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## **FDI Soars Despite US-Europe Strains**

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**BRUSSELS**

Foreign direct investment by US companies into Europe soared last year at the height of the American-led war against Iraq, in spite of fears that transatlantic tensions during the year would have damaged trade and economic links.

The figures, released in a new study by Daniel Hamilton and Joseph Quinlan from Johns Hopkins University\* show an extraordinary degree of growing interdependence and increasing integration in spite of continuing trade, environment, political and security disputes between the US and Europe.

Overall, say the authors, the transatlantic economy generates Dollars 2,500bn (Euros 2.037bn, Pounds 1,361bn) in total commercial sales each year, employing 12m workers on both sides of the Atlantic. But it is foreign direct investment (FDI) that show the depths of the ties.

In 2003, total FDI into Europe by US companies amounted to Dollars 87bn, a jump of 30.5 per cent from 2002. Although that was a slump period for the world economy,

analysts said the rise in 2003 was remarkable, particularly given that US companies targeted France and Germany, the two staunchest opponents of the Iraq war. "American firms sank Dollars 7bn in Germany in 2003, a sharp reversal from 2002 when US firms pulled some Dollars 5bn out of Germany," write the authors.

Even as some American retailers vowed revenge on France's opposition to the Iraq war by stopping sales of French wine, US FDI flows into France rose by 10 per cent to Dollars 2.3bn, with US affiliates doubling their profits to Dollars 4.3bn. France was one of the US's largest investors in 2003, investing Dollars 4.2bn. Even wine producers in Bordeaux said sales rose more than 70 per cent in that period.

"Virulent anti-war sentiment across Europe did not prevent European firms from investing Dollars 36.9bn in the US in 2003, up from Dollars 26bn the previous year," say the authors.

The spin-off in jobs has been huge, with European affiliates of US companies directly employing (in 2001 figures) 3.2m and US affiliates of European companies employing more than 4.2m US workers.

Analysts say the high levels of FDI in both directions show how the two business communities share similar interests on trade, stability and liberal economic environments.

"Despite all the differences over Iraq and the Middle East, all you have to do is look at these figures," said Jim Cloos, director of transatlantic relations in the secretariat of the European Union's council of ministers. "These figures are staggering. They mean something. If we (the US and Europe) are really growing apart, then we would not have such figures."

Mr Cloos used the figures at a seminar on US-European relations hosted last week in Paris by the EU-backed Institute for Security Studies as participants publicly sparred over Iraq and the Israel-Palestinian conflict, one of the biggest policy differences between Europe and the US.

Of the 90 or so participants attending, only 14 were American. "It sometimes becomes just another slagging off match," said one US official. "We stayed home this time," he added. *Partners in Prosperity: The Changing Geography of the Transatlantic Economy*. Dan Hamilton and Joseph Quinlan. Centre for Transatlantic Relations at the Paul H Nitze School of Advanced International Studies, Johns Hopkins University.