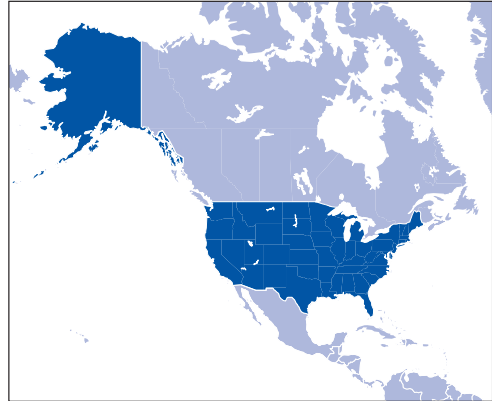


United States

Population (million inhabitants): 300
 GDP (US\$ million): 13,201,819

Country @rating: A1
 Business climate rating: A1



STRENGTHS

- A huge market that attract investors and companies.
- The Federal Reserve Bank's monetary policy takes growth and employment into account, as well as inflation.
- The reactivity and flexibility demonstrated by companies rests on a labour force with high sectoral and geographic mobility and on the flexibility of labour legislation.
- The quality of higher education and universities and the size of the new technologies sector have kept R&D at a high level and fostered innovation.

WEAKNESSES

- The low domestic savings rate has been a major causal factor of the continuing current account deficit.
- The economy is highly dependent on stock market prices and interest rates.
- The decline of traditional manufacturing has also contributed to the current account deficit.
- With the country's very large energy needs major investments will be essential in adjusting to environmental constraints.
- Demographic pressures have brought to light the shortcomings of the health and pension financing systems.

RISK ASSESSMENT

The growth slowdown was less severe than expected in 2007 with the effects of the residential construction downturn thus far only partially spreading to household consumption and other economic sectors. Very good export performance limited the amplitude of the slowdown.

The growth slowdown will be more severe in 2008 although still mitigated by the strong export performance. The adjustment process will continue in residential construction at least until the third quarter. Households, already carrying heavy debt representing 135 per cent of their disposable income will be subject to a reverse wealth effect associated with the depreciation of their property wealth and will have to contend with stiffer conditions for refinancing their mortgage

loans with their default rate continuing to trend up in consequence. A tighter job market and rising unemployment will tend moreover to erode their confidence with the effects of those unfavourable trends amplified by slower growth of their disposable income and high petrol prices at the pump. They will significantly reduce their consumption – 70 per cent of GDP – with many crucial economic sectors affected in consequence. Corporate investment will be generally less dynamic again this year. That will particularly concern investment in structures that will have to be postponed in the absence of conditions for access to credit. Buoyed, however, by a relatively low rate of indebtedness (43 per cent of GDP) and ample cash flow (88 per cent), companies will continue their equipment purchases despite erosion of their rate

of profit (9.3 per cent of GDP). Exports (12 per cent of GDP) will continue their outstanding performance, thereby offsetting the weakness of domestic demand. Companies will continue to capitalise on both favourable exchange rates and the still-buoyant dynamic in emerging regions, particularly China and the Middle East. Imports, meanwhile, will decelerate, and the federal budget deficit should widen further.

Corporate payment behaviour has remained generally good at this juncture with solvency very satisfactory, a situation re-

flected by a Coface payment incident index currently near the world average. That has particularly been the case for very export-oriented companies, which have been enjoying two-digit profit growth. Companies focusing on the domestic market have been in more dire straits with some sectors already faced with tense financial situations that a credit crunch will only exacerbate: residential construction, the car industry, home-related retailing and services to private individuals, along with the textile-clothing and hi-fi-TV-video sectors.

MAIN ECONOMIC INDICATORS

| % | 2003 | 2004 | 2005 | 2006 | 2007 ^(e) | 2008 ^(f) |
|--------------------------------|------|------|------|------|---------------------|---------------------|
| Economic growth | 2.5 | 3.6 | 3.1 | 2.9 | 2.1 | 1.7 |
| Consumption (var.) | 2.8 | 3.6 | 3.2 | 3.1 | 2.9 | 1.3 |
| Investment (var.) | 1.0 | 5.8 | 7.1 | 6.6 | 4.7 | 3.2 |
| Inflation | 2.3 | 2.7 | 3.4 | 3.2 | 2.7 | 2.5 |
| Unemployment | 6.0 | 5.5 | 5.5 | 4.6 | 4.6 | 5.2 |
| Short-term interest rate | 1.2 | 1.6 | 3.5 | 5.2 | 4.5 | 4.2 |
| Public sector balance (%GDP) | -3.5 | -3.6 | -2.6 | -1.9 | -1.2 | -1.4 |
| Public sector debt (%GDP) | 62.8 | 62.3 | 62.6 | 62.1 | 60.2 | 61.6 |
| Exports (var.) | 1.3 | 9.7 | 6.9 | 8.4 | 7.4 | 8.5 |
| Imports (var.) | 4.1 | 11.3 | 5.9 | 5.9 | 2.5 | 1.8 |
| Current account balance (%GDP) | -4.8 | -5.9 | -6.4 | -6.1 | -5.4 | -4.8 |

e = estimate, f = forecast

MAIN ECONOMIC SECTORS

■ Construction

In the first nine months of 2007, new housing starts declined 21 per cent. The market downturn affected three of the largest builders: Pulte Homes, Centex Homes and Ryland Homes have been underperforming, and Neumann Homes has announced its intention to seek Chapter 11 bankruptcy protection. The deterioration should continue in 2008, in a context of slowing domestic demand.

■ Retail

The consumption slowdown this year should affect the sector to varying degrees. High-end department stores will be relatively unaffected. Conversely, those targeting middle- or low-income clientele will fare less well. Wal-Mart should continue to underper-

form and Gap will struggle to turn the corner, the other clothing sector chains will hold up relatively well. Chains specialised in the home and leisure area will suffer, and more so than supermarket food retailing. The good performance of neighbourhood shops and drugstores should continue.

■ Automotive industry

Passenger car sales will sag in 2008 and the market share of the Big Three should continue to erode. The competitive advantages made possible by the agreements concluded, with the United Auto Workers should only begin to make a difference in 2010. The competition, particularly from Asian car-makers, will thus remain intense in coming months while the Americans continue reorganising and restructuring, perfecting hybrid cars and adapting them to regulatory limits

on CO₂ emissions at a total estimated cost of US\$100 billion, or US\$1,400 per vehicle.

■ Steel

Activity was buoyant in 2007, driven by strong demand from emerging regions and high metal prices. It should weaken this year, however, affected by the growing sluggishness of the automotive industry and residential construction. The good performance of public infrastructure investment should, however, allow the sector to achieve 4 per cent growth. Domestic production will partly substitute for imports confronted with both unfavourable exchange rates and protective measures against Chinese products. The American market will, nonetheless continue to attract foreign investors by virtue of its size and the local presence of raw materials.

■ Paper

While benefiting exports the weak dollar has increased the supply cost to American manufacturers of wood pulp – dominated by the Canadians and Scandinavians. Producers of pulp or even of paper for hygienic, housekeeping or technical purposes, less sensitive to economic downturns should remain more profitable than producers of newsprint or printing and writing paper. Paper and cardboard processors – like manufacturers of paper and packaging articles – subject to direct pressure from mass distribution will present a higher level of risk.

■ Chemicals and plastics

The profitability of sector companies although affected by the downturn of property investment and the reform of the car market will remain satisfactory, thanks to rising sales prices and the shutdown of certain facilities. Local players will moreover benefit from the favourable impact of the dollar's decline on exports and from slower price increases for gas (the sector's primary source of raw material) than for oil.

PAYMENT AND COLLECTION PRACTICES

■ Payment

Exporters should pay close attention to sales contract clauses on the respective obligations

of the parties and determine payment terms best suited to the context, particularly where credit payment obligations are involved. In that regard, cheques and bills of exchange are very basic payment devices that do not allow creditors to bring actions for recovery in respect of 'exchange law' (*droit cambiaire*) as is possible in other signatory countries of the 1930 and 1931 Geneva Conventions on uniform legal treatment of bills of exchange and cheques.

Cheques are widely used but, as they are not required to be covered at their issue, offer relatively limited guarantees. Account holders may stop payment on a cheque by submitting a written request to the bank within 14 days of the cheque's issue. Moreover, in the event of default, payees must still provide proof of claim. 'Certified checks' offer greater security to suppliers since the bank certifying the cheque thereby confirms the presence of sufficient funds in the account and makes a commitment to pay it. Although more difficult to obtain and thus less commonplace, 'cashiers checks' cheques drawn directly on a bank's own account provide complete security as they constitute a direct undertaking to pay from the bank.

Bills of exchange and promissory notes are less commonly used and offer no specific proof of debt. The open account system is only justified after a continuing business relationship has been established. Transfers are used frequently especially via the SWIFT electronic network – operated by the Society for Worldwide Interbank Financial Telecommunication – to which most American banks are connected and which provides speedy and low-cost processing of international payments.

SWIFT transfers are particularly suitable where trust exists between the contracting parties since the seller is dependent on the buyer acting in good faith and effectively initiating the transfer order. For large amounts, major American companies also use two other highly automated interbank transfer systems – the Clearing House Interbank Payments System (CHIPS), operated by private financial institutions, and the Fedwire Funds Service System, operated by the Federal Reserve.

■ Debt collection

Since the American legal system is complex and, especially as regards lawyers' fees, costly, it is advisable to negotiate and settle out of court with customers wherever possible or else to hire a collection agency. The parties can also resort to arbitration or Alternative Dispute Resolution (ADR), a relatively informal mediation system, which makes it possible to avoid costly and lengthy ordinary court procedures.

The judicial system comprises two basic types of court: the federal district courts with at least one such court in each state and the circuit or county courts under the jurisdiction of each state. The Federal Rules of Civil Procedure promulgated by the Supreme Court and regularly amended govern the various phases of civil procedure at the federal level while each state has its own rules of civil procedure. The vast majority of proceedings are heard by state courts, which apply state and federal law to disputes falling within their jurisdictions (ie legal actions concerning persons domiciled or resident in the state).

Federal courts, on the other hand, rule on disputes involving state governments, cases involving interpretations of the constitution or federal treaties and claims above US\$75,000 between citizens of different American states or between an American citizen and a foreign national or foreign state body or, in some cases, between plaintiffs and defendants from foreign countries.

A key feature of the American judicial system is the pre-trial 'discovery' phase whereby each party, before the main hearing, may demand evidence and testimonies relating to the dispute from the adversary before the court hears the case. During the trial itself, judges give plaintiffs and their lawyers considerable leeway to produce pertinent documents at any time and conduct the trial in general (adversarial procedure).

The 'discovery phase' can last several months, even years, and entail high costs due to each adversary's insistence on constantly providing pertinent evidence (argued by each party) and involve various means – like examinations, requests to provide supporting documents, the testimony of witnesses and reports by detectives – before submitting them for court approval during the final phase of the proceedings.

Another feature of the American procedural system is that litigants may request a civil or criminal case to be heard by a jury (usually made up of 12 ordinary citizens not familiar with legal aspects – 'twelve good men and true' according to the popular definition of 'jury') whose task is to deliver a verdict based overall on the facts of the case and the evidence produced during the proceedings.

In civil cases, the jury determines whether the demand is justified and also determines the penalty to impose on the offender. In criminal cases, the jury decides on the defendant's guilt but the judge decides the punishment.

For especially complex, lengthy or expensive litigation, as in the case of insolvency actions, courts have been known to allow creditors to hold the professionals (eg auditors) counselling the defaulting party liable, where such advisors have demonstrably acted improperly.

