Foreign Direct Investment in Indiana

A Report for the

INDIANA ECONOMIC DEVELOPMENT CORPORATION

Produced July 2009

KELLEY SCHOOL OF BUSINESS
INDIANA UNIVERSITY
Indiana Business Research Center

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Support comes from

- Indiana Economic Development Corporation
- Indiana University Center for International Business Education and Research

Online Access to the Report

Access the report electronically at www.stats.indiana.edu/topic/exports.asp. Direct questions to the Indiana Business Research Center at ibrc@iupui.edu or 812-855-5507.

Printing Provided by

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Table of Contents

Executive Summary

Despite possible warning signs in financial and credit markets in 2007, global foreign direct investment (FDI) hit a record high of $1.8 trillion, according to the United Nations. Many observers, however, expect the global economic crisis will undercut the growth of FDI in 2008 and 2009. United Nations Conference on Trade and Development (UNCTAD), in its 2008 World Investment Report, estimates that global FDI flows for 2008 will drop to $1.6 trillion, a 10 percent decrease from the 2007 mark. The Organisation for Economic Co-operation and Development (OECD) predicts that FDI inflows to its 29 member nations will decline by 13 percent from 2007 to 2008 while FDI outflows from these same countries are expected to drop 6 percent. The OECD expects even sharper declines in 2009.[1]

There are some bright spots for the FDI forecast, however. UNCTAD's annual World Investment Prospects Survey, 2008–2010 reports that many transnational corporations (TNCs), while certainly reigning in expectations, remain generally optimistic about near-term FDI activity.[2] A survey of 226 TNCs conducted in the second quarter of 2008 finds that 68 percent of companies intend to increase investment in the 2008 to 2010 period. The United States ranked as the third-largest likely destination of FDI over this period, behind China and India. The survey respondents list the size of the local market, the quality of infrastructure and the skilled labor force as prime reasons investing in the United States remains attractive. Economic conditions have deteriorated considerably since the second quarter of 2008 and, as a result, the next survey may not reflect similar optimism.

No single data source for FDI presents a complete picture. UNCTAD and the OECD are rich sources of information at the international level, but are not granular enough to report FDI activity in Indiana or other states. The U.S. Bureau of Economic Analysis reports official FDI trends at the state level, but the information is not timely; 2006 is the most recent year available. The Indiana Economic Development Corporation and the investment monitoring service FDI Markets[3] track Greenfield and expansion investment announcements almost in real time. These announcements of expected investments provide a more timely sense of FDI activity.[4] Each of these data sources use different concepts and data collection methods. Each has its strengths and weaknesses. As a result, this report uses these data sources collectively in order to present as complete a picture as possible.

The largest recipients of FDI in 2007 were the United States ($233 billion) and the United Kingdom ($223 billion), which together accounted for one-quarter of global inflows for the year. Other top recipients were France ($158 billion), Canada ($109 billion) and the Netherlands ($99 billion). Increased FDI flows were not limited to North America and Western Europe. Developing economies as a group saw a 21 percent increase in FDI inflows from 2006 to 2007. Transition economies (former Soviet republics and the countries of Southeast Europe) experienced a 50 percent increase.

> *"The largest recipients of FDI in 2007 were the United States and the United Kingdom."*

The top sources of FDI were the United States ($314 billion), the United Kingdom ($266 billion) and France ($225 billion). The United States was a net-exporter of FDI in 2007, with outflows exceeding inflows by $81 billion. The 2007 net FDI is contrary to the longer term trend for the United States. Between 1997 and 2007, the United States has been a cumulative net-importer of FDI.

According to UNCTAD, the growth in global FDI was due largely to continued consolidation through mergers and acquisitions (M&As). The value of M&A deals in 2007 totaled $1.6 trillion, which was up 46 percent over the previous year and was 21 percent higher than the previous high watermark registered in 2000. Fifty-nine percent of the value of M&A transactions occurred in the service sector. M&A deals in manufacturing accounted for another 35 percent of the total. The uptick in FDI was also fueled by strong economic growth and corporate performance in many parts of the world through 2007. UNCTAD cautioned, however, that the high dollar values of FDI were partially inflated by the depreciation of the dollar measured against other currencies.

Employment in majority-owned U.S. affiliates grew by 129,000 from 2005 to 2006, totaling 5.3 million. This rise in employment was accompanied by a 7.7 percent increase in expenditures for property, plant and equipment by U.S. affiliates over the same period.[5]

Indiana Highlights

- Majority-owned U.S. affiliates employed 148,000 Hoosiers in 2006. This mark accounts for 4.6 percent of the state's total private sector employment and has grown at an average annual rate of 2.7 percent since 2002 (seventh highest among all states) (see **Figure I**).
- In 2006, manufacturing represented 65 percent of Indiana's total majority-owned U.S. affiliate employment—the second-highest share nationally. These 95,900 jobs accounted for 17 percent of the state's total private sector manufacturing employment.
- Sixty-five percent of Indiana's total majority-owned U.S. affiliate employment in 2006 can be attributed to Europe; however, Japan was the state's single-largest source country accounting for 22 percent of the total. Japan represented only 12 percent of majority-owned U.S. affiliate employment nationally.
- Indiana ranked eighth nationally for the gross value of property, plant and equipment of majority-owned U.S. affiliates in 2006.
- In 2006, the ratio of the gross value of property, plant and equipment of majority-owned U.S. affiliates to Indiana's gross state product was 0.156.[6] Indiana's ratio was the fifth-highest nationally and, among neighboring states, was exceeded only by Kentucky (see **Figure II**).

Indiana FDI Announcements, 2006 to 2008

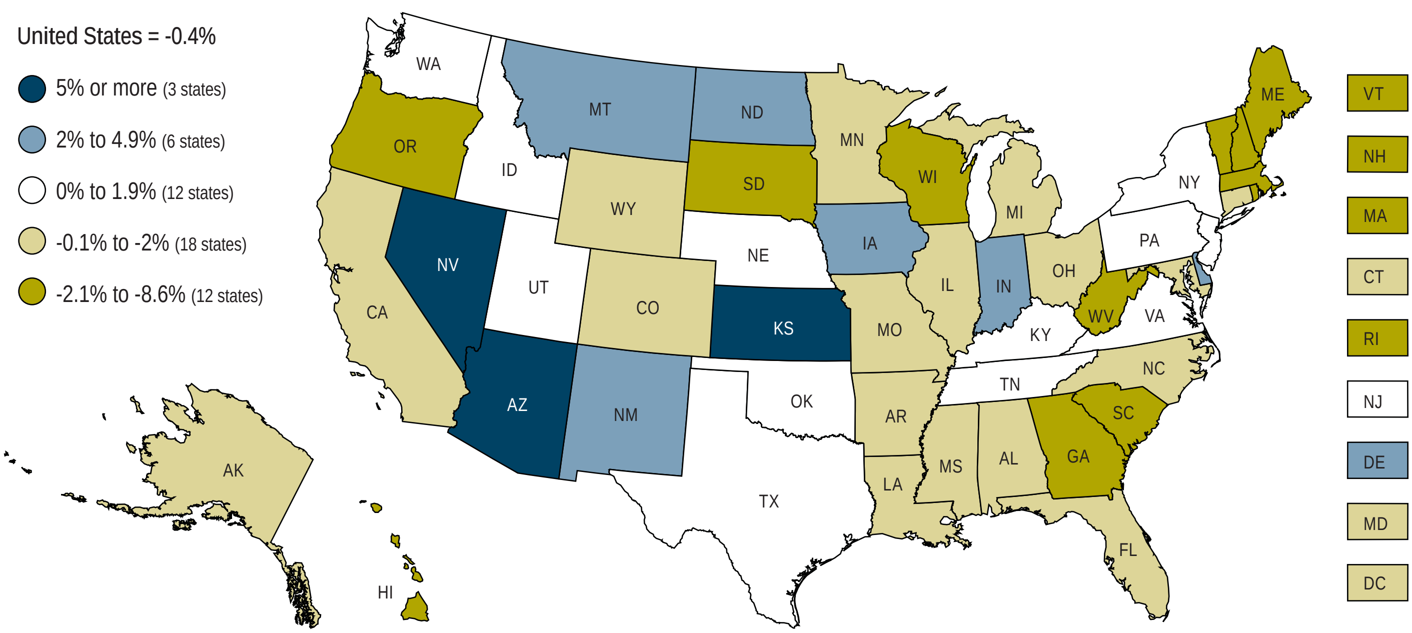
For the second year, this report presents data on recent greenfield and expansion FDI announcements compiled by the cross-border investment monitoring service FDI Markets. According to this data source, Indiana stands to gain approximately 12,200 new jobs in the coming years based on FDI announcements made between 2006 and 2008. Of these expected jobs, nearly 9,700 (80 percent) will be engaged in manufacturing as the primary business activity, the second-highest manufacturing total nationally. Among industries, 43 percent of Indiana's expected employment from FDI announcements over this period will be in the automobile sector (see **Figure III**). The automobile sector is the most prominent for the United States as well. In contrast, this sector accounts for 12 percent of the total expected employment in the United States.

This report is part of an annual series that focuses on foreign direct investment in Indiana. Please send any comments about this report to ibrc@iupui.edu. •

Notes

1. OECD "Grim Outlook for FDI and Shifting Global Investment Patterns," *Investment News*, November 2008, Issue 8, www.oecd.org/dataoecd/56/43/41671320.pdf.

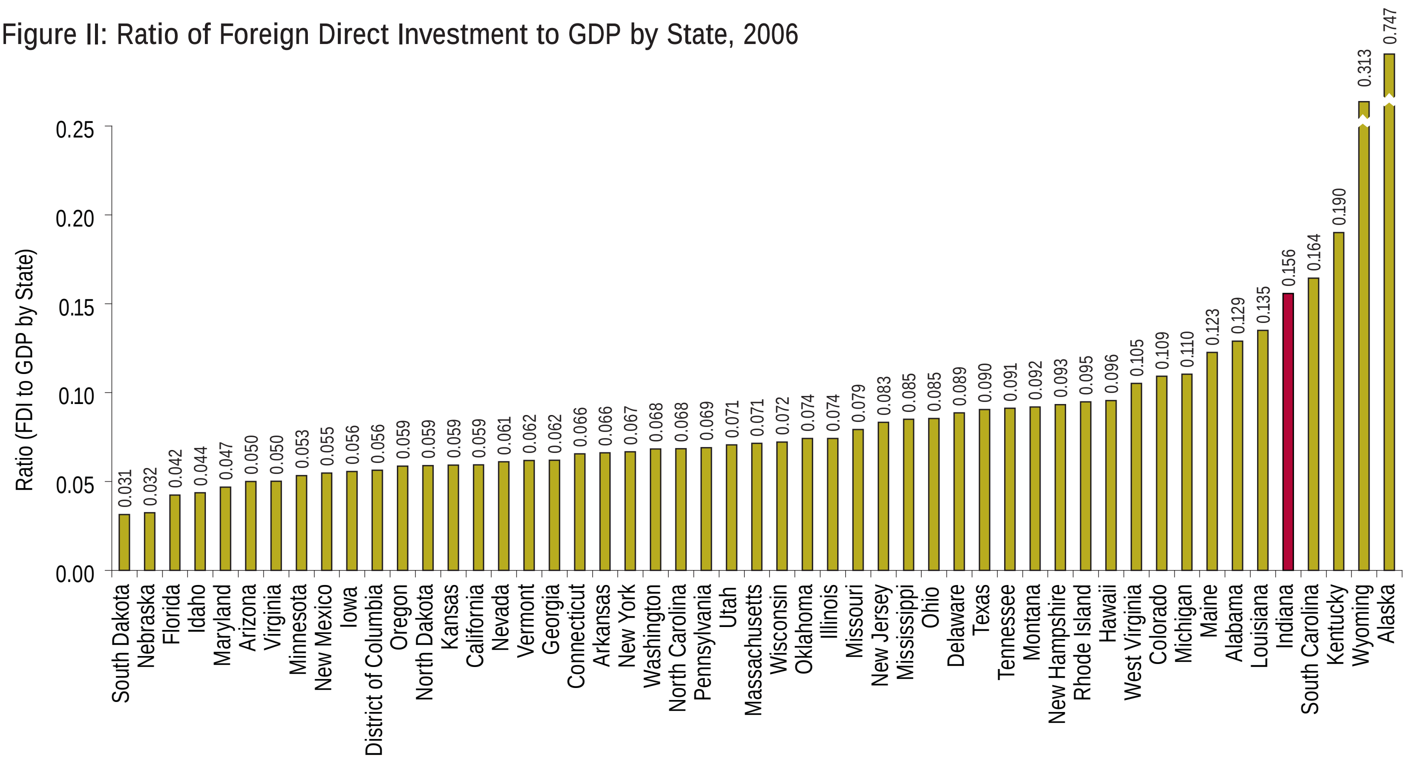
Figure I: Average Annual Percent Change in Majority-Owned U.S. Affiliate Employment, 2002 to 2006



Source: Bureau of Economic Analysis

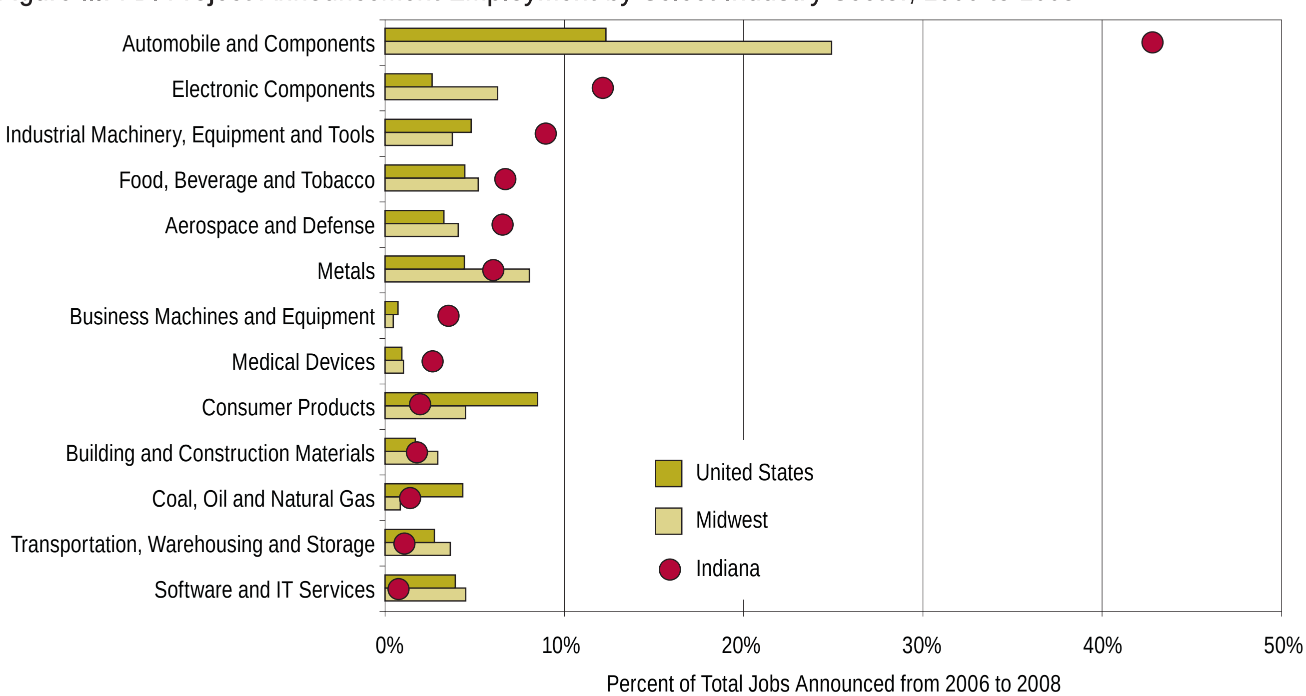
2. View the World Investment Prospects Survey, 2008–2010 online at www.unctad.org/en/docs/wips2008_en.pdf.
3. FDI Markets is a web-based subscription service of FT Business and the Financial Times Limited.
4. The Indiana Economic Development Corporation and FDI Markets track investment announcements and gather project specific information on the source, destination, industry, value and jobs expected with each investment. The investment values and job targets reported in these data are prospective and may or may not be fully realized.
5. Unless otherwise stated, this report used the concept of U.S. affiliates of foreign-owned companies that are majority foreign-owned, that is, greater than 50 percent foreign ownership.
6. The greater the ratio, the more significant FDI is to a state economy. The ratio can exceed unity.

Figure II: Ratio of Foreign Direct Investment to GDP by State, 2006



Note: Foreign direct investment by state is measured as the gross value of property, plant and equipment of majority-owned U.S. affiliates
Source: Bureau of Economic Analysis

Figure III: FDI Project Announcement Employment by Select Industry Sector, 2006 to 2008



Note: Midwest data exclude Indiana
Source: FDI Markets

The Global FDI Environment

World FDI Inflows and Outflows

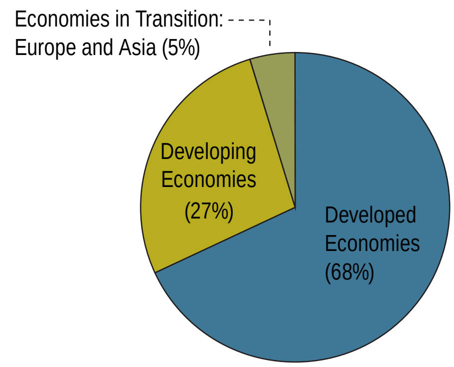
2007 was a record year for foreign direct investment (FDI). According to the United Nations Conference on Trade and Development (UNCTAD) 2008 World Investment Report, global FDI inflows totaled $1.8 trillion in 2007.[1] This is a 30 percent increase over the previous high watermark of $1.4 trillion in 2006 and is nearly twice as great as the 2005 total.

FDI growth was shared by nations in each of the three UNCTAD-defined economic groupings. FDI inflows to developing economies increased 21 percent, reaching $500 billion in 2007. The top recipients among developing economies were China, Hong Kong (China), Brazil and Mexico. Led by the Russian Federation, transition economies (those in Southeast Europe and the former Soviet republics) attracted $86 billion in FDI—a 50 percent improvement over 2006.

The bulk of 2007 FDI inflows, however, remain concentrated in relatively few countries. The United States ($233 billion) and the United Kingdom ($223 billion) together accounted for one-quarter of all inflows. The top 10 nations claimed 61 percent of the total. As a group, developed economies received their largest share since 2002—68 percent of global FDI inflows (see **Figure A-1**). That said, it is still well below its high in 2000 when developed economies drew 81 percent of the total.

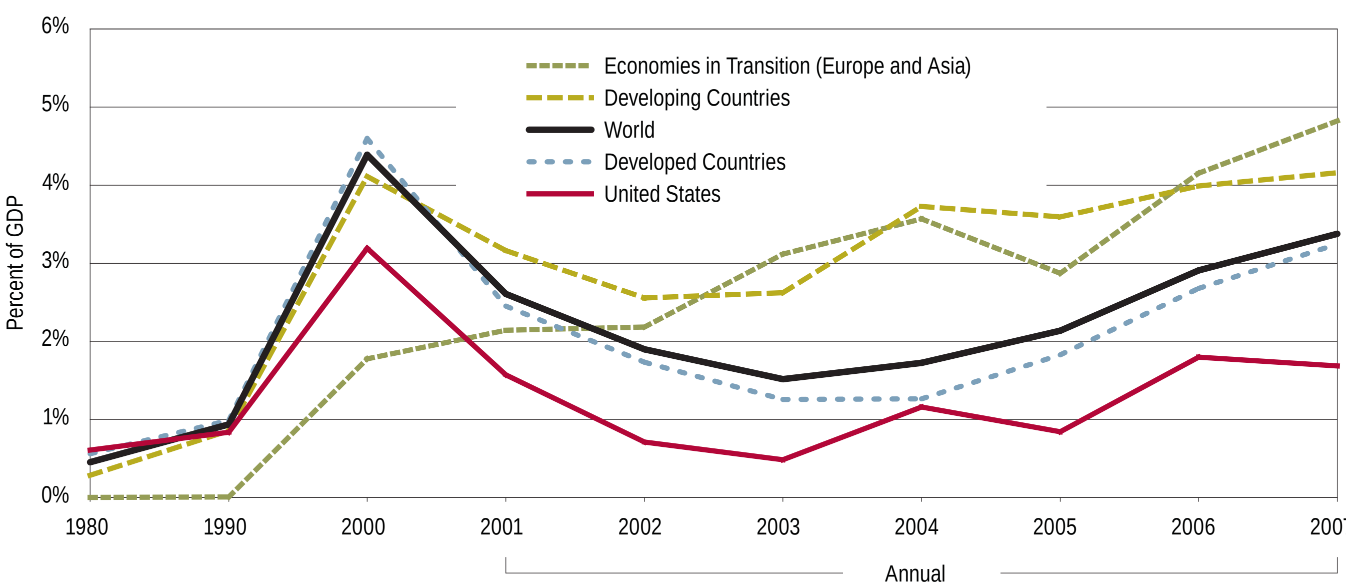
The United States was again the top destination for FDI inflows, even with a slight decline in investments of nearly $4 billion from 2006 to 2007. This single-year drop, though comparatively slim, is emblematic of the volatile nature of cross-border investment. For instance, FDI inflows to the United States this decade have been as high as $314 billion in 2000 and as low as $53 billion in 2003.

Figure A-1: FDI Inflows as a Percent of World FDI Inflows, 2007



Source: UNCTAD World Investment Report for 2008

Figure A-2: FDI Inflows as a Percent of GDP, 2007



Source: UNCTAD World Investment Report for 2008

Although the United States is often the top recipient of FDI inflows, these investments play a lesser role in the U.S. economy than is the case in other global regions. **Figure A-2** shows that even in 2000—when the United States enjoyed its highest level of investment—FDI inflows were 3.2 percent of GDP compared to 4.4 percent globally. The U.S. ratio of FDI inflows to GDP was a mere 1.7 percent in 2007. The importance of foreign investment to transition economies continues to climb steadily, reaching nearly 5 percent of GDP. This ratio in developing economies has returned to 2000 levels.

According to UNCTAD, the resurgence in global FDI flows was driven by several factors:

- Continued consolidation through mergers and acquisitions (M&As)
- Economic growth and strong corporate performance in many parts of the world
- Reinvested earnings
- Depreciation of the dollar against other currencies

Mergers and Acquisitions

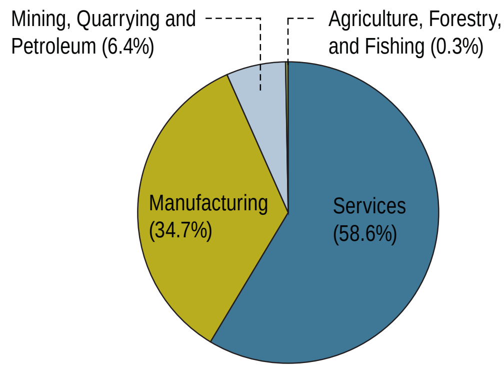
M&As are typically the dominate source of foreign investment. The high levels of FDI in 2007 were accompanied by an increase in the volume of these transactions, totaling 10,145 cross-border M&A deals worth a record-setting $1.6 trillion. This value of M&A activity represents a 21 percent increase over the previous high in 2000 and a 46 percent improvement over 2006.

Service industries continue to drive global M&A activity. **Figure A-3** illustrates that 59 percent of all cross-border M&As (sales) occurred in the services sector in 2007. This sector's role is vastly greater than it was 20 years ago when its three-year average of total M&A share (1987 to 1989) was 38 percent. Transactions in the finance sector accounted for 36 percent of all service related M&As (see **Figure A-4**) that was led by a $98 billion acquisition of the Dutch bank ABN-AMRO by a U.K.-based consortium. Deals in the business activities and electric, gas and water distribution industries combined to account for another 33 percent of total service sector M&As in 2007.

Manufacturing, the second largest sector, represents 35 percent of total cross-border M&As in 2007. The value of these deals rose sharply from $305 billion in 2006 to $567 billion in 2007. Nearly half of the value of these transactions involved firms engaged in either chemicals or metals production (see **Figure A-5**). Contrary to what one may expect, the striking increases in commodity and energy demand through 2007 didn't translate into dramatic increases in M&A activity. The mining, quarrying and petroleum industry was the only broad sector to see a drop in the value of M&A activity, from $106 billion in 2006 to $105 billion in 2007. This marginal decline should not obscure the fact that the value of M&As in this sector are still at unprecedented levels. Between 2005 and 2007, M&As in this sector averaged $119 billion. The previous high was $75 billion in 1998.

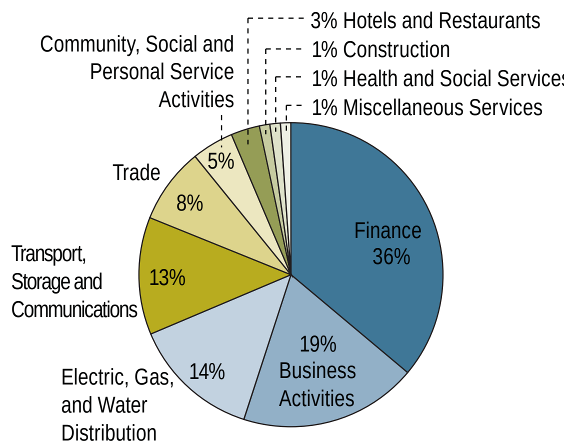
Record levels in the value of M&A transactions were seen in all three economic groupings. Transition economies saw

Figure A-3: World FDI Resulting from Mergers and Acquisitions by Sector, 2007



Source: UNCTAD World Investment Report for 2008

Figure A-4: World FDI Resulting from Mergers and Acquisitions in the Service Industries, 2007



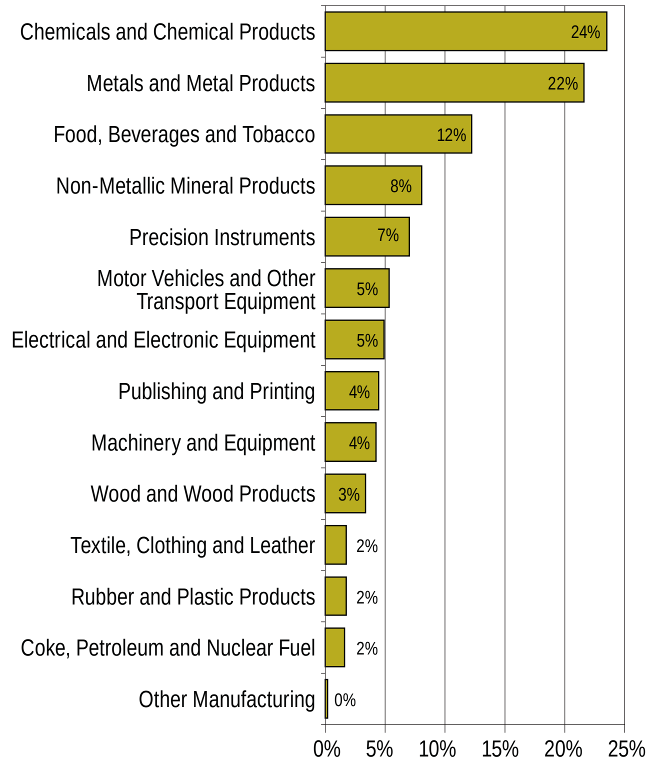
Source: UNCTAD World Investment Report for 2008

the value of these deals soar from $17 billion in 2006 to $30 billion in 2007. This 75 percent increase is due almost entirely to activity within the Russian Federation that saw a $13 billion increase in the value of M&As, headlined by a $5.8 billion investment by an Italian firm in the oil and gas company Gazprom Neft. M&A values in developing economies grew 16 percent from 2006 to 2007 to top $150 billion. With transactions totaling $27 billion, Hong Kong (China) accounted for 18 percent of total M&As in developing economies in 2007. Turkey and the remaining portion of China each represented 10 percent of the total.

Although developing and transition economies tallied all-time high values of M&As, their combined share of the global total (11.2 percent) was at its lowest since 2004. The diminished percentage of the global total is due to a 50 percent increase in M&As in the developed economies between 2006 and 2007. Of the $1.45 trillion total for developed economies, the United States was the top draw for M&A dollars, accounting for 23 percent of the total. The United Kingdom followed at 14 percent. Collectively, the European Union drew 48 percent of global M&A dollars.

In contrast to trends in M&A values, the share of the number of deals in the developing and transition economies has increased steadily in recent years. There were nearly 2,000 cross-border transactions involving firms in developing economies in 2007, accounting for one-fifth of the total. The 300 M&A deals in transition economies represent 3 percent of all global deals. Developed economies claimed 78 percent of the number of M&A deals in 2007. **Figure A-6** presents the distribution of M&A deals among the developed economies. There were 2,040 deals involving (former) U.S. companies, a total roughly equivalent to that for all the developing economies.

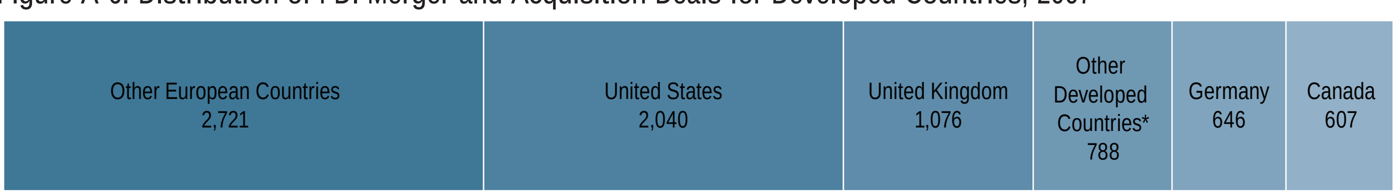
Figure A-5: World FDI Resulting from Mergers and Acquisitions in the Manufacturing Industry, 2007



Source: UNCTAD World Investment Report for 2008

Private equity and sovereign wealth funds (SWFs) are playing an ever-increasing role in cross-border M&A activity. Transactions involving private equity funds totaled $461 billion in 2007 (28 percent of the total) compared to $283 billion in 2006 and just $92 billion in 2000. SWFs invested a comparatively small total of $10 billion for 30 M&A deals in 2007. More noteworthy than their size, SWF investment totals have grown dramatically in recent years. The average annual value of SWF-initiated M&As between

Figure A-6: Distribution of FDI Merger and Acquisition Deals for Developed Countries, 2007



*Other developed countries include Australia, Bermuda, Israel, Japan and New Zealand
Notes: Labels show number of M&A deals. 2006 data used in the 2007 report (IBRC) did not include Canada in the developed category. For the 2009 report, Canada is included in the total.
Source: UNCTAD World Investment Report for 2008

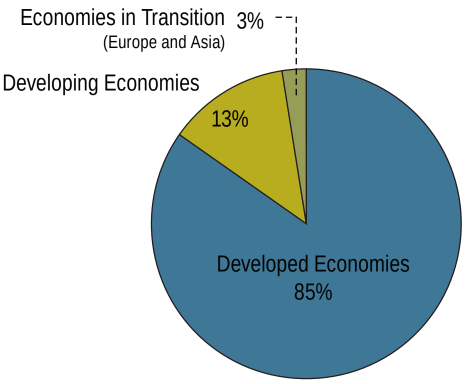
1996 and 2004 was $478 million, compared to an average of $10 billion between 2005 and 2007. As of 2007, the largest SWFs were in the United Arab Emirates, Norway, Singapore and Saudi Arabia.

Exporters of FDI

FDI outflows from the developed economies jumped 56 percent from 2006 to 2007 to reach $1.7 trillion. As **Figure A-7** highlights, this total accounts for 85 percent of global FDI outflows. The United States was the top country for FDI outflows in 2007 with a total of $314 billion, followed by the United Kingdom at $266 billion. Other countries with FDI outflows in excess of $100 billion were France, Germany and Spain. The dollar value of FDI outflows from developing and transition economies has more than doubled from $134 billion in 2004 to $304 billion in 2007. Even still, their share of global FDI outflows has remained between 15 percent and 18 percent over this period.

Outflows as a percentage of GDP are returning to the levels seen during the last FDI boom in 2000 (see **Figure A-8**). Globally, FDI outflows were 3.7 percent of GDP in 2007 compared to 3.9 percent in 2000. Developed economies registered 4.4 percent each year. The relationship of FDI outflows to GDP is typically weaker in the United States, however. After a blip in 2005, due to a one-year

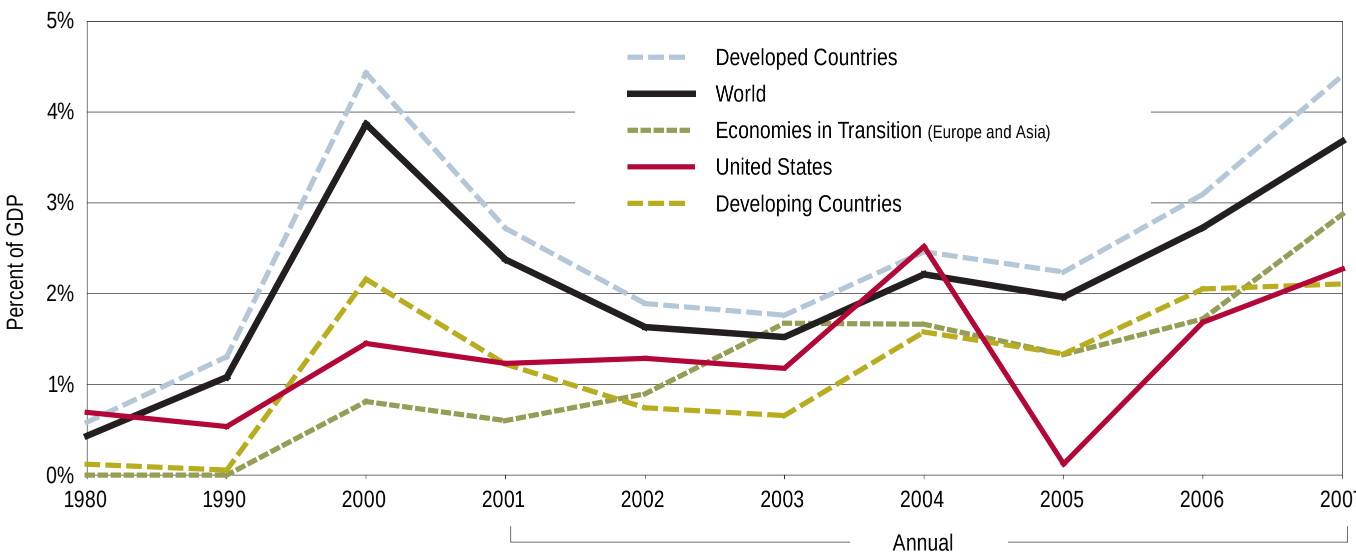
Figure A-7: FDI Outflows as a Percent of World FDI Outflows, 2007



Source: UNCTAD World Investment Report for 2008

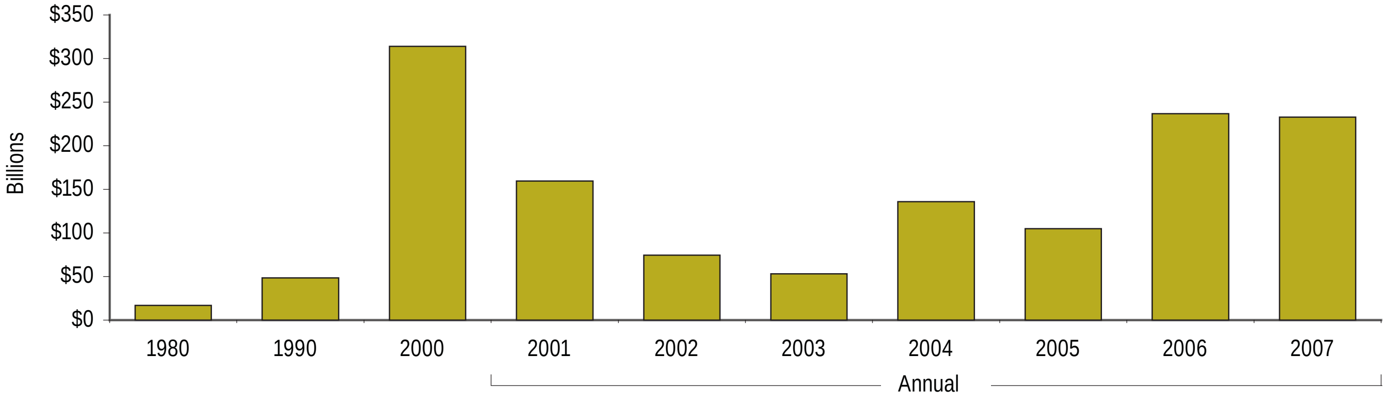
"The United States was the top country for FDI outflows in 2007 with a total of $314 billion, followed by the United Kingdom at $226 billion."

Figure A-8: FDI Outflows as a Percent of GDP, 2007



Note: Adjusted for the one-time tax effect, the FDI as a percentage of GDP in 2005 would be greater than in the year 2000 for the United States.
Source: UNCTAD World Investment Report for 2008

Figure A-9: U.S. FDI Inflows from the World, 2007



Source: UNCTAD World Investment Report for 2008

change in the tax code, U.S. FDI outflows to GDP was 2.3 percent in 2007. The highest percentage of U.S. FDI outfows to GDP was 2.5 percent in 2004.

U.S. FDI Inflows and Outflows

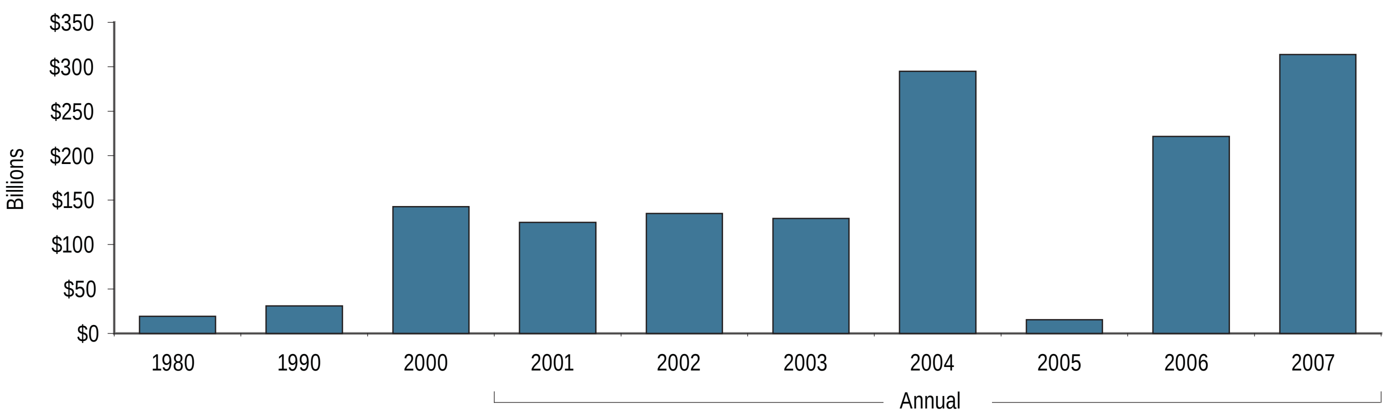
After a period of diminished foreign investment inflows from 2001 to 2005, FDI into the United States rebounded in 2006 and 2007 (see **Figure A-9**). The $314 billion in FDI inflows in 2000, however, remains the U.S. high water mark. The 2007 value represents 74 percent of the 2000 peak.

The value of U.S. FDI outflows has also been erratic in recent years, but, unlike inflows, 2007 marks the all-time high (see **Figure A-10**). The low value for 2005, the result of a one-year change in U.S. tax code,[2] makes it difficult to ascertain trends. However, it appears that that the average annual rate of growth of U.S. outflows since 2000 is less than that during the 1990s. •

Notes

1. The full UNCTAD World Investment Report for 2008 is available online at www.unctad.org/en/docs/wir2008_en.pdf.
2. The American Jobs Creation Act of 2004 reduced the rate of taxation on U.S. multinational enterprises' qualifying dividends from abroad for the year of 2005. As a result, the 2005 distributions of earnings from foreign affiliates to parents in the United States were greater than would have been otherwise. Reinvested earnings, the other side of the earnings coin, were lower by a similar amount, thus lowering that component of U.S. direct investment abroad.

Figure A-10: U.S. FDI Outflows to the World, 2007



Source: UNCTAD World Investment Report for 2008

OECD Countries and FDI

The Organisation for Economic Co-operation and Development (OECD) also documented the global expansion of FDI. The OECD reported that 2007 FDI inflows to OECD countries increased 31 percent over 2006 to reach $1.4 trillion, a new high. Likewise, FDI outflows reached a record level in 2007, jumping 51 percent over the previous year to $1.8 trillion. Strong FDI activity was spurred by several economic factors including continued growth in OECD countries and other large economies through 2007 (see **Table B-1**). The OECD also cautions that these figures are somewhat inflated by the weakening of the U.S. dollar against other currencies.[1]

Despite this robust investment activity in 2007, the OECD predicts FDI will decline in response to the global economic downturn experienced in 2008.[2] According to the OECD's most recent projections, FDI inflows to OECD countries will be down 13 percent from 2007 to 2008. Outflows are expected to decline 6 percent in 2008 and continue to decline into 2009, primarily due to the freeze in credit markets and slow economic growth forecasts.

FDI Inflows and Outflows

Foreign direct investment into OECD nations grew 31 percent from $1.05 trillion in 2006 to $1.37 trillion in 2007. The Netherlands had the greatest increase in the dollar value of FDI inflows over the year with a $91.5 billion upswing, followed by France ($79.8 billion), Canada ($38.4 billion) and the United Kingdom ($38.3 billion).

Among OECD countries, the United States was the top recipient of FDI for the second straight year with $238 billion in inflows in 2007 (see **Figure B-1**). Despite the first place position, FDI inflows to the United States dropped 2 percent from 2006 to 2007, making it one of 14 OECD countries that experienced a decline over the year. FDI inflows to the United Kingdom increased by 26 percent to reach $186 billion in 2007—the country in second place among OECD members.

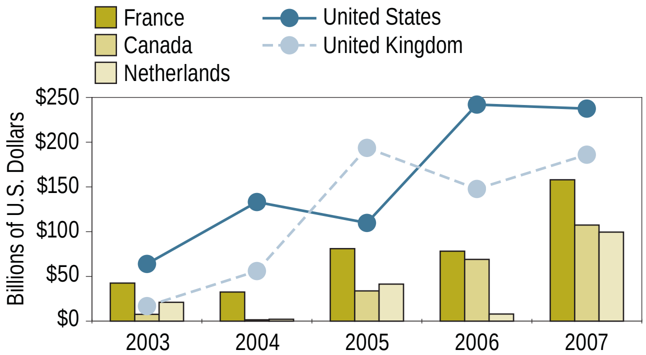
FDI outflows from OECD countries jumped 51 percent from 2006 to 2007 to reach $1.82 trillion. The United Kingdom led the way with a $150 billion increase in outflows, after two years of declines (see **Figure B-2**). Outflows from France increased by 85 percent to reach $225 billion. The United States retained its top spot in outflows with a 38 percent improvement to $333 billion.

Table B-1: Rate of Economic Growth for OECD Countries and Five Other Large Economies, 1995 to 2007

Country	Average Annual Growth Rate, 1995-2007
China	9.5%
Ireland	7.1%
India	6.9%
Slovak Republic	5.1%
Luxembourg	4.7%
Poland	4.6%
Korea, Rep.	4.6%
Turkey	4.5%
Russian Federation	4.5%
Iceland	4.3%
Greece	3.9%
Hungary	3.9%
Finland	3.9%
Australia	3.7%
Spain	3.7%
Mexico	3.7%
Canada	3.2%
Czech Republic	3.2%
United States	3.1%
Norway	3.0%
New Zealand	2.9%
Sweden	2.9%
United Kingdom	2.8%
Brazil	2.7%
Netherlands	2.7%
Austria	2.4%
Portugal	2.3%
Belgium	2.2%
France	2.2%
Denmark	2.2%
Switzerland	1.8%
Germany	1.5%
Italy	1.4%
Japan	1.3%

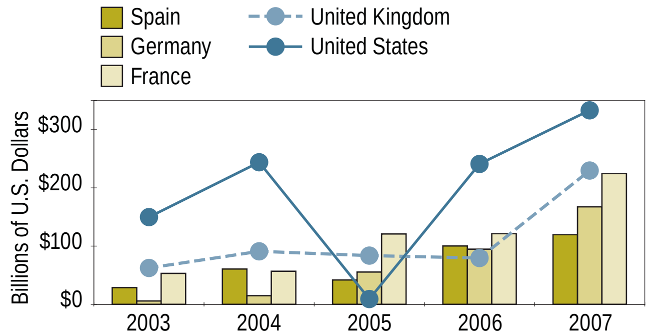
Notes: Average rate of growth based on constant (2000) U.S. dollar series (NY.GDP.MKTP.KD). Growth rates can be sensitive to the method of deflation, base year and selected currency. Highlighted cells are not OECD members.
Source: World Development Indicators of the World Bank (WDI online 3/12/09)

Figure B-1: Direct Investment Inflows into Select OECD Countries, 2003–2007



Note: Data are converted to U.S. dollars using average exchange rates.
Source: 2006 and 2007 data are from OECD *Investment News* newsletter, June 2008, Issue 7. Prior data are from OECD Factbook 2008.

Figure B-2: Direct Investment Outflows from Select OECD Countries, 2003–2007



Note: Data are converted to U.S. dollars using average exchange rates.
Source: 2006 and 2007 data are from OECD *Investment News* newsletter, June 2008, Issue 7. Prior data are from OECD Factbook 2008.

Relationship of Inflows and Outflows

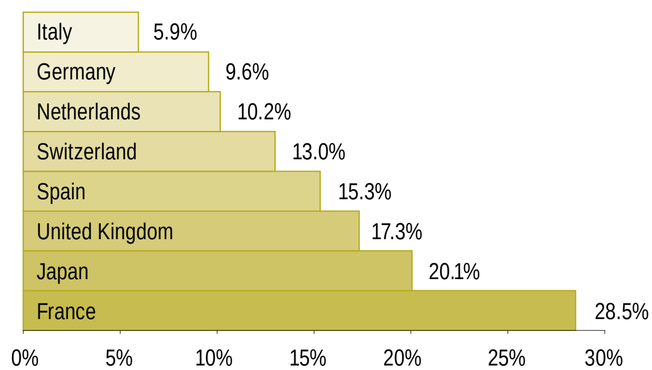
Between 1997 and 2007, the dollar amount that French companies invested abroad exceeded the amount that foreign companies invested in France by $467 billion. As **Figure B-3** shows, this difference made France the largest net exporter of FDI among OECD countries, followed by Japan and the United Kingdom. Mexico was the top net recipient of OECD FDI between 1997 and 2007, with a $170 billion margin of inflows over outflows. Other leading net importers of OECD FDI were Poland, the Czech Republic, Turkey and Australia. With FDI inflows exceeding outflows by $27 billion over this 10-year period, the United States is also a large net recipient of FDI, even considering the large outflow (relative to inflow) in 2007.

Given that the United States and Australia are high income countries, the fact that they are high net FDI importers may be viewed as a curious phenomenon. Most high net FDI recipients have below average incomes with rapid economic development and new market opportunities. On the other hand, firms may be attracted to the steady economic growth and open markets the United States has to offer. The United States is also significantly larger than the second largest economy, as **Table B-2** shows. Its size may also enhance its desirability as an investment target. In addition, the fact that so much U.S. currency is held by other countries due to the persistent U.S. current account deficits may also contribute to the relative attractiveness of U.S. assets. •

Notes

1. OECD, "OECD FDI outflows and inflows reach record highs in 2007 but look set to fall in 2008," *Investment News*, June 2008, Issue 7, www.oecd.org/dataoecd/18/28/40887916.pdf.
2. OECD, "Grim outlook for FDI and shifting global investment patterns," *Investment News*, November 2008, Issue 8, www.oecd.org/dataoecd/56/43/41671320.pdf.

Figure B-3: Percent of Total Cumulative Net FDI Outflows from Select OECD Countries, 1997–2007



Sources: 2006 and 2007 data are from OECD *Investment News* newsletter, June 2008, Issue 7. Prior data are from OECD Factbook 2008.

Table B-2: World's Largest Economies, 2007

Country	2007 (in Billions)	Percent of World Economy
United States	$13,811.2	25.4%
Japan	$4,376.7	8.1%
Germany	$3,297.2	6.1%
China	$3,280.1	6.0%
United Kingdom	$2,727.8	5.0%
France	$2,562.3	4.7%
Italy	$2,107.5	3.9%
Spain	$1,429.2	2.6%
Canada	$1,326.4	2.4%
Brazil	$1,314.2	2.4%
Russian Federation	$1,291.0	2.4%
India	$1,171.0	2.2%
Korea, Rep.	$969.8	1.8%
Mexico	$893.4	1.6%
Australia	$821.7	1.5%
Netherlands	$754.2	1.4%

Note: Values in billions of current dollars.
Source: World Development Indicators of the World Bank (WDI online 11/20/08, series NY.GDP.MKTP.CD).

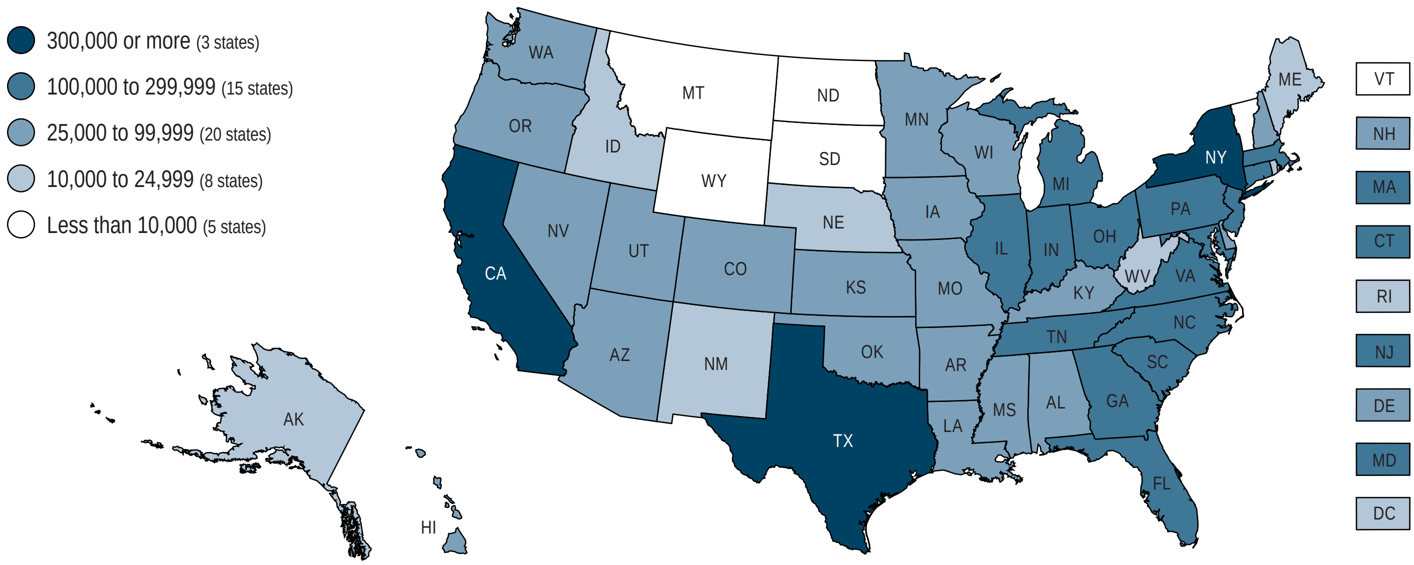
FDI in the United States and Indiana

FDI-Related Employment

Indiana has been one of the nation's top beneficiaries of foreign direct investment. Indiana ranked 14th among states with 148,000 workers employed at firms in which a foreign investor or company had at least a 50 percent stake in 2006 (**Figure C-1**).

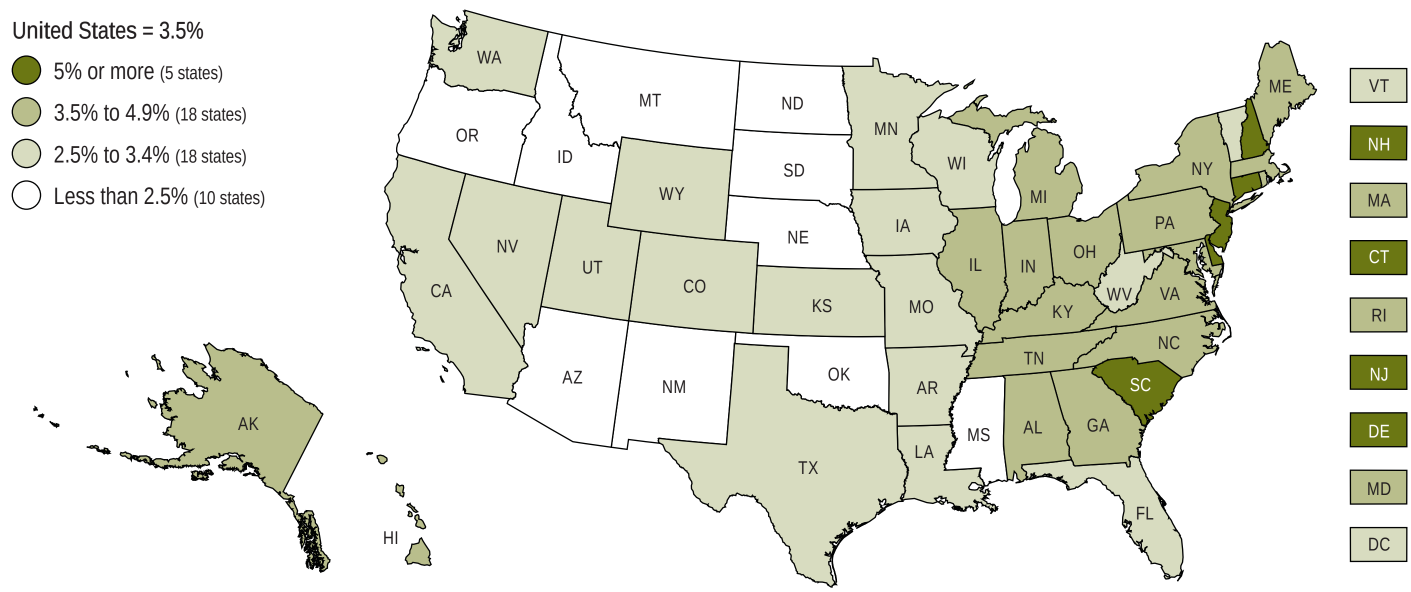
Majority-owned U.S. affiliates (MOUSA) accounted for 4.6 percent of Indiana's total private sector employment (**Figure C-2**),[1] ranking ninth nationally and well above the U.S. average (3.5 percent). Furthermore, among its Midwestern neighbors, only Kentucky has a higher share of total private employment in MOUSAs (**Figure C-3**).

Figure C-1: Majority-Owned U.S. Affiliate Employment, 2006



Source: Bureau of Economic Analysis

Figure C-2: Majority-Owned U.S. Affiliate Employment as a Percent of Total Private Employment, 2006



Source: Bureau of Economic Analysis

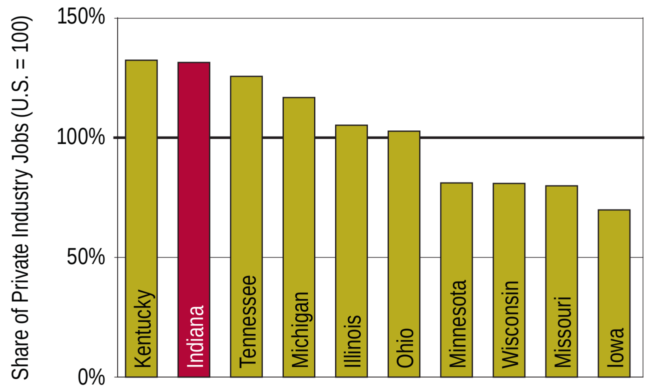
Indiana's MOUSA employment increased markedly from 2004 to 2006. The additional 14,000 jobs in the state over this two-year period was the largest gain among Indiana's neighbors (see **Figure C-4**). Indiana ranked seventh nationally in percentage gains; MOUSA employment increased at an average annual rate of 2.7 percent between 2002 and 2006 (see **Figure C-5**). Only 20 states showed positive growth over this period. Nationally, MOUSA employment declined over this time period, falling at an average annual rate of 0.4 percent.

Manufacturing Employment

In 2006, U.S. affiliates supported 95,900 manufacturing jobs in Indiana (see **Figure C-6**). These jobs represented 16.6 percent of total private manufacturing employment in the state (see **Figure C-7**). This share of manufacturing employment far exceeds the U.S. percentage of 13.9 and, among neighboring states, is surpassed by only Michigan, Kentucky and Tennessee (see **Figure C-8**).

Manufacturing jobs represent 64.8 percent of MOUSA employment in Indiana, the second highest share in the nation in 2006 behind Arkansas. By comparison, Illinois and Minnesota had 37 percent and 33 percent of their MOUSA jobs in manufacturing, respectively. These statistics indicate that FDI-related employment in Illinois and Minnesota is spread more evenly across sectors. For

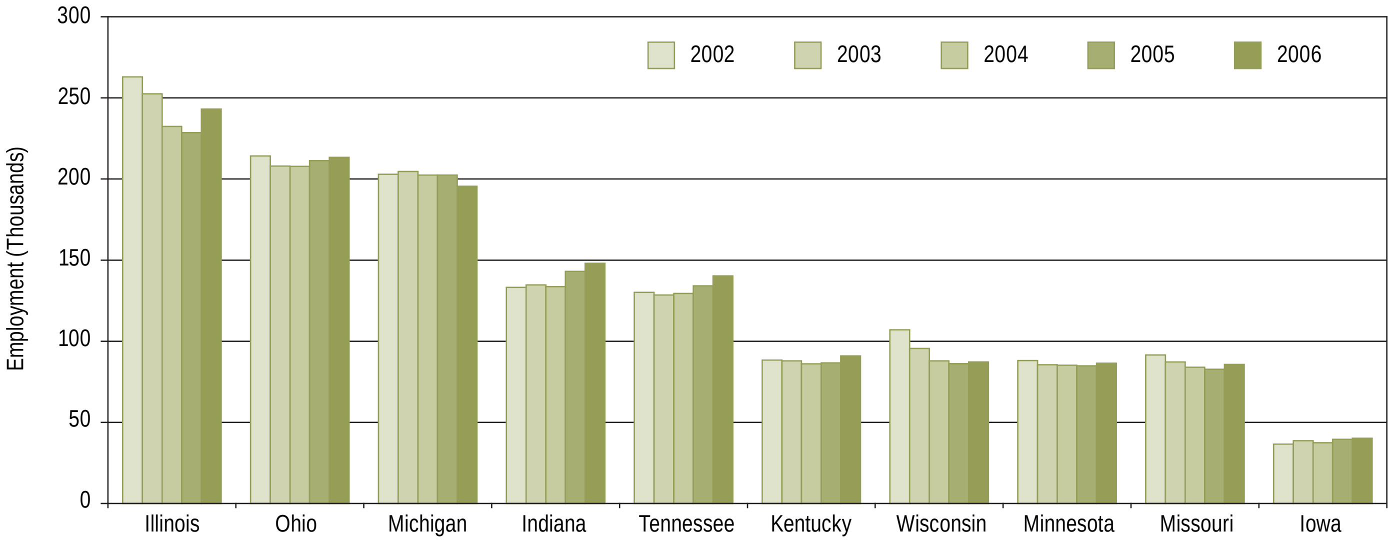
Figure C-3: Share of Private Industry Jobs by Majority-Owned U.S. Affiliates in the Midwest Compared to the Nation, 2006



Source: Bureau of Economic Analysis and Bureau of Labor Statistics

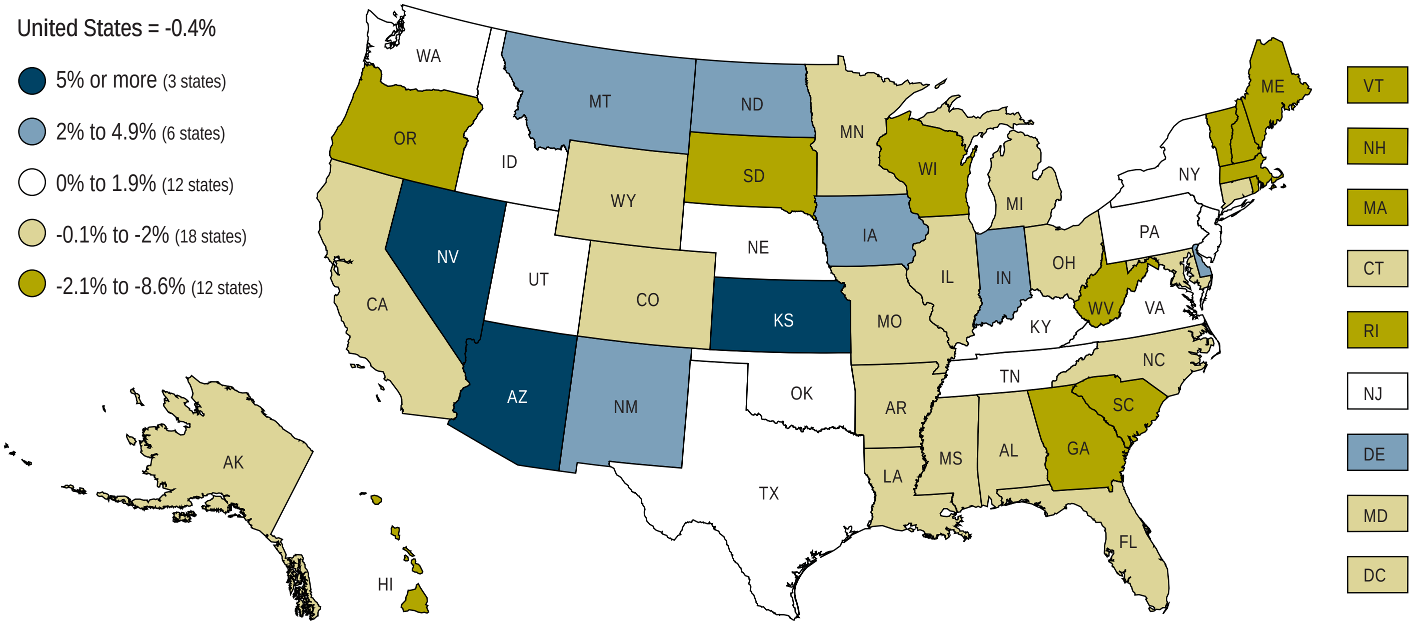
> ***"Manufacturing jobs represent 64.8 percent of MOUSA employment in Indiana, the second highest share in the nation in 2006."***

Figure C-4: Majority-Owned U.S. Affiliates Employment Trends in the Midwest, 2002 to 2006



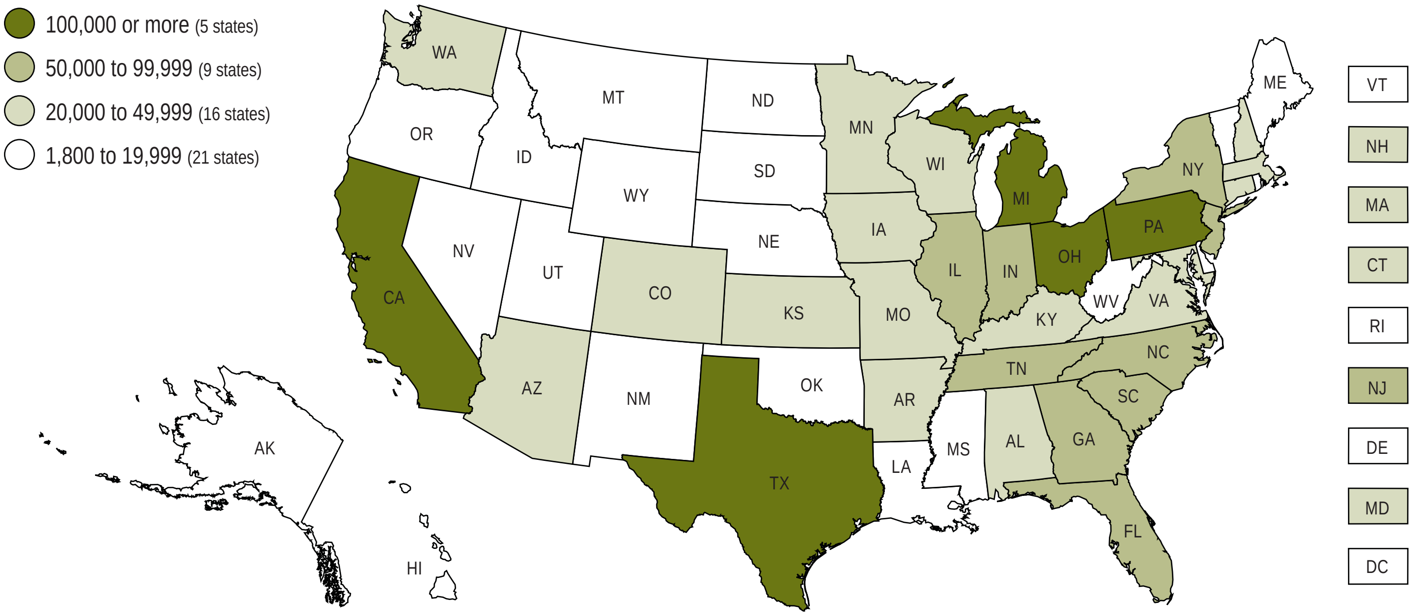
Source: Bureau of Economic Analysis

Figure C-5: Average Annual Percent Change in Majority-Owned U.S. Affiliate Employment, 2002 to 2006



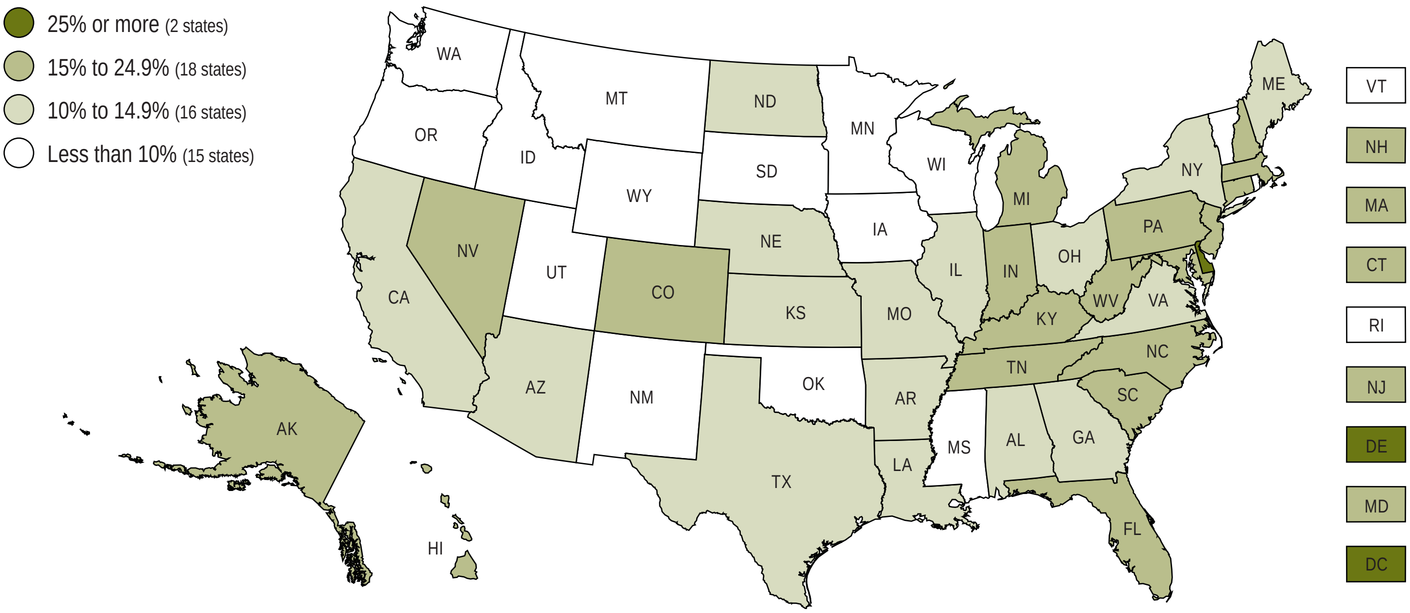
Source: Bureau of Economic Analysis

Figure C-6: Majority-Owned U.S. Affiliate Manufacturing Employment, 2006



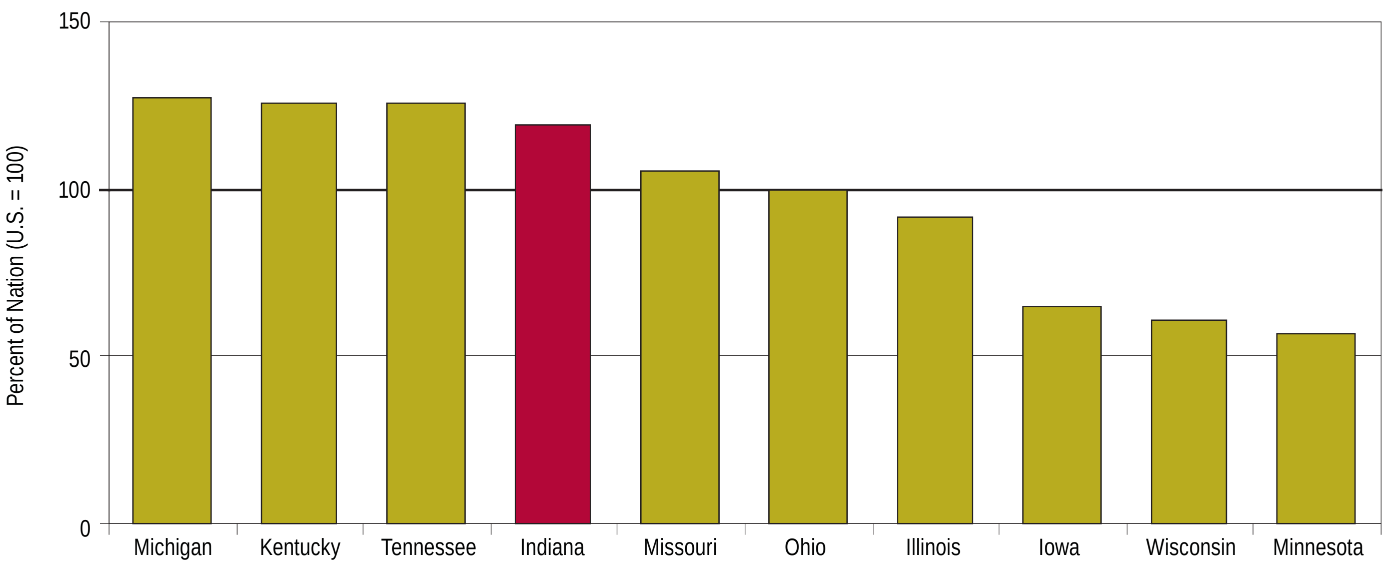
Source: Bureau of Economic Analysis

Figure C-7: Majority-Owned U.S. Affiliate Manufacturing Employment as a Percent of Total Private Manufacturing Employment, 2006



Source: Bureau of Economic Analysis

Figure C-8: Share of Total Private Manufacturing Jobs of Majority-Owned U.S. Affiliates Compared to the Nation, 2006



Source: Bureau of Economic Analysis

example, MOUSA employment in the information and finance sectors in Illinois and Minnesota are well above national averages. However, Indiana is well below the national averages. **Figure C-9** illustrates that compared to other regions of the country, MOUSA employment in the Midwest is biased toward manufacturing.

> *"Indiana ranked eighth among states with a gross value of MOUSA property, plant and equipment of $37 billion."*

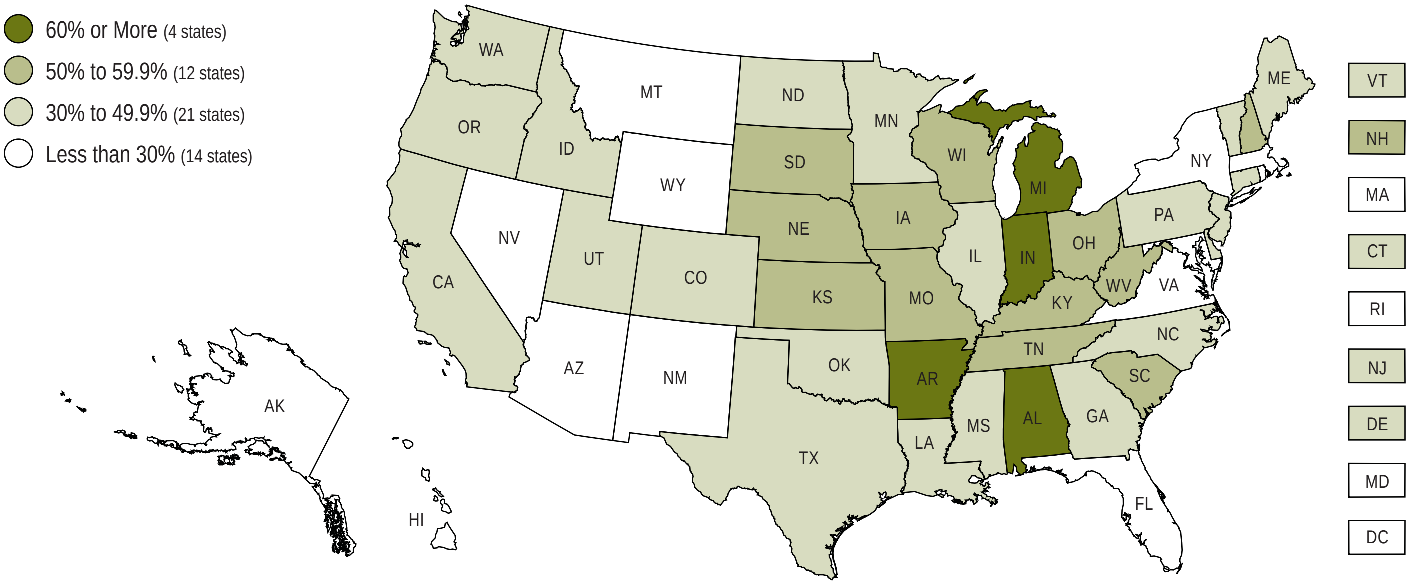
Investment

The gross value of property, plant and equipment held by MOUSAs in the United States totaled $1.2 trillion in 2006. Indiana ranked eighth among states with a gross value of MOUSA property, plant and equipment at $37 billion. That figure translates to 3.1 percent of the national total. California and Texas account for the largest shares of total gross value of MOUSA investment at 8.7 percent and 8.1 percent, respectively. New York follows with 5.8 percent of the national total. Neighboring Illinois (3.6 percent), Michigan (3.5 percent) and Ohio (3.2 percent) also placed slightly ahead of Indiana in this measure.

One helpful way to gauge the relative significance of MOUSA property, plant and equipment within a state is to compare its value to the measure of a state's total economic output, or gross domestic product (GDP) by state.[2] As **Figure C-10** shows, Indiana's ratio of the value of MOUSA property, plant and equipment to state GDP ranks fifth nationally. Indiana's ratio exceeds its neighbors and all other Midwestern states with the exception of Kentucky.

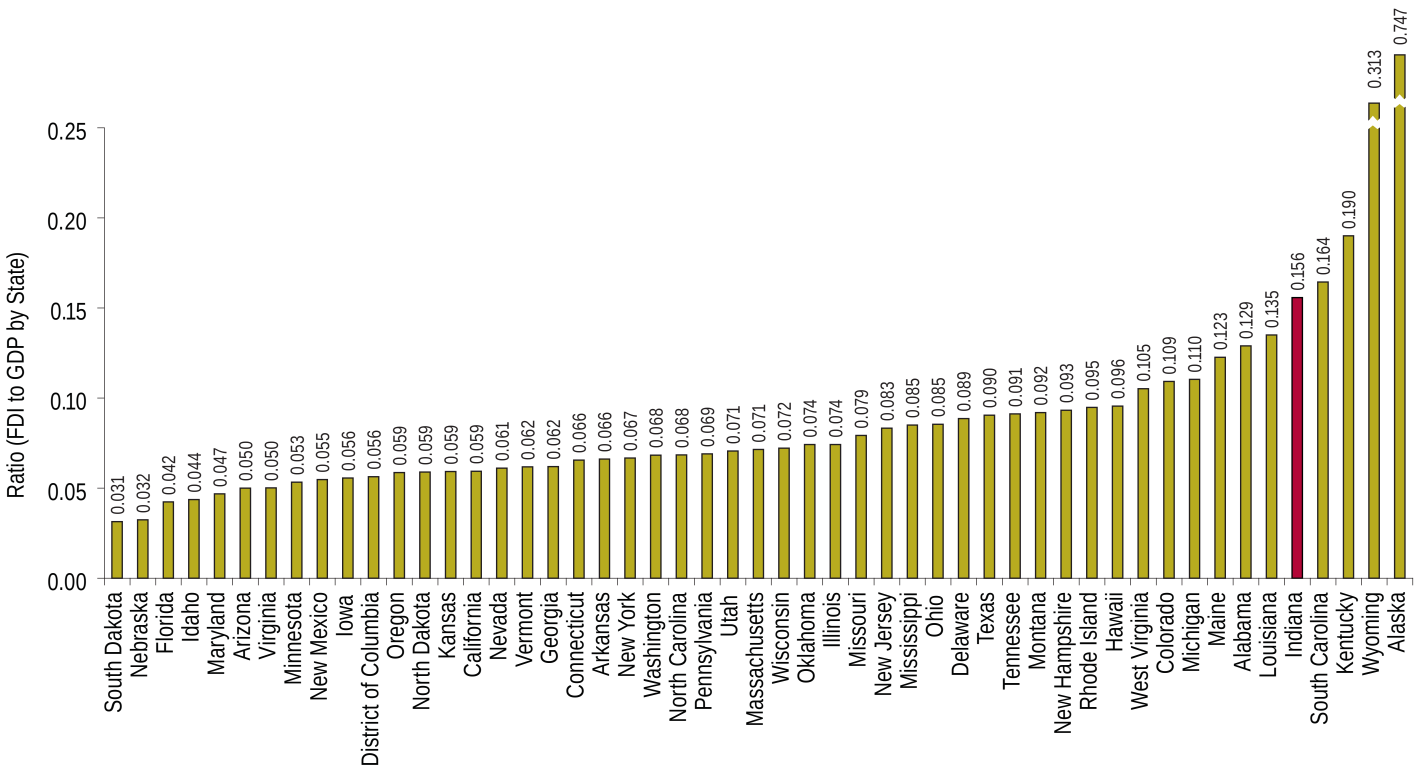
For Indiana, the value of FDI increased 11.7 percent from 2005 to 2006—nearly five-times greater than the 2.5 percent growth in the state's GDP. FDI inflows outpaced economic growth in 28 states and the United States as a whole. From 2005 to 2006, U.S. FDI growth expanded by 7.7 percent, while GDP increased by 6.3 percent. The increase in the relative importance of MOUSA investment in Indiana is illustrated by **Figure C-11**. The state's ratio of FDI growth to GDP growth from 2005 to 2006 was among the highest in the nation.

Figure C-9: Majority-Owned U.S. Affiliate Jobs: Manufacturing as a Percent of Total, 2006



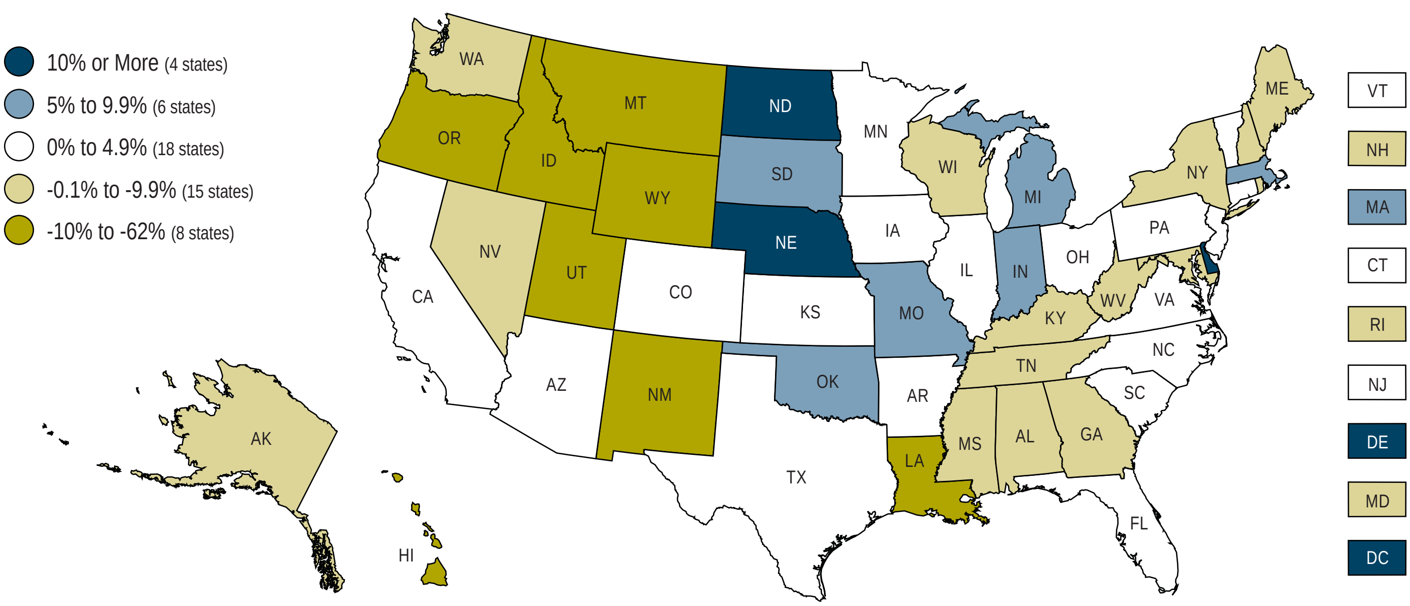
Source: Bureau of Economic Analysis

Figure C-10: Ratio of Foreign Direct Investment to GDP by State, 2006



Note: Foreign direct investment by state is measured as the gross value of property, plant and equipment of majority-owned U.S. affiliates
Source: Bureau of Economic Analysis

Figure C-11: Change in the Ratio of Foreign Direct Investment to GDP by State, 2005 to 2006



Source: Bureau of Economic Analysis

Commercial property investment in Indiana accounted for 3.6 percent of the gross book value of MOUSA property, plant and equipment in 2006, well below the national average of 12.6 percent. **Figure C-12** shows that most Midwest states have a larger portion of FDI invested in commercial property, led by Illinois (17.9 percent) and Minnesota (14.3 percent). Indiana's traditional strength in manufacturing is reflected in foreign companies investing more heavily in manufacturing plant and equipment than in commercial property.

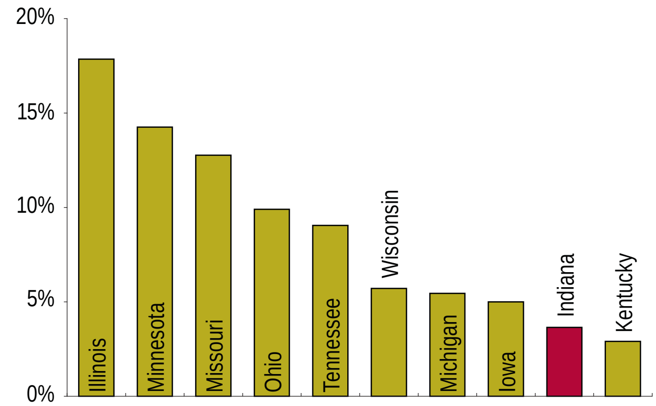
Nationally, the gross value of MOUSA property, plant and equipment has increased by $164.3 billion between 2002 and 2006, or 3.7 percent at an average annual rate. Over half of this four-year increase in value occurred in 2006. Interestingly, this increase occurred even as national MOUSA employment dropped 95,000 jobs. Over this same period, the value of Indiana's MOUSA property, plant and equipment increased $9.2 billion. Following the national trends, 42 percent of this increase occurred in 2006. As **Figure C-13** shows, Indiana's growth was an impressive 7.1 percent annually, higher than any other Midwestern state.

A $194 million increase in the value of MOUSA commercial property from 2005 to 2006 accounted for 5 percent of Indiana's growth in the total value of property, plant and equipment. This single year increase is noteworthy considering that MOUSA commercial property investment increased by only $35 million between 2002 and 2005. As **Figure C-14** shows, due to the uptick in 2006, Indiana's gross value of MOUSA commercial property grew at an average annual rate of 4.6 percent from 2002 to 2006. This rate of growth places Indiana at mid-pack among Midwestern states that are led by Wisconsin and Iowa with 8.7 percent and 7.9 percent annual rates of growth, respectively. Four Midwestern states have experienced a decline in the value of MOUSA commercial property over this period.

FDI by Industry

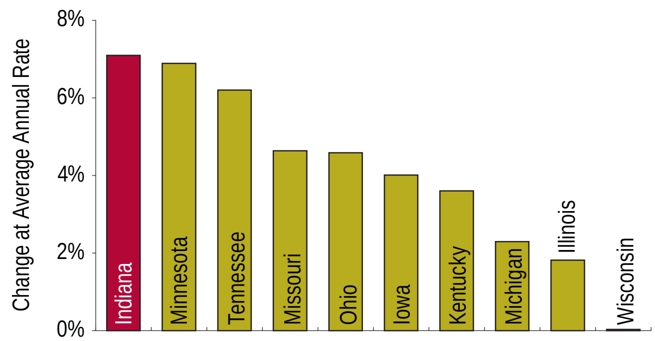
Rather than adding up investment dollars, employment may be a better measure of the effects of FDI. Accounting for changes in the value of the dollar against other currencies and keeping track of net changes in the capital stock—that is, accounting for new investment flows and depreciation—can be tricky. On the other hand, the value of a job is not directly affected by changes in exchange rate, nor do

Figure C-12: Percentage of Gross Value of Property, Plant and Equipment Invested in Commercial Property, 2006



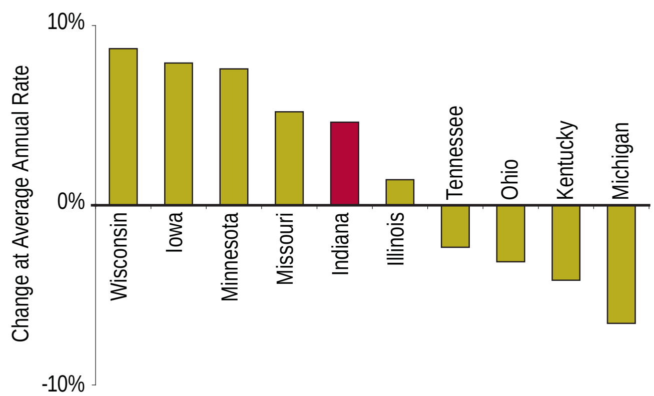
Source: Bureau of Economic Analysis

Figure C-13: Percent Change in the Gross Value of Property, Plant and Equipment for Majority-Owned U.S. Affiliates in the Midwest, 2002–2006



Source: Bureau of Economic Analysis

Figure C-14: Percent Change in the Gross Value of Commercial Property, 2002–2006



Source: Bureau of Economic Analysis

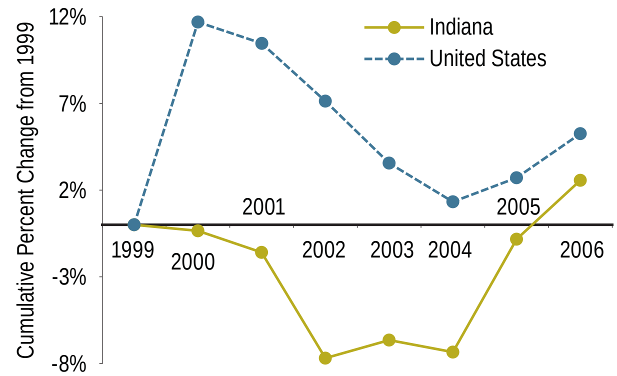
most jobs "depreciate" or suffer a reduction in wages. For this reason, this section reports the structure of MOUSA employment by industry.

MOUSAs employed 148,000 Hoosiers in 2006. As **Figure C-15** shows, following a period of decline from 2001 to 2004, this is the highest MOUSA employment level in the state in recent years. MOUSA employment at the national level also exhibits a post-2004 rebound but still has a ways to go to reach the year 2000 level.

Figure C-16 further illustrates the dominant role that manufacturing plays in Indiana's FDI–related employment. In 2006, 65 percent of total MOUSA employment in the state was in the manufacturing sector, the second highest percentage nationally and leading all Midwestern states.

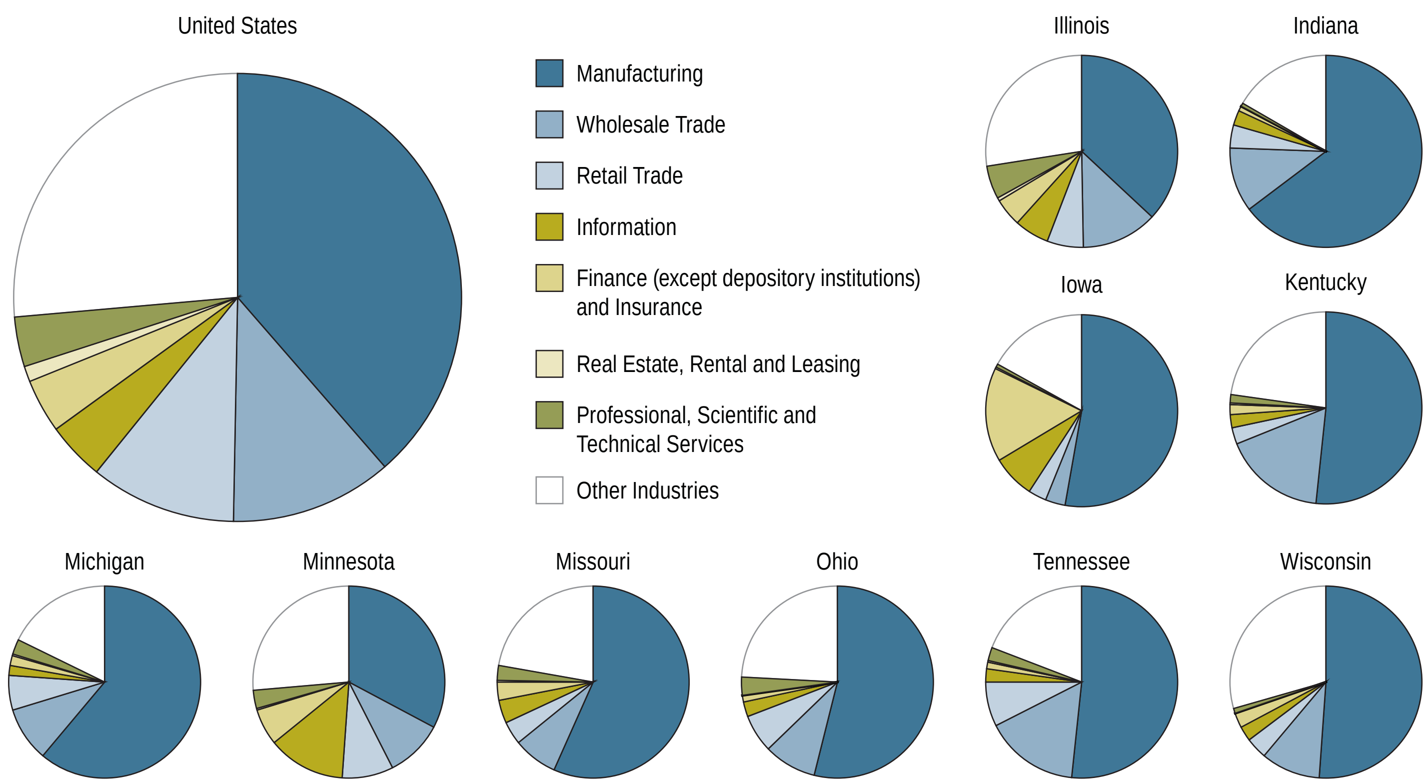
Wholesale trade was Indiana's second largest sector with an 11 percent share of total MOUSA employment. Retail trade followed at 4 percent. MOUSA employment in the United States is distributed more evenly across sectors with manufacturing registering 39 percent of employment, followed by wholesale trade at 12 percent.

Figure C-15: Percent Change in Majority-Owned U.S. Affiliate Employment, Indiana and the United States, 1999 to 2006



Source: Bureau of Economic Analysis

Figure C-16: Share of Majority-Owned U.S. Affiliate Employment by Sector, 2005



Source: Bureau of Economic Analysis

More broadly, foreign-owned businesses in Indiana represented 4.6 percent of the state's total private industry employment in 2006 (**Table C-1**). Indiana's share was greater than the nation as a whole—3.5 percent—and, with the exception of Kentucky, surpassed all neighboring states. MOUSAs accounted for 16.6 percent of Indiana's total manufacturing employment compared to 13.9 percent for the nation.

The Origin of FDI

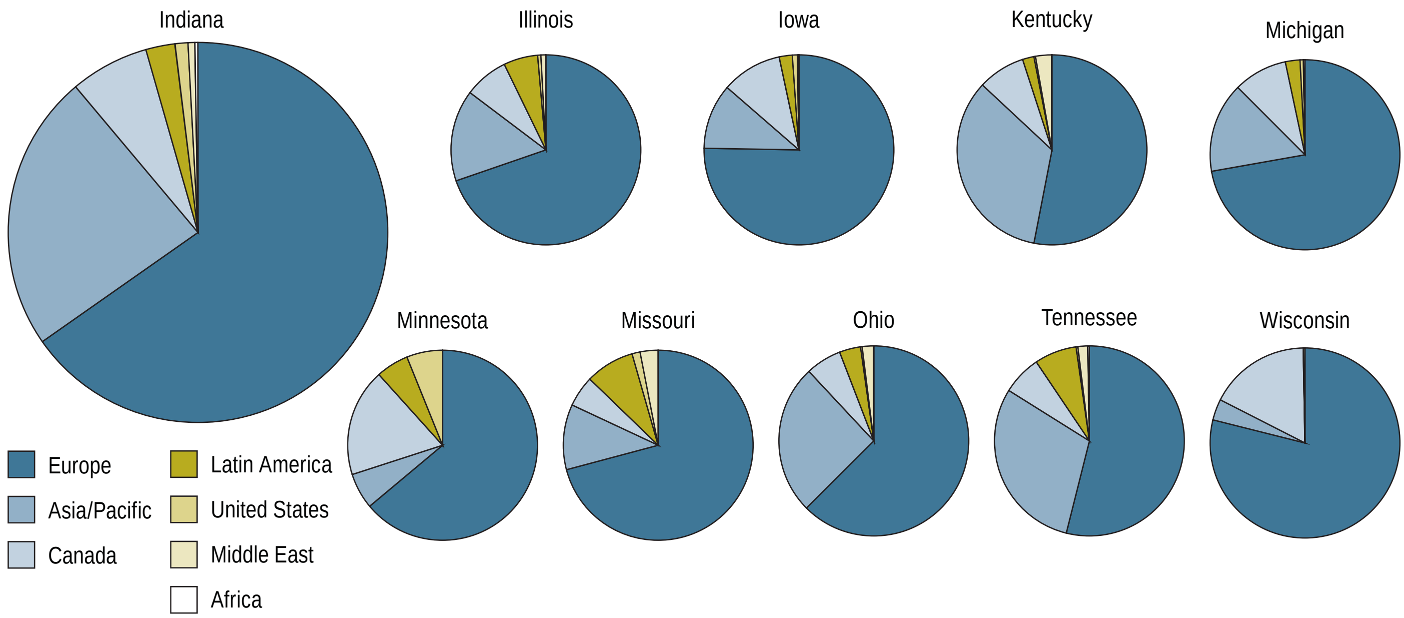
European companies accounted for 65.4 percent of Indiana's MOUSA employment in 2006. Asia and the Pacific countries account for 23.5 percent. Europe had an even stronger presence in the United States as a whole in 2006, comprising 67.4 percent of total employment. Asian and Pacific companies registered 14.8 percent nationally. Among Indiana's neighbors, only Kentucky, Tennessee

Table C-1: Employment of Majority-Owned Nonbank U.S. Affiliates by Industry of Affiliate, 2006

State	Indicator	All Industries	Manufacturing	Wholesale Trade	Retail Trade	Information	Finance (except depository institutions) and Insurance	Real Estate, Rental and Leasing	Professional, Scientific and Technical Services	Other Industries
United States	Jobs*	5,330.5	2,057.8	618.7	564.0	223.5	215.1	46.0	202.4	1,402.9
	Percent of Private Jobs	3.5%	13.9%	9.5%	3.0%	6.3%	2.6%	0.6%	1.7%	1.8%
Indiana	Jobs*	148.0	95.9	15.8	5.7	4.0	1.2	0.1	0.5	24.8
	Percent of Private Jobs	4.6%	16.6%	11.7%	1.4%	8.4%	0.9%	0.1%	0.3%	1.5%
Michigan	Jobs*	195.5	119.6	17.7	11.3	3.6	3.1	0.5	5.1	34.6
	Percent of Private Jobs	4.1%	17.8%	9.4%	1.8%	4.5%	1.4%	0.2%	1.4%	1.4%
Ohio	Jobs*	213.3	114.7	19.1	13.5	5.6	2.1	0.3	6.2	51.8
	Percent of Private Jobs	3.6%	13.9%	7.3%	1.8%	5.4%	0.7%	0.1%	1.7%	1.7%
Wisconsin	Jobs*	87.2	44.6	8.8	3.0	2.2	2.1	0.1	0.8	25.6
	Percent of Private Jobs	2.9%	8.5%	6.6%	0.7%	3.9%	1.2%	0.1%	0.5%	1.7%
Iowa	Jobs*	40.2	21.5	1.3	1.3	2.9	6.5	0.1	0.2	6.9
	Percent of Private Jobs	2.5%	9.0%	1.8%	0.6%	7.8%	5.8%	0.2%	0.3%	0.8%
Minnesota	Jobs*	86.5	28.4	8.3	7.5	11.3	5.2	0.3	2.6	22.9
	Percent of Private Jobs	2.9%	7.9%	5.7%	2.0%	17.0%	2.8%	0.2%	1.3%	1.5%
Missouri	Jobs*	85.7	47.1	6.2	3.2	3.3	2.4	0.3	2.1	18.4
	Percent of Private Jobs	2.8%	14.7%	4.6%	0.8%	4.6%	1.5%	0.2%	1.1%	1.1%
Kentucky	Jobs*	91.0	47.0	15.7	2.4	2.2	1.5	0.3	1.1	20.8
	Percent of Private Jobs	4.7%	17.5%	18.9%	0.9%	6.5%	1.6%	0.4%	1.1%	2.0%
Tennessee	Jobs*	140.3	72.4	22.1	10.5	3.1	1.8	0.4	3.1	26.8
	Percent of Private Jobs	4.4%	17.5%	15.2%	2.5%	5.2%	1.2%	0.3%	1.7%	1.6%
Illinois	Jobs*	243.1	90.1	30.7	14.6	14.4	11.8	1.2	13.6	66.7
	Percent of Private Jobs	3.7%	12.8%	9.3%	1.9%	10.6%	2.7%	0.4%	2.6%	2.0%

*Majority-owned affiliate job data are in thousands
Notes: Shaded cells show where states are greater than Indiana.
Source: Bureau of Economic Analysis

Figure C-17: Midwestern States' Majority-Owned U.S. Affiliate Employment by Source, 2006

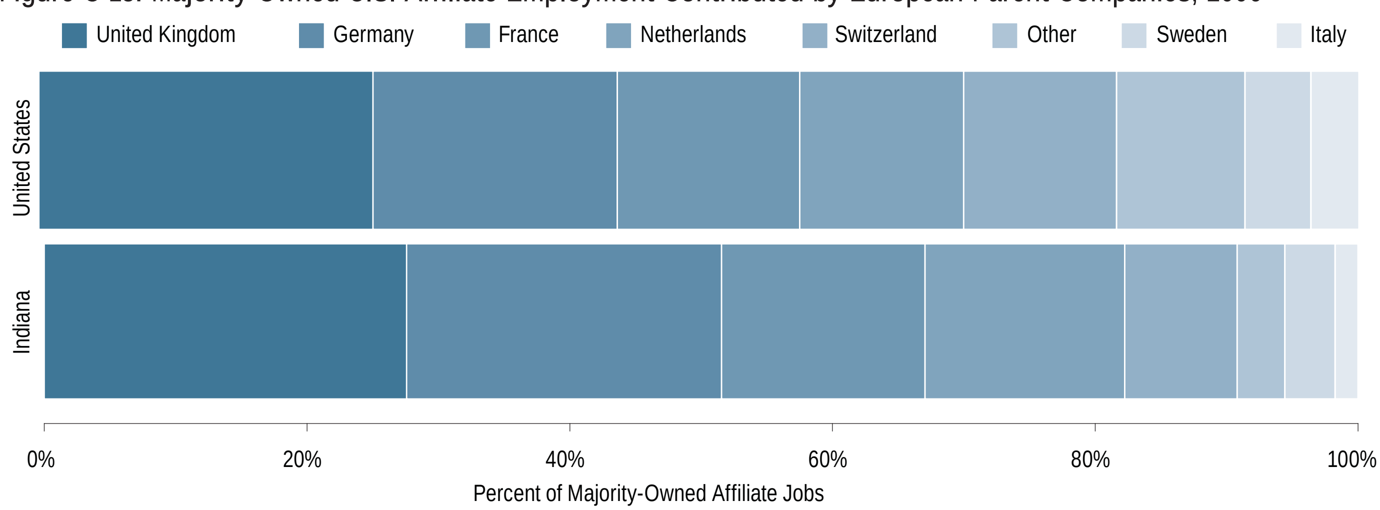


Note: The UBO is the person or persons that ultimately owns or controls the U.S. affiliate. A foreign parent is the first link in the ownership chain of a U.S. affiliate. Unlike the foreign parent, the UBO may be located in the United States.
Source: Bureau of Economic Analysis

and Ohio had a higher share of MOUSA employment originating from the Asia/Pacific region in 2006 (**Figure C-17**).

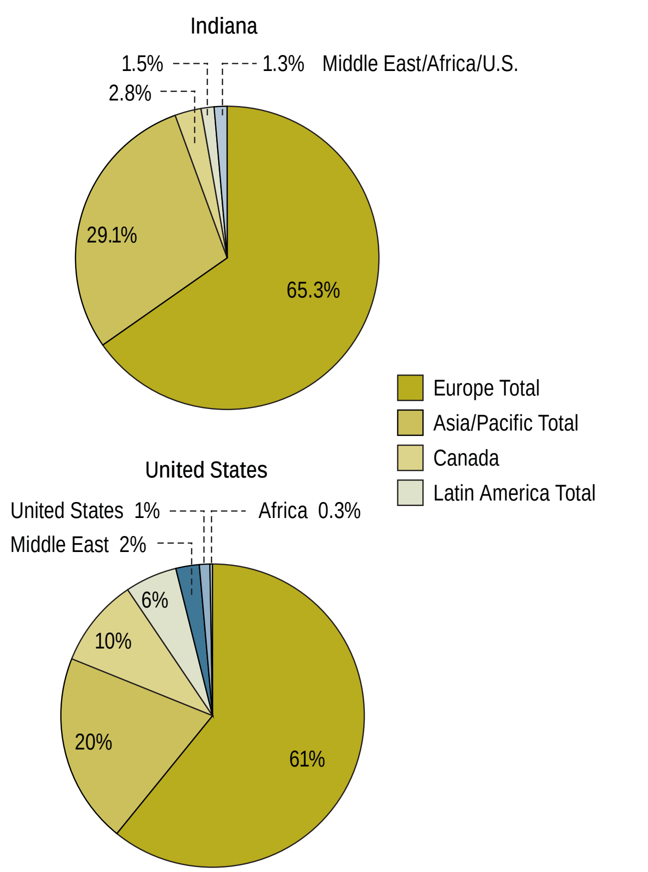
At a regional level, Europe was the dominant source of Indiana's MOUSA employment. However, the single largest source nation of MOUSA employment in 2006 was Japan, with 33,200 jobs. This job total represents a 22.4 percent share of the state's MOUSA employment which is nearly twice as great as Japan's 11.8 percent share nationally. Other top source countries of Indiana MOUSA employment are the United Kingdom and Germany with 26,700 jobs and 23,200 jobs, respectively. The United Kingdom and Germany were the leading source countries for the United States but, as **Figure C-18** highlights, these countries still

Figure C-18: Majority-Owned U.S. Affiliate Employment Contributed by European Parent Companies, 2006



Source: Bureau of Economic Analysis

Figure C-19: Majority-Owned U.S. Affiliates FDI in Indiana and the United States by Country of UBO, 2006



Source: Bureau of Economic Analysis

represented a larger share of total MOUSA employment in Indiana than they did nationally.

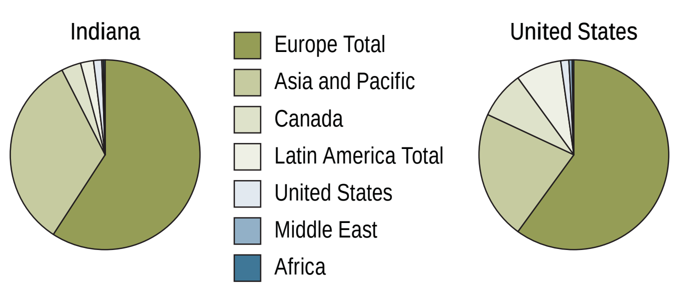
Figure C-19 presents the source countries of the dollar amount of gross property, plant and equipment by the residence of the ultimate beneficial owner (UBO).[3] The majority of investment in the United States and in Indiana by foreign parents has primarily come from Europe. The Asia/Pacific region is second for both but, as with MOUSA employment, this region plays a much larger role in Indiana than it does nationally. The share of FDI from Canada is more than three-times greater in the United States than it is for Indiana. The share of investment from Latin American countries is four times greater at the national level than for the Hoosier state.

In terms of foreign participation, the manufacturing sector is disproportionately important in the U.S. economy. Irrespective of international or domestic investment sources, manufacturing contributed approximately 14.1 percent of the nation's privately produced GDP in 2006.[4] By contrast, manufacturing's share of MOUSA produced value-added (or GDP) in that same year was three times greater—43.4 percent.[5] In 2006, European firms were the dominant source of MOUSA manufacturing employment for both the United States and Indiana, accounting for roughly 60 percent of the total in each (see **Figure C-20**). Asia/Pacific companies—and Japanese firms in particular—play a far larger role in Indiana's MOUSA manufacturing employment than is the case nationally. Conversely, Canadian and Latin American manufacturers are more concentrated elsewhere in the United States than they are in Indiana. •

Notes

1. It is important to note that there has been a recent shift in the emphasis in how foreign investment is measured. The better measure of foreign participation in the United States and Indiana is to track the finance and operations of majority-owned affiliates, rather than "all" affiliates. "All affiliates" refers to those foreign entities that have at least a 10 percent stake in a U.S. company. Unless otherwise specified, all the data and references are for majority-owned U.S. affiliates.
2. The ratio of foreign PP&E investment to state GDP is to provide a rough measure of foreign participation in a state's economy. It is not a measure with an extensive theoretical foundation.
3. The UBO is the person or persons that ultimately owns or controls the U.S. affiliate. A foreign parent is the first link in the ownership chain of a U.S. affiliate. Unlike the foreign parent, however, the UBO may be located in the United States.
4. Based on BEA's GDP-by-Industry estimates. The percentage was calculated by dividing manufacturing GDP by the net of privately produced GDP less GDP produced by Federal Reserve banks, and firms engaged in credit intermediation and related activities. This percentage is an approximate number given that MOUSA value added data does not include banks or any imputations included in the GDP statistics.
5. Comparing these two percentages is not strictly correct because the MOUSA data do not include value added by banks, nor does it include value added imputations elsewhere in the National Income and Product Accounts. This is intended to be an order of magnitude comparison. That said, those caveats do not diminish the fact that MOUSA investment and production is considerably more concentrated in manufacturing.

Figure C-20: Majority-Owned U.S. Affiliates Manufacturing Employment by Country of UBO, 2006



Source: Bureau of Economic Analysis

FDI Announcements, 2006 to 2008

FDI in Indiana is likely to grow. Significant levels of foreign investment commitments were announced between 2006 and 2008. Over this three-year period, foreign companies announced plans to invest $7.1 billion in the state and create approximately 12,200 jobs. As **Figure D-1** illustrates, this expected value far exceeds other Midwestern states[1] with Michigan and Illinois notching the next highest levels at $4.6 billion and $4.4 billion in investment announcements, respectively. Beyond the Midwest, Indiana's investments total ranked seventh nationally. The job announcement tally was the eighth most among all states.

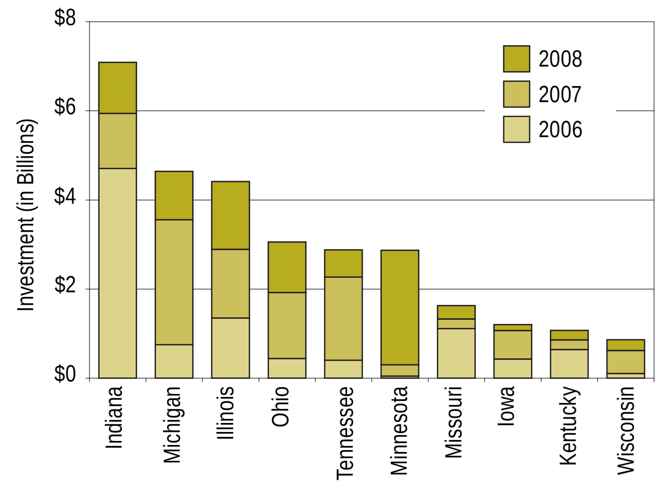
Indiana's position over this period can be attributed to three blockbuster deals declared in 2006. Chief among these was British Petroleum's $3 billion dollar investment announcement to reconfigure its facility in Whiting that is expected generate 60 new jobs. Other large FDI deals announced in 2006 include Honda in Greensburg with its expected $550 million investment and 2,000 new jobs. Nestlé committed to a $359 million investment and 300 jobs in Anderson. Although these are but three of the 82 FDI deals announced for Indiana between 2006 and 2008, they account for over half of the expected value of all investments.

In terms of employment, Indiana's 12,200 job commitments over this period trailed only Michigan among Midwestern states (see **Figure D-2**). The 2,000 jobs announced for Indiana in 2008 were down compared to the two years previous. Nevertheless, this figure was still greater than all Midwestern states with the exception of Michigan and Illinois. Michigan's high employment mark was buoyed by an expected 6,400 jobs resulting from three separate investment announcements by DaimlerChrysler in 2007.

This last point about job commitments by DaimlerChrysler underscores the fact that one must exercise an abundance of caution when interpreting and reporting FDI data from any source[2] and particularly the data in this section. Prior sections of this report are based on public data sources that cover investment and employment activity that are already realized. The FDI Markets data source, by contrast, tracks investment announcements (media releases) that typically highlight projected investment values and job creation targets.[3] It often takes years for these projected numbers to be fully realized, if they are realized at all. The FDI Markets data adds another dimension of uncertainty if investment or job figures are not announced explicitly. In these cases, FDI Markets estimates investment and/or job figures. The trade-off in using this data set is that what it lacks in precision it compensates for in timeliness as it provides a nearly real-time sense of FDI activity.

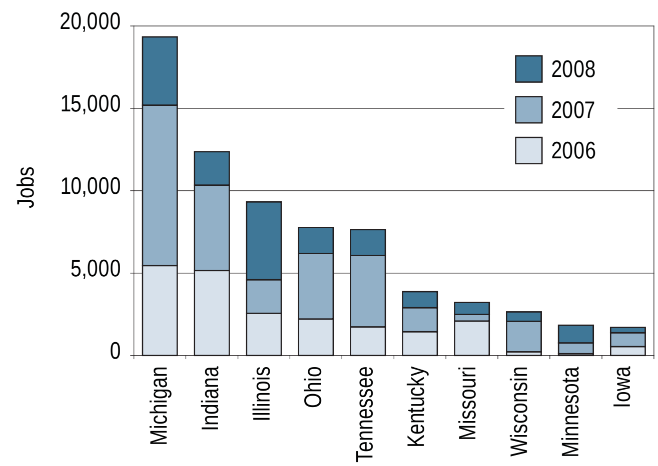
The case of DaimlerChrysler illustrates the shortcomings of this methodology. Since the Michigan investment announcements were made in April 2007 and loaded into the FDI Markets database, a series of announcements have

Figure D-1: Expected Value of FDI Project Announcements, 2006 to 2008



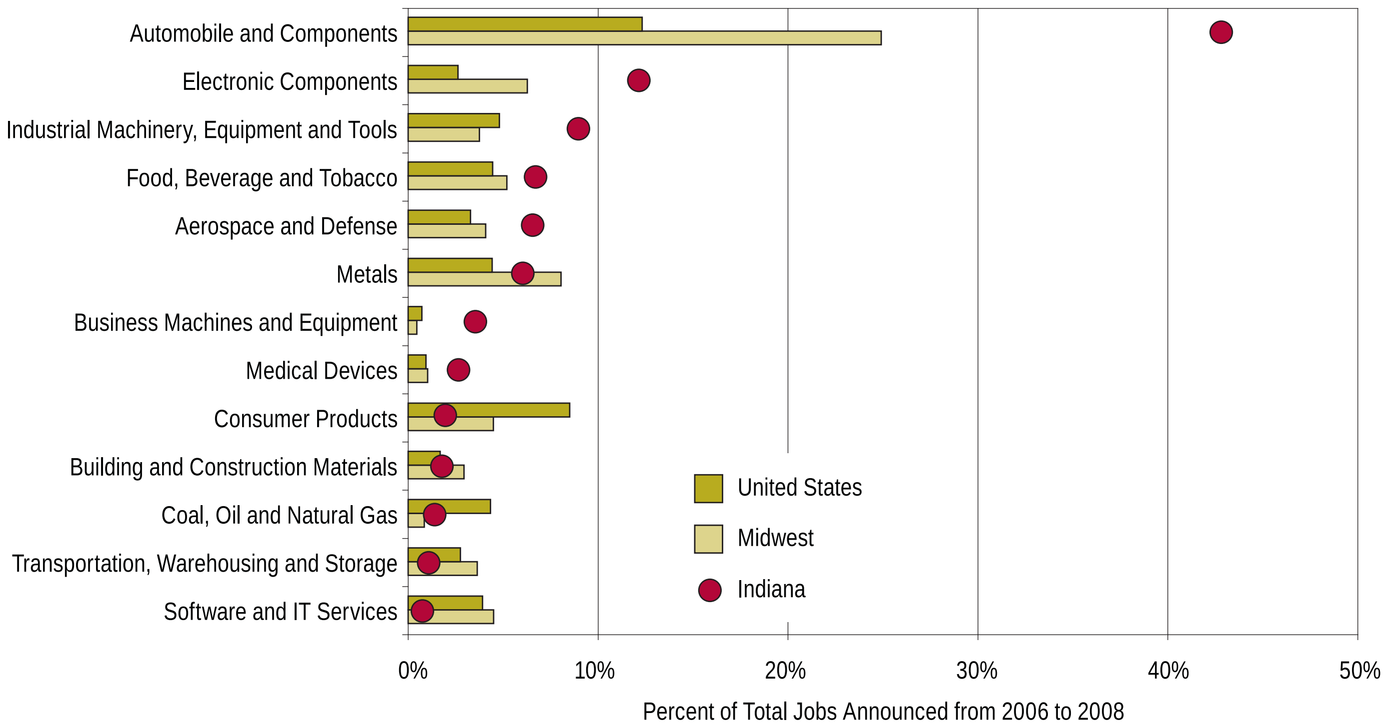
Source: FDI Markets

Figure D-2: Expected Number of Jobs Related to FDI Projected Announcements, 2006 to 2008



Source: FDI Markets

Figure D-3: FDI Project Announcement Employment by Industry Sector, 2006 to 2008



Note: Midwest data exclude Indiana
Source: FDI Markets

altered the nature of these deals. First, DaimlerChrysler split. Chrysler was purchased by a domestic private equity firm; these announced investments are no longer FDI. Next, the employment targets estimated by FDI Markets are significantly larger than those presented by Chrysler in subsequent announcements. On this point, consider the April 2007 announcement for a new Chrysler axle plant in Marysville, Michigan. FDI Markets estimated 3,000 new jobs for this facility yet more recent media releases place the number at 350 jobs, many of which will be transferred from an existing Chrysler facility.[4] Despite these inherent shortcomings, FDI Markets is our best source for near real-time FDI activity.

FDI Announcements by Industry

Based solely on two investments announced by British Petroleum in 2006, the coal, oil and natural gas industry accounted for more than 40 percent of the total expected value of FDI announced in Indiana between 2006 and 2008. However, with only 179 new jobs anticipated, the investments in this capital intensive industry comprise just 1 percent of the total employment expected from FDI deals. The automotive industry ranked second, representing 23 percent of expected foreign investment followed by beverage production at 9 percent.

The automotive industry continues to dominate Indiana's FDI-related employment. The state can expect 5,200 new auto-related jobs resulting from the 18 FDI deals announced in this industry sector between 2006 and 2008. Thirty-eight percent of these auto-related jobs will be attributed to the new Honda production facility in Greensburg, which was the single largest FDI job announcement in the state over this period. In total, the auto industry accounted for 43 percent of all promised jobs (see **Figure D-3**). Electronic component manufacturing was the second largest industry contributor with expected employment at 12 percent of the total followed by the industrial machinery, equipment and tool manufacturing industry at 9 percent.

The auto industry represented the largest single industry share of total FDI employment announcements in the United States as well. Nationally, however, FDI job announcements are more evenly distributed across industrial sectors. The expected 38,600 jobs related to auto sector FDI deals between 2006 and 2008 account for just

12 percent of the U.S. total. Among the top destination states for auto sector FDI, Indiana was third only to Mississippi and Kentucky in this industry's share of total state employment announcements (see **Figure D-4**).

In Indiana, 2008 was a relatively soft year for FDI job announcements when compared to the high standard set in the two years prior. Approximately 2,000 FDI jobs were announced in 2008 compared to 5,200 jobs in 2006 and 5,000 jobs in 2007. The nation as a whole, on the other hand, enjoyed its greatest number of employment commitments over this period. Much of Indiana's lull can be attributed to a quiet year in the auto sector. There were 229 FDI-related jobs promised in this industry (see **Figure D-5**) in 2008. The largest FDI deal for Indiana in terms of expected employment in 2008 came when the Italian company Brevini announced that it would locate its North American headquarters and a production facility in Muncie. Brevini's Muncie operations, which will focus on manufacturing gear boxes for wind turbines, are expected to create 450 jobs.

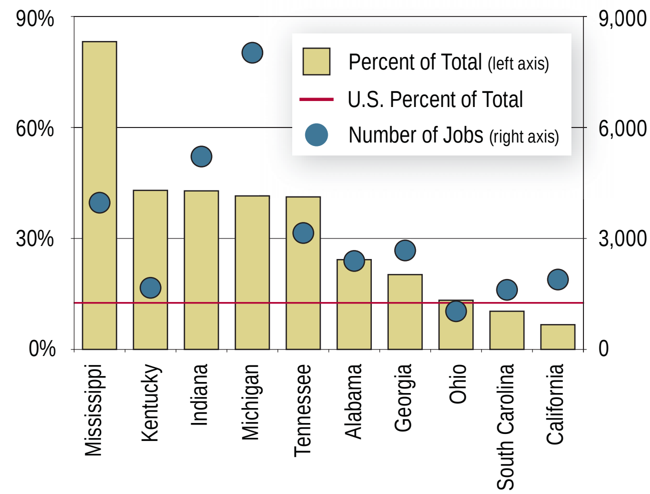
FDI Announcements by Business Activity

Four out of every five FDI-related jobs announced in Indiana between 2006 and 2008 were related to manufacturing as a business activity. Business activity as a classification scheme differs from industry classification in that it focuses on the primary task undertaken at a facility rather than on the type of product or service with which the task is associated. An automotive industry FDI announcement, for instance, could be primarily involved in one of several activities including manufacturing, research and development, maintenance and servicing, or a company headquarters.

Figure D-6 shows that Indiana was second among all states with 9,700 new manufacturing jobs expected from FDI announcements between 2006 and 2008. Interestingly, the top twelve states in the attraction of FDI manufacturing jobs were from either the Midwest or the South. Manufacturing accounted for 80 percent of Indiana's FDI employment announcements over this period—the 10th largest share nationally (see **Figure D-7**). In contrast, manufacturing represented 39 percent of FDI job announcements for the United States.

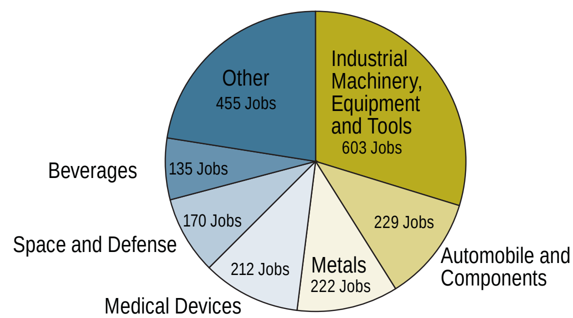
Outside of manufacturing, retail and construction activities were the top employment producers nationally

Figure D-4: Automotive Industry FDI Employment Announcements as a Share of the Total, 2006 to 2008



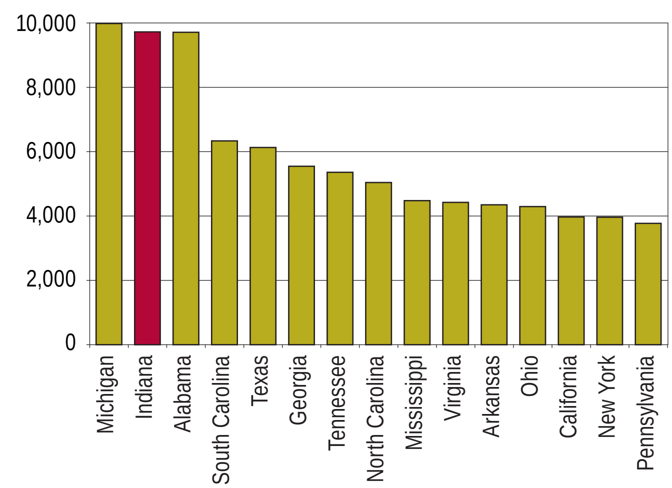
Source: FDI Markets

Figure D-5: Indiana FDI Employment Announcements by Industry Sector, 2008



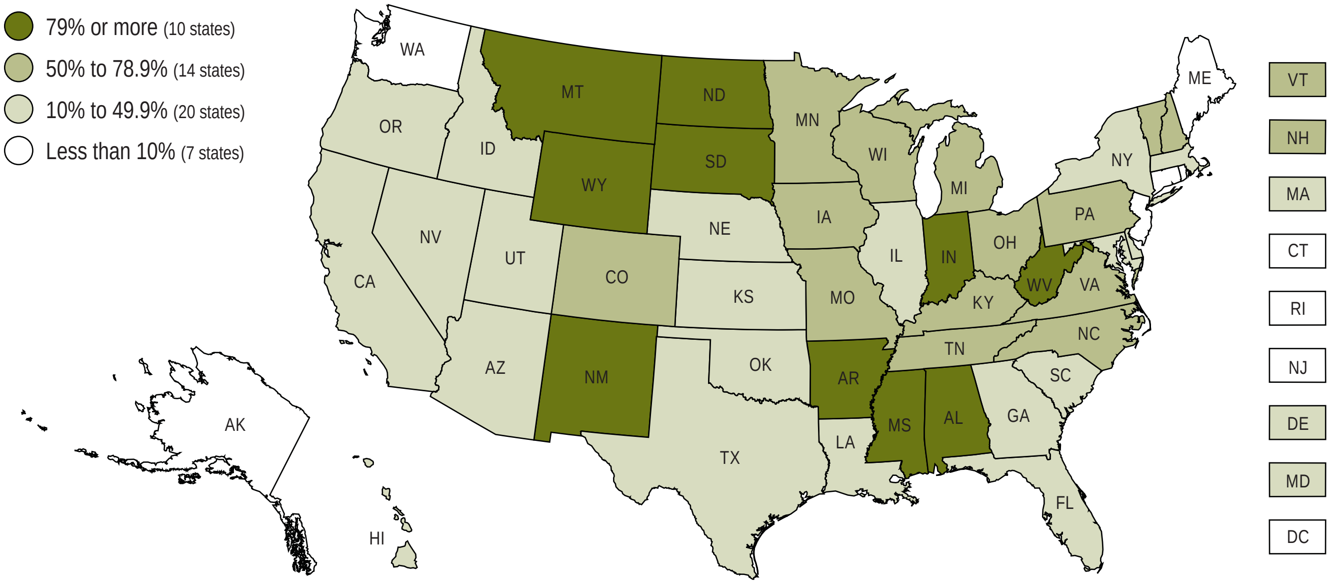
Source: FDI Markets

Figure D-6: Manufacturing FDI Employment Announcements, 2006 to 2008



Source: FDI Markets

Figure D-7: Manufacturing FDI Employment Announcements as a Share of the Total, 2006 to 2008

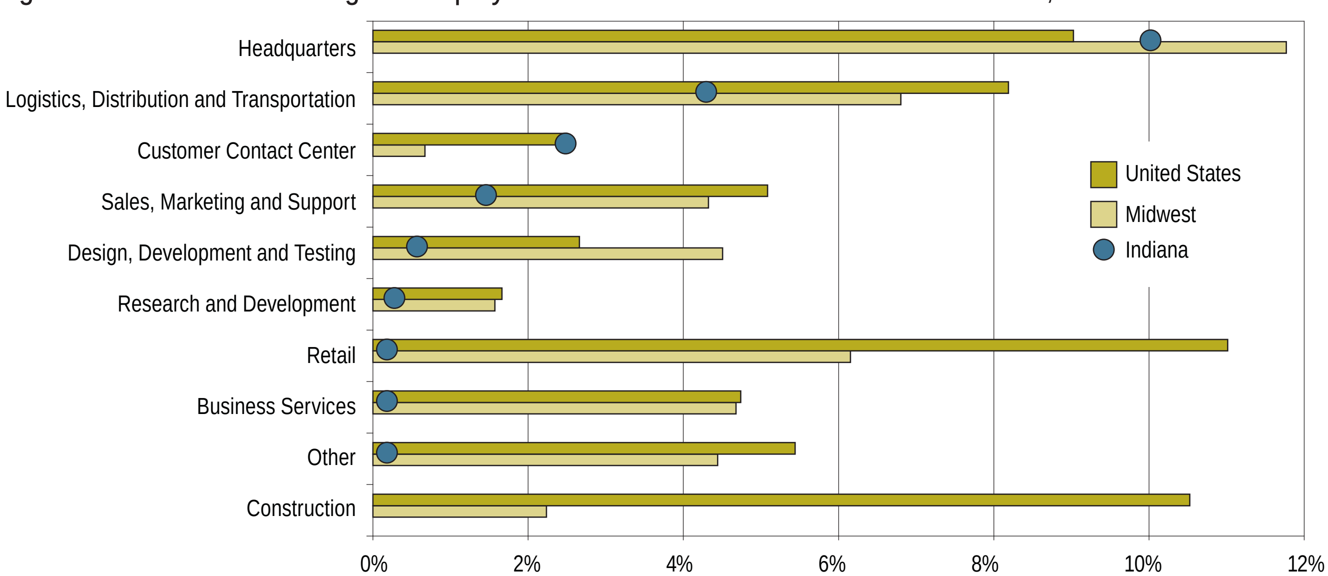


Source: FDI Markets

with each accounting for roughly 11 percent of total job announcements over the three-year period. As **Figure D-8** indicates, these activities barely registered in Indiana with the two combining to account for 0.2 percent of the total.

Employment linked to headquarters announcements was Indiana's top business activity after manufacturing. There were nine headquarter deals announced in Indiana between 2006 and 2008 with a combined expected employment of 1,200. These jobs represent 10 percent of all FDI job announcements, narrowly exceeding the U.S. share but trailing the Midwest region's share of 12 percent.

Figure D-8: Nonmanufacturing FDI Employment Announcements as a Share of the Total, 2006 to 2008



Note: Construction announcements in Indiana as a share of the total from 2006 to 2008 equaled 0.0 percent. Midwest data exclude Indiana
Source: FDI Markets

FDI Announcements by Source Country

In terms of source countries, investment commitments by Japanese companies will clearly have the largest effect on Indiana employment, based on FDI announcements from 2006 to 2008. **Figure D-9** shows that 39 percent of Indiana's FDI job announcements over this period came from Japan compared to 12 percent for other Midwestern states and the United States. Germany, in contrast, was the top source of employment announcements to both the United States and the Midwest region (excluding Indiana) with 16 percent and 35 percent of the total, respectively.

Two investments by Taiwanese companies in 2007 were sufficiently large to make this country the second largest source of job announcements in Indiana with 14 percent of the total. The largest of these pledges was Foxconn Technology Group's intention to create 1,400 new jobs at its Plainfield electronics manufacturing facility. Germany and the United Kingdom were also significant sources of job announcements for Indiana.

Conclusion

Foreign direct investment plays an increasingly important role in Indiana's economy, particularly in the manufacturing sector. For instance, U.S. Bureau of Economic Analysis data for the period 2002 to 2006 show that Indiana's MOUSA manufacturing employment is on the rise even while the state's manufacturing employment overall has declined.

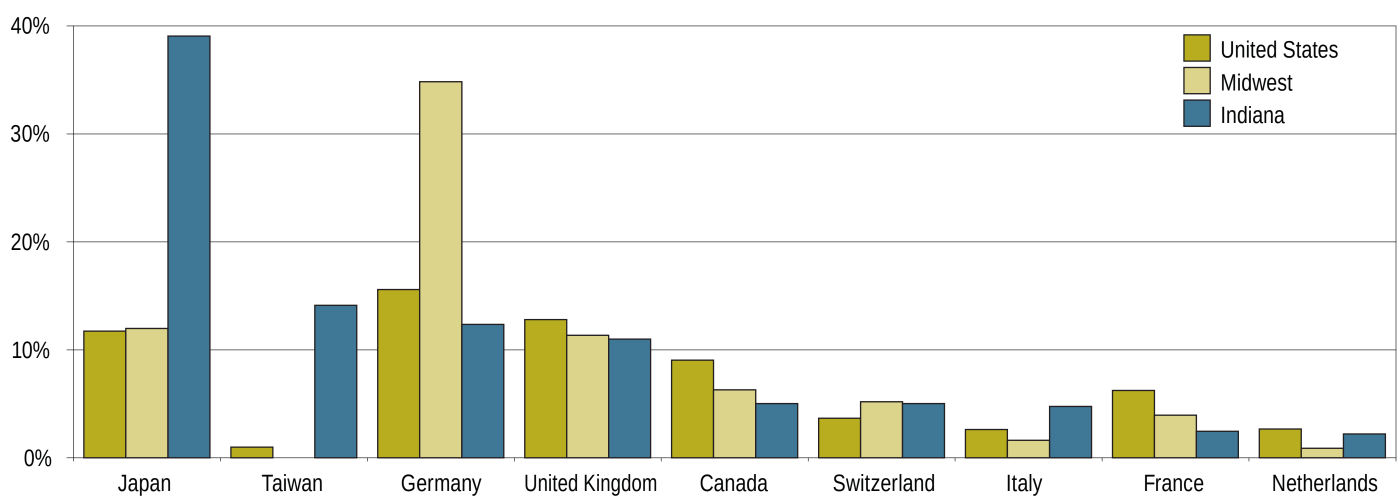
Indiana's growth trend also runs contrary to a national decline in MOUSA manufacturing employment over this period. Under normal economic conditions, Indiana's growth in MOUSA employment would seem certain to continue as the significant FDI announcements of 2006 and 2007 are implemented. However, as this is written in the first quarter of 2009, the global economic crisis continues to deepen and the future is uncertain. The data presented in this report establish that Indiana is an attractive destination for foreign investment. The question remains as to whether the state will continue to buck the broader FDI employment trends or if economic conditions will negatively affect foreign investments in the state.

As more current data become available, subsequent *Foreign Direct Investment in Indiana* reports will chronicle this story. •

Notes

1. Midwest data in this section do not include Indiana. States included in the Midwest definition are Illinois, Iowa, Kentucky, Michigan, Minnesota, Missouri, Ohio, Tennessee and Wisconsin.
2. FDI jobs and investment can be created and destroyed—at least in terms of how they are categorized—by the stroke of a pen that concludes a merger or acquisition. In the case of DaimlerChrysler, the firm was a MOUSA in 2007 at the time of the announcement. Subsequent to the announcement, a domestic private equity firm, Cerberus Capital Management, took control of Chrysler with Daimler controlling about a 20 percent interest. A firm the size of Chrysler can cause even the official public statistics to fluctuate.
3. FDI Markets collects data on greenfield and expansion related announcements only. Merger and acquisition transactions are not captured.
4. Nick Carey, "Chrysler, ZF Unveil Deal on Michigan Axle Plant," *Reuters*, November 18, 2008, www.reuters.com/article/marketsNews/idUSN1826659920081118.

Figure D-9: Share of Total Employment Announcements by Source Country, 2006 to 2008



Note: Midwest data exclude Indiana
Source: FDI Markets

Appendix

International Investment Commitments in Indiana, 2005 to 2008

The following table and maps represent international projects completed by the Indiana Economic Development Corporation (IEDC) from 2005 to 2008. The companies presented below have committed to create a certain number of jobs and invest a specified amount in order to be eligible to receive state incentives. The international investments listed below do not represent all foreign companies existing in the state or other investments that have been carried out by foreign owned companies without state assistance.

The official IEDC data presented below, upon close inspection, does not correspond with the data reported by FDI Markets and presented in the previous section of the report. The previous section referenced some of the shortcomings associated with the foreign investment data from FDI markets and there is less overlap across the two data sources than one might expect. There are several potential reasons for these discrepancies including name confusion between parent companies and subsidiaries, lack of publicity related to investments or the absence of state assistance for projects that FDI market reported but IEDC did not. FDI Markets also missed some announcements.

Despite the inconsistencies between data sources about specific investment announcements, each data source reports a similar total for the number of projects, jobs and amount of investment related to FDI deals in Indiana between 2005 and 2008. The IEDC reports that there were 97 FDI deals announced over this period, worth a combined $7.4 billion and creating an estimated 13,800 jobs. FDI Markets reported 86 projects expected to generate $7.5 billion in investment and 12,700 jobs. Because it allows one to compare Indiana's recent FDI activity to other states using a common data source, FDI Markets is a useful resource. However, when looking for an accurate accounting of FDI activity in Indiana alone, the IEDC records are the preferred source. •

Country	Rank by Investment	Company	Industry	City	County	New Jobs	Investment	Type of Project
Australia	17	Boral Bricks, Inc.	Manufacturing—Bricks	Terre Haute	Vigo	50	$55,700,000	N
Belgium	46	Schwarz Pharma Manufacturing, Inc.	Manufacturing—Life Sciences	Seymour	Jackson	150	$12,000,000	E
Brazil	59	Quanex Corporation	Manufacturing—Other	Huntington	Huntington	20	$8,700,000	E
Canada	31	INIG, Inc.	Manufacturing—Paper	Morocco	Newton	80	$23,600,000	N
	33	Magna Powertrain USA, Inc.	Manufacturing—Auto	Muncie	Delaware	69	$20,600,000	E
	34	Ice River Springs Kentland, LLC	Manufacturing—Bottled Water	Kentland	Newton	56	$20,000,000	N
	42	Doane Pet Care Company	Manufacturing—Pet Food	Portland	Jay	51	$12,800,000	E
	50	Martinrea International, Inc.	Manufacturing—Auto	Corydon	Harrison	322	$10,970,669	N
	54	Mancor Industries, Inc.	Manufacturing—Auto	Anderson	Madison	80	$10,000,000	N
	65	Magna Powertrain	Manufacturing—Auto	Angola	LaGrange	0	$6,940,000	E
	70	CFM U.S. Corporation	Manufacturing—Fireplaces	Huntington	Huntington	214	$4,400,000	E
	71	Westfield Distributing, Inc.	Manufacturing—Grain	Union City	Randolph	71	$4,300,000	N
	80	MTC—Manufacturing and Technology Centre	Distribution—Refurbished Electronics	New Haven	Allen	60	$2,500,000	N
	88	Olon Industries, Inc.	Manufacturing—Furniture parts	Washington	Daviess	13	$1,800,000	E
	93	iHire, LLC	Information Technology	Angola	Steuben	30	$1,335,360	E
	94	Atlas Cold Storage USA, Inc.	Logistics—Life Science	Pendleton	Madison	38	$1,172,954	N
China	64	TechTop LHP	Manufacturing—Other	Columbus	Bartholomew	62	$7,300,000	N
Czech Republic	83	ZPS America, LLC	Manufacturing—Other	Indianapolis	Marion	25	$2,200,000	N
Denmark	82	Novozymes Biologicals, Inc.	Biotech	Albion	Noble	5	$2,300,000	E

*N = new; E = expansion
Source: IEDC

Country	Rank by Investment	Company	Industry	City	County	New Jobs	Investment	Type of Project
France	13	Louis Dreyfus Agricultural Industries, LLC	Manufacturing—Agriculture	Claypool	Kosciusko	85	$135,000,000	N
	18	CertainTeed Corporation	Manufacturing—Building Products	Terre Haute	Vigo	145	$55,000,000	N
	21	Michelin North America, Inc.	Manufacturing—Auto	Woodburn	Allen	60	$44,000,000	E
	32	Redcats USA	Distribution—Logistics	Indianapolis	Marion	42	$21,400,000	E
	46	Hachette Book Group USA	Distribution	Lebanon	Boone	38	$12,000,000	E
	55	Valeo Sylvania	Manufacturing—Auto	Seymour	Jackson	173	$9,309,061	E
	78	Veolia Water Indianapolis	Headquarters	Indianapolis	Marion	95	$3,200,000	N
Germany	24	Zentis Food Solutions North America, LLC	Manufacturing	Plymouth	Marshall	154	$42,500,000	N
	37	Siemens Healthcare Diagnostics	Distribution—Life Sciences	Plainfield	Hendricks	80	$19,000,000	E
	41	Benteler Automotive Corp.	Manufacturing—Auto	Goshen	Elkhart	290	$13,897,728	E
	49	Schneider Corp.	Headquarters—Engineering	Indianapolis	Marion	141	$11,675,477	E
	53	Bendix Commercial Vehicle Systems, LLC	Manufacturing—Auto	Huntington	Huntington	46	$10,110,000	E
	57	Muhlen Sohn, Inc.	Manufacturing—Other	Anderson	Madison	39	$8,900,000	E
	75	KVK US Technologies, Inc.	Manufacturing—Lawn Plastic Molds	New Castle	Henry	25	$3,500,000	N
	81	Heraeus Kulzer, Inc.	Life Sciences	South Bend	St. Joseph	45	$2,400,000	E
	89	Festool USA	Headquarters—Distribution	Noblesville	Boone	30	$1,747,200	N
Ireland	56	Baker Hill Corp.	Information Technology	Carmel	Hamilton	226	$9,200,000	E
Italy	15	Brevini USA, Inc.	Manufacturing/Headquarters—Wind Energy Components	Yorktown	Delaware	455	$62,000,000	N
	38	Valbruna Slater Stainless, Inc.	Manufacturing—Steel	Ft. Wayne	Allen	20	$16,700,000	E
	67	GVS Filter Technology, Inc.	Manufacturing—Life Sciences	Indianapolis	Marion	115	$6,013,488	E
Japan	2	Honda (Project Zoom)	Manufacturing—Auto	Greensburg	Decatur	2,067	$550,000,000	N
	6	I/N Kote LP	Manufacturing—Steel/Metals	New Carlisle	St. Joseph	100	$240,000,000	E
	8	Toyota Motor North America, Inc.	Manufacturing—Auto	Lafayette	Tippecanoe	1,000	$200,000,000	N
	11	Sony Digital Audio Disc Corporation	Transportation, Distribution and Logistics	Terre Haute	Vigo	85	$157,000,000	E
	14	Toyota Boshoku	Manufacturing—Auto	Princeton	Gibson	230	$66,000,000	N
	16	Keihin IPT Manufacturing, Inc.	Manufacturing—Auto	Greenfield	Hancock	70	$60,000,000	E
	19	ATTC Manufacturing, Inc.	Manufacturing—Auto	Tell City	Perry	90	$49,900,000	E
	20	SMC Corporation of America	Headquarters/Distribution/Manufacturing	Noblesville	Hamilton	275	$45,500,000	E
	22	Indiana Packers Corporation	Processing —Food	Delphi	Carroll	125	$43,000,000	E
	23	Arvin Sango, Inc.	Manufacturing—Auto	Madison	Jefferson	39	$42,800,000	E
	26	TS Tech North America, Inc.	Manufacturing—Auto	New Castle	Henry	300	$32,800,000	N
	28	TOMASCO Indiana, LLC	Manufacturing—Auto	Winchester	Randolph	140	$29,300,000	E
	29	KYB Mfg. N. America, Inc.	Manufacturing—Auto	Franklin	Johnson	51	$24,000,000	E
	29	Vuteq USA	Manufacturing—Auto	Princeton	Gibson	52	$24,000,000	E
	35	Sunright America, Inc.	Manufacturing—Auto	Columbus	Bartholomew	45	$19,400,000	E
	39	Madison Precision Products, Inc.	Manufacturing—Auto	Madison	Jefferson	66	$15,900,000	E
	42	Nishina Industrial Co.	Manufacturing—Auto	Franklin	Johnson	34	$12,800,000	N
	44	Hitachi Cable Indiana, Inc.	Manufacturing—Auto	New Albany	Floyd	159	$12,700,000	E
	51	Midwest Express	Manufacturing—Auto	Greensburg	Decatur	46	$10,800,000	N
	60	TBK America, Inc.	Manufacturing—Auto	Richmond	Wayne	70	$8,600,000	N
	62	General Products Corp.	Manufacturing—Steel/Metals	Angola	Steuben	61	$7,800,000	E
	68	Chiyoda USA Corp.	Manufacturing—Auto	Greencastle	Putnam	200	$5,720,000	N
	73	Belletech Corp.	Manufacturing—Auto	Versailles	Ripley	102	$4,100,000	N
	77	Epson America, Inc.	Distribution—Logistics	Plainfield	Hendricks	132	$3,286,483	E
	83	Enkei America Moldings, Inc.	Manufacturing—Auto	Columbus	Bartholomew	10	$2,200,000	N
	83	MIRWEC Film, Inc.	Manufacturing—Film	Bloomington	Monroe	12	$2,200,000	E
	86	Tomasco Indiana, LLC	Manufacturing—Auto	Winchester	Randolph	82	$2,103,005	E
	87	Aisin Drivetrain, Inc.	Manufacturing—Auto	Crothersville	Jackson	63	$1,957,738	E
	91	NSK Precision America, Inc.	Manufacturing—Auto	Franklin	Johnson	28	$1,549,766	E
	95	Arvin Sango, Inc.	Manufacturing—Auto	Madison	Jefferson	26	$977,766	E
	96	Aisin Chemical Manufacturing, Inc.	Manufacturing—Auto	Crothersville	Jackson	25	$767,520	N

*N = new; E = expansion
Source: IEDC

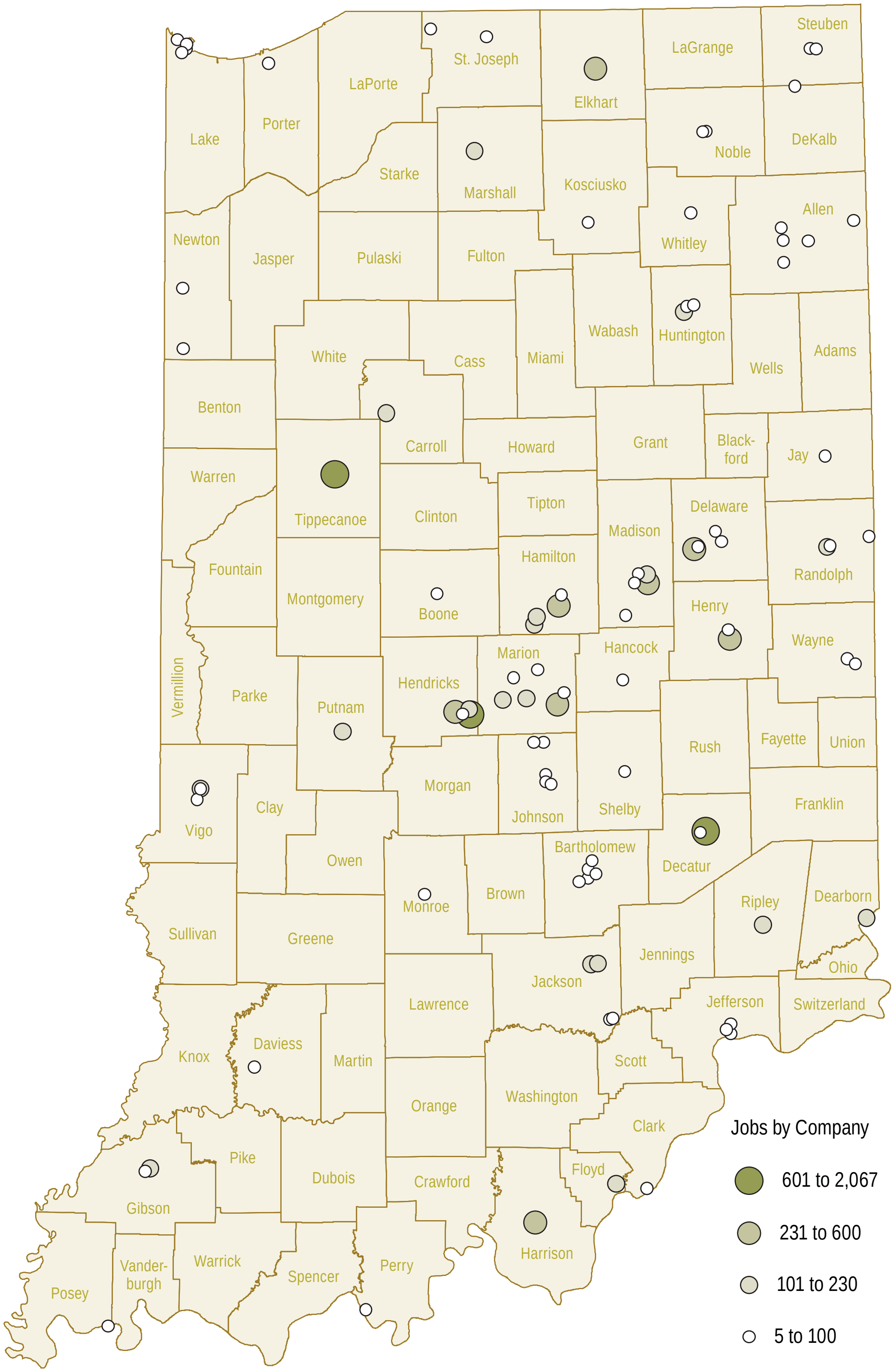
Country	Rank by Investment	Company	Industry	City	County	New Jobs	Investment	Type of Project
Japan/ Netherlands	3	ArcelorMittal Burns Harbor, LLC	Manufacturing—Steel/Metals	Burns Harbor	Porter	90	$385,000,000	E
	5	ArcelorMittal Steel USA, Inc.	Manufacturing—Steel/Metals	East Chicago	Lake	28	$334,000,000	E
	7	ArcelorMittal Indiana Harbor, LLC	Manufacturing—Steel/Metals	East Chicago	Lake	12	$238,000,000	E
Luxemburg	45	PMG Indiana Corp.	Manufacturing—Auto	Columbus	Bartholomew	73	$12,500,000	E
Netherlands	61	Miasa Automotive	Manufacturing—Auto	Yorktown	Delaware	57	$8,400,000	E
	62	ArcelorMittal USA, Inc.	Manufacturing—Steel/Metals	East Chicago	Lake	50	$7,800,000	E
	69	Ten Cate Enbi, Inc.	Manufacturing—Image Rollers	Shelbyville	Shelby	34	$4,600,000	E
Spain	10	Abengoa Bioenergy of Indiana, LLC	Biofuels/Energy	West Franklin	Posey	56	$168,800,000	N
	92	Miasa Automotive, LLC	Manufacturing—Auto	Muncie	Delaware	12	$1,400,000	N
Sweden	74	Becker Acroma Corp.	Manufacturing—Coatings	Jeffersonville	Clark	38	$4,000,000	N
Switzerland	4	Nestlé USA, Inc.	Manufacturing—Food	Anderson	Madison	341	$338,000,000	N
	8	Nestlé USA, Inc.	Food/Agriculture	Anderson	Madison	134	$200,000,000	E
	25	Nestlé Waters North America Holding, Inc.	Manufacturing—Bottle Water	Greenwood	Johnson	64	$33,400,000	N
	27	Dreyer's Grand Ice Cream	Manufacturing—Food	Fort Wayne	Allen	68	$30,400,000	E
	46	Georg Utz, Inc.	Manufacturing—Plastic Storage	Columbus	Bartholomew	100	$12,000,000	E
Taiwan	40	Q-Edge Corp.	Manufacturing—Information Technology	Plainfield	Hendricks	1,456	$15,500,000	E
	52	Q-Edge Corp.	Manufacturing—Information Technology	Plainfield	Hendricks	390	$10,496,928	E
Trinidad	57	Lawrenceburg Distillers Indiana	Manufacturing—Distillery	Lawrenceburg	Dearborn	150	$8,900,000	N
UK	1	BP Products North America, Inc.	Refining—Petroleum	Whiting	Lake	74	$3,000,000,000	E
	12	Rolls-Royce	Manufacturing—Auto	Indianapolis	Marion	600	$145,000,000	E
	36	BAE Systems Controls, Inc.	Headquarters	Ft. Wayne	Allen	36	$19,200,000	E
	66	Marvel Industries	Manufacturing—Refrigeration	Richmond	Wayne	20	$6,300,000	E
	71	TI Automotive	Manufacturing—Auto	Ashley	DeKalb	87	$4,300,000	E
	76	Oxford BioSignals, Inc.	Life Sciences	Carmel	Hamilton	124	$3,400,000	E
	79	Dexter Axle, Inc.	Manufacturing—Auto	Albion	Noble	96	$2,875,392	E
	90	Keronite, Inc.	Manufacturing—Alloys	Greenwood	Johnson	25	$1,550,000	E
	NA	UnderSea Sensor Systems, Inc.	Manufacturing—Other	Columbia City	Whitley	70	n/a	E

*N = new; E = expansion
Source: IEDC

International Investment Commitments in Indiana, 2005 to 2008

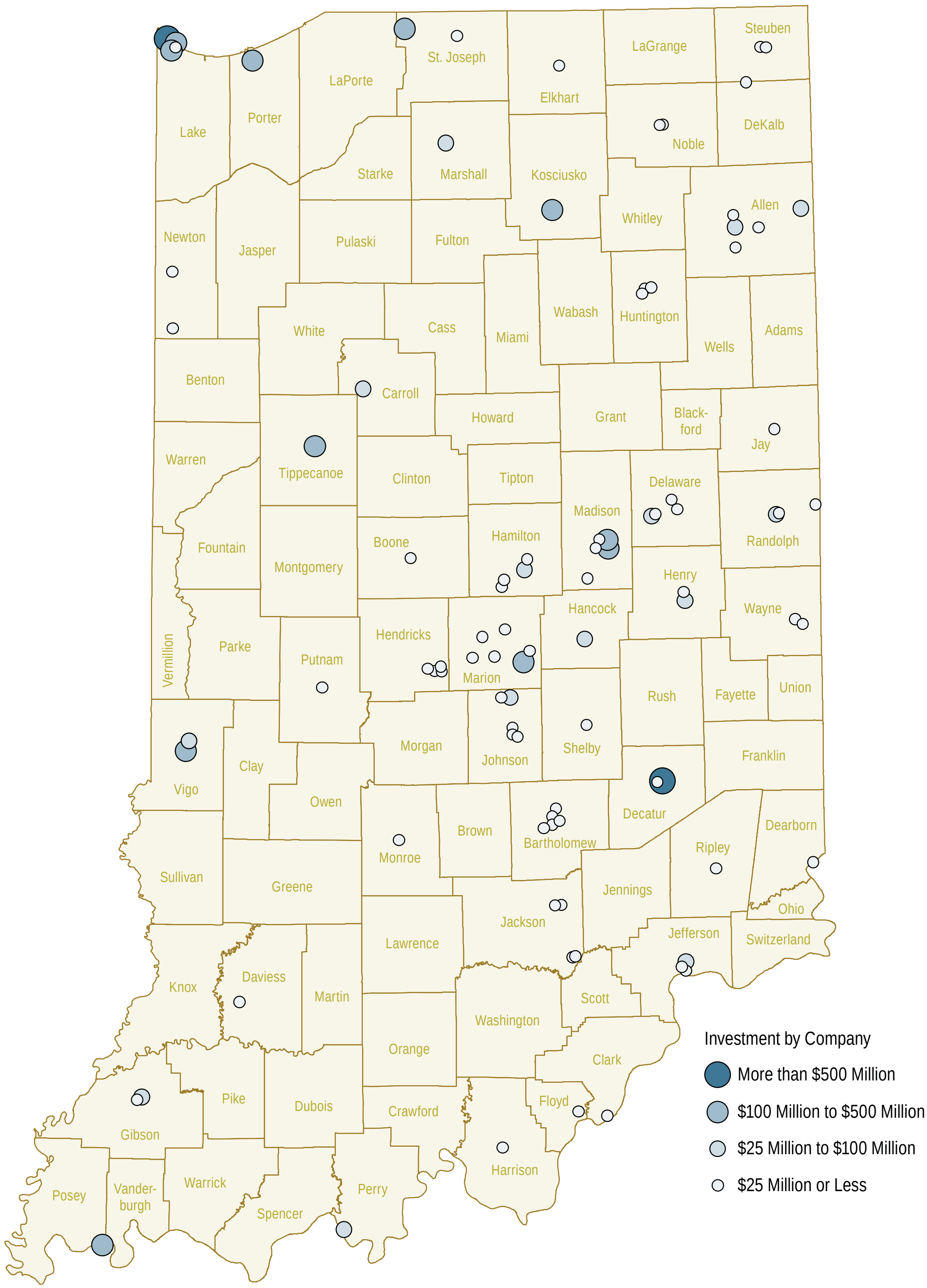
Notes: Labels show rank by investment. Flags are located randomly within each city. Map includes new operations as well as expansions on existing operations.
Source: Indiana Business Research Center, using data from the Indiana Economic Development Corporation, April 2009

New Job Commitments by International Businesses in Indiana, 2005 to 2008



Note: Symbols are located randomly within each city. Map includes new operations as well as expansions on existing operations.
Source: Indiana Business Research Center, using data from the Indiana Economic Development Corporation, April 2009

New International Investment Commitments in Indiana, 2005 to 2008



Note: Symbols are located randomly within each city. Map includes new operations as well as expansions on existing operations.
Source: Indiana Business Research Center, using data from the Indiana Economic Development Corporation, April 2009