

Box 2. The EU-U.S. Auto Trade and Investment Landscape

The auto industry is a key example of the strong trade and investment ties between the U.S. and Europe. Foreign auto companies are critical supports to the U.S. economy in terms of employment, value added, exports, technological advancements and ultimately America's productivity and competitiveness.

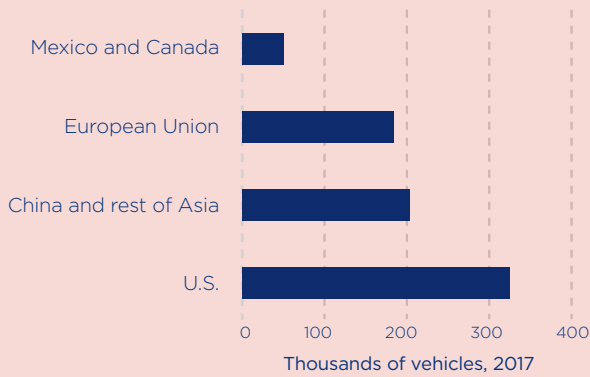
- **Employment:** European companies directly supported 173,000 jobs in the U.S. motor vehicle and parts industry, or 42% of total foreign affiliate employment in this industry. This figure, however, only accounts for direct employment by affiliates and ignores the downstream effects that European auto manufacturing investment has had on other industries such as automotive dealers, parts suppliers, research and development, etc. Incorporating the larger downstream employment effects, the European Commission estimates that EU auto companies support around 420,000 U.S. jobs.
- **Production:** According to the European Automobile Manufacturers Association, EU auto companies produced roughly 2.9 million passenger cars in 2017, or 26% of total U.S. production. All totaled, European auto and parts companies contributed \$34 billion towards America's gross domestic product in 2016.
- **Exports:** European manufacturers not only produce vehicles for U.S. consumers, but also use the U.S. market as a key export hub to send their vehicles overseas. About 60% of European cars produced in the U.S. are exported to third markets, like China and the EU. Thus, trade tensions between the U.S. and China threaten an important source of demand for European automakers.
- **Innovation:** European auto companies that invest in the U.S. are also key contributors to the innovation and research culture that drives the U.S. economy. R&D expenditures by European affiliates in the U.S. auto industry reached a record \$5.5 billion in 2016, or 12.5% of total European affiliate R&D spending.

While foreign direct investment is the primary method of cross-border commerce in the auto industry, U.S.-EU trade ties are also significant, with auto-related trade representing 10% of total trade between the two regions. The U.S. was the largest global market for EU car exports in 2017, representing 29% (€40 billion) of total EU auto exports. Meanwhile, Europe was a significant purchaser of U.S. produced vehicles, taking in 20% of total U.S. car exports. The EU applies a 10% tariff on imported cars. The U.S. applies a 2.5% tariff, but imposes higher duties than the EU on imported trucks.

The accompanying charts highlight European auto companies' investment stakes in the U.S. as a source of exports, investment, jobs and R&D to the U.S. economy.

1. Exports

Made in America, Exported from America:
Where German Cars Made in the U.S. Are Sold

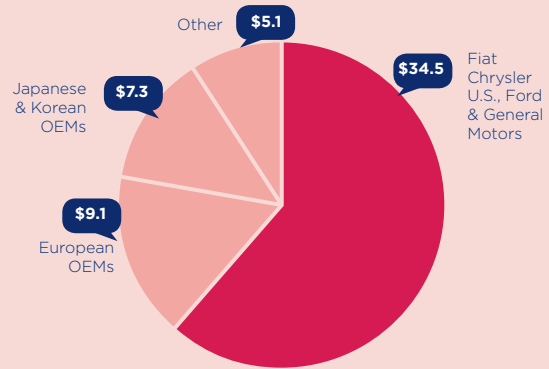


Source: German Automotive Manufacturers' Association, Wall Street Journal.

2. Capital Investment

Investments in the U.S. Auto Industry

Announced Capital Investments,
Billions of \$ (2013-2017)

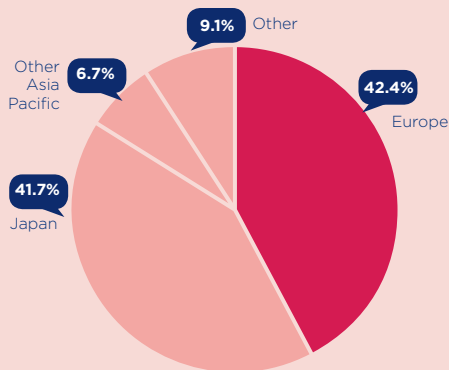


Source: American Auto Council. OEM: Original Equipment Manufacturer.

3. Jobs

Foreign Affiliate Employment in the U.S.
Autos/Parts Manufacturing Industry

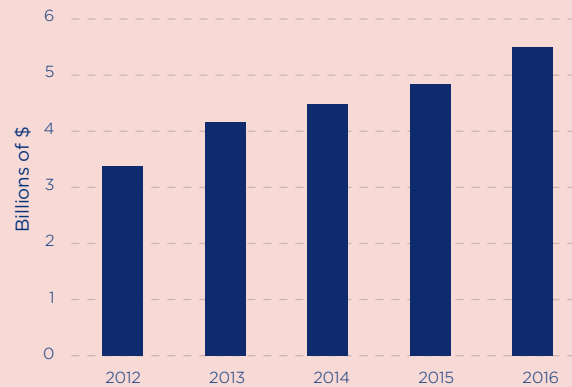
% of total (2016)



Source: Bureau of Economic Analysis.

4. Innovation

R&D Expenditures by European
Auto Companies in the U.S.



Source: Bureau of Economic Analysis.