european american chamber of commerce

Transatlantic Expansion Barometer

A pulse survey on mid-size businesses' expansion plans in Europe and in the US

November 2024 – First edition

OCO GLOBAL

Foreword

Despite difficult trading conditions over the last few years, it is encouraging to discover that companies remain committed to trade and investment between the US and Europe.

The results from our 2024 survey of more than 200 mid-size US and European firms shows that companies have had to take action to reduce exposure to increased costs, reduced access to finance, and global uncertainty. But more positively, the survey shows that companies are aware of the potential opportunities being created by new funding initiatives such as the Inflation Reduction Act (IRA) and European Green Deal.

At the heart of these opportunities lies transatlantic investment in manufacturing and R&D, primarily in sectors supporting the energy transition, from both sides of the Atlantic. However, such opportunities shouldn't mask some barriers highlighted in our survey. Besides growing geopolitical instability and the exceptional uncertainty created by the 2024 US elections, our survey reveals other operational factors hindering the development of transatlantic business relations: in a world of increasingly complex market conditions, access to relevant market information is seen as the single greatest barrier to transatlantic expansion, before access to finance. Gaining access to better information about market dynamics, regulations, incentives, and how to operate in different countries will make it easier for companies to grow.

Looking further forward, it is hard to predict how the US-Europe commercial relationship will really evolve, and much of it will be dictated by the US – China competition for global leadership. But there is one thing that our survey has firmly established: European and US mid-size businesses do have concrete, short term, transatlantic expansion plans. As business leaders and advisors, let's do what we can to help them realize their plans and bring them clarity and opportunities in uncertainty.

Key Themes Emerging From The Survey

The transatlantic business relationship is and will remain strong

84% of European mid-size businesses and 79% of US ones have transatlantic expansion plans in the next two years, regardless of elections' outcome.

The IRA has driven interest from European manufacturers

59% of European businesses interested in a local presence considering a production plant, compared to 36% of US respondents considering a production plant in Europe.

Close to 40% of mid-size businesses say the IRA has increased their level of awareness about opportunities.

Slow economic growth has impacted expansion plans

Economic conditions are having an impact on mid-size businesses and their willingness, or ability, to expand overseas. Around a third of European respondents (34%) and a quarter of US respondents (26%) stated that were impacted by economic uncertainty.

Overcoming information barriers will increase opportunities

A lack of information was the main barrier for respondents on both sides of the Atlantic, with US respondents more likely to identify it as a barrier than their European respondents (59% and 50% respectively).

The Trade And Investment Context

The Biggest Business Relationship In The World. But For How Long?

US-Europe trade has grown to become the largest market trade relationship in the world

The US-Europe relationship is the the largest bilateral trade and investment relationship in the world, despite the absence of a dedicated free trade agreement between European countries and the US.

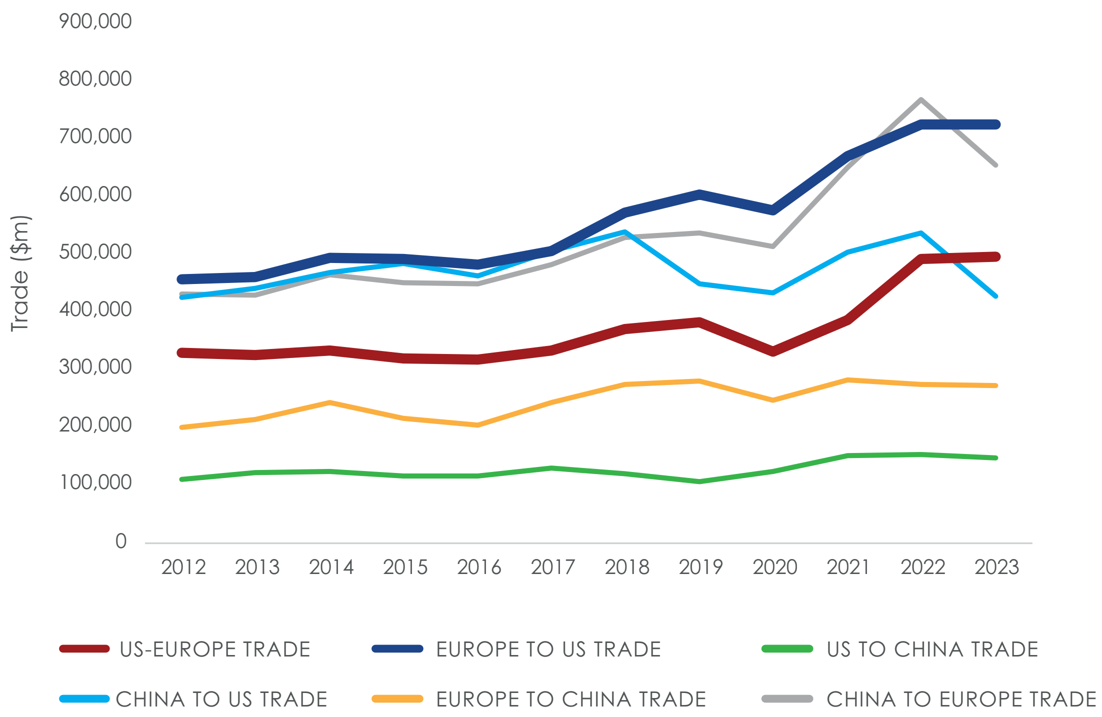
Bilateral trade in goods between the US and Europe was valued at $1.2 trillion in 2023.

Future forecasts suggest the value of US exports will grow by 9% over the next three years, with slower growth from Europe at 3%.

China may change the game: in 2019 Europe replaced the US as the largest market for Chinese exports. Chinese exports declined in 2023, but recent trends show China has increased trade with Europe and decreased trade with the US.

Sources: US Census Bureau, USA Trade Online database, 2024 & IMF World Economic Outlook, 2024

Trade in goods between the US and Europe (USD, 2002 – 2023)



European investment into the US continues to grow, but FDI from the US into Europe is slowing amid investment risks

European FDI into the US surpassed pre-COVID levels in 2022 and continued to grow in 2023.

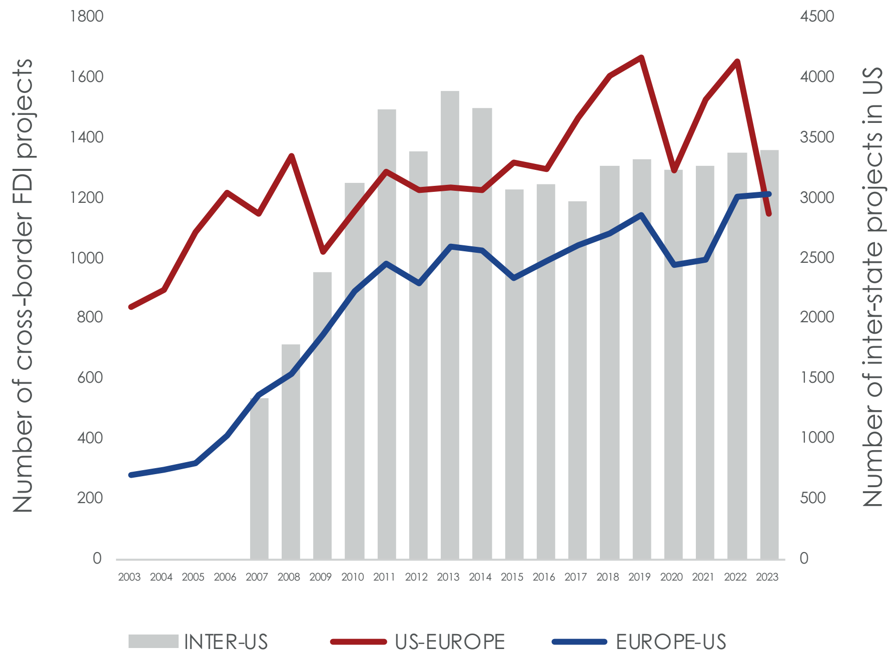
The US is the largest source of FDI into Europe, but the number of projects fell dramatically in 2023 and is below pre-COVID levels.

It is likely that investors are taking a 'wait and see' approach, hoping that investment risks such as energy prices and political instability are transitory.

This is supported by inter-state FDI in the US that has remained stable, suggesting that declines into Europe are not being replaced by internal investment.

Source: Financial Times, fDiMarkets database, 2024

Number of FDI projects from US to Europe, Europe to the US, and inter-US (2003 – 2023)



Competition Between Friends Is Creating Opportunities To Access More Funding

"The real competition is not so much between Germany and Italy or Denmark and the Netherlands, or Hungary and the Czech Republic. It's between Europe and China and the US, and the system we have developed in the past decades only looks at the internal market."

German economy minister Robert Habeck, January 2024

Competition between friends is creating opportunities to access more funding

The Inflation Reduction Act introduced an unprecedented level of incentives for companies and supply chains in the US and created a chain reaction across the Atlantic, pressing the EU to flex and update their rules. Recommendations from Mario Draghi's report on the future of European competitiveness only supports that trend.

The result is that companies in the US and Europe can take advantage of more generous schemes than ever before. Understanding eligibility and how to access these funds can help reduce the cost of international expansion.

- ★ Tax credits for companies that invest in US manufacturing
- ★ Bonus credits for investments in low-income communities
- ★ Tax credits for businesses that invest in energy efficiency measures
- ★ Demand side incentives to encourage US-sourced materials and components

- ★ Significant aid for investment costs for companies producing equipment crucial for the green transition
- ★ In certain cases, companies may receive "matching aid" to prevent relocation of investments outside Europe
- ★ Simplified procedures and conditions for granting aid to small projects and less mature technologies

China is the elephant in US-Europe's room

While FDI from China is smaller than FDI between Europe and the US, it could create difficulties for future transatlantic relations.

In 2023, Europe received 116 projects from China in strategically important sectors, compared to only 26 projects into the US from China.

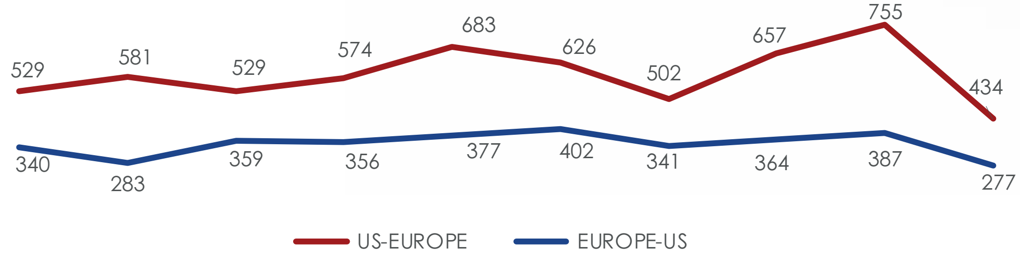
This continues a trend of increasing Chinese investment in Europe and decreasing Chinese investment in the US.

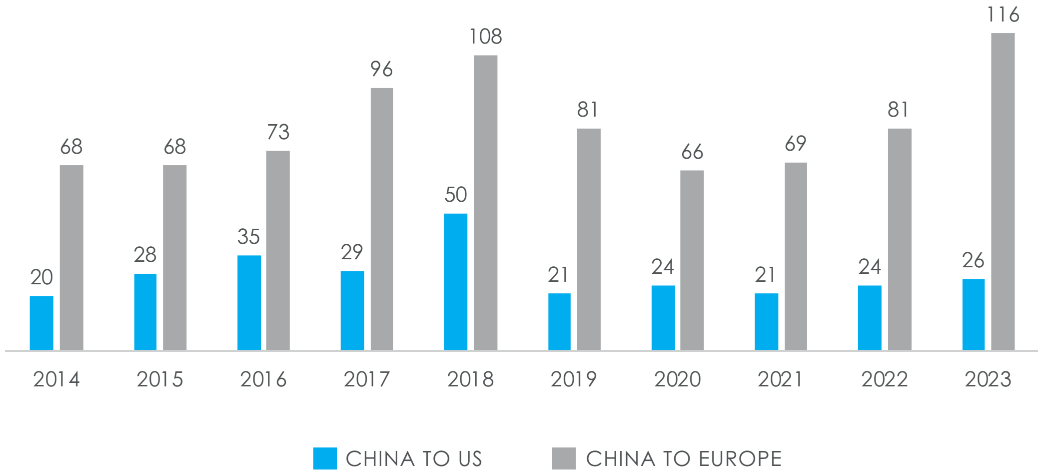
US regulatory and political scrutiny, increased geopolitical tensions and tightened regulations on foreign investment from China are having an impact.

Meanwhile continued Chinese investment in European supply chains could potentially lead to transatlantic disagreements over product standards and rules of origin for trade purposes.

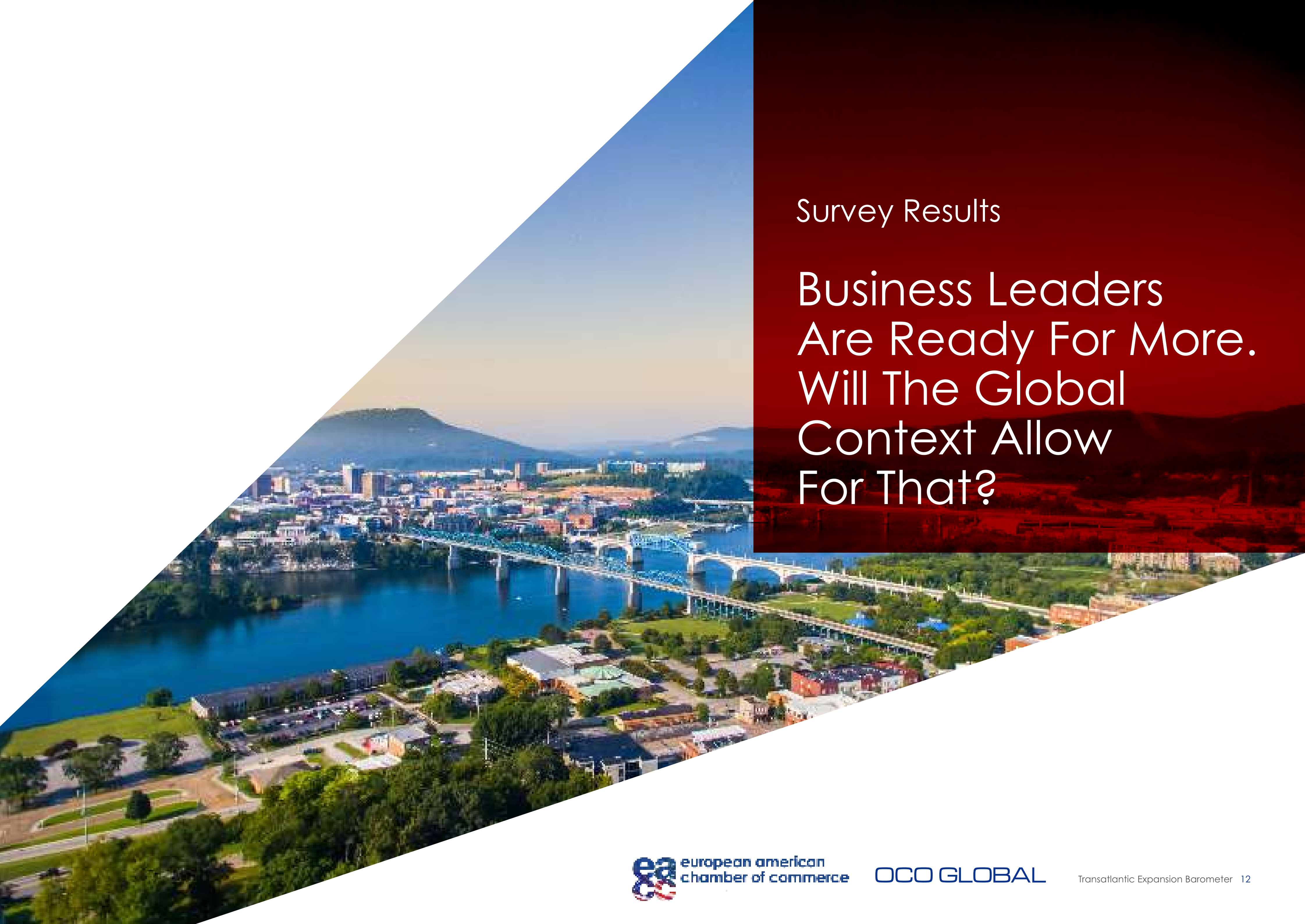
Source: Financial Times, fDiMarkets database, 2024

FDI from China, US and Europe –
Number of projects in strategic sectors* (2014-2023)





*Strategic sectors listed as aerospace, automotive, biotech & pharma, electronics, life sciences, renewable energy, semiconductors, and software



Survey Results

Business Leaders Are Ready For More. Will The Global Context Allow For That?

Despite a shift towards protectionism, US and European respondents remain committed to transatlantic expansion

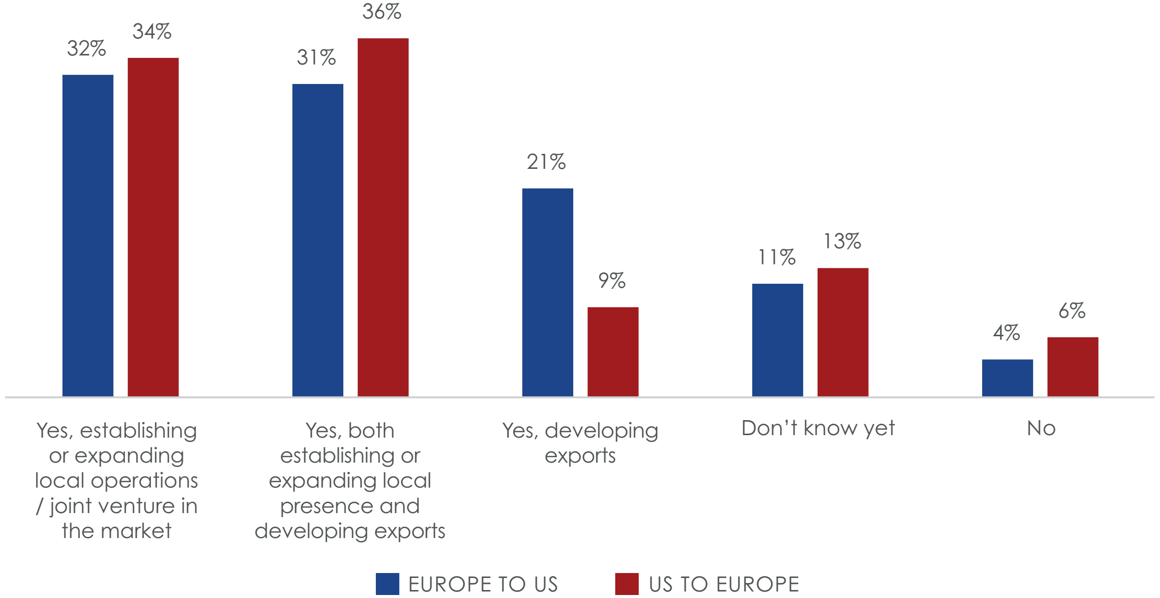
84% of European respondents and 79% of US respondents have plans to expand internationally in the next two years.

European companies are more likely to expand through exports than their US counterparts (21% in Europe compared to 9% in US, and 52% vs 45% if adding hybrid export and local presence option).

Companies with a current revenue share in international markets between 21% to 40% are more likely to be planning to expand.

Source: EACC & OCO Global survey, 2024

Do you (as a company) have plans to expand your business relations with the US/Europe over the next 2 years?



N= 211 companies - 105 European & 106 US companies

The Inflation Reduction Act is encouraging investment in higher value manufacturing projects in the US

European respondents who are interested in US expansion through local operation or joint venture are more likely to be considering a production plant than their US counterparts.

This is consistent with wider investment trends, were manufacturing FDI into the US has increased faster than in Europe (20% since 2021 compared to 15%).

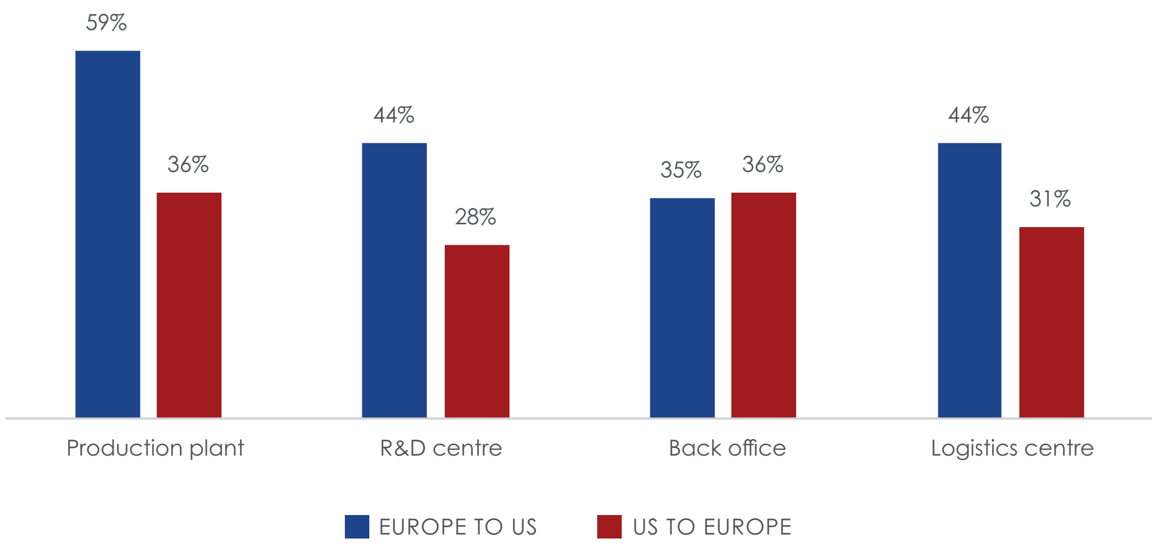
This growth is being driven by manufacturing in sustainable sectors* linked to the Inflation Reduction Act, where FDI into the US has increased by 155% since 2021.

European respondents are also more likely to be considering an R&D centre in the US.

Source: Financial Times, fDiMarkets database, 2024

* Sustainable sectors included: CleanTech, EV and battery supply chain,, hydrogen, carbon capture, renewables

If you (as a company) considering expanding through local operations or a joint venture, what operations will that be:



N= 163 companies - 89 European & 74 US companies

More than half of respondents identified a lack of information on market conditions as the main barrier

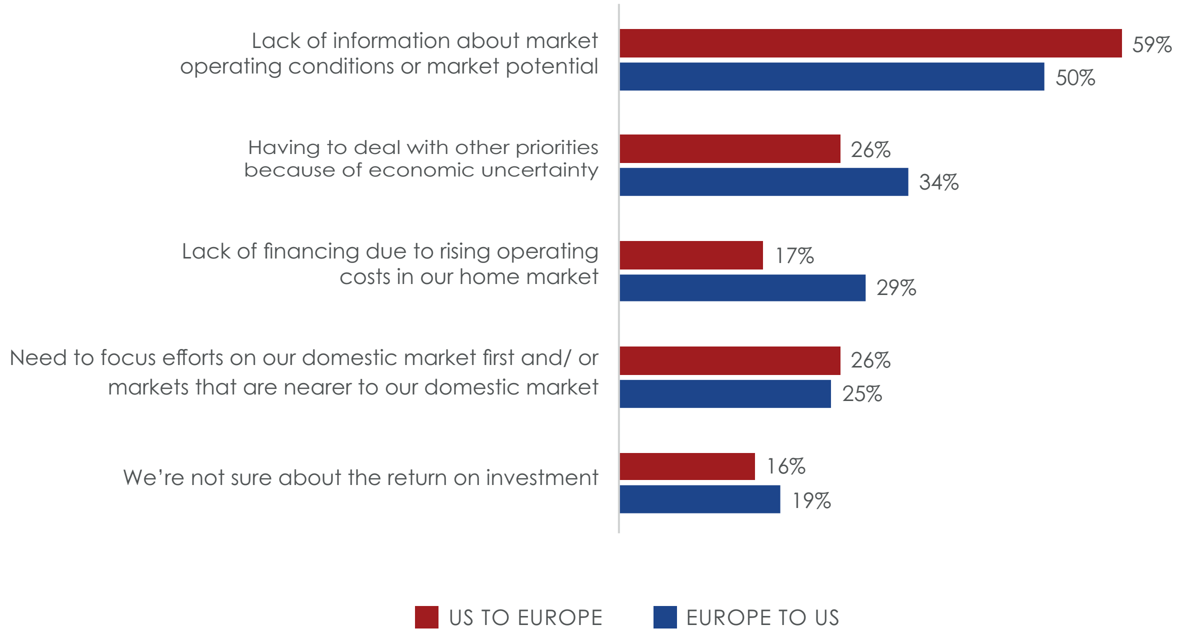
Respondents from both sides of the Atlantic agree that a lack of information (understand specific local market trends, regulation, access to talent, industrial sites, incentives, etc.) is the biggest barrier to their development plans, with US respondents more likely to state this (59% of US respondents compared to 50% of European).

A key difference in the results is that European respondents feel more constrained by economic uncertainty and a lack of finance. This aligns with macro-economic trends that suggest US exports will grow faster in the next three years.

The results highlight the importance of quality information before committing resources to international expansion.

Source: EACC & OCO Global survey, 2024

What do you think are the main barriers to your development plans in the US/European market?



N= 211 companies, 105 European & 106 US companies

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Close to 40% of mid-size businesses say the IRA has increased their level of awareness about US market opportunities

The most common response from European companies is that the IRA had increased awareness about US market opportunities (36%).

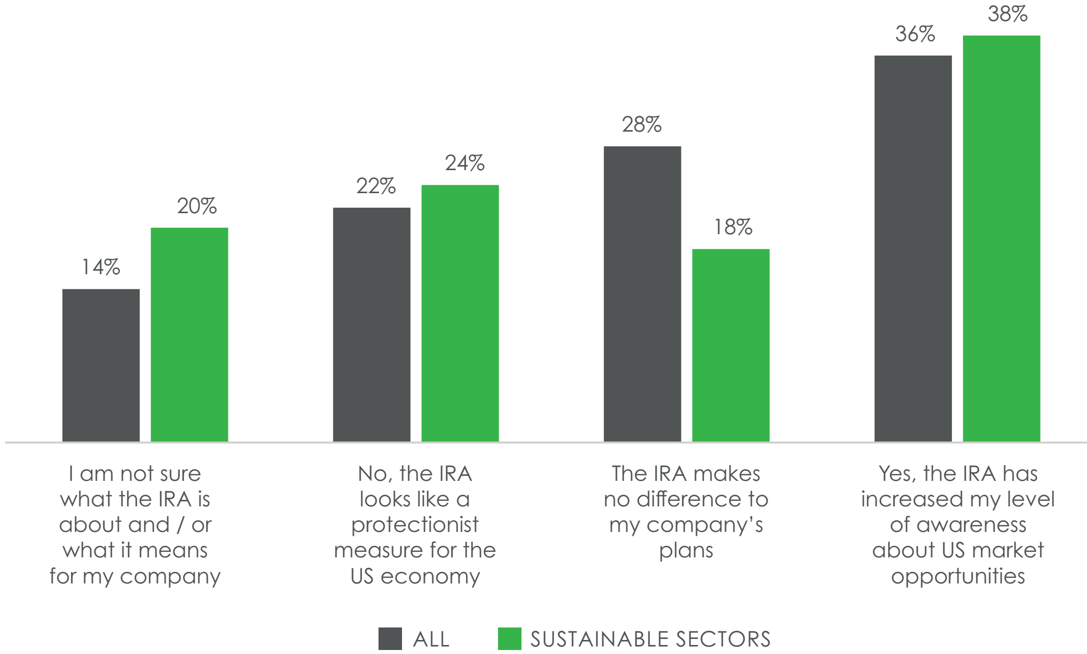
When results for companies in most likely to be impacted by the IRA are considered, awareness increased slightly to 38%.

This figure could be increased by addressing information gaps as the results showed that one in five respondents from sectors most likely to benefit were unsure about the IRA.

Analysis of qualitative comments reveal that companies feel they need to investigate the opportunity further to understand both the opportunities and potential risks.

Source: EACC & OCO Global survey, 2024

Has the Inflation Reduction Act (IRA) or other US legislation impacted your understanding of US market opportunities?



N= 105 European companies and 45 companies within sectors most likely to be impacted by the IRA (Construction, Energy, Manufacturing, Transportation and Utilities)

European legislation has increased awareness of European market opportunities

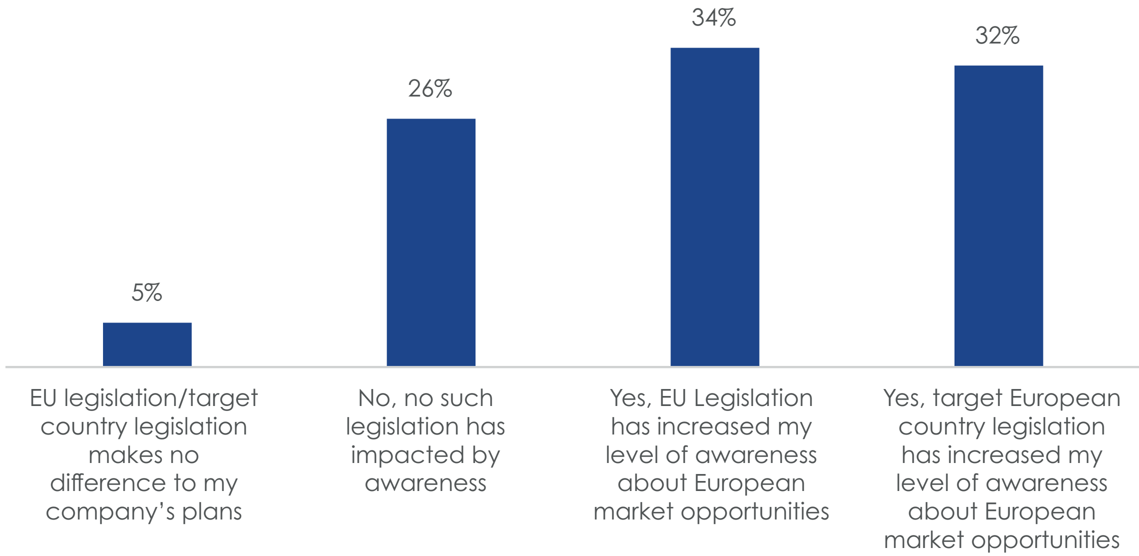
65% of US respondents feel that recent initiatives in the EU (or target country) such as the Green Deal, had increased their level of awareness of market opportunities.

Only 5% feel that legislation made no difference, while around a quarter (26%) stated their awareness had not been impacted by legislation.

Respondents who currently have more than 20% of turnover in Europe are more likely to see European initiatives as a positive (81% compared to the average of 65%), highlighting the benefit of previous experience in dealing with new legislations and programs.

Source: EACC & OCO Global survey, 2024

Has legislation and initiatives across the EU or in target European country impacted your understanding of EU market opportunities?



N= 106 companies

While European legislation has increased awareness of opportunities, some US respondents are concerned about the impact on profitability

"There are differences in the way directives are implemented with different legal systems and regulatory practices, which could complicate compliance for our company to do business in the European Union"

(manufacturing company)

"Data protection laws may affect how we provide it services to Europe"

(technology company)

"The recent EU legislation will impact our bottom line and also our ability to swiftly conduct our business in European states"

(business services company)

"Any kind of restrictions on building materials we handle would have a great impact on our plans moving forward"

(construction company)

Source: EACC & OCO Global survey, 2024

While European legislation has increased awareness of opportunities, some US respondents are concerned about the impact on profitability

66%

of US respondents having provided qualitative insights feel that the European legislation would negatively impact their plans, with the most common issue being that legislation will bring more restrictions and have an impact on budgets and profitability.

These financial implications included increased costs for salaries, energy, and raw materials, as well as increased spending on compliance requirements.

Source: EACC & OCO Global survey, 2024

Other issues that emerged include a feeling that EU-wide rules still create unique problems in different EU jurisdictions, and issues over the impact of data protection laws in the EU.

The 2023 EU-US Data Privacy Framework has improved regulation of data privacy and the transfer of personal data from the EU to the US. However, there remains work to be done in both jurisdictions to strengthen digital flows across the Atlantic, and the uncertainty can be seen in the responses from US companies.

Seizing the opportunity

The survey results show that most companies want to expand their business further. Two areas of opportunity that been identified from the analysis are:

1

Remove the information barrier

Investing time and resources to overcome information barriers can improve the growth prospects of companies in the US and Europe. Different companies will have different needs but the process of identifying needs and taking action is the same in almost all situations.

To seize the opportunity, companies need to:

- Understand the questions they need to ask, depending on the selected market expansion model (local market trends, access to talent, utilities, competition, real estate availability, regulation, incentives landscapes, etc...)
- Identify where their information gaps exist
- Collect, verify and process reliable data
- Turn data in actionable insights filling in a robust Business case and plan for expansion

Seizing the opportunity

2

Get ready for incentives

Both the US and Europe have developed generous incentives packages to increase investment in sustainable industries. This includes a wide range of companies from major renewables projects to manufacturing parts or providing services to support more environmentally friendly industry, transport, or energy.

To seize the opportunity, companies need to:

- Navigate the complexity of incentives landscapes (statutory, discretionary, tax credits, grants, national and subnational levels)
- Identify which incentives they are eligible for, as well as associated incentives requirements
- Benchmark locations to identify the best opportunity
- Assess the impact of incentives on their business case and growth strategy
- Apply for the relevant incentives

Methodology And Sample

Survey sample

On the first semester of 2024, the European American Chamber of Commerce, with OCO Global launched a study to provide a snapshot of how leaders of mid-sized US and European businesses see today's environment for expansion in either the European or US markets.

211 companies responded (105 from Europe and 106 from the US) and the table below show the breakdown by respondents in terms of sector, company size, company turnover and share of turnover in the target market. European respondents were also broken down by country. All respondents were C-suite and business manager levels.

Sector	Europe	US
Technology	31%	16%
Manufacturing	30%	38%
Business services, finance & insurance	18%	17%
Construction	9%	18%
Healthcare	4%	3%
Transportation and public utilities	4%	4%
Other	4%	5%

Employees	Europe	US
less than 250	6%	8%
250-500	10%	8%
501-1,000	17%	16%
1,001 - 5,000	33%	26%
More than 5,000	34%	42%

Country	Number
United Kingdom	31%
Germany	23%
Spain	13%
Italy	13%
France	12%
Other	7%

Note: Not all tables add to 105 respondents from Europe and 106 from US as some respondents did not include details

Survey sample

Turnover (€ or $ respectively)	Europe	US
0 - 10.000.000	1%	2%
10.000.001 - 50.000.000	7%	11%
50.000.001 - 100.000.000	11%	11%
100.000.001 - 500.000.000	17%	11%
500.000.001 - 1.000.000.000	23%	21%
More than 1.000.000.000	41%	43%

Share of turnover in target market	European companies	US companies
Zero	5%	13%
1% to 20%	41%	37%
21% to 40%	47%	38%
More than 40%	7%	13%

Note: Not all tables add to 105 respondents from Europe and 106 from US as some respondents did not include details

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