start. Generally, it is easy to think that this is due to a progressive "hollowing out" of the domestic manufacturing base as multinational corporations move their production facilities overseas due to the strong dollar. However, investment abroad is also shrinking relative to GNP. There are probably cases where investment abroad has the goal of meeting local demand there, but in cases where it is thought to join with domestic industry to form a broad supply base, supply's atrophy should be obvious.

Also, "irreversibility" hinders attempts to make up for this relative lag in investment. I will mention this later, but it is considerable in the machinery and transport equipment sectors, where recovery is most desirable.
There is a common way of thinking that when trade imbalances exist, they are adjusted according to the movements of the free market of the exchange rate.

However, despite the dollar's sharp fall the continuing trade deficit shows in the end the limits of this "pure theory." From this standpoint, there is a search for a more "realistic" approach. One theory closely resembling "irreversibility" is that of "hysteris in trade," advanced by such academics as MIT's Paul Klugman and Columbia's Richard Baldwin. Hysteris, originally a physics term, means the failure of a property to return to its prior state of equilibrium even after the cause of its change is removed. According to this line of thought, America's imports are a model example. Once the dollar rises and imports rapidly increase, imports will not shrink even when the dollar returns to its prior level. Having invested considerably with an eye to the future in the establishment of sales networks and employee training during the strong-dollar period, foreign companies exporting to the American market will continue selling here despite worsening profits, rather than withdraw from the market because of the weak dollar.

From this standpoint, the practice of setting export prices to America is attracting a great deal of attention. Catherine Mann of the World Bank is conducting a wide-ranging investigation of import product prices. According to Mann, contrary to American
the question depends on each industry sector. It would be useful
to view various movements under the dollar's alternating motions
to test the trade balance's prospects. In that case, it is an
important point whether irreversible change has occurred.

In Table 4, I roughly pulled together evidence on this point. Here we divide three industry sectors (cf. Figure 1, excluding "consumer goods") into a total of seven groups. For processed primary industrial products, they can be divided into (1) resource-based types and (2) all others for processed primary industrial products.

In case (1) where American corporations dominate the domestic market on a basis of abundant and inexpensive natural resources (such as wood or agricultural products) the domestic market becomes a base of support even under the strong dollar, and production facilities are maintained. The weak dollar, directly restoring price competitiveness, increases exports. If there is insufficient capacity, plant and equipment increase. Even if production facilities are discontinued, there are no high-tech demands; restarting is simple.  

Compared with (1), (2) has no competitive advantage. There are many cases of import restrictions being soon enacted. The

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1 The Heckscher-Ohlin theorem states that international economy benefits by each country's specializing in the export of goods intensively employing those factors of production possessed in relative abundance. The case in which America's type (1) industries, overcoming exchange rate pressures, have maintained or increased their exports shows the validity of this theorem.
export prices, import prices even under the weak dollar are not rising much (Figure 2).

While "hysteris" turns our attention to the continuation of America's high import levels, the trade balance recently has at last come to show some signs of clear improvement. Last November's trade deficit at $13.2 billion was much below the record $17.6 billion in October, and has since continued to improve. Viewing exports for last year's four quarters on a volume basis (Table 3), one can interpret the export of mainly industrial products as having greatly increased (this is particularly true for November and December).

Among industrial products, if one were to look a little more closely, the growth was large for capital goods other than automobiles, consumer goods, and automobiles/parts. Speaking of automobiles, there was talk of Sweden's Volvo switching over to American automobile parts. There even appears be the aspect of a small export boom for American industry. However, in dollar terms, figures in Table 3 are barely moving. Since signs of weakness are evident in places, it is clear that the export boom is a direct reflection of increased price competitiveness and export profits due to the weak dollar.

6. RESPONSES TO THE DOLLAR'S ALTERNATING MOTIONS

The dollar's exchange rate in this way certainly performs a great task. Even so, it is also certain that there is also "irreversibility" or "hysteris." It can be thought that finally
easing of import pressures with a weak dollar alone does not lead to increases in plant and equipment.

Next, we can divide machinery into cases where America is ahead in product development and production [(3) and (4)] and where Japan is ahead [(5)]. In category (3), American corporations maintain their production base. However, in (4) reduction of the production base or, in extreme cases, discontinuance has occurred. For example, in the competition against foreign corporations in microwave ovens, American corporations have for all practical purposes given up production, switching to import sales under OEM arrangements (original equipment manufacturer, where a company sells under its own brand name a product manufactured by its partner). Here even with a weak dollar domestic production does not resume. That is, an irreversible change is happening.\(^2\) Especially within the transport equipment sector, look at automobiles in (6). Although typically an industry developed in America, its production base is shrinking owing to the penetration of imported automobiles.\(^3\) Hereafter, it will be difficult in reality to increase production capability in response to the weak dollar.

\(^2\) Most American companies in the semiconductor industry have stopped producing DRAMs. Currently, only Texas Instruments is really making them. However, Motorola and National Semiconductor have expressed the intention of re-entering this field. If this were to happen, it would show that "irreversibility" need not continue forever.

\(^3\) On the other hand, if local production in America by Japanese automakers takes place in earnest, although a portion of component imports would remain, that part held by automobile imports would disappear.
If one further draws together the above evidence, the following may be said concerning America's trade patterns:

1) For both exports and imports, but really for the question of exports, the exchange rate's direct influence on industrial products works on processed primary industrial products and type (3) machinery. Adding agricultural products, the part of the trade figures adjustment possible by exchange rate, reaches 40 percent of the total exports and imports. This is rather low in comparison with "pure theory," which assumes 100 percent;

2) There is aerospace-related equipment [(7) transport equipment], in which American corporations have a strong base, and can continue exports regardless of whether the dollar is weak or strong. This sector accounts for about 10 percent of exports;⁴

3) There is the automobile and auto parts sectors in which although the weak dollar creates a favorable export environment, imports have become fixed during the high-dollar period and show signs of irreversibility. These sectors account for 10 percent of exports and over 20 percent of imports

⁴ The base for aviation and aerospace exports (relatively abundant factors of production) consists of America's global military commitments and generous military R&D spending. Along with entering a period of questioning these commitments and reducing the military budget, these fields are no longer America's exclusive reserve. See bibliography for Packard's article concerning the development of Japan's FSX fighter plane.
4) Within the machinery sector, for which originally there was no production in America or for which through the strong dollar period the production base shrank and moved overseas [types (4) and (5)], there is no increase in, or commencement of, exports. Fixed imports continue. This accounts for a level of 10 percent of total imports.

Of course, the above are rough calculations. It is possible to have doubts concerning the details. I wonder, for example, whether there is not the possibility of returning the production base to America in the case where something was not produced in America but produced overseas by an American subsidiary, or whether it would be simple to resume production once switched overseas if a particular domestic production base were supported under such conditions as a weak dollar (it is not uncommon for companies such as IBM to do so).

Such grey areas are natural. I wanted to confirm that, at any rate, adjustment of the trade balance depending on the exchange rate is not as total as "pure theory" predicts.  

7. LOOKING TO THE "HEREAFTER"

Hereafter, how should we consider America's trade balance? Basically, it has unmistakeably entered a process of deficit.  

The transformation of a strong dollar into a weak one greatly changes the composition of America's exports. I have already made some notes on the role played by factors of production other than labor and capital. However, in general can clear changes be seen in the direction of exports' labor or capital intensiveness? Whether this point is also connected to Leontief's paradox should also be investigated further.
reduction. Increased exports of processed primary products whose price competitiveness is improving, especially of resource-based products, should continue owing to the weak dollar. In Table 3, they are industrial materials, as well as nondurable goods, and light industrial products. They are not the things considered until now as America's representative export products.

Against a background of increased exports, one sees that the manufacturing industry's recent plant utilization ratios are high. Those for textiles and paper/pulp are clearing past ceilings. Nondurable manufactures are planning this year a 13 percent increase over last year in plant investment (according to a U.S. Commerce Department survey). In the strong-dollar period as well, these industries' production bases were of course maintained. They are showing expansion with the advent of the weak dollar.

Machinery and transport equipment, however, pose problems for both exports and imports. For the present, one should be able to hope for the rise in exports to continue. Its force is not abating for exports of capital goods and automobiles/parts. Even after jumping at the end of last year (Table 3), exports for the fourth quarter of last year for the latter increased only 40 percent over 1977. For the former, they declined by 20 percent. There is also spare plant capacity. The question there arises from perceived limits to production capability.

In general, American corporations are at present cautious about investments to increase capacity. "The strong dollar of
the 1980s really hit hard (David Hale, economist at Chicago's Kemper Financial Services). Its effects are now being felt.

Imports, on the other hand, were still at a high level on a volume basis last year, particularly in the fourth quarter (Table 3). There is no clear sign of a reduction. There are also many fixed imports. Where there is no domestic production base corresponding to them, America can only hope for the weak dollar's "theoretical" effects to compress imports. If such "theoretical" effects are not soon visible, complaints against foreign "dumping" will probably grow louder.

In any case, as long as imports remain persistently high, given the limits to exports showing in places, deficit reduction, too, has to bump up against a wall. Basically, tax increases and such policies to control consumer spending to some necessary degree will apply the brakes to imports of nondurable or various other purely consumer items. However, bringing about such policies will be far harder to accomplish than many analysts imagine. As the supply side of the economy, that is to say the entire society, turns to de-industrialization and becomes an information and service economy, attempting to rebuild the industrial production base will be no less difficult.
Bibliography


Figure 1: Trade Balance, Dollar Rate, Corporate Profits

Dollar rate

Trade balance
Corporate profits
($ billion)

Industrial Products
(imports, FAS)
(imports, CIF)

Sources: For the dollar rate, Morgan Guaranty Trust Co.'s "World Financial Market". For others, Commerce Department, Bureau of Economic Analysis.

Note: The dollar rate is the effective rate relative to 15 selected industrial nations (1980-82 average = 100).
Figure 2 Price and Profit Margins for Representative Export and Import Items

(1980 = 100)

Agricultural Machinery (exports)

Stee]]

Source: C. Mann (World Bank, Department of Economics)
Table 1  Changes in Import Value by Product Group ($100 million)

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1983</th>
<th>1986</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports</td>
<td>2,449</td>
<td>2,730</td>
<td>3,700</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>164</td>
<td>128</td>
<td>247</td>
</tr>
<tr>
<td>Raw Materials and Fuel</td>
<td>925</td>
<td>676</td>
<td>477</td>
</tr>
<tr>
<td>Primary Processed Industrial Products</td>
<td>428</td>
<td>475</td>
<td>688</td>
</tr>
<tr>
<td>Machinery</td>
<td>323</td>
<td>470</td>
<td>876</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>283</td>
<td>392</td>
<td>740</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>218</td>
<td>290</td>
<td>567</td>
</tr>
</tbody>
</table>

Sources: U.S. Bureau of the Census U.S. Exports and Imports, Schedules E and A.

Note: 1. Both exports and imports are on a FAS basis.
       2. Primary processed industrial products are: chemical, paper & pulp, textiles, steel, nonferrous metals, consumer goods (among which are included furniture, apparel, optical machinery, etc.).
Table 2  Post-1983 Production and Imports

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (A)</th>
<th>Industrial Production (B)</th>
<th>Imports (C)</th>
<th>(Volume base)</th>
<th>GDP Elasticity</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Cap., goods (except autos)</td>
<td>Autos, parts, engines</td>
<td>Consumer goods (ex-food, autos)</td>
<td>Production (B/A)</td>
<td>Imports (C/A)</td>
</tr>
<tr>
<td>1983</td>
<td>4.2%</td>
<td>5.9</td>
<td>10.4</td>
<td>22.1</td>
<td>16.9</td>
</tr>
<tr>
<td>84</td>
<td>6.4</td>
<td>11.2</td>
<td>23.9</td>
<td>39.0</td>
<td>21.6</td>
</tr>
<tr>
<td>85</td>
<td>4.0</td>
<td>1.9</td>
<td>8.7</td>
<td>6.0</td>
<td>19.4</td>
</tr>
<tr>
<td>86</td>
<td>3.3</td>
<td>1.1</td>
<td>10.7</td>
<td>11.1</td>
<td>4.0</td>
</tr>
<tr>
<td>86/88</td>
<td>1.31</td>
<td>1.21</td>
<td>1.85</td>
<td>2.00</td>
<td>1.70</td>
</tr>
<tr>
<td>87</td>
<td>3.5%</td>
<td>2.8</td>
<td>-0.8</td>
<td>-3.3</td>
<td>-8.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-3.3</td>
<td>-8.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>II</td>
<td>3.0</td>
<td>4.0</td>
<td>11.3</td>
<td>-2.2</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>-2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>III</td>
<td>5.4</td>
<td>5.2</td>
<td>12.4</td>
<td>-7.6</td>
</tr>
<tr>
<td></td>
<td>IV</td>
<td>5.1</td>
<td>6.8</td>
<td>18.9</td>
<td>3.8</td>
</tr>
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</table>

Sources: Produced from Departments of Labor and Commerce, Federal Reserve Board materials
Note: GDP and industrial production adjusted seasonally
Table I 1937 Quarterly Exports (by volume base, % increase each quarter on a year-to-year basis)

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td>3.3</td>
<td>14.7</td>
<td>15.5</td>
<td>13.3</td>
</tr>
<tr>
<td>(among which: Industrial Products)</td>
<td>2.7</td>
<td>12.6</td>
<td>14.2</td>
<td>20.4</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>0.1</td>
<td>26.6</td>
<td>28.1</td>
<td>11.7</td>
</tr>
<tr>
<td>Industrial Supplies and Materials</td>
<td>9.0</td>
<td>15.4</td>
<td>7.6</td>
<td>10.5</td>
</tr>
<tr>
<td>Capital Goods (except Autos)</td>
<td>-2.1</td>
<td>9.4</td>
<td>12.9</td>
<td>25.4</td>
</tr>
<tr>
<td>Automobiles, Parts, Engines</td>
<td>-4.9</td>
<td>-0.4</td>
<td>13.7</td>
<td>16.3</td>
</tr>
<tr>
<td>Consumer Goods (except Food and Beverages, Autos)</td>
<td>19.0</td>
<td>24.4</td>
<td>24.9</td>
<td>29.4</td>
</tr>
</tbody>
</table>

Source: Constructed from Dept. of Commerce materials
<table>
<thead>
<tr>
<th>Type</th>
<th>Products (1)</th>
<th>Products (2)</th>
<th>Products (3)</th>
<th>Products (4)</th>
<th>Products (5)</th>
<th>Products (6)</th>
<th>Products (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong Dollar</td>
<td>Resource-based</td>
<td>Nonresource-based</td>
<td>American lead, production base kept</td>
<td>American lead, but production base shrinks</td>
<td>Japanese lead</td>
<td>American lead, but production base shrinks</td>
<td>American lead production base strong</td>
</tr>
<tr>
<td>Example</td>
<td>Paper &amp; pulp, Food processing</td>
<td>Steel, Textiles</td>
<td>Tractors</td>
<td>Color TVs, Microwave ovens (consumer durables)</td>
<td>VCRs, CD players (consumer durables)</td>
<td>Automobiles, Auto parts (consumer durables)</td>
<td>Military, civil airplanes, Aerospace</td>
</tr>
<tr>
<td>Strong Dollar</td>
<td>Exports decrease, plants kept</td>
<td>Imports increase, import restrictions introduced</td>
<td>Exports decrease, plants kept</td>
<td>Production stopped, imports increased</td>
<td>No U.S. production, imports only</td>
<td>Decreased production due to imports</td>
<td>No effect on strong American production base</td>
</tr>
<tr>
<td>Weak Dollar</td>
<td>Exports increase, move to increase plants</td>
<td>Import pressures ease, but increase in plant difficult</td>
<td>Exports increase, move to increase plants</td>
<td>Imports continue</td>
<td>Imports continue</td>
<td>Imports remain almost the same, exports rise</td>
<td>No effect</td>
</tr>
</tbody>
</table>

Note:  
↑↓:: favorable development in the trade balance (increased surplus, decreased deficit, etc.)
↓↓:: unfavorable development in the trade balance (decreased surplus, increased deficit, etc.)
→→:: neutral development in the trade balance