

**Measuring External Openness:
The Index of Effective Exposure**

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Abstract

An index is developed to account for both the import and export dependence of sectors of an economy. Analogous to the Index of Effective Protection, the Index of Effective Exposure (IEE) considers both the share of output ascribed to exports and the share of imported intermediates in total production costs. Preliminary estimates of the IEE index are provided for the 1974 to 1986 interval for a range of two and three digit manufacturing categories in United States industry. The most striking result is the sharp increase in recent history of the number of manufacturing sectors which, although exporters, have dominating exposure to external markets through their reliance on imported intermediates into production. While these results should be cautiously interpreted due to limitations of the data, they nonetheless underscore an important point: dollar depreciations may reduce rather than increase the international competitiveness of many United States industries when these industries rely heavily on imported inputs into production.

Preliminary. Comments welcome.