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FRANCE AND THE UNITED STATES: A STRONG, DYNAMIC

AND HIGHLY INTEGRATED ECONOMIC RELATIONSHIP

A REPORT PREPARED BY THE ECONOMIC DEPARTMENT OF THE FRENCH EMBASSY IN THE UNITED STATES

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The United States and France have deep economic ties that are mutually beneficial. These trade and investment flows support growth, jobs and innovation in both countries

1 A dynamic trade relationship

Trade in goods between France and the United States reached \$95.8 billion in 2019, up 6.5 % from 2018¹, according to the U.S. Bureau of Economic Analysis (BEA). The latest available data for both goods and services cover 2019, with a \$139 billion total trade volume, of which \$95.4 billion was for goods and \$42.8 billion for services. In 2019, France was the third largest trading partner of the U.S. among European countries. France's trade surplus for goods reached \$20 billion in 2019 while the United States enjoyed a trade surplus in services worth \$2 billion.

Trade flows between the two countries include all kinds of goods and services, reflecting the breadth of exchanges between the two economies. From a sector-wide perspective,

¹ There are some variations on France-U.S. trade data between data sources. The U.S. *Bureau of Economic Analysis* and the French customs are the only available sources for detailed commercial data regarding each U.S. State and each French region.

KEY FIGURE

\$139 BILLION

Trade between France and the U.S.
in 2019 (+7.7% over 2018)

transportation equipment continues to be a key element of the transatlantic relationship reaching a total trade of close to US\$32 billion in 2019, a 16.4% increase compared to 2018. Transportation equipment was also among the top American products exported to France, accounting for 38.9% of its exports. While electronic products also accounted for major products being shipped to France (US\$4.5 billion) French machinery was imported at a value of US\$3.4 billion. France's large exports of agricultural goods, food and beverages to the U.S. were mainly driven by large imports of French beverages, reaching US\$5.1 billion in 2019.

In terms of trade of services, the U.S. had a surplus for maintenance and repair services (US\$1.6 billion) and other business services (US\$2.2 billion) while France's trade in services mostly consisted of travel services, in particular due to its strong tourism sector (US\$4 billion for air travel including US\$2.7 billion for air transportation of passengers).

Every U.S. state participates in these trade flows, with differences that reflect their respective economic weights and industry specializations. The states of California, New York and Texas attracted the largest percentage of French

FDI as a result of their economic importance. However, all U.S. states benefit from this investment relationship. Investment is distributed both in metro and non-metro areas. According to the SelectUSA study on rural areas, France is the fifth investor in non-metro areas in numbers of projects. Similarly, all French regions benefit from U.S. investment, with the regions of Ile-de-France (Paris region), Auvergne-Rhône-Alpes (Lyon region) and Occitanie (southwest) being particularly involved in the relationship.

2 Bilateral FDI support growth and innovation

Bilateral direct investments are key to the French-U.S. economic relationship, amounting to close to \$400 billion in 2019. With US\$311 billion invested by French companies, France is the sixth largest investor in the U.S., according to the BEA. This investment stock is up 5.4% compared to 2018.

The United States is the leading country in terms of businesses investing in France in 2019. The U.S. retains its position as the leading investor in France, with an FDI position amounting to US\$84 billion (BEA). French investments represent 7% of total inward investment in the U.S. in 2019 while contributing up to 10% of total foreign employment. According to Business France, 238 new investment projects generated in France were originated by U.S. businesses. U.S. investments generated 16% of all job-creating foreign investment recorded in France last year.

Table 1: FDI position by origin in the U.S.

	Investment 2019 (billions)	Share of total FDI in 2019
Japan	\$644.7	14.5%
Canada	\$580.7	13%
Germany	\$522	11.7%
United Kingdom	\$446.2	10%
Ireland	\$343.5	7.7%
FRANCE	\$310.7	7%

Source: BEA, 2020, by ultimate beneficial owner of majority-owned affiliates

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 780,000 people in total, according to BEA's latest data covering 2018, making France the fifth largest foreign source of jobs in the U.S. Conversely, the 4,600 U.S. affiliated firms in France employed 500,000 people in France (source: BEA).

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

	Jobs in the US (in thousands)	Change over 5 years (2014-18)
United Kingdom	1,271	+10.6%
Japan	948	+5.9%
Germany	861	+28%
Canada	836	+19.7%
FRANCE	780	+23%

Source: BEA, 2018 (latest data published in Nov. 2020), by ultimate beneficial owner of majority-owned affiliates

The U.S. manufacturing sector is the main beneficiary of French FDI. One third of all French subsidiaries in the U.S. are in the manufacturing sector. Altogether, they create 227,600 direct jobs on American soil. The strong presence of French companies in manufacturing/production activities is correlated to the significant source of French FDI in the United States.

3 Innovation is a cornerstone of the French-American relationship

French-affiliated companies invested close to US\$5.5 billion in R&D and advanced manufacturing in the United States in 2019. In particular, France is the largest foreign investor in R&D in computer and electronic products and the fourth investor in the chemicals industry in the United States.

Table 3: French R&D investment in the U.S

	Affiliate R&D investment (billions)	Of which manufacturing (billions)
Switzerland	9.9	7.7
Japan	8.8	5
United Kingdom	8.8	7.9
Germany	8.8	6.8
FRANCE	5.4	4.8
Netherlands	4.9	4.6

Source: BEA, by ultimate beneficial owner of majority-owned affiliates

Cooperation in the field of innovation ranges from basic research to patenting of advanced innovations. Every

year, French companies in the U.S. and U.S. companies in France file around 2,000 patents. According to the U.S. Patent and Trademark Office, France is the fourth largest country of ownership for patents granted by the federal agency. In addition, many French companies are involved in partnerships with U.S. research facilities, including university research centers, the Manufacturing USA network of institutes and federal research agencies in various domains (energy, defense, etc.).

U.S. affiliated companies invest nearly US\$2 billion in French R&D. According to Business France, the United States was the leading source of job-creating foreign investment in France in 2019. Furthermore, according to the 2019 barometer by the American Chamber of Commerce in France, 96% of American investors consider France to be an attractive investment destination as part of their global digital transformation. French researchers play an active role within U.S. companies' tech laboratories both in France and in the U.S

Find more on France-U.S. economic ties and a state-by-state outlook at:

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