Competing for Investment and Economic Development

National Conference of State Legislators
Legislative Summit

Brian J. Lenihan
SelectUSA
U.S. Department of Commerce | International Trade Administration
August 7th, 2019
Introduction to **SELECTUSA**

Only U.S. federal-level program dedicated to **facilitating and promoting high impact foreign direct investment (FDI) in the United States**. FDI contributes to U.S. competitiveness by driving economic growth, job creation, innovation, and exports – **which advances the overarching goal of free, fair and reciprocal trade**.

Began as the **Invest in America** initiative in 2007; and the program was furthered by Executive Order 13577 in 2011 to solidify the current authorities, mission and tools; first budget allocation in 2012; and authorities examined & focused in 2018.

SelectUSA supports **greenfield investment**. It does **not** support real estate investment or M&A.

To date, SelectUSA has directly assisted attracting over **$52 billion** in client-verified investments (WINs) into the United States.

**We partner with EDOs to support FDI.**

<table>
<thead>
<tr>
<th>FY</th>
<th>WINS#</th>
<th>TOTAL FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>38</td>
<td>$5.5 Billion</td>
</tr>
<tr>
<td>FY17</td>
<td>68</td>
<td>$2.5 Billion</td>
</tr>
<tr>
<td>FY18</td>
<td>148</td>
<td>$20.1 Billion</td>
</tr>
<tr>
<td>FYTD</td>
<td>67</td>
<td>$8.1 Billion</td>
</tr>
</tbody>
</table>
About FDI

DEFINITION

“Foreign Direct Investment occurs when an entity or group of related entities acting in a concerted manner in one economy makes an investment in another economy that gives control, or a significant degree of influence, over the management of an entity resident in another economy.”

◊ The international standard definition of FDI requires at least 10 percent ownership.
◊ SelectUSA generally requires a majority (>50%) ownership.

TYPES OF FDI

Greenfield
When a foreign investor builds operations in another country from the ground up. This also includes when existing operations are expanded.

Mergers & Acquisitions (M&A)
When a foreign investor gains a non-passive equity stake by investing in an existing company. This is referred to as “brownfield investment.”
FDI Benefits the U.S. Economy

#1 The United States is home to more foreign direct investment than anywhere else in the world

A Quarter of U.S. Exports In 2016, U.S. subsidiaries of foreign-owned firms accounted for 1/4 of all U.S. goods exports

7 Million U.S. Jobs In 2016, subsidiaries directly employed 7.1 million U.S. workers – indirectly 14 million

Average Annual Compensation $81,220 In 2016, subsidiaries contributed $576 billion in compensation to U.S. employees

R&D Investments In 2016, subsidiaries spent $60.1 billion in research and development in the United States

Source: Department of Commerce, Bureau of Economic Analysis – FDI by majority foreign-owned firms, UNCTADStat
Why Invest in the U.S.

BUSINESS CLIMATE

The United States is ranked number one among countries with populations over 100 million in

The World Bank’s Ease of Doing Business 2018 Indicator

$60bn R&D (1/4 global)

15 of Top 20 Universities

$20 Trillion GDP

Transparent, fair, stable

Strong IP Protection

MARKET

The U.S. market has already attracted more than

$4 trillion in FDI STOCK

In 2018 the United States topped A.T. Kearney Foreign Direct Investment Confidence Index for the sixth year in a row.

2019 too!
The United States is the Largest Recipient of FDI
FDI Global Trends

...but the U.S. share of global FDI has decreased

Source: United Nations Conference on Trade and Development
http://unctadstat.unctad.org/
#1
Home to the largest amount of FDI in the world

Largest Source of FDI
Fastest Growing Source
Large and Fast-Growing

FDI Position by Ultimate Beneficial Owner

Expanding U.S. Exports $370 billion
Total contribution to U.S. goods exports by majority foreign-owned firms operating in the United States in 2016.

Supporting U.S. Jobs 7,087,900
Number of U.S. workers employed by U.S. affiliates of majority foreign-owned firms in 2016. 
## Sources of FDI

### Largest Sources of FDI in the United States (by UBO)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Market</th>
<th>2018 Position In USD millions</th>
<th>Share of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United Kingdom</td>
<td>$597,219</td>
<td>13.7%</td>
</tr>
<tr>
<td>2</td>
<td>Canada</td>
<td>$588,399</td>
<td>13.5%</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>$488,714</td>
<td>11.2%</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>$474,472</td>
<td>10.9%</td>
</tr>
<tr>
<td>5</td>
<td>Ireland</td>
<td>$385,322</td>
<td>8.9%</td>
</tr>
<tr>
<td>6</td>
<td>France</td>
<td>$326,437</td>
<td>7.5%</td>
</tr>
<tr>
<td>7</td>
<td>Netherlands</td>
<td>$228,144</td>
<td>5.3%</td>
</tr>
<tr>
<td>8</td>
<td>Switzerland</td>
<td>$222,491</td>
<td>5.1%</td>
</tr>
<tr>
<td>9</td>
<td>Belgium</td>
<td>$84,661</td>
<td>1.9%</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>$76,380</td>
<td>1.8%</td>
</tr>
<tr>
<td>11</td>
<td>Australia</td>
<td>$71,460</td>
<td>1.6%</td>
</tr>
<tr>
<td>12</td>
<td>Bermuda</td>
<td>$60,750</td>
<td>1.4%</td>
</tr>
<tr>
<td>13</td>
<td>China</td>
<td>$60,182</td>
<td>1.4%</td>
</tr>
<tr>
<td>14</td>
<td>South Korea</td>
<td>$57,623</td>
<td>1.3%</td>
</tr>
<tr>
<td>15</td>
<td>Sweden</td>
<td>$55,424</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis (BEA). UBO refers to Ultimate Beneficial Owner. CAGR refers to Compound Annual Growth Rate. Fastest-Growing Sources of FDI ranks markets with 2018 FDI stock in the United States greater than $1 billion.
FDI in the United States by Industry

2018 FDI in the U.S.
Breakout of $4.3 Trillion Inward Position

- Manufacturing, $1.8T, 41%
- Banking, Finance & Insurance, $741.4B, 17%
- Wholesale Trade, $446.4B, 10%
- Other Industries, $736.7B, 17%
- Professional, Scientific, and Technical Services, $190.5B, 4%
- Information, $180.4B, 4%
- Real Estate and Rental and Leasing, $129.4B, 3%
- Retail Trade, $148.2B, 3%

2008 FDI in the U.S.
- 32%
- 17%
- 16%
- 10%
- 8%
- 3%
- 2%
- 2%

Source: Department of Commerce, Bureau of Economic Analysis
EDO & Market Feedback

When polled by SelectUSA, EDOs and LES had numerous recommendations for priority industries. These vary by state and country, but some trends emerge:

<table>
<thead>
<tr>
<th>EDO Identified Sectors</th>
<th>#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software/IT Services</td>
<td>25</td>
</tr>
<tr>
<td>Advanced Manufacturing</td>
<td>23</td>
</tr>
<tr>
<td>Aerospace</td>
<td>23</td>
</tr>
<tr>
<td>Food Processing</td>
<td>23</td>
</tr>
<tr>
<td>Alt/Renewable Energy</td>
<td>17</td>
</tr>
<tr>
<td>Biotech</td>
<td>16</td>
</tr>
<tr>
<td>Business Services</td>
<td>12</td>
</tr>
<tr>
<td>Financial Services</td>
<td>12</td>
</tr>
<tr>
<td>Automotive</td>
<td>10</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>9</td>
</tr>
<tr>
<td>Environmental Tech</td>
<td>8</td>
</tr>
<tr>
<td>Transportation</td>
<td>8</td>
</tr>
</tbody>
</table>
**Investment Services Team**

*Service Delivery and Program Development*
- Delivers essential counseling and facilitation services that support clients in their investment strategies; serves as ITA experts on practical attraction and promotion; and develops service capacity across ITA.

**Programs & Summit Team**

*Events and Interagency Strategic Partners*
- Organizes the USG’s most visible event for business attraction, the SelectUSA Investment Summit; acts as the lead of the Interagency Investment Working Group; and engages with Governors and the Chiefs of Mission.

**Outreach & Communications Team**

*Marketing and Stakeholder Arm*
- Markets and promotes the United State as the premier destination for leveraging investments; communication channels, social media, and media engagement; manages SelectUSA branding; and facilitates the U.S. Investment Advisory Council.

**Investment Research Team**

*Internal Think Tank*
- Leads development of investment research, tools, and intelligence that inform client’s business decisions; produces research, reports, and analysis that advances thought leadership; and builds relationships with external research partners.
Strategic Foundation Formulation

National Security Strategy

Promote American Prosperity

1. Accelerate American Leadership
2. Enhance Job Creation
4. Fulfill Constitutional Requirements and Support Economic Activity
5. Deliver Customer-Centric Service Excellence

Strategic Goals

1. Accelerate American Leadership
2. Enhance Job Creation

Strategic Objectives

2.3 Strengthen Domestic Commerce and the U.S. Industrial Base
2.4 Increase U.S. Exports
2.5 Increase Inward Investment
3.1 Enforce the Nation’s Trade Laws & Security Laws

Mission Strategies

Build community and regional capacity for entrepreneurship and innovation.
Advocate globally for the United States as the premier destination for investment.
Provide tailored assistance to investors, states and localities to facilitate increased investment in U.S. communities.
Lead coordination of investment promotion policy across the U.S. government and key partners.
Assess foreign direct investment impacts on national security.
Interagency Investment Working Group

The Working Group shall coordinate activities to promote business investment and respond to specific issues that affect business investment decisions.”

Over 20 IIWG participating agencies including:

[Images of various agency logos]

SELECTUSA
IIWG
Investment Advisory Council

- Advises Secretary on government policies and programs that affect businesses engaging in FDI, the expansion of domestic operations, or the transferring of operations to the U.S. from overseas

- Increased up to **25 members** to **include U.S. companies**

- Two-year term (April 2018 - April 2020)

- Secretary has selected members and an inaugural meeting is being planned for Q1 FY20
How We Deliver

**Services for Companies**

- **Actionable information** to support business decisions
- **Platform For Connections** to on-the-ground expertise at the local level
- **Navigating the federal system** to help with questions or concerns about rules and regulations
- **Offering the same services** to domestic companies looking to expand or return operations to the U.S.

**Services for EDOs**

- **Actionable information** to support their FDI attraction and retention strategies
- **Platform For Connections** to extend their global reach to investors (Road Shows, Single Location Promotion Service, Summit)
- **Navigating the federal system** to help with questions or concerns about rules and regulations
- **Investment project advocacy** to help a U.S. jurisdiction win an internationally mobile project
Actionable Information

= Market Research (free!)

Business Investors: SelectUSA provides geographically neutral market research reports to investors about the U.S. market and how to open a business in the United States.

- Industry clusters
- Supply chains
- Workforce composition
- Operating costs
- Infrastructure & logistics
- Regulations

EDOs: SelectUSA helps EDOs develop and execute an FDI strategy through research reports.

- Investment trends
- Sector information
- FDI profiles in their region
- Job creation information
Scenario: Research Assistance for EDOs

- Problem: Sub-state EDOs limited resources + misaligned strategy

- Action: SelectUSA delivers data from official and proprietary sources in a language EDOs can use

- Solution: EDO develops and implements an informed strategic plan
Scenario: Research Assistance for an Investor

Problem: One investor, hundreds of EDOs, and unbiased place to start a location down-select!

- Action: SelectUSA listens to most important client inputs for profitability then pulls relevant geographically neutral data that responds to the clients’ needs. Example Data include:
  - Electricity Costs
  - Industry Cluster Data
  - Worker Demographic Data

- Solution: 6-14 page custom report from investor allows informed sub-national short list of locations
Greenfield FDI by Project: [www.selectusa.gov/greenfield](http://www.selectusa.gov/greenfield)

How much do states receive in greenfield FDI?

<table>
<thead>
<tr>
<th>Total Announced Projects</th>
<th>Capital Investment</th>
<th>Jobs Created</th>
<th>U.S. States &amp; Territories Represented</th>
<th>Source Markets Represented</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,150</td>
<td>$408,001.9M</td>
<td>974,695</td>
<td>56</td>
<td>92</td>
</tr>
</tbody>
</table>

**Top Markets by Project Count**

<table>
<thead>
<tr>
<th>Market</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>3</td>
</tr>
<tr>
<td>France</td>
<td>4</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
</tr>
<tr>
<td>China</td>
<td>6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>8</td>
</tr>
<tr>
<td>Australia</td>
<td>9</td>
</tr>
<tr>
<td>Spain</td>
<td>10</td>
</tr>
</tbody>
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**Top Industries by Project Count**

<table>
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<tr>
<th>Industry Sector</th>
<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>Software &amp; IT services</td>
<td>1</td>
</tr>
<tr>
<td>Business services</td>
<td>2</td>
</tr>
<tr>
<td>Textiles</td>
<td>3</td>
</tr>
<tr>
<td>Industrial Machinery, Equipm.</td>
<td>4</td>
</tr>
<tr>
<td>Automotive components</td>
<td>5</td>
</tr>
<tr>
<td>Financial services</td>
<td>6</td>
</tr>
<tr>
<td>Consumer products</td>
<td>7</td>
</tr>
<tr>
<td>Communications</td>
<td>8</td>
</tr>
<tr>
<td>Food &amp; tobacco</td>
<td>9</td>
</tr>
<tr>
<td>Plastics</td>
<td>10</td>
</tr>
</tbody>
</table>

SelectUSA Investment Summit

The annual Summit—the nation’s premier investment event—showcases business investment opportunities throughout the USA. The Summit attracts serious investors; past participants have announced more than $106 billion in greenfield FDI projects within 5 years of attending a Summit.*

*according to data from IDI Markets

3100 event attendees
- 1200 international delegates
- 800 economic development orgs.
- 500 academics, elected officials, staff, & OSUs
- 176 speakers
- 300 service providers
- 100 media reps

49 represented states/territories

140 exhibitors
800 econ dev orgs

approx. 70% attendees actively used matchmaking
3221 meetings confirmed
SelectUSA Tech at the SelectUSA Investment Summit

Monday, June 10th

SELECTUSA INVESTMENT SUMMIT

SPINOFF EVENTS

Ivanka Trump @IvankaTrump · Jun 12
The U.S. welcomes Foreign Direct Investment - there is no better market on the planet to invest in!
In ONE day, 66 international companies from 12 different markets around the world committed nearly 1 million opportunities to #PledgeToAmericasWorkers. #SelectUSASummit
SelectUSA Successful Solution

Unique Role

• **Single point of contact** to assist companies navigating a large and diverse economy and federal system.

• **Trusted partner and advisor** to communities and investors.

• **Convening power of the federal government** to bring investors and EDO’s together.

Strategic Focus

• **High-impact investment** that drives jobs, exports, and R&D.

• **Value to state and local entities** to extend their reach and compete globally.

• **Results** for our clients and taxpayers.
Save the Date

2020 INVESTMENT SUMMIT
THE WASHINGTON HILTON
WASHINGTON, D.C. | JUNE 1 – 3, 2020

WWW.SELECTUSASUMMIT.US
Testimonials

“Wisconsin always attends SelectUSA and we receive incredible support from the SelectUSA team to identify opportunities that fit Wisconsin’s key industries. There is a great service mentality in the SelectUSA team. Thank you for what you do!”

-- Katy Sinnott (Wisconsin Economic Development Corporation)

“Over many years, SelectUSA helped us with a variety of topics. Whether it’s the workforce, whether it’s legal, whether it’s locations, it’s a variety of topics which you really need to talk to someone who knows it and has the experience.”

-- Bernhard Kuhnt (President and CEO, BMW North America)

“SelectUSA 2019 was great in the sense that the quality of businesses that attended were outstanding. We are already witnessing outcomes from the summit. We have one business that has signed a lease and plans to invest up to $1 million within the next 12 months.”

-- Martin Ezemma (Prince George’s County Economic Development Corporation)

“The access that companies have at the Summit to the highest level of the federal government, plus all of the state and local agencies, for us it was an unparalleled opportunity to access all of the people in one place that we need to make our transition to the U.S. easier.”

-- Mark Beariault (General Counsel and Head of Legal Affairs, The Kudelski Group)
Contact

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