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THE TRANSATLANTIC ECONOMY 2015

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

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Trans-Atlantic Business Council

Center for Transatlantic Relations

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Hamilton, Daniel S., and Quinlan, Joseph P.,
The Transatlantic Economy 2015: Annual Survey of Jobs, Trade and Investment between the United States and Europe

Washington, DC: Center for Transatlantic Relations, 2015.

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ISBN 978-0-9907720-4-0

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Preface and Acknowledgements

This annual survey offers the most up-to-date picture of the dense economic relationship binding European countries to America's 50 states. The survey consists of four chapters. Chapter One offers Headline Trends for the transatlantic economy. Chapter Two updates our basic framework for understanding the deeply integrated transatlantic economy via 'eight ties that bind.' Chapter Three offers an overview of U.S. commercial relations with Europe, and Chapter Four an overview of European commercial ties with the United States. The appended charts provide the most up-to-date information on European-sourced jobs, trade and investment with the 50 U.S. states, and U.S.-sourced jobs, trade and investment with the 28 member states of the European Union, as well as Norway, Switzerland and Turkey.

This annual survey complements our other writings in which we use both geographic and sectoral lenses to examine the deep integration of the transatlantic economy, and the role of the United States and Europe in the global economy, with particular focus on how globalization affects American and European consumers, workers, companies, and governments. In our other new publication, *The Geopolitics of TTIP* (2014), we explore the broader ramifications of the U.S.-EU Transatlantic Trade and Investment Partnership. We also provide regular TTIP analysis via the Center's Transatlantic Partnership Forum.

We would like to thank Lisa Mendelow, Sylvia Staneva, James Medaglio, Andrew Vasylyuk and Lauren Sanfilippo for their assistance in producing this study.

We are grateful for generous support of our annual survey from the American Chamber of Commerce to the European Union and its member companies; and the Transatlantic Business Council and its member companies.

The views expressed here are our own, and do not necessarily represent those of any sponsor or institution. Other views and data sources have been cited, and are appreciated.

Daniel S. Hamilton
Joseph P. Quinlan

EXECUTIVE SUMMARY

- Despite continuing transatlantic economic turbulence, the U.S. and Europe remain each other's most important markets. No other commercial artery in the world is as integrated.

- The transatlantic economy generates $5.5 trillion in total commercial sales a year and employs up to 15 million workers in mutually "onshored" jobs on both sides of the Atlantic. It is the largest and wealthiest market in the world, accounting for over 35% of world GDP in terms of purchasing power.

- Ties are particular thick in foreign direct investment (FDI), portfolio investment, banking claims, trade and affiliate sales in goods and services, mutual R&D investment, patent cooperation, technology flows, and sales of knowledge-intensive services.

- Nonetheless, six years after the 2008-9 financial crisis, the two parts of the transatlantic economy remain largely out of step, plagued by gaps in growth, trade, jobs, energy, monetary policies and approaches to the digital economy. Rather than come together, the two partners could drift apart.

Transatlantic Investment: Still Driving the Transatlantic Economy

- Trade alone is a misleading benchmark of international commerce; mutual investment dwarfs trade and is the real backbone of the transatlantic economy. The U.S. and Europe are each other's primary source and destination for foreign direct investment.

- U.S. majority-owned foreign affiliate sales on a global basis (goods and services) totaled an estimated $6.2 trillion in 2013, 3 times the value of total U.S. global exports.

- Together the U.S. and Europe accounted for only 25% of global exports and 30% of global imports in 2013. But together they accounted for 70% of the outward stock and 57% of the inward stock of global FDI. Moreover, each partner has built up the great majority of that stock in the other economy. Mutual investment in the North Atlantic space is very large, dwarfs trade, and has become essential to U.S. and European jobs and prosperity.

- U.S. foreign affiliate sales in Europe in 2013 topped $2.9 trillion, greater than total U.S. exports to the world of $2.3 trillion and 47% of total U.S. foreign affiliate sales globally.

- Majority-owned European affiliate sales in the United States ($2.3 trillion) in 2013 were more than triple European exports to the United States.

- Foreign investment and affiliate sales drive transatlantic trade. 61% of U.S. imports from the EU consisted of intra-firm trade in 2013 - much higher than U.S. intra-firm imports from Pacific Rim countries (43%) and South/Central America (39%), and well above the global average (50%). Percentages are notably high for Ireland (91.5%) and Germany (69.2%).

- Intra-firm trade also accounted for one-third of U.S. exports to Europe and nearly half of total U.S. exports to Belgium and the Netherlands, 32% of exports to Germany and 26% of exports to the UK.

The U.S. in Europe

- Over many decades no place in the world has attracted more U.S. FDI than Europe. Since the start of this century Europe has attracted over 55% of total U.S. global investment — more than in any previous decade.
- Holding companies account for a growing share of U.S. FDI globally, including in Europe. Holding companies accounted for 56% of total U.S. FDI outflows to Europe in 2012 and 63% in 2013.
- Europe still accounted for 45% of total U.S. FDI outflows globally when flows from holding companies are removed from the overall figures.
- U.S. FDI outflows to Europe in 2014 totaled an estimated $165 billion, 4.5% less than in 2013, due to significant fluctuations to the UK, Luxembourg and the Netherlands.
- In the first nine months of 2014, U.S. FDI flows to Ireland jumped 41% to $37 billion; flows to Switzerland surged 175% to $15.5 billion.
- U.S. firms disinvested $638 million from Russia in the first nine months of 2014, following almost $1 billion in outflows in 2013.
- U.S. firms also disinvested in Poland (-$4 million), Sweden (-$3.9 billion), Hungary (-$293 million), Finland (-$142 million) Greece (-$31 million) in the first nine months of 2014.
- U.S. FDI flows to Italy, Spain and Portugal turned positive in 2014, but remained low.
- Estimated U.S. FDI flows in 2014 to France ($2.6 billion) and Germany ($2 billion) are less than half combined U.S. FDI flows to China and India ($10 billion).
- China has accounted for just 1.4% of total global U.S. investment since the start of this century. U.S. investment in the Netherlands was more than 12 times larger; U.S. investment in the UK was almost 9 times larger; and U.S. investment in Ireland more than 6 times larger than U.S. investment in China.
- Since 2000 U.S. firms have invested more in the Netherlands ($544 billion) and the UK ($396 billion) alone than in South and Central America, the Middle East and Africa combined ($367 billion).
- U.S. cumulative investment in Brazil since 2000 ($55.1 billion) has been roughly one-fifth U.S. investment in Ireland.
- U.S. FDI in Russia since 2000 ($8.7 billion) has been less than in such smaller European countries as Norway ($17.4 billion) and Denmark ($14.9 billion).
- Since 2000 U.S. FDI in India ($31.2 billion) has been less than in Italy ($36.2 billion).
- On a historic cost basis, the U.S. investment position in Europe was nearly 15 times larger than the BRICs and nearly 4 times larger than in all of Asia at the end of 2013.
- U.S. investment in the Netherlands alone is 4 times larger, and U.S. investment in the UK 3 times larger, than U.S. investment in all of the BRICs.
- America's investment stakes in Ireland ($240 billion) were much greater than total U.S. capital sunk in South America ($170 billion).
- There is more U.S. investment in Germany ($118 billion) than in Mexico and all of Central America ($113 billion).

- » U.S. investment in Switzerland ($130 billion) is more than double all of U.S. FDI in Africa ($61 billion).
- » Of Corporate America's total foreign assets globally, roughly 60% — $13.6 trillion — was in Europe in 2013. Largest shares: the UK (22%, $5 trillion) and the Netherlands (nearly 9%, $2 trillion).
- » America's asset base in Germany (est. $740 billion) in 2013 was roughly one-third larger than its asset base in all of South America.
- » America's combined asset base in Poland, Hungary, and the Czech Republic (roughly $142 billion) was much larger than its asset base in India (est. $102 billion).
- » U.S. assets in Ireland (est. $1.2 trillion in 2013) were more than total U.S. assets in Switzerland (est. $706 billion), about 3 times than those in France (est. $388 billion) and 4 times greater than those in China (est. $295 billion).
- » Total output of U.S. foreign affiliates in Europe in 2013 ($700 billion) and of European affiliates in the U.S. $535 billion) was greater than the output of such countries as the Netherlands, Turkey or Indonesia.
- » U.S. affiliate output in Europe rose 4% in 2013 to total $760 billion, recovering to surpass the pre-crisis high of $660 billion in 2008.
- » Aggregate output of U.S. affiliates globally reached nearly $1.5 trillion in 2013; Europe accounted for 46% of the total.
- » The UK accounted for more than a quarter of total U.S. affiliate output in Europe in 2013.
- » U.S. affiliate output in Europe (est. $700 billion) in 2013 was roughly double affiliate output in all of Asia (est. $355 billion). U.S. affiliate output in China (est. $52 billion) and India (est. $26 billion) pale in comparison to U.S. affiliate output in the UK (est. $180 billion), Germany (est. $91 billion), or even Ireland (est. $85 billion).
- » By sector, output is tilting to services (56%) over manufacturing (44%). Germany, the UK and Ireland accounted for over half of total U.S. affiliate manufacturing output in Europe.
- » Based on our estimates, U.S. affiliates accounted for over 25% of Ireland's total output in 2013; 7-8% of the UK's output; 6-7% of Norway's output; 5-6% of Switzerland's output; and 5-6% of Belgium's total output.
- » U.S. foreign affiliate output in Italy in 2013 (est. $32 billion) was nearly one-quarter more than U.S. foreign affiliate output in India (est. $26 billion).
- » U.S. affiliate sales in Europe topped $2.9 trillion in 2013, up 5% from 2012, and accounted for 47% of worldwide U.S. affiliate sales.
- » Sales of U.S. affiliates in Europe in 2013 were roughly 75% larger than comparable sales in the entire Asia/Pacific. Affiliate sales in the UK ($692 billion) alone were 80% bigger than sales in South America. Sales in Germany ($345 billion) were roughly two-thirds larger than combined sales in Africa and the Middle East.
- » While U.S. affiliate sales in China have soared over the past decade, they have done so from a low base, and still remain well below comparable sales in Europe. U.S. affiliate sales of an estimated $250 billion in China in 2013 were below those in Ireland (est. $350 billion) and Switzerland (est. $302 billion).
- » Europe remains the most profitable region of the world for U.S. companies. U.S. foreign affiliate income earned in Europe rose 6.2% in 2014 to an estimated $238 billion — a record high, and one-third higher than the depressed levels of 2009.
- » Since 2000, Europe has accounted for nearly 58% of total U.S. foreign affiliate income.

» U.S. affiliate income from China and India together in 2013 ($12 billion) was only 16% of what U.S. affiliates earned in the Netherlands and a fraction of U.S. affiliate earnings in the UK or Ireland.

» In the first nine months of 2014, U.S. affiliate income from Europe—$178 billion—was more than combined U.S. affiliate income from Latin America ($61 billion) and Asia ($56 billion).

» U.S. affiliate income in China ($7.7 billion) or Brazil ($3.4 billion), however, was above affiliate income in France ($3.5 billion) or Germany ($2.7 billion).

» Tax inversions and related techniques have become super-hot political topics, but account for 0.1% of global merger activity. Inversions are estimated to cost 0.7% of U.S. corporate tax revenues over the next decade.

Europe in the U.S.

» Europe's FDI investment in the U.S. totaled just $15 billion in 2014, one of the weakest levels on record.

» Two massive one-off disinvestments distorted total FDI inflows to the U.S.: Vodaphone's sale of its share of Verizon Wireless (-$122 billion disinvestment); and a -$20.6 billion disinvestment from Luxembourg. When the UK and Luxembourg are removed from the overall numbers, the adjusted figures show a 16% rise in European FDI flows into the U.S. in the first nine months of 2014.

» FDI inflows plunged 491% from Sweden; 54% from Germany; 14% from the Netherlands, and 8.3% from France.

» The downturn was less about difficult economic conditions in the United States, and more about European firms sending capital back home or downsizing their global operations in the face of weakening global demand and near-recessionary conditions in Europe.

» Europe accounted for 70% of the $2.8 trillion invested in the United States in 2013 on a historic cost basis. The bulk of the capital was sunk by British firms (with total UK stock amounting to $520 billion), the Netherlands ($273 billion), France ($226 billion), Switzerland ($209 billion) and Germany ($208 billion).

» In 2013 total assets of European affiliates in the U.S. were an estimated $9 trillion. The UK ranked first, followed by Germany, Switzerland and France.

» The U.S. remains the most important market in the world in terms of earnings for many European multinationals. European affiliates earned an estimated $110 billion in the U.S. in 2014 — a sizable sum, but down 5.2% from 2013 ($116 billion).

» European affiliate output in the U.S. rose by 6.8% in 2013, totaling over $535 billion.

» The output of British firms in the U.S. in 2013 reached an estimated $145 billion — more than a quarter of the total output of European firms in the U.S. The output of German firms in the U.S. totaled $94 billion, or about 18% of the total.

» Beyond European affiliates, only Japan and Canada have any real economic presence in the U.S.—Japanese affiliate output totaled $97 billion in 2012, well below UK output and roughly similar to German affiliate output; Canadian affiliate output totaled $67 billion, on a par with French affiliate output.

» European companies operating in the U.S. accounted for two-thirds of the $830 billion contributed by all foreign firms to U.S. aggregate production in 2013.

» Affiliate sales, not trade, are the primary means by which European firms deliver goods and services to U.S. consumers. In 2013 European affiliate sales in the U.S. ($2.3 trillion) were more than triple European exports to the U.S. Affiliate sales rose roughly 6.5% in 2013.

» Sales by British affiliates in the U.S. totaled $610 billion in 2013, followed by German affiliate sales ($446 billion) and those by Dutch affiliates ($266 billion).

Transatlantic Trade

» U.S.-EU merchandise trade totaled roughly $700 billion in 2014, more than double the level at the start of the new century.

» The U.S. merchandise trade deficit with the EU surged to roughly $141 billion in 2014, more than double the deficit in 2009.

» America's merchandise trade deficit with Germany of nearly $74 billion in 2014 accounted for 52% of America's overall merchandise trade deficit with the EU, and was even larger than its $63 billion deficit with Japan.

» In contrast, the U.S. consistently records services trade surpluses with Europe — $64 billion in 2013.

» U.S. exports posted gains to Belgium (9%), the Netherlands (2.6%), Ireland (17.1%), Italy (1.4%) and a host of smaller nations in 2014. The largest U.S. export declines were reported with Switzerland (-15.5%), Finland (-8.2%), and France (-1.7%). The U.S. posted large trade deficits with Germany ($73.7 billion), Ireland ($26 billion), Italy ($25 billion), and France ($16 billion).

» Ireland is a top global export platform for Corporate America. Between 2000 and 2012, U.S. affiliate exports from Ireland jumped almost five-fold to nearly $241 billion. U.S. affiliate exports from Ireland are 4 times larger than U.S. affiliate exports from China and 3.5 times larger than from Mexico.

» Switzerland, the UK and the Netherlands also rank as top global export platforms for U.S. affiliates.

» U.S. exports to Europe by state varied in 2013; California, Georgia, and Kentucky posted large year-over-year gains, while Illinois, Florida and Indiana posted large declines. Exports from Texas were up 4%, fueled by rising energy exports from Texas. Petroleum and coal exports topped $11 billion in 2013. That is more than ten times the level of exports in 2005 and reflects Texas' surging energy production.

» 45 of 50 U.S. states export more to Europe than to China, and by a wide margin in many cases. In the first nine months of 2014 Florida and New Jersey each exported roughly 8 times more to Europe than to China; New York nearly 7 times more; Indiana 6 times more.

» Texas, the leading U.S. state exporter to Europe, sent 3 times more goods to Europe than to China. So did Ohio. The Pacific coast state of California exported twice as much to Europe as to China.

» Germany was the top European export market for 17 U.S. states in 2013. The UK was the top European export market for 9 states, Switzerland and Belgium for 5 states, and France for 4 states.

» Foreign firms operating in the United States generated one-fifth of America's exports in 2013; more than half of these U.S. exports were generated by European companies. For instance, German automaker BMW is America's largest exporter of cars to the rest of the world in terms of value.

Services: The Sleeping Giant of the Transatlantic Economy

- The U.S. and Europe are the two leading services economies in the world. The U.S. is the largest single country trader in services, while the EU is the largest trader in services among all world regions. The U.S. and EU are each other's most important commercial partners and major growth markets when it comes to services trade and investment. Moreover, deep transatlantic connections in services industries, provided by mutual investment flows, are the foundation for the global competitiveness of U.S. and European services companies.

- Four of the top ten export markets for U.S. services are in Europe. Europe accounted for 36% of total U.S. services exports and for 40% of total U.S. services imports in 2013.

- U.S. services exports to Europe totaled $250 billion in 2013, up 22% from 2009 and more than double the level at the beginning of the century. The U.S. enjoyed a $64 billion trade surplus in services with Europe in 2013, compared with its $134 billion trade deficit in goods with Europe.

- European services exports to the United States hit an all-time high in 2013 of $186 billion, up 21.6% from 2009. The UK, Germany, Ireland, Switzerland, France and Italy are top services exporters to the U.S.

- Moreover, foreign affiliate sales of services, or the delivery of transatlantic services by foreign affiliates, have exploded on both sides of the Atlantic over the past few decades and become far more important than exports.

- Sales of services by U.S. foreign affiliates in Europe rose by 3.5% to $665 billion in 2013 — more than two and half times U.S. services exports of $250 billion to Europe.

- The UK alone accounted for just over 30% of all U.S. affiliate sales in Europe in 2012 — $195 billion, more than combined U.S. affiliate sales of services in South and Central America ($120 billion), Africa and the Middle East (each $29 billion).

- On a global basis, Europe accounted for half of total U.S. affiliate services sales.

- European affiliate sales of services in the U.S. of $490 billion in 2012 were 30% less than U.S. affiliate sales of services in Europe.

- Nonetheless, European companies are the key provider of affiliate services in the U.S. Foreign affiliate sales of services in the United States totaled $802 billion in 2012; European firms accounted for 61% of the total. German affiliates led with $117 billion in services sales, followed closely by UK affiliates ($116 billion).

- European companies operating in the United States generated an estimated $512 billion in sales in 2013, 2.75 times more than European services exports to the U.S. of $186 billion.

Transatlantic Jobs

- Despite stories about U.S. and European companies decamping for cheap labor markets in Mexico or Asia, most foreigners working for U.S. companies outside the U.S. are Europeans, and most foreigners working for European companies outside the EU are American.

- European companies in the U.S. employ millions of American workers and are the largest source of onshored jobs in America. Similarly, U.S. companies in Europe employ millions of European workers and are the largest source of onshored jobs in Europe.

- U.S. and European foreign affiliates directly employed 8.3 million workers in 2013, up nearly 4% from the year before. Further modest gains in employment were most likely achieved in 2014.

- These figures understate the overall job numbers, since they do not include
    - jobs supported by transatlantic trade flows;
    - indirect employment effects of nonequity arrangements such as strategic alliances, joint ventures, and other deals; and
    - indirect employment generated for distributors and suppliers.

- U.S. affiliates directly employed an estimated 4.3 million workers in Europe in 2013, about 600,000 (16.2%) more than in 2000.

- Roughly 35% of the 14.5 million people employed by U.S. majority-owned affiliates around the world in 2013 lived in Europe; more than half work in the UK, Germany and France.

- U.S. affiliates employed more manufacturing workers in Europe in 2012 (1.7 million) than they did in 1990 (1.6 million), but somewhat less than in 2000 (1.9 million). Manufacturing employment has declined in some countries while gaining in others.

- Poland has been a big winner: U.S. affiliate manufacturing employment more than doubled between 2000 and 2012, rising from 51,000 to over 102,000. Poland, the Czech Republic and Hungary accounted for 11% of U.S. affiliate manufacturing employment in Europe in 2012, from near zero in 1990.

- In 2012 the UK, France and Germany accounted for 48% of U.S. affiliate manufacturing employment in Europe. In 1990 they accounted for 67%.

- The largest declines in manufacturing employment among U.S. affiliates were reported in the UK, from 431,000 in 2000 to 311,300 in 2012 - although the latter figure was 10,000 more than in 2011. Employment dropped in France from 249,000 to 199,400, and fell in Germany from 388,000 to 355,000.

- U.S. affiliates in Poland, the Czech Republic, Slovakia and Hungary now employ roughly 230,000 manufacturing workers, more than in France (189,000 in 2012), in Italy (91,900), India (155,000), South Korea (61,000), Thailand (105,100) and all of Africa (96,100).

- U.S. affiliates employ more Europeans in services than in manufacturing and this trend is likely to continue. Manufacturing accounted for just 42% of total employment by U.S. affiliates in Europe in 2012. U.S. affiliates employed nearly 373,000 European workers in transportation and 261,000 in chemicals. Wholesale employment was among the largest sources of services-related employment, which includes employment in such areas as logistics, trade, insurance and other related activities.

- The manufacturing workforce of U.S. affiliates in Germany totaled 355,000 workers in 2012 — above the number of manufactured workers employed in Brazil by U.S. affiliates (320,000) and India (155,000) yet below the figures of China (588,000).

- European majority-owned foreign affiliates directly employed roughly 4 million U.S. workers in 2013 — some 345,000 less workers than U.S. affiliates employed in Europe. The top five European employers in the U.S. in 2013 were firms from the UK (987,000, up from 910,000 in 2011), Germany (645,000, up from 589,000 in 2011), France (545,000, up from 489,000 in 2011), Switzerland (486,000, up from 416,000 in 2011) and the Netherlands (393,000, up from 350,000 in 2011).

- European firms employed two-thirds of all U.S. workers on the payrolls of majority-owned foreign affiliates in 2013.

- German affiliates created an estimated 25,000 new jobs in the U.S. in 2013, followed by UK firms (24,000) Dutch (15,000), French (10,000), Italian (3,000) and Spanish (1,600).

» Texas gained more than 58,800 jobs (24.9% increase) directly from European investment between 2006 and 2012. Other with significant gains included Massachusetts – 27,000 (22.6%); Pennsylvania – 24,500 (13.4%); California – 23,300 (6.7%); New York – 15,600 (5.5%); Illinois – 12,200 (7.1%); Rhode Island – 10,100 (70.1%); and Georgia – 10,000 (8.8%).

» Other states have lost jobs from European investments since 2006, including Michigan – 17,500 (12.4%) less; Wisconsin – 11,500 (17%) less; New Jersey – 5,200 (3%) less; Tennessee – 3,100 (4.1%) less; Maryland and North Carolina, each with 3,200 (7%) less; and South Carolina – 1,600 (1.9%) less.

» The top five U.S. states in terms of jobs provided directly by European affiliates in 2012 were California (368,800), New York (297,700), Texas (294,700), Pennsylvania (207,000) and Illinois (183,500).

» Companies based in each of the following European regions directly supported over 100,000 American jobs via FDI in 2011: London; Paris; Amsterdam; North-Rhine Westphalia in Germany; Brussels; Dublin; Baden-Württemberg in Germany; Southeast England; Stockholm; and Zurich.

The Transatlantic Innovation Economy

» Bilateral U.S.-EU flows in R&D are the most intense between any two international partners. In 2012 U.S. affiliates invested $26.7 billion in research and development in Europe, representing roughly 60% of total global R&D expenditures by U.S. foreign affiliates.

» R&D expenditures by U.S. affiliates were greatest in Germany, the UK, Belgium, Switzerland, France, the Netherlands, and Ireland. These seven countries accounted for 87% of U.S. global spending on R&D in Europe in 2012.

» In the U.S, R&D expenditures by majority-owned foreign affiliates totaled $48 billion in 2012. R&D spending by European affiliates totaled $36.8 billion, $5.5 billion more than in 2010, and representing 77% of all R&D performed by majority-owned foreign affiliates in the United States.

» Swiss-owned R&D in the U.S. totaled $9.4 billion in 2012, nearly a quarter of total affiliate R&D in the United States. British, affiliates accounted for 18.4% and German and French affiliates each accounted for 6%.

CHAPTER 1

A TALE OF TWO ECONOMIES

The transatlantic economy in 2015 remains the largest and wealthiest of the global economy, and home to the largest skilled labor force in the world. Yet since the 2008-9 financial crisis and ensuing Great Recession, the United States and Europe have embarked on divergent economic paths. Growing transatlantic gaps in growth, jobs, trade, energy and monetary policies have generated skepticism and uncertainty about the cohesion and durability of transatlantic ties at a time when the diffusion of economic power and weakening of the rules-based international economic order demand closer transatlantic partnership. It is not clear whether the United States and Europe are coming together or drifting apart.

Mind the Gaps

The growth gap

As the second half of this decade begins, the transatlantic economy is a tale of two economies. The U.S. economy has a spring in its step. It expanded by roughly 4% on an annualized basis over the second half of 2014, although for calendar year 2014, the economy expanded by just 2.4%. That marks the ninth consecutive year where real annual growth in the U.S. has been below 3%. However, the U.S. economy is expected to advance by better than 3% in calendar year 2015. Prospects in Europe, meanwhile, while not as bright, are gradually improving.

The European economy is still struggling six years after the global economic meltdown of 2008-09. While the U.S. economy is now in its sixth year of recovery, Europe struggled in 2014 to avoid a triple-dip, or a third recession in six years. Europe avoided a recession in 2014 thanks to stronger-than-expected figures for the fourth quarter of the year. Germany led the way, with Europe's largest economy rising 0.7% in the fourth quarter of the year from the previous quarter. At the other end of the spectrum, growth remained quite weak in Italy, Greece, Finland and Cyprus, reflecting the uneven nature of Europe's economic backdrop. For 2014, real growth for the euro area was 0.9% versus 2.4% in the United States. That is a meaningful gap in growth that the IMF expects to become larger in 2015. For this year, the organization forecasts the U.S. economy to grow by 3.6% and the euro area by only 1.2%.

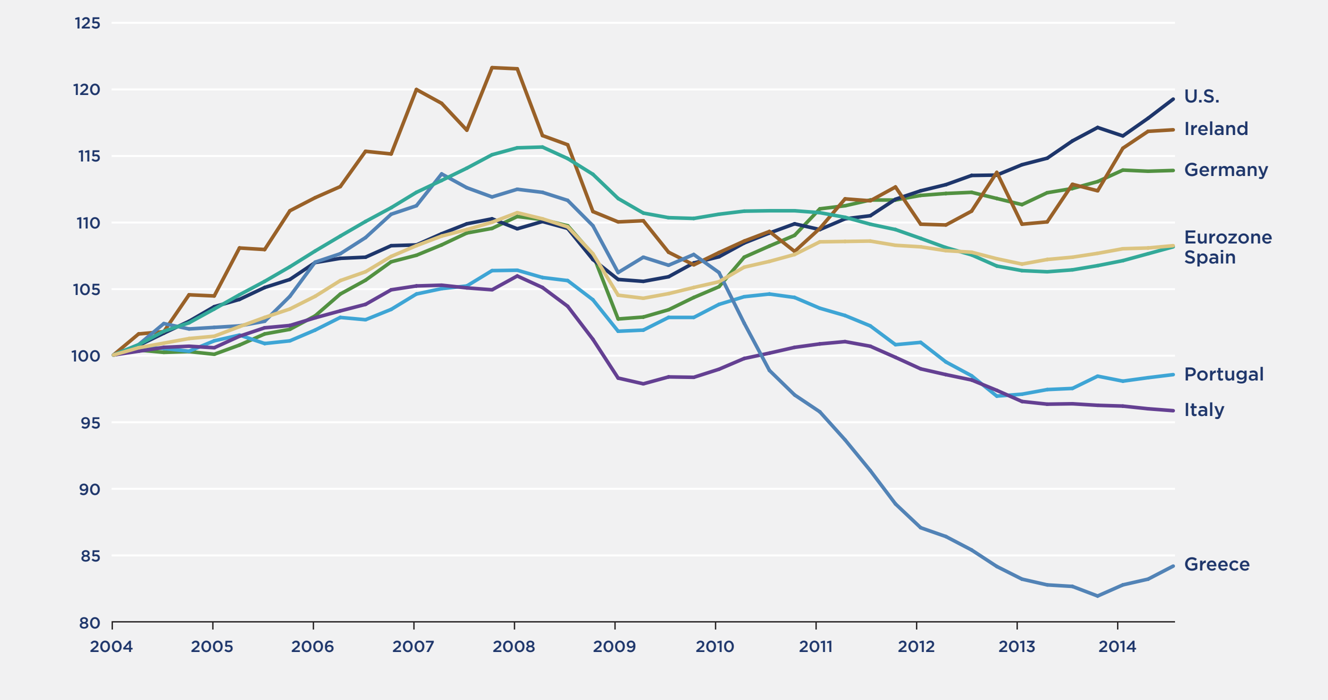
Overall, the news is good for the United States. Growth has been propelled by rising employment levels and private capital investment, as well as falling energy prices, favorable credit conditions and a buoyant stock market. Corporate and household debt relative to GDP has declined. Considered by many a spent and exhausted economic force a few years ago, the U.S. economy has emerged as perhaps the sole bright spot on the global economic horizon, growing much faster than Europe and many hyped emerging markets like Brazil and Russia. In 2015, the United States is expected to contribute more than China to global growth.

Below the headlines, however, the United States is hardly a picture of robust economic health. The recovery has been sub-par by historical standards. Political polarization continues to take its economic toll. Infrastructure challenges are mounting. Growth is being driven less by investment than by consumption, which is turn is being driven more by cheaper borrowing costs and energy prices than growing middle class earnings. Average family income for the bottom 90% of Americans has been flat since 1980. Income inequality has increased substantially, rivaling the extreme level that prevailed prior to the Great Depression. For the first time in over 50 years, a majority of U.S. public school students now come from low-income families.[1] The share of middle-skill jobs in overall employment has fallen while the share of lower-skill jobs has risen. While the country has emerged stronger from the crisis, and is better poised to continue on a path of growth to tackle its challenges, challenges abound.

Meanwhile, Europe remains in a funk. Across most of the continent, growth remains anemic, deflationary fears continue to mount, and unemployment and debt levels are uncomfortably high. Europe's political leaders continue to squabble over ways out of the crisis. High-debt countries like Greece, Italy, Spain, Portugal and Ireland are in no position to cut taxes, increase spending, or borrow more money. And countries that have the capacity to borrow and invest more — especially Germany — simply refuse to do so.

Notwithstanding better-than-expected growth figures for the fourth quarter of 2014, and the appearance that the acute phase of the eurozone crisis was over, Greece

TABLE 1: DEVELOPED ECONOMIES BACK ABOVE PRE-RECESSION OUTPUT LEVELS (REAL GDP LEVEL, Q1 2004 = 100)



Source: Haver Analytics.
Data through Q3 2014

again stole the headlines as its new radical government threatened to reject extension of its €245 billion bail-out package.

Greece's travails underscores the uneven nature of Europe's recovery. The UK recorded 2.6% growth in 2014, buoyed by consumer spending, robust housing markets and investment. Poland's economy continues to perform better than most. Small economies such as Bulgaria, the Czech Republic and Estonia have managed relatively well. Ireland and Spain are recovering. Germany, Europe's strongest and largest economy, has enjoyed sluggish growth but remains determined to balance its budget and press other eurozone countries to restructure their economies while abiding by tough fiscal restrictions. All are tightly bound to each other, however, and all are vulnerable to failing performance by afflicted neighbors like France and Italy. Falling demand from Russia, Asia and the Middle East have hit exports. Capacity utilization in industry—at just under 80%—remains at least two percentage points below the eurozone's historical average.[2]

Lower oil prices, a modest revival of domestic consumption, the European Central Bank's January 2015 decision to inject liquidity into the system, and the competitive benefits of a cheaper euro for European exporters are all likely to help. All told, however, Europe's recovery remains fragile, uneven, and slow.

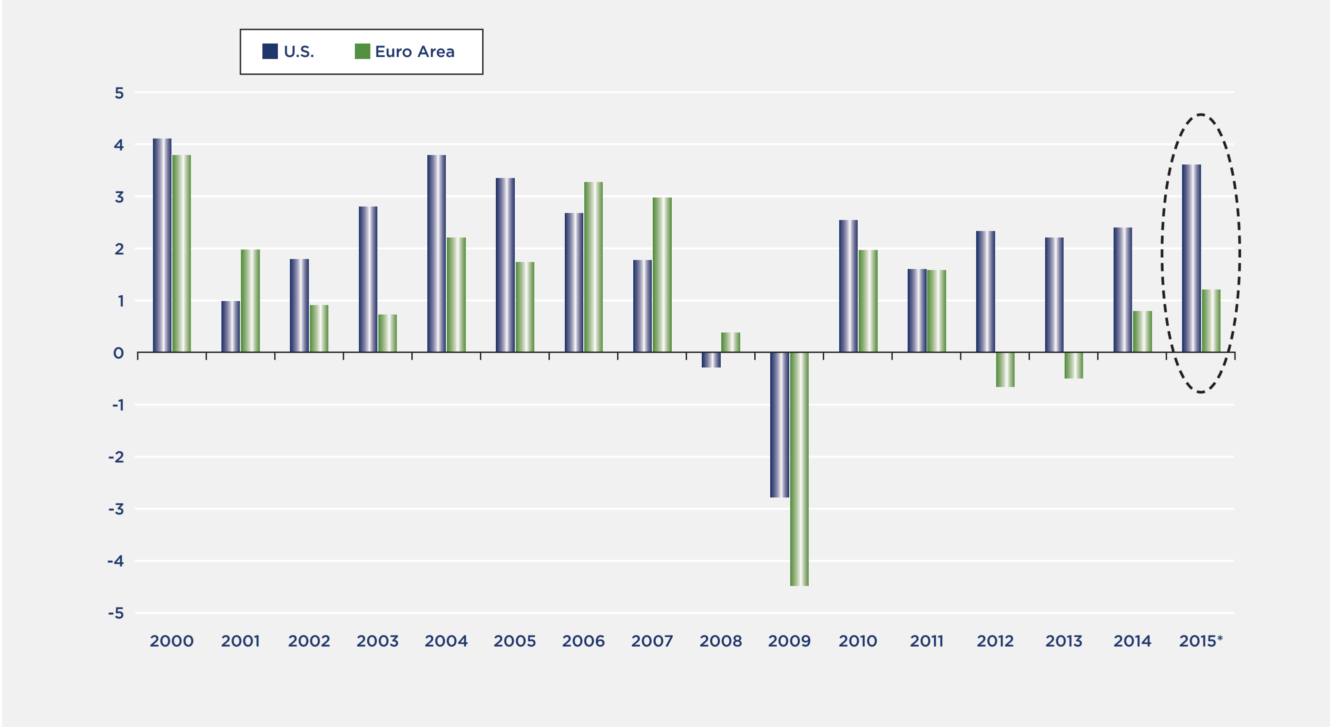
The monetary gap narrows.....

Why the contrasting growth patterns? One answer can be found in the divergent monetary policies that have been pursued by the U.S. Federal Reserve and the European Central Bank (ECB).

Aggressive monetary easing from the U.S. Federal Reserve has been critical and successful in right-sizing the U.S. economy, which was on the verge of capsizing six years ago. After pushing interest rates effectively to zero in 2008, and confronting a sluggish economy, the Federal Reserve opted for quantitative easing (QE)—or the buying of long-term Treasury and mortgage-backed securities. The Fed bought $1.7 trillion in securities in a first phase from November 2008 to March 2010; purchased an additional $600 billion in assets in a second phase from August 2010 to June 2011; and bought another $1.6 trillion in securities in a third phase between September 2012 and October 2014.

This monetary injection of over $4 trillion into the economy pushed interest rates lower, helping U.S. households to either buy or refinance homes, and to

TABLE 2: TRANSATLANTIC ECONOMIC OUTLOOK
U.S. VS. EURO AREA - (REAL GDP, ANNUAL PERCENT CHANGE)



**2015: Forecast.*
Data as of January 19, 2015.
Source: IMF

spend more on other goods and services. It also pushed up stock prices and other financial assets, boosting the net worth of many Americans, which in turned fueled even more personal consumption. Additional measures to recapitalize U.S. banks have made the U.S. banking system one of the strongest in the world.

In Europe the tale was different. Institutional constraints and the make-up of the ECB prompted Europe's central bank to act far more cautiously than the Fed over the past few years. It moved its interest rates to zero, but it never made the commitment to quantitative easing. Only in late 2014 did the ECB conduct a serious stress test to gauge the soundness of Europe's primary banks. One consequence: the eurozone's monetary base actually shrank over the past year, despite slowing growth and rising fears of deflation. Depressed by excessive debt, the eurozone stagnated.

Facing a very real specter of deflation, in January 2015 the ECB finally fired its "big bazooka" with its own version of quantitative easing — an injection of €1.1 trillion, or €60 billion a month at least through September 2016 — to boost the economy and lift inflation levels back towards its target of below, but close to, 2%.

The ECB's action promises to jumpstart growth and avert deflation. German leaders are concerned that the action takes the pressure off some countries from undertaking structural reforms. Yet Germany also stands to gain, not only via higher growth but also a cheaper euro, which will make German exports even more competitive.

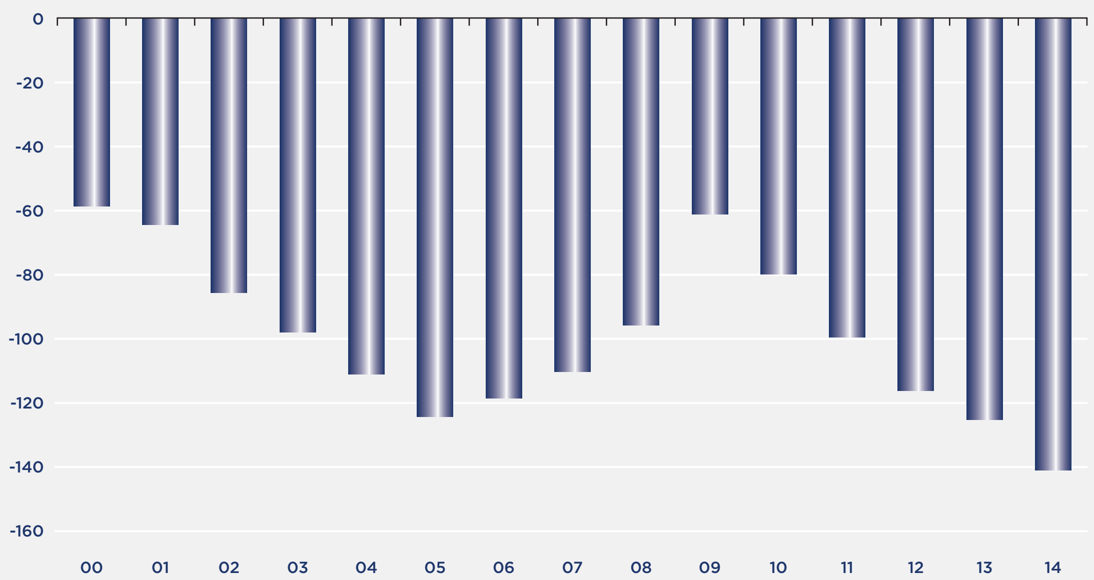
The European Central Bank's quantitative easing bond-buying program will also ripple across the Atlantic. A stronger dollar is likely to dampen European tourism to the United States, while encouraging American tourists and American investors to take another look at Europe. European investors looking for safe havens and higher yields may also choose to invest some of their new-found liquidity in the United States.

...while the trade gap widens

A stronger dollar could also exacerbate America's widening merchandise trade gap with the European Union, which hit a record high of $141 billion in 2014.

America's merchandise trade deficit with the EU has increased five years in a row, and more than doubled between 2009 ($60 billion) and 2014 ($141 billion). In 2014, U.S. merchandise imports from the EU rose 7.8%

TABLE 3: U.S. MERCHANDISE TRADE BALANCE WITH THE EU - (BILLIONS OF $)



Source: United States Census Bureau.

from the same period a year ago, while U.S. merchandise exports rose 5.5% over the same period, causing America's trade deficit with the EU to expand by 12.5%. The good news is that U.S. exports of goods—totaling an estimated $277 billion in 2014—have finally climbed back to their pre-crisis peak of $277 billion recorded in 2008.

However, U.S. goods exports to eight European countries—Finland, Germany, Greece, Portugal, and the United Kingdom—remain below pre-crisis levels.

More than half of America's EU trade deficit emanates from Germany, Europe's largest economy. In 2014, the U.S. merchandise trade deficit with Germany rose over 10.1%, and represented 53% of the total U.S. merchandise trade deficit with the European Union. Reaching nearly $74 billion in 2014, America's trade deficit with Germany was even larger than its trade deficit with Japan—$63 billion over the same period.

In this context, it is important to note that while the United States has been registering consistent merchandise trade deficits with Europe, it also continues to register consistent services trade surpluses with Europe. While the services data is not up to date as the merchandise trade data, the trends are clear. In 2013 the United States enjoyed a $64 billion trade surplus in services with all of Europe.

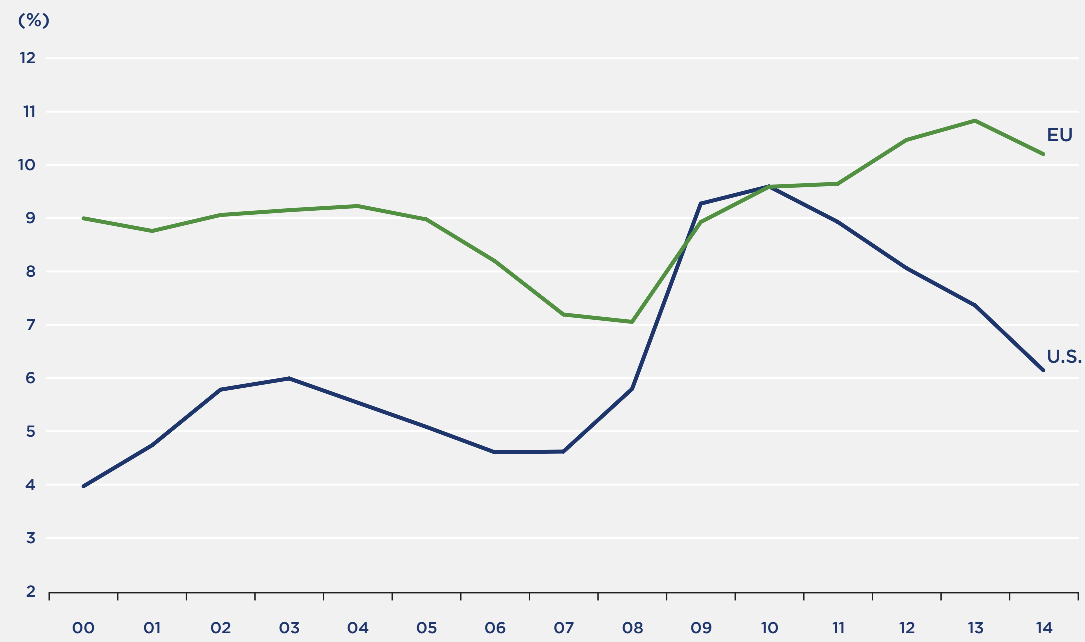
The jobs gap

Yet another transatlantic gap pivots on job creation. One half of the transatlantic economy is generating jobs; the other is not.

As of February 2015, America's unemployment rate was 5.7%, the lowest level since before the 2008 recession. In the three months between November 2014 and January 2015 the U.S. economy added 1 million new jobs — the first time it has done so in a three-month period since 1997 — with employment gains across a wide swath of industries. While U.S. labor force participation rate remains relatively low, they are improving. And while real wage gains have been nominal, they are the best since 2008.

As of December 2014 the EU's jobless rate was 9.9%, the first time it has dropped below 10% since October 2011. The jobs picture improved in 2014, but not anywhere near the extent and pace at which it changed in the United States. Double-digit levels of unemployment remain the norm in France, Greece, Spain, Italy and Poland. As with growth, the job picture in Europe is uneven; the lowest unemployment rates were recorded

TABLE 4: U.S. VS. EU UNEMPLOYMENT RATE



Data as of February 2015.
Source: OECD.

in Germany (4.8%) and Austria (4.9%), and the highest in Greece (25.8% in October 2014) and Spain (23.7%). Youth unemployment rates remain staggering at 21.4% in the EU28 and 23% in the eurozone, notably in Spain (51.4% in November 2014), and Italy (42%), Greece (50.6% in October 2014), Croatia (44.8% in the fourth quarter of 2014). These figures sometimes include full-time students and other categories of young people that obscure the true state of unemployment, but regardless of specifics, the situation is troubling and a lightning rod for social instability.[3]

The energy gap

A further key difference between the United States and Europe has to do with energy. Transformational U.S. energy developments, generated in particular by a surge in production of cheap natural gas and shale oil, have enhanced prospects for greater U.S. energy self-sufficiency, including U.S. energy exports, and have dramatically improved the comparative advantage of America's manufacturing base. At the same time, Europe's energy picture has become muddled and its dependence on unpredictable suppliers is rising.

As U.S. oil and gas production has surged, European energy output has fallen. U.S. crude oil production rose 37.1% between 2008 and 2013, while output of OECD Europe plunged 31% over the same period, according to statistics from the IEA. Both Norway and the United Kingdom reported sharp declines in production, in contrast to the United States, where oil production has more than doubled since 2008.

Thanks to pro-market policies at the state and local level, revolutionary technologies involving horizontal drilling and hydraulic fracturing, and American entrepreneurship/risk-taking, U.S. oil production climbed from a cyclical low of 4 million barrels per day in October 2005 to over 9 million in November 2014. Natural gas production also soared, with production in the Marcellus region soaring from 2 to 13 billion cubic feet per day between 2010 and 2014. As the world's largest natural gas producer—accounting for roughly 20% of global production—the United States produces more natural gas each year than the entire Middle East.

America's energy bonanza has bolstered its energy security in the face of geopolitical risks in Russia and Middle East—a situation that is sharp contrast with Europe, which remains significantly tied to the unpredictable energy source called Russia. While the United States will never be totally energy independent from foreign oil, U.S. dependence has declined sharply over the past

The Geopolitics of TTIP

The Transatlantic Trade and Investment Partnership (TTIP) currently under negotiation by the United States and the EU promises to unleash significant opportunities to generate jobs, trade and investment across the Atlantic. We have offered considerable economic analysis of TTIP's potential in our previous surveys and in our other writings. Yet to understand TTIP's full importance, it is also important to understand its geostrategic implications.

TTIP is about more than trade. It is about creating a more strategic, dynamic and holistic U.S.-EU relationship that is more confident, more effective at engaging third countries and addressing regional and global challenges, and better able to strengthen the ground rules of the international order.

A More Confident and Effective Transatlantic Partnership. To the extent that TTIP can help generate jobs, spark growth and reinvigorate the U.S. and European economies, it promises to renew confidence among publics and elites and ameliorate some of the political dysfunction afflicting many Western societies. Greater confidence and economic vigor at home, in turn, has the potential to increase the magnetic pull of Western values elsewhere, underwrites U.S. and EU diplomatic capacity, and enhances possibilities for strategic outreach.

TTIP can also reassure each side of the Atlantic about each other. Europeans are more likely to have greater faith in America's security commitments if they are anchored by strong trade and investment links. TTIP would also be an important U.S. validation of EU legitimacy that many Europeans crave, while reassuring Americans that the European Union is committed to look outward rather than inward.

In addition, TTIP can be an assertive, yet not aggressive, means to defend and advance basic values shared across the Atlantic. TTIP's fundaments are those of democratic societies rooted in respect for human rights and the rule of law. The United States and the European Union are among the few entities that include basic labor, environmental and consumer protections in their trade agreements. They boast the two most sophisticated regulatory systems anywhere. An agreement that commits both parties to sustain and uphold such principles and protections, not only vis-a-vis each other but together around the world, would be a strong affirmation of common values and a powerful instrument to ensure that such standards advance globally.

Engaging Other Powers. TTIP is important in terms of how the transatlantic partners together might best relate to rising powers. Whether those powers choose to challenge the current international order and its rules or promote themselves within it depends significantly on how the United States and Europe engage, not only with them but also with each other. The stronger the bonds among core democratic market economies, the better their chances of being able to engage rising partners as responsible stakeholders in the international system. The looser or weaker those bonds are, the greater the likelihood that rising powers will challenge this order.

TTIP has particular meaning for U.S. and EU relations with China. TTIP is lazily portrayed as an effort to confront and isolate China. Yet is less about containing China than about the terms and principles guiding China's integration and participation in the global order. China's burgeoning trade with both the United States and Europe attests to U.S. and EU interest in engaging China, not isolating it. Yet Beijing has yet to embrace some basic tenets of the international rules-based order. TTIP, TPP and related initiatives are important instruments to help frame Beijing's choices -- by underscoring China's own interests in an open, stable international system as well as the types of norms and standards necessary for such a system to be sustained.

TTIP is also important with regard to U.S. and EU relations with Russia and Eurasia. TTIP is a values-based, rules-based initiative that is likely to strengthen Western economic and social cohesion, reinforce U.S. commitment to Europe, strengthen transatlantic energy ties, and contribute to greater attractiveness of the Western model. TTIP would also bolster the resilience of central and east European economies, stimulate U.S. investment and enable such countries to more easily resist Russian encroachment. These changes are likely to resonate across Wider Europe, especially Ukraine, Moldova, Georgia and even Belarus.

This is anathema to the current leadership in the Kremlin. TTIP presents a huge challenge to the Kremlin's efforts to divide Europeans from Americans. It offers something that the Kremlin cannot match: a transparent, mutually beneficial agreement that creates a rules-based framework for international cooperation. A reinvigorated transatlantic marketplace among highly-connected, highly-competitive democracies, whose people enjoy greater economic growth and rising standards of living, would challenge the Kremlin's version of ''managed democracy;'' render Russia's own one-dimensional natural-resource-based economic model increasingly unattractive; and consign the Eurasian Economic Union to irrelevance. Greater U.S.-EU energy cooperation would blunt Russia's monopolistic approach to European energy markets. And if such benefits extended to non-EU neighbors, particularly Ukraine, Russians themselves are likely to ask why their own country can't be better run.[4]

Strengthening the International Rules-Based Order. Europeans and Americans share an interest in extending prosperity through multilateral trade liberalization. But the Doha Round is stuck and the WTO system is under challenge, especially from emerging growth markets that have benefited substantially from the system. Given this situation, EU and U.S. officials are using TTIP to unblock the WTO Doha negotiations, jumpstart multilateral negotiations, and extend the multilateral system it to new areas and new members. TTIP could potentially result in clearer, more straightforward and transparent rules of origin arrangements that could facilitate global trade and serve as a common public good. It could pioneer new ways for countries to ensure high standards for consumers, workers, companies and the environment while sustaining the benefits of an open global economy. Without TTIP, Americans and Europeans could become standard-takers rather than standard-makers.

Challenges

Getting a TTIP deal will be tough. Remaining transatlantic tariff barriers, especially in agriculture, often reflect the most politically difficult cases. Long phase-in periods may be needed to eliminate tariff and quota barriers completely. Some of the most intense transatlantic disagreements have arisen over differences in regulatory policy. Investment barriers, especially in terms of infrastructure and transport sector ownership, will be very difficult to change. Investor-state dispute settlement mechanisms could present the biggest challenge of all. There is considerable debate how and whether to include financial services. It is questionable whether either side is prepared to gore its sacred cows on the TTIP altar -- audiovisual for the EU, the Jones Act for the United States. Defense trade seems off limits.

This list of difficult issues has raised concern that TTIP could divide rather than unite Europeans and Americans. Thus far both parties have signalled strong political commitment to a successful TTIP agreement. But as the going gets tough and other issues intrude, the open question remains whether both sides will consider that they need each other enough to make TTIP a priority and invest the political capital that will be needed to see the deal through to successful ratification and implementation. If leaders on both sides of the Atlantic grasp the moment, America's first 'Pacific President' and his EU partners may well become best known for having re-founded the Atlantic Partnership. If they do not, then issues of failing trust and confidence, so visible today, will continue to eat away at the relationship like termites in the woodwork.

TABLE 5: COMPARING MEGA-REGIONAL TRADE AGREEMENTS (BILLIONS OF $ UNLESS OTHERWISE SPECIFIED, 2013)

	Transatlantic Trade and Investment Partnership	Trans-Pacific Partnership	NAFTA
GDP (Purchasing Power Parity)	17,578	11,825	3,577
% of World Total	17.2%	11.6%	3.5%
Population (thousands)	509,470	487,730	157,514
% of World Total	7.1%	6.8%	2.2%
Per Capita Income ($)	34,373	22,453	19,603
Personal Consumption Expenditures*	9,720	7,066	1,815
% of World Total	23.2%	16.9%	4.3%
Exports	5,842	2,742	838
% of World Total	32.1%	15.0%	4.6%
Imports	5,786	2,899	927
% of World Total	31.1%	15.6%	5.0%
U.S. Outward FDI Stock to...	2,356	983	470
% of U.S. Total	50.5%	21.1%	10.1%
U.S. Inward FDI Stock from...	1,685	664	256
% of U.S. Total	61.0%	24.0%	9.2%
U.S. FDI Income Earned Abroad	192	93	42
% of U.S. Total	43.6%	21.3%	9.6%
Foreign FDI Income Earned in the U.S.	102	38	17
% of U.S. Total	62.2%	23.0%	10.2%
Foreign Affiliate Sales of U.S. MNC's in...*	2,320	1,846	885
% of U.S. Total	38.9%	31.0%	14.9%
U.S. Affiliate Sales of Foreign MNC's from...**	1,857	909	267
% of U.S. Total	52.9%	25.9%	7.6%

Sources: IMF; UN; BEA.
Data for 2012
**Data for 2011*

few years, with net oil imports accounting for 29% of U.S. consumption in late 2014, down from a peak of 60% roughly a decade ago. According to the latest figures from the U.S. government, America's ratio of domestic energy production to consumption rose to nearly 84% in 2013, far ahead of comparable figures for Japan (7.2%) and Germany (35.2%).

The U.S. energy revolution has not only lessened America's geopolitical risks, it has also been a catalyst for economic growth, creating new jobs across multiple sectors (transportation, industrials, materials, etc) and rising incomes for U.S. households. Lower energy costs have been a boon to U.S. corporate earnings and a draw for foreign direct inflows, given that the United States is now among the most competitive locations in the world to produce.

Even after accounting for the late 2014 downturn in world oil prices, energy costs in Europe remain relatively high. One reason is that the energy market in the European Union remains fragmented; EU Council President Donald Tusk has dubbed it a patchwork of inefficient "energy islands."[5] The lack of coordination and coherency in the energy sector encourages waste and higher prices and a mismatch in energy supply and demand. Spain has an abundance of wind power, for instance, but cannot export its excess energy to the rest of Europe since the continent's power grid remains underdeveloped and more national than regional in scope.

In addition, cross-border efforts to create more European energy connectivity have run afoul of national policies. According to the *Financial Times,* "governments have tended to resist integration because they do not want to expose their energy incumbents to outside competition or cannot generate commercial enthusiasm to fund and build the necessary infrastructure."[6] Meanwhile, differing national tax laws means the cost of energy in Europe varies by location, making it even harder to harmonize energy costs and policies on a regional basis.

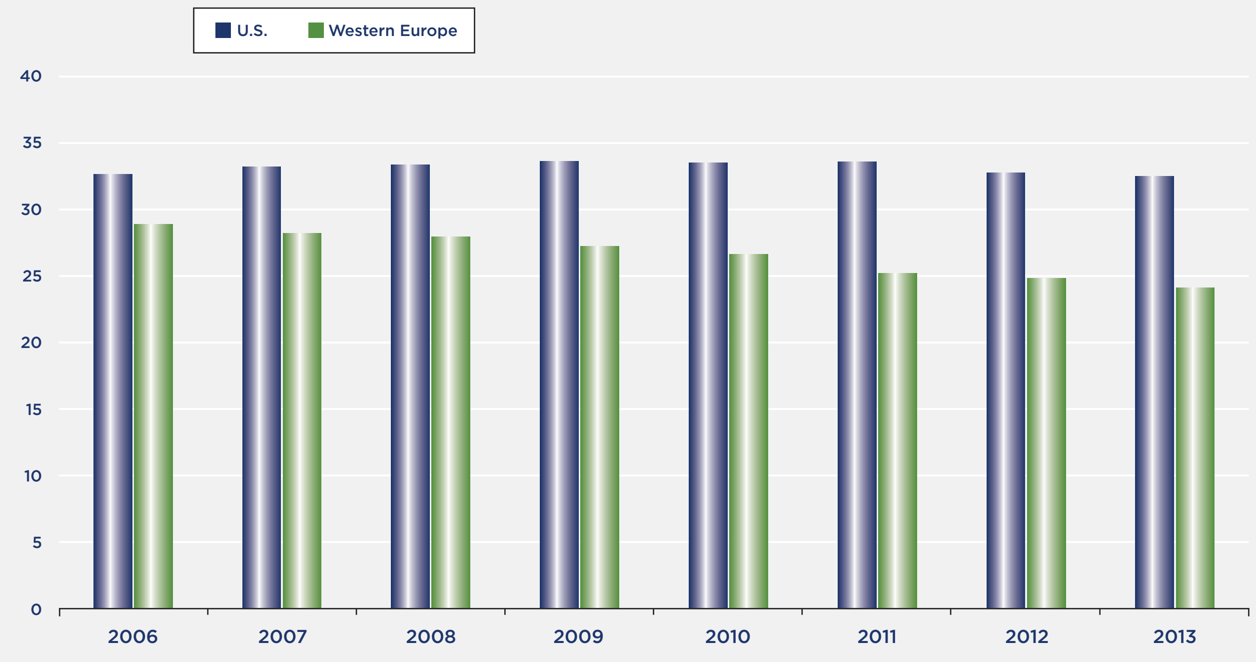
Moreover, Germany is pushing its own energy transformation project, known as the *Energiewende*, an audacious effort to break through to a new energy-efficient industrial model that could establish a new basis for Germany's global competitiveness. Yet the global turn to cheaper energy has confounded some price calculations that have underpinned the *Energiewende*. Moreover, EU climate change policies have largely failed to reduce CO2 emissions, despite extensive EU and member state regulatory structures and renewables subsidies. As a result, the EU has an integrated climate change policy yet no integrated energy policy; Germany's carbon emissions have gone up, rather than down; production of brown coal electricity is at its highest levels since 1990; and the country has become America's largest global customer of coal.

This not only leaves Europe paying more for energy relative to the United States, it renders the EU uncomfortably dependent on Moscow. Russia provides the EU with around 30% of its total gas needs, but for some countries of central and eastern Europe and the Balkans, the percentage climbs to 80-90%. Russia has used its energy exports and growing European dependence to influence European politics; weaken opposition to Russian actions, such as annexation of the eastern Ukrainian region of Crimea and direct military incursions into other areas of Ukraine; and to coerce countries into taking positions against transatlantic interests. It is also actively manipulating the European debate by influencing organizations and leading public figures via direct funding and sophisticated "divide and rule" policies.

The EU has taken some steps to counter undue Russian influence, including imposition of sanctions in response to Russian aggression in Ukraine, more rigorous implementation of EU energy law, and passing its Third Energy Package. The precipitous decline in fossil fuel prices is further helping to undermine Russian President Vladimir Putin's ability to coerce European officials and public opinion. Yet Europe has struggled to embrace a more courageous energy mix encompassing a range of sources, from fossil, wind and solar to hydro and nuclear, and it will be difficult for Europe to wean itself off of its energy dependence on Russia.

The transatlantic energy gap thus carries geopolitical as well as economic consequences. Europe is under growing pressure to diversify its energy resources, and the United States is in a position to help. The United States in now in a position in which it could consider exports of light crude oil and liquefied natural gas (LNG), particularly to its allies. There is great uncertainty, however, whether the United States has interest in helping; Washington has yet to make the energy security of its allies an integral component of its energy priorities. Current U.S. laws restrict energy exports except through onerous licensing procedures. European proposals to include energy in the current negotiations on a Transatlantic Trade and Investment Partnership (TTIP) have fallen on deaf ears. Washington's failure to signal strong support for a transatlantic energy partnership has chilled potential investments to build out European energy infrastructure. A strong U.S.-EU political signal of intent to build a more strategic energy partnership, including through TTIP, could influence such investment decisions, even as it would send a strong message of transatlantic

TABLE 6: THE TRANSATLANTIC DIGITAL DIVIDE - (IT SPENDING: % OF GLOBAL TOTAL)



Source: International Data Corporation.
Data as of January 2014

solidarity in the face of Russian troublemaking. Europeans are becoming increasingly concerned that America's changing energy dependencies could result in declining U.S. interest in engaging with allies, rather than offer a new basis for closer transatlantic cooperation.

The digital gap

A final gulf separating the United States and Europe has to do with technology and its myriad uses, with Europe more in favor of digital regulations, greater protection of personal data, and the potential breaking up of U.S. tech giants like Google, which hold dominant positions in Europe. The U.S.-led development of software, social media and innovative digital business models—while hugely popular in the United States—faces stiff headwinds across Europe, which reflect widespread European unease about the growing power of digital platforms directed from the United States, as leaders across the continent struggle to foster innovation-and-risk-friendly economic policies and stem an outflow of bright European minds to Silicon Valley and other hubs of American innovation.

At risk are the business practices of such firms as Amazon (in France, legislation has been introduced to curb free delivery of books); Uber (which has hit resistance across the continent); and Google (which has triggered a fierce debate about personal privacy and data and prompted even the UK government to announce a ''Google tax'' aimed at U.S. technology companies). Google News, for instance, is exiting the Spanish market owing to Spain's new copyright legislation, which requires all online news aggregators to pay Spanish publishers a fee for content to which they link.

A technology backlash is building in Europe that could not only undermine its own future technological capabilities but also hamper the efforts of U.S. technology leaders to expand and grow in one of the largest economies in the world. Also at risk: growth in U.S.-EU trade in digitally deliverable services that include a host of business services like advertising, legal services, finance, software, architectural design, and consulting, as well as activities like the transfer of royalties and license fees. Since U.S.-EU trade and investment in services holds significant growth potential for both parties, policies that restrict the internet or the free flow of data across borders could dampen growth, curb cross-border trade/investment in services, and weaken transatlantic supply chains that bind the two parties together.

Peter Thiel, one of America's leading technology investors, warns of an equally ''dangerous view'' developing in the United States that European actions are simply about "European decline. There is a sense in Silicon Valley that it is on the right side of history, and Europe is on the wrong side of history."[7] Yet this attitude, he cautions, is likely to stoke even greater backlash in Europe. Managing the growing transatlantic digital divide is hugely important to the future of the transatlantic partnership.

Transatlantic Divergence in Global Context

In sum, six years after the global economic meltdown of 2008-09 the transatlantic economy remains largely out of sync. U.S. growth has accelerated and the economy is generating millions of new jobs; Europe is sluggish and unemployment remains stubbornly high. Differences are narrowing over monetary policies, but the transatlantic trade gap is widening. Each side of the Atlantic is approaching energy and technological innovation in substantially different ways.

These transatlantic gaps are even more troublesome when put in global context. In 2014 China overtook the United States as the world's largest economy, according to the IMF and World Bank. In terms of per capita GDP and income, of course, China remains significantly behind. Hourly manufacturing pay in China, for instance, is roughly 25 times less than in the United States, according to the U.S. Bureau of Labor Statistics. Yet it is one further indication that the global economy is changing fast. Although China's growth in 2014 slid to its lowest level in two decades, at 7.4% it still remained relatively robust. It is also becoming better balanced between consumption and investment, with a rising services sector and relatively healthy wage growth. China faces massive economic challenges. But it is casting an ever-larger shadow over global economic policymaking.

Moreover, developed countries as a whole now account for less than half of world GDP, and given that developing countries are likely to record consistently higher growth rates than developed economies into the foreseeable future, a growing majority of global economic activity in now happening in poor and middle-income countries. Even so, most rising powers are also experiencing weaker growth, due to soft commodity prices and sluggish global trade. These trends may be offset in part by the sharp decline in oil prices since mid-2014, but the World Bank has lowered its growth projections for the world economy to 3.0% in 2015 and 3.3% in 2016.

IMF Managing Director Christine Legarde characterizes the global outlook as ''the new mediocre'': sluggish global demand, stagnating productivity among high-income countries, polarized politics, financial fragility — a host of chronic afflictions less susceptible to quick fixes than sustained management. How well U.S. and European leaders can manage these broader challenges with others will depend in part on how well they can tackle emerging gaps across the Atlantic.

Endnotes

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4. See the chapters by Edward Lucas and other contributors in Daniel S. Hamilton, ed., *The Geopolitics of TTIP*. Washington, DC: Center for Transatlantic Relations, 2014.
5. See "Europe needs the will to build an energy union," *Financial Times*, October 22, 2014.
6. See "Pyrenees dispute highlights EU energy woes." *Financial Times*, October 22, 2014.
7. See "Europe Strikes Back," *Financial Times*, September 16, 2014.

CHAPTER 2

THE POST-CRISIS TRANSATLANTIC ECONOMY: Revisiting the Ties that Bind

Notwithstanding all the chatter about the "Rise of the Rest" and the secular ascent of China, the global economy still rests squarely on the shoulders of the transatlantic economy. No commercial artery is as large as the one binding together the United States and Europe. The transatlantic economy remains the world's largest and wealthiest market, and still accounts for roughly 35% of world GDP in terms of purchasing power parity. It is at the forefront of global R&D, and drives global foreign direct investment and global mergers and acquisitions activity.

Taken together, U.S. and European exports to the world accounted for one-quarter of global exports in 2013, the last year of complete data; combined imports represented nearly 30% of the world total. The true driver of the transatlantic economy, however, is foreign investment, the deepest form of global integration. The transatlantic economy is wound and bound together by symbiotic ties between investment and trade in both goods and services. U.S. and European companies prefer to establish operations and sell goods and provide services within each other's markets — and many others around the word — rather than just send goods across borders. Transatlantic foreign affiliate sales, for instance, topped $5.5 trillion. Meanwhile, the United States and Europe together accounted for 57% of inward stock of FDI and a whopping 70% of outward stock of FDI. Each partner has built up the great majority of that stock in the other economy; in the end, mutual investment in the North Atlantic space is very large and has become essential to jobs and prosperity on each side of the Atlantic.

All told, we estimate that roughly $5.5 trillion in commerce takes place between the United States and Europe each year.

For all of these reasons, the transatlantic economy remains the dominant force in the global economy. Yes, rising markets offer new sources of supply (labor) and demand (consumers) for U.S. and European firms. American and European firms are building out their in-country presence in the developing countries, and for good reason. Growth rates are still above the global average in most of these countries, which are populated with young consumers hungry for Western goods and services. In addition, the technological skill levels of many developing nations are now on par with many developing nations. It makes perfect sense for U.S. and European firms to invest outside the transatlantic economy. There is no doubt that rising powers are resetting the global economy. Yet such a transformation is neither complete nor pre-ordained, as the current slowdown across the emerging market universe indicates.

In general, the "Rise of the Rest" is a healthy dynamic for the global economy. But this dynamic does not signal a retreat on the part of U.S. and European firms from the transatlantic economy. It is more about global rebalancing, with many transatlantic firms working to deepen their footprint in developing countries, replicating the deep ties that are the hallmark of the U.S.-EU relationship. In fact, U.S. and European firms are using global value chains to integrate the value-added other nations can contribute to particular products and services into transatlantic bonds of investment and trade.

Investment Shifts

The United States and Europe remain each other's top investment and trade partner. This basic fact has been clouded over the past year, however, by headline issues ranging from continued drama in the eurozone and high-profile mergers and disinvestments to controversies over tax inversions and possible sweetheart deals for companies. Cutting through the fog means recognizing what remains distinctive about the transatlantic economy, and understanding a number of anomalies that characterized transatlantic commercial flows in 2014. Let's start with the asterisks.

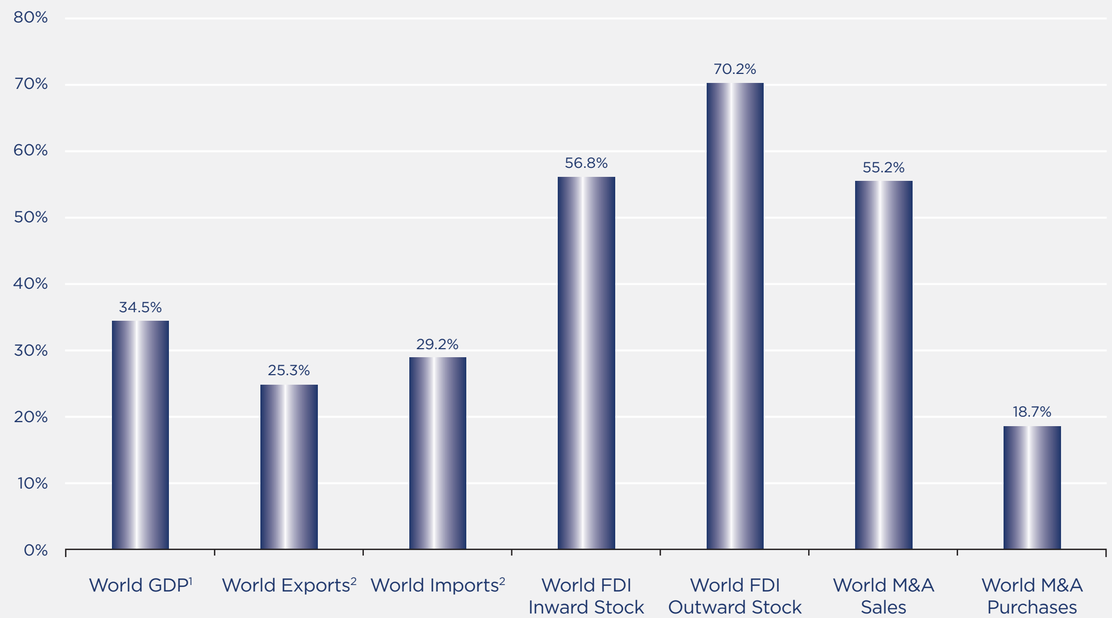
Mutual flows of investment remain the lifeblood of the transatlantic economy. Yet we estimate that foreign direct investment (FDI) flows from Europe into the United States totaled just $15 billion in 2014, one of the smallest figures on record. In the first nine months of 2014, such flows were -$37.7 billion, meaning that more European capital left the United States than came in. These figures, however, were massively skewed by the one-off capital disinvestment event between Vodaphone (UK) and Verizon (U.S.), a deal that saw Vodaphone sell its 45% share in Verizon Wireless to Verizon for $130 billion, leading to a massive -$122 million disinvestment in U.S. inflows in the first quarter of 2014. In the same quarter, Luxembourg also reported a $20.6 billion *dis*investment from the United States, which further depressed overall levels of inflows.

A closer look at the figures reveals that European FDI flows into the United States tallied -$117.1 million in the first quarter of 2014 but then rebounded to $31.3 billion in the second quarter and $48 billion in the third quarter. U.S. FDI inflows from Europe, in other words, normalized over the balance of the year. Indeed, cumulative FDI flows from Europe into the United States in the second and third quarter of 2014 ($79.3 billion) were roughly 27% larger than the same period a year earlier.

Turning to U.S. FDI flows into Europe, another one-off event skewed the 2014 numbers. U.S. FDI flows into Europe totaled $115 billion in the first nine months of 2014, a decline of 19% from the same period a year earlier. But this decline also deserves an asterisk.

In the first quarter of 2014, the Netherlands reported a -$19 billion FDI outflow from the United States. The large recorded outflow reflected the fact that for tax reasons many U.S. firms, rather than repatriate retained earnings to the U.S. for tax reasons, have instead raised funds in Europe and then transferred the proceeds to the United States. This represents a negative intra-company loan, which in turn depresses aggregate U.S. FDI outflows (keep in mind that intra-company loans are a key component of FDI, along with retained earnings and equity from the parent

TABLE 1: THE TRANSATLANTIC ECONOMY VS. THE WORLD - SHARE OF WORLD TOTAL



Sources: UN, IMF, figures for 2013.
1. Based on PPP estimates.
2. Excluding intra-EU, Norway, Switzerland and Iceland trade.

firm). On balance, the large net outflow from the Netherlands overstates the decline in U.S. investment to Europe in 2014.

The -$19 billion FDI outflow from the Netherlands depressed the figures so much that total U.S. outflows to Europe totaled just $9.4 billion in the first quarter. Outflows normalized in the second and third quarters, however, totaling $52.7 billion and $53 billion, respectively. Figures for the third quarter of 2014 were up 13.5% from the prior year. For all of 2014, we estimate that U.S. FDI outflows to Europe totaled $165 billion, a 4.5% decline from 2013.

On balance, there are a lot of moving parts to FDI flows, whether U.S. outflows and inflows. U.S. and European multinationals are still adjusting to the post-crisis climate, resulting in one-off moves in FDI flows. As part of this backdrop, corporate inversions and the role of holding companies have become intense topics of debate. We explore these issues in Chapter Four.

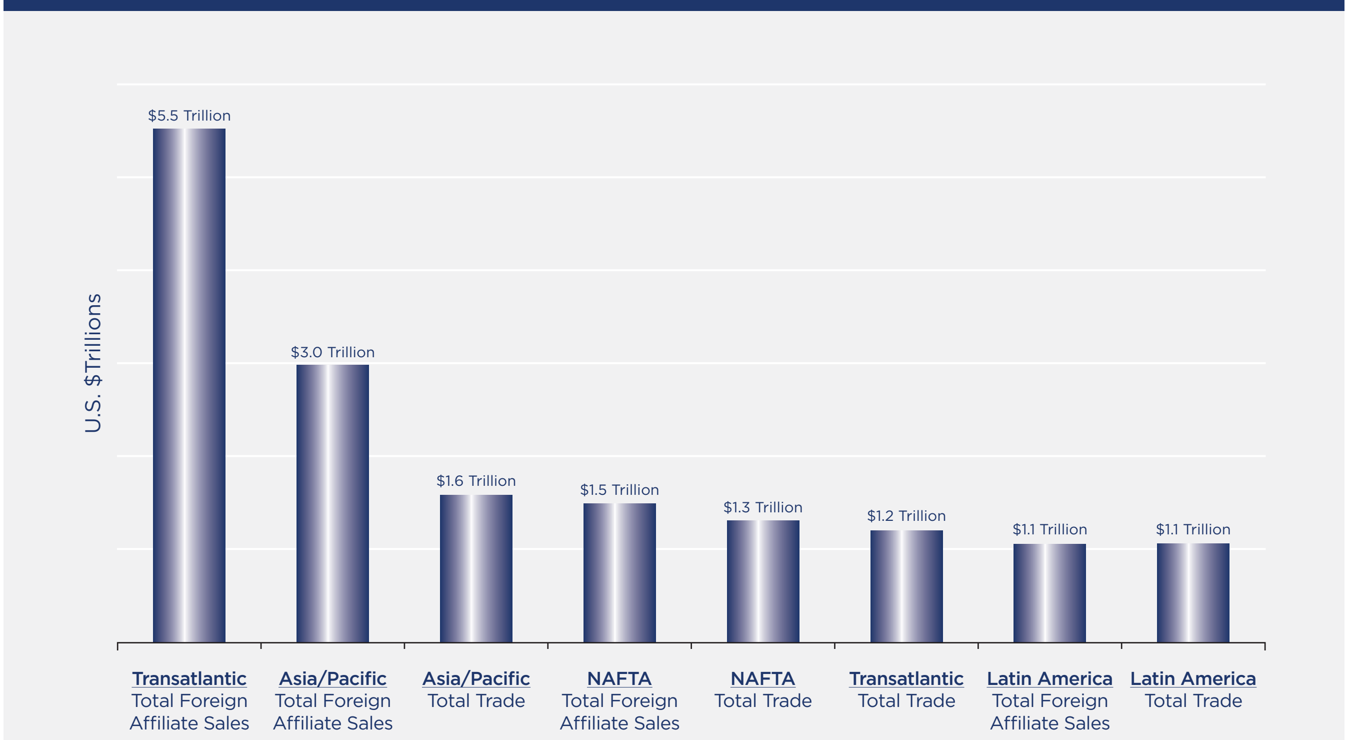
Overall, however, European and American firms still center their global operations on the U.S. and Europe. This becomes clearer by looking at eight different ways in which the U.S. and European economies are bound so tightly together.

The Ties That Bind—Quantifying the Transatlantic Economy

1. Gross Product of Foreign Affiliates

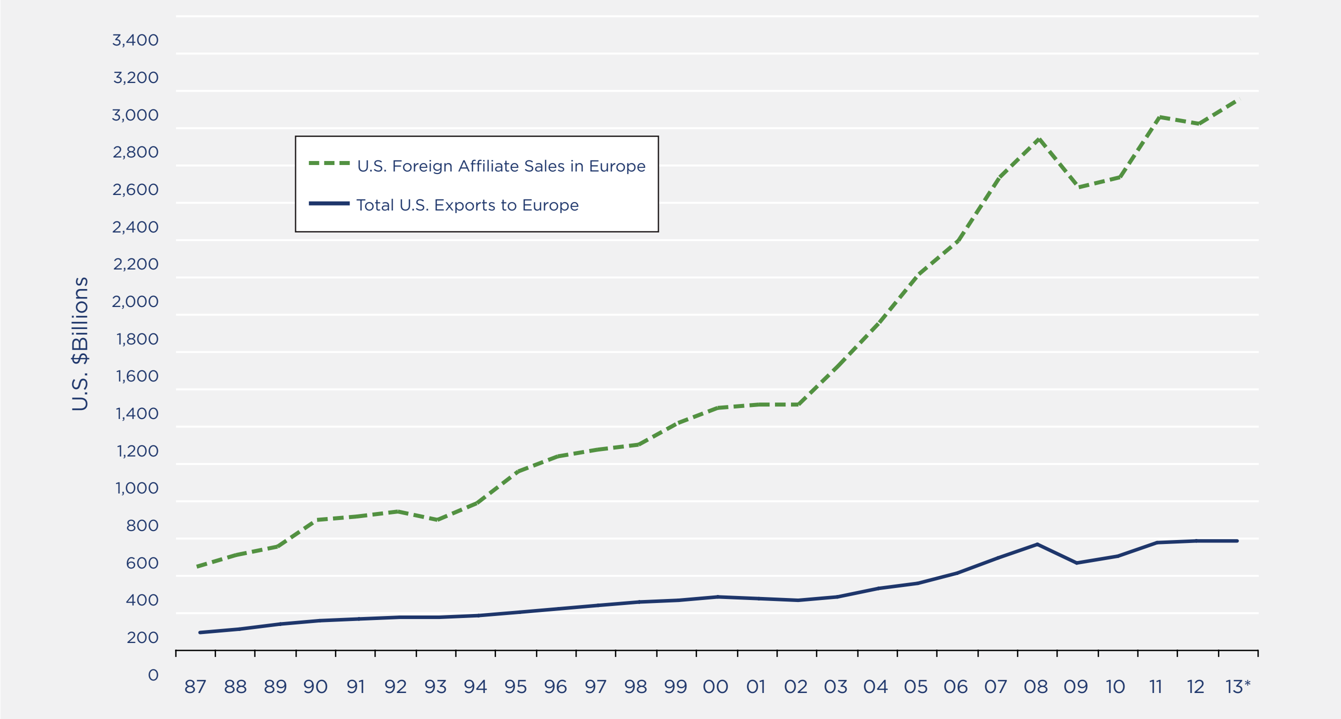
The activities of foreign affiliates are an important glue binding together the United States and Europe. Having constructed a formidable foundation over the past seventy years, they are the foot soldiers of the transatlantic partnership. As standalone entities, U.S. affiliates in Europe and European affiliates in the United States are among the largest and most advanced economic forces in the world. The total output of U.S. foreign affiliates in Europe (an estimated $700 billion in 2013) and of European foreign affiliates in the United States (estimated at $535 billion) was greater than the total gross domestic product of most countries. Combined, transatlantic affiliate output—nearly $1.3 trillion—was larger than the output of such countries as the Netherlands, Turkey or Indonesia.

TABLE 2: AMERICA'S MAJOR COMMERCIAL ARTERIES



Foreign Affiliate Sales: Estimates for 2013. Total Trade: Data for goods & services, 2013.
Source: Bureau of Economic Analysis.

TABLE 3: SALES OF U.S. AFFILIATES IN EUROPE VS. U.S. EXPORTS TO EUROPE



**Estimate for sales.*
Source: Bureau of Economic Analysis.
Majority-owned non-bank affiliates data: 1987 - 2008. Majority-owned bank and non-bank affiliates: 2009 - 2013.

By our estimation, U.S. affiliate output in Europe rose by around 4% in 2013, while European affiliate output in the United States rose by a slightly faster pace of 6%. European affiliate output in the United States has recovered and expanded since falling to a cyclical low of $391 billion in 2009. U.S. affiliate output in Europe has also recovered from its pre-crisis lows.

We expect further gains in U.S. foreign affiliate output in the near term, supported by Europe's improving economic performance over the balance of 2015. European affiliates in the United States, in turn, are operating in one of the most dynamic economies in the world and are expected to boost their near-term output as well.

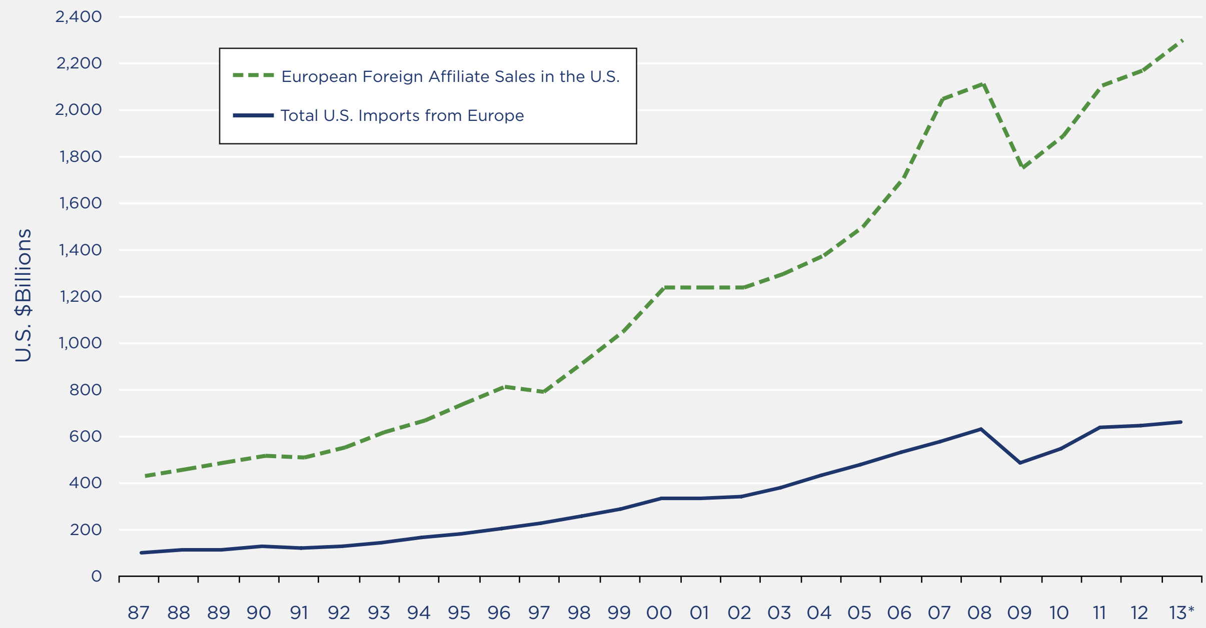
On a global basis, the aggregate output of U.S. foreign affiliates reached $1.5 trillion in 2013, with Europe (broadly defined) accounting for around 46% of the total. The United Kingdom, where U.S. investment ties are deepest, accounted for roughly one-quarter of total affiliate output in Europe in 2013.

Looking at actual figures for 2012 from the Bureau of Economic Analysis, U.S. affiliate output in Europe ($673 billion) was roughly double affiliate output in all of Asia ($337 billion). While affiliate output in places like China ($46.4 billion in 2012) and India ($21 billion) has increased over the past decade, U.S. affiliate output in these two emerging Asian giants pales in comparison to U.S. affiliate output in the United Kingdom ($171 billion), Germany ($87 billion), or even Ireland ($81 billion).

In the United States, meanwhile, European affiliates are major economic producers in their own right, with British firms of notable importance. The output of British companies operating in the United States reached an estimated $145 billion in 2013, more than a quarter of the total output of European companies in the United States. Output from German affiliates operating in the United States totaled $94 billion by our estimates, or roughly 18% of the total.

Beyond Europe, only Canada and Japan have any real economic presence in the United States. Japanese affiliate output totaled nearly $97 billion in 2012, the last year of actual data, while Canadian affiliate output totaled $67 billion. Overall, U.S. affiliates of foreign multinationals contributed roughly $830 billion to U.S. aggregate production in 2013, with European affiliates accounting for nearly two-thirds of the total.

TABLE 4: SALES OF EUROPEAN AFFILIATES IN THE U.S. VS. U.S. IMPORTS FROM EUROPE



**Estimate for sales*
Source: Bureau of Economic Analysis
Majority-owned non-bank affiliates: 1987 - 2006. Majority-owned bank and non-bank affiliates: 2007 - 2013.

2. Assets of Foreign Affiliates

The global footprint of Corporate America and Corporate Europe is second to none, with each party each other's largest foreign investor. According to the latest figures from the Bureau of Economic Analysis, U.S. foreign assets in Europe totaled $13 trillion in 2012, representing roughly 60% of all U.S. foreign assets globally.

We estimate that U.S. foreign assets in Europe in 2013 reached $13.6 trillion, also roughly 60% of the global total. Within the region, the UK accounted for the bulk of U.S. assets — an estimated $5 trillion, or around 22% of the global total.

U.S. assets in the Netherlands (around $2 trillion) were the second largest in Europe in 2013. America's significant presence in the Netherlands reflects its strategic role as an export platform/distribution hub for U.S. firms doing business across the Continent. To this point, more than half of affiliate sales in the Netherlands are for export, namely within the EU.

Meanwhile, America's asset base in Germany ($711 billion in 2012) was roughly one-third larger than its asset base in all of South America. America's asset base in Poland, the Czech Republic and Hungary (roughly $142 billion) was much larger than corporate America's assets in India ($102 billion). America's assets in Ireland ($1.1 trillion in 2012) were much larger than those in Switzerland ($678 billion) about 3 times greater than those in France ($377 billion), and 4.5 times greater than those in China ($263 billion).

Total assets of European affiliates in the United States were valued at roughly $9 trillion in 2013 by our estimates. The United Kingdom ranked first, followed by Germany, Switzerland and France. In 2012, the last year of available data, Europe accounted for two-thirds of all foreign-owned assets in the United States.

3. Affiliate Employment

U.S. and European foreign affiliates are a major source of employment for the general transatlantic workforce. On a global basis, affiliates of both U.S. and European parents employ more workers on the other side of the Atlantic than anywhere else in the world. Most foreign workers on the payrolls of U.S. foreign affiliates are employed in developed — not developing — countries, and most notably in Europe.

U.S. foreign affiliate employment in Europe has increased steadily from 3.7 million workers in 2000 to 4.2 million workers in 2012, the last year of available data. That represents a 13.5% increase. We estimate that U.S. foreign affiliates directly employed 4.3 million European workers in 2013. While aggregate employment levels continue to rise, manufacturing employment has fallen since 2000. Since the start of the century, U.S affiliate manufacturing employment has dropped from 1.9 million in 2000 to 1.7 million in 2012, a 10.5% drop. The largest employment declines were reported in the United Kingdom, with the total manufacturing work force falling from 431,000 in 2000 to 311,300 in 2012. Employment in France dropped from 249,000 to 199,400, while a decline from 388,000 to 355,000 was reported in Germany between 2000 and 2012. U.S. affiliate manufacturing employment in Poland, however, more than doubled between 2000 and 2012, rising from 51,000 to over 102,000 in 2012.

On a global basis, U.S. majority-owned affiliates (including banks and non-bank) employed roughly 14.5 million workers in 2013, with the bulk of these workers—roughly 35%—toiling in Europe. That share is down from 41% in 2008, with the decline reflecting the cyclical slowdown in Europe over the past few years and the fact that a rising share of U.S. overseas capacity is expanding at a faster pace in the faster-growing emerging markets versus slow-growth developed nations. Another factor at work—more and more U.S. firms are opting to stay home due to competitive wage and energy costs, as opposed to shipping more capacity abroad.

Most European employees of U.S. affiliates live in the UK, Germany and France; meanwhile, U.S. majority-owned firms are on balance hiring more people in services activities than in manufacturing. The latter accounted for just 42% of total U.S. foreign affiliate employment in Europe in 2012. The top industry in terms of manufacturing employment was transportation, with U.S. affiliates employing nearly 373,000 workers, followed by chemicals (261,000). Wholesale employment was among the largest sources of services-related employment, which includes employment in such activities as logistics, trade, insurance and other related functions.

Although services employment among U.S. affiliates has grown at a faster pace than manufacturing employment over the past decade, U.S. affiliates employed more manufacturing workers in Europe in 2012 (1.8 million) than in 1990 (1.6 million). This reflects the EU enlargement process, and hence greater access to more manufacturing workers, and the premium U.S. firms place on highly skilled manufacturing workers, with Europe one of the largest sources of such workers in the world.

While the aggregate number of U.S. manufacturing jobs in Europe has increased over the past decades, the geographic distribution of such jobs has shifted. In general, the shift has been towards low-cost locations like the Czech Republic, Poland and Hungary, at the expense of the UK, Germany and France. The later three nations just mentioned accounted for 67% of total U.S. affiliate manufacturing employment in Europe in 1990. By 2012, however, their collective share had dropped to 48%. The UK took the biggest hit; its share of manufacturing employment accounted for just 17.6% of the total in 2012, versus 29% in 1990. Meanwhile, the combined share of U.S. affiliate manufacturing employment in Poland, the Czech Republic and Hungary jumped from virtually zero to nearly 11% in 2012, indicative of the eastern spread of U.S. European operations.

The manufacturing workforce of U.S. affiliates in Germany totaled 355,000 workers in 2012 — above the number of manufactured workers employed in Brazil by U.S. affiliates (320,000) and India (155,000) yet below the figures of China (588,000).

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 relocating to lower-cost locales in central Europe and Asia, most foreign workers of European firms are American. Based on the last figures, European majority-owned foreign affiliates directly employed roughly 4 million U.S. workers in 2013—some 345,000 workers less than U.S. affiliates employed in Europe. By our estimates, the top five European employers in the U.S. were firms from the UK (987,000), Germany (645,000), France (545,000), Switzerland (486,000) and the Netherlands (393,000). European firms employed roughly two-thirds of all U.S. workers on the payrolls of majority-owned foreign affiliates in 2013.

According to our estimates, German affiliates created 25,000 new jobs in the United States in 2013, followed by firms from the UK (24,000 new jobs) Netherlands (15,000), France (10,000), Italy (3,000) and Spain (1,600).

In the aggregate, the transatlantic workforce directly employed by U.S. and European foreign affiliates in 2013 was roughly 8.3 million strong, up nearly 4% from the year before. In 2014, modest gains in employment were most likely achieved on both sides of the pond, with employment levels in the United States most likely rising at a faster pace than in Europe. That said, as we have stressed in the past, these figures understate the employment effects of mutual investment flows, since

TABLE 5: THE U.S. - EUROPEAN EMPLOYMENT BALANCE THOUSANDS OF EMPLOYEES, 2013[1]

Country	European Affiliates of U.S. Companies	U.S. Affiliates of European Companies	Employment Balance
Austria	46.8	15.3	-31.6
Belgium	131.0	160.2	29.2
Czech Republic	84.9	0	-84.9
Denmark	34.9	30.1	-4.8
Finland	22.6	27.1	4.5
France	456.4	545.1	88.7
Germany	641.7	645.0	3.3
Greece	17.3	2.2	-15.1
Hungary	63.4	0	-63.4
Ireland	106.5	170.0	69.8
Italy	209.5	134.8	-74.6
Luxembourg	14.0	32.9	18.9
Netherlands	228.0	393.1	165.2
Norway	45.6	8.9	-36.7
Poland	159.7	.9	-158.8
Portugal	29.1	.6	-28.5
Romania	46.1	0	-46.1
Slovakia	38.6	0	-38.6
Slovenia	4.7	0	-4.7
Spain	172.4	72.6	-99.8
Sweden	72.5	192.1	119.6
Switzerland	90.3	486.4	396.1
Turkey	49.4	0	-49.4
United Kingdom	1,273.2	987.0	-286.2
Other	279.9	68.9	- 210.0
Europe	**4,318.5**	**3,973.2**	**-345.2**

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

these numbers are limited to direct employment, and do not account for indirect employment effects of nonequity arrangements such as strategic alliances, joint ventures, and other deals. Moreover, foreign employment figures do not include jobs supported by transatlantic trade flows. Trade-related employment is sizable in many U.S. states and in many European countries.

In sum, direct and indirect employment remains quite large. We estimate that the transatlantic workforce numbers some 13-15 million workers. Europe is by far the most important source of "onshored" jobs in America, and the United States is by far the most important source of "onshored" jobs in Europe.

4. Research and Development (R&D) of Foreign Affiliates

The United States and Europe no longer have a monopoly on global R&D. As the globalization of R&D has gathered pace this decade, more and more global R&D expenditures are emanating from China, South Korea, and Japan—or Asia in general. There are no boundaries to innovation thanks to proliferation of the internet and falling global communication costs. Both dynamics have helped to spawn more R&D from rising economies, with South Korea and China emerging leaders.

While governments and corporations are the main drivers of R&D spending, foreign affiliates of multinationals are also in the thick of things. In fact, foreign affiliate R&D has become more prominent over the past decades as firms seek to share development costs, spread risks, and tap into the intellectual talent of other nations. Alliances, cross-licensing of intellectual property, mergers and acquisitions, and other forms of cooperation have become more prevalent characteristics of the transatlantic economy in the past decade. The internet, in particular, has powered greater transatlantic R&D. The complexity of scientific and technological innovation is leading innovators to partner and share costs, find complementary expertise, gain access to different technologies and knowledge quickly, and collaborate as part of "open" innovation networks. Cross-border collaboration with foreign partners can range from a simple one-way transmission of information to highly interactive and formal arrangements. Developing new products, creating new processes, and driving more innovation—all of these activities result from more collaboration between foreign suppliers and U.S. and European firms.

That said, bilateral U.S.-EU flows in R&D are the most intense between any two international partners. In 2012, the last year of available data, U.S. affiliates sunk $26.7 billion on research and development in Europe, down slightly from the prior year. On a global basis, Europe accounted for 60% to total U.S. private sector R&D in 2012. R&D expenditures by U.S. affiliates were greatest in Germany ($8 billion), the United Kingdom ($5.2 billion), Belgium ($2.4 billion), Switzerland ($2.1 billion), France ($2 billion), the Netherlands ($1.5 billion) and Ireland ($1.5 billion). These seven countries accounted for 87% of U.S. corporate global spending on R&D in Europe in 2012.

TABLE 6: THE TOP 20 R&D SPENDERS

		R & D Spending			
2014	**Company**	**2014, $U.S. Billions**	**Change from 2013**	**Headquarters Location**	**Industry**
1	Volkswagen	13.5	18.9%	Germany	Auto
2	Samsung	13.4	28.0%	South Korea	Computing and Electronics
3	Intel	10.6	4.6%	U.S.	Computing and Electronics
4	Microsoft	10.4	6.1%	U.S.	Software and Internet
5	Roche	10.0	–1.8%	Switzerland	Healthcare
6	Novartis	9.9	5.6%	Switzerland	Healthcare
7	Toyota	9.1	–7.0%	Japan	Auto
8	Johnson & Johnson	8.2	6.8%	U.S.	Healthcare
9	Google	8.0	17.1%	U.S.	Software and Internet
10	Merck & Co.	7.5	–8.1%	U.S.	Healthcare
11	General Motors	7.2	–2.3%	U.S.	Auto
12	Daimler	7.0	4.8%	Germany	Auto
13	Pfizer	6.7	–15.1%	U.S.	Healthcare
14	Amazon	6.6	43.8%	U.S.	Software and Internet
15	Ford	6.4	16.4%	U.S.	Auto
16	Sanofi	6.3	0.1%	France	Healthcare
17	Honda	6.3	–6.6%	Japan	Auto
18	IBM	6.2	–1.2%	U.S.	Computing and Electronics
19	GlaxoSmithKline	6.1	–2.4%	United Kingdom	Healthcare
20	Cisco Systems	5.9	8.3%	U.S.	Computing and Electronics
		165.3	**5.4%**		

Source: Strategy&

In the United States, meanwhile, expenditures on R&D performed by majority-owned foreign affiliates totaled $48 billion in 2012, up slightly from the prior year. As in previous years, a sizable share of this R&D spending emanated from world-class leaders from Europe, given their interest in America's highly skilled labor force and world-class university system. Most of this investment took place among European firms in such research-intensive sectors as autos, energy, chemicals, and telecommunications. In 2012, R&D spending by European affiliates totaled $36.8 billion, accounting for 77% of total foreign private sector R&D spending in the United States.

By country, Swiss-owned affiliates were the largest foreign source of private sector R&D in the United States in 2012 and accounted for a quarter of the European total, pumping some $9.4 billion into the U.S. economy. British firms accounted for the second largest percentage of affiliate expenditures, with a 18.4% share in 2012. Germany and France each accounted for 6%. As Table 6 highlights, some of the world's most innovative companies are domiciled in the U.S. and Europe.

5. Intra-firm Trade of Foreign Affiliates

While cross-border trade is a secondary means of delivery for goods and services across the Atlantic, the modes of delivery—affiliate sales and trade—should not be viewed independently. They are more complements than substitutes, since foreign investment and affiliate sales increasingly drive cross-border trade flows. Indeed, a substantial share of transatlantic trade is considered intra-firm or related-party trade, which is trade that occurs across borders but stays within the ambit of the company. Intra-firm or related party-trade occurs when BMW or Siemens of Germany sends engines and auto components to BMW of South Carolina or Siemens of North Carolina; when Lafarge or Michelin send intermediate components to their plants in the Midwest, or when 3M ships components from its office products or communications sectors from St Paul to affiliates in Germany or the UK.

The tight linkages between European parent companies and their U.S. affiliates are reflected in the fact that roughly 61% of U.S. imports from the European Union consisted of related-party trade in 2013. That is much higher than the related party imports from the Pacific Rim nations (around 43%) and South/Central America (39%) and well above the global average (50%). The percentage was even higher in the case of Ireland (91.5%) and Germany (69.2%).

Meanwhile, roughly one-third of U.S. exports to Europe in 2013 represented related-party trade, but the percentage is much higher for some countries. For instance, almost half of total U.S. exports to Belgium (49%) and the Netherlands (46%) was classified as related-party trade. The comparable figure was 32% for Germany and 26% for the United Kingdom.

6. Foreign Affiliate Sales

U.S. majority-owned foreign affiliate sales on a global basis (goods and services) totaled an estimated $6.2 trillion in 2013, having rebounded from the decline in 2009 caused by the global recession. Total U.S. exports, in contrast, were $2.3 trillion in 2013, or roughly one-third of foreign affiliate sales. This gap underscores the primacy of foreign affiliate sales over U.S. exports. As we have noted many times before, one of the best kept secrets in Washington is how U.S. firms actually deliver goods and services to foreign customers.

TABLE 7: RELATED PARTY TRADE, 2013

	US Imports: "Related Party Trade," as % of Total	US Exports: "Related Party Trade," as % of Total
European Union	60.7	31.9
Germany	69.2	31.6
France	49.3	29.1
Ireland	91.5	35.2
Netherlands	62.6	45.5
United Kingdom	53.6	25.7

Source: U.S. Census Bureau

As usual Europe accounted for the bulk of U.S. affiliate sales in 2013. We estimate that U.S. foreign affiliate sales in Europe topped $2.9 trillion, up 5% from the prior year. U.S. affiliate sales in Europe, by our estimates, amounted to 47% of the global total.

Reflecting the primacy of Europe when it comes to US foreign affiliate sales, sales of U.S. affiliates in Europe were almost double the comparable figures for the entire Asian region in 2012, the last year of available data. Affiliate sales in the UK ($659 billion) were almost double total sales in South America. Sales in Germany ($331 billion) were two-thirds larger than combined sales in Africa and the Middle East. While U.S. sales in China have soared over the past decade, they have done so from a low base, and still remain below comparable sales in Europe. For instance, U.S. affiliate sales of $234 billion in China in 2012 were below those in Ireland ($321 billion) and Switzerland ($293 billion).

Affiliate sales are also the primary means by which European firms deliver goods and services to customers in the United States. In 2013, for instance, we estimate that majority-owned European affiliate sales in the United States ($2.3 trillion) were more than triple U.S. imports from Europe. Affiliate sales rose by 6.5% by our estimates. By country, sales of British firms were the largest ($610 billion), followed by Germany ($446 billion), and the Netherlands ($266 billion). For virtually all countries in Europe, foreign affiliate sales were easily in excess of their U.S. imports in 2013.

7. Foreign Affiliate Profits

Transatlantic profits have rebounded from the depressed levels of 2009, when the global financial crisis and ensuing recession triggered a sharp downturn in affiliate income/earnings on both sides of the pond. In 2014, however, the picture was mixed—U.S. affiliate income in Europe rose nicely, by 6.2%, to $238 billion. That is a record high and comes against a very challenging backdrop in recession-weary Europe. The figure for 2014 was one-third larger than the depressed levels of 2009, when affiliate income earned in Europe plunged to $179 billion. Meanwhile, European affiliate income earned in the United States dropped slightly last year.

Sluggish growth in Europe, along with the weak euro against the U.S. dollar, makes for a challenging earnings backdrop for U.S. foreign affiliates in Europe over the near term. That said, the region still accounts for the bulk of U.S. global foreign affiliate income, with the region accounting for roughly 53% of global income in the first nine months of last year. Europe, in other words, remains a very important market to U.S. multinationals. As a footnote, we define Europe here in very board terms, including not only the EU28 but also Norway, Switzerland, Russia and smaller markets in central and eastern Europe.

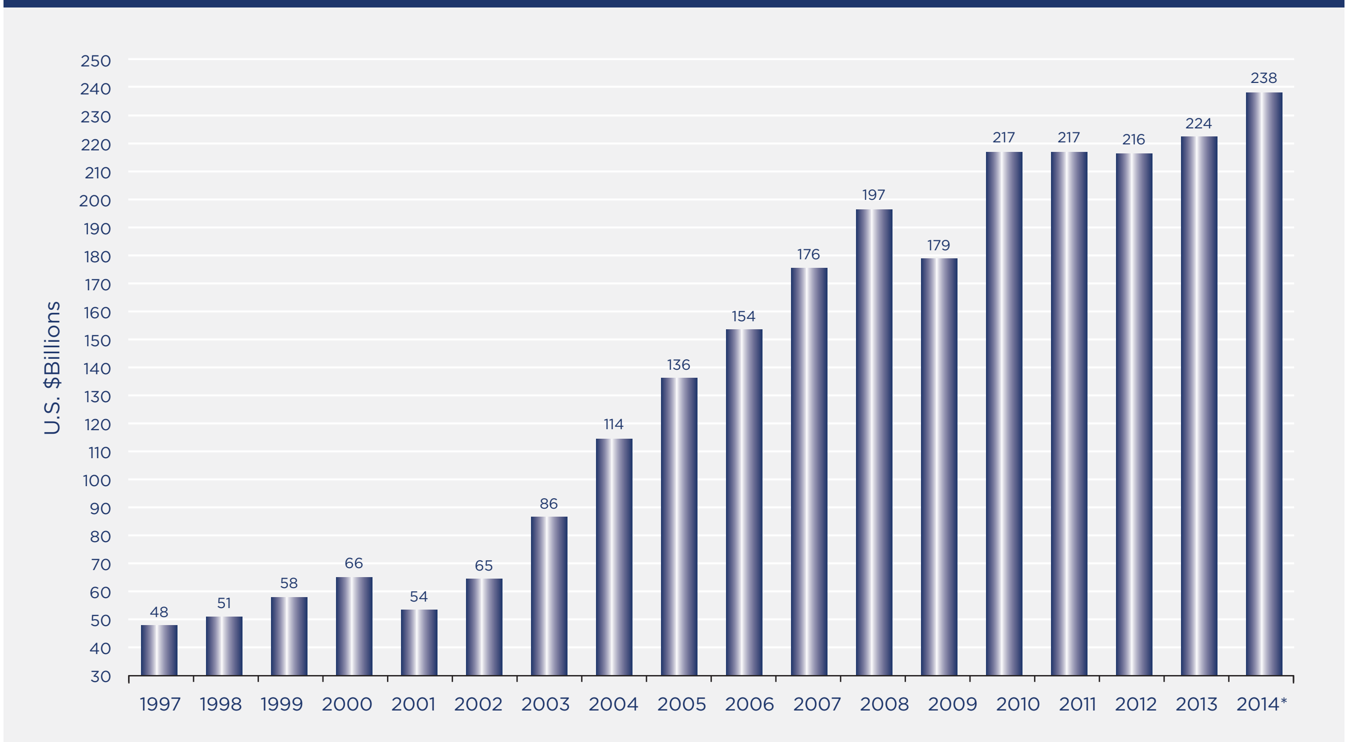
On comparative basis, U.S. affiliate income from Europe is simply staggering, with foreign affiliate income in Europe of $178 billion in the first nine months of 2014 more than the combined affiliate income of Latin America ($61 billion) and Asia ($56 billion). It is interesting to note that combined U.S. affiliate income from China and India in 2013 ($12 billion), the last year of full data, was only around 16% of what U.S. affiliates earned/reported in the Netherlands and a fraction of U.S. earnings in such countries as the United Kingdom and Ireland.

Still, there is little doubt that the likes of China, India and Brazil are becoming more important earnings engines for U.S. firms. To this point, in the first nine months of 2014, U.S. affiliate income in China alone ($7.7 billion) was well in excess of affiliate income in Germany ($2.7 billion), France ($3.5 billion), and Spain ($1.7 billion). U.S. affiliates in Brazil earned nearly $3.4 billion in the January-September period, less than the same period a year earlier but well more than that earned in many European countries.

All that said, we see rising U.S. affiliate earnings from the emerging markets as a complement, not a substitute, to earnings from Europe. The latter very much remains a key source of prosperity for corporate America.

Similarly, the United States remains the most important market in the world in terms of earnings for many European firms. Profits of European affiliates in the United States plunged 21.3% in 2009 before rebounding

TABLE 8: U.S. EARNINGS FROM EUROPE HITTING NEW HIGHS (U.S. FOREIGN AFFILIATE INCOME FROM EUROPE)



Source: Bureau of Economic Analysis
** Data through 3Q2014. Data annualized for full year estimate*

in 2010 and 2011. In 2013, affiliate income fell to $116 billion, a near 5% drop from the prior year. By our estimation, profits were down again in 2014, with European foreign affiliate income estimated at $110 billion, a 5.2% decline from the prior year. In the first nine months of 2014, the income of European affiliates in the U.S. dropped 5.4% from the same period a year earlier. Some of this decline reflects the stronger euro over part of the year and the ongoing consolidation of many European operations in the United States.

8. Transatlantic Services Linkages

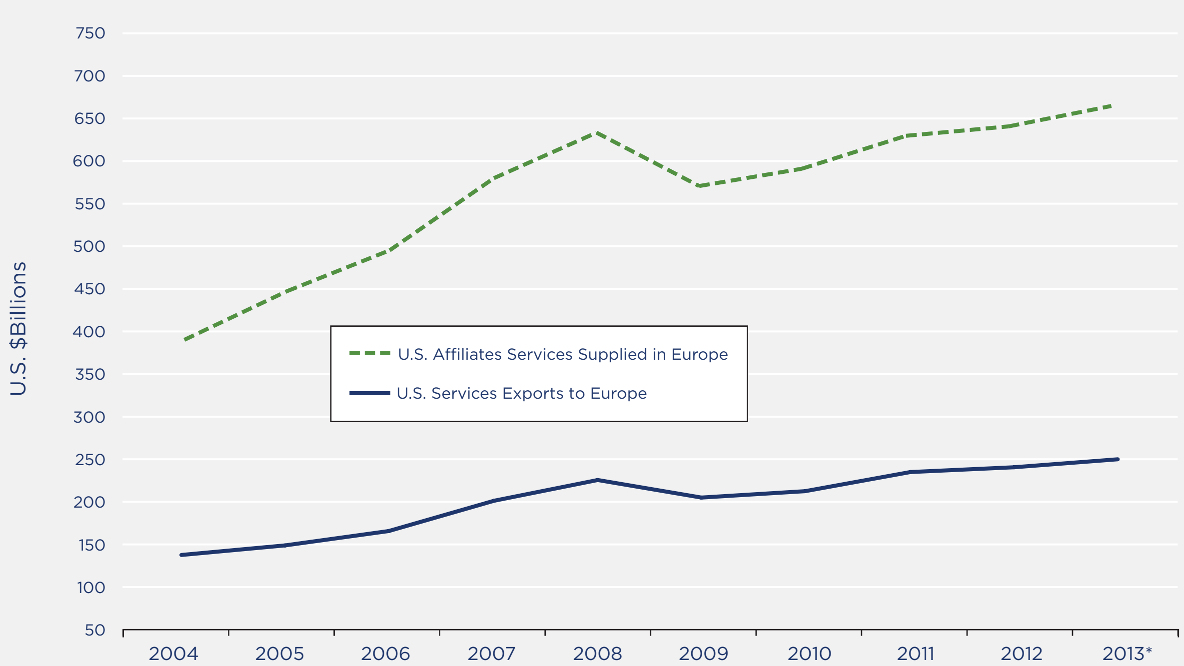
Services remain the sleeping giant of the transatlantic economy, and a key area offering significant opportunities for stronger and deeper transatlantic linkages.[1]

That said, transatlantic ties in services—both in trade and investment—are already quite large. Indeed, the services economies of the United States and Europe have become even more intertwined over the past decade, with cross-border trade in services and foreign affiliate sales of services continuing to expand in the post-crisis environment. By sectors, transatlantic linkages continue to deepen in insurance, education, telecommunications, transport, utilities, advertising and computer services. Other sectors such as aviation, e-health and e-commerce are slowly being liberalized and deregulated.

On a regional basis, Europe accounted for 36% of total U.S. services exports and for 40% of total U.S. services imports in 2013. Four out of the top ten export markets for U.S. services in 2013 were in Europe. The UK ranked second, Ireland fifth, Germany seventh, and Switzerland eighth. Of the top ten services providers to the United States in 2013, five were European states, with the UK ranked first, Germany second, Switzerland sixth, France ninth, and Ireland tenth. The United States enjoyed a $64 billion trade surplus in services with Europe in 2013, versus a $134 billion trade deficit in goods with Europe.

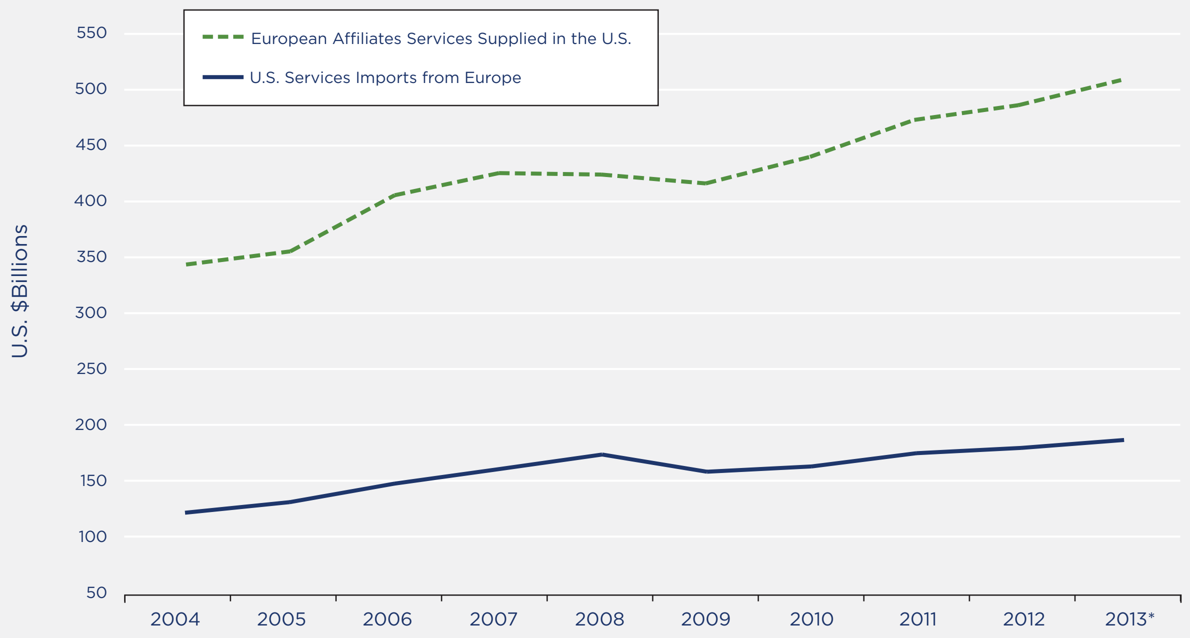
U.S. services exports to Europe reached a record $250 billion in 2013, up 22% from the cyclical slows of 2009, when exports to Europe plunged 9.3%. Services exports (or receipts) have been fueled by a number of services-related activities like travel, passenger fares, education and financial services. In terms of transport, the top five export markets in 2013, ranking order, were Japan, Canada,

TABLE 9: U.S. - EUROPE SERVICES LINKAGES



Source: Bureau of Economic Analysis
Majority-owned bank and non-bank affiliates. Services Supplied in Europe estimate for 2013.

TABLE 10: EUROPE - U.S. SERVICES LINKAGES



Source: Bureau of Economic Analysis
Majority-owned bank and non-bank affiliates. Services Supplied in the U.S. estimate for 2012.

the UK, Germany and China. The UK ranked as one of the largest markets for exports of insurance services; the UK and Belgium-Luxembourg also ranked in the top five in financial services. Ireland was the top export market for U.S. trade in intellectual property—or charges or fees for the use of intellectual property rights. The UK ranked number one in telecommunications, computer and information services. As for "other business service exports" or activities like management consulting and R&D, Ireland ranked number one in 2013, followed by the UK and Switzerland. In Chapter Four we explore why.

As for U.S. services imports from Europe, figures for 2013 were at all time highs. U.S. services imports from Europe totaled $186 billion, up 21.6% from the depressed levels of 2009. The UK, Germany, Ireland, Switzerland, France and Italy all rank as top services exporters to the United States.

Beyond services trade, there are the activities of foreign affiliates, with transatlantic foreign affiliate sales of services much deeper and thicker than traditional trade figures suggest. Indeed, sales of affiliates have exploded on both sides of the Atlantic over the past few decades thanks to the falling communication costs and the proliferation of the internet. Affiliate sales of services have not only supplemented trade in services but also become the overwhelming mode of delivery in a rather short period of time. Affiliates sales of U.S. services rose more than 10-fold between 1990 and 2012, exceeding $1 trillion for the first time in 2007. In 2012, the last year of full data, U.S. affiliate services sales ($1.3 trillion) were roughly double the level of U.S. services exports ($655 billion).

TABLE 11: AMERICA'S FDI ROOTS IN EUROPE (BILLIONS OF $)

Industry	US FDI to Europe	% of Industry Total
European Total	2,607	56%
Manufacturing	298	49%

TABLE 12: EUROPE'S FDI ROOTS IN THE US (BILLIONS OF $)

Industry	US FDI from Europe	% of Industry Total
Total from Europe	1,934	70%
Manufacturing	727	78%

Note: Historic-cost basis, 2013
Source: Bureau of Economic Analysis

Sales of services of U.S. foreign affiliates in Europe have increased each year since plunging in 2009 on account of the transatlantic recession. Sales rose to $641 billion in 2012, up 12.2% from the depressed levels of 2009. U.S. services exports to Europe in the same year totaled $241 billion, well below sales of services by affiliates. In other words, like goods, U.S. firms primarily delivery services in Europe (and vice versa) via their foreign affiliates. The UK accounted for just over 30% of all U.S. affiliate sales in Europe; affiliate sales totaled $195 billion, a figure greater than total affiliate sales in South and Central America ($120 billion), Africa and the Middle East (each $16 billion). Affiliate sales in Ireland remain quite large—$83 billion—and reflect strong U.S.-Irish foreign investment ties with leading U.S. internet, software and social media leaders. On a global basis, Europe accounted for 50% of total U.S. affiliate services sales.

We estimate that sales of services by U.S. affiliates in Europe rose by around 3.5%, to $665 billion in 2013, over 2.6 times the value of U.S. services exports to Europe of $250 billion. U.S. affiliate sales in services in Europe continue to exceed sales of services by U.S. affiliates of European firms. In 2012, the last year of complete data, European affiliate services sales in the United States totaled $490 billion, over 30% below comparable sales of US affiliates in Europe. That said, European affiliates are the key provider of affiliate services in the United States. Foreign affiliate sales of services in the United States totaled $802 billion in 2012, with European firms accounting for 61% of the total. By country, German affiliates led in terms of affiliate sales of services ($117 billion), followed closely by UK affiliates ($116 billion).

We estimate that the services sales of European companies operating in the United States totaled $512 billion in 2013, 2.75 times more than European services exports to the United States ($186 billion). The difference between affiliate sales and service imports reflects the ever-widening presence of European services leaders in the U.S. economy.

In the end, the U.S. and Europe each owe a good part of their competitive position in services globally to deep transatlantic connections in services industries provided by mutual investment flows. A good share of U.S. services exports to the world are generated by European companies based in the U.S., just as a good share of European services exports to the world are generated by U.S. companies based in Europe.

Taken together, these eight indices convey a more complex and complete picture of U.S.-European engagement than mere trade data might suggest. Transatlantic trade in goods is significant in its own right. But foreign direct investment and foreign affiliate sales of both goods and services, not trade, represent the backbone of the transatlantic economy.

Endnotes

1. See Daniel S. Hamilton and Joseph Quinlan, eds., *Sleeping Giant: Awakening the Transatlantic Services Economy* (Washington, DC: Center for Transatlantic Relations, 2007).

THE 50 U.S. STATES:
European-Related Jobs, Trade and Investment

When Barack Obama first assessed the state of the union as President on February 24, 2009, he captured the mood of the moment: "You don't need to hear another list of statistics to know that our economy is in crisis, because you live it every day. It's the worry you wake up with and the source of sleepless nights."

Six years later, in early 2015, the President struck a new chord: "We are fifteen years into this new century. Fifteen years that dawned with terror touching our shores; that unfolded with a new generation fighting two long and costly wars; that saw a vicious recession spread across our nation and the world. It has been, and still is, a hard time for many. But tonight, we turn the page. Tonight, after a breakthrough year for America, our economy is growing and creating jobs at the fastest pace since 1999."

2014 was indeed a "breakthrough year" for the United States, as the world's largest economy re-emerged as one of its most dynamic and fastest-growing—a pole position many thought the United States had abandoned to China. In the wake of the financial crisis, the common narrative was that over-indulgent America was in a secular decline, due to imperial overreach in the Middle East; the attendant costs of waging war in Iraq and Afghanistan; the rising costs of entitlements juxtaposed against rising federal budget deficits; and overleveraged households that had become quite comfortable living well beyond their means.

Even President Obama referred to America's "day of reckoning" in his first State of the Union address, reconfirming in the minds of many that the United States and its transatlantic partner, Europe, were spent global forces and that it was China's turn to rule the world. Reality turned out to be different.

As we highlighted in Chapter 1, today the U.S. economy has a spring in its step. In 2014 the United States expanded at a faster rate than Europe, Russia and other major economies, including rising markets like Brazil and South Korea. Against this backdrop, it is little wonder that the United States continues to attract more foreign direct investment (FDI) than any other nation in the world, including China.

In 2013, the last year of complete data, the United States accounted for around 13% of total global FDI inflows—$187 billion out of global sum of $1.5 trillion—according to figures from the United Nations. That was up from the prior year ($168 billion) and was more than FDI inflows to China ($124 billion) and India ($28 billion) combined. Since the beginning of this century, cumulative FDI inflows to the United States of over $2.5 trillion have been more than double those flowing to China; India has received a fraction of what the United States has attracted over the same period.

The United States remains the perennial favorite of global firms because of a number of factors:

- A large and wealthy market, home to nearly 325 million people with a per capita income in excess of $50,000. With less than 5% of the global population, the United States still accounts for a staggering 25-27% of total global personal consumption expenditures, testimony to the purchasing power of the American consumer. America's economic growth in the second half of 2014 was largely powered by U.S. consumers, who are feeling more secure about their jobs and enjoying a massive tax cut courtesy of the plunge in oil prices.
- An expanding economy fast approaching $18 trillion in size. In 2015 the U.S. economy is expected to expand by better than 3%, while the euro area is forecast to expand by around 1%. This growth differential makes the United States far more attractive to many European firms than Europe itself.
- A hyper-competitive economy. The United States ranked 3rd in the latest Global Competitiveness report, trailing only Singapore and Switzerland.
- A strong innovative, risk-taking corporate culture, underpinned by world-class universities, a strong

capacity and culture of entrepreneurship, and a dense web of university-industry R&D collaboration.

» A climate friendly to business, supported by a transparent rule of law, sophisticated accounting, auditing and reporting standards, and respect for intellectual property rights, among other things. The World Bank ranked the United States 7th in ease of doing business in 2015.

» A repository of skilled, flexible and productive labor and a magnet for foreign skilled labor. According to data from the World Intellectual Property Organization, presented in Table 2, over the 2006-2010 period the United States alone attracted over 57% of the world's immigrant inventors, as measured by patent applications. A handful of European nations like Germany, Switzerland, the UK and the Netherlands followed. Europe as a whole received over 31% of all immigrant inventors, but also accounted for over 41% of all emigrant inventors.

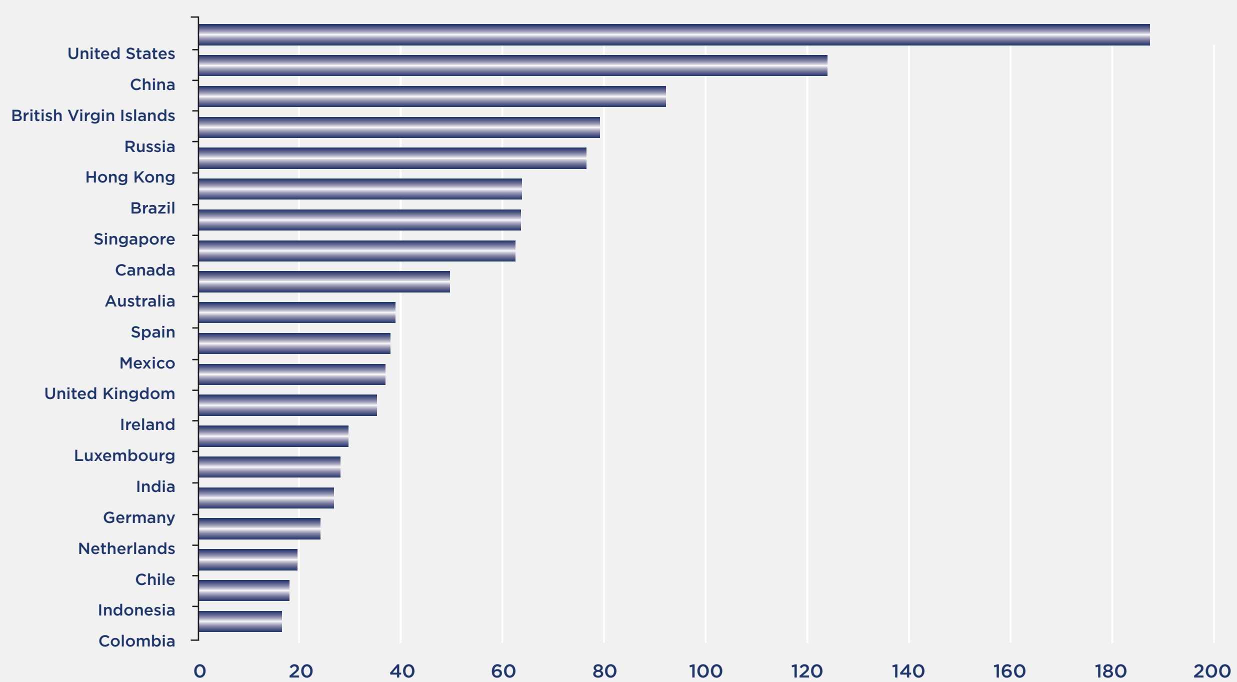
Taking the long view, Table 3 underscores that the bulk of global FDI flows is directed at mature, rich developed countries. Eight of the top ten recipients are developed nations, with China and Hong Kong notable exceptions. Six of the ten are European.

Europe Out Front

Europe continues to be the primary source of foreign direct investment into the American economy. As we explain in Chapter 2, U.S. FDI inflows from Europe in 2014 (estimated at $15 billion) were very modest, thanks to a one-off capital disinvestment in which Vodaphone (UK) sold its 45% share in Verizon Wireless to Verizon (U.S.) for $130 billion, leading to a massive -$122 million disinvestment in U.S. inflows in the first quarter of 2014. In the same quarter, Luxembourg also reported a large (-$20.6 billion) disinvestment from the United States that further depressed overall levels of inflows.

However, when the UK and Luxembourg are removed from the aggregate numbers, the adjusted figures show a 16% rise in European flows to the United States for the first nine months of the year from the same period a year earlier. Other high-profile deals included Bayer's $14.2 billion acquisition of Merck's consumer care business; ZF's $11.7 billion purchase of TRW; SAP's $8.3 billion purchase of U.S. tech company Concur; and Siemens' $7.6 billion acquisition of Dresser-Rand.

TABLE 1: FDI INFLOWS: TOP 20 HOST ECONOMIES, 2013 - (BILLIONS OF $)



Source: Bureau of Labor Statistics
Data for 2013

TABLE 2: TOP 20 COUNTRIES WITH THE LARGEST INVENTOR IMMIGRANT COMMUNITIES, 2006-2010

Country	Immigrants	Share of World Total (%)
United States of America	117,244	57.1
Germany	14,547	7.1
Switzerland	12,479	6.1
United Kingdom	9,113	4.4
Netherlands	5,565	2.7
France	5,369	2.6
Singapore	4,334	2.1
Canada	4,107	2.0
Japan	4,092	2.0
China	3,289	1.6
Sweden	3,204	1.6
Belgium	3,173	1.5
Australia	2,441	1.2
Finland	1,969	1.0
Austria	1,905	0.9
Spain	1,590	0.8
Denmark	1,520	0.7
Korea	1,188	0.6
Italy	1,108	0.5
Ireland	1,092	0.5
World	**205,446**	**100**

Source: WIPO Statistics Database, October 2013.

In terms of capital stock, Europe has again been leading the way. Europe accounted for roughly 70% of the $2.8 trillion of foreign capital stock sunk in the United States in 2013. Asia and Canada accounted for the rest, with Japan among the largest Asian investors in the United States.

The bulk of European capital came from British firms, with the UK's total FDI stock in the United States nearly $520 billion in 2013; the Netherlands was ranked second among European firms ($273 billion), followed by France ($226 billion), Switzerland ($209 billion), and Germany ($208 billon). Many firms from these countries are just as embedded in the United States as in their own home markets. And with the U.S. economy expanding faster than most of Europe, European firms that have invested in the United States have enjoyed somewhat of a buffer from slumping sales in the European Union. Whether Swiss drug firms, German automakers, British transportation firms—their corporate and commercial links to America have been hugely important and beneficial to their bottom line as Europe struggles to unshackle itself from the Great Recession of 2008.

TABLE 3: CUMULATIVE INVESTMENT INFLOWS 1980-2013 RANKINGS

Rank	Country	Cumulative Flows (Billions of U.S. $)	Percent of World Total
1	United States	3,742.1	16.5%
2	United Kingdom	1,597.1	7.1%
3	China	1,476.7	6.5%
4	Belgium	1,124.7	5.0%
5	France	932.1	4.1%
6	Hong Kong	860.6	3.8%
7	Germany	805.0	3.6%
8	Canada	728.0	3.2%
9	Spain	648.7	2.9%
10	Netherlands	630.3	2.8%

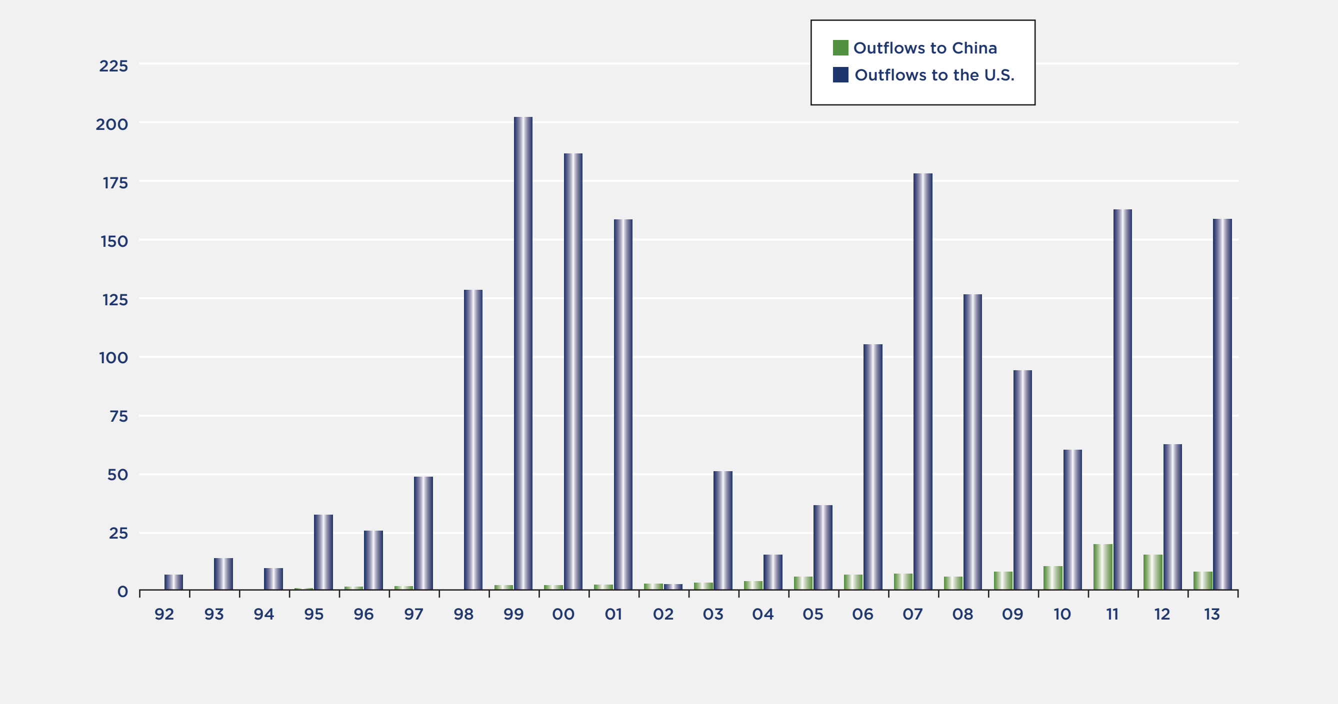
Source: United Nations Conference on Trade and Development (UNCTAD). Data as of January 2015.

What about Europe's growing presence in China relative to the United States? While Europe's stakes in China are on the rise, as are U.S. stakes in China, Europe's investment position in the United States is far deeper and thicker than similar ties with China. The United States represents a large, wealthy market, with respect for the rule of law and transparent rules and regulations. China, in contrast, remains relatively poor, with many barriers to investment and an opaque regulatory environment that is difficult to navigate. Hence, while both U.S. and European firms continue to build out their operations in China, and India for that matter, each party remains focused on the other. European FDI to China, after hitting a record €20.1 billion in 2011 and rising another €15.5 billion in 2012, plummeted to €8.6 billion in 2013, the last year of available data.

As discussed in Chapter 2, European firms earned an estimated $110 billion in the United States in 2014, down slightly from the levels of 2013 ($116 billion). Through the first nine months of 2014, affiliate income earned in the United States amounted to $83 billion, down 5.4% from the same period a year earlier. Germany, France, the Netherlands and the UK all posted year-over-year declines in the first nine months of 2014, although taking the long view, affiliate earning levels for most European firms are significantly higher than a decade ago. As European firms have built out their U.S. operations over the past few decades, they have also increased and enhanced their earnings potential in the largest economy in the world.

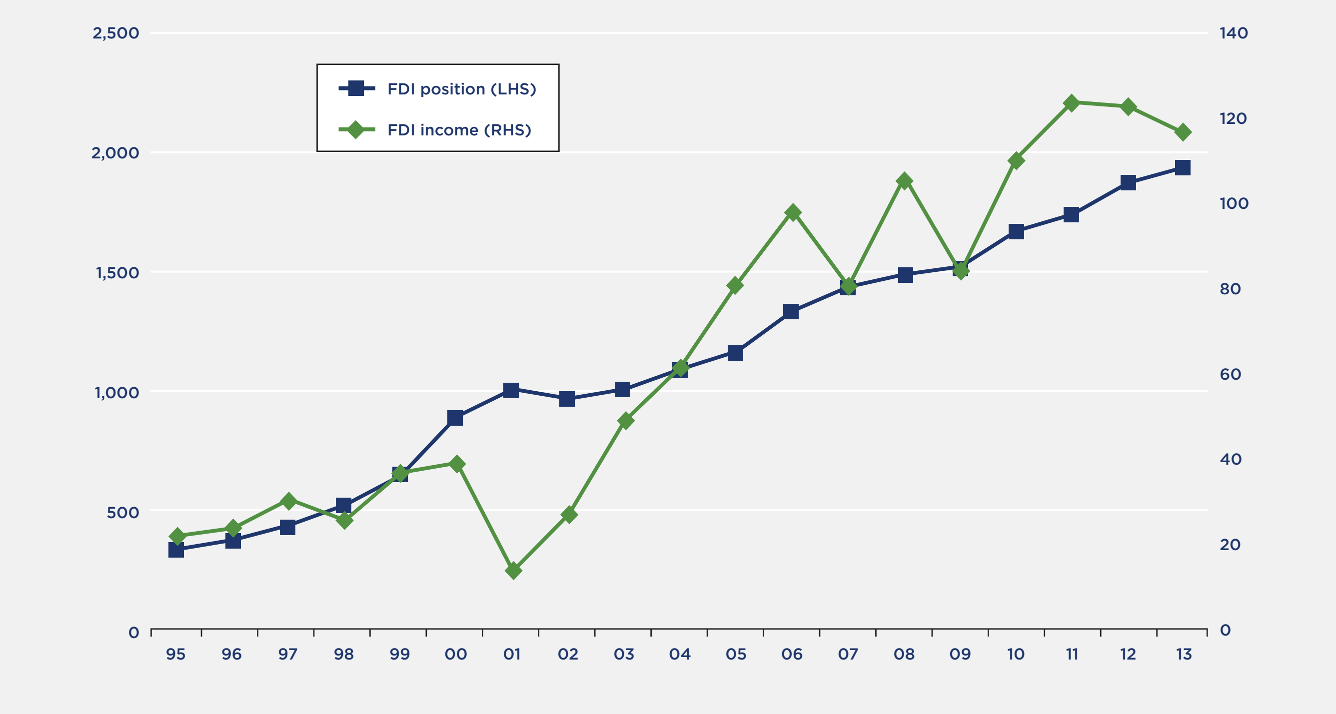
Table 5 highlights that more European investment in the United States corresponds to more affiliate earnings (and more activity in general). The two metrics, of course, are

TABLE 4: EUROPEAN UNION FOREIGN DIRECT INVESTMENT OUTFLOWS, U.S. VS. CHINA - (BILLIONS OF EUROS)



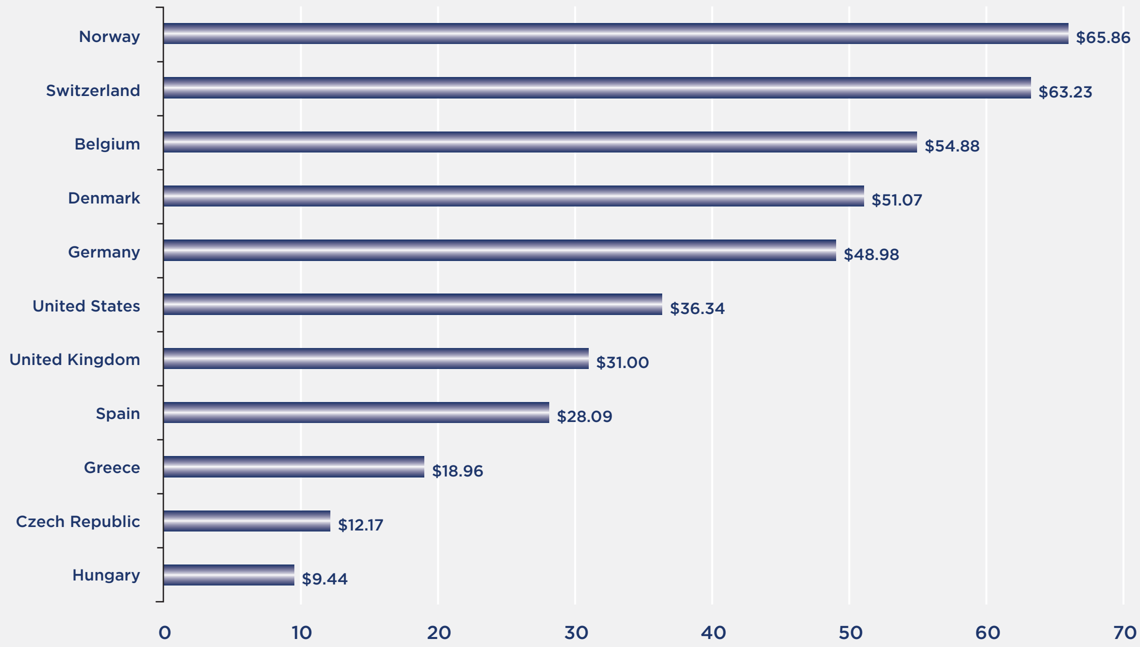
Source: Eurostat.
Data as of October 18, 2014.

TABLE 5: EUROPEAN FOREIGN DIRECT INVESTMENT AND INCOME EARNED IN THE UNITED STATES (BILLIONS OF $)



Sources: Bureau of Economic Analysis
Data through 2012

TABLE 6: HOURLY COMPENSATION COSTS IN MANUFACTURING - (U.S. $)



Source: Bureau of Labor Statistics
Data for 2013

highly correlated—the greater the earnings, the greater the likelihood of more capital investment, and the more investment, the greater upside for potential earnings and affiliate income. The bottom line: Europe's investment stakes in the United States have paid handsome dividends over the past decades, and notably over the past few years, as Europe struggled to rebound from the crisis of 2008 while the United States motored ahead. With large swaths of Europe at or near recession in 2014, the more vibrant and growing U.S. market was a critical source of earnings growth for European firms.

The Effects of Cheaper Energy and Skilled Labor

We discussed at length in last year's annual survey America's energy revolution and the competitive benefits it derives from cheaper energy. We also highlighted the fact U.S. manufacturing costs remain quite favorable relative to many European nations, a dynamic that has not changed from our previous assessment.

To summarize U.S. energy trends, domestic oil and gas production reached near record levels in 2014, with so much U.S.-drilled oil coming to the oil markets that the excess supply triggered a price war with OPEC in the late stages of 2014. Since mid-2014, world oil prices have declined by over 50%, providing an oil tax cut to the world's major oil-consuming nations. While energy costs in the United States remain well below levels in Europe, the global decline in oil prices will benefit both transatlantic partners in 2015. That said, the energy cost advantage still favors the United States.

A second cost advantage relates to U.S. wages. As Table 6 highlights, U.S. manufacturing costs in 2013 were lower than in many European nations. U.S. hourly compensation costs totaled $36.34 in 2013, well below similar rates in Norway, Belgium, Switzerland, Denmark and Germany. U.S. wage costs, according to data from the Bureau of Labor Statistics, were 74% those of Germany in 2013.

U.S. productivity levels also continue to outpace many in Europe, reflecting America's global leadership in innovation, R&D, social media, IT-driven production systems and world-class universities. In addition, U.S. firms were more aggressive in shedding labor and cutting costs in the aftermath of the financial crisis, helping to boost earnings and labor productivity over the past half decade. The United States ranked third in terms of productivity levels among OECD states in 2013, trailing only Luxembourg and Norway.

TABLE 7: RANKING OF TOP 20 STATES BY JOBS SUPPORTED DIRECTLY BY EUROPEAN* INVESTMENT (THOUSANDS OF EMPLOYEES)

U.S. State	2010*	2011*	2012*
California	295.0	306.1	368.8
New York	236.7	240.7	297.7
Texas	226.8	234.6	294.7
Pennsylvania	167.0	168.3	207
Illinois	138.9	147.5	183.5
Florida	117.3	122.4	165.8
New Jersey	136.9	143.0	165.6
North Carolina	91.8	94.3	153.2
Massachusetts	117.1	122.9	146.3
Ohio	104.9	107.7	134.1
Michigan	69.2	74.1	123.4
Georgia	88.1	91.5	123.2
Virginia	73.8	77.5	119.2
Indiana	68.3	69.8	87.9
Maryland	62.1	64.8	83.4
South Carolina	56.6	63.3	82.6
Connecticut	67.0	68.0	82.2
Tennessee	53.4	58.6	71.6
Missouri	44.6	47.4	64.9
Minnesota	41.0	42.4	59.2

Source: Bureau of Economic Analysis
**In 2010 and 2011, European investment includes only France, Germany, Netherlands, Switzerland, and the United Kingdom. In 2012, the new benchmark survey expanded coverage to include an "other Europe" category, thereby boosting the figures for 2012 relative to 2010 and 2011.*

All of the above highlights the fact that the United States ranks as among the most attractive places in the world to do business. That said, there are many different economies within the United States; each U.S. state has different economic attributes. For instance, California is among the largest and wealthiest states, while Mississippi among the poorest. Texas was among the fastest-growing states in the union in 2014, although prospects have been dampened by the bust in oil prices. As the economic fortunes of individual U.S. states shift, so too do Europe's investment stakes in various regions—they increase or decrease each year based on prevailing business conditions, shifting competitive dynamics, ever-changing tax incentives, fluctuating regulatory winds or changing long-term strategic goals.

On balance, European investment is widespread across the United States and by industry. European firms can be found in all 50 states, and in all sectors of the economy, in manufacturing and service activities alike.

Europe's Stakes in America's 50 States

Taken together, the employment impact of European firms in the United States is quite significant, particularly at a time when finding a job remains a premium on both sides to the ocean. Table 7 provides a snapshot of state employment provided directly by European affiliates on the ground in the United States. As a footnote, the figures 2010 and 2011 only include data for a handful of nations (France, Germany, Netherlands, Switzerland, and the UK); figures for 2012 include more countries following the BEA's benchmark adjustments to the figures.

It is also important to note these charts underestimate considerably the true impact on U.S. jobs of America's commercial ties to Europe in at least two ways. First, jobs tied to exports and imports of both goods and services are not included. Second, many other jobs are created indirectly through suppliers or distribution networks and related activities. PriceWaterhouseCoopers estimates that for every direct subsidiary job, an additional three jobs are supported in the U.S. economy.[1]

TABLE 8: TOP EUROPEAN REGIONS SUPPORTING AMERICAN JOBS VIA FDI

Eight of the top 10 and 16 of the top 20 city-regions supporting U.S. jobs via FDI are European — the other four are Tokyo and Nagoya, Japan and Toronto and Montreal, Canada. Here are the European regions most important to American jobs in terms of FDI.

Rank	City/Region	Number of U.S. Employees (2011)
1	London	460,700
2	Paris	429,500
3	Amsterdam	231,700
4	North-Rhine Westphalia, Germany	165,400
5	Brussels	154,800
6	Dublin	141,600
7	Baden-Württemberg, Germany	134,300
8	Southeast England	132,000
9	Stockholm, Sweden	123,951
10	Zürich, Switzerland	112,609
11	Piedmont, Italy	85,832
12	Eastern, Switzerland	77,262
13	Lombardy, Italy	76,697
14	Vaud Valais, Switzerland	75,498
15	Aberdeen, Scotland	74,769
16	Bavaria, Germany	73,288
17	Luxembourg	73,186
18	Channel Islands, England	66,703
19	Hesse, Germany	63,090
20	South Holland, Netherlands	61,943

Source: Brookings. These figures understate the full job impact, as they do not include jobs derived from trade in goods and services, or any indirect employment effects.

Since California, New York and Texas are among the largest state economies, it is little wonder that employment among European affiliates is the highest in these three states. Roughly one million U.S. workers were on the payrolls of European affiliates in the three states combined in 2012. Following the 2008/09 recession, European affiliates pared their U.S. labor force. As the U.S. economy has improved, many have again increased the number of workers on their payrolls. Yet hiring among foreign affiliates in the U.S. has been rather "lumpy," or reflective on the company- and industry-specifics mentioned before.

In general, the presence of European affiliates in many states and communities across the United States has helped to improve America's jobs picture. The more Europeans firms embed in local communities around the country, the more they tend to generate jobs and incomes for U.S. workers, greater sales for local suppliers and businesses, extra revenues for local communities, and more capital investment and R&D expenditures for the United States. European FDI directly supported more jobs in 2012 than in pre-recession year 2006 in 38 U.S. states. 12 U.S. states registered fewer jobs supported by European investment in 2012 than in 2006.

Over this period, the biggest winner by far was Texas, which gained more than 58,800 jobs (24.9% more) directly from European investment between 2006 and 2012, and 64,600 more jobs (29%) since 2002. Other states that have gained significantly include Massachusetts – 27,000 (22.6%); Pennsylvania – 24,500 (13.4%); California – 23,300 (6.7%); New York – 15,600 (5.5%); Illinois – 12,200 (7.1%); Rhode Island – 10,100 (70.1%); and Georgia – 10,000 (8.8%);

A number of states with relatively low absolute numbers of jobs directly supported by European FDI have

TABLE 9: RANKING OF TOP 20 U.S. STATES TOTAL GOODS EXPORTS TO EUROPE, BY VALUE (BILLIONS OF $)

U.S. State	2000	2013	% Change from 2012	% Change from 2000
Texas	12.3	37.6	4%	206%
California	27.9	32.7	9%	17%
New York	15.3	28.8	8%	87%
Louisiana	3.3	13.6	0%	313%
Washington	13.1	12.9	14%	-1%
New Jersey	6.4	12.0	-1%	88%
Illinois	7.3	11.7	-11%	60%
Pennsylvania	4.7	10.7	7%	128%
Florida	3.9	10.4	-32%	167%
Massachusetts	8.0	9.8	1%	22%
Ohio	5.0	9.7	-2%	92%
Indiana	3.1	8.8	-7%	180%
Georgia	4.0	8.7	11%	120%
South Carolina	2.8	7.4	-4%	166%
Connecticut	3.5	6.5	5%	86%
North Carolina	4.6	6.4	4%	40%
Kentucky	3.1	6.4	31%	109%
Michigan	5.0	6.3	-1%	26%
Tennessee	2.7	6.2	4%	128%
Virginia	3.8	4.9	-2%	28%
U.S. Total	**187.4**	**326.7**	**-1%**	**74%**

Source: Foreign Trade Division, U.S. Census Bureau

TABLE 10: U.S. STATE EXPORTS TO EUROPE AND CHINA, 2014* (MILLIONS OF $)

U.S. State	Europe	China	U.S. State	Europe	China
Alabama	3,542	2,208	Montana	188	80
Alaska	924	1,140	Nebraska	784	461
Arizona	2,694	758	Nevada	2,485	431
Arkansas	1,009	269	New Hampshire	1,059	230
California	25,756	12,139	New Jersey	8,553	1,061
Colorado	1,297	483	New Mexico	548	78
Connecticut	4,865	653	New York	21,586	3,168
Delaware	1,597	344	North Carolina	5,294	2,045
Florida	6,678	876	North Dakota	250	11
Georgia	6,954	2,352	Ohio	7,389	2,502
Hawaii	12	180	Oklahoma	749	206
Idaho	308	382	Oregon	1,655	2,988
Illinois	8,629	3,666	Pennsylvania	7,585	1,809
Indiana	6,812	1,078	Rhode Island	520	87
Iowa	1,946	533	South Carolina	6,847	3,291
Kansas	1,603	952	South Dakota	101	32
Kentucky	5,573	1,162	Tennessee	4,694	1,779
Louisiana	10,265	3,917	Texas	28,929	8,148
Maine	290	147	Utah	2,325	682
Maryland	2,420	555	Vermont	282	203
Massachusetts	8,221	1,589	Virginia	3,942	1,307
Michigan	4,830	2,592	Washington	12,061	13,070
Minnesota	3,454	1,345	West Virginia	2,302	433
Mississippi	1,512	425	Wisconsin	3,223	1,165
Missouri	1,886	651	Wyoming	79	16

**Data through September 2014*
Source: U.S. Census Bureau, Foreign Trade Division

experienced significant relative gains since 2006. They include South Dakota (84.4% jump); Hawaii (68.2%); North Dakota (65%); Mississippi (61%); New Mexico (57.7%).

Other states have lost jobs from European investments since 2006, including Michigan – 17,500 (12.4%) less; Wisconsin – 11,500 (17%) less; New Jersey – 5,200 (3%) less; Tennessee – 3,100 (4.1%) less; Maryland and North Carolina, each with 3,200 (7%) less; and South Carolina – 1,600 (1.9%) less.

A number of states have either maintained the number of jobs supported by European investment from 2002 levels or went through the trough of the recession and by 2012 had restored such jobs roughly back to 2002 levels—Florida, Kentucky, Maryland, New Jersey, Ohio, Connecticut, Illinois, California, Georgia, Massachusetts, Alabama, Wyoming, and West Virginia.

The downtick in jobs from European investment since 2002 has been particularly noticeable in Wisconsin (34%), South Carolina (21%), Michigan (15%) and North Carolina (12%).

Deep investment ties with Europe also generate U.S. trade, notably exports. U.S. affiliates of foreign firms, particularly those from Europe, generated an estimated one-fifth of America's exports in 2013. Indeed, more than half of these exports were generated by European companies based in the United States. For instance, America's largest exporter of cars to the rest of the world in terms of value is German automaker BMW. From its production facility in Spartanburg, South Carolina, BMW exports 70% of its vehicles to 140 other countries, and from the Inland Port of Charleston, South Carolina BMW exports auto components to six emerging markets.

Every U.S. state maintains cross-border ties with Europe. Indeed, Europe is a key export market for many U.S. states, a role that helps to create and generate economic growth at home. Nonetheless, the growth differential between the United States and Europe over the past few years has meant a widening U.S. trade deficit with Europe. In the first eleven months of 2014 U.S. merchandise imports from Europe rose 6.1%, to $449 billion, versus U.S. exports to Europe of $308 billion, a rise of 2.3%. The upshot: a 15.4% widening of the U.S. merchandise trade deficit with Europe in the first eleven months of 2014.

U.S. merchandise exports to Europe by state varied in 2013—exports from energy-led states like Texas and Pennsylvania rose during the year, as did merchandise exports from California, New York, Washington and Georgia. Table 9 ranks the top 20 state goods exporters to Europe in 2013, with Texas ranked number one, followed by California and New York. The Big Three accounted for roughly 30% of total U.S. merchandise exports to Europe.

Table 10 shows that even in the face of weak European demand 45 of the 50 U.S. states exported more to Europe than to China for the first nine months of 2014. Goods exports from Florida and New Jersey were roughly 8 times larger than exports to China. New York's goods exports to Europe were nearly 7 times larger and Indiana's 6 times larger than to China. Texas, the leading U.S. state exporter to Europe, sent 3 times as many goods to Europe as to China. So did Ohio. California exported twice as many goods to Europe as to China. And on it goes. Only the Pacific-oriented states of Washington, Hawaii, Oregon, Idaho and Alaska send—marginally—more goods to China than to Europe.

Moreover, while these figures are significant, they actually underestimate Europe's importance as an export destination for U.S. states because they do not include U.S. state exports of services. This is an additional source of income and jobs—most American jobs are tied to success in services. It is also traditionally a strength of the U.S. economy. Europe is by far the most important market in the world for U.S. services exports, and the United States consistently records services trade surpluses with Europe. Data on services exports is less complete than that for goods exports, and so we do not include them here. Suffice it to say that if services exports were added to goods exports, the European market becomes even more important for individual U.S. states.

By destination, key markets in Europe for U.S. states include Germany, the United Kingdom, and the Netherlands. Appendix A tracks European-related jobs, trade and investment for each of the 50 U.S. states.

Endnotes

1. PriceWaterhouseCoopers, "Economic Impact of U.S. Subsidiaries," March 2, 2012.

CHAPTER 4

EUROPEAN COUNTRIES: U.S.-Related Jobs, Trade and Investment

Europe[1] remains one of the most attractive regions of the world for U.S. foreign direct investment, yet its luster is fading.

Europe's cyclical economic slowdown; the region's numerous structural headwinds to growth; trade and investment sanctions against Russia; improving economic prospects in the United States; America's energy advantage relative to Europe; faster growth in many emerging markets—all of these dynamics have dampened Corporate America's confidence in Europe and depressed U.S. FDI outflows to the region over the past few years.

For 2014 we estimate that U.S. FDI outflows to Europe totaled $165 billion, a 4.5% drop from 2013. We make this estimate even though U.S. FDI outflows to Europe in the first nine months of 2014 totaled $115 billion, a decline of 19% from the same period a year earlier. As we explain in Chapter 2, this decline was due in large part to a $19 billion outflow from the Netherlands to the United States in the first quarter of the year. U.S. investment flows to the United Kingdom, a perennial favorite among U.S. firms, also fell 25% in the first nine months of 2014 versus the same period a year earlier. Total U.S. flows to Luxembourg also fell sharply, by nearly 50%, with the downdraft most likely related to more government scrutiny and public relations pressures related to corporate inversions and allegations of sweetheart tax deals, issues we explore in more detail below.

U.S. foreign direct investment to France rebounded in 2014, rising nearly 25% from the same period a year earlier. The sharp rise, however, comes off the depressed levels of 2013, when U.S. outflows to France totaled just $629 million. The year before, in 2012, U.S. investment in France amounted to just $360 million, well off the levels of 2009 ($10.3 billion) and 2010 ($4.8 billion). We estimate that U.S. investment to France in 2014 totaled $2.6 billion. That's hardly good — but the figures for Germany are even lower.

U.S. FDI flows to Germany totaled $1.2 billion in the first nine months of 2014, up from the depressed levels of 2013, when total U.S. flows were a negative $859 million (more U.S. capital going out than coming in). Capital flows were positive in 2014, but for the year, U.S. FDI flows to Germany are estimated at just $2 billion, well down from the annual average levels of $6.1 billion posted between 2009 and 2012.

Combined, U.S. FDI flows to Germany and France, two of Europe's largest economies, totaled just $4.6 billion in 2014 by our estimates. In contrast, combined U.S. FDI flows to China and India totaled roughly $10 billion in 2014, a clear signal that more and more U.S. firms are finding better market conditions in Asia's largest economies than in Europe's largest economies.

Ireland and Switzerland emerged as favorite locations for U.S. multinationals in 2014. U.S. FDI flows to Switzerland, for instance, surged by roughly 175% to $15.5 billion in the January-September period from the depressed levels of 2013, when U.S. FDI tallied $5.3 billion, a sizable drop from the year before ($12.5 billion).

Investment flows to Ireland were much stronger, totaling nearly $37 billion in the January-September period, a rise of 41% from the same period a year earlier. Why Ireland?

Consider a flexible and skilled English-speaking labor force, membership in the European Union, low corporate tax rates, pro-business government policies. Add in Ireland's economic rebound last year, with the economy expanding by over 4%, and one of Europe's smallest economies emerges as one of the most attractive in the world for U.S. firms. Even when adjusting U.S. FDI figures for flows of U.S. holding companies, Ireland still ranks as one of the most attractive places in the world for U.S. businesses.

At the other end of the spectrum are Russia and its European neighbors, where U.S. FDI flows have shrunk

TABLE 1: U.S. FDI IN EUROPE: THE LONG VIEW (MILLIONS OF $, (-) INFLOWS)

	1990-1999		2000-2009		2010-3Q2014	
	$ Aggregate Total	% of Total	$ Aggregate Total	% of Total	$ Aggregate Total	% of Total
EUROPE	465,337		1,149,810		852,945	
Austria	2,908	0.6%	501	0.0%	9,611	1.1%
Belgium	12,028	2.6%	40,120	3.5%	9,323	1.1%
Czech Republic	42	0.0%	1,941	0.2%	2,991	0.4%
Denmark	2,798	0.6%	5,782	0.5%	9,119	1.1%
Finland	1,485	0.3%	1,598	0.1%	-290	0.0%
France	29,063	6.2%	42,963	3.7%	9,366	1.1%
Germany	31,817	6.8%	60,363	5.2%	16,751	2.0%
Greece	413	0.1%	943	0.1%	-634	-0.1%
Hungary	375	0.1%	1,376	0.1%	-922	-0.1%
Ireland	21,369	4.6%	115,085	10.0%	150,905	17.7%
Italy	13,825	3.0%	26,462	2.3%	9,756	1.1%
Luxembourg	14,246	3.1%	107,512	9.4%	173,543	20.3%
Netherlands	70,770	15.2%	295,889	25.7%	248,230	29.1%
Norway	4,198	0.9%	5,118	0.4%	12,329	1.4%
Poland	931	0.2%	4,699	0.4%	-369	0.0%
Portugal	1,993	0.4%	2,212	0.2%	245	0.0%
Russia	1,555	0.1%	11,289	1.0%	-2,633	-0.3%
Spain	11,745	2.5%	28,371	2.5%	5,427	0.6%
Sweden	10,783	2.3%	2,472	0.2%	-9,271	-1.1%
Switzerland	32,485	7.0%	97,869	8.5%	39,947	4.7%
Turkey	1,741	0.4%	5,994	0.5%	3,250	0.4%
United Kingdom	175,219	37.7%	237,906	20.7%	158,057	18.5%
Other Europe	11,948	2.6%	16,471	1.4%	8,220	1.0%

Source: Bureau of Economic Analysis

over the past two years. Given imposition of sanctions on Russia following the Kremlin's annexation of the eastern Ukrainian territory of Crimea and direct Russia military incursions into Ukrainian territory in support of violent separatists, U.S. firms not surprisingly disinvested $638 million from Russia in the first nine months of 2014, following almost $1 billion in outflows in 2013. Given the formidable commercial climate between Russia and the United States and Europe, we expect more negative investment flows in future.

Disinvestment flows were also reported in Poland (-$4 million in the January-September 2014 period), Finland (-$142 million), Sweden (-$3.9 billion) and Hungary (-$293 million). Weak levels of growth in the EU combined with Western sanctions to curtail U.S. investment levels along Russia's periphery. As real economic growth ground to a halt across Europe in the past few years, U.S. firms have been forced to consolidate and rationalize their European operations, resulting in outright declines in investment (disinvestment) in many countries.

In the recession-weary, debt-laden eurozone members of the south—Italy, Portugal, Spain and Greece—U.S. FDI flows were subdued again in 2014. U.S. firms continue to disinvest from Greece, with U.S. investment in Greece minus $43 million in 2013 and minus $31 million in the

TABLE 2: TOP 20 U.S. AFFILIATE SALES ABROAD BY DESTINATION* (MILLIONS OF $)

	1982		1990		2000		2012	
Rank	**Country**	**Value**	**Country**	**Value**	**Country**	**Value**	**Country**	**Value**
1	United Kingdom	33,500	United Kingdom	51,350	United Kingdom	94,712	Singapore	262,260
2	Switzerland	27,712	Canada	46,933	Canada	94,296	**Ireland**	**240,441**
3	Canada	25,169	Germany	41,853	Germany	69,522	Switzerland	219,254
4	Germany	19,117	Switzerland	38,937	Netherlands	67,852	United Kingdom	198,018
5	Netherlands	15,224	Netherlands	33,285	Singapore	56,961	Canada	164,184
6	Belgium	11,924	France	24,782	Switzerland	56,562	Netherlands	122,407
7	Singapore	11,579	Belgium	21,359	**Ireland**	51,139	Germany	117,298
8	France	11,255	Singapore	15,074	Mexico	37,407	Belgium	84,987
9	Indonesia	8,289	Hong Kong	9,951	France	35,797	Mexico	69,171
10	Hong Kong	4,474	Italy	9,562	Belgium	32,010	France	65,413
11	Italy	3,993	**Ireland**	9,469	Hong Kong	22,470	Hong Kong	58,041
12	Australia	3,710	Spain	7,179	Malaysia	16,013	China	53,615
13	**Ireland**	2,842	Japan	7,066	Sweden	15,736	Australia	41,936
14	United Arab Emirates	2,610	Australia	6,336	Italy	14,370	Brazil	35,354
15	Brazil	2,325	Mexico	5,869	Spain	12,928	Norway	30,308
16	Japan	2,248	Indonesia	5,431	Japan	11,845	Italy	28,639
17	Malaysia	2,046	Brazil	3,803	Australia	9,370	Malaysia	25,583
18	Panama	1,662	Norway	3,565	Brazil	8,987	Spain	24,616
19	Spain	1,635	Malaysia	3,559	China	7,831	S. Korea	23,500
20	Mexico	1,158	Nigeria	2,641	Norway	6,238	Japan	21,568
	All Country Total	**252,274**	**All Country Total**	**398,873**	**All Country Total**	**857,907**	**All Country Total**	**2,325,824**

Source: Bureau of Economic Analysis
**Destination = 3rd Market + Sales to U.S. for majority-owned foreign affiliates.*

first nine months of 2014. U.S. FDI flows to Italy and Spain were at least positive in 2014, but well off the levels of previous years. Flows to Spain were down 16.7% in the first nine months of the year, while U.S. FDI flows to Italy plummeted by nearly 76% over the same period. Not unexpected, as two of Europe's largest southern economies have struggled over the past years, U.S. firms have become more cautious about committing more investment capital to either country. U.S. investment to Portugal rose last year—to $97 million in the January-September timeframe—but remains small relatively to the overall total. Depressed levels of U.S. investment in the Club Med nations speaks volumes to the uneven pace of real economic growth in Europe, and the region's disparate levels of competitive endowments, all of which influence how and where U.S. firms invest in Europe.

Just as economic activity in the United States is diverse and dispersed across fifty states, economic activity across the European Union is just as distinct and differentiated by country. Different growth rates, differing levels of consumption, varying degrees of wealth, labor force participation rates, financial market development, innovation capabilities, corporate tax rates—all of these factors, and more, determine where and when U.S. firms in Europe. Firms are always rethinking and reconfiguring their European operations, a dynamic highlighted in Table 1. The figures represent cumulative U.S. FDI inflows to specific countries in each decade, and each country's corresponding share of total U.S. investment in Europe.

Table 1 underscores that U.S. investment in Europe has become very concentrated since the decade began. Luxembourg, the Netherlands, Ireland and the UK have accounted for a staggering 85.6% of cumulative U.S. investment in Europe since 2010, up from their already substantial share of 66% over the two decades before, with the UK making up the bulk of the total.

Meanwhile, France and Germany have experienced a decline in their share of U.S. investment, with France's share of U.S. investment in Europe dropping to just 1.1% this decade,

TABLE 3: CUMULATIVE U.S. FDI OUTFLOWS (MILLIONS OF $)

	All Countries	Europe	Europe as a % of World
1950-1959	20,363	3,997	19.6%
1960-1969	40,634	16,220	39.9%
1970-1979	122,721	57,937	47.2%
1980-1989	171,880	94,743	55.1%
1990-1999	869,489	465,336	53.5%
2000-2009	2,056,009	1,149,810	55.9%
2010Q1-2014Q3	1,540,035	852,945	55.4%

Source: Bureau of Economic Analysis

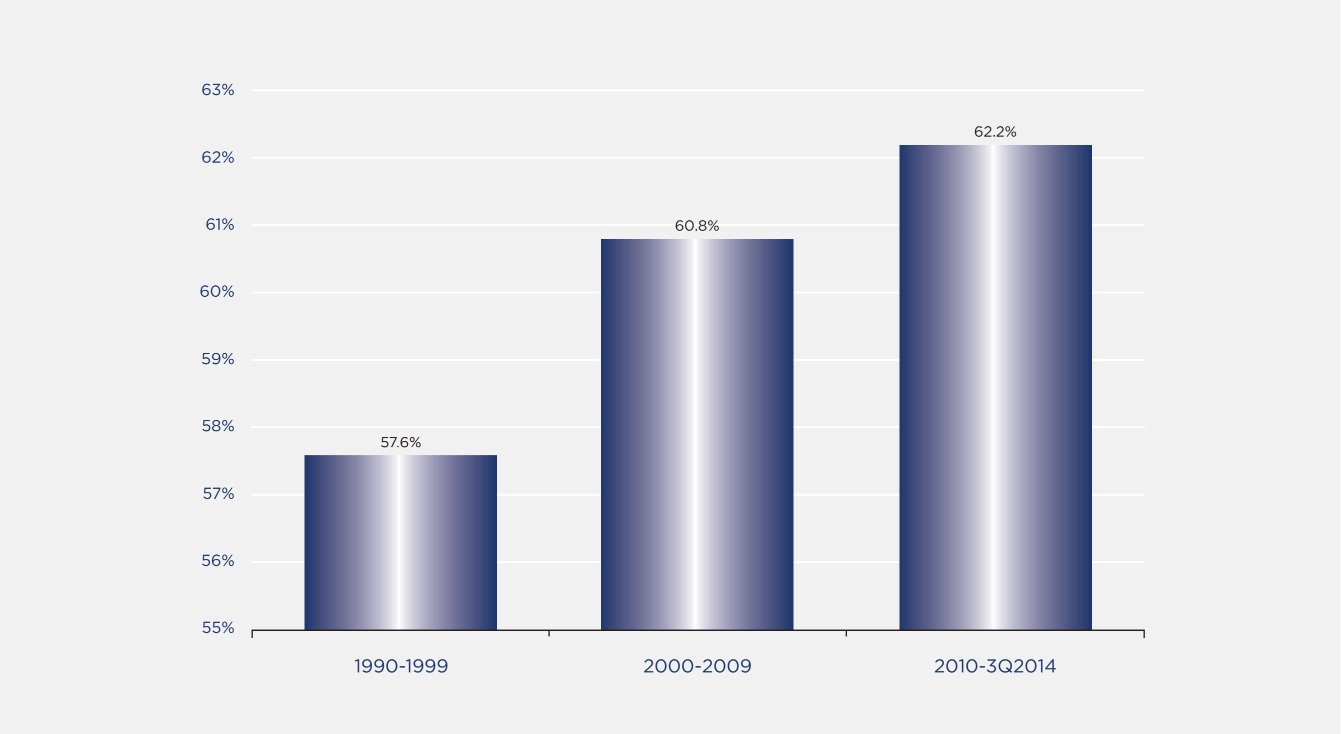
down from 3.7% over 2000-09, and Germany's share falling to 2% this decade from 5.2% during the first decade of this century. Some of these figures need to be taken with a grain of salt, since some U.S. investment in countries neighboring Germany, for instance the Netherlands, Luxembourg or Belgium, finds its way ultimately to Germany.

As for the most favored countries in Europe for the United States, the attraction of Ireland, the Netherlands and the United Kingdom is due in part to each country's role as a strategic beachhead for U.S. multinationals hoping to penetrate the European Union in a competitive and cost-effective manner. For decades, the UK was the traditional export platform for U.S. affiliates to the European mainland, but the introduction of the euro, the Single Market and EU enlargement have enticed more American firms to invest directly in the continent itself. The extension of EU production networks and commercial infrastructure throughout a larger pan-continental Single Market has shifted the center of gravity in Europe eastward within the EU, with Brussels playing an important role in economic policies and decision-making.

The Netherlands and Switzerland, meanwhile, remain key export platforms and pan-regional distribution hubs for U.S. firms, evident by the fact that in 2012, the last year of available data, Switzerland ranked as the third largest export platform in the world for U.S. affiliates; the Netherlands ranked sixth, behind Canada and the United Kingdom; and Germany ranked seventh, ahead of Mexico (see Table 2).

Of all the countries of Europe, Ireland stands out as Corporate America's strategic beachhead to the rest

TABLE 4: U.S. FDI FLOWS TO EUROPE - (% OF WORLD TOTAL*)



**Excluding Caribbean and Other Western Hemisphere*
Source: Bureau of Economic Analysis
Data at of January 2015.

of the world. Ireland ranked well down the list as a strategic beachhead for U.S. firms in 1982, ranking 13th in the world in terms of U.S. foreign affiliate exports. Then, U.S. affiliate exports totaled $2.8 billion. By 1990 that figure had grown to $9.5 billion in 1990 and by 2000 to $51 billion. In the first decade of this century, as the industrial capacity of U.S. affiliates in Ireland surged, so did U.S. affiliate exports, soaring nearly five times between 2000 and 2012. Affiliate exports totaled $241 billion in 2012, trailing only Singapore, but ahead of Switzerland and the United Kingdom. U.S. multinationals have leveraged Ireland as an export base to a far greater degree than low-cost locales like Mexico, Hong Kong and China. The latter ranked 12th. U.S. affiliates export four times more from Ireland than from China. U.S. affiliate exports from Ireland were also around 3.5 times larger than U.S. affiliates from Mexico, despite strong NAFTA linkages between the United States and Mexico. On a stand-alone basis, U.S. affiliate exports from Ireland are greater than most countries' total exports. Such is the export-intensity of U.S. affiliates in Ireland and the strategic importance of Ireland to the corporate success of U.S. firms operating in Europe.

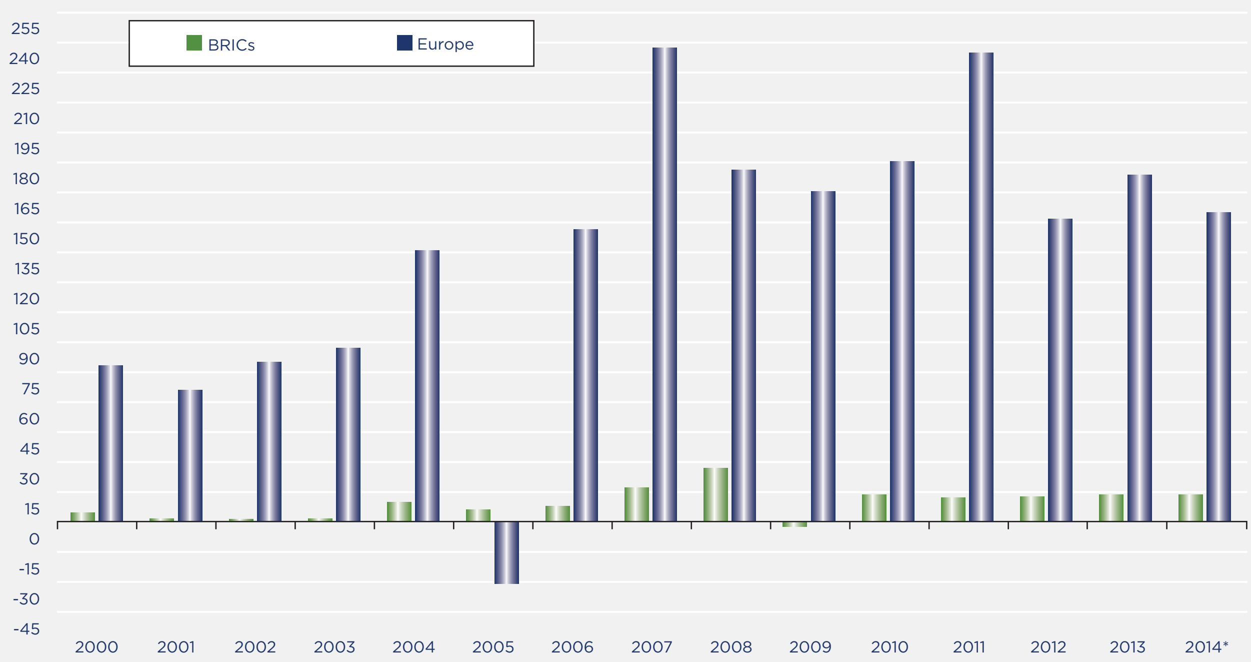
Moreover, U.S. firms have stuck with Ireland even though Ireland suffered through a catastrophic banking and property bust. The nation has subsequently emerged from recession and has returned to the global capital markets. By undergoing painful internal adjustments, the nation's export competitiveness has been restored and now ranks as among the best in Europe. Problems remain, but with the help of U.S. FDI, the country is back on a growth track.

Of the top ten export platforms for U.S. multinationals in the world, 7 out of 10 are located in Europe, a trend that reflects the intense cross-border trade and investment linkages of the European Union and the strategic way U.S. firms leverage their European supply chains.

Why Europe Still Matters

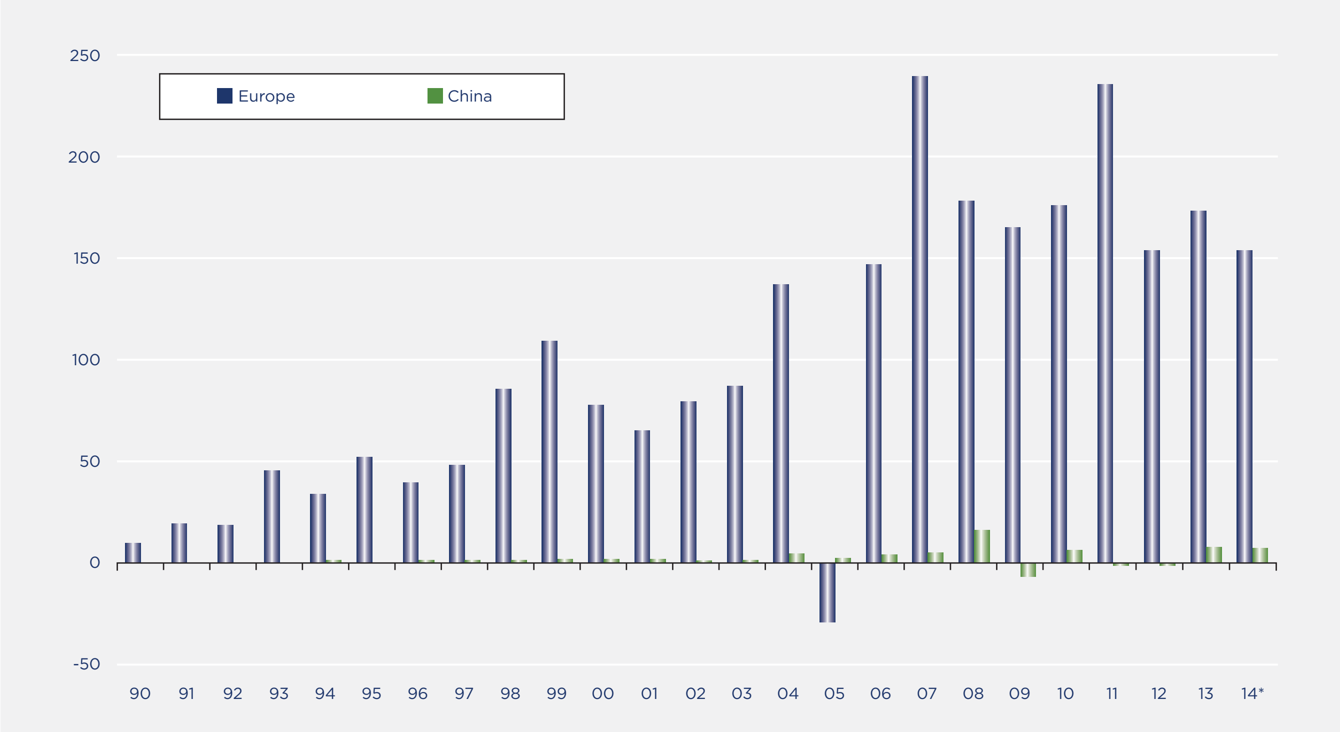
While U.S. foreign direct investment outflows to Europe are in the midst of a cyclical slowdown, the secular case for investing in Europe remains relatively positive. The European Union, after all, still accounts for roughly 17-18% of world GDP on a purchasing-power-parity basis, and next to the United States and China it is a critical pillar to the global economy. Notwithstanding the last few years

TABLE 5: U.S. FOREIGN DIRECT INVESTMENT OUTFLOWS TO THE BRICs VS. EUROPE[1] - (BILLIONS OF $)



Source: Bureau of Economic Analysis
[1] Europe does not include flows to Russia
** Data through 3Q2014. Data annualized for full year estimate.*

TABLE 6: U.S. FOREIGN DIRECT INVESTMENT FLOWS TO CHINA VS. EUROPE - BILLIONS OF $



Source: Bureau of Economic Analysis
** Data through 3Q2014. Data annualized for full year estimate.*

of sluggish growth, Europe still matters to the corporate success of U.S. firms, which helps explain America's large presence across the pond.

As Table 3 highlights, Europe—broadly defined here as the EU28 and other states like Switzerland, Norway, Russia, Turkey and other small nations—continues to attract more than half of U.S. aggregate FDI outflows. Europe's global share of U.S. FDI has remained relatively constant at 55% of the total over this decade, basically unchanged from the first decade of this century but up slightly from the 1990 levels. When U.S. FDI flows to Caribbean offshore financial centers are subtracted from the total, Europe's share of U.S. investment climbs to over 60% (see Table 4).

Even after adjusting for FDI flows related to holding companies, Europe remains the favored destination of U.S. firms, a reality that runs counter to the fashionable narrative that Corporate America prefers low-cost nations like Asia, Latin America and Africa to developed markets like Europe. Reality is different for a host of structural and cyclical reasons.

First, investing in emerging markets such as China and India remains very difficult; indigenous barriers to growth (poor infrastructure, dearth of human capital, corruption, etc.), as well as policy headwinds (foreign exchange controls, tax preferences for local firms) reduce the overall attractiveness of these markets to multinationals. Cyclically, real growth in the emerging markets has downshifted, notably in Brazil and Russia, two of the fabled BRICs. Both countries are in or near recession. Meanwhile, growth prospects in China have slowed sharply as Beijing shifts away from export- and investment-led growth and moves toward more consumption and services-led growth. India's growth has improved, but the country continues to present a very challenging environment to U.S. investors. In the end, for both cyclical and structural factors, the BRICs and the emerging markets remain a tough sale. Hence the wide divergence between U.S. FDI to the BRICs and U.S. FDI to Europe (see Tables 5 and 6).

Europe, meanwhile, still offers multiple attractions to U.S. firms. The EU Single Market is the largest economic entity in the world. And Europe is not just large, it is wealthy; 15 of the 25 wealthiest countries in the world are European. Per capita income levels in Europe are light years ahead of those in India and China. Wealth drives consumption; the EU accounted for nearly 25% of global personal consumption expenditures in 2013, a slightly lower share than that of the United States but well above that of China

TABLE 7: EASE OF DOING BUSINESS 2015

Rank	Country	Rank	Country
1	Singapore	16	Canada
2	New Zealand	**17**	**Estonia**
3	Hong Kong	18	Malaysia
4	**Denmark**	19	Taiwan
5	Korea		Switzerland
6	**Norway**	**21**	**Austria**
7	United States	22	United Arab Emirates
8	**United Kingdom**	**23**	**Latvia**
9	**Finland**	**24**	**Lithuania**
10	Australia	**25**	**Portugal**
11	**Sweden**	26	Thailand
12	**Iceland**	**27**	**Netherlands**
13	**Ireland**	28	Mauritius
14	**Germany**	29	Japan
15	Georgia	30	Macedonia, FYR

Source: World Bank, Ease of Doing Business Report 2015.

TABLE 8: TRANSATLANTIC ECONOMIES ARE THE MOST COMPETITIVE IN THE WORLD

Global Competitveness Index 2014-2015

Rank	Country	Rank	Country
1	**Switzerland**	16	Qatar
2	Singapore	17	New Zealand
3	**United States**	**18**	**Belgium**
4	Finland	**19**	**Luxembourg**
5	**Germany**	20	Malaysia
6	Japan	**21**	**Austria**
7	Hong Kong	22	Australia
8	**Netherlands**	**23**	**France**
9	**United Kingdom**	24	Saudi Arabia
10	**Sweden**	**25**	**Ireland**
11	**Norway**	26	Korea
12	United Arab Emirates	27	Israel
13	**Denmark**	28	China
14	Taiwan	**29**	**Estonia**
15	Canada	**30**	**Iceland**

Source: World Bank, Ease of Doing Business Report 2015.

(roughly 8%), India (less than 3%) and the BRICs combined (roughly 16%). Gaining access to wealthy consumers is among the primary reasons why U.S. firms invest overseas, hence the continued attraction of wealthy Europe to American companies.

Another attraction of Europe lies with the ease of doing business in the region. In the 2015 Ease of Doing Business rankings, 15 European economies ranked among the top 25 most business-friendly countries. Denmark ranked 4th overall, followed by Norway (6th), the United Kingdom (8th), Finland (9th), Sweden (11th), Iceland (12th), Ireland (13th), Germany (14th), Georgia (15th), Estonia (17th), Switzerland (20th), Austria (21st), Latvia (23th), Lithuania (24th) and Portugal (25th). See Table 7.

In addition, many European economies remain among the most competitive in the world. In the latest rankings of global competitiveness from the World Economic Forum, 7 European countries were ranked among the top 10, and eight more among the top 30 (see Table 8).

Meanwhile, Europe is no slouch when it comes to innovation and knowledge-based activities. Based on the 2014 Innovation Union Scoreboard, Denmark, Finland, Germany and Sweden rank as innovation leaders in Europe. Europe-based companies accounted for roughly 22-23% of total global R&D in 2012 and 2013. Led by European industry leaders like Volkswagen, Roche, Novartis, Daimler, Sanofi and GlaxoSmithKline, Europe remains a leader in a number of cutting-edge industries, including life sciences, agriculture and food production, automotives, aerospace, nanotechnology, energy, and information and communications. According to the National Science Board, of the world's global research pool, the EU housed 1.6 million researchers in 2013 — 26% of the global total. The United States housed 1.3 million.

All of the above underscores the continued long-term importance of Europe to corporate America's bottom line. Europe's wealthy consumer market, transparent rule of law, ease of doing business, and large and wealthy skilled labor pool set it apart from the rest of the world. On balance, the region's underlying attributes remain highly attractive — notwithstanding its current economic challenges and geopolitical tensions surrounding Ukraine.

"I'll have a Double Irish with a Dutch Sandwich"

Inversions, Transfer Pricing, and Sweetheart Deals

One consistent theme framing every annual survey we have conducted on the transatlantic economy is that investment, rather than trade, is the primary driver of healthy commercial relations across the Atlantic. Over the past year, heated political debates have erupted on both sides of the Atlantic regarding investment-related issues such as inversion, transfer pricing and state aid. Those debates underscore the importance of understanding the motivations guiding transatlantic investment flows, and unpacking the different types of investment flows.

Inversion has become a major political issue on both sides of the Atlantic. A corporate inversion occurs, for instance, when a U.S. company merges with a foreign firm and then the U.S. company dissolves its own domestic corporate status by reincorporating in the foreign country. The U.S. company becomes a subsidiary of the foreign one, but the foreign firm is actually controlled by the original U.S. firm. A U.S. corporation can invert if, after a merger, the owners of the U.S. corporation retain less than 80% of outstanding stock of the new merged company or the new merged company has "substantial business activities" in the foreign country equaling at least 25% of operations. So, with just a 20% change in ownership, a company can become "foreign" — and pay most of its taxes in the lower-tax foreign location — even if it largely operates in and is controlled from America.[2]

Most companies invert by acquiring a foreign company at least 25% their size. Burger King attracted headlines in 2014 by plans to turn Canadian by merging with Tim Horton; Medtronic announced that it planned to become Irish by meging with Covidien, a company incorporated in Ireland but run from Mansfield, Massachusetts; and in 2014 Pfizer sought to turn British, although its $118 billion bid to take over AstraZeneca was eventually rejected.[3]

The popularity of corporate inversions reflects the peculiarities of the U.S. tax code, which by near-universal agreement is too costly, too unwieldy and too packed with loopholes.[4]

The United States taxes both the worldwide income of U.S. corporations and the income of foreign firms earned within U.S. borders. All income earned within U.S. borders is taxed the same—in the year earned and at statutory tax rates up to 35%.[5] The U.S. corporate statutory tax rate is higher than the average of other OECD countries and of the 15 other largest economies in the world. On the other hand, the effective tax rate — the percent of profits paid in taxes once all the deductions, credits and other complex provisions of the tax code are taken into account — is about 26%, slightly below the average of the big industrial countries. And there are significant variations in effective tax rates paid by different companies in different industries.

The United States is also one of the few countries that makes its companies pay that rate on all the worldwide income they bring home — even if the profit was generated by a subsidiary in a foreign country with low taxes. There is a wrinkle, however. Companies can defer their U.S. tax payments until the profits are repatriated, or brought home. This gives multinationals a big incentive to defer repatriation. Estimates of ''deferred'' profits are about $2 trillion.[6]

Many countries tax only profits earned inside, not outside their country. One perverse result is that an independent U.S. company can end up paying more taxes than an identical U.S. company owned by a foreign parent. By creating or buying a foreign parent, a company escapes U.S. tax on worldwide income — although it still needs to pay tax on any income that it earns in the United States.

In short, U.S. companies benefit from inversions in four ways: they free up overseas cash without paying U.S. tax; they avoid paying taxes on offshore profits; they reduce domestic taxable earnings over time through intra-company transactions; and they insulate future overseas growth from U.S. taxes.[7]

Many experts agree the only way the United States could curtail inversions would be to switch to a "territorial" system that would tax corporations only on the income they earn in the United States. The UK, for instance, stemmed its inversion problem and bolstered its tax competitiveness by moving to a territorial system and lowering the corporate tax rate from over 50% in 1981 to 20% in 2015. Despite this lower rate, today the UK — and the OECD on average — raises more corporate tax revenue per capita than does the United States. President Obama has proposed raising $238 billion to pay for infrastructure projects at home by levying a one-off 14% ''transition tax'' on the estimated $2 trillion in earnings U.S. companies have amassed abroad. He has proposed lowering the the corporate tax rate on domestic earnings from 35% to 28%. Tax reform is stalled in the U.S. Congress, however, and progress is likely to be slow.[8]

Pharmaceutical and technology companies find inversions particularly tempting, because their profits stem from intellectual property, which is easily transportable across borders. This has led to a related procedure called ''transfer pricing,'' by which these firms can easily shift large portions of profits to other countries by assigning intellectual property rights to subsidiaries located in countries that offer advantageous tax treatment to income derived from intellectual property.[9]

U.S. corporate inversions and related procedures have generally targeted countries with low corporate tax rates that offer advantageous tax treatment to income derived from intellectual property, and that offer sophisticated double taxation relief mechanisms and extensive networks of bilateral tax treaties. Major European destinations have included Ireland, Switzerland,[10] the UK, Luxembourg and the Netherlands.[11]

The Netherlands, for instance, is the number one global location of gross profits reported by the subsidiaries of U.S. companies, even though it does not figure in the top 10 of their reported employment. A variety of tax treaties, exemptions and loopholes favor multinational companies. 23,000 ''letterbox companies'' managed by 176 licensed trust firms attract huge flows of money and made €8 trillion worth of transactions in 2011 — 13 times the country's gross national product.[12]

A further twist has been the 'Double Irish With A Dutch Sandwich,' a technique by which firms exploit different definitions of residence in the U.S. and Irish tax codes, and use a combination of Irish and Dutch subsidiary companies, to shift profits to tax havens like Bermuda.[13] Profits flowing directly from Ireland to Bermuda face high taxes, so the funds are funneled through the Netherlands, since Ireland doesn't tax such payments to other EU member states. Dutch tax laws, in turn, allow earnings from Irish subsidiaries to flow to Bermuda without being taxed. And since the subsidiary in Bermuda is technically Irish, it's a ''double Irish'' — even though the profits are ultimately for a U.S. company.

Inversions and tax competition among EU member states are not illegal. But if a government offers some companies special deals not available to others, such action can be considered illegal state aid. This issue has combined with the inversion theme to generate considerable political heat and calls for reform in Europe and beyond. The OECD is considering an overhaul of international tax rules to boost the taxing powers of countries where consumers are based. The Irish government supports the OECD initiative and has now closed the infamous "Double Irish" tax loophole by requiring all companies newly registered in Ireland also to be tax residents in Ireland, and for companies already registered to become tax residents by 2020. Ireland insists, however, that it will stick to its 12.5% corporate tax rate.[14]

Germany, France and Italy are pressing the European Commission to draw up EU-wide laws to curb companies from exploiting tax competition among EU member states to pay less. The European Commission is investigating allegations of sweetheart deals among four companies and three EU countries: Apple in Ireland, Starbucks in the Netherlands, and both Amazon and Fiat Finance and Trade in Luxembourg.[15] The high-profile cases in Luxembourg are particularly awkward for new European Commission President Jean-Claude Juncker, the former Prime Minister of Luxembourg.

Putting Inversions in Perspective

While tax inversions and other techniques have become super-hot political topics, their significance for the U.S. and transatlantic economy must be placed in perspective. Corporate inversion deals account for a miniscule 0.1% of global merger activity. Inversions are estimated to cost $33.6 billion, or 0.7%, of the $4.5 trillion in U.S. corporate tax revenues estimated over the next decade, according to the Congressional Joint Committee on Taxation.[16]

Granted, reduced taxes are powerful incentives for U.S. firms to invest abroad. Yet tax benefits alone — while impossible to ignore — are not typically large enough to become the primary driver of a decision to relocate a corporate headquarters.[17] Such decisions are usually motivated by a host of additional considerations. Above all, white-knuckled global competition dictates that U.S. companies operate locally and be close to their foreign customers. “Build where you sell” has long been a key global competitive advantage of many U.S. firms. Stiff competition and shifting consumer demands and preferences in markets such as the EU, Japan and China demand a local presence.

While Ireland is a favored destination for U.S. tax inverters, its 12.5% corporate tax rate — and much lower effective tax rate — is not the exclusive motivation for corporations deciding to invert or for holding companies to invest.[18] For instance, in 2011 Ireland received roughly $110 million from U.S. non-holding companies, more than the roughly $80 million it received from U.S. holding companies. The UK received $375 billion from non-holding companies, far more than the $130 billion it received from holding companies.

The Netherlands, on the other hand, received $350 million in direct investments from U.S. holding companies, far more than the $150 million it received from other U.S. companies, and Luxembourg received $260 million from U.S. holding companies, significantly more than the $80 million it received from U.S. non-holding companies.[19]

TABLE 9: INVERSION DECADE

Year	U.S. company	Foreign acquisition target	New Incorporation
Pending	Steris	Synergy Health	England
Pending	Civeo	-	Canada
Pending	Burger King	Tim Hortons	Canada
Pending	Mylan	Abbott's generics unit	Netherlands
Pending	Medtronic	Covidien	Ireland
Pending	Applied Materials	Tokyo Electron	Netherlands
2014	Horizon Pharma	Vidara Therapeutics	Ireland
2014	Theravance Biopharma	-	Cayman Islands
2014	Endo International	Paladin Labs	Ireland
2013	Perrigo	Elan	Ireland
2013	Actavis	Warner Chilcott	Ireland
2013	Liberty Global	Virgin Media	England
2013	Tower Group	Canopious Holdings Bermuda	Bermuda
2012	Stratasys	Objet Geometries	Israel
2012	Eaton	Cooper Industries	Ireland
2012	DE Master Blenders 1753	-	Netherlands
2012	Tronox	Exxaro Resources	Australia
2012	Rowan	-	England
2012	Aon	-	UK
2012	Jazz Pharmaceuticals	Azur Pharma	Ireland
2011	Alkermes	Elan Drug Technologies	Ireland
2010	Valeant	Biovail	Canada
2009	Altisource Port. Solut.	-	Denmark
2009	Hungarian Telephone	-	Denmark
2009	Ensco	-	England
2009	Tim Hortons	-	Canada
2007	Western Goldfields	-	Canada
2007	Argonaut Group	PXRe	Bermuda
2005	Lazard	-	Bermuda

Source: Zachary R. Mider, ''Tax Inversion. How U.S. Companies Buy Tax Breaks,'' Bloomberg, January 13, 2015, http://www.bloombergview.com/quicktake/tax-inversion.

U.S. FDI Outflows to Europe adjusted for flows of Holding Companies

In this year's report, we highlight for the first time the role of U.S. holding companies in determining U.S. investment flows to Europe. The figures come courtesy of the Bureau of Economic Analysis (BEA).

This additional lens is warranted since holding companies account for a growing share of total U.S. FDI outflows to Europe. In 2013, for instance, holding companies accounted for $154 billion, or more than half, of global U.S. FDI of $328 billion, and 70% of total U.S. foreign direct investment to the European Union of $169 billion. As the BEA notes,

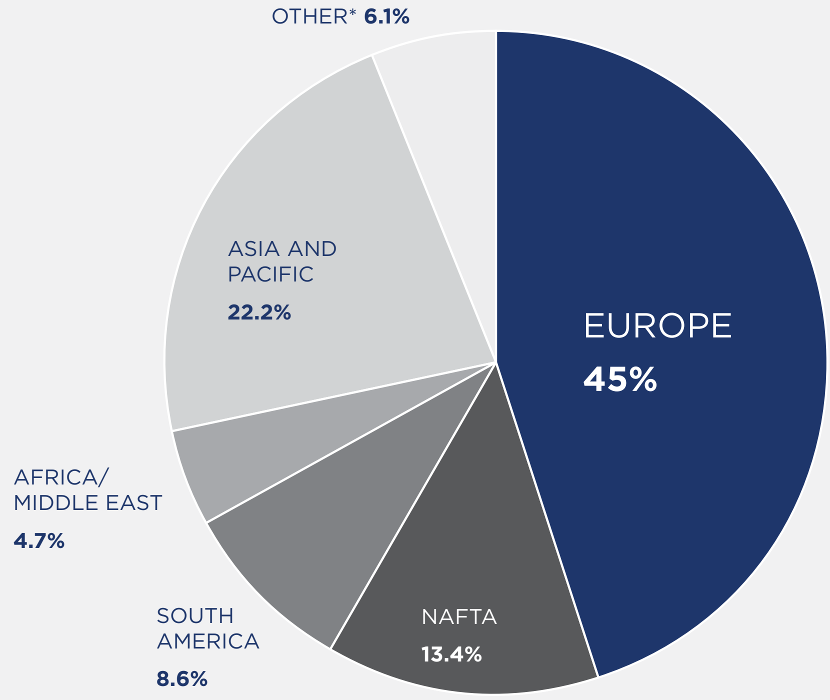
"The growth in holding-company affiliates reflects a variety of factors. Some holding-company affiliates are established primarily to coordinate management and administration of activities—such as marketing, distribution, or financing—worldwide or in a particular geographic region. In addition, the presence of holding-company affiliates in countries where the effective income tax rate faced by affiliates is relatively low suggests tax considerations may have also played a role in their growth. One consequence of the increasing use of holding companies has been a reduction in the degree to which the USDIA position (and related flow) estimates reflect the industries and countries in which the production of goods and services by foreign affiliates actually occurs."

Table 10 depicts total U.S. FDI outflows to Europe by 1) holding companies and 2) non-holding companies. The former is likely to be more of a financial transaction, involving little or nominal participation of U.S. firms in the host country, while the latter is considered investment in the "real economy," or more bricks and mortar-type investment in the host economy.

Table 10 underscores that total U.S. FDI outflows to Europe since 2009 have been driven largely by holding companies, which accounted for 51% of total U.S. FDI outflows to Europe in 2009. In 2010 and 2011, the shares were 73% and 62%, respectively. Holding companies accounted for 56% of total U.S. FDI outflows to Europe in 2012 and 63% in 2013. The countries attracting the most investment of holding companies, not surprisingly, are those with some of the lowest corporate tax rates in Europe. Luxembourg, the Netherlands, the UK and Ireland top the list.

The bottom line: when FDI related to holding companies is stripped from the numbers, U.S. FDI outflows are not as large as typically reported by the BEA. Nonetheless, Europe remains the top destination of choice among U.S. firms even after the figures are adjusted. Between 2009 and 2013, for instance, Europe still accounted for 45% of total U.S. FDI outflows when flows from holding companies are removed from the aggregate.

TABLE 10: U.S. FDI OUTFLOWS EXCLUDING FLOWS TO NONBANK HOLDING COMPANIES 2009 - 2013 - (% OF TOTAL)



**Includes Central America (excluding Mexico) and Other Western Hemisphere*
Source: Bureau of Economic Analysis
Data as of January 2015.

Endnotes

1. Broadly defined here as the EU28+Switzerland+Norway+Russia+Turkey and smaller, non-EU states.
2. http://knowledge.wharton.upenn.edu/article/can-tax-inversions-be-prevented/; http://taxfoundation.org/blog/everything-you-need-know-about-corporate-inversions; http://fortune.com/2014/09/23/tax-inversion-target-companies-hit-by-u-s-crackdown/. This section also draws on Donald J. Marples and Jane G. Gravelle, ''Corporate Expatriation, Inversions, and Mergers: Tax Issues,'' Congressional Research Service, September 25, 2014, available at http://fas.org/sgp/crs/misc/R43568.pdf.According to the Congressional Research Service, as of September 2014 had approximately 76 companies that have either inverted or are planning to do so since 1983. Fourteen of those planned inversions occurred in 2014 and 47 happened in the past decade. The last big wave of tax inversions occurred prior to 2004, when the U.S. government passed the American Jobs Creation Act, which imposed stiff penalties on companies that moved overseas in search of lower taxes.
3. An alternative to ''inversion'' is ''spinversion,'' where a U.S. company sells a foreign subsidiary to another and the buyer gets to move its tax address overseas. Pfizer's failed inversion with AstraZeneca in the UK would have enabled it to avoid $1 billion a year in taxes in the United States. Public outcry against the deal's potential impact on jobs and science research forced prime minister David Cameron to demand stronger guarantees that the company would keep jobs and investment in the UK. Philippa Maister, ''Are tax inversion-related relocations facing an uncertain future? FDI Intelligence, October 16, 2014, http://www.fdiintelligence.com/Locations/Americas/USA/Are-tax-inversion-related-relocations-facing-an-uncertain-future; http://www.bloombergview.com/quicktake/tax-inversion.
4. Conservatives claim that corporations are forced to leave America because the corporate income tax rate is too high. Progressives argue that corporations are already avoiding paying their fair share of taxes due to many loopholes, including inversions. Republicans want to use revenue gained from repatriated profits to reduce permanently overall corporate and personal tax rates, while Democrats want to tax repatriated profits and use the money for public investments in infrastructure, community colleges and other investments. See ''Megan Murphy, Sam Fleming and Vanessa Houlder, ''Obama seeks to raise $238 bn by tax on US offshore cash piles,'' *Financial Times,* February 2, 2015; Steven Pearlstein, ''Tax Man,'' Washington Post, October 27, 2013, p. G1.
5. 39.1% when combined with state rates.
6. http://www.stltoday.com/business/columns/david-nicklaus/nicklaus-tax-rules-won-t-stop-wave-of-corporate-inversions/article_2d83a41a-e30a-501f-bd4e-5b9989eb4e49.html. Companies argue that if they were allowed to bring that money home tax-free, or at a tax rate of 2-3%, it would create tens of thousands of American jobs. But this argument was made about a decade ago on behalf of an earlier ''tax holiday'' that brought home $300 billion in corporate profits. A subsequent review showed that little of that money was used for job creation. Instead, it was mostly used to pay down debt, pay dividends and buy back stock.
7. Nicklaus, op. cit.; http://www.centerwatch.com/news-online/article/7075/treasurys-tax-inversion-changes-scuttle-some-big-biopharma-mergers-modify-others-prompting-calls-for-congressional-corporate-tax-reform#sthash.Wk6s41Nw.dpbs. Medtronic reportedly could use $20.5 billion in its untaxed profits now offshore to invest back in the United States and avoid paying taxes on those funds. http://www.americansfortaxfairness.org/tax-fairness-briefing-booklet/fact-sheet-corporate-tax-inversions/;.
8. Because of EU freedom of movement rules, the UK cannot have anti-inversion laws, a consideration that may have pushed the UK to move to a territorial tax and to lower the corporate tax rate. Maister, op. cit; http://www.taxand.com/taxands-take/news/corporate-inversions-two-sides-story; http://taxfoundation.org/article/tax-reform-uk-reversed-tide-corporate-tax-inversions; Wharton, op. cit.; also Marples and Gravelle, op. cit.
9. http://www.nbcnews.com/id/39784907/ns/business-us_business/t/dutch-sandwich-saves-google-billions-taxes/; http://www.bloombergview.com/quicktake/tax-inversion; http://www.investopedia.com/terms/d/double-irish-with-a-dutch-sandwich.asp.
10. Switzerland was once regarded as a tax haven for corporations, but has lost favor in recent years because of tighter banking regulations and new rules stipulating that shareholders should be allowed to vote on executives' compensation.
11. http://www.taxand.nl/en/news/corporate-inversions-two-sides-to-the-story/; http://www.reuters.com/article/2014/07/24/deals-taxinversions-lawfirms-idUSL2N0PK1L820140724; CRS.
12. While the Dutch corporate tax rate is 25%, there is lack of withholding tax on royalties; exemption from withholding tax on dividends, interest and capital gains for related companies, i.e. those in which the owner has a share larger than 5%. This exemption can allow groups to create tax deductions through complicated constructions. See Matt Steinglass, ''Dutch focus reform efforts on 'letterbox companies,' *Financial Times*, April 29, 2013.
13. http://www.nytimes.com/interactive/2012/04/28/business/Double-Irish-With-A-Dutch-Sandwich.html?_r=0
14. http://www.forbes.com/sites/joeharpaz/2014/10/09/how-do-you-tax-the-cloud-netflix-and-google-may-soon-find-out/
15. http://www.euractiv.com/sections/euro-finance/germany-france-and-italy-urge-eu-write-common-corporate-tax-laws-310489; http://www.reuters.com/article/2014/11/05/us-luxembourg-tax-idUSKBN0IP30L20141105; http://www.dailymail.co.uk/news/article-2868322/Disney-Microsoft-dragged-Luxembourg-tax-avoidance-scandal-engulfing-EU-chief-Jean-Claude-Juncker.html#ixzz3OvnVFdM8. The European Commission is already investigating the tax arrangements of Starbucks in the Netherlands, of Apple in Ireland and of a unit of Fiat and The Amazon inquiryin Luxembourg. The International Consortium of Investigative Journalists published a report accusing more than 300 companies, including the Pepsi Bottling Group, Ikea and FedEx, of benefiting from preferential tax deals.

16. http://www.ibtimes.com/preventing-inversions-would-save-05-us-corporate-tax-revenue-1695163; http://www.bloomberg.com/news/2015-01-14/how-inversions-leaped-from-the-shadows-to-doom-treasury-nominee.html
17. According to Thomson Reuters, seven corporate tax inversions have been announced over the past 12 months accounting for 1.2% of all global deals over $1 billion (565). By value, those deals total $152.7 billion, accounting for 7.1% of the combined value of worldwide deals over $1 billion ($2.15 trillion) announced since October 2013. http://www.forbes.com/sites/joeharpaz/2014/10/09/how-do-you-tax-the-cloud-netflix-and-google-may-soon-find-out/
18. The U.S. Bureau of Economic Analysis has calculated that the effective tax rate for U.S. subsidiaries in Ireland is 3.8%, the lowest in the EU [Germany 33.1%; France 42.8%] and even lower than Bermuda [4.0%], often considered a tax haven. U.S. Bureau of Economic Analysis, U.S. Direct Investment Abroad, Table III.G.7 and Table II.F.7, various years. See also Jim Stewart, PwC/World Bank Report 'Paying Taxes 2014,'' an Assessment, https://www.tcd.ie/iiis/documents/discussion/pdfs/iiisdp442.pdf; Vanessa Houlder and Vincent Boland, ''The Irish inversion,'' *Financial Time*s, April 30, 2014, p. 9; Maister, op. cit.
19. Figures and comparisons derived from Financial Times, OECD, SOMO, DNB. See Matt Steinglass, ''Dutch focus reform efforts on 'letterbox companies,' *Financial Times*, April 29, 2013.

APPENDIX A

EUROPEAN COMMERCE AND THE 50 U.S. STATES:
A State-by-State Comparison

Alabama & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Alabama supported 46,900 jobs in 2012, 4,800 (11.4%) more than in 2006.

Sources of Employment within Alabama, 2012

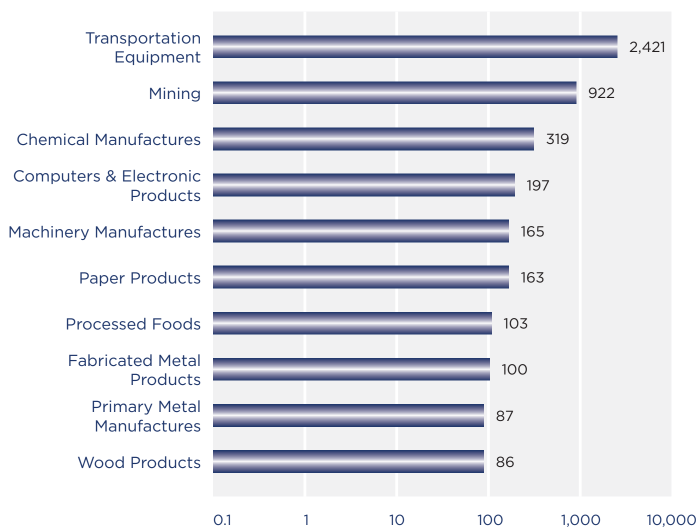
Country	Employment
Japan	14,800
Germany	11,200
United Kingdom	9,200
Canada	7,600
France	7,100

Trade
In 2013, Europe purchased $4.8 billion worth of goods from Alabama. 50% of total exports represented transportation equipment, reflecting the state's linkages with European auto manufacturers.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	2,233
United Kingdom	693
France	427
Belgium	222
Netherlands	209

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Alaska & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Alaska supported 6,500 jobs in 2012, 1,500 (30.0%) more than in 2006.

Sources of Employment within Alaska, 2012

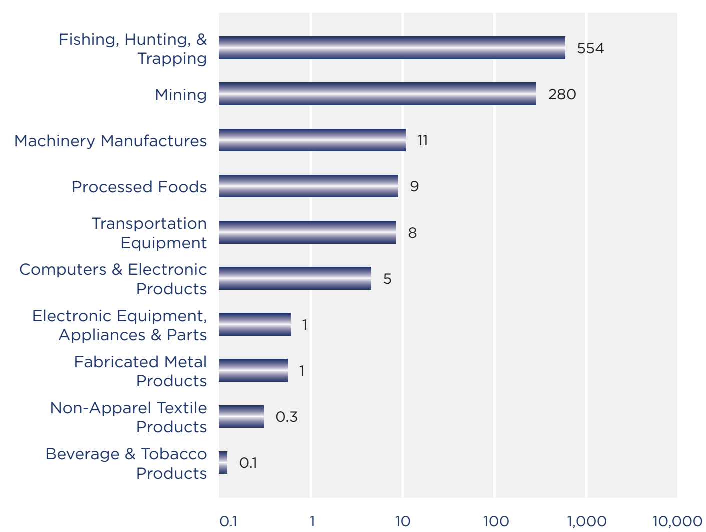
Country	Employment
United Kingdom	4,500
Canada	3,100
Japan	2,500
France	600
Germany	400

Trade
In 2013, Europe purchased $868.7 million worth of goods from Alaska. The bulk of exports consist of primary commodities.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	289
Spain	141
Netherlands	112
Belgium	65
France	50

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Arizona & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Arizona supported 49,900 jobs in 2012, 2,700 (5.7%) more than in 2006.

Sources of Employment within Arizona, 2012

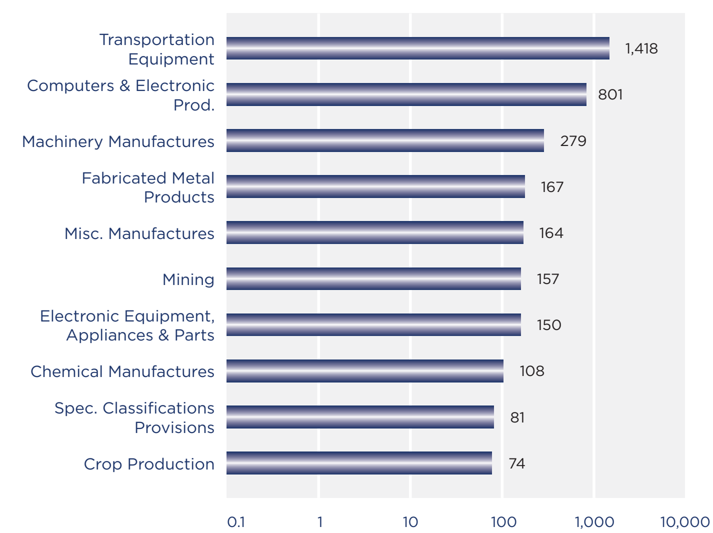
Country	Employment
Canada	14,100
United Kingdom	13,000
Germany	8,100
France	7,900
Switzerland	7,200

Trade
In 2013, Europe purchased $3.6 billion worth of goods from Arizona. 40% of the state's exports consists of transportation equipment.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	808
Germany	740
France	459
Netherlands	368
Switzerland	211

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Arkansas & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Arkansas supported 27,600 jobs in 2012, 3,900 (16.5%) more than in 2006.

Sources of Employment within Arkansas, 2012

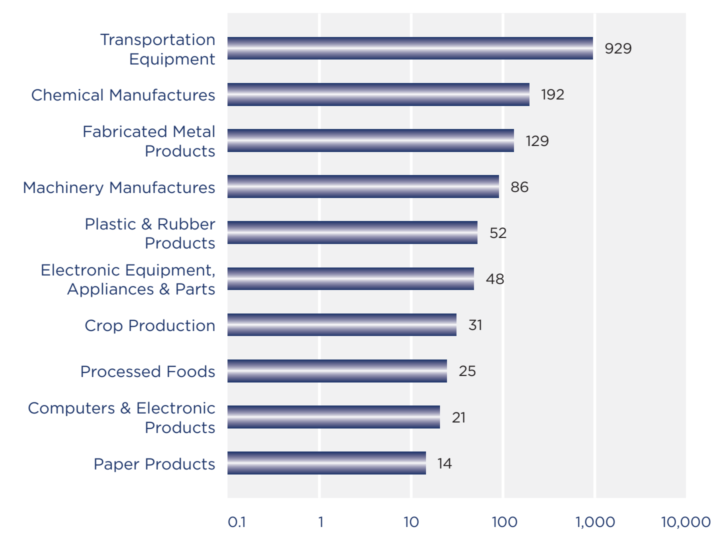
Country	Employment
Germany	5,600
Japan	5,200
United Kingdom	5,000
Switzerland	4,300
Germany	2,900

Trade
In 2013, Europe purchased $1.6 billion worth of goods from Arkansas. Transportation equipment was the top export to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
France	605
Germany	202
Belgium	174
United Kingdom	152
Turkey	87

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

California & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in California supported 368,800 jobs in 2012, 23,300 (6.7%) more than in 2006.

Sources of Employment within California, 2012

Country	Employment
Japan	110,800
United Kingdom	86,800
France	69,400
Switzerland	65,800
Germany	61,100

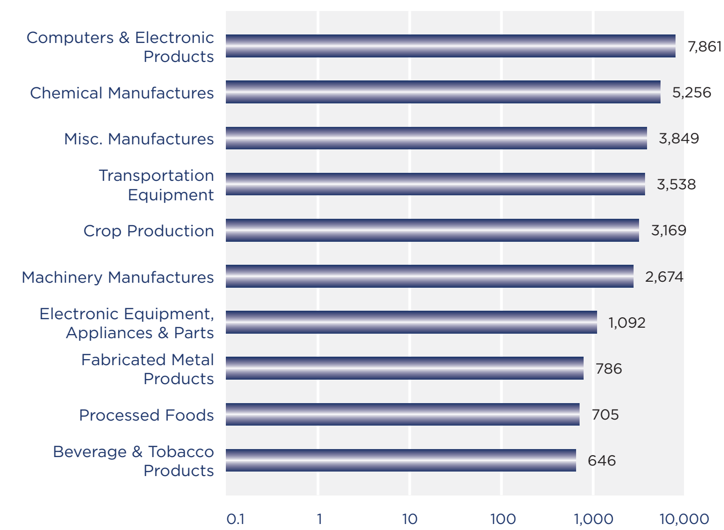
Trade

In 2013, Europe purchased $32.7 billion worth of goods from California. 26% of California's exports to Europe consists of high-tech goods. 24% of California's exports to Europe consists of high-tech goods.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	5,591
Netherlands	4,755
United Kingdom	4,601
Belgium	3,241
France	2,641

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Colorado & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Colorado supported 50,000 jobs in 2012, 2,900 (6.2%) more than in 2006.

Sources of Employment within Colorado, 2012

Country	Employment
United Kingdom	12,200
Canada	9,800
Japan	8,400
France	6,900
Switzerland	6,600

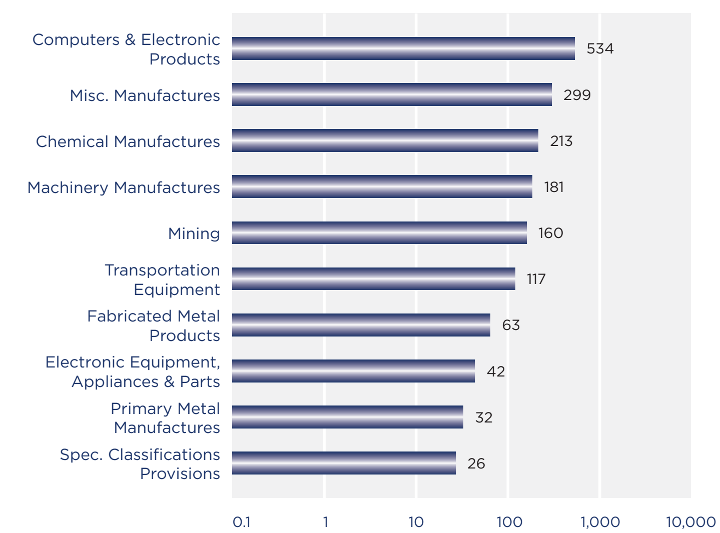
Trade

In 2013, Europe purchased $1.8 billion worth of goods from Colorado. 30% of the state's exports consists of high-tech goods like computers and electronic products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Switzerland	329
Netherlands	304
Germany	240
United Kingdom	211
Belgium	171

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Connecticut & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Connecticut supported 82,200 jobs in 2012, 4,900 (6.3%) more than in 2006.

Sources of Employment within Connecticut, 2012

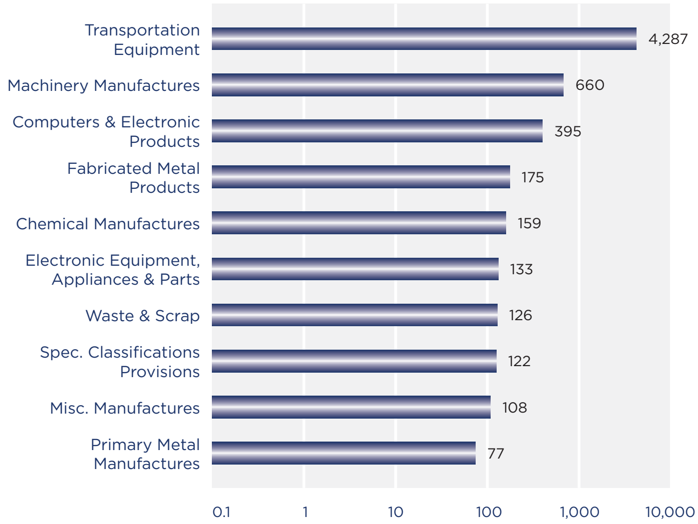
Country	Employment
Netherlands	21,200
United Kingdom	17,800
Germany	11,900
Japan	7,500
Switzerland	7,100

Trade
In 2013, Europe purchased $6.5 billion worth of goods from Connecticut. Exports are heavily skewed towards transportation equipment.

Top European Export Markets, 2013

Country	Exports ($ Millions)
France	2,425
Germany	1,397
United Kingdom	693
Netherlands	487
Belgium	233

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Delaware & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Delaware supported 20,700 jobs in 2012, 2,000 (10.7%) more than in 2006.

Sources of Employment within Delaware, 2012

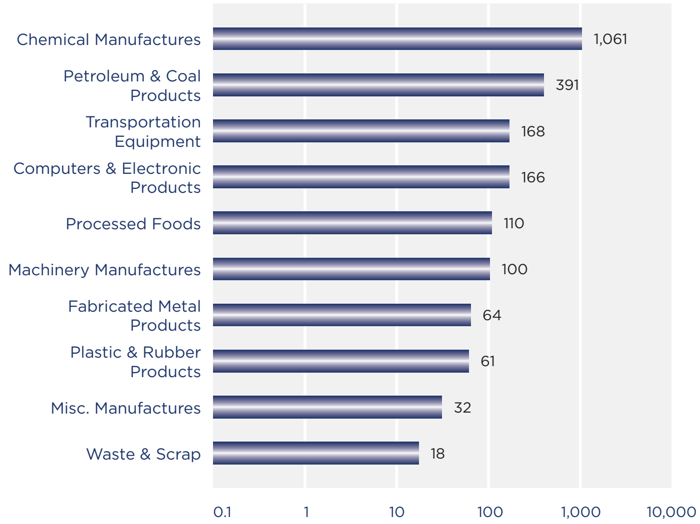
Country	Employment
United Kingdom	8,600
Germany	3,700
Switzerland	1,900
France	1,700
Canada	1,400

Trade
In 2013, Europe purchased $2.2 billion worth of goods from Delaware. Chemicals are Delaware's primary export to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Belgium	958
United Kingdom	495
Netherlands	264
Germany	242
Turkey	33

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Florida & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Florida supported 165,800 jobs in 2012, 5,500 (3.4%) more than in 2006.

Sources of Employment within Florida, 2012

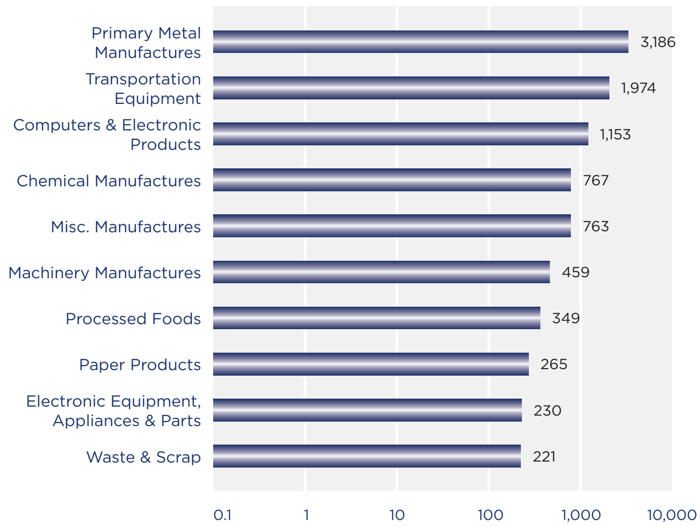
Country	Employment
United Kingdom	43,600
Canada	30,400
Germany	24,200
France	22,600
Japan	21,800

Trade
In 2013, Europe purchased $10.4 billion worth of goods from Florida. Primary metal manufactures account for 30% of total exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Switzerland	4,020
Germany	1,395
United Kingdom	1,149
Netherlands	904
France	602

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Georgia & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Georgia supported 123,200 jobs in 2012, 11,000 (9.8%) more than in 2006.

Sources of Employment within Georgia, 2012

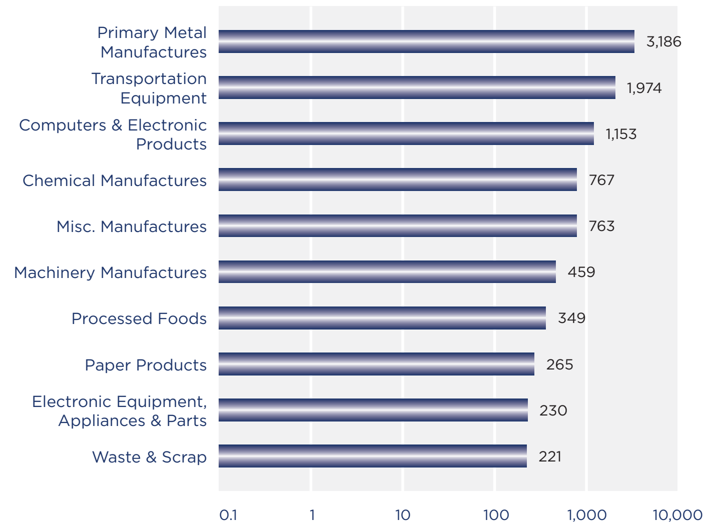
Country	Employment
Japan	26,800
United Kingdom	24,200
Germany	22,900
Netherlands	18,300
Canada	17,200

Trade
In 2013, Europe purchased $8.7 billion worth of goods from Georgia. Exports are broadly diversified among such exports as transportation equipment, machinery and paper products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	1,515
Germany	1,094
Netherlands	753
Belgium	687
Turkey	626

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Hawaii & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Hawaii supported 14,300 jobs in 2012, 5,800 (68.2%) more than in 2006.

Sources of Employment within Hawaii, 2012

Country	Employment
Japan	14,900
France	6,100
United Kingdom	2,300
Switzerland	1,200
Germany	900

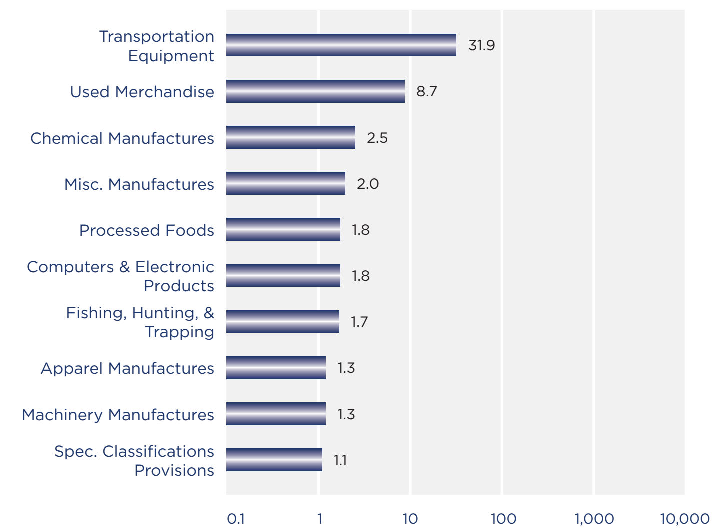
Trade

In 2013, Europe purchased $59 million worth of goods from Hawaii. Transportation equipment accounts for 54% of total exports.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Netherlands	20
United Kingdom	12
Luxembourg	11
Germany	4
France	3

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Idaho & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Idaho supported 10,400 jobs in 2012, 300 (-2.8%) less than in 2006.

Sources of Employment within Idaho, 2012

Country	Employment
Canada	2,100
United Kingdom	1,900
France	1,800
Germany	1,100
Switzerland	1,100

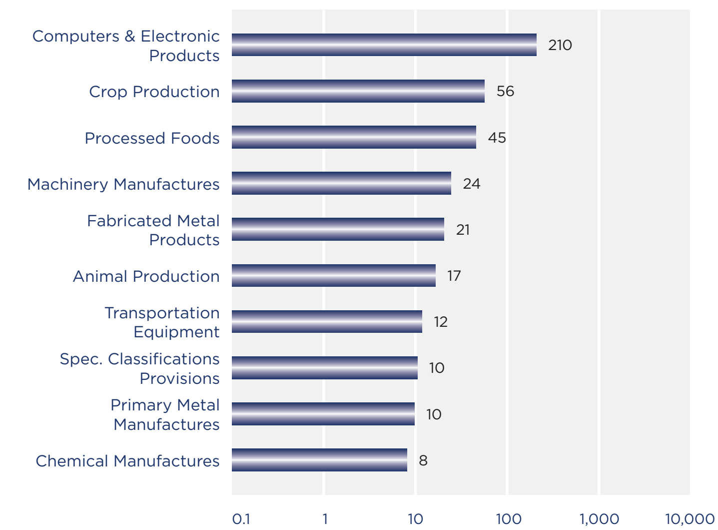
Trade

In 2013, Europe purchased $443 million worth of goods from Idaho. Exports are mostly concentrated in computers & electronic products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
France	127
United Kingdom	99
Netherlands	59
Germany	34
Spain	17

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Illinois & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Illinois supported 183,500 jobs in 2012, 12,200 (7.1%) more than in 2006.

Sources of Employment within Illinois, 2012

Country	Employment
United Kingdom	50,500
Japan	39,100
Germany	37,100
France	25,600
Canada	24,800

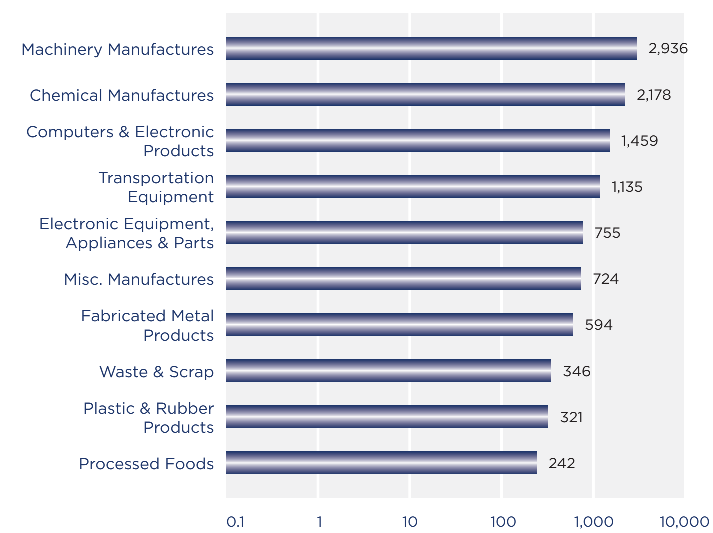
Trade

In 2013, Europe purchased $11.7 billion worth of goods from Illinois. Machinery and chemicals are key exports, followed by computers and electronic products and transportation equipment.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	2,757
United Kingdom	1,580
Belgium	1,577
France	1,342
Netherlands	1,193

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Indiana & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Indiana supported 87,900 jobs in 2012, 10,000 (-10.2%) less than in 2006.

Sources of Employment within Indiana, 2012

Country	Employment
Japan	41,500
United Kingdom	30,900
Canada	15,000
Germany	14,200
France	12,400

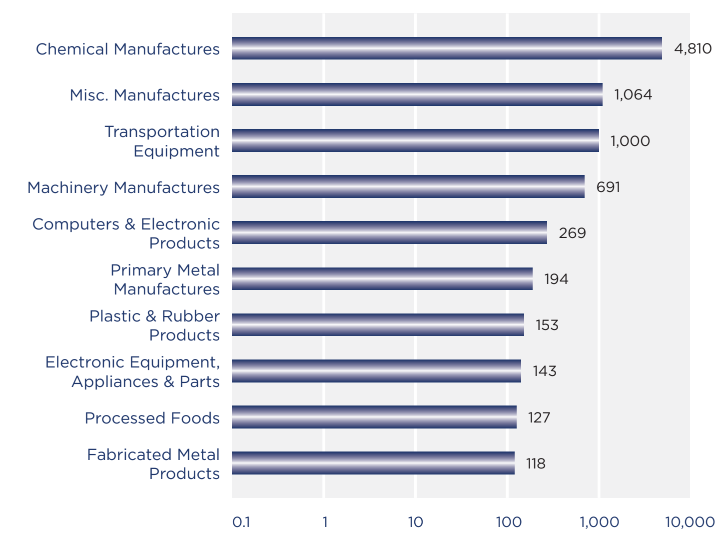
Trade

In 2013, Europe purchased $8.8 billion worth of goods from Indiana. Exports are heavily skewed toward chemicals.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	1,928
France	1,387
Netherlands	1,175
United Kingdom	1,038
Italy	846

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Iowa & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Iowa supported 34,300 jobs in 2012, 3,500 (11.4%) more than in 2006.

Sources of Employment within Iowa, 2012

Country	Employment
United Kingdom	10,500
Japan	5,600
Netherlands	5,600
Germany	4,500
Canada	4,400

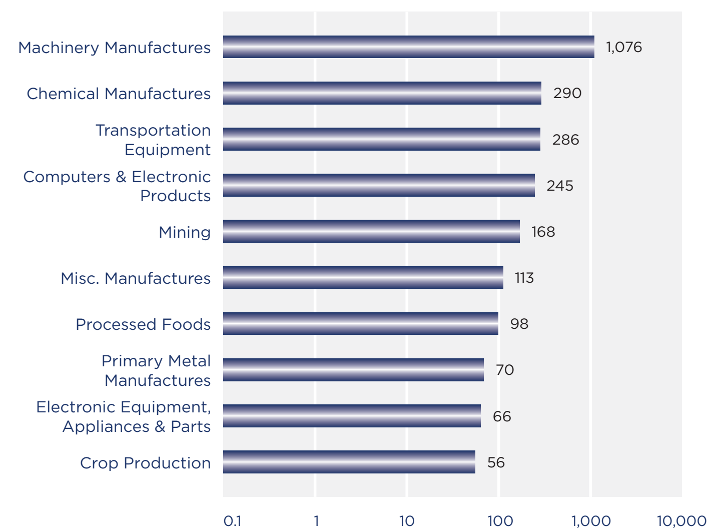
Trade

In 2013, Europe purchased $2.6 billion worth of goods from Iowa. Machinery manufactures account for 41% of total exports.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	679
France	333
United Kingdom	291
Netherlands	288
Italy	94

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Kansas & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Kansas supported 33,300 jobs in 2012, 4,600 (16.0%) more than in 2006.

Sources of Employment within Kansas, 2012

Country	Employment
Canada	5,800
United Kingdom	5,800
Germany	3,500
Switzerland	5,500
Netherlands	3,700

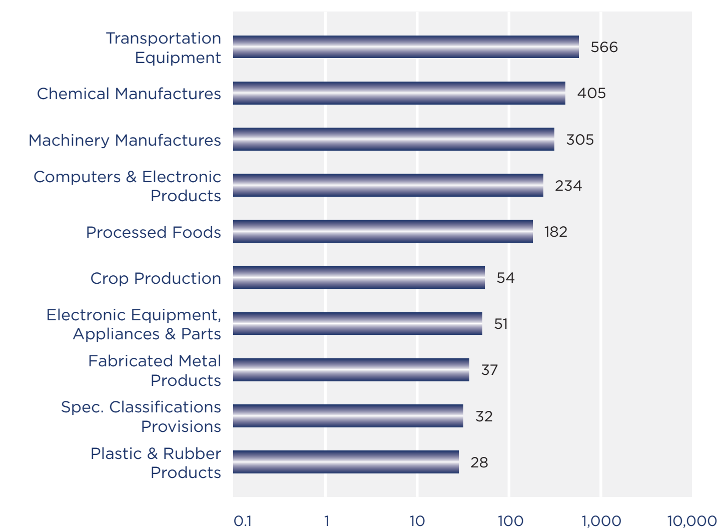
Trade

In 2013, Europe purchased $2 billion worth of goods from Kansas. Half of the state's exports consists of transportation equipment and chemicals.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	485
Germany	322
France	237
Netherlands	100
Italy	96

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Kentucky & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Kentucky supported 42,600 jobs in 2012, 5,100 (-10.7%) less than in 2006.

Sources of Employment within Kentucky, 2012

Country	Employment
Japan	33,300
Germany	9,000
Canada	8,500
United Kingdom	8,100
France	6,600

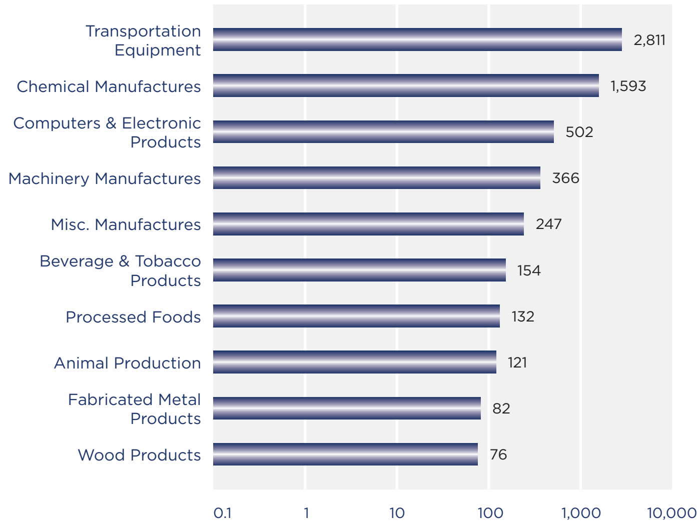
Trade

In 2013, Europe purchased $6.4 billion worth of goods from Kentucky.Reflecting the large presence of automobile manufacturers in the state, Kentucky's top export to Europe is transportation equipment.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Belgium	1,838
Germany	1,020
Netherlands	906
Belgium	688
France	508

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Louisiana & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Louisiana supported 38,900 jobs in 2012, 7,300 (23.1%) more than in 2006.

Sources of Employment within Louisiana, 2012

Country	Employment
United Kingdom	16,300
France	6,700
Canada	6,300
Germany	5,300
Switzerland	4,700

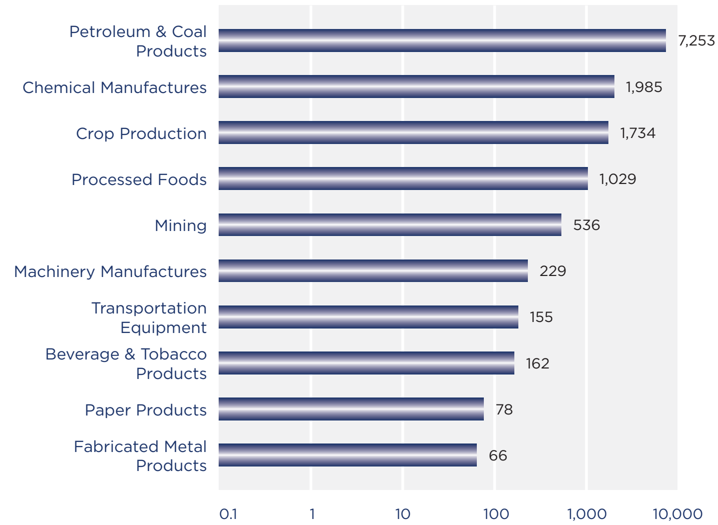
Trade

In 2013, Europe purchased $13.6 billion worth of goods from Louisiana. The state's exports consist of a mix of petroleum & coal products, agricultural products and chemicals.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	2,688
Germany	2,288
United Kingdom	1,300
Turkey	1,287
France	1,015

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Maine & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Maine supported 21,700 jobs in 2012, 2,700 (14.2%) more than in 2006.

Sources of Employment within Maine, 2012

Country	Employment
Canada	1,200
United Kingdom	2,000
Switzerland	2,000
Germany	1,900
Japan	1,000

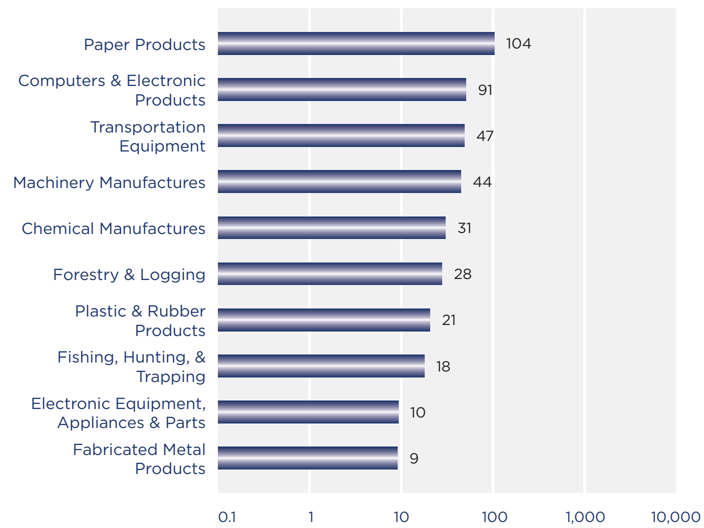
Trade

In 2013, Europe purchased $411 million worth of goods from Maine. Paper products and computer and electronic products are the state's top exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Italy	60
Germany	57
Netherlands	57
United Kingdom	56
Belgium	47

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Maryland & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Maryland supported 83,400 jobs in 2012, 3,200 (-3.7%) less than in 2006.

Sources of Employment within Maryland, 2012

Country	Employment
Netherlands	26,600
United Kingdom	17,700
France	9,000
Canada	8,400
Germany	7,300

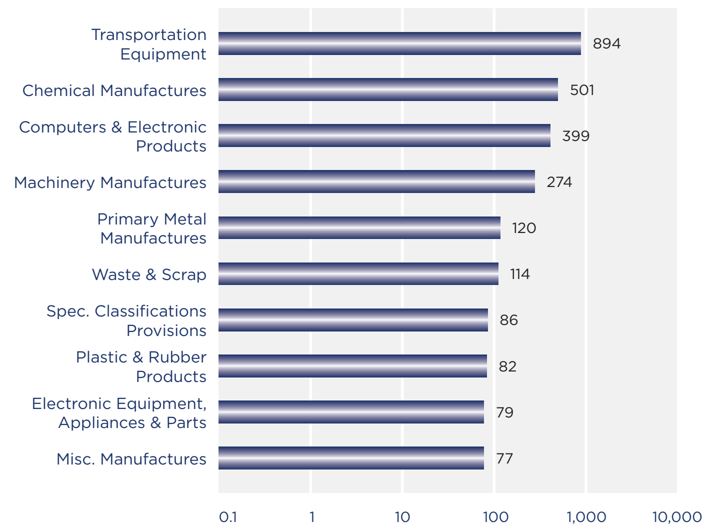
Trade

In 2013, Europe purchased $3 billion worth of goods from Maryland. Top exports are transportation equipment, chemicals and computers & electronic products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	497
Belgium	311
Netherlands	304
Germany	279
France	268

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Massachusetts & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Massachusetts supported 146,300 jobs in 2012, 27,000 (22.6%) more than in 2006.

Sources of Employment within Massachusetts, 2012

Country	Employment
United Kingdom	37,600
Netherlands	34,600
France	18,600
Germany	18,600
Canada	17,900

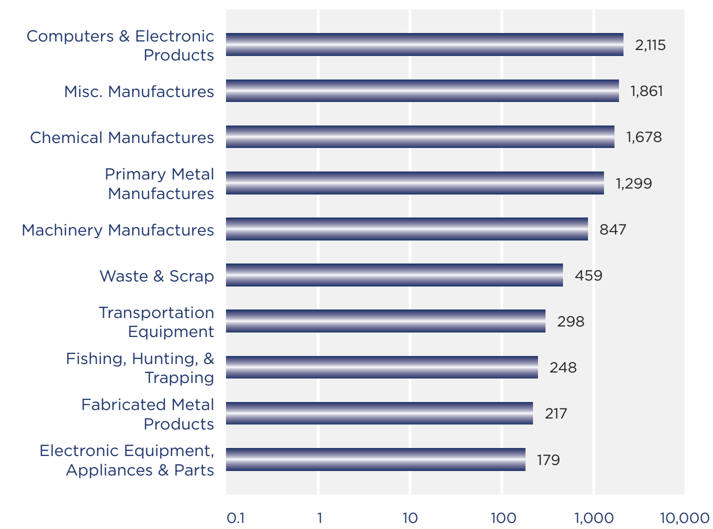
Trade

In 2013, Europe purchased $9.8 billion worth of goods from Massachusetts. Computers & electronic products and primary metal manufactures account for 22% and 19% of exports respectively.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	1,837
United Kingdom	1,408
Netherlands	1,290
Switzerland	1,281
Belgium	810

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Michigan & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Michigan supported 123,400 jobs in 2012, 17,500 (-12.4%) less than in 2006.

Sources of Employment within Michigan, 2012

Country	Employment
Germany	15,200
Japan	24,700
Canada	24,500
United Kingdom	20,100
France	12,300

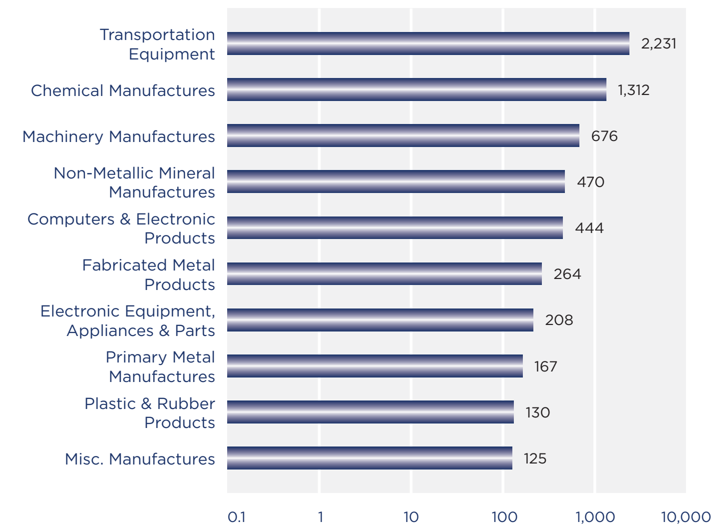
Trade

In 2013, Europe purchased $6.3 billion worth of goods from Michigan. Not surprisingly, transportation equipment makes up 35% of Michigan's exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	1,652
Belgium	814
United Kingdom	732
Italy	597
France	444

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Minnesota & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Minnesota supported 59,200 jobs in 2012, 8,500 (16.8%) more than in 2006.

Sources of Employment within Minnesota, 2012

Country	Employment
Canada	21,900
United Kingdom	16,500
Germany	10,400
France	7,900
Japan	6,300

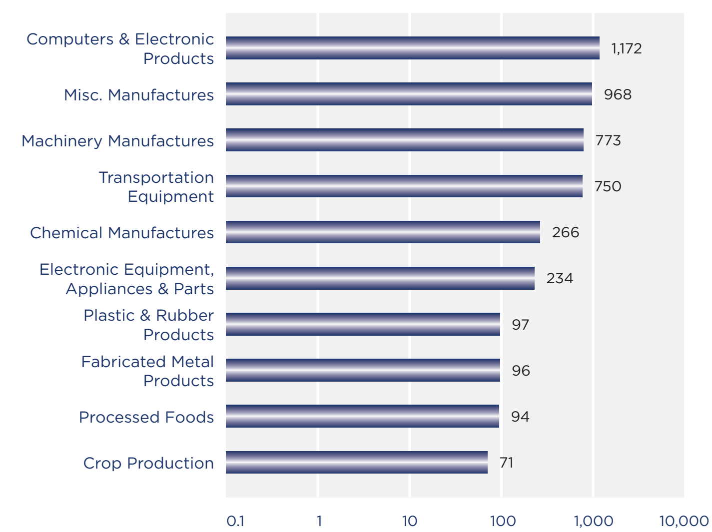
Trade

In 2013, Europe purchased $4.8 billion worth of goods from Minnesota. Computers & electronic products account for 24% of Minnesota's exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	761
Belgium	721
United Kingdom	529
Netherlands	518
France	393

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Mississippi & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Mississippi supported 20,100 jobs in 2012, 7,600 (60.8%) more than in 2006.

Sources of Employment within Mississippi, 2012

Country	Employment
Japan	7,600
United Kingdom	5,900
Germany	3,300
France	3,000
Canada	2,900

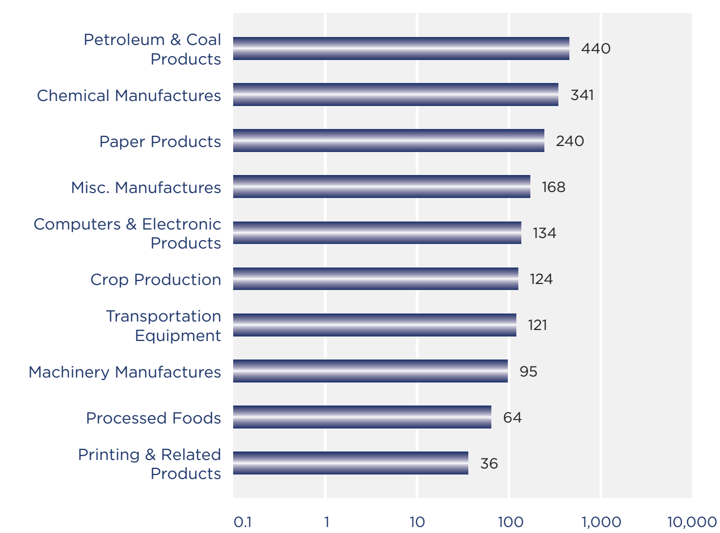
Trade

In 2013, Europe purchased $1.9 billion worth of goods from Mississippi. Petroleum & coal products, chemicals and paper products rank as the top exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Netherlands	483
Belgium	344
United Kingdom	207
Germany	197
Turkey	152

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Missouri & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Missouri supported 64,900 jobs in 2012, 3,200 (5.2%) more than in 2006.

Sources of Employment within Missouri, 2012

Country	Employment
United Kingdom	16,300
Germany	11,700
Canada	8,700
Japan	8,600
Switzerland	8,600

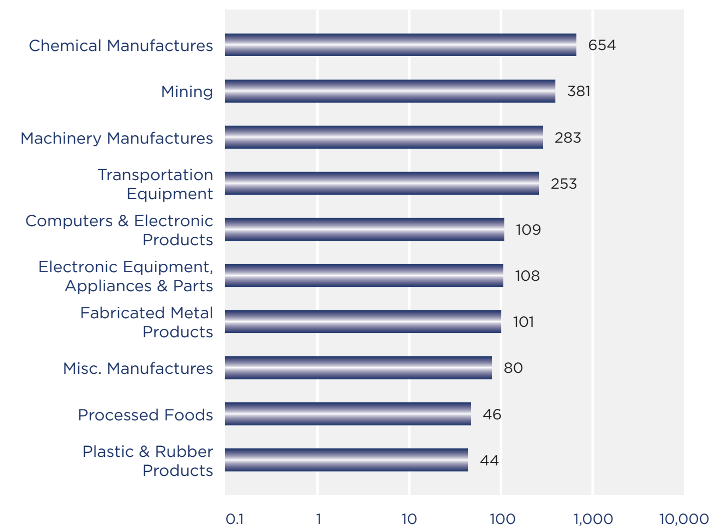
Trade

In 2013, Europe purchased $2.3 billion worth of goods from Missouri. Top exports to Europe from Missouri are chemicals and minerals & ores.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Belgium	427
Germany	328
United Kingdom	322
France	196
Netherlands	180

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Montana & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Montana supported 4,600 jobs in 2012, 1,000 (-17.9%) less than in 2006.

Sources of Employment within Montana, 2012

Country	Employment
427	2,200
328	1,000
322	700
196	400
180	300

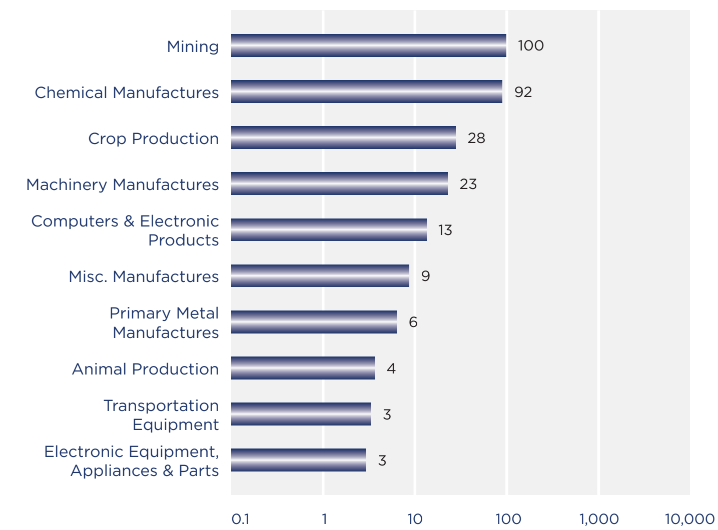
Trade

In 2013, Europe purchased $290 million worth of goods from Montana. Exports are relatively small and skewed towards mining and chemical manufacturers.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Switzerland	76
Belgium	65
Germany	27
Netherlands	25
United Kingdom	21

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Nebraska & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Nebraska supported 14,500 jobs in 2012, 3,400 (30.6%) more than in 2006.

Sources of Employment within Nebraska, 2012

Country	Employment
United Kingdom	4,200
Japan	4,000
France	2,900
Canada	2,300
Switzerland	2,100

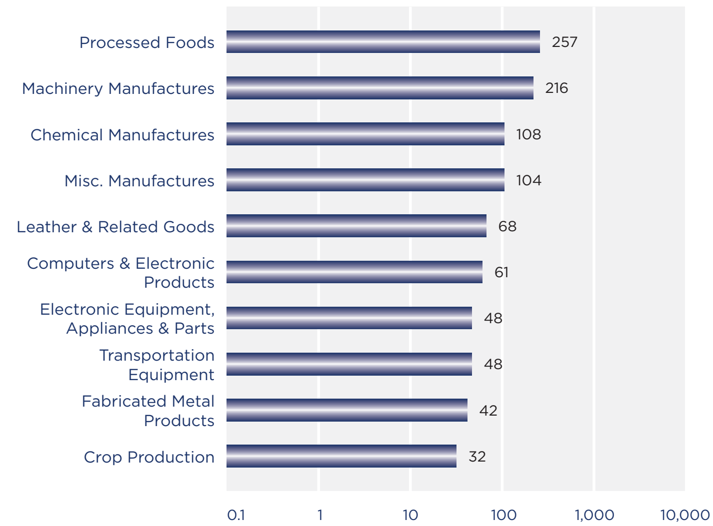
Trade

In 2013, Europe purchased $1 billion worth of goods from Nebraska. Top exports are processed foods, machinery and chemicals.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Netherlands	215
Germany	145
Italy	114
France	112
Belgium	99

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Nevada & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Nevada supported 24,300 jobs in 2012, 3,400 (16.3%) more than in 2006.

Sources of Employment within Nevada, 2012

Country	Employment
Canada	9,800
Germany	7,000
United Kingdom	5,300
France	4,100
Japan	2,400

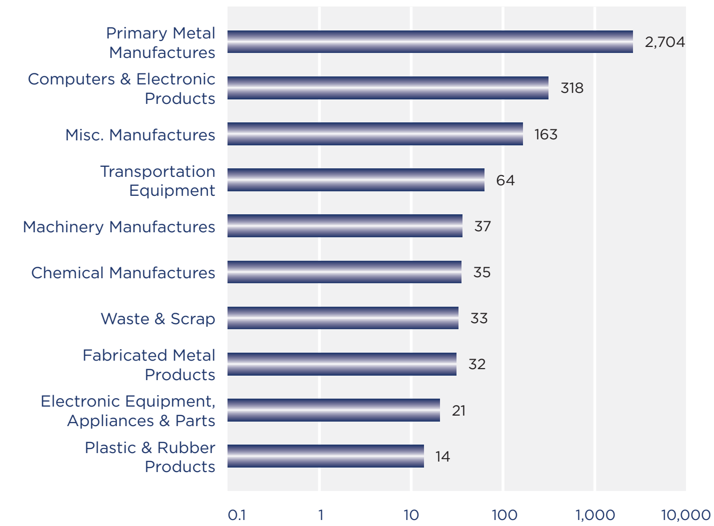
Trade

In 2013, Europe purchased $3.5 billion worth of goods from Nevada. Primary metal manufactures account for 78% of total exports.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Switzerland	2,710
Belgium	151
United Kingdom	139
Germany	125
France	69

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

New Hampshire & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in New Hampshire supported 27,100 jobs in 2012, 2,100 (-7.2%) less than in 2006.

Sources of Employment within New Hampshire, 2012

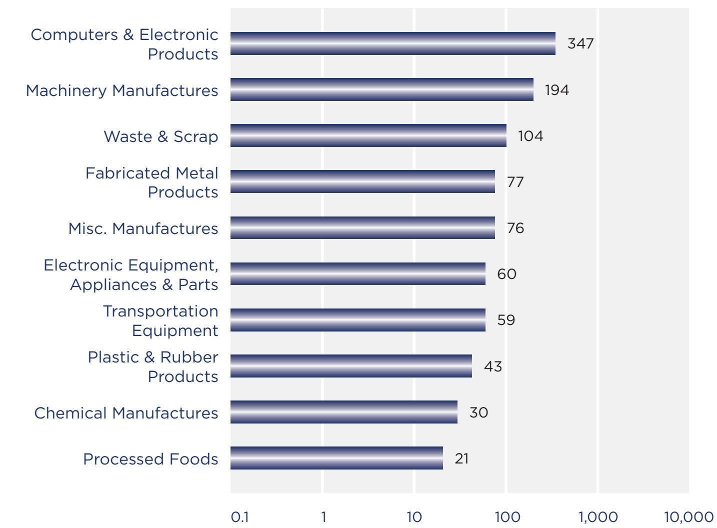
Country	Employment
United Kingdom	10,000
Canada	4,600
Japan	4,000
France	3,500
Switzerland	2,500

Trade
In 2013, Europe purchased $1.1 billion worth of goods from New Hampshire. Computers and machinery are the top exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	212
Netherlands	177
United Kingdom	144
France	108
Italy	83

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

New Jersey & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in New Jersey supported 165,600 jobs in 2012, 5,200 (-3.0%) less than in 2006.

Sources of Employment within New Jersey, 2012

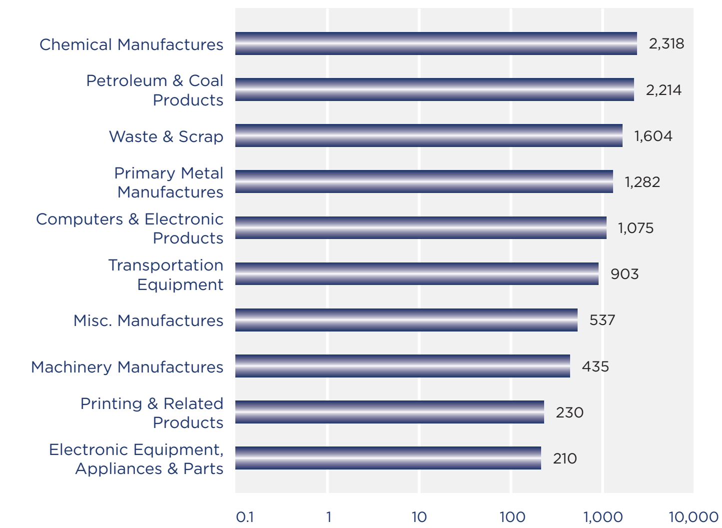
Country	Employment
United Kingdom	36,100
Switzerland	35,200
France	29,800
Japan	23,700
Germany	23,200

Trade
In 2013, Europe purchased $12 billion worth of goods from New Jersey. Top exports consist of chemical manufactures, petroleum & coal products, and waste & scrap.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	2,152
Netherlands	2,098
Switzerland	1,249
Germany	1,233
Belgium	1,192

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

New Mexico & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in New Mexico supported 12,300 jobs in 2012, 4,500 (57.7%) more than in 2006.

Sources of Employment within New Mexico, 2012

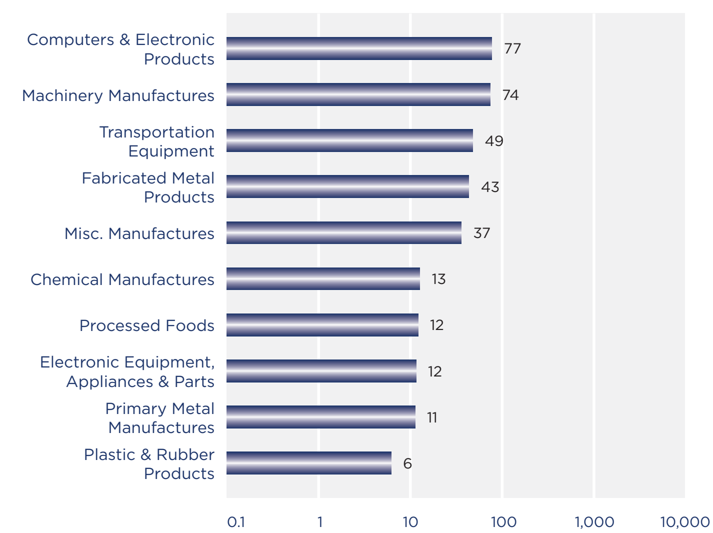
Country	Employment
Germany	5,000
Canada	3,800
United Kingdom	3,300
France	1,300
Japan	1,300

Trade
In 2013, Europe purchased $348 million worth of goods from New Mexico. Exports are relatively small and are skewed toward computers & electronic products and machinery manufactures.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	68
Ireland	64
Belgium	45
United Kingdom	38
Netherlands	27

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

New York & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in New York supported 297,700 jobs in 2012, 15,600 (5.5%) more than in 2006.

Sources of Employment within New York, 2012

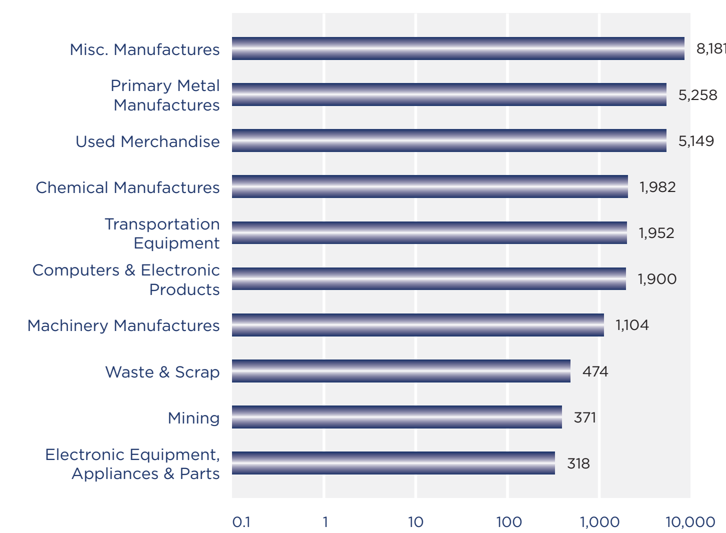
Country	Employment
United Kingdom	85,500
France	50,400
Switzerland	38,000
Canada	36,000
Japan	33,500

Trade
In 2013, Europe purchased $28.8 billion worth of goods from New York. Miscellaneous manufactures, primary metal manufactures and used merchandise are the top exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Switzerland	10,260
United Kingdom	5,005
Belgium	2,908
Germany	1,979
France	1,720

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

North Carolina & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in North Carolina supported 153,200 jobs in 2012, 600 (-0.4%) less than in 2006.

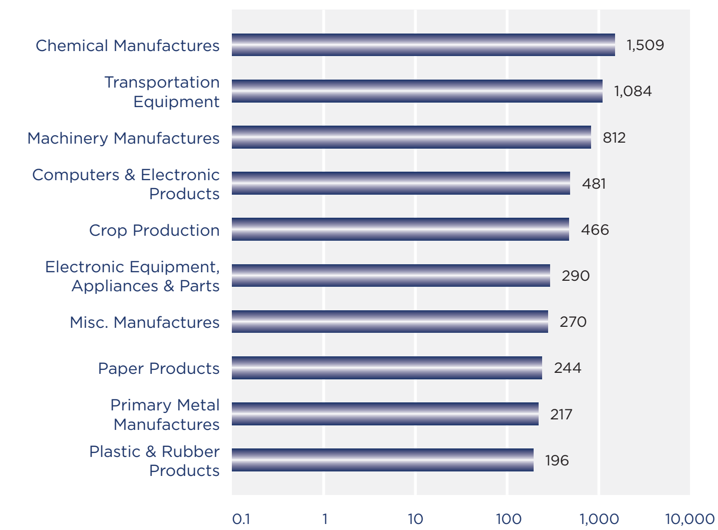
Sources of Employment within North Carolina, 2012	
Country	**Employment**
Germany	29,000
United Kingdom	27,000
Switzerland	20,200
Japan	19,800
France	11,800

Trade

In 2013, Europe purchased $6.4 billion worth of goods from North Carolina. Chemical manufactures account for a quarter of total exports to Europe.

Top European Export Markets, 2013	
Country	**Exports ($ Millions)**
France	1,000
Germany	1,000
United Kingdom	899
Belgium	800
Netherlands	716

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

North Dakota & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in North Dakota supported 6,600 jobs in 2012, 2,600 (65.0%) more than in 2006.

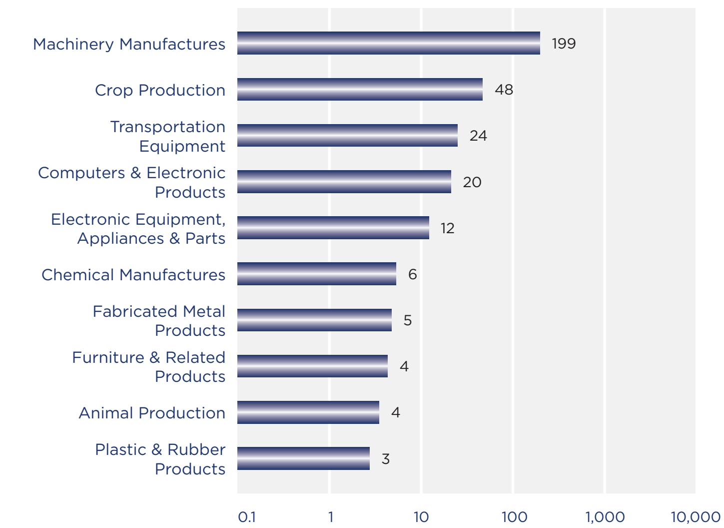
Sources of Employment within North Dakota, 2012	
Country	**Employment**
Canada	2,300
Japan	1,200
United Kingdom	1,200
France	700
Switzerland	700

Trade

In 2013, Europe purchased $329 million worth of goods from North Dakota. 60% of the state's exports consist of machinery manufactures.

Top European Export Markets, 2013	
Country	**Exports ($ Millions)**
Belgium	73
Germany	40
United Kingdom	31
Spain	25
Czech Republic	23

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Ohio & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Ohio supported 134,100 jobs in 2012, 100 (0.1%) more than in 2006.

Sources of Employment within Ohio, 2012

Country	Employment
Japan	53,100
United Kingdom	36,800
Germany	30,800
Canada	19,700
Switzerland	17,300

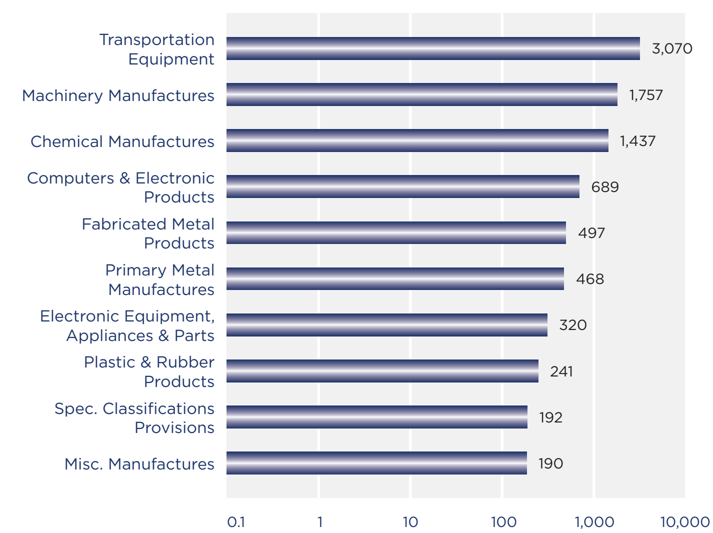
Trade

In 2013, Europe purchased $9.7 billion worth of goods from Ohio. Transportation equipment, machinery and chemicals are the state's top exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
France	2,028
United Kingdom	1,601
Germany	1,404
Netherlands	757
Switzerland	509

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Oklahoma & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Oklahoma supported 28,000 jobs in 2012, 6,500 (30.2%) more than in 2006.

Sources of Employment within Oklahoma, 2012

Country	Employment
United Kingdom	7,500
Canada	6,300
France	6,000
Switzerland	4,600
Germany	3,200

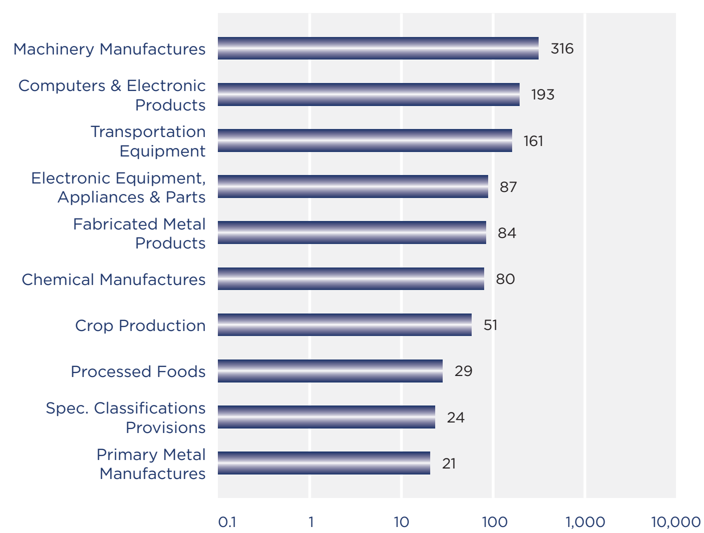
Trade

In 2013, Europe purchased $1.1 billion worth of goods from Oklahoma. Top exports include machinery, computers and transportation equipment.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	290
Netherlands	136
United Kingdom	111
Belgium	68
France	48

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Oregon & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Oregon supported 32,600 jobs in 2012, 2,300 (7.6%) more than in 2006.

Sources of Employment within Oregon, 2012

Country	Employment
Germany	8,800
United Kingdom	6,800
Japan	5,600
Canada	4,800
Switzerland	4,200

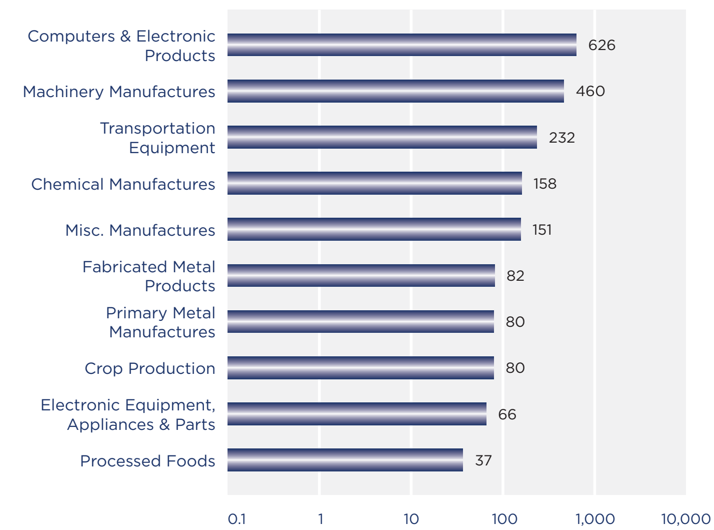
Trade

In 2013, Europe purchased $2.1 billion worth of goods from Oregon. 30% of Oregon's exports to Europe consists of computers and related products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	371
United Kingdom	287
Netherlands	243
France	207
Italy	127

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Pennsylvania & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Pennsylvania supported 207,000 jobs in 2012, 24,500 (13.4%) more than in 2006.

Sources of Employment within Pennsylvania, 2012

Country	Employment
United Kingdom	55,000
Germany	38,000
Netherlands	36,900
Japan	23,100
France	21,700

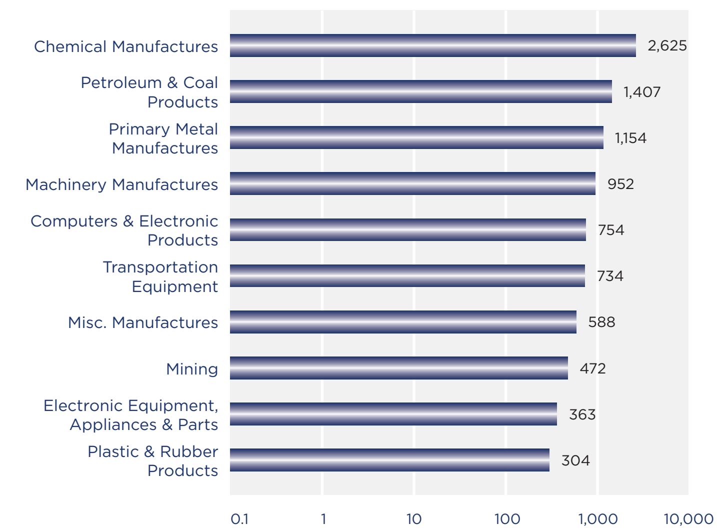
Trade

In 2013, Europe purchased $10.7 billion worth of goods from Pennsylvania. Exports are relatively diverse, ranging from chemicals and petroleum & coal products to to machinery and computers and electronic products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Netherlands	2,419
Germany	1,681
United Kingdom	1,456
Belgium	1,039
Italy	641

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Rhode Island & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Rhode Island supported 24,500 jobs in 2012, 10,100 (70.1%) more than in 2006.

Sources of Employment within Rhode Island, 2012

Country	Employment
United Kingdom	9,600
France	3,300
Japan	1,300
Germany	1,200
Switzerland	1,000

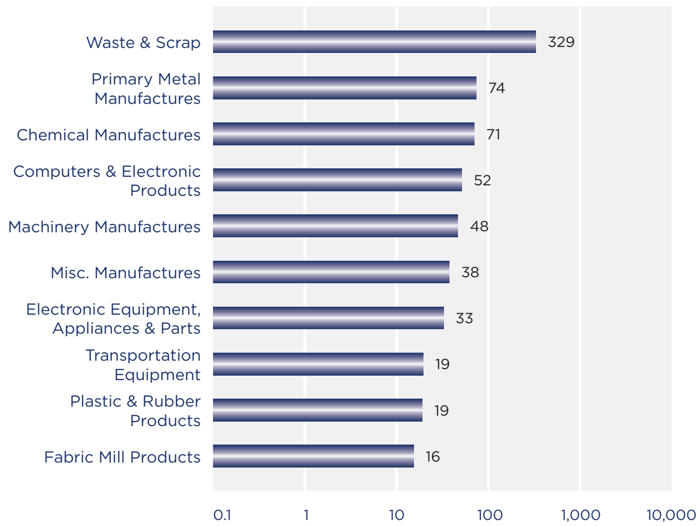
Trade

In 2013, Europe purchased $732 million worth of goods from Rhode Island. Waste & scrap account for 45% of exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	206
Turkey	162
Italy	92
France	68
United Kingdom	57

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

South Carolina & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in South Carolina supported 82,600 jobs in 2012, 1,600 (-1.9%) less than in 2006.

Sources of Employment within South Carolina, 2012

Country	Employment
Germany	21,400
France	17,200
Japan	14,500
United Kingdom	11,700
Canada	8,900

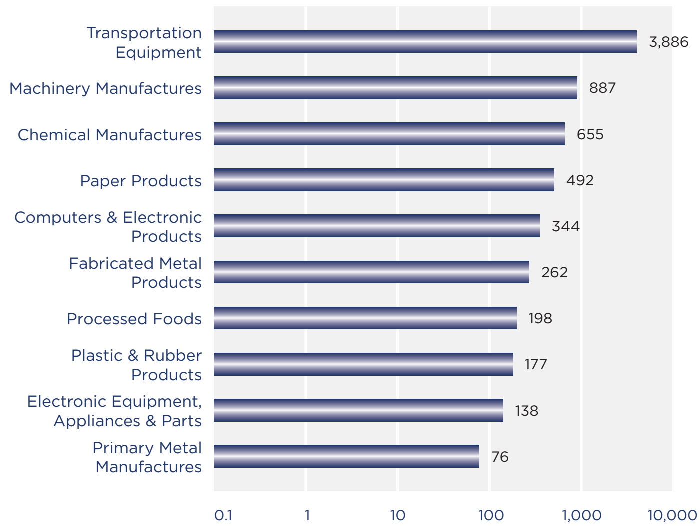
Trade

In 2013, Europe purchased $7.4 billion worth of goods from South Carolina. 52% of the state's exports consists of transportation equipment.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	3,183
United Kingdom	1,364
Belgium	514
Netherlands	433
France	383

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

South Dakota & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in South Dakota supported 5,900 jobs in 2012, 2,700 (84.4%) more than in 2006.

Sources of Employment within South Dakota, 2012

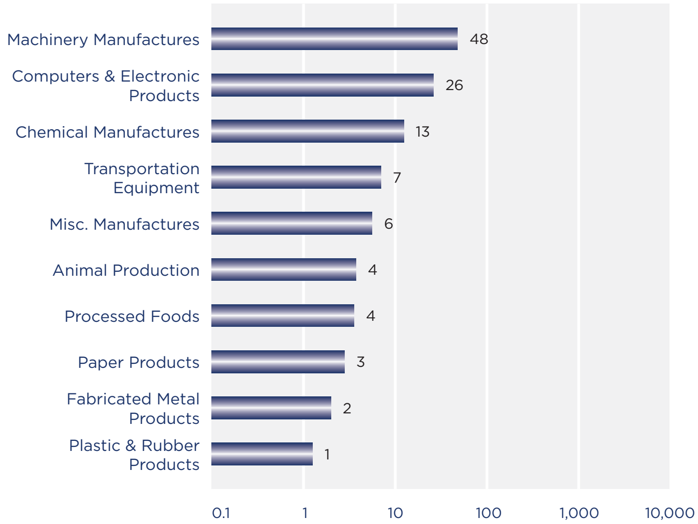
Country	Employment
Canada	2,400
United Kingdom	1,900
Germany	1,600
France	1,000
Switzerland	400

Trade
In 2013, Europe purchased $117 million worth of goods from South Dakota. Machinery manufactures are the state's top export to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Belgium	34
Germany	17
United Kingdom	9
Ireland	7
France	7

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Tennessee & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Tennessee supported 71,600 jobs in 2012, 3,100 (-4.1%) less than in 2006.

Sources of Employment within Tennessee, 2012

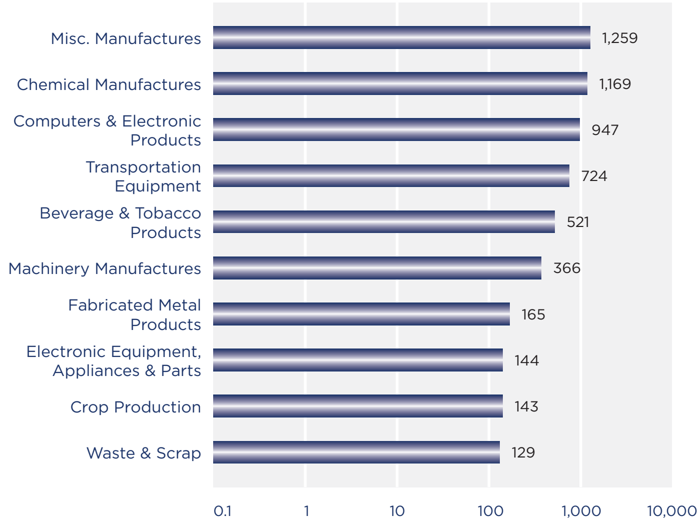
Country	Employment
Japan	34,000
United Kingdom	17,300
Germany	15,100
France	9,900
Netherlands	9,500

Trade
In 2013, Europe purchased $6.2 billion worth of goods from Tennessee. Miscellaneous and chemical manufactures as well as computers & electronic products make up the bulk of exports.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Belgium	1,232
Netherlands	1,032
United Kingdom	886
Germany	731
Turkey	378

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Texas & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Texas supported 294,700 jobs in 2012, 58,800 (24.9%) more than in 2006.

Sources of Employment within Texas, 2012

Country	Employment
United Kingdom	86,500
Switzerland	44,700
France	39,900
Canada	39,400
Germany	39,300

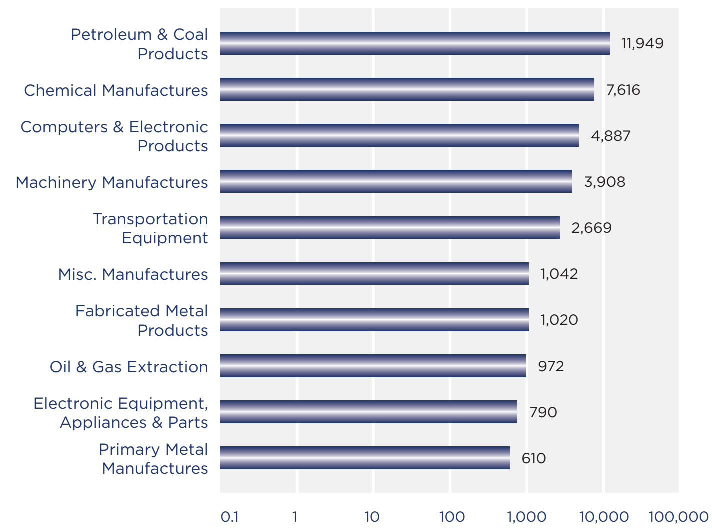
Trade

In 2013, Europe purchased $37.6 billion worth of goods from Texas. Exports are relatively diverse ranging across petroleum, chemicals, computers and machinery manufactures.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Netherlands	9,547
Belgium	4,655
United Kingdom	3,740
France	3,721
Turkey	2,985

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Utah & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Utah supported 25,300 jobs in 2012, 1,600 (-5.9%) less than in 2006.

Sources of Employment within Utah, 2012

Country	Employment
United Kingdom	7,200
France	4,100
Germany	3,700
Switzerland	3,500
Japan	3,000

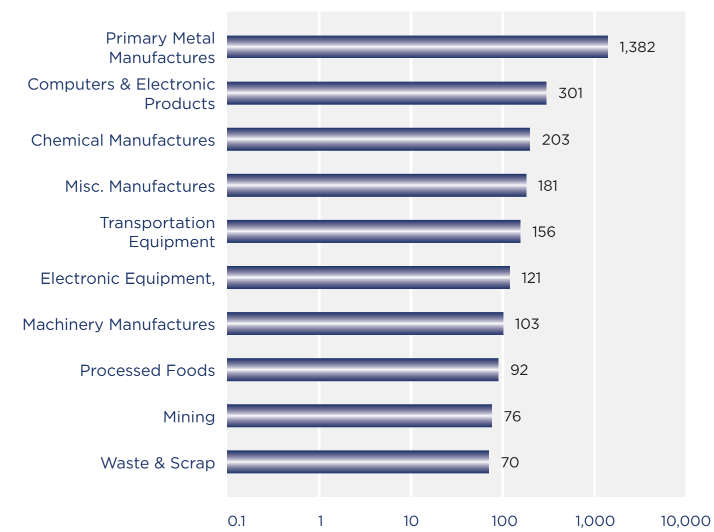
Trade

In 2013, Europe purchased $2.9 billion worth of goods from Utah. Primary metals dominate the state's exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	1,293
Switzerland	268
Netherlands	254
Germany	228
Italy	168

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Vermont & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Vermont supported 8,700 jobs in 2012, 2,000 (29.9%) more than in 2006.

Sources of Employment within Vermont, 2012

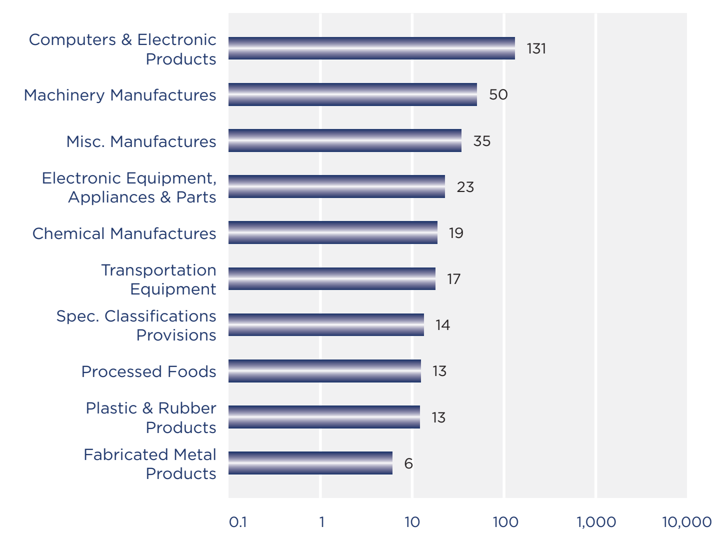
Country	Employment
Canada	2,100
United Kingdom	1,600
France	1,500
Switzerland	1,500
Netherlands	800

Trade
In 2013, Europe purchased $342 million worth of goods from Vermont. Computers & electronic products are the top export to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Germany	56
United Kingdom	53
Netherlands	52
France	43
Italy	25

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Virginia & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment
European investment in Virginia supported 119,200 jobs in 2012, 6,900 (6.1%) more than in 2006.

Sources of Employment within Virginia, 2012

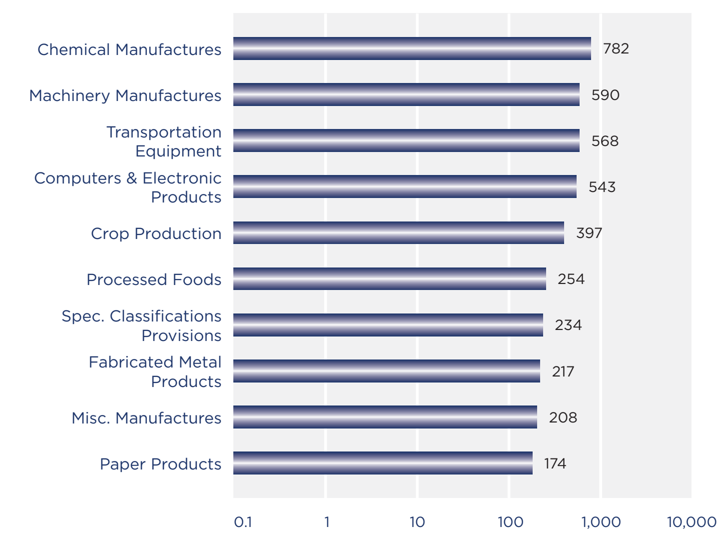
Country	Employment
United Kingdom	24,200
Netherlands	16,500
Japan	13,900
Germany	13,400
France	12,900

Trade
In 2013, Europe purchased $4.9 billion worth of goods from Virginia. Top exports include chemicals, machinery manufactures, transportation equipment, and computers & electronic products.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	996
Germany	790
Netherlands	570
Belgium	435
France	290

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Washington & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in Washington supported 57,500 jobs in 2012, 1,100 (2.0%) more than in 2006.

Sources of Employment within Washington, 2012

Country	Employment
Canada	16,700
Germany	15,300
United Kingdom	14,100
Japan	13,400
France	7,800

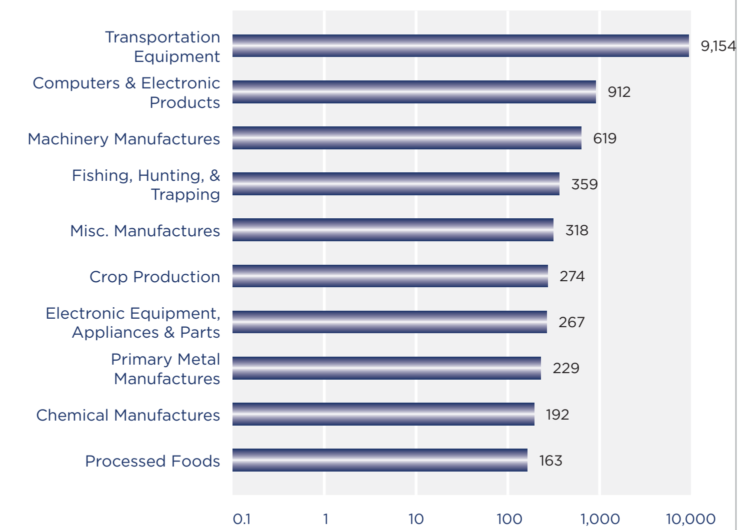
Trade

In 2013, Europe purchased $12.9 billion worth of goods from Washington. Transportation equipment dominates Washington's exports to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
United Kingdom	2,702
Germany	2,103
Norway	1,240
Netherlands	831
France	562

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

West Virginia & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

Employment

European investment in West Virginia supported 15,700 jobs in 2012, 3,400 (27.6%) more than in 2006.

Sources of Employment within West Virginia, 2012

Country	Employment
United Kingdom	6,400
Canada	4,100
Japan	3,600
Switzerland	1,800
Germany	1,500

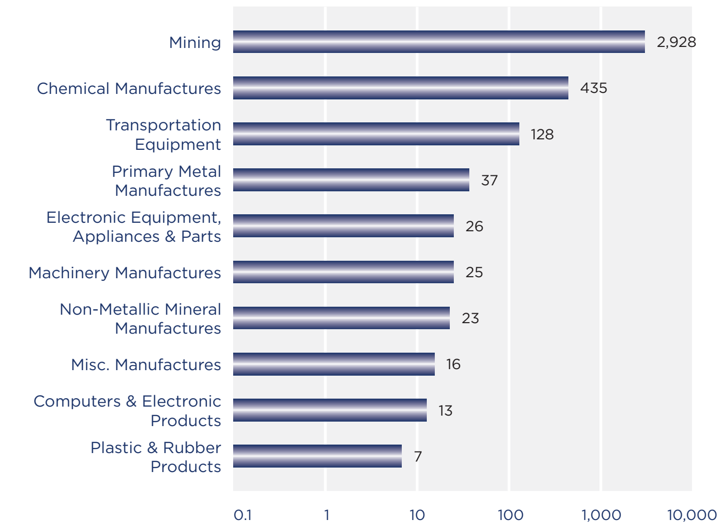
Trade

In 2013, Europe purchased $3.7 billion worth of goods from West Virginia. Minerals & ores are the state's top export to Europe.

Top European Export Markets, 2013

Country	Exports ($ Millions)
Netherlands	665
Italy	470
United Kingdom	449
France	395
Turkey	330

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Wisconsin & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

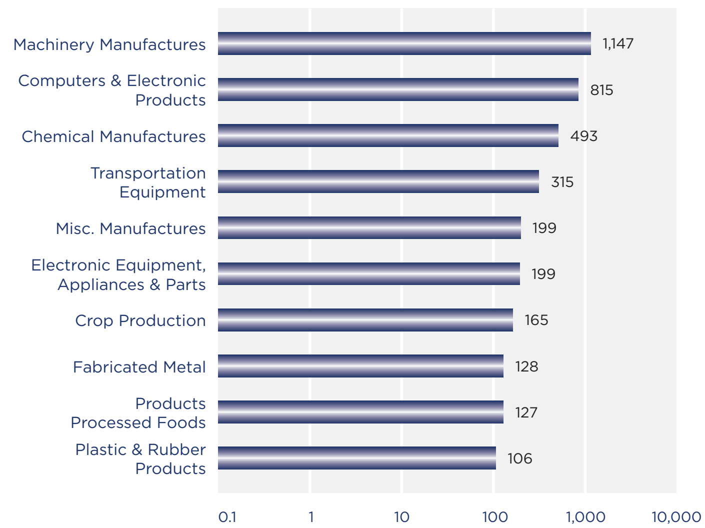
Employment
European investment in Wisconsin supported 52,600 jobs in 2012, 11,500 (-17.9%) less than in 2006.

Sources of Employment within Wisconsin, 2012	
Country	**Employment**
Canada	20,500
United Kingdom	11,100
Germany	8,800
Switzerland	8,700
France	6,900

Trade
In 2013, Europe purchased $4.1 billion worth of goods from Wisconsin. Machinery and computers & electronic equipment are the state's top exports to Europe.

Top European Export Markets, 2013	
Country	**Exports ($ Millions)**
Germany	701
United Kingdom	679
France	460
Belgium	384
Netherlands	379

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

Wyoming & Europe

EMPLOYMENT, INVESTMENT AND TRADE LINKAGES

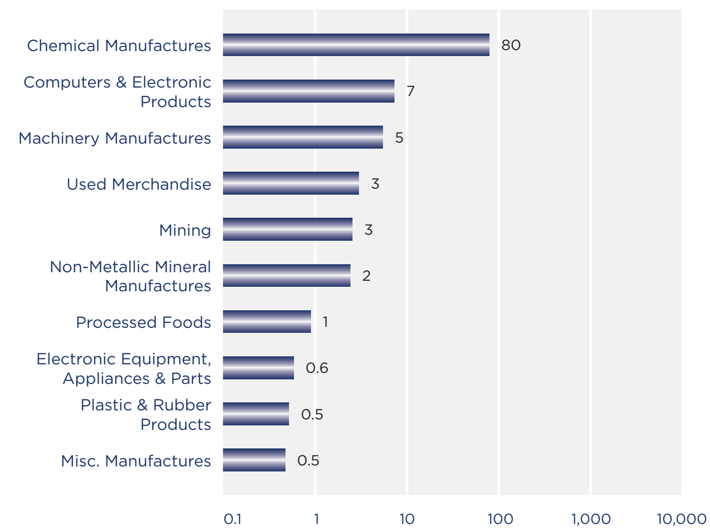
Employment
European investment in Wyoming supported 5,300 jobs in 2012, 400 (8.2%) more than in 2006.

Sources of Employment within Wyoming, 2012	
Country	**Employment**
United Kingdom	2,300
Canada	800
France	800
Switzerland	800
Germany	300

Trade
In 2013, Europe purchased $105 million worth of goods from Wyoming. By a wide margin, chemicals are the top export to Europe.

Top European Export Markets, 2013	
Country	**Exports ($ Millions)**
Netherlands	42
United Kingdom	23
Spain	16
Estonia	5
France	3

Top Ten Exports to Europe, 2013 (in $ millions)



Source: Bureau of Economic Analysis, Foreign Trade Division, U.S. Census Bureau

APPENDIX B

U.S. COMMERCE AND EUROPE:
A Country-by-Country Comparison

Austria & the United States

INVESTMENT AND TRADE FIGURES

Investment

Not surprisingly, America's direct investment position in Austria exceeds Austria's investment stakes in the U.S. American affiliates created roughly 1,000 additional jobs in Austria between 2012 and 2013, and employed three times as many workers in Austria than Austrian firms employed in the U.S., according to 2013 estimates.

Austria - U.S. Global Linkages, 2013 ($ billions)**

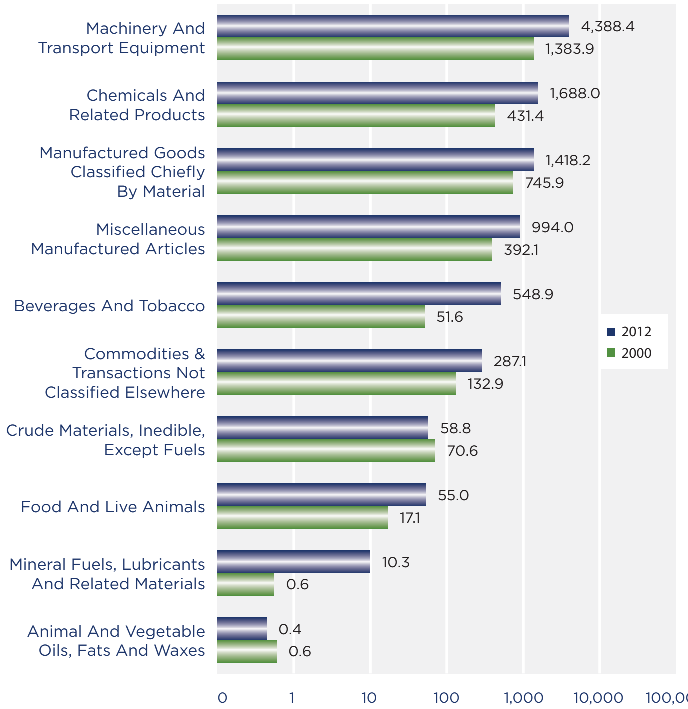
	U.S. in Austria	Austria in U.S.
Foreign Direct Investment*	16.7	5.9
Total Assets of Affiliates	43.5	8.1
Foreign Affiliate Sales	21.8	7.0
Value Added of Affiliates	4.5	1.5
Affiliate Employees	46,818	15,251

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

On a global basis, the U.S. received $7.5 billion, or 4.4% of the total goods Austria exported to the world in 2013, but the share going to the U.S. rises to 16.1% of the global total after excluding intra-EU trade, the highest since 2008, but down from a high of 23.7% in 2004. Imports of U.S. goods constituted $3.5 billion, or 2% of the total amount Austria imported from the world in 2013 and 8.8% when intra-EU imports were removed from the global total, well below its share of 21.0% in 2000.

Top Ten U.S. Imports from Austria, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Belgium & the United States

INVESTMENT AND TRADE FIGURES

Investment

U.S. direct investments in Belgium are increasingly made in the finance and insurance services sector and the manufacturing sector, though the latter is much larger in terms of jobs supported. Belgium affiliates in the U.S. employed almost 30,000 more workers than U.S. affiliates in Belgium, according to estimates. However, value added by U.S. affiliates in Belgium totaled an estimated $25.4 billion in 2013, 38% more than that of Belgian affiliates in the U.S.

Belgium - U.S. Global Linkages, 2013 ($ billions)**

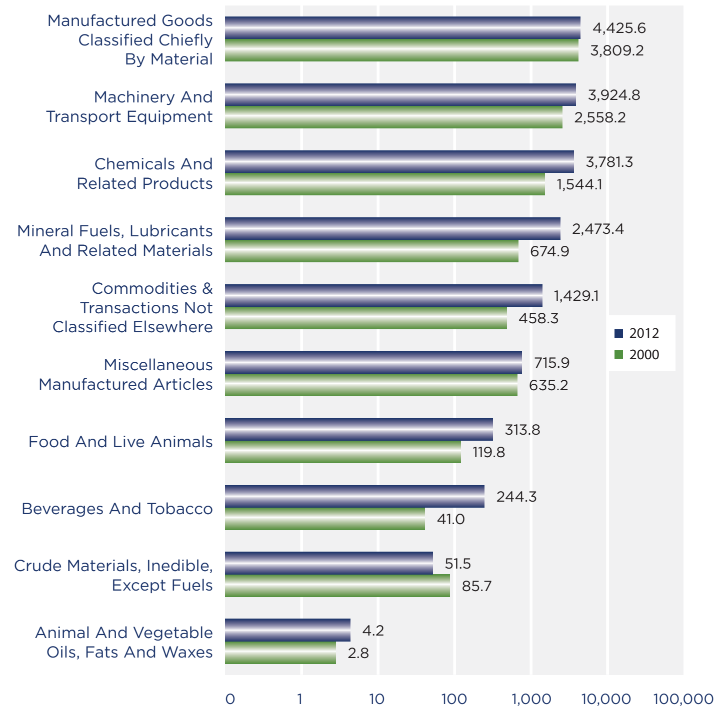
	U.S. in Belgium	Belgium in U.S.
Foreign Direct Investment*	48.0	65.1
Total Assets of Affiliates	435.2	166.5
Foreign Affiliate Sales	143.5	58.3
Value Added of Affiliates	25.4	18.4
Affiliate Employees	130,997	160,186

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. accounted for 4.6%, or $20.8 billion, of total exports from Belgium in 2013. The share of total exports rises to 16.8% when intra-EU trade is excluded, down from a high of 31.9% in 2002. Chemicals, manufactured goods, and machinery and transport equipment lead the way as the top export categories. The U.S. supplied 6.8% of total Belgian imports in 2013 but the share more than triples to 20.5% after omitting intra-EU trade.

Top Ten U.S. Imports from Belgium, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Bulgaria & the United States

INVESTMENT AND TRADE FIGURES

Investment

America's investment base in Bulgaria is rather small, with assets totaling just $3.2 billion in 2013, according to estimates. U.S. affiliates in Bulgaria employed an estimated 4,444 workers in 2013, placing Bulgaria 7th among the EU13 in terms of employment.

Bulgaria - U.S. Global Linkages, 2013 ($ billions)**

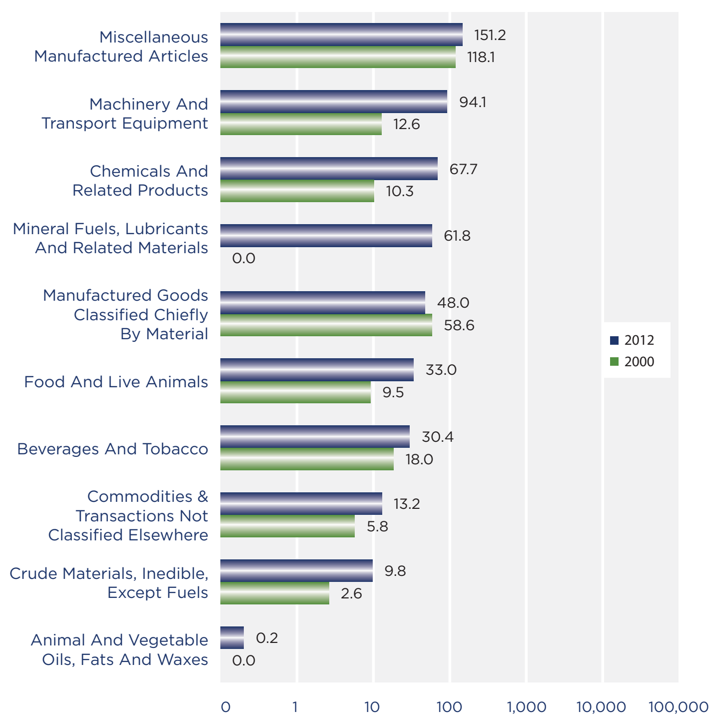
	U.S. in Bulgaria	Bulgaria in U.S.
Foreign Direct Investment*	-	-
Total Assets of Affiliates	3.2	0.001
Foreign Affiliate Sales	1.3	0.001
Value Added of Affiliates	0.7	0.003
Affiliate Employees	4,444	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. accounted for just 1.3% of Bulgaria's total exports in 2013; the percentage rises to just 3.3% when intra-EU trade is excluded from the total, down from a high of 14.4% in 2001. Imports from the U.S. are rather small, totaling just $254 million in 2013, only 1.9% of Bulgaria's extra-EU imports.

Top Ten U.S. Imports from Bulgaria, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Croatia & the United States

INVESTMENT AND TRADE FIGURES

Investment

U.S. firms have a small investment base in Croatia, with just $143 million of foreign direct investment and $546 million of assets in 2013. U.S. foreign affiliates in Croatia employed an estimated 1,111 workers in 2013, the lowest among the EU13 countries.

Croatia - U.S. Global Linkages, 2013 ($ billions)**

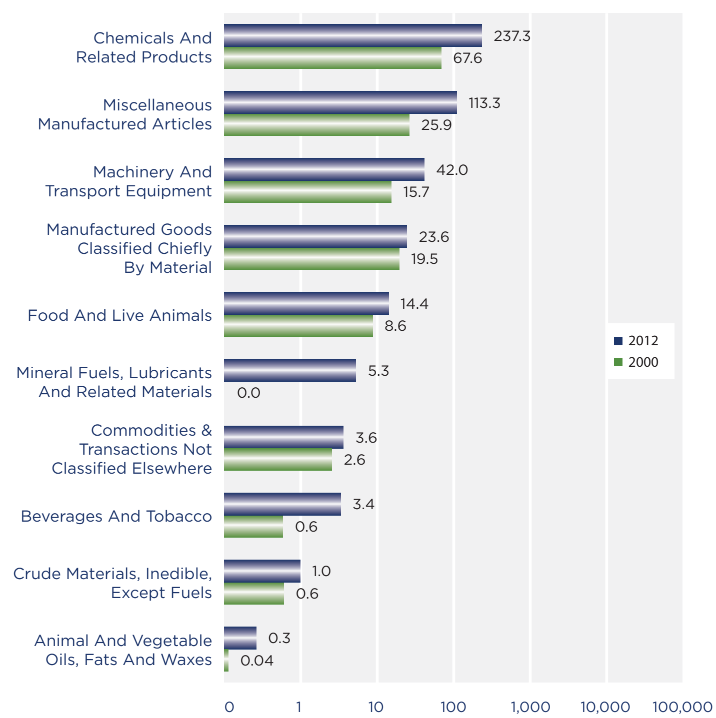
	U.S. in Croatia	Croatia in U.S.
Foreign Direct Investment*	0.14	0.005
Total Assets of Affiliates	0.55	0.004
Foreign Affiliate Sales	0.41	-
Value Added of Affiliates	0.27	0.002
Affiliate Employees	1,111	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

On a global basis, the U.S. received $328 million, or just 2.8% of the total goods Croatia exported to the world in 2013; 6.8% excluding intra-EU trade. Croatia's main exports to the U.S. consist of chemicals and related products and miscellaneous manufactured articles. Imports of U.S. goods totaled $370 million, or 1.8% of the total amount Croatia imported from the world in 2013 and 5.1% when intra-EU imports were removed from the global total.

Top Ten U.S. Imports from Croatia, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Cyprus & the United States

INVESTMENT AND TRADE FIGURES

Investment

Given the the country's small market, Cyprus has not attracted much U.S. foreign direct investment relatively, but U.S. FDI of $2.0 billion is currently more than eight times larger than 2005 investment levels. Cyprus's FDI in the U.S. totaled $2.4 billion in 2013. U.S. foreign affiliate sales in Cyprus have more than doubled since 2005, to $1.8 billion, according to estimates.

Cyprus - U.S. Global Linkages, 2013 ($ billions)**

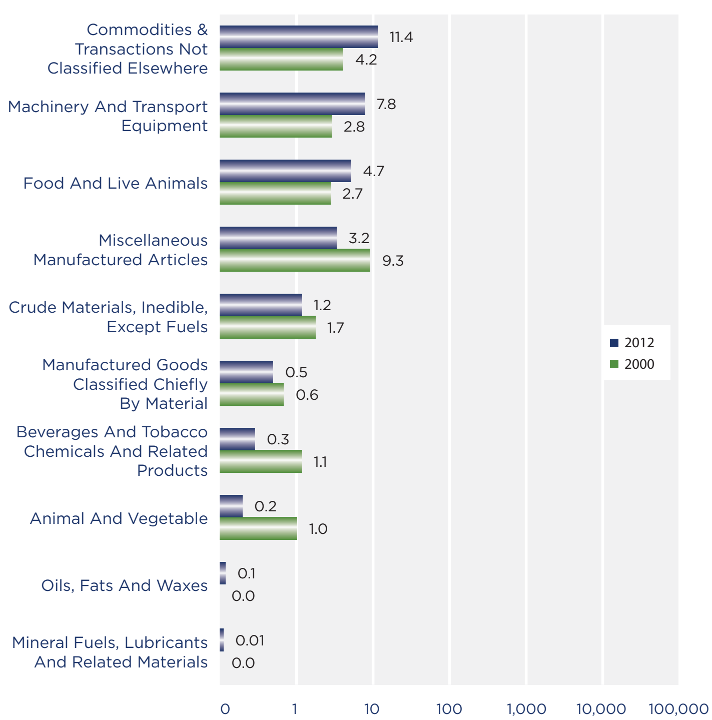
	U.S. in Cyprus	Cyprus in U.S.
Foreign Direct Investment*	2.0	2.4
Total Assets of Affiliates	11.9	-
Foreign Affiliate Sales	1.8	-
Value Added of Affiliates	0.6	0.07
Affiliate Employees	1,515	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

While Cyprus is an insignificant supplier of goods to the United States, with exports registering just $72 million in 2013, the U.S. share of Cypriot extra-EU exports has risen to 7.5%, matching its previous record in 1999. However, Cypriot imports from the U.S. are also unsubstantial, totaling just $56 million, or 0.9% of total Cypriot imports from the world.

Top Ten U.S. Imports from Cyprus, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Czech Republic & the United States

INVESTMENT AND TRADE FIGURES

Investment

America's investment base in the Czech Republic is small but expanding, increasing more than five-fold since 2000. U.S. foreign direct investment totaled $6.2 billion in 2013. Value added by U.S.-owned foreign affiliates totaled an estimated $5.6 billion. Estimated affiliate employment in the Czech Republic is among the highest in eastern Europe, with American firms employing an estimated 84,941 workers in 2013, double the number of employees since 2000. On the contrary, the Czech Republic's investment in the U.S. is still rather small.

Czech Republic - U.S. Global Linkages, 2013 ($ billions)**

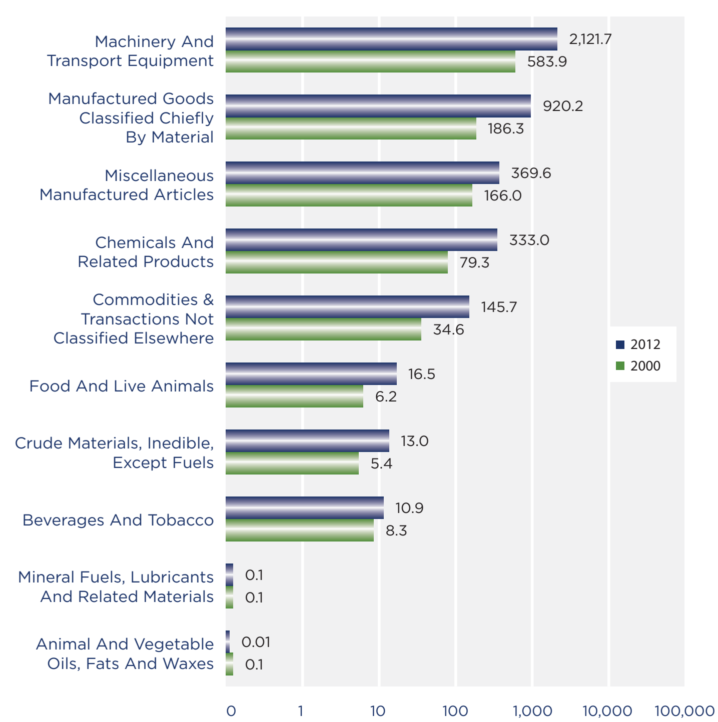
	U.S. in Czech Republic	Czech Republic in U.S.
Foreign Direct Investment*	6.2	0.08
Total Assets of Affiliates	29.2	0.003
Foreign Affiliate Sales	17.7	0.001
Value Added of Affiliates	5.6	0.001
Affiliate Employees	84,941	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

U.S. imports from the Czech Republic were $3.3 billion in 2013, a decrease of roughly 2% from 2012, accounting for 11.6% of Czech extra-EU exports. U.S. imports consist of machinery and transportation equipment and manufactured goods. Czech imports from the U.S. decreased by 2.6% to $1.9 billion in 2013, or 5.7% of Czech extra-EU imports.

Top Ten U.S. Imports from Czech Republic, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Denmark & the United States

INVESTMENT AND TRADE FIGURES

Investment

Bilateral investment between the U.S. and Denmark favored Denmark in 2013 with the U.S. investing over $3.4 billion more in Denmark than what Denmark invested in the United States. Affiliate sales in the U.S. market were an estimated $19.3 billion in 2013 while U.S. foreign affiliate sales in Denmark were $20.9 billion. The affiliate employment balance favors Denmark, with U.S. affiliates in Denmark employing almost 5,000 more people than Danish affiliates in the U.S., according to estimates.

Denmark - U.S. Global Linkages, 2013 ($ billions)**

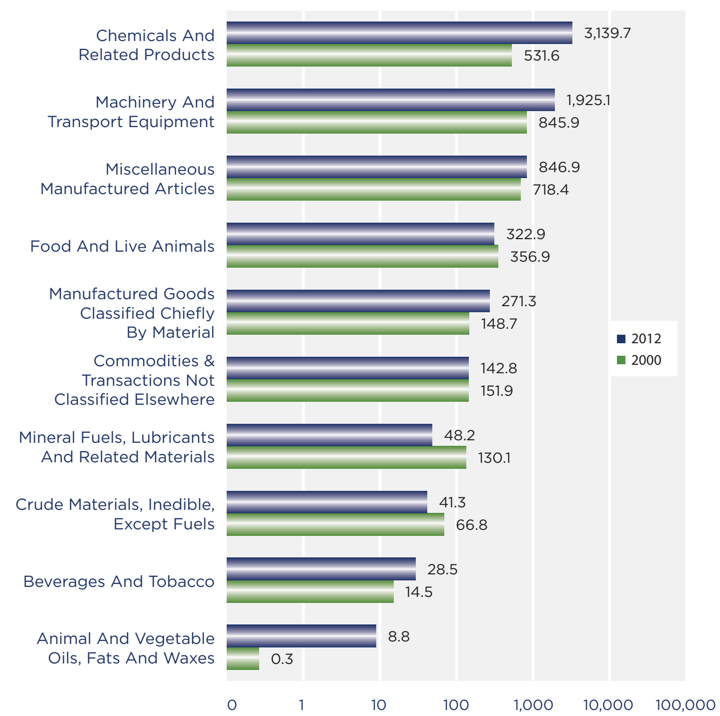
	U.S. in Denmark	Denmark in U.S.
Foreign Direct Investment*	13.5	10.1
Total Assets of Affiliates	59.8	17.4
Foreign Affiliate Sales	20.9	19.3
Value Added of Affiliates	8.7	3.8
Affiliate Employees	34,884	30,098

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Exports from Denmark to the U.S. totaled $6.8 billion in 2013 or 6.3% of the global total. Excluding intra-EU trade, the share of exports to the U.S. nearly triples to 17.8%. Danish imports from the U.S. totaled $2.0 billion the same year, 2.1% of the global total and 7.4% excluding intra-EU trade. Chemicals, machinery and transportation equipment, and miscellaneous manufactured articles dominate U.S. imports from the country.

Top Ten U.S. Imports from Denmark, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Estonia & the United States

INVESTMENT AND TRADE FIGURES

Investment

America's direct investment base in Estonia is one of the smallest of the EU13. U.S. affiliates employed an estimated 3,876 people in 2013, placing Estonia 8th among the EU13 in terms of employment. U.S. investment in the country is expected to increase as the Baltic states emerge as a key gateway to eastern Europe and beyond, although current tensions with Russia have chilled many commercial transactions.

Estonia - U.S. Global Linkages, 2013 ($ billions)**

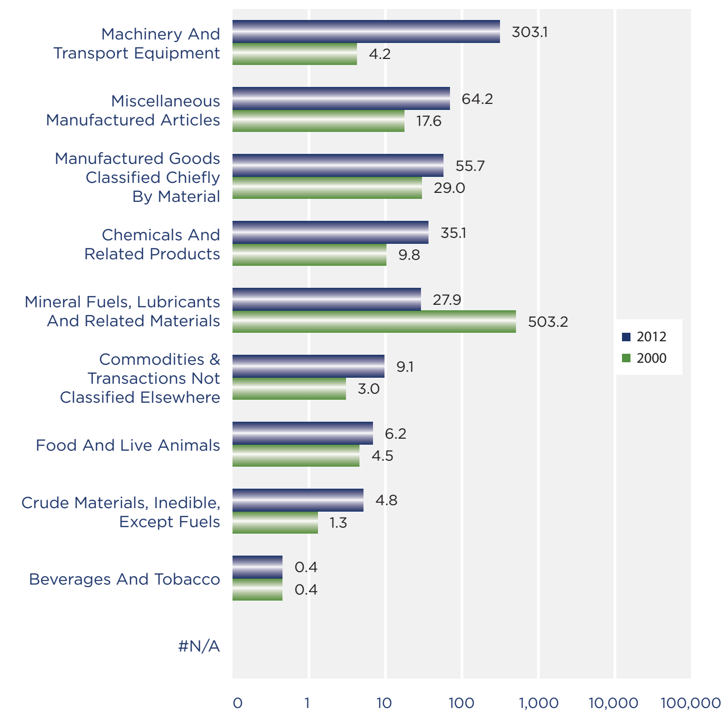
	U.S. in Estonia	Estonia in U.S.
Foreign Direct Investment*	-	-0.005
Total Assets of Affiliates	0.6	0.001
Foreign Affiliate Sales	0.7	-
Value Added of Affiliates	0.3	-0.001
Affiliate Employees	3,876	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

U.S. imports from Estonia fell to $290 million in 2013, just 1.8% of total imports, but this share more than triples to 6.8% when excluding intra-EU trade. Mineral fuels, lubricants and related materials comprised roughly 90% of U.S. imports from Estonia in 2000 at $503 million but have plummeted to $13 million in 2013. Meanwhile, U.S. imports of machinery and transportation equipment have risen by roughly $240.5 million from 2000 to 2013. Estonia imports very little from the U.S., as only 0.9% of total imports and 5.5% excluding intra-EU imports come from the United States.

Top Ten U.S. Imports from Estonia, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Finland & the United States

INVESTMENT AND TRADE FIGURES

Investment

The direct investment balance favors the United States, with Finnish investment in the U.S. totaling $7.6 billion in 2013 versus just $2.0 billion of U.S. investment in Finland. The affiliate employment balance also favors the U.S. by an estimated 4,488 jobs.

Finland - U.S. Global Linkages, 2013 ($ billions)**

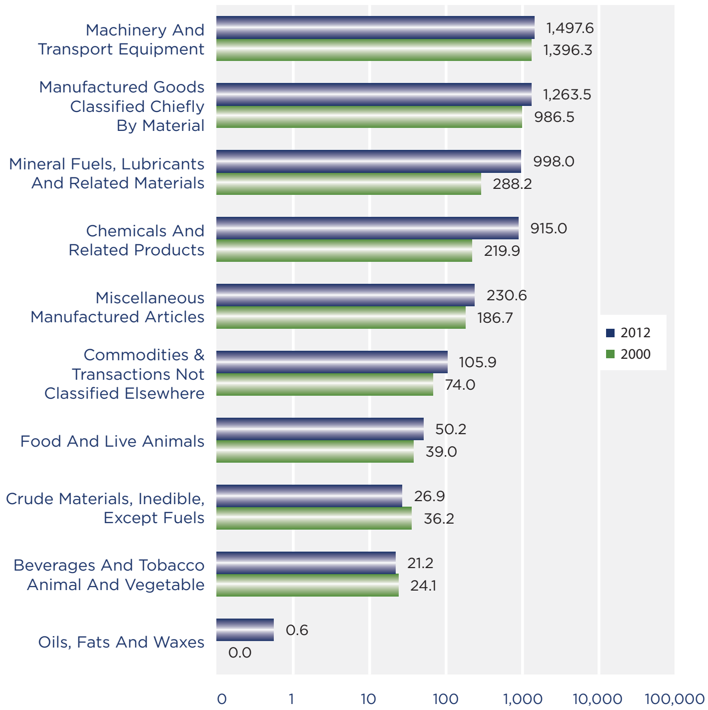
	U.S. in Finland	Finland in U.S.
Foreign Direct Investment*	2.0	7.6
Total Assets of Affiliates	15.9	48.9
Foreign Affiliate Sales	11.2	16.2
Value Added of Affiliates	3.3	4.5
Affiliate Employees	22,644	27,132

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. received $4.5 billion, or 6.2% of the total goods Finland exported to the world in 2013, but the share going to the U.S. rises to 14.0% of the global total after excluding intra-EU trade. Imports of U.S. goods in 2013 constituted $1.7 billion, or 2.2% of the total amount imported from the world and 6.5% when intra-EU imports are removed from the global total, down from a high of nearly 22% in 1998.

Top Ten U.S. Imports from Finland, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

France & the United States

INVESTMENT AND TRADE FIGURES

Investment

The direct investment balance favors the U.S., with U.S. investment in France ($78.0 billion) just 34% of total French investment in the U.S. in 2013 ($226.1 billion). The U.S. is a significant market for French firms, with U.S. affiliates of French firms recording an estimated $280 billion in sales during 2013. U.S. and French affiliates combined employed over 1 million workers, with the employment balance favoring France by 88,669 jobs, according to 2013 estimates.

France - U.S. Global Linkages, 2013 ($ billions)**

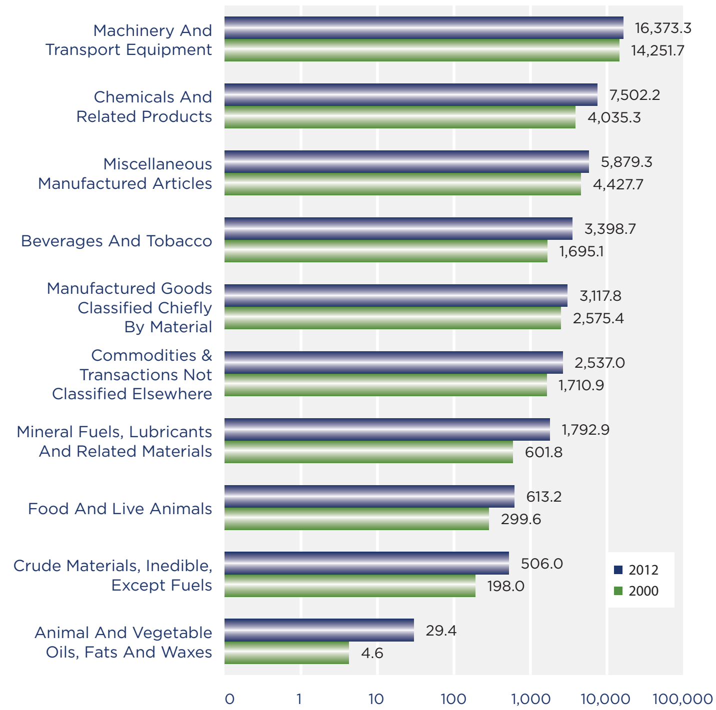
	U.S. in France	France in U.S.
Foreign Direct Investment*	78.0	226.1
Total Assets of Affiliates	388.2	1,275.5
Foreign Affiliate Sales	217.1	279.5
Value Added of Affiliates	53.8	70.3
Affiliate Employees	456,419	545,088

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. accounted for 5.8% of total exports from France in 2013, but a share of 14.7% of total exports when intra-EU trade is excluded. Products exported to the U.S. ran the gamut, from heavy machinery and transportation equipment to chemicals and agricultural products. Regarding imports, the U.S. supplied 3.8% of total imports by France in 2013, though the share rises to 12.6% after excluding intra-EU trade, well below its 25.2% share in 1999.

Top Ten U.S. Imports from France, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Germany & the United States

INVESTMENT AND TRADE FIGURES

Investment

he investment balance favors the U.S., with U.S. investment in Germany totaling $118.4 billion in 2013, about 43% less than Germany's $208.8 billion investment in the U.S. However, Germany's asset base in the U.S. was more than double America's total asset base in Germany in 2013. The value added by U.S. affiliates operating in Germany ($91.5 billion) was less than that of German affiliates in the United States, according to estimates. The employment picture is balanced, with affiliates of both countries employing a combined total of over 1.2 million workers, according to 2013 estimates.

Germany - U.S. Global Linkages, 2013 ($ billions)**

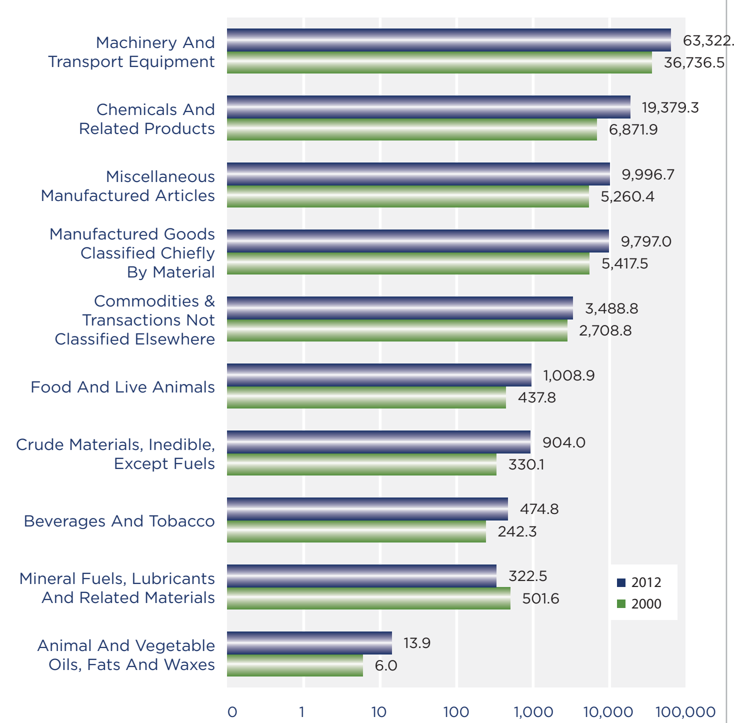
	U.S. in Germany	Germany in U.S.
Foreign Direct Investment*	118.4	208.8
Total Assets of Affiliates	739.5	1,589.5
Foreign Affiliate Sales	344.7	446.3
Value Added of Affiliates	91.5	93.7
Affiliate Employees	641,683	645,008

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Germany is the largest European exporter to the U.S. Total exports rose 3.4% in 2013, but exports to the U.S. climbed 7.0% to $89.2 billion in the same year. The U.S. accounted for 6.5% of total German exports, and 16.6% when excluding intra-EU trade flows. Imports from the U.S. into Germany registered $42.5 billion—that equates to 3.6% of total German imports or 10.4% excluding intra-EU trade. Roughly 77% of U.S. imports from Germany consists of machinery and transportation equipment and chemicals.

Top Ten U.S. Imports from Germany, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Greece & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance clearly favors Greece, with America's investment position totaling $1.0 billion in 2013. On the contrary, Greece had a negative investment position of $332 million in the U.S. The U.S. asset base in Greece is roughly five times that of Greece's assets in the U.S. However, estimated U.S. affiliate sales of just $6.6 billion in 2013 ranked among the lowest in the EU.

Greece - U.S. Global Linkages, 2013 ($ billions)**

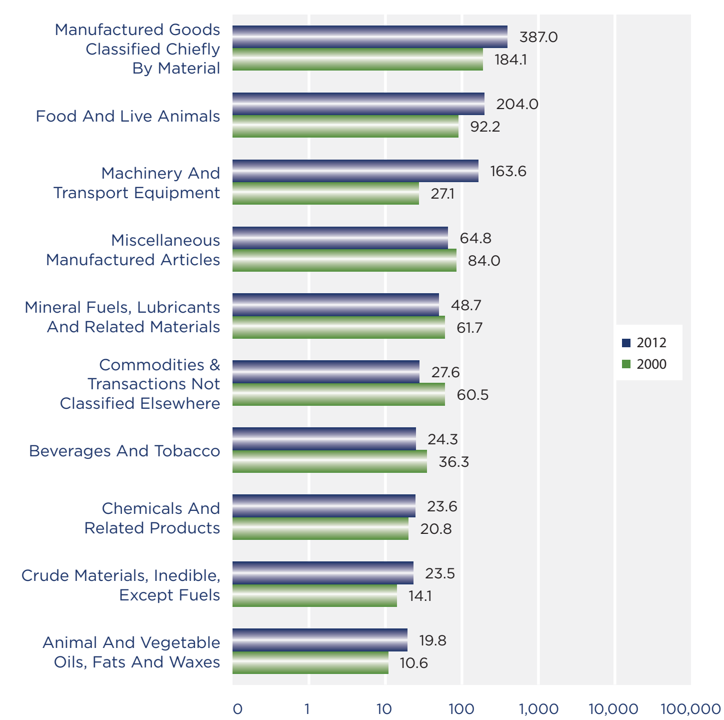
	U.S. in Greece	Greece in U.S.
Foreign Direct Investment*	1.0	-0.3
Total Assets of Affiliates	10.0	2.1
Foreign Affiliate Sales	6.6	0.9
Value Added of Affiliates	2.9	0.1
Affiliate Employees	17,340	2,200

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Greek exports to the U.S. plunged 30% in 2012 and 8% in 2013 to $1.1 billion. Imports from the U.S. fell 6.9% to $545 million, the lowest level since 1989. The U.S. accounted for 3.0% of total exports, and 5.5% excluding intra-EU exports. Greece's imports from the U.S. were an abysmal 0.9% of total imports from the world in 2013 and just 1.7% excluding intra-EU imports.

Top Ten U.S. Imports from Greece, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Hungary & the United States

INVESTMENT AND TRADE FIGURES

Investment

America's investment base in Hungary is among the largest in central Europe, with U.S. foreign direct investment totaling $6.0 billion on a historic-cost basis in 2013, down from its peak position of $7.5 billion in 2012. Value added by U.S.-owned affiliates totaled an estimated $3.6 billion. Estimated affiliate employment in Hungary ranked third among EU13 countries. Hungarian investment in the U.S. was $20.1 billion in 2013, far below its peak of $70.7 billion in 2009.

Hungary - U.S. Global Linkages, 2013 ($ billions)**

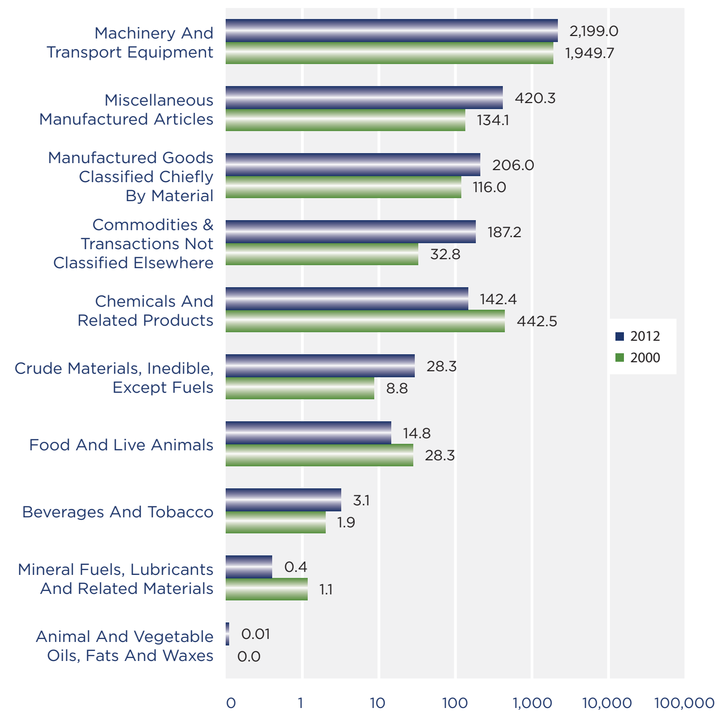
	U.S. in Hungary	Hungary in U.S.
Foreign Direct Investment*	6.0	20.1
Total Assets of Affiliates	50.9	-
Foreign Affiliate Sales	21.0	-
Value Added of Affiliates	3.6	0.001
Affiliate Employees	63,428	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. share of Hungary's total exports rose to 2.1%, or $2.2 billion, in 2013. The bulk of U.S. imports from Hungary consists of machinery and transport equipment, miscellaneous manufactured articles, as well as commodites. Hungary bought $1.2 billion worth of U.S. goods in 2013, just 4.4% of the country's extra-EU imports.

Top Ten U.S. Imports from Hungary, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Ireland & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance favors Ireland, with U.S. investment in Ireland totaling some $239.6 billion in 2013 versus $26.2 billion of Ireland's investment in the U.S. Value added by U.S. affiliates totaled an estimated $85.5 billion in 2013. Affiliate employment favored the United States, with Ireland's affiliates employing 63,500 more employees than affiliates of U.S. firms, according to estimates.

Ireland - U.S. Global Linkages, 2013 ($ billions)**

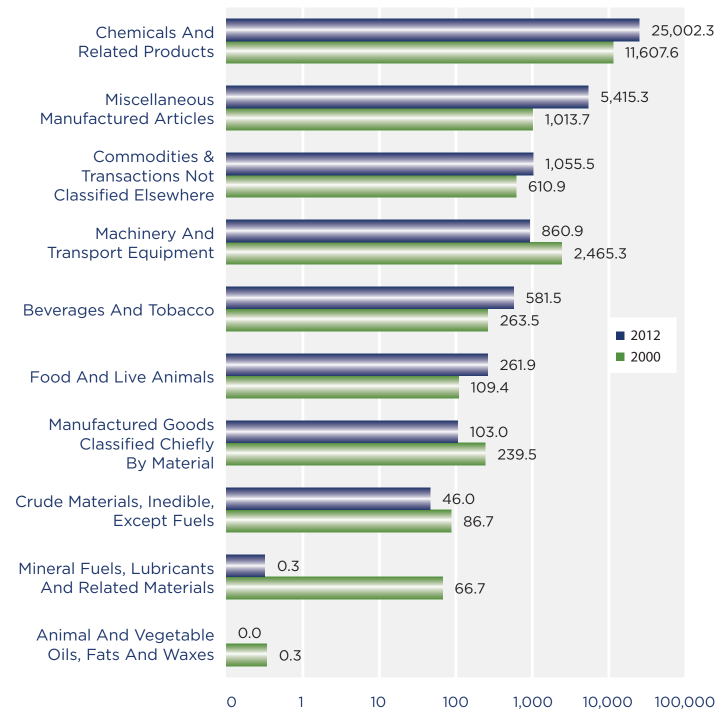
	U.S. in Ireland	Ireland in U.S.
Foreign Direct Investment*	239.6	26.2
Total Assets of Affiliates	1,232.3	219.3
Foreign Affiliate Sales	350.0	66.9
Value Added of Affiliates	85.5	24.9
Affiliate Employees	106,500	170,000

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Cross-border trade between the two countries saw a significant decline in 2013, as Ireland struggled with a property bubble, fiscal austerity, and a dangerously high unemployment rate. Although Irish exports to the U.S. grew by about 6% in 2013, imports from the U.S. fell 21%. The U.S. continues to be a key trade partner for Ireland; the U.S. accounted for 48.6% of Ireland's extra-EU exports and 32.4% of it's extra-EU imports in 2013. Almost three-quarters of U.S. imports from Ireland consists of chemicals and related products.

Top Ten U.S. Imports from Ireland, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Italy & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance is relatively even, with Italy having the edge in most categories. U.S. investment in Italy was just $2.2 billion higher than Italian investment in the U.S. in 2013. U.S. investment was mostly concentrated in manufacturing, wholesale trade, information, and finance and insurance. Value added by U.S. affiliates in Italy was almost twice that of value added by Italian affiliates in the U.S., according to 2013 estimates. With U.S. foreign affiliates employing an estimated 209,474 workers in 2013, the employment balance clearly favors Italy.

Italy - U.S. Global Linkages, 2013 ($ billions)**

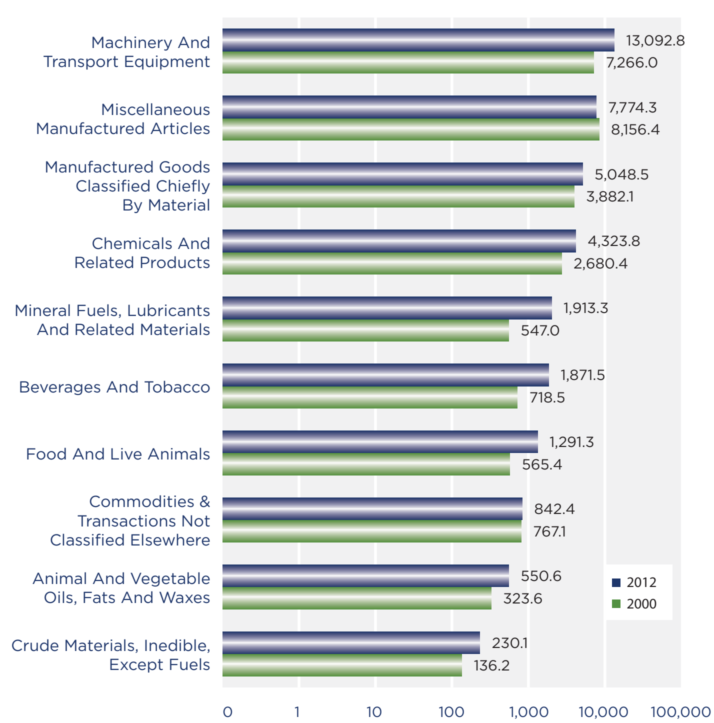
	U.S. in Italy	Italy in U.S.
Foreign Direct Investment*	27.6	25.4
Total Assets of Affiliates	176.4	140.9
Foreign Affiliate Sales	114.5	106.7
Value Added of Affiliates	31.7	18.7
Affiliate Employees	209,474	134,827

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. accounted for 6.7% of total exports from Italy in 2013, and 14.7% of total exports after excluding intra-EU trade. Machinery, transportation goods, and manufactured articles were the top exports to the U.S. Regarding imports, the U.S. supplied 3.0% of total imports by Italy in 2013, although the share rises to 7.1% after accounting for intra-EU imports.

Top Ten U.S. Imports from Italy, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Latvia & the United States

INVESTMENT AND TRADE FIGURES

Investment

The small country of roughly 2 million people has yet to attract significant foreign direct investment from the United States. U.S. FDI in Latvia was just $30 million in 2013. However, investment linkages are expected to gradually expand over the next decade. U.S. affiliates supported 1,133 jobs, the second lowest among EU13 countries, according to 2013 estimates.

Latvia - U.S. Global Linkages, 2013 ($ billions)**

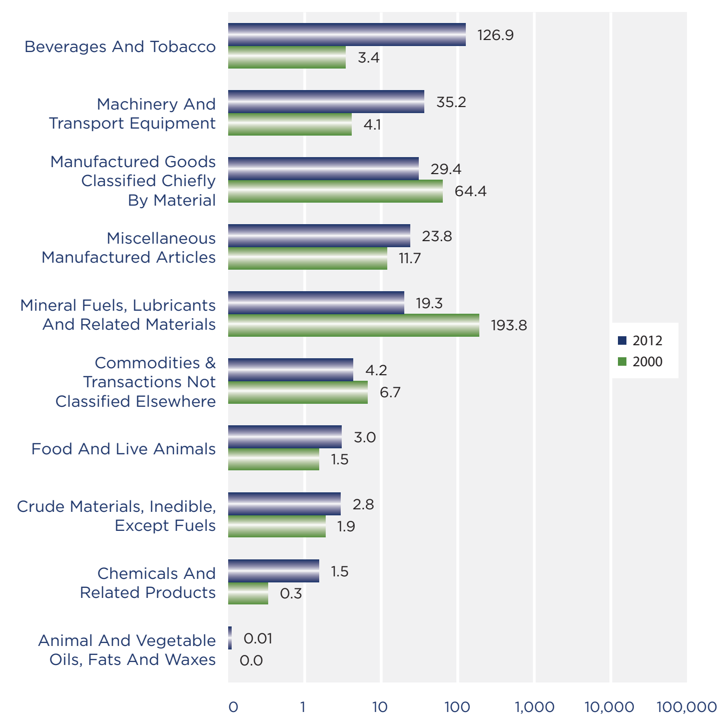
	U.S. in Latvia	Latvia in U.S.
Foreign Direct Investment*	0.03	-
Total Assets of Affiliates	0.39	-
Foreign Affiliate Sales	0.23	-
Value Added of Affiliates	-	-
Affiliate Employees	1,133	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

U.S. imports from Latvia have increased steadily over the past decade, with beverages and tobacco imports accounting for almost half of the total. The U.S. imported roughly $130 million worth of goods from Latvia in 2013, just 2.7% of extra-EU exports. The U.S. is a small supplier to Latvia as well, Latvia imported $108 million of U.S. goods in 2013, just 3.0% of Latvia's extra-EU imports.

Top Ten U.S. Imports from Latvia, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Lithuania & the United States

INVESTMENT AND TRADE FIGURES

Investment

Lithuania has yet to attract significant levels of U.S. foreign direct investment, however, as the Baltic states develop and become more integrated into the greater European market, U.S. investment flows are expected to increase. U.S. affiliates employed 1,428 workers in Lithuania in 2013, according to estimates.

Lithuania - U.S. Global Linkages, 2013 ($ billions)**

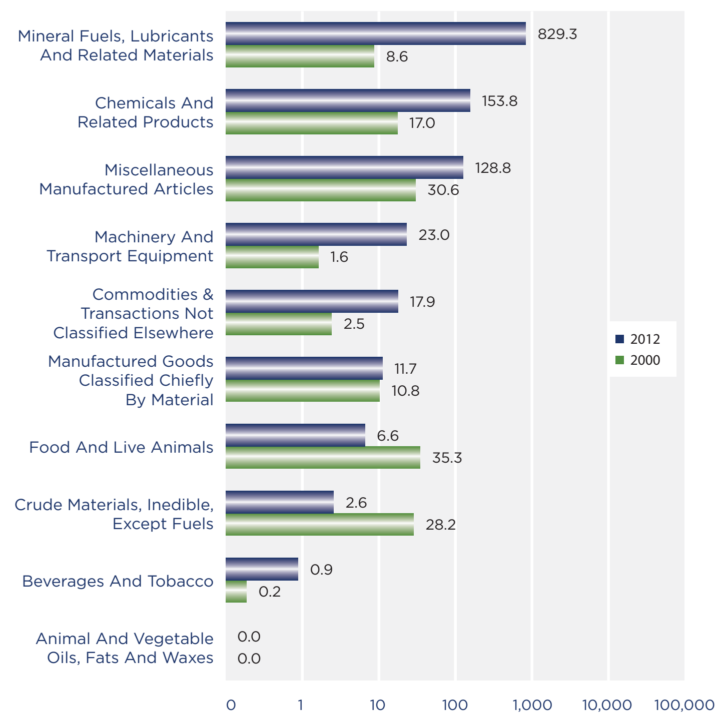
	U.S. in Lithuania	Lithuania in U.S.
Foreign Direct Investment*	-	-
Total Assets of Affiliates	0.30	-
Foreign Affiliate Sales	0.27	-
Value Added of Affiliates	-	-
Affiliate Employees	1,428	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Cross-border trade between these two countries has taken a hit in recent years. That said, bilateral trade has grown steadily over the longer-term. Although Lithuania's total exports to the world increased by 10.2% in 2013, Lithuanian exports to the U.S. doubled to $886 million, a new peak, but just 6.3% of the country's extra-EU exports. Mineral fuels and chemicals are the country's top exports to the U.S. Lithuanian imports from the U.S. fell 33% to $309 million in 2013, or only 2.3% of the country's extra-EU imports.

Top Ten U.S. Imports from Lithuania, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Luxembourg & the United States

INVESTMENT AND TRADE FIGURES

Investment

Investment between the U.S. and Luxembourg is skewed in favor of Luxembourg. The bulk of bilateral investment flows remain in financial services and related industries. Estimated U.S. affiliate sales in Luxembourg were roughly four times that of Luxembourg affiliates in the U.S. The employee balance favors the U.S. with more than double the amount of affiliate employees, according to 2013 estimates.

Luxembourg - U.S. Global Linkages, 2013 ($ billions)**

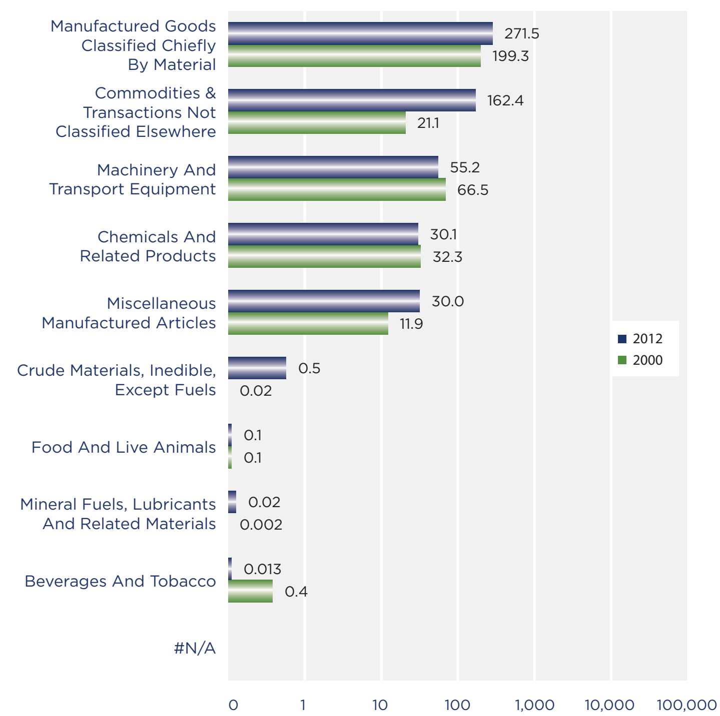
	U.S. in Luxembourg	Luxembourg in U.S.
Foreign Direct Investment*	416.3	201.6
Total Assets of Affiliates	1,769.7	23.2
Foreign Affiliate Sales	39.9	9.2
Value Added of Affiliates	4.5	2.4
Affiliate Employees	13,974	32,857

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Luxembourg's exports to the U.S. totaled $470 million in 2013, or 12.8% of extra-EU exports. Manufactured goods make almost half of U.S. imports from Luxembourg. Imports from the U.S. surged 46.7% since 2011 to a near-record $2.2 billion, 8.3% of the country's total imports and a staggering 39.6% of extra-EU imports.

Top Ten U.S. Imports from Luxembourg, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Malta & the United States

INVESTMENT AND TRADE FIGURES

Investment

Despite the country's tiny population (just 429,000 people), Malta has attracted a relatively large amount of foreign direct investment from the U.S. The country received $0.6 billion in U.S. investment in 2013 as well as jobs for roughly 1,632 workers, according to estimates.

Malta - U.S. Global Linkages, 2013 ($ billions)**

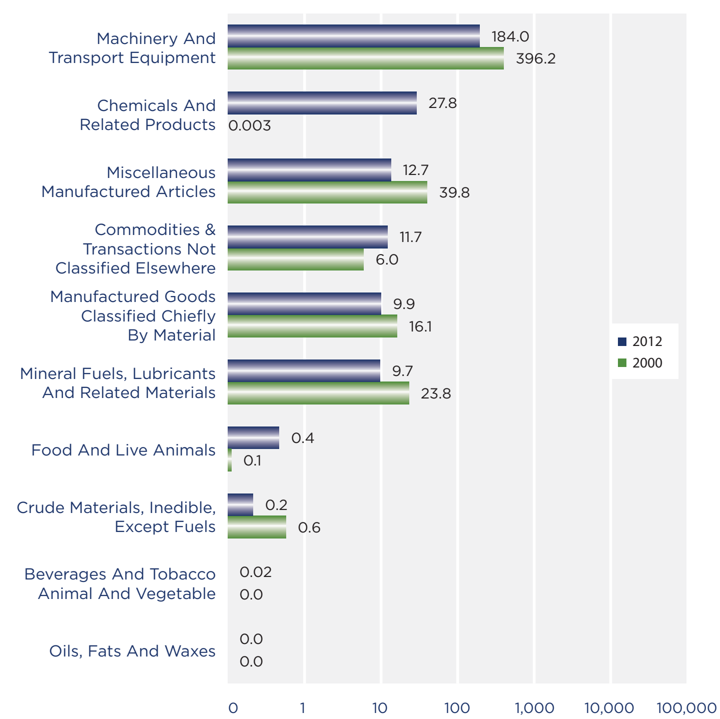
	U.S. in Malta	Malta in U.S.
Foreign Direct Investment*	0.6	-
Total Assets of Affiliates	7.5	-
Foreign Affiliate Sales	0.7	-
Value Added of Affiliates	-0.3	-
Affiliate Employees	1,632	208

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Trade between the two countries remains rather small. U.S. imports from Malta in 2013 were primarily concentrated in machinery and transport equipment followed by chemicals, which have increased from under $3,000 in 2000 to $26.3 million in 2013. Malta's imports from the U.S. totalled $164 million in 2013, 2.7% of total imports and 9.8% excluding intra-EU imports.

Top Ten U.S. Imports from Malta, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Netherlands & the United States

INVESTMENT AND TRADE FIGURES

Investment

Investment between the U.S. and the Netherlands is skewed toward the latter, with America's investment stake in the Netherlands over twice the amount of Dutch investment in the U.S. The U.S. is a prime foreign destination for Dutch firms, who recorded an estimated $266.4 billion in affiliate sales in the U.S. during 2013. The employment balance clearly favors the U.S. with the gap widening to over 165,000 jobs, according to estimates.

Netherlands - U.S. Global Linkages, 2013 ($ billions)**

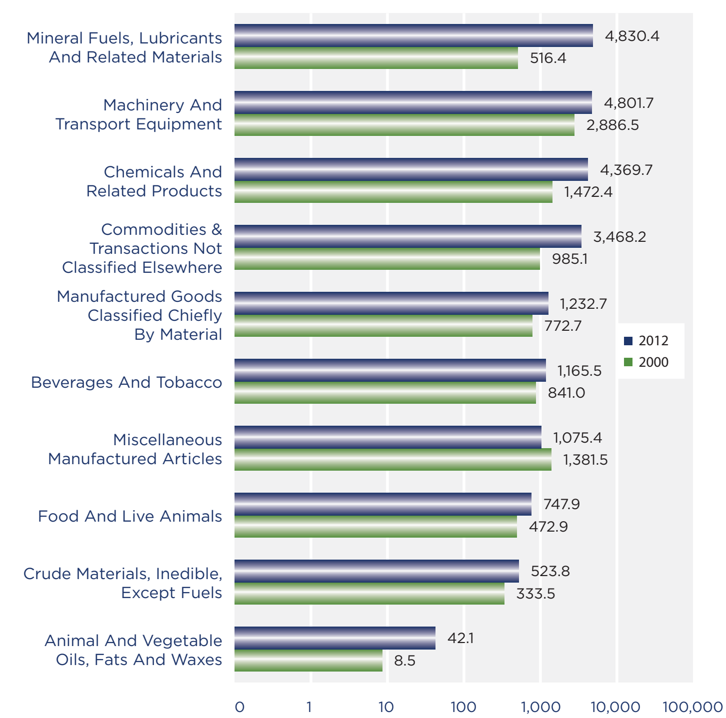
	U.S. in Netherlands	Netherlands in U.S.
Foreign Direct Investment*	722.8	273.9
Total Assets of Affiliates	2,043.4	857.7
Foreign Affiliate Sales	237.4	266.4
Value Added of Affiliates	33.8	40.0
Affiliate Employees	227,969	393,120

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. accounted for 3.2% of total exports from the Netherlands in 2013, and a share of 13.5% of total exports when intra-EU trade is excluded. Top exports were diversified across several capital-intensive industries. Regarding imports, the U.S. supplied 6.3% of total imports by the Netherlands in 2013, but the share rises to 11.8% after accounting for intra-EU trade.

Top Ten U.S. Imports from Netherlands, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Norway & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance favors Norway, with U.S. direct investment totaling $44.3 billion in 2013, almost double the amount of Norwegian direct investment in the U.S. The employment balance is heavily skewed in favor of Norway, with U.S. foreign affiliates employing over 45,000 Norwegian workers, or more than five times the number of U.S. jobs provided by Norwegian affiliates, according to estimates.

Norway - U.S. Global Linkages, 2013 ($ billions)**

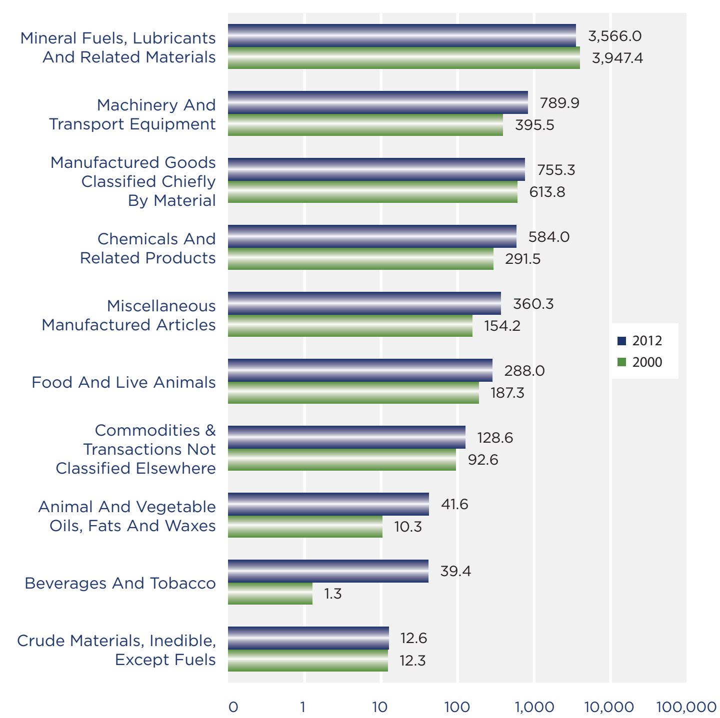
	U.S. in Norway	Norway in U.S.
Foreign Direct Investment*	44.3	26.1
Total Assets of Affiliates	155.9	65.0
Foreign Affiliate Sales	59.9	27.6
Value Added of Affiliates	31.5	3.9
Affiliate Employees	45,594	8,858

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Norwegian exports to the U.S. totaled $6.9 billion in 2013, and were skewed toward mineral fuels (i.e. petroleum products). The U.S. accounted for just 4.5% of total Norwegian exports, but made up nearly 24.2% of extra-EU exports. Imports from the U.S. into Norway totaled $5.3 billion, a new peak—that equates to 5.9% of total Norwegian imports or 16.6% excluding trade with the EU.

Top Ten U.S. Imports from Norway, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Poland & the United States

INVESTMENT AND TRADE FIGURES

Investment

As one of the largest markets in central Europe, Poland has attracted significant sums of market-seeking U.S. foreign direct investment. U.S. FDI in Poland was $13.5 billion in 2013, the highest level since 2007. At $65.0 billion, the U.S. asset base in Poland is significantly larger than America's asset base in small developed nations (Finland, Portugal, Greece, Austria) according to 2013 estimates. The estimated U.S. affiliate work force of roughly 160,000 workers ranks number one among EU13 countries, and by a wide margin. Polish affiliates in the U.S. have yet to make significant investments in the country.

Poland - U.S. Global Linkages, 2013 ($ billions)**

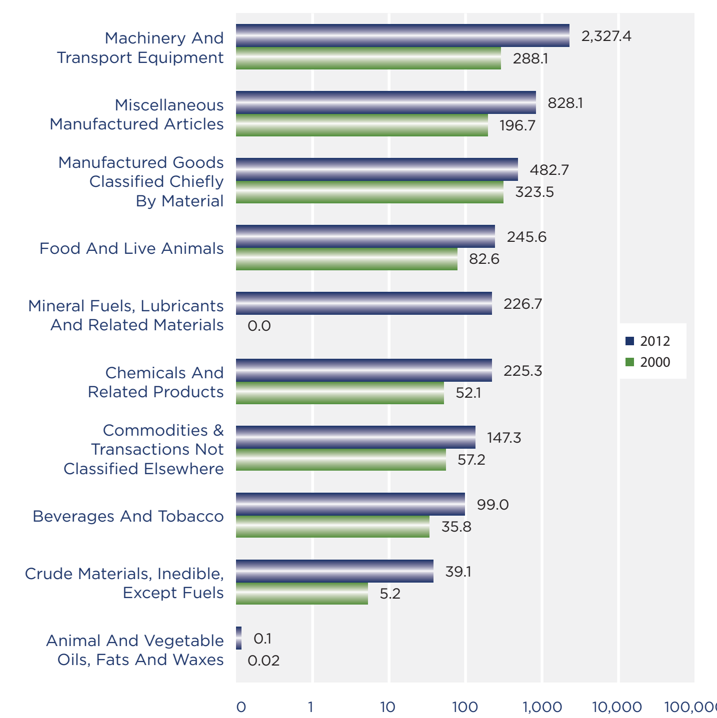
	U.S. in Poland	Poland in U.S.
Foreign Direct Investment*	13.5	0.25
Total Assets of Affiliates	65.0	-
Foreign Affiliate Sales	40.8	-
Value Added of Affiliates	13.9	-
Affiliate Employees	159,681	918

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Poland's exports to the U.S. have increased sharply over the past few years, more than tripling from $1 billion in 2000 to over $2 billion in 2006 and reaching its high of $3.5 billion in 2013. U.S. imports run the gamut - from heavy machinery, to chemicals, to agricultural products. In 2013, Polish imports from the U.S. increased to $2.8 billion, representing 5.2% of Poland's extra-EU imports. Poland's imports from the U.S. increased by 13.6% to $2.8 billion in 2013, accounting for 5.2% of extra-EU exports.

Top Ten U.S. Imports from Poland, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Portugal & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance is heavily favored towards Portugal. U.S. direct investment in Portugal totaled $2.0 billion in 2013, largely concentrated in manufacturing, wholesale trade and finance and insurance. U.S. affiliates employed an estimated 29,100 Portuguese workers in 2013 compared to Portugal's affiliate employment of just 612 Americans. Portugal's direct investment in the U.S. peaked in 2011 ($391 million), and has since fallen slightly to $363 million.

Portugal - U.S. Global Linkages, 2013 ($ billions)**

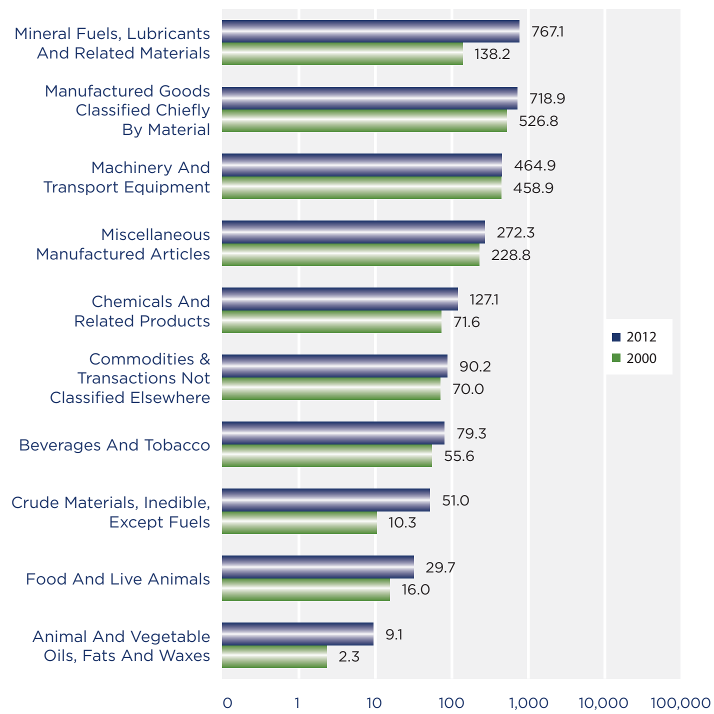
	U.S. in Portugal	Portugal in U.S.
Foreign Direct Investment*	2.0	0.36
Total Assets of Affiliates	48.6	11.18
Foreign Affiliate Sales	10.9	0.66
Value Added of Affiliates	3.8	0.35
Affiliate Employees	29,100	612

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Portuguese exports to the U.S. increased by 12.4% in 2013 to $2.6 billion, or 13.7% of extra-EU exports. Portugal's imports from the U.S. fell 7.0% in 2013 to $960 million, or 1.3% of total imports from the world and 4.6% excluding intra-EU imports, a significantly lower share than the 13% average in the 1990s.

Top Ten U.S. Imports from Portugal, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Romania & the United States

INVESTMENT AND TRADE FIGURES

Investment

America's asset base in Romania is rather small, with assets totaling an estimated $9.3 billion in 2013. U.S. affiliates employed an estimated 46,157 employees in 2013, placing Romania 4th among the EU13 countries in terms of jobs supported.

Romania - U.S. Global Linkages, 2013 ($ billions)**

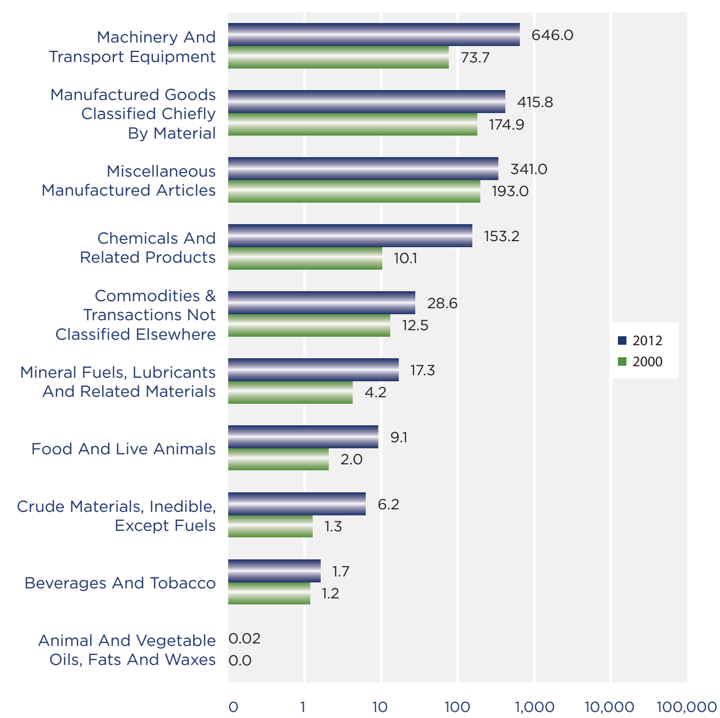
	U.S. in Romania	Romania in U.S.
Foreign Direct Investment*	1.8	0.050
Total Assets of Affiliates	9.3	0.003
Foreign Affiliate Sales	7.0	-
Value Added of Affiliates	2.0	0.001
Affiliate Employees	46,157	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Romania's exports to the U.S. totaled over $1 billion in 2013, representing just 1.6% of total world exports and 5.5% of a extra-EU trade. U.S. imports from Romania included machinery, transport equipment, and a variety of manufactured goods. The U.S. is a rather small supplier to Romania, totaling $800 million, decreasing 20% in 2013 from the previous year. The U.S. accounted for just 1.1% of the nation's total imports and 4.6% excluding intra-EU trade.

Top Ten U.S. Imports from Romania, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Slovakia & the United States

INVESTMENT AND TRADE FIGURES

Investment

America's asset base in Slovakia is small but expanding — total assets of U.S. affiliates amounted to $8.4 billion in 2013, while foreign affiliate sales reached $8.9 billion, according to estimates. Centered in the heart of central Europe, the nation is well positioned to capture U.S. investment in areas such as distribution, transportation, wholesale trade and other service-like activities. U.S. affiliates employed 38,658 workers in 2013, the 5th largest U.S. affiliate work force among the EU13 countries, according to estimates.

Slovakia - U.S. Global Linkages, 2013 ($ billions)**

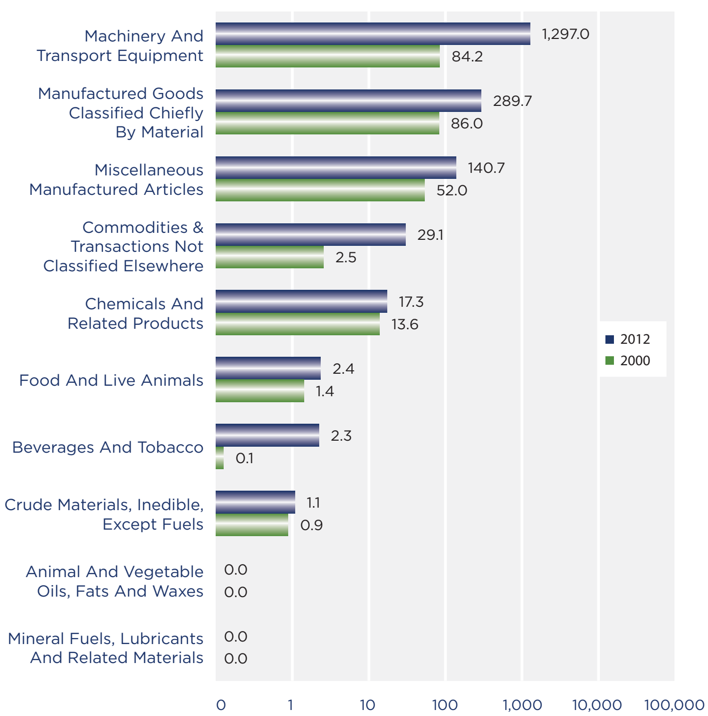
	U.S. in Slovakia	Slovakia in U.S.
Foreign Direct Investment*	0.7	0.015
Total Assets of Affiliates	8.4	0.001
Foreign Affiliate Sales	8.9	0.001
Value Added of Affiliates	2.0	-0.001
Affiliate Employees	38,658	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

In 2013, Slovakia's exports to the U.S. registered $673 million, a decrease of 7.0% from 2012 but still well below its 2007 high of $1.4 billion. Imports from the U.S. were $329 million in 2013.

Top Ten U.S. Imports from Slovakia, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Slovenia & the United States

INVESTMENT AND TRADE FIGURES

Investment

Slovenia has experienced a gradual rise in U.S. foreign investment over the past few years. Total assets of U.S. foreign affiliates reached $1.0 billion in 2013, according to estimates. U.S. affiliates employed 4,700 workers in 2013, placing Slovenia 6th out of the EU13 countries in terms of employment, according to estimates. The country is expected to emerge as a bridge to the Balkan states over the next decade.

Slovenia - U.S. Global Linkages, 2013 ($ billions)**

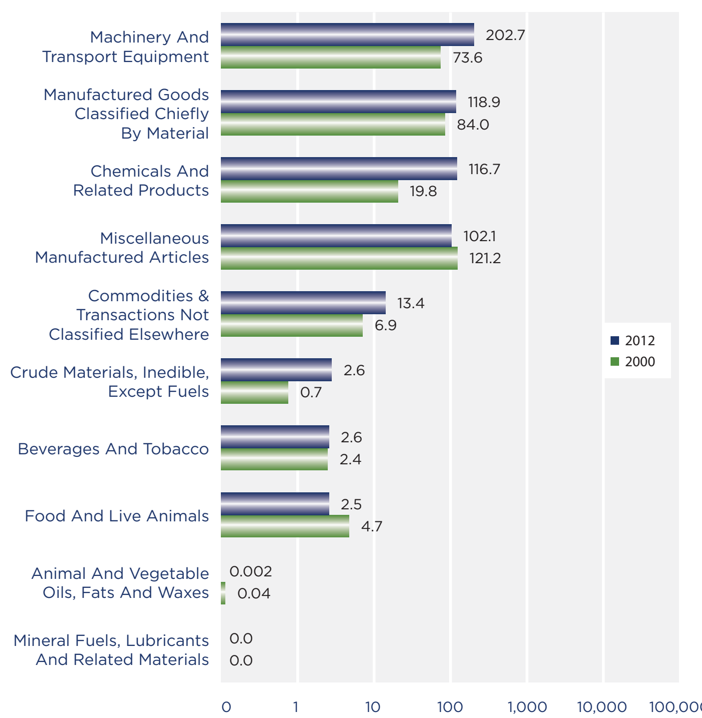
	U.S. in Slovenia	Slovenia in U.S.
Foreign Direct Investment*	-	-
Total Assets of Affiliates	1.0	-
Foreign Affiliate Sales	1.0	0.003
Value Added of Affiliates	0.5	-
Affiliate Employees	4,700	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Exports from Slovenia to the U.S. totaled $475 million in 2013, up 11% from 2012. U.S. Imports from Slovenia included machinery and transport equipment, chemicals, and various other manufactured goods. Slovenia imported only 1.8% of the country's total imports from the U.S. or 6.1% excluding intra-EU trade in 2013.

Top Ten U.S. Imports from Slovenia, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Spain & the United States

INVESTMENT AND TRADE FIGURES

Investment

Since 2011, the investment balance shifted in favor of the U.S., as Spain's economy was squeezed by a severe recession and resulting austerity measures. U.S. direct investment in Spain was $31.4 billion in 2013, up from $29.9 billion in 2012, which was the lowest level since 2001. In contrast, the U.S., originally not a strategic priority to Spanish firms, has seen foreign direct investment stock grow 10-fold over the last decade. Spanish investment in the U.S. has increased every year since since 2002. Estimates show the employment balance is skewed in favor of Spain, by a ratio of roughly 2:1.

Spain - U.S. Global Linkages, 2013 ($ billions)**

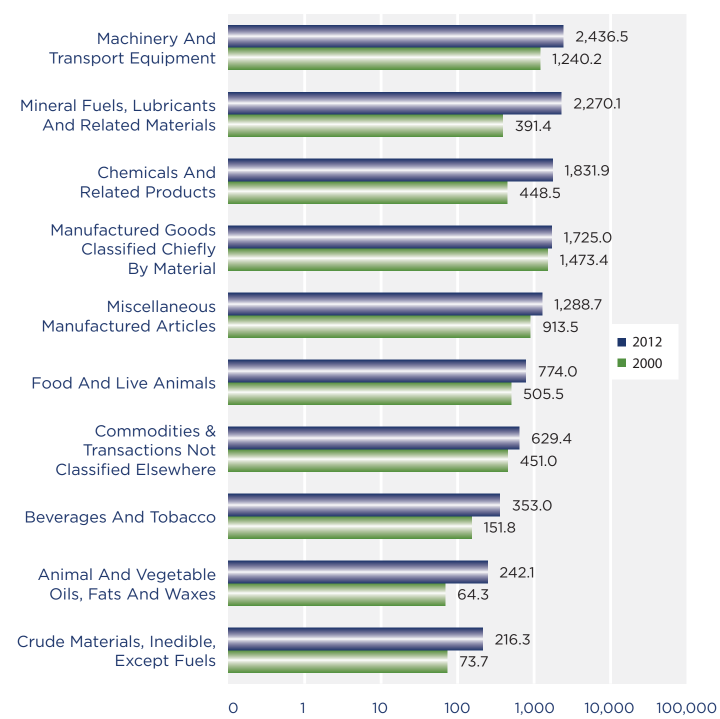
	U.S. in Spain	Spain in U.S.
Foreign Direct Investment*	31.4	48.5
Total Assets of Affiliates	144.6	315.6
Foreign Affiliate Sales	78.1	40.8
Value Added of Affiliates	13.9	7.7
Affiliate Employees	172,407	72,624

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

The U.S. received $10.0 billion worth of goods, or 3.3% of total exports from Spain in 2013, but a share of 9.0% of total exports when intra-EU trade is excluded. The U.S. supplied only 3.0% of total imports by Spain in 2013, although the share rises to 6.7% after accounting for intra-EU trade.

Top Ten U.S. Imports from Spain, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Sweden & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance favors the U.S., with Swedish direct investment in the U.S. totaling $44.4 billion, while U.S. firms invested $36.5 billion in Sweden in 2013. However, Sweden's value added of affiliates exceeded that of U.S. affiliates. The employment balance is heavily in favor of the United States, according to 2013 estimates.

Sweden - U.S. Global Linkages, 2013 ($ billions)**

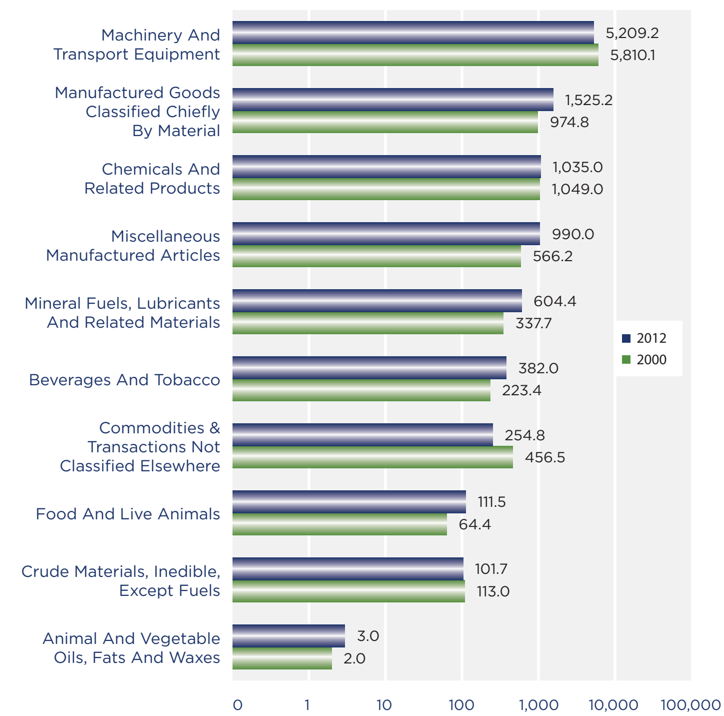
	U.S. in Sweden	Sweden in U.S.
Foreign Direct Investment*	36.5	44.4
Total Assets of Affiliates	129.9	128.2
Foreign Affiliate Sales	36.2	61.0
Value Added of Affiliates	8.6	16.6
Affiliate Employees	72,522	192,102

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

U.S. imports from Sweden fell to $8.8 billion in 2013, accounting for 5.5% of Sweden's total exports and 13.8% of the total excluding intra-EU trade. Sweden imports $4.1 billion from the U.S., accounting for 2.6% of Sweden's total imports in 2013, although the share rises to 8.5% excluding intra-EU imports.

Top Ten U.S. Imports from Sweden, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Switzerland & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance favors the U.S.—direct investment in Switzerland totaled $129.8 billion in 2013 versus $209.4 billion of Swiss investment in the U.S. Switzerland has one of the largest asset bases in the U.S. of any country at $1.5 trillion (mainly in services like insurance and financial services), according to 2013 estimates. Estimates show the employment balance significantly favors the United States.

Switzerland - U.S. Global Linkages, 2013 ($ billions)**

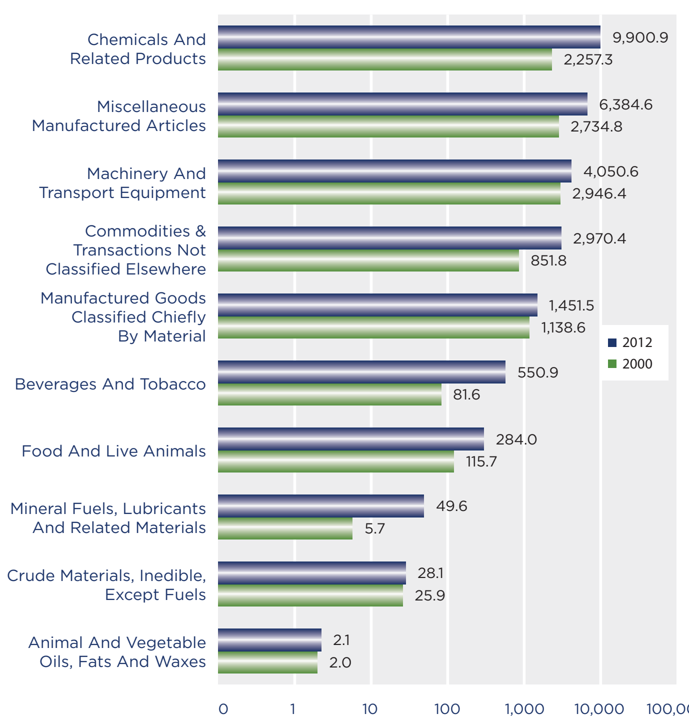
	U.S. in Switzerland	Switzerland in U.S.
Foreign Direct Investment*	129.8	209.4
Total Assets of Affiliates	705.7	1,498.8
Foreign Affiliate Sales	302.5	214.5
Value Added of Affiliates	38.3	74.6
Affiliate Employees	90,270	486,366

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Although Switzerland's total exports fell 1.4% in 2013, exports to the U.S. increased 6.8%, hitting a record $26.8 billion, representing 11.7% of total exports, and 26.0% when taken as a share of exports to regions outside the EU. In the same year, Switzerland imported American goods worth $12.3 billion, also a record, accounting for 6.1% of the global total, yet when imports from the EU were excluded, U.S. goods comprised 22.5% of Swiss imports.

Top Ten U.S. Imports from Switzerland, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Turkey & the United States

INVESTMENT AND TRADE FIGURES

Investment

The investment balance favors Turkey — the U.S. had $5.3 billion of foreign direct investment in Turkey in 2013 vs. Turkey's $838 million investment in the U.S. According to 2013 estimates, affiliates of U.S. multinationals had assets of $22.8 billion in Turkey compared to Turkey's affiliate asset base of only $2.3 billion in the U.S. In 2013, U.S. affiliates employed a record 49,440 workers in Turkey, according to estimates.

Turkey - U.S. Global Linkages, 2013 ($ billions)**

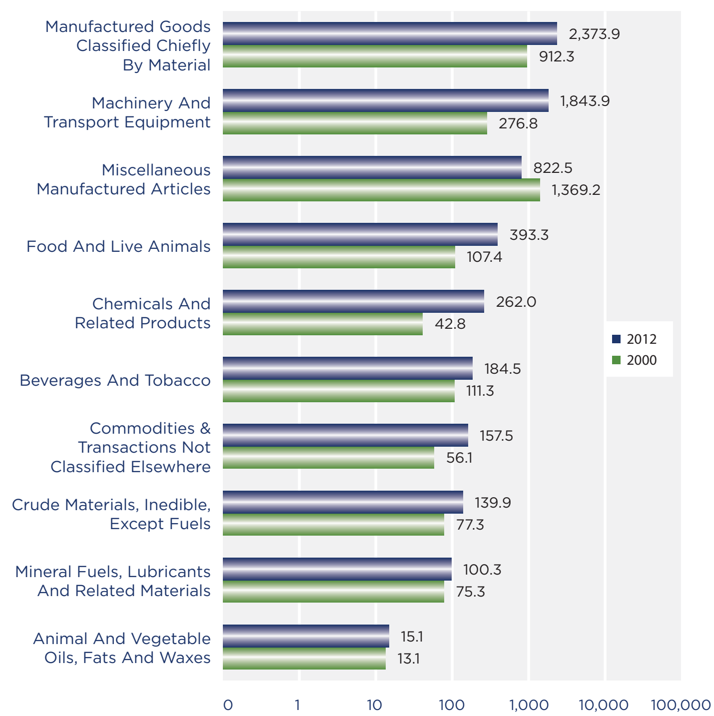
	U.S. in Turkey	Turkey in U.S.
Foreign Direct Investment*	5.3	0.8
Total Assets of Affiliates	22.8	2.3
Foreign Affiliate Sales	24.5	0.5
Value Added of Affiliates	9.2	0.2
Affiliate Employees	49,440	-

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Turkey's exports to the U.S. totaled $5.7 billion in 2013, 3.8% of total exports and 6.4% when intra-EU exports are excluded. Top exports to the U.S. include manufactured goods and machinery and transport equipment. Turkish imports from the U.S. have more than tripled since 2000, reaching a high of $16.0 billion in 2011, but falling to $12.6 billion in 2013, accounting for 7.9% of imports excluding intra-EU trade.

Top Ten U.S. Imports from Turkey, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

United Kingdom & the United States

INVESTMENT AND TRADE FIGURES

Investment

The U.S.-UK investment balance is fairly even, however the U.S. had a larger net cross-border impact in 2013. U.S. foreign direct investment in the United Kingdom totaled a record $571.0 billion in 2013, as the UK's foreign direct investment in the U.S. also rose to a record $518.6 billion. Estimated sales of American and British affiliates totaled more than $1.3 trillion in 2013. U.S. affiliates employed over 1.2 million workers in the UK while UK affiliates employed roughly 987,000 Americans, according to 2013 estimates.

United Kingdom - U.S. Global Linkages, 2013 ($ billions)**

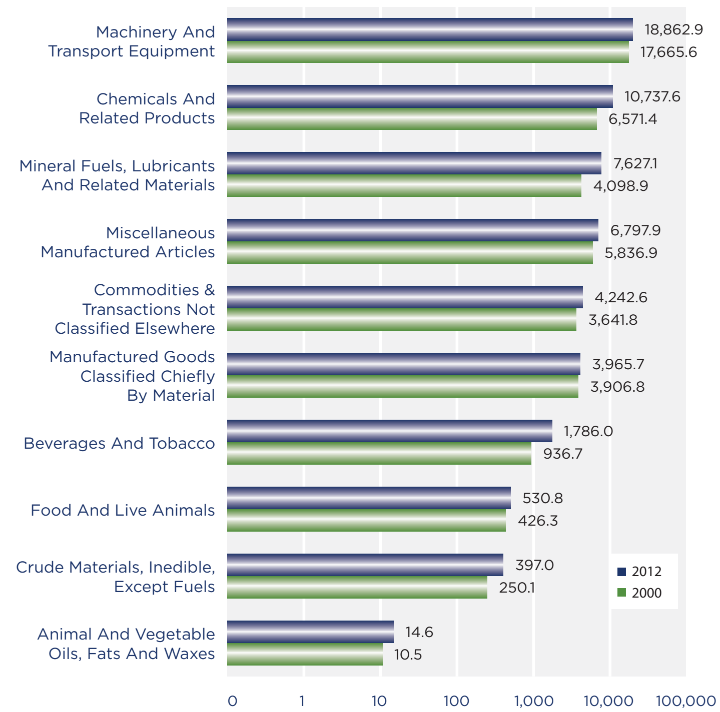
	U.S. in United Kingdom	United Kingdom in U.S.
Foreign Direct Investment*	571.0	518.6
Total Assets of Affiliates	4,973.8	2,390.0
Foreign Affiliate Sales	691.7	610.3
Value Added of Affiliates	180.1	142.1
Affiliate Employees	1,273,164	986,973

* Based on a historic-cost basis.
**Assets, sales, value added and employees data are estimates. All data are for majority-owned bank and nonbank affiliates.

Trade

Bilateral trade flows are strong between the UK and the United States. Exports to the U.S. totaled $43.7 billion in 2013, 8.8% of total UK exports and 16.3% when intra-EU exports are excluded. Top exports to the U.S. include heavy machinery and chemical products. The U.S. was similiarly a key supplier to the UK in 2013, with $34.6 billion in imports from the U.S accounting for 12.0% of UK imports excluding intra-EU trade."

Top Ten U.S. Imports from United Kingdom, 2013 (in $ millions)



Source: Bureau of Economic Analysis; International Monetary Fund; Office of Trade and Industry Information

Notes on Terms, Data and Sources

EMPLOYMENT, INVESTMENT, AND TRADE LINKAGES FOR THE 50 U.S. STATES AND EUROPE

Data for investment as well as investment-related jobs are from the U.S. Commerce Department's Bureau of Economic Analysis. Investment data measure gross property, plant, and equipment of affiliates. Europe includes Belgium, France, Germany, Italy, Netherlands, Sweden, Switzerland, and the United Kingdom. Trade data are from the International Trade Administration's Office of Trade and Industry Information at the U.S. Commerce Department. Europe includes Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Georgia, Gibraltar, Greece, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russia, San Marino, Serbia, Slovakia, Slovenia, Spain, Svalbard, Sweden, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom, Vatican City. The top ten exports to Europe bar chart employs a logarithmic scale to facilitate cross state comparisons.

INVESTMENT AND TRADE FOR THE EU 28, NORWAY, SWITZERLAND, TURKEY AND THE U.S.

Investment data are from the Bureau of Economic Analysis. Trade data are from the IMF Trade Statistics. Data for the top ten U.S. imports bar charts are from the Office of Trade and Industry Information of the International Trade Administration. They employ logarithmic scales to facilitate cross-country comparisons.

TERMS

Throughout this report, the term "EU" refers to all 28 member states of the European Union. The term EU15 refers to the older EU member states: the United Kingdom, Ireland, Belgium, Luxembourg, the Netherlands, Austria, Spain, Italy, Greece, France, Germany, Portugal, Sweden, Finland, and Denmark. The term EU12 refers to the newer EU member states: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Malta, Cyprus, Romania and Bulgaria. EU12 data does not include Croatia, which on July 1, 2013 became the 28th member state of the European Union. EU13 refers to the EU12 plus Croatia.

In addition to the above, the term "Europe" in this report refers to the following: all 28 members of the European Union plus Russia, Turkey, Switzerland, Albania, Andorra, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Gibraltar, Greenland, Iceland, Kazakhstan, Kyrgyzstan, Macedonia, Malta, Moldova, Monaco, Montenegro, Serbia, Tajikistan, Turkmenistan, Union of Soviet Socialist Republics, Uzbekistan.

About the Authors

DANIEL S. HAMILTON and **JOSEPH P. QUINLAN** have been producing *The Transatlantic Economy* annual survey since 2004. They have authored and edited a series of award-winning books and articles on the modern transatlantic economy, including *Atlantic Rising: Changing Commercial Dynamics in the Atlantic Basin* (2014); *Germany and Globalization* (2009); *France and Globalization* (2009); *Globalization and Europe: Prospering in a New Whirled Order* (2008); *Sleeping Giant: Awakening the Transatlantic Services Economy* (2007); *Protecting Our Prosperity: Ensuring Both National Security and the Benefits of Foreign Investment in the United States* (2006); *Deep Integration: How Transatlantic Markets are Leading Globalization (2005); and Partners in Prosperity: The Changing Geography of the Transatlantic Economy* (2004). Together they were recipients of the 2007 Transatlantic Leadership Award by the European-American Business Council and the 2006 Transatlantic Business Award by the American Chamber of Commerce to the European Union.

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THE TRANSATLANTIC ECONOMY 2015

DANIEL S. HAMILTON
AND JOSEPH P. QUINLAN

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

The Transatlantic Economy 2015 annual survey offers the most up-to-date set of facts and figures describing the deep economic integration binding Europe and the United States. It documents European-sourced jobs, trade and investment in each of the 50 U.S. states, and U.S.-sourced jobs, trade and investment in each member state of the European Union and other European countries. It reviews key headline trends and helps readers understand the distinctive nature of transatlantic economic relations.

Key sectors of the transatlantic economy are integrating as never before. The Transatlantic Trade and Investment Partnership currently being negotiated across the Atlantic could transform the U.S-European relationship. Europeans and Americans have become so intertwined that they are literally in each other's business. These linkages underpin a multi-trillion dollar economy that generates millions of jobs on both sides of the Atlantic.

The Transatlantic Economy 2014 offers a clear picture of the 'deep integration' forces shaping the U.S.-European economic relationship today; explains how TTIP and transatlantic flows of investment, goods and services, people and ideas affect local communities on each side of the Atlantic; shows how these interdependencies have shifted in recent years; and suggests how decision-makers can address the accompanying opportunities and challenges.

In the context of today's debates about jobs, competitiveness, financial crisis, changing economic fortunes and rising powers, **The Transatlantic Economy 2015** provides key insights about the United States and Europe in the global economy, with often counterintuitive connections with important implications for policymakers, business leaders, and local officials.

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$20.00
ISBN 978-0-9907720-4-0
52000>
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