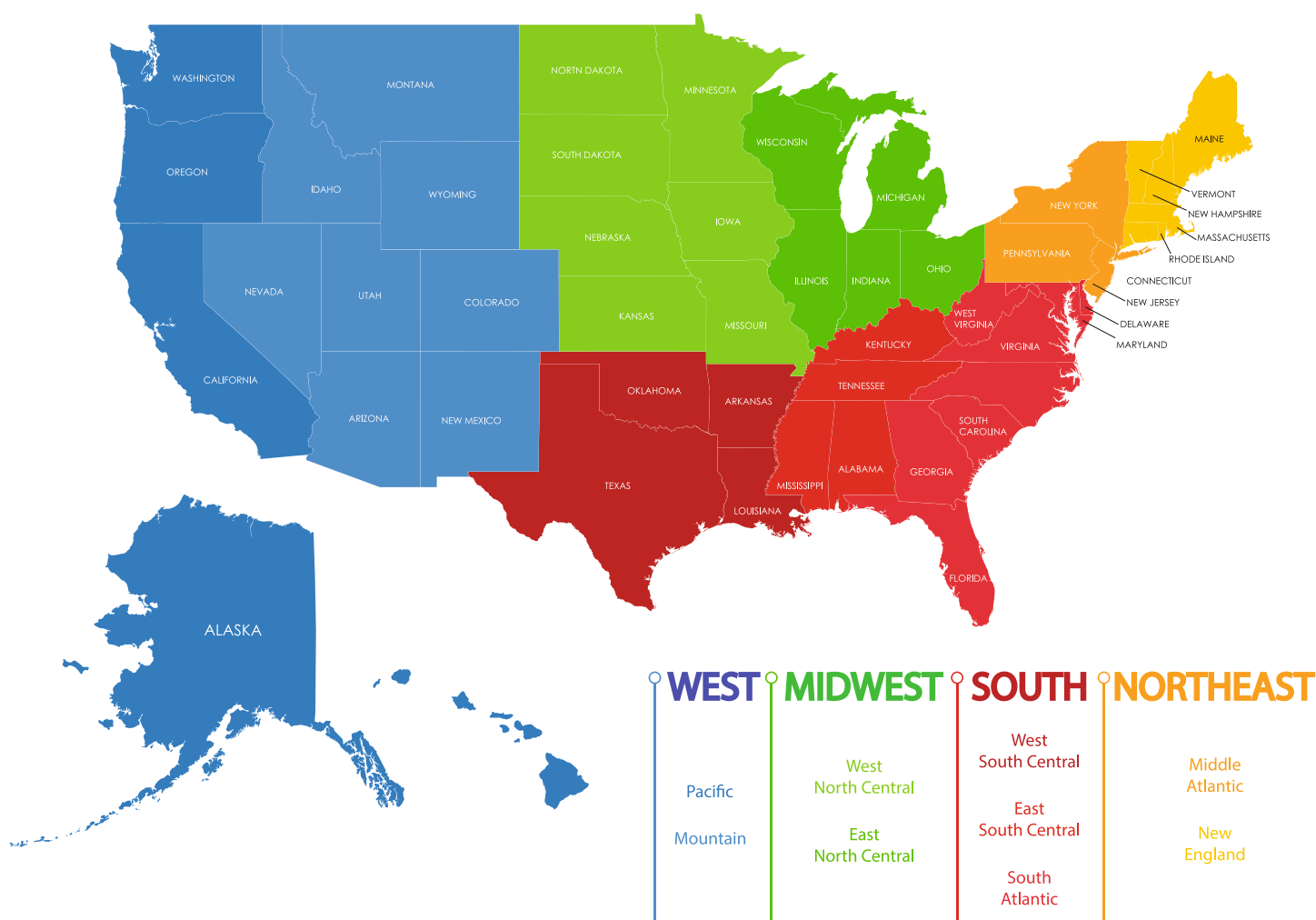




# DOING BUSINESS IN THE UNITED STATES OF AMERICA

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**Figure 28**

Regions of the United States of America.

The US is one of the world's most complex and competitive economies having the largest, richest, and most varied consumer base in the world. Given its size, wealth and diversity, the US has a relevant market for almost every product or service and is ranked sixth out of 190 countries by the World Bank Ease of Doing Business.

It was Winston Churchill in 1946 who coined the phrase 'special relationship' as an unofficial term for the political, diplomatic, cultural, economic, military and historical relations between the UK and US. This is evidenced when noted that the UK and US are each other's single largest trade partners with the

UK investing more than \$480bn in the US and employing more than a million Americans. The UK accounts for more than 15% of inbound foreign direct investment in the US which ranges from large to small-to-medium-sized enterprises realising success through intelligent, strategic, prepared and persistent business development efforts.

### Fragmented market

Given the size and complexity of the US market, it cannot be described as 'one' marketplace. Every state and region has its own purchasing behaviours, distribution systems, regulations,

climates, hubs for specific sectors and business cultures. The US market may overwhelm suppliers who assume the US is a homogenous export market, when in fact, the country may be broken into four distinct regions.

The Northeast region is known as the nation's global capital hub. It is home to New York, a world city and global financial centre where about 50 Fortune 500 companies have placed their national headquarters. The region also focuses mainly on government services and is the centre of the nation's economy. Delaware is known for its corporate-friendly laws and is where most companies choose to incorporate.

# Doing business in the US

The South constitutes a major commerce centre, which attracts foreign direct investment. The region is known as a centre of manufacturing due to low costs, state tax incentives, and low cost of living. A global leader in energy and chemicals, the region is home to the energy capital of the world – Houston.

As an epicentre for advanced manufacturing, the Midwest region is home to the Great Lakes, as well as Chicago's major port and transportation hub.

The West is considered a global technology hub, with Silicon Valley at its centre.

Energy subsector centres also exist in the US, on a state-by-state basis. Upstream oil and gas is fragmented across the country and its waters. Most offshore drilling takes place off the coasts of Alaska, California, Louisiana and Texas - close to areas with coastal onshore oil and gas fields. Onshore exploration and drilling takes place across the country in California, Louisiana, North Dakota, Oklahoma, Pennsylvania and the Rocky Mountain Region, which consists of Colorado, Idaho, Montana, New Mexico, Wyoming and Texas. The midstream sector touches every single state in the US. The US has the largest network of energy pipelines in the world, with close to 2.5m miles of pipe. Storage facilities - much like pipelines - are scattered across the country with Oklahoma containing more mass storage facilities than any other state. Processing and LNG activities are mostly constricted to the Gulf Coast region as are downstream, chemical and petrochemical activities.

Much like the midstream sector, the power sector is also fragmented; each state has its own market and sector players. The nuclear sector is mostly constrained to the eastern half of the US, with the exceptions of one-off facilities and companies across the



**The UK and US are each other's single largest trade partners with the UK investing more than US\$480bn in the US and employing more than a million Americans**

nation. Renewables - specifically wind power - is a growing sector. The wind corridor (stretching north from Texas to Minnesota) is home to the majority of installed wind capacity and wind-industry manufacturing facilities. The north-east coast is gradually becoming the hub for offshore wind developments. The west accounts for most of the solar power generation and stakeholders within this sub-sector.

## Market entry considerations

Just as the market of the US is fragmented by region or state, and by industry, so is the means to establishing a business presence in the country. From a purely export function, the US market allows for many distribution channels. Businesses should address factors such as number of customers, where they are located, price, complexity, the need for support around products, federal and state regulations, transportation and storage costs, and health and safety. Firms may be required to employ sales agents, as well as retain multiple distributors and warehousing facilities across the country to meet clients' needs.

## Incorporating in the US

There is no federal law on business formation in the US, rather, new business entities are created under state law. With a wide range of business entity forms, most foreign companies set up in the US as a business corporation due to certain negative tax consequences. A firm can incorporate in any state, whether or not

it has a presence there. Firms typically incorporate in the state in which it is doing business, or in one of many states that have liberal and friendly corporation rules.

General requirements for incorporation can vary from state to state and are typically simple, fast and relatively inexpensive. When choosing a type of business entity and establishing a business in the US, it is highly recommended an attorney and accountant are retained for key legal and financial considerations. These entities include:

### Corporations

A corporation – or business corporation – is the business form most comparable to limited liability entities found in other countries and is the most common legal form used in the US. Corporations are governed by state law and ownership is represented by shares issued by the corporation. These types of business entities pay federal income tax based on earnings. Most states – but not all – impose an income tax and franchise tax on corporations registered within its jurisdiction. Texas is an example of a state that has no income tax.

### Limited liability company and partnerships

Limited liability companies (LLCs) and partnerships have many characteristics similar to that of a corporation. However, in the case of an LLC, the entity is not subject to income tax. Like a partnership, the income of an LLC is attributed to the owners in proportion to their ownership stake, and each owner is personally responsible for the payment of income tax. In the case of a partnership, tax obligations are in accordance with partnership interests.

### Branch or foreign corporation

A branch is part of a corporation and not a separate legal entity in the US. A foreign corporation may establish a US branch at any time through establishing a legal business entity. All income tax obligations and processes

for establishing such presence is dependent on what form of entity is established.

## Trade

Compared to other countries, the US is a country of limited regulation, free trade and equal treatment before the law.

With limited exceptions, the US has generally promoted and practiced free trade where most products may be imported into the US under favourable terms and minimal restrictions. The US has many bilateral trade agreements and tax treaties. The country's most significant free trade agreement (FTA) is the North American Free Trade Agreement with Canada and Mexico. The US has an additional 18 FTAs across the globe. It has completed negotiations for a regional, Asia Pacific trade agreement – known as the Trans-Pacific Partnership Agreement, and is in negotiations for the Transatlantic Trade and Investment Partnership with the European Union. It is expected the US will execute a trade deal with the UK post-Brexit.

Any company that is considering exporting products to the US should research tariff rates and possible import restrictions. The specific characterisation of a product determines the tariff rate applied.

## American National Standards Institute

Companies aiming to supply their products to the United States need to be aware of American standards. The American National Standards Institute (ANSI) has overseen the private sector's voluntary standardisation system since 1918 and products supplied to the American market are often required to be compliant with ANSI standards. Compliance is not only required to ensure the safe operations of equipment but also to ensure that imported goods are fully compatible with existing US infrastructure.

## Support for UK companies

### Department for International Trade USA

The Department for International Trade (DIT) in the US helps UK-based companies through expertise and contacts in British embassies and consulates around the world. The US team promotes UK-US trade through its British Embassy in Washington, as well as Consulates in Atlanta, Boston, Chicago, Houston, Los Angeles, Miami, New York and San Francisco.

#### DIT US headquarters

Department for International Trade, British Consulate General New York  
845 3rd Ave, New York, New York 10022 USA  
Tel: +1 212 745 0200

#### DIT US Energy Team

Department for International Trade, British Consulate General Houston  
1301 Fannin Street, Suite 2400, Houston, Texas 77002 USA

David Haines, N.A. Head of Sector, Energy, Environment & Infrastructure  
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Email: [shareen.yawanarajah@mobile.trade.gov.uk](mailto:shareen.yawanarajah@mobile.trade.gov.uk)

## English, culture and business etiquette

The US is one of the most culturally diverse countries in the world. There is no official language of the US, according to the government, however, English, Spanish, Chinese, French and German are among the most frequently spoken languages, and business is most often conducted in English.

Although the US and UK share a common heritage and language, the business cultures are vastly different, and should be taken into consideration when doing business in the region. From a cultural standpoint, the US is an

individualistic and competitive society. Americans live to work, therefore, time is money. Business comes first and personal relationships may come later.

US-based businesspeople tend to be direct and to-the-point in business discussions, and when pushing forward business development efforts, one must capture his or her audience immediately. Knowing your customer is crucial. It is important not to be seen as wasting a contractor's time by not understanding its business, projects and needs before the meeting occurs. It is also important to be prepared and direct - this virtue should include knowing your competitive advantage and how this meets the needs of the buyer.

Although Americans conduct business in a polite, yet succinct and conservative manner, extensive follow-up with contacts is required. It is not unreasonable to take forward numerous emails, telephone calls and meetings before any business moves forward, and more often than not, a reply will



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# Doing business in the US

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come about when the buyer needs something.

American meetings are usually quite informal. In business situations, it is expected to shake hands upon introductions. A smile goes a long way and Americans appreciate having their smiles reciprocated. Americans view the business card as a source of information for the future and tend to insist on an exchange. Americans do business with companies that offer the best deal; service and long-term business relationships come to fruition only after successful completion of a sale, project, etc. Deadlines are taken seriously and late delivery is failure in the eyes of American businesses.

Brand awareness and success stories are meaningful in the US market. Companies should look to aggressively market their products or services with a local footprint, through its website, social media, publicity through success stories, membership in associations with a local footprint and sponsoring events with trade associations and trade shows.

# Appendix 1: Map of the US

