

**MEDA Spring Conference**  
**International Trade and Foreign Direct Investment**

This presentation is focused on Trade and Foreign Direct Investment in the United States and Maryland. It provides a brief historical overview of US trade patterns and exchange rates as well as an overview of the US' and Maryland's dominant trade partners and leading export goods. It also includes a note on the significance of export goods for Maryland's manufacturing industry and the role it plays with job creation. The presentation wraps with an analysis of the concentration of foreign-owned establishments and employees in Maryland and how it compares to the rest of the US.

Many economists believe that a major source of economic growth in the future will be driven by exports. In the past this may have meant more finished goods, but in Maryland's service sector-based economy it could also mean the export of services abroad in addition to high-value manufactured goods. Moreover, many foreign-owned firms call Maryland home and it is important to continue that inflow of foreign direct investment into the state. It is critical that economic development experts understand this and leverage Maryland's assets to serve as an entry point for foreign-owned firms.

The number of foreign-owned Maryland firms by industry and the number of employees were also presented. The challenge is that without context, these numbers do not convey whether the level of foreign ownership of Maryland firms by industry or employment in these firms is significant compared to the rest of the US. In regional science, a "location quotient" is often used to determine whether a region's industry is basic or non-basic. The location quotient is the ratio of the proportion of employees in Industry X in region Y to region Y's total employment compared to the proportion of employees in Industry X in the nation to total employment in the nation. If this ratio is great than one, we say that some of the employment is in non-basic industry, that it is serving more than the region's needs and some of the service or the product is being exported.

For the number of foreign-owned firms and the number of employees at those firms, a location quotient was calculated for Maryland. For each industry, the ratio of the proportion of foreign owned firms in Industry X in Maryland to Maryland's total employment compared to the proportion of foreign-owned firms in Industry X in the nation to total employment in the nation was calculated. The same calculation was completed for the number of employees in foreign-owned firms. If the ratio is greater than one, it implies that compared to the nation, Maryland has disproportionately more firms (employees) that the nation, so Maryland is fairly strong in that industry in terms of foreign ownership. The weakness is that this approach places an equal weight on a \$10 million company as a \$100 million company or a highly paid employee with a lower salaried employee.

In summary, exports will be a key component to the economic recovery and that Maryland has a relatively strong presence in foreign owned firms and employment at those firms.