

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

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France and the United States 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 between the two countries reached \$79 billion in 2018, up 2.6 % from 2016¹, according to Eurostat. The latest available data for both goods and services cover 2017, with a \$139 billion total trade volume, of which \$77 billion was for goods and \$62 billion for services. In 2018, France was the 4th export destination and the 3rd trade partner for the U.S. among European countries. France's trade surplus for goods reached \$12 billion in 2018, close to twice its 2017 level according to Eurostat. This increase is notably due to the growth of French exports in chemical and pharmaceutical products (up \$1.4 billion, mostly medication) and in machines and transportation equipment (up \$3 billion, mostly ships and boats).

2. Machines and transportation equipment accounted for close to half of goods exchanged. 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 energy (\$2.8 billion), whereas France has a surplus in wine and liquors (\$3.7 billion), and pharmaceutical products (\$3.3 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 last 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 2017, the French direct investment position in the U.S. reached \$302 billion, and the American direct investment position in France amounted to \$86 billion, according to the U.S. Bureau of Economic Analysis (BEA). The U.S. is the main foreign investor in France and the main destination for French direct investment, while France is the 6th investor in the U.S. Foreign direct investment flows further reinforce these strong ties: new French investments in the U.S. amounted to \$23 billion in 2017, the world's 4th source, higher than Germany, while France attracted \$2.7 billion of U.S. investments over the same period.

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

	Position	... of which manufacturing
United Kingdom	615	259
Canada	524	126
Japan	477	156
Germany	406	170
Ireland	329	224
France	302	153
Switzerland	202	99

Source: U.S. BEA, 2017, by 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 728,500 people in total, according to BEA's latest data covering 2016, making **France**

¹ There are some variations on France-U.S. trade data between data sources. The trade surplus for France is for instance valued around \$4 Bn by French Customs, \$12 Bn by Eurostat and \$16 Bn by the U.S. Bureau of Economic Analysis. Eurostat 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.

the 3rd foreign source of jobs in the U.S. In 2017, French FDI created an extra 47,500 jobs in the U.S. (source: BEA). Conversely, the 4,600 U.S. affiliated firms in France employed 481,000 people (source: BEA) making them the largest foreign source of jobs in France.

Table 2: jobs created by FDI in the U.S
Jobs in the U.S. (1,000) ... of which manu-
facturing

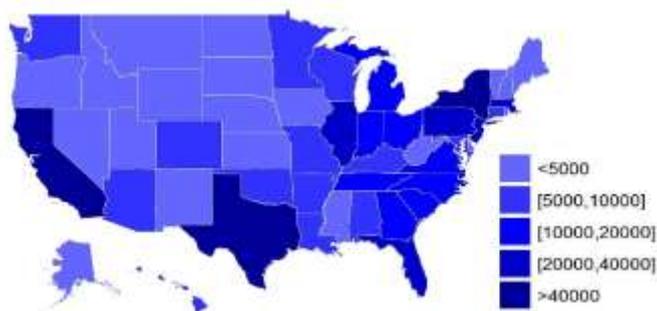
United Kingdom	1 140	193
Japan	856	632
France	678	194
Germany	674	249
Canada	636	116
Switzerland	468	166

Source: U.S. BEA, 2016, 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 51 % of the French FDI to the U.S., creating 213,300 direct jobs, according to BEA. The manufacturing sector is also the first target for U.S. FDI to France, accounting for 30 % of its total and 197,200 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, 2016

8. American and French subsidiaries are of key importance to each country's exports. French-affiliated firms in the U.S. export \$26 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. U.S. affiliated companies are the first foreign source of R&D investment in France, with around \$2 billion spent annually. Conversely, French companies invest \$5 billion every year in the U.S. on R&D (source: BEA). 90 % 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 technologically 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 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, 92 % of American investors consider France to be an attractive destination in the digital sector.

▪ Find more on France-U.S. economic ties state-by-state at: frenchtreasuryintheus.org

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