Foreign firms operating in the U.S. play an important economic role in the nation and Fourth District states. The U.S. Department of Commerce classifies a firm as a U.S. affiliate of a foreign firm if at least 10% of the voting securities are controlled by a single foreign entity. In 1997, roughly 4% of all U.S. workers were employed by U.S. affiliates of foreign firms, up from about 3% of all workers in 1986.

From 1986 to 1997, foreign firms' strongest employment growth occurred in the West and the Great Plains states. The least growth was seen in the Northeast and along the Mississippi River. In the Fourth District, West Virginia was the only state to experience declining employment by foreign firms. Kentucky, by contrast, posted one of the highest growth rates in foreign employment of any state. From 1986 to 1997, employment by U.S. affiliates of foreign firms in Kentucky grew at an average annual rate of 8.0%, almost double the U.S. rate of 4.8%. In Ohio, foreign firms' growth rates were slightly higher than the national average.

The pattern of foreign firms' employment shares in Ohio and Pennsylvania mirrors that of the U.S. as a whole: A powerful surge in foreign firms' employment growth in the late 1980s was followed by a period of stable ratios between foreign and
Foreign Firms (cont.)

domestic employment growth. In Kentucky, however, the share of jobs provided by foreign firms continues to rise, while the portion of foreign firms’ employment in West Virginia has been declining since 1994.

The location of foreign firms within Ohio closely tracks the patterns of interstate highways and major population centers. Most of the state’s foreign firms are on the edges of a triangle that is roughly bounded by Interstates 71 and 75 and by the Ohio Turnpike, with Cleveland, Cincinnati, and Toledo at the points. Few foreign firms are found in the Appalachian counties of southern Ohio. Cuyahoga County, including the city of Cleveland, has the most foreign firms of any Ohio county (145), followed by Franklin County, including the city of Columbus (93 firms).

More than 80% of all foreign firms in Ohio are from only five countries: Japan (which alone accounts for nearly a third of these firms) is first, followed by Canada, Germany, France, and the U.K. The rest of the state’s foreign firms come from 20 other countries.

The overwhelming majority of Ohio’s foreign firms (74%) are in the manufacturing sector. They tend to be concentrated in a much narrower range of industries than Ohio manufacturers as a whole. Industries with a particularly high concentration of foreign firms include electrical equipment; stone, clay, and glass products; chemical products; and primary metals.

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a. As of August.
b. Finance, insurance, and real estate.
SOURCES: Ohio Department of Development, Office of Strategic Research, Foreign Companies with Operations in Ohio, September 1999; and Harris InfoSource, Ohio Industrial Directory 2000.