



## FRANCE AND THE UNITED STATES: A DEEP AND MUTUALLY BENEFICIAL ECONOMIC RELATIONSHIP

April 2017

*France and the United States, in addition to their strong relationship at the political level, have deep economic ties that are mutually beneficial. These trade and investment flows support growth, jobs and innovation in both countries.*

### A DEEP ECONOMIC RELATIONSHIP

**1. Trade in goods and services between the two countries reached \$120 billion in 2016, according to Eurostat.** These trade flows are on an upward trend. Trade in goods reached \$69 billion in 2016, while trade in services amounted to \$52 billion in 2015. Furthermore, the bilateral trade balance is close to equilibrium. France had a \$3.6 billion trade surplus with the U.S. in 2016 (0.1% of French GDP and less than 0.02% of U.S. GDP).

**2. The energy and aeronautics sectors accounted for one third of these exchanges.** Trade flows between the two countries include all kinds of goods and services, which reflects the breadth of each country's economic production. According to Eurostat data, the United States has a surplus for certain goods such as machines and electrical and electronic equipment (\$2.5 billion), aeronautics (\$1.7 billion) and energy (\$1.6 billion), whereas France has a surplus in wine and liquors (\$3.2 billion), pharmaceuticals (\$1.1 billion) and cosmetics (\$1.1 billion).

**3. Texas and California are at the heart of this bilateral trade relationship.** Every U.S. state and every French region participates in these trade flows, with differences that reflect their respective economic weight and industry specializations. Texas is the main exporter of goods to France, notably as a result of its energy industry, whereas California is the first importer of goods from France. Similarly, the regions of Ile-de-France (Paris region) and of Occitanie (Southwest) are particularly involved in this relationship –the latter due to its aeronautics industry.

### BILATERAL FOREIGN DIRECT INVESTMENTS SUPPORT GROWTH AND JOB CREATION

**4. Bilateral direct investments are key to the French-U.S. economic relationship.** In 2015, the French direct investment position in the US reached \$251 billion, and the American direct investment position in France amounted to \$80 billion, according to the Bureau of Economic Analysis (BEA). The U.S. is the main foreign investor in France, while France is the 5<sup>th</sup> investor in the U.S. Foreign direct investment flows further reinforce these strong ties: new French investments in the U.S. in 2015 were the highest among EU Member States, and France was the second largest recipient of U.S. FDI in the EU.

**Table 1: FDI in the U.S., in billion USD**

	Stocks	... including manufacturing
United Kingdom	569	232
Japan	414	128
Canada	341	60
Germany	318	133
France	251	106
Ireland	201	165
Switzerland	144	79

Source: BEA, 2015, by Country of Ultimate Beneficial Owner

**5. A large number of jobs depend on this bilateral investment relationship.** There are 4,800 French subsidiaries in the U.S. (according to Orbis) employing about 575,000 people in total. In 2015, France was the second source of job-creating FDI (96,000, according to the BEA) – a close second to Canada. Most of these subsidiaries have put in place programs to promote local hiring practices, particularly for veterans. Similarly, the 4,600 subsidiaries of American firms in France employed 444,000 workers in 2014.

**Table 2: FDI-supported jobs in the U.S.**

	U.S. jobs	... including manufacturing
United Kingdom	1,100,000	250,000
Japan	840,000	380,000
Canada	620,000	240,000
Germany	670,000	315,000
France	575,000	205,000
Switzerland	460,000	195,000

Source: Bureau of Economic Analysis, 2014

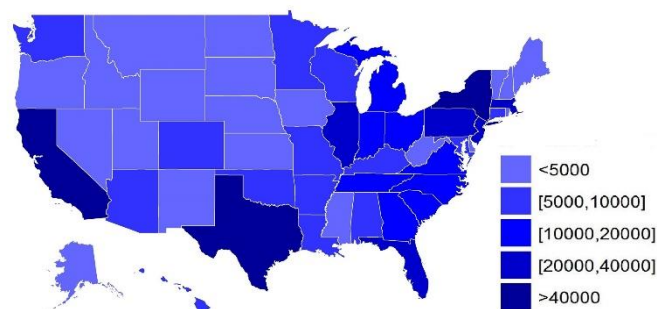
**6. American and French subsidiaries are of key importance to each country’s exports.** French-affiliated firms in the U.S. export \$23 billion in goods to third countries every year (BEA). Similarly, American subsidiaries in France benefit from an unrivalled access to European and African markets, and export approximately \$40 billion to these regions annually. According to the Kantar Public research institute, 89% of foreign firms based in France consider France as a key export hub to Europe and 81% to Africa.

**7. While every economic sector benefits from French-American bilateral investments, the U.S. manufacturing sector is the main beneficiary of French FDI.** It accounts for 40% of French FDI in the U.S., with

\$106 billion in investment stock and 205,000 direct jobs in the U.S., according to the BEA.

**8. The positive impacts of these FDI flows are distributed all over the U.S.** The states of California, New York and Texas attract both the largest percentage of French FDI as well as the most job-creating FDI, as a result of their economic importance. However, all U.S. states benefit from this investment relationship, as shown in the graph below. Similarly, all French regions benefit from U.S. FDI.

**Graph 1: Jobs created by French FDI**



Source: Bureau of Economic Analysis, 2014

**A RELATIONSHIP FOCUSED ON THE KNOWLEDGE ECONOMY**

**9. R&D is at the heart of our economic partnership.** The U.S. is the main investor in R&D in France (accounting for 16% of total foreign R&D investment according to MENESR), and French subsidiaries spend \$7 billion in R&D annually (12% of total foreign R&D investment in the U.S., as reported by the BEA). According to the American Chamber of Commerce in France, 81% of American investors consider France to be an attractive destination in the digital sector. In 2015, French companies filed 421 patents in the U.S., and American firms filed 212 patents in France.

**10. These economic ties are further strengthened by a partnership in the field of innovation.** Since 2014, the U.S. Department of Commerce and the French Ministry of the Economy and of Finance have been organizing an annual bilateral economic dialogue. This culminated in 2016 in the drafting of a French-American action plan on “advanced manufacturing”, with joint actions to be taken on training and studies of self-driving vehicles, 3D printing and Internet of Things.