

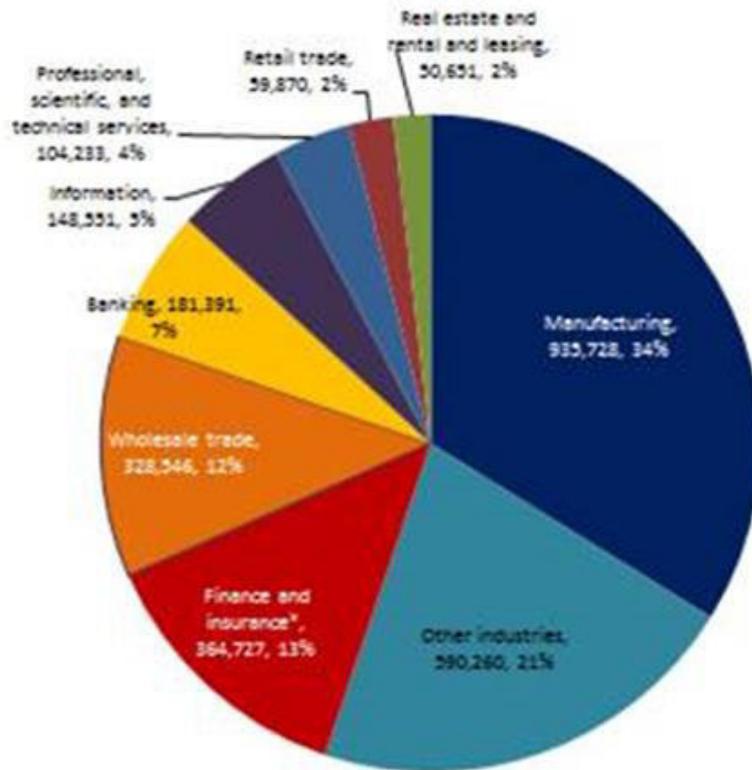


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European FDI Flows to the U.S. and Implications for Economic Development Organizations

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FDI in the U.S. by Industry (2013)



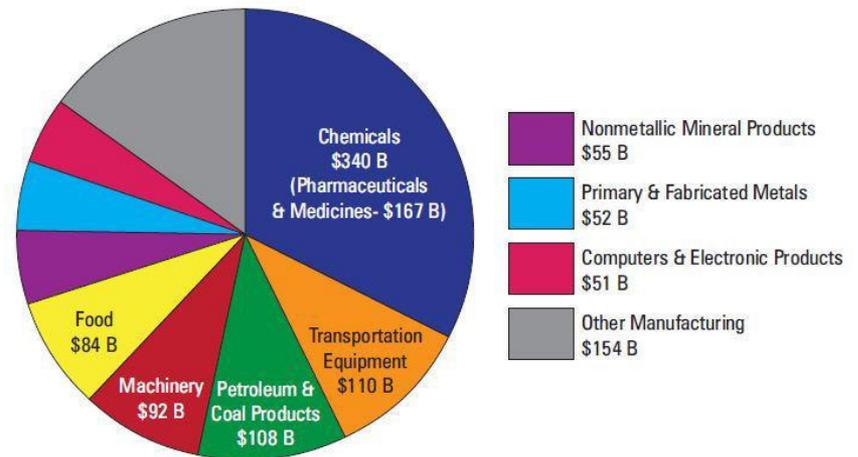
- Manufacturing is the largest recipient of FDI in the United States, accounting for more than one-third of total position.
- Finance & Insurance and Banking are the second largest recipients, accounting for 20 percent of total FDI position.
- Other industries include agriculture and forestry, mining, utilities, construction, transportation & warehousing, and more.
- Official data on FDI in the United States now showcases real estate and rental/leasing as an independent category, accounting for two percent of total position.

Source: Department of Commerce, Bureau of Economic Analysis

Breaking down Manufacturing

- Chemicals and Pharmaceuticals are capital intensive.
- Even spread across all other industries.

**Cumulative FDIUS in Manufacturing
2014**

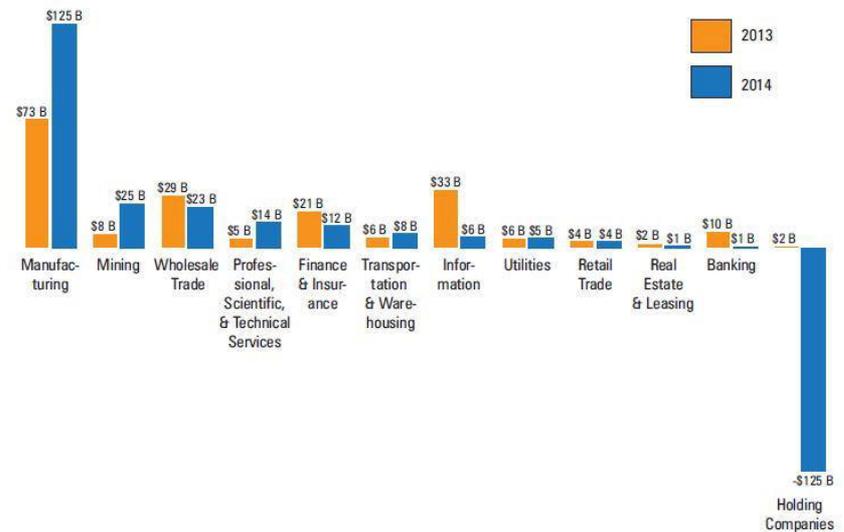


Data are shown on a historical-cost basis, or cost at time of investment.
Source: Bureau of Economic Analysis

Manufacturing is kicking back up

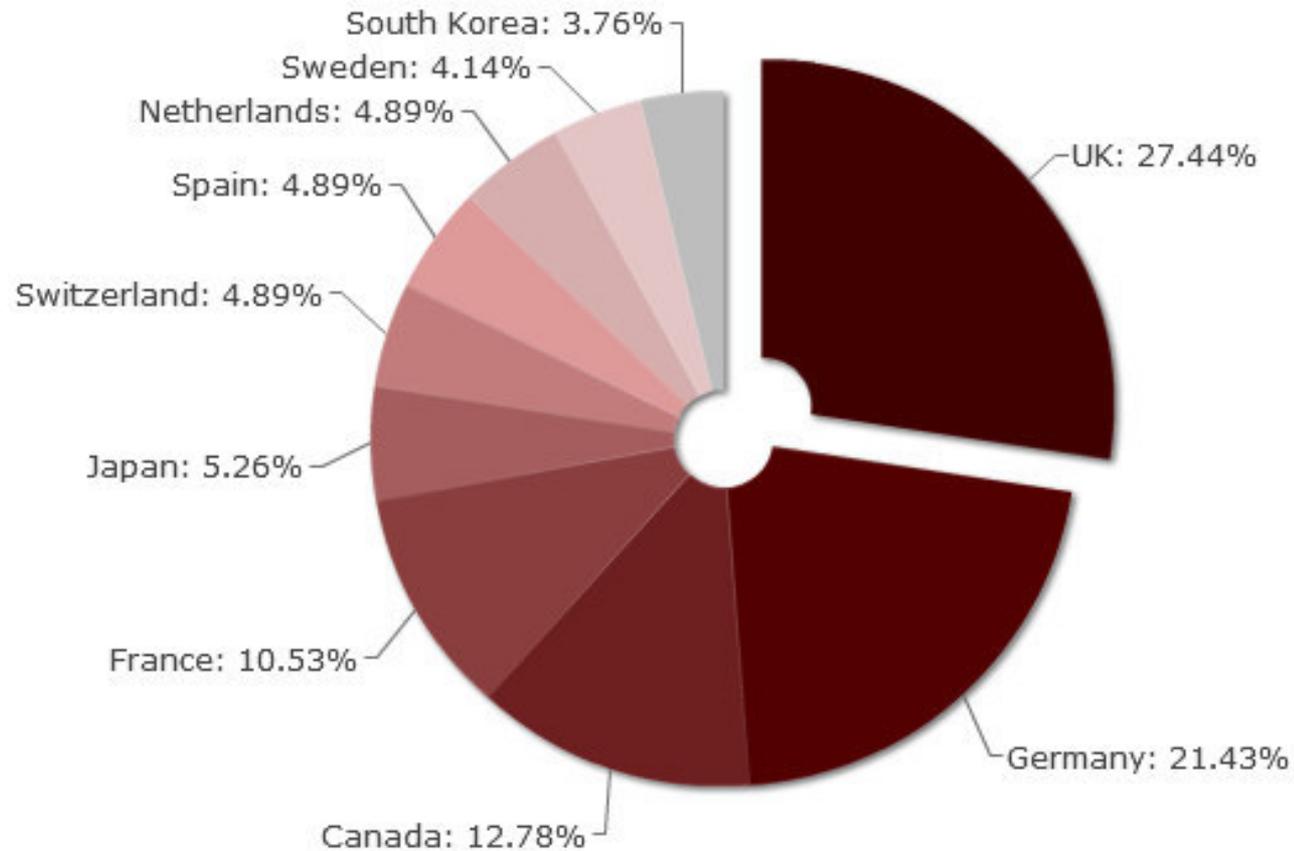
- Manufacturing shows the strongest gains. Most other industries are flat or decreasing.

**Inward Investment Flows by Industry
2013-2014**



Data by industry are shown on a directional basis without current-cost adjustment.
Source: Bureau of Economic Analysis

Case Study Pennsylvania– Source Markets



Source: FDI Markets database, Dec. 2014

USA's Assets

- **Stable Economy**
Large, growing and diverse economy
- **Comprehensive Infrastructure**
Transportation, water resource, energy
- **Strategic Location**
Central to U.S and Canadian businesses and consumers
- **Modern Workforce**
Well-educated, highly skilled
- **Diversified Industries**
Highly diversified with a strong manufacturing base
- **World-class Education**
Hundreds of world-class institutions of higher education
- **Game-changing Resources**
Supply and demand, manufacturing

Implications for Economic Development

– Organizations should...

- Assess their location's **capabilities and competencies in areas of growth**, resulting in a wish to be closer to market or leverage the latest technological improvements.
 - emerging services
 - competence centers
 - new types of manufacturing facilities,
- Ensure that their locations align skills supply and demand in key target sectors. Be proactive! Benchmark against target countries.

Implications for Economic Development

– Organizations should...

- Ensure that people obtain **skills that are relevant for industries** targeted for growth.
- Review the **performance of their organization** (along with local government, stakeholders, etc) to ensure that activities are aligned with the wider economic development strategy.
- Widen the mandate beyond traditional investment promotion activities to include **cluster development**, focusing on key target sectors and clusters and involve a number of activities to foster innovation, skills development, partnerships and entrepreneurship among indigenous and foreign companies.

Top 3 Issues for Economic Development – International Affairs

1

Export Promotion Programs

Despite exports being the bright spot of U.S. economic recovery, **only 1% of small businesses are exporting**, describing their greatest barrier as lack of information or understanding. State international trade agencies are on the front lines steering companies through the export promotion process, from identifying opportunity in foreign markets to assisting companies with export control compliance. **Exporting companies create good jobs and boost state economies.** Case in Point: Germany.

Source: Council of State Governments, Jan 2015



2

Attracting Foreign Direct Investment

The contributions to the U.S. economy by subsidiaries of foreign companies were nearly double that of U.S. companies in 2013. **FDI is a proven catalyst for economic growth** and states are leading the charge attracting international partners across the globe. Global trends show the U.S. share of FDI stock is facing tough competition from other regions, particularly the European Union and developing nations.

Source: Council of State Governments, Jan 2015



3

International Trade Agreements

The U.S. was negotiating major agreements with the Trans-Pacific and European Union regions. On completion, *these agreements would have provided enhanced access to 39 new markets*. States will be readying themselves for this opportunity by providing resources to exporters and preparing for challenges that may arise as a result of the trade deals.

Source: Council of State Governments, Jan 2015



The Need for Strategy

What are your assets? What makes sense for your unique region?

- ✓ Outline the strengths and weaknesses in your investment climate
- ✓ Conduct a “Globalization Audit”
- ✓ Identify possible source markets and priority sectors for investment
 - *What comparative advantage exists for your region?*
 - *Be realistic - Focus on a finite number of target sectors and countries. Invest in them and show a strong and continuous presence.*



The Need for Strategy

Moving into Action: When you Go

- ✓ Know the decision making process for an investor
 - *What will they look for? What are their sticking points? Culture? Language?*
- ✓ Familiarize yourself with the markets you visit, and the industries and firms you want to attract – be an expert. Show that you care and understand.
- ✓ Be the chief salesperson for your region, always from the perspective of the investor

Implement Business Retention and Expansion Tools

- ✓ Prioritize Investor Care
 - *Quick response time to inquiries (from the State Office, SelectUSA or EAIC)*
 - *Create a standardized framework for managing cases*
 - *Establish metrics to track clients, successes, and areas for improvement*
 - *Open communication with decision makers at the state and local levels*
 - *Be prepared and willing to handhold an investor throughout the process*
- ✓ Always follow-up with relevant and tailored Aftercare

FDI Benefits the U.S. Economy

#1 → The United States is the largest single recipient of foreign direct investment in the world.

22% of U.S. Exports → In 2012, U.S. subsidiaries of foreign-owned firms accounted for over 22 percent of all U.S. goods exports.

~6 million U.S. jobs → In 2012, subsidiaries employed 5.8 million U.S. workers.

Average annual wage
\$78,927 → In 2011, subsidiaries contributed \$455 billion in wages to U.S. employees

R&D Investments → In 2012, subsidiaries invested \$47.0 billion in research and development in the United States

Sources: Bureau of Economic Analysis; UN Conference on Trade & Development



The Where and Why of Your Location

- ✓ Tactical introduction to your state, region, city
- ✓ What is your brand?
- ✓ Don't go it alone! Partnerships are key

