

'Insourcing' A Boon To Mississippian Economy

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GULFPORT, Miss. (AP) -- It's hard to come up with an example that better shows the dual nature of awarding a project to a company with foreign roots than the ongoing controversy over a \$40 billion Air Force aerial tanker.

Boeing Co. supporters say a win by European Aeronautic Defense and Space Co. would be tantamount to giving U.S. jobs to foreigners.

Economic development officials are aware of the flipside.

An EADS win would mean a new plant in Mobile, Ala., creating 1,500 jobs that didn't exist before.

It's called "insourcing."

Some 5.3 million Americans owe their jobs to the investment of foreign-owned companies in the United States.

In south Mississippi, at least 18 companies have ties to foreign shores.

They include some of the most recognizable names in the world, such as the United Kingdom's Rolls-Royce and BAE Systems and Italy's Finmeccanica.

The most obvious benefits of insourcing are the jobs created and tax dollars that are paid.

And there are the less tangible benefits.

A successful launch of a new operation can broaden international awareness of the attributes of an area like south Mississippi.

The value of foreign companies is indicated by the effort economic development officials make to attract them.

One recent example was the Paris Air Show, which drew representatives from Mississippi, Alabama, Florida and other regions.

"Foreign direct investment has clearly played a major role in the economic development of the Mississippi Gulf Coast region, and I predict that it will manifest itself in a number of different ways in the years to come," said George Freeland, executive director of the Jackson County Economic Development Foundation.

"Already, foreign investments have served to expand our traditional industrial sectors in the form of petrochemical and commercial and defense shipbuilding.

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"I think they will increasingly impact other emerging sectors such as aerospace and energy-based projects."

Foreign companies invest in the U.S. for a variety of reasons, including proximity to markets, customers or materials, access to expertise, access to a trained work force and in some cases, a lower cost of doing business.

The size of the footprint of U.S. subsidiaries of foreign companies is large.

They employ 5.3 million Americans -- 4.5 percent of private sector employment -- and have an annual payroll of \$364.2 billion.

The average compensation for each U.S. worker is \$68,317.

That is 32 percent higher than compensation at all U.S. companies, according to the Organization for International Investment.

The manufacturing sector is the most heavily impacted, with 30 percent of the jobs at U.S. subsidiaries in manufacturing. That accounts for almost 11 percent of American manufacturing jobs, according to OFII.

According to IRS reports released in 2009, U.S. subsidiaries tax payments in 2006 were up nearly 18 percent from the previous year to a record \$50 billion.

Over a five-year period, U.S. subsidiaries' tax liabilities tripled from \$18.2 billion in 2002.

The foreign nation most represented in south Mississippi is the United Kingdom, which has interests in at least seven operations.

The only other country with more than one company is France, with two. They are involved in a range of industrial sectors, including defense, aerospace, security, materials and advanced materials, energy and power.

Rolls-Royce has two operations. It tests commercial jet engines at Stennis Space Center in Hancock County and makes propellers for Navy ships at Rolls-Royce Naval Marine in Pascagoula. The U.K. company's U.S. subsidiary is Rolls-Royce North America, which employs more than 7,300 in the U.S. and Canada.

Another major defense player is U.K.-owned BAE Systems, which has a Navy defense systems operation in Gautier. The U.S. subsidiary of BAE Systems plc is BAE Systems Inc., which has a special security agreement with Washington that mitigates foreign ownership and allows it to supply products and services to the Defense Department.

Singapore Technologies Engineering's U.S. subsidiary, Vision Technologies Systems, owns VT Halter Marine of Pascagoula and Moss Point, and builds ships, including those for the military. It also owns ST Mobile Aerospace in Mobile.

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QinetiQ North America is the U.S. subsidiary of the U.K.'s QinetiQ, a defense technology and security company founded in the U.K. as a national defense lab, similar to DARPA. It has an operation in Long Beach.

Two of the companies, both in Hancock County, are involved in airborne sensor equipment and operation. Optech International is the U.S. operation of Canada's Optech, and Selex Sensors & Airborne Systems Inc., is the U.S. business development, marketing and product support arm of Selex Galileo, part of Italy's Finmeccanica.

Three companies have advanced materials operations in Port Bienville Industrial Park. They are the former Mississippi Polymer Technologies, now a part of Belgium's Solvay Advanced Polymers; France's SNF Polychemie; and Saudi Arabia's SABIC, the former GE Plastics.

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