1. Why Global
2. Southern California FDI Market Dynamics
3. Global Opportunities and Threats
The Bulk of Economic Growth Is Occurring Outside the U.S.

- 81% share of global economic growth occurring outside the U.S., 2015-2020
- 95% share of consumers outside the U.S.

Global Middle Class - 2009 | Share of Global Totals

18% North America

36% Europe

28% Asia Pacific

Source: Kharas and Gertz, “The New Global Middle Class,” 2010
Global Middle Class - 2030 | Share of Global Totals

- 7% North America
- 14% Europe
- 66% Asia Pacific

Source: Kharas and Gertz, “The New Global Middle Class,” 2010
The U.S. Is Increasingly Export-Oriented, but Large Firms Dominate

Export Growth
Share of U.S. GDP Growth, 2009-2014

- 2003: 7.9%
- 2014: 11.6%

Export Intensity
U.S. Export Share of GDP

- 2003: 7.9%
- 2014: 11.6%

Large Exporters
500+ Employees

- 2% share of U.S. exporters
- 67% share of U.S. export value

Source: Brookings, Census
Though Volatile, Global Investment Flows Are Growing

FDI Flows
Capital Investment, 1980-2012

- Global
  - 1984: $1 trillion, 45% of world total
  - 1999: $2 trillion, 12% of world total
  - 2012: $2 trillion

- U.S.
  - 1984: $1 trillion
  - 1999: $1 trillion
  - 2012: $1 trillion

Source: UNCTAD
Why FDI Matters: High-Wage Jobs in Export-Intensive and Innovative Firms

<table>
<thead>
<tr>
<th>Wages</th>
<th>Exports</th>
<th>R&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>Foreign-owned</td>
<td>Foreign-Owned Firms</td>
</tr>
<tr>
<td>Average, 2011</td>
<td>Foreign Firms in Goods</td>
<td>5% share of U.S. employment</td>
</tr>
<tr>
<td>$60,000</td>
<td>Industries, 2011</td>
<td>19% share of corporate</td>
</tr>
<tr>
<td>$77,000</td>
<td>2% Employment</td>
<td>R&amp;D spending</td>
</tr>
<tr>
<td></td>
<td>20% Goods Exports</td>
<td></td>
</tr>
</tbody>
</table>

Source: Brookings, Bureau of Economic Analysis
Current Economic Development Approaches Are Outdated

Firm Relocation

1.9%

Share of state job creation, 1992-2006

Major Projects

50%

Plant expansions and relocations of 50+ jobs or $1M+ investment, 2000-2012

Source: Jed Kolko, "Business Relocation and Homegrown Jobs, 1992-2006, Public Policy Institute of California, 2010; Conway Data, Inc"
Metros Are the Market

Top 100 Metros
Share of U.S. Totals

- Population: 66%
- Exports: 65%
- FDI Jobs: 74%
- College Degrees: 74%
- Patents: 78%
- Venture Capital: 94%

- Land Area: 12%

Source: Census, Brookings
Mergers and Acquisitions Are the Dominant Form of FDI

FDI Capital Inflows
U.S., 1992-2008

13% Greenfield
87% M&A

FDI Job Growth
Average year, 1991-2011

21% Greenfield
45% M&A
34% Expansion

Source: Brookings, Bureau of Economic Analysis
Most Greenfield Investments Are Mid-Sized, and Expansions Drive Growth

43
Employees in the average M&A establishment at time of entry, top 100 metro areas

Example: Life Sciences in San Diego

33
Employees in the average Southern California greenfield establishment at time of entry

Twice as many
Jobs created nationwide from expansions of existing FDI firms than new greenfield investments, 2001-2011

Source: Brookings, FDI in U.S. Metro Areas
1. Why Global
2. Southern California FDI Market Dynamics
3. Global Opportunities and Threats
Los Angeles County Leads on Total FDI, but Others Are More Manufacturing-Intensive

**Share of Southern California FDI Employment by County, 2011**

- 60% Los Angeles
- 25% Orange
- 6% San Bernardino
- 5% Riverside
- 4% Ventura

**FDI Intensity by County, 2011**

<table>
<thead>
<tr>
<th>County</th>
<th>% in Goods</th>
<th>% in Adv. Ind.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange</td>
<td>6.7%</td>
<td>43%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>5.8%</td>
<td>18%</td>
</tr>
<tr>
<td>Top 100 Metros</td>
<td>5.4%</td>
<td>36%</td>
</tr>
<tr>
<td>Ventura</td>
<td>4.5%</td>
<td>39%</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>4.4%</td>
<td>35%</td>
</tr>
<tr>
<td>Riverside</td>
<td>3.5%</td>
<td>45%</td>
</tr>
</tbody>
</table>
FDI Intensity Varies Significantly Across the Southern California Counties

FDI Intensity by County, 2001-2011

Los Angeles
- 2001: 6.2%
- 2008: 5.3%
- 2011: 5.8%

Orange
- 2001: 6.3%
- 2008: 6.1%
- 2011: 6.4%

San Bernardino
- 2001: 3.7%
- 2008: 3.4%
- 2011: 4.3%

Riverside
- 2001: 2.3%
- 2008: 2.8%
- 2011: 3.5%

Ventura
- 2001: 4.6%
- 2008: 4.4%
- 2011: 4.6%
Southern California FDI Is Less Traded Sector Oriented than Other Large Metros

**Traded Sector Share of FDI Employment, 2011**

- **Southern California**: 59%
- **Top 100 Metros**: 68%

**Top Traded Sector Industries, 2011**

- Investigation & security: 25,000
- Motion picture & video: 15,000
- Banking: 9,000
- Aerospace product & parts: 7,000
- Traveler accommodation: 6,000
- Business support services: 6,000
- Insurance carriers: 6,000
- Semiconductors: 5,000
- Medical equipment: 5,000
- Pharmaceuticals: 5,000
Japan and England Are the Region’s Largest Investors, while China Remains Small

<table>
<thead>
<tr>
<th>Employment</th>
<th>Establishments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>62,000</td>
</tr>
<tr>
<td><strong>England</strong></td>
<td>56,000</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>26,000</td>
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<tr>
<td><strong>Sweden</strong></td>
<td>25,000</td>
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<tr>
<td><strong>Switzerland</strong></td>
<td>18,000</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>12,000</td>
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<tr>
<td><strong>Canada</strong></td>
<td>11,000</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>9,000</td>
</tr>
<tr>
<td><strong>South Korea</strong></td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Hong Kong</strong></td>
<td>1,600</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td>900</td>
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</tbody>
</table>
Tokyo Is the Largest Source of Southern California FDI, but European Markets Lead Overall

Top Countries by FDI Employment, 2011

<table>
<thead>
<tr>
<th>Establishment</th>
<th>Employment</th>
<th>Establishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo, Japan</td>
<td>47,000</td>
<td>1,400</td>
</tr>
<tr>
<td>Paris, France</td>
<td>25,000</td>
<td>500</td>
</tr>
<tr>
<td>Stockholm, Sweden</td>
<td>25,000</td>
<td>60</td>
</tr>
<tr>
<td>London, England</td>
<td>25,000</td>
<td>400</td>
</tr>
<tr>
<td>Cambridge, England</td>
<td>13,000</td>
<td>100</td>
</tr>
<tr>
<td>Zürich, Switzerland</td>
<td>10,000</td>
<td>100</td>
</tr>
<tr>
<td>Jersey, England</td>
<td>8,000</td>
<td>100</td>
</tr>
<tr>
<td>Toronto, Canada</td>
<td>7,000</td>
<td>150</td>
</tr>
<tr>
<td>Brisbane, Australia</td>
<td>7,000</td>
<td>30</td>
</tr>
<tr>
<td>Seoul, Republic of Korea</td>
<td>7,000</td>
<td>150</td>
</tr>
</tbody>
</table>
Chinese and South Korean FDI Is Highly M&A-Intensive Compared to the Region Overall

**Initial Mode of Entry for 2011 FDI Employment**

**China (U.S. Total)**
- 32% Pre-1991
- 56% M&A
- 12% Greenfield

**South Korea (U.S. Total)**
- 21% Pre-1991
- 60% M&A
- 19% Greenfield

**Southern California (Total FDI)**
- 42% Pre-1991
- 30% M&A
- 28% Greenfield

Source: Brookings, FDI in U.S. Metro Areas
Emerging Market Competition

Chinese firms: 20% of Fortune Global 500
US and European firms: fell from 76% of Fortune Global 500 in 1980 to 54% in 2013

M&A is Growing and Evolving

“Companies are increasingly pursuing M&A strategies to capture new markets and add new business lines. The corporate world has experienced spikes of M&A in the past, but nothing like the recent wave of deal-making.”

Emerging market firms: 10% of global M&A in consumer goods in 2008, almost 30% in 2014

New Approaches

“A firm with a controlling shareholder… is more likely to focus on building a leading position and is able to take a longer-term view about the growth and investment needed to accomplish that goal.”
1. Why Global
2. Southern California FDI Market Dynamics
3. Global Opportunities and Threats
Southern California’s Global Performance and Assets Are World Class

Government and Business Institutions
- Consulates and business groups treat Southern California as a U.S. beachhead
- JETRO and KOTRA have committed to a presence in Southern California

Port and Airport
- Southern California has the capacity to move goods and people

Universities and Students
- Southern California attracts and retains students at leading universities

Exports and FDI
- Southern California is a leading region for export production and FDI employment

Pacific rim
- Southern California is positioned to capture growth in Asia
The Region Is a Leader in Attracting and Retaining Foreign Students

68,000 foreign students, 2008-2012

63% share of foreign students that remained in the Los Angeles metro after graduating

#2 of 118 metro areas

#6 of 118 metro areas on foreign student retention

---

### Top Origin Cities and Countries of Foreign Students

<table>
<thead>
<tr>
<th>ORIGIN CITY</th>
<th>NUMBER OF STUDENTS</th>
<th>ORIGIN COUNTRY</th>
<th>NUMBER OF STUDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul, South Korea</td>
<td>7,109</td>
<td>China</td>
<td>15,237</td>
</tr>
<tr>
<td>Beijing, China</td>
<td>2,662</td>
<td>South Korea</td>
<td>14,507</td>
</tr>
<tr>
<td>Taipei, Taiwan</td>
<td>2,076</td>
<td>India</td>
<td>7,014</td>
</tr>
<tr>
<td>Shanghai, China</td>
<td>1,893</td>
<td>Taiwan</td>
<td>4,179</td>
</tr>
<tr>
<td>Hong Kong, SAR</td>
<td>1,670</td>
<td>Japan</td>
<td>2,955</td>
</tr>
</tbody>
</table>

### Top Destination Institutions

- California State University, Northridge
- Nobel University
- UNIVERSITY OF CALIFORNIA, IRVINE
- University of California, Los Angeles
- University of Southern California
The Region Is a Leader in International Freight and Passenger Movement

$418 million
Port of Los Angeles trade value, 2014
($290 million imports, $128 million exports)

#1
rank among 150 U.S. port complexes

1%
growth of Port of Los Angeles trade value, 2013-2014
(slowest annual growth rate since 2000)

#3
rank among 90 U.S. metros, annual air passengers

China - freight movement:
#1 trade partner for Los Angeles region since 2002

39 percent of Los Angeles region trade, 2008-2014

$100 Billion of Los Angeles region trade in 2014

Top freight connections:

<table>
<thead>
<tr>
<th>Top 10 international connections</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. China</td>
<td>$211,343.9M</td>
</tr>
<tr>
<td>2. Japan</td>
<td>$58,470.6M</td>
</tr>
<tr>
<td>3. Remainder of South-Eastern Asia</td>
<td>$39,034.5M</td>
</tr>
<tr>
<td>4. Republic of Korea</td>
<td>$26,001.3M</td>
</tr>
<tr>
<td>5. Australia and New Zealand</td>
<td>$10,036.9M</td>
</tr>
</tbody>
</table>
Southern California Is a Top Destination for FDI from the Pacific Rim, but Is Not Dominant

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>2,079</td>
<td>52</td>
<td>LA/Orange Cty</td>
<td>6,845</td>
<td>144</td>
<td>New York</td>
<td>2,294</td>
<td>79</td>
<td>LA/Orange Cty</td>
<td>55,739</td>
<td>1,422</td>
</tr>
<tr>
<td>San Jose</td>
<td>1,499</td>
<td>5</td>
<td>Providence</td>
<td>4,698</td>
<td>8</td>
<td>Providence</td>
<td>2,106</td>
<td>3</td>
<td>New York</td>
<td>52,536</td>
<td>1,060</td>
</tr>
<tr>
<td>Detroit</td>
<td>981</td>
<td>18</td>
<td>New York</td>
<td>4,413</td>
<td>153</td>
<td>Raleigh</td>
<td>1,327</td>
<td>2</td>
<td>Chicago</td>
<td>27,090</td>
<td>691</td>
</tr>
<tr>
<td>Boston</td>
<td>966</td>
<td>5</td>
<td>Atlanta</td>
<td>2,348</td>
<td>38</td>
<td>Cleveland</td>
<td>1,109</td>
<td>4</td>
<td>Atlanta</td>
<td>23,167</td>
<td>344</td>
</tr>
<tr>
<td>LA/Orange Cty</td>
<td>784</td>
<td>55</td>
<td>San Jose</td>
<td>1,372</td>
<td>30</td>
<td>Salt Lake City</td>
<td>987</td>
<td>5</td>
<td>San Francisco</td>
<td>12,909</td>
<td>444</td>
</tr>
<tr>
<td>Dallas</td>
<td>494</td>
<td>8</td>
<td>San Diego</td>
<td>1,266</td>
<td>31</td>
<td>LA/Orange Cty</td>
<td>917</td>
<td>58</td>
<td>Detroit</td>
<td>12,253</td>
<td>331</td>
</tr>
<tr>
<td>Dayton, OH</td>
<td>413</td>
<td>4</td>
<td>Chicago</td>
<td>1,062</td>
<td>45</td>
<td>Miami</td>
<td>778</td>
<td>13</td>
<td>Dallas</td>
<td>11,441</td>
<td>448</td>
</tr>
<tr>
<td>San Francisco</td>
<td>360</td>
<td>15</td>
<td>Dallas</td>
<td>960</td>
<td>30</td>
<td>San Francisco</td>
<td>718</td>
<td>24</td>
<td>Indianapolis</td>
<td>10,851</td>
<td>108</td>
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<tr>
<td>Worcester, MA</td>
<td>295</td>
<td>1</td>
<td>Austin</td>
<td>910</td>
<td>10</td>
<td>Riverside/SB</td>
<td>642</td>
<td>6</td>
<td>Honolulu</td>
<td>10,761</td>
<td>145</td>
</tr>
<tr>
<td>Lakeland, FL</td>
<td>292</td>
<td>2</td>
<td>Detroit</td>
<td>606</td>
<td>31</td>
<td>Greenville, SC</td>
<td>613</td>
<td>2</td>
<td>Cincinnati</td>
<td>10,733</td>
<td>153</td>
</tr>
<tr>
<td>Riverside/SB</td>
<td>114</td>
<td></td>
<td>Riverside/SB</td>
<td>557</td>
<td></td>
<td>Ventura</td>
<td>37</td>
<td></td>
<td>Riverside/SB</td>
<td>4,913</td>
<td></td>
</tr>
<tr>
<td>Ventura</td>
<td>46</td>
<td></td>
<td>Ventura</td>
<td>87</td>
<td></td>
<td>Ventura</td>
<td>1,384</td>
<td></td>
<td>Ventura</td>
<td>1,384</td>
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<tr>
<td>States</td>
<td>Metros</td>
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<tr>
<td><strong>Virginia</strong></td>
<td>San Diego</td>
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<tr>
<td>$4 million+ budget</td>
<td>Lead: San Diego Regional EDC</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Staff of 18 regional trade managers, plus research staff</td>
<td>- World Trade Center moved into EDC</td>
<td></td>
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<tr>
<td></td>
<td>Portland</td>
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<tr>
<td>Minnesota</td>
<td>Lead: Greater Portland Inc (regional EDC)</td>
<td></td>
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<td></td>
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<tr>
<td>$1.5 million added to trade office budget in 2012</td>
<td>- Staff in Greater Portland Inc and Portland Development commission</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Staff of 15</td>
<td>Columbus</td>
<td></td>
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<tr>
<td>Global New York</td>
<td>Lead: Columbus 2020</td>
<td></td>
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<tr>
<td>Renewed trade program</td>
<td>- Staff in exports, FDI, and BRE</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>$35 million to support exporting firms</td>
<td>Syracuse</td>
<td></td>
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<tr>
<td>$50,000 grants to support regional export activities</td>
<td>Lead: CenterState CEO (regional EDC)</td>
<td></td>
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<tr>
<td></td>
<td>- Staff in exports, FDI, and BRE</td>
<td></td>
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<tr>
<td></td>
<td>- Over $1 million in grant funding</td>
<td></td>
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</tbody>
</table>
Other Metro Areas Are Creating and Deepening Global Economic Relationships

- **Portland**
  - Leveraging distinct clusters to deepen relationship with Japan

- **San Diego**
  - Building strategies around Cali Baja Mega Region
  - Growing partnership with London

- **Seattle**
  - Attracting Chinese investment in firms and real estate

- **San Antonio**
  - Building upon legacy relationships with Mexico

- **Upstate SC**
  - Leveraging historic ties with Southern Germany for FDI
Other Metro Areas Are Acting on Global Opportunities

San Diego

- Life sciences M&A from Japan and Korea
- Research institutes
- San Diego EDC: “economic prosperity and global competitiveness”
Other Metro Areas Are Acting on Global Opportunities

- New approaches to BRE centered on market intelligence
- Developing formal network of local M&A service providers

Columbus
Upstate SC

- Leaders in workforce development through state-local partnership
- Recently opened inland port
- Major multinationals (BMW, Bosch) drive export and FDI intensity
Atlanta

- Cluster of global services firms makes region an entry point
- Strong regional chamber acts as economic development organization
- Cooperation across 29 county region

Other Metro Areas Are Acting on Global Opportunities
Threat: 28 Metro Areas Are Becoming Intentional About Global Trade and Investment

Exports: In Process
- Atlanta
- Des Moines
- Los Angeles
- Milwaukee
- Syracuse
- Upstate SC

Exports: Complete
- Baltimore
- Fresno
- Houston
- Kansas City
- Philadelphia
- Salt Lake
- Seattle
- St. Louis

FDI: In Process
- Columbus
- Mpls-St. Paul
- Portland
- San Antonio
- San Diego
- Seattle

FDI Pilot
- Columbus
- Mpls-St. Paul
- Portland
- San Antonio
- San Diego
- Seattle

GLOBAL CITIES INITIATIVE
A Joint Project of Brookings and JPMorgan Chase