THE AMERICAN DREAM

While Ireland, Vietnam and India have had programmes in place to encourage inward investment as early as the 1940s, nowadays America is in the lead, attracting a high level of foreign direct investment (FDI). However, with ever-growing competition from emerging markets, the current political climate and the stormy events that the markets have had to navigate through in 2016, will America stay ahead of the game?

Patricia Cullen reports

Investors deemed a Donald Trump victory combined with a Brexit YES vote as high risk, given the market and political uncertainty generated by both events, yet equity markets are now showcasing record highs. Both events left financial markets gobsmacked, and a whole new trading landscape has now come about. Brexit led to a sharp fall in the value of the pound, and it fell under renewed pressure from the dollar in December 2016 after hikes set the UK and the US on different interest rate paths – indicating that the dollar will probably strengthen while the pound stays low. Fundamentally, this disparity means that a company that sells its goods or services in one currency and saves the revenues in another will acquire an additional profit or deficit on the transaction influenced by fluctuations in the exchange rate. This is amplified if costs are incurred and revenues received in weaker and stronger currencies respectively. At the time of writing £1 is worth $1.24 indicating a very weak pound and further weakness is forecast as the fog around Westminster's Brexit discussions continue, giving investors in the United States a clear opportunity. This, alongside the change in the presidential office, will have a huge impact on **FDI** in America.

So why choose America to set up your business in the first place? With a GDP of $18 trillion and a population of 325 million people, America offers the biggest consumer market and a huge variety of funding sources to facilitate innovation and development. Strengthened by a regulatory environment that is consistently ranked as first-class, all companies, irrespective of national origin, compete on an even playing field. Contemporary America is also still renowned as a great place to manufacture goods. China became the leading manufacturing economy in 2010, but the United States comes in a close second. The country's transparency, well established banking and monetary systems and relatively easy exit strategies make it a top choice for foreign investment.

> ***"The United States remains the largest recipient of FDI in the world, a country where ideas flourish, in an environment where businesses succeed"***

While volatility may increase initially as the economy and financial markets adjust, pinpointing sectors that will do well in the transformed economic climate is your best bet for investment. The economy is set to speed up next year to 2.3% growth, up from 1.5% in 2016, according to the *PNC Financial Services Group*. However, not all sectors of the market will do well; there will be winners *and* losers. Amid this dense fog of uncertainty, there are industry sectors that are leading the way. Industries like finance, energy, pharmaceuticals and infrastructure are likely to perform well under a Trump administration. These sectors all herald a pro-growth scenario, and, on balance, Trumps policies on tax, regulatory reform and infrastructure spending, will lead to improved growth.

Firstly, Wall Street can now be bullish, unlikely to be guarding itself against new standards and big banks can challenge the rules put in place since the 2008 financial crisis via the *Dodd-Frank Wall Street Reform Act, 2010*. *Secondly*, expect an energy revolution in Trumps America – he is hoping to revitalise the coal industry, roll back policies that favour renewables and, as a big supporter of the oil and natural gas industry, promote drilling by major oil companies. *Thirdly*, the pharmaceutical industry is another one to watch for investment in 2017. The Trump administrations pro-business stance will eradicate previous fears over increased regulation about the cost of medicines. *Finally*, Trump wants to implement a $1 trillion infrastructure improvement programme, modernising the ailing roads and bridges, with hundreds or even thousands of firms set to benefit, with Spain's *Cintra* already contracted to construct and operate highway projects with American state governments.

Currently the US attracts more investors than its peers in Europe, SE Asia and the rest of the G20 biggest economies. The US has long been a prime **FDI** destination, with inward investment reaching $420 billion in 2015. Trump has indicated that he wants to lower corporate taxes and encourage a more flexible regulatory environment, further bolstering the economic forecast. Increasing net margins by easing tax pressures is a huge positive and Ireland has already shown that such a tax structure can be very effective. Many UK businesses have already successfully set up home in the States. *Rolls Royce*, a brand akin to British culture, appearing in no less than 11 James Bond films, employs over 7,000 people in the US and has invested approximately $1 bn. America is *categorically* the right country to choose for investment, but which particular states mean business?

Chicago has one of the largest and most diversified economies generating a larger GRP than countries like Norway, Austria and the United Arab Emirates. Home to more than 400 major headquarters, including 31 in the *Fortune 500*, the windy city is maintaining its competitiveness, and continues to be a city where businesses want to establish, expand and earn great profit. At just over 42,000 sq. miles, Tennessee is the 34th largest state, but has a much higher place on the investment map, with approximately 920 foreign owned companies investing in excess of $33 billion and employing over 123,000 workers. Nissan is the state's biggest foreign based establishment, employing 8,000 people in Smyrna and over 4,000 workers at other Tennessee locations. Foreign based companies pledged $1.2 bn in Tennessee investments last year, and Andrew Dunn, director of **FDI**, intends to keep Tennessee firmly on the map for foreign investment.

Essentially, 2016 will be earmarked as a year of change and political unrest. But with change comes opportunity, especially when it comes to investing. Make 2017 the year for your business, allowing it to realise its potential. The United States remains the largest recipient of **FDI** in the world, a country where ideas flourish, in an environment where businesses succeed.