

## *II: Foreign investments*



*Bill Starling/Press-Register photo*

# New foreign investment wave near?

*U.S. still leads in foreign investments, and Airbus and its suppliers may reverse a trend where the U.S. lead is in decline...*

**W**hen historians look back at the 2013 groundbreaking for an Airbus final assembly line in Mobile, Ala., they'll no doubt see the significance of Boeing's chief competitor building jetliners in the United States.

But if experts are correct, they also may say it marked the start of a new wave of foreign investments in Mobile and the surrounding region. And with the U.S. lead for foreign investments slipping, that promises to be just as significant, if not more so.



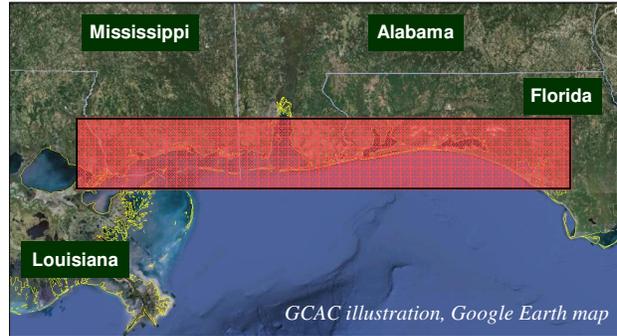
“Airbus is a game-changer for Alabama and for the aerospace industry, but it’s also an important reminder of the positive impact of foreign investment,” said Nancy McLernon of the Organization for International Investment.

The assembly line is only the latest investment in the Gulf Coast region for a company with foreign roots. It comes at a time when competition for foreign investment is heating up, and

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*By George Talbot*

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## Chapter at a glance

- 5.3 million Americans owe their jobs to foreign-owned companies
- Multiple foreign countries represented in the Gulf Coast aerospace corridor
- U.S. still the premiere spot for foreign investments, but lead is slipping
- Airbus assembly line could prompt a new wave of foreign investments
- Many companies becoming more global in their suppliers, customers

the United States, while still the premier destination, sees its lead slipping.

For this region, attracting foreign companies and their larger paychecks makes sense. It’s been appealing to companies from foreign shores for years, and leaders show every intention of continuing that pattern.

The April groundbreaking, in fact, had something of an international flavor. It drew participants not only from across the Gulf Coast, but the globe as well. They gathered on the Brookley Aeroplex tarmac for a watershed moment in the global aerospace - a \$600 million aircraft

## Chapter II: Foreign investments

final assembly line that promises to transform the Gulf Coast. As Airbus ramps up construction in Mobile, the competition is on to recruit the large number of suppliers.

Many Airbus suppliers, foreign and domestic, are looking for industrial locations at or near Brookley, while others may be content to be a bit further away. In any case, the supplier hunt could touch off a new wave of foreign direct investment along the Gulf Coast.

The numbers are impressive. As many as 5,000 jobs will be created at suppliers and other spin-off businesses, according to a study by Auburn University-Montgomery. And Mobile, already home to many companies with foreign roots, wants those suppliers.

"I don't want to put \$158 million into a plant in Mobile and all of the suppliers go to Florida and Mississippi and Georgia," said Alabama Gov. Robert Bentley. "I love our neighbors, but I'm not their governor. They're good Americans, but they're not Alabamians and I want every supplier to come to Alabama."

Ed Castile, director of Alabama Industrial Development Training (AIDT), the state's job training agency, said competition for Airbus suppliers will be intense. Other states in the Gulf Coast region are pursuing the projects aggressively, said Castile, a key member of Alabama's industrial recruiting team.

"There are companies that need to be near that final assembly line. They could be in Florida, or they could be in Mississippi, so we have our work cut out for us," Castile said.

Alabama has taken the offensive by sending high-ranking delegations to meet with suppliers at Airbus' production centers in France and Germany. Alabama Secretary of Commerce

Greg Canfield said the delegation met in Hamburg last year with nine companies interested in locating in Alabama and many others evaluating their options.

"We won't win every supplier, but we will win a lot," said Canfield.

Although it will take a long time for all of this to play out, early on Mobile won two foreign suppliers. Safran Engineering Services of France was the first to commit to Mobile, followed by Switzerland's Kuehne + Nagel, a transportation and logistics company.

But whether they go to Mobile, some other site in Alabama or another state in the Gulf Coast, it will all go to make the foreign footprint even larger.

### Gulf Coast insourcing

Economic development officials in the Gulf Coast region are believers in what's called "insourcing," where foreign companies invest in the United States and create jobs.

The Airbus deal stands out because it will establish a new center of jetliner production in the United States, a rival to Boeing Co.'s assembly base in the Seattle area and the new one in North Charleston, N.C.

The Airbus investment comes at a time when competition for foreign investment is particularly tough. The U.S. remains the world's premier destination for international firms because it's such a huge market, but the lead is slipping.

The United States attracted more than 40 percent of global investment a decade ago, said the Washington, D.C.-based OFII, which represents U.S. operations of global companies. Today the U.S. share is 18 percent, which McLernon describes as "steep, costly and unacceptable."

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*Photo page 28: Press-Register file photo of outside of the Maritime Training Center in Mobile, Ala.*

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## Chapter II: Foreign investments

McLernon said in an interview that the Airbus deal in Mobile is an example of how the U.S. can regain high-skilled manufacturing jobs.

According to OFII 2013 data, 5.3 million Americans owe their jobs to the investment of foreign-owned companies. The annual payroll is \$408 billion, with average annual compensation of \$77,409, more than 36 percent higher than the economy-wide average.

OFII said foreign direct investment in the United States declined in 2012 to \$174.7 billion - a whopping 25 percent decrease from \$234 billion in 2011.

“The competition is more intense than ever,” said McLernon, president of OFII. “The U.S. has to work harder because other countries are working harder. We’re still the top destination for foreign capital, but we’re losing ground.”

The Southeastern U.S. remains among the top regions in the world for attracting foreign investments, particularly in advanced manufacturing jobs. The numbers are significant:

- In Florida, U.S. subsidiaries of global companies account for 223,600 jobs, almost 4 percent of the state’s private sector workforce. That makes Florida 6th in the nation for jobs drawing a paycheck from the U.S. subsidiaries of global companies.
- In Alabama, companies with foreign roots account for 81,200 jobs, employing more than 5 percent of Alabama’s private-sector workforce. That makes Alabama 22nd in the nation in the number of jobs at foreign-owned firms.
- In Louisiana, U.S. subsidiaries of global companies account for 51,700 jobs, more than 3 percent of Louisiana’s private-sector workforce.



### Southeast Louisiana

**Aerospace highlights:** Home to NASA’s Michoud Assembly Facility, National Center for Advanced Manufacturing, National Biodynamics Laboratory, multiple universities.

**Key cities:** New Orleans; Algiers; Slidell; Carrollton; Covington; Mandeville; Gentilly

**Parishes:** Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Tammany

**Population (est. 2012):** 1,227,096

**Private nonfarm employment (2010):** 452,938

**Local economic development:**

- Greater New Orleans Inc. (504) 527-6900
- New Orleans Chamber (504) 799-4260
- St. Tammany Economic Development Foundation (985) 809-7874

**State economic development:**

- Louisiana Economic Development (225) 342-3000

- In Mississippi, 25,900 workers are paid by the U.S. subsidiary of global companies, close to 3 percent of the state’s private-sector workforce.

When these companies land, the most obvious benefits are job creation and the tax dollars generated. But there’s also the less tangible side. The successful launch of a new operation can

## Chapter II: Foreign investments

broaden international awareness of the attributes of an area and spur additional investment.

OFII released a study in 2012 showing that for every worker receiving an employee paycheck at a U.S. subsidiary of a global company, an additional three jobs are supported in the U.S. economy.

“Inbound global investment changes the face of American communities, providing good-paying jobs throughout a local economy. But over the past decade our ability to attract leading global companies has grown sluggish,” said McLernon.

“Part of the solution to our country’s jobs crisis includes those companies that are based beyond our borders – and we must do everything possible to make the U.S. the most attractive location in the world for global businesses to locate their facilities and create jobs.”

### Expansion mode

Greg Canfield, Alabama’s top industrial recruiter, said state officials are working closely with Airbus to understand its supply-chain plans for the Mobile plant.

Top state officials, including Gov. Robert Bentley, have traveled to Europe for talks with Airbus suppliers, and a supplier support network has been established to highlight Alabama’s advantages.

The network serves as a “one-stop shop” to help companies looking at Alabama gain insight into workforce recruitment, training programs, permitting and other issues, Canfield said. Partners in this effort are the PowerSouth Energy Cooperative, the Mobile Chamber of Commerce, the Baldwin County Economic Alliance and the Alabama Department of Commerce.

“This is a long-term strategy,” Canfield said. “We expect to be involved in the growth of the Airbus supply chain for the next two years, or even longer.”

Meanwhile, Gulf Coast states are continuing to search far and wide for new aerospace prospects. Canfield said Alabama has won major new projects in the past year from companies based in France, Germany, South Korea, Switzerland, Sweden and the United Kingdom.

“We’ve seen tremendous growth in the number of international companies doing business in Alabama,” Canfield said. “We are a force when it comes to foreign direct investment.”

Canfield sees parallels between Airbus and Mercedes, which announced plans to build an Alabama manufacturing plant in 1993 and produced its first vehicle four years later. The early years brought a burst of hiring and an initial wave of suppliers. As the automaker has expanded production, its footprint has grown.

What’s resulted is an ever-expanding network of parts makers around the state, pumping billions of dollars into the economy and creating thousands of manufacturing jobs over the years.

“We believe the same will hold true for Airbus,” Canfield said.

The growth of Southern aerospace is still an emerging story, but the world’s top aircraft and defense firms are taking notice. Many of the industry’s biggest names already have a presence on the Gulf Coast: Airbus, Italy’s Finmeccanica, Britain’s Rolls-Royce and one of the newest entrants, China’s AVIC International.

Economic developers, eager to build on the momentum, have banded together to promote



## Chapter II: Foreign investments

the region as a prime market for aerospace. Their marketing effort is centered on the Aerospace Alliance, a four-state coalition whose goal is to promote the Gulf Coast region as a world class aviation, aerospace and defense corridor.

### Major new players

The list of aerospace companies doing business along the Gulf Coast is a who's-who of the aviation industry. The roster includes global players GKN, Singapore Technologies, to name a few. But the industry is growing every day as leaders continue to develop the industry.

In 2012, Mississippi officials hosted a groundbreaking for Rolls-Royce PLC, which added a second jet-engine test stand at the NASA John C. Stennis Space Center. The project represented an investment of at least \$50 million by the British company, which hailed the state for its outstanding business climate.

“This state-of-the-art test facility will play a key role in our commitment to deliver excellence to our customers by developing the world's cleanest and quietest engines,” James Guyette, president and CEO of Rolls-Royce North America, said in a statement. “We are enhancing our global capabilities, including making investments in Mississippi, the United States and around the world.”

In Mobile, a Chinese company, AVIC International, purchased Teledyne Continental Motors Inc., an aerospace company that has been a long-time fixture of the Alabama port city, going back to the 1960s.

The company's Chinese executives spent months studying the community before closing the \$186 million deal. They said they were pleased to find a place where foreign companies are thriving and welcomed as partners.



### South Mississippi

**Aerospace highlights:** Site of a major NASA center testing and assembling rocket engines, satellite components; produces portions of Global Hawk and Fire Scout unmanned aerial systems; home to National Guard air combat training center; center for Air Force electronics and cyber training.

**Counties:** Hancock; Harrison; Jackson

**Key cities:** Gulfport; Biloxi; Pascagoula; Bay St. Louis

**Population (est. 2012):** 379,582

**Private nonfarm employment (2010):** 127,600

#### Local economic development:

- Harrison County Development Commission (228) 896-5020
- Hancock County Development Commission (228) 467-9231
- Jackson County Economic Development Foundation (228) 769-6263

#### State economic development:

- Mississippi Development Authority (601) 359-3449

“We were attracted to Mobile's international focus and the continually growing concentration of aviation-related international companies in the Mobile area,” said Wu Guangquan, president and CEO of AVIC International. With that announcement, AVIC joined the roster of international companies from Europe and Asia that

## Chapter II: Foreign investments

| Foreign subsidiaries in Alabama     |                                 |                                |
|-------------------------------------|---------------------------------|--------------------------------|
| ABB Inc.                            | GKN America Corp.               | Reed Elsevier Inc.             |
| Air Liquide USA                     | GlaxoSmithKline                 | Rolls-Royce North America Inc. |
| Airbus North America Holdings       | Hanson North America            | SABIC Innovative Plastics      |
| Akzo Nobel Inc.                     | Holcim (US) Inc.                | Samsung                        |
| Alcatel-Lucent                      | Honda North America             | Sanofi US                      |
| BAE Systems                         | Huhtamaki                       | Shell Oil Company              |
| BASF Corporation                    | Hyundai Motor America           | Sumitomo Corp. of America      |
| Bimbo Foods, Inc.                   | InterContinental Hotels Group   | Thales USA, Inc.               |
| BOSCH                               | John Hancock Life Insurance Co. | The Tata Group                 |
| Bridgestone Americas Holding        | LaFarge North America           | ThyssenKrupp USA, Inc.         |
| Bunge Ltd.                          | Maersk Inc.                     | T-Mobile USA                   |
| Daimler                             | Magna International             | TOTAL Holdings USA, Inc.       |
| EADS, Inc.                          | Michelin North America, Inc.    | Toyota Motor North America     |
| Ericsson                            | Nestlé USA, Inc.                | Transamerica                   |
| Evonik Degussa Corporation          | Novartis Corporation            | Tyco                           |
| France Telecom North America        | Oldcastle, Inc.                 | UBS                            |
| FUJIFILM Holdings America           | Pearson Inc.                    | Umicore USA                    |
| GDF SUEZ Energy North America, Inc. | QBE the Americas                | Voith Holding Inc.             |
|                                     | Randstad North America          | Zurich Insurance Group         |

*Source: Organization for International Investment, May 2013*

have established a beachhead in the region, which has a long tradition of global trade through its network of deepwater ports.

Published reports show Mobile alone has 35 foreign companies represented in the city and South Mississippi counts 18. Many of them are engaged in the defense industry, including aerospace and shipbuilding.

They include global players like BAE Systems, which has had a U.S. subsidiary for so long it barely seems British. There also are upstarts like Austal USA, an Australian shipbuilder that settled in on the Mobile waterfront and is now a major supplier of warships for the U.S. Navy.

ThyssenKrupp, Evonik, Berg Steel and SSAB are just a few more of the large global companies located in the region.

Mississippi is keen on getting more.

“Mississippi competes on a global scale, and we aggressively are seeking to grow our interna-

tional presence through trade,” Gov. Phil Bryant said.

Mississippi exports increased by \$1.8 billion in 2012, bringing the state’s total export value for the year to a record high of \$11.8 billion, according to the U.S. Department of Commerce’s International Trade Administration.

With the value of Mississippi exports increasing eight percent from 2011, the state ranked among the top 29 states for export growth in 2012. The strong exports performance of states like Mississippi helped contribute to a national record, as well; according to the ITA, exports from the United States totaled \$2.2 trillion and supported 10 million American jobs in 2012.

Foreign-owned companies in Mississippi are involved in a range of industrial sectors, including defense, aerospace, security, materials and advanced materials, energy and power. All together, they contributed to state exports of

## Chapter II: Foreign investments

| Foreign subsidiaries in Florida |                                   |                                 |
|---------------------------------|-----------------------------------|---------------------------------|
| ABB Inc.                        | Ericsson                          | Rexam Inc.                      |
| ACE Group                       | Experian                          | Rio Tinto America               |
| Air Liquide USA                 | Food Lion, LLC                    | Rolls-Royce North America Inc.  |
| Airbus North America Holdings   | France Telecom North America      | Samsung                         |
| Alcatel-Lucent                  | FUJIFILM Holdings America         | Sanofi US                       |
| ALSTOM                          | Generali USA                      | SAP America                     |
| Anheuser-Busch                  | GlaxoSmithKline                   | Siemens Corporation             |
| APL Limited                     | Hanson North America              | Smith & Nephew, Inc.            |
| BAE Systems                     | HSBC North America Holdings       | Sony Corporation of America     |
| Balfour Beatty                  | Hyundai Motor America             | Sumitomo Corp. of America       |
| Barclays Capital                | ING America Insurance Holdings    | Swiss Re America Holding Corp.  |
| BASF Corporation                | InterContinental Hotels Group     | Syngenta Corporation            |
| BIC Corp.                       | John Hancock Life Insurance Co.   | Teva Pharmaceuticals USA        |
| Bimbo Foods, Inc.               | Kia Motor Corporation             | Thales USA, Inc.                |
| bioMérieux, Inc.                | LaFarge North America             | The Tata Group                  |
| Blackberry                      | Logitech Inc                      | Thomson Reuters                 |
| BMW of North America            | Louis Dreyfus Commodities         | ThyssenKrupp USA, Inc.          |
| BNP Paribas                     | LVMH Moët Hennessy Louis Vuitton  | T-Mobile USA                    |
| Bombardier Inc.                 | Maersk Inc.                       | TOTAL Holdings USA, Inc.        |
| BOSCH                           | Nestlé USA, Inc.                  | Transamerica                    |
| BP                              | Nissan                            | Tyco                            |
| Bridgestone Americas Holding    | Nomura Holding America, Inc.      | UBS                             |
| Bunzl USA                       | Novartis Corporation              | Unilever                        |
| Case New Holland                | Oldcastle, Inc.                   | Voith Holding Inc.              |
| Cobham                          | Panasonic Corp. of North America  | Volkswagen of America, Inc.     |
| Covidien                        | Pearson Inc.                      | Westfield LLC                   |
| Credit Suisse Securities (USA)  | Philips Electronics North America | Wolters Kluwer U.S. Corporation |
| Daimler                         | QBE the Americas                  | WPP Group USA, Inc.             |
| Dassault Falcon Jet Corp.       | Randstad North America            | XL Global Services              |
| Electrolux North America        | Reed Elsevier Inc.                | Zurich Insurance Group          |

*Source: Organization for International Investment, May 2013*

\$10.9 billion in 2011, according to the U.S. Trade Administration.

The United Kingdom's Rolls-Royce has two operations in Mississippi. The company tests commercial jetliner engines at its outdoor facility at Stennis Space Center, and also makes huge propellers for Navy ships at the Rolls-Royce Naval Marine in Pascagoula, to the east of Stennis Space Center. QinetiQ North America is the U.S. subsidiary of a defense technology and security company founded in the U.K.

Two of the companies, both in Hancock County, are involved in airborne sensor equipment and operation. One is Selex Galileo, owned by Finmeccanica, and the other is Optech International, the U.S. operation of Canada's Optech.

Three companies have advanced materials operations in Hancock County's Port Bienville Industrial Park. They are the former Mississippi Polymer Technologies, now a part of Belgium's Solvay Advanced Polymers; France's SNF Poly-

## Chapter II: Foreign investments

| Foreign subsidiaries in Louisiana |                                   |                           |
|-----------------------------------|-----------------------------------|---------------------------|
| ABB Inc.                          | Hanson North America              | Sasol                     |
| ACE Group                         | Hyundai Motor America             | Schlumberger              |
| Air Liquide USA                   | InterContinental Hotels Group     | Shell Oil Company         |
| Akzo Nobel Inc.                   | John Hancock Life Insurance Co.   | Siemens Corporation       |
| Alcatel-Lucent                    | LaFarge North America             | Solvay America            |
| APL Limited                       | Louis Dreyfus Commodities         | Sumitomo Corp. of America |
| Balfour Beatty                    | Magna International               | Syngenta Corporation      |
| BASF Corporation                  | Novartis Corporation              | The Tata Group            |
| BHP Billiton                      | Oldcastle, Inc.                   | T-Mobile USA              |
| BOSCH                             | Pearson Inc.                      | TOTAL Holdings USA, Inc.  |
| BP                                | Philips Electronics North America | Transamerica              |
| Bunge Ltd.                        | QBE the Americas                  | Tyco                      |
| Bunzl USA                         | Randstad North America            | UBS                       |
| Ericsson                          | Reed Elsevier Inc.                | Voith Holding Inc.        |
| Evonik Degussa Corporation        | Rolls-Royce North America Inc.    | WPP Group USA, Inc.       |
| FUJIFILM Holdings America         | Samsung                           | Zurich Insurance Group    |
| GlaxoSmithKline                   | Sanofi US                         |                           |

*Source: Organization for International Investment, May 2013*

chemie; and Saudi Arabia's SABIC, the former GE Plastics.

### Cross-state ties

Many of the foreign operations in the Gulf Coast have sites in several states. U.K.-owned BAE Systems, which has a Navy defense systems operation in Gautier, Miss., also has aerospace activities in Fort Walton Beach, Fla. The company expanded into Alabama in 2010, paying \$352 million to purchase the Atlantic Marine Inc. shipyard at the Port of Mobile.

Another international firm with cross-state ties is Singapore Technologies. The company's U.S. subsidiary, Vision Technologies Systems, owns VT Halter Marine of Pascagoula and Moss Point, and builds ships, including military.

It also owns ST Aerospace Mobile, one of the country's largest aircraft maintenance, repair and overhaul operations. The Singapore-based company employs about 1,500 at its MRO facility at the Brookley Aeroplex, and has recently won new contracts converting Boeing 757s to passen-

ger-cargo combinations – work that could help it expand in Mobile.

Italy's Finmeccanica owns Selex Sensors & Airborne Systems Inc., the U.S. business development, marketing and product support arm. Selex Galileo has an operation in Kiln, Miss., and Finmeccanica's DRS Technologies is in Okaloosa County, Fla.

### Resurgent U.S. manufacturing

The wave of foreign direct investment has made the Gulf Coast a hotbed for companies in aerospace, energy and chemicals.

Many are coming to the region to get access to the world's No. 1 market, but others are taking advantage of the region's low energy costs, relatively healthy economy, highly productive workers and a cheap U.S. dollar.

That's reversed an offshoring trend and is sparking a resurgence of U.S. manufacturing.

"The global economics have shifted dramatically," Hal Sirkin, a senior partner for Boston Consulting Group, told USA Today. "The wind

## Chapter II: Foreign investments

| Foreign subsidiaries in Mississippi |                                   |                                |
|-------------------------------------|-----------------------------------|--------------------------------|
| ABB Inc.                            | Hanson North America              | Rolls-Royce North America Inc. |
| Air Liquide USA                     | Holcim (US) Inc.                  | SABIC Innovative Plastics      |
| Akzo Nobel Inc.                     | Hyundai Motor America             | Sanofi US                      |
| Alcatel-Lucent                      | InterContinental Hotels Group     | Schneider Electric USA         |
| Balfour Beatty                      | John Hancock Life Insurance Co.   | Siemens Corporation            |
| BASF Corporation                    | LaFarge North America             | Solvay America                 |
| Bimbo Foods, Inc.                   | Logitech Inc                      | Sumitomo Corp. of America      |
| BMW of North America                | Nestlé USA, Inc.                  | The Tata Group                 |
| Boehringer Ingelheim Corp.          | Nissan                            | ThyssenKrupp USA, Inc.         |
| BP                                  | Novartis Corporation              | T-Mobile USA                   |
| Bunge Ltd.                          | Oldcastle, Inc.                   | Toyota Motor North America     |
| Bunzl USA                           | Pearson Inc.                      | Transamerica                   |
| EADS, Inc.                          | Philips Electronics North America | Tyco                           |
| Ericsson                            | Randstad North America            | UBS                            |
| France Telecom North America        | Reed Elsevier Inc.                | Voith Holding Inc.             |
| FUJIFILM Holdings America           | Rexam Inc.                        | XL Global Services             |
| GlaxoSmithKline                     | Rio Tinto America                 | Zurich Insurance Group         |

*Source: Organization for International Investment, May 2013*

was in our face. Now, we're starting to see a tailwind."

Airbus said it invested in Mobile in part because North American airlines find the Made-in-the-USA label "particularly attractive," according to Allan McArtor of Airbus.

Domestic airlines, McArtor told USA Today, "can come see the airplane and take delivery" in Mobile. That should help the company better compete with rival Boeing, he said.

Politics are also at work - a lesson the European company learned the hard way as it battled rival Boeing for the Air Force aerial tanker contract.

"Until you actually create jobs," McArtor says, "that's where the real leverage comes with people on Capitol Hill and the public."

That kind of clout can be invaluable as Airbus battles Boeing in trade disputes before the World Trade Organization.

Airbus, as do other foreign manufacturers, also wanted to take advantage of a dollar that began weakening against the euro in 2010.

When the company makes planes in France, it pays employees and buys material in euros, then sells the aircraft in cheaper U.S. dollars. As a result, a 10-cent drop in the dollar vs. the euro means 1 billion euros less in profits, McArtor said.

The arrival of companies like Airbus showcase the power of foreign investment, and experts said the Gulf Coast is poised to reap the benefits of its global focus.

"If Airbus has a good experience in Mobile, they're going to communicate that to people around the world," said OFII's McLernon. "And while Airbus is a big one, there's a whole lot more out there for the taking."

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