

STERLING ASSETS 9

BRITISH INVESTMENT CREATING U.S. JOBS



In association with

Lilly

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FOREWORDS

Trade and investment ties between the U.S. and UK are deep and enduring, standing at the core of the U.S.-UK special relationship. As identified in this year's 'Sterling assets' report, the U.S. is the single largest investor in the UK: in 2014 U.S. investment accounted for 24.5% of the UK's inward investment, supporting 1,349,000 jobs. This investment is extensive and diverse, and provides a foundation on which to drive future investment, and deliver increased employment, growth and prosperity across the country.

We have seen major global changes to the trade and investment environment over the last year, including Britain's decision to leave the European Union and the Trump administration's focus on U.S.-based investment. However, we have been encouraged by both the UK and U.S. governments' rhetoric supporting a swift and comprehensive free trade deal between the UK and the U.S.

Given life sciences has been deemed a priority for the UK government, it is essential that an environment is created by both UK-U.S. bilateral talks and from the UK-EU negotiations that promotes free trade and prioritises continued growth in the life sciences sector. The *Sterling assets* report also highlights the important role played by the British pharmaceuticals and medicines sector investing in the U.S. Pharmaceuticals and medicines were a key driver of UK investment, particularly in R&D, accounting for more than two thirds of R&D spending by British firms in the U.S.

With this in mind, Eli Lilly and Company is delighted to sponsor the ninth edition of *Sterling assets*, which highlights not only the importance of UK investment in the U.S., but the strongly reciprocal relationship which exists between the two countries.

We hope this report will demonstrate the importance of developing a trading and investment framework, which will build on the positive discussions that have already been taking place. It should also serve to underline the opportunity that exists for both countries in developing a positive environment for free trade. U.S. investment in the UK life science sector must be prioritised as part of any swift trade deal, while the potential the U.S. market offers for UK life science growth must be recognised.

While the uncertainties brought about by Brexit must be managed carefully, in the interests of both the economy and patients that benefit from Lilly's medicines, it also creates opportunities. Lilly believes that the UK and U.S. governments must work to achieve a trade deal which protects and supports the international life sciences industry by delivering low barriers to trade, high common standards of Intellectual Property protection and harmonised regulation.

This will support the high-value, net-export, life sciences sector to thrive in the future and ensure the sector can continue to build on the significant investment detailed in this year's *Sterling assets*.

Leigh Ann Pusey
Senior Vice President, Corporate Affairs
and Communications, Eli Lilly and Company



International trading relationships stretch far beyond political cycles, and it is with that long-term lens that we must shape the UK's global role. The United Kingdom's special relationship with the United States continues to go from strength to strength, but we cannot be complacent. We must continue to bring down the remaining barriers to trade faced by British and American businesses and make the case for trade and investment, which drives growth and prosperity on both sides of the Atlantic now and in the future.

Last year saw pivotal votes in both the United States and the United Kingdom – a referendum on UK membership of the European Union, and a U.S. presidential election. But this year is about turning the results into action. The UK triggered Article 50 in March, starting the clock on exiting the EU and a new president was inaugurated in the U.S. in January 2017.

Through these events, the special relationship between our two countries has continued. However, that does not mean our work here is done. We must take advantage of the opportunity that presents itself and push forward on an even closer trading relationship between our two nations.

It is in this light that I am pleased to present the ninth edition of *Sterling assets*. This annual report details the great depth and breadth of the economic relationship between the U.S. and the UK and sets out the priorities of the transatlantic business community.

Once again, I am delighted to report that the UK remains the largest foreign investor in the United States, supporting well over one million jobs and reaching all fifty states. As of the end of 2015, the UK had invested \$569bn, nearly one fifth of all foreign direct investment in the United States. This puts the UK significantly ahead of other large foreign investors in the U.S. – including Japan, Canada, Germany and France.

Importantly, the relationship is reciprocal. The UK is one of the major destinations for U.S. foreign direct investment, valued at \$588bn in 2014. A significant portion of this was in finance and insurance, but also includes the manufacturing, information, and professional services industries, amongst others. It is clear that the U.S.-UK economic relationship is deep and diverse, built on political, cultural and historic ties.

So we must keep up the pace, and make it easier for British and American businesses to invest in each other's economies. The U.S. and the UK are already open economies, but more can be done to bring down tariffs on the border, overcome regulatory challenges, smooth customs process, and open new market opportunities for the benefit of business and consumers.

With commitment from both U.S. and UK governments, we are confident the special relationship will continue to prosper.

We hope you find *Sterling assets 9* to be informative and insightful.

Paul Drechsler CBE
President, CBI



Executive summary

U.S. subsidiaries of British firms play a vital role in the American economy. Many larger British companies investing in America are well-known names – the likes of BT, HSBC, Pearson, Rio Tinto, and Unilever. Together with many smaller companies, they all are contributing to the economic wellbeing of the United States. And this relationship goes both ways, with U.S. businesses investing in the UK – such as Lilly, Amazon, and many others.

This report examines the extensive investment by UK firms in the U.S. and highlights key figures on U.S. investment in the UK. The economic relationship between the U.S. and the UK is reciprocal, driving growth and prosperity in both economies, but there is more to be done to ensure this relationship continues to go from strength to strength.

British investment in the United States

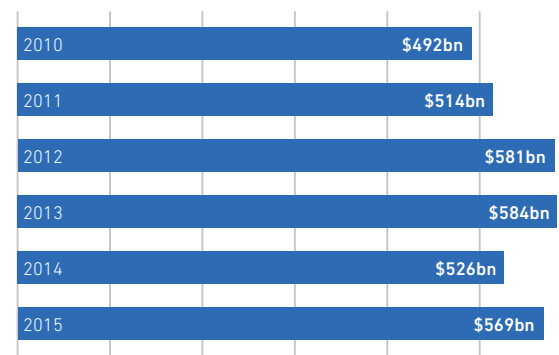
British companies are attracted to America for several reasons. They appreciate the size of the market, a culture that fosters innovation and risk-taking, the deep capital markets, and the pool of talented workers. A common language as well as similar legal systems and cultural norms make it easy for Brits and Americans to work together.

Britain is the largest foreign investor in America. As of year-end 2015, the UK had invested \$569bn,

Exhibit 1: Foreign direct investment in the United States, 2015 (historical cost basis)

Total	\$3.1trn
1 United Kingdom	\$569bn
2 Japan	\$414bn
3 Canada	\$342bn
4 Germany	\$319bn
5 France	\$251bn

Exhibit 2: British investment in the United States, 2010-2015

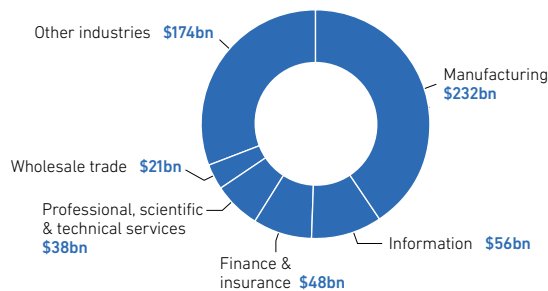


representing 18% of the \$3.1trn of foreign direct investment (FDI) in America. UK-affiliated investment in the United States remained substantially higher than from other large foreign investors, namely Japan, Canada, Germany, and France (**Exhibit 1**).

By comparison, investments from India and China reached barely one percent of all FDI in the United States, for a combined total of \$32bn by the end of 2015.

For years, cumulative British investment in the United States had been rising steadily, peaking at \$584bn in 2013 (**Exhibit 2**). Cumulative British investment in the United States climbed 16%, an uptick to \$569bn in 2015 from \$492bn in 2010. However, this was the slowest growth rate of the top five investing countries between 2010 and 2015.

Exhibit 3: British investment in the U.S. by sector, 2015



By comparison, investment from Japanese firms in the United States grew the fastest, expanding by 60% during that same amount of time. So now is the time for action to bring down the remaining barriers British and American firms face to trading with and investing in each other's economies.

With cumulative investment of \$232bn through 2015, Britain ranked as the largest foreign investor in U.S. manufacturing, ahead of Ireland, Germany, and Japan. The UK has also invested heavily in other major sectors of the American economy, including information; finance and insurance; professional, scientific, and technical services; and wholesale trade (**Exhibit 3**).

British investment is spread across the entire United States. Every single state in America has workers in jobs that are created and sustained by British firms. The UK tops the list when compared to other foreign investors: there are 6.4 million 'insourced' jobs in America (ie jobs created by U.S. subsidiaries of foreign-owned companies), and of these, 17% are supported by British investment. Additionally, British companies supply manufacturing jobs to American workers in every state.

In 2014, the latest year of available data from the U.S. government, British companies supported 1,098,900 jobs nationwide, employing far more Americans than either Japanese or German firms (**Exhibit 5, page 8**). And by including minority-owned British affiliates (with at least 10% British ownership), British companies employed more than 1.1 million Americans.

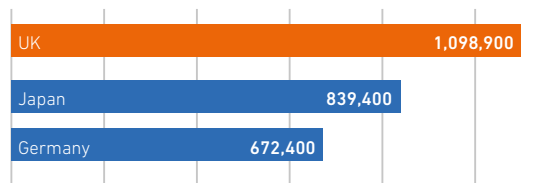
Of all British-affiliated jobs in the United States, nearly one of four in 2014 was in manufacturing (**Exhibit 4**). Taken together, transportation equipment, primary and fabricated metals, petroleum and coal products, and chemicals accounted for nearly three quarters at some 181,600 skilled American manufacturing jobs in 2014 (**Exhibit 6, page 8**). Within chemicals, 86% of jobs were in the highly compensated pharmaceuticals and medicines sector.

Exhibit 4: Employment generated by selected industry of British affiliates, 2014

Industry	British affiliates	All foreign affiliates	British share of foreign affiliates' employment total
All industries	1,098,900	6,370,900	17%
Manufacturing	248,700	2,449,100	10%
Information	83,400	298,800	28%
Professional, scientific, & technical services	78,500	327,100	24%
Finance & insurance	77,700	407,800	19%
Wholesale trade	43,800	594,500	7%
Real estate and rental & leasing	14,200	51,300	28%
Retail trade	n/a	576,100	n/a
Other industries*	n/a	1,666,200	n/a

* Includes transportation and warehousing, accommodation and food services, and administration, support, and waste management.

Exhibit 5: Insourced jobs supported by foreign affiliates, 2014



Besides strong investment in U.S. manufacturing, British firms also supported a significant number of American jobs in other sectors, such as information, professional, scientific, and technical services, and finance and insurance. Each employed around 80,000 Americans in 2014 (**Exhibit 4**).

Several indicators show investments by British business strengthen the American economy. For example, British companies accounted for a payroll that exceeded \$83bn in 2014 (**Exhibit 7**). The wages and benefits of an American worker employed by a British firm averaged \$76,000 in 2014, which was significantly higher than the average compensation of \$61,800 that year for all U.S. private sector workers.

Exhibit 6: U.S. manufacturing jobs supported by British affiliates, 2014

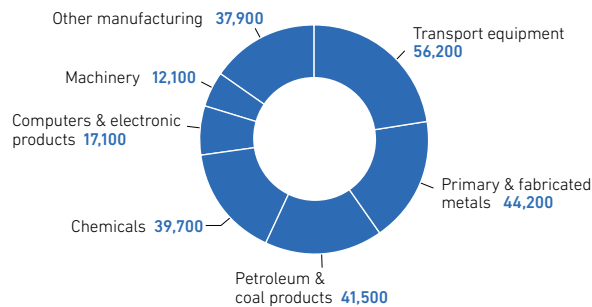
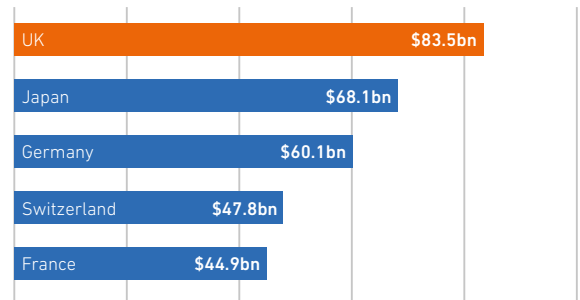


Exhibit 7: Top countries in compensation paid by foreign affiliates, 2014



British subsidiaries are essential to all kinds of research and development (R&D) activities in the United States. Of the \$57bn in R&D performed by all foreign affiliates, British subsidiaries represented 13%, spending \$7.3bn in the United States in 2014.

Through their R&D investments, British companies fostered 25,500 skilled jobs nationwide in 2014, which have helped to spur the discovery of new products and processes, generate economic growth, and improve the overall quality of life. Pharmaceuticals and medicines accounted for more than two thirds of R&D spending by British firms.

Trade and investment between the U.S. and the UK goes both ways

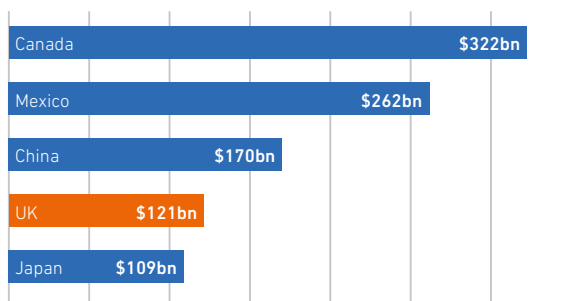
Trade has long cemented the business relationship between our two countries. British firms shipped \$73bn in goods from their U.S. operations in 2014, amounting to 17% of all foreign-affiliated merchandise exports from the United States to the world. And the UK is, of course, a major destination for U.S. goods and services exports; today, Britain ranks as the fourth largest export market for the United States, behind Canada, Mexico, and China (**Exhibit 8**). The UK ranks as the fifth-largest export market for U.S. goods, with shipments of \$56bn in 2016. As the largest market for U.S. services exports and the leading purchaser of services sold through U.S. affiliates abroad by far, the United Kingdom is a premier services market for the United States.

This trading relationship flows in both directions. The United States is the United Kingdom's largest export trading partner and second largest import partner in trade in goods and services. The U.S. accounted for 19.7% of the UK's total exports in 2015 according to the Office for National Statistics.

Investment flows in both directions too. The UK is a top destination for U.S. investment, accounting for 24.5% of the UK's inward investment in 2014, according to the ONS. The U.S. Bureau of Economic Analysis reports that the U.S., on a historical cost basis, had invested \$593bn as of 2015 in the United Kingdom.

American firms are attracted to the UK for many of the same reasons British firms make the U.S. a priority destination for business and investment. Our common language, top universities, appetite for technology and innovation and respected legal framework provide an attractive place to do business. Removing and reducing barriers faced by U.S. firms wanting to invest and do business in the UK can help boost this economic relationship and drive growth in both economies.

Exhibit 8: U.S. goods and services export destinations, 2016



A note on sources and statistics

Sterling assets 9: British investment creating U.S. jobs looks at the economic impact of British firms on the American economy and U.S. trade in goods and services with the United Kingdom.

This overview offers the most current U.S. government statistics on the business activities of British companies in the United States at the time the snapshot was prepared for the Confederation of British Industry. National and state statistics refer only to the business activities of U.S. subsidiaries of British companies that are unambiguously under British control (that is, affiliates that are more than 50% owned by British direct investors, known as majority-owned affiliates), unless otherwise noted.

The data in this publication are shown on an ultimate beneficial ownership basis, which more accurately reflects actual ownership of a foreign firm in the United States. This is a break from previous editions of *Sterling assets*. In earlier reports, country-specific data were shown by the country of the immediate investor.

These figures are a conservative measure of the overall impact of foreign direct investment by majority-owned British affiliates on the U.S. economy. Most importantly, they do not capture the full economic impact of investments by these firms, but rather, serve as a floor.

National export statistics cover goods and services, while state data are limited to merchandise trade only. National and state export statistics were compiled from the U.S. Department of Commerce's International Trade Administration for goods and the Bureau of Economic Analysis for services. Rankings and percentages are based on exact data.

The data compiled by Content First is complemented by additional research on U.S. investment and job creation in the United Kingdom from a range of sources.

The U.S.-UK economic relationship

The following data measures the economic contribution of British firms in the United States (those with at least 50% British ownership) based on data from the U.S. government. The report also shows trade in goods and services between the United States and Britain and highlights key figures on U.S. investment in the UK. This snapshot offers clear and compelling evidence of the high level of engagement by British firms operating throughout the U.S.

- British affiliates create U.S. jobs, employing 1,098,900 Americans
- British affiliates invest heavily in U.S. manufacturing, supporting nearly 250,000 American jobs
- British affiliates pay an average compensation of \$76,000 per American worker, outperforming the average wage and benefits per worker at U.S. firms
- British affiliates contribute to the U.S. gross domestic product, generating \$149bn in value added
- British affiliates support R&D activities in the United States, spending \$7.3bn
- British affiliates account for \$73bn in U.S. goods exports to the world, shipping 44% back to their parent companies
- U.S. services sales through affiliates in the United Kingdom totaled \$222bn, making it the largest market for U.S. services in the world

U.S. value added from British companies

British firms strengthen the American economy and represent a substantial economic presence in the United States.

- British companies contributed \$149bn in value added to the U.S. economy in 2014, accounting for 17% of value added from all foreign affiliates.
- The United Kingdom represented the largest share of value added from foreign affiliates, eclipsing Japanese, German, Swiss, and French companies in 2014.

American jobs supported by British companies

British affiliates support some 1.1 million jobs across the United States.

- U.S. subsidiaries of British firms employed 1,098,900 Americans in 2014.
- Employment from British companies represented 17% of the 6.4 million jobs supported by all foreign affiliates in the United States in 2014.

Top countries in value added by foreign affiliates, 2014

Total	\$869bn
1 United Kingdom	\$149bn
2 Japan	\$120bn
3 Germany	\$99bn
4 Switzerland	\$73bn
5 France	\$70bn

Top countries in employment supported by foreign affiliates, 2014

Total	6,370,900
1 United Kingdom	1,098,900
2 Japan	839,400
3 Germany	672,400
4 Canada	621,400
5 France	574,300

Value-added measures the economic contribution of foreign affiliates from the goods and services they sell in the United States

- The United Kingdom ranked first in American jobs supported by foreign firms in 2014, surpassing Japan, Germany, Canada, and France.
- Adding British minority-owned companies (those with British ownership of at least 10% but less than 50%) raises the number of American jobs from British firms to 1,131,800 in 2014.
- British affiliates ranked first in total compensation paid to their U.S. workers, ahead of Japanese, German, Swiss, and French companies in 2014.
- Average employee compensation (wages and benefits) at British firms was \$76,000 in 2014.

American manufacturing jobs supported by British companies

U.S. manufacturing reaps enormous benefits from foreign firms, which employ more than 2.4 million American manufacturing workers each year.

- British firms accounted for 248,700 American manufacturing jobs in 2014.
- British companies made up 10% of total foreign-affiliated manufacturing jobs in 2014.
- British subsidiaries ranked third in manufacturing employment, behind Japanese and German companies in 2014.
- Japanese, German, British, Canadian, and French firms accounted for 57% of all foreign-affiliated manufacturing jobs in 2014.

Compensation by U.S. subsidiaries of British companies

British affiliates make a powerful contribution to the payroll of the U.S. workforce.

- Compensation from all British firms stood at \$83.5bn in 2014, constituting 16% of \$510bn in total foreign-affiliated compensation.

Top countries in compensation paid by foreign affiliates, 2014

Total	\$509.9bn
1 United Kingdom	\$83.5bn
2 Japan	\$68.1bn
3 Germany	\$60.1bn
4 Switzerland	\$47.8bn
5 France	\$44.9bn

Top countries in R&D performed by foreign affiliates, 2014

Total	\$56.9bn
1 Switzerland	\$10.6bn
2 Japan	\$7.9bn
3 United Kingdom	\$7.3bn
4 Germany	\$7.1bn
5 France	\$6.7bn

Top countries in manufacturing employment supported by foreign affiliates, 2014

Total	2,449,100
1 Japan	382,600
2 Germany	314,100
3 United Kingdom	248,700
4 Canada	239,200
5 France	204,800

Top countries in R&D jobs supported by foreign affiliates, 2014

Total	185,500
1 Germany	26,400
2 United Kingdom	25,500
3 Switzerland	23,600
4 Japan	22,200
5 Ireland	18,400

R&D expenditures by British companies

British firms bolster America's R&D base through large expenditures in the United States.

- British companies spent \$7.3bn in the United States on R&D in 2014, representing 13% of the \$57bn in U.S. R&D performed by all foreign affiliates.
- British firms ranked third in R&D expenditures, behind Swiss and Japanese firms, but ahead of German and French affiliates in 2014.
- Pharmaceuticals and medicines accounted for more than two thirds of R&D spending by British firms at \$4.9bn in 2014.
- British firms supported 25,500 R&D-related jobs in the United States in 2014, second only to U.S. R&D jobs backed by German companies.

Exports from the United States to the United Kingdom

British companies in the United States produce for the American market and contribute to U.S. exports that bolster U.S. trade.

The United Kingdom is the fourth-largest export market worldwide for U.S. goods and services. American firms ship a variety of goods to the United Kingdom, ranging from transportation equipment, chemicals and machinery to computer and electronic products. Every year, U.S. companies also export billions of dollars in services to the United Kingdom, including financial services and business, professional, and technical services.

- U.S. goods and services exports to the United Kingdom totalled \$121bn in 2016.
- U.S. exports of goods and services to the United Kingdom represented 5.5% of the \$2.2trn in global exports from the United States in 2016.
- The United States exported fewer goods and services to the United Kingdom than to China in 2016. Still, U.S. NAFTA partners dwarfed even those sales, with combined U.S. exports to Canada and Mexico of \$584bn in 2016.

CASE STUDY BT

"BT entered the U.S. market in 1988 and today has 2,600 U.S.-based employees. It has its largest staff presence in Texas, with about 300 employees. The success of BT's global business relies on strong UK-U.S. economic ties. The rich culture of entrepreneurship and diversity of industry in the U.S. offer strong opportunities for growth and innovation. The U.S. is the largest hub of commerce for global companies and the majority of BT's international customers are U.S.-based or have extensive U.S. operations. BT's customers include some of the most successful American companies, state governments and universities, and BT Federal was created fifteen years ago to serve the needs of the U.S. Federal government."

**Jennifer Artley, chief operating officer
for BT in the Americas**



- Within the European Union, more U.S. goods and services were sold to the United Kingdom than to the other 27 nations in 2016, ahead of Germany and France by a large margin.
- U.S. goods exports to the United Kingdom totalled \$56bn in 2016.
- Transportation equipment, chemicals, and computer and electronic products made up nearly half of all merchandise shipped from the United States to the United Kingdom in 2016. In fact, transportation equipment alone represented more than a quarter of U.S. goods exports to Britain.

Top countries by U.S. goods & services exports, 2016

Total	\$2.2trn
1 Canada	\$322bn
2 Mexico	\$262bn
3 China	\$170bn
4 United Kingdom	\$121bn
5 Japan	\$109bn
6 Germany	\$80bn
7 South Korea	\$64bn
8 Brazil	\$55bn
9 France	\$51bn
10 Hong Kong	\$46bn

Top countries in goods exports by foreign affiliates, 2014

	Exports	% to parent group
Total	\$425bn	44%
1 Japan	\$79bn	45%
2 United Kingdom	\$73bn	44%
3 Germany	\$45bn	62%
4 South Korea	\$25bn	17%
5 France	\$23bn	55%

British firms accounted for 17% of the \$425bn in goods exported by all foreign firms in the United States in 2014. That year, only Japanese affiliates exported more at \$79bn. British firms in the United States shipped \$32bn, or 44% of their exports back to their parent companies in the United Kingdom in 2014.

U.S. services exports to the United Kingdom

At \$65bn in 2016, the United States sold more services to the United Kingdom than manufactured goods. Representing 9% of all U.S. services exports worldwide last year, the United Kingdom was the largest market for U.S. services, surpassing Canada, which previously was the top-ranked U.S. services export market, and ahead of China, Japan, Mexico, and Germany.

The United States also imported more services from the United Kingdom (\$52bn in 2016) than from any other country, including second-ranked Germany, where services imports totaled just \$33bn.

In 2015, financial services ranked first in U.S. services exports, followed by travel services and other business services. Together, these three leading sectors accounted for nearly three fifths of all U.S. services exports to the United Kingdom.

Services exports consist of maintenance and repair, transport, insurance, travel, financial, charges for intellectual property, telecommunications, computer, and information, government and goods services, and other business services (including R&D, professional and management consulting, and technical, trade-related, and other business services).

U.S. services sales through majority-owned affiliates in the United Kingdom

Even though U.S. services exports to the United Kingdom demonstrate the strong economic ties between our two countries, most U.S. services sales are not captured as exports. Instead, the vast majority of U.S. services actually are sold through majority-owned U.S. affiliates on the ground in Britain, since proximity is a critical factor when selling services abroad.

CASE STUDY INTERCEDE

"Intercede is a cybersecurity company specializing in secure digital identities, and employing 17 staff in the U.S., with 14 of those in Virginia. Although we have clients in more than 20 countries across the world, the U.S. is by far our largest market. We are proud to count among our client base numerous federal agencies as well as many large U.S. commercial enterprises in aerospace & defense, healthcare and financial services. So, a strong economic relationship between the U.S. and the UK is very important to U.S.."

Jon Payne, general manager, U.S. operations

intercede

Selected countries in U.S. services exports, 2016	
Total	\$752.4bn
1 United Kingdom	\$65.5bn
2 Canada	\$54.2bn
3 China	\$53.5bn
4 Japan	\$44.7bn
5 Mexico	\$31.1bn
6 Germany	\$31.1bn

Top countries in U.S. services sold abroad through majority-owned U.S. affiliates, 2014	
Total	\$1.5trn
1 United Kingdom	\$222bn
2 Canada	\$135bn
3 Ireland	\$108bn
4 Singapore	\$85bn
5 Switzerland	\$76bn

By far, the United States sells more services through its firms in the United Kingdom than in any other country. These services sales totalled \$222bn in 2014, considerably higher than sales to second-ranked Canada and more than twice that of next-ranked Ireland. In fact, services sales through American affiliates in the UK represented 15% of all services sold through U.S. affiliates operating abroad in 2014. Finance and insurance services (\$55bn), professional, scientific, and technical services (\$36bn), and information services (\$29bn) topped the list of industry sectors for services sales through majority-owned U.S. affiliates in the United Kingdom in 2014.

Second only to Japan, the United States purchased more services from British affiliates than from firms from any other country in 2014, a testament to the strong economic relationship between the United States and the United Kingdom.

U.S. investment in the UK

The UK benefits greatly from U.S. foreign direct investment. The U.S. Bureau of Economic Analysis reports that the U.S., on a historical cost basis, had invested \$593bn as of 2015 in the United Kingdom. According to the ONS, U.S. investment into the UK accounts for nearly a quarter of all inward foreign direct investment, at 24.5% in 2014.

This investment is diversified across a number of sectors of the economy, with nearly \$50bn invested in manufacturing, over \$122bn in finance and insurance, and over \$30bn in the information sector.

This investment drives job creation. Indeed, majority-owned foreign affiliates of U.S. companies supported 1,349,000 jobs in the UK as of 2014, according to the U.S. Bureau of Economic Analysis. Over 300,000 of these jobs are in manufacturing, including food, chemicals, metals, machinery, and other products. U.S. affiliates also generate significant employment in retail trade, finance and insurance and the information sector, demonstrating the wide range of jobs supported by U.S. businesses.

CASE STUDY LEGAL & GENERAL

Legal & General (L&G), established in 1836, is a leading financial services group and a major global investor, with a number of growing businesses in the U.S. Globally, we look after over \$1trn, with over 15 million customers. In the United States we have over one million customers and an assets base of over \$180bn. Our main offices are in Chicago, Maryland and Connecticut. We are passionate about supporting infrastructure development and so far we have invested over \$600m, including in the energy, education and transport sectors. We are proud of our growth and development in the U.S., and want to do far more.



This extensive, diverse investment and job creation by the U.S. in the UK helps drive forward growth and prosperity across the country. Taken together with UK investment in the U.S. and the significance export-import relationship our two nations share, this is one of the most important economic relationships in the world.

However, more can be done to removing and reduce the barriers that still remain for British and American enterprises wanting to invest and do business in each other's economies.

U.S. direct investment in UK on historical cost basis (U.S. Bureau of Economic Analysis, 2015)

Sector	Investment (\$m)
Information	30,317
Professional, scientific & technical services	31,977
Manufacturing	49,929
Finance & insurance	122,622

Employment supported by majority-owned foreign affiliates of U.S. multinational enterprises (U.S. Bureau of Economic Analysis, 2014)

Sector	Jobs (000)
Manufacturing	310.6
Retail trade	285.1
Finance & insurance	115.6
Information	80.4

CASE STUDY AMAZON

"Amazon has an extensive and long-standing presence in the UK, having invested over £6.4bn since 2010 and employing over 24,000 permanent staff by the end of this year. Empowering businesses and content creators to share their products and services around the world, and fostering innovation are both key to our aims in the UK. This is why over 373,000 innovative UK businesses and content creators now reach customers across the globe through Amazon Marketplace, Handmade at Amazon, Amazon Launchpad, Kindle Direct Publishing and Amazon Web Services."

Doug Gurr, UK country manager, Amazon

Amazon strives to be the world's most customer-centric company, and to be the place online where our customers can find and discover anything they need. Across the UK we employ over 19,000 permanent staff, and we expect to employ 24,000 by the end of 2017. We have invested heavily in the UK to build the digital and physical infrastructure to deliver these products and services to millions of customers, with sites including our UK head office in London, development centres in Cambridge, Edinburgh and London, our customer service centre in Edinburgh, 13 fulfilment centres, delivery stations and Prime Now sites, our fashion photography studio in Shoreditch and our Amazon Web Services (AWS) UK data centre region. Since 2010, in total we have invested over £6.4bn in the UK.

Scotland is an important part of our UK presence. We employ over 2,500 people in Scotland at two fulfilment centres in Gourrock and Dunfermline, at our tech development centre and customer service centres in Edinburgh, at delivery stations in Motherwell, Edinburgh, Dundee, and our Prime Now site in Glasgow.

Our tech development centre in Edinburgh was Amazon's first outside North America and is an magnet for highly skilled computer scientists and engineers looking to develop ground-breaking careers in Scotland's capital. We're proud that it's been a catalyst in developing a community of high-achieving tech start-ups in the city.

Our Edinburgh customer service centre has an onsite training facility that's constantly in use and a long track record in employee development. Our Scottish fulfilment centres employ people in a range of different roles: from operations managers to engineers, HR and IT professionals, to people who handle customer orders.

More than ten thousand Scottish businesses sell on Amazon Marketplace to grow their enterprises, with many exporting to the U.S. and elsewhere in the world. In fact last year, UK sellers overall achieved £1.8bn of exports through Amazon Marketplace – a 29% year-on-year growth.



CASE STUDY LILLY

“Eli Lilly and Company was founded in 1876 in Indianapolis, Indiana, built on the commitment to bring life-changing medicines to those who need them. More than 140 years later, we remain committed to this vision through every aspect of our business, priding ourselves on acting in a responsible, ethical and transparent way in everything we do. We have a vision to change patients’ expectations and provide new hope to people suffering from debilitating conditions – which is why we are committed to bringing life-changing medicines to those who need them by launching at least 20 new medicines over ten years, from 2014-2023. We have a strong historical presence in the UK, opening the doors to our first operations outside of the U.S. in London in 1934. We now employ around 2,500 staff across the UK, working across a broad spectrum of jobs, from research to production line, to marketing and more.”

Leigh-Ann Pusey
Senior Vice President, Corporate Affairs
and Communications, Eli Lilly and Company

Across the globe, we employ more than 41,000 people, with more than 9,000 working specifically in research and development. Lilly focuses in medicines across a broad portfolio including diabetes, oncology and autoimmune diseases, such as rheumatoid arthritis and psoriasis, equipping health systems with the tools they need to meet the health challenges of today and the future.

Today, we are one of a small number of companies that not only discover, but also make and deliver medicines for patients in the UK. Lilly has a long history of investing in the UK, employing around 1,500 people across three sites: Lilly House in Basingstoke, which is home to our UK-wide commercial operations; a manufacturing facility in Speke, Liverpool, first acquired in 1963 and today manufactures many Lilly medicines that are exported across the globe; and Lilly’s second largest R&D facility outside of the U.S., at Erl Wood in Surrey.

Our Erl Wood research centre was opened in 1967 and has grown to become a centre of excellence in neuroscience research, with the research team receiving the Prix Galien Award and Queens Award for innovation in the UK. Erl Wood has played a key role in some of the company’s most important scientific breakthroughs, including the discovery of core treatments for mental health conditions such as schizophrenia and bipolar disorder. This research is delivered by a team of world leading experts drawn to the UK from around the globe, with more than 50 nationalities based at the site.

With 600 staff from 50 different nationalities across 30 functional disciplines – our Erl Wood research is a truly global enterprise – our UK-based scientists work in collaboration with our international colleagues and more than 90 academic institutions to try and better understand some of the most challenging medical conditions of today and for the future. As a U.S. company operating in the UK, our investment history in the UK has been strong.

We have spent £1.9bn on our UK research operations over the past decade and invested another £85m in our UK R&D facility during that period. In Speke, we invested £29m, supported by a £3m government regional growth fund grant, in constructing a new biotech manufacturing facility in 2014.

Between 2011-2016, we gave £2.5m in grants and donations to charities and organisations across the UK. We were also a founding member of the Dementia Discovery Fund, a collaboration between charity, industry and the government to provide investment in innovative dementia research – truly making the vision of creating life-changing medicines for those who need them a reality.

NHS collaboration also has a strong role to play in supporting inward investment. Clinical research, undertaken in NHS and private hospitals, provides critical data for new medicines and offers important treatment options to patients today. Clinical trials take place simultaneously around the world, and the UK is part of more than 60 current Lilly trials, involving 1,361 UK patients across 295 trial sites up and down the country.

Through research, we’re trying to change the frontiers of what’s possible in medicine. Collaboration, across borders and cultures, and between pharma, academia and biotech, is key to unlocking the medical treatments of tomorrow. It is vital that the UK continues to act as a beacon for top talent in the future, to support the medical research community to remain at the heart of worldwide medical discovery.

For more than 140 years, Lilly has worked tirelessly to discover medicines that improve people’s lives. Our vision is to change patients’ expectations – to provide a new sense of hope for people suffering from some of the world’s most debilitating diseases; and international investment will continue to be key in achieving this goal.





Top five priorities for the future of the U.S.-UK special relationship

As the United Kingdom navigates its departure from the European Union, strengthening our trade and investment relationship with the United States should be a top goal for the government. Here we outline a number of priorities that can help to achieve this and we will be building on these in greater detail going forward.

1 Commit to bringing down remaining barriers to trade and investment between the U.S. and the UK

Though the U.S. and the UK are both open economies, there are still barriers to trade that deter British businesses exporting to or investing in the U.S., and vice versa. At a time where industry recognises the need to make the case for trade, the U.S. and the UK can set the standard for global trade policy, bring down barriers to trade, and promote growth and prosperity. This includes lowering and removing tariffs, putting in place regulatory harmonisation and mutual recognition processes, smoothing customs processes and expanding market access.

2 An open dialogue between government and business on the best way to bring down these barriers

Business and government in the U.S. and the UK should work together to establish the best way to remove these barriers and ensure trade is free and fair. There should be a robust consultation process and an honest conversation between business, government and the public to achieve this.

3 Ensure businesses on both sides of the Atlantic have access to the right skills to drive prosperity and growth

For every business, having access to the right skills and labour force is essential to its success, and this is key to boosting productivity, a challenge the U.S. and the UK both face. It is therefore necessary to ensure that British businesses can access the right skills when investing in or trading with the U.S. and vice versa. There should be a sensible approach to visas for workers, and mutual recognition of qualifications where suitable.

4 Provide clarity, consultation, and advanced notice on regulatory processes and change

Regulatory barriers can be a significant deterrent to trade and investment and these barriers become increasingly difficult to overcome when there is unexpected or unclear regulatory reform. The U.S. and the UK should work to overcome these regulatory barriers and ensure that the transatlantic business environment is governed by a clear and well-evidenced regulatory and standards framework.

5 Maintain and improve trade and investment support services to better advise and support British and American businesses to operate in each other's economies

The U.S. and the UK both already have government-backed trade and investment services, helping businesses to develop and maintain global trading relationships. It is important that these services continue to develop and improve to make the most of the opportunities between the U.S. and the UK.

Deep dive: British business in the United States

Economic benefits of British-owned affiliates...

Total jobs
1,098,900

British affiliates account for **17%**
of the 6.4 million jobs created by
all foreign affiliates in the U.S.

Exhibit 9 Employment supported by foreign affiliates, 2014

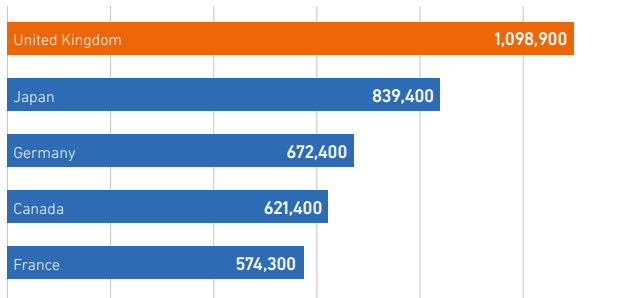
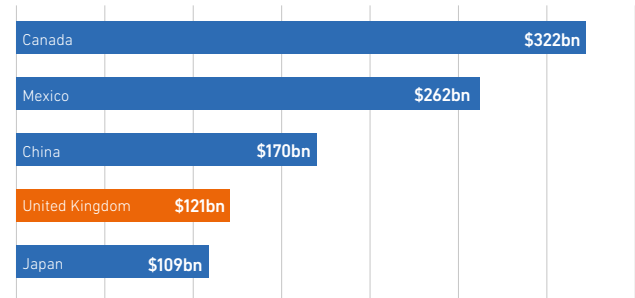
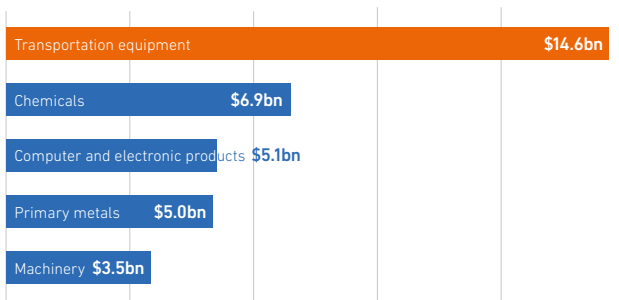


Exhibit 11 U.S. goods and services* export destinations, 2016



5.5% of U.S. exports are sold to the UK

Exhibit 10 Top goods* exports from the U.S. to the UK, by industry (2016)



Total goods exports to the UK = \$56bn

* U.S. goods and services exports are shown on a balance of payments basis, whereas goods exports are shown on a census basis.

State overview

British companies create jobs in every U.S. state and the District of Columbia. Texas leads in employment supported by British companies, followed by New York, California, Pennsylvania, and Illinois. New York leads in goods exports to the United Kingdom, with California just behind it.

State employment by British companies

- Texas ranked first nationwide with 107,200 jobs supported by British companies in 2014. In some prior years, California was the leader by this measure.
- New York, California, Pennsylvania, and Illinois rounded out the top five states in employment from British firms in 2014.
- British companies employed more than 30,000 workers in seven additional states in 2014, namely Florida, Ohio, Massachusetts, New Jersey, North Carolina, Virginia, and Indiana.
- British firms also represented more than 30% of all insourced jobs in the District of Columbia, Rhode Island, and Delaware in 2014.

- With 30,300 factory jobs, Texas ranked first in manufacturing employment supported by British companies in 2014, followed by Indiana, Pennsylvania, California, and Ohio.

State goods exports to the United Kingdom

- New York ranked first nationwide in exports to the UK, shipping nearly \$5.5bn in goods in 2016.
- California, Texas, Washington, and Utah completed the list of the top five states in exports to the United Kingdom in 2016.
- Additionally, South Carolina, Kentucky, and Pennsylvania each shipped more than \$2bn in goods to the United Kingdom in 2016. Eight additional states exported more than \$1bn in 2016 to the UK.

Top states in jobs supported by British companies, 2014	
Total	1,098,900
1 Texas	107,200
2 New York	103,700
3 California	98,200
4 Pennsylvania	60,100
5 Illinois	59,300

Top states in U.S. goods exports to the UK, 2016	
1 New York	\$5.5bn
2 California	\$5.4bn
3 Texas	\$4.1bn
4 Washington	\$3.6bn
5 Utah	\$3.1bn



(5)

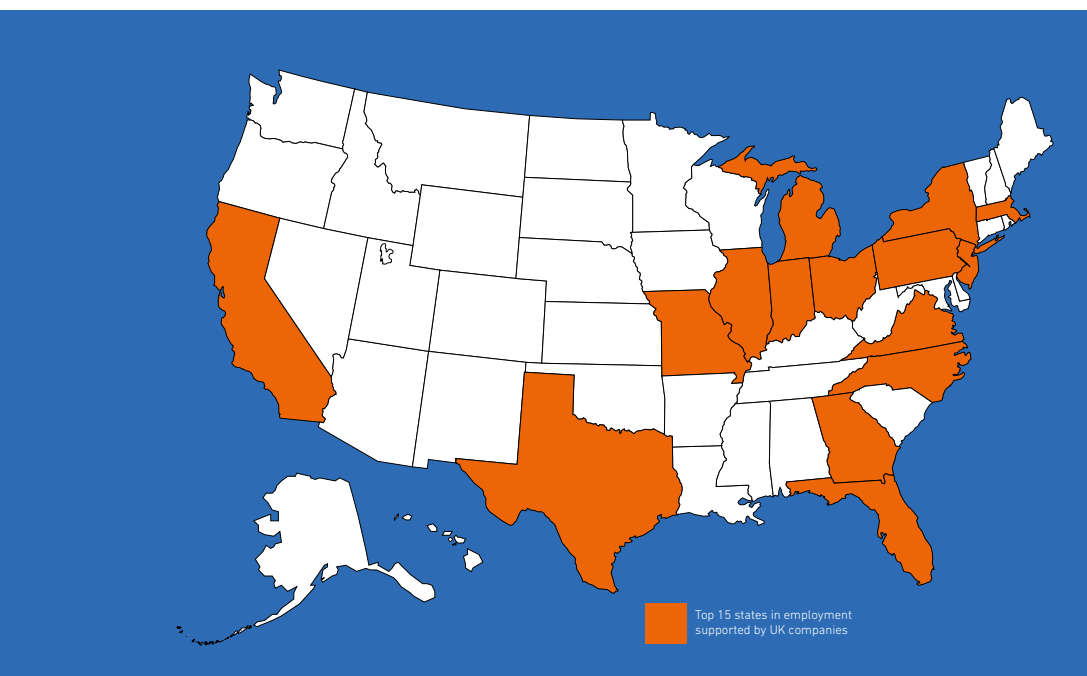
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Top states

Employment supported by British companies, 2014



Employment

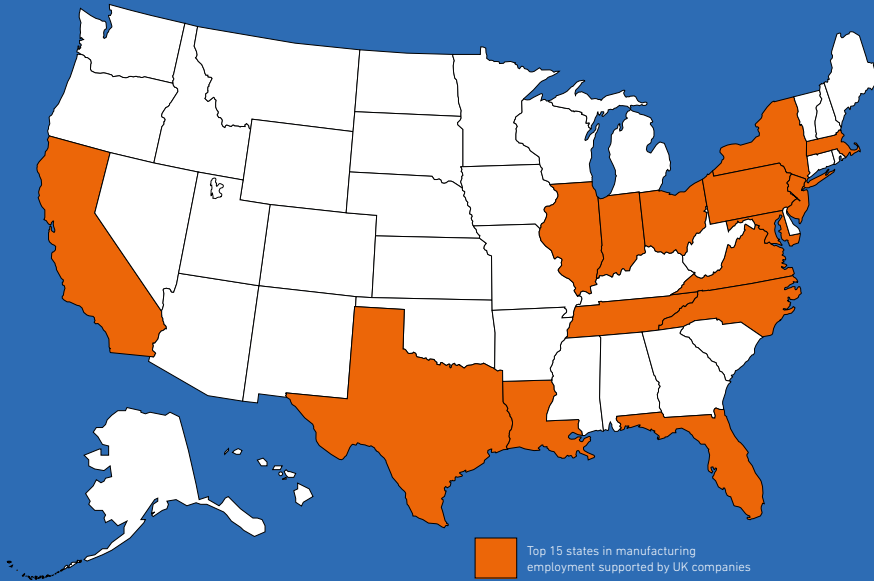
1	Texas	107,200
2	New York	103,700
3	California	98,200
4	Pennsylvania	60,100
5	Illinois	59,300
6	Florida	51,400
7	Ohio	42,100
8	Massachusetts	40,600
9	New Jersey	40,000
10	North Carolina	34,000
11	Virginia	31,900
12	Indiana	31,800
13	Georgia	29,000
14	Michigan	24,000
15	Missouri	23,100

16	Maryland	20,400	28	Rhode Island	10,000	40	West Virginia	4,600
17	Tennessee	20,200	29	District of Columbia	9,800	41	Nebraska	4,100
18	Connecticut	20,000	30	Oregon	9,500	42	Mississippi	3,600
19	Louisiana	18,300	31	Delaware	8,700	43	New Mexico	2,700
20	Washington	18,100	32	Kentucky	8,400	43	Hawaii	2,700
21	Minnesota	16,800	33	Iowa	7,800	45	Idaho	2,600
22	Colorado	15,700	34	Kansas	7,400	46	Maine	2,100
23	Arizona	13,300	35	Arkansas	7,100	47	North Dakota	1,700
24	Wisconsin	13,100	35	Oklahoma	7,100	48	South Dakota	1,600
25	South Carolina	11,900	37	Utah	6,800	48	Wyoming	1,600
26	Alabama	11,400	38	Nevada	5,800	50	Vermont	1,400
27	New Hampshire	10,200	39	Alaska	4,900	50	Montana	1,400

Note: Employment statistics represent data for majority-owned affiliates. Tied states receive the same ranking.

Source: U.S. Bureau of Economic Analysis

Manufacturing employment supported by British companies, 2014



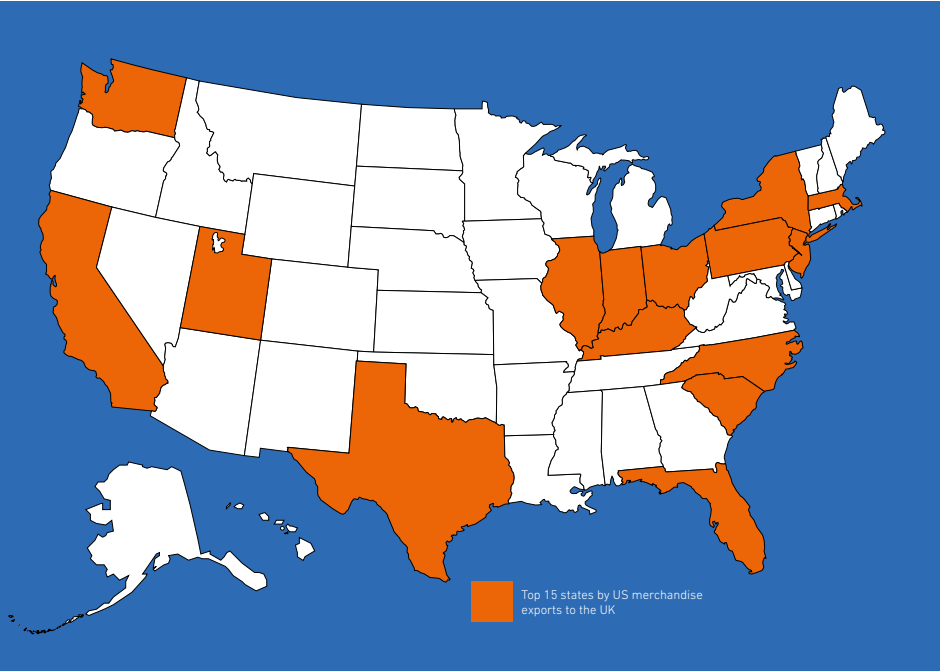
	Employment
1 Texas	30,300
2 Indiana	20,700
3 Pennsylvania	19,800
4 California	19,300
5 Ohio	10,100
6 North Carolina	9,400
7 New York	8,400
8 Illinois	7,800
9 New Jersey	7,500
10 Massachusetts	7,400
10 Virginia	7,400
12 Florida	5,500
12 Louisiana	5,500
14 Maryland	5,400
15 Tennessee	4,700

16 Alabama	4,600	29 Arizona	1,900	40 Hawaii	700
17 New Hampshire	4,500	30 Iowa	1,400	43 Mississippi	600
18 Georgia	4,100	30 Kansas	1,400	43 Nevada	600
18 Washington	4,100	30 Oklahoma	1,400	45 Rhode Island	400
20 Missouri	3,600	33 Utah	1,300	46 North Dakota	300
21 Minnesota	3,000	34 Kentucky	1,000	46 Montana	300
22 Connecticut	2,800	35 Nebraska	900	46 Alaska	300
22 South Carolina	2,800	35 Idaho	900	49 New Mexico	200
24 Michigan	2,500	37 District of Columbia	800	49 Wyoming	200
25 Delaware	2,300	37 South Dakota	800	51 Vermont	100
26 West Virginia	2,200	37 Oregon	800		
27 Wisconsin	2,000	40 Maine	700		
27 Colorado	2,000	40 Arkansas	700		

Note: Employment statistics represent data for majority-owned affiliates. Tied states receive the same ranking.

Source: U.S. Bureau of Economic Analysis

U.S. merchandise exports to the UK, 2016



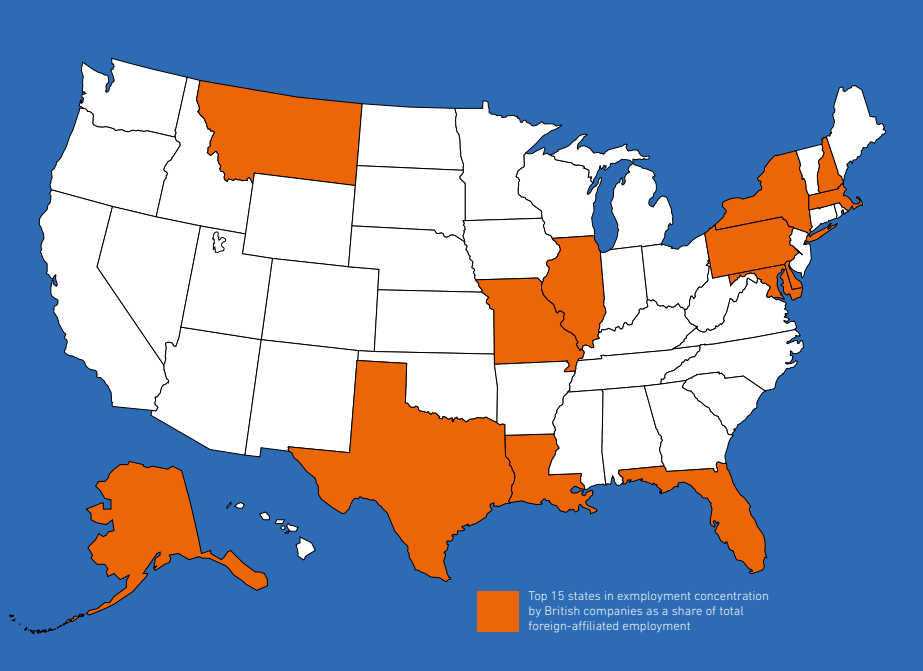
	Exports
1 New York	\$5.5bn
2 California	\$5.4bn
3 Texas	\$4.1bn
4 Washington	\$3.6bn
5 Utah	\$3.1bn
6 South Carolina	\$2.8bn
7 Kentucky	\$2.8bn
8 Pennsylvania	\$2.1bn
9 New Jersey	\$1.9bn
10 Ohio	\$1.9bn
11 Illinois	\$1.7bn
12 Massachusetts	\$1.6bn
13 Florida	\$1.4bn
14 North Carolina	\$1.4bn
15 Indiana	\$1.4bn

16 Georgia	\$1.3bn	29 Oregon	\$345m	42 Maine	\$57m
17 Tennessee	\$953m	30 Missouri	\$302m	43 Wyoming	\$49m
18 Virginia	\$935m	31 Iowa	\$244m	44 Nebraska	\$43m
19 Louisiana	\$928m	32 Colorado	\$220m	45 New Mexico	\$37m
20 Connecticut	\$895m	33 Mississippi	\$171m	46 Alaska	\$27m
21 Michigan	\$878m	34 New Hampshire	\$153m	47 North Dakota	\$19m
22 Arizona	\$858m	35 Arkansas	\$143m	48 Montana	\$19m
23 Wisconsin	\$813m	36 Nevada	\$131m	49 District of Columbia	\$19m
24 Minnesota	\$567m	37 Oklahoma	\$130m	50 South Dakota	\$18m
25 Alabama	\$559m	38 Idaho	\$115m	51 Hawaii	\$4m
26 Delaware	\$550m	39 West Virginia	\$103m		
27 Maryland	\$530m	40 Vermont	\$73m		
28 Kansas	\$432m	41 Rhode Island	\$72m		

Note: Rankings are based on exact data.

Source: International Trade Administration

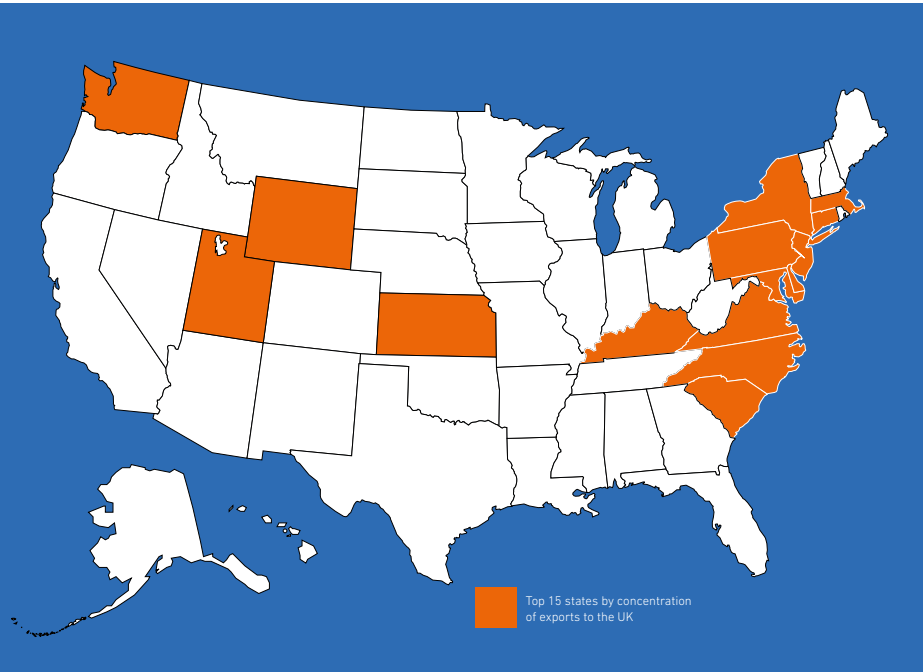
Concentration of employment supported by UK companies, 2014



Employment concentration (%)

1	District of Columbia	40.8
2	Rhode Island	33.7
3	Delaware	30.7
4	Alaska	28.0
5	Louisiana	24.6
6	New York	24.2
7	New Hampshire	24.0
8	Missouri	22.1
9	Montana	20.3
10	Illinois	20.3
11	Connecticut	20.1
12	Pennsylvania	20.1
13	Texas	19.7
14	Maryland	19.7
15	Florida	19.3

Concentration of exports to the UK, 2016



Exports concentration (%)

1	Utah	25.5
2	Delaware	12.4
3	Kentucky	9.7
4	South Carolina	9.1
5	New York	7.5
6	Connecticut	6.2
7	Massachusetts	6.1
8	New Jersey	6.1
9	Pennsylvania	5.9
10	Virginia	5.7
11	Maryland	5.7
12	North Carolina	4.7
13	Washington	4.5
14	Wyoming	4.4
15	Kansas	4.3

Note: Rankings are based on exact data.
Sources: Bureau of Economic Analysis and International Trade Administration

About Content First LLC

ABOUT CONTENT FIRST, LLC

Content First, a full-service public policy research firm based in Washington, DC, prepared this report for the Confederation of British Industry. Content First provides trade associations, businesses, law firms, consulting firms, and the public affairs community with the data they need to make strategic decisions, build their reputations, and advocate for policy change more effectively.

In today's competitive, information-driven economy, having the right content is key to success. At Content First, we help our clients reach their goals with public policy data, statistics, and research that are accurate, timely, and targeted.

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- Make informed business decisions

- Improve their competitive advantage and strengthen their reputations
- Satisfy their customers
- Save time and money.

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The Content First team has more than 50 years of experience in presenting industry research and public policy issues to government officials, business leaders, and the press. For more information about Content First, or to work with U.S., please contact U.S. at:

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About the CBI

The Confederation of British Industry (CBI) is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the private sector workforce. With offices across the UK as well as representation in Brussels, Washington, Beijing and Delhi the CBI communicates the British business voice around the world.

About CBI Washington

The Washington office opened in 2002 as the CBI's first office outside Europe, reflecting just how important the bilateral economic relationship is with the United States.

The Washington office provides a base from which the CBI can promote members' interest to a U.S. audience. We provide a range of services to member companies, whether in the UK, the U.S. or elsewhere, including:

- Information on the latest legislative, regulatory and economic developments in the U.S.
- Lobbying on issues of particular importance to our member companies
- Networking opportunities, to help those on both sides of the Atlantic understand how to increase the flow of transatlantic business.



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businesses of all sizes and sectors in the UK can
compete and prosper for the benefit of all.
To achieve this, we campaign in the UK, the EU and
internationally for a competitive business landscape.