



FLORIDA FOREIGN DIRECT INVESTMENT REPORT



FLORIDA
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SECURING FLORIDA'S FUTURE
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FLORIDA AS A GLOBAL INVESTMENT DESTINATION

Florida is now the third most populous state—and we're still growing. By 2030, six million more residents will call Florida home and two million more jobs will be needed. To prepare for this continued growth and ensure Florida remains successful, we must continue to seek new opportunities.

From its discovery, Florida has been global and international trade and foreign direct investment have helped advance Florida's position in the global marketplace. Global linkages have been a significant part of Florida's economy, helping the state recover from the recession, diversify our economy and become a global player. Florida's present and future are tied to its ability to be a successful hub for international trade investment. Florida is on the verge of entering the \$1 trillion GDP club whose members currently include Poland, Taiwan, Egypt and Thailand. If Florida were a country, it would be **ranked 16th in the world**. In fact, Florida just recently surpassed Argentina and Netherlands in GDP.

The facts are undeniable:

- ▶ More than 2 million Florida jobs depend on trade—that's 1 in 5 Florida jobs.
- ▶ Over 266,000 are employed by majority-owned U.S. affiliates of foreign companies.
- ▶ International companies grow faster, are more profitable, pay higher wages and are more resilient during economic downturns.

Foreign direct investment (FDI) plays a key role in driving innovation and economic development and ensuring that Florida is globally competitive. There are still new and exciting opportunities to be had.

Global economic fluctuations, rapid innovation and digitization and technological advances driven by globalization are changing the patterns of FDI while providing opportunities and challenges.

Competition is also increasing as other states and countries have also focused on attracting FDI and are ramping up their efforts to develop attractive FDI packages.



FDI MEANS GOOD JOBS

FDI not only creates jobs in communities across Florida – these jobs pay **30 percent higher** than the economy-wide average, for each job directly supported by FDI, there is at least one job indirectly supported by FDI, according to the U.S. Department of Commerce.

What is Foreign Direct Investment

We live in a global economy that is interconnected by people, businesses and nations all engaging in cross-border trade of goods and services as well as foreign investment. Foreign direct investment (FDI) can take many forms—such as the merger or acquisition by a foreign entity, an investment in a joint venture, the direct investment through expansion in a new venture or investment in the building of new facilities.

Why it Matters

FDI plays a significant role in the transfer of technology, expertise and skill sharing and wealth, and to a certain extent, helping diversify the host or recipient thereby providing them with a competitive advantage. FDI provides not just an influx of new capital, but more importantly plays an important role in the creation of jobs. FDI jobs tend to be high-wage jobs thus further multiplying the economic benefits of the investment.

Global foreign direct investment (FDI) is expected to rise by five percent, to almost 1.8 trillion in 2017, according to the *World Investment Report 2017: Investment and the Digital Economy*. The United States, China and India have and continue to be the top prospective destinations for FDI. In 2016 the United States remained the largest recipient of FDI, attracting \$373.4 billion in inflows.¹ Successfully growing FDI for Florida will require leveraging existing industry sector strengths and exploiting new opportunities. Florida has made key strategic investments in infrastructure, education and technology which have competitively positioned the sunshine state.

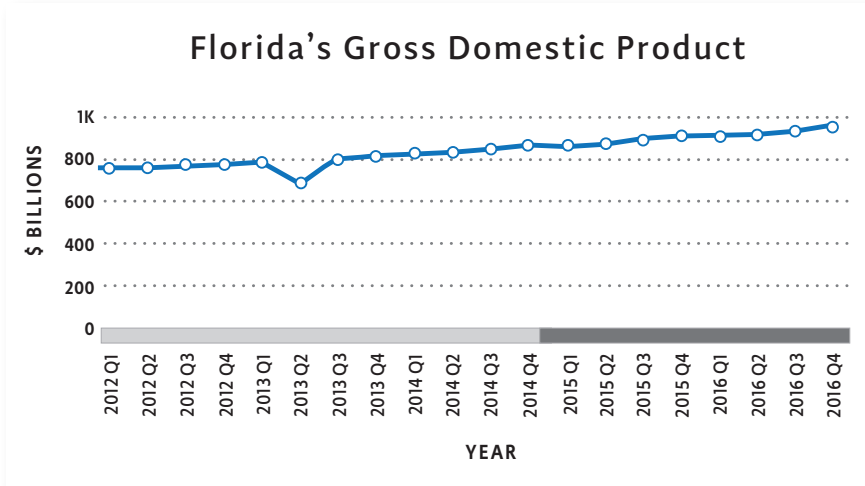
“An overwhelming 75 percent of investors plan to increase their FDI in the coming three years. Although this intention to increase FDI is consistent across both regions and sectors, investors based in Asia (79 percent) and those in the IT sector (83 percent) are particularly keen to boost their level of FDI.”

The 2017 A.T. Kearney
Foreign Direct Investment
Confidence Index



¹ *World Investment Report 2017: Investment and the Digital Economy*

FDI growth is strongly tied to GDP growth and attracted to high-growth economies. FDI follows the path of least resistance. Success breeds success and what better success story than Florida.




FLORIDA'S BUSINESS CLIMATE

Florida Governor Rick Scott is squarely focused on job creation, and under his leadership, Florida has eliminated more than **4,500** outdated, duplicative or unnecessary regulations.



Florida recently **permanently eliminated** the sales tax on manufacturing machinery and equipment.



Through the Manufacturing Competitiveness Act, Florida counties can establish a manufacturing development program, which encourages manufacturers to locate to Florida or expand operations to take advantage of streamlined development plans.

Supporting Florida's FDI efforts

An enabling environment for FDI has a low-cost, pro-business regulatory and tax climate that also serves as a platform for growth.

Having a strong economic development focused policy framework is an important strategy for FDI attraction. Taxes and other infrastructure (digital, brick and mortar, etc.) costs are an important factor in driving investment decisions, so is having a skilled workforce and a sustainable workforce pipeline.

Strategies to attract investment and policy development need to work hand-in-hand to successfully attract FDI. A regulatory framework that is robust, clear, efficient and sophisticated is of particular importance to attract companies in bioscience, high-tech, advanced manufacturing and data intensive industries.

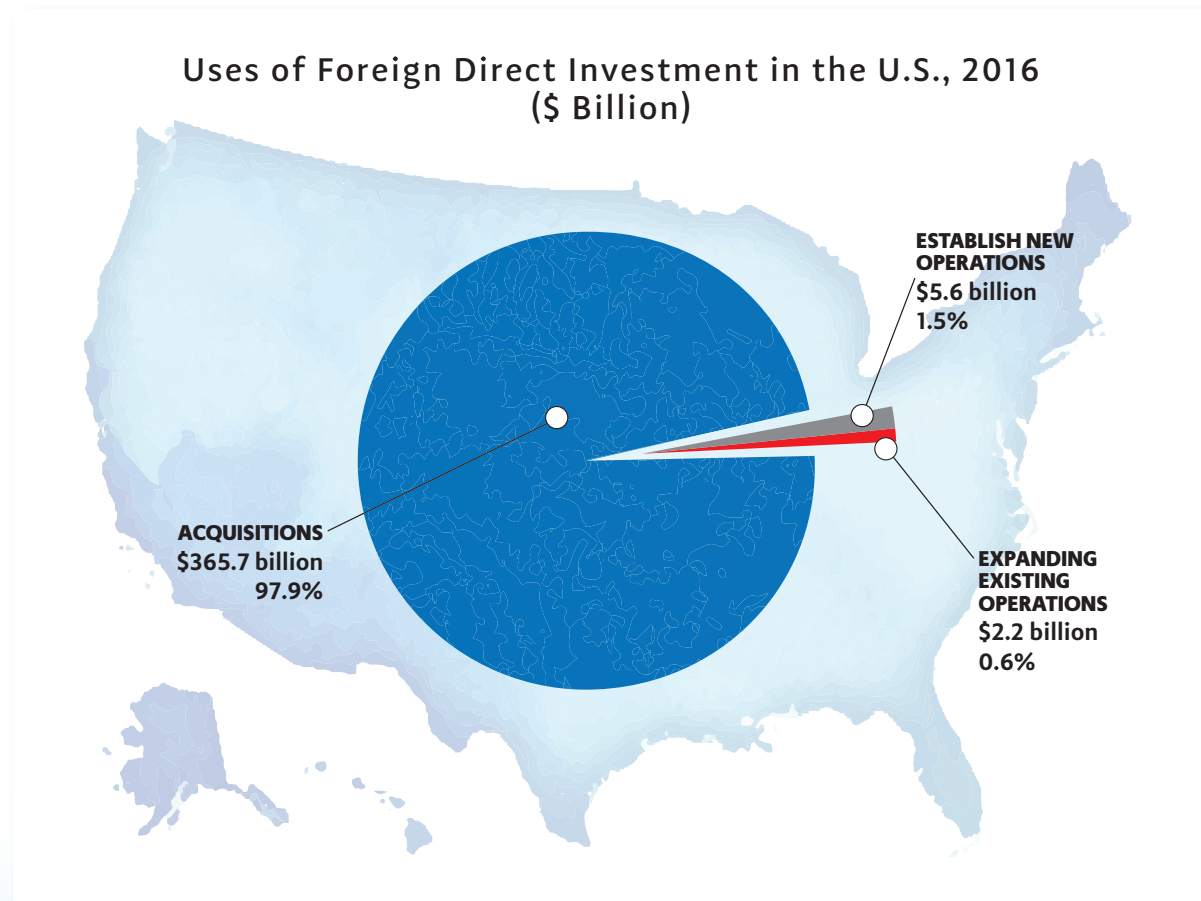
The total tax burden (corporate and workforce) is also important consideration for FDI location as well. Florida has made significant strides in reducing the corporate tax environment and has no personal income tax which is an important competitive advantage. However, other threats to our business climate—rising workers' compensation rates and rising property insurance—add costs to both employers and the workforce.

The State of Foreign Direct Investment in Florida

One of the challenges with quantifying the amount of foreign direct investment (FDI) in Florida is that state-level data has not been regularly collected by the U.S. Commerce Department. Between 2008 and 2013, this important data was not collected. The series resumed in 2014, and the most current official data available is from 2015—with some limited recently released data for 2016.

There was a large increase in FDI in the U.S. between 2014 and 2015. Revised 2014 figures show \$250.6 billion. The 2015 data shows that there was a 68 percent increase—a total of \$420.7 billion in FDI. In 2016, there was a reduction in investment, down to \$373.4 billion.

The Bureau of Economic Analysis data shows that the majority of FDI in the U.S. is used for acquisitions, with only a small percentage used to establish new businesses in the U.S. Data from 2014 and 2015 showed similar percentages, with most of the investments used for acquisitions. As shown in the chart below, 97.9 percent of FDI in the U.S. was used for acquisitions, and only 1.5 percent of the total investment was used to establish new businesses in the U.S.



Florida's Percentage and Rankings

According to the revised data, in 2015, Florida received \$5.7 billion in FDI, an increase of more than 45 percent. That same year, total FDI into the U.S. increased by nearly 68 percent. Florida's share of FDI, while sizable, only represented 1.36 percent of the U.S. total. In 2016, Florida received \$10.5 billion in FDI, almost double the amount the year before, which represents approximately 2.8 percent of total U.S. FDI. This is a significant improvement from the year before, particularly as FDI into the U.S. declined by 13 percent.

Using recently-released state GDP data, Florida's 2016 GDP is \$926.8 billion, which is 5.0 percent of the U.S.'s \$18.6 trillion total. While FDI into Florida improved in 2016, Florida is still punching under its weight in terms of FDI share given the size of our state's economy.

The below table shows the top 12 state rankings from 2014 to 2016 in first-year expenditures of FDI.

State	2016		2015		2014	
	FDI (\$b)	Rank	FDI (\$b)	Rank	FDI (\$b)	Rank
California	64.7	1	121.9	1	50.6	1
Illinois	41.3	2	23.2	5	24.0	3
New York	30.5	3	23.3	4	38.6	2
Texas	29.6	4	31.2	2	22.9	4
Michigan	13.4	5	SUPPRESSED	N/A	2.2	18
Florida	10.5	6	5.4	10	4.2	9
Massachusetts	9.8	7	7.4	9	5.7	7
North Carolina	6.6	8	24.1	3	4.2	8
Washington	5.1	9	1.6	14	16.4	6
Georgia	4.7	10	2.1	11	2.5	14
Indiana	4.4	11	1.3	18	1.8	20
Connecticut	4.4	12	0.9	22	1.5	21

The chart above shows that Florida ranked 10th in 2015 in receipts of FDI, and moved up to four positions to 6th in 2016. It's interesting to note that California was ranked number one in all three years, and California received approximately 22 times as much FDI as Florida did in 2015 and approximately 6 times as much in 2016.

¹ Data from *New Foreign Direct Investment in the United States, 2014 and 2015*. U.S. Department of Commerce, Bureau of Economic Analysis

It's also important to note that several states (Michigan, Georgia, Indiana and Connecticut) have become more competitive and have risen in ranking.

Employment by Majority Owned U.S. Affiliates in Florida

One of the regular data sets collected by the Bureau of Economic Analysis at the state level is the amount of employment of majority-owned U.S. affiliates. Although this is only a fraction of the number of jobs that FDI is responsible for in a state, it can show us which companies from other countries have made substantial investments in Florida, and what their employment trends are.

Shown at right is the Florida Scorecard² tile which shows the most recent total for Florida. (NOTE: This tile is located on the Innovation & Economic Development Pillar of The Florida Scorecard.)



The breakdown of the latest available jobs data shows which countries make up the employment of Floridians in this category.³

Top Countries for Majority Owned Affiliates' Employment (2014)

Country	Jobs
United Kingdom	51,400
Canada	34,300
Germany	27,700
France	26,800
Japan	24,200
Switzerland	20,500
Netherlands	14,700
Ireland	8,300
Italy	6,900
Sweden	6,100
Brazil	5,800
Spain	5,200
Mexico	4,900
Australia	3,200

² Found at www.theFloridaScorecard.org

³ Reprinted from 2016 *Florida International Business Highlights*, Enterprise Florida, page 13. May 2017.

The Florida Scorecard also provides the historical data below which shows the countries who are the major employers of Floridians in majority-owned affiliates.

Floridians Employed in Majority-Owned U.S. Affiliates: 2007-2014 (in thousands)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2007-2014 Change
All Countries	248.2	255.6	235.2	232.9	242.6	251.7	262.7	266.5	7.4%
Canada	24.2	24.1	25.1	27.8	30.5	30.8	31.6	34.3	41.7%
France	20.0	20.3	19.1	21.7	21.8	22.8	25.0	26.8	34.0%
Germany	22.0	22.6	21.4	20.6	20.6	24.0	25.3	27.7	25.9%
Netherlands	18.1	15.3	13.6	12.5	15.1	15.0	15.4	14.7	-18.8%
Switzerland	13.9	14.3	17.1	20.9	20.9	19.1	19.7	20.5	47.5%
U.K.	46.2	45.6	39.4	41.6	44.0	46.5	50.3	51.4	11.3%
Japan	21.1	22.0	22.1	20.6	21.7	21.7	24.4	24.2	14.7%
Other	82.7	91.4	77.4	67.2	68.1	71.8	71.0	66.9	-19.1%

According to data, from 2007 through 2014, the number of Floridians employed in this group of companies increased by 7.4 percent. Multiple countries, such as Switzerland, Canada, France, Germany, the U.K., and Japan increased their employment of Floridians through majority-owned affiliates. The Netherlands was the only large-employer country that decreased their numbers during that time period.

The industry sectors for these jobs are shown in the chart below. Note that manufacturing is the category where nearly 24 percent of these jobs are located.

FDI Employment in Florida by Major Industry Sector (2014)⁴

Industry	Employment	Share of Total	U.S. Ranking
Manufacturing	63,100	23.7%	14
Retail Trade	24,100	9.0%	10
Wholesale Trade	21,700	8.1%	7
Finance and Insurance	20,800	7.8%	11
Information	17,600	6.6%	4
Real Estate and Rental & Leasing	12,900	4.8%	10
Professional, Scientific, and Technical Services	9,300	3.5%	13
All other	97,000	36.4%	8
Total	266,500	100%	6

Information from Enterprise Florida, Inc. shows that when considering all foreign-owned affiliates, which would also include those with minority foreign ownership, Florida ranks 6th in the U.S. and number 1 in the Southeast with nearly 279,000 jobs in this category. The value in Florida of these foreign-owned affiliates was \$53.6 billion in 2014—number 2 in the Southeast and 11th overall in the U.S.⁵

⁴ Reprinted from *2016 Florida International Business Highlights*, Enterprise Florida, page 14. May 2017.

⁵ Ibid.

Detailed data on 2015 FDI by state (besides the state investment in dollar amounts) is not yet available. For country and industry data, we must use U.S. totals. To look at the potential for an expansion of FDI in Florida, we can look to the U.S. totals for 2015.

The table below shows which countries are responsible for the most FDI in the U.S.

\$ Billion FDI 2015	
All Countries	420.7
Ireland	176.5
Brazil	117.0
Canada	84.9
Germany	47.0
Japan	26.9
U.K.	19.8
France	12.7
China	7.0

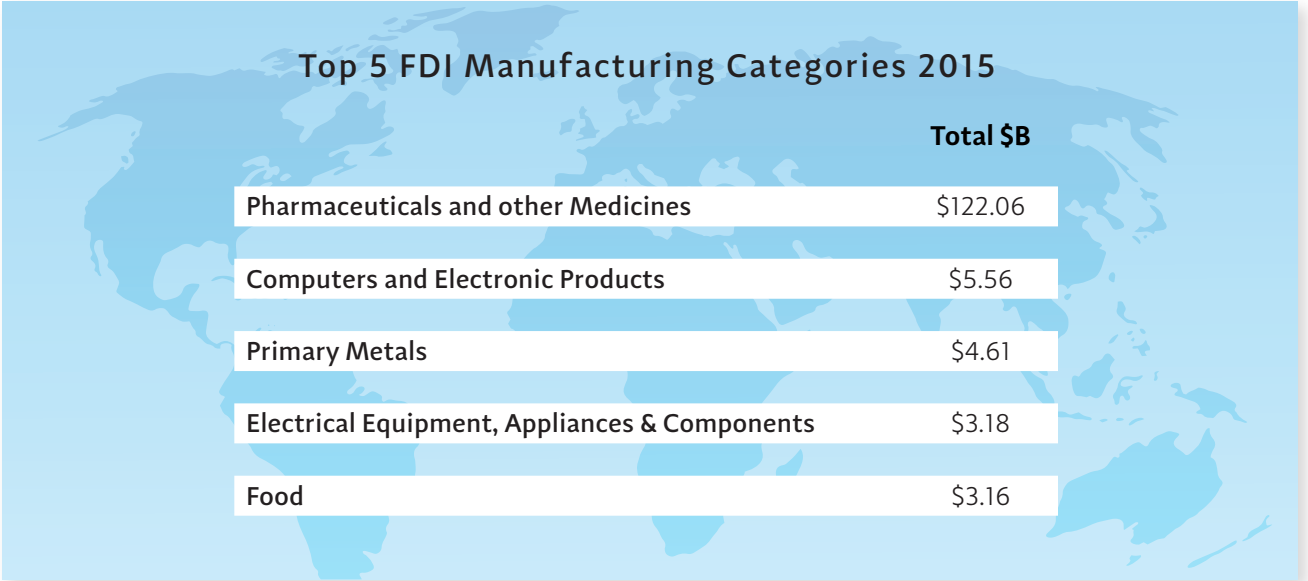
The table below shows the industries that receive the most FDI in the U.S.

US Industry	2015 Share of FDI
Manufacturing	66.9%
Finance & Insurance	10.6%
Real Estate and Rental & Leasing	8.1%
Professional, Scientific & Technical Services	4.8%
Other	3.9%
Information	2.7%
Retail Trade	2.5%
Wholesale Trade	0.5%

Although the levels of FDI change each year and the industry shares change, manufacturing is consistently ranked as the top FDI investment category. In 2014, there was \$136.3 billion in first-year expenditures on manufacturing in the U.S., making up 54.3 percent of the 2014 total. In 2015, the total for manufacturing was \$281.4 billion—66.9 percent of the 2015 total of \$420.7 billion.

The most common type of FDI placed in U.S. manufacturing was for pharmaceuticals and other medicine. Of the \$281.4 billion FDI in the U.S. in 2015, \$122.1 billion was spent in this category, with almost all of that spent acquiring U.S. companies. The top 5 categories of FDI in manufacturing include:

Top 5 FDI Manufacturing Categories 2015



	Total \$B
Pharmaceuticals and other Medicines	\$122.06
Computers and Electronic Products	\$5.56
Primary Metals	\$4.61
Electrical Equipment, Appliances & Components	\$3.18
Food	\$3.16

The Bottom Line

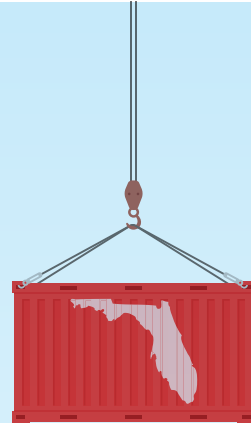
1. Florida needs to maintain and expand investments from its leading foreign investors (Canada, Europe and Japan)
2. Leverage Florida's strengths to capture more of the FDI that is already coming to the U.S.
3. Develop a strategy to target non-traditional sources of FDI from growing markets in Latin America and Asia
4. Maintain and expand FDI in manufacturing by leveraging our logistics and infrastructure assets
5. Diversify our FDI portfolio by targeting "new" industry sectors such as knowledge-based, digital and disruptive technologies

Florida has significant and tangible strengths to expand FDI in the state by building on its existing strengths and assets. Florida consistently ranks among the best states for business due to its favorable corporate tax policies, competitive cost of doing business and streamlined regulatory environment.

Florida is the "Gateway to Latin America" and serves as a business hub to a region that continues to grow in commercial importance. Half of the U.S. free trade agreements are with Latin American countries. Brazil has made significant investments in the U.S. and Florida and Mexico is increasing its outward investment portfolio.

Florida has made strategic investments in its trade and logistics infrastructure over the past six years creating a top ranked multimodal network that connects to the world faster than ever. The state's production capabilities coupled with its extensive portfolio of public assets such as 19 commercial airports, 15 deep water ports and over 71,000 logistics and distribution companies across the state, can better position a manufacturing operation to be more competitive.

With a growing population (3rd largest in the U.S), infrastructure needs are ever present. Florida has long been known as a leader in delivering innovative public private partnerships (P3) transportation projects. P3s with foreign investors can play a significant role in future infrastructure



2017 – Grupo México Transportes (GMXT), the leading rail freight transportation company in Mexico, successfully completed the acquisition of Florida East Coast Railway (FEC) for \$2.1 Billion

development. Well-structured P3 projects can be used to attract investment from around the world and serve to entice a foreign company to not just invest or participate in a project, but to establish a more permanent presence in Florida which they can use to seek other projects and create jobs.

Knowledge-based, digital and disruptive technologies and high tech industries are already rapidly transforming how global industries operate and are having a seismic shift on company's strategies as they rapidly turn to digitization and are driving investment flows. Opportunities for R&D collaborations with universities and joint-ventures with established businesses abound. Business use of Internet of Things (IoT) is driving data volume growth and accelerating demand for data centers. Cloud use, innovation and technology is not going to slow down. JLL's 2016 North America Data Center Outlook reports that cloud adoption will double the size of the data center industry over the next five years.

Florida recently took a crucial step to make the state more competitive in attracting data center investments. Recently passed legislation introduces a sales and use tax exemption for new data center properties, as well as equipment and electricity they use for projects that meet certain criteria.

FDI is a key driver of global business, economic activity and job creation. In an increasingly global marketplace, attracting and retaining foreign investment is of strategic importance. Foreign companies help drive innovation and connect Florida to global markets and diversifying our portfolio and strengthening our economy. These investments have a more significant impact at the local and regional level by employing workers and relying on area businesses to provide goods and services and support their supply chain. FDI is a true multiplier.

Florida faces stiff competition, but is well positioned to attract more FDI. By taking a more strategic approach, building on its assets and strengths while targeting new opportunities, Florida can transform its economy and create much needed high-paying jobs.



“Digital multinational enterprises (MNEs), such as Internet platforms and electronic commerce (e commerce) and digital content firms, are expanding at a dramatically faster rate than other multinationals.”

(UNCTAD
World Investment
Report 2017)



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