

COVID-19 and Foreign Firms' Activities in NH: Resilience and Regionalization

*Practical challenges and proposed solutions in
the field of foreign direct investment*

Tuesday, January 19, 2021



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Plymouth State University President Donald Birx

The importance of interdisciplinary and integrative solutions to business and economic challenges.

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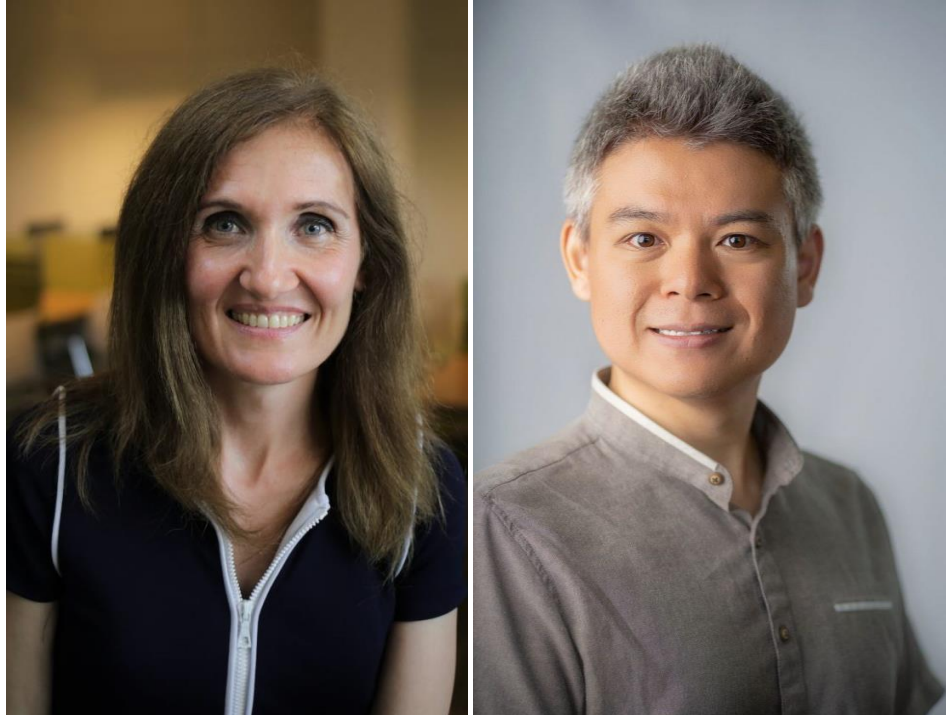
Department of Business and Economic Affairs Commissioner Taylor Caswell

Shaping a post-COVID New Hampshire economy.

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Plymouth State University Professors Roxana Wright and Chen Wu

An overview of FDI and international
trade

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Interactive Session Agenda

- Overview of foreign direct investment (FDI) and international trade, including the sharing of the latest data and trends
- Current thinking and research from Plymouth State University
- Impact of COVID-19 on business resilience
- Research and insights from successful New Hampshire businesses
- Opportunities and FDI strategies to assist with the post-pandemic economic recovery
- Research and economic development programs and opportunities



Poll: Your insights on the current business and economy priority

Please choose the word that best describes the top issue in business and economy:

- Digital
- Agile
- Resilience
- Sustainability
- Rebalancing



COVID-19 and globalization

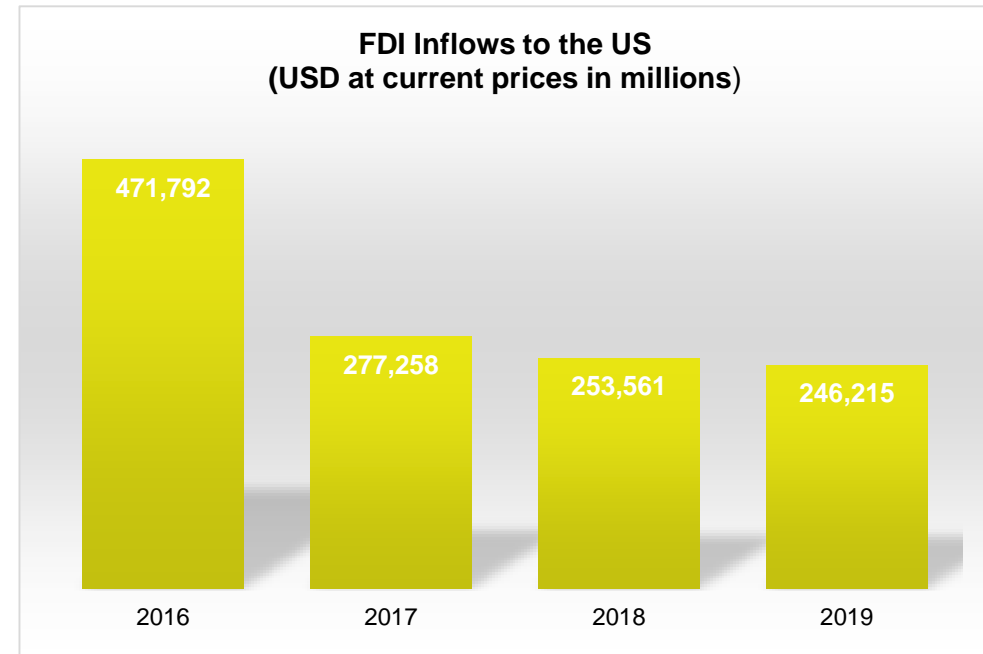


- Avenue for development and progress; efficiencies of a networked world economy
- Economic value displacement, increasing inequality, pandemic vehicle
- Current questions on the international business agenda:
 - ✓ Risks and potential rebalancing of international/global supply chains
 - ✓ The importance of “place”, as well as flows of international trade and foreign direct investment

Globalization risks in pre-pandemic era: Global and US FDI inflows

Decreased overall inflows but international ties still strong

- ❑ Rising trade disputes between the US and its major trading partners.
- ❑ World FDI inflows continued to decline since 2015.
- ❑ Declining Greenfield and M&A projects.

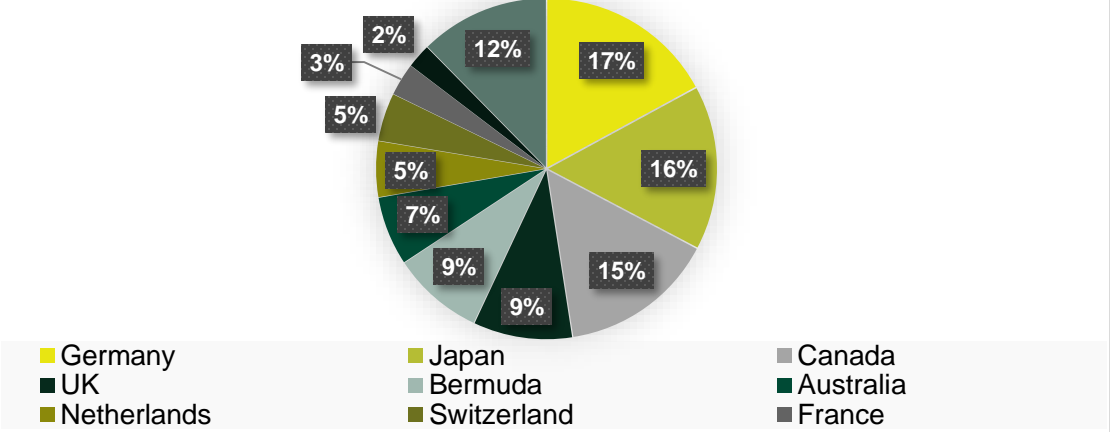


US FDI inflows in pre-pandemic era

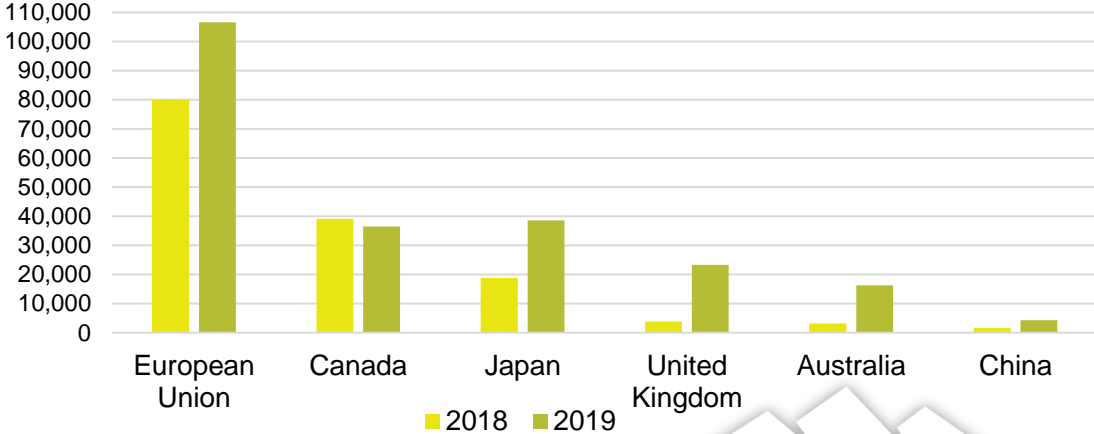
US FDI Inflows by Major Industries in 2019



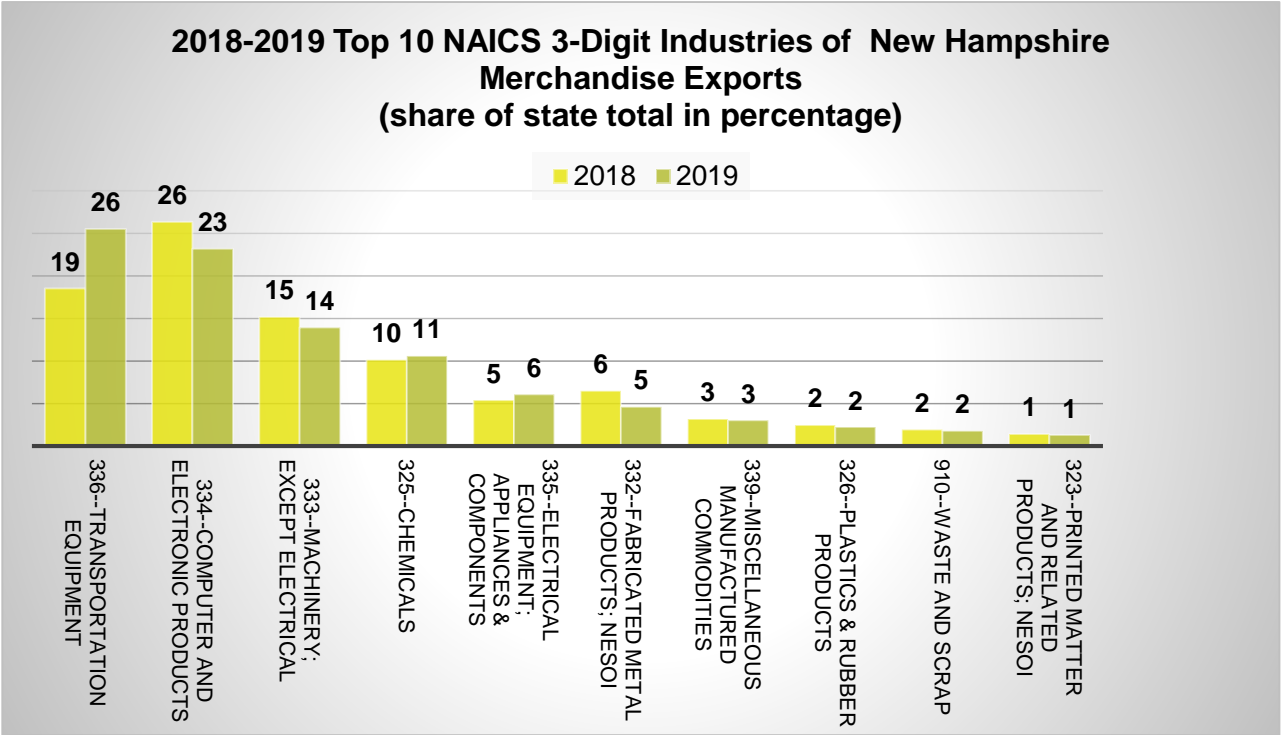
Top Markets of FDI Flows into the US in 2019



US FDI Inflows from Selected Markets, 2018-2019 (millions of USD)

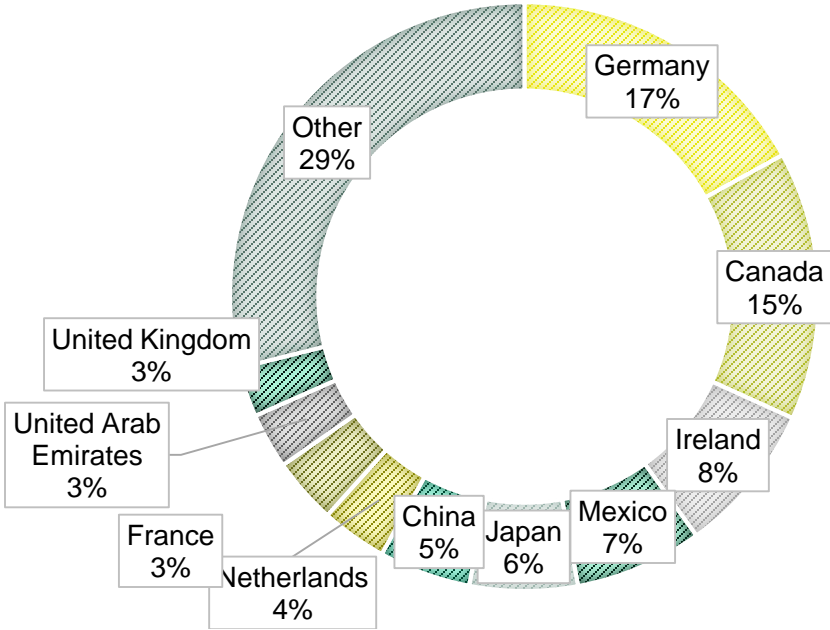


NH International trade in pre-pandemic era



Data source: Office of Trade and Economic Analysis (OTEA), Industry and Analysis, International Trade Administration, US Department of Commerce.

Top Markets To Which New Hampshire Export Merchandise In 2019

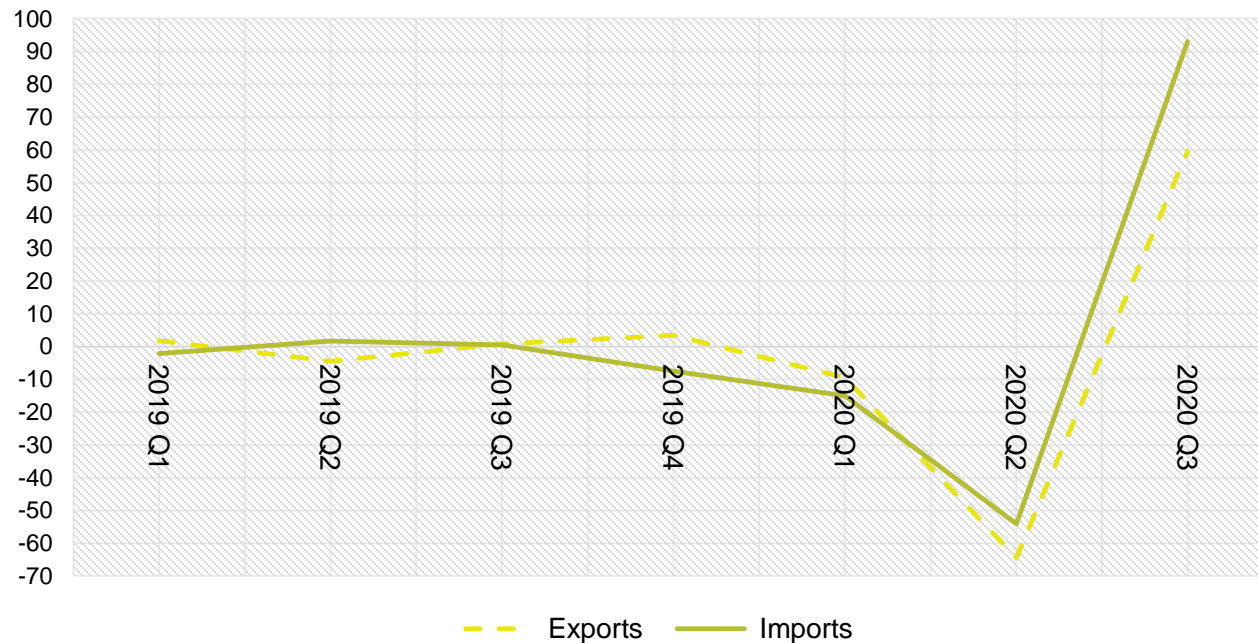


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Pandemic effects on international trade: U.S.

Percentage Change in the US Exports and Imports 2019 Q1 -2020 Q3



U.S. International Trade in Goods and Services Deficit

Deficit:	\$68.1 Billion	+8.0%°
Exports:	\$184.2 Billion	+1.2%°
Imports:	\$252.3 Billion	+2.9%°

Next release: February 5, 2021

(°) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality but not price changes

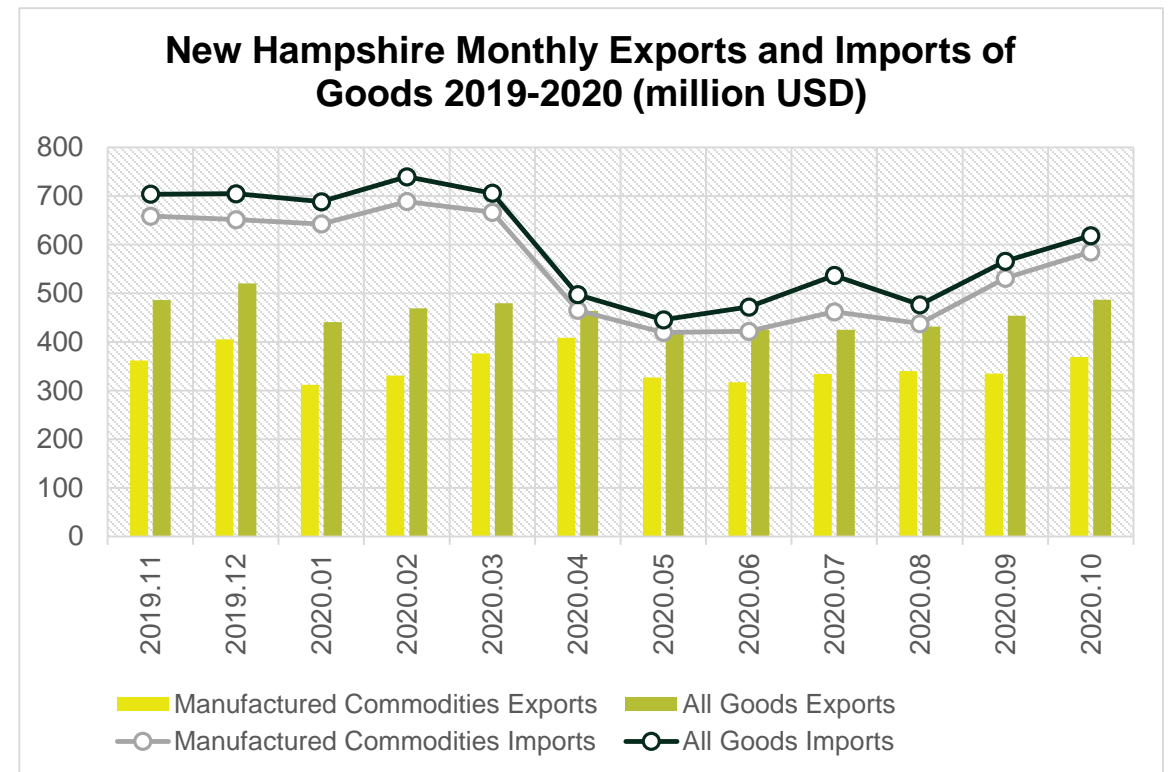
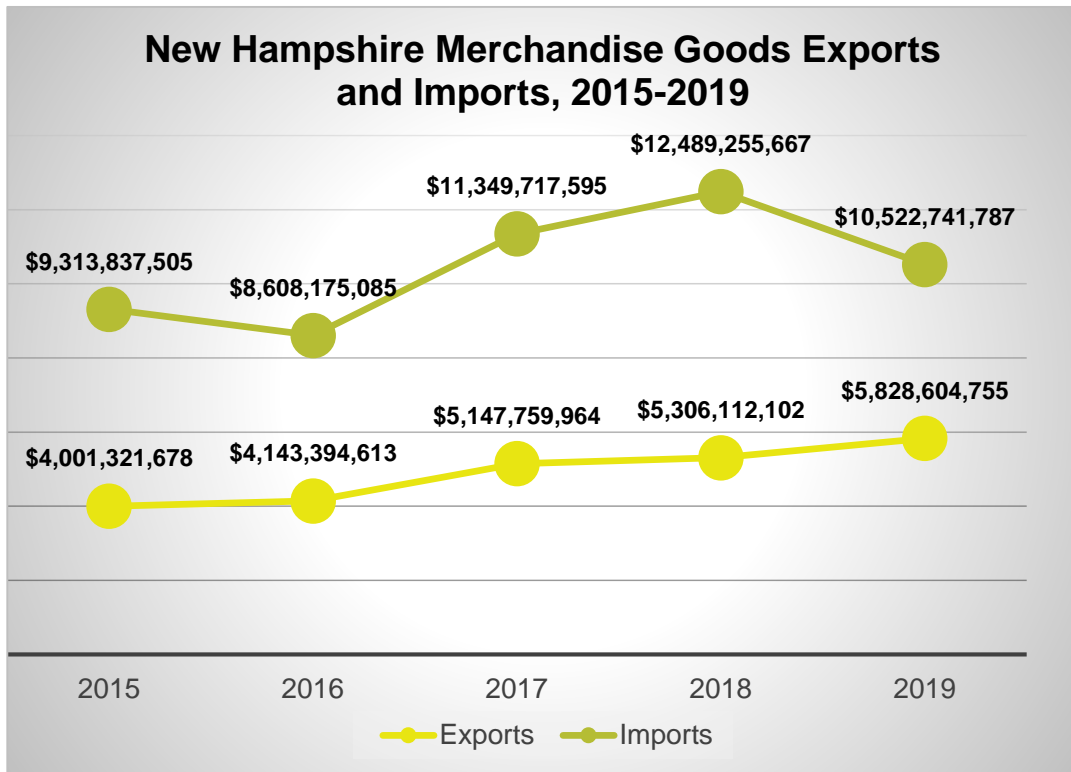
Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis;
U.S. International Trade in Goods and Services, January 7, 2021



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Pandemic effects on international trade: NH importers and exporters resilience



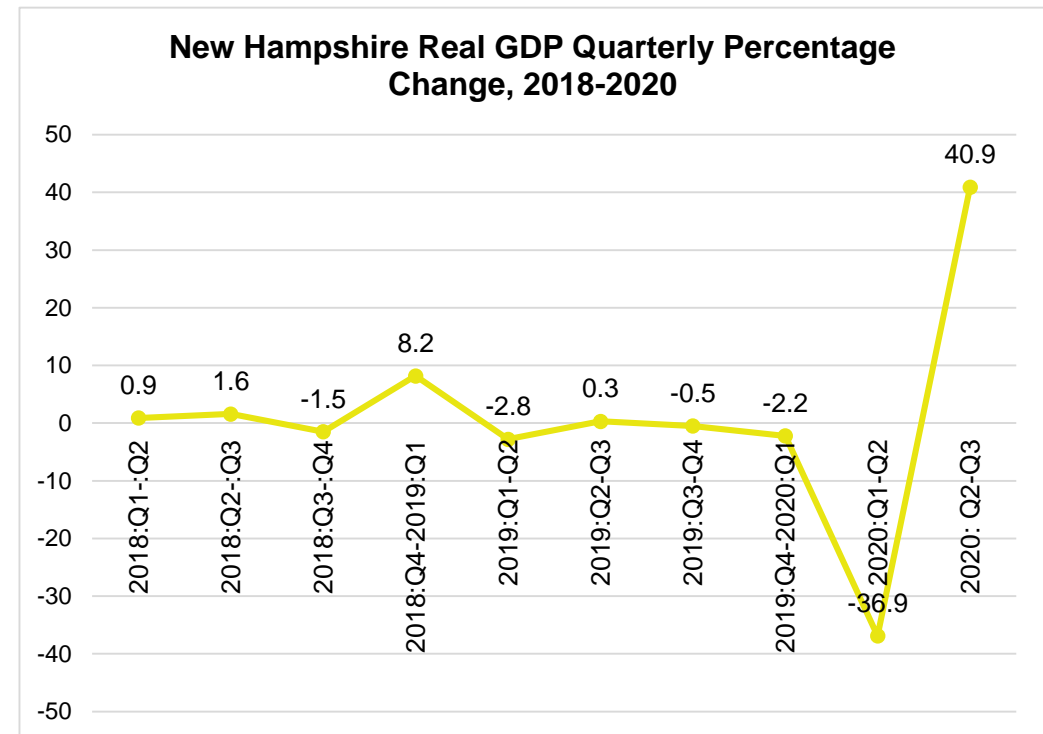
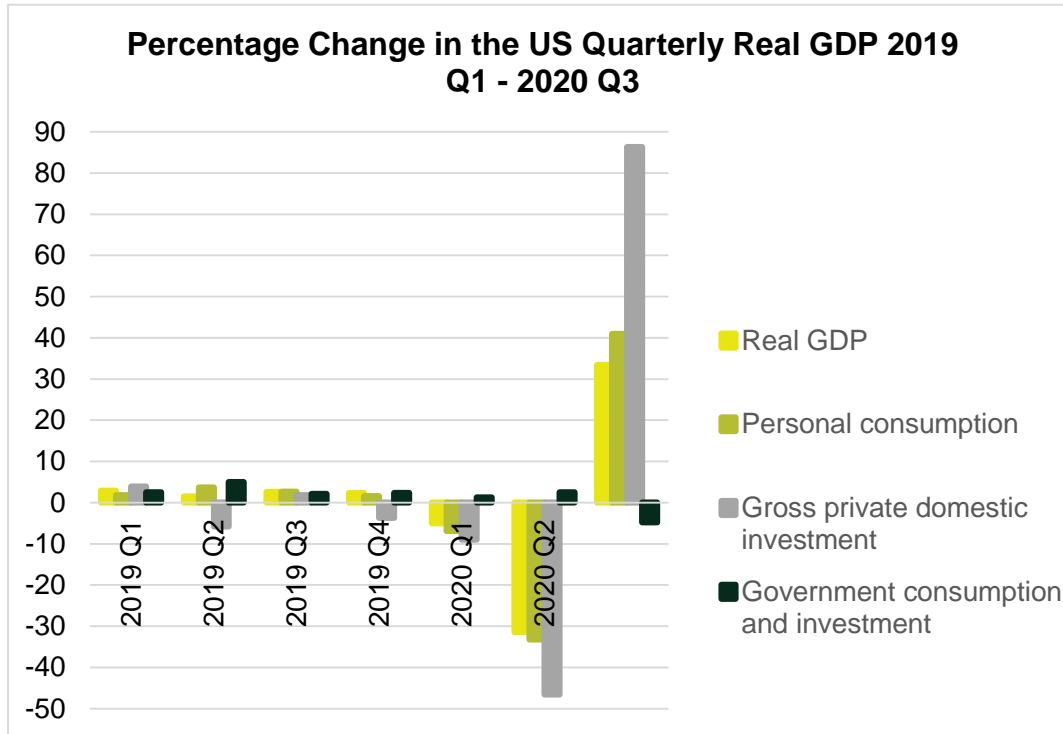
Data source: Foreign Trade Division, U.S. Census Bureau.



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Pandemic effects on economic growth: NH versus US



Data source: U.S. Bureau of Economic Analysis

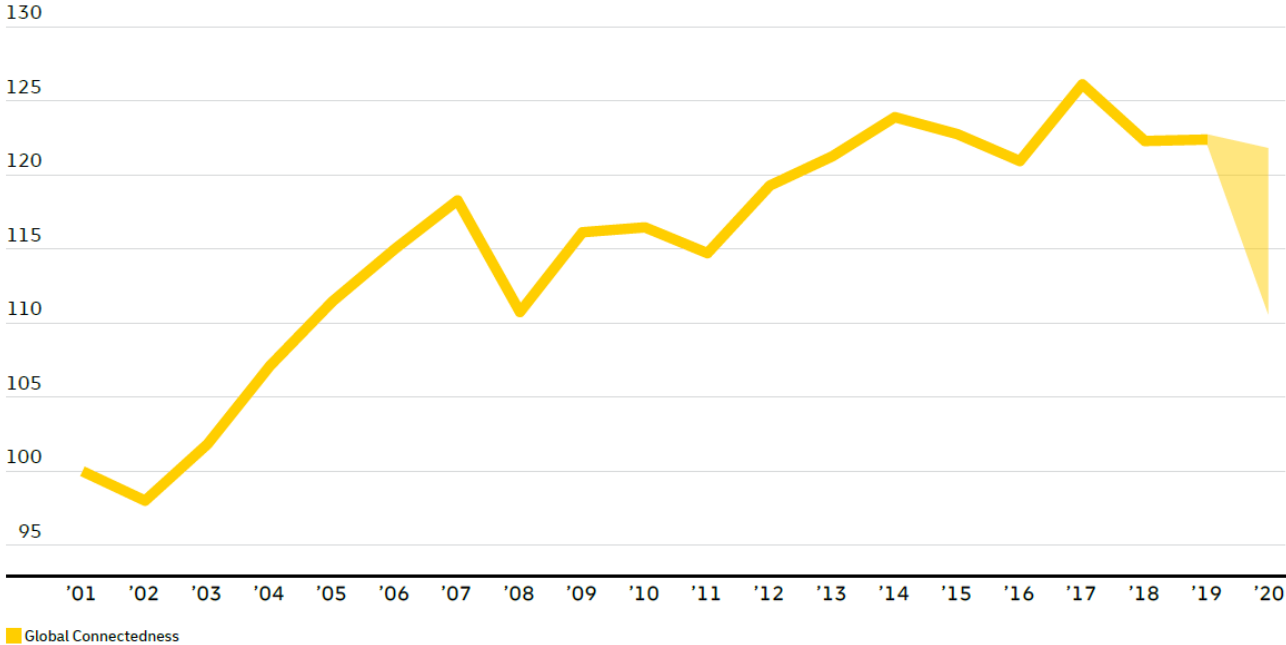


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Globalization and business actions

Global Connectedness



DHL Global Connectedness Index, from <https://www.dhl.com/global-en/spotlight/globalization/global-connectedness-index.html>



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Resilience in global/ international supply chain: some determinants

2021: Changes to the supply chain, industry consolidation and a smaller manufacturing footprint?



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Rethinking the global footprint and what it means for NH



2018 New Hampshire FDI Report

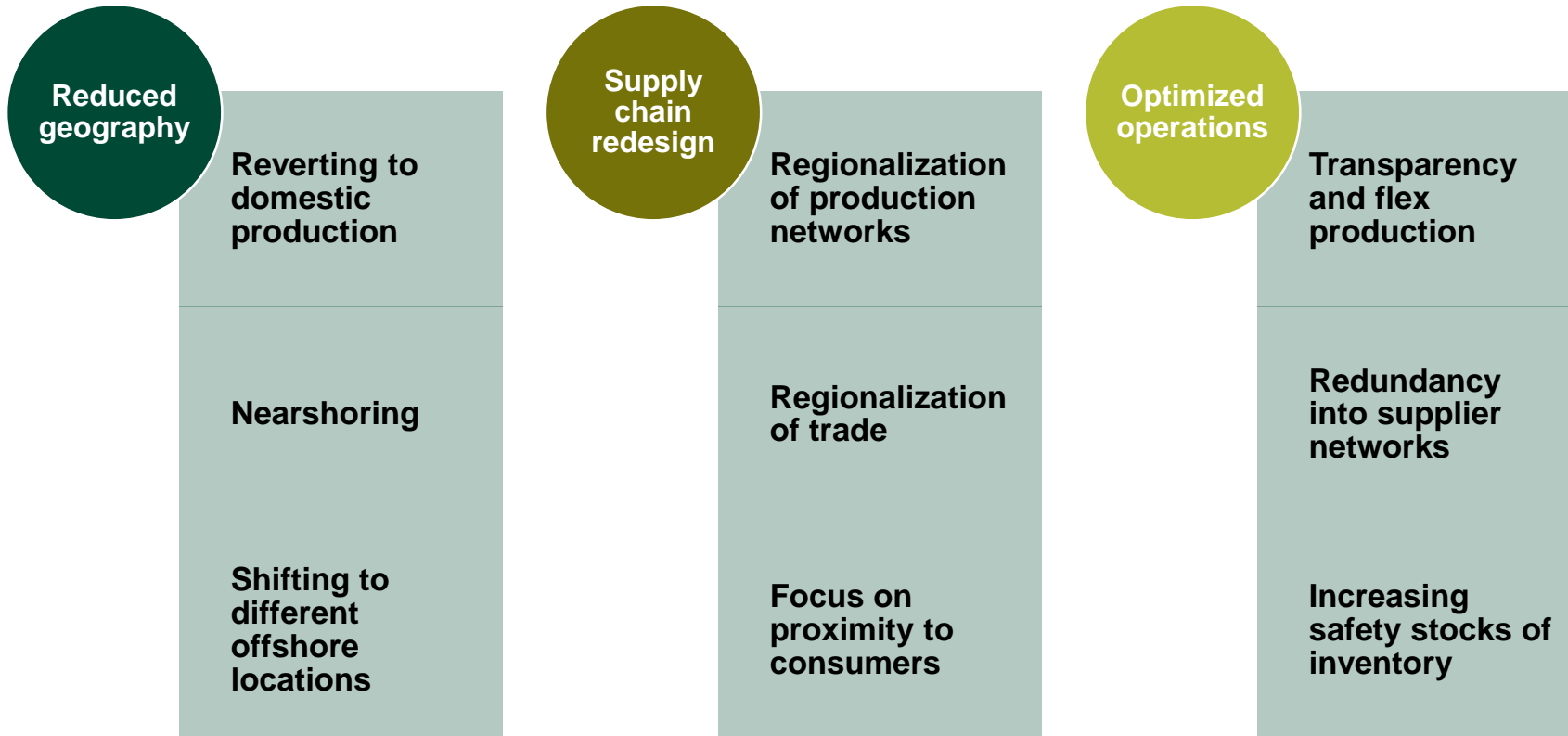
- 31 percent: Foreign manufacturers of durable goods are making computer and electronic products.
- 9 percent: Foreign manufacturers are making fabricated metal products.
- 50 percent: Foreign manufacturers of non-durable goods are making chemicals



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2021 trends that may emphasize the importance of locality



Poll: The future of global supply chains

Will supply chains become more domestic/regionalized or more agile/diversified globally?

- Domestic/ regionalized
- Agile/ diversified globally



More globalized or less globalized?

Less globalized strategies:

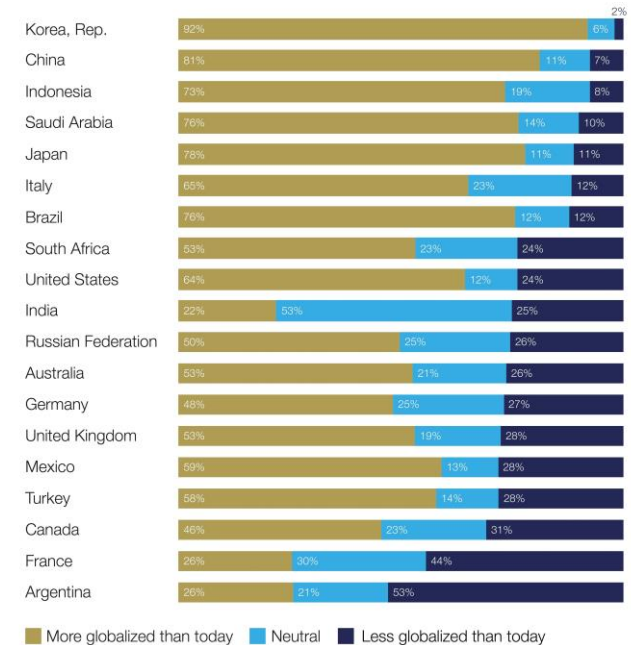
- A shorter, more domestic, and more diversified supply chain
- Supply chain re-localization

More globalized strategies:

- Relocating production in the network of operations' locations
- Taking advantage of specific location advantages
- Reimagining a business model that is agile and adaptable.

Expecting to open up to global markets or to become inner looking?

WORLD ECONOMIC FORUM



In your country, over the next five years, how do you expect supply chains to evolve?
 [1=Significantly more localized than today; 7=Significantly more globalized than today]

Source: World Economic Forum's Executive Opinion Survey 2019-2020, Global Competitiveness Report special edition 2020



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Foreign firms' activities and signals for the future of international business and subnational economies

In focus: New Hampshire

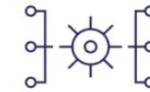
COVID-19 is pushing companies



to scale remote work



to accelerate digitalization



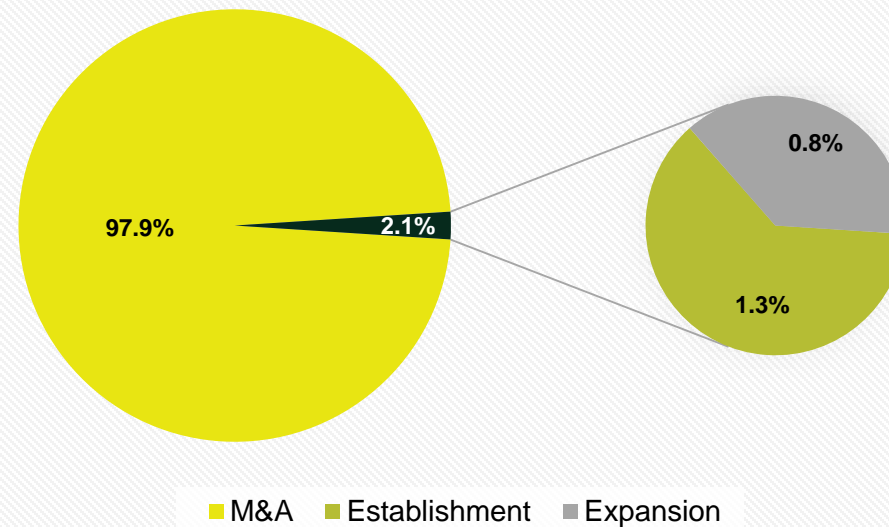
to accelerate automation



Image from: <https://www.weforum.org/reports/the-future-of-jobs-report-2020>

Foreign-owned businesses activities in the US

Expenditures of Foreign-Owned Businesses in the US 2019, by Type of Activities



Resilience of NH foreign-owned businesses in recent years

Expenditures by New Hampshire Foreign-Owned Businesses by Type of Activity, 2014-2019 (million USD)

YEAR	EXPENDITURES	M&A	NEW ESTABLISHMENT	EXPANSION
2019	123	(D)	(*)	(D)
2018	>2	(D)	(*)	2
2017	111	111	(*)	0
2016	196	196	0	0
2015	(D)	(D)	0	0
2014	(D)	(D)	0	(D)

Notes: Data are from US Bureau of Economic Analysis.

Employment of Foreign-Owned Businesses Acquired, Established, and Expanded in New Hampshire, 2014-2019 (1,000 employees)

YEAR	EMPLOYMENT	M&A	NEW ESTABLISHMENT	EXPANSION
2019	A	A	0.0	0.0
2018	0.1	0.1	(*)	0.0
2017	0.4	0.3	(*)	0.0
2016	1.0	1.0	0.0	0.0
2015	0.1	0.1	0.0	0.0
2014	0.9	0.8	0.0	0.1

Notes: Data are from US Bureau of Economic Analysis.

(*) Fewer than 50 employees.

(A) 1-499 employees.



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Key foreign business activity in NH in 2020: Our Data

- 25 Notable investment and expansion projects or activities initiated by or that involved foreign firms
- 5 Acquisitions involving foreign and NH-based companies
- 7 Production or service expansion investments or new contracts
- 10 Distribution agreements or actions connected foreign and NH-based companies
- 3 New Product launch and supply chain action



Key foreign business activity in NH in 2020

KEY SECTORS

ELECTRONICS

INFORMATION TECHNOLOGY

FINANCIAL SERVICES

ENERGY

LIFE SCIENCES

- More than half of the expansion agreements are multi-year arrangements
- Each acquisition is valued at more than \$100 million
- At least 25 percent of agreements are specifically related to supply chain management

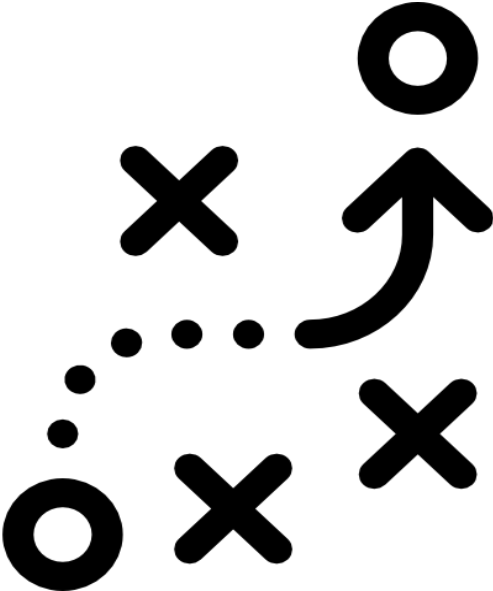


Motives for NH FDI and FDI-related activities

- Access to local market and region
- Direct applicability of company's competencies
- Adding to company's market segments
- Adding to company's innovations and commercialization of innovations.
- Strengthening supply chain and improving networking

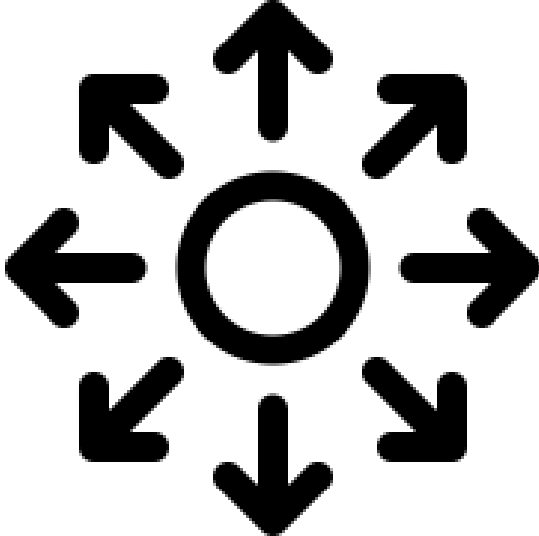
Traditional Motives for Foreign Direct Investment		
Market-Seeking Motives	Resource- or Asset-Seeking Motives	Efficiency-Seeking Motives
<ul style="list-style-type: none">• Gain access to new markets or opportunities• Follow key customers• Compete with key rivals in their own markets	<ul style="list-style-type: none">• Access raw materials• Gain access to knowledge or other assets• Access technological and managerial knowhow available in a key market	<ul style="list-style-type: none">• Reduce sourcing and production costs• Locate production near customers• Take advantage of government incentives• Avoid trade barriers

NH FDI and FDI-related activities



STRATEGIC

EXPANSION



Images from: <https://thenounproject.com/term/expansion/>

Origins and reach of FDI and FDI-related activities and projects in NH

Companies from the following countries initiated activities that involved NH firms:	NH companies initiated activities that involved foreign firms from the following countries:
<p>Canada: 4 Denmark: 1 France: 1 Germany: 1 Russia: 1 South Korea: 1 Sweden: 2 UK: 8</p>	<p>Ireland: 1 Israel: 1 Nigeria: 1 Switzerland: 1</p>

Investments and activities focused on the state of NH: 3

Investments and activities for the New England region or the East Coast: 5

Investments and activities at US national scale: 8

Investments and activities aimed at international (outside US) expansion: 9



New versus existing investments of foreign firms in NH or with NH businesses

NEW	EXISTING
<ul style="list-style-type: none"> <input type="checkbox"/> New investments or contracts for expansion of distribution in NH or access to NH and markets in the Northeast: 8 <input type="checkbox"/> New investments or contracts for NH firms' expansion of distribution internationally: 6 <input type="checkbox"/> New acquisitions: 5 	<ul style="list-style-type: none"> <input type="checkbox"/> Existing capacity use or expansion: 7 <input type="checkbox"/> Strengthening of existing business partnership: 1 <input type="checkbox"/> New contracts with existing partners: 4



Regulation and government actions that impact FDI and foreign business activities

Country Comparison for the Protection of Investors	United States	OECD	Germany
Index of Transaction Transparency*	7.4	6.0	5.0
Index of Manager's Responsibility**	8.6	5.0	5.0
Index of Shareholders' Power***	9.0	7.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection.

Excerpt from: <https://santandertrade.com/en/portal/establish-overseas/united-states/foreign-investment>

World Bank's Doing Business 2020 report available at: <https://www.doingbusiness.org/content/dam/doingBusiness/country/u/united-states/USA.pdf>



Federal policy and FDI regulations

Items	Before FIRRMA	After FIRRMA
Conditions to Trigger CFUIS Reviews	Result in foreign "control" of a US business ("controlling" FDI) and pose a threat to US national security.	"Non-controlling" FDI in US businesses involved in certain critical technologies, critical infrastructure, or the personal data of US nationals (referred to as TID businesses).
Filings	Voluntary	Mandatory if: (i) a substantial foreign government investment in a TID U.S. business, or (ii) controlling or non-controlling investments in critical technologies.
Excepted Foreign States and Investors	None	List of Excepted States includes Australia, Canada, and the UK Excepted Investor: to qualify, a foreign person must have a substantial connection to an excepted foreign state and additionally not have violated certain US laws.
Procedure and Timing Requirements	Three-step process	Maintained the Three-step process but extended timeline.

Comparison of Committee on Foreign Investment in the US (CFIUS) regulations before and after the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA)



Opportunities for New Hampshire

New governance arrangements involving a broad coalition of local governments, foreign and domestic firms and other stakeholders, in a process of co-evolution and intentional progress.



- Bullish expectations on US economy in 2021
- Changing operations in order to adapt and gain resilience
- Reducing operational risk
- Flexibility and agility as dynamic capabilities
- Boosting market access
- Location advantages (safety, opportunity and education)
- Dialogue between foreign firms and public institutions
- Networking, communication and collaborations
- Systematic knowledge-based interactions among the private and public sectors, combining local and international intelligence



Brian Ward, Vice President, Sales and Marketing, Jewell Instruments LLC, Manchester, NH

Tom Taylor, President and CEO, Foxx Life Sciences, Salem, NH

Impact of COVID-19 on business resilience



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Poll: Your goals and priorities

What is your top goal or priority for the year ahead?

- Professional development
- More collaborations
- Redefining your work or research agenda
- Becoming more productive

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**Plymouth State**
UNIVERSITY



**Cynthia Harrington,
BEA Business Development
Manager**

**Tina Kasim,
BEA Program Manager**

Opportunities and FDI strategies to assist with the post-pandemic economic recovery in New Hampshire



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Questions?

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Poll: Your feedback and ideas

Your views are important to us. Please let us know what you thought of this webinar:

Poll question 1: I can use this session information:

- Immediately
- In 2-6 months
- In 7-12 months
- Never

Poll question 2: Please rate your overall experience:

- Excellent
- Good
- Fair
- Poor



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Contact Us

Plymouth State University

Roxana Wright, Ph.D.

Professor of Management
rwright01@plymouth.edu

Chen Wu, Ph.D.

Associate Professor of Economics
cwu@plymouth.edu

New Hampshire Division of Economic Development, Department of Business and Economic Affairs

Cynthia Harrington

Business Development Manager
cynthia.j.harrington@livefree.nh.gov
603-271-0496

Tina Kasim

Program Manager
Tina.Kasim@livefree.nh.gov
603-340-7037



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