

**CSUDH**

CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS

**SOUTH BAY  
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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
- Foreign direct investment and trade are not directly linked
- Foreign direct investment comes from developed nations
- Cities with high FOE concentrations do better
- Foreign businesses are happy in Southern California

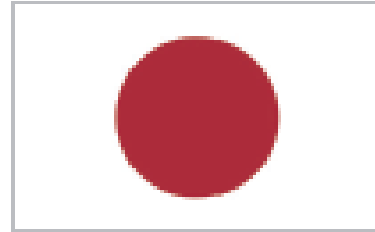
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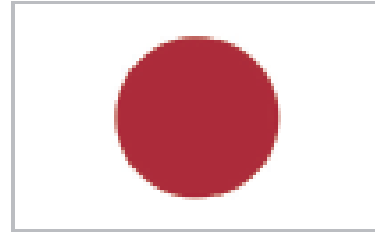


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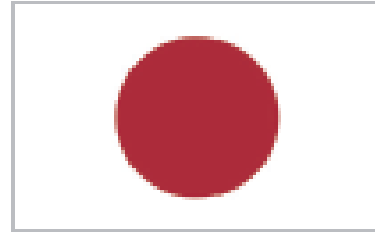
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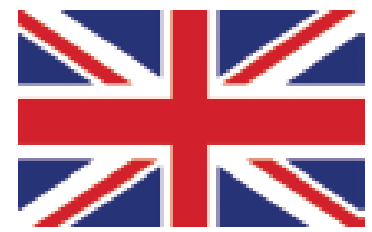
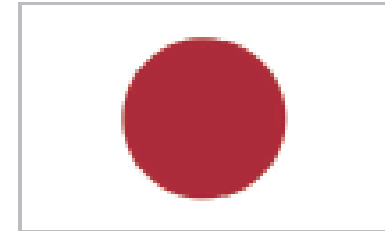
3) Germany: 54 firms





# 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
<b>Grand Total</b>	<b>43,532</b>	<b>100.0%</b>	<b>765</b>	<b>\$2,665,462,938</b>





# South Bay – foreign-owned enterprises

<b>Sector</b>	<b>FOEs</b>	<b>FOE Jobs</b>	<b>Estim. FOE wages</b>
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
<b>Grand Total</b>	<b>765</b>	<b>43,532</b>	<b>\$2,665,462,938</b>

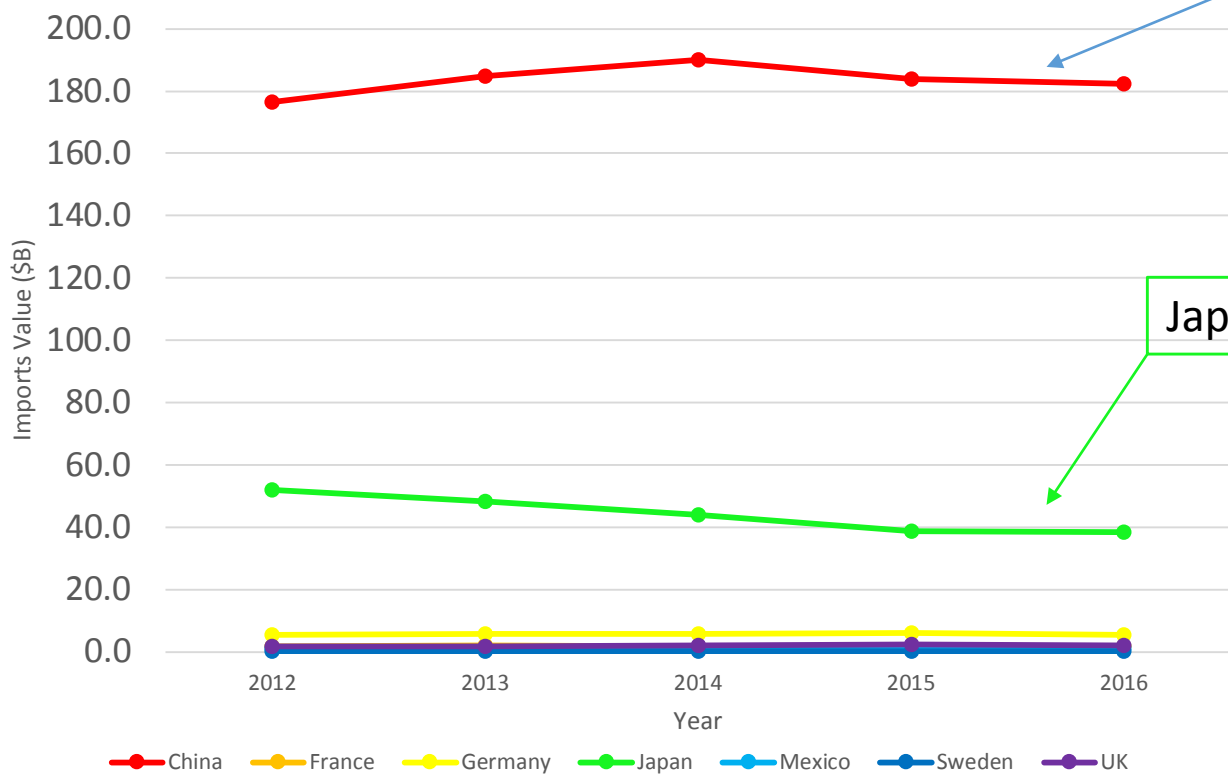






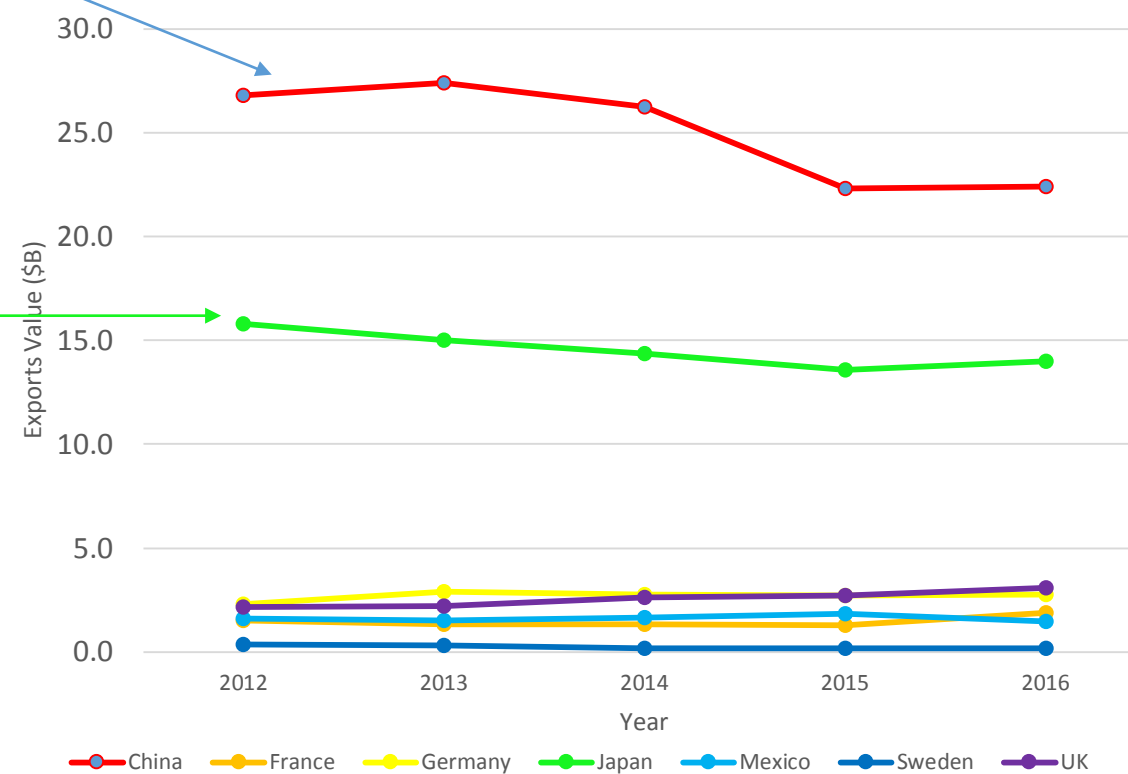
# Imports and Exports by Country

### Imports entering South Bay ports



China

### Exports leaving South Bay ports



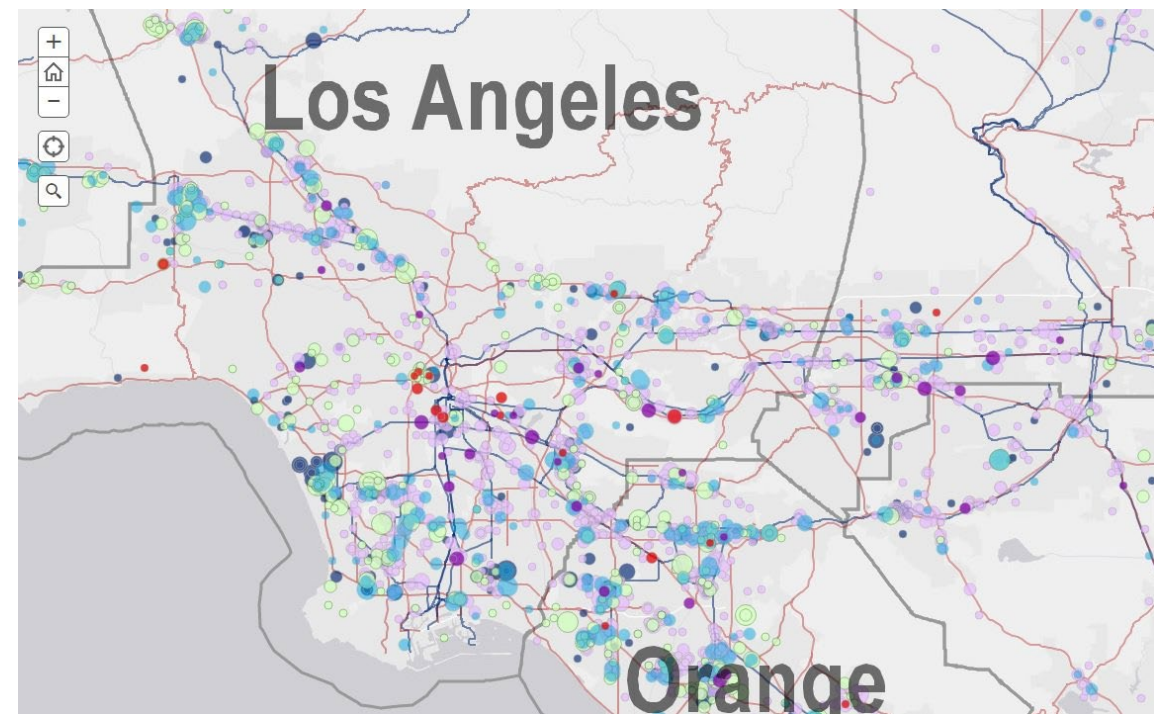
Japan



# FOE concentrations



- 1910 Airshow – Dominguez Hills



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





# 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 rate in sales volume

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

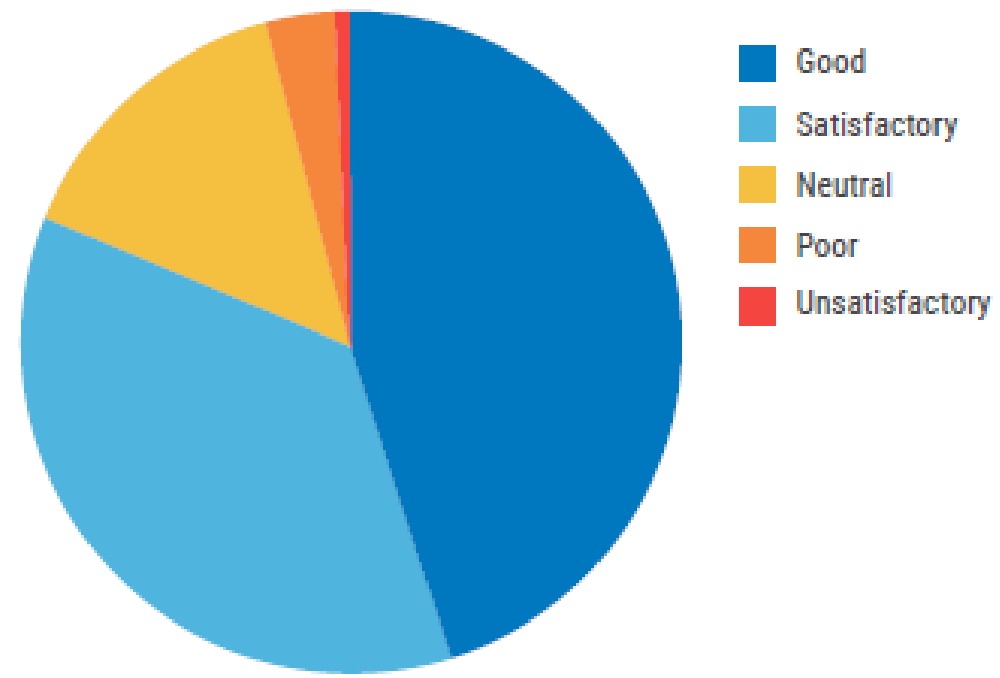
Southern California cities with many FOEs **benefit from agglomeration.**

Potential FOEs might **benefit by locating in areas with high concentrations of FOEs**, like Los Angeles County and the Southern California region in general.



# 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%
<b>Total</b>	<b>122</b>	<b>100%</b>



# 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 County wages	Estimated FOE wages	Wages % of 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