GLOBAL CITIES INITIATIVE
A Joint Project of Brookings and JPMorgan Chase

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Foreign Investment Holds Potential as Critical Tool in Growing State and Local Economies

Brookings Releases First-Ever Metro-Level Analysis of American Jobs in Foreign-Owned Businesses

(Washington, DC) – Foreign-owned businesses are an important component of the U.S. economy, supporting millions of jobs across every economic sector throughout the country. But where are these businesses located and exactly how many workers do they employ in each metropolitan area? A new Brookings report released today as part of the Global Cities Initiative, a joint project of Brookings and JPMorgan Chase, answers those questions for the first time.

Seven years after the start of the Great Recession, business, political and civic leaders are taking a new look at the role that foreign direct investment can play in helping to rebuild local economies. (FDI is an investment made by a foreign company into a new or existing U.S. business that gives the foreign company a controlling interest in the management and operations of the enterprise.) But they are stymied: to date, there is no metro data that provides a complete picture of where foreign companies have chosen to invest and employ workers in U.S. communities.

FDI in U.S. Metro Areas provides a groundbreaking analysis of the location of jobs in foreign-owned businesses, charting global trends in foreign direct investment, examining why FDI is important to a strong regional economy and identifying policies to maximize the potential of FDI into the United States.

"Foreign direct investment is a fresh injection of capital into our economy, supporting millions of well-paying jobs across the nation's metros, strengthening our industry clusters and boosting our global competitiveness," said report co-author Devashree Saha, Brookings senior policy analyst and associate fellow. "This report will help guide federal, state and local policymakers in designing policies that cultivate an environment that draws foreign direct investment naturally and maximizes the amount, quality and potential economic benefits of FDI in this country."

In 2011, majority-owned U.S. affiliates of foreign companies employed 5.6 million American workers. On average, FDI supports 5.5 percent of the private workforce in a large metro area. Bridgeport, CT, has the highest share of workers employed by foreign-owned companies at 13.6 percent, with a large concentration in banking and finance. Greensboro, NC, and Worcester, MA tie for second position with 9.0 percent of workers employed by these businesses. Over the course of the economic recovery (2009-

2011), more than 70 metro areas saw the number of workers at foreign-owned businesses rise. Atlanta, Houston, Los Angeles and New York each experienced an increase of over 10,000 workers.

“We’ve long known that metropolitan areas are the engines of the national economy. Now we know that they’re the country’s strongest magnets for global investment as well,” stated report co-author Kenan Fikri, policy analyst. The country’s 100 largest metro areas contain nearly three-quarters of the jobs supported by FDI, compared to two-thirds of all jobs economy wide.

Jobs in foreign-owned businesses are concentrated in manufacturing, where FDI supports 2.2 million workers, or nearly one-fifth of all manufacturing jobs in the country. FDI in technology- and skills-intensive advanced industries employs 1.4 million workers. On average, 33 countries and 77 foreign city-regions invest in each of the 100 largest metro areas by population. Altogether, 115 different countries and 445 different global city-regions invest directly in the United States, with Western European countries, Canada and Japan making up the 10 largest sources of FDI into the United States.

Contrary to popular belief, the primary factor that has driven changes in jobs in foreign-owned companies is mergers and acquisitions and not new establishment openings. Together with the fact that M&As constitute 87 percent of average annual dollar inflows into the United States, this distinction has important implications for policymakers considering how to maximize the economic benefits of FDI into their regions.

According to the Brookings report, the benefits of foreign direct investment extend well beyond the millions of jobs supported economy wide. For example, U.S. affiliates of foreign companies pay well above average wages. They strengthen U.S. trade, producing more than one-fifth of all U.S. goods exports and accounting for 28 percent of imports. They account for 19 percent of all corporate R&D expenditures in the United States. They have funneled 48 percent of total FDI dollars into manufacturing, shoring up the nation’s eroding production base. And finally, they build pipelines that boost the flow of knowledge, technology and ideas into the nation’s industrial centers, helping regions build global networks.

While the U.S. remains the world’s number one destination for foreign investment, its position has been steadily eroding. Between 1999 and 2012, the U.S. share of global FDI dollars dropped from a high of 26 percent to just 12 percent.

“Emerging markets are now competing with us to attract high-value foreign capital,” said report co-author Nick Marchio, senior research assistant. “We can no longer assume that we will automatically receive the largest portion of globally mobile investment dollars. And so a closer look at the metropolitan geography of FDI is long overdue because it offers hints about what companies willing to invest in the U.S. look for. We need better information in order to be more strategic about how to leverage foreign direct investment to advance economic development.”

Currently, the Global Cities Initiative is working with six metropolitan areas–Columbus, Ohio; Minneapolis-Saint Paul; Portland, Ore.; San Antonio; San Diego; and Seattle–using this data to create and implement plans to attract and leverage foreign direct investment. This work, along with existing metropolitan export plans, will strengthen the regions' global economic connections and competitiveness. Over the next several years, dozens of other metropolitan areas will join in this effort to create comprehensive global engagement strategies through the Global Cities Initiative.

The Metropolitan Policy Program at Brookings *provides decision-makers with cutting-edge research and policy ideas for improving the health and prosperity of metropolitan areas, including their component cities, suburbs, and rural areas. To learn more, please visit: www.brookings.edu/metro. Follow us on Twitter at www.twitter.com/brookingsmetro.*

*Launched in 2012, the **Global Cities Initiative** is a five-year joint project of Brookings and JPMorgan Chase aimed at helping city and metropolitan leaders become more globally fluent by providing an in-depth and data-driven look at their regional standing on crucial global economic measures, highlighting best policy and practice innovations from around the world, and creating an international network of leaders who ultimately trade and grow together. For more information please visit http://www.brookings.edu/projects/global-cities.aspx or www.jpmorganchase.com/globalcities.*

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