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The Transatlantic Economy in an Age of Uncertainty

Daniel S. Hamilton and Joseph P. Quinlan
Foreign Policy Institute, Johns Hopkins University
March 2020







"May you live in interesting times"

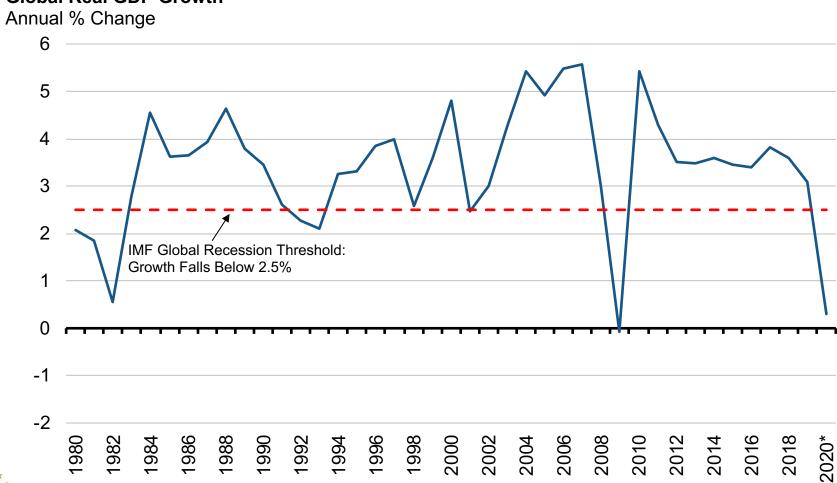
- 1 COVID-19 Global Impact
- 2 U.S. Tax Reform and FDI Flows
- 3 Trade Uncertainty
- 4 Technology
- 5 Geopolitics





COVID-19 Likely to Lead to Global Recession in 2020

Global Real GDP Growth





*2020 Author's Estimates.

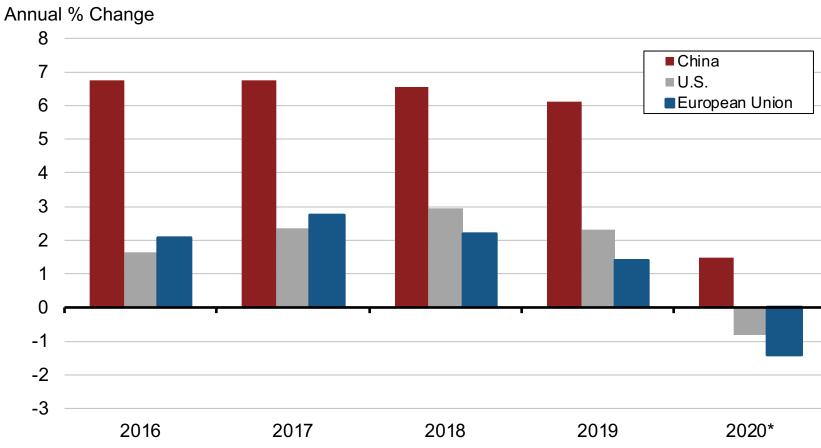
Source: International Monetary Fund.

Data as of March 2020.



COVID-19 Induced Transatlantic Recession in 2020

Real GDP Growth





*2020 Author's Estimates. European Union includes the UK. Source: International Monetary Fund. Data as of March 2020.



European Companies Are Highly Exposed to the U.S. Market

Revenue Exposure by Country			
	Top 3 Markets, % of Total Revenue Exposure		
Index	1	2	3
EuroStoxx 50	U.S.	Germany	France
	20.2%	8.0%	7.7%
Germany DAX	U.S.	Germany	China
	23.5%	18.5%	6.6%
France CAC 40	U.S.	France	Germany
	19.2%	15.7%	5.3%
UK MSCI	U.S.	UK	China
	25.1%	23.8%	8.1%
Ireland MSCI	U.S.	UK	Ireland
	32.4%	19.4%	10.0%
Italy MSCI	Italy	U.S.	Germany
	45.9%	7.5%	5.9%
Spain IBEX 35	Spain	U.S.	Brazil
	36.2%	11.3%	7.5%
Belgium BEL-20	Belgium	U.S.	Netherlands
	30.7%	14.8%	5.2%
Netherlands AEX	U.S.	Netherlands	Germany
	20.9%	8.7%	7.5%
Norway OSE	Norway	U.S.	Sweden
	44.4%	9.0%	4.5%
Switzerland SMI	U.S.	Switzerland	China
	31.7%	6.5%	5.7%
China MSCI	China	U.S.	Hong Kong
	92.5%	1.8%	1.1%
Japan MSCI	Japan	U.S.	China
	56.3%	13.4%	7.7%
Korea Kospi	Korea	China	U.S.
	74.1%	6.8%	5.4%
Taiwan TAIEX	Taiwan	U.S.	China
	33.9%	21.6%	20.5%
Mexico IPC	Mexico	U.S.	Brazil
	62.8%	11.8%	5.1%
Brazil Bovespa	Brazil	U.S.	China
	78.0%	6.1%	4.8%
S&P 500	U.S.	China	Japan
	61.8%	5.7%	3.0%
	01.070	3.770	3.070

Index
Constituents
Represent ~60%
of World Equity
Market
Capitalization

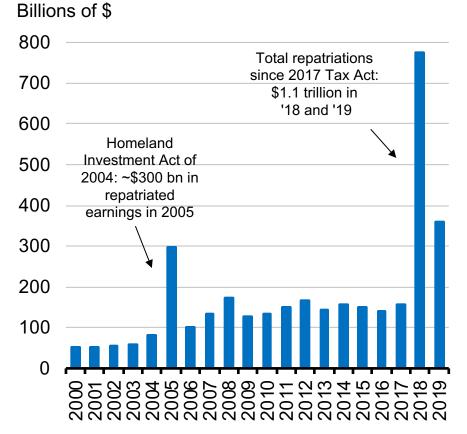
Note: Revenue for last 12 months. Source: FactSet. Data as of March 2020.

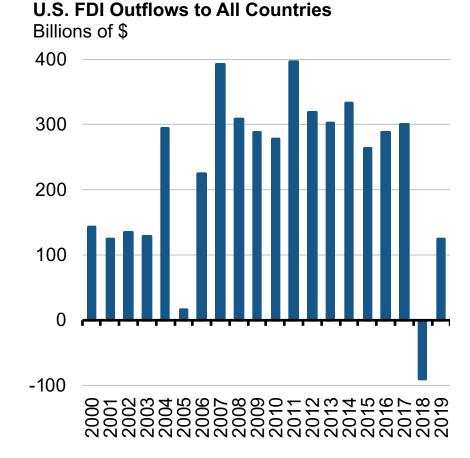




Strong U.S. Repatriations in 2018-2019... ...Lead to Weak U.S. FDI Outflows

U.S. Repatriations of Global Earnings





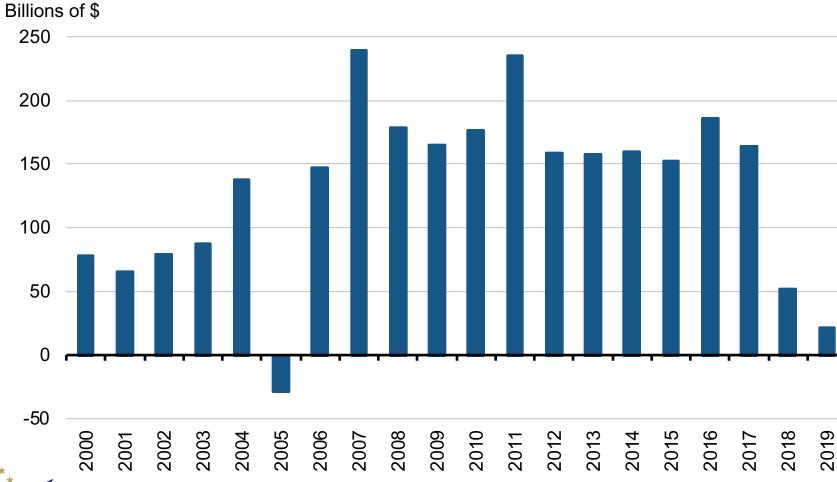


Source: U.S. Bureau of Economic Analysis. Data as of March 2020.



FDI Outflows Also Weaker to Europe

U.S. FDI Outflows to Europe



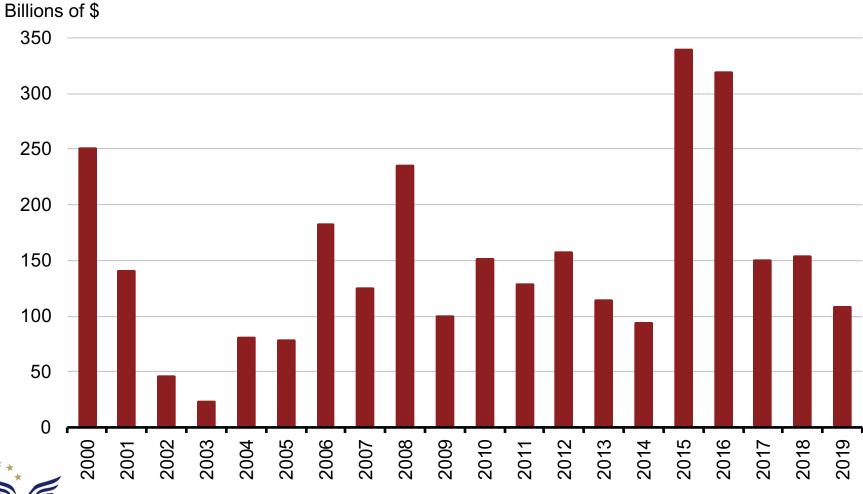


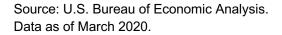


U.S. FDI Inflows from Europe Down Slightly in 2019

U.S. FDI Inflows from Europe

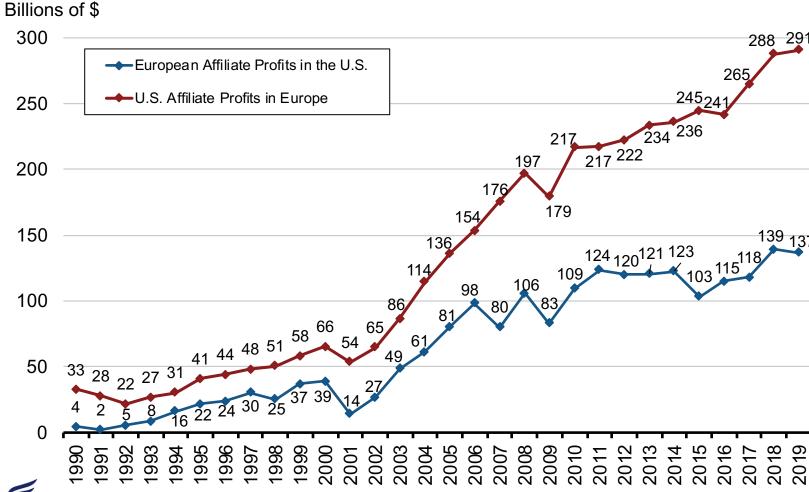
SPEAKING FOR AMERICAN BUSINESS IN EUROPE





Strong Foreign Affiliate Profits at Risk from Coronavirus Economic Fallout





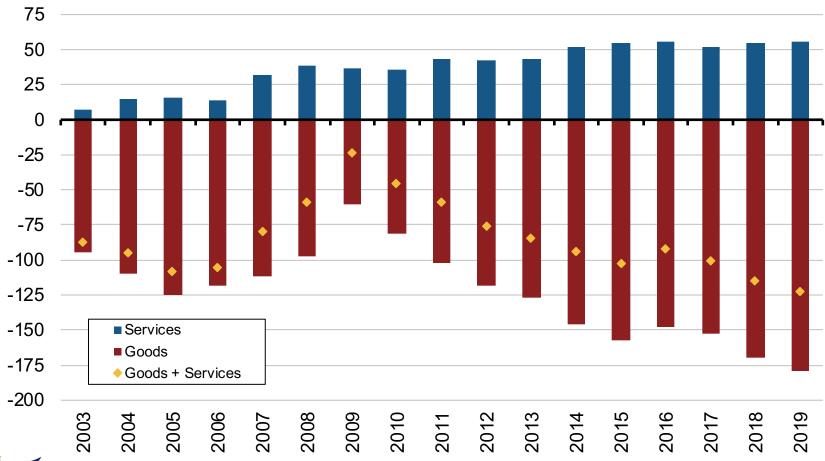




U.S. Trade Deficit with EU Widened in 2019

U.S. Trade Balance with the EU

Billions of \$, (+) U.S. surplus, (-) U.S. deficit





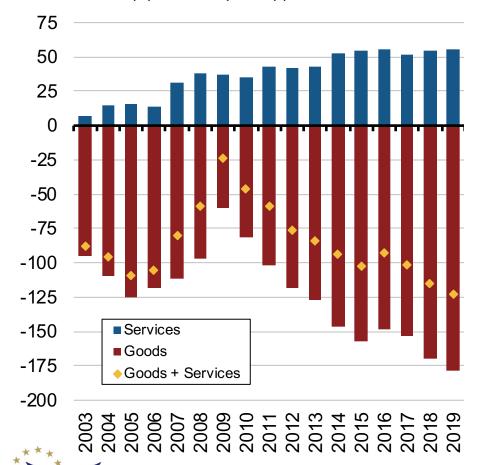


U.S. Trade Deficit Through a Different Lens

U.S. Trade Balance with the EU

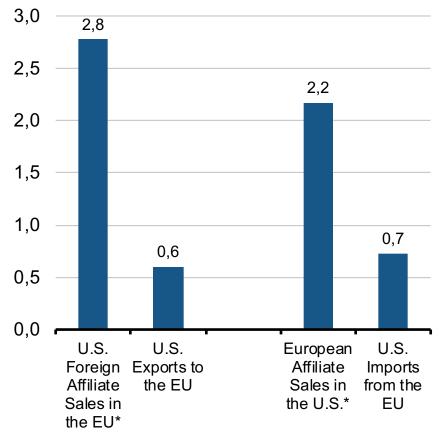
SPEAKING FOR AMERICAN BUSINESS IN EUROPE

Billions of \$, (+) U.S. surplus, (-) U.S. deficit



Source: U.S. Bureau of Economic Analysis. Data as of March 2020.

U.S.-EU Trade vs. Foreign Affiliate Sales, 2019
Trillions of \$

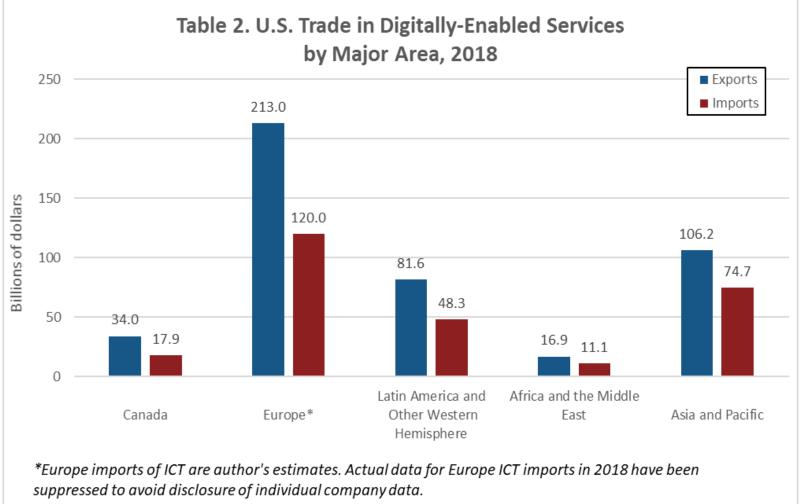


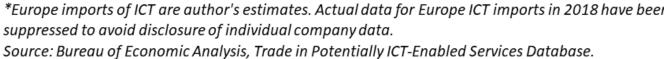
^{*}Estimates for majority-owned affiliate sales for 2019. Trade figures are for both goods and services.

Source: U.S. Bureau of Economic Analysis.

Data as of March 2020.

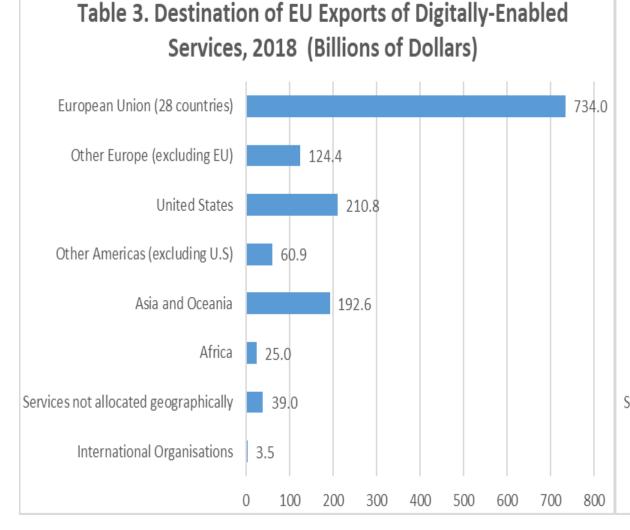












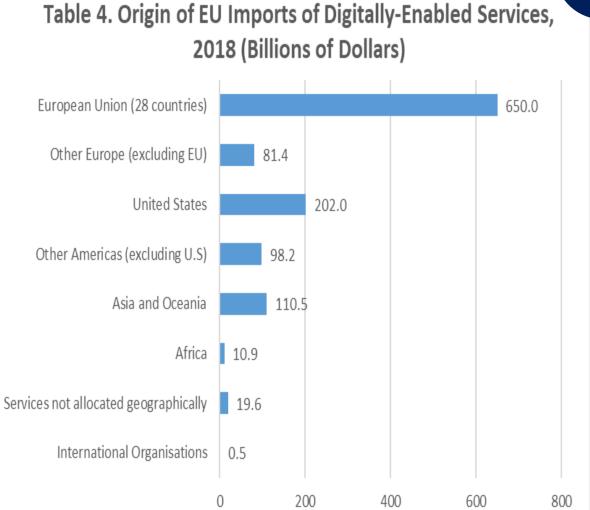
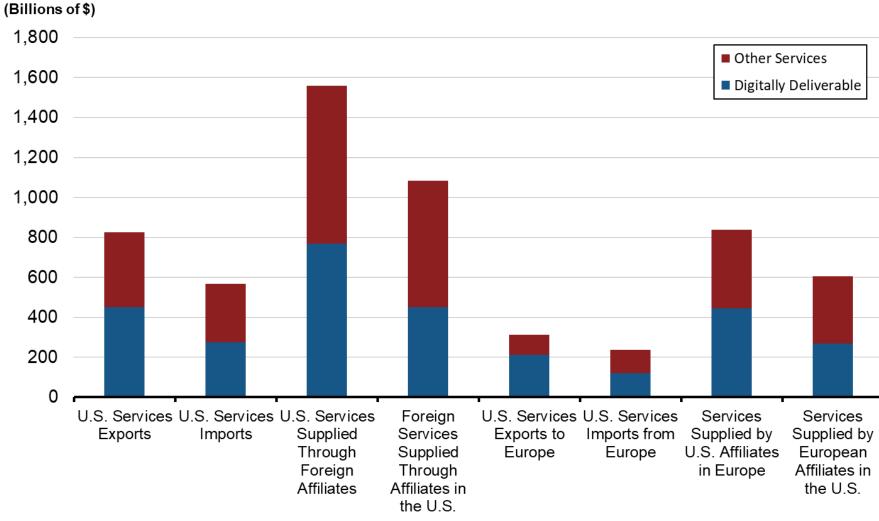






Table 6. U.S. Digitally-Deliverable Services Trade and Services Supplied through Affiliates*





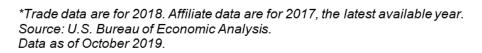
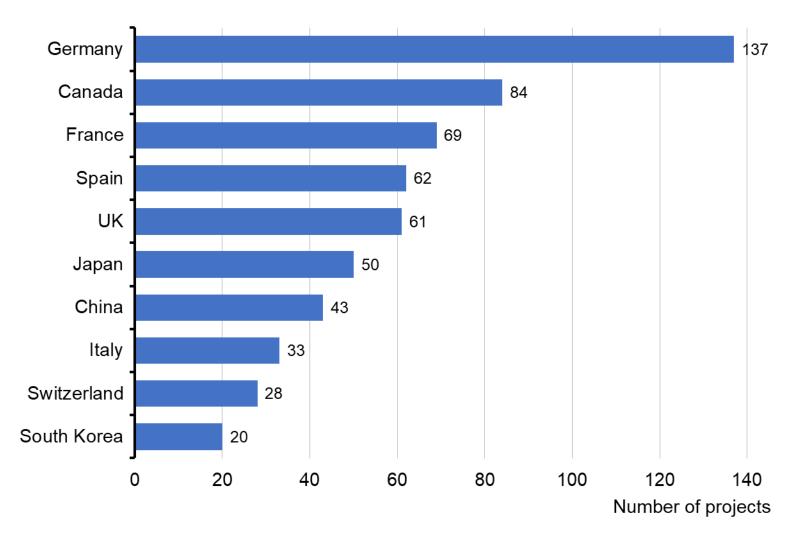




Table Xa. Top Sources of Inward FDI in U.S. Energy

779 Total Announced Greenfield Projects, October 2009 - September 2019

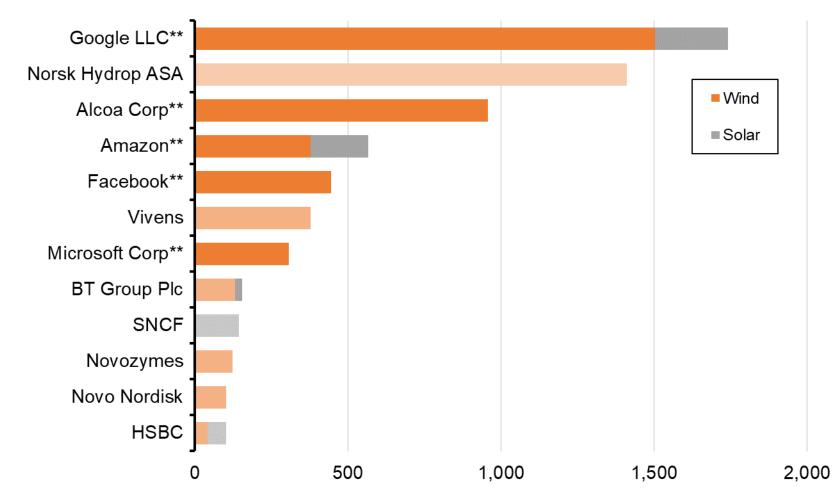




Source: SelectUSA, U.S. Department of Commerce. Data as of November 2019.



Table Xc. Top Purchasers of Renewable Energy in Europe, 2007-2019Megawatts





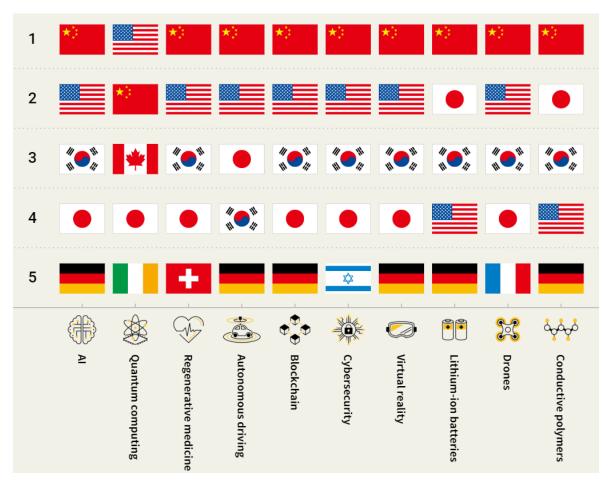


^{**} Companies with asterisks are U.S. companies and represented by darker shading of bars. Source: Bloomberg New Energy Finance, Wall Street Journal.

Data as of January 2020.

China Dominates Tech Patents for the Digital Age

2017 Ranking by Number of Patent Applications







Questions & Answers

Use the Q&A function to send your questions











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