



California State University
Dominguez Hills

**SOUTH BAY
ECONOMICS
INSTITUTE**

CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS

Foreign-Owned Enterprises (FOEs)
in the South Bay

South Bay – foreign-owned enterprises

Key points:

- Foreign firms contribute substantially to the South Bay
- Cities with high FOE concentrations perform better
- Foreign direct investment and trade are not always linked
- Foreign businesses are happy in Southern California

South Bay – foreign-owned enterprises

Quiz!

Which foreign countries have the most enterprises in the South Bay?

South Bay – foreign-owned enterprises

Quiz!

1) Japan: 370 firms



Which foreign
countries have the
most enterprises in
the South Bay?

South Bay – foreign-owned enterprises

Quiz!

Which foreign countries have the most enterprises in the South Bay?

1) Japan: 370 firms



2) UK: 67 firms



South Bay – foreign-owned enterprises

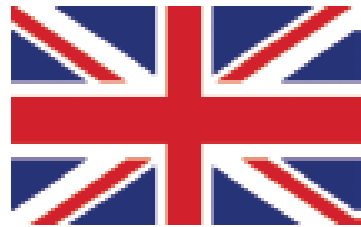
Quiz!

Which foreign countries have the most enterprises in the South Bay?

1) Japan: 370 firms



2) UK: 67 firms



3) Germany: 54 firms



South Bay – foreign-owned enterprises

Sector	FOEs	FOE Jobs	Estim. FOE wages
Wholesale Trade	174	8,360	\$595,045,960
Retail Trade	121	3,789	\$115,753,950
Transp and Warehousing	119	5,174	\$277,074,619
Manufacturing	100	10,203	\$705,038,211
Admin & Waste Mgmt	58	4,976	\$205,342,933
Finance and Insurance	53	2,680	\$241,669,116
Prof, Scient, & Tech Services	43	3,333	\$264,339,974
Information	32	2,676	\$155,704,186
Accomm and Food Services	27	961	\$26,212,254
Health and Social Care	11	192	\$11,571,521
Grand Total	765	43,532	\$2,665,462,938



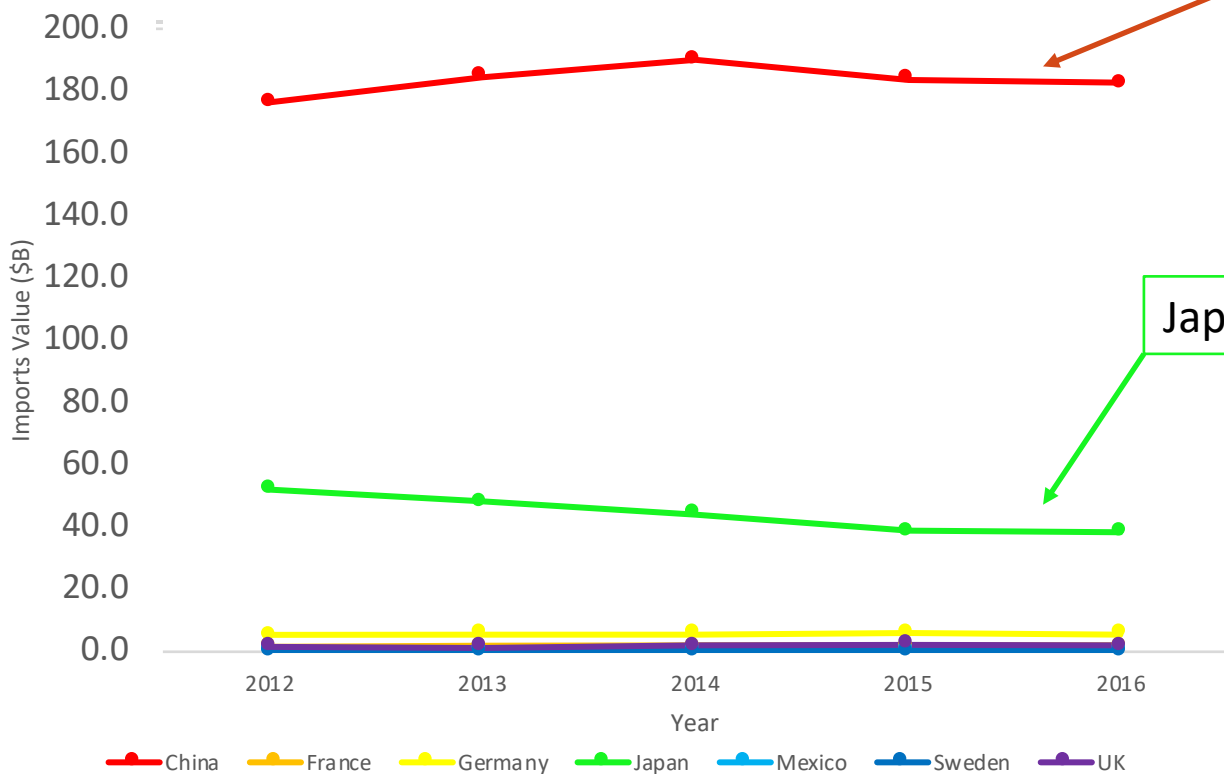
South Bay – foreign-owned enterprises

Source Nation	Jobs	% of All FOES	Firms	Est. Wages
Japan	17,429	48.4%	370	\$1,127,011,773
UK	6,543	8.8%	67	\$371,862,011
Germany	5,712	7.1%	54	\$367,394,507
Sweden	3,001	1.3%	10	\$127,267,246
France	2,884	5.4%	41	\$187,428,677
Netherlands	1,158	1.8%	14	\$65,253,716
Canada	1,012	4.1%	31	\$65,873,067
Australia	700	2.2%	17	\$41,746,048
Ireland	655	1.0%	8	\$45,940,999
Switzerland	628	2.9%	22	\$37,130,236
Grand Total	43,532	100.0%	765	\$2,665,462,938



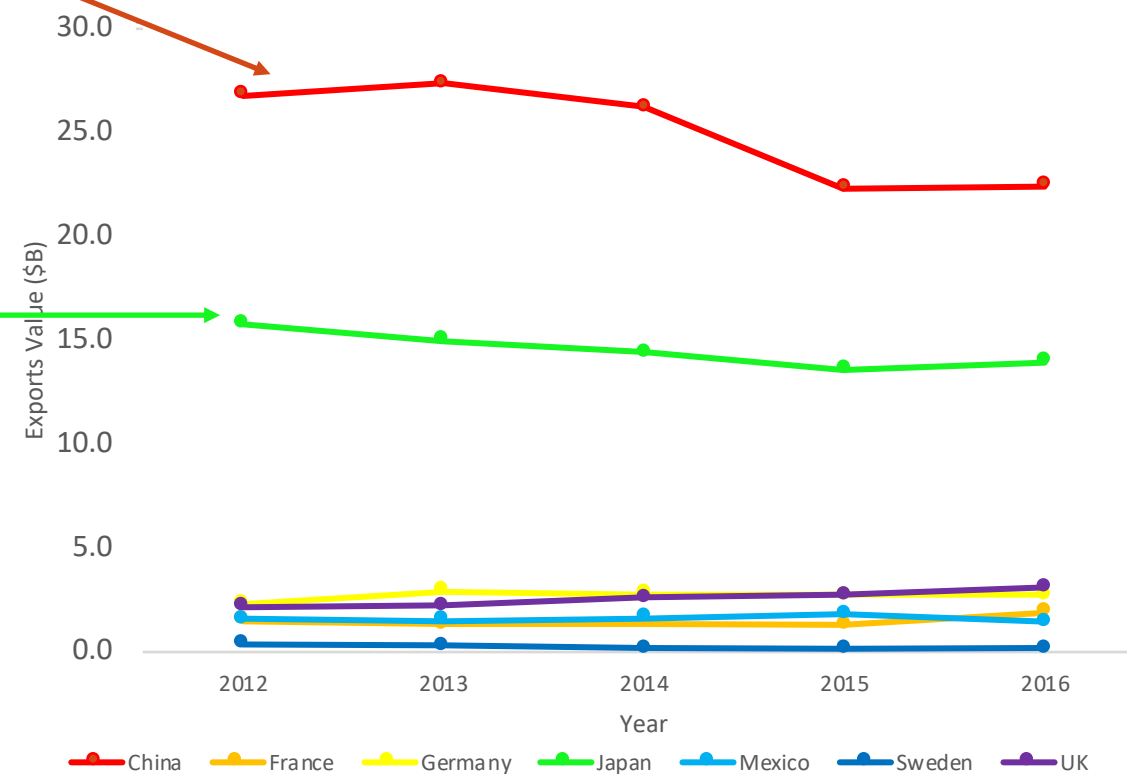
Imports and Exports by Country

Imports entering South Bay ports



China

Exports leaving South Bay ports

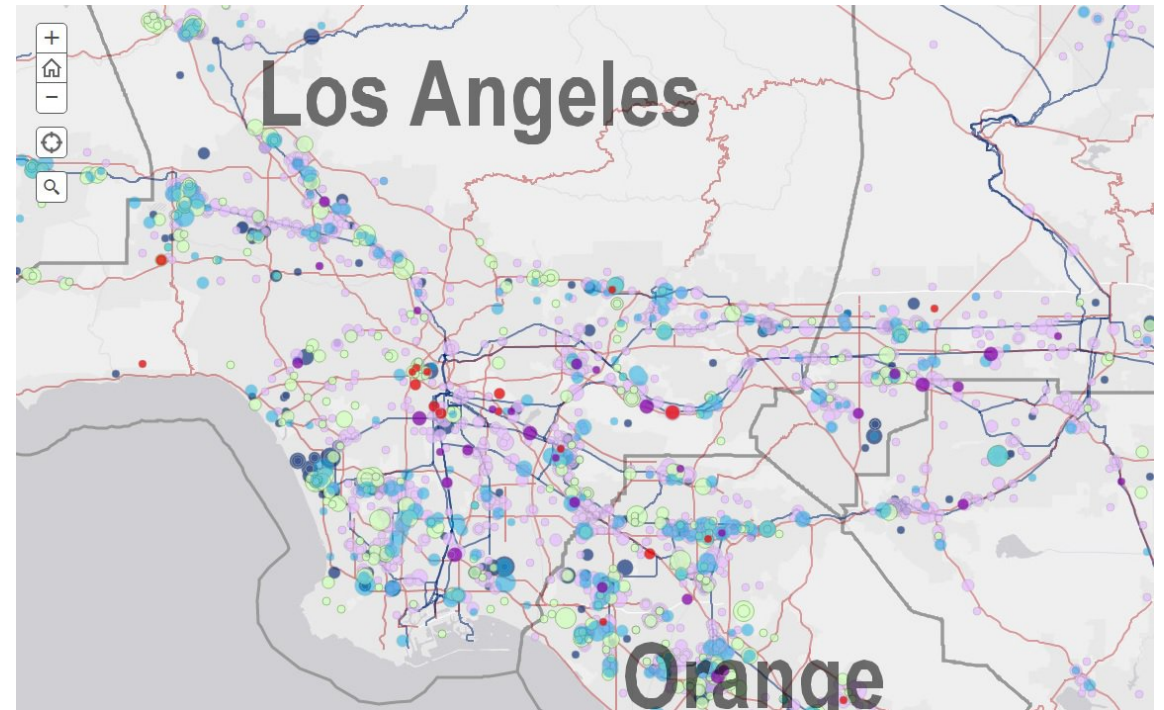


Japan

FOE concentrations

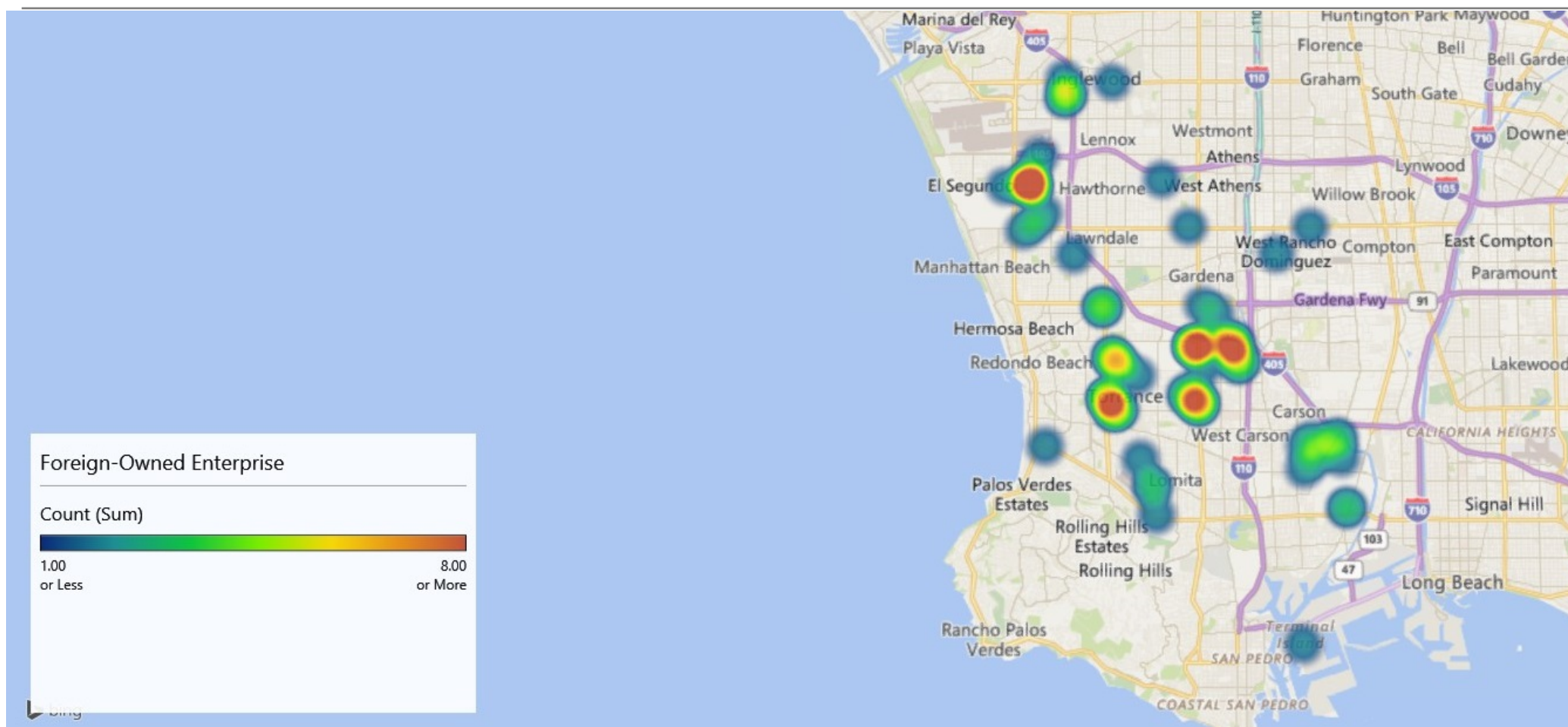


1910 Airshow – Dominguez Hills



2016 Aerospace in Los Angeles (color is industry, size is number of employees)

South Bay – foreign-owned enterprises



FOE concentrations

Clustering analysis

Cities with high FOE concentrations have:

- larger labor forces,
- lower unemployment rates,
- higher sales,
- more workers,
- and higher 3-year growth rates in sales

ANOVA: Concentration Based on Number of FOEs Within a 5km Radius at City Level

	Low Concentration		High Concentration
Sales Volume (Mean)	\$29,800,000	*	\$53,500,000
Number of Workers	20.9	***	37.6
Labor Force	18,135	**	74,828
Unemployment Rate	6.3	***	5.4
3 Year Growth % Sales Volume	1.1		1.9
3 Year Growth % Employees	9.5		8.6

Note: ***, **, * refers to statistical significance at the 1%, 5%, and 10%, respectively

Source: Dun & Bradstreet, DHEI Analysis

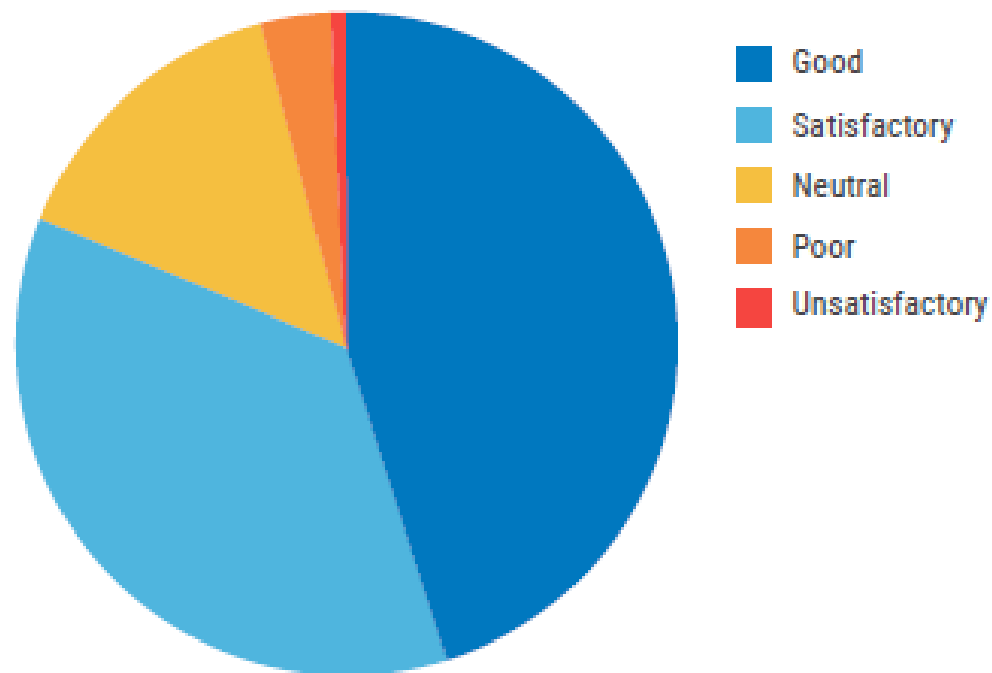
Low and high FOEs concentration refers to cities in the lowest and highest quartile, respectively

Southern California cities with many FOEs **benefit from agglomeration.**

Potential FOEs might **benefit by locating in areas with high concentrations of FOEs**, like the South Bay!

Positive experiences

How would you rate your company's present business experience in the Southern California region?



How would you rate your company's present business experience in the Southern California region?

Response	Count	% of Responses
Good	55	45%
Satisfactory	44	36%
Neutral	18	15%
Poor	4	3%
Unsatisfactory	1	1%
Total	122	100%

Future investment

Small numbers planning to relocate outside of region

What are your company's plans for investment and business operations within Southern California over the next two years?

Response	Count
Expansion of existing facilities or branches (including purchase of equipment)	46
Establishment of a new facility or branch	43
Investment in a different business sector	18
Scale-down or closure of existing facility	10
Relocation of branch or facility within Southern California	11
Relocation of branch or facility within California	12
Relocation of branch or facility outside California	6
Revision of the role of existing facilities or branches	11
Nothing in particular	38

Potential investment locations

Southern California

County	Responses
Los Angeles	33
Orange	13
Riverside	10
San Bernardino	5
San Diego	15
Ventura	4

Rest of California

Region	Responses
Bay Area	15
Central California	5

Rest of USA

State	Responses
Texas	5
New York	4
Hawaii	3
Nevada	3
Florida	3
Colorado	2
Washington	2
Virginia	2

Rest of World

Country/Region	Responses
Canada	4
Mexico	1
China	3
Other Asia	8
Europe	4

Major FOE concerns

1. Trade/investment restrictions
2. Delays for business visas
3. Taxes
4. Labor costs

How important are the following concerns regarding your company's future business operations in Southern California?

Factor	Average Score
Trade/investment restrictions	3.67
Delays for business visas for overseas visas	3.61
Taxes	3.44
Labor costs	3.39
Housing affordability	3.33
California economic performance	3.28
Health insurance/care costs	3.28
Overseas competition	3.24
Environmental regulations	3.17
Transportation infrastructure	3.12
Public safety/crime	3.11
Energy prices/supply	3.00
Permit approval procedures	2.94
Driver's license issuance delays for expatriates	2.65

South Bay CGE model

Sector	IMPLAN LA		Wages % of	
	County wages	Estimated FOE wages	FOE in County	Shock value (10%)
Other mining	\$41.2	\$41.0	99.5%	10.0%
Water transport	\$301.4	\$291.4	96.7%	9.7%
Dairy farming	\$0.4	\$0.2	57.4%	5.7%
Insurance	\$5,688.7	\$1,621.5	28.5%	2.9%
Chemical mfg	\$1,654.9	\$440.8	26.6%	2.7%
Primary metals	\$439.8	\$94.8	21.6%	2.2%
Animal product mfg	\$236.2	\$50.3	21.3%	2.1%
Private transport	\$526.9	\$92.6	17.6%	1.8%
Banking	\$7,443.5	\$1,048.9	14.1%	1.4%
Electronics mfg	\$5,288.8	\$622.9	11.8%	1.2%
Private water utilities	\$32.3	\$3.5	10.9%	1.1%

Initial simulations reducing FOEs in 11 sectors by 10 percent:

Economy-wide impacts

-0.98% change in Output

-1.08% change in GDP

-1.23% change in Employment



California State University
Dominguez Hills

SOUTH BAY ECONOMICS INSTITUTE

CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS

Innovative and Forward-Thinking
Economics Research and Teaching
