

I. ECONOMIC ENVIRONMENT

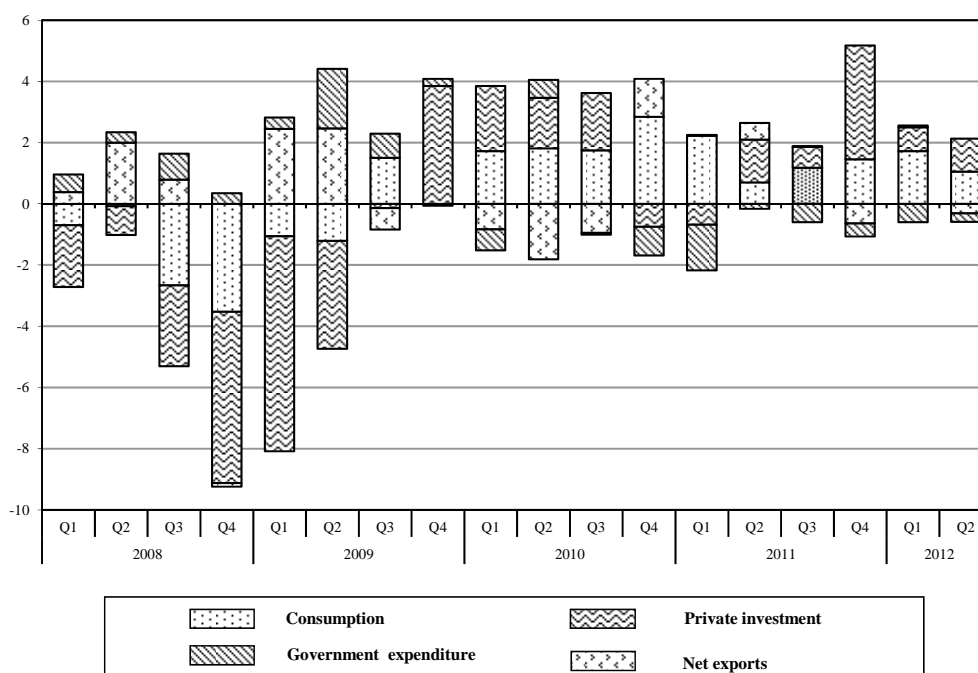
(1) RECENT ECONOMIC DEVELOPMENTS

1. The United States has emerged quite steadily from the 2007-09 financial crisis, but growth was slower in 2011 than in 2010. Since the recovery began, U.S. growth has averaged 2.2% and the U.S. economy has added private sector jobs for 28 consecutive months, totalling 4.4 million.¹ The U.S. economy is moving in a positive direction but it will take more time to emerge from the downturn and to return to growth and confidence levels seen prior to the crisis. Despite a slightly worsening trade deficit for 2011, imports and exports have now surpassed 2008 peak levels.

2. Growth in real GDP was positive in both 2010 and 2011, with increases of 3% and 1.7%, respectively, compared with -3.5% for 2009. Real GDP has grown since third quarter 2009, with consumer spending, gross private domestic investment, and exports as the main contributors in the recovery period (Chart I.1 and Table I.1).²

Chart I.1
Contributions to real GDP growth, 2008-12

(Percentage points)



Source: Bureau of Economic Analysis online information. Viewed at: <http://www.bea.gov/>.

¹ Data as of 1 July 2012, i.e. covers first and second quarter data for 2012 (IMF, 2012a).

² BEA Press Release, "Gross Domestic Product: Fourth Quarter and Annual 2011 (Third Estimate) Corporate Profits: Fourth Quarter and Annual 2011", 29 March 2012. Viewed at: http://www.bea.gov/newsreleases/national/gdp/2012/pdf/gdp4q11_3rd.pdf.

Table I.1
Selected macroeconomic indicators, 2008-11
(US\$ billion and %)

	2008	2009	2010	2011 ^a
GDP (current US\$ billion)	14,291.5	13,939	14,526.5	15,094
		(% change)		
Real GDP (based on chained 2005 US\$ billion)	-0.3	-3.5	3.0	1.7
Personal consumption expenditures	-0.6	-1.9	2.0	2.2
Gross private domestic investment	-10.2	-25	17.9	4.8
Fixed investment	-7.1	-18.8	2.6	6.8
Non-residential	-0.8	-17.8	4.4	8.8
Residential	-23.9	-22.2	-4.3	-1.3
Exports (goods and services)	6.1	-9.4	11.3	6.7
Imports (goods and services)	-2.7	-13.6	12.5	4.9
Government consumption expenditures and gross investment	2.6	1.7	0.7	-2.1
Federal	7.2	6	4.5	-1.9
State and local	0	-0.9	-1.8	-2.2
Saving and investment		(% of GDP)		
Gross saving	13.4	11.5	12.5	13.0
Gross private saving	16.0	18.4	19.2	19.0
Gross government saving	-2.6	-7.0	-6.6	-5.9
Net saving	0.4	-1.9	-0.4	0.1
Personal saving rate (% of disposable income)	5.4	5.1	5.3	4.7
Gross domestic investment	18.1	14.7	15.8	15.9
Gross private domestic investment	14.6	11.1	12.4	12.7
Gross government investment	3.5	3.6	3.5	3.2
Net domestic investment	5.1	1.3	2.9	3.0
Money and prices				
M2 (December-December, % change)	9.8	3.7	3.5	9.7
Consumer price index (annual average, % change)	3.8	-0.4	1.6	3.2
Interest rates		(%)		
Federal funds rate, effective ^b	1.92	0.16	0.18	0.1
Treasury note (ten-year)	3.66	3.26	3.22	2.78
Federal public debt				
Value (US\$ billion, fiscal year end)	5,803.1	7,544.7	9,018.9	10,128.2
% of GDP ^c	40.5	54.1	62.8	67.7
Employment				
Unemployment rate	5.8	9.3	9.6	9.0

a Preliminary.

b The federal funds rate is the cost of borrowing immediately available funds, primarily for one day. The effective rate is a weighted average of rates on brokered trades.

c Fiscal year GDP, seasonally adjusted at annual rates.

Source: WTO Secretariat, based on Bureau of Economic Analysis online information. Viewed at: <http://www.bea.gov>; Board of Governors of the Federal Reserve System online information. Viewed at: <http://www.federalreserve.gov/econresdata/default.htm>; Budget of the United States Government. Viewed at: <http://www.gpo.gov/fdsys/browse/collectionGPO.action?collectionCode=BUDGET>; and Bureau of Labor Statistics online information. Viewed at: <http://www.bls.gov>.

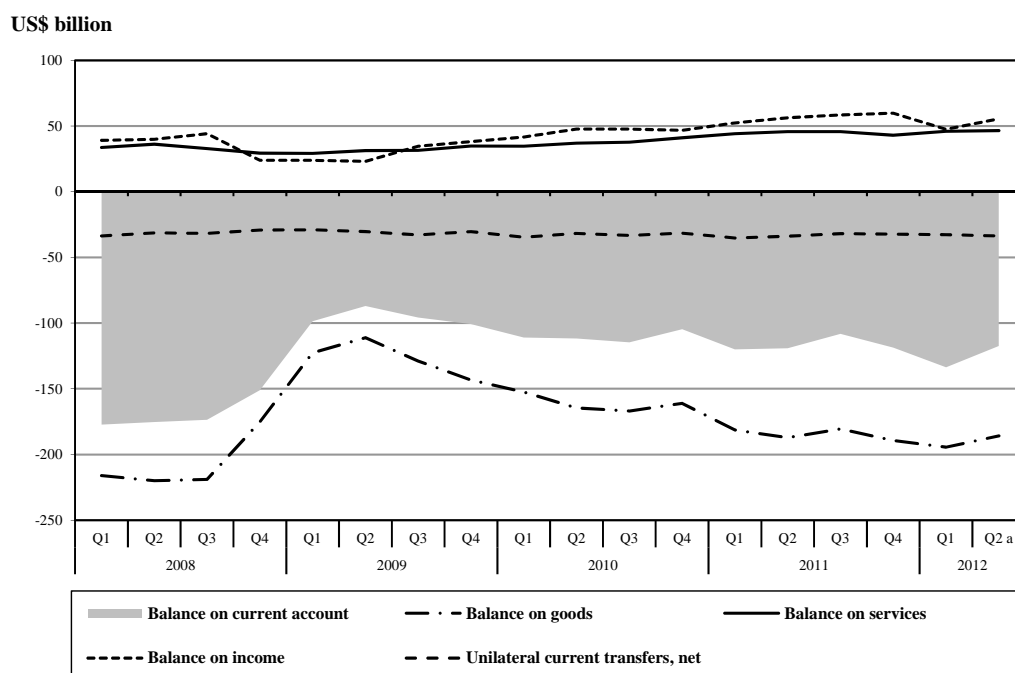
3. The U.S. current account balance continued to worsen slightly between 2010 and 2011, from US\$470.9 billion to US\$473.4 billion. However, it remained around 3% of GDP, which is lower than the 6% peak in 2005-06.³ In 2011, the biggest influence on the current account deficit was the deficit in trade in goods, which widened to US\$738.3 billion. The surplus on trade in services continued to increase, as did the surplus on income, but not to the same extent as the deficit on goods trade; and net unilateral transfers remained nearly static (Chart I.2). Recovery from this recession has been less

³ It was 3.2% and 3.1% of GDP, respectively, in 2010 and 2011 (BEA Press Release, "U.S. Current Account Deficit Increases in 2011", 14 March 2012. Viewed at: http://www.bea.gov/newsreleases/international/transactions/trans_highlights.pdf; and Labonte, 2010).

unbalanced compared with the previous recession, in 2001. In the current recovery, the current account has remained stable, despite worsening conditions in major U.S. export markets, due to the strength in services exports and the income balance (Table AI.1).

Chart I.2

U.S. current account and net financial flows, 2008-12



a Preliminary data.

Source: Bureau of Economic Analysis. Viewed at: <http://www.bea.gov>.

4. The U.S. current account deficit of 3% of GDP has so far not been a problem for the U.S. economy. U.S. foreign direct investment inflows remain the largest in the world and U.S. assets continue to benefit from the perceived safe-haven status of the U.S. dollar and the U.S. economy.

5. From a peak in 2002, the U.S. dollar⁴ depreciated gradually by about 25% until 2008, stabilized temporarily in 2008-09, and then resumed its downward trend in 2009 to mid-2011, depreciating by around 16%. More recently, it appreciated by about 5% in the second half of 2011, and then resumed its downward trend in early 2012, falling about 2% before climbing again (Chart I.3). The dollar depreciation has not been uniform against all currencies: since the economic downturn, it has depreciated 13% against the euro, 11% against the yen, 8% against the Mexican peso, and less than 3% against the yuan.⁵ As the euro zone crisis has intensified, the dollar has strengthened against the euro. The euro-dollar exchange rate movements have an impact on U.S. trade that extends beyond the direct import and export linkages of the United States and the euro zone, as they also affect third-country markets where both compete.

6. The recovery effort was aided by a number of policies or measures that encouraged change, such as reform of the banking and financial sector, budget re-balancing, reduction of household debt,

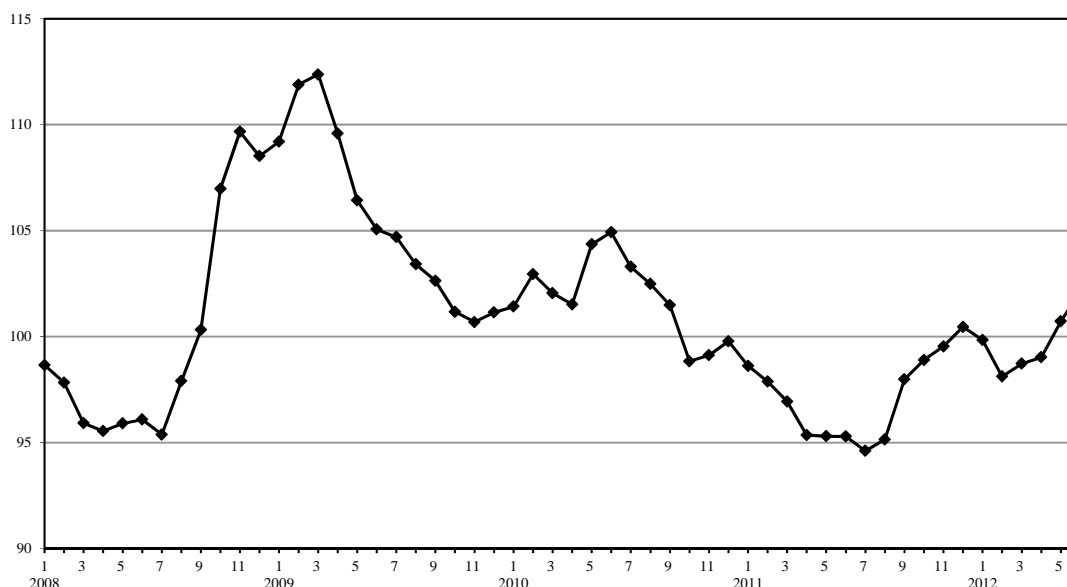
⁴ Inflation-adjusted trade-weighted dollar index.

⁵ Elwell (2012).

reduction of financial sector debt, and an increase in business investment. While U.S. corporate profits and personal income rose during 2010-11, overall U.S. unemployment levels remain high and the housing market remains weak.

Chart I.3
Index of trade-weighted exchange rate of dollar, 2008-12

Index, 1997=100



Source: Board of Governors of the Federal Reserve System. Viewed at: <http://www.federalreserve.gov/econresdata/statistics/data.htm>.

7. According to projections by the IMF, the outlook for the U.S. economy is optimistic for 2012, as it was predicted to grow by approximately 2%. However, this figure was revised downwards by 0.1% at mid-year due to less robust growth than forecast. Weaknesses in the global recovery, including spillover from the euro zone crisis, and possible future fiscal tightening have been cited as important factors in the U.S. outlook.⁶

(2) MONETARY, FISCAL, AND OTHER POLICIES

8. During the past two years in particular, and since the Obama administration took office, the theme of "rebalancing", both domestically and internationally, has been at the core of U.S. economic policy. It was recognized that the United States, with long-term current account deficits, has relied heavily on domestic consumption and construction of real estate for growth which is unsustainable; and a more balanced pattern of growth is needed, which relies less on consumption and more on exports and investment for growth. Domestically, reforms are also needed in order to increase investment, raise revenues, and cut unnecessary spending.⁷

9. As a result of the financial crisis, a number of fiscal stimulus measures were enacted to aid the economy. The American Recovery and Reinvestment Act (ARRA), enacted in 2009, continued to support the recovery in 2011, although at declining levels.⁸ The Troubled Asset Relief Program

⁶ IMF (2012b).

⁷ White House (2012b).

⁸ For a detailed description of ARRA and analysis, see WTO (2010).

(TARP) of 2008 targeted financial stability, especially as concerns banking, credit, and support of certain industries. Although funding expired at the end of 2010, approximately one quarter of the funds are outstanding and still supporting certain programmes, including U.S. government investments in the auto industry, American International Group (AIG), and 460 U.S. banks (end 2011).⁹ However, these investments and support are gradually being reduced and eliminated.

10. Other laws aimed at easing the financial situation and improving the U.S. economy include the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (TRUIRJA), enacted at the end of 2010. This law extended the emergency unemployment benefit programs, and reduced the workers' payroll taxes by 2%.¹⁰ In late 2011 and again in early 2012, two extensions of the TRUIRJA provisions for unemployment benefits and payroll tax cuts were approved, thus maintaining them until the end of 2012.¹¹ Furthermore, in late 2011, a new tax credit entered into force for businesses that hire unemployed veterans.¹²

11. In 2011, the U.S. reported the third highest federal deficit on record since 1945, at US\$1.3 trillion. This was nearly the same as in 2010 (US\$1.29 trillion) and reflects a slight downward trend from the 2009 peak of US\$1.42 trillion. As a percentage of GDP, the 2011 deficit improved slightly to 8.7% compared with 9% in 2010. Government receipts improved for the second consecutive year (fiscal year 2011) to reach US\$2.3 trillion, still below the 2007 peak level, while government expenditures grew to US\$3.6 trillion.¹³ The largest increase in expenditures was a 17% increase in net interest on the public debt.¹⁴ In 2011, revenues comprised individual income taxes (47%), social insurance and retirement receipts (36%), corporate income taxes (8%), and other (9%).¹⁵ While trade remains an important part of the U.S. economy, the impact of tariff revenue for the United States is very small. According to the World Customs Organization, revenues from customs duties in the United States averaged 1.5% to 2% of overall tax revenue in recent years, compared with an overall average of 12.4% for the countries' surveyed.¹⁶

12. The Budget Control Act of 2011, containing a US\$1 trillion deficit-reduction package, was enacted in 2011 in order to reign-in the growing government deficit that poses a number of economic risks.¹⁷ Current low yields (negative in real terms) on U.S. government debt and the surge of investor demand for U.S. government debt indicate that markets continue to have a high degree of confidence that the U.S. fiscal situation will improve. Further reductions of US\$1.2 trillion to US\$1.5 trillion are also scheduled to follow. In addition, the 2010 Pay-as-you-go Act contains a rule of budget neutrality, meaning that new laws should not be introduced that would increase budget deficits.¹⁸ A number of expiring tax cuts, and lower defence operation spending will also aid the budgetary situation in the near term. Revising U.S. tax policy has also been high on the agenda with a number of proposals from the Administration and from Congress, especially regarding corporate taxes. However, to date, no major reform measures have been enacted.

⁹ Department of the Treasury, Office of Financial Stability (2011).

¹⁰ Public Law 111-312.

¹¹ Middle Class Tax Relief and Job Creation Act of 2012, Public Law 112-96.

¹² The VOW to Hire Heroes Act, Public Law 112-56.

¹³ Monthly Treasury Statement. Viewed at: <http://www.fms.treas.gov/mts/mts0612.pdf>

¹⁴ Congressional Budget Office online information. Viewed at: <http://www.cbo.gov>.

¹⁵ Office of Management and Budget online information, "Historical Tables". Viewed at: <http://www.whitehouse.gov/omb/budget/Historicals>.

¹⁶ World Customs Organization (2011a).

¹⁷ Public Law 112-25.

¹⁸ Public Law 111-139.

13. U.S. monetary policy is carried out by the Federal Reserve (hereinafter "the Fed") as a result of powers delegated by the U.S. Congress. However, the Congress maintains oversight on the Fed to ensure that it adheres to its mandated goals of achieving maximum employment, stable prices, and moderate long-term interest rates. The Fed has been very active in recent times, using a wide range of policies, some unconventional, to aid economic recovery, while it has also been affected by new legislation.¹⁹ From late 2010 to mid 2011, the Fed conducted a second round of quantitative easing due to the financial crisis and its aftermath. Actions by the Fed during 2011 have been described as "accommodative", with the Federal Open Market Committee (FOMC)²⁰ maintaining the federal funds rate at exceptionally low target levels, i.e. 0% to 0.25%. Due to the continued weak recovery, the FOMC announced in late 2011 and early 2012 that it would keep the federal funds rate at these low levels until at least end 2014. It also made other moves in 2011 to lower long-term interest rates. It has maintained central bank liquidity swaps, a rarely used mechanism, in part to aid with the European debt crisis. The Fed's swap policy allows foreign central banks to provide liquidity to the foreign banks in U.S. dollars. In January 2012, the Fed announced its policy for a long-run goal of maintaining inflation at 2%.²¹

14. The U.S. administration was taken two major initiatives in recent years aimed at increasing exports. In 2010, President Obama set a goal of doubling exports in five years through his National Export Initiative. The National Export Initiative aims at improving trade advocacy, increasing access to credit, removing trade barriers, enforcing trade rules, and pursuing policies to promote growth. This programme is currently on track to reach its objective of US\$3.16 trillion in exports by 2014.²² The Export Control Reform Initiative was launched to reconcile definitions, regulations, and policies for export controls, while working toward creating a single control list under one agency with unified information and enforcement.²³ These initiatives, either alone or in conjunction with other policies and factors, appear to be bearing fruit as exports, as a share of GDP, have grown by 13% since 2009. Exports reached a historic high of 13.8% of GDP in 2011.²⁴

(3) DEVELOPMENTS IN TRADE AND FOREIGN DIRECT INVESTMENT

(i) Merchandise trade

15. U.S. merchandise imports and exports grew in 2010 and 2011, surpassing 2008 record levels, although the merchandise trade deficit expanded. After contracting significantly at the end of the 2007-09 financial crisis, the negative trade balance continued to grow steadily in 2010 and 2011, although not to 2007-08 peak levels. While both imports and exports grew, import growth outpaced export growth, which accounted for the worsening of the trade deficit.

¹⁹ The Dodd-Frank Act made some changes with respect to audit and oversight. Other proposed legislation in the 112th Congress that could alter the Fed's mandate, have not become law.

²⁰ The FOMC is the branch of the Federal Reserve Bank that determines the direction of monetary policy.

²¹ Federal Reserve Press Release, 25 January 2012. Viewed at: <http://www.federalreserve.gov/newsevents/press/monetary/20120125c.htm>.

²² Executive Order 13534, 11 March 2010. Viewed at: <http://www.whitehouse.gov/the-press-office/executive-order-national-export-initiative>.

²³ White House online information, "Fact Sheet on the President's Export Control Reform Initiative". Viewed at: <http://www.whitehouse.gov/the-press-office/fact-sheet-presidents-export-control-reform-initiative>.

²⁴ Department of Commerce online information, "U.S. Export Fact Sheet". Viewed at: <http://www.trade.gov/press/press-releases/2012/export-factsheet-february2012-021012.pdf>.

16. Strong growth in merchandise exports continued for the second year in a row, with 16% growth in 2011 and increased in all major export categories. Exports to Latin American²⁵ and Middle East markets grew faster, at 21% each. However, Middle East destinations still account for a very small share of U.S. exports (4%), whereas Latin America is the second largest regional market, accounting for 25% of U.S. merchandise exports. The largest single export market continues to be Canada, which accounted for 19% of 2011 U.S. merchandise exports. The Americas remains the most important export region, accounting for 43.5% of merchandise exports, followed by Asia (27.9%) and Europe (21.4%) (Table AI.2 and Chart I.4).

17. U.S. merchandise exports are heavily concentrated in manufactures (65.3% in 2011), followed by mining (12.5%) and agriculture (11.4%). Within manufactures, machinery and transport equipment is the most significant subsector, accounting for about one third of 2011 merchandise exports (Table AI.3 and Chart I.5).

18. The situation of imports is similar to that of exports in that merchandise imports exhibited strong growth for the second year after the recession at 16% in 2011. Imports in all major categories were higher in 2011 than in 2010. Imports from the Middle East grew the most rapidly in 2011, climbing by 40% but again from very low base of 5% of total U.S. merchandise imports. Similar to the growth in exports, U.S. imports from Latin American grew slightly more than the average, at 21% in 2011. China is the dominant supplier of merchandise to the U.S. market, accounting for 18% of total U.S. merchandise imports in 2011, followed by the EU (16.6%) and Canada (14.1%) (Table AI.4 and Chart I.4).

19. U.S. merchandise imports are highly concentrated in manufactures (67.3%) with a much smaller concentration in the mining sector (23.1%). Agricultural imports are very small, accounting for 6.1% of 2011 merchandise imports. As with exports, machinery and transport equipment is the largest subsector (35.8%), followed by fuels (20.5%) (Table AI.5 and Chart I.5).

20. U.S. merchandise trade and the merchandise trade deficit are heavily influenced by trade in petroleum products²⁶, which accounted for a growing share of the total value of merchandise imports during 2009-11, from 16% to 20%. Even more significant is the impact of petroleum trade on the growing trade deficit, accounting for 41% and 44% of the merchandise trade deficit in 2009 and 2011, respectively.

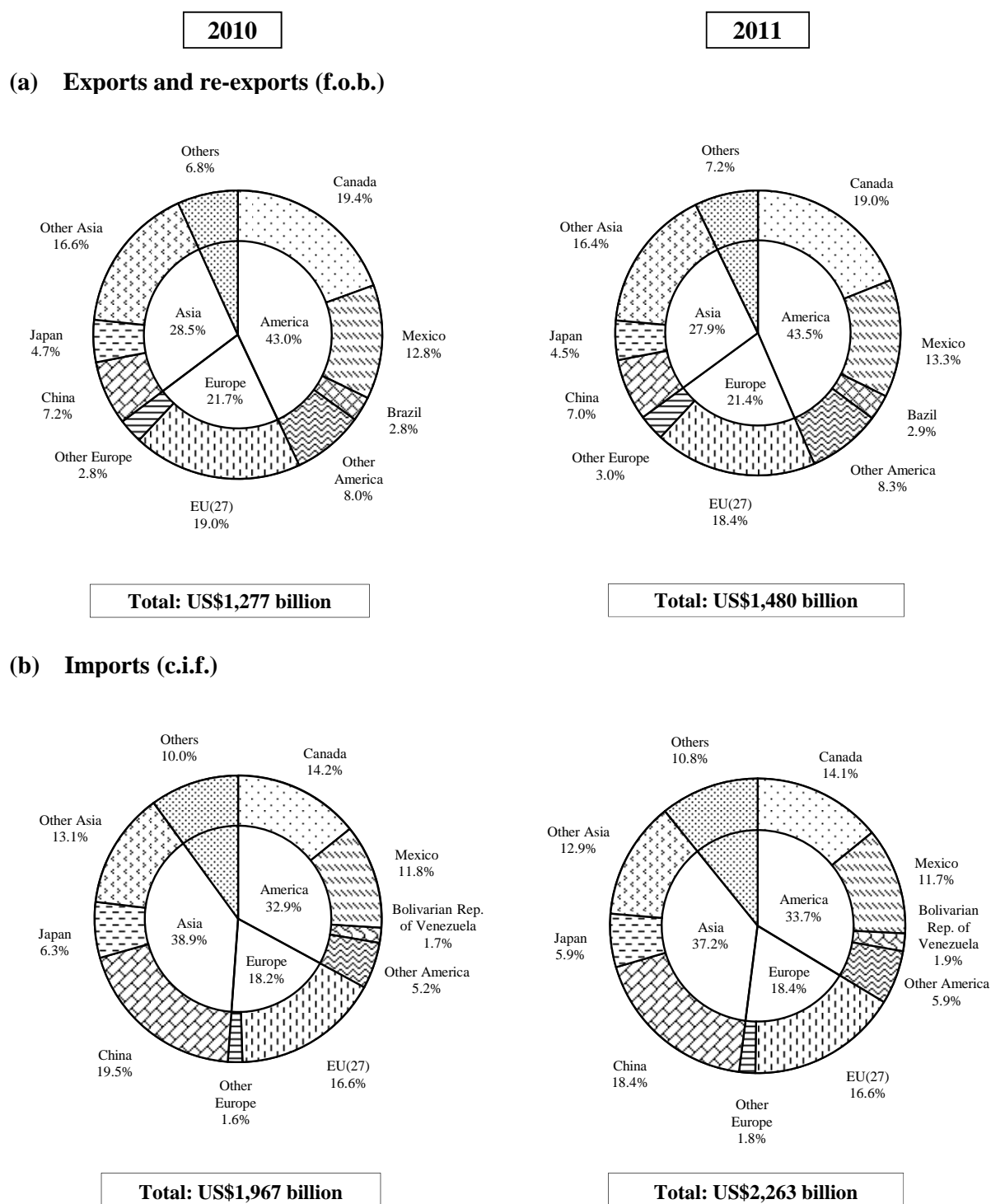
21. This impact on the trade balance was in large part due to the rising price of oil rather than import volumes. Import volumes declined continually in 2010 and 2011, while domestic production increased slightly, somewhat reducing U.S. reliance on imported petroleum. U.S. imports averaged 11.4 million barrels per day in 2011, down 2.7% from 2010, and down 17% from 2005 peak levels. Technological developments and innovation in the U.S. energy sector are credited with improving the trade balance (in volume terms), with falling import volumes.²⁷ The prospects for further increases in domestic production of oil and natural gas are quite high. As domestic production expands, domestic "tight oil" (obtained from shale rock and other previously inaccessible geological formations through hydraulic fracturing and related techniques) could displace some crude oil imports, and there may be scope for substitution between imported oil and domestic natural gas in part of the national transport fleet.

²⁵ Including other western hemisphere countries as well.

²⁶ Includes crude petroleum and refined petroleum products.

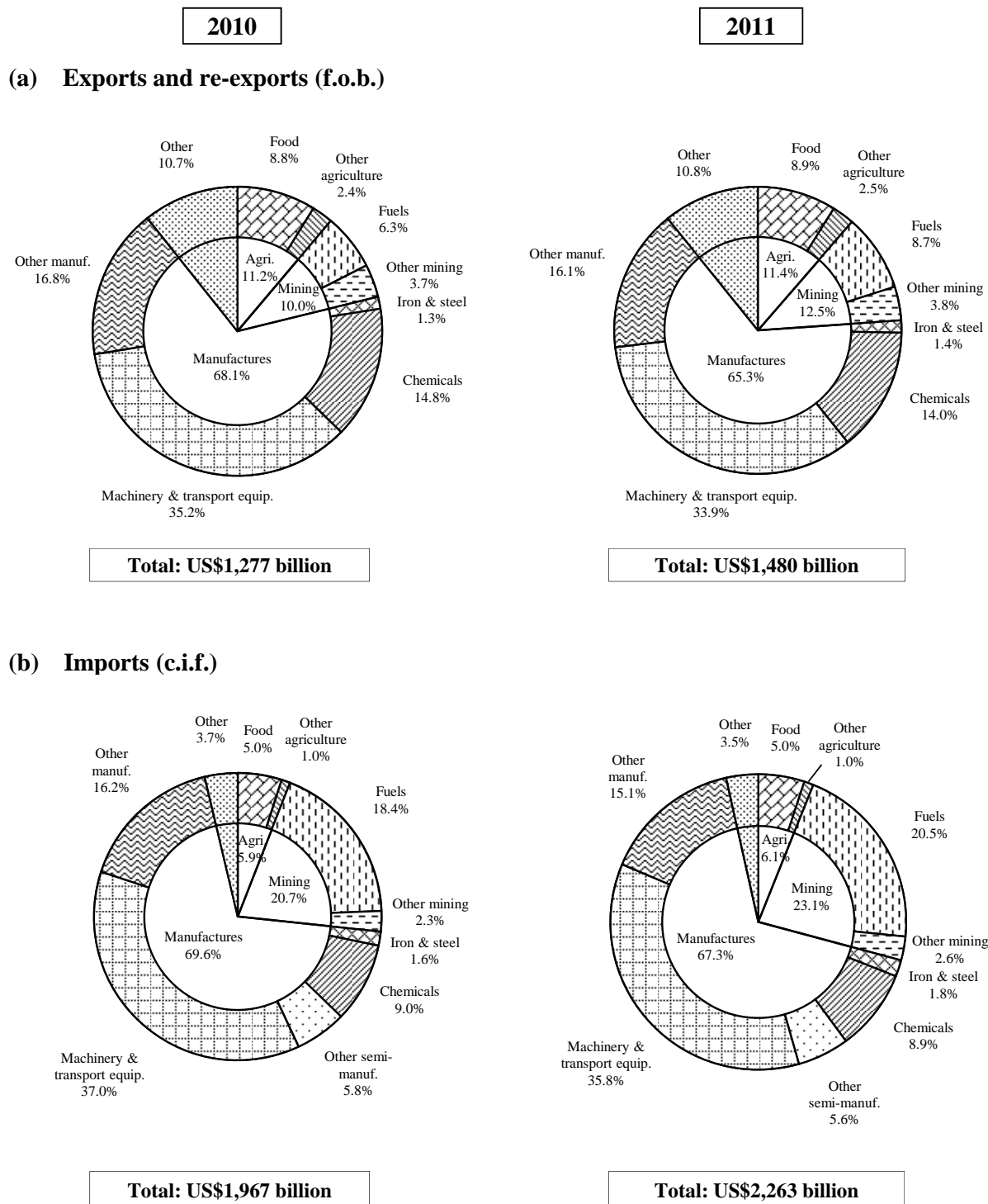
²⁷ Jackson (2012); and Neelesh (2012).

Chart I.4
Merchandise trade, by main origin and destination, 2010 and 2011



Source: UNSD, Comtrade database (SITC Rev.3).

Chart I.5
Merchandise trade, by product, 2010 and 2011



Source: UNSD, Comtrade database (SITC Rev.3).

22. Trade in petroleum products varies significantly depending on the type of product. U.S. imports are dominated by crude petroleum, while exports (at 25% of import volumes), consist nearly exclusively of refined petroleum products (e.g. gasoline, fuel oil, distillates, etc.). This imbalance is in large part attributable to demand, which far exceeds domestic production (the United States is the world's largest oil importer), but also policy issues such as export restrictions on crude petroleum.²⁸ The long-standing trade deficit for refined petroleum products turned to a trade surplus, for the first time, in 2011. Some attribute this to higher world prices and/or higher demand in developing countries relative to developed markets, which have excess refining capacity following lower economic output.²⁹

23. As a result of its importance, U.S. trade in petroleum significantly affects the U.S. economy, including the trade balance/current account balance, the rate of inflation, and consumer spending. Oil provides 94% of the energy needed for the U.S. transport sector and 40% of the energy used in the industrial sector.³⁰ The United States is cognizant of the wider and often negative impact of increased costs and imports of oil, and implemented policies and initiatives in 2011 such as President Obama's initiative to cut oil imports by one-third, and conducting sales from the Strategic Petroleum Reserve in an effort to stabilize prices.³¹

(ii) Trade in services

24. The services sector continues to be a growing part of the U.S. economy, both in terms of GDP and employment. U.S. GDP is heavily reliant on the services industries, which reportedly account for almost 70% of U.S. output.³² Since 2007, the growing trade surplus in services and the growth in the income balance have had an important impact on the current account balance. Both imports and exports of services rebounded for the second consecutive year in 2011 after retracting in 2009. Imports rose and exports grew more rapidly, thus the positive trade balance in services grew strongly. U.S. commercial services exports rose 9.2% in 2011, while imports grew 6.9%, widening the trade in services surplus to US\$186 billion. The United States is the world's leading exporter of services, and set new records in 2011 in terms of services exports and surplus.

25. In 2011, exports increased in all major services categories, led by travel and royalties and licence fees (Table I.2): travel services accounted for approximately 26% of total services exports, and royalties and licence fees for 18%. These services categories are also the most important contributing sectors to the services trade surplus. U.S. exports of commercial services reached a record US\$581 billion in 2011.

26. U.S. imports of commercial services reached a new level of US\$395 billion, surpassing the previous record level of US\$374 in 2008. The growth in commercial services other than travel and transportation services accounted for over half the growth (Table I.3). U.S. services trade (imports and exports) is generally concentrated in relatively few, mainly advanced, developed countries (Tables I.4 and I.5). The EU is by far the most important in terms of both imports and exports.

²⁸ Certain U.S. laws and statutes restrict exports of crude petroleum. Unless exports qualify for a few pre-defined exceptions, the U.S. Department of Commerce does not grant export licences for crude petroleum exports (Neelesh, 2012).

²⁹ Neelesh (2012).

³⁰ Neelesh (2012).

³¹ White House Press Release, "Remarks by the President on America's Energy Security", 30 March 2011. Viewed at: <http://www.whitehouse.gov/the-press-office/2011/03/30/remarks-president-america-energy-security>; and Andrews and Pirog (2012).

³² White House (2012b).

Table I.2
U.S. commercial services exports, by type, 2008-11
(US\$ million)

	2008	2009	2010	2011
Total	523,348	491,852	532,142	580,864
Services pursuant to modes 1, 2, and 4				
Commercial services	522,231	490,776	532,142	580,864
Transportation	74,671	61,410	70,637	78,929
Travel	139,123	123,855	134,846	149,640
Other commercial services	308,437	305,511	326,659	352,295
Communications services	10,301	10,278	11,324	12,988
Construction	3,885	4,032	2,611	..
Insurance services	13,403	14,427	14,605	15,351
Financial services	63,027	62,444	66,387	72,989
Computer and information services	13,120	13,483	13,766	15,313
Royalties and licence fees	88,895	83,447	92,054	103,797
Other business services	101,829	102,615	111,397	..
Personal, cultural and recreational services	13,977	14,785	14,515	15,906
Government services, n.i.e.	15,644	17,680	18,604	..
Services pursuant to mode 3	1,117	1,076

.. Not available.

Source: WTO (2012 forthcoming), *International Trade Statistics*.

Table I.3
U.S. commercial services imports, by type, 2008-11
(US\$ million)

	2008	2009	2010	2011
Total	374,592	349,596	369,907	395,268
Services pursuant to modes 1, 2, and 4				
Commercial services	373,890	348,927	369,907	395,268
Transportation	87,944	67,274	78,122	85,237
Travel	86,904	80,828	82,696	86,734
Other commercial services	199,042	200,825	209,089	223,297
Communications services	8,353	7,947	8,367	8,174
Construction	3,451	3,579	2,351	..
Insurance services	58,913	63,614	61,767	57,562
Financial services	17,218	13,597	13,803	15,070
Computer and information services	16,895	17,047	19,385	23,977
Royalties and licence fees	27,841	27,924	31,784	34,813
Other business services	64,295	64,699	69,418	..
Personal, cultural and recreational services	2,076	2,418	2,214	..
Government services, n.i.e.	32,216	34,889	35,012	34,045
Services pursuant to mode 3	702	669

.. Not available.

Source: WTO (2012 forthcoming), *International Trade Statistics*.

Table I.4
U.S. commercial services exports (modes 1, 2, and 4), by destination, 2008-10
(US\$ million)

	2008	2009	2010
Total	522,231	490,776	532,142
EU(27)	193,016	170,096	169,098
Canada	45,114	42,644	50,521
Japan	41,524	40,049	44,750
Mexico	25,938	23,080	24,110
China	15,065	15,971	21,135
Switzerland	19,896	18,871	20,313
Brazil	12,120	13,082	16,515

Table I.4 (cont'd)

	2008	2009	2010
Korea, Republic of	12,885	12,758	15,105
Australia	12,022	12,024	13,168
Bermuda	9,604	10,903	11,061
India	10,189	9,831	10,319
Singapore	7,277	7,055	9,709
Chinese Taipei	6,041	6,459	9,292
All others	111,540	107,953	117,046

Source: WTO (2012 forthcoming), *International Trade Statistics*.

Table I.5
U.S. commercial services imports (modes 1, 2, and 4), by origin, 2008-10
(US\$ million)

	2008	2009	2010
Total	373,890	348,927	369,907
EU(27)	140,688	123,124	125,399
Bermuda	24,740	33,624	31,740
Canada	25,000	22,295	25,579
Japan	24,460	20,990	23,541
Switzerland	18,982	18,583	19,665
Mexico	15,502	13,538	13,730
India	12,465	12,359	13,661
China	9,316	8,161	9,967
Korea, Republic of	7,240	6,384	7,756
Hong Kong, China	7,255	5,820	6,492
Chinese Taipei	6,576	5,125	6,330
Australia	5,713	5,352	5,600
Brazil	4,913	4,987	5,232
All others	71,040	68,585	75,215

Source: WTO (2012 forthcoming), *International Trade Statistics*.

27. The United States is aware of the growth potential of its services exports and has enacted laws or initiated actions to increase services exports, especially in the travel and tourism sector. The Travel Promotion Act of 2009, passed in 2010, established the Corporation for Travel Promotion, which does business as Brand USA, a public-private partnership with the mandate to promote travel to the United States.³³ In January 2012, President Obama issued an Executive Order to improve visa processing and promote travel and tourism. The Executive Order required the Departments of State and Homeland Security to develop an implementation plan within 60 days to improve visa processing times for non-immigrant visas for foreign visitors, in particular with respect to increasing capacity by 40% in Brazil and China, in order to promote tourism. The Executive Order requires periodic reporting on progress in implementing the goals with respect to non-immigrant visa processing times. In addition, it established a Task Force on Travel and Competitiveness to develop a National Travel and Tourism Strategy, aiming to make the U.S. a top travel and tourism destination.³⁴

(iii) Foreign direct investment

28. The United States is the world's largest recipient of foreign direct investment (FDI), which totalled US\$228 billion in 2011, down from US\$236 billion in 2010. FDI continues to play an important role in the U.S. economy, with accumulated stock reached US\$2.9 trillion in 2010, and making important contributions to U.S. employment, R&D, and exports.³⁵ U.S. foreign direct investment flows tend to track economic growth, being higher when the economy expands, and falling

³³ Travel Promotion Act of 2009, Public Law 111-145.

³⁴ Executive Order No. 13,597, 19 January 2012.

³⁵ Stated at current cost value (White House, 2012b).

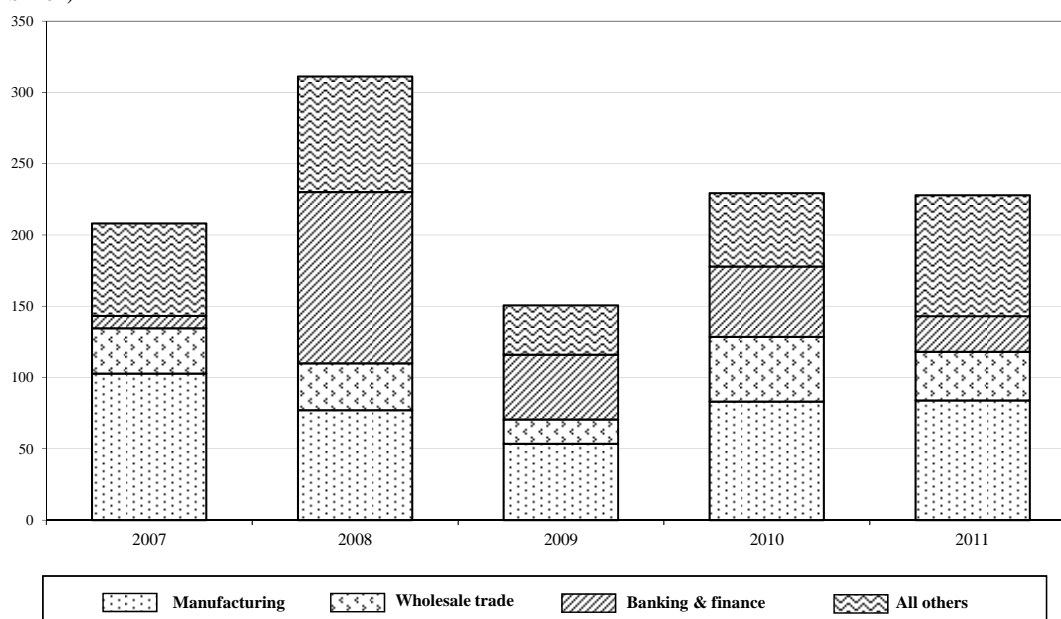
when the economy shrinks. In recent years, U.S. FDI reached a peak in 2008 before falling during the financial crisis. Along with the recovery, U.S. FDI climbed in 2010 and 2011, after falling significantly in 2009, but has not yet recovered to 2008 peak levels. As the world economy recovers from the economic downturn, global FDI is also predicted to recover, possibly surpassing 2007-08 peak levels in 2013 according to UNCTAD estimates.³⁶

29. FDI in the United States has traditionally been heavily concentrated, both in terms of geographic source and type of investment. The manufacturing sector has generally received the majority of FDI, although levels have varied widely year-to-year (Chart I.6). The vast majority of FDI originates in eight countries, six of which are European.³⁷ In 2010, these top eight accounted for 84% of all U.S. FDI.³⁸ As Europe is a major contributor to U.S. FDI, there is some concern about a prolonged debt crisis in Europe and its consequential negative impact on U.S. FDI. Given the beneficial impact of FDI on the U.S. economy and jobs, the U.S. Administration has recently created SelectUSA, described as a one-stop shop to seek and attract investment in the United States. Established in the Department of Commerce, SelectUSA covers a wide range of investment promotion functions such as coordinating among state, local, and regional economic development organizations and educating investors about relevant U.S. policies and procedures.³⁹

Chart I.6

Foreign direct investment into the United States, 2007-11

(US\$ billion)



Source: Bureau of Economic Analysis online information. Viewed at: <http://www.bea.gov/>.

³⁶ UNCTAD (2011).

³⁷ Switzerland, United Kingdom, Japan, France, Germany, Luxembourg, the Netherlands, and Canada.

³⁸ Department of Commerce, Economics and Statistics Administration (2011).

³⁹ Established by Executive Order 13577, 15 June 2011 (White House Press Release. Viewed at: <http://www.whitehouse.gov/the-press-office/2011/06/15/executive-order-selectusa-initiative>; and SelectUSA online information. Viewed at: <http://selectusa.commerce.gov/>).