

# Foreign Direct Investment in the United States

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Drivers of U.S. Economic Competitiveness

December 31, 2013



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## INTRODUCTION

Foreign direct investment (FDI) is a key source of capital, job creation, innovation, and cross-border trade. In the United States, FDI has continued to flourish because firms worldwide recognize the United States as an innovative and stable market and the world's largest economy. With renowned educational institutions, growing industry clusters, first-class research and development centers, access to global markets, and a predictable regulatory climate, the United States offers an unmatched opportunity for success. Moreover, the United States upholds its longstanding open investment policy, recognizing that the free movement of capital across borders is at the heart of today's global economy. The focus of this study is the impact of FDI on the U.S. economy, the strengths and attractiveness of the United States as a destination for foreign direct investment, and the competitiveness of the United States with respect to investment trends by geography and industry sector are the focus of this study.

## FOREIGN DIRECT INVESTMENT IN THE UNITED STATES

The United States is the largest recipient of foreign direct investment in the world. It is also the world's largest source of direct investment. In 2012, the stock of direct investment into the United States totaled nearly \$2.7 trillion, equivalent to nearly 15.4 percent of all foreign-owned assets in the United States.<sup>1</sup> At the same time, U.S.-based firms were the source of approximately \$4.5 trillion in direct investment worldwide. Foreign direct investment plays an important role in the U.S. economy. In the United States, business investments have led to the creation of jobs, an increase in wealth and living standards, and overall growth and innovation that drive U.S. economic competitiveness.

The United States has a longstanding history of foreign direct investment as a driver of economic growth.<sup>2</sup> Before World War I, the stock of FDI in the United States was valued at \$7.1 billion, equivalent to about 20 percent of its GDP.<sup>3</sup> Between 1984 and 2004, the stock of FDI increased more than eight-fold from about \$185 billion in 1985 to

slightly more than \$1.5 trillion in 2004.<sup>4</sup> Since then, global direct investment flows have multiplied exponentially and the United States received nearly 13 percent of global FDI flow in 2012 – the world's largest share.<sup>5</sup>

The early years of FDI in the United States sparked the development of important U.S. industry sectors like chemical manufacturing and transportation that continue to generate significant investment today.<sup>6</sup> Furthermore, the impact of overseas expansions of multinational firms ignited the globalization of the world economy.<sup>7</sup> These developments attest to U.S. economic competitiveness as supported by its overall market size.

Currently, majority-owned subsidiaries of multinational firms with U.S. operations employ more than 5.6 million workers and pay an average annual compensation of \$77,600. They own more than \$12 trillion in U.S. assets. U.S. subsidiaries of global firms owned more than \$1.7 trillion in property, plant, and equipment, generated more than \$3.5 trillion in sales, and spent more than \$45 billion in research and development in 2011, alone. In addition to introducing new capital, creating new jobs, and investing in infrastructure and R&D, these firms accounted for 20.5 percent of U.S. goods exported in 2011.<sup>8</sup>

U.S. subsidiaries of multinational companies are owned by firms headquartered around the world. According to the U.S. Bureau of Economic Analysis (BEA), the latest estimates of FDI stock in the United States by ultimate beneficial owner (UBO) reveal that the United Kingdom, Japan, Germany, Canada, and France are the five largest country sources of FDI in the United States. Together, these five economies alone account for nearly 61.5 percent of total FDI stock (see figure 1). In addition, markets across Asia, Latin America, and Europe have substantially grown their FDI position in the United States in recent years. From the economies listed by BEA, FDI into the United States from China grew at an average annual rate of nearly 71 percent between 2008 and 2012, making it the fastest growing country source of FDI in the United States (followed by Hungary, Indonesia, Norway, and Malaysia as the five fastest growing country sources). Luxembourg and

1 U.S. Bureau of Economic Analysis, "International Economic Accounts, International Investment Position" <http://www.bea.gov/international/index.htm> (accessed August 22, 2013).

2 Edward M. Graham and David M. Marchick, *US National Security and Foreign Direct Investment* (District of Columbia: Institute for International Economics, 2006), 2.

3 Marchick, 3.

4 Marchick, 22.

5 UNCTADSTAT, the United Nations Conference on Trade and Development (UNCTAD) [www.unctadstat.unctad.org](http://www.unctadstat.unctad.org)

6 Marchick, 3.

7 Marchick, 21

8 In 2011, the U.S. Department of Commerce reported that the U.S. trade in goods on a total census basis was \$1.48 trillion, and that majority-owned U.S. affiliates of foreign firms contributed \$303.7 billion to U.S. exports of goods.

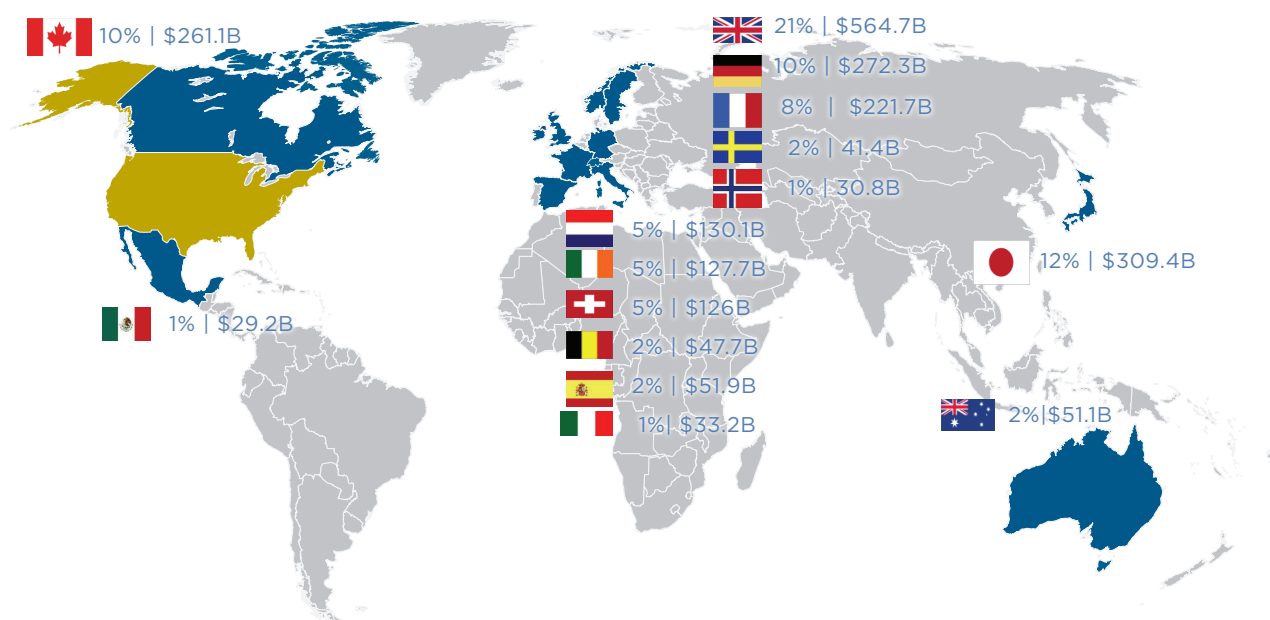
Barbados also rank among the fastest growing sources of FDI in the United States, albeit in large measure as a result of domiciled headquarters companies. Uruguay emerged as the fastest growing Latin American economy for FDI in the United States, ranked 7th among these nations in 2012, with compound average growth of FDI at nearly 21 percent since 2008. While these markets cumulatively represent less than two percent of direct investment stock in the United States today, growth from these markets is poised to continue (see figure 2).

Direct investment in the U.S. economy exists across industry sectors. According to BEA estimates, more than one-third

of FDI in the United States is in manufacturing. International companies maintain U.S. manufacturing operations in chemicals, primary and fabricated metals, transportation components ranging from aerospace to motor vehicle manufacturing, textiles, and more. Similarly, services sectors like depository institutions (banking); information, scientific, technical, and professional services; and finance and insurance account for nearly 30 percent of total FDI stock (see figure 3). These sectors are among the fastest growing recipients of inbound FDI in the United States, as well. Currently, companies across Canada, Europe, Japan and Australia are very significant investors across U.S. industries, accounting for nearly 90 percent of FDI in manufactur-

## FIGURE 1: FDI IN THE UNITED STATES

### TOP 15 FDI STOCK POSITIONS, 2012



### LARGEST COUNTRY SOURCES OF FDI IN THE UNITED STATES BY 2012 STOCK POSITION

RANK	MARKET	% OF TOTAL STOCK (\$2.7 TRILLION)	MILLION USD
1	United Kingdom	21.30%	564,714
2	Japan	11.67%	309,383
3	Germany	10.27%	272,262
4	Canada	9.85%	261,133
5	France	8.36%	221,724
6	Netherlands	4.91%	130,075
7	Ireland	4.82%	127,674
8	Switzerland	4.75%	126,007
9	Spain	1.96%	51,894
10	Australia	1.93%	51,051
11	Belgium	1.8%	47,728
12	Sweden	1.56%	41,449
13	Italy	1.23%	33,194
14	Norway	1.16%	30,814
15	Mexico	1.10%	29,175

Source: Department of Commerce, Bureau of Economic Analysis – FDI Position by Ultimate Beneficial Owner



ing and 85 percent of FDI in services. However, investors from Asia, the Middle East, Africa, and Latin America have grown their U.S. investments across these segments in recent years (see figures 4-7). Ranging from large industrial manufacturing to nanotechnology, from professional services that support global businesses and their end consumers, from producers of raw materials to retailers of end products, companies invest in the United States to capitalize upon their growth opportunities. At the same time, FDI supports U.S. employment, consumption, savings, investment, and growth.

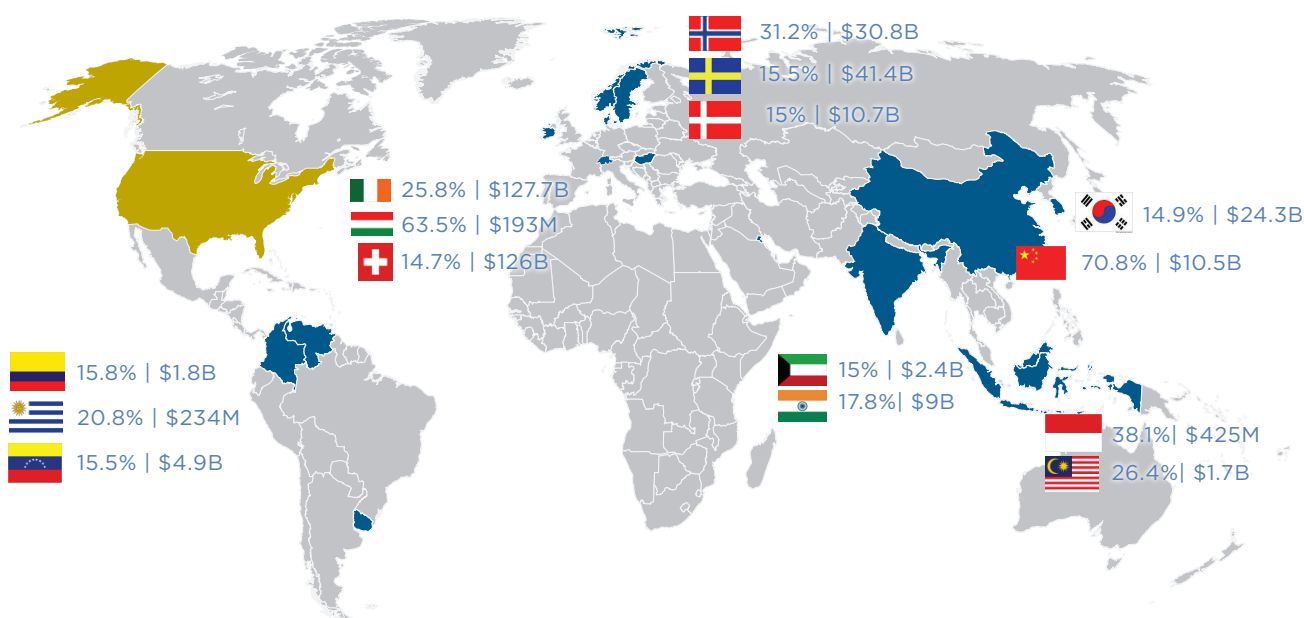
## U.S. ECONOMIC CLIMATE RANKS AMONG THE MOST ATTRACTIVE

Businesses worldwide invest in the United States to access the world's largest and most innovative single-country economy, which is highly regarded for having a substantial, diverse, and growing market.

Independent rankings reflect the winning U.S. economic climate. In its June 2013 FDI Confidence Index, A.T. Kearney awarded the United States the top spot. The index assesses the impact of political, economic, and regulatory changes on the FDI intentions and preferences of the

FIGURE 2: FDI IN THE UNITED STATES

TOP 15 FDI GROWTH MARKETS, 2012



FASTEST GROWING SOURCES OF FDI IN THE UNITED STATES, BY COMPOUND ANNUAL GROWTH RATE (CAGR) 2008-2012\*

RANK	MARKET	CAGR	2012 STOCK POSITION MILLION USD
-	Luxembourg	76.58%	20,969
1	China	70.82%	10,465
2	Hungary	63.51%	193
3	Indonesia	38.05%	425
4	Norway	31.20%	30,814
5	Malaysia	26.37%	1,711
6	Ireland	25.75%	127,674
7	Uruguay	20.77%	234
8	India	17.80%	8,995
9	Colombia	15.82%	1,837
10	Sweden	15.51%	41,449
11	Venezuela	15.48%	4,934
12	Denmark	15.06%	10,709
13	Kuwait	14.96%	2,393
14	Korea	14.86%	24,270
15	Switzerland	14.69%	126,007

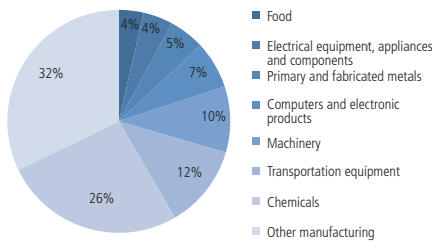
Note: Figures denote 5 year compound annual growth rate (2008-2012) of the stock FDI position and the total stock of FDI in the United States. Stock figures are by country of ultimate beneficial owner. Countries with 2012 FDI position of \$100 million and higher are ranked. Luxembourg listed but not ranked.

Data Source: Department of Commerce, Bureau of Economic Analysis – FDI by Ultimate Beneficiary Owner. CAGR Analysis: SelectUSA

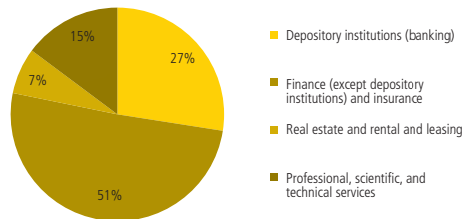
## FIGURE 3: FDI IN THE UNITED STATES

### BY INDUSTRY, 2012

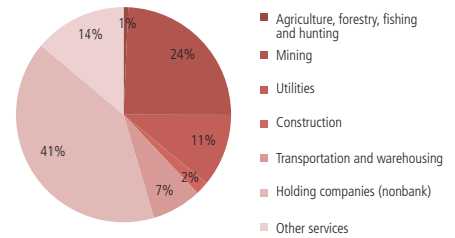
FDI POSITION IN MANUFACTURING, 2012:  
898.9 BILLION USD



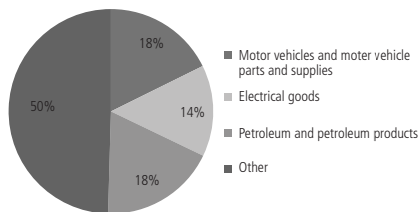
FDI POSITION IN SERVICES, 2012:  
721.1 BILLION USD



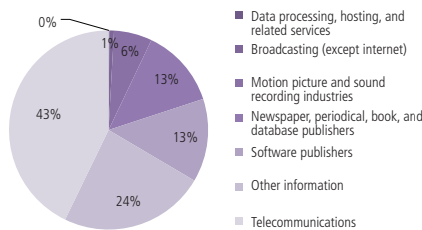
FDI POSITION IN OTHER INDUSTRIES, 2012:  
562.8 BILLION USD



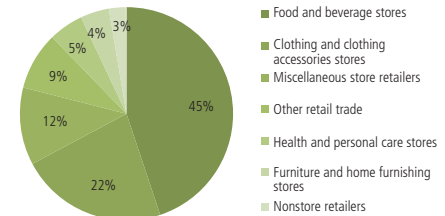
FDI POSITION IN WHOLESALE TRADE, 2012:  
292.4 BILLION USD



FDI POSITION IN INFORMATION, 2012:  
123.8 BILLION USD



FDI POSITION IN RETAIL TRADE, 2012:  
51.7 BILLION USD



Source: U.S. Bureau of Economic Analysis

leaders of top companies around the world.<sup>9</sup> According to company leaders surveyed, the ranking reflected the confidence of investors and demonstrated a resurgence of enthusiasm in the U.S. economy.<sup>10</sup>

Similarly, the World Economic Forum's (WEF) Global Competitiveness Index ranks the United States among the top ten economies based on strengths in innovation, education, and overall size of economy. The index focuses on competitiveness defined "as the set of institutions, policies, and factors that determine the level of productivity of a country."<sup>11</sup>

Finally, the World Bank's Doing Business Ranking evaluates the level of difficulty for an entrepreneur to start a business within a nation, a determination that has the potential to influence companies looking to invest in the United States.<sup>12</sup> The United States is ranked as having the world's fourth best "regulatory environment conducive to operating a business" out of 185 nations; the smaller economies of Singapore, Hong Kong, and New Zealand claimed the top three spots, respectively.<sup>13</sup> For a market as large, open and diverse as the United States, regularly securing high positions across several measures of economic vitality is a testament to its long-term sustainability.

9 A.T. Kearney, *Cautious investors feed a tentative recovery: The 2012 A.T. Kearney FDI Confidence Index*, <http://www.atkearney.com/documents/10192/fdaa84a5-a30a-4e4e-bc36-453375d6596f> (A.T. Kearney, Inc., 2012), 2.

10 A.T. Kearney, Inc., "A.T. Kearney FDI Confidence Index Shows the U.S. Surging to Top Destination for Expected Foreign Direct Investment for the First Time Since 2001," A.T. Kearney, June 26, 2013, [http://www.atkearney.com/research-studies/foreign-direct-investment-confidence-index/news-release/-/asset\\_publisher/QSWRLyZPv7OV/content/a-t-%C2%A0kearney-fdi-confidence-index-news-release/10192](http://www.atkearney.com/research-studies/foreign-direct-investment-confidence-index/news-release/-/asset_publisher/QSWRLyZPv7OV/content/a-t-%C2%A0kearney-fdi-confidence-index-news-release/10192).

11 Klaus Schwab, *The Global Competitiveness Report 2012-2013*, Insight Report (Geneva: World Economic Forum, 2012), 21.

## WHY INVEST IN THE UNITED STATES?

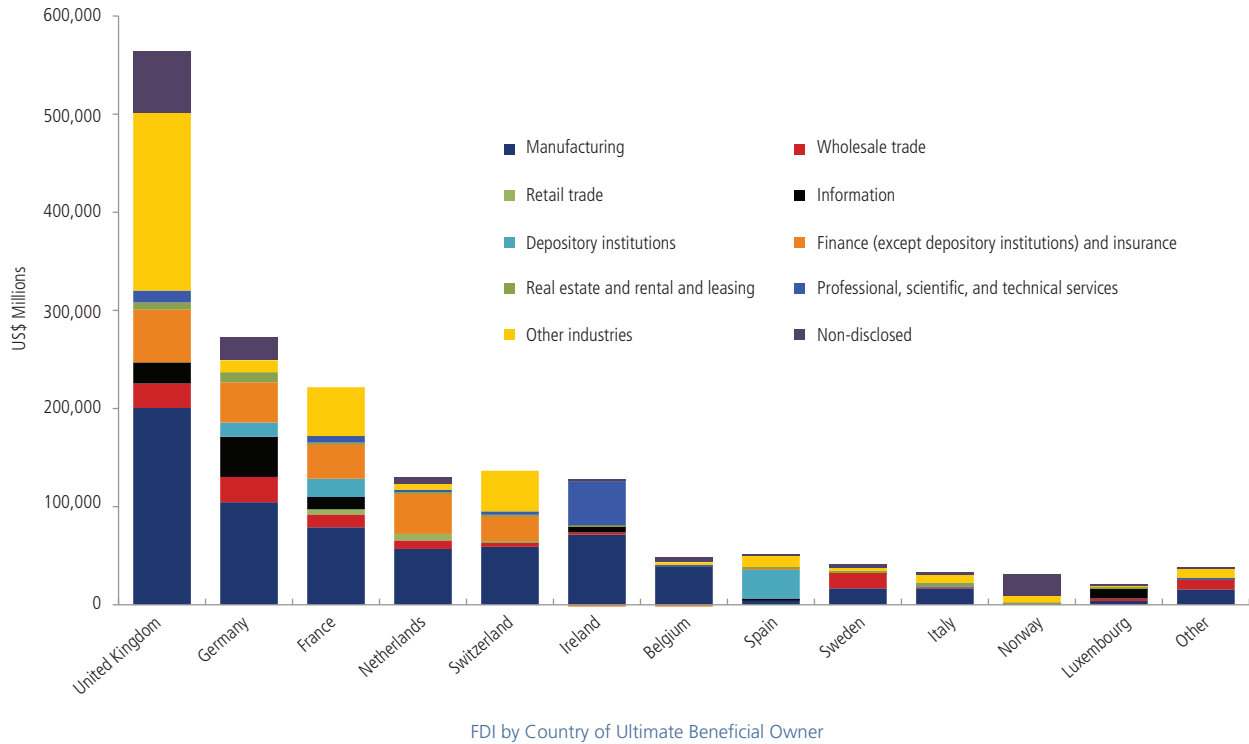
In the short-term, the United States has seen substantial investments by firms as they recover from economic slowdown, experience an increase in capital availability, take

12 The World Bank, *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, Economy Profile: United States (District of Columbia: The World Bank and International Finance Corporation, 2013), 4.

13 World Bank, 5-7.

## FIGURE 4: U.S. FDI TRENDS - EUROPE

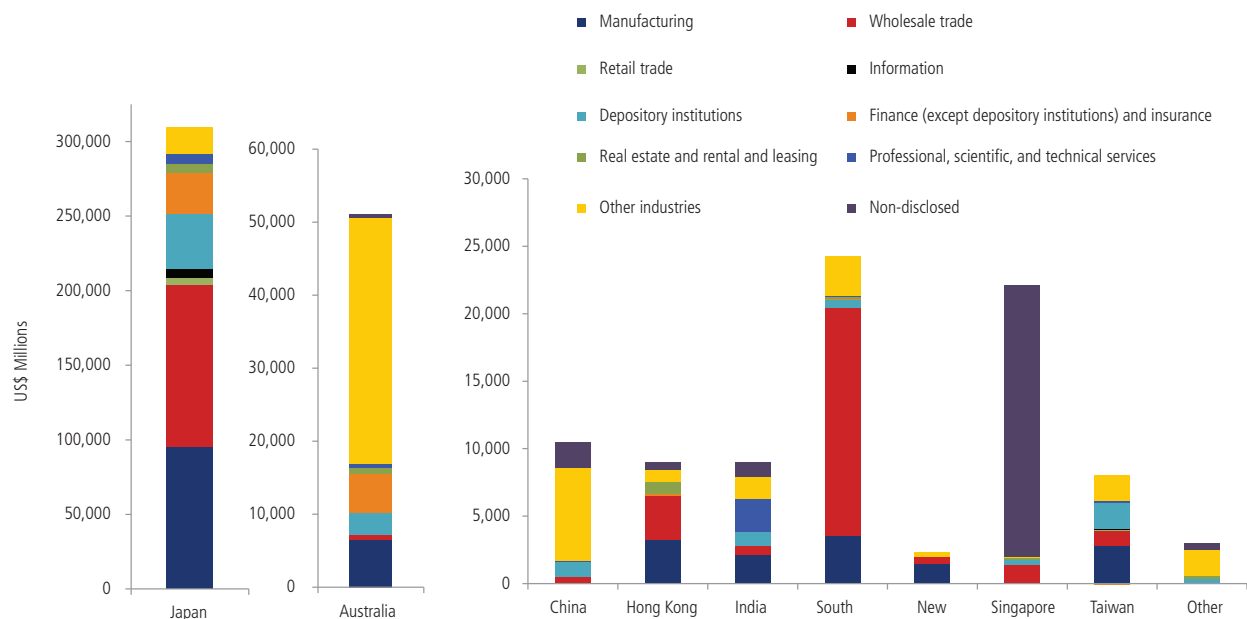
THE STOCK OF FDI FROM EUROPE TO THE UNITED STATES WAS \$1.7 TRILLION IN 2012



Source: U.S. Bureau of Economic Analysis.

## FIGURE 5: U.S. FDI TRENDS - ASIA PACIFIC

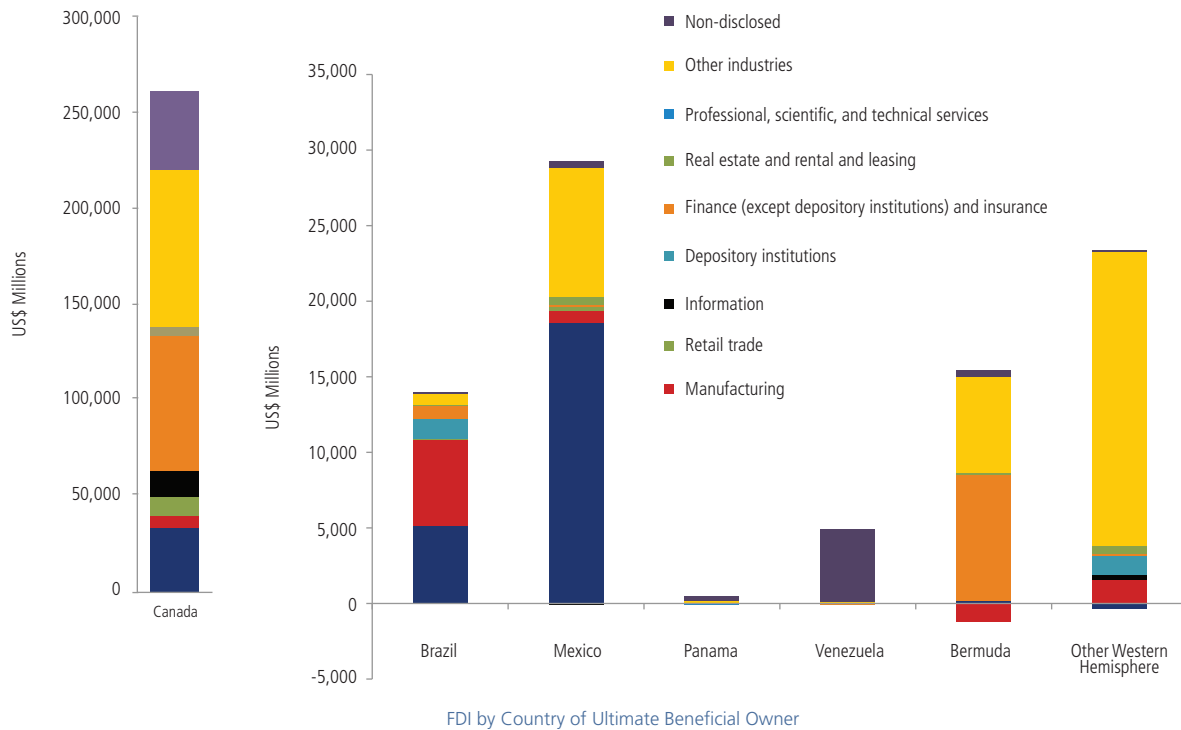
THE STOCK OF FDI FROM ASIA-PACIFIC TO THE UNITED STATES WAS \$448.4 BILLION IN 2012



Source: U.S. Bureau of Economic Analysis.

## FIGURE 6: U.S. FDI TRENDS - WESTERN HEMISPHERE

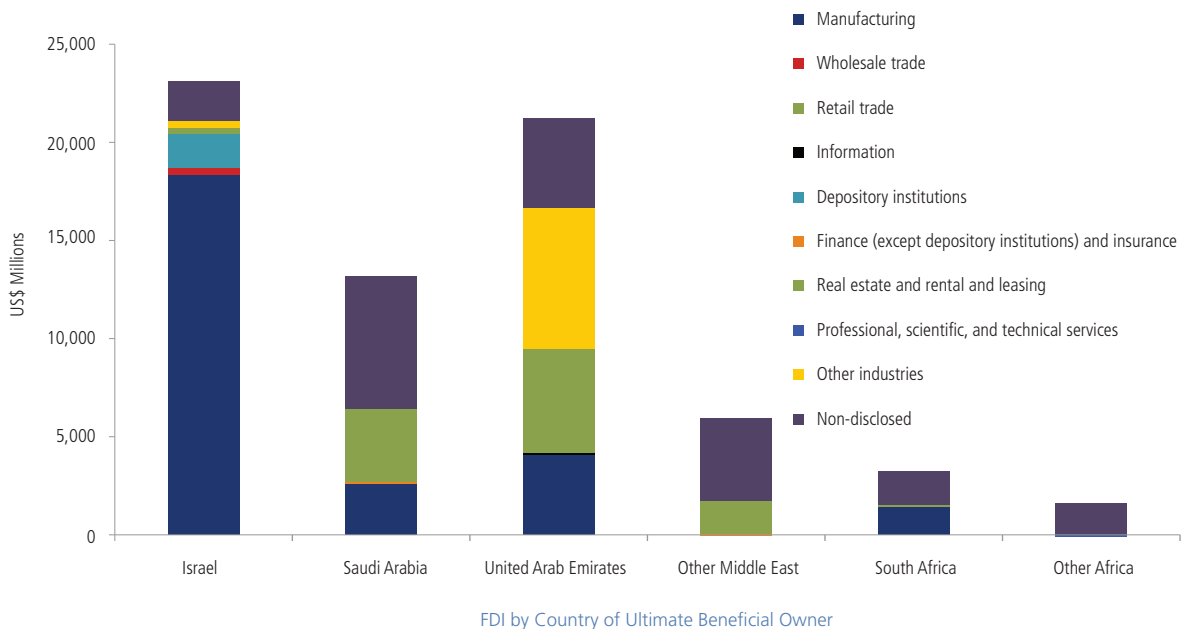
THE STOCK OF FDI FROM THE WESTERN HEMISPHERE TO THE UNITED STATES WAS \$347 BILLION IN 2012



Source: U.S. Bureau of Economic Analysis.

## FIGURE 7: U.S. FDI TRENDS - MIDDLE EAST & AFRICA

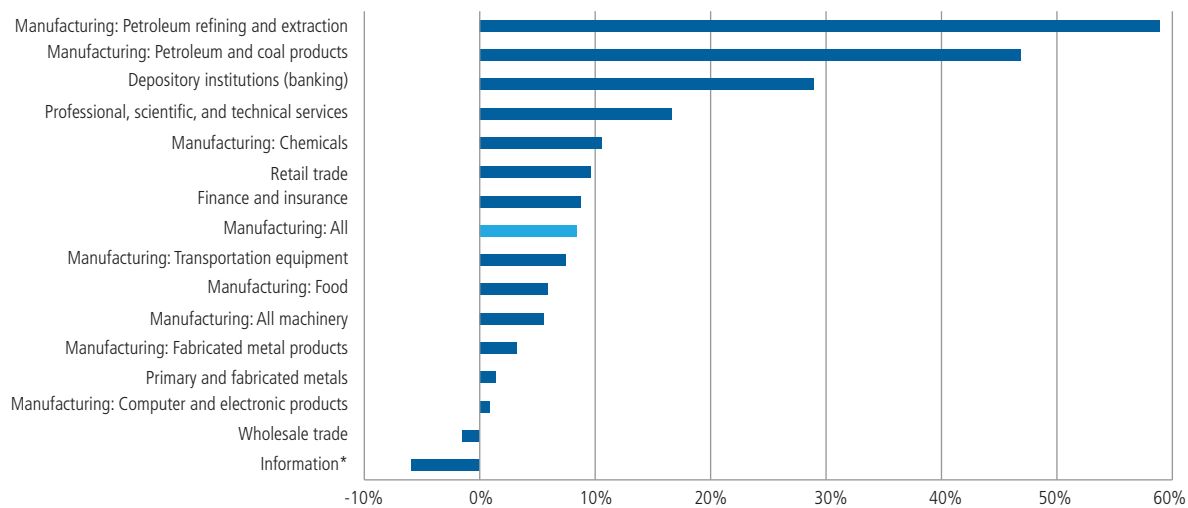
THE STOCK OF FDI FROM MIDDLE EAST & AFRICA TO THE UNITED STATES WAS \$68.8 BILLION IN 2012



Source: U.S. Bureau of Economic Analysis.

## FIGURE 8: FDI GROWTH IN THE UNITED STATES BY INDUSTRY

FDI GROWTH IN THE UNITED STATES BY MAJOR INDUSTRY SECTORS  
(Compound annual growth rate in FDI position between 2008 and 2012 on a historical cost basis)



Note: "Information" includes "publishing industries, including newspaper, periodical, book, and database publishers." FDI in publishing industries experienced -11.6 percent CAGR during 2008-12.

Source: Department of Commerce, Bureau of Economic Analysis.

advantage of innovations in advanced manufacturing, and perhaps most notably, benefit from a dramatic decrease in U.S. energy costs.

An increase in the long-term sustainable supply of natural gas through technological innovation combined with energy produced by advanced, renewable, and traditional resources has vastly increased energy supply and lowered energy costs for firms. Investors worldwide cite low-cost access to energy as a leading reason for renewing their exploration of the U.S. market for advanced and energy-intensive activities. As a result, companies engaged in the exploration, production, and transmission of energy are also growing their operations in the United States. Between 2008 – 2012, manufacturing FDI in integrated petroleum refining and extraction grew at an average annual rate of nearly 59 percent, followed by manufacturing of petroleum and coal products (nearly 47 percent) and basic chemicals (more than 38 percent). Similarly, FDI in professional, scientific, and technical services grew at an average annual rate of more than 16 percent during the same time period (figure 8). According to the International Energy Agency (IEA), the price of natural gas in the United States is significantly lower than in European member countries of the Organization for Economic Cooperation and Development (OECD). These lower costs have helped attract over 10 percent annual growth in chemical manufacturing FDI, as well as

16 percent in professional, scientific, and technical services. The United States also ranks among the five largest sources of proven natural gas reserves globally.<sup>14</sup> It boasts an extensive network of energy pipelines - almost 200,000 miles of oil pipeline and over 1.5 million miles of gas pipeline to serve varied domestic and export markets.<sup>15</sup>

In the long term, firms around the world invest in the United States to benefit from its transparent and predictable governance framework, unparalleled access to worldwide markets, strong protections for intellectual property rights, skilled workforce, and growing economy that is the largest in the world.<sup>16</sup> In 2012, U.S. real GDP was \$15.5 trillion, which is \$49,226 per capita. In the first two quarters of 2013, the U.S. rate of GDP growth has exceeded expectations primarily due to positive contributions from

14 "Key World Energy Statistics 2012." International Energy Agency. "Proven reserves" are defined as the quantity of energy sources estimated with reasonable certainty to be recoverable. <http://iea.org/publications/freepublications/publication/kwes.pdf>.

15 Bureau of Transportation Statistics, *U.S. Oil and Gas Pipeline Mileage*, April 2013, [http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national\\_transportation\\_statistics/html/table\\_01\\_10.html](http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national_transportation_statistics/html/table_01_10.html) (accessed July 22, 2013).

16 Schwab, 21

personal consumption expenditures, exports, fixed asset investment, and inventory investment.<sup>17</sup>

FDI in the United States is protected by its longstanding open investment policy, which in almost all sectors affords companies national treatment regardless of country of origin. This policy has been upheld by administrations throughout U.S. history, with the latest statement on the U.S. commitment to an Open Investment Policy issued by President Obama in 2011. National treatment is a core obligation in bilateral investment treaties (BIT) entered into by the United States. The standard ensures that investors and investments receive treatment no less favorable than each treaty party accords to its own investors and investments within its own territory.<sup>18</sup> The policy reinforces the U.S. goal of being a top choice for investment.

In addition to a predictable governance framework, companies invest in the United States to access a high-quality supply chain and a robust consumer market. Throughout its value chain, the U.S. transportation and energy infrastructure is a key strength for investors. As of 2010, the United States had over four million miles of highway, nearly 100,000 miles of railway, over 25,000 miles of navigable waterways, and nearly 20,000 airports.<sup>19</sup> The United States is home to three of the world's top ten airports by cargo volume, including Memphis International Airport in Tennessee, the second busiest cargo airport (Anchorage, Alaska ranks 4th while Louisville, Kentucky is ranked the ninth-busiest cargo airport).<sup>20</sup> Also, the United States is home to the world's busiest international bulk cargo and container ports, equating to over 2 billion short tons.<sup>21</sup>

Global firms also invest in the United States to improve their access to worldwide markets. Overall, U.S. exports span more than 230 worldwide destinations and support

9.8 million jobs (nearly 5,000 jobs per \$1 billion in exports) and in 2011, U.S. subsidiaries of global firms exported nearly 20.5 percent of total U.S. goods exports. These companies benefit from free trade agreements with 20 countries that the United States has entered into force, representing more than 695 million consumers.<sup>22</sup>

Investors also benefit from a promising outlook in trade policy. The United States is pursuing a multilateral agreement with the European Union, as well as with economies in the Asia-Pacific region. If implemented, the agreements can provide global investors with U.S. operations increased opportunities to benefit from standardization, protections, and the freer flow of goods and services to customers around the world. Not only are the potential Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) signatories active U.S. trade partners, they are among the largest and fastest growing sources of FDI in the United States. On one hand, the United States and EU member nations enjoy a longstanding bilateral investment relationship. Europe alone accounts for more than 63 percent of total FDI stock in the United States. Similarly, Australia, Canada, and Japan (all potential TPP signatories) are among the 10 largest country sources of FDI in the United States. On the other, EU markets including Denmark, Hungary, Ireland, Luxembourg and Sweden, and potential TPP signatories like Malaysia have shown incredible growth in FDI to the United States. In a recent study, Dartmouth University Professor Matthew Slaughter noted that the 12 potential signatories to the TPP represent the destinations for nearly \$942 billion of current U.S. goods exports. In addition, members of the EU that are potential signatories to the TTIP represent nearly half of global output and almost a third of global trade.<sup>23</sup> Using available BEA data, it is estimated that potential signatories to the TTIP and TPP represent at least 61 percent of current stock of direct investment in the United States (see figure 9).

Companies worldwide invest in the United States to take advantage of the creativity and entrepreneurship offered at an unparalleled scale. In addition to short-term and long-term trends that companies find attractive, technology and innovation, education and research, and a skilled and

17 U.S. Bureau of Economic Analysis, *National Economic Accounts, Gross Domestic Product (GDP)*. <http://bea.gov/national/index.htm#gdp> (accessed August 28, 2013)

18 Office of the U.S. Trade Representative, "Bilateral Investment Treaties," *Office of the U.S. Trade Representative*, <http://www.ustr.gov/trade-agreements/bilateral-investment-treaties> (accessed June 21, 2013).

19 Bureau of Transportation Statistics, *System Mileage Within the United States*, January 2013, [http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national\\_transportation\\_statistics/html/table\\_01\\_01.html](http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national_transportation_statistics/html/table_01_01.html) (accessed July 22, 2013).

20 Airports Council International, *Annual Traffic Data: Cargo Volume*, July 8, 2013, <http://www.aci.aero/Data-Centre/Annual-Traffic-Data/Cargo/2011-final> (accessed July 22, 2013).

21 Bureau of Transportation Statistics, *U.S. Waterborne Freight*, July 2013, [http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national\\_transportation\\_statistics/html/table\\_01\\_56.html](http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national_transportation_statistics/html/table_01_56.html) (accessed July 22, 2013).

22 Office of the U.S. Trade Representative, *Free Trade Agreements*, <http://www.ustr.gov/trade-agreements/free-trade-agreements> (accessed July 22, 2013).

23 Slaughter, Matthew J., *Attracting Foreign Investment through an Ambitious Trade Agenda: New Opportunities for the U.S. Economy and Workforce*, July 2013 ([http://www.ofii.org/docs/OFII\\_TTP\\_TTIP\\_White\\_Paper.pdf](http://www.ofii.org/docs/OFII_TTP_TTIP_White_Paper.pdf))

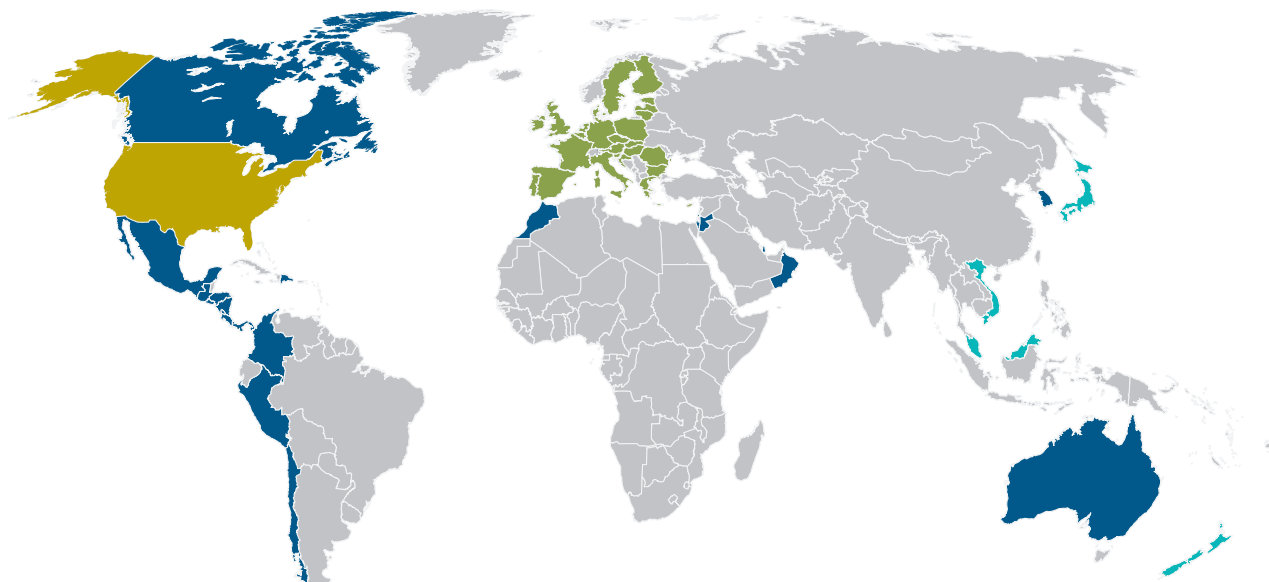
productive work force are specific factors that drive U.S. economic success.

### *Innovation & Technology*

Many companies evaluate the U.S. business climate based on their ability to conduct, protect, and commercialize research and development (R&D). While the U.S. federal

government provides support to fund and conduct research and development, robust private sector investments in R&D in the United States reflect continued confidence in the protections and commercialization opportunities for new and innovative products and services in the U.S. economy. Leading independent rankings and studies recognize U.S. capabilities in innovation and technological advancement.

**FIGURE 9: FTAs ENHANCE FDI**



YEAR ENTERED INTO FORCE	FTA SIGNATORY MARKETS	SIGNATORY'S 2012 NOMINAL GDP* (MILLION USD)
1985	Israel	240,900
1994	NAFTA - Canada, Mexico, United States	2,376,000
2004	Chile	268,200
2004	Singapore	276,500
2005	Australia	1,542,000
2006	Bahrain	27,030
2006	Morocco	97,530
2007	Peru	199,000
2009	CAFTA - DR - Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, United States	206,730
2009	Oman	76,460
2010	Jordan	31,210
2011	Colombia	366,000
2011	Panama	36,250
2012	South Korea	1,156,000
Proposed: TPP	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam	11,873,630
Proposed: TTIP	European Union and United States	16,417,100

\*U.S. nominal GDP was \$15.7 trillion in 2012.

Source: CIA World Factbook



Overall, the United States is ranked as the top market for private equity (PE) and venture capital (VC), reflecting the depth (in terms of size and liquidity) of its capital market, strength in corporate R&D, and an ingrained culture of innovation. The Venture Capital and Private Equity Index by the IESE Business School and Ernst & Young has measured the attractiveness of markets for investors in PE and VC markets for more than a decade and the United States has continuously ranked as the top market.<sup>24</sup>

In addition, the WEF Global Competitiveness Index ranks the United States in the top 10 for innovation capacity, with a particular strength in R&D collaboration among businesses and universities. The index measures innovation capacity as the degree to which an economy provides “sufficient investment in R&D, especially by the private sector; the presence of high quality scientific research institutions that can generate the basic knowledge needed to build the new technologies; extensive collaboration in research technological developments between universities and industry; and the protection of intellectual property.”<sup>25</sup>

The 2013 Global R&D Funding Forecast by Battelle and R&D Magazine provides insights into U.S. competitiveness in this area. It estimates that global R&D investments are approaching nearly \$1.5 trillion, with nearly 29 percent occurring in the United States. While the recent economic downturn may slow down<sup>26</sup> the U.S. federal government investments in R&D, annual gross expenditure on R&D in the United States is forecast to approach \$423.7 billion by the end of 2013 (the highest worldwide by GDP purchasing power parity). Nearly 70 percent of R&D investments in the United States in 2013 are projected to be made by non-federal government entities including private industry (61.7 percent), academia (12.7 percent), other government (1.2 percent), and non-profit sector (3.8 percent).<sup>27</sup>

Companies choose the United States for their proprietary R&D in order to take advantage of its established intellectual property rights framework. The World Intellectual Property Organization’s (WIPO) Global Innovation Index is an annual ranking of innovation trends worldwide.<sup>28</sup> The

2013 index ranks the United States first in R&D expenditure as a percent of GDP, and as the fifth most innovative nation in the world.<sup>29</sup> The United States is recognized for having robust intellectual property rights protection, allowing an investor to safely conduct and commercialize its valuable business activities.<sup>30</sup> WIPO further ranks subnational regions across the world by the number of patent applications filed, featuring nine U.S. regions in its top 20 global regions.<sup>31</sup> As the world’s largest single market for protected goods, the United States is home to inventors who produce approximately one-third of total global patent and trademark filings. Furthermore, the U.S. Patent and Trademark Office issues more than 80,000 domestic patents and 300,000 new trademark registrations per year.

In addition to a robust intellectual property rights framework, the United States is home to a comprehensive communications and technology infrastructure. The World Economic Forum (WEF) generates the Global Information Technology Report, which benchmarks information communication technologies (ICT) readiness and usage across economies.<sup>32</sup> The United States ranks among the top ten economies for strengths in ICT readiness, and the economic and social impact of its ICT infrastructure.<sup>33</sup> U.S. workers also adopt and use far more mobile technologies than any other economy, including those with much larger populations. Combined with continued improvements and advancements in technology, the U.S. technology infrastructure is an ideal resource for business expansion and innovation.

U.S. strength in ICT infrastructure is further demonstrated by the Economist Intelligence Unit Digital Economy rankings, which also assess the quality of a country’s ICT infrastructure and the ability of its consumers, businesses, and governments to use ICT to their benefit.<sup>34</sup> In 2010, the United States ranked 3rd overall (behind Sweden and Denmark, respectively), with particular strengths in knowledge

24 IESE Business School, *2013 Annual Venture Capital and Private Equity Country Attractiveness Index*, (Barcelona).

25 World Economic Forum, *Global Competitiveness Index 2012-2013*, (Geneva: World Economic Forum, 2012), 7.

26 Battelle, R&DMagazine, *2013 Global R&D Funding Forecast*, (Columbus, Ohio December 2012).

27 Battelle.

28 INSEAD, WIPO, and Cornell University, *The Global Innovation Index 2013: Local Dynamics of Innovation*, (Geneva: World Intellectual Property Organization, 2013), 7.

29 INSEAD, 7.

30 U.S. Intellectual Property Coordinator, “2013 Joint Strategic Plan on Intellectual Property Enforcement,” *Executive Office of the President*, June 2013, <http://www.whitehouse.gov/sites/default/files/omb/IPEC/2013-us-ipeec-joint-strategic-plan.pdf> (accessed July 15, 2013).

31 INSEAD, 71 (Fig.2).

32 World Economic Forum, *The Global Information Technology Report 2013*, Insight Report (Geneva: World Economic Forum and INSEAD, 2013).

33 *ibid.*

34 The Economist Intelligence Unit & IBM Institute for Business Value, *Digital Economy Rankings 2010*, IT rankings (London: The Economist Intelligence Unit, 2010), 1.



and familiarity of internet services and capabilities, digital access to public services, officials, and information, and limited bureaucracy restricting new businesses' access to information.<sup>35</sup> Companies investing in the United States can benefit from a world-class information technology climate that has supported the world's innovation powerhouse for decades.

### Higher Education

Entrepreneurship and innovation in the United States are cultivated and encouraged in part through a strong education system. Companies investing in the U.S. market take advantage of a skilled, innovative, and knowledgeable workforce to grow their business. Having a strong educational system is a key component for innovation and entrepreneurial endeavors, and the United States boasts the world's top universities and programs for business administration.

The United States is home to 15 of the world's top 20 universities, which are recognized for their high quality faculty and students, reputation, leadership, number of cited published works, and prominent contributions to innovation and invention.<sup>36</sup> Shanghai Jiao Tong University's ranking of global educational institutions measures the contributions of educational institutions to the academic and research community.<sup>37</sup> In 2012, eight U.S. universities ranked in the top 10. These rankings are based on the numbers of alumni and staff winning Nobel Prizes, having highly cited researchers and papers published or indexed in major citation indices, and the per capita academic performance of an institution.<sup>38</sup>

In addition to four-year post-secondary and graduate educational programs, nearly half of U.S. undergraduate students are served by community colleges. These institutions play a key role with industry, providing vocational training and degree attainment programs and partnering with the private sector to deliver workforce development programs.

At the federal level, the U.S. Employment and Training Administration (ETA) offers the Community-Based Job Training Grant to bolster industry-focused training for high-demand

occupations.<sup>39</sup> "Specifically, the grants from this program will help community and technical colleges design and implement sustainable training programs that effectively provide workers with the skills that industry needs."<sup>40</sup> Recent industry sectors where grant initiatives were completed and credentials attained include advanced manufacturing, construction, energy, and healthcare.<sup>41</sup> The American Association of Community Colleges (AACC) tracks a comprehensive network of more than 1,100 colleges with nearly 12 million students. The White House Summit on Community Colleges, AACC, the Urban Institute, and other organizations have also recognized community colleges as vehicles for industry partnerships, apprenticeships, early education development, and a source for technology and innovation.<sup>42</sup>

The U.S. higher education system is also home to training and development of students from around the world. In 2011, new annual international student enrollment increased 6.5 percent over the prior year to 228,467 students.<sup>43</sup> The top three host states – California, New York, and Texas – accounted for 32 percent of all international students in the United States.<sup>44</sup> The presence and growth of international students in U.S. colleges and universities across the country is testament to the quality and opportunity associated with the U.S. educational system.

### Skilled and Productive Workforce

Quality higher education leads to a productive workforce – a key consideration for firms investing in the United States. The United States is home to more than 316 million people, with a working age population of more than 245.7 million, according to the U.S. Bureau of Labor Statistics

35 Economist, 4;19-21.

36 Thomas Reuters, *Times Higher Education World University Rankings 2012-2013*, 2012, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/world-ranking> (accessed July 1, 2013).

37 Shanghai Jiao Tong University, *Academic Ranking of World Universities 2012*, 2012, <http://www.shanghairanking.com/ARWU2012.html> (accessed July 1, 2013).

38 *ibid.*

39 U.S. Department of Labor, "Community College Based Job Training Grant," *Employment & Training Administration*, [http://wdr.doleta.gov/research/FullText\\_Documents/Characteristics%20of%20the%20Community-Based%20Job%20Training%20Grant%20CBJTG%20Program%20-%20Interim%20Report.pdf](http://wdr.doleta.gov/research/FullText_Documents/Characteristics%20of%20the%20Community-Based%20Job%20Training%20Grant%20CBJTG%20Program%20-%20Interim%20Report.pdf) (accessed July 2, 2013).

40 Labor, i.

41 Labor, vii.

42 Department of Education, *White House Summit on Community Colleges: Conference Papers*, October 5, 2010, <http://www.ed.gov/college-completion/community-college-summit> (accessed July 15, 2013).

43 Institute of International Education, "Open Doors 2012: Report on International Education Exchange," *Research and Publications: Open Doors*, 2012, <http://www.iie.org/Research-and-Publications/Open-Doors> (accessed July 1, 2013).

44 Institute of International Education, "Open Doors 2012: Report on International Education Exchange," *Research and Publications: Open Doors*, 2012, <http://www.iie.org/Research-and-Publications/Open-Doors> (accessed July 1, 2013).

(BLS).<sup>45</sup> Additionally, between 2006 and 2012, the working age population in the United States has grown faster than in 15 benchmark economies across Europe, North America, Africa and Asia.<sup>46</sup> Within the working age population, the United States ranks in the top five for employment growth since the world economic crisis of 2009.<sup>47</sup> Beyond seeing gains in employment, the United States labor force ranks in the top 10 of OECD countries in productivity of the total economy.<sup>48</sup> Most recently, U.S. labor productivity grew 2.3 percent in the second quarter of 2013 while labor costs remained unchanged.<sup>49</sup>

The proclivity for entrepreneurship is reflected in the skilled and productive workforce throughout the United States, and the federal government has created initiatives to support entrepreneurs. Recent efforts include Startup America, a presidential initiative to accelerate high-growth entrepreneurship.<sup>50</sup> In addition, the U.S. Small Business Administration (SBA) is the lead agency to assist small businesses in obtaining financing from private institutions, and to offer educational and technical support throughout the incorporation process.<sup>51</sup> For example, the SBA and the Department of Energy have partnered to offer funding to new companies that adhere to clean and sustainable energy standards.<sup>52</sup>

Job skills training and development as a partnership between the private sector and the U.S. educational system has emerged as an important federal government initiative in recent years, which helps U.S. workers and presents a benefit for investors seeking specific skills in the labor force. Skills for America's Future is a public-private initiative designed to improve business partnerships with community

colleges and build a nationwide network of workforce development and job placement programs.<sup>53</sup> These initiatives are just a part of the entrepreneurship and labor productivity environment that spurs growth and development from within states, regions, and communities.

### *Diverse and Expanding Nation*

The United States is a diverse and expanding nation in both population and industry. The diversity of the U.S. population has resulted in many minority-owned business ventures. In a recent study, the U.S. Minority Business Development Agency (MBDA) reported that minority-owned businesses are increasing exports.<sup>54</sup> Additionally, minority-owned firms are six times more likely to conduct business in a language other than English, a characteristic that attracts investors and consumers from various international markets. These firms conduct more cross-border business activity in 14 of 19 industry sectors compared to non-minority firms.<sup>55</sup>

Immigrant business owners make important contributions to the U.S. economy; for example, 10.5 percent of the immigrant work force owns a business compared with 9.3 percent of the non-immigrant work force.<sup>56</sup> They are successful in business, and as such, hire employees and export goods and services to other countries.<sup>57</sup> Immigrant-owned firms have \$435,000 in average annual sales and receipts, which is roughly 70 percent of the level of non-immigrant owned firms at \$609,000.<sup>58</sup>

The United States welcomes a new birth every eight seconds and a new international migrant every 44 seconds.<sup>59</sup> As a demographically diverse nation, the United States enables entrepreneurship and innovation, fosters technologi-

45 U.S. Department of Labor, Bureau of Labor Statistics, *Employment Status of U.S. Civilian Population*, (July 2013).

46 U.S. Department of Labor, "International Comparisons of Annual Labor Statistics, 1970-2012," *Bureau of Labor Statistics: International Labor Comparisons*, June 7, 2013, <http://www.bls.gov/fls/flscompare1/flscompendium.pdf> (accessed July 2, 2013).

47 *ibid.*

48 OECD, *Labour Productivity Levels in the Total Economy*, Dataset (OECD, 2011).

49 U.S. Department of Labor, Bureau of Labor Statistics, *Economic News Release* (September 5, 2013) <http://www.bls.gov/news.release/prod2.nr0.htm>.

50 Small Business Association, *Start Up America*, January 24, 2012, <http://www.sba.gov/startupamerica> (accessed July 15, 2013).

51 Steven J. Markovich, *U.S. Entrepreneurship and Venture Capital*, June 5, 2012, <http://www.cfr.org/entrepreneurship/us-entrepreneurship-venture-capital/p28433> (accessed July 15, 2013).

52 U.S. Department of Commerce, *The Competitiveness and Innovative Capacity of the United States*, Review (District of Columbia: National Economic Council, 2012).

53 Office of the Press Secretary, "President Obama to Announce Launch of Skills for America's Future," *The White House*, October 4, 2010, <http://www.whitehouse.gov/the-press-office/2010/10/04/president-obama-announce-launch-skills-america-s-future> (accessed July 11, 2013).

54 Minority Business Development Agency, "Most Recent Fact Sheets: Minority Owned Firms Lead the Nation in Exporting," *U.S. Business Fact Sheets*, April 2012, <http://www.mbda.gov/pressroom/research-library/us-business-fact-sheets> (accessed July 8, 2013).

55 *ibid.*

56 Robert W. Fairlie, *Immigrant Entrepreneurs & Small Business Owners, & their Access to Financial Capital*, <http://www.sba.gov/sites/default/files/rs396tot.pdf> (Washington : Small Business Administration: Office of Advocacy, 2012), ii.

57 Fairlie, vi.

58 Fairlie, ii.

59 U.S. Census Bureau, *U.S. and World Population Clock*, August 8, 2013, <http://www.census.gov/popclock/> (accessed August 8, 2013).

cal advancement, and trains a skilled and educated workforce that leads to the productive, efficient, and profitable private sector that is the engine of U.S. economic growth and sustainability.

## CONCLUSION

The United States is a leader in upholding open market principles. Companies investing in the United States enjoy national treatment, are treated fairly and equitably, and contribute substantially to the U.S. economic development, job creation, productivity and innovation. In addition, investors in the United States enjoy a growing economy that offers geographic and demographic diversity, an innovative workforce, abundant natural and renewable resources, and access to capital, knowledge, and expertise in both the public and private sectors.

While the United States has long been the largest recipient of FDI in the world, it has continued to offer global companies a safe and predictable return on their investments in recent years despite global economic pressures. In addition,

technological advancements and access to new sources of energy are once again positioning the United States as a top destination for foreign direct investment across industry sectors.

Firms invest in the United States to access the large and growing U.S. consumer market. They often utilize comprehensive industry clusters, capitalize on their innovation, and enjoy healthy returns on their investments. More than ever, global firms invest in the United States to utilize the benefits resulting from U.S. trade policies for global growth and take advantage of existing export platforms while positioning themselves competitively for potential multilateral partnerships.

The United States upholds its longstanding open investment policy, recognizing that the free movement of capital across borders is at the heart of today's global economy. Foreign direct investment is an integral source of U.S. competitiveness and remains a leading destination for companies, worldwide. "Made in USA" is not only a source of U.S. economic sustainability; it provides opportunities for growth for companies around the world.

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