The United States: Market Profile

07 April 2021

Fitch Solutions

1. Overview

The United States is a constitution-based federal republic and geographically it is divided into 50 states, 14 dependent territories and one federal district. Its federal government comprises of a legislative branch, an executive branch, and a judicial branch. All of the levels of government, from federal to state to municipality, have authority to tax, legislate and regulate. The United States is the largest economy in the world and it is a member of a number of international organisations, including being a permanent member of the United Nations (UN) Security Council, a member of the North Atlantic Treaty Organization, a member of the G-7, a member of the United States-Mexico-Canada Agreement (USMCA) (previously the North American Free Trade Agreement (NAFTA), a member of the Organisation for Economic Co-operation and Development, and a member of the World Trade Organization (WTO).

Source: Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

June 2018
Then-president Donald Trump and North Korean leader Kim Jong-un met in Singapore and agreed to continue dialogue aimed at reducing tensions in the Korean peninsula.

September 2018
The United States imposed an additional 10% tariff on USD200 billion worth of Chinese imports as of September 24. Mainland China promptly reciprocated by placing a 10% tariff on USD60 billion worth of products from the United States.

October 2018
The United States, Canada and Mexico reached a new trade deal to replace the NAFTA.

November 2018
The Democratic Party took control of the House of Representatives in midterm elections; the Republican Party retained control over the Senate.

March 2019
The WTO Appellate Body ruled that the United States had illegally provided massive subsidies to Boeing, which had resulted in lost sales and market opportunities for Airbus. The ruling marked the final step in the compliance proceedings launched in 2012. In April, the United States Trade Representative threatened to impose tariffs on USD11 billion of European Union (EU) goods in recompense for European subsidies for Airbus. The targeted products included wine, cheese and olive oil.

April 2019
The Trump administration announced that it did not plan to renew United States sanctions waivers for any countries importing Iranian oil after they expire on May 2, 2019. Temporary waivers were granted to Greece, Italy, Taiwan, South Korea, Japan, Turkey, India and Mainland China in November 2018 when the United States re-imposed sanctions on Iran following then-president Trump's withdrawal from the 2015 nuclear deal.

May 2019
Mexico's top trade official stated that Mexico would be unable to ratify the USMCA unless the United States scraped the steel and aluminium tariffs it imposed in 2018. The same issue was impeding the agreement's passage in the United States Congress.

Then-president Donald Trump announced the implementation of a 5% tariff on all Mexican goods entering the United States, with the measures came into effect on June 10, 2019.

October 2019
Following a meeting in Washington on October 10-11, the United States and Mainland China announced an agreement 'in principal' and the United States announced a suspension of a planned October 15 tariff hike. Furthermore, the United States suspended plans for a 5% tariff hike on USD250 billion worth of Chinese imports.

January 2020
On January 15, the United States and Mainland China signed a 'phase one' trade deal. The deal incorporated promised by Mainland China to increase purchases of United States goods and services by USD200 billion over the next two years, strengthen intellectual property protections, open its financial services sector and eliminate forced transfer of technology, among other provisions. In response, the United States cancelled tariffs planned to go into effect on December 15, 2019 on USD160 billion worth of Chinese goods and partially rolled back tariffs imposed on September 1, 2019.

March 2020
The United States Federal Reserve (Fed) announced a 50 basis point (bps) cut to interest rates in an effort to support economic activity. This was the first unscheduled emergency rate cut since 2008 and it marked the biggest one-time cut since then. The new benchmark interest rate was a range of between 1% and 1.25%.

The federal funds rate was lowered by 150bps to 0-0.25%. Purchase of Treasury and agency securities in the amount as needed. Expanded overnight and term repos. Lowered cost of discount window lending. Reduced existing cost of swap lines with major central banks and extended the maturity of foreign currency operations; broadened USD swap lines to more central banks around the world and offered temporary repo facility for foreign and international monetary authorities. The Fed also introduced facilities to support the flow of credit, in some cases backed by the Treasury using funds appropriated under the Coronavirus Aid, Relief and Economy Security Act (CARES Act). Federal banking supervisors also encouraged depository institutions to use their capital and liquidity buffers to lend, to work constructively with borrowers affected by Covid-19, and indicated that related loan modifications would not be classified as troubled debt restructurings.

August 2020
Fed Chair Jerome Powell unveiled a strategy that targets an average inflation rate of 2%.

On August 8, then-president Donald Trump issued executive orders mostly to address the expirations of certain coronavirus reliefs provided by previous legislations. These included using funds from the Disaster Relief Fund to provide extra unemployment benefits, continuing student loan payment relief, deferring collections of employee social security payroll taxes, and identifying options to help renters and homeowners avoid evictions and foreclosures.

November 2020
The United States presidential election took place on November 3.

2020
The government introduced the following to combat the impact of Covid-19:

- USD483 billion Paycheck Protection Program and Health Care Enhancement Act. The legislation includes USD321 billion for additional forgivable small business administration loans and guarantees to help small businesses that retain workers; USD62 billion for the small business administration to provide grants and loans to assist small businesses, USD75 billion for hospitals, and USD25 billion for expanding Covid-19 testing.

- An estimated USD2.3 trillion (around 11% of GDP) CARES Act. The Act includes USD293 billion to provide one-time tax rebates to individuals; USD268 billion to expand unemployment benefits; USD25 billion to provide a food safety net for the most vulnerable; USD510 billion to prevent corporate bankruptcy by providing loan and guarantees, and backstopping the Federal Reserve 13(3) programme; USD349 billion in forgivable small business administration loans and guarantees to help small businesses that retain workers; USD100 billion for hospitals; US150 billion in transfers to state and local governments; and USD49.9 billion for international assistance.

- USD8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act and USD192 billion Families First Coronavirus Response Act. Together they provide around 1% of GDP for virus testing; transfers to states for Medicaid funding; development of vaccines, therapeutics and diagnostics; support for the Centres for Disease Control and Prevention responses; two weeks paid sick leave; up to three months emergency leave for those infected (at two-thirds pay); food assistance; and transfers to states to fund expanded unemployment insurance. Expansion of Small Business Administration loan subsidies. This also includes USD1.25 billion in international assistance. In addition, federal student loan obligations have been suspended for 60 days.

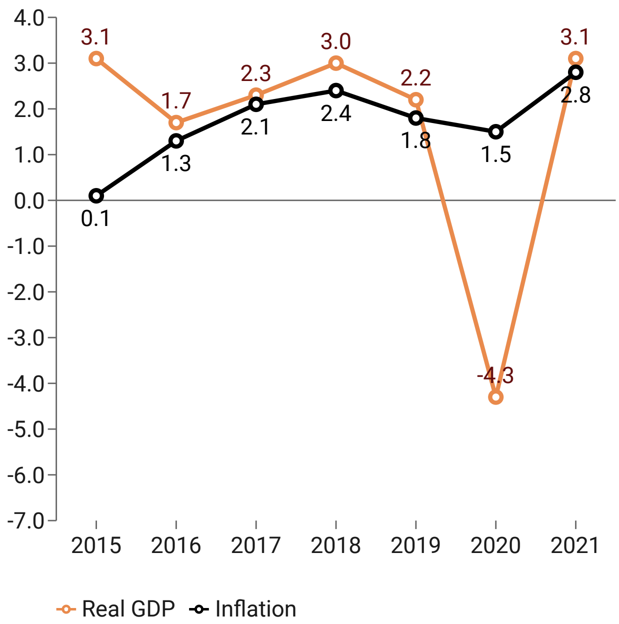
January 2021
Joe Biden was inaugurated president.

February 2021
The House approved President Biden's USD1.9 trillion stimulus plan.

Sources: BBC Country Profile – Timeline, IMF, Fitch Solutions

3. Major Economic Indicators

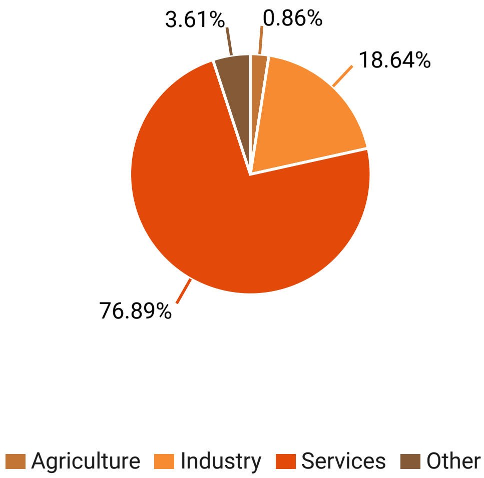
Real GDP and Inflation



2020 (estimate), 2021 (forecast)
Source: IMF
Date last reviewed: February 25, 2021

GDP by Sector (2018)

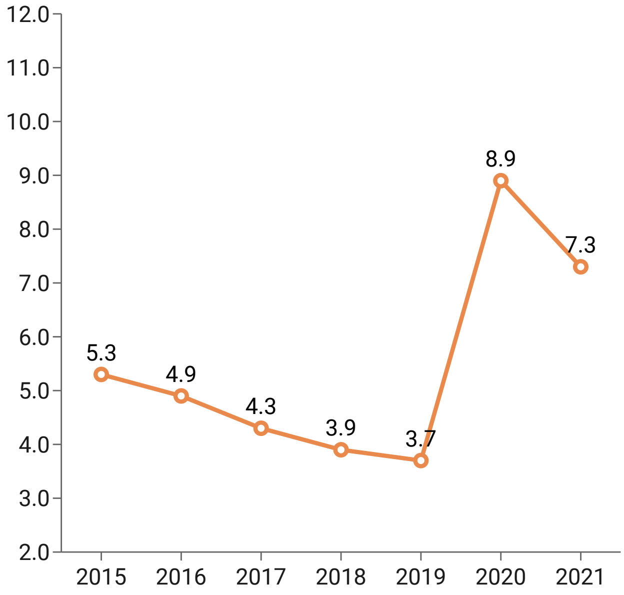
% share



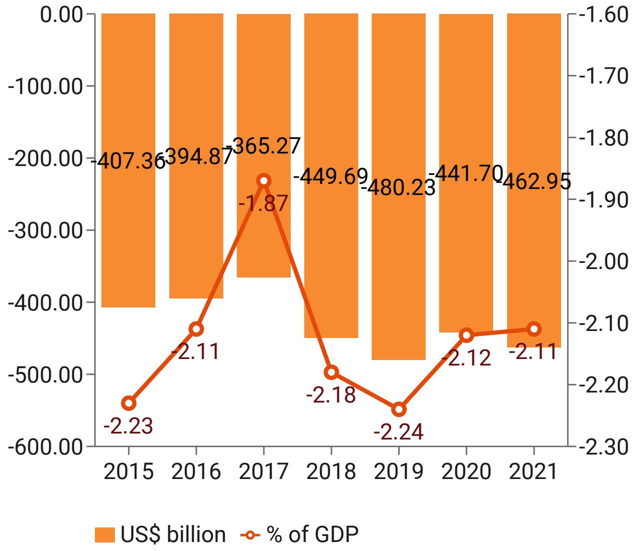
Note: Most recent data is for 2018
Sources: World Bank, Fitch Solutions
Date last reviewed: February 25, 2021

Unemloyment Rate

Current Account Balance



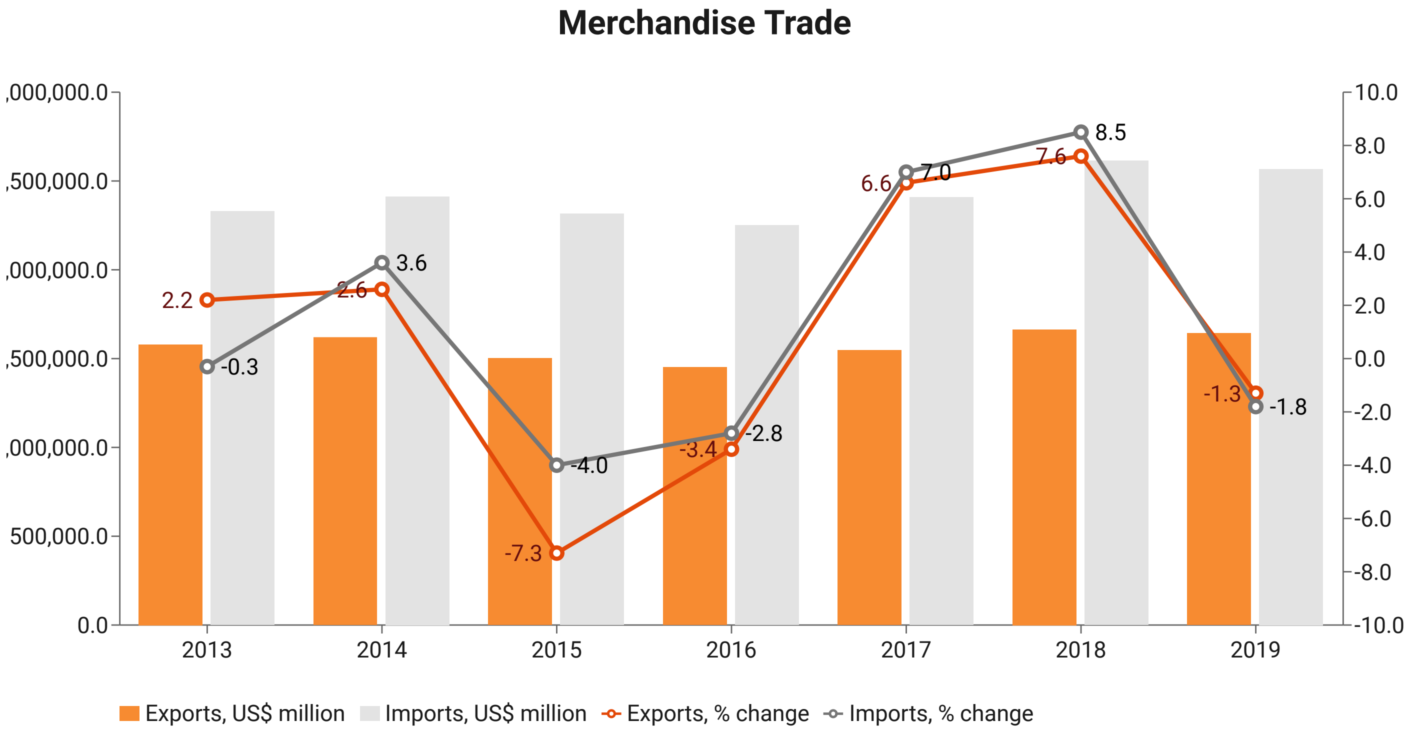
2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: February 25, 2021



2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: February 25, 2021

4. External Trade

4.1 Merchandise Trade



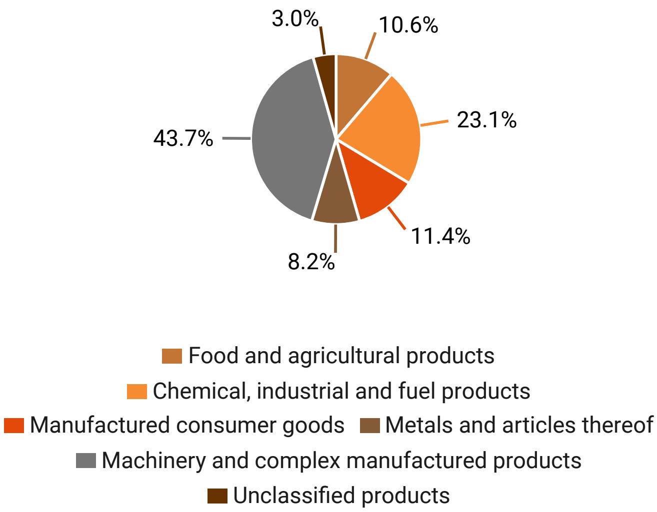
Sources: WTO, Fitch Solutions
Date last reviewed: February 25, 2021

Major Export Commodities (2020)

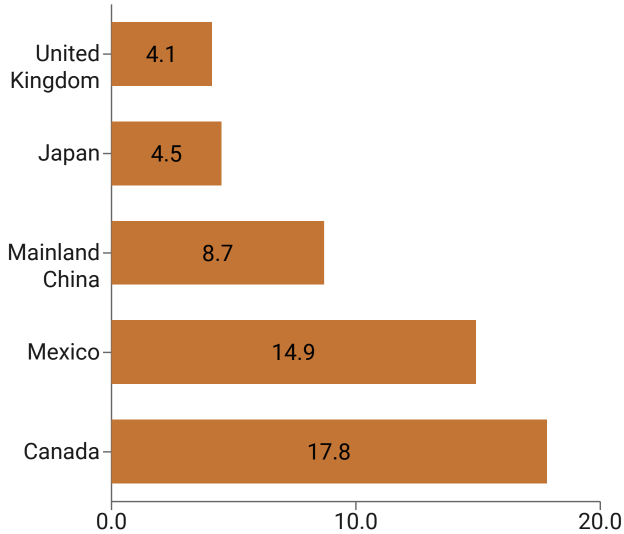
% share

Major Export Markets (2020)

% share



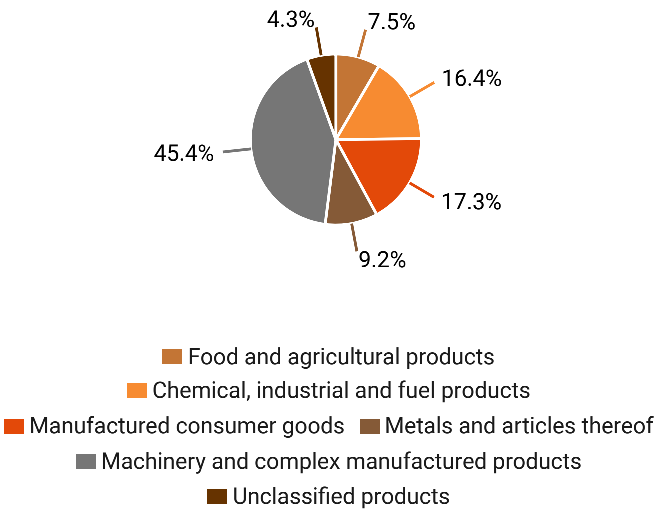
Note: Unclassified products account for US$48.4 billion of exports
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 25, 2021



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 25, 2021

Major Import Commodities (2020)

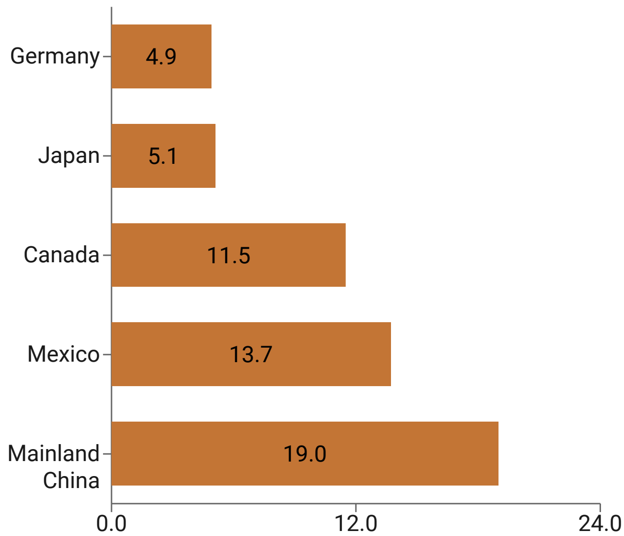
% share



Note: Unclassified products account for US$113.2 billion of imports
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 25, 2021

Major Import Markets (2020)

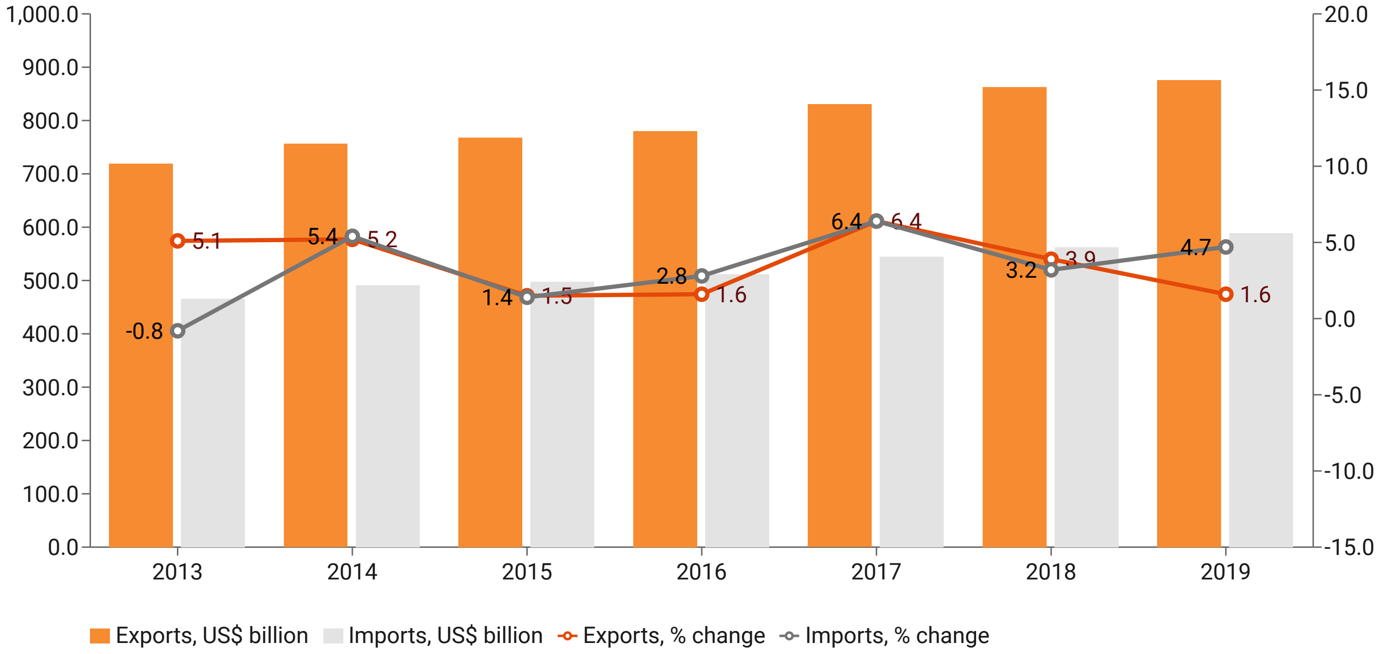
% share



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 25, 2021

4.2 Trade in Services

Trade in Services



Sources: WTO, Fitch Solutions
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5. Trade Policies

- The United States is a member of a number of international organisations. It is a permanent member of the UN Security Council, a member of the NATO, a member of G9, a member of the OECD, and a member of the WTO.

- Goods brought into the United States are often subject to import duties, but import licences are generally not required. There are no foreign exchange controls over payments for imports.

- As a founding member of the original Trans-Pacific Partnership (TPP) Agreement, the Office of the United States Trade Representative (USTR) on November 5, 2015 released the text of the TPP which was formally signed by its 12 signatories in February 2016. However, then-president Donald Trump signed an executive order formally withdrawing the country from the trade deal in January 2017. Despite the absence of the United States from the agreement, the remaining 11 TPP nations officially agreed on key aspects of the trade pact on November 11, 2017 and signed the document in March 2018. The renewed CPTPP came into effect in December 2018.

- The United States has been a WTO member since January 1, 1995.

- The Trump administration remains determined to press ahead with its trade agenda aimed at reducing the size of the United States' trade in goods deficit with key trade partners, such as the EU and Mainland China. Following the implementation of tariffs on solar panels, washing machines and steel and aluminium imports in the first few months of 2018, then-president Trump instructed the USTR to raise USD50-60 billion worth of tariffs on March 22, 2018. The move followed a USTR investigation that determined that unfair policies around intellectual property (IP) in the markets of some trade partners caused harm to the United States economy. The USTR cited a rarely used section of the 1974 Trade Act as justification. The Trump administration also concluded a renegotiation of its bilateral trade deal with South Korea on March 27, 2018. The revisions to the deal were modest. In March 2019, the USTR announced that progress in negotiations since December 2018 meant that until further notice it was no longer appropriate to raise tariff rates on USD200 billion worth of goods from Mainland China.

- In Q319 then-president Donald Trump announced that the United States will impose a 15% tariff on USD125 billion worth of Chinese imports on September 1, 2019. With the United States having already imposed a 25% tariff on USD250 billion worth of goods from Mainland China, this announcement meant that effectively all Chinese goods coming into the United States would be subject to tariffs. However, on January 15, 2020 the United States and Mainland China signed a 'phase one' trade deal. The deal incorporates promises by Mainland China to increase purchases of United States goods and services, strengthen intellectual property protections, open its financial services sector and eliminate forced transfer of technology among other provisions. In response, the United States cancelled some tariffs planned to go into effect on December 15 on USD160 billion worth of Chinese goods and partially rolled back tariffs imposed on September 1, 2019.

- In October 2018, the United States, Mexico and Canada reached an agreement on a new and modern trade agreement called the USMCA. This modernised agreement maintains the tariff-free market access from the original NAFTA and includes updates and new chapters to address modern-day trade challenges and opportunities. The original NAFTA eliminated virtually all tariffs between the United States, Mexico and Canada with very few exceptions. The USMCA maintains these benefits and ensures that the vast majority of USMCA trade will continue to be duty free. Additionally, a new customs administration and trade facilitation chapter standardises and modernises customs procedures throughout North America to facilitate the free flow of goods. There are also important improvements to disciplines on technical barriers to trade that will make it easier for businesses to export goods within the USMCA region. The USMCA comprises 34 chapters, three schedules, 18 annexes and 12 side letters. However, the United States is yet to ratify the agreement (as of November 12, 2019), meaning the original NAFTA is still in force.

- The USMCA has made a key change to the autos rules of origin. The revised automotive rules of origin require higher levels of North American content in order to incentivise production and sourcing in North America. The agreement specifies that 40% of vehicles sold in the region must come from a market with wages of USD16/hour or more. This wage provision was brought into place in order to attempt to level the playing field between Mexican and the United States workers and reduce the incentives for companies to outsource manufacturing jobs.

- The United States rigorously enforces anti-dumping laws. When the Department of Commerce (DOC) determines that a class of foreign goods is being, or is likely to be, sold to purchasers in the United States at less than its fair value, an anti-dumping duty investigation can be conducted. The United States International Trade Commission (USITC) is responsible for conducting the final injury investigation. If all determinations are affirmative, the DOC will issue a duty order. The United States also enforces laws on countervailing. When the DOC determines that a class of foreign goods receives countervailable foreign government subsidies, a countervailing duty investigation may be conducted. As a standard practice, the USITC is responsible for conducting the final injury investigation. If all the determinations are affirmative, the DOC will issue a duty order against the subject imports. In April 2019 the DOC announced its preliminary determinations in a countervailing duty (CVD) investigation of imports of polyester textured yarn from Mainland China and India, finding that exporters received countervailable subsidies ranging from 32.04% to 459.98% and 7.09% to 20.45%, respectively. In May 2019, the DOC announced it was initiating new anti-dumping duty (AD) and CVD investigations to determine whether ceramic tiles from Mainland China are being dumped in the United States and to determine if producers in Mainland China are receiving unfair subsidies.

- In 2017, the USTR issued its annual 'Special 301' report evaluating the intellectual property rights (IPR) protection policies and enforcement measures in 100 trading partners. The report continues to place some countries, such as Algeria, Argentina, Mainland China, Chile, India, Indonesia, Kuwait, Russia, Thailand, Ukraine and Venezuela on the Priority Watch List by highlighting long-standing IPR concerns, including coercive technology transfer requirements, structural impediments to effective IP enforcement and widespread infringing activity, such as trade secret theft, online piracy, counterfeiting and high levels of physical pirated and counterfeit exports to markets around the globe.

- In April 2017, the DOC initiated an investigation under section 232 of the Trade Expansion Act of 1962 to determine whether imports of foreign-made steel are harming national security. The findings of the January 11, 2018, report were that imports and global excess steel production led by Mainland China threatened to impair the United States' national security. The report recommended that the president take corrective action.

- The USTR initiated on August 18, 2017, a Section 301 investigation pursuant to Section 302(b)(1)(A) of the Trade Act of 1974 into Mainland China's acts, policies and practices related to technology transfer, IP and innovation. The USTR requested bilateral consultations with Mainland China concerning the issues under investigation before determining whether any actionable acts, policies or practices existed. On July 6, 2018, the USTR imposed additional duties on goods to the value of approximately USD34 billion. In December 2018, the USTR granted an initial set of exclusion requests, and in March and April 2019, the USTR granted further exclusions effective for one year.

- The United States has adopted various security initiatives since 9/11, including the introduction of the Container Security Initiative (CSI) in January 2002. The CSI purports to push the United States cargo screening process outward to reduce the risk to the United States ports and cities. To date, the CSI is operational at 58 ports, representing the point of origin of more than 80% of the cargo shipped to the United States. Other than cargo screening, the Transportation Security Administration (TSA) met the August 2010 deadline for screening 100% of cargo transported on domestic and outbound flights of passenger aircraft originating within the United States and the statutory mandate of 100% screening of all inbound air cargo went into effect on December 3, 2012.

- Another cargo security initiative, the Customs-Trade Partnership Against Terrorism (C-TPAT), has been in force since November 2001. Through this initiative, the United States Customs and Border Protection (CBP) agency asks companies from the United States to ensure the integrity of their security practices. Participants of C-TPAT are entitled to fast-track clearance through United States Customs. Major importers have signed up to the programme and request overseas suppliers to adopt measures in response to the C-TPAT requirement. C-TPAT now has more than 11,400 certified partners.

- Imported goods are usually required to be marked with the country of origin in English. The marking has to be permanent, legible and conspicuous. Additional labelling is required on food, cosmetics, textiles and apparel, selected household products and flammable fabrics. Certain imported products must be approved by the proper the United States authority.

- The Trump administration's trade policy agenda seeks to protect local firms, particularly those working in the technology, steel and aluminium industries. On April 5, 2018, the Trump administration announced that it would instruct the USTR to explore tariffs on an additional USD100 billion worth of imports from Mainland China. The move came in response to Mainland China's decision to impose retaliatory tariffs of 25% on USD50 billion of United States goods on April 4, 2018. This decision was a response to the USTR's release of a list of 1,300 goods from Mainland China that would be subject to around 25% tariffs owing to alleged harm caused to the United States economy by unfair policies, including IP theft. Mainland China has also announced its intention to challenge the United States measures at the WTO. On June 1, 2018, then-president Trump brought in tariffs of 25% on EU steel imports and 10% on imported aluminium, citing national security as a key motivating factor. In retaliation, the EU imposed a 25% tariff on imported products ranging from United States-made Harley-Davidson motorcycles to clothing items, such as jeans, from July 1, 2018. The European Commission (EC) claimed to have the full support of all 28 member states to act swiftly in countering the new United States trade measures. In early June 2018, the EU announced that it aims to introduce tariffs on about EUR2.8 billion worth of steel from the United States as well as a wide range of industrial and agricultural products. The EU has also taken a complaint to the WTO. Should the case still be ongoing after three years, the EU plans to impose further tariffs of EUR3.6 billion on products from the United States.

- Regarding high-tech exports, the United States Bureau of Industry and Security (BIS) created a Validated End-User (VEU) programme in June 2007 to facilitate civilian trade by reducing administrative and logistical hurdles for certain exports to pre-screened companies from Mainland China. About four months later, the BIS announced an initial list of five companies from Mainland China approved to receive exports, re-exports and transfers of certain controlled goods and technology under the programme. In late January 2009, the BIS announced the full implementation of the VEU programme for Mainland China. In 2017, 2.1% of United States exports to Mainland China were subject to a BIS licence requirement, with a value of USD2.4 billion – a decrease of 38.8% from 2016 – and 1.7% of United States exports to Hong Kong were subject to a BIS licence requirement, with a value of USD673.8 million – an increase of 59.7% from 2016.

- Imports are usually subject to ad valorem and/or specific import duties. Regular rates are applied on imports from locations enjoying normal trade relations (NTR) or formerly most-favoured-nation status, including Hong Kong and the Mainland China. Products from some countries receive preferential import treatment via the United States Generalised Scheme of Preferences (GSP).

Sources: WTO – Trade Policy Review, Reuters, US Department of Commerce, US Customs and Border Protection, Bureau of Industry and Security, Fitch Solutions

6. Trade Agreement

6.1 Trade Updates

- In August 2019, the United States and the United Kingdom continued discussions on a possible trade deal between the two countries in the near term.

- The Trump administration's policy agenda aims to protect local industries and reduce the trade deficits by imposing blanket tariffs on a wide range of goods. On January 15, 2020, the United States and Mainland China signed a 'phase one' trade deal. The deal incorporates promises by Mainland China to increase purchases of United States goods and services, strengthen intellectual property protections, open its financial services sector and eliminate forced transfer of technology. In response, the United States cancelled some planned tariffs.

- Mainland China and the United States delayed a review of the phase one trade deal, initially scheduled to take place on August 15, 2020, due to scheduling conflicts and the need to allow time for Mainland China to purchase more United States exports.

- In October 2018, Canada, the United States and Mexico reached an agreement on a new and modern trade agreement called the USMCA. USMCA has been ratified by all three countries and took effect on July 1, 2020.

6.2 Multinational Trade Agreements

<u>Active</u>

1. USMCA/NAFTA: In October 2018, the Untied States, Mexico and Canada reached an agreement on a new and modern trade agreement that maintains the tariff-free market access from the original NAFTA and includes updates and new chapters to address modern-day trade challenges and opportunities. The original NAFTA eliminated virtually all tariffs between the United States, Mexico and Canada with very few exceptions. The USMCA maintains these benefits and ensures that the vast majority of USMCA trade will continue to be duty free. More robust rules of origin for the automotive sector will help keep the benefits of the agreement in North America and diminish incentives to make investment and sourcing decisions based on the availability of low-cost labour. The agreement has been ratified by all three countries and came into force on July 1, 2020.

2. The United States-Australia FTA: The United States-Australia FTA covers goods and services and came into force on January 1, 2005. As a result of the FTA, tariffs that averaged 4.3% were eliminated on more than 99% of the tariff lines for United States-manufactured goods exports to Australia. Exports of these goods account for 93% of total goods (from the United States) sales in Australia's market. The eventual elimination of all tariffs (the implementation period ends in 2023) will create new export opportunities for United States manufacturers. The FTA also affords substantial benefits in a broad range of other sectors. Markets for services, such as life insurance and express delivery, will be opened; IP will be better protected; and United States investments will be facilitated through predictable access and a stable business environment. For the first time in many sectors, firms from the United States will be allowed to compete for Australia's government purchases on a non-discriminatory basis. All Untied States farm exports will be able to go duty free to Australia, benefitting many sectors, such as processed foods, fruits and vegetables, corn and soybean. The FTA also makes advances in e-commerce and pharmaceutical market access.

3. The United States-Israel FTA: This agreement relates to manufactured goods and entered into force on August 19, 1985. Non-tariff barriers to trade remain in the areas of IPR, standards and technical regulations and there is a lack of transparency in the government tendering process. Tariff and non-tariff barriers continue to affect a certain portion of the United States agricultural exports. As a result, in 1996, the United States and Israel signed an agreement on trade in agricultural products (ATAP), establishing gradual and steady market access liberalisation for food

and agricultural products effective through December 31, 2001. Negotiation and implementation of a successor ATAP was completed in 2004. It was effective until December 31, 2008, extended to December 31, 2010 and then extended again to December 31, 2011. The agreement has been extended annually since then. The FTA includes a non-binding statement of intent to eliminate barriers to trade in services, such as tourism, communications, banking, insurance, management consulting, accounting, law, computer services and advertising. It also includes an agreement to eliminate all restrictions on government procurement and calls on Israel to relax its offsets requirements for government agencies other than the Israeli Ministry of Defence.

4. The United States-South Korea FTA: The United States-South Korea FTA covers goods and services and entered into force on March 15, 2012. From implementation, almost 80% of Untied States industrial goods exports to South Korea gained duty-free status, including aerospace equipment, agricultural equipment, auto parts, building products, chemicals, consumer goods, electrical equipment, environmental goods, travel goods, paper products, scientific equipment , shipping and transport equipment. Other benefits of the FTA are outlined below:

    - Nearly two-thirds of agricultural exports products from the United States are duty free, including wheat, corn, soybean for crushing, whey for feed use, hides and skins, cotton, cherries, pistachios, almonds, orange juice, grape juice and wine.
    - Stronger protection and enforcement of IPR in South Korea.
    - Increased access to South Korea's USD580 billion services market for highly competitive United States companies.

5. The United States-Morocco FTA: This agreement covers goods and services and came into force on January 1, 2006. As a result of the FTA, 95% of the United States consumer and industrial goods exported to Morocco no longer need to pay a tariff. Tariffs on the United States goods exported to Morocco will be phased out entirely by 2024. The FTA also expands the significant protections already afforded the United States investors under a bilateral investment treaty (BIT) signed in 1985. All forms of investment are protected under the FTA, including enterprises, debt, concessions, contracts and IP. The United States investors will enjoy – in almost all circumstances – the right to establish, acquire and operate investments in Morocco on an equal footing with Moroccan investors and with investors of other countries.

6. The United States-Panama Trade Promotion Agreement (TPA): This agreement covers goods and services and entered into force on October 31, 2012. More than 87% of United States industrial goods exports to Panama became duty free, including information technology equipment, agricultural and construction equipment, aircraft and parts, medical and scientific equipment, environmental products, pharmaceuticals, and fertilisers and agro-chemicals. Other benefits of the TPA are outlined below:

    - More than half of United States exports of agricultural commodities to Panama became duty free on day one, including high-quality beef, frozen turkey, sorghum, soybean, soybean meal, crude soybean and corn oil, almost all fruit and fruit products, wheat, peanuts, whey, cotton and many processed products.
    - Stronger protection and enforcement of IPR in Panama.
    - Increased access to Panama's USD20.6 billion services market, including in priority areas such as financial, telecommunications, computer, distribution, express delivery, energy, environmental and professional services.
    - Significant infrastructure opportunities in the USD5.25 billion Panama Canal expansion project, as well as through almost USD10 billion in other significant infrastructure projects.

7. The United States-Peru TPA: Under this agreement, which covers goods and services and came into force on February 1, 2009, 80% of the United States consumer and industrial goods exports to Peru are no longer subject to tariffs. Tariffs on remaining products were scheduled to be phased out by 2019. For agricultural products, tariffs have been eliminated on almost 90% of United States exports – with remaining tariffs to be phased out by 2026. To be eligible for tariff-free treatment under the TPA, products must meet the relevant rules of origin. The TPA also provides favourable access for service suppliers from the United States, as well as guarantees of protection to United States investors and United States copyrights, trademarks and patents registered in Peru. In addition, Peru has opened up significant government procurement opportunities to bidders from the United States.

8. The United States-Singapore FTA: This agreement covers goods and services and entered into force on January 1, 2004. The FTA has helped firms from the United States increase exports, improve competitiveness around the globe, secure a presence in South East Asia and provide a standard of free trade that encourages a high level of liberalisation. Doing business in Singapore has become easier, faster, cheaper and more transparent. The FTA has given United States businesses and exporters even more access to one of the world's biggest markets (South East Asia) where many opportunities are to be found. Besides binding all Singapore tariffs for United States goods at zero, the FTA has increased export opportunities for certain manufacturing sectors, including those that produce medical instruments and equipment, microelectronics, photo equipment, certain textiles, pharmaceuticals and chemicals. Singapore has also allowed substantial access to its services and investment market with few exceptions. The FTA has increased government procurement opportunities and protection of IP as well. Furthermore, the FTA has provided for ground-breaking cooperation in promoting labour rights and the environment.

9. The United States-Chile FTA: This agreement covers goods and services and came into force on January 1, 2004, with 80% of United States consumer and industrial goods exports to Chile immediately becoming duty free. Tariffs on the remaining products have been phased out, with 100% of products duty free as of January 1, 2015. To be eligible for tariff-free treatment under the FTA, products must meet the relevant rules of origin. The FTA also provides favourable access for service suppliers from the United States and guarantees protection to investors and United States copyrights, trademarks and patents registered in Chile. In addition, Chile has opened up significant government procurements to bidders from the United States. Chile's open economy and strong democratic institutions make it one of the most stable countries for doing business in the region.

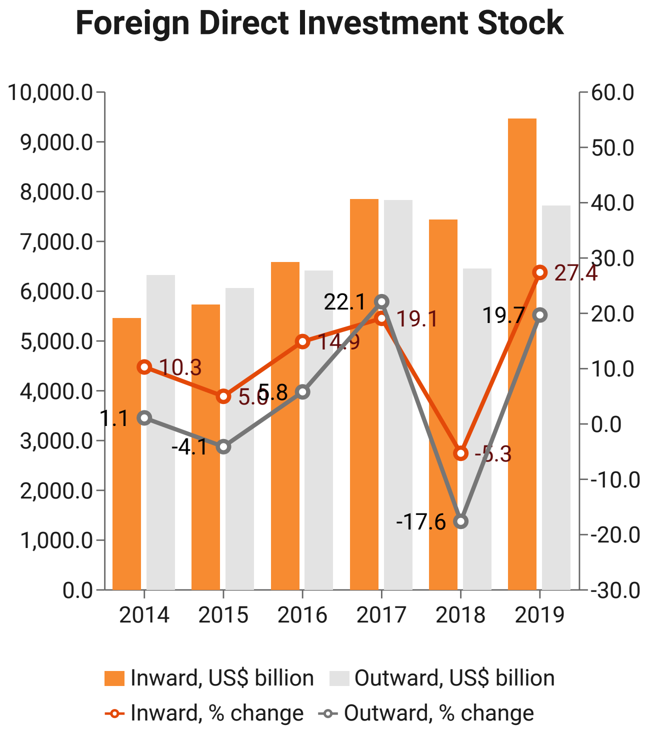
Under Negotiation

EU-United States TTIP: This agreement was expected to increase trade in goods and services, but talks were suspended at the end of 2016. In January 2019, the EC published its draft negotiating directives, which include a trade agreement focused on the removal of tariffs on industrial goods, excluding agriculture. On April 15, 2019, the EU member states gave the EC their approval to start formal negotiations. The negotiating directives for the TTIP are no longer relevant.

Sources: WTO Regional Trade Agreements Database, United States Trade Representative, European Commission, Fitch Solutions

7. Investment Policy

7.1 Foreign Direct Investment



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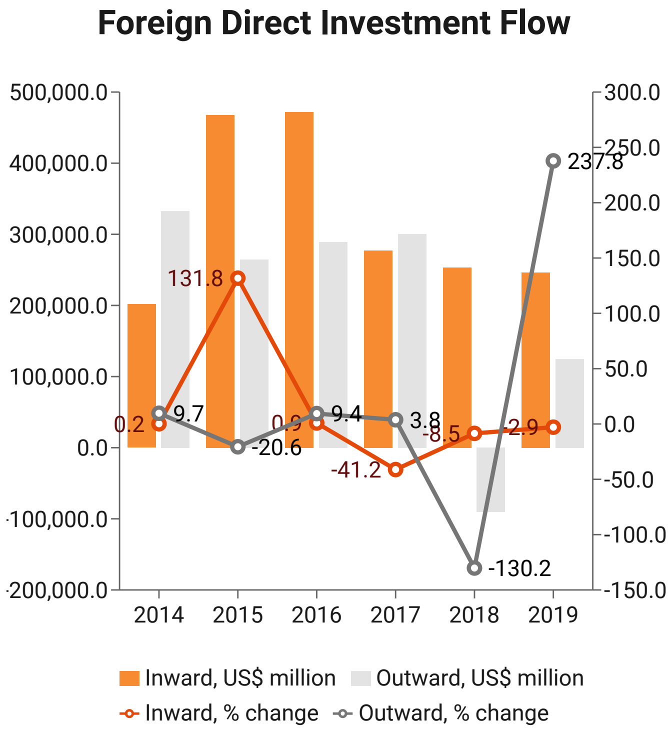


Sources: UNCTAD, Fitch Solutions
Date last reviewed: February 25, 2021

7.2 Foreign Direct Investment Policy

1. Established by Executive Order of the United States President in 2011, SelectUSA is a United States government-wide effort to encourage, facilitate and accelerate business investment in the United States by both domestic and foreign firms. It provides enhanced coordination of existing resources and functions within the United States Department of Commerce and across all federal departments and agencies with operations relevant to business investment. It works in partnership with state, regional, and local economic development organisations to promote and facilitate overall the United States business attraction, retention, and reshoring. Since its inception, SelectUSA has facilitated nearly USD50 billion in investment.

2. To stay competitive and maintain its status as a premier location for new business investment, the United States has developed an extensive web of investment incentives, ranging from federal business incentives such as the energy-efficient appliance manufacturing tax credit, employment and training administration grants, renewable energy investment tax credits and the EB-5 visa for immigrant investors to nearly 2,000 state business incentive programmes.

3. Various business credits are available to provide special incentives for the achievement of certain economic objectives. In general, these credits are combined into one 'general business credit' for the purposes of determining each credit's allowance limitation for the tax year. The general business credit that may be used for a tax year is limited to a tax-based amount. In general, the current year's credit that cannot be used in a given year because of the credit's allowance limitation may be carried back to the preceding tax year and carried forward to each of the 20 years following the current year.

4. There are generally no specific incentives related to inbound investment at the federal level, with certain exceptions, such as certain portfolio debt and bank deposit exceptions and trading safe harbours. The portfolio debt exception enables non-residents and foreign corporations to invest in certain obligations (which must meet certain statutory requirements to qualify as portfolio debt) in the United States without being subject to United States income (or withholding) tax on the interest income. Certain state and local benefits may also be available. State and

local governments provide numerous incentives to encourage business investment and employment in their jurisdictions.

5. State governments often use the tax system to partner with the private sector on economic development initiatives. In particular, tax incentives are a key part of many states' economic development strategies. They are used to achieve goals beyond economic growth or job creation, such as spreading economic activity throughout the state (through geographic targeting) and focusing on perceived high-value industries. States also use tax incentives to compete with other states and foreign countries for business investments that promise jobs and increased economic activity.

6. Interest income received on certain qualified private activity bonds is generally exempt from federal income tax. This enables a business enterprise to issue the bonds at a lower interest rate.

7. The United States has concluded 47 bilateral investment treaties with many states in Asia, Europe, Latin America and Africa. Of these, a few have been terminated, but 39 are in force and six others are signed but not yet in force.

8. The United States has trade and investment framework agreements (TIFAs) and treaties with investment provisions with 69 individual countries and various economic communities worldwide.

Sources: US Trade Representative, SelectUSA , Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
The United States government operates around 250 general purpose free trade zones and over 500 sub-zones throughout the 50 states, known as foreign trade zones. Foreign trade zones are secure areas under Untied States CBP supervision that are generally considered outside CBP territory on activation. Located in or near CBP ports of entry, they are the United States' version of what are known internationally as free trade zones.	State and local governments provide numerous incentives to encourage business and employment in their jurisdictions. State tax incentives come in four basic types, focusing on jobs, business investment, specific industries and specific locations. Variations in definition and target are considerable. States either create or allow communities to designate zones, particularly in distressed communities, in which to encourage economic activity. There are currently 2,110 incentive programmes available in 50 states, of which the most common (542) is tax credits, followed by grants (477), loans/loan participation (418) and tax exemptions (291).
Enterprise zones	The most common zones are enterprise zones (also sometimes called empowerment zones, although the federal designation expired in 2009). The federal, state and local governments offer various incentives targeted at these zones to encourage economic activity in areas of high unemployment or declining property values.
Other zones	States have also experimented with giving incentives, ranging from tax breaks to financing assistance, to companies that locate in targeted zones, regardless of industry. Such support has financed industrial parks that have been adapted for high tech company incubation.
Tax increment finance (TIF) districts	In these districts, often administered at the local level, the area's tax revenue (or the increase in property tax revenue owing to higher value) does not go into a general fund, but remains with the district to pay off redevelopment costs or to pay for more investment. In most cases, local property taxes are diverted to the TIF district, but a few states, including New Mexico and Kentucky, have also allowed state sales taxes to be diverted.
General business credits	Various business credits are available to provide special incentives for the achievement of certain economic objectives. In general, these credits are combined into one 'general business credit' for the purpose of determining each credit's allowance limitation for the tax year. The general business credit that may be used for a tax year is limited to a tax-based amount.

Employment credits	A work opportunity tax credit is available through 2019 for the employment of certain types of workers. Creditable wages generally are the first USD6,000 of wages paid to each qualified employee for the year. The credit is 40% of creditable wages, for a maximum credit of USD2,400. Tying incentives to job creation or capital investment enables states to tailor programmes to tangible goals. These credit types are available in virtually every state. The credits reward companies that either add new jobs or can verify that they retained jobs they otherwise would have cut. Some states use jobs as the unit of measurement while others use payroll.
State-level credits	Other states have a stand-alone investment tax credit. These credits apply to a specific investment, usually expansion of facilities or purchase of new equipment. States also use tax incentives to promote specific industries. In some cases, the incentives are defensive, discouraging an existing local industry from leaving to collect incentives offered elsewhere. Incentives can also be proactive as states try to diversify their economies. The following industries are among the most common recipients of tax credits: agriculture, manufacturing, film production and technology.
Targeted incentives	Agriculture: Incentives for agricultural activities across the states aim to preserve and promote farming and ranching. Some incentives attempt to help small farmers, such as the credit for agritourism liability insurance in Kansas and Nebraska's credit for landlords who rent to aspiring farmers. A few states use preferential excise tax rates or exemptions to develop wineries and breweries. Technology: States often focus incentives on high technology, bioscience and advanced manufacturing activities, hopeful that attracting these firms will enhance the state's reputation as a technology hub similar to Silicon Valley in California; Austin, Texas; or North Carolina's Research Triangle. These hubs attract high-paying jobs and highly educated employees and states see them as a way to diversify their economies. Twelve states and Washington, DC, provide high technology tax incentives; these range from a sales tax exemption for e-commerce in West Virginia to a comprehensive set of tax incentives for high technology companies in Washington DC. A subset of technology incentives targets the development of data centres. Nine states (Arizona, Minnesota, Mississippi, New York, North Carolina, Oklahoma, Tennessee, Texas and Washington) encourage firms to create computer or internet data centres, usually by offering reduced or no sales tax on computer servers and other equipment purchases or by exempting equipment from personal property taxes.
Manufacturing incentives	States are particularly interested in attracting manufacturers that offer relatively high wages and benefits. In addition, large manufacturers such as automobile assembly plants often induce suppliers, particularly other manufacturers, to locate nearby. States most frequently offer job creation and investment credits to manufacturers, but many states also provide them with abatements of both real and personal property taxes. West Virginia and Louisiana have state corporate income tax (CIT) credit to offset local personal property taxes for manufacturers. Some tax exemptions aim to reduce tax distortions and are not generally considered incentives. For example, 35 states offer sales and use tax exemptions for manufacturing machinery to prevent double taxation on transactions that involve intermediate goods or other inputs to production. However, for three states that target the exemption to new or expanding facilities, it becomes an incentive. Arkansas, Kentucky and North Dakota have sales tax exemptions for machinery for new or expanding facilities.

Research credit	The research credit is available for companies that make qualified research expenditure (QRE) to develop new or improved products, manufacturing processes, or software in the United States. The research credit is computed by calculating current-year QRE over a base. The base is calculated using either the regular research credit (RRC) method or the alternative simplified credit (ASC) method. Under the RRC method, the credit equals 20% of QREs for the tax year over a base amount established by the taxpayer in 1984 to 1988, or by another method for companies that began operations after that period. The ASC equals 14% (for the 2009 tax year and thereafter) of QRE over 50% of the average annual QRE in the three immediately preceding tax years. If the taxpayer has no QRE in any of the three preceding tax years, the ASC may be 6% of the tax year's QRE. Taxpayers using the RRC may take a 20% credit for incremental payments made to qualified organisations for basic research. For tax years ending after August 8, 2005, taxpayers also may take the Energy Research Consortium Credit, which provides a 20% credit for expenditures on qualified energy research undertaken by an energy research consortium.
Film incentives	Over the past 15 years, 44 states have adopted targeted incentives for the film industry. Several states have structured the film credit as a refundable credit or rebate to film producers, unlike most tax incentives, which can only offset other taxes. These incentives vary from grants in Washington DC and Georgia to fully refundable rebates in New Mexico. The credit is almost always refundable or transferable and exists even in states that have no income tax, such as Wyoming and Nevada.
Inbound investment incentives	In general, there are no specific incentives related to inbound investment at the federal level, other than certain portfolio debt and bank deposit exceptions. The portfolio debt exception enables non-residents and foreign corporations to invest in certain obligations (which must meet certain statutory requirements to qualify as 'portfolio debt') in the United States without being subject to the United States income (or withholding) tax on the interest income. Certain state and local benefits may also be available. Furthermore, interest income received on certain qualified private activity bonds is generally exempt from federal income tax. This enables a business enterprise to issue the bonds at a lower interest rate.

Sources: SelectUSA, United States Department of Commerce, IRS , OECD, Foreign Trade Zones Board, United States Customs and Border Protection, Fitch Solutions

8. Taxation – 2021

- Value Added Tax: Not levied at federal level
- Corporate Income Tax: 21%

Sources: United States Inland Revenue Service, national sources, Fitch Solutions

8.1 Important Updates to Taxation Information

CIT rates vary from state to state and generally range from 1% to 12% (although some states impose no income tax). The most common taxable base is federal taxable income, which is modified by state provisions and generally is apportioned to a state on the basis of an apportionment formula. State and municipal taxes are deductible expenses for federal income tax purposes. No provisions exist for a sales tax or value added tax (VAT) at the federal level; however, sales and use taxes constitute a major revenue source for the 45 states that impose such taxes, in addition to the District of Columbia.

8.2 Business Taxes

Type of Tax	Tax Rate and Base
CIT (for resident corporations)	21% (may vary depending on state-level taxes from 1% to 12%)
Corporate Capital Gains Tax	Maximum rate is 21% – excluding the additional phase-out rates
Branch Tax	30%

Withholding Tax: Dividends, Interest, Royalties	30%
Gross Transportation Income Taxes	Foreign corporations and non-resident foreign individuals are subject to a yearly 4% tax on their United States-source gross transportation income, which has an exception for certain income treated as effectively connected with a United States trade or business. Transportation income is any income derived from, or in connection with, the use (or hiring or leasing for use) of a vessel or aircraft, or the performance of services directly related to the use of a vessel or aircraft.
Branch Interest Tax	30% (reduced by reinvested profits and increased by withdrawals of previously reinvested earnings); the rate may be reduced by treaty
State and Local Sales Taxes, imposed by many states and some local governments	There are varying tax rates depending on the state – generally these rates range from 0% to 7.5%
Social security contributions	Employers pay a federal unemployment tax (FUTA) of 6% on the first USD7,000 of an employee's wages. There is also a social security tax of 6.2% on the first USD132,900 of wages and a Medicare tax of 1.45% on all wages (collectively known as FICA taxes). Employers are required to withhold an equivalent amount of FICA taxes from employee wages, federal income tax at graduated rates and an additional Medicare tax of 0.9% on wages in excess of USD200,000. In addition, states may impose (at varying rates) state income tax, state unemployment tax and workers' compensation insurance tax.
Environmental Tax	Imported crude oil, petroleum products and ozone-depleting chemicals (ODCs), or products made using ODCs, are subject to an environmental tax calculated per barrel or weight of the ODCs, but if the weight cannot be ascertained then the tax is 1% of the value of the goods entering the country.

Sources: United States Inland Revenue Service, Fitch Solutions
Date last reviewed: February 25, 2021

9. Foreign Worker Requirements

9.1 Entry Requirements

In general, foreign nationals who wish to be admitted to the United States must first obtain authorisation and in many cases, must obtain visas from a United States consulate or embassy. United States immigration laws clearly distinguish between foreign nationals seeking temporary admission (non-immigrants) and those intending to remain in the United States permanently (immigrants). At ports of entry, foreign nationals are inspected or questioned by CBP officials to determine their eligibility to enter the United States and the duration of their initial periods of stay. Nearly all nationals admitted to the United States for temporary periods receive instructions to access an electronic form called the I-94. The I-94 record indicates both the individual's status in the United States and the last date on which the individual may remain in the United States.

9.2 Visa Types

Different non-immigrant visas authorise a variety of activities in the United States, including visiting, studying and working. The categories are identified by combinations of letters and numbers that authorise particular visas; for example, B-1 visitors for business or the work authorised L-1 intracompany transferee. Every non-immigrant category permits a maximum length of stay and a range of permissible activities. Applications for an extension beyond the initial entry period can be sought from the United States Citizenship and Immigration Service (USCIS). A business that requires the immediate services of a particular employee ordinarily brings the employee to the United States first in a non-immigrant category. If the employee wishes to remain in the United States on a permanent basis, the immigrant application process may begin while the employee is in the United States.

9.3 Visitor for Business

B-1 status is issued to people temporarily visiting the United States to engage in business on behalf of foreign employers. B-1 holders may not be employed by or receive a salary from United States employers, but they may negotiate contracts, sell company products, develop business leads, and attend conferences and business meetings on behalf of their foreign employers. A temporary business visitor may accept reimbursement for incidental expenses, such as travel expenses. A B-1 visitor must retain domicile in the foreign country to where he or she intends to return at the conclusion of his or her temporary United States stay. In general, business visitors with B-1 visas may enter the United States for periods of up to six months. However, B-1 status can be granted for a shorter period, often not exceeding 30 days, unless the business visitor can justify a longer period of admission. Applications for an extension beyond the initial entry period can be sought from the USCIS.

The B-2 visa category is available for individuals who are traveling to the Unites States for tourism purposes, and not for business. An individual may receive a combined B-1/B-2 multiple-entry visa from a Unites States consulate. This allows the visa holder to enter the Unites States in either B-1 business visitor status or B-2 tourist status, depending on the purposes of his or her travel on a particular trip.

The B-1 visa category is heavily scrutinised. Prior to the commencement of travel, business visitors must determine the purpose and duration of the trip, their nationality and the nature of the activities that they will engage in to ensure that the activities are permissible under 'business travel'. As of November 29, 2016, nationals of Mainland China holding a 10-year B1/B2, B1 or B2 (visitor) visa are required to complete an Electronic Visa Update System enrolment to be admitted into the Unites States.

9.4 Visa Waiver Program

The Visa Waiver Program allows nationals of some jurisdictions, including EU member states, to visit the United States for business, as generally described above, or recreation for up to 90 days without first obtaining B visas from Unites States authorities. You must have authorisation through the Electronic System for Travel Authorization prior to boarding a Unites States-bound air or sea carrier. In Q121 President Joe Biden rescinded the travel restrictions that were imposed under the previous admiration on 13 countries on his first day in office.

9.5 Specialty Occupations – H-1B

The H-1B category covers foreign nationals employed in Specialty Occupations that require a theoretical and practical application of highly specialised knowledge, as well as a bachelor’s degree or the equivalent in the field. Before applying for an H-1B visa, an employer must file a Labour Condition Application (LCA) with the Department of Labour (DOL) and certify that, among other things, the foreign national will be paid at least the prevailing wage for the proffered position.

On March 15, 2019, the DOL issued policy guidance regarding LCA posting requirements. A prospective employer must also provide notice of filing the application by posting a hard copy notice, electronic notification or, when applicable, notification to the company’s bargaining representative. If posting by hard copy notice, the employer must post notice of filing the application in two conspicuous locations at the employment site for at least 10 consecutive business days. If the employer meets the requirements, the holder of the H-1B status is entitled to a maximum six-year stay in the United States. In specified circumstances, extensions beyond the six-year limit may be available. Each year, only 65,000 H-1Bs are made available. In addition, regulations allow a further 20,000 H-1Bs to be issued to persons having a master's or higher degree from qualifying United States post-secondary institutions. Special, less onerous procedures and a specific quota apply to, and are set aside for, citizens of Chile and Singapore, stemming from free trade agreements between those countries and the United States.

9.6 Specialty Occupations – Trainees

H-3 status may be issued to foreign nationals entering the US for up to two years to receive training and to develop skills that will be used in their careers abroad. The training must be unavailable in the foreign national's home country and the skills acquired must apply to work outside the United States. Spouses and unmarried children of H-3 visa holders are eligible for H-4 status but are not permitted to work in the Unites States.

9.7 Treaty Traders and Treaty Investors – E-1 and E-2

Foreign nationals who are citizens of countries that have treaties of friendship, commerce and navigation with the United States may be admitted to the United States to invest in businesses or to engage in international trade under two categories of treaty-based visas, called E visas. For E visa purposes, the nationality of an enterprise is determined by the nationality of the entity owning at least 50% of the enterprise. The most common application process for these visas requires the submission of documentation and attendance at an interview at a United States consulate abroad. The E-1 treaty trader category permits foreign nationals to enter the US to engage in substantial trade in goods, services or technology with treaty countries. The United States enterprise for which the foreign national works must be majority-owned by treaty country nationals. An E-1 treaty trader must be employed in a supervisory or executive capacity, or in a capacity that requires skills essential to the company. The E-2 treaty investor category enables investors who are nationals of treaty countries and who invest substantial amounts of money in active United States businesses to remain in the country to develop, direct and oversee the businesses. Managers, executives or employees with essential skills from treaty countries are also admissible on E-2 visas. The E-3 is a visa category available to Australian nationals (E-3D visas are available to their children and spouses), limited to 10,500 per fiscal year. The requirements for qualification for the new E-3 visa are very similar to the requirements for the H-1B category.

9.8 Intracompany Transferees

The L-1 visa allows foreign companies with affiliated operations in the United States to transfer needed personnel to their United States facilities. L-1 visas may be issued to foreign nationals who are employed abroad in executive or managerial positions, or who hold positions involving specialised knowledge in the company's procedures, processes, services and products. These individuals must have been employed by the related foreign entity for at least one continuous year during the three years preceding admission to the United States. On arrival in the United States, the beneficiary must assume an executive, managerial or specialized knowledge position with the United States affiliate, parent, subsidiary or branch office. Managers and executives may be issued and retain L-1A status for up to seven years; L-1B specialized-knowledge personnel may remain in the United States in that status for up to five years. For start-up operations, L-1 visas are granted initially for a one-year 'new office' period. For visa extensions, start-up companies must prove at the end of the year that they are “doing business” in the United States and have made progress toward becoming viable operating entities that need the services of managers, executives or personnel with specialised knowledge.

9.9 Extraordinary Ability – O-1

The O-1 visa category is for persons of extraordinary ability in the sciences, arts, education, business, athletics or extraordinary recognised achievements in the motion picture and television fields, demonstrated by sustained national or international acclaim, to work in their field of expertise. It includes people providing essential services in support of the above individual.

9.8 Permanent Resident or Immigrant Visas – Green Cards

Permanent resident or immigrant visas, which are commonly referred to as 'green cards', are issued to those intending to reside permanently in the United States. Immigrant visa holders may live and work in the country with few restrictions. After a period of physical presence and continuous residence of either three or five years (depending on the basis on which the individual obtained the green card), immigrant visa holders may, but are not required to, apply for citizenship. Nine preference categories of immigrant visas are available to foreign nationals. Four categories are based on family relationships and five are based on employment in the country. Currently, natives of several jurisdictions including Mainland China, Brazil, India, Vietnam, Pakistan and Canada are not eligible to apply under the visa lottery.

9.9 EB-5 Immigrant Investor Program

In 1990 the United States Congress created the EB-5 Program to stimulate the economy through job creation and capital investment by foreign investors. In 1992 Congress created the Immigrant Investor Program, also known as the Regional Center Program. This sets aside EB-5 visas for participants who invest in commercial enterprises associated with regional centres approved by the USCIS based on proposals for promoting economic growth. Under the programme, entrepreneurs (and their spouses and unmarried children under 21) are eligible to apply for a green card (permanent residence) if they make the necessary investment in a commercial enterprise in the US or plan to create or preserve 10 permanent full-time jobs for qualified United States workers. The minimum qualifying investment is USD1 million.

Sources: US Department of State Bureau of Consular Affairs, US Citizenship and Immigration Services, US Customs and Border Protection, Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	Aaa (Stable)	19/06/2020
Standard & Poor's	AA+ (Stable)	10/06/2013
Fitch Ratings	AAA (Negative)	31/07/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	6/190	8/190	6/190
Ease of Paying Taxes Index	36/190	37/190	25/190
Logistics Performance Index	14/160	N/A	N/A
Corruption Perception Index	22/180	23/180	25/180
IMD World Competitiveness	1/63	3/63	10/63

Sources: World Bank, IMD, Transparency International, Fitch Solutions

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2019	2020	2021
Economic Risk Index Rank	**5/201**	**9/201**	**12/201**
Short-Term Economic Risk Score	67.9	62.3	71.3
Long-Term Economic Risk Score	78.9	74.9	74.6

Political Risk Index Rank	**24/201**	**23/201**	**24/201**
Short-Term Political Risk Score	80.0	69.4	72.3
Long-Term Political Risk Score	82.6	82.5	82.5
Operational Risk Index Rank	**6/201**	**6/201**	**6/201**
Operational Risk Score	76.8	76.8	77.2

Source: Fitch Solutions
Date last reviewed: February 25, 2021

10.4 Fitch Solutions Risk Summary

ECONOMIC RISK
From 2021, the economy will most likely rebound on the back of ample monetary and fiscal stimulus, and as the impact of the pandemic fades. Social distancing and high unemployment have suppressed consumer spending, the main growth engine, and investment and trade declined in 2020 despite fiscal measures designed to mitigate the damage. In the near term, the United States will see a wide fiscal deficit as policymakers ramp up spending in an attempt to mitigate the economic fallout from the global pandemic. Owing to heterogenous developments of the Covid-19 outbreak across states, progress on reopening the economy varies across the country, though the prospects of vaccine rollouts brighten the outlook. Under a Biden administration, markets expect that the economic growth will most likely benefit from increased spending on infrastructure and social security, as well as a less disruptive foreign trade policy.

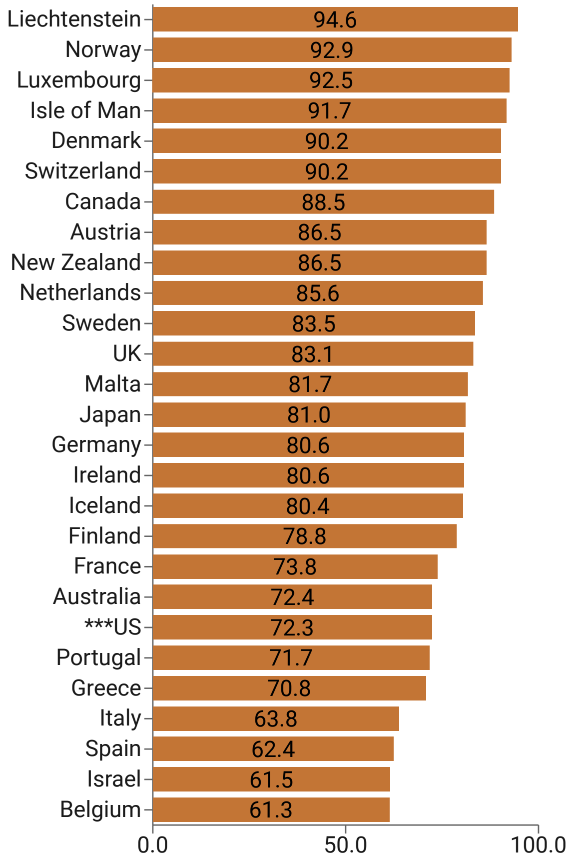
OPERATIONAL RISK
Although the United States's physical infrastructure is ageing, the country as a whole boasts strong logistics owing to extensive transport and utilities networks compared to other major economies. Over 2020 and 2021, budget cuts and reduced project demand will limit the launch of new transport infrastructure projects. While investment in the energy and utilities sector will be robust over the coming years, supported by increased government focus on green infrastructure, the Covid-19 shock will weigh on construction activity on energy and utilities infrastructure projects in the near term. The competitiveness of a flexible labour market and highly educated workers provide additional advantages to the business sector. The legal system is one of the most business friendly globally, government regulation is relatively easy to navigate, and corruption is minimal. The patchwork of lockdown measures across states in the near term poses downside risks to business operations and supply chains in the near term.

Source: Fitch Solutions
Date last reviewed: February 28, 2021

10.5 Fitch Solutions Political and Economic Risk Indices

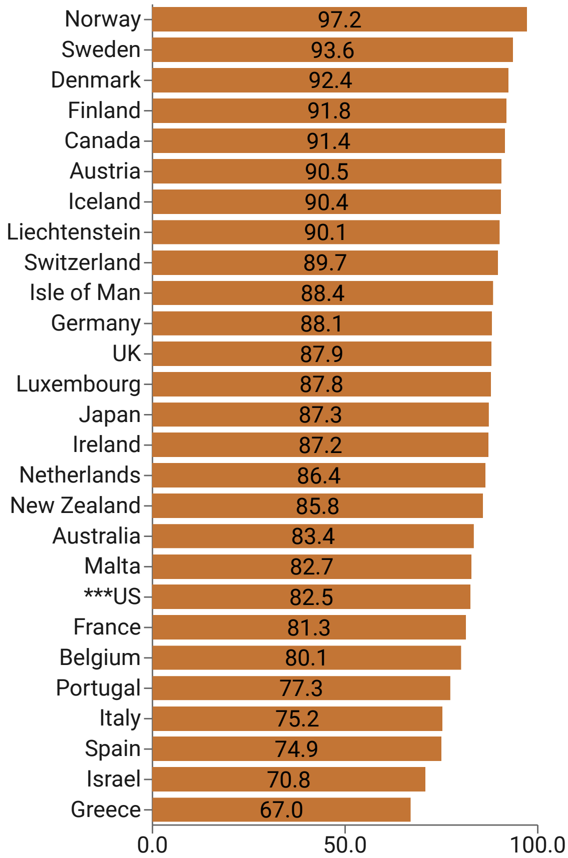
Short Term Political Risk Index

Long Term Political Risk Index



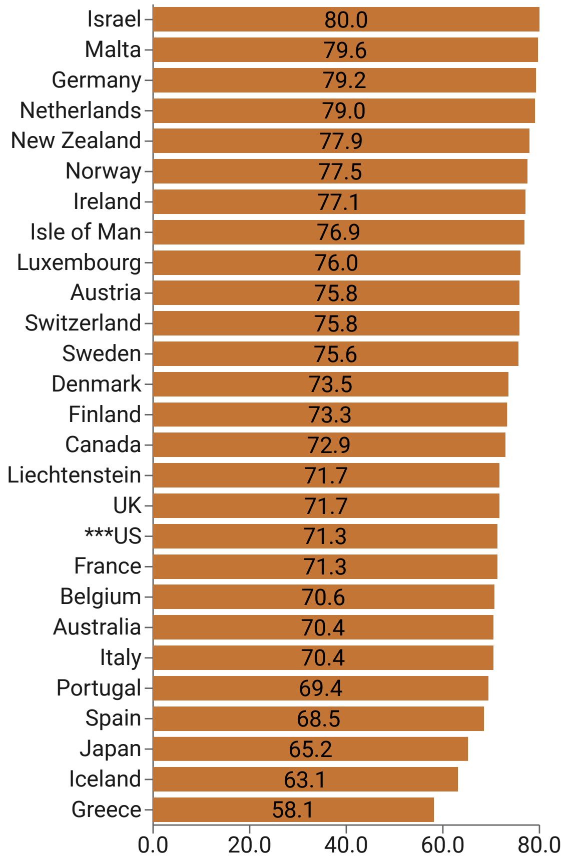
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 25, 2021

Short Term Economic Risk Index

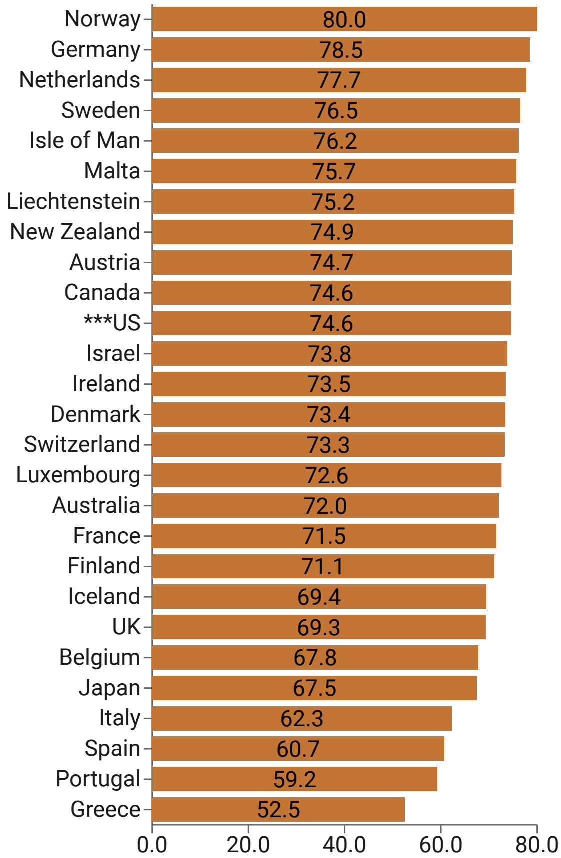


100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 25, 2021

Long Term Economic Risk Index



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 25, 2021



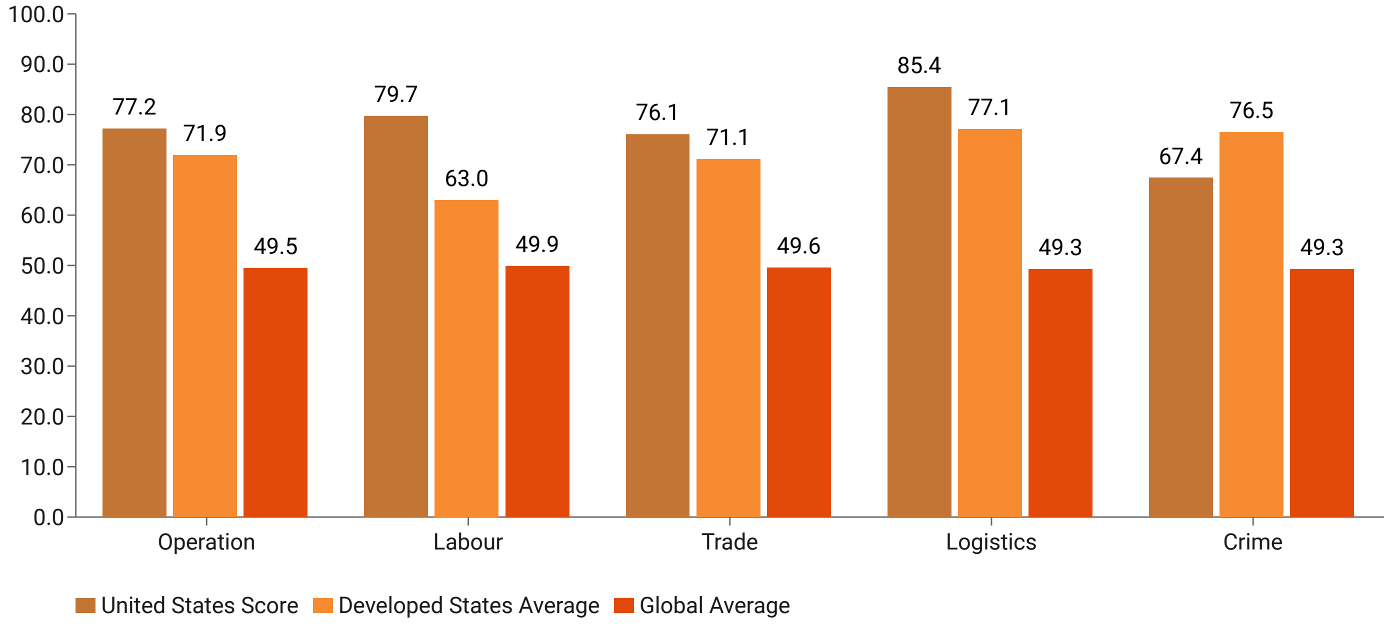
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 25, 2021

10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
United States Score	**77.2**	**79.7**	**76.1**	**85.4**	**67.4**
Developed States Average	71.9	63.0	71.1	77.1	76.5
Developed States Position (out of 27)	4	1	8	3	24
Global Average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	6	1	12	3	40

100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Operational Risk Index

United States vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 25, 2021

Country/Region	Operatonal Risk	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk	Crime and Secruity Risk Index
Denmark	79.2	71.8	77.5	84.9	82.4
Switzerland	78.6	75.3	77.7	78.4	83.1
Netherlands	77.9	66.4	78.5	86.4	80.4
United States	**77.2**	**79.7**	**76.1**	**85.4**	**67.4**
New Zealand	77.2	71.6	74.7	74.6	87.7
Sweden	76.8	67.5	77.7	83.3	78.5
Norway	75.9	63.5	72.3	79.7	88.3
Canada	75.9	73.2	74.0	78.5	78.0
United Kingdom	75.3	71.0	77.9	77.8	74.7
Austria	74.8	61.0	72.7	84.8	80.8
Luxembourg	74.4	55.9	78.2	83.9	79.6
Finland	74.1	54.1	73.2	85.4	83.7
Ireland	73.7	65.9	79.3	70.5	79.0
Australia	72.8	68.4	73.2	71.7	78.1
Spain	72.4	60.5	71.0	79.7	78.4
Japan	71.7	68.3	66.0	80.3	72.2
Belgium	71.4	56.6	76.1	79.9	72.9

Germany	71.2	64.1	68.5	80.5	71.8
France	71.1	60.2	71.1	81.4	71.9
Iceland	70.2	59.3	67.1	67.0	87.4
Portugal	69.7	52.3	67.5	80.1	78.9
Israel	68.2	72.2	68.2	69.9	62.5
Liechtenstein	64.8	48.9	63.2	69.9	77.1
Malta	63.9	55.2	68.9	62.3	69.3
Isle of Man	63.8	53.0	60.3	61.3	80.6
Italy	63.3	53.5	60.0	75.2	64.5
Greece	57.0	52.8	49.4	69.7	55.9
Developed Markets Averages	71.9	63.0	71.1	77.1	76.5
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

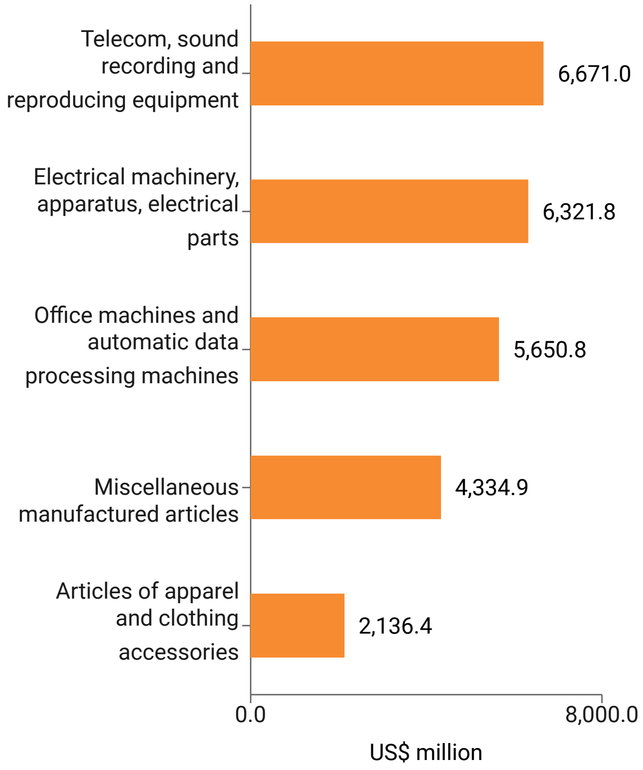
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 25, 2021

11. Hong Kong Connection

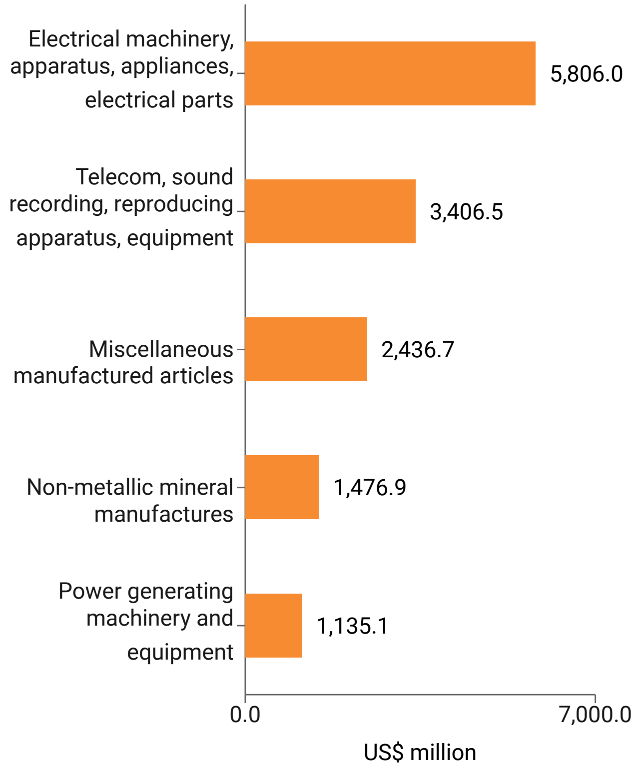
11.1 Hong Kong's Trade with the United States

Major Export Commodities to United States (2020)

Major Import Commodities from United States (2020)

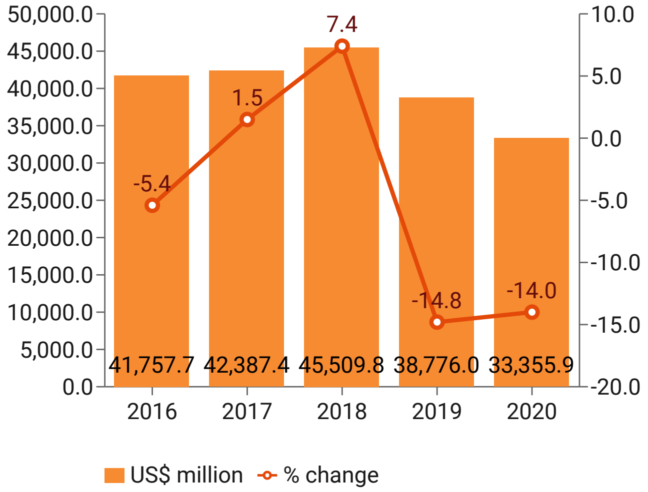


Note: Graph shows the main Hong Kong exports to United States (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 25, 2021



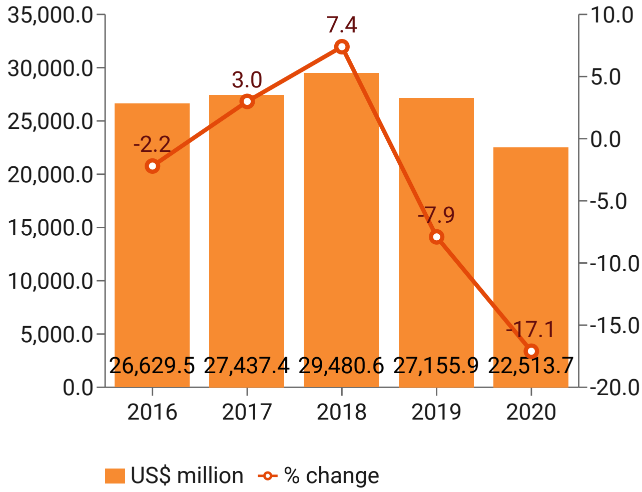
Note: Graph shows the main Hong Kong imports from United States (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 25, 2021

Merchandise Exports to United States



Note: Graph shows Hong Kong exports to United States (by consignment)
Sources: Hong Kong Trade Statistics, Census & Statistics Department
Date last reviewed: February 25, 2021

Merchandise Imports from United States



Note: Graph shows Hong Kong imports from United States (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 25, 2021

	2019	Growth rate (%)
Number of United States residents visiting Hong Kong	1,107,165	-15.1
Number of North American residents visiting Hong Kong	1,425,644	-15.3

Source: Hong Kong Tourism Board

	2019	Growth rate (%)
Number of United States residents residing in Hong Kong	17,166	29.6
Number of developed state residents residing in Hong Kong	83,786	29.6

Note: Growth rate is from 2015 to 2019, no UN data available for intermediate years
Source: United Nations Population Division – Department of Economic and Social Affairs
Date last reviewed: February 25, 2021

11.2 Commercial Presence in Hong Kong

	2019	Growth rate (%)
Number of United States companies in Hong Kong	1,344	-0.5
- Regional headquarters	278	-4.1
- Regional offices	457	5.3
- Local offices	609	-2.9

Sources: Business Expectation Statistics Section of the Hong Kong Census and Statistics Department, Fitch Solutions

11.3 Treaties and agreements between Hong Kong and United States

The United States does not have a bilateral treaty on the avoidance of double taxation with Hong Kong, but has an agreement for double taxation relief in respect of income from the international operation of ships that entered into force on August 16, 1989. The United States has a double taxation agreement with Mainland China that entered into force on November 21, 1986. Hong Kong signed its first Tax Information Exchange Agreement (TIEA) with the United States in March 2014 and the two sides concluded an Inter-governmental Agreement (IGA) under the United States Foreign Account Tax Compliance Act (FATCA).

Sources: Hong Kong Department of Justice, State Administration of Taxation of the People's Republic of China, US Department of State, Fitch Solutions

11.4 Chamber of Commerce or Related Organisations

The American Chamber of Commerce in Hong Kong
Address: 1904, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Email: amcham@amcham.org.hk
Tel: (852) 2530 6900

Sources: The American Chamber of Commerce in Hong Kong, Fitch Solutions

Hong Kong Association

Association	Tel	Email	Website
Hong Kong Association of Atlanta (more information)	(1) 404 788 8818	gene@hongkongatlanta.com	www.hongkongatlanta.com
Hong Kong Association of Florida (more information)	(1) 407 986 4688 (Orlando) / (1) 305 901 5688 (Miami)	robert.q.lee@rimonlaw.com	www.hkafl.org
Hong Kong Business Association of Hawaii (more information)	(1) 808 564 0011	hkbahinfo@yahoo.com	www.hkbah.org
Hong Kong Association of Massachusetts (more information)	(1) 617 631 6901	johnny.ip@gmail.org	www.hkama.org
Hong Kong Business Association of the Midwest (more information)	(1) 312 726 4515	christine.barragan@hktdc.org	www.hongkongmidwest.com
Hong Kong Business Association of Nevada (more information)	(1) 662 613 0098	tomytshu@gmail.com	www.hkbanv.org

Hong Kong Association of New York (more information)	(1) 646 770 1676	ff.yeung@hkany.org	www.hkany.org
Hong Kong Association of Northern California (more information)	(1) 415 398 4506	kory.k.lam@us.hsbc.com	www.hkanc.com www.facebook.com/HKANC.SF
Hong Kong Association of Northern Texas (more information)	(1) 469 688 4626	tingkuochen@me.com	N/A
Hong Kong Business Association of Pennsylvania (more information)	(1) 215 574 8882	kenwong.cig@gmail.com	http://philadelphia.nushkba.org
Hong Kong Association of Southern California (more information)	(1) 213 622 9446	info@hkasc.org	www.hkasc.org
Hong Kong-Greater China Business Association of Washington (more information)	(1) 425 283 3254	cynthiaso@hkbaw.org	www.hkbaw.org

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Address: 26 Garden Road, Central, Hong Kong
Email: American Citizen Services: acshk@state.gov
Visa Inquiries: support-hongkong@ustraveldocs.com
Media Inquiries: HKPressTeam@state.gov
Commercial Services: Office.Hongkong@trade.gov
Agricultural Trade Office: ATOHongKong@fas.usda.gov
Other Inquiries: information_resource_center_hk@yahoo.com
Tel: (852) 2523 9011
Fax: (852) 2521 8670

Sources: U.S. Consulate General Hong Kong & Macau, Hong Kong Protocol Division Government Secretariat

11.5 Visa Requirements for Hong Kong Residents

HKSAR passport holders are required to apply for a visitor visa if they are going to the United States for business or travel. They need to fill in an online form, pay a processing fee and attend an in-person interview at the United States consulate in Hong Kong. This visa is valid for up to 6 months.

Sources: U.S. Consulate General Hong Kong & Macau, Fitch Solutions
Date last reviewed: February 25, 2021

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