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Foreign Investment in City Is Growing, Report Finds

By [PATRICK MCGEEHAN](#)

More than one-tenth of all the goods and services produced in New York City and 1 of every 20 jobs are supplied by companies controlled by foreign investors, according to a report scheduled to be released on Friday by the Partnership for New York City.

Those contributions have been growing in the past several years as companies from emerging markets like China and India have expanded and as the American dollar has weakened, the report's authors found.

Proponents of free trade, like the large corporations that the partnership represents, say that foreign investment is good for the city because it creates high-paying jobs and attracts skilled workers. But they also say that those gains could be threatened by a rising tide of protectionist sentiment that has led to tighter [immigration](#) policies in Washington and opposition to some takeover attempts by foreign companies.

"Everybody complains about offshoring and outsourcing and the negative side of globalization of the economy," said Kathryn S. Wylde, the partnership's president. "We're trying to quantify the benefits of globalization. New York is a great example of how our economy can flourish if we welcome and use foreign investment."

Opponents like the United States Business and Industry Council counter that acceptance of foreign investment is short-sighted and will ultimately lead to the loss of American jobs as companies shift operations out of the country.

Ms. Wylde said she believed the report, prepared by a consultant hired by the partnership, was the first attempt to measure the economic impact of direct investment in the city by foreigners. It counted only controlling investments in job-generating enterprises, excluding minority stakes in companies and passive investments in real estate.

The report estimated that businesses in the city that were controlled from abroad accounted for about \$58 billion of the city's total economic output of \$570 billion in 2006. Those enterprises employed nearly 200,000 workers, or more than 5 percent of the city's total employment, the report said.

Ms. Wylde cited as an example the purchase last year of Key-Span Energy, the Brooklyn-based utility, by National Grid, a British company that now owns power companies across the Northeast. Another is [the Plaza Hotel](#), which is owned by companies from Israel and Saudi Arabia and managed by a Canadian company.

The flow of foreign money into the city has risen by almost 50 percent since 2002 up to 2006, according to the report. It estimated that direct investment in the city by foreign companies had climbed at a rate of more than 10 percent annually from \$39 billion in 2002. In that time, the foreign-financed share of the gross city product rose to 10.2 percent from 9.2 percent, the report said.

At that level, the role of foreign-owned companies would be significantly bigger in New York City than in the rest of the country, said Matthew J. Slaughter, an associate dean of the Tuck School of Business at Dartmouth. Mr. Slaughter said foreign investment accounted for about 5.5 percent of the nation's gross domestic product.

Mr. Slaughter said he would expect New York to attract a lot of foreign companies that wanted to be close to Wall Street or to compete in other professional services that are concentrated in the city. Its international reputation as a center of American business gives it more to gain from globalization, but potentially more to lose if the United States tries to stem the flow of foreign capital.

Supporters of free trade have been troubled by a growing backlash against cross-border trade agreements and acquisitive foreign companies. In Washington, some members of Congress have opposed a proposed buyout of [Anheuser-Busch](#), the brewer based in St. Louis, by a Belgian company.

There was also some opposition to the recent shoring up of [Citigroup](#) and other big New York-based banks by state-owned investment funds from Asia and the Middle East, infusions that the city says totaled about \$40 billion.

"I just don't get that," said Robert C. Lieber, the deputy mayor for economic development, referring to the opposition to foreign investments in New York banks. "The money that's coming in is coming in big bags and is taking very passive positions. We should be much more welcoming of this kind of an investment and not fearful of it."

The Bloomberg administration has supported foreign investment in the city and the country, both through the creation of American subsidiaries and the injections of capital into domestic companies.

Mitchell L. Moss, a professor of urban policy and planning at [New York University](#), said the city "depends on the free flow of people, ideas, goods and money." Referring to [Barack Obama's](#) statements that he might support opting out of the [North American Free Trade Agreement](#) under certain circumstances, Mr. Moss added, "Any effort to impose protectionism hurts us."

Mr. Slaughter said that federal data showed that on average, foreign-owned companies paid wages about one-third higher than their American-owned competitors. He said foreign-owned companies provided more than five million jobs in the country.