

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

April 2018

*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 \$139 billion in 2017, up 16 % from 2016<sup>1</sup>.** According to Eurostat, trade in goods reached \$77 billion in 2017, while trade in services amounted to \$62 Bn. Furthermore, the bilateral trade balance stays close to equilibrium. France had a \$6 billion trade surplus with the U.S. in 2016 (0.2% of French GDP and less than 0.03% of U.S. GDP). (source : Eurostat).

**2. Transportation equipment accounted for close to half of these exchanges.** Trade flows between the two countries include all kinds of goods and services, which reflects the breadth of exchanges between the two economies. According to Eurostat data, the United States has a surplus for certain goods such as transportation equipment (\$1.6 billion) and energy (\$2.3 billion), whereas France has a surplus in wine and liquors (\$3.4 billion), perfumes and cosmetics (\$1.5 billion) and pharmaceutical products (\$1.2 billion).

**3. Every U.S. state participates in these trade flows,** with differences that reflect their respective economic weight and industry specializations. California is the main exporter of goods to France, followed by Texas, notably as a

result of its energy industry, whereas New York state and New Jersey are the main importers of goods from France. Similarly, the regions of Ile-de-France (Paris region), Auvergne-Rhône-Alpes (Lyon region) and 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 2016, the French direct investment position in the U.S. reached \$268 billion, and the American direct investment position in France amounted to \$78 billion, according to the U.S. Bureau of Economic Analysis (BEA). The U.S. is the main foreign investor in France, while France is the 6<sup>th</sup> investor in the U.S. Foreign direct investment flows further reinforce these strong ties: new French investments in the U.S. amounted to \$19 billion in 2016, the world's 5<sup>th</sup> source, higher than Japan or Germany, while France attracted \$1.9 billion of U.S. investments over the same period.

**Table 1: FDI in the U.S. (\$ Bn)**

|                | Position   | ... of which manufacturing |
|----------------|------------|----------------------------|
| United Kingdom | 598        | 257                        |
| Canada         | 454        | 126                        |
| Japan          | 424        | 139                        |
| Germany        | 373        | 146                        |
| Ireland        | 280        | 200                        |
| <b>France</b>  | <b>268</b> | <b>127</b>                 |
| Switzerland    | 197        | 88                         |

Source: U.S. BEA, 2016, by ultimate beneficial owner

<sup>1</sup> There are some variations on France-U.S. trade data between the U.S. Census Bureau and French Customs. For the part of the report covering the whole U.S. territory, we have chosen to use data coming from Eurostat, the European Union's statistical office. It offers a harmonized set of data on E.U.-U.S. for each Member State that mitigates methodological variation and quasi-transit effect. However, for state-by-state trade with France and France's sub-regional trade, we use respectively U.S. Census Bureau and French Customs data, as they are the sole sources for these figures.

**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 678,000 people in total, according to BEA's latest data covering 2015, making

**France the 3<sup>rd</sup> foreign source of jobs in the U.S.** In 2016, French FDI created an extra 27,000 jobs in the U.S. (source: BEA). Conversely, the 4,600 U.S. affiliated firms in France employed 478,000 people (source: BEA) and U.S. FDI created 7,000 jobs in 2017 (source: Business France).

**Table 2: jobs created by FDI in the U.S.**

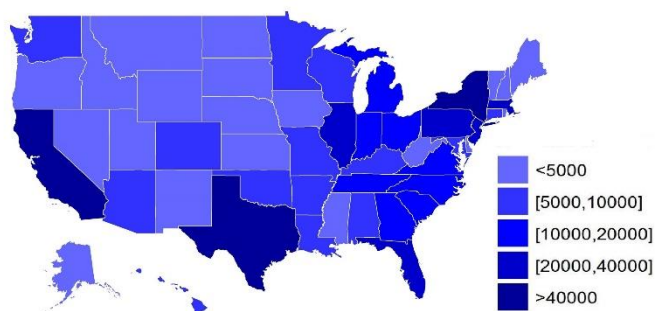
|                       | <i>Jobs in the U.S. (1,000)</i> | <i>... of which manu-<br/>facturing</i> |
|-----------------------|---------------------------------|---|
| <i>United Kingdom</i> | 1 140                           | 193                                     |
| <i>Japan</i>          | 856                             | 632                                     |
| <b>France</b>         | <b>678</b>                      | <b>194</b>                              |
| <i>Germany</i>        | 674                             | 249                                     |
| <i>Canada</i>         | 636                             | 116                                     |
| <i>Switzerland</i>    | 468                             | 166                                     |

Source: U.S. BEA, 2015, by ultimate beneficial owner

**6. The U.S. manufacturing sector is the main beneficiary of French FDI.** All industries benefit from bilateral investment, but the manufacturing sector accounted for 47 % of the French FDI to the U.S., creating 194,000 direct jobs, according to BEA. The manufacturing sector is also the first target for U.S. FDI to France, accounting for 27 % of its total and 195,000 jobs.

**7. 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 map below. Similarly, all French regions benefit from U.S. FDI.

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



Source: U.S. Bureau of Economic Analysis, 2015

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**8. American and French subsidiaries are of key importance to each country's exports.**

French-affiliated firms in the U.S. export \$22 billion in goods to third countries every year (source: 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, 88 % of foreign firms based in France consider France as a key export hub to Europe and Africa and 93 % export to those markets.

**A RELATIONSHIP GEARED FOR INNOVATION**

**9. R&D is at the heart of our economic partnership.** The U.S. accounted in 2017 for a quarter of new R&D projects in France (source: Business France) and U.S. affiliated companies invest \$2 billion in French R&D on an annual basis. Conversely, French companies invest \$5 billion every year in the U.S. on R&D (source: BEA). 89 % of French companies' R&D in the U.S. covers the manufacturing sector and France is the main source of foreign R&D in electronics and IT products. Many French companies partner with university research centers and Department of Defense laboratories. Every year, French companies in the U.S. and U.S. companies in France file around 50,000 patents.

**10. Industrial partnerships in technology intensive fields.** French companies are historically very present in U.S. high-technology fields, such as defense, security and biometry, as well as advanced manufacturing. Conversely, in 2017, 28 % of U.S. investment projects in France were in high-tech sectors, and the U.S. accounted for 35 % of investments in this field. In early 2018, several major U.S. tech companies announced they would open their European research hubs in France in the fields of artificial intelligence and cybersecurity. According to the American Chamber of Commerce in France, 96 % of American investors consider France to be an attractive destination in the digital sector.

▪ Find more on the France-U.S. economic ties state by state on: [frenchtreasuryintheus.org](http://frenchtreasuryintheus.org)

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