Closing Report
Faculty Research Grant, Summer 2010
Explore Determinants of Greenfield FDI and Mergers & Acquisitions FDI and Effects on U.S. Local Communities
Submitted by Hong Zhuang
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1. Description of grant-supported activity

The grant allowed me to purchase Greenfield FDI data in the U.S. between 2003 and 2010 from the Financial Times Ltd. Corporations and spend the summer 2010 collecting the data on state and city characteristics required to examine the different characteristics of two different modes of FDI – Greenfield and Mergers & Acquisitions (M&A) FDI and heterogeneous impacts on host economies in the U.S. The flow of funds and technology from foreign direct investment (FDI) into many nations has attracted great attention from those in the field of economics. However, little empirical work has examined these issues. This project intends to utilize data on new foreign plants and acquired foreign firms in the U.S. to explore the heterogeneous determinants for the location decisions of such investment and the differential impacts of these two modes of FDI on host economies. The findings of this project will have significant implications for policy makers to improve efficiency of state development programs and to consider complementary policies to maximize the developmental benefits of FDI.

2. Were you able to complete the project? Describe any difficulty you had.

Most of the previous literature focuses on the location determinants and impacts of overall FDI. The literature on multinational enterprises’ location determinants in the U.S. is relatively smaller. Some work has been done to explore the location decision of Greenfield FDI. However, the data are outdated. To my knowledge, there is no study on location determinants of M&A FDI in the U.S. Moreover, very few studies distinguish the spillover effects of M&A and Greenfield FDI. Therefore, the difficulty lies in the comprehensive literature review on the difference in the two modes of FDI to determine the variables to explore the location determinants and the spillover effects of M&A and Greenfield FDI.

Furthermore, it took a great deal of time and effort to collect the data required to analyze 50 states and 200 cities over the time periods of 2003-2010. I need to compile data from various sources, including the U.S. Census Bureau, the Bureau of Economic Analysis, and the Bureau of Labor Statistics. Some data, especially the city level data are not
publically available. I need to write to the correspondence of the statistical bureaus for help. Furthermore, I also try to borrow city statistical yearbooks through interlibrary loan.

I was not able to analyze the data and write-up the results during the summer of 2010. However, I am pleased with the progress I have made since collecting the data.

3. **Did, or will, the project result in a specific product -- a manuscript, composition, syllabus, etc? If so, please describe and indicate state of development.**

The project is anticipated to result in three manuscripts. The first manuscript examines the location determinants of M&A and Greenfield FDI using state and city data. The second manuscript explores the economic growth effect of M&A and Greenfield FDI at the state level. The third manuscript investigates the spillover effects of M&A and Greenfield FDI on state government budget and public expenditures on education and public infrastructure. I have completed the literature review and set up the econometric model. Currently I am in the stage of running regressions and analyzing the estimated results. I plan to submit proposals to present my research at scholarly conferences such as American Economic Association Annual Meetings. Furthermore, I also plan to submit the work to refereed scholarly journals for publication.