Trump: U.S. 'open for business,' and economists mostly agree

By CHRISTOPHER RUGABER
AP Economics Writer

WASHINGTON — President Donald Trump highlighted his tax cuts and deregulatory efforts with a salesman's pitch to an elite economic forum in Switzerland on Friday: The United States, he said, is now a far more inviting place for foreign companies to spend, invest and build.

"We are competitive once again," Trump told an assemblage of international business executives, financiers and academics.

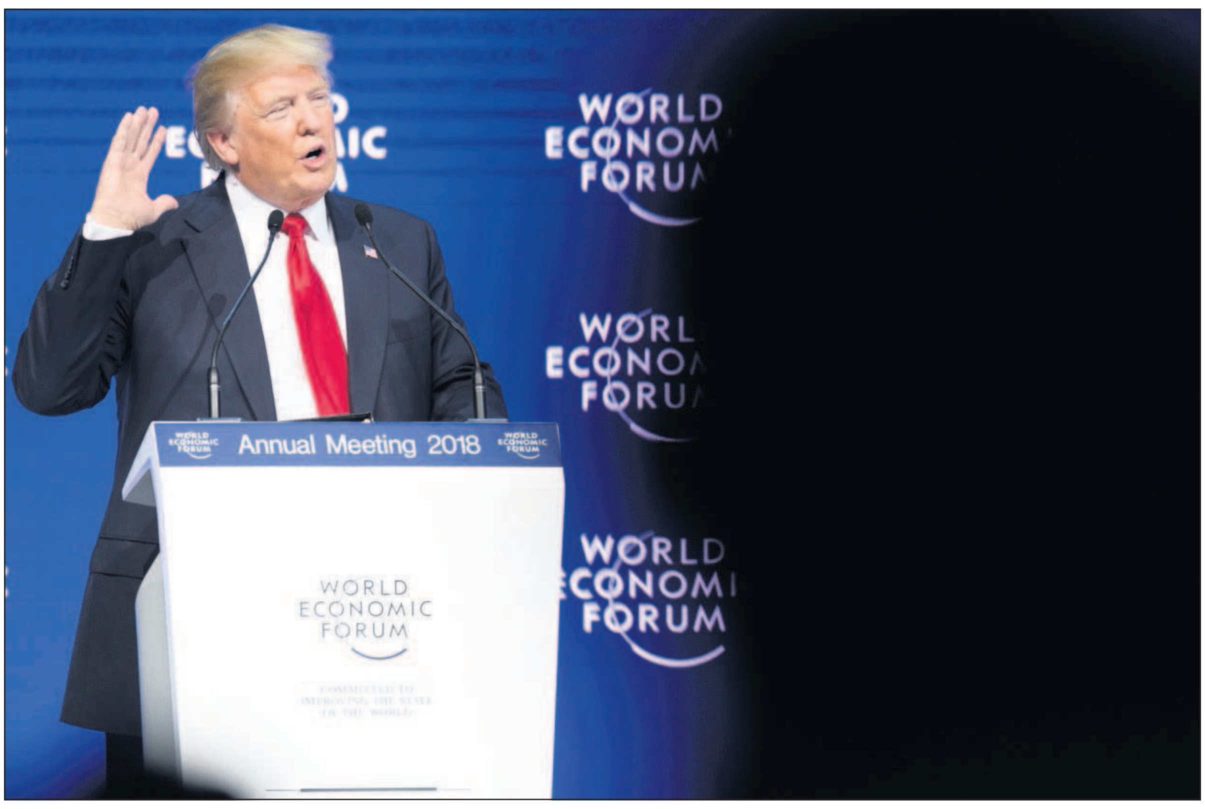
While discounting some of the president's more grandiose claims, many economists agree that he has generally made the United States more welcoming for businesses.

Last month, Trump signed a tax package that cut the corporate income tax to 21 percent from 35 percent. The Republican Congress has also passed laws to overturn at least 15 rules put in place by the Obama administration, and the administration has put dozens of other regulations on hold. Those steps should encourage more overseas businesses to move to the United States or expand existing operations, economists said.

"It was a vastly exaggerated claim, but there is some truth to it," said Adam Posen, president of the Peterson Institute for International Economics.

Before Trump, "the high marginal tax rate and some of the regulation on specific industries did mean the U.S. was not always the first choice," Posen said.

Nicholas Veron, a fellow at Bruegel, a think tank in Brussels, Belgium, said that among European businesses, "there is some agreement that the tax plan will make it more attractive to invest in the U.S."



Laurent Gillieron/Keystone via AP

U.S. President Donald Trump addresses a plenary session in the Congress Hall the last day of the annual meeting of the World Economic Forum, WEF, in Davos, Switzerland, Friday.

"Compared to other things the president says, this looks reasonably based in fact," Veron said.

Still, Posen suggested that Trump missed an opportunity to speak up in favor of the global trading system or to offer specific proposals on how to improve, say, the protection of intellectual property rights.

Corporate executives in Davos, Switzerland, for the annual World Economic Forum meeting were generally bullish about Trump's agenda and the business climate he is helping build in the United States.

"Since you have been successful with tax reform, we decided to develop next-generation gas turbines in the United States," Joe Kaeser, CEO of the German engineering firm Siemens, told Trump at a dinner Thursday night. Siemens employs roughly 50,000 people in the United States.

Others said they were encouraged by signs that U.S. economic growth may accelerate this year, in part because of the tax cuts for consumers and businesses, which could encourage more spending and investment.

"It's kind of amazing to have all your customers talking about adding jobs and growing their business," Bill McDermott, CEO of business software company SAP, told Trump at the dinner Thursday.

Still, foreign investment in the United States had already been on the upswing in recent years, well before the Trump administration took office a year ago.

Foreign investment in factories and other facilities and foreign purchases of U.S. businesses reached $477 billion in 2015, a record high, before declining through the third quarter of 2017, according to government data analyzed by the Organization for International Investment, a trade group. (Those figures don't include temporary investments, like the purchase of U.S. stocks by overseas investors.)

> "I do think tax reform will spur foreign direct investment in the United States."
> **— Nancy McLernon,** CEO of Organization for International Investment

OFII represents overseas companies with subsidiaries in the United States, such as Samsung, Bosch, Nestle and Toyota.

"America's always been open for business," said Susan Aaronson, a professor of international affairs at George Washington University.

Aaronson said she thinks the beneficial impact of the tax cuts has been exaggerated. Businesses around the world crave stability, and the tax cuts will likely have to be revisited in the coming years to address burgeoning U.S. deficits, she said. That prospect could make last year's tax package less appealing to some companies, she added.

The United States had received about 37 percent of all global investment in 2000, a figure that tumbled to 15 percent in 2008, according to data analyzed by the Organization for International Investment. The decline reflects the impact of the Great Recession and China's admission to the World Trade Organization, which made it a more attractive destination.

Economy grew at 2.6 percent rate in fourth quarter

WASHINGTON (AP) — The U.S. economy grew at a rate of 2.6 percent in the final three months of last year, helped by the fastest consumer spending since 2016 and a big rebound in home construction.

The fourth quarter advance in the gross domestic product, the country's total output of goods and services, followed gains of just above 3 percent in the second and third quarters, the Commerce Department reported Friday. The slowdown in the October-December period reflected a worsening trade deficit and less growth in inventory restocking by companies.

For all of 2017, the economy grew 2.3 percent. That is a significant improvement from a 1.5 percent gain in 2016 but little changed from the modest 2.2 percent average growth rate turned in since the Great Recession ended in June 2009.

Economists are looking for even better growth this year, propelled by the $1.5 trillion tax cut that President Donald Trump pushed through Congress in December. The Trump administration contends that its economic program of tax cuts, deregulation and tougher enforcement of trade laws will lift economic growth to sustained rates of 3 percent or better in coming years.

Trump has said his tax plan will serve as "rocket fuel" for the economy by prompting Americans to spend more and businesses to step up investment.

Economists, however, believe the growth spurt will be short-lived.

"Deficit-financed tax cuts will provide some near-term juice to the economy but it will prove to be temporary because we are already at full employment and the Federal Reserve will respond by raising interest rates more aggressively," said Mark Zandi, chief economist at Moody's Analytics.

Michael Pearce, senior U.S. economist at Capital Economics, said that the imports surge that widened the trade deficit reflected a pay-back from port disruptions caused by hurricanes in the third quarter. He forecast solid growth in coming quarters.

"The U.S. economy had plenty of momentum even before the tax cuts take effect this year," Pearce said.

Treasury Secretary Steven Mnuchin, interviewed on CNBC, described the modest slowdown in the fourth quarter as a short-term aberration.

"We're not concerned about any one quarter which could be revised up or down," he said.

Mnuchin said the administration was very happy with the initial reaction from U.S. companies to the new tax bill, which he said had already generated pay bonuses for more than 2.5 million Americans.