

# Foreign Investment in North Carolina

2000



**Third Quarter**

North Carolina Department  
of the Secretary of State

**Elaine F. Marshall**  
**Secretary**



Since North Carolina's earliest colonial settlement, trade between our state and other nations has been an important part of our economy. North Carolina's role in world trade has grown over the centuries. The state originally served as an exporter of specialized agricultural products such as the pitch and turpentine that kept the Royal Navy afloat during the 18th Century. Following the end of the Civil War in 1865, North Carolina revolutionized its economic structure by becoming a major manufacturing center for the finished products made from such staple crops as tobacco and cotton.

The state's second economic revolution has been underway for nearly 40 years now. North Carolina relies increasingly on intellectual capital to fuel its exports. We have become a major source of products developed from new technologies -- computer hardware and software; agricultural chemicals and genetic plant hybrids; telecommunications switching equipment and pharmaceuticals. Not only are North Carolina's citizens working hard; they are also making a tremendous investment of brain power in the state's economy.

Economic interactions between North Carolina and the rest of the world have brought wealth to our people. Foreign investment in North Carolina currently provides employment for a substantial percentage of the state's work force. Our urban centers have also drawn thousands of the brightest, most creative minds from countries across the globe to settle here and help our state prosper.

Since 1979, North Carolina law has required the N.C. Department of the Secretary of State to periodically report on the ownership of foreign real property in our state. This summary seeks to do just that. This agency is also putting in place resources that, over the long term, will help draw together all of North Carolina's economic, educational and cultural groups with direct interests in foreign investment and related issues. Our state has developed an incredible array of resources that positively impact foreign investment in North Carolina. This report is another step in what is increasingly becoming a major role for our agency, that of comprehensive information provider linking every public and private organization interested in issues of foreign investment in North Carolina to one another.

## A Message from North Carolina's Secretary of State



*Elaine F. Marshall*  
*N.C. Secretary of State*



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# Executive Summary

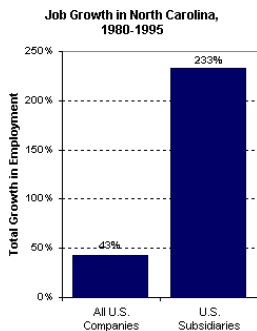
## 1. Foreign Direct Investment and What It Means For North Carolina

In an increasingly interconnected global marketplace, international trade and foreign direct investment have a powerful impact on wages, employment and culture in our state. This report is intended to give North Carolinians a broad overview of foreign investment in North Carolina and related data pursuant to North Carolina General Statutes, Chapter 64 - 1.1. et seq (see Appendix A).

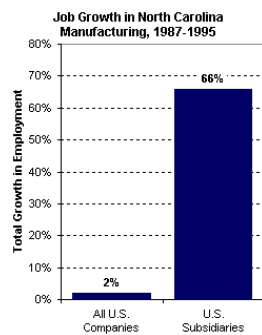
State law requires the North Carolina Department of the Secretary of State to report the research results of various federal agencies regarding foreign ownership of real property in North Carolina. The data presented in this particular report is divided into three categories:

- I. Foreign Direct Investment in North Carolina
- II. Impact of FDI on North Carolina
- III. Sources of Information/Contact Information

The data, tables, and charts herein have been compiled from various public and private resources. Most of this material is a matter of public record, although the scattered nature of the responsibilities for gathering, analyzing and maintaining this data can make a comprehensive review somewhat difficult. Much of the data is available through the Web sites of the various collecting agencies. The collected data in this report reflects the most current information available from federal agencies. Questions or comments regarding the content of this report may be directed to Christopher Mann at the Department of the Secretary of State at (919) 807-2028.



Source: Organization for International Investment



Source: Organization for International Investment

## 2. Foreign Direct Investment in North Carolina

Over the past 15 years outlays of new investment in the United States by foreign direct investors have increased dramatically. The non-bank U.S. affiliates of foreign-owned corporations in 1980 combined to employ over 2 million American workers. Their combined gross product (or value added) totaled \$70.9 billion. By 1996, foreign-owned affiliates employed nearly 5 million American workers and their combined gross product (or value added) had reached \$339.5 billion. In addition to contributing to American job growth, the average per-employee annual salary at U.S. subsidiaries of foreign companies reached \$42,212 per year -- 11% higher than the average for all U.S. companies (Source: Organization for International Investment; <http://www.ofii.org>).

### 3. Foreign Ownership of Agricultural Land

The Agricultural Foreign Investment Disclosure Act was enacted by Congress in 1978. It requires that foreign persons report their holdings of agricultural land in the United States. According to the most recently available data, foreigners own only a very small percentage of privately held agricultural land in North Carolina. Foreign-owned agricultural land accounted for 0.9 % of all privately owned agricultural land in North Carolina as of December 31, 1997. Of the approximately 252 foreign landholders (individuals and organizations) recorded in North Carolina, total holdings were 233,001 acres. This acreage was valued at \$303 million.

### 4. Foreign Ownership of Commercial Property

The federal International Investment and Trade In Services Survey Act requires any foreign person who owns more than a 10% voting interest or the equivalent in a U.S. business enterprise to report certain items, including all ownership of real estate. According to the Bureau of Economic Analysis, the value of North Carolina commercial property reportedly owned by foreign-owned affiliates totaled \$2.5 billion in 1997.

North Carolina also ranked sixth in the nation in the number of international firms which added new or expanded global facilities with 61 between 1996 and 1998. (Source: *Site Selection Magazine's* annual corporate facility location survey) This ranking placed North Carolina ahead of Virginia (56) and Tennessee (36). North Carolina even ranked above much more populous states such as Texas (48) and Florida (24).

### 5. Foreign Corporations Authorized to Do Business in North Carolina

Pursuant to North Carolina General Statutes, Chapter 55-15-01 et seq., foreign business corporations ("foreign" includes U.S. businesses incorporated outside North Carolina) are encouraged to file with the North Carolina Department of the Secretary of State and obtain legal authorization to do business in North Carolina. According to the official records of the U.S. Bureau of Economic Analysis, 1,064 corporations owned property, plant and equipment or employed workers in North Carolina in 1997.

### 6. Employment at Foreign-Owned Affiliates

Employment by nonbank, foreign-owned affiliates in North Carolina

Foreign Ownership of Agricultural Land in North Carolina

	North Carolina	U.S. Total
Total Land Area (1,000 acres)	31,260	2,265,107
Privately-Owned Agricultural Land (1,000 acres)	26,392	1,265,105
Foreign-Owned Agricultural Land (acres)	233,001	14,335,779
Proportion of Foreign-Owned to Privately-Owned Agricultural Land (%)	0.9	1.1

Source: U.S. Department of Agriculture Economic Research Service

Top 10 States in New/Expanded Global Facilities, 1996-98

State	Number of Facilities
1. Ohio	147
2. Michigan	122
3. South Carolina	105
4. Georgia	73
5. California	72
6. North Carolina	61
7. Virginia	56
8. Texas	48
9. Tennessee	36
10. Florida	24

Source: Analysis of Site Selections New Plant Database. Figures include all facilities announced by non-U.S. firms.

totaled nearly 225,000 workers in 1997. (Source: Bureau of Economic Analysis) Nonbank, foreign-owned affiliates provided over 7% of the total private industry employment in North Carolina. Nationally, North Carolina ranks third behind Hawaii (11%) and South Carolina (8.1%) in the percentage of private industry employment supplied by foreign-owned affiliates. Three out of every four employees at foreign-owned affiliates in North Carolina work for European-owned businesses.

In the manufacturing sector, where overall job growth has remained stagnant in the last few years, nonbank, foreign-owned affiliates in North Carolina employed nearly 112,000 workers -- 13% of the total manufacturing employment in the state. (Source: *June 1998 Survey of Current Business*) Manufacturing jobs in North Carolina increased overall by only 2% between 1987 and 1995; manufacturing jobs at foreign-owned U.S. subsidiaries, however, increased by 66% during the same period (Source: *OFII*).

**Top Five States in Employment by Non-Bank U.S. Affiliates of Foreign Firms, 1996**

State	Total Employees (1000s)	% of Total Private Employment in State
Hawaii	48.6	11.0
South Carolina	116.0	8.1
North Carolina	225.8	7.3
Maine	30.6	6.6
New Jersey	206.5	6.6

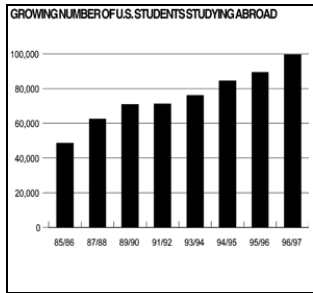
Source: U.S. Department of Commerce Survey of Current Business; June, 1998.

**7. Additional Forms of Foreign Investment**

There are several additional forms of foreign investment that are not so obvious, but which have a significant impact on our economy.

North Carolina's travel and tourism industry generates tremendous revenue for our state and employs many people. In fact, international visitor travel expenditures totaled \$472.4 million in 1999, a figure which helped generate nearly 7,700 jobs in the travel and tourism industry (Source: U.S. Travel Data Center, Travel Industry Association). These expenditures also benefit numerous other industries including public transport, lodging, food service, entertainment and recreation, and general retail. The N.C. Division of Travel and Tourism counted 8 million visitors to the state's welcome centers in 1999.

Foreign nations also invest heavily in our state by sending thousands of students to our public institutions of higher learning each year. For instance, a combined 5,830 international students were enrolled in both the North Carolina public university system and at private colleges and universities across the state during the 1996-97 academic year. Sadly, and in spite of its world-renowned university research facilities, hospitals, and community colleges, North Carolina lags behind many states in bringing in foreign students to study.



Source: Institute of International Education

North Carolina ranks in the top 10 among states in the number of students who study abroad, but is nowhere near the top 10 and has even seen a gradual decline in the number of foreign students choosing to study here. In fact, between 1995-96 and 1996-97, foreign student numbers dwindled 7% from 6,263 to 5,830. It would seem only natural that a state which sends so many students abroad (Duke, Elon, Wake Forest, Appalachian State & Davidson all ranked among the top 25 in their



respective categories for the number of students who studied abroad) would do so much more to promote the equally beneficial reciprocal form of foreign direct investment.

In the United States as a whole, foreign students brought in over \$7.5 billion to the benefit of local economies through job creation, housing and tuition expenses, and general living expenses. The Institute of International Education, in its annual report on international educational exchange estimated that over \$91 million was spent by foreign students living and studying in North Carolina. Besides the very tangible economic importance, foreign students play an invaluable role in promoting international understanding and in developing lifelong trade, diplomatic, and social relationships with their communities. Foreign students in North Carolina bring with them new ideas and a very different knowledge and cultural base which in turn broadens our own horizons.

Distance learning technology is creating new outlets for the marketing of education around the world. In some cases, students can receive a degree from a foreign university without ever leaving home. Many educational systems around the world are strengthening their capacity and increasing enrollments in order to keep their "best and brightest" at home for their higher education.

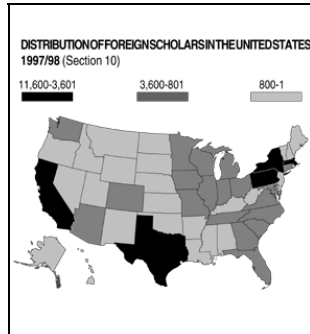
The relative strength, or weakness, of economies of other countries relative to that of the U.S. impacts the ability of students from those countries to afford the costs of U.S. study. This balance is constantly changing and can affect the marketing of U.S. higher education dramatically, as evidenced by the recent financial crisis in Asian countries. The ability of foreign students to study in the U.S. is inhibited by a complex regulatory environment unlike that of the countries which compete with the U.S. for these students.

## 8. Sources of Information/Contact Information

U.S. Department of Commerce, Bureau of Economic Analysis  
Washington, DC 20230  
Phone: (202) 606-5577  
Web Address: <http://www.bea.doc.gov>

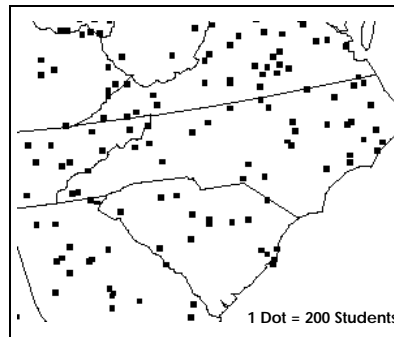
U.S. Department of Commerce, Economics and Statistics Administration/Bureau of Economic Analysis, Survey of Current Business, June 1997, 1998.

U.S. Department of Commerce, International Trade Administration  
Tourism Industries  
1401 Constitution Ave., NW Room 1860  
Washington, DC 20230



Source: Institute of International Education

Approximate Number of Foreign Students, 1997-98



Source: Institute of International Education

Web Address: <http://www.tinet.ita.doc.gov>

U.S. Census Bureau, Exporter Location Series c/o Department of  
Commerce, International Trade Administration

Web Address: <http://www.ita.doc.gov> or [www.census.gov](http://www.census.gov)

*Site Selection Magazine's New Plant Database*

Contact: Tim Venable

Phone: (770) 446-6996

Web Address: <http://www.sitenet.com>

U.S. Small Business Administration, Office of Economic Research

Phone: (202) 205-6530

Web Address: <http://www.sba.gov>

U.S. Department of Agriculture, Economic Research Service

Web Address: <http://www.econ.ag.gov>

North Carolina Department of Agriculture

Web Address: <http://www.agr.state.nc.us/stats/>

North Carolina Department of Commerce, International Trade  
Division

Web Address: <http://www.commerce.state.nc.us/commerce/itd/>

Institute of International Education, "Open Doors 1996-97"

Web Address: <http://www.iae.org>

Aliens.

§ 64-1. Rights as to real property.

\*§ 64-1. Rights as to real property.

§64-1

\*It is lawful for aliens to take both by purchase and descent, or other operation of law, any lands, tenements or hereditaments, and to hold and convey the same as fully as citizens of this State can or may do, any law or usage to the contrary notwithstanding. (1870-1, c. 255; Code, s. 7; Rev., s. 182; C.S., s. 192; 1935, c. 243; 1939, c. 19.)

§ 64-1.1. Secretary of State to collect information as to foreign ownership of real property.

\*§ 64-1.1. Secretary of State to collect information as to foreign ownership of real property.

§64-1.1

\*The Secretary of State is authorized and directed to collect all information obtainable from reports by aliens made to agencies of the federal government on ownership of real property interests in North Carolina, to be updated every three months, and to maintain a file on such information which shall be available to the members of the General Assembly and the public. (1979, c. 610.)