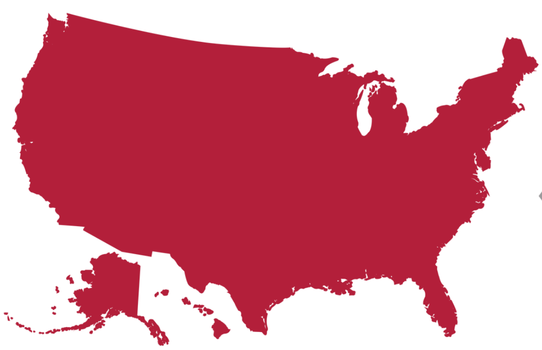
ORGANIZATION *for* INTERNATIONAL INVESTMENT
Global Investment Grows America's Economy

pwc



CFO INSOURCING SURVEY 2016

The *2016 CFO Insourcing Survey* is based on results from 100 CFOs of U.S. subsidiaries of insourcing companies, which are foreign-headquartered companies with U.S. investment and employment.

US Remains Competitive As Emerging Markets Falter

Overall, CFO confidence levels in 2016 are similar to 2014, but concerns about the future have risen. The United States is the "top location for growth and new investment" in the next five years for 20 percent of CFOs, up from 13 percent in 2014. However, this looks to be due, in part, to weakening elsewhere. While 33 percent of CFOs chose China as the top destination, its level has fallen from 49 percent in 2014. The percentage of CFOs who expect the U.S. business climate to get worse for foreign direct investment (FDI) in the next 12 months has nearly doubled, from 17 percent in 2014 to 30 percent now.

US Scores Highly in Access to Capital, Infrastructure Quality and Skilled Workforce

A majority of CFOs say that the United States is more competitive than other advanced economies in terms of "Access to Capital" (81 percent), "Skilled Workforce" (68 percent) and "Infrastructure Quality" (64 percent).

Insourcing Companies Face Discrimination on Multiple Fronts

A majority of CFOs (54 percent) say that their company has faced discriminatory tax policies. This is also true at state and local levels of government, which have increasingly pursued policies that undermine international norms and provisions of U.S. tax treaties. There is also growing concern about anti-foreign rhetoric in public policy discourse. Critically, these findings antecede Treasury's recent actions to reclassify business debt as equity, which disproportionately affect insourcing companies and could have a negative impact on U.S. competitiveness.

Decreased Confidence in the US Economy Will Slow New Investment

More than half of CFOs (56 percent) expect to increase investment in the United States within the next 12 months, and 43 percent plan to increase employment. These expectations are lower than those from 2014, when 64 percent of CFOs planned to increase investment and 51 percent planned to increase employment.

Ways the United States Can Attract More Global Investment

Insourcing CFOs say that the top three actions the federal government can undertake to increase foreign direct investment in the United States are:

1) Modernize the Tax System
2) Improve the Regulatory System
3) Finalize Bilateral and Regional Trade Agreements

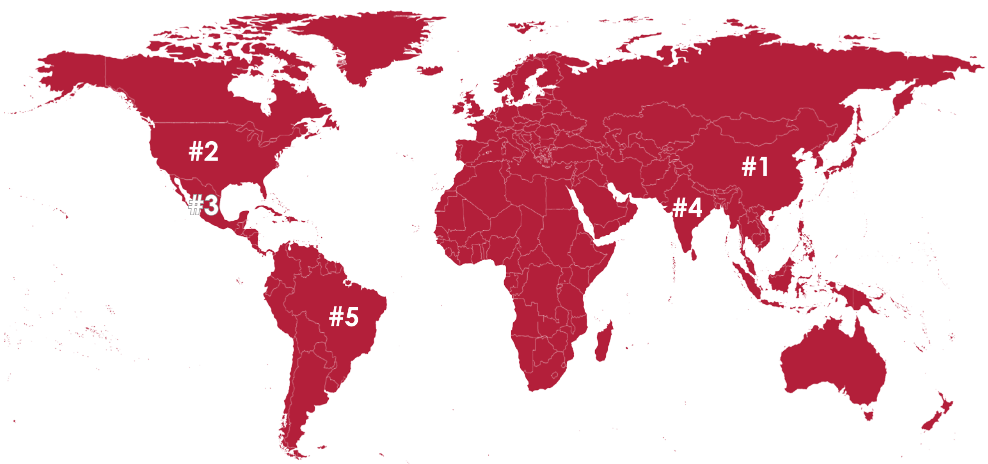
US Competitiveness

The United States' ability to attract global investment has been buoyed by stagnant economic growth around the globe. However, after improving between 2011 and 2014, CFOs' overall confidence in the U.S. economy is essentially unchanged from 2014 levels. While the United States excels in access to capital, political stability, proximity to customers and skilled workforce, it remains very uncompetitive in its tax system and regulatory environment - two of the top drivers of global investment decisions - underscoring the importance for policymakers to take steps in order to keep the United States attractive for global investment.

Global Weakness Boosts US Ranking

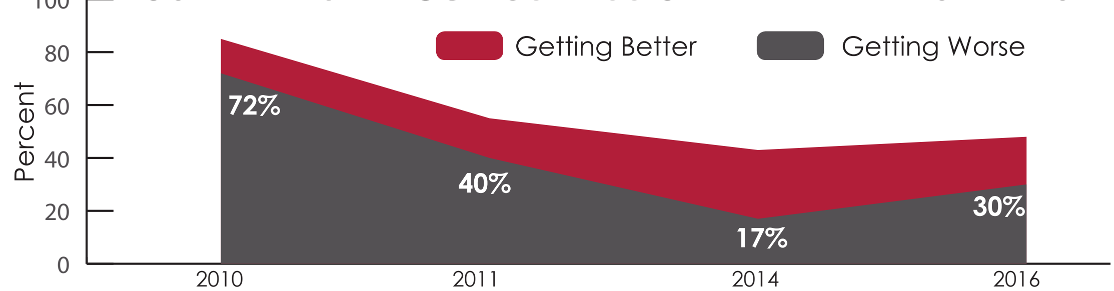
One-fifth of CFOs said the United States is their top location for new investment in the next five years, up from just 13 percent in 2014.

China remains the top destination for new investment, and the United States claims second place. Brazil and India have lost ground to Mexico.

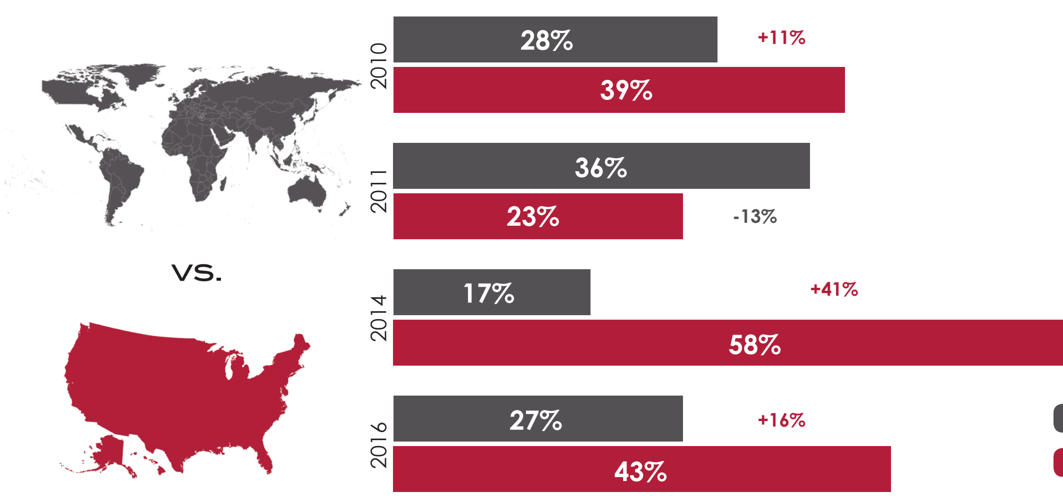


Confidence in US Business Climate Deteriorating

An increasing number of insourcing CFOs expect the U.S. business climate to worsen in the next 12 months.



Among Advanced Economies, US Competitive Advantage Is Slipping



43 percent of CFOs see the United States as having a stronger business environment when compared to other advanced economies, though the margin of America's advantage has shrunk by 25 percentage points since 2014 (+41% to +16%).

Advanced Economies Are Stronger

United States Is Stronger

*Excludes "U.S. is on par with other countries" respondents.

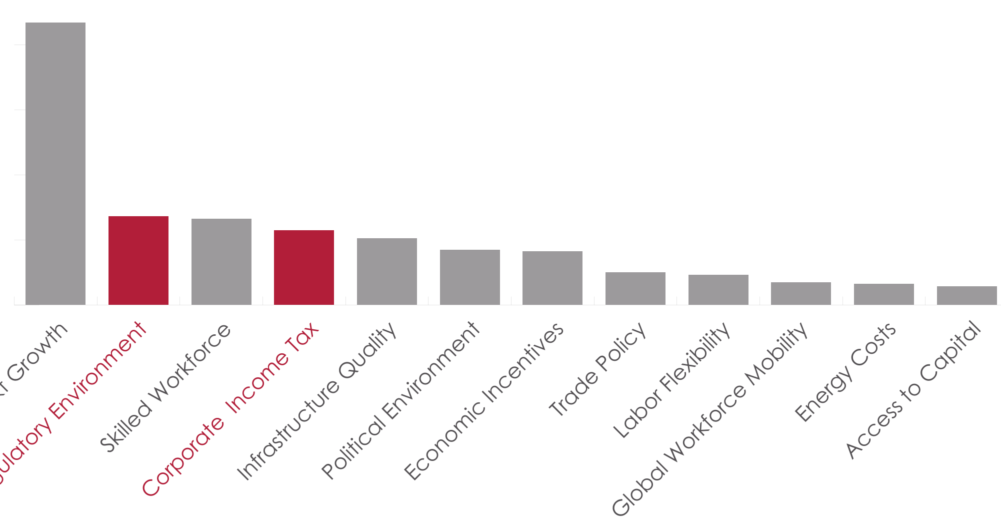
US Competitiveness Matrix

Overall, CFOs say the United States is on par with or ahead of other advanced economies on many key areas, including access to capital, infrastructure quality, political stability and skilled workforce. America's tax system and regulatory environment are two of the least competitive areas globally. They are also two of the four biggest drivers of global investment.

	US leads	US is more competitive	US is average	US is less competitive	US is very uncompetitive
Access to Capital	47%	34%	18%	1%	0%
Corp. Income Tax	1%	0%	12%	49%	38%
Econ. Incentives	1%	15%	62%	21%	1%
Energy Costs	11%	40%	42%	7%	0%
Global Workforce Mobility	4%	39%	43%	13%	1%
Infrastructure Quality	15%	48%	28%	9%	0%
Labor Flexibility	11%	41%	33%	14%	0%
Political Stability	33%	48%	18%	2%	0%
Potential for Market Growth	26%	48%	21%	4%	1%
Regulatory Environment	1%	18%	42%	37%	2%
Skilled Workforce	13%	55%	29%	2%	0%
Trade Policy	3%	29%	58%	9%	1%

Top Drivers of Global Investment

Beyond being close to new customers, CFOs say a country's regulatory environment, skilled workforce and corporate income tax have the largest impact on determining where they will prioritize future investment.



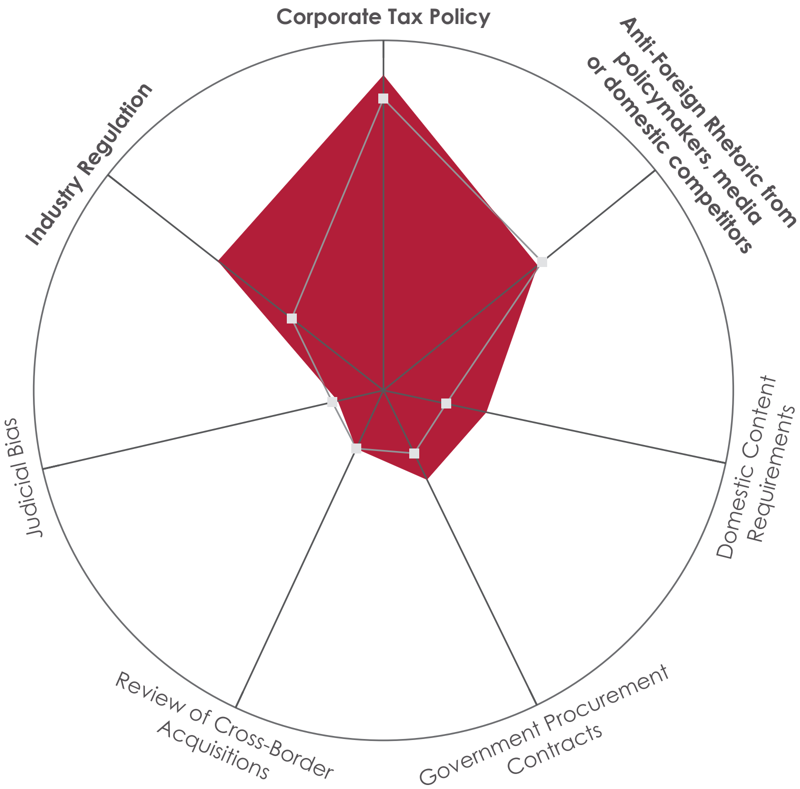
DISCRIMINATION

CFOs say that foreign companies doing business in the United States face discriminatory treatment in taxation of their U.S. business operations when compared to domestic firms. In fact, 54 percent of CFOs say that discriminatory corporate tax treatment has had a negative impact on their U.S. business operations or their decision to invest in the United States.

More than one-third of CFOs (36 percent) have faced regulatory discrimination.

Anti-foreign rhetoric and judicial bias at both the state and federal level is viewed as an obstacle to business operations and investment.

TOP AREAS OF DISCRIMINATION

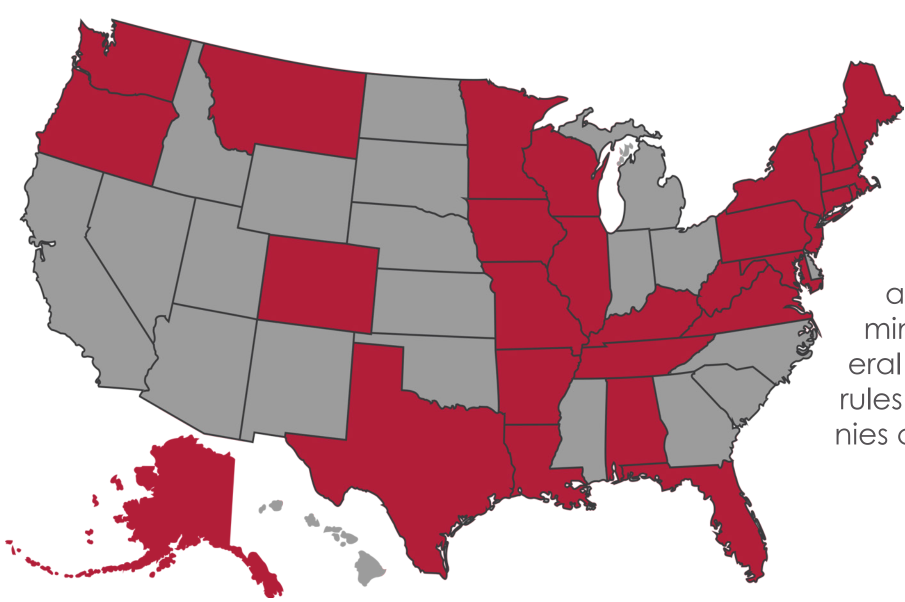


STATES ARE PROPOSING DISCRIMINATORY ACTIONS

Domestic Content Legislation

These proposals limit procurement contracts to products made with certain percentages of domestic content, sometimes as high as 100 percent. Companies with global supply chains face challenges in meeting these restrictive domestic content requirements and may be unable to compete for contracts. These bills make the United States less competitive for FDI.

States that have recently proposed policies that could negatively impact FDI attraction efforts



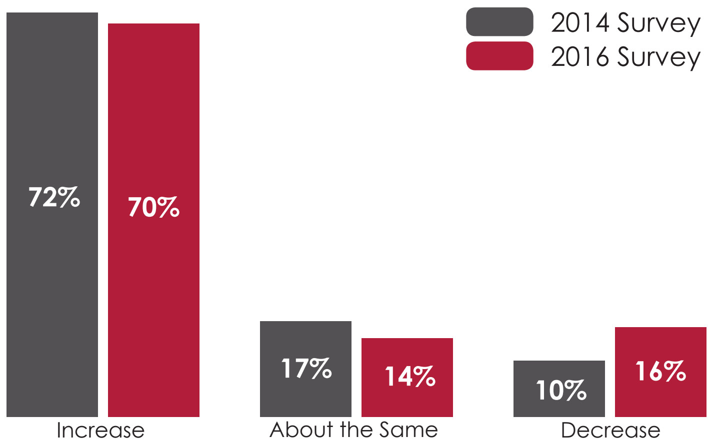
Tax Policies that Violate International and Federal Tax Norms

States often through legislation or audit pursue policies that would undermine the principles of United States bilateral tax treaties and federal income tax rules. When this occurs, insourcing companies could be subject to double taxation.

Manufacturing

Today, the U.S. manufacturing sector relies heavily on global investment, which supports nearly 20 percent of all U.S. manufacturing jobs. Of all CFOs, 70 percent of those surveyed said they have U.S. manufacturing operations. Most expect to increase their output and nearly half plan to hire more U.S. workers in the next year, slightly above the level of non-manufacturers.

US Manufacturing Is High Mark for FDI



Growing demand from U.S. customers and certain supply-side factors drive these expected increases.

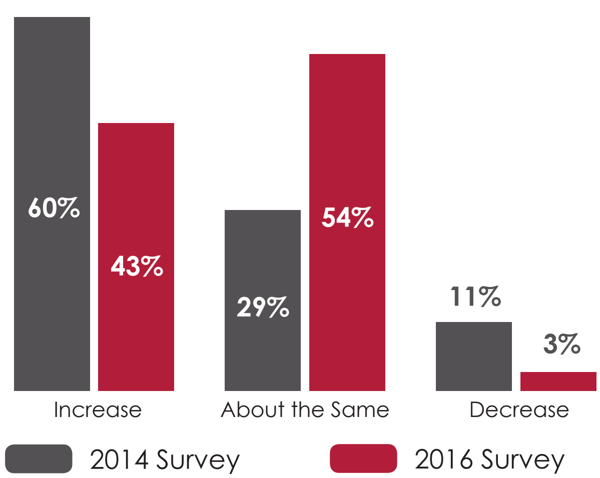
Those factors include relatively low energy costs and access to skilled labor.

Trade

While 90 percent of CFOs say that the United States is on par with or more competitive than other advanced economies in terms of trade policies, they list finalizing "bilateral and regional trade agreements" as the third-most important action the federal government could undertake in order to increase global investment. According to a recent OFII study, the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) could increase global investment in the United States by an estimated $173 billion, with more than one-third of that investment flowing to the manufacturing sector.

Insourcing companies accounted for 16 percent of all U.S. exports in 2013, rising from $217 billion in 2009 to more than $360 billion in 2013. Compared to the 2014 survey, more CFOs expect to maintain their current level of exporting activity in the next five years. The chemicals industry was the only one to show a majority of CFOs with plans to increase their U.S. exports.

Export Levels to Remain Unchanged



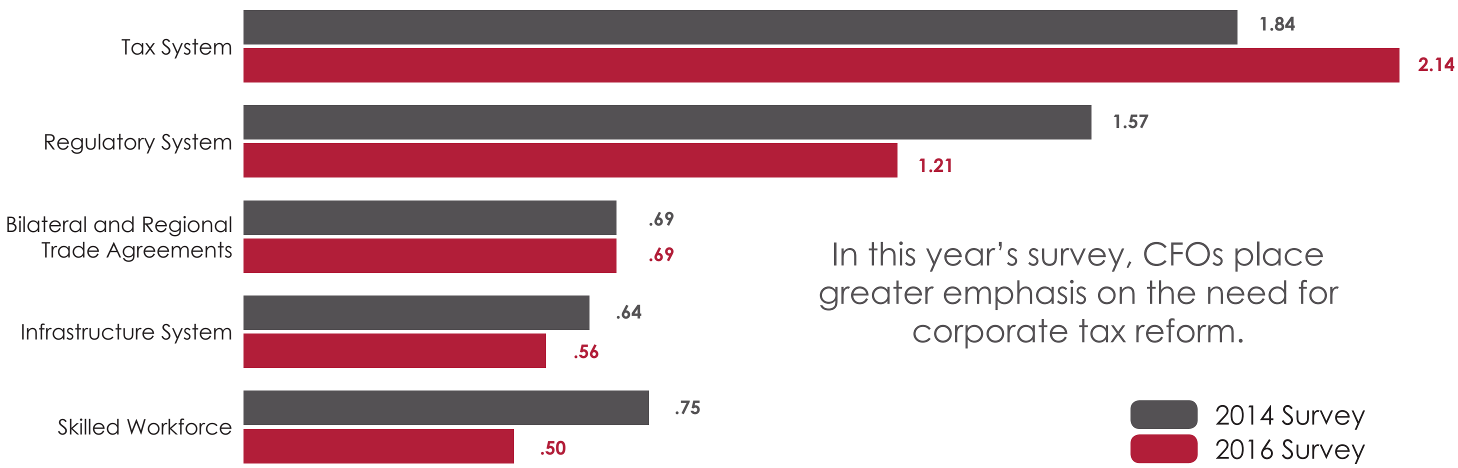
Industries Prioritizing Trade Agenda

- Chemicals
- Aerospace and Defense
- Consumer Products

Federal Priorities

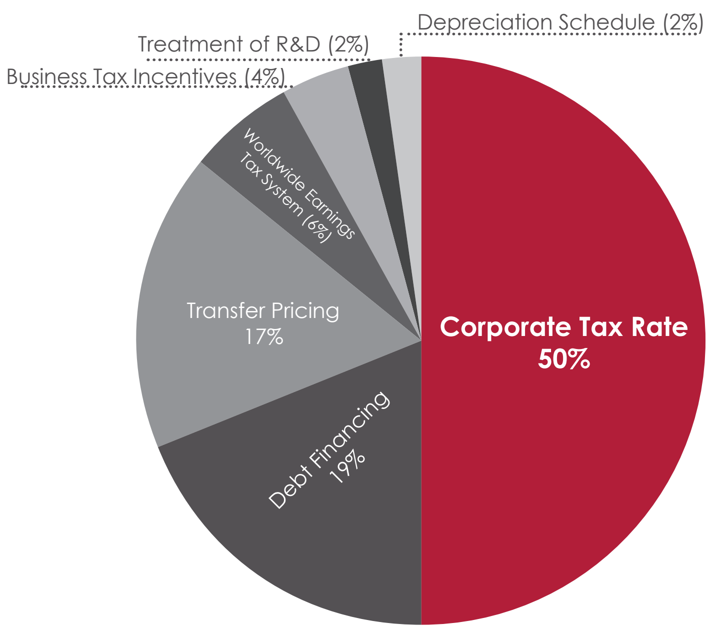
Much like the broader business community, insourcing CFOs overwhelmingly believe that modernizing the U.S. corporate tax system would benefit the United States' ability to attract more global investment. In fact, 50 percent of insourcing CFOs indicated that the corporate income tax rate is the most important aspect of U.S. federal tax policy that impacts their company. When asked what the federal government can do to increase global investment, modernizing the tax system was the top response across all industries. Improving the regulatory system was also identified as another top priority.

Top Five Most important federal Issues Needing to be Addressed



Values represent a weighted average where the highest ranking receives a score of 3, the lowest ranking receives a score of 1, and no ranking receives a score of 0. Max = 3

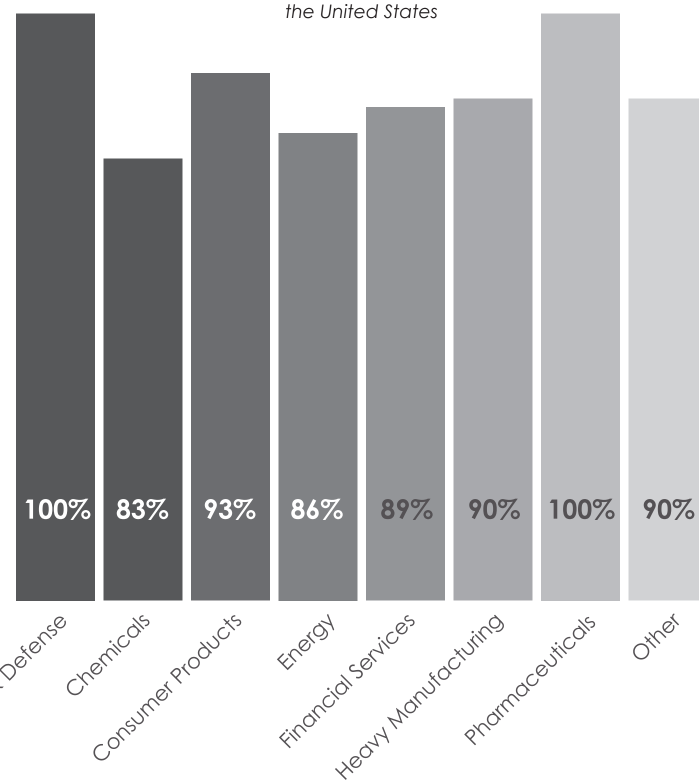
Within Tax Policy, the Rate Matters Most



Percent Ranking Aspect as Most Important

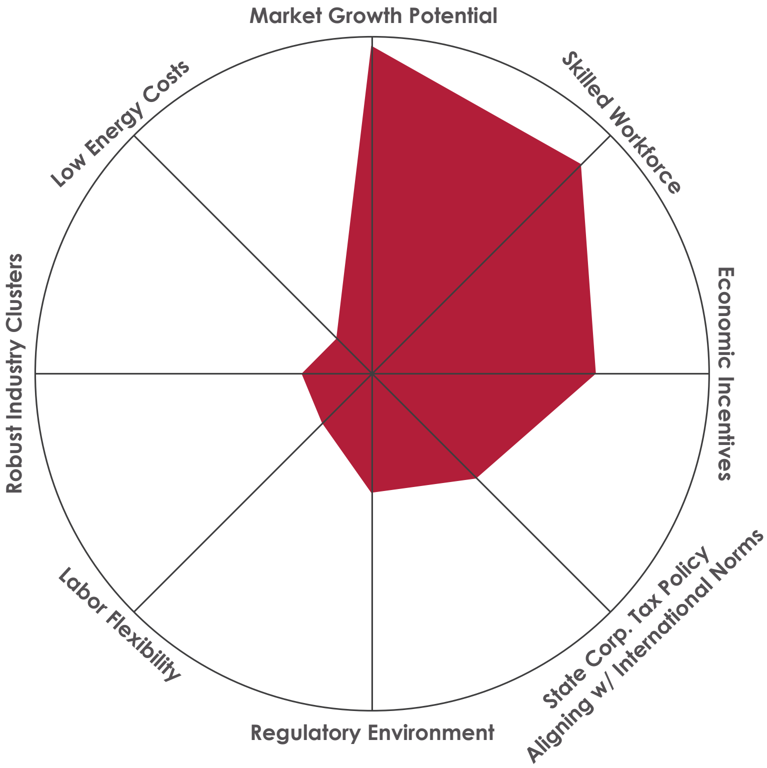
Need for Tax Reform Top Issue Across All Industries

Share of CFOs ranking the Tax System among the top three most important actions the federal government could undertake to improve investment in the United States



State Priorities

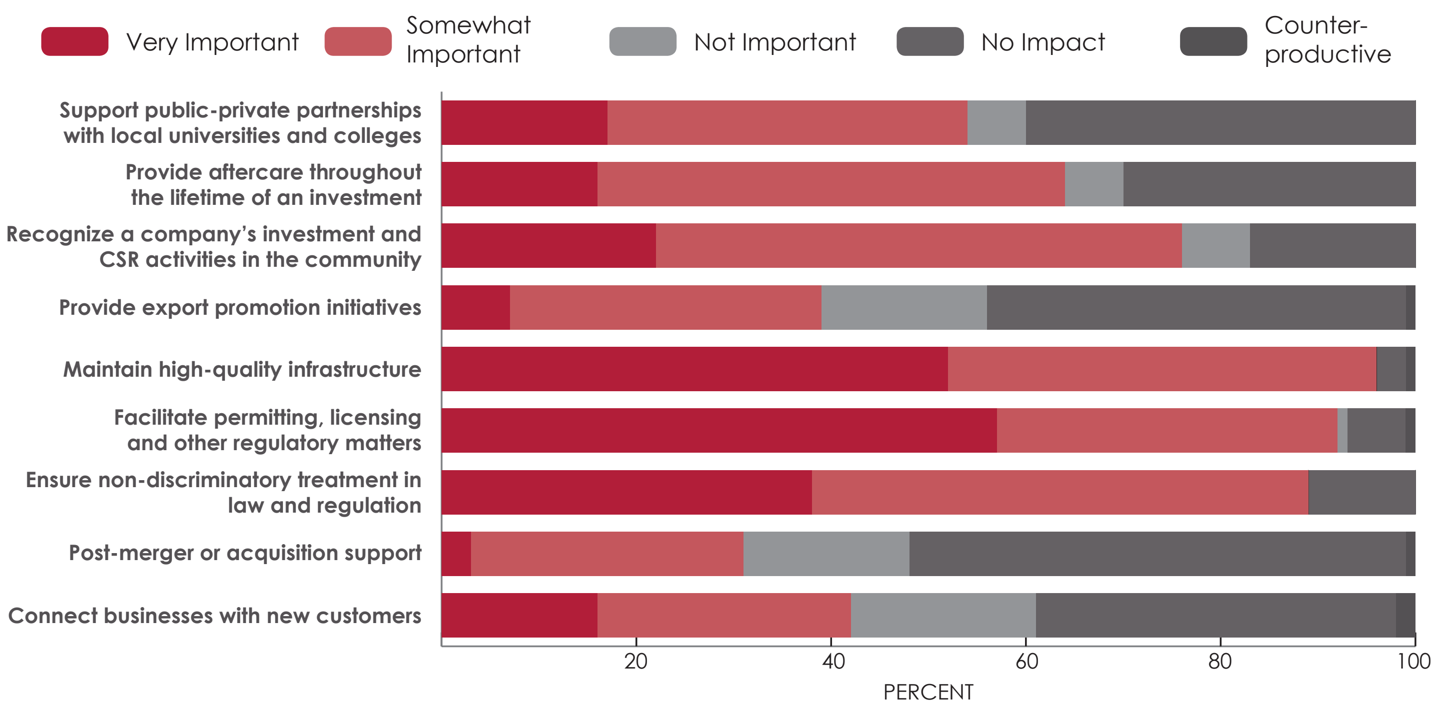
Top Drivers of Investing in a US Region



Proximity to customers and access to talented employees are the most important drivers when companies choose between regions in the United States. Economic and tax incentives help attract insourcing companies, and states should also work to ensure that their tax and procurement policies align with international norms and standards.

CFOs say that tax incentives (including credits, refunds, exemptions, and deductions) and other state incentives, such as utility rate breaks, and grants for workforce training have historically been the most valuable types of incentives. Non-tax financial incentives like bonds, loans, and loan guarantees are less attractive to CFOs.

Key Services State and Local Governments should Provide



Once a company has chosen a state in which to invest, CFOs say facilitating business permitting, licensing and other regulatory matters is the most important service that state governments can provide to encourage greater investment. Maintenance of high quality infrastructure and non-discriminatory treatment in law and regulation are also important.

Learn More

ABOUT THE 2016 CFO INSOURCING SURVEY

The 2016 CFO Insourcing Survey was distributed by email to approximately 200 CFOs of U.S. subsidiaries of foreign companies in November 2015. The CFOs were invited to participate in the online survey, which was jointly developed by OFII and PwC. Survey responses were due in March 2016.

PwC received 100 complete responses and the results presented in the report are based on these responses only. The survey responses covered companies in a number of different industries and companies of all sizes.

The complete findings of the 2016 CFO Insourcing Survey, including an overview of participants by industry and size, is available at ofii.org/CFO-survey.

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About OFII | Created more than two decades ago, the Organization for International Investment (OFII) is a non-profit business association in Washington, D.C. representing the U.S. operations of many of the world's leading global companies, which insource millions of American jobs. OFII works to ensure the United States remains the top location for global investment. As such, OFII advocates for fair, non-discriminatory treatment of foreign-based companies and promotes policies that will encourage them to establish U.S. operations, increase American employment, and boost U.S. economic growth.