# How Global Uncertainty is Driving the U.S. Economy

*by Jonathan A. Mintz, JD, TEP*
*Evergreen Legacy Planning, LLP*

## Global Uncertainty

In an historic election in May 2017, France elected its youngest president in the nation's history. Both mainstream parties lost in the first-round election, and the runoff came down to two candidates with dramatically different perspectives on France's role in the EU. This is important because France is typical of the political movement throughout Europe and beyond—a push toward nationalism and segregationism, and away from open borders and unification—in large part the result of the flood of refugees from the Syrian Civil War. With the pending departure of Great Britain from the European Union (EU), some argue we have already seen the beginning of the end of the EU. These and similarly significant events elsewhere have created uncertainty not only in Europe but also in parts of the Middle East, Central and South America, and Asia.

How does this impact the U.S. and the U.S. economy? The political and economic uncertainty on several continents, combined with several other factors, has created a perfect storm for foreign investment in the U.S., which at a minimum is helping prop up the U.S. economy. These other factors include the general attractiveness of the U.S. for investment as well as the implementation of the Foreign Account Tax Compliance Act (FATCA).

*Attractiveness of the U.S. for Investment*

Compared to many parts of the world, the U.S. is a relatively safe and attractive place to invest. As Americans, we do not even consider the possibility of the government confiscating our personal wealth, let alone the effect of true government instability. The strength and consistency of the U.S. democracy is very attractive to people around the world. (Many also want to move to the U.S. to experience the "American dream.")

The U.S. economy is also relatively strong compared to many local economies. While parts of the globe (Asia in particular) have stronger economies today (although even these stronger economies are slowing), much of the world has a more stagnant GNP than the U.S., making the U.S. an attractive place to invest wealth. As of the writing of this article, Germany and Switzerland's long-term interest rates are negative, and other countries in Europe and elsewhere have little or no economic growth. Conversely, investments in the U.S. (e.g., in U.S. real estate) are seeing double-digit annual returns in some parts of the U.S.

By investing in the U.S. many foreigners not only achieve greater economic stability and personal security, but they can also realize much greater gains. Combined, these facts make the U.S. very attractive for foreign investment.

*Implementation of FATCA*

The implementation of FATCA has contributed to foreign investment in the U.S. in an unintended way. Beginning in July 2014, the U.S. implemented what amounts to a unilateral imposition of disclosure requirements, directed at foreign financial institutions and non-financial foreign entities, designed to uncover U.S. persons who are hiding foreign assets to avoid U.S. taxation.[i] In response, the Organisation for Economic Co-operation and Development (OECD) adopted an automatic exchange of financial information, now known as the Common Reporting Standard (CRS). As of this writing, 57 jurisdictions have signed an agreement to enable automatic *bilateral* sharing of country-by-country information, and several have reported accounts held by or for the benefit of other countries' citizens.[ii]

In an ironic twist, the U.S. refuses to participate in CRS and has publicly said that it will not disclose assets held by foreigners to their native governments, absent a tax treaty disclosure requirement. Therefore, as a direct result of the imposition of these U.S. disclosure requirements, the U.S. has now become the world's greatest secrecy haven, and foreigners are moving assets to the U.S. in unprecedented numbers.[iii] Some of these investments are the result of the investor's *desire* for anonymity, while others result from the investor's *need* for secrecy; e.g., in countries where kidnapping and other horrible crimes are a real risk for families of wealth.

## *Impact on the U.S. Economy*

While the exact economic impact is unknown, it is clear that foreign investment is having a significant effect on the U.S. economy. Earlier this year, the Financial Times reported that 2016 foreign investment in the U.S. was more than double that of the second-leading country, Great Britain.


The same Financial Times article, however, noted that many potential foreign investors are concerned about potential U.S. policies that may discourage foreign investment. As long as we do not adopt such policies, this investment trend can and should continue for the foreseeable future. While some argue against foreign investment, the tax benefits that formerly existed, for example with foreign-owned real estate, have been eliminated. I believe foreign investment is good for the U.S. as it helps push our economy forward.

*Jonathan A. Mintz, JD, TEP is a founding partner of Evergreen Legacy Planning, LLP, a full service law firm with offices in Evergreen, Colorado, and Newport Beach, California, focusing on estate planning, asset protection, business formation and operations, and international tax planning (www.evergreenlegacyplanning.com)*

---

[i] Enacted in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act, FATCA also imposes additional reporting requirements for U.S. persons.

[ii] For updated information in signatories, see the OECD's Automatic Exchange Portal, online at http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/crs-by-jurisdiction-2018.htm

[iii] This may be an over simplification of events, but the result was clearly set into motion by the actions of the U.S. Treasury.