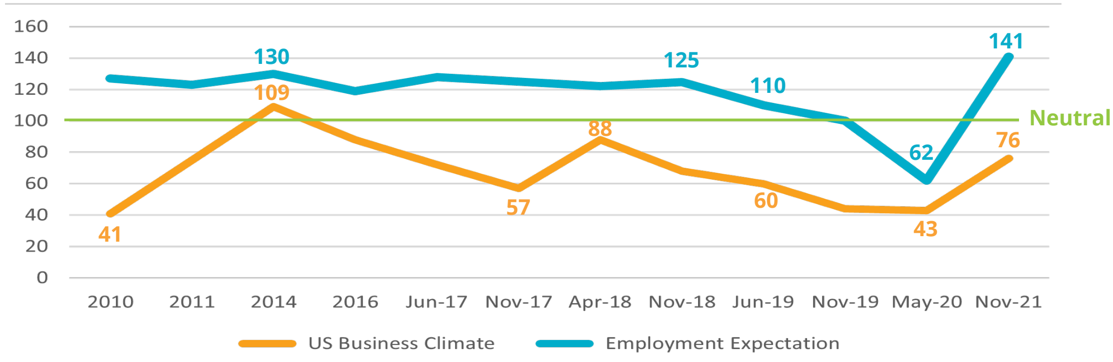
Inbound Investment Survey

Key Takeaways

- International companies envision major jobs expansion in 2022 despite significant macroeconomic headwinds.
- Supply chain disruptions are having a greater impact on U.S. operations than the COVID-19 pandemic - with many companies indicating their intent to diversify global supply chains, including reducing their reliance on Chinese suppliers.
- Several major employers cite “Buy American” protectionism and uncompetitive tax proposals as negative pressures on their U.S. operations.

International Companies’ Employment Expectations Reach All-Time High

Concerns Remain Over US Business Climate



Note: These are diffusion indices. Numbers greater than 100 indicate expansion/optimism; numbers less than 100 indicate contraction/pessimism.

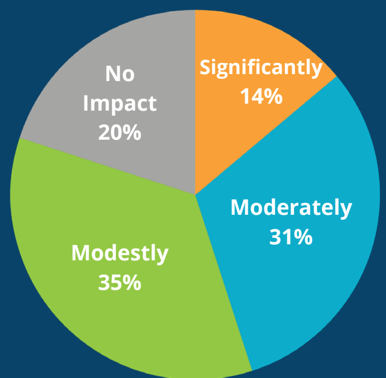
Both the GBA U.S. Business Climate Index™ and the GBA Employment Expectation Index™ saw marked increases compared to the previous survey levels. While these major U.S. employers continue to have reservations about the U.S. business climate, their expectations for increasing employment over the next six months reached an all-time high, with nearly half (49%) of respondents saying they plan to add jobs.

Today, 39 percent of GBA members believe the U.S. business climate for international companies is “getting worse” when compared to six months ago. Only 15 percent believe it is “getting better.” Many companies remain concerned about external factors such as supply chain disruptions, inflationary pressure in the U.S. stretching into 2022 and the potential for more uncompetitive tax and procurement policy changes.

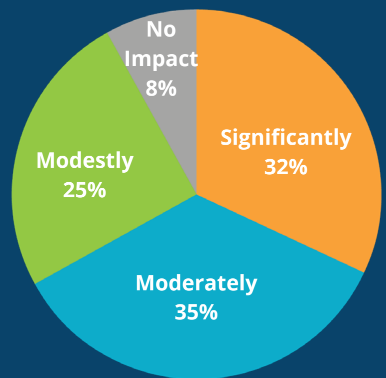
Supply Chain Delays Having Greater Impact than COVID-19 Pandemic on US Operations

GBA members have been overwhelmingly impacted by supply chain disruptions, with 67 percent indicating shortages have had a moderate or significant impact on their U.S. operations. Less than half (45%) held that view of COVID-19. More than one-quarter (29%) of respondents expect to diversify their global supply chains, with 18 percent indicating plans to become less reliant on Chinese suppliers.

How has the COVID-19 pandemic negatively affected your company’s U.S. operations?



Compared to pre-pandemic levels, how significantly have supply chain delays impacted your company’s U.S. operations?

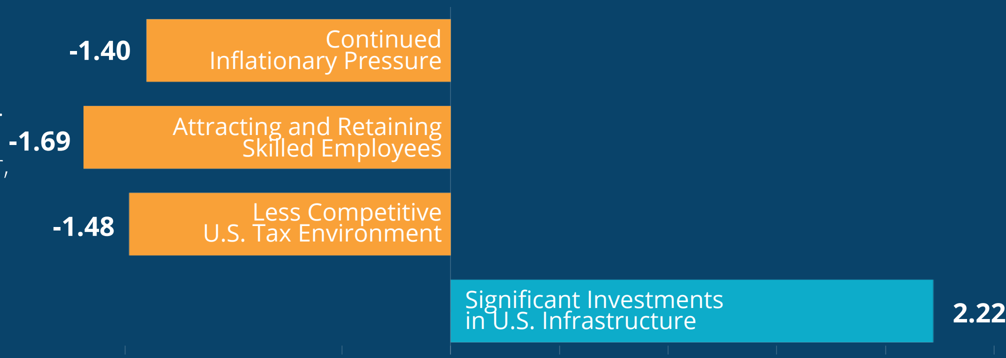


Given the concerns about reliance on global supply chains, how do you expect current challenges to impact your company’s long-term operations?

Inflation, Labor Shortages and US Tax Policy Changes Create Uncertainty for Future Growth

When asked to evaluate a number of factors that could impact their U.S. operations in 2022, GBA executives indicated that concerns over maintaining a skilled workforce would have the most negative impact. Democratic tax proposals registered as the second most concerning factor, followed by continued inflationary pressure. Significant investment in U.S. infrastructure, such as the Bipartisan Infrastructure Framework, is viewed as having a positive impact.

Given what you know now, how do you think the following factors will impact your U.S. operations over the next year? (-5 = Major Negative Impact; 0 = Neutral; 5 = Major Positive Impact)



In Their Own Words...

Buy American/Buy America is probably the largest unknown negative pressure to the business.
- Senior U.S. Mfg. Executive

Ongoing and increased administration and congressional advocacy for new 'Buy American' regulations can be described as 'sub-optimal.'
- Senior U.S. Mfg. Executive

There continues to be a belief in the Executive Branch that U.S.-headquartered manufacturers have more U.S. manufacturing than foreign-headquartered companies. This is simply not true, and all multinationals are global regardless of their country of HQ domicile.
- Senior U.S. Energy Sector Executive

An increasingly negative regulatory environment is also a concern. As well as the increasing cost of energy in the U.S. Losing a big competitive advantage for energy intensive companies.
- Senior Consumer Staples Executive

Policy Spotlight: BBB Act Would Actually Tax Job Growth

GBA believes it is critical that America remains the world's premier destination for international investment, and that stable U.S. tax policy is a key component of U.S. competitiveness. Currently, two provisions of the Build Back Better Act disproportionately burden employers that have made a deliberate decision to invest in the United States and create high-quality U.S. jobs.

The proposed **Section 163(n)** would create a global interest limitation that would have a chilling effect on foreign direct investment. This additional limitation will significantly **increase the cost of capital** for employers interested in growing and maintaining operations in the United States and could push future investment abroad.

Additionally, there is one critically flawed **BEAT tax provision** that needs immediate remedy, as it creates significant unintended consequences and is completely inconsistent with the OECD goal of targeting and appropriately taxing payments made to a low-tax jurisdiction. As drafted, a potential failure to meet the foreign Effective Tax Rate exception results in a harsh cliff effect -- effectively treating payments subject to a 14.9 percent ETR (when the applicable ETR rate is 15 percent) the same as a payment subject to a zero percent ETR.

Learn more at GlobalBusiness.org

The GBA Inbound Investment Survey was distributed to senior executives of approximately 200 U.S. subsidiaries of foreign companies in November 2021. Surveys were due by November 30. GBA received 65 complete responses and the results presented, unless otherwise noted, are based only on these responses. Visit globalbusiness.org/Survey for complete details.