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# REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES



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## Impact Of Foreign Direct Investments: Case Studies In North And South Carolina

GAO identified several potential benefits from foreign investments, but more reliable techniques are needed to measure these effects on individual American industries and local communities.

The Department of Commerce's Office of Foreign Investment in the United States should do the research and analysis necessary to determine the feasibility of developing such techniques

*DLG01028*

This research should provide additional insights into the type of information needed to determine more precisely what effect additional jobs, local market borrowing, real estate acquisitions, and foreign trade activities have on resources, environment, living standards, and community institutions.

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-177225

To the President of the Senate and the  
Speaker of the House of Representatives

Because of continuing congressional concern over foreign direct investments in the United States, we studied their impact in North and South Carolina. This report identifies a number of potential benefits from foreign investments but suggests a need for further studies of the overall impact on industrial sectors and local communities.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of Commerce and the Treasury; the heads of other Federal agencies; the Governors of North and South Carolina; and State development agencies throughout the United States.

A handwritten signature in cursive script that reads "Thomas A. Steils".

Comptroller General  
of the United States

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COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

IMPACT OF FOREIGN DIRECT  
INVESTMENTS: CASE STUDIES  
IN NORTH AND SOUTH CAROLINA

D I G E S T

Direct investment of foreign capital in the United States--ownership of at least 25 percent of a U.S. enterprise's voting stock or equivalent interest--has increased from about \$14.9 billion in 1972 to \$21.7 billion by the end of 1974.

The United States has pursued an open door policy on investments from abroad. Reliable studies on State and local impact are needed to evaluate present Government policy.

GAO obtained and evaluated information on the extent and impact of foreign investment within a limited geographic area. Mecklenburg County, North Carolina, and Spartanburg County, South Carolina, were selected because of concentrations of foreign investments.

GAO also tried to determine community reaction to Kuwait's purchase of Kiawah Island in South Carolina and to Japanese and Italian acquisitions of farmlands in eastern North Carolina. DLG 01026

In both North and South Carolina, foreign firms are concentrated in the highly industrialized Piedmont Region--the heart of the U.S. textile industry. These firms are predominantly European, with West Germany, Switzerland, and the United Kingdom comprising about 60 percent of direct investments in North Carolina and 70 percent in South Carolina. DLG 01027

In South Carolina, 37 of the 77 foreign firms are in Spartanburg County; in North Carolina 62 of the 124 firms are in Mecklenburg County. (See map on p. 6.) Most of these investments were made since 1965, principally in textile and related industries.

WHY FIRMS INVESTED  
IN THE UNITED STATES

Among reasons mentioned by firms for locating in the United States were:

- Favorable U.S. customs regulations and monetary exchange rates.
- Business expansion opportunities unavailable in their own countries.
- Large U.S. consumer and industrial markets.
- Relative stability of the U.S. economic and political climate. (See pp. 7 to 9.)

IMPACT

Neither North or South Carolina or the communities in which this review was made had adequate data for the type of analyses needed to draw firm conclusions as to local impact. However, by using all available data and information provided by representatives of the foreign-owned firms and State and local officials, GAO developed indications of the following effects from foreign investments.

- Foreign investment accounted for about 16 percent, or \$528 million, of South Carolina's \$3.2 billion in industrial investment from 1968 through 1973. Twenty-three of Spartanburg County's 37 foreign-owned firms had made initial investments of \$15.5 million. Subsequent expansions raised their total investment to \$22.5 million. (See pp. 12 and 13.)
- By 1974, total employment in foreign-owned manufacturing firms in South Carolina had reached 19,750, or about 5.5 percent of the State's manufacturing work force. Such firms also accounted for about 5.5 percent of Spartanburg's work force. Spartanburg firms normally employ about 4,470 persons,

of which only 145, or 3.2 percent, are foreign nationals. The payrolls resulting from this employment increased Federal, State, and local tax revenues and are also important to increases in the area's number of families, population, bank deposits, home purchases, retail sales, new construction, and general business activity. (See pp. 13, 15, and 19.)

--According to 1974 aggregate statistics obtained from South Carolina's State Tax Commission, 38 of 77 foreign-owned firms held property valued at \$99.6 million, paid annual wages of \$35 million, and paid State income taxes of \$2.3 million. (See p. 15.)

--Social impact is difficult to measure. GAO found no adverse reactions to foreign investments in Spartanburg County and no political or ethnic opposition to Italian and Japanese acquisitions of farmlands in eastern North Carolina. (See pp. 19, 20, 25, and 26.)

However, Kuwait's acquisition and proposed development of Kiawah Island in South Carolina was opposed by three separate Charleston County groups. (See pp. 23 to 25.)

#### CONCLUSIONS AND RECOMMENDATION

GAO believes there are some obvious benefits to State and local communities, as well as to the Nation, from foreign investments. It is not currently possible, however, to precisely quantify the benefits. Neither can potential problem areas be readily identified. Data is insufficient and there is a lack of reliable quantitative techniques or models by which to measure the effect on localities or given industries. These should be developed.

Foreign investments in the two States seemed small in relation to the total industrial bases, but they are more significant if viewed in terms of their shares of the textile industry. U.S. producers of textile machinery account for about half of the machines sold in the Nation; most of the remainder is imported. Considering the normal trend of exporting to a market before investing, these figures imply substantial future foreign investments in the U.S. textile industry.

GAO recommends that the Department of Commerce--already responsible for the functions of the new Office of Foreign Investment in the United States--undertake the research and analysis necessary to determine the feasibility of developing models and information guides for measuring foreign investment impact.

Commerce officials have agreed with the recommendation, but pointed out that capability for this task is contingent upon congressional approval of a pending request to transfer about 14 positions from other areas in the Department to the new Office. They have advised GAO that 9 of the 14 staff positions are now assigned to tasks required by the Foreign Investment Study Act of 1974 (Public Law 93-479). (See pp. 27 to 29 and app. IV.)



## CHAPTER 1

### INTRODUCTION

The United States has traditionally maintained an open door policy on foreign investment. However, since 1973, a great deal of congressional and public concern has been generated over this policy because of sudden large increases in foreign capital entering the country--particularly in the form of foreign direct investment (foreign ownership of at least 25 percent 1/ of a U.S. enterprise's voting stock or equivalent interest).

#### U.S. AUTHORITY FOR KEEPING ABREAST OF FOREIGN INVESTMENT ACTIVITIES

Official statistics on foreign investments have been collected primarily for inclusion in the balance-of-payments data reported to the International Monetary Fund pursuant to section 8 of the Bretton Woods Agreement Act, as amended (22 U.S.C. 286-286K-1). The focal points for compiling and maintaining these statistics have been the Department of Commerce's Bureau of Economic Analysis (for direct investments) and the Department of the Treasury's Office of the Assistant Secretary for International Affairs (for portfolio investments). DLG 01029

#### MAGNITUDE OF FOREIGN DIRECT INVESTMENTS

After averaging about \$600 million a year from 1961 through 1972, foreign direct investments in the United States increased by about \$3.5 billion in both 1973 and 1974. Figures released by Commerce in September 1975 show that these investments had reached \$21.7 billion at the end of 1974--up better than 45 percent over the \$14.9 billion recorded for the end of 1972. Even greater investments are expected as oil-exporting nations continue to amass monetary reserves at an

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1/Beginning with the new study of foreign investment now underway by the Departments of Commerce and the Treasury, 10-percent ownership is being used to differentiate direct from portfolio investments. Portfolio investments also include bonds and other types of U.S. corporate and government securities.

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unprecedented rate. <sup>1/</sup> European firms are also increasing direct investment activities in the United States.

EFFORTS TO ACQUIRE MORE  
RELIABLE INVESTMENT DATA

Foreign investment statistics, however, were generally acknowledged to be inaccurate and subject to wide margins of error at a time when direct investments were rapidly accelerating. We dealt with this issue, among others, in a March 1975 staff study, entitled "Emerging Concerns Over Foreign Investment in the United States" (B-172255). We noted that anxieties over the developing situation led to several legislative proposals which culminated in October 1974 with passage of the Foreign Investment Study Act of 1974 (Public Law 93-479). The act authorized and directed the Secretaries of Commerce and the Treasury to study foreign direct and portfolio investments in the United States and report to the Congress by April 1976.

Interim reports, submitted to the Congress by the Secretaries of Commerce and the Treasury in October 1975, covered progress of the studies to date and cautioned against drawing premature conclusions on incomplete data. Some of the tentative findings in the Commerce report coincide with our findings.

The President, by Executive Order 11858, dated May 7, 1975, established an interagency committee chaired by a representative of the Secretary of the Treasury and consisting of representatives at the assistant secretarial level or above (who are designated by the Secretaries of State, Commerce, Defense, and the Treasury, among others) to monitor the impact of foreign investment in the United States and to coordinate U.S. policy on such investment.

The Executive order also charges the Secretary of Commerce to obtain and analyze information on such foreign investment and submit reports, analyses, other data, and

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<sup>1/</sup>The rate of accumulation has slowed somewhat because of production cutbacks and greater than expected levels of imports by oil-producing countries. According to a Treasury official, investments from these countries tend toward the portfolio type. Of the some \$11 billion invested in the United States during 1974, less than \$1 billion was considered to be direct investment. The official saw no inclination or desire by these countries to control the operation of U.S. corporations. (There are, however, more recent indications that these countries are showing stronger interest in direct investments.)

recommendations to the interagency committee. A new unit, which will employ a staff of about 24, including 17 economists, has been established in Commerce to meet this function. About half of the planned staff was on board as of January 29, 1976, but full staffing is not expected to be available until July 1.

#### PURPOSE OF SURVEY

Our March 1975 staff paper showed that no local impact studies had been made by either Government or private sources, nor did Commerce contemplate such studies in carrying out the provisions of the Foreign Investment Study Act.

If the United States is to continue to pursue an open door policy on foreign direct investments, impact studies are needed to demonstrate the benefits of such investments to the Federal Government, the States, and local communities.

To help meet this need, we sought to determine the feasibility of documenting evidence on the extent and impact of foreign investment in certain communities. We selected Spartanburg County, South Carolina, and Mecklenburg County, North Carolina, because Department of Commerce records indicated high concentrations of foreign investments in these counties. We also sought, because of specific congressional committee interest, to determine local community reaction to the Kuwait purchase of Kiawah Island in South Carolina and to Japanese and Italian acquisitions of farmlands in eastern North Carolina.

#### SCOPE

Our survey focused on foreign investments at three levels:

1. Foreign investment in the States as documented by State agencies and private organizations in the State capitals. .
2. Foreign investment in Spartanburg County and Mecklenburg County, where about half of the foreign-owned firms in each State are located.
3. The Kuwait purchase of Kiawah Island in Charleston County, South Carolina, and Italian and Japanese farm acquisitions in Carteret and Washington Counties, respectively, in North Carolina.

Much of the statistical information in this report was developed through discussions with representatives of individual firms and was not verified to any legal or official documents. Our efforts to develop accurate data were hampered because:

- States do not maintain official records on foreign investments.
- States are not permitted to divulge information from individual firms' tax returns.
- Individual firms often consider information relative to investment, sales, profits, costs, and payrolls to be proprietary; thus, some firms refused to provide this data or provided estimated figures only.

Our contacts, in addition to those required by the preliminary work in Washington, included (1) representatives of 36 foreign-owned firms in Spartanburg County and 15 of the 62 firms identified in Mecklenburg County, (2) State and local government officials, (3) representatives of national, State, and local chambers of commerce, (4) officials of local financial institutions, and (5) private citizens.

We also contacted the Charlotte, North Carolina, offices of the U.S. Bureau of the Census and U.S. Customs Service, the AFL-CIO regional representative, and the Dun and Bradstreet district service office, among others.

We curtailed the number of contacts with representatives of foreign firms in North Carolina because they seemed more reluctant than those in South Carolina to cooperate in our efforts. Consequently, this report, to a great extent, emphasizes foreign investment activities in South Carolina.

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## CHAPTER 2

### OVERVIEW OF FOREIGN FIRMS IN NORTH AND SOUTH CAROLINA

Foreign firms in North and South Carolina are concentrated in the highly industrialized Piedmont Region, the heart of the textile industry. In South Carolina, 37 of the 77 foreign-owned firms are in Spartanburg County; in North Carolina, 62 of the 124 investments are in Mecklenburg County. The map on the next page shows these investment concentrations by county.

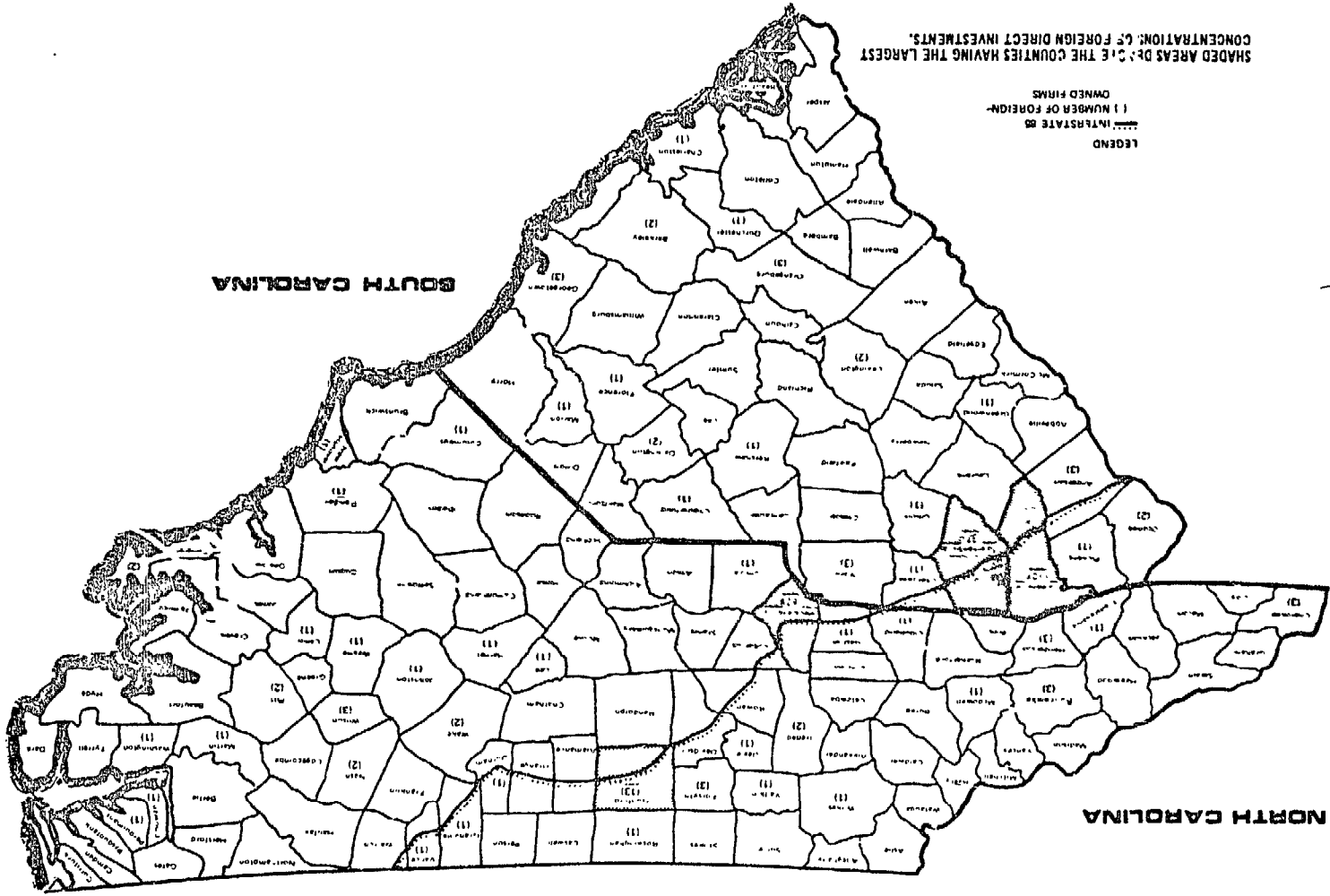
Most of the foreign investments in Spartanburg and Mecklenburg Counties have been made since 1965, principally in the textile and textile-related industries. About 25 percent of the Mecklenburg firms and 50 percent of those in Spartanburg are manufacturing enterprises. In Spartanburg, the manufacturing ventures were almost all preceded by sales-service operations.

### COUNTRIES OF ORIGIN

The foreign-owned firms in both States are predominantly European in origin, with West Germany, Switzerland, and the United Kingdom accounting for about 60 percent of direct investments in North Carolina and 70 percent in South Carolina. These countries also account for the bulk of direct investments in Spartanburg and Mecklenburg Counties, as shown on page 7.

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**MAP OF NORTH CAROLINA AND SOUTH CAROLINA  
SHOWING CONCENTRATIONS OF FOREIGN  
DIRECT INVESTMENTS BY COUNTY**



1975 Foreign Direct Investment in  
North and South Carolina

<u>Country of origin</u>	<u>South Carolina</u>		<u>North Carolina</u>	
	<u>Statewide</u>	<u>Spartanburg County</u>	<u>Statewide</u>	<u>Mecklenburg County</u>
Austria	2	2	1	0
Belgium	0	0	2	1
Canada	4	1	12	2
Czechoslovakia	0	0	1	1
Finland	0	0	1	0
France	5	1	6	3
Italy	0	0	2	1
Japan	5	0	14	8
Kuwait	1	0	0	0
The Netherlands	3	2	7	1
Poland	0	0	1	0
South Africa	2	2	0	0
Sweden	0	0	1	1
Switzerland	14	12	14	11
United Kingdom	14	6	26	10
West Germany	<u>27</u>	<u>11</u>	<u>36</u>	<u>23</u>
Total	<u>77</u>	<u>37</u>	<u>124</u>	<u>62</u>

See apps. II and III for information on individual foreign firms.

Sources: North and South Carolina Divisions of Economic Development, Chambers of Commerce in Charlotte and Spartanburg, U.S. Department of Commerce, and discussions with officials of foreign-owned firms.

REASONS FOR SELECTING  
INVESTMENT LOCATIONS

According to the firms we interviewed in Spartanburg, the overriding consideration in choosing this location was the fact that the textile industry already established in the area provided a ready market for their products and services. Moreover, many of the firms are manufacturing textile machines formerly exported to the United States.

It seems that, following World War II, the U.S. textile machinery industry did not devote sufficient research and development funds to retain its competitiveness with foreign sources. Consequently, according to an October 1971 editorial in "Textile Industries," superior machinery has enabled

foreign firms, particularly German and Swiss, to make large inroads into the textile industry. 1/

Among the advantages mentioned by firms of locating in the United States were (1) fewer problems with customs regulations and monetary exchange rates, (2) business expansion opportunities not available in their own countries, (3) the large U.S. consumer and industrial markets, and (4) the United States' relative economic and political stability. Devaluation of the dollar was mentioned, but it was felt to be more a side benefit than a major factor in the investment decision.

Both North and South Carolina have historically sought out-of-State funds for new development efforts, and both maintain representatives at overseas locations. North Carolina will build and maintain new roads around plant sites and provide technical training for employees, but does not provide some of the special tax incentives that South Carolina uses to attract new industry. Such incentives are tax exemptions or moratoriums on land, capital improvements, machinery and equipment, manufacturers' inventories, and research and development.

It is likely that other general economic factors have a bearing on location decisions. For example, Charlotte is considered one of the Nation's major distribution centers, with nearly 1,400 wholesale firms grossing about \$6 billion annually. It ranks 4th nationally in wholesaling industrial chemicals and 17th as a regional sales center for national firms and is a major transportation center with more than 100 trucking firms. Another factor could be the absence of strong unionized labor in these States, although this was never mentioned as a consideration by any of the firms we

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1/Commerce's interim report on foreign direct investments, released in October 1975, attributes part of the increased reliance on foreign machinery to the inability of domestic suppliers to meet textile producers' increased demands during the late 1960s (due partly to the introduction of doubleknit fabrics). It points out that one of the factors, other than the small size of the industry, that may have led to increased foreign investment was the industry's slowness in adopting new technology. The report also notes that further inroads into the industry are possible because there are only about 3 U.S. producers of doubleknit machinery and 25 to 30 producers abroad.



contacted. 1/ Both States have right-to-work laws, and none of the firms contacted were unionized.

However, the selection of, say, Spartanburg over some other location in the Piedmont Region is probably due to local promotional efforts, since several foreign-owned firms in Spartanburg stated they were influenced by the favorable reception of local officials and citizens, particularly the executive vice president of the Spartanburg Chamber of Commerce. These local efforts reinforce the State's own aggressive promotional program, which is discussed on page 11.

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1/Commerce's interim report on foreign investments noted a couple of cases where the absence or weakness of a union had influenced location selections. However, marketing considerations were noted as the dominant influence for most firms' choices of operating sites.

### CHAPTER 3

#### FOREIGN INVESTMENT EFFECTS ON SOUTH CAROLINA

Neither South Carolina nor North Carolina has an adequate data base for the type of analyses needed for drawing firm conclusions on the local impact of foreign investments. There are no official statistics on the foreign holdings in either State and no known sources from which accurate statistics could be developed.

However, by using available data and information provided by representatives of foreign firms and State officials, we were able to develop the following profile on South Carolina.

#### TYPES AND SOURCES OF INVESTMENT

Although South Carolina officials do not have accurate statistics on the value of the State's 77 foreign-owned firms, they have made certain estimates in "announced" (press release) figures, as shown below.

<u>Year</u>	<u>Direct foreign investment</u>
	(000 omitted)
Before 1970	\$ 665,016
1970	72,300
1971	4,635
1972	61,900
1973	340,660
1974	<u>279,100</u>
Total	<u>\$1,423,611</u>

Source: South Carolina State Development Board

The textile industry itself is a relatively minor recipient of direct foreign investment. The majority of foreign capital flowing into South Carolina goes not into the textile industry but into textile-related industries specializing in fibers, dyes, textile machinery, etc., that are necessary for the operation of textile plants. The investments by industry as of December 1973 are shown below.

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<u>Industry</u>	<u>Direct foreign investment</u>
	(000 omitted)
Textiles	\$ 38,002
Paper and printing	177,932
Chemicals	648,650
Metal working	67,977
Others (note a)	<u>206,950</u>
Total	<u>\$1,139,511</u>

a/Includes rubber, plastics, and miscellaneous manufacturing industries.

Source: South Carolina State Development Board

West Germany and the United Kingdom are the two largest foreign investors in South Carolina. Of the \$1.4 billion invested through 1974, Germany accounted for \$611,287,000 (43 percent) and the United Kingdom accounted for \$398,182,000 (28 percent).

Except for Kuwait, these foreign holdings represent investments by foreign corporations rather than foreign governments. The Kuwait investment, according to the president of the Kiawah Beach Company, was made through the Kuwait Investment Company, a corporation owned and controlled by the Government of Kuwait. (See ch. 5.)

#### INVESTMENT PROMOTION PROGRAM

Beginning in the early 1960s, South Carolina actively sought out-of-State investment for its industry and has been especially successful in attracting foreign investment, which accounted for 33 percent to 50 percent of all its new industry in 1974. The State ranks 4th nationally in foreign industrial development--even though it ranks 41st in physical size and 26th in nonagricultural employment.

Much of South Carolina's success in attracting foreign investment is due to promotional activities coordinated by the State Development Board, which is organized under the Governor specifically to attract new industry. The Board operates under an annual budget of about \$2 million, of which \$100,000 to \$200,000 is spent in foreign promotional activities; the exact amount is indeterminable because foreign promotion is not a separate line item in the budget. In seeking foreign investments, the board:

- Has instituted a series of trade and investment missions to foreign countries, beginning in 1969. In these efforts, State officials meet with foreign industry representatives to explain the economic advantages of locating in South Carolina.
- Maintains permanent offices in Brussels and Tokyo.
- Runs promotional advertisements monthly in European business magazines.
- Conducts special surveys (at State expense) on labor, markets, and natural resources for prospective companies. A computerized site-selection system gives the companies an objective view of available construction sites within the State.

Also, the State assists new companies in recruiting and training employees.

State Development Board officials emphasized that their efforts would be of no value if South Carolina did not have "dollars and cents" incentives as a primary inducement. Some of these incentives are inherent resources peculiar to the States, such as favorable climate, abundant recreation facilities, and nearness to port facilities. Others are specific financial inducements aimed at attracting new industry, including the development of labor resources, technical education, favorable tax policies, transportation facilities, and industrial financing--all of which are discussed in appendix I.

#### STATE IMPACT

Although quantification is difficult, foreign investment has apparently had a favorable effect in South Carolina. Foreign interests have pumped new capital into industries, provided new employment, and boosted State and local tax revenues. Moreover, the investment has been assimilated in the State with only isolated opposition.

#### A source of capital

Foreign investment has provided a major industrial boost to South Carolina in recent years, accounting for about 16 percent of total investment from 1968 through 1973. The ratio of foreign to total industrial investment over this 5-year period, according to publicly announced figures, is as follows.

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<u>Year</u>	<u>Total investment</u>	<u>Foreign investment</u>	<u>Percent</u>
	(000 omitted)		
1969	\$ 706,289	\$ 48,400	6.9
1970	319,456	72,300	22.6
1971	473,391	4,635	1.0
1972	502,563	61,900	12.3
1973	<u>1,229,690</u>	<u>340,660</u>	27.7
Total	<u>\$3,231,389</u>	<u>\$527,895</u>	

Source: South Carolina State Development Board

Capital for the initial investment is most frequently raised abroad, and subsequent expansions are generally financed from earnings and/or domestic borrowing.

A source of employment

By 1974, total employment in foreign-owned manufacturing firms in South Carolina had reached 19,750 or about 5.5 percent of the State's manufacturing work force. About 44 percent, or some 8,600, of these jobs have been added since 1969.

<u>Year</u>	<u>Manufacturing employees</u>
1970	940
1971	290
1972	705
1973	3,713
1974	<u>2,980</u>
Total	<u>8,628</u>

Source: South Carolina State Development Board

A study by the Chamber of Commerce of the United States, entitled "What New Jobs Mean to a Community" (copyright 1973), focused on the economic impact of new employment in rural counties and metropolitan areas throughout the United States between 1960 and 1970. It concluded that the creation of 100 new jobs has the following 10-year effects.

<u>Items</u>	<u>Increase</u>	
	<u>Rural counties</u>	<u>Metropolitan areas</u>
Employment (manufacturing and nonmanufacturing)	100	100
Population	209	245
Families	58	69
School enrollment	47	80
Retail establishments	1	2
Retail sales (annual)	\$336,000	\$395,000
Personal income (annual)	\$617,000	\$872,000
Bank deposits	\$292,000	\$481,000

Source: Chamber of Commerce of the United States

Foreign investment in South Carolina is not concentrated in either predominantly rural or metropolitan areas, but in an industrialized region which has some of the characteristics of both. Nevertheless, by applying the 1974 manufacturing employment figure of 19,750 against both sets of statistics, a range of the 10-year effects of foreign investment in South Carolina can be forecast as follows.

<u>Item</u>	<u>Increase</u>
Manufacturing employment	19,750
Population	41,278 to 48,387
Families	11,455 to 13,628
School enrollment	9,283 to 15,800
Retail establishments	198 to 395
Retail sales (annual)	\$ 66.4 million to \$ 78.0 million
Personal income (annual)	\$121.9 million to \$172.2 million
Bank deposits	\$ 57.7 million to \$ 95.0 million

Since South Carolina's industry is located in both rural and metropolitan areas, the actual effects of increased employment stemming from foreign investments would probably be within the ranges shown. However, these statistics should not be construed as the actual impact of foreign investment in the State because:

--The 19,750 jobs are for manufacturing only, while the Chamber of Commerce study considers both manufacturing and nonmanufacturing employment. Based on other information in the study, the impact shown for South Carolina is probably understated.

--The State used announced figures in computing employment by foreign firms. Their validity cannot be determined.

--The Chamber of Commerce study includes averages for the entire United States, not for South Carolina alone.

Although this effect can only be estimated, the figures presented are meaningful indicators of the types and extent of economic benefits that have resulted from foreign investment in South Carolina.

A source of revenues

Due to a secrecy clause in the South Carolina Code, the State Tax Commission could not give us tax information on individual firms. The commission provided, however, the following aggregate statistics from a sample of 33 firms' 1974 tax returns.

Value of property owned by the firms	\$99.6 million
Payroll for tax year	\$35.0 million
Total State income tax paid	\$ 2.3 million

The 33 firms represent about one-half of the foreign firms in the State. We did not attempt to make projections using the data obtained in this sample, as we could not establish the validity of the sampling techniques employed; however, these statistics provide additional indications of the economic impact of foreign investment in South Carolina.

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State officials knew of no widespread opposition to foreign investment by the people of South Carolina. They said that, generally, foreign industry had been welcomed "with open arms," as the people realize it is a stimulant to the economy. The only major local opposition concerned Kuwait's purchase of Kiawah Island, which is discussed in chapter 5.

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CHAPTER 4

FOREIGN INVESTMENT EFFECTS ON  
SPARTANBURG COUNTY, SOUTH CAROLINA

Spartanburg County also lacks the data base for adequately assessing the local impact of foreign investments. No special local statutes regulate foreign investment and no separate records are maintained on foreign firms.

There are, however, a number of indications that foreign investments have contributed to the county's economic and cultural growth by increasing industrial development and employment. From information obtained through the State Development Board, the Spartanburg Chamber of Commerce, and representatives of local businesses, we developed the following profile on foreign investments in the county.

TYPE AND SOURCES OF INVESTMENT

At the time of our survey early in 1975, 34 of the 37 foreign-owned firms in Spartanburg County were operational; the other 3 had not physically located in the area, but were conducting business through local representatives. Additionally, 4 of the 34 operational firms were relatively new and had not reached full development.

As noted on page 7, 34 of the county's 37 foreign-owned firms are of European origin and more than 60 percent are from west Germany and Switzerland. This European dominance is attributed primarily to the textile industry's natural attraction for European firms, especially those of Swiss and German origin, which have traditionally produced high-quality textile machinery.

The county's foreign-owned firms produce, sell, or service the lines of products shown in the table on the following page.

Of these firms, 20 engage in manufacturing and 17 in sales and service operations. Most engage in foreign trade, importing primarily from foreign affiliates. Although they export to some degree, the bulk of their production is for the U.S. market. It should be emphasized, however, that no statistics on the volume of imports and exports were available.

The firms generally were established as new enterprises, but at least three of them were former U.S. domestic corporations. Usually the foreign company begins with a U.S. sales



or service representative and, after the market is established, expands into a sales and service company. If the business prospers, the firm will probably begin manufacturing operations, but in many cases, not until market viability has been proven over several years.

<u>Product or service</u>	<u>Number of firms</u>
Clothmaking	5
Cutting tools	1
Fiber production	1
Folding machines	1
Freight forwarding	1
Textile chemicals	2
Textile consulting	1
Textile machinery	21
Wire filtration screens	1
Wood preservation chemicals	1
Toys	1
Bottled oxygen	<u>1</u>
Total	<u>37</u>

Source: Discussions with representatives of foreign-owned firms.

The foreign-owned firms in Spartanburg County are outgrowths of investments by foreign corporations rather than by foreign governments. They are either (1) wholly owned subsidiaries of foreign corporations or of foreign-owned U.S. corporations or (2) U.S. companies owned by foreign individuals.

Like most industrial firms in the area, foreign-owned firms are usually located outside the city of Spartanburg. This is due primarily to lower land costs, larger available tracts, lack of county zoning ordinances, and better transportation access to areas outside the city. The largest concentration of foreign-owned firms is along a strip of Interstate 85 just north of the city, giving the firms ready access to excellent transportation facilities.

#### INVESTMENT PROMOTION ACTIVITIES

Aside from the area's overall attraction for industry and the State's own promotion and incentive programs, Spartanburg County owes much of its success to the efforts of the executive vice president of the Spartanburg Chamber of Commerce, who supervises a promotional program aimed specifically at bringing new foreign investment into the area. Generally, promotional efforts are channeled into a three-phase approach:

(1) research to determine which firms would benefit most by locating in the county, (2) efforts to convince the firms of these benefits, and (3) followup to insure that the firms and any foreign employees make a smooth transition to their new environment.

The executive vice president personally visits the firm's headquarters and outlines the economic and social advantages of investing in the county, and after the firm makes an investment commitment, he assists in arranging for business facilities, locating employees, and getting the new operations underway. He also assists foreign nationals entering the community by helping them to obtain housing and language training. His efforts were frequently mentioned by foreign firm officials as a major factor in the decision to locate in Spartanburg.

Another major stimulant to Spartanburg's success is the presence of other foreign-owned firms in the area and social acceptance by the local community. According to firm representatives, Spartanburg County has proven itself to be a location where foreign investors are welcomed.

COUNTY IMPACT

Although accurate statistics were not available, foreign investment apparently has had a favorable effect on Spartanburg County. It has accounted for at least \$22.5 million in new development and about 4,470 jobs in the county. The additional development and employment has increased city and county revenues, personal income, retail sales, and local bank deposits.

A source of capital

We were unable to obtain aggregate statistics on firms' costs, profits, and investments due to the proprietary nature of this information and nonavailability of such statistics from local government sources. In discussions with company officials, however, we obtained the following statistics on the initial and cumulative foreign investment in 23 of the 37 foreign-owned firms:

<u>Type of business</u>	<u>Number of firms</u>	<u>Foreign investment</u>	
		<u>Initial</u>	<u>Cumulative</u>
		(millions)	
Sales/service	10	\$ 1.8	\$ 2.0
Manufacturing	13	13.7	20.5
Total	23	\$15.5	\$22.5

These figures are estimates because many company officials stated that it is impossible to determine exactly how much of a firm's investment actually originated abroad. Funding may be obtained through direct outlays by foreign corporations or individuals, earnings reinvested by the domestic company, or capital borrowed from domestic financial institutions.

#### A source of employment

During normal periods, foreign-owned firms employ about 4,470 persons, or about 5.5 percent of the area work force, of which only 145, or 3.2 percent, are foreign nationals. The firms have concentrated on employing local inhabitants and, according to the chamber of commerce, almost all of the employees live in Spartanburg or adjoining counties. Wage rates ranged from \$3 to \$5 an hour for nonmanagement employees, which compares favorably with an average \$3.48 an hour for manufacturing employees in the county.

Chamber of commerce officials see employment as the most important contribution from foreign firms, since it has helped to reduce the county's normal unemployment rate to about 2 percent. <sup>1/</sup>

#### A source of revenues

Estimates provided by 15 firms, employing about 4,100 employees, show an expected payroll of some \$46.3 million for 1975. Not only is this money important to retail sales, State and local taxes, bank deposits, home purchases, and the like, but eight of these firms also were assessed \$12.8 million, or about 30 percent of the county's total manufacturing property assessments of \$43.5 million for 1974.

#### Social impact

The social impact of foreign investment in Spartanburg County is difficult to measure; however, our discussions with the firms, chamber of commerce, local government agencies, and local financial institutions indicate that foreign investment has been well received by the people of the area. These officials said the economic boost to the county has resulted in improved education, better public facilities, a higher standard of living, and has had a favorable cultural impact that is evident in all phases of community life.

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<sup>1/</sup>During our review in March 1975, however, the county's unemployment rate--reflecting the Nation's economic downturn--was 13.3 percent of the labor force.

We identified no problems associated with foreign investments in Spartanburg County. Moreover, officials of the foreign-owned firms said they had encountered no adverse public reaction. A chamber of commerce official said that this was because the people of the area realized the beneficial economic impact of foreign investment and took pride in the area's international image.

CHAPTER 5

PURCHASE OF KIAWAH ISLAND BY KUWAIT

DLG 01038

On February 15, 1974, the Kuwait Investment Company used its wholly owned U.S. subsidiary, Coastal Shores, Inc., to buy Kiawah Island in South Carolina for \$17,385,000. The island, located about 20 miles south of Charleston, is about 10 miles long and 1 mile wide and has more than 4,000 acres of highlands and 6,000 acres of lowlands and marshes. Plans are to turn the island, which has provided some timber production in recent years, into a resort-oriented residential community for high-middle and upper income-level families.

The Kuwait Investment Company, owned and controlled by the Government of Kuwait, established another wholly owned subsidiary, the Kiawah Beach Company, to develop the island. This company is working with the Sea Pines Company of Hilton Head, South Carolina, in carrying out development, which began in mid-1974. Development will be a long range project, with expenditures over a 15-year period estimated at \$250 million, none of which is to be borrowed domestically.

The purchase of Kiawah Island is unique because it is the first Arab investment in South Carolina, the only known investment in the State by a foreign government, and involves a substantial purchase of real estate rather than an investment in an established industry. The investment has met much local opposition (see p. 23) despite some indications that the community will benefit substantially from the island's development.

MOTIVATION FOR INVESTMENT

The Kuwait Investment Company bought Kiawah Island on the advice of an American advisor from Columbia, South Carolina. According to a Kiawah Beach Company official, Kuwait has searched for long-term investment opportunities in foreign countries, particularly the United States, for some time. For example, the Kuwait Investment Company also has interests in a bank and a large hotel. Kuwait's interest in investing in the United States apparently stems from the latter's history of economic growth and relative stability of its economy and political climate.

DLG 01032

According to the Kiawah Beach Company official, Kuwait is primarily concerned with long-term returns on investment rather than "quick-profit" ventures. In contrast to most investors, Kuwait has no problem with cash flow, due to the inordinate amount of petrodollars flowing to it and few

opportunities for viable domestic investment. Thus the Kiawah investment was attractive because it required immediate capital outlays in anticipation of good returns in future years.

LOCAL COMMUNITY IMPACT

The developers of the island claim that development will have an advantageous economic impact on the community; however, those opposing say any advantages will be largely offset by an injurious social impact. These conflicting positions are discussed below.

Economic

To provide local government authorities with a summary of the anticipated results of the development, the Kiawah Beach Company contracted with a private research firm to prepare an economic assessment of the Kiawah project. This study outlines the economic impact of the development on the community through 1990, when development is scheduled for completion. Because of many uncertainties inherent in the study, costs and benefits are depicted in ranges, as the following table shows.

<u>Year</u>	<u>Expenditures</u> (note a)	<u>Revenues</u> (note b)	<u>Difference</u>
(000 omitted)			
1976	\$ 33 to 79	\$ 201 to 204	\$ 168 to 125
1980	181 to 298	1,106 to 1,514	925 to 1,216
1985	483 to 725	3,117 to 4,032	2,634 to 3,307
1990	993 to 1,363	5,632 to 6,956	4,639 to 5,593

a/Includes expenditures by the county and local school districts.

b/Includes property taxes and the share of personal income taxes allocated to Charleston County by the State.

Source: Kiawah Beach Company

Not all expenditures to be incurred by the county were determined. Generally, the county provides services related to general government, public safety, public works, health and welfare, and education and culture, which are not fully considered in the above figures.

Anticipated annual revenues to the State over the development period follow.

<u>Year</u>	<u>Sales taxes (note a)</u>	<u>Personal income taxes</u>	<u>Total revenues</u>
(thousands)			
1976	\$ 212.1 to 400.0	\$ 172.5 to 400.0	\$ 384.6 to 800.0
1980	1,245.9 to 1,900.0	915.3 to 1,500.0	2,161.2 to 3,400.0
1985	3,852.8 to 5,400.0	2,385.9 to 3,500.0	6,238.7 to 8,900.0
1990	8,207.9 to 9,900.0	4,570.6 to 6,200.0	12,778.5 to 16,100.0

a/Includes taxes paid by both residents and resort guests.

Source: Kiawah Beach Company

State expenditures have not yet been determined; however, the State generally provides services related to public welfare, education, conservation, health, and road building and maintenance. Many of these services will be provided in part by the developer.

Based on the economic assessment, the Kiawah Beach Company says that (1) by 1980, the development will result in an estimated 1,800 to 2,000 additional jobs on the island with another 1,400 to 1,660 elsewhere in the county and (2) by 1990, there would be an estimated 4,500 to 5,000 jobs on Kiawah, with another 3,600 to 4,000 elsewhere in the county. Moreover, all employment openings related to project's development are to be filled with local people.

Although State and local officials agreed that the economic impact should be favorable, they could provide no projections or statistics of their own to demonstrate what the extent of favorable impact might be.

### Social

Opposition to the development of Kiawah Island came from:

- Environmentalists who felt the ecology and natural balance of the island would be threatened.
- A local Jewish organization which opposed the Arab boycott of pro-Israel firms as discriminatory.
- Residents of an island adjacent to Kiawah who felt they would be forced to sell their homes because of increased property values and higher taxes.

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### Environmental disturbance

About 6,000 acres of Kiawah Island is covered by salt marshes and other low-lying areas. While these areas are generally not habitable for humans, they provide a natural habitat for large numbers of birds, fish, and other wildlife. Several environmental groups opposed the development of Kiawah because they feared the eventual destruction of this natural habitat. They also felt that the undeveloped island acted as a buffer against flood and storm damage along the coastal area.

A spokesman for the environmentalists cited a recent University of Georgia study attributing an economic cost of \$4,000 per acre per year on the loss of coastal marshes. Since Kiawah has 6,000 acres of marshes, this would place the annual economic loss at about \$24 million. The spokesman said that much of this loss would occur even if the marshes were not disturbed during development of the rest of the island.

The developers of Kiawah said (1) they are making every effort to preserve the natural environment of the island, (2) the salt marshes will not be disturbed, and (3) development will be far enough inland to maintain an adequate buffer to the ocean.

### Arab boycott

Certain Jewish leaders in the Charleston area opposed the development of Kiawah because they objected to the Arab practice of boycotting firms that do business with Israel. Since Kuwait is an Arab state, the group felt there was a likelihood the developers would engage in discriminatory practices in dealing with the local community. This concern centered on the possibility of a secondary boycott--prohibiting employees and contractors from dealing with firms that trade with Israel--by the Kuwait-controlled developers. There was also concern that repatriated earnings from the investment could be used to finance terrorist activities in the Middle East.

The developers of the island said they were not affected by the Arab boycott, since it is a political position rather than an enforced economic policy. The Kiawah Beach Company, even though it is wholly owned by Kuwait, is a U.S. corporation, and a company official said that as such it could not legally participate in boycott activities even if it wanted to. The developers said they had no instructions to enforce a boycott and that Jewish workers and contractors were taking part in the development.



### Effect from increased taxes

Kiawah Island is accessible by only one road, which passes through adjacent John's Island, historically an agricultural region owned and inhabited by low-income farmers, mostly blacks. Many residents of John's Island oppose the development of Kiawah Island because they believe it will increase their property values and therefore their taxes. The residents feel the higher taxes will drive them from their land before they can obtain the maximum price for their property.

The developers of Kiawah say they are helping the residents of John's Island by creating jobs for them in the Kiawah development. They acknowledge that the development will raise land values and taxes, but contend that residents will not suffer an economic loss if forced land sales do occur.

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The Arab boycott and the possibility that profits could be repatriated to finance Middle East terrorism are related to the foreign nature of the investment; the other arguments could be made no matter what the source of the investment. Despite this opposition, Charleston County approved a zoning change to enable the Kiawah development to proceed. A county official said that the development should be an economic asset to the area and that the developers would be subject to the same local, State, and Federal laws as any other corporation and would be expected to abide by them accordingly.

### OTHER FOREIGN PURCHASES OF REAL ESTATE

Our inquiry into other real estate acquisitions by foreign firms, i.e., Italian and Japanese acquisitions of farmlands in Carteret and Washington Counties in North Carolina, disclosed no opposition on political or ethnic grounds. There was some concern over environmental impact in both cases and some opposition to any large corporation locating in Washington County.

Washington County residents seemed generally indifferent to the Japanese-owned Shima American Corporation and its 7,500 acre farm, but there was an undercurrent of resentment because aspiring small farmers cannot compete with a large corporation and it was felt that large corporations tend to degrade the quality of community life. These concerns, however, may be short-lived since an attorney for the corporation told us the farm is being sold for economic reasons attributed to the recession.

Carteret County residents, on the other hand, seemed genuinely enthusiastic over job prospects created by Open Grounds Farm, Incorporated, a 45,000 acre tract of land owned by Italian interests. Though a State environmental control agency has twice stopped Open Grounds Farm from dredging ditches that allow runoffs into estuarine waters, this action had nothing to do with foreign ownership of the farm.

We found no resentment of the farm holdings in either county because of their foreign ownership.

## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATION

#### CONCLUSIONS

Foreign direct investments offer some obvious benefits to State and local communities as well as to the United States, but it is not possible at the present time to precisely quantify such benefits or to adequately identify potential problem areas. There is no legal authority at either the State or local government level to place special reporting requirements on foreign-owned firms nor do States emphasize monitoring the activities of the firms after they begin operations. Consequently, there are few reliable State and local government statistics on foreign investment activities.

Statistics that are kept rely heavily on unofficial sources, such as press releases, estimates, industry publications, etc. Many needed statistics are considered proprietary and can be obtained only through the cooperation and assistance of individual firms. This is time consuming and difficult, since the firms vary considerably in organizational structure, accounting systems, internal reporting requirements, and willingness to share information on their activities.

Moreover, there are no reliable quantitative techniques or models by which the impact of foreign investment on local communities can be more accurately measured. For example, there is no proven method for determining the economic effect of additional jobs and what those jobs mean to retail sales, taxes, bank deposits, construction, etc., in any given community. The U.S. Chamber of Commerce study on the economic impact of new employment on rural counties and metropolitan areas, however, was a step in the right direction.

These constraints notwithstanding, we believe that our work in North and South Carolina reinforces the contentions that foreign investments are no different in terms of benefiting employment and local procurement and broadening tax bases than domestic investments. Certainly, the extent of foreign investors' domestic borrowing within the local area creates added demand on available credit and tends to push interest rates upward, which could be detrimental to small domestic investors seeking to enter the market or to finance modest expansions. Likewise, the demands for land tend to increase the prices of real estate, which would be similarly detrimental to the small potential investor. However, we had no way of measuring these impacts, and the activities of any large domestic investor would have similar effects.

Foreign investment is concentrated in the Piedmont Region but seemed rather small in relation to the total industry of the area. For example, 1974 property taxes paid by foreign-owned firms in Charlotte and Mecklenburg County amounted to less than 1.5 percent of total corporate property taxes collected for that year and employment by these firms in Spartanburg County amounted to only 5.5 percent of total manufacturing employment of the county.

However, if viewed in terms of its share of a particular industry, such as textiles, foreign investment can have a much greater influence. For example, the Department of Commerce's interim report on foreign investment shows that U.S. producers account for about half the textile machines sold in the United States. The other half is principally imported. Production of textile machinery in 1974 by foreign-owned firms in the United States was estimated at a surprisingly low 6 to 9 percent, but is expected to grow.

This portion of Commerce's foreign investment study is under contract to the Conference Board of New York and is a study of the geographic and industrial concentrations of foreign investment throughout the United States. Its results will shed additional light on foreign investment concentrations, and should significantly improve Government and public understanding of the total effects of foreign investment.

#### RECOMMENDATION

Some reliable quantitative techniques or models are needed, however, to more precisely measure the impact of foreign investment on individual industries and local communities. We are recommending, therefore, that the Secretary of Commerce have the Department's new Office of Foreign Investment in the United States do the research and analysis necessary to determine the feasibility of developing such models and information guides. This should provide additional insights into the type of information needed to better determine the effect that additional jobs, local borrowing, real estate acquisitions, and foreign trade activities have on resources, environment, living standards, and existing institutions of State and local communities. Such models and guides would be helpful to Federal and State officials alike in evaluating the potential benefits from prospective foreign investors.

Department of Commerce officials have agreed to implement our recommendation as soon as the Office of Foreign Investment in the United States reaches full staff complement. They have pointed out, however, that the Office's capability for this task depends on congressional approval of a pending

request to transfer some 14 positions from other Commerce areas to the new Office. Nine of these staff positions are now assigned to the tasks required by the Foreign Investment Study Act of 1974 (Public Law 93-479). (See app. IV.)

SOUTH CAROLINA'S  
INVESTMENT INCENTIVES

LABOR RESOURCES

According to State officials, one of South Carolina's major attractions for out-of-state investment is its highly skilled, efficient labor force. The following features of the State's labor resources are cited.

- The labor force is young (median age of the population is under 24 years) and highly productive (14 to 25 percent above the national productivity rate). Diversity of industry has led to higher skill levels among manufacturing employees.
- Labor strife is rare and work interruptions are few. In the past 10 years, the average work stoppage rate was only 0.03 percent.
- Industry is not highly unionized. Moreover, South Carolina has a "right to work" law which permits an employee to work without joining a union.
- The average wage is low in relation to national standards. In January 1975, the average manufacturing wage was \$3.44 an hour, compared with a national average of \$4.61 an hour.

TECHNICAL EDUCATION

South Carolina has one of the most advanced technical education and training programs in the United States. The program is divided into two major categories. The first is represented by 16 technical education centers located strategically throughout the State. Each center provides specialized training (electronics, welding, metalworking, etc.) to all students at nominal costs. Many of the applicants seek training to fill specific jobs in industry, others wish to upgrade and update skills for present employment. In the latter case, the cost of the training is often borne by the employer.

The second category is the "Special Schools Division," which gives specific training--at State expense--to prospective employees of a firm planning to begin operations in South Carolina. Employees are given advance training in their specific jobs so that the new firm can begin production with minimum difficulty.

According to State officials, South Carolina's technical education program is a major incentive to out-of-State investors. The program insures that a steady flow of trained craftsmen will enter the work force and that specialty training will be available when needed. State officials say that the program is highly flexible and is constantly refined to meet industry demands.

#### TAXES

Tax rates and tax policies for industry are among the most liberal in the United States. Only about 30 percent of all State revenues are derived from corporate and personal income taxes combined, with personal income taxes constituting about twice as much revenue as corporate taxes. According to figures provided by State officials, South Carolina had the third lowest per capita tax burden in the United States in 1971.

Tax policies have been formulated with the specific intent of encouraging investment in State industries. The more attractive features of the tax system follow.

- South Carolina has a "no situs" law, designed especially for warehouse and distribution operations, which provides exemptions from inventory taxes for all goods moving in interstate commerce. These goods are eligible for exemption even though they may be assembled, bound, processed, divided, relabeled, or repackaged. Also, there is no time limit on how long they may be warehoused.
- There is no State tax on a manufacturer's inventory, whether it be raw materials, work in process, or finished goods. Also, a manufacturer's inventory can be stored in South Carolina warehouses without being subject to inventory taxes, regardless of where the goods were produced.
- There are no State real or personal property taxes and counties may exempt new or expanded manufacturing facilities from local property taxes (except school taxes) for a period of 5 years. Pollution-control equipment is exempted from all local property taxation.
- South Carolina law provides a sales tax exemption for all manufacturing production machinery, repair parts, industrial electricity, and materials which become an integral part of the finished product. South Carolina has no wholesale sales tax.

Out-of-State corporations are subject to the same corporate income tax as South Carolina corporations; however, they are taxed only on the income earned or derived within the State.

#### PHYSICAL LOCATION AND TRANSPORTATION

Since South Carolina is a coastal State near the middle of the Eastern United States, it is easily accessible to both U.S. and foreign suppliers, and manufactured goods can be transported quickly and efficiently to major U.S. markets. Also, South Carolina is in the center of the U.S. textile industry and therefore provides an existing industrial base for new industries.

Rail, air, water, and highway transport are well established in South Carolina and form a closely knit system serving industry. A State publication outlined the advantages of the transportation network as follows.

- There are three major seaports in South Carolina. The largest, Charleston, is a port-of-call for over 100 shipping lines which service 150 international ports. The port facilities are connected by rail, air, and highways to the industrialized regions of the Southeastern States.
- Two major railroads and 13 affiliated and independent lines service the State. South Carolina has one of the highest concentrations of rail lines in the Southeast.
- South Carolina has over 38,000 miles of state and interstate highways. Five major U.S. interstate systems intersect in the State. The highways are utilized by 126 common carriers and 52 interstate carriers.
- There are 92 airports within the State, serviced by 3 trunk carriers and 2 feeder lines. Every section of the State has quick access to efficient air service. Also, the airport at Spartanburg-Greenville has been designated as an international airport, and now serves direct flights from foreign countries.

#### INDUSTRIAL FINANCING

Counties in South Carolina are empowered to finance new and expanding industrial facilities with State approval by issuing industrial revenue bonds. This includes financing of land purchases, plant buildings, manufacturing machinery,



warehousing and distribution facilities, and research and development facilities. Except for public utilities, all types of industry can receive this financing.

Corporations taking advantage of this program are required to lease the financed facilities at an amount sufficient to cover interest costs and bond retirement. After the bonds have matured, the corporation is given an opportunity to renew the lease or to purchase the facilities. At the county's option, the purchase price may be less than full market value.

#### OTHER CONSIDERATIONS

The State government, officials said, is progressive, stable, and concerned about the welfare of industry in the State. They also pointed out that (1) operating costs are lower than in other major industrialized areas of the country, (2) land is cheaper than in the industrialized Northeast, and (3) the State has traditionally had lower costs for industrial construction than the rest of the United States.

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## APPENDIX II

## APPENDIX II

FOREIGN-OWNED COMPANIESIN NORTH CAROLINA

<u>U.S. company and source of investment</u>	<u>Foreign parent</u>	<u>County</u>	<u>Major product</u>
<b>Austria:</b> Funder America Inc.	Funder Aktiongesellschaft	Javie	Low pressure melanine laminates
<b>Belgium:</b> CDB-America Gilbos of America	Copeba Gilbos P.V.B.A.	Guilford Mecklenburg	Textile machinery Textile machinery
<b>Canada:</b> Abitibi Carolina Corpora- tion	Abitibi Corporation (note a)	Wilkes	Hardboard siding
Alcan Aluminum Corporation	Aluminum Company of Canada	Cleveland	Building products
Alcan Building Products Division	Aluminum Company of Canada	Mecklenburg	Building products
American Ornamental	Ornamental Mould- ings, Ltd.	Guilford	Embossed wood mouldings
General Woods and Veneers	General Woods and Veneers	Guilford	Veneer and lumber
Genwove U.S. Limited	General Woods and Veneers	Union	Veneers
Grampian Marine, Ltd., of Canada	Grampian Marine Ltd.	Chowan	Fiberglass sailboats
Huron Chemicals of America Inc.	Huron Chemicals Ltd.	Columbus	Chemicals
International Nickel Company	International Nickel Company of Canada Ltd.	New Hanover	Saline water research
Northern Telecom Inc.	Northern Electric Company Ltd.	Granville	Telephone switch- ing systems
Poly-Grinders	Poly Grinders Inc.	Mecklenburg	Plastic mats
Unican Security Systems	Unican Security Systems Ltd.	Nash	Locks, keys, and furniture hardware
<b>Czechoslovakia:</b> Omnitex	Ominitrade Indus- trial Co., Ltd.	Mecklenburg	Textile machinery
<b>Finland:</b> Kerilon Incorporated	O. Y. Kerilon, Ltd.	Vance	Texturizing man- made fibers
<b>France:</b> ARCT, Incorporated	Ateliers Roannais de Roanne	Guilford	Textile machinery
Francolor Incorporated	Compagnie Francaise des Matieres Colorants SA	Mecklenburg	Dyes
Potain Incorporated	Potain SA	Mecklenburg	Tower cranes
Sotexa America, Inc.	ARCT Inc.	Guilford	Textile machinery
Ulgine Kuhlmann of America, Inc.	Compagnie Francaise des Matieres Colorants SA	Mecklenburg	-
Verdol of America, Inc.	Verdol SA	Guilford	Textile machinery
<b>Italy:</b> American Savio Corp. Open Grounds Farm, Inc.	Officine Savio SPA -	Mecklenburg Carteret	Textile machinery Agriculture
<b>Japan:</b> Amex Building Products	Amex Japan	Rockingham	Aluminum fabrica- tion
Ataka American Inc.	Ataka and Co. Ltd.	Mecklenburg	Textile machinery
C. Itoh Textile Machinery, Inc.	C. Itoh and Co., Ltd.	Mecklenburg	Textile machinery
Dia-Compe, Inc.	Yoshigai, K.K.	Henderson	Brake calipers
Don Juan Manufacturing Company	Marubeni Corpora- tion	Perquimans	Boys apparel
Gunze N.Y., Inc.	Gunze Sangyo	Guilford	Textile machine and industrial fasteners

## APPENDIX I

## APPENDIX II

<u>U.S. company and source of investment</u>	<u>Parent</u>	<u>County</u>	<u>Major product</u>
<b>Japan (cont.):</b>			
Japan Monopoly Corp.	Japan Monopoly Corp.	Wake	Tobacco buyers
Kanematsu-Gosho (U.S.A.) Inc.	Kanematsu-Gosho Ltd.	Mecklenburg	Ballbearings
Meiwa U.S.A., Inc.	Meiwa Gravure Chemical Co., Ltd.	Mecklenburg	Household plastics
Monarch International Ltd.	Monarch International Ltd.	Mecklenburg	Knitting machinery
Murata of America, Inc.	Murata Machinery	Mecklenburg	-
Nissan Textile Machinery	Nissan	Mecklenburg	Textile machinery consultants
Shima American Corporation	-	Washington	Agriculture
Tekmatex Incorporated	Marubeni Corp.	Mecklenburg	Textile machinery
<b>The Netherlands:</b>			
American Enka	Akzona, Inc. (note b)	Buncombe	Synthetic fibers
Fitco Incorporated	Fetim N.V.	Cherokee	Timber products
Lely Corporation	C. Van Der Lely N.V.	Wilson	Farm machinery
Peachtree Products	American Enka	Cherokee	Nylon yarns
Pilch Incorporated	Euribrid B.V.	Iredell	Poultry breeding
Stork-Inter America Corp.	Stork Brabant N.V. Apparatenfabriek N.V. (note b)	Mecklenburg	Textile machinery
Whitakers Plant	American Enka (note b)	Nash	Texturizing and dyeing synthetic fibers
<b>Poland:</b>			
Melex USA Incorporated	Pezetel	Wake	Golf carts
<b>Sweden:</b>			
Aker's Rolls American Inc.	A.B. Akers Styckebruk	Mecklenburg	Steel mill rolls
<b>Switzerland:</b>			
Ahiba-Mathis, Inc.	Ahiba A.G.	Mecklenburg	Textile equipment
Atlantic Veneer Company	Heberlein and Company A.G.	Carteret	Plywood and veneers
Ciba-Geigy Corporation	Ciba, Ltd.-J.R. Geigy A.G.	Mecklenburg	Agricultural chemicals
Ciba-Geigy Corporation	Ciba, Ltd.-J.R. Geigy A.G.	Mecklenburg	Chemicals and dyes
Ciba-Geigy Corporation	Ciba, Ltd.-J.R. Geigy A.G.	Guilford	Agricultural chemicals
Ciba-Geigy Corporation	Ciba, Ltd. J.R. Geigy A.G.	Guilford	Chemicals and dyes
Danzas Commercial Delegation Fracht Ltd.	Danzas A.G.	Mecklenburg	Freight forwarders
Jacky Maeder, Ltd.	Fracht A.G.	Mecklenburg	Freight forwarders
Luwa Corporation	The Jacky Maeder Group	Mecklenburg	Freight forwarders
Pneumafil	Luwa A.G.	Mecklenburg	Chemical equipment
	-	Mecklenburg	Environmental products for textile mills
The Ruti Corporation	Ruti Machinery Works, Ltd.	Mecklenburg	Textile machinery
Sandoz Colors and Chemicals	Sandoz Limited	Mecklenburg	Chemicals and dyes
Uster Corporation	Division of Luwa Corp. Zellweger Limited	Mecklenburg	Chemical plant equipment
<b>United Kingdom:</b>			
American Thread Company	Tootal Limited	Cherokee	Yarn and thread
American Thread Company	Tootal Limited	McDowell	Yarn and thread
American Thread Company	Tootal Limited	Transylvania	Yarn and thread
Bentley Machinery Corporation	Bentley Machinery Inc.	Guilford	Textile and machinery
Brown and Williamson Tobacco Co.	British-American Tobacco Co., Ltd.	Forsyth	Tobacco and snuff
Burroughs Wellcome Company	The Wellcome Foundation	Pitt	Pharmaceuticals
Burroughs Wellcome Company	The Wellcome Foundation	Durham	Headquarters and research facility
Coats and Clark Inc.	Coats Patons, Ltd.	Martin	Zippers
Fiber Industries, Inc.	Imperial Chemical Industries Inc.	Mecklenburg	-
Gallahers Limited	Gallahers Limited	Wayne	Tobacco buyers
I.C.I. United States Inc.	Imperial Chemical Industries, Inc.	Mecklenburg	Chemicals and softeners
Imperial Group, Ltd.	Imperial Tobacco Co.	Pitt	Tobacco
Imperial Group, Ltd.	Imperial Tobacco Co.	Wilson	Tobacco
Imperial Tobacco Group, Ltd.	Imperial Tobacco Co.	Forsyth	Tobacco

## APPENDIX II

## APPENDIX II

<u>U.S. company and source of investment</u>	<u>Foreign parent</u>	<u>County</u>	<u>Major product</u>
United Kingdom (cont.):			
Kirkland Division Courtaulds North America, Inc.	Courtaulds, Ltd.	Mecklenburg	Textile machinery
Marbel/Imperial Furniture Company	William Hudson Group, Ltd.	Buncombe	Office furniture
Morganite Incorporated	Morgan Crucible	Harnett	Carbon brushes
Needless Industries U.S.A., Inc.	Needless Industries Group, Ltd.	Mecklenburg	Felting latch
Platt International, Inc.	Platt International, Ltd.	Mecklenburg	Textile machinery
Poritts and Spencer Inc.	Poritts and Spencer, Ltd.	Wilson	Paper makers felts
Royal Worcester Industries Ceramics, Inc.	Royal Worcester Industrial Ceramics, Ltd.	Mecklenburg	Industrial ceramics
Saco-Lowell Inc.	Platt International, Ltd.	Mecklenburg	Textile machinery
Saco-Lowell Corp.	Stone-Platt Industries	Lee	Textile machinery
Scandura Incorporated	Scandura Limited	Mecklenburg	Conveyor belting
Scragg N.A., Inc.	Earnest Scragg and Sons, Ltd.	Mecklenburg	Textile machinery
Stribbe International Inc.	Stribbe-Monk Ltd.	Mecklenburg	Textile machinery
West Germany:			
American Artos Corporation	Artos Maschirenbau	Mecklenburg	Textile machinery
American Barmag Corporation	Barmer Maschinenfabrik	Mecklenburg	Textile machinery
American Feldmuehle Corporation	Feldmuehle A.G.	Henderson	Industrial ceramics
American Feldmuehle Corporation	Feldmuehle A.G.	Mecklenburg	Industrial ceramics
American Hoechst Corporation	Fabwerke Hoechst	Mecklenburg	Industrial chemicals and dyes
American Schlafhorst Company	W. Schlafhorst & Co.	Mecklenburg	Textile machinery
American Suessen, Inc.	Spindelfabrik Suessen Schurr Stahlecker and Grill GmbH	Mecklenburg	Electronic component parts
American Truetzler Company	Truetzler and Co.	Mecklenburg	Textile machinery
American Volkmann Corp.	Volkmann and Co.	Mecklenburg	Textile machinery
American Zinser Corp.	Zinser Textilmaschinen GmbH	Mecklenburg	Textile machinery
BASF Wyandotte Corp.	Badische Anilin and Soda - Fabrik A.G.	Mecklenburg	Textile chemicals and dyes
Brevoni Hosiery Co.	Schulte and Dieckhoff A.G.	Mecklenburg	Hosiery (panty hose)
Buhler Products Inc.	Gebr. Buhler Nachfolger GmbH	Lenoir	Electric motors for small appliances
Cutter Laboratories	Bayer A.G.	Johnston	Pharmaceuticals
Dow Badische Company	Dow Chemical Co. and BASF	Yadkin	Textured yarns
Emo-Trans GmbH	Emo-Trans GmbH	Mecklenburg	Freight forwarders
Esta Machine Corporation	Gottlieb Eppinger	Guilford	Textile machinery
Fleissner Incorporated	Fleissner, GmbH and Co.	Mecklenburg	Textile machinery
Girmes of America Inc.	Girmes Weke A.G.	Buncombe	Fabrics (velour)
Hacoba Corporation of America	Plutte, Koecke and Company	Mecklenburg	Textile machinery
Heinz Jauch Inc.	Erhard Jauch	Penler	Clockworks
Inter-Omnia Inc.	Rheinbau GmbH	For.yth	Steel/Girder
IVKA Industries, Inc.	Industrial Workers of Karlsruhe and Augsburg	Mecklenburg	-
Karl H. Inderfurth Co.	Hamel GmbH	Mecklenburg	Textile machinery
Korf Industries, Inc., U.S.A.	Korf Industries and Handel GmbH and Co., K.G.	Mecklenburg	Conversion of iron ore to steel
Krantz America, Inc.	H. Krantz Appreturmaschinenfabrik	Mecklenburg	Textile machinery
Kuehne and Nagel International Freight Forwarders	Kuehne and Nagel	Mecklenburg	Freight forwarders
Mayer Textile Machines Corp.	Karl Mayer Textilmaschinenfabrik	Guilford	Textile machinery

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APPENDIX II

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<u>U.S. company and source of investment</u>	<u>Foreign parent</u>	<u>County</u>	<u>Major product</u>
West Germany (cont.): Midrex Corp.	Korf Industries and Handel GmbH & Co., K.G.	Mecklenburg	Metalized iron material
Fluger Pumps, Inc.	Pluger Unterwasser-pumpen GmbH	Iredell	Submersible pumps
H. Putsch and Company	H. Putsch and Company	Henderson	Industrial knives for sugar refining
Rowl U.S.A., Incorporated	Rodi and Wieneberger Aktiengesellschaft	Cuilford	Jewelry
Sou-Tex Chemical Company Inc.	Cassella Farbwerke Mainkur Aktiengesellschaft	Gaston	Chemicals and dyes
Standard Chemical Products, Inc	Herkel and Cie GmbH	Mecklenburg	Chemicals
Schenkers International Forwarders, Inc.	Schenker and Company GmbH	Mecklenburg	Freight forwarders
W. Zimmer and Sons	W. Zimmer and Sons, Ltd.	Mecklenburg	Pipe organs

a/Holding company.

b/Akzo N.V. is listed as a holding company of the parent firm.

Sources: North Carolina Division of Economic Development and Charlotte Chamber of Commerce

## APPENDIX III

## APPENDIX III

FOREIGN-OWNED COMPANIES IN SOUTH CAROLINA

<u>U.S. company and source of investment</u>	<u>Foreign parent</u>	<u>County</u>	<u>Major product</u>
<b>Austria:</b>			
Johannes Zimmer	Johannes Zimmer	Spartanburg	Textile machinery
Zimmer-America, Inc.	Peter Zimmer	Spartanburg	Textile machinery
<b>Canada:</b>			
American Fast Print	Montreal Fast Print	Spartanburg	Textiles
Moore Business Forms	Moore Business Forms, Inc.	Greenwood	Paper and printing
Rayonese, Inc.	Rayonese, Inc.	Marion	Textiles
Tamper, Inc.	Canron Limited	Lexington	Metalworking
<b>France:</b>			
J. B. Martin Co.	J. B. Martin	Lexington	Textiles
Liquid Air, Inc.	Societe l'Air Liquide	Spartanburg	Bottled oxygen
Michelin Tire	Michelin & Cie	Anderson	Rubber products
Michelin Tire	Michelin & Cie	Greenville	Rubber products
Santee River Wool	Lefebvre, Prouvost, & Co.	Berkeley	Textiles
Combing Co.			
<b>Japan:</b>			
American Koyo Corp.	Koyo Seiko Co.	Orangeburg	Metalworking
Chori America	Chori KK	Greenville	-
TNS Mills	Tsuzuki Spinning	Cherokee	Textiles
Wambel, Inc.	Kanebo Ltd.	Union	Textiles
Waterlee Textile Corps.	Marubeni Corp.	Kershaw	Textiles
<b>Kuwait:</b>			
Kiawah Beach Co.	Kuwait Investment Company	Charleston	Resort
<b>The Netherlands:</b>			
American Enka Corp.	Akzo, N.V.	Pickens	Chemicals
Interboro U.S.A., Inc.	Interboro Projects	Spartanburg	Toys
Stork Brabant	Stork Brabant	Spartanburg	Textile machinery
<b>South Africa:</b>			
Alexandra Dyers and Finishers	Alexander Sagov (Holdings) Ltd.	Spartanburg	Textiles
Danubia Knitting Mills	Alexander Sagov (Holdings) Ltd.	Spartanburg	Textiles
<b>Switzerland:</b>			
American Rieter, Inc.	Rieter Machine Works, Inc.	Spartanburg	Textile machinery
Buser America, Inc.	Fritz Buser AG	Spartanburg	Textile machinery
Charles S. Tanner, Inc.	Ciba-Geigy Corp.	Greenville	Chemicals
Charles S. Tanner, Inc.	Ciba-Geigy Corp.	Spartanburg	Chemicals
Cherzi Inc.	Cherzi Organization	Spartanburg	Textile machinery
Graf Metallic of America Inc.	Graf & Cie, Ltd.	Spartanburg	Textile machinery
Heberlein Inc.	Heberlein & Co., AG	Greenville	-
H. J. Theiler Corp.	Machinenfabrik Schweiter AG	Spartanburg	Textile machinery
Panalpina	Panalpina	Spartanburg	Freight forwarding
Peyer Corp.	Seigfried Peyer AG	Spartanburg	Textile machinery
Scharer Textile Machinery Works, Inc.	Scharer Textile Machine Works	Spartanburg	Textile machinery
Schweiter, Inc.	Schweiter Engineering Works Ltd.	Spartanburg	Textile machinery
Sulzer Bros., Inc.	Sulzer Brothers, Ltd.	Spartanburg	Textile machinery
Swiss Screen Corp.	E. Harlacker	Spartanburg	Textile machinery
<b>United Kingdom:</b>			
American Thread Co.	English Calico, Ltd.	York	Textiles
Bowaters Carolina Co., Catawba Newpoint	Bowater Paper Corp.	York	Paper and printing
Brian Lyttle, Inc.	Brian Lyttle, Inc.	Spartanburg	Textile machinery

APPENDIX III

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<u>U.S. company and source of investment</u>	<u>Foreign parent</u>	<u>County</u>	<u>Major product</u>
<b>United Kingdom (cont.):</b>			
Coats & Clark	Coats Patons, Ltd.	Oconee	Textiles
Dormer Twist Drill Co	-	Spartanburg	Cutting tools
Dunlop Tire and Rubber	Dunlop Co., Ltd.	Oconee	Rubber products
Exquisite Fabrics, Inc.	Courtaulds, Ltd.	Spartanburg	Textiles
Fiber Industries, Inc.	Imperial Chemicals Industries, Ltd.	Darlington	Chemicals
Fiber Industries, Inc.	Imperial Chemicals industries, Ltd.	Greenville	Chemicals
FMK Manufacturing U.S.A. Inc.	FMK Manufacturing, Ltd.	Greenville	Chemicals
Magna-Vac Air System, Inc.	Parks Cramer (G. B.) Ltd.	Spartanburg	Textile machinery
Taco Corp.	Reutokil, Inc. (note a)	Spartanburg	Chemicals
Tie Tex, Inc.	Cosmopolitan Textile Co., Ltd.	Spartanburg	Textiles
WCB Containers	WCB Containers Ltd.	Greenville	Paper and printing
<b>West Germany:</b>			
American LIBA, Inc.	LIBA Maschinenfabrik GmbH	Greenville	-
Andrews Wire Corp.	Korf Industries und Handel GmbH & Co.	Georgetown	Metalworking
Arbter America, Inc.	Conrad Arbter Maschinenfabrik	Spartanburg	Cloth folding machines
Atlas Glove Co.	Walter Georgi & Co.	Darlington	Textiles
B-K Textile Machinery	Kleinewefers Industrie-Companies GmbH	Anderson	Textile machinery
Bosch, Robert, Corp.	Robert Bosch Corp GmbH	Dorchester	Metalworking
Bruckner, Inc.	Brueckner Trockentechnik	Spartanburg	Textile machinery
Dow Badische	Badische Anilin & Sale Fabrik AG	Anderson	Chemicals
Georgetown Ferreduction	Korf Industries und Handel GmbH Co.	Georgetown	Metalworking
Georgetown Steel	Korf Industries und Handel GmbH	Georgetown	Metalworking
Hannaco Inc.	W. Fred Klingenberg & Soehne	Florence	Metalworking
Hergeth, Inc.	Hergeth KG, Maschinenfabrik Apparatbau	Spartanburg	Textile machinery
Hoechst Fibers	Farbwerke Hoechst, AG	Orangeburg	Textile chemicals
Hoechst Fibers	Farbwerke Hoechst, AG	Spartanburg	Fiber production
Ina Bearing Co., Inc.	Industrieswerk Schaeffler	Ches orfield	Metalworking
INA Corp.	Two German Individuals	Spartanburg	Filters for chemical and food processing
Kufner Textiles Corp.	Kufner Textilwerke KG	Greenville	Textiles
Kusters Corp.	Eduard Kusters Maschinenfabrik	Spartanburg	Textile machinery
Mahlo-America, Inc.	Mahlo GmbH	Spartanburg	Textile machinery
Mayer & Cie, Inc.	Mayer & Cie	Orangeburg	Metalworking
Menschner America, Inc.	Johannes Menschner Textilmaschinenfabrik	Spartanburg	Textile machinery
Menzel, Inc.	Karl Menzel Maschinenfabrik	Spartanburg	Textile machinery
Textube Corp.	Emil Adolff	Greenville	Metalworking
Tubingen Chemical Works U.S.A. Inc.	Chemische Fabrik Tuebingen	Spartanburg	Chemicals
Verona Corporation	Farbenfabriken Bayer AG	Berkeley	Chemicals
Zina Corp.	Kusters, Obermaier & Cie	Spartanburg	Textile machinery

a/Reutokil, Inc. of New York is owned by Reutokil, Ltd., of Sussex, England.

Source: South Carolina State Development Board, Spartanburg Chamber of Commerce, U.S. Department of Commerce, and discussions with officials of foreign-owned firms

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UNITED STATES DEPARTMENT OF COMMERCE  
The Assistant Secretary for Domestic  
and International Business

Jan. 29, 1976

MEMORANDUM FOR John E. Milgate  
Associate Director  
International Division, GAO

Subject: Draft GAO Report -- Can the Local Impact of Foreign  
Direct Investments be Measured? Case Studies of  
Selected Communities in North and South Carolina

I discussed the subject report with Mr. Thompson and Mr. Owens of your staff on January 15, 1976. At that meeting, the discussion centered on the Conclusions and Suggestions section of the report (pp. 35-37). We agreed that, in discussing the desirability of developing models and information guides for measuring the effects of foreign investment, the report should make reference to the necessity of first determining the feasibility of such an effort. The Office of Foreign Investment in the United States intends to undertake research in this area as an integral part of its overall research and analysis program. This project will be undertaken subsequent to the completion of the final report to the Congress required by the Foreign Investment Study Act of 1974. This report is scheduled to be submitted to the Congress by April 26, 1976.

Subsequent to the January 15 meeting, my staff reviewed the entire draft report. A number of technical suggestions were communicated to Mr. Thompson by telephone on January 27.

In reference to the discussion on pp. 2a-3, it should be noted that the staff level for the Office of Foreign Investment in the United States is projected to be 24 permanent positions, including 17 economists and 1 attorney. This is contingent on the results of Congressional action in regard to the Department's budget request for FY 1977. The Department of Commerce has requested approval of the reprogramming of 14 positions and \$601,000 to the

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Office of Foreign Investment in the United States from other areas of the Domestic and International Business Administration. Nine of these 14 positions are currently assigned to the Foreign Investment Study and would lapse at the end of FY 76 if the Congress does not approve the proposed reprogramming. Of course, the outcome of the budget decisions will have a critical impact on our capability to undertake a comprehensive research program, including the research on local and sectorial impact as recommended in the draft report.

I believe that the draft report will contribute significantly to an understanding of the impact of foreign investment in the United States and will aid future research in this area. I am quite impressed by the thoroughness of the research and the overall quality of the report.

S. Stanley Katz  
Deputy Assistant Secretary for  
International Economic Policy and Research

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