



**REPATRIATING MANUFACTURING JOBS AND  
INTERNATIONAL INVESTMENT  
IN THE COMMONWEALTH**

**MANUFACTURING DEVELOPMENT COMMISSION  
AUGUST 4, 2011**

- **US Direct Investment Abroad (USDIA)**
  - A major investment by an American corporation outside the United States.
- **Foreign Direct Investment in the U.S. (FDIUS)**
  - Investment by a foreign company in the U.S.
- **Repatriation**
  - Return of financial assets from a foreign country to the country of origin. Can result in creation of jobs in the country of origin. Also known as “on-shoring,” “reshoring” or “in-sourcing”



## U.S. DIRECT INVESTMENT ABROAD

Year All Countries	Total All Countries
2010	\$328,905
2009	\$282,686
2008	\$308,296
2007	\$393,518
2006	\$224,220
2005	\$15,369
2004	\$294,905
2003	\$129,352
2002	\$134,946
2001	\$124,873
2000	\$142,627

All Industries, Net of Inflows; Millions of Dollars  
US Dept of Commerce, Bureau of Economic Analysis

- 70% of USDIA is concentrated in high income developed countries
- USDIA has grown sharply since the mid-1990's
- "Most economists conclude that direct investment abroad does not lead to fewer jobs or lower incomes overall for Americans and that the majority of jobs lost among U.S. manufacturing firms over the past decade reflect a broad restructuring of U.S. manufacturing industries."

Source: Congressional Research Service February 1, 2011

- Cost of labor in China from 2000 to 2009 has increased at an average annual rate of 12%
- Per a recent study by the Boston Consulting Group, there is evidence of the beginning of a shift in manufacturing operations returning to the U.S.
- “After 2004, when repatriation language was included in the American Jobs Creation Act, American businesses brought home more than \$312 billion that would not have been invested here otherwise”

Source: R. Shapiro, A. Mathur, “Using What We Have to Stimulate the Economy: The Benefits of Temporary Tax Relief for U.S. Corporations To Repatriate Profits Earned by Foreign Subsidiaries,” January 2009

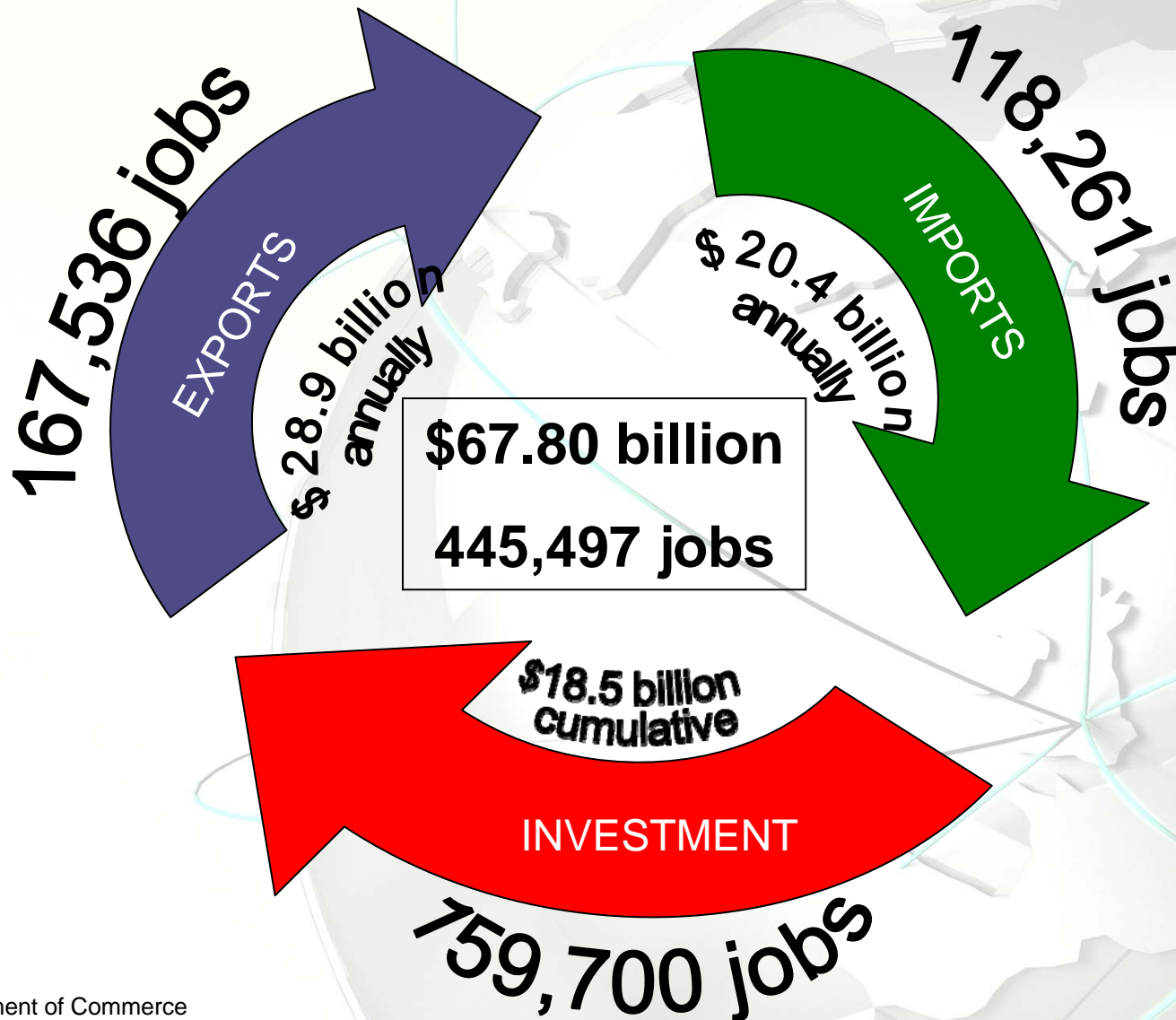
## REPATRIATION VS. FDIUS

Repatriation	FDIUS
Established in U.S. market	New to U.S. market
Would consider for net-profit purpose	Undertaken to grow U.S. market share
Existing supply chain connections	Must meet just-in-time delivery requirements
Little political/P.R. pressure	Extensive political/P.R. pressure
Withholding cash due to uncertainty of U.S. economy	Cash rich, weak dollar is strong driver to locate U.S. facilities

- Reasons for a business to re-shore differ significantly from reasons for new FDI
- Capital deployment decisions are based on a number of business factors
- Many of these factors are not in the Commonwealth's control
  - Federal tax policy
  - Business need to be present in other markets
  - Access to suppliers, vendors and customers
  - Shipping costs

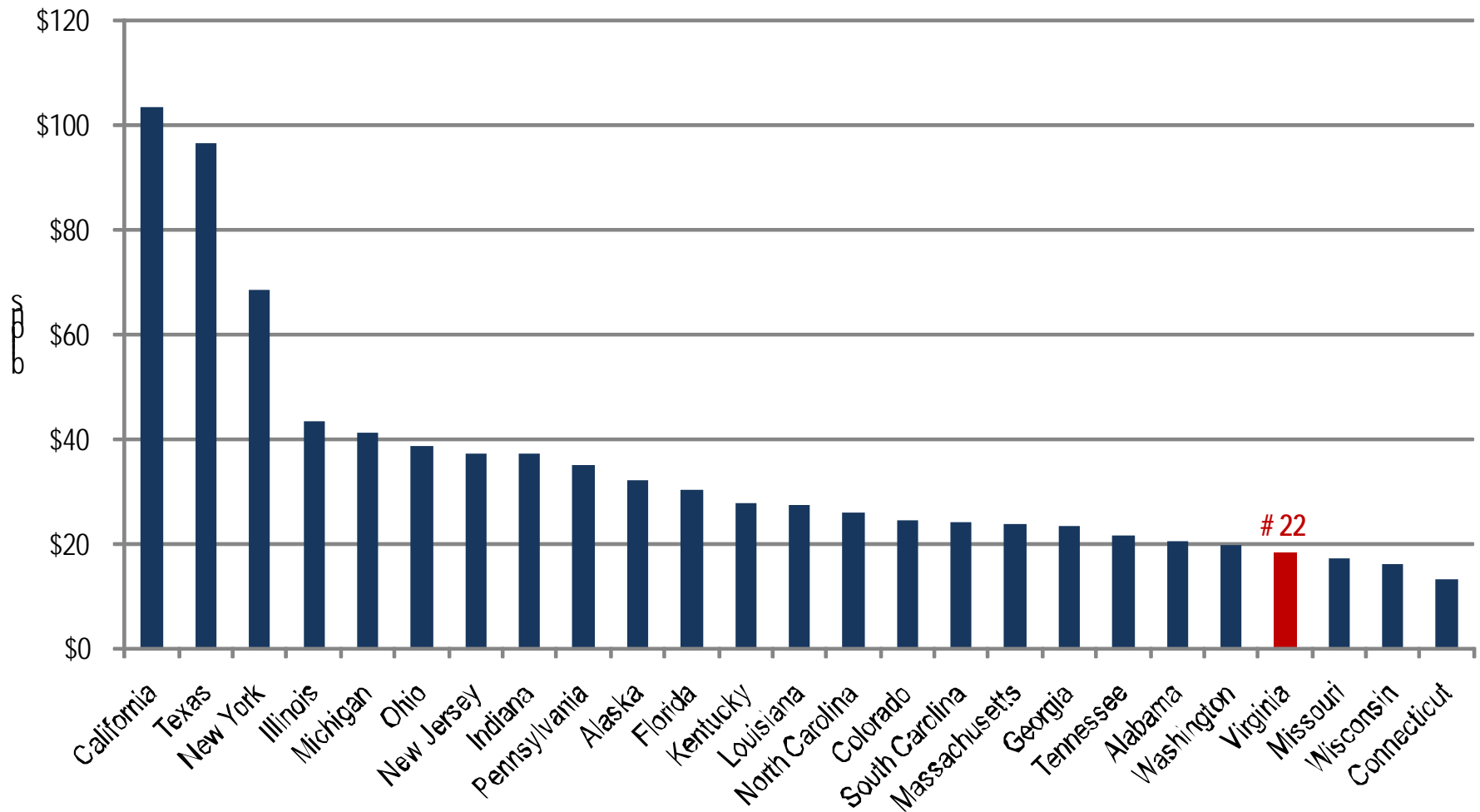
- Independent rating agencies give Virginia high marks
- Criteria used to judge include:
  - ✓ **Labor/Workforce**
  - ✓ **Tax Structure**
  - ✓ **Cost of Doing Business**
  - ✓ **Education**
  - ✓ **Quality of Life**
  - ✓ **Regulatory Climate**
  - ✓ **Access to Capital**
  - ✓ **Cost of Living**
  - ✓ **Transportation**
  - ✓ **Technology/Innovation**
  - ✓ **Growth Prospects**
  - ✓ **Incentives**

# THE GLOBAL ECONOMY IN VIRGINIA - 2010



# VIRGINIA – FDIUS CAPITAL INVESTMENT

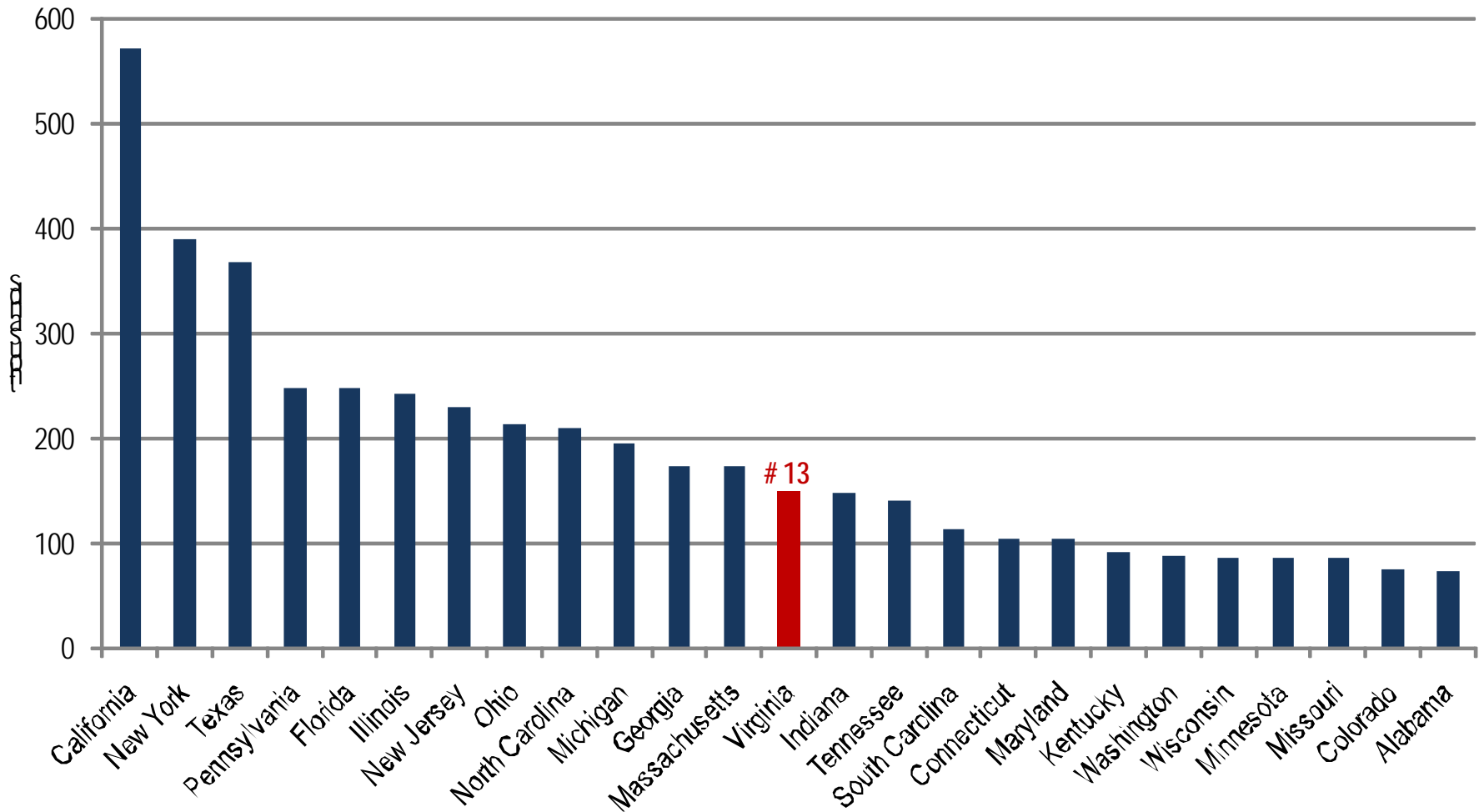
Foreign Direct Investment in the U.S. by State, 2006 (Most Current Data)  
Top 25 States



Source: DOC - BEA

# VIRGINIA – FDIUS JOBS

Employment at Foreign Firms in the U.S., 2006 (Most Current Data)  
Top 25 States



Source: DOC - BEA



# VIRGINIA – FDIUS CAPITAL INVESTMENT

## Top 10 States for Announced Foreign Direct Investment into the U.S.

2007 – June 2011

Source: FDIMarkets.com

Japan \$28.1 billion	Germany \$30.8 billion	U.K. \$22.8 billion	Canada \$62.8 billion
Tennessee	California	Ohio	Alaska
California	Texas	Colorado	Oklahoma
Texas	Michigan	Texas	Wisconsin
Mississippi	Tennessee	Indiana	California
Washington	South Carolina	California	Colorado
Indiana	<b>Virginia</b>	New York	Illinois
Georgia	North Carolina	Tennessee	Pennsylvania
Ohio	Alabama	Pennsylvania	Texas
Alabama	Pennsylvania	Louisiana	Washington
Louisiana	Ohio	Illinois	Arizona
<b>Virginia - #11</b>		<b>Virginia - #13</b>	<b>Virginia - #21</b>



# VIRGINIA – FDIUS JOBS

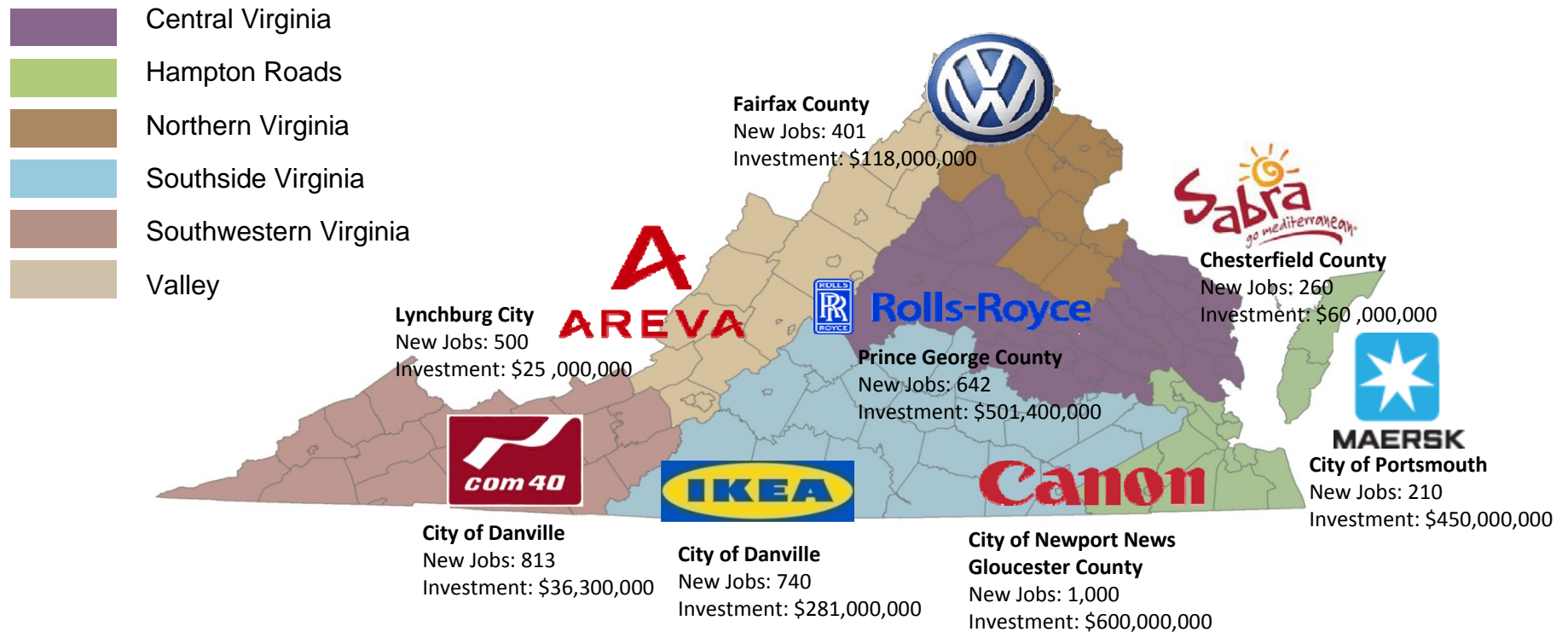
Top 10 States for Jobs from Announced Foreign Direct Investment into the U.S.

2007 – June 2011

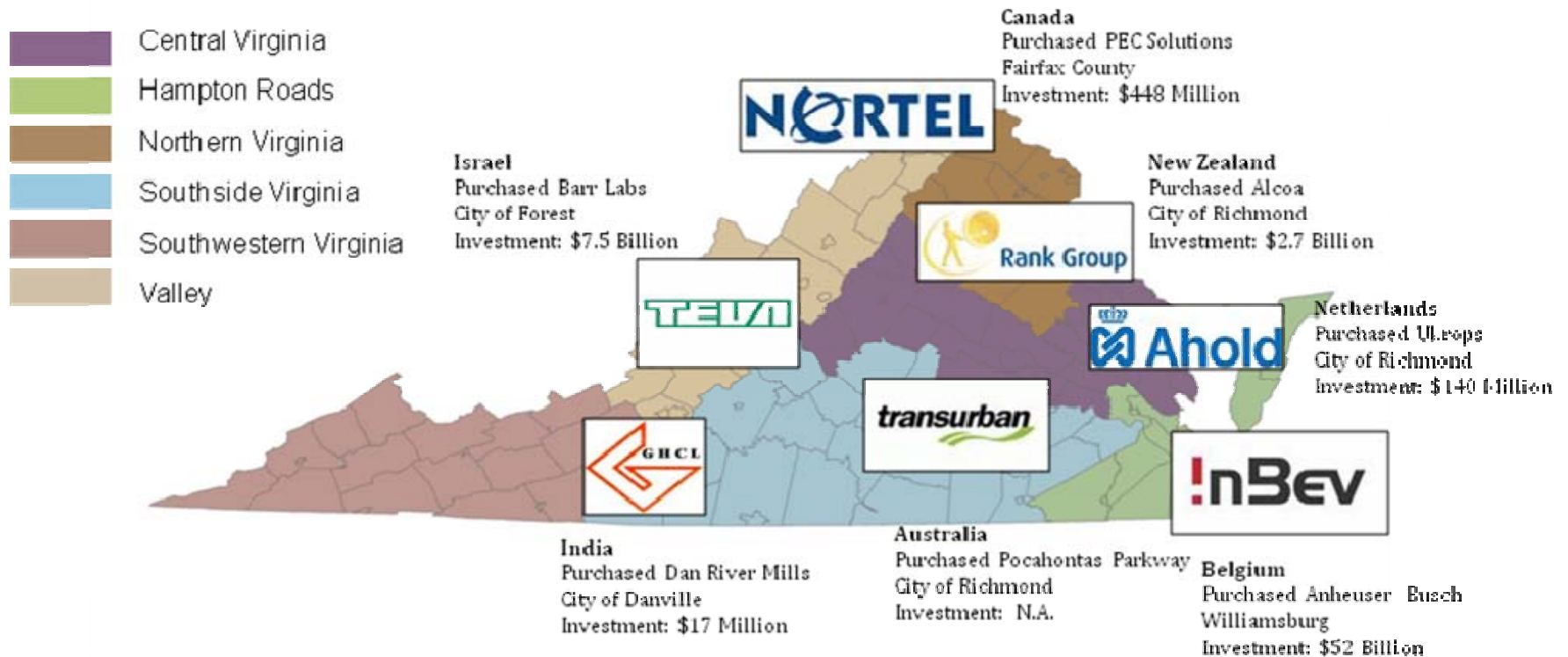
Source: FDI Markets.com

Japan 61,009 jobs	Germany 75,019 jobs	U.K. 46,140 jobs	Canada 46,924 jobs
Tennessee	Michigan	New York	Colorado
California	North Carolina	Pennsylvania	Oklahoma
Indiana	Texas	California	Wisconsin
Mississippi	South Carolina	Texas	Alaska
Texas	Georgia	Tennessee	Texas
Georgia	Tennessee	Ohio	Alabama
Louisiana	California	Georgia	Indiana
Illinois	Alabama	New Jersey	California
Ohio	Illinois	North Carolina	North Carolina
West Virginia	Indiana	Florida	South Carolina
<b>Virginia - #15</b>	<b>Virginia - #13</b>	<b>Virginia - #13</b>	<b>Virginia - #22</b>

## Select International Announcements



## Select Merger & Acquisition Announcements



- Increased emphasis on Governor-led marketing missions:
  - July 2010      Netherlands, Germany and UK
  - May 2011      Tokyo, Shanghai, Beijing and Seoul
  - June 2011     Paris Airshow
  - Fall 2011      Israel and India
- Developed and implemented new advertising strategy to reach C-level executives in Europe and China

- Digital advertising package delivered nearly 10 million impressions through major media websites:
  - CNN International
  - Forbes
  - New York Times
  - Wall Street Journal



- **Workforce -- #1 Issue to Resolve is the Ability to Deliver the Right Workforce:**
  - Establish a seamless and effective delivery system
  - Recent injection of \$3M in FY 2012 for non-credit instruction through Community College
  - Train/retrain workers to keep current with technology
  - Leverage strong existing relationship between private sector and community colleges
  - Increase support for Career Coaching at HS level – promote manufacturing as a viable career choice

- Things to Consider:
  - Effectiveness of credits/exemptions
    - JLARC studying now
  - Balanced local tax policies
    - Impact of M&T tax / BPOL tax
    - Alternative sources of local revenue
  - Importance of stability of structure/rates

- **Play on Strengths / Fix Weaknesses:**
  - Make investments to leverage VA's strategic location and expand access to strategic assets
  - Improve investments in road & rail & ports (including airports, seaports and spaceports)
  - Continue investments in prepared site development for "mega" projects, rural and urban

- **Commonwealth Center for Advanced Manufacturing**
  - Collaboration among VT, UVA, and big names in advanced manufacturing, including Rolls-Royce, Siemens, NASA, Northrop-Grumman
  - Research to improve manufacturing methods / materials
  - Strong workforce component
  - Tiered membership with annual membership dues and corresponding representation/authority based on level
  - CCAM is a statewide asset – participation across manufacturing sectors and geographic regions is a must

## CCAM VIDEO



- **Data-driven Analysis**
  - Targeted Industry Analysis
    - U.S. industry forecasts from Moody's Analytics
    - Virginia industry size and growth from VEC data
    - Growth companies from OneSource in growth industries
  - Targeted Company Analysis
    - Public company financial data from Standard & Poor's
- **Identify Opportunities**
  - Growing Companies: *mergermarket and fDi Markets*
  - Published studies: *Oxford Intelligence, "Who's Investing Now"*
  - VEDP marketing efforts: *Hoovers and OneSource database*

- “Gold Account” strategy
  - Ongoing discussions with key companies regarding their strategies for deploying capital
- Marketing missions (geographic, virtual, sector)
- Conferences, trade shows
- Governor’s business outreach program
- Media tours
- Supply chain strategy

- Working with RR on attracting its supply chain companies to the Commonwealth
- Special website just for marketing to these companies
  - Provides targeted site location, workforce and incentive information
- Contacts at Farnborough and Paris Air Shows
- Contacts at US supplier fairs sponsored by RR
- Contacts by Governor on trade missions and by VEDP Representatives and Managers



# REPRESENTATIVE OFFICES AND MANAGERS

## IN-COUNTRY INVESTMENT REPRESENTATIVES

TOKYO  
Tommy Okutomi

BRUSSELS  
Matthias Duys

INDIA  
Opening, 2011

HONG KONG  
Hailey Fong

LONDON  
HMC consultants

SHANGHAI

## INTERNATIONAL INVESTMENT MANAGERS

ASIA  
Roy Dahlquist

EUROPE  
John Elink-Schuurman

REST OF WORLD  
Albert Maiolino

# WORK FLOW

IN-COUNTRY INVESTMENT REPRESENTATIVES



INTERNATIONAL INVESTMENT MANAGERS



State Resources	VEDP Resources	Private Sector Resources	Soft Resources
Environmental Agencies	Site/Building Data	Tax Professionals	Relocation assistance
Local Developers	Incentive Proposals	Legal Professional	Schools
Workforce Services	Virginia Data	Architects and Engineers	Cultural connections
R&D / Universities	Export Program	Banking	Visas
Infrastructure Improvements		M&A	



**THANKS!**

**QUESTIONS?**