



The German-American Partnership: Benchmarking Success



U.S. Diplomatic Mission to Germany
<http://germany.usembassy.gov/benchmarks/>

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Cover Photo: View from the Ambassador's "Quadriga"
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next to the Brandenburg Gate.

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Invest in Germany

Various German Länder government offices

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■ Introduction

The U.S.-German partnership remains as strong and vibrant as ever, although with the end to the division of Europe, the reunification of Germany and the rapid acceleration of globalization, the relationship and its challenges have changed profoundly. Some have characterized the United States and Europe as drifting apart, but evidence on many fronts demonstrates otherwise. Nonetheless, all too often these misperceptions have remained with the broader public on both sides of the Atlantic. This booklet undertakes to demonstrate how remarkably the fundamental economic ties that continue to bind Germany and the United States have grown in the past decade. The economic data consistently demonstrate that our partnership is deeper, more interconnected and important than ever before. As during the Cold War, mutual security concerns continue to bind us tightly together. Today, however, the extent of our economic integration is unprecedented, and it is this factor that more than any other defines the bilateral relationship. In short, we are increasingly responsible for each other's economic prosperity. Our deep interdependence has become vital to global growth as well, and so we share a responsibility to pool our strengths and cooperate in ways that boost world prosperity and stability.

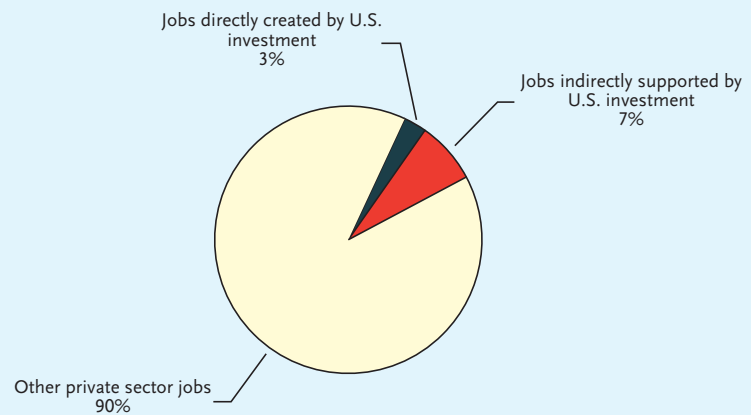
Benchmarking Success

The U.S. Embassy with the cooperation of a wide variety of institutions and individuals on both sides of the Atlantic has undertaken a study to capture both the depth and breadth of German-U.S. economic integration. The information in this booklet looks at the relationship from various levels of connectivity: investment, capital markets, trade, jobs, R&D, people-to-people, military and government. All of these factors (in sometimes less than obvious ways) have contributed to prosperity in the United States and Germany. Moreover, the connections are more profound than generally recognized.

Today, Germany and the United States have one of the largest and most important bilateral economic relationships in the world. **Bilateral investment has reached stunning levels with more than \$1 trillion in assets controlled by German companies in the U.S. and American companies operating in Germany.** With the enormous size of our two-way investment, more and more jobs in both of our countries depend on this relationship. Indeed, 670,000 Americans, or one in every 200 employed in the private sector, now works for a German company. Meanwhile, **American companies in Germany employ nearly 800,000 Germans (one out of every 35**

German private sector employees), and the multiplier effects of this employment support up to an estimated additional 2 million jobs for the German economy. Bilateral trade fuels and supports these enormous investment underpinnings. The United States is now the top export market for Bavaria, Baden-Württemberg and Berlin and ranks among the top five export markets for 13 of Germany's 16 Länder.

Estimated U.S. Contribution to Jobs in Germany's Private Sector (2006)



• **Up to one-tenth of Germany's private sector jobs depend on U.S. investment.**

Estimates based on both documented U.S. payrolls in Germany, assets per employee ratios for U.S. investment, and generally accepted multipliers to calculate indirect jobs. Does not include self-employed and family members whose businesses also may have U.S. ties.

Source: Statistisches Bundesamt Deutschland, U.S. Embassy Berlin

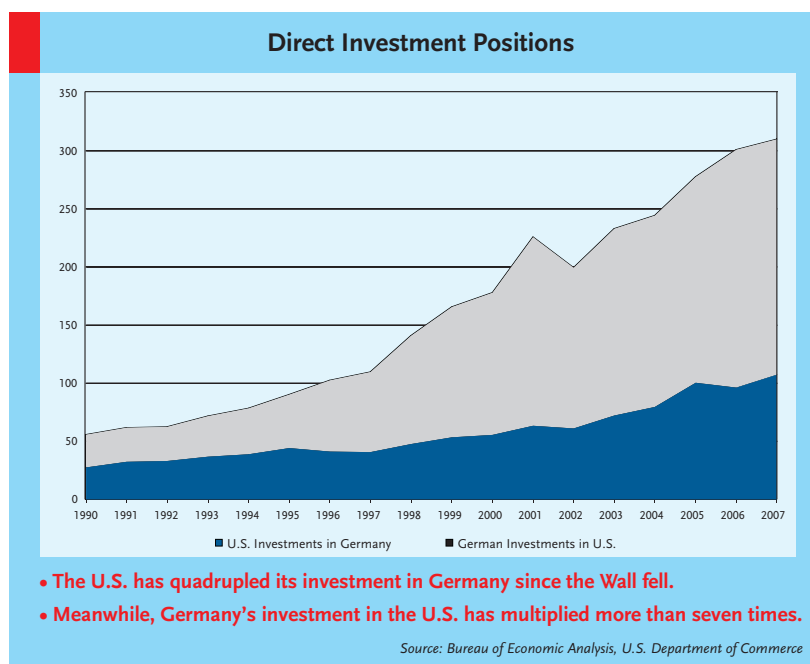
More importantly, these trade and investment trends are likely to grow at a rapid pace. Indeed, since German reunification, U.S. foreign direct investment (FDI) in Germany has quadrupled while German direct investment in the United States is roughly seven times what it was when the Berlin Wall fell. Not only has FDI grown rapidly, but so has the acquisition of stock equities. **In 2007 alone, U.S. investors bought more German stocks than they had over the entire past decade.**

On the trade side, the United States exported nearly twice as much to Germany last year as it did five years before; it also imported 50% more during this same time frame.

Beyond these traditional measures of economic connectivity are many others that are perhaps less obvious but just as important. For example, R&D is now a core function of U.S. and German corporate affiliates. German affiliates in the United States account for almost 3% of all R&D spending in the United States, and Germany has become a critical trading partner in advanced technologies such as biotech and life sciences products.

Germany is among the top destinations in continental Europe for American tourists, and Americans are the second largest group of tourists to Germany. This means not only profits in tourism and creation of jobs in the tourist industry, but enormous spin-off effects in terms of cultural understanding and the development of relationships and language skills that lead to even deeper economic integration.

With the end of the Cold War and the reunification of Germany, the U.S. military presence in Germany has changed significantly. Yet the contributions of the U.S. military to German prosperity through the employment of Germans (about 20,000) and U.S. military expenditures (\$5 billion a year, roughly half of expenditures during peak troop levels during the Cold War) remain important.



These different dimensions of U.S.-German economic integration are analyzed in a major study undertaken by the U.S. Embassy in Berlin. An overview of the key findings is presented in this booklet. The data has been cumulated from publicly available sources. The full study is available online for review, comment and update at: <http://germany.usembassy.gov/benchmarks/>.

Investment: Underpinning the Relationship

Both the size and growth in U.S.-German investment are perhaps the most significant factors leading to our more integrated economic relationship. **Using German reunification as a starting point, U.S. FDI in Germany has quadrupled while German investment in the United States is roughly seven times what it was when the Berlin Wall fell.**

Assets held by U.S. affiliates in Germany now total more than \$400 billion. U.S. assets in Germany are greater than total U.S. assets in all of South America. Assets held by German companies in the U.S. exceed \$600 billion. Only the United Kingdom and Japan have invested more in the United States.

Three hundred U.S. companies have invested in the eastern Länder, making the United States the top investor there. In 2006, net FDI flows from the United States to Germany totaled \$8.28 billion, approximately one-fifth of new FDI Germany received that year.

The United States is by far Germany's number one investment target. In fact, German investment in the American southeast alone is greater than all of European investment in China.

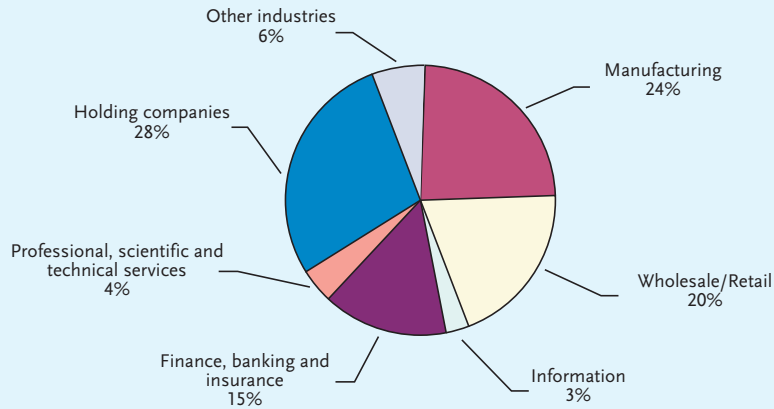
Investment in manufacturing outpaces investment in other sectors both in Germany and the United States, but finance, banking and insurance represent a significantly growing share.

Germany's Top 10 Investment Destinations

Rank	Country	Total Investment Stock (millions of euros, 2005)
1	United States	155,282
2	Netherlands	73,963
3	United Kingdom	65,819
4	France	39,079
5	Luxembourg	36,958
6	Italy	30,549
7	Austria	26,210
8	Belgium	20,137
9	Spain	17,584
10	Sweden	17,241

Source: Bundesbank, 2005

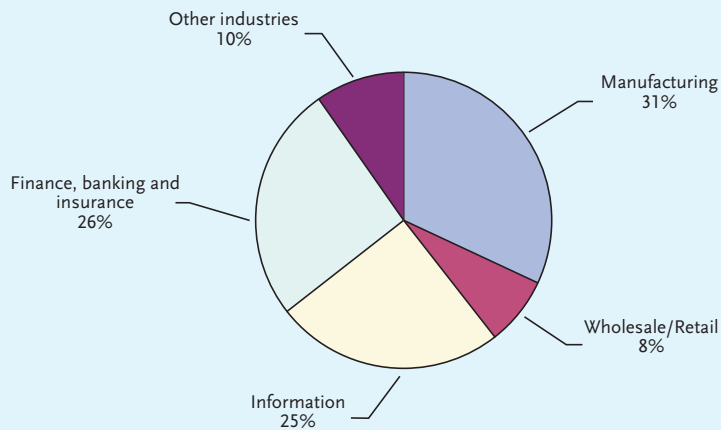
U.S. Investment Stock in Germany – By Sector



Source: Bureau of Economic Analysis, U.S. Department of Commerce

- About 1/4 of the U.S. investment in Germany is in the manufacturing sector, which leads to high paying jobs.

German Investment Stock in the U.S. – By Sector



Source: Bureau of Economic Analysis, U.S. Department of Commerce

- The American Chamber of Commerce estimates that more than 1/3 of Germany's direct and indirect investments are in the U.S.
- German investors account for nearly 1/3 of all foreign investment in the U.S. information sector (\$38 billion).

■ Capital Markets: Growing Rapidly

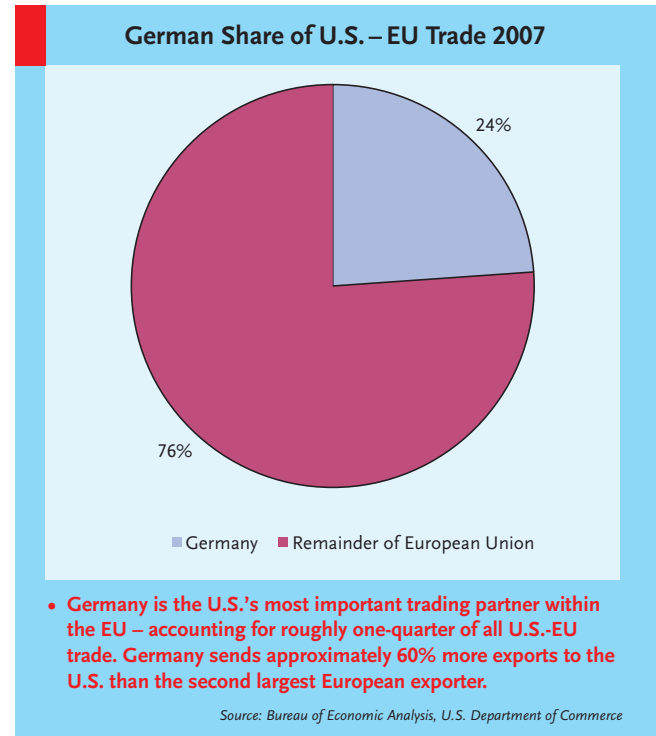
There has been a similar and perhaps even more dramatic growth in capital markets. **The U.S.-based investors' share of German equities grew rapidly from just over 2% in 2001 to almost 18% by the end of 2006.** During the first nine months of 2007, U.S. investors bought nearly \$9 billion – a figure greater than their net cumulative purchases of all German equities over the past decade. U.S. investors are now close to holding stakes in Germany's largest corporations equal to that of German domestic

institutional investors. Similarly, the German stock exchange lists more than 3,300 tradable U.S. stocks. **German investors held \$100 billion in U.S. equities and \$266 billion in overall U.S. securities as of June 2007.** These trends make it imperative that the United States and Germany work closely together in coordinating proposals to address the recent upheaval in financial markets.

Trade: Increased Investment Stimulates Trade

Trade continues to grow between the United States and Germany, and the rapidly accelerating FDI between the two economies significantly fuels this growth. The tight linkages between parent companies and their affiliates are reflected in the fact that roughly 62% of U.S. imports from Germany consist of intra-firm trade. Over a third of U.S. exports to Germany similarly consists of intra-firm trade. In other words, the more we invest in each other's economies, the more we will trade and create the jobs and prosperity that benefit us both.

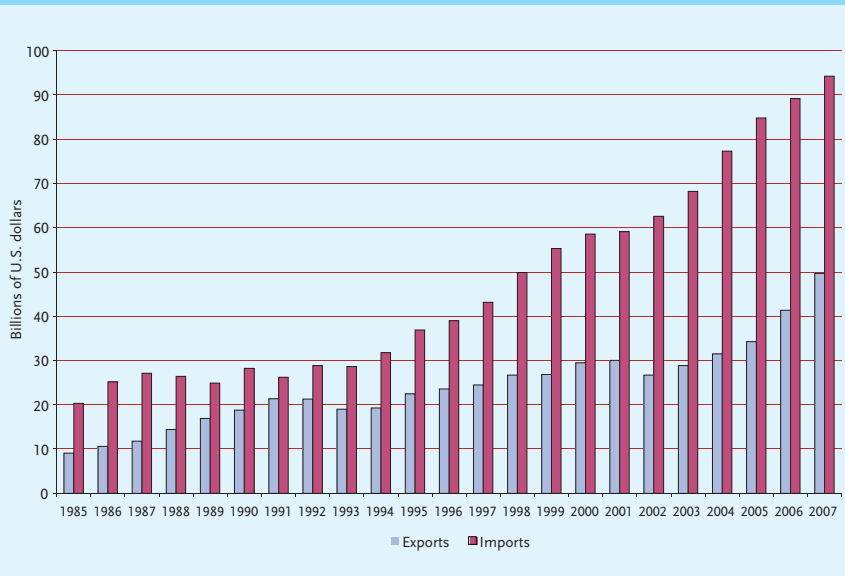
To put our level of trade into a broader context, the United States imported \$94 billion in goods and services from Germany and exported nearly \$50 billion, meaning **Germany trades more with the United States than it does with China and India put together.** After France, the United States is Germany's largest export market. The United States, in turn, is Germany's third largest supplier and its principal trading partner outside the EU. Germany's export success in the U.S. market is reflected in Germany's consistent trade surpluses with the United States for at least a quarter century.



Looking at the relationship at the state level, the United States ranks among the top five export markets for 13 German Länder. From the U.S. side, Germany is among the top five export markets for 21 of the 50 U.S. states. In

total, U.S. exports to Germany have more than doubled while German exports to the United States have more than tripled since German reunification.

U.S. Trade with Germany, 1985-2007



Source: Bureau of Economic Analysis, U.S. Department of Commerce

- **Bilateral trade has benefited both countries enormously and grown rapidly. Since reunification, U.S. exports to Germany have more than doubled, and German exports to the U.S. have more than tripled. Germany is one of the top five export markets for 21 of the 50 U.S. states.**
- **Germany has had a trade surplus with the United States for decades. In 2007, this surplus was nearly \$45 billion.**

Jobs: Increasingly Working for Each Other

One of the most important elements of our relationship is the extent to which jobs are created for both partners. The Embassy looked carefully at the range of available data on this important indicator. The data all point to one compelling conclusion: jobs in both economies are being created at a rapid rate, and the two economies increasingly need each other to fuel employment.

Sources indicate that **nearly 1.5 million jobs and approximately 6,000 companies in both countries directly depend on the U.S.-German economic relationship.** On the broader global level, the United States and Germany support the largest and second largest workforces worldwide through their foreign affiliates: U.S. affiliates employ 9 million workers worldwide and German affiliates employ 4.6 million.

U.S. Job Creation in Germany: 2,700 U.S. firms operating in Germany account for 800,000 German jobs. The manufacturing workforce of U.S. affiliates in Germany alone totaled 385,000 in 2002, more than 80% larger than the number of manufacturing workers employed in China by U.S. affiliates. **Jobs that are indirectly supported by U.S. investment activities (the so-called multiplier effect) are**

estimated to be roughly 1.3 to 2.6 times that amount, or up to 2 million German private sector jobs.

Top 10 U.S. Employers in Germany

Company	Estimated employees (2007)
McDonald's Deutschland Inc.	55,000
IBM Gruppe Deutschland	25,000
Ford-Werke GmbH	24,000
Adam Opel	23,500
Procter & Gamble	16,000
United Parcel Service Deutschland Inc. & Co. OHG	16,000
Burger King GmbH	15,300
Coca-Cola Deutschland	12,000
TRW Automotive Gruppe	11,400
Johnson Controls	10,000

Source: American Chamber of Commerce in Germany

German Job Creation in the United States: There are **more than 3,000 German companies in the United States, together creating more than 670,000 jobs.** Germany is the second largest European employer of Americans. Indeed, one in every 200 Americans working in the private sector now works for a German firm. In 2005, German-owned business accounted for 11% of the employment of all foreign-owned business in the United States, and German affiliates employed 375,000 Americans in manufacturing jobs. In 2005, only Japan had a larger American workforce

in manufacturing jobs. American workers for German firms enjoy high wages (\$73,500 average compared to the \$66,000 average for all foreign affiliates operating in the

United States) and high labor and environmental standards.

Top 10 German Employers in the U.S.

Company	U.S. employees	German Parent Company
Siemens USA Holdings	67,000	Siemens AG
The Great Atlantic & Pacific Tea Company Inc.	50,000	Tengelmann Group
Fresenius Medical Care Holdings Inc.	37,541	Fresenius SE
DHL Holdings USA Inc.	30,000	Deutsche Post AG
T-Mobile USA	29,000	Deutsche Telekom AG
ThyssenKrupp USA Inc.	25,000	ThyssenKrupp AG
Robert Bosch LLC	17,700	Robert Bosch GmbH
Bayer Corp.	17,200	Bayer AG
Bertelsmann Inc.	17,000	Bertelsmann AG
BASF Corp.	13,275	BASF AG

Source: American Chamber of Commerce in Germany

R&D Collaboration: Growing Vital Links

While the importance of U.S.-German trade and investment is broadly recognized, the vital R&D links between the United States and Germany are less well known even though they are key drivers of innovation and scientific breakthrough. Ernst & Young's 2008 European Attractiveness Study, for example, found that the **United States and Germany were rated as the first and third most dynamic countries in terms of innovation.**

Recognizing that scientific research and product development have enormous economic multiplier effects globally, this increasing collaboration is not only vital to German and U.S. economic growth, but to worldwide prosperity.

High tech is a growing component of bilateral trade. Germany purchases more biotech from the United States — \$2.34 billion in 2007 — than any other country. By the same token, Germany is second only to Ireland in selling biotech products to the United States (\$1.24 billion versus \$1.48 billion, respectively, in 2007). Only Japan surpasses Germany as a market for American opto-electronic products (\$775 million versus \$716 million in 2007).

Asian manufacturers dominate in information and communication technologies, but Germany is the United States' biggest European supplier (\$1.43 billion in 2007). Germany is also the United States' sixth largest export market for such products (\$3.22 billion).

	US Exports to Germany in 2007	German Exports to the US in 2007
Biotechnologies	\$2.34 billion	\$1.24 billion
Life Sciences	\$2.30 billion	\$3.73 billion
Information and Communication Technologies	\$3.22 billion	\$1.43 billion
Electronics	\$1.82 billion	\$861 million
Manufacturing Technologies	\$727 million	\$969 million
Advanced Materials	\$82 million	\$200 million
Opto-Electronics	\$716 million	\$507 million

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Public R&D investment supports basic scientific research carried out in university-affiliated research laboratories, but it is in the private sector where these ideas are transformed into innovations that increase productivity and support the high standard of living we enjoy. A long tradition of scientific exchange programs and foundations further supports joint R&D efforts. Germany and the United States have made particular progress in the fields of alternative energy, the life sciences, and engineering.

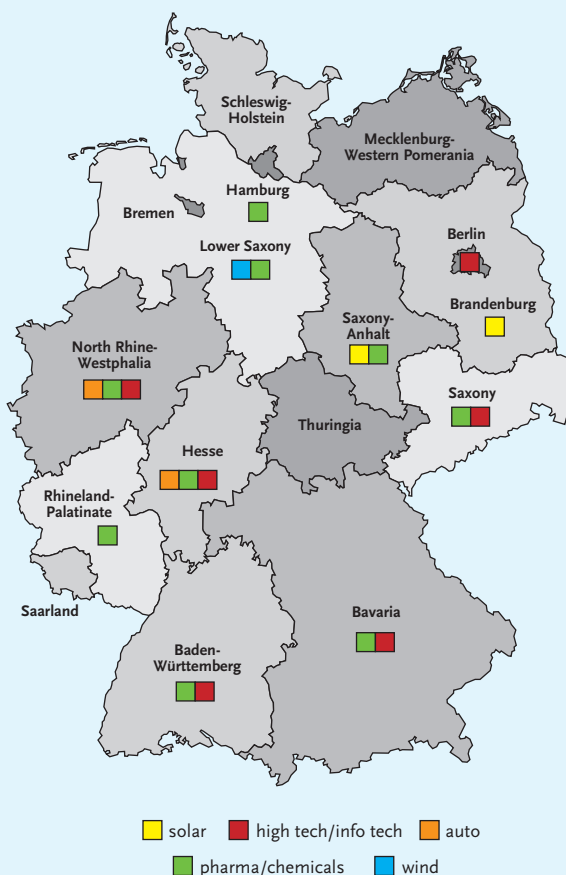
In the 21st century, energy security will be defined by environmental responsibility and innovation. **German-American cooperation in the field of wind and solar energy has resulted in an estimated \$1 billion in cross investment, the implementation of alternative environmental technologies, and the creation of good jobs in both countries.**

German and American researchers are working together on projects to advance the treatment of cancer, diabetes, muscular dystrophy, immune deficiencies, and other diseases. Advances in bioinformatics, computer tomography, and embryonic cell replacement add momentum to these research achievements.

Germany's R&D investment in the United States is particularly noteworthy. German-owned corporate affiliates lead in R&D by foreign firms in the United States, accounting for 2.8% of the R&D spending there. They contributed \$6.3 billion in U.S. R&D expenditures in 2005 alone, and corporate Germany's R&D activities in the United States have also become critical to continued German economic vitality. Conversely, U.S. firms consider Germany to be a good or very good location for their R&D activities. According to a 2006 American Chamber of Commerce

survey, American businesses value the high standards of university-level education in Germany and non-university research facilities in the private and public sector, Germany's outstanding infrastructure (telecom and

Energy & Technology: U.S. R&D Connections in Germany (primary clusters)

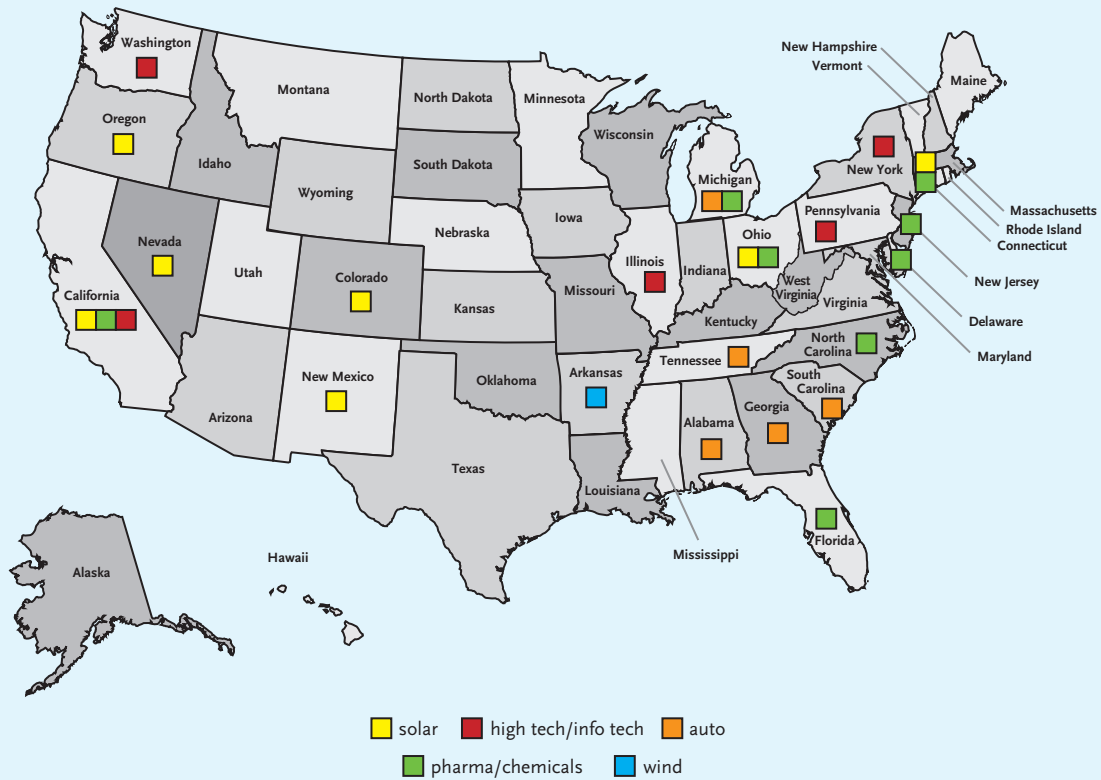


Source: U.S. Embassy Berlin

transportation routes), and its geographic position in the heart of Europe. A decisive factor for U.S. investors regarding the transformation of knowledge into innova-

tion is Germany's supply of well-qualified employees, who are valued as competent, professional and goal-oriented.

Energy & Technology: German R&D Connections in the U.S. (primary clusters)



Source: U.S. Embassy Berlin

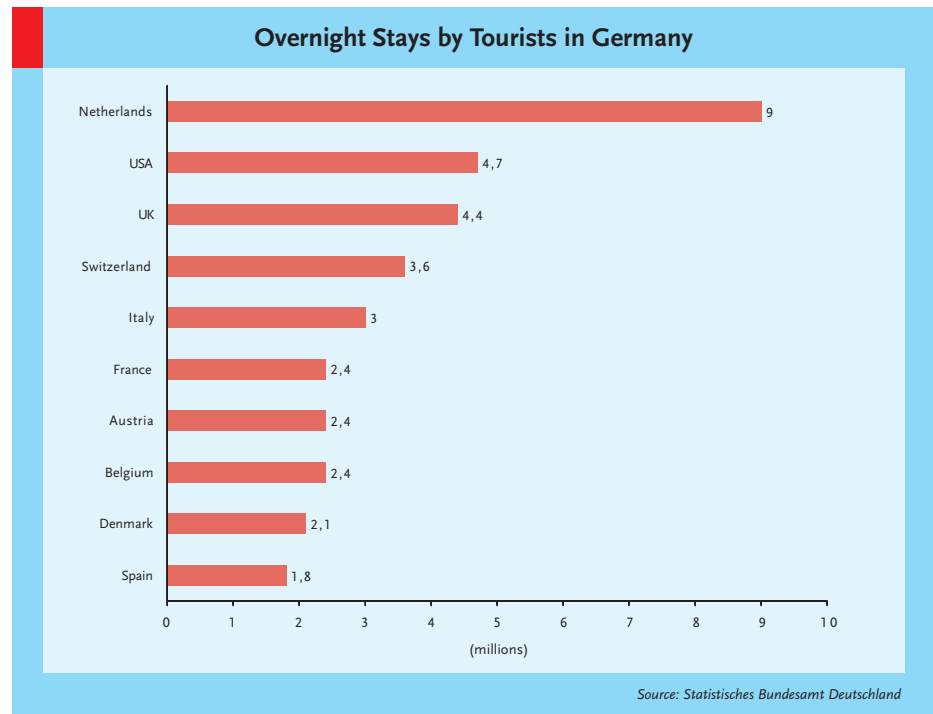
■ Employees, Tourists & Students: The “New Diplomats”

One of the most telling indicators of the close bonds between the United States and Germany is the extensive travel between the two countries. From high school exchange students choosing the United States for their first trip outside Europe to winners of the diversity visa program to “snow-birds” who winter in Florida, Germans travel to the United States by the hundreds of thousands every year. These connections not only lead to economic spin-offs, but also create cultural bridges. We contribute to each other’s trade, work for each other’s companies, enjoy each other’s cultures, and learn from each other’s experiences.

Tourism is the leading reason for German travel to the United States. In recent years, the strong euro has boosted the popularity of the United States as a travel destination.

Germans are the largest group of visitors from continental Europe to the United States, and their number is expected to increase by 20% by the year 2011. In 2007, German visitors spent over \$5 billion – one fifth more than the previous year.

Despite a relatively unfavorable exchange rate during the past few years, tourism from the U.S. to Germany has remained strong. Visitors from the United States registered 4,661,543 overnight hotel stays in Germany in 2007. **The United States ranks #2 in total overnight stays by foreign visitors after the Netherlands and #1 for visitors from overseas.** Visitors from the United States to Germany spent roughly \$5.9 billion in 2007, which is even



more than German tourists spent in the United States that year. The money that tourists spend generates jobs and profits not just for hotel and restaurant workers, but also for travel agents, airlines and auto rental agencies – on both sides of the Atlantic.

One of the most lasting cross-cultural connections is built by students visiting the United States. **Exchanges between the United States and Germany are the highest in Europe** and rank among the most popular in the world. Some 30,000 German and American high school and university students study in each other’s countries annually for an entire academic year. Even more German students, however, participate in short-term exchange programs. Tens of thousands of exchange visitors from Germany obtain visas to live, research, and study in the United States each year. These visitors range from high school exchange students to visiting professors to high-level researchers.

German Students Abroad – Top Target Countries		
Countries	2004 number	2005 number
United Kingdom	11,040	11,600
United States	8,640	8,829
Netherlands	8,128	11,896
Switzerland	7,132	7,839
Austria	7,069	10,174
France	6,509	6,867
Spain	1,350	1,350
Sweden	2,882	2,880
Australia	2,440	2,764
Canada	1,400	1,400

Source: Deutscher Akademischer Austauschdienst (DAAD)

Anecdotal evidence suggests that many Germans, now in high-level positions, began their U.S. connection on high

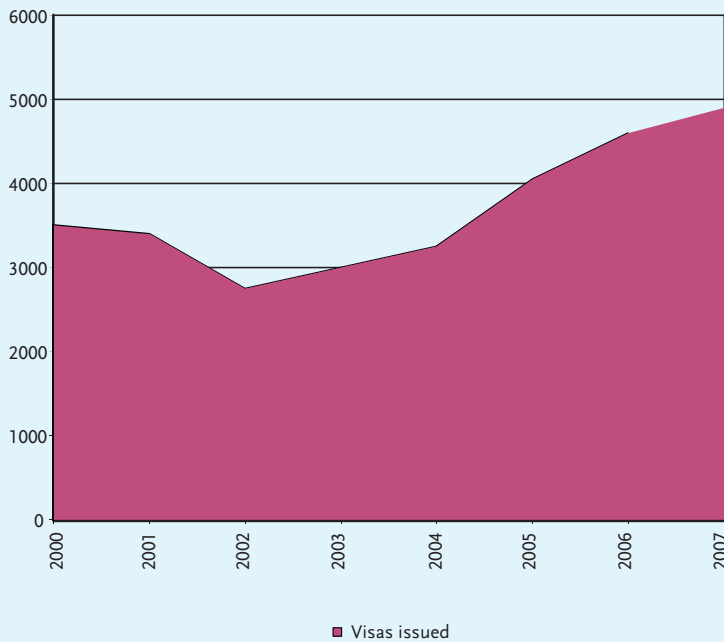
Foreign High School Students Inbound to the U.S.		
Country	Students	% of Total
Germany	8,192	29
Brazil	2,254	8
South Korea	1,806	6
Thailand	1,274	5
Japan	1,182	4
China	950	3
Italy	868	3
Norway	754	3
Sweden	626	2
Denmark	564	2

Source: Council on Standards for International Educational Travel (CSIET)

school exchange programs. They are renewing and maintaining the relationships that they or even their parents began as young students. The U.S. Embassy is working with the private sector to extend exchange opportunities for minority students who have been traditionally under-represented in exchange programs.

Increasingly U.S. affiliates in Germany are becoming representatives of this “new diplomacy”, as they focus more on their responsibilities to German society. It is clear that while jobs are a leading indicator of how U.S. firms contribute to economic prosperity in Germany, they do not tell the full story. According to a recent survey by the American Chamber of Commerce in Germany, over 40% of U.S businesses in Germany support educational, environmental and other community-based activities at the local, regional and national levels.

Treaty-Trader and Treaty-Investor Visas



Source: U.S. Embassy

Business also generates a steady traffic of two-way visitors. Following a dip after September 11, 2001, issuances of business visas clearly exceeded pre-9/11 levels by 2006 – and the trend is continuing upward. Of particular note in this category are the Treaty Trader and Treaty Investor visas. Treaty Trader and Investor visa applications accounted for \$1.6 billion in ongoing trade and more than \$2 billion dollars in cumulative investment.

■ People-to-People: More and More Connections

Numerous collaborative partnerships, both public and private, sustain and add momentum to bi-national exchange programs. Both the German Fulbright Commission and the German American Partnership Program are the largest government-supported exchange programs of their type worldwide. But while government-supported exchanges are important, the number, variety, and impact of private programs – arranged through institutional and sister city partnerships, German-American clubs, sports and cultural groups, not to mention spin-offs from business affiliations and commercial initiatives – are far greater.

Over 170 cities in Germany have concluded partnerships with American cities. Many of these programs began shortly after the end of the Second World War in parts of Germany where American troops were stationed. Since reunification, 31 new partnerships have been established in the eastern German states. These sister city initiatives generate a significant and continuous flow of visitors from the United States to Germany and vice versa. Some focus on annual school or university exchanges; others regularly organize visits of clubs or institutions or foster business and trade contacts.

In 2007, there were 1,330 partnerships between German and American institutions of higher education, up from 1,225 in 2006. This figure is certain to rise as a result of

Sister City Partnerships in Germany (by state)

	Number of Partnerships
Baden-Württemberg	30
Bavaria	31
Berlin	3
Brandenburg	6
Bremen	0
Hamburg	1
Hesse	13
Lower Saxony	19
Mecklenburg–Western Pomerania	4
North Rhine-Westphalia (NRW)	24
Rhineland-Palatinate (R-P)	17
Saarland	4
Saxony	8
Saxony-Anhalt	3
Schleswig-Holstein	2
Thuringia	9

Source: Sister Cities International

the introduction of bachelor's and master's degree courses in Germany enabling German students to receive credit for coursework completed abroad.

The United States established Amerika Haus cultural centers in many cities in the postwar years. Hundreds of thousands of Germans attended programs and visited the

libraries. Over the years, many of the Amerika Haus centers became German-American Institutes, supported for the most part by German local, state and federal governments, as well as by the U.S. Embassy and corporate sponsors. The U.S. Embassy and its Consulates have also developed strong partnerships and working relationships with libraries, schools, universities, think tanks and other institutions throughout Germany.

Partnerships Between German and American Institutions of Higher Education (by state)

	Number of Partnerships	Ranking
Baden-Württemberg	278	2
Bavaria	160	5
Berlin	112	3
Brandenburg	21	5
Bremen	10	9
Hamburg	67	1
Hesse	75	5
Lower Saxony	129	4
Mecklenburg-Western Pomerania	12	13
North Rhine-Westphalia (NRW)	154	5
Rhineland-Palatinate (R-P)	60	5
Saarland	6	11
Saxony	120	4
Saxony-Anhalt	44	2
Schleswig-Holstein	25	3
Thuringia	57	3

Source: Hochschulkompass

The U.S. Military and Government Presence: Ongoing Partnership

During the four decades of the Cold War, the U.S. military in Germany was a large geographically dispersed defensive force focused on deterring a Soviet armored thrust into Western Europe. The end of the Cold War and a growing need to respond to regional contingencies led the U.S. military to transform its forces in Germany into a more modestly sized, geographically concentrated, mobile response force capable of rapid force projection and out-of-area operations. This transformation, much of which occurred during the first half of the 1990s, resulted in a significant reduction of the U.S. military presence in Germany. This phenomenon led to a commonly held, but incorrect, view that the United States and Germany are less tightly connected than before.

During a five-year period from 1990 to 1995, the U.S. closed 88% of its bases and smaller facilities in Germany and significantly scaled back its presence in remaining locations. U.S. military expenditures in Germany decreased from about \$10 billion to \$5 billion in this period. Since 1995, however, the U.S. military presence has stabilized and continues to be an important source of revenue for four Länder (Baden-Württemberg, Bavaria, Rhineland-Palatinate and Hesse). **The U.S. Army employs more than 35,000 people in Bavaria and is the third largest employer there after BMW and Siemens.**

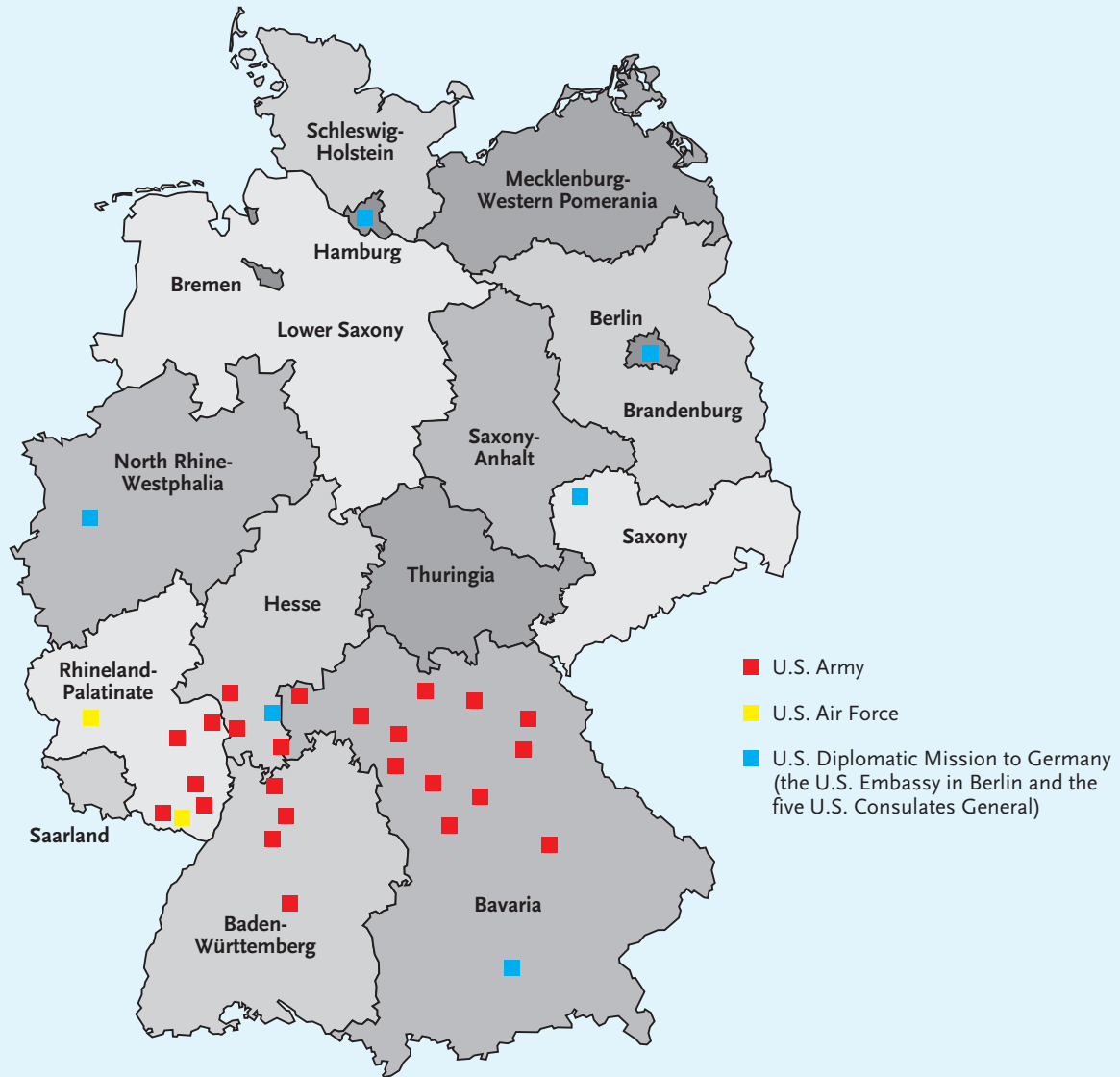
Rhineland-Palatinate (home to Ramstein and Spangdahlem airbases) receives the lion's share of total

expenditures (\$2.4 billion out of the total of \$5 billion spent by the U.S. military in 2007). Note: the \$5 billion does not include U.S. dollar salaries paid to U.S. military and civilian employees who spend a substantial portion of their income on the German economy.

Less well known is the presence of German military personnel in the United States. Germany now has approximately 1,350 personnel in some 40 separate locations. The majority of these personnel serve as liaison officers at various U.S. military commands or attend training at U.S. military locations in half of the 50 states.

The U.S. Embassy and the five U.S. Consulates in Germany have contributed an additional \$700 million in recent years and employ more than 700 locally engaged staff throughout Germany. In addition, more than 40,000 residents in Germany receive U.S. retirement and other benefits totaling more than \$250 million annually.

U.S. Government Footprint in Germany



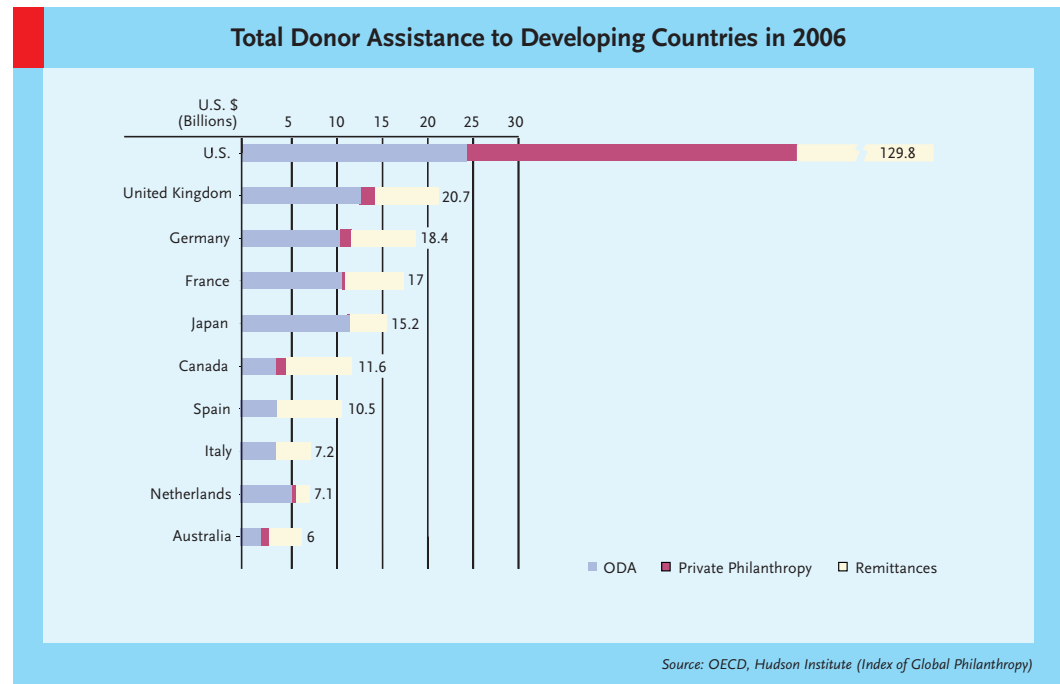
U.S. Embassy Berlin

Pooling Our Strengths

The positive aspects of globalization – the broad circulation of ideas and technology, people and financial resources, goods and services – enable the best ideas and solutions to address problems the world over. **Worldwide, the United States and Germany support the largest and second largest workforces, respectively, through their foreign affiliates: U.S. affiliates employ 9 million workers while German affiliates employ 4.6 million worldwide.**

Government and non-profit entities have long played the leading role in fostering economic development, but the traditional “donor-to-recipient” model of foreign aid is being supplemented by public-private partnerships. With total spending of \$23.5 billion in 2006, the United States was the world’s largest provider of official development assistance (ODA). Germany, along with the United Kingdom, Japan, and France each spent between \$10.5 to

\$12.5 billion dollars. **U.S. private financial flows – investment, philanthropy, and remittances – are, however, more than four times higher than ODA,** and along with substantial imports, accelerate dramatic, positive changes in the developing world, including poverty reduction, job creation, increases in productivity and a skilled labor force, health and nutrition gains – and the rise of a civil society that underpins democratization, human rights, and sustainable development.



■ The Challenges Ahead

Success brings responsibilities. Our respective governments are playing an important role in facilitating our integration. Chancellor Merkel proposed a Transatlantic Economic Council (TEC) to reduce regulatory barriers to transatlantic trade, an initiative which President Bush readily endorsed. Both governments and industry need to show strong leadership in lowering regulatory barriers. Additionally, we should ensure that our economies remain open and receptive to trade and investment. Because of the enormous spin-offs of U.S. and German prosperity on the broader global economy, Germany and the United States also need to remain close partners in encouraging pro-growth policies beyond their own borders. To cope with the recent financial turmoil, governments, financial communities and regulators must cooperate more extensively to ensure optimal solutions to complex problems.

Equally, it will be important for our citizenry to recognize fully how the bilateral relationship benefits their economic well-being. More and more of our citizens are finding themselves in jobs that are a direct result of our economic integration. Promoting fuller awareness of these vital economic stakes was a major impetus behind undertaking this study and producing this brochure. It is our firm hope that a broader understanding of the depth of our economic connectivity and its vital importance to the prosperity of our citizens will lead to an even more constructive and productive U.S.-German bilateral relationship.

Highlights of U.S. Relations with the 16 Länder (German Federal States)

Baden-Württemberg

- After the Netherlands and Switzerland, the United States is the third largest investor in Baden-Württemberg. 450 companies in Baden-Württemberg are majority U.S.-owned and 579 companies have at least 25% U.S. ownership. Together, these firms provide 140,000 jobs in Baden-Württemberg.
- The United States is the leading investment market for Baden-Württemberg with almost 30% of all German foreign direct investment in the United States coming from Baden-Württemberg. 736 companies from Baden-Württemberg have a presence in the United States, including 634 representations, 412 subsidiaries, 206 production sites and 168 joint ventures.
- In 2007, the United States was the number one exporter to Baden-Württemberg with exports totaling €11.4 billion. Products from the United States are dominated by chemical products, IT equipment and auto parts.
- 38% of all exported goods from Baden-Württemberg to the United States came from the automotive sector. As an example, Porsche sells more than half of its annual production in the United States. In 2007, Mercedes established an all-time sales record with 253,433 car sales in the United States.

Bavaria

- U.S. investment in Bavaria is larger than that of France and Austria combined. U.S. firms create about as many jobs in Bavaria as Italian and French firms together. The total number of Bavarians working in U.S. firms is 57,000. The U.S. Army in Bavaria employs more than 35,000 people. That would make the U.S. Army the third largest employer in Bavaria after BMW and Siemens.
- Bavarian investment in the United States exceeds its investment in France and the UK and creates more jobs in the United States than Bavarian investment in France, the UK, and Japan. The number of U.S. employees working in Bavarian firms is 142,000.
- The U.S. is the number one export market for Bavaria. 22% of all German exports to the U.S. come from Bavaria. (Composition of exports: vehicles and vehicle components, 50%; electronic goods, 18%; machinery, 16%; chemicals, 6%).
- More U.S. tourists visit Bavaria than tourists from any other country. With average daily expenditures of €190, American tourists spend an estimated €265 million per year in Bavaria.

Berlin

- The United States is a major trading partner for Berlin. Imports from the United States to Berlin exceeded €1.2 billion in 2007. Exports from Berlin to the United States amounted to almost €1.45 billion in 2007. Imports from the United States are dominated by chemical products, IT equipment and automotive parts.
- In 2007, 120 U.S. companies employed approximately 10,000 Berlin citizens.
- More than 11,500 Americans are registered residents in the city of Berlin, forming the 5th largest expatriate community by nationality in the German capital.
- The Technical University has co-operation agreements with 12 universities in the U.S; the Free University has partnerships with 21 U.S. universities including Cornell, Princeton, Rutgers, Stanford and the University of California-Berkeley. Berlin has city partnerships with cities on both coasts of the American continent. The partnership with Los Angeles in California celebrated its 40th anniversary in 2007. The partnership with Boca Raton in Florida will celebrate its 30th anniversary in 2009.

Brandenburg

- U.S. companies employ approximately 7,300 Brandenburg citizens.
- The U.S. is Brandenburg's third largest export market. The four main export products were: automotive parts and engines, €325.6 million; pharmaceutical products, €189 million; trucks and special purpose vehicles, €103 million; and paper and paper products, €27 million.
- American goods ranked fourth on the scale of all imported goods to Brandenburg with a total value of €574.8 million. The four main products were: chassis and engines, €383.2 million; airplanes (without engines), €36.3 million; pharmaceutical raw materials, €29.9 million; and components for electricity generation and distribution, €22.5 million.
- Brandenburg is a favorite destination for U.S. visitors. 228,870 Americans came to Brandenburg in 2007; with nearly 10% of total visits they represented by far the largest group of foreign visitors. Americans stayed an average of 2.6 nights, resulting in over half a million overnight stays. Based on the average spending of €178 per overnight, these visitors added €106.4 million to the Brandenburg economy.

Bremen

- U.S. companies provide more than 6,566 jobs in Bremen. The top five Bremen companies in the U.S. have created over 3,788 jobs in the U.S.
- For decades the United States has been quantitatively the most important trading partner for the Bremen ports. In 2007, Bremen ports handled 69.1 million tons of goods, of which 18.4%, or 12.7 million tons, was transshipped through U.S. ports.
- Due to the robust trade between Bremen and the United States, many Bremen law firms have developed expertise in U.S. law and are licensed to practice in the United States.
- Bremen is a major European center for space research and home to two key space companies (OHB Technology AG as well as Astrium); both companies work closely with NASA on joint U.S.-European space programs.

Hamburg

- 126 U.S. companies in Hamburg provide more than 6,000 jobs. Major employers include Exxon, ConocoPhillips, Warner Music, IBM and Ernst & Young.
- 194 companies from Hamburg employ about 17,000 people in the United States. Major Hamburg companies that have manufacturing facilities in the United States include Beiersdorf, Norddeutsche Affinerie and Airbus.
- Hamburg was the port of embarkation for over 5 million northern Europeans seeking to fulfill their dreams in the New World. Most of them immigrated between 1850 and 1934 to the United States.
- The Hamburg shipping company, Hapag-Lloyd was formed from the merger of the Hamburg-Amerikanische-Packetfahrt-Aktien-Gesellschaft (Hapag) and Norddeutscher Lloyd in 1970.

Hesse

- Of the 886 companies with U.S.-owned shares in Hesse, 666 are financial institutions. Citibank, J.P Morgan Chase Bank, and Goldman Sachs have a major presence in Frankfurt. The United States is the second largest investor in Hesse only surpassed by the Netherlands. Of the 50 biggest U.S. companies in Germany, 13 are located in Hesse.
- There are 340 direct air connections every week from Frankfurt to 25 destinations in the United States.
- The U.S. is Hesse's second largest trade partner, only surpassed by France. Exports totaled €3.9 billion in 2007. Leading exports are chemical and pharmaceutical products, machines and optical and mechanical products.
- As the largest consulate in the world with around 900 employees, the U.S. Consulate General in Frankfurt contributes significantly to the local economy. The Consulate spent \$22.5 million on local contracts in 2007, including \$1.1 million alone on hotel rooms. The Frankfurt Regional Diplomatic Courier Division received and dispatched 55,600 diplomatic pouches weighing over 1,448,000 kilograms to U.S. missions through Frankfurt International Airport. Over 22,200 of these items were escorted by diplomatic couriers traveling on Lufthansa.

Mecklenburg–Western Pomerania

- U.S. companies provide more than 4,000 jobs. The top U.S. investor, Caterpillar-Motoren generated \$36 million in revenue in 2007.
- Mecklenburg-Western Pomerania gained popularity among American tourists following U.S. President George Bush's visit to Stralsund in 2006 and after the 2007 G8 Summit in Heiligendamm. 7,000 Americans visited Mecklenburg-Western Pomerania in 2007 as passengers on cruise ships and spent about €1 million.
- Rostock University and North Carolina State University have been cooperating in the areas of research, teaching and cultural exchange since 1995. In 2008, the cooperation agreement was replaced by awarding joint doctorate degrees.
- The U.S. is a significant market for the Mecklenburg-Western Pomerania life science industry. The U.S. Food & Drug Administration serves as an important institution to this industry as it sets standards for the admission of new medicines and regulates access to the U.S. market.

Lower Saxony

- U.S. companies are the top foreign employer in Lower Saxony with over 46,000 jobs or 9% of all industrial jobs in the state. The six top U.S. investors in Lower Saxony generate total revenue of approximately €6.5 billion.
- Approximately 50 industrial enterprises from Lower Saxony have factories in the U.S. Lower Saxony companies have created over 18,000 jobs in the American industrial sector, most of them in the automobile industry.
- Top Lower Saxony investors in the United States include Continental AG, ZF Lemforder Fahrwerkstechnik AG, Symrise GmbH & Co., and Kamax-Werke Rudolf Kellermann GmbH and Co.
- Lower Saxony exports to the United States increased by over 20% in 2007 alone.
- Medium-sized German companies wanting to do business in the United States are supported by the Lower Saxony-U.S. Business Center, which is attached to the German-American Chamber of Commerce in Atlanta.

North Rhine-Westphalia (NRW)

- U.S.-owned companies employ 112,414 people, more than in any other German state.
- 870 companies from North Rhine-Westphalia employ some 287,000 people in the U.S., which amounts to some 36% of all jobs created by German firms in the United States.
- The United States is NRW's most important export market outside Europe. In 2007, NRW exports to the United States amounted to \$13.6 billion, more than to its four most important Asian markets combined (China, Japan, India, and South Korea). Since 2005, U.S. exports to NRW have jumped 52% to a record level of \$8.2 billion.
- Tourists from the United States are an important economic factor in NRW. Hotels in NRW register more overnight stays by tourists from the United States than from any other country, except neighboring Netherlands and the United Kingdom.

Rhineland-Palatinate (R-P)

- The U.S. firms are the second largest investor in Rhineland-Palatinate after Dutch firms. Rhineland-Palatinate-based companies invest more in the United States than in any other country except Belgium.
- In 2007, Rhineland-Palatinate's exports to the United States amounted to €3.3 billion, making the U.S. market, the second most important market for Rhineland-Palatinate goods after France. The most important exports were pharmaceutical components, pharmaceutical products, mining tools and plastics.
- After the UK, the United States is the second most important export market for Rhineland-Palatinate wines. As of April 2008, Riesling was the second fastest growing variety of imported wine in the U.S. after Pinot noir.
- The economic impact of U.S. military forces in Rhineland-Palatinate is considerable. The Kaiserslautern Military Community has approximately 47,000 members and is the largest military community outside the continental United States. Ramstein Airbase is the headquarters of the U.S. Air Forces in Europe (USAFE) and the largest U.S. Air Force installation outside the United States.

Saarland

- In 2006, U.S. direct investment in Saarland is surpassed only by neighboring France.
- The Ford plant in Saarlouis is the largest producer of the Ford Focus and employs approximately 6,800 people; an estimated 1,800 people work in the surrounding supplier park.
- The most significant and biggest Saarland company operating in the United States is Villeroy & Boch. The 235-year-old company is the world's largest ceramics maker. Its U.S. headquarters has been located in Princeton, New Jersey since 1975. The company has an estimated 300 employees in the United States and annual sales of \$37.4 million.
- The United States is the Saarland's largest trading partner. Total exports in 2007 to the United States totaled €480 million, based primarily in automotive parts (€210 million) and steel wire (€105 million).

Saxony

- The 137 American firms with investments in Saxony create jobs for more than 19,000 residents.
- The four major goods exported to Saxony from the United States include electronic devices, machinery tools, meteorological instruments, and chassis, bodies, and engines. Exports of American goods to Saxony have increased fourfold between 1997 and 2007.
- The United States is Saxony's number one export market. The United States accounted for 14% of Saxony's total exports in 2005. Major exports included automobiles, mobile homes, electronic components, printing machinery and chemical products.
- Dresden is the favorite destination of American tourists to Saxony. Americans make up the largest group of foreign tourists to Dresden.

Saxony-Anhalt

- There are in total 53 American firms with investments in Saxony-Anhalt creating jobs for more than 11,500 residents. The U.S. is the second largest investor in Saxony-Anhalt with investments totaling €2.6 billion since German reunification.
- Exports from Saxony-Anhalt to the United States quadrupled in the past 10 years. The four major exported goods are glass, semi-finished copper products, industrial machinery, and chemical raw materials.
- Approximately one-third of Saxony-Anhalt businesses engage in commerce with the United States and nearly 70% expect business relations to grow in the next two to five years.
- The Leibniz Institute for Neurobiology in Magdeburg has partnerships with nine top U.S. universities including Stanford, UCLA, University of Massachusetts, Baylor College, SUNY, Scripps Research Institute, MIT, University of Pennsylvania, University of California, Duke University, and University of Iowa.

Schleswig-Holstein

- The top eight U.S. companies in Schleswig-Holstein provide more than 8,950 jobs.
- U.S. companies represent almost one-sixth of all manufacturing jobs in the state.
- In 2007, Schleswig-Holstein exported €1.07 billion in goods to the United States (6.2% of Schleswig-Holstein's total exports).
- Schleswig-Holstein and the state of Maryland have been environmental partners since 2002. Both states have made formal decisions to increase the share of renewable energies, and focus on land management as exemplified by Maryland's "Smart Growth" program. In the future, the two will begin to exchange information and technical expertise.

Thuringia

- There are a total of 43 U.S. firms in Thuringia providing employment to nearly 7,600 people. This makes the United States the largest foreign investor in Thuringia with a current investment of over €2 billion since German reunification.
- The five U.S. firms with the highest publicized employment totals are General Motors (1,900 employees); IBM Corporation (750 employees); Trucklite Co. (600 employees); BBDO (390 employees); and Coca-Cola (360 employees).
- Exports from Thuringia to the United States totaled €699 million in 2007 and accounted for 6.5% of total state exports. This figure has increased nearly fivefold over the past 10 years.
- American goods accounted for 2.4% of Thuringia's imports, totaling over €173 million in 2007. This figure has nearly doubled over the past 10 years.

For additional information on the findings of the study and the sources of information used,
please refer to:

<http://germany.usembassy.gov/benchmarks/>