

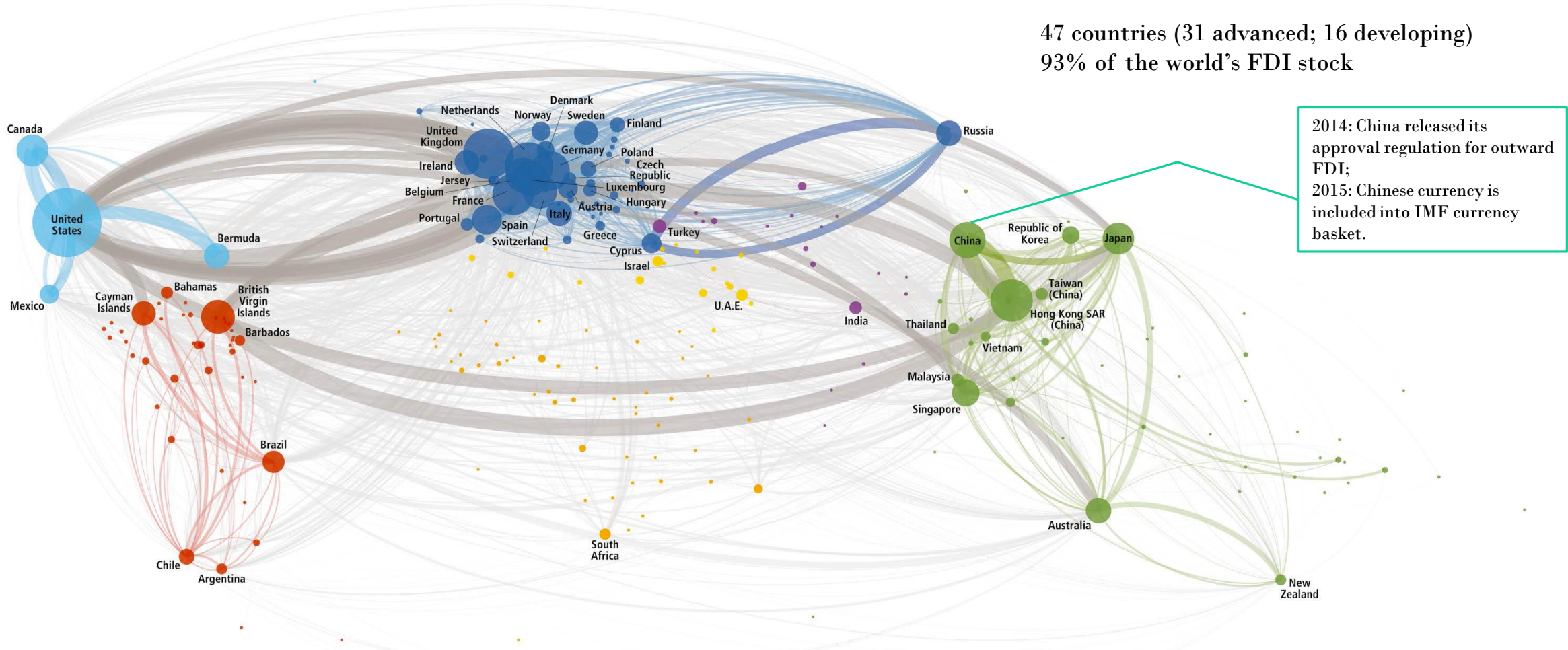
# Trends of Foreign Direct Investments (FDI) into the Carolinas

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Belk College of Business  
University of North Carolina, Charlotte

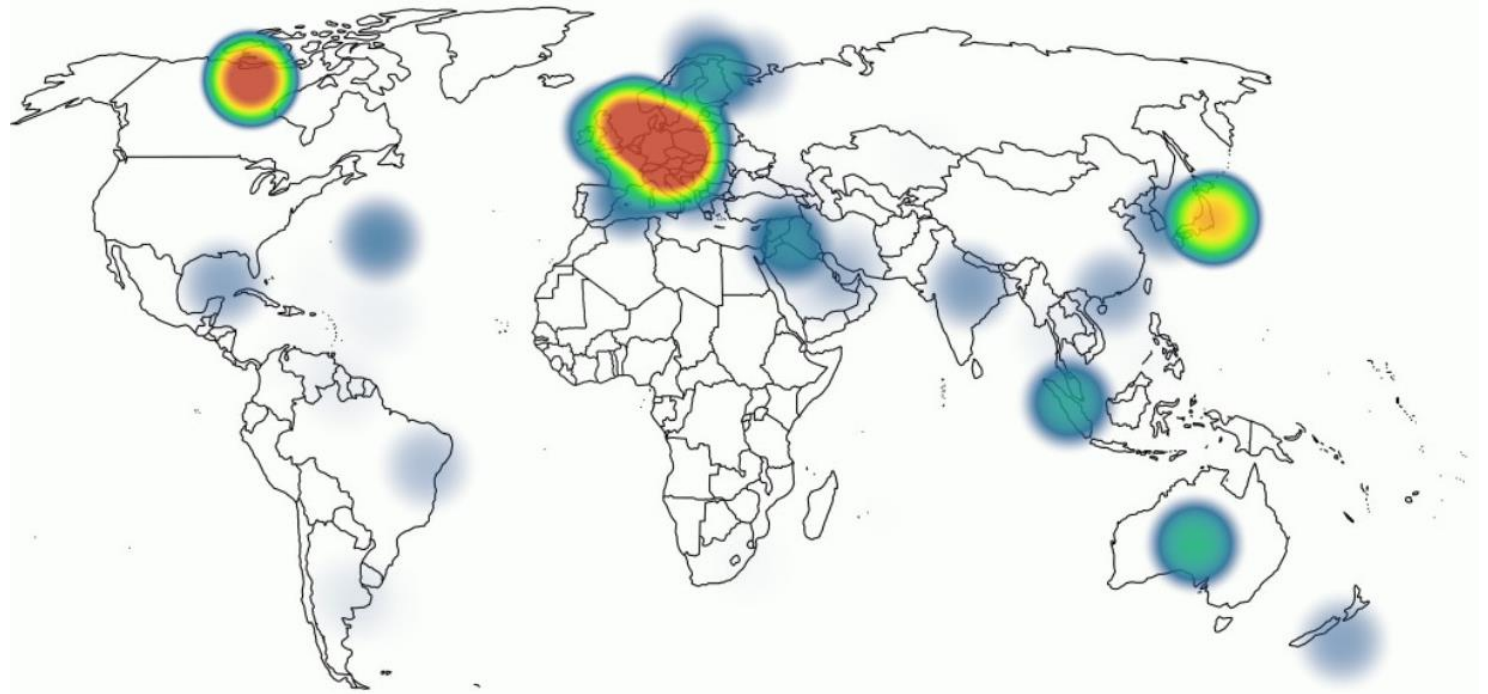
# Global Two-Way FDI Stock, Home-Host Pairs



# A Summary of Cross-border M&As since Aug 2007 into the US

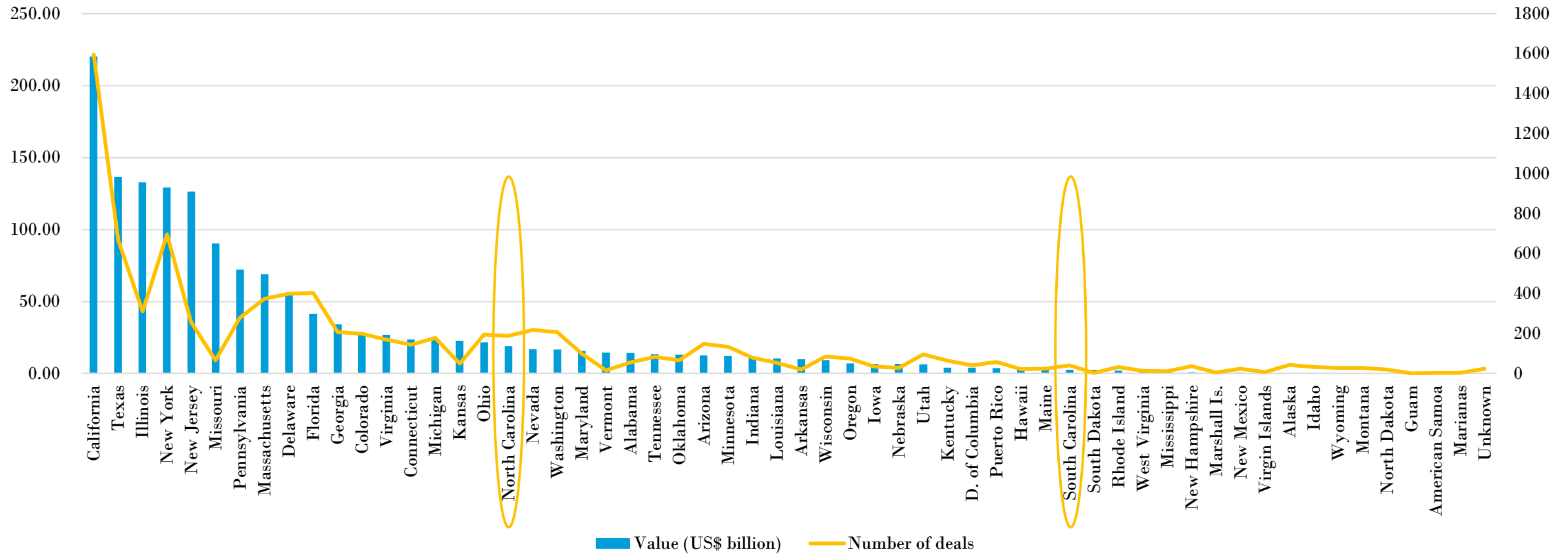
- Globally, 67,421 complete deals to date
- 26,945 disclosed deal values
  - Average: US\$224.2 million
  - Total: >US\$6 trillion
- 8,455 deals into the US
- Totally US\$1.5 trillion, as reported
- Top origins into the US by deal value:
  1. Canada (16%)
  2. UK (12%)
  3. Japan (10%)
  4. Switzerland (10%)
  5. Germany (7%)
  6. France (6%)
  7. Ireland (5%)
  8. Netherlands (4%)
  9. Belgium (4%)
  10. Australia (3%)

Totally 76%.



World heat map of origins into US, by deal value

# A Summary of Cross-border M&As since Aug 2007 into the US

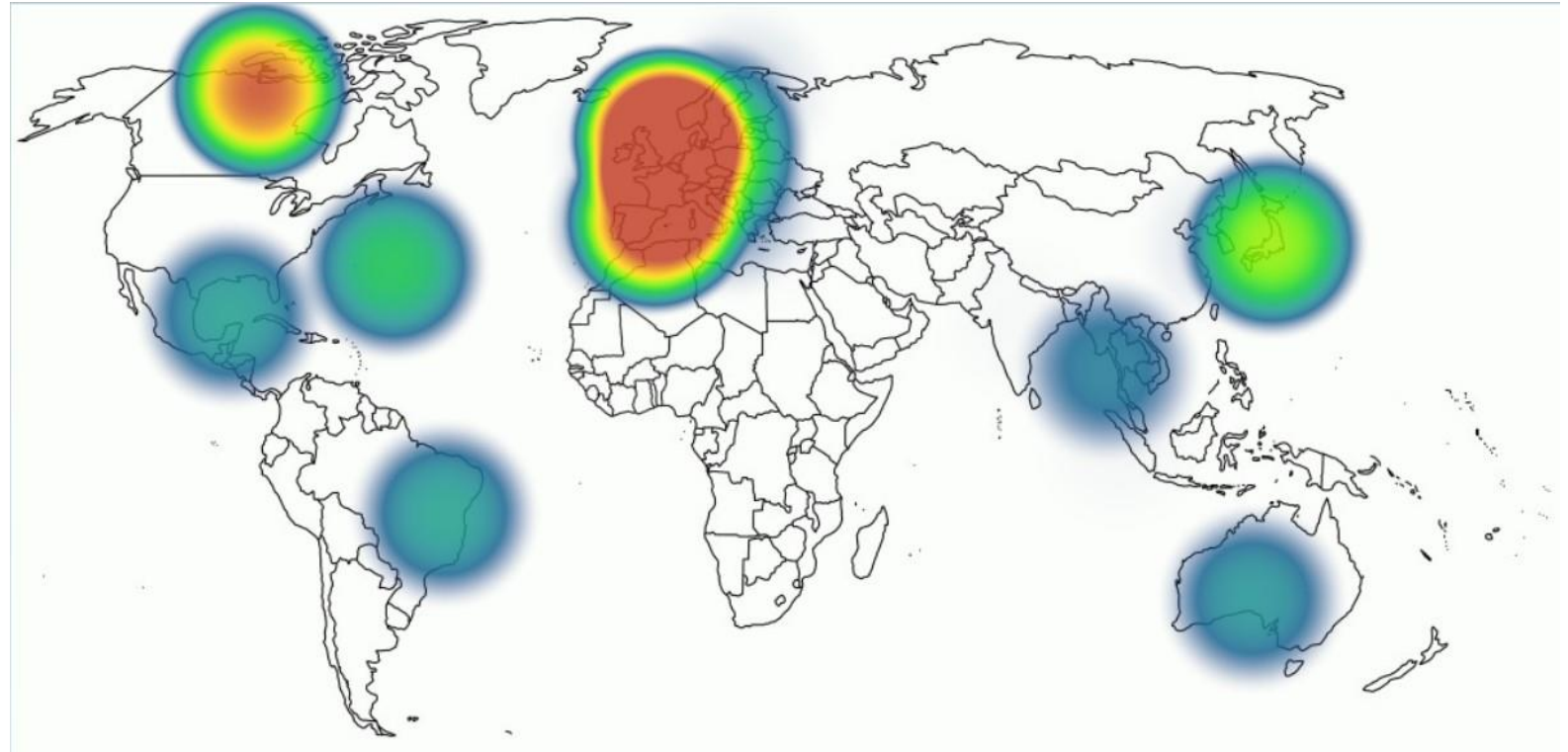


# A Summary of Cross-border M&As since Aug 2007 into the Carolinas

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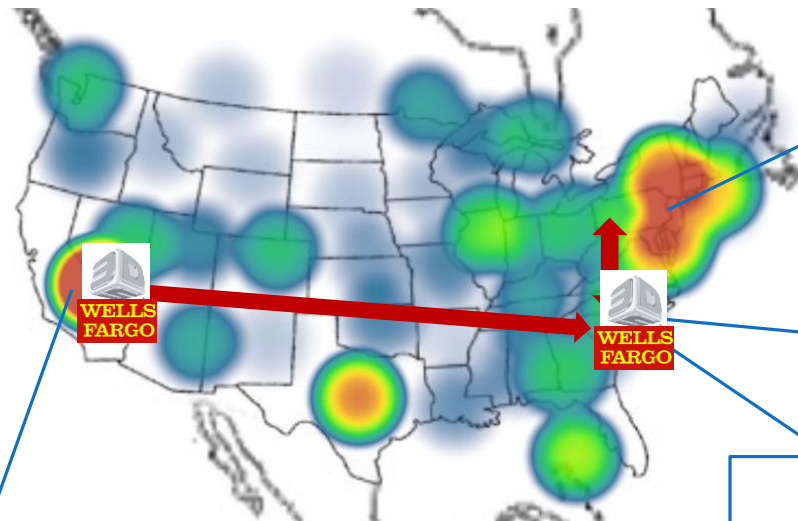
Top origins, by # of deals:

1. Canada (61; US\$3.3B)
2. UK (41; \$6.2B)
3. France (15; US\$973M)
4. Germany (15; US\$637M)
5. Australia (10; \$568M)
6. Netherlands (9; \$70M)
7. China (8; \$168M)
8. Switzerland (8; \$104M)
9. India (8; \$10M)
10. Japan (7; \$1.77B)



World heat map of origins, by total deal value

# A Summary of Cross-border M&As since Aug 2007 into the US



US heat map, by total deal value

**New York:**  
 697 deals  
 US\$129 billion

**Top 3 sectors by deal value:**  
 Commercial banks (\$19B)  
 Securities services (\$17B)  
 Real estate operation/leasing (\$14B)

**Out from Carolinas:**  
 267 deals  
 US\$13 billion

**Top 3 sectors by deal value:**  
 Electronic components/accessories (\$3.3B)  
 Industrial machinery & equipment (\$2B)  
 Lumber & construction materials(\$1.9B)

**Most active:**  
 Computer/data/IT services (42 deals)  
 Management & pub relations (10 deals)

**Into Carolinas:**  
 231 deals  
 US\$22 billion

**Top 3 sectors by deal value:**  
 Drugs (\$5.2B)  
 Cigarettes (\$4.7B)  
 Miscellaneous chemical products (\$1.8B)

**Most active:**  
 Computer/data/IT services (27 deals)  
 Drugs (22 deals)

**California:**  
 1,596 deals  
 US\$220 billion

**Top 3 sectors by deal value:**  
 Drugs (\$83B)  
 Computer/data/IT services (\$32B)  
 Electronic components/accessories (\$11B)

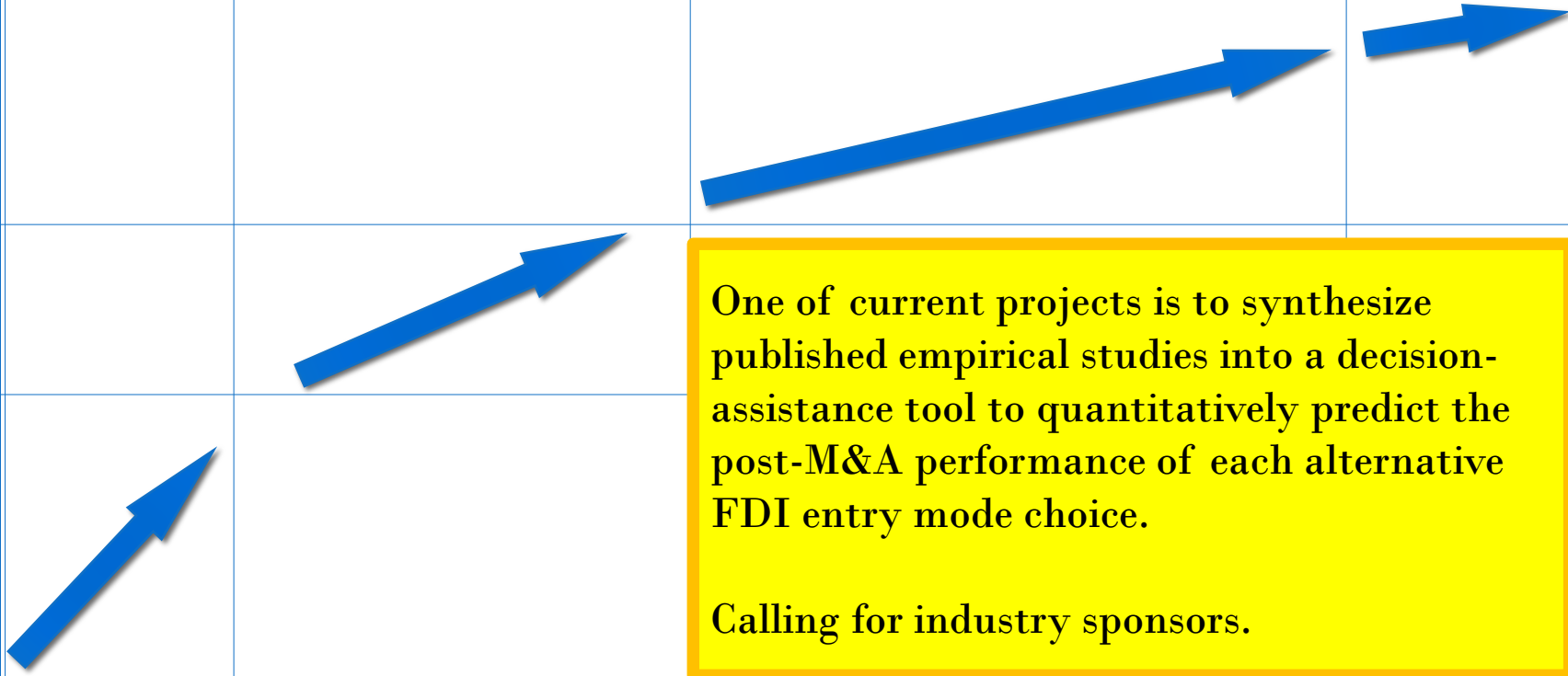
# Internationalization Mode: An Economic (Rational Investor's) Perspective

Internalizing the market to increase efficiency

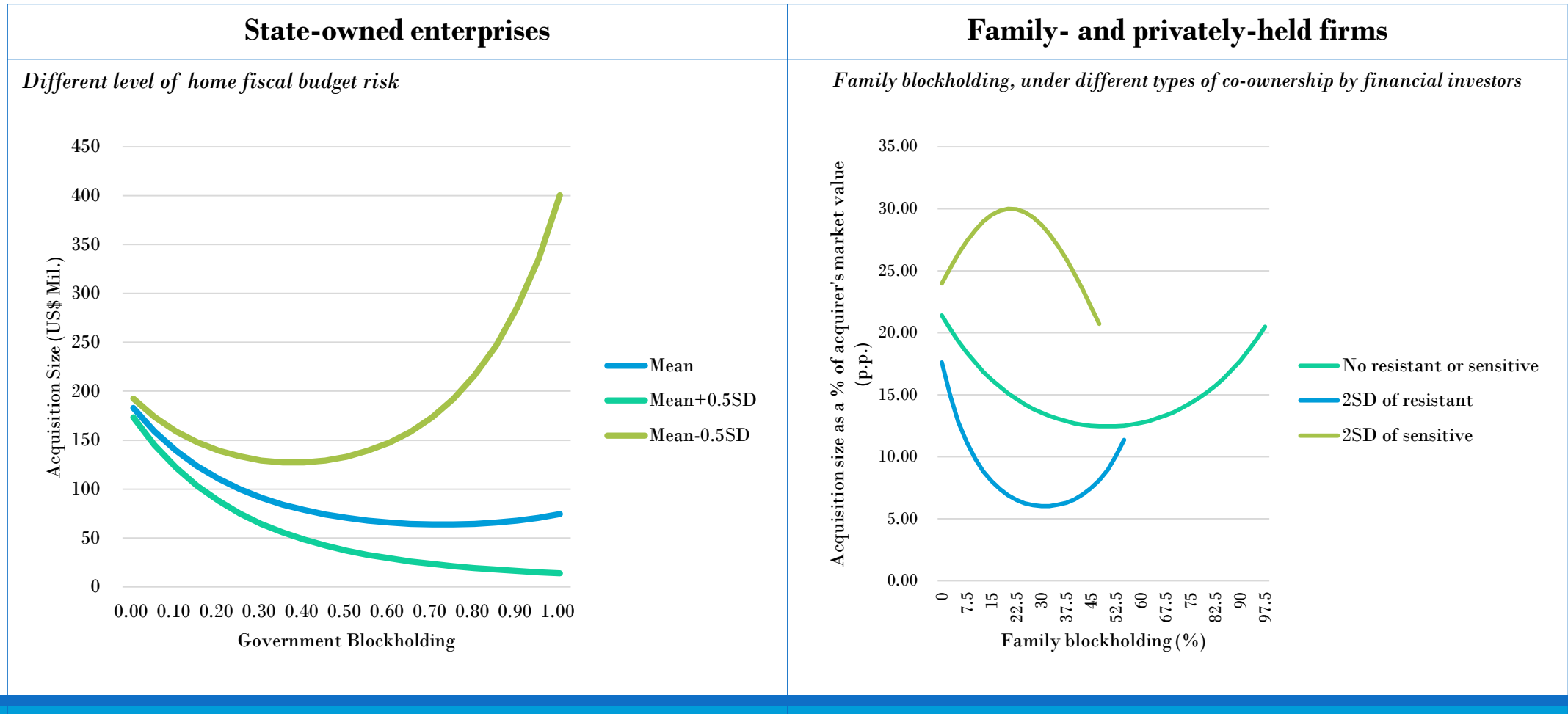
Market expansion

Competition under "Liability of Foreignness"

<p><u>I(internalization advantages):</u></p> <ul style="list-style-type: none"> <li>To reduce transaction costs (search/negotiation; moral hazard/adverse selection; default; foreign market uncertainty; trading barriers, etc.)</li> <li>To exploit market failures (transfer pricing, arbitrage, etc.)</li> </ul>							
<p><u>L(location-specific advantages):</u></p> <ul style="list-style-type: none"> <li>International transport/communications</li> <li>Demography &amp; market characteristics</li> <li>Economic, social, and political institutions</li> </ul>			<p>One of current projects is to synthesize published empirical studies into a decision-assistance tool to quantitatively predict the post-M&amp;A performance of each alternative FDI entry mode choice.</p> <p>Calling for industry sponsors.</p>				
<p><u>O(Ownership-specific advantages):</u></p> <ul style="list-style-type: none"> <li>Property rights/Intangible assets (technology, innovation, brand, marketing, logistics, etc.)</li> <li>Common governance (economies of scale, scope, shared experiences)</li> <li>Organizational capabilities (corporate culture, codes of conduct, incentive systems, leadership, managerial knowledge, etc.)</li> </ul>							
	License/Franchise	Export	Alliance	FDI/Sales Branch	FDI/M&As (minority control)	JVs	FDI/Greenfield



# Likely Non-Economically-Driven (Irrational) Investors



Source: based on my two working projects (global samples)

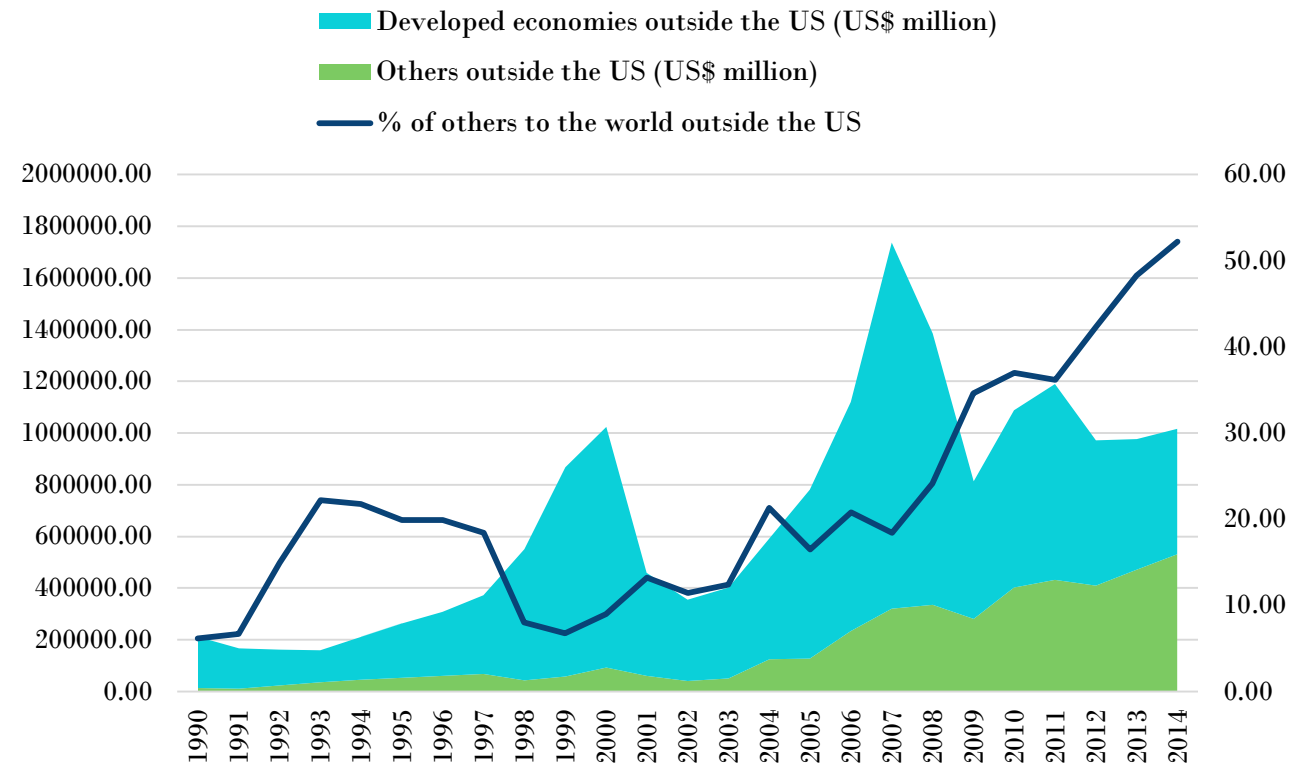


# Big Challenge Forward

The challenge is that we are going to see rising outward FDI from emerging economies whose home countries have greater diversities and dynamics of economic, social, and political institutions:

- Economically, invisible hands vs. visible (but incomprehensible) hands
- Socio-culturally, Anglo-American & Christian morals vs. others (Confucianism, Buddhism/Hinduism, Islam, etc.)
- Legal-politically, regulatory vs. developmental states

Outward FDI Flows from Markets outside the US, by Origin



# Panel

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**Bob Morgan**  
President & CEO  
Charlotte Chamber

**Leading discussion #1:**  
Location advantages/disadvantages of  
doing business in the Carolinas



**Damon Gregoire**  
Former CFO/Exe. VP of M&As  
3D Systems

**Leading discussion #2:**  
Locations (e.g., California) that are  
integrated with and complement the  
Carolinas



**Rick Dowd**  
Chairman/Managing Director  
Middle Market Investment Banking  
Wells Fargo Securities

**Leading discuss #3:**  
Supportive business services that are (and  
should be) in place to make the Carolinas a  
friendly business hub (for foreign investors)