

# Time to Heal: The Transatlantic Economy in 2021

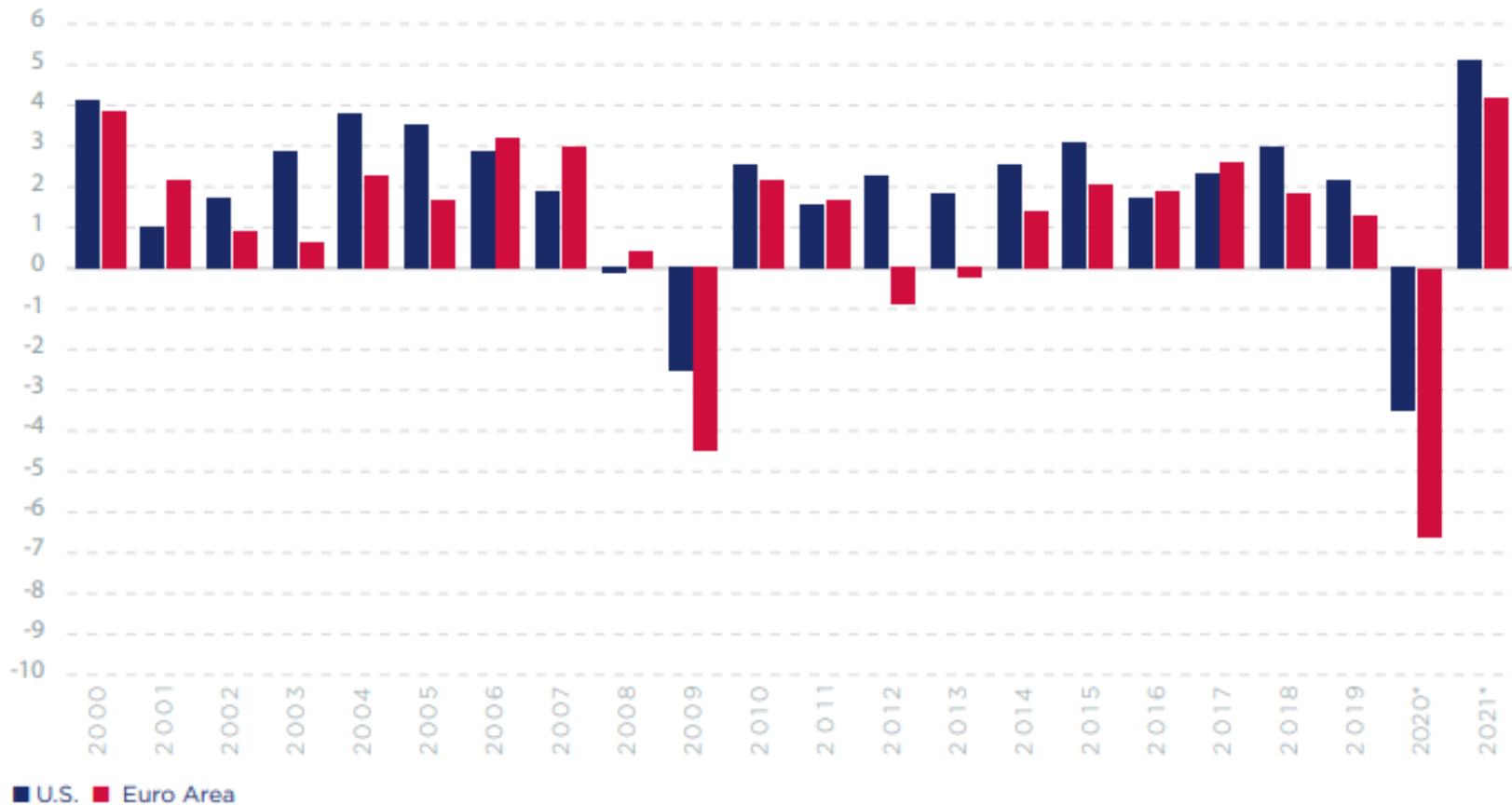


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May 2021

# COVID-19 Induced Transatlantic Recession in 2020

## U.S. vs. Euro Area Real GDP, Annual Percent Change



\*2020 estimate, 2021 forecast.

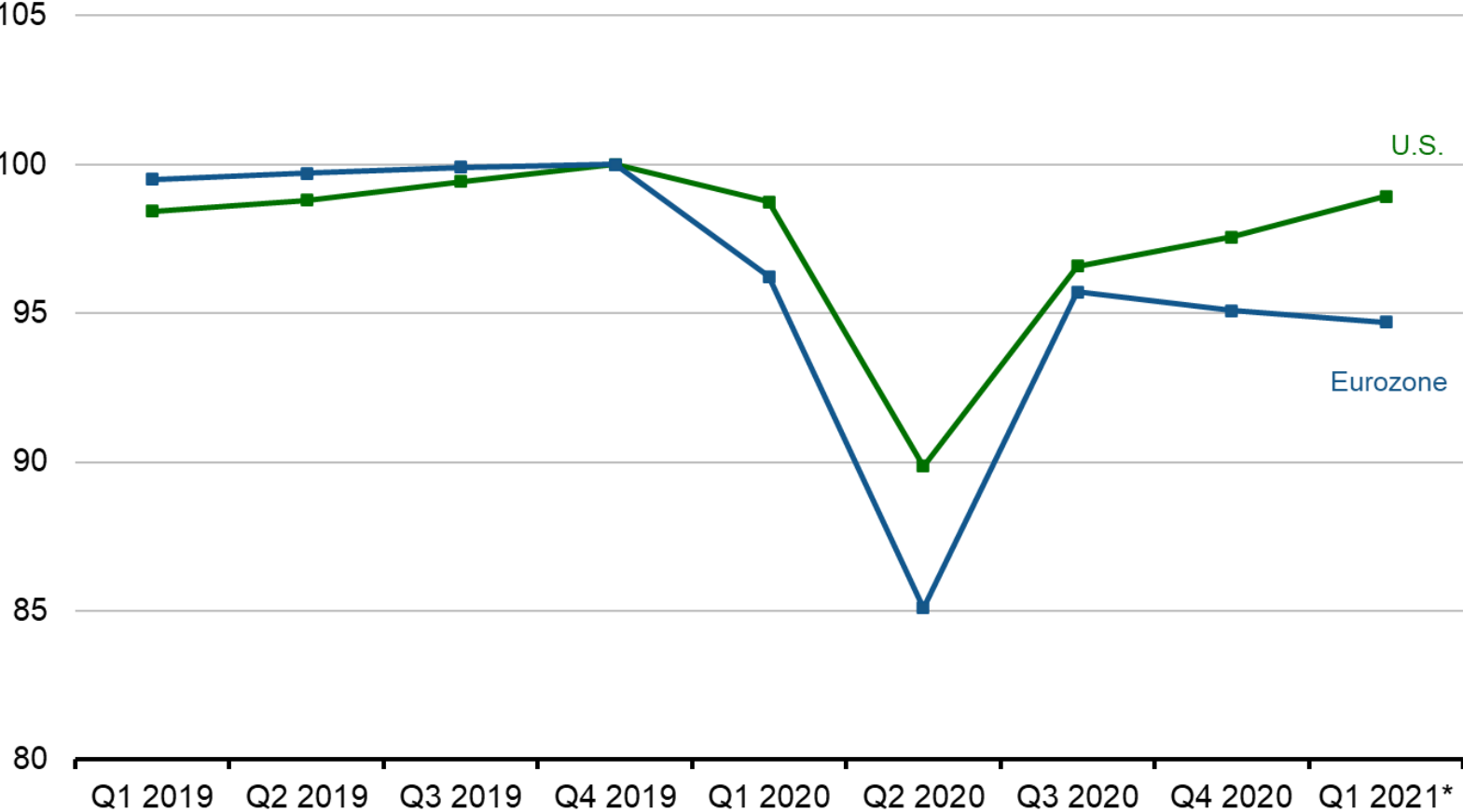
Data as of March 2021.

Sources: International Monetary Fund; U.S. Bureau of Economic Analysis; Eurostat.

# Transatlantic Growth Divergence

## COVID-19 Economic Downturn in the U.S. and European Countries

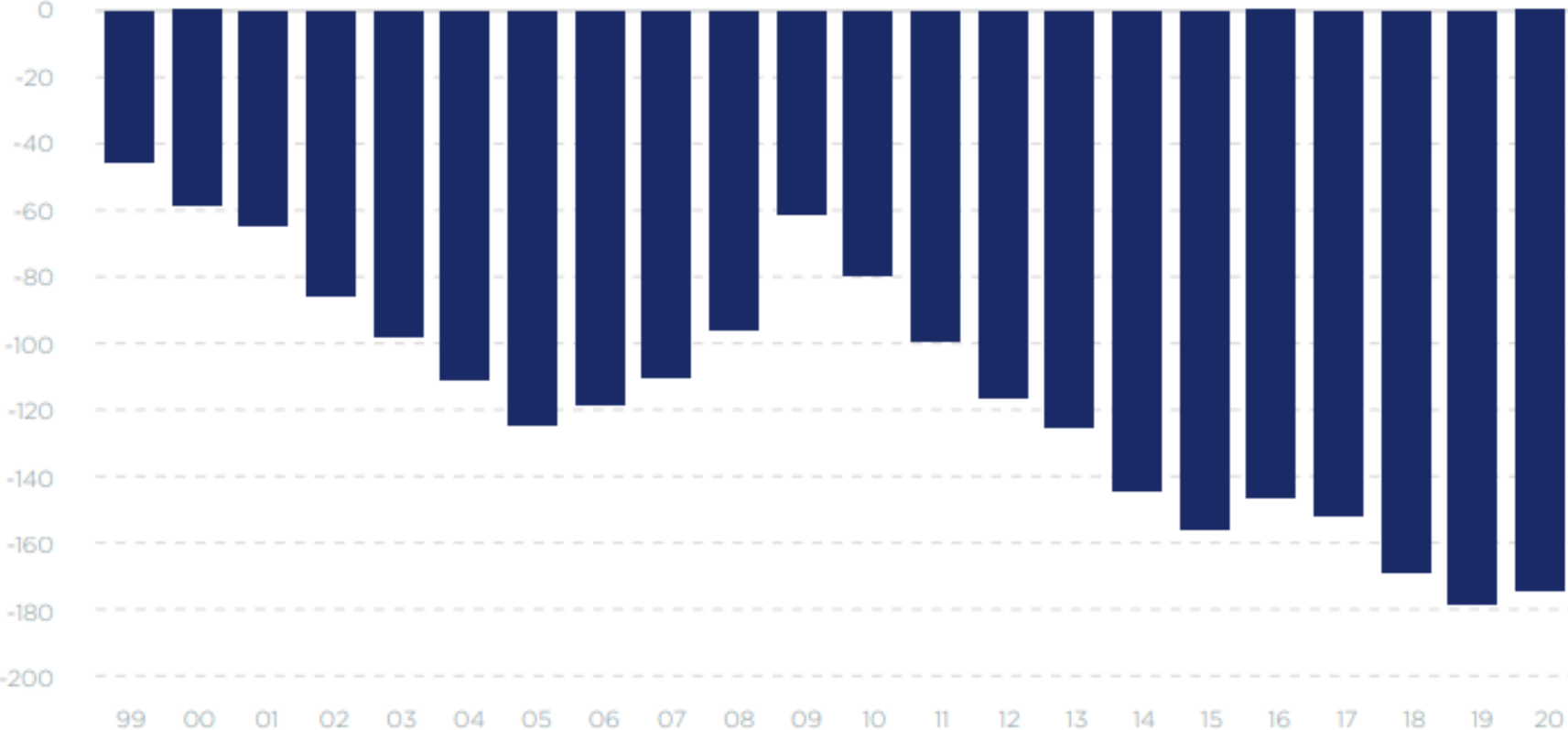
(Real GDP level, Indexed Q4 2019 = 100)



\*Q1 Forecasts are from Atlanta Fed and ECB.  
Source: U.S. Bureau of Economic Analysis; Eurostat.  
Data as of March 2021.

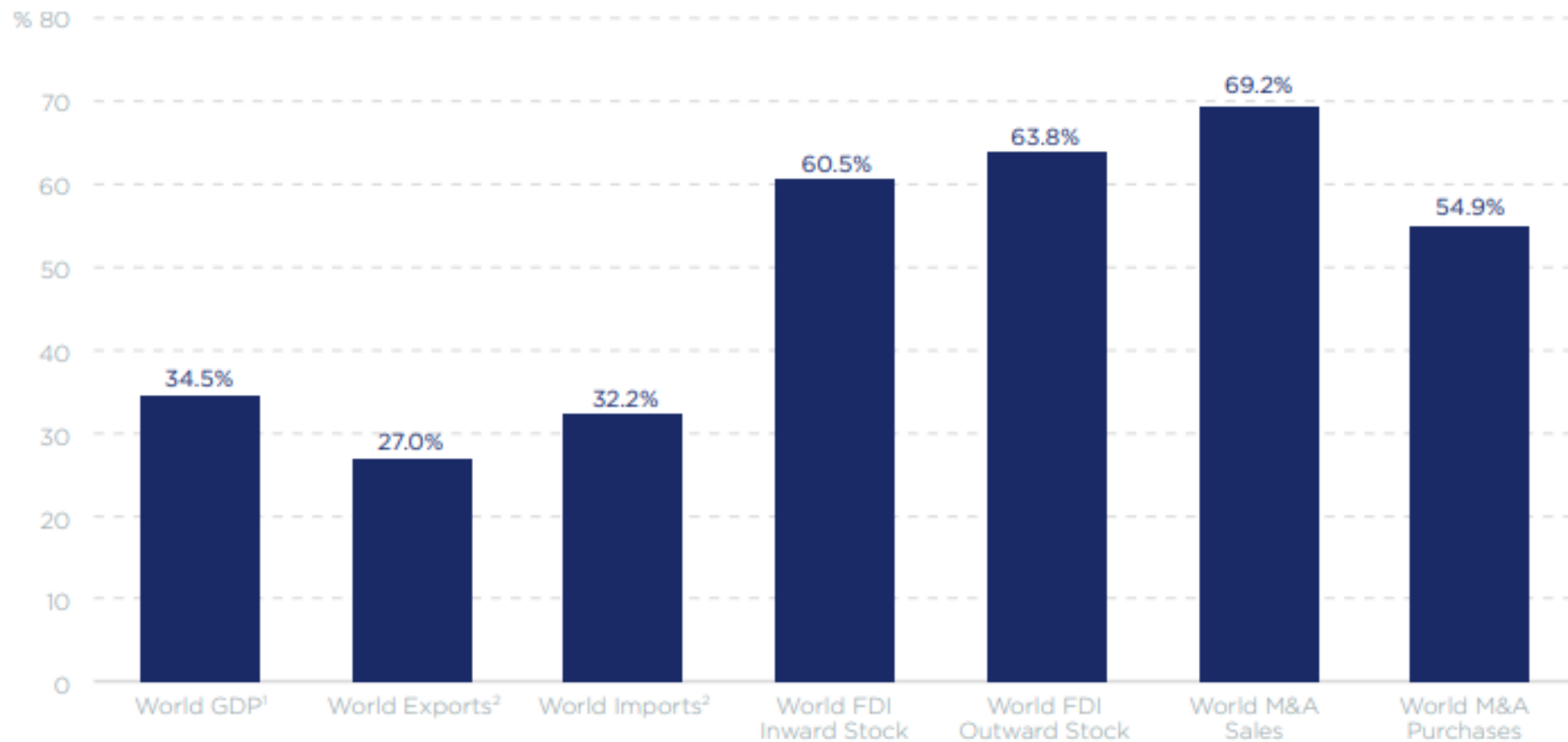
# U.S.-EU Trade Balance

U.S. Merchandise Trade Balance with the EU (including the UK) (Billions of \$)



Source: United States Census Bureau.  
Data as of February 2021

## The Transatlantic Economy vs. The World (% Share of World Total)



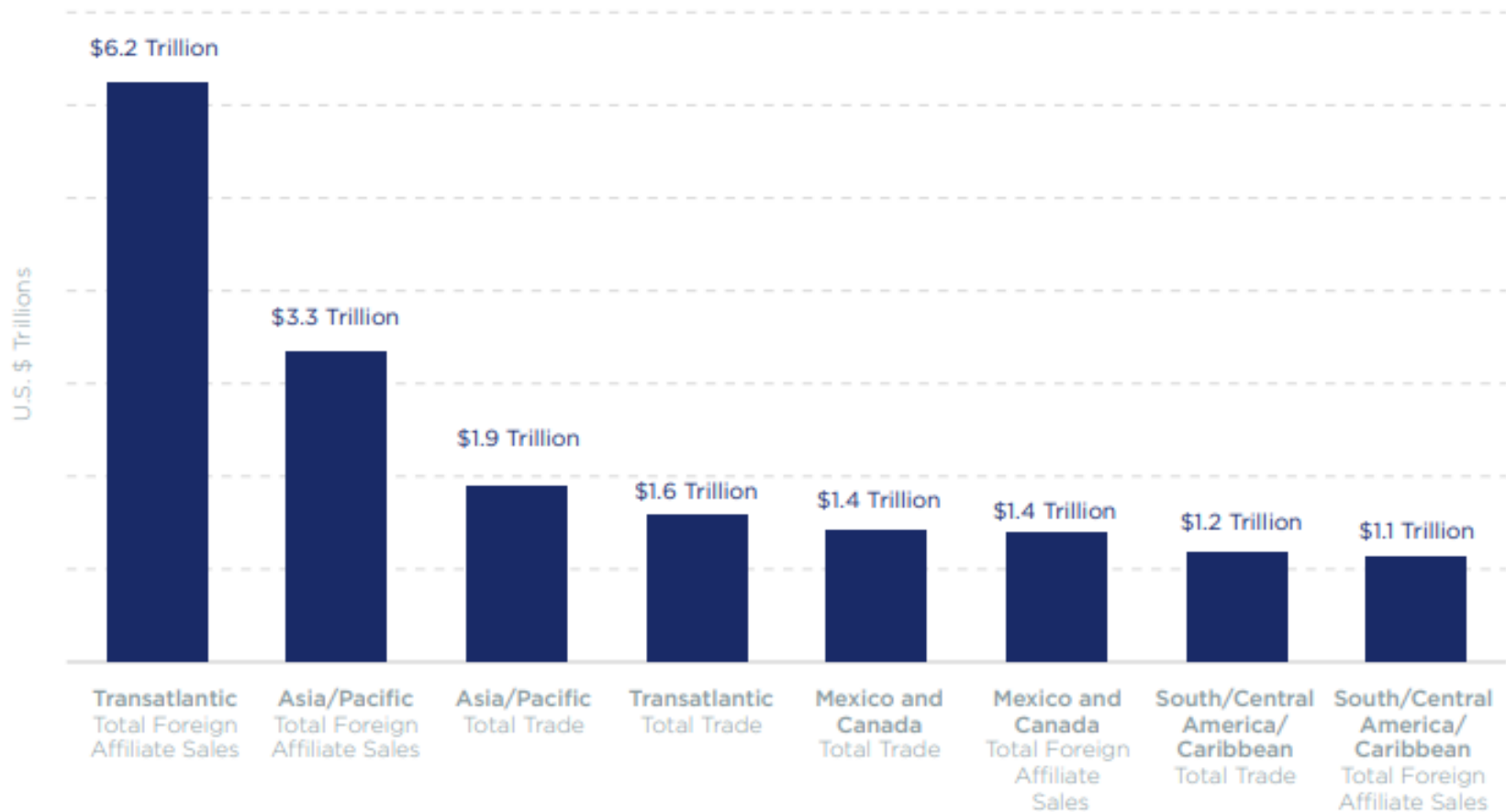
Sources: UN, IMF, figures for 2019. Transatlantic economy measured as U.S., EU, UK, Norway, Switzerland and Iceland.

1. Based on PPP estimates.

2. Excluding intra-EU, UK, Norway, Switzerland and Iceland trade.

# The Transatlantic Economy as the Largest Commercial Relationship in the World

## America's Major Commercial Arteries



*Foreign Affiliate Sales: Estimates for 2019. Total Trade: Data for goods & services, 2019. South/Central America and Caribbean includes Mexico.*

*Source: Bureau of Economic Analysis.*

## The Top 20 R&D Spenders

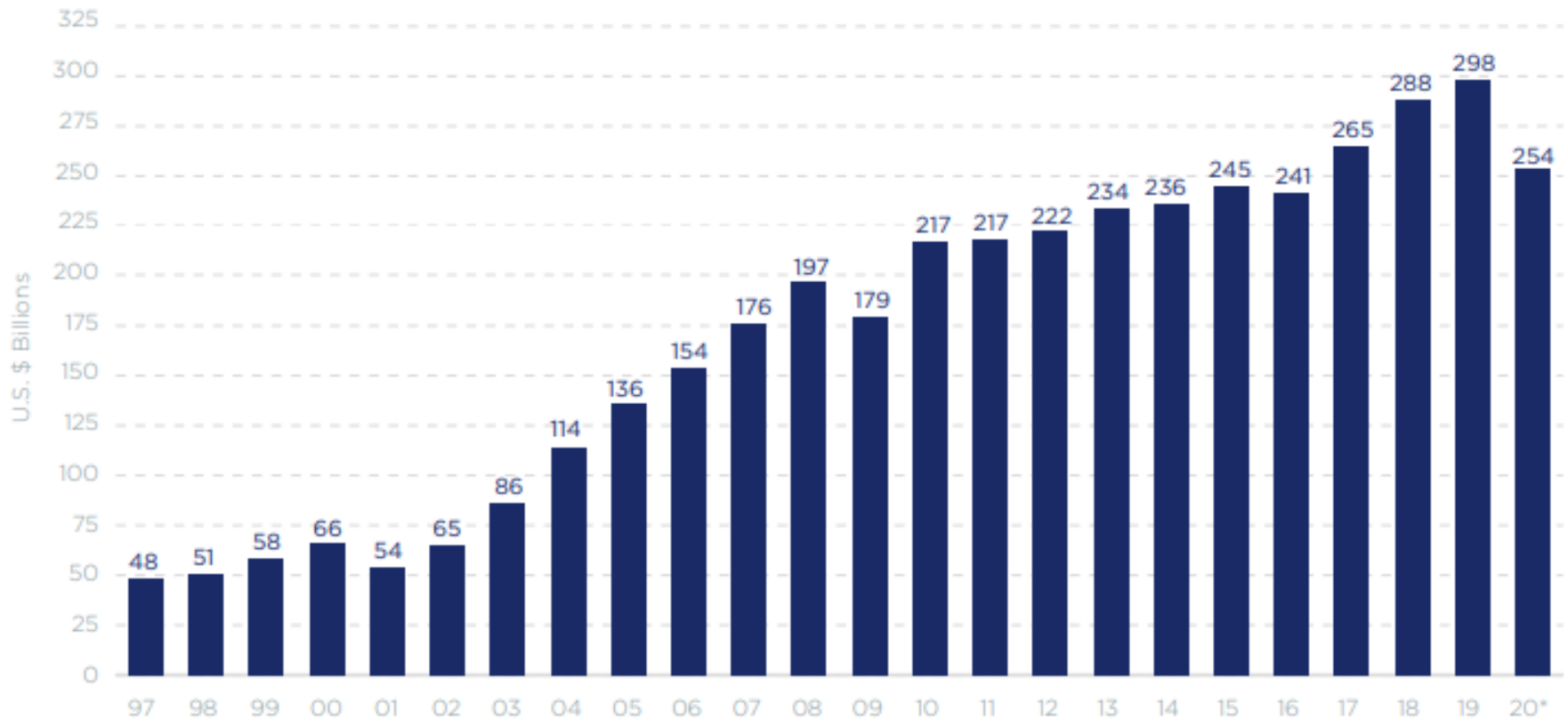
2019	Company	R&D Spending		Country	Industry
		2019 (€ billion)	Change from 2018		
1	Alphabet	23.2	24%	United States	Software & Computer Services
2	Microsoft	17.2	14%	United States	Software & Computer Services
3	Huawei	16.7	31%	China	Technology Hardware & Equipment
4	Samsung	15.5	8%	S. Korea	Electronic & Electrical Equipment
5	Apple	14.4	14%	United States	Technology Hardware & Equipment
6	Volkswagen	14.3	5%	Germany	Automobiles & Parts
7	Facebook	12.1	32%	United States	Software & Computer Services
8	Intel	11.9	-1%	United States	Technology Hardware & Equipment
9	Roche	10.8	6%	Switzerland	Pharmaceuticals & Biotechnology
10	Johnson & Johnson	10.1	5%	United States	Pharmaceuticals & Biotechnology
11	Daimler	9.6	7%	Germany	Automobiles & Parts
12	Toyota Motor	9.1	6%	Japan	Automobiles & Parts
13	Merck U.S.	8.2	-4%	United States	Pharmaceuticals & Biotechnology
14	Novartis	7.7	-5%	Switzerland	Pharmaceuticals & Biotechnology
15	Gilead Sciences	7.4	98%	United States	Pharmaceuticals & Biotechnology
16	Pfizer	7.4	6%	United States	Pharmaceuticals & Biotechnology
17	Honda Motor	6.8	0%	Japan	Automobiles & Parts
18	Ford Motor	6.6	-10%	United States	Automobiles & Parts
19	BMW	6.4	-7%	Germany	Automobiles & Parts
20	Robert Bosch	6.2	1%	Germany	Automobiles & Parts
		<b>221.6</b>	<b>10.3%</b>		

Source: The 2020 EU Industrial R&D Investment Scoreboard. Data as of December 2020.

Note: Only companies that disclose their R&D figures according to the Scoreboard methodology can be included in the ranking. Excluded from the ranking is Amazon which, according to the Scoreboard, would be positioned at #1 in the world R&D ranking if it had separated its R&D and content investments in its annual report.

# U.S. Corporate Profits in Europe

**U.S. Earnings in Europe Hit New Highs in 2019, Prior to COVID-19** (U.S. foreign affiliate income earned in Europe)



Source: Bureau of Economic Analysis.

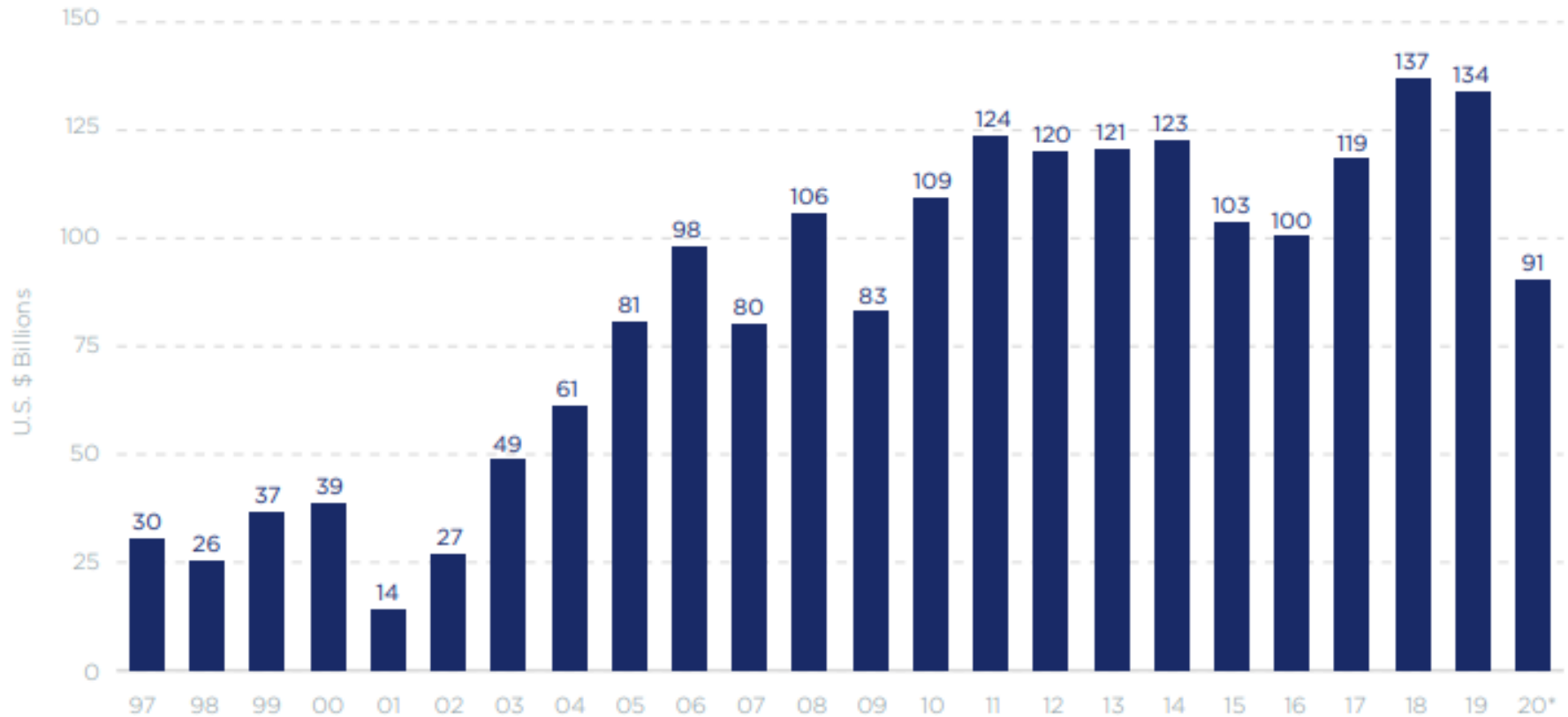
\*Data for 2020 is author's estimate.



# European Corporate Profits in the U.S.

## European Affiliate Earnings in the U.S. Slump to Decade-Low Amid COVID-19 Recession

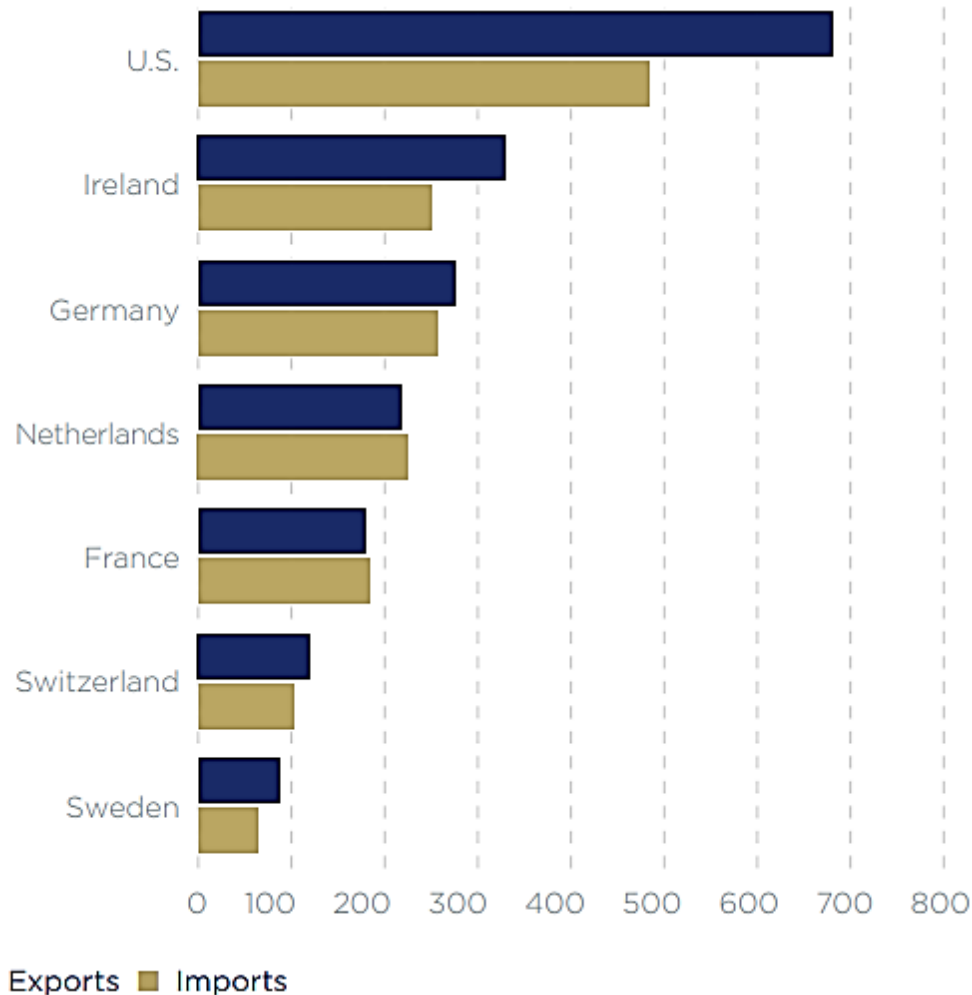
(Foreign affiliate income earned in the U.S.)



Source: Bureau of Economic Analysis.

\*Data for 2020 is author's estimate.

## International Trade Underpinned by Data Flows, Top Countries (\$ Billions)



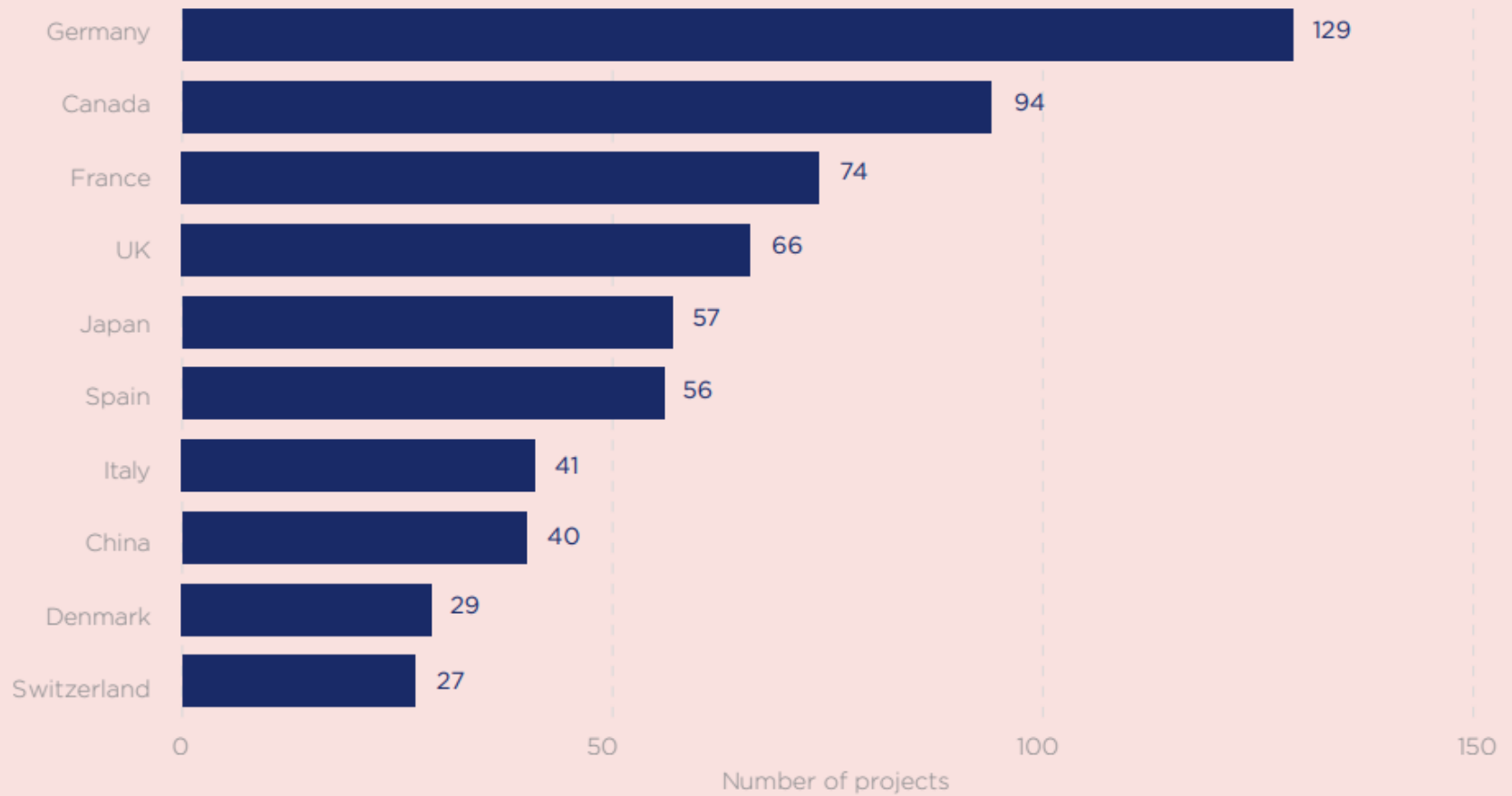
Note: Trade underpinned by data flows includes four categories: (1) "ISIC J production", or trade in products produced by firms classified in ISIC section J (Information and Communication); (2) "ISIC J products," or trade in the products mainly associated with firms classified in ISIC section J but including production by firms classified in other sectors; (3) "Digitally deliverable services," or "potentially ICT-enabled products" per UNCTAD (2015); and (4) "Digitisable products," or products within the WTO HS commodity classification per Banga (2019). UK is not included due to differing data calculations, but OECD indicates the UK also ranks among the top traders in this category.

Source: OECD, Perspectives on the Value of Data and Data Flows, December 2020.

# The Transatlantic Energy Economy

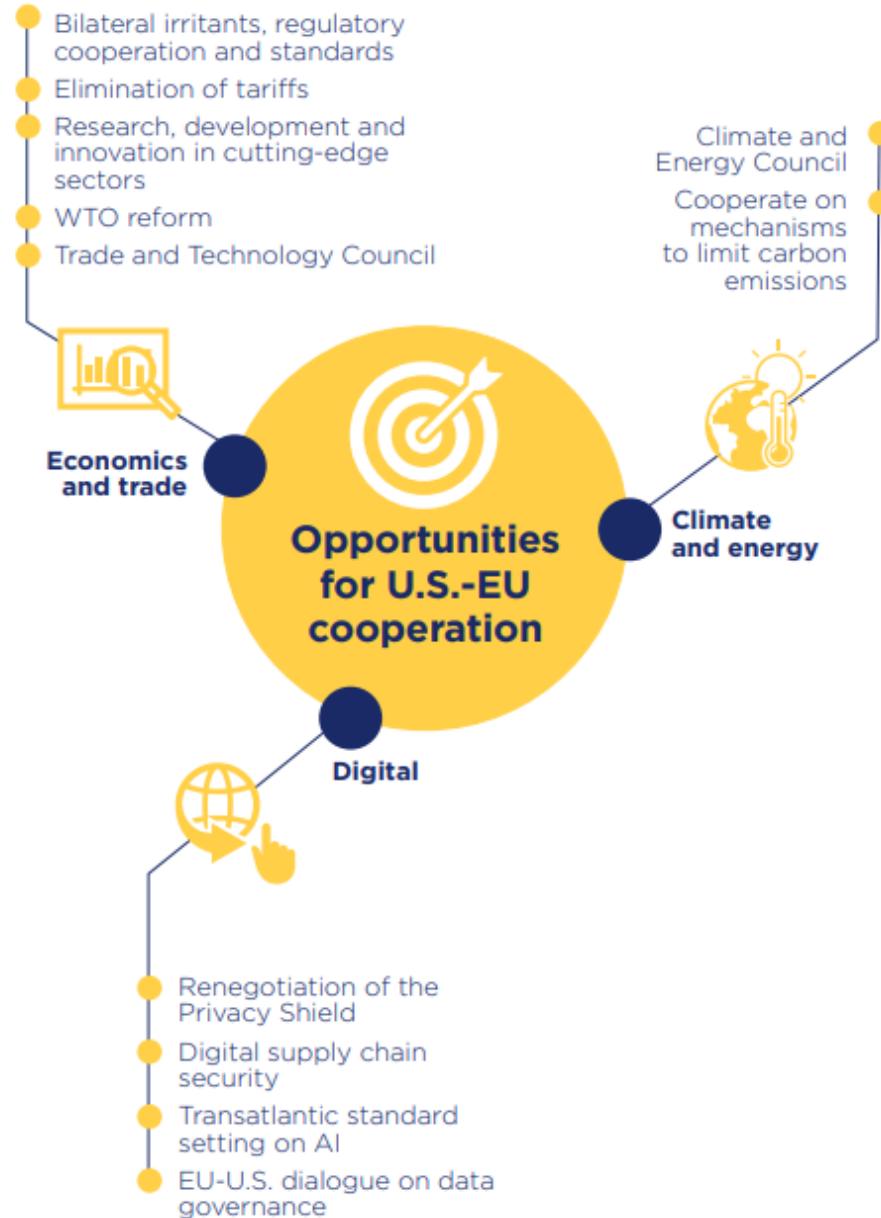
## Top Sources of Inward FDI in U.S. Energy

830 Total Announced Greenfield Projects, October 2010 - September 2020



Source: SelectUSA, U.S. Department of Commerce.  
Data as of November 2020.

# Opportunities for U.S.-EU Cooperation





# Denmark and the United States

## Jobs and Investment

### United States in Denmark

**45,299**



### Denmark in the United States

**42,023**

Jobs directly supported by majority-owned affiliates. Estimates for 2019. Total U.S.-related jobs are likely to be higher, because these figures do not include jobs created by trade flows, indirect employment effects through distributors or suppliers, or via non-equity arrangements such as strategic alliances, joint ventures, or other deals.

**\$9.0 bn**



**\$23.9 bn**

### Foreign Direct Investment (FDI), 2019

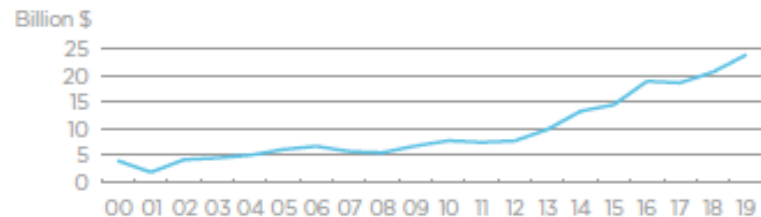
### Foreign Direct Investment (FDI), 2019

Bilateral investment between the U.S. and Denmark was relatively equal in 2016, with Denmark investing only \$1 billion more in the U.S. than what the U.S. invested in Denmark. Thereafter, the investment gap widened as U.S. investment in Denmark declined while Denmark's investment in the U.S. expanded. In 2019, Danish firms' affiliate sales in the U.S. market were an estimated \$30 billion while U.S. foreign affiliate sales in Denmark were \$23 billion. The affiliate employment balance favors Denmark slightly, with U.S. affiliates in Denmark employing roughly 3,000 more people than Danish affiliates employ in the U.S., according to 2019 estimates.

### U.S. FDI Position in Denmark



### Denmark FDI Position in the U.S.



Foreign direct investment position, historic-cost basis, 2000-2019.



# Denmark and the United States

## International Trade

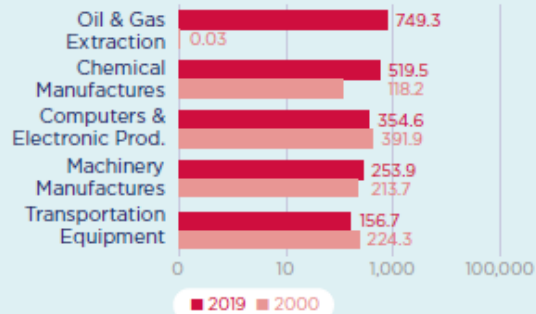


**\$3.2 bn**

### U.S. Goods Exports to Denmark, 2019

**3.5%** The U.S. supplied 3.5% of Denmark's total imports... **11.7%** ...but the U.S. share increases to 11.7% when intra-EU trade is excluded from the total.

#### Top Five U.S. Goods Exports to Denmark (\$ millions)



#### Top State Exporters of Goods to Denmark (\$ millions)

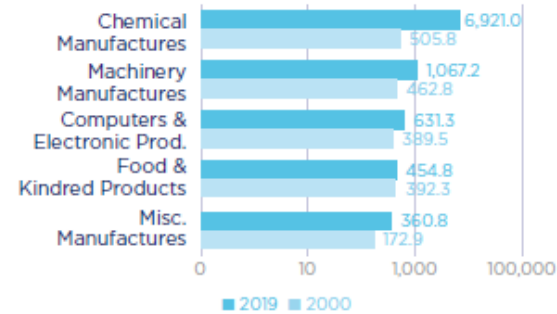


**\$11.0 bn**

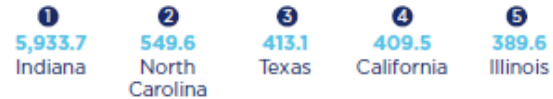
### U.S. Goods Imports from Denmark, 2019

**10.2%** The U.S. received 10.2% of the total goods Denmark exported to the world... **24.6%** ...but the U.S. share increases to 24.6% when intra-EU trade is excluded from the total.

#### Top Five U.S. Goods Imports from Denmark (\$ millions)



#### Top State Importers of Goods from Denmark (\$ millions)



**\$8.2 bn**

### U.S. Services Exports to Denmark, 2019

**\$5.7 bn**

### U.S. Services Imports from Denmark, 2019