Excerpt of

THE TRANSATLANTIC ECONOMY 2011

Annual Survey of
Jobs, Trade and Investment
between the United States and Europe

March 2011

www.amcham.ch

Swiss-American Chamber of Commerce

The Transatlantic Economy 2011

On the following pages, please find an excerpt of

THE TRANSATLANTIC ECONOMY 2011

survey.

The full survey is available for download on the Center for Transatlantic Relations website: http://transatlantic.sais-jhu.edu/

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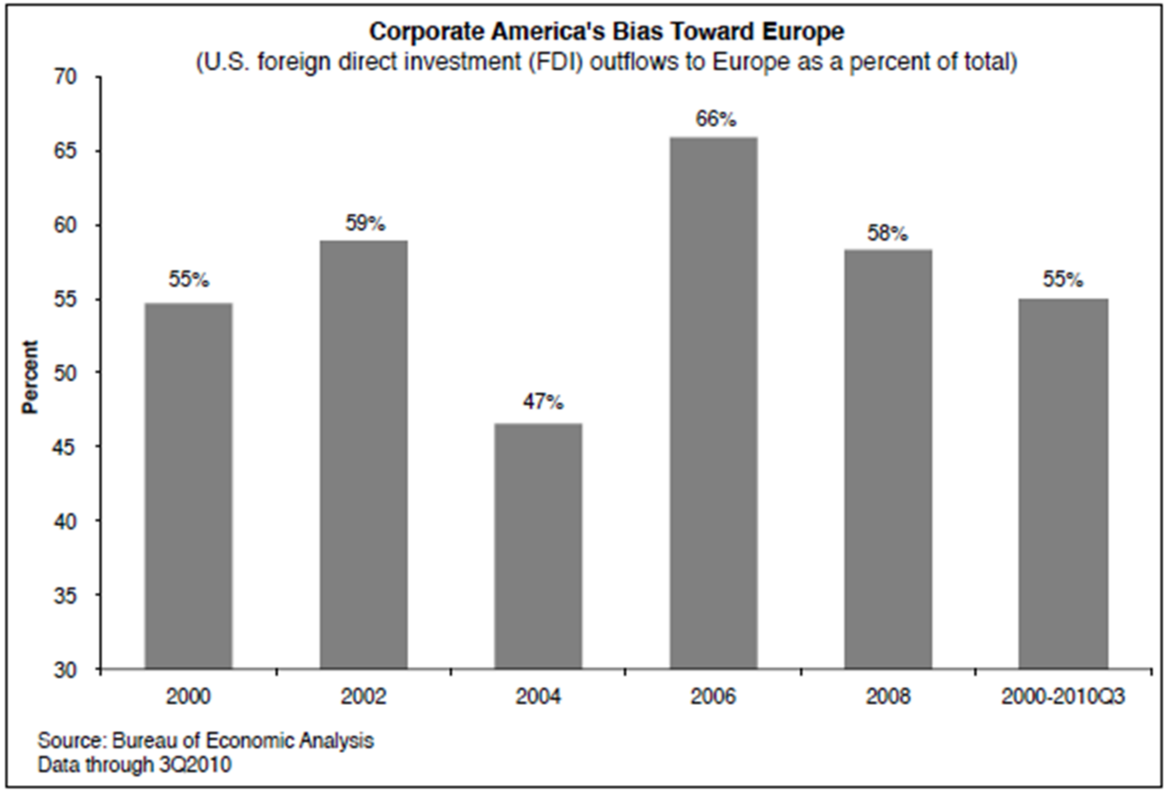
Inbound Foreign Direct Investment from Europe to the United States

Mirroring the 2010 rebound in the U.S. economy, inbound foreign direct investment from Europe to the United States jumped sharply from the depressed levels of 2009. Based on the latest figures, European inflows totaled $106 billion in the first nine months of 2010, a 70% rise from the same period a year earlier. That equates to an annualized figure of around $140 billion - a marked improvement from 2009, yet a figure still well below the pre-crisis levels of 2008.

The upturn in inflows from Europe was led by the Netherlands (+391%), the United Kingdom (+93%), Switzerland (+87%), Ireland (+85%), Germany (+53%) and France (+17%). Combined, these six countries accounted for nearly two-thirds of total EU investment in the first nine months of last year.



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Services economies of the United States and Europe

The services economies of the United States and Europe have never been as intertwined as they are today, notably in such activities as financial services, telecommunications, utilities, insurance, advertising, computer services, and other related activities. **Regarding trade in services, five out of the top ten export markets for U.S. services in 2009 (the last year of available data) were in Europe. The United Kingdom ranked #1, followed by Ireland (4th), Germany (5th), Switzerland (7th) and France (8th).** *(The Transatlantic Economy 2011 – Page 10)*

Trade in Service – Top U.S. export markets	
1	United Kingdom
2	…
3	…
4	Ireland
5	Germany
6	…
7	Switzerland
8	France

On a regional basis, Europe accounted for 41% of total U.S. services exports and for 43% of total U.S. services imports in 2009. **Starting with trade in services, five out of the top ten export markets for U.S. services in 2009 were in Europe. The United Kingdom ranked #1, followed by Ireland (4th), Germany (5th), Switzerland (7th) and France (8th).** Similarly, the same five countries ranked among the top ten services providers to the U.S. The U.S. enjoyed a $54 billion trade surplus in services with Europe in 2009, compared with its $120 trade deficit in goods with Europe.
(The Transatlantic Economy 2011 – Page 36)

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U.S. Affiliates Gross Output

The presence of U.S. affiliates in some European countries is particularly noteworthy. The gross output of American affiliates in Ireland, for instance, represented 21% of Ireland's total output in 2008, roughly unchanged from the prior year…
Elsewhere, U.S. affiliates accounted for 7.2% of Norway's aggregate output, 6.2% of the United Kingdom's aggregate output, 5.7% of Switzerland's aggregate output, and 4.5% of Belgium's total output. Regarding the latter, it is interesting to note that U.S. foreign affiliate output in Belgium in 2008 ($22.5 billion) was more than double U.S. foreign affiliate output in India ($9.2 billion) and Indonesia ($14.3 billion).

Gross Output of American Affiliates in % of total country output	
21 %	Ireland
7.2%	Norway
6.2%	United Kingdom
5.7%	Switzerland
4.5%	Belgium

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U.S. Affilliate Sales in Europe

In 2008, for instance, nearly 41% of U.S. affiliate sales in Europe were classified as exports to third parties, up from 31% in 1990. The rise reflects the dispersion of U.S. manufacturing activities across Europe, notably between high-wage western Europe and low-cost eastern and central Europe. EU enlargement has allowed U.S. affiliates to slice up their value chains to produce and assemble in various parts of the EU. Belgium, Ireland and the Netherlands have emerged as significant export platforms for U.S. affiliates over the past few decades.

U.S. Affiliate Sales in Europe By Destination
% of total

	Calendar 1982 :			Calendar 1990 :			Calendar 2008 :		
Region	Local Market	Exports to 3rd Market	Exports to U.S.	Local Market	Exports to 3rd Market	Exports to U.S.	Local Market	Exports to 3rd Market	Exports to U.S.
World	**63.7%**	**25.6%**	**10.7%**	**67.0%**	**22.8%**	**10.2%**	**58.6%**	**31.4%**	**10.0%**
Europe	**61.4%**	**35.0%**	**3.6%**	**64.8%**	**31.2%**	**4.0%**	**53.0%**	**40.7%**	**6.3%**
Austria	na	na	na	77.8%	21.1%	1.1%	61.9%	34.1%	4.0%
Belgium	39.7%	57.2%	3.1%	41.5%	55.5%	3.0%	38.3%	57.3%	4.4%
Denmark	n.a.	n.a.	n.a.	75.7%	20.0%	4.3%	50.5%	46.6%	3.0%
Finland	97.6%	na	na	97.4%	2.3%	0.4%	56.4%	40.4%	3.1%
France	74.1%	24.0%	1.9%	72.4%	24.6%	3.0%	66.2%	28.8%	5.0%
Germany	69.8%	28.1%	2.1%	68.4%	29.0%	2.6%	61.3%	34.9%	3.8%
Ireland	n.a.	n.a.	5.3%	29.3%	64.9%	5.8%	24.4%	59.1%	16.5%
Italy	83.0%	16.0%	1.0%	82.3%	16.2%	1.5%	75.6%	21.1%	3.3%
Netherlands	44.1%	53.0%	2.9%	41.8%	55.7%	2.5%	41.1%	53.4%	5.5%
Norway	45.7%	41.7%	12.6%	n.a.	37.7%	n.a.	43.6%	54.1%	2.4%
Poland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	60.9%	37.8%	1.3%
Portugal	76.6%	22.8%	0.6%	79.5%	20.1%	0.4%	72.5%	23.0%	4.4%
Spain	72.9%	25.8%	1.3%	74.7%	23.7%	1.7%	68.4%	28.8%	2.8%
Sweden	81.0%	18.1%	0.9%	78.8%	19.1%	2.1%	46.9%	44.4%	8.7%
Switzerland	12.4%	81.3%	6.3%	25.4%	63.5%	11.1%	21.1%	71.1%	7.7%
United Kingdom	68.3%	26.4%	5.3%	74.6%	20.3%	5.1%	68.8%	25.0%	6.2%

Source: Bureau of Economic Analysis

Ireland has been a good example of this phenomenon. U.S. foreign affiliates sales totaled $250 billion in 2008, making Ireland one of the largest markets in the EU in terms of foreign affiliate sales. However, foreign affiliate sales to the local market accounted for just a quarter of the total in 2008; sales to third markets represented nearly 60% of the total; and affiliate sales to the U.S. accounted for roughly 17% of the total.

Belgium, the Netherlands and Switzerland are three more countries where U.S. affiliate sales are greater in third markets and the U.S. than in the local market. The same is true for Hungary, a low-cost center for production and distribution for many U.S. affiliates in the heart of Europe.

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Affiliate Employment

When it comes to affiliate employment, trends in the United States are similar to those in Europe. In other words, despite stories on the continent about local European companies decamping for cheap labor markets in central Europe or Asia, most foreigners working for European companies outside the EU are Americans. European majority- owned foreign affiliates directly employed roughly 3.6 million U.S. workers in 2008 - over 100,000 more workers than U.S. affiliates employed in Europe. **The top five European employers in the U.S. were firms from the United Kingdom (957,000), Germany (614,000), France (550,000), Switzerland (394,000) and the Netherlands (371,000).** French firms employed 34,000 more people in the U.S. in 2008 than in 2007, while German firms employed 39,000 less and Dutch firms 20,000 less. European firms employed two-thirds of all U.S.workers on the payrolls of majority-owned foreign affiliates in 2008.

The U.S. - European Employment Balance
Thousands of employees, 2008

Country	European Affiliates[1] of U.S. Companies	U.S. Affiliates[2] of European Companies	Employment Balance
Austria	44.0	14.4	-29.6
Belgium	129.0	179.3	+50.3
Denmark	38.9	26.8	-12.1
Finland	23.8	31.5	+7.7
France	604.4	550.2	-54.2
Germany	621.3	614.2	-7.1
Ireland	89.0	66.2	-22.8
Italy	232.9	86.5	-146.4
Luxembourg	13.6	35.5	+21.9
Netherlands	228.8	371.5	+142.7
Norway	33.7	8.0	-25.7
Spain	188.1	66.8	-121.3
Switzerland	81.5	394.4	+312.9
United Kingdom	1,174.2	957.4	-216.8
Europe	3,503.2	3,402.7	-100.5

Note: Employment balance "+" favors the United States
Source: Bureau of Economic Analysis
[1] Majority-owned non-bank affiliates
[2] Majority-owned bank and non-bank affiliates

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Affiliate Employment			
957,000	United Kingdom	394,000	Switzerland
614,000	Germany	371,000	Netherlands
550,000	France		

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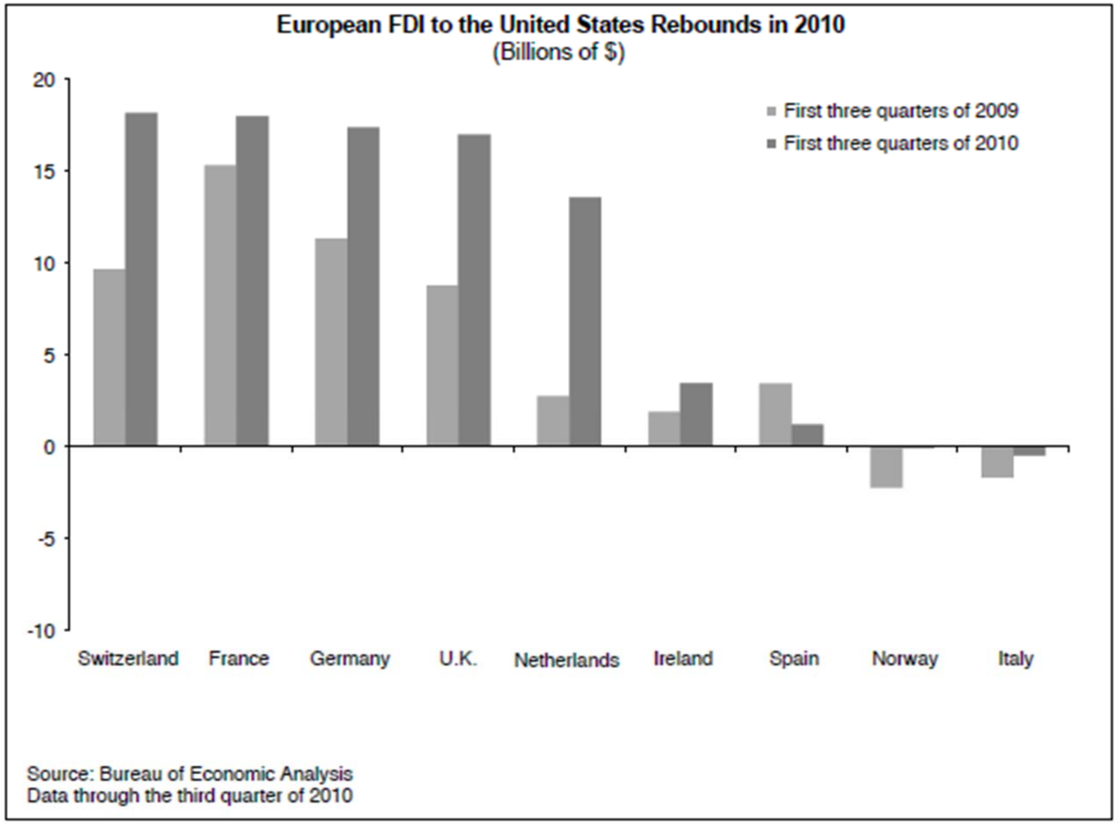
Corporate Capital Stock in the U.S.

Corporate Europe's capital stock in the United States remains quite extensive and expansive, and the improving U.S. economic situation sparked a sharp revival in European investment flows into the U.S. in 2010. Based on the latest figures, European inflows totaled \$106 billion in the first nine months of 2010, a 70% rise from the same period the year before. That equates to an annualized figure of around \$140 billion - a marked improvement from 2009, when inflows from Europe to the United States plunged to just \$84 billion, yet still well below the precrisis levels of 2008, when inflows totaled \$202 billion.



As the accompanying chart highlights, the 2010 upturn in inflows from Europe to the U.S. was led by the Netherlands (+391%), the United Kingdom (+93%), Switzerland (+87%), Ireland (+85%), Germany (+53%) and France (+17%). Combined, these six countries accounted for nearly two-thirds of total European investment in the U.S. during the first nine months of 2010.

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FDI Flows of the EU (outside the EU itself)

In terms of FDI flows and outward stock, the United States remains the primary destination of EU investment outside the EU itself. Based on data from Eurostat, the U.S. was the top recipient of extra-EU FDI outflows in 2009, which is the last year of available data.

Outflows to the U.S. totaled €75 billion (down from €121 billion in 2008), 27% of the extra- EU27 total, followed by Switzerland (14%), Brazil (3%) and Argentina (2%). In terms of capital stock, the EU's investment stock in the United States rose by 51% between 2000 and 2009, with the U.S. accounting for nearly one- third of extra- EU27 FDI stock abroad.

If one makes a global comparison, then in 2008 - the last year of comparable global data - the amount of EU FDI flowing to the U.S. was more than to the next 6 destinations combined. Switzerland ranked 2nd, registering about 43% of the amount going to the United States. Canada was 3rd and Mexico 12th, bolstering the importance of North America as the EU's preferred FDI destination. of the BrICs, Brazil ranked 4th, russia 5th, China 13th and India 19th. EU FDI in the United States in 2008 was 9 times more than in Brazil, 11 times more than in russia, 22 times more than in China and 55 times more than in India. EU FDI to russia increased 12.5 times between 2001 and 2008, but still accounted for only 2.8% of the total. EU FDI to China tripled between 2000 and 2008, but still only accounted for little more than 1% of overall EU FDI.

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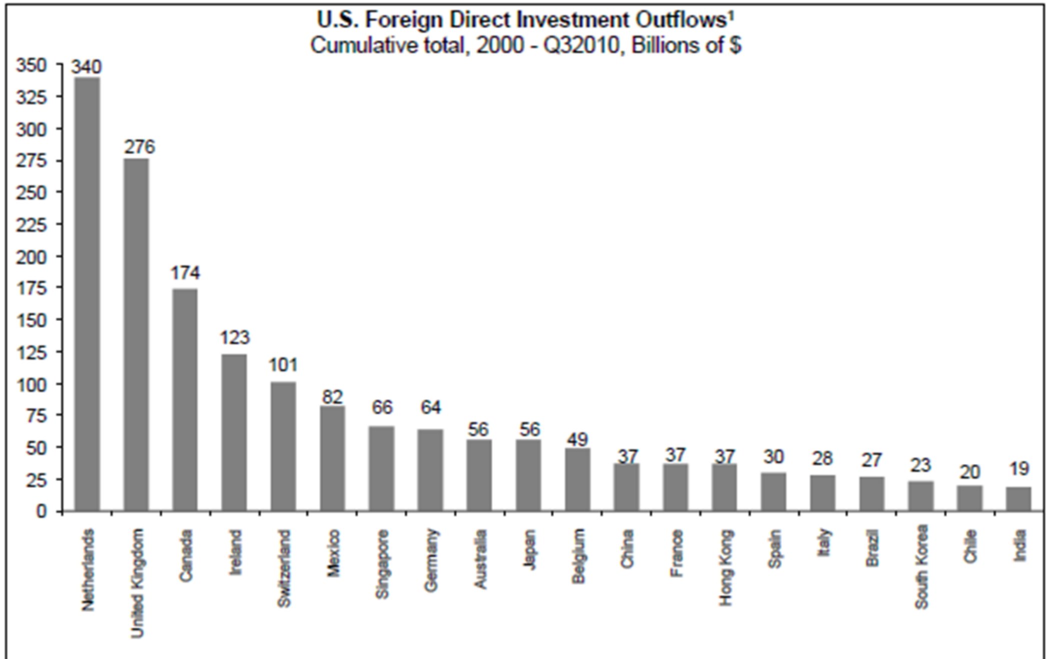
FDI Flows of the USA I.

Notwithstanding the plunge in U.S. outward foreign direct investment in 2008/09, the direction of U.S. FDI remains generally towards Europe. That was the case in the 1960s, the 1970s, the 1980s and the 1990s. And to a large degree, things are no different early in the 21st century. Over the 2000-2010 period, for instance, U.S. firms sunk roughly $1.3 trillion into Europe, a figure that equates to just over 60% of total U.S. foreign direct investment for the entire decade. As a footnote, the figures for “Europe” are all encompassing and include non-EU members like Switzerland, Luxembourg, Russia, and Norway. However, due to the patchy nature of U.S. investment flows to Europe in 2010, Europe’s share of total U.S. foreign investment was roughly 52%, down from last decade’s average. **Over the past decade five of the top ten overseas markets for U.S. investment were in Europe. Of cumulative U.S. foreign investment outflows between 2000 and the third quarter of 2010, the Netherlands ranked first. The United Kingdom was second, followed by Ireland (4th), Switzerland (5th), and Germany (8th). France ranked 13th, Belgium 11th, and Spain 15th.** Also ranking in the top ten were America’s Nafta neighbors Canada and Mexico, which ranked third and sixth, respectively. Meanwhile, Singapore ranked 8th, Australia 9th and Japan 10th.



Source: Bureau of Economic Analysis

[1] Excludes Caribbean financial centers and Luxembourg

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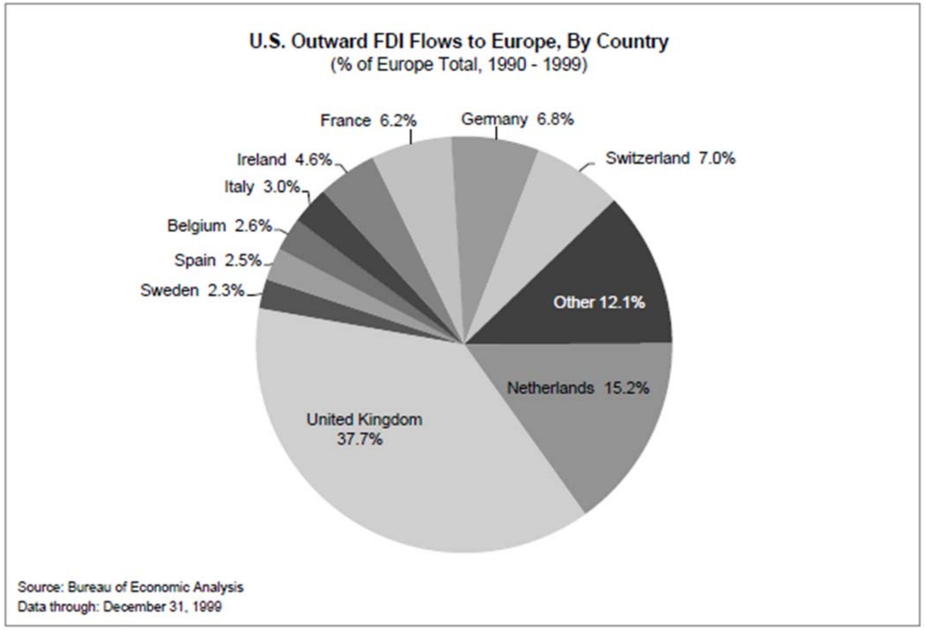
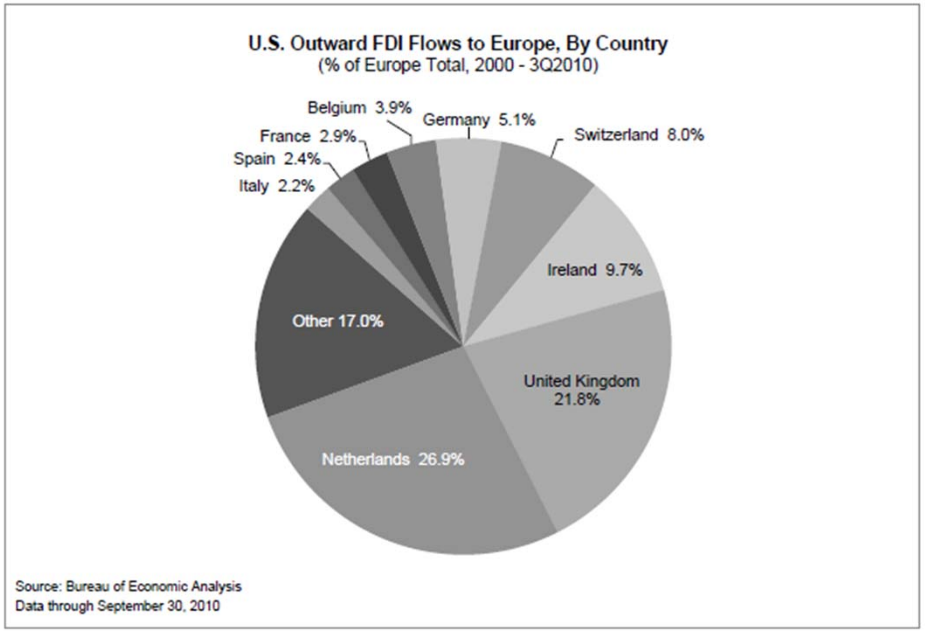
FDI Flows of the USA II.





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EU Exports of Goods

EU goods exporters have also withstood the challenge of rising economies better than Japan or the United States. Research by Angela Cheptea, Lionel Fontagne and Soledad Zignago offers evidence that over the past 15 years the EU has essentially maintained its 19% market share of world exports, despite the rise of China, which tripled its performance and on the eve of the recession accounted for 16.1% of world market shares. In contrast, Japan and the U.S. each lost around 6% in market shares, so that the U.S. accounted for 12.5% and Japan 8.6% of world market shares in 2007. And while North America is the #1 regional market for EU goods (23% of EU total) and the U.S. is the #1 country market (19%) for EU goods, its share has declined 9% over the past decade. Between 1999 and 2008 total EU export shares to the old member states, the advanced OEcD countries and Asia declined, while total EU export shares increased to the new member states, the BrIcs and to the rest of the world outside the advanced countries and Asia. The EU is the most important trading partner for the BrIcs - especially for Russia, Brazil and India. Of the major developed economies, the EU is the top supplier of goods to the developing nations - by a significant margin - and has enjoyed far greater growth rates than either Japan or the United States.
Despite this shift, EU exports to key developing countries remain relatively low. In essence, many EU companies are "overweight" in their export presence in developed countries and "underweight" in their exports to high growth developing markets. For instance, even though EU goods exports to China have been growing at a 30% annual average growth rate over the past decade - faster than any other goods export destination - China is only the sixth largest regional destination for EU goods exports. The EU exports more to Switzerland than to China. Moreover, the EU has trade deficits in goods with all BrIcs except India.
(The Transatlantic Economy 2011 – Pages 135 / 136)