MAJOR SECTORAL DEVELOPMENTS

This section on industrial sectors focuses on major investment transactions trends in those sectors where foreign direct investment was concentrated or for other reasons such as a particular investment pattern or a noteworthy transaction.

In 1989, there were 14 industrial sectors that had noticeable foreign direct investment activity. There were more than $1 billion worth of foreign direct investment transactions in 17 sectors.

Oil and Gas Extraction (SIC 13) -- In 1989, oil production in the United States fell to its lowest level since 1963 as reduced domestic demand and low energy prices held down oil and gas exploration. At the same time, the number of foreign direct investment transactions in this industry declined by 50 percent from 1988. Sixteen transactions were identified in 1989; 11 of them had an aggregate value of $761.9 million. For only the third year since 1980, the total known value of transactions in the oil and gas extraction sector fell below $1 billion.

Two transactions accounted for 75 percent of the total value. The largest transaction was an acquisition valued at $431.5 million. The 3.2 billion acquisition of Texas Eastern Corp. by Panhandle Eastern Corp. of Houston, Texas gave Sonatrach of Algeria a share of this transaction through its 13.4 percent holding in Panhandle Eastern. Sonatrach, a petroleum products company, is wholly owned by the Government of Algeria.

The second largest transaction was also an acquisition. Broken Hill Proprietary Co. Ltd., the largest public company in Australia, purchased Gulf Energy Development Corp., a San Antonio-based natural gas producer, from Penn Central Corp. for $140 million.

Oil and gas investments came primarily from four source countries in 1989. The United Kingdom accounted for four investments, while France, Japan, and West Germany each had two investments. Three investments were by companies owned or controlled by the governments of Algeria and France.

There were four types of investment transactions in this industry. Eleven transactions were acquisitions. There were also two joint ventures, two equity increases, and one new subsidiary. The oil and gas exploration and development subsector (SIC 1311) with 13 transactions was the most active area. Drilling oil and gas wells (SIC 1381), oil and gas field exploration services (SIC 1382), and oil and gas field services (SIC 1389) had one transaction each.

Geographically, Texas was the state with the largest number of oil and gas transactions; with seven investments, Texas outdistanced its closest rivals, Alaska and Pennsylvania, each of which had two investments.

Foreign direct investment in the U.S. oil and gas extraction sector was substantial in the 1980s, particularly in the first half of the decade. Almost 54 percent of the foreign investment came from companies in the United Kingdom, the Netherlands, and Canada; however, investors from Australia, France, and Japan also made a strong showing. During this period, 396 investment transactions were identified; 254 of then had a total value of $24.1 billion.

Food & Kindred Products (SIC 20) -- In 1989 foreign companies continued their active investment in the United States food and kindred products industry. Forty-two transactions were identified, 27 having a total consolidated value of $6.7 billion.

The three largest transactions accounted for 92 percent of the total value identified in the food industry. In the largest transaction, Grand Metropolitan PLC, a British food, beverage, and hotel company, paid $5.8 billion for The Pillsbury Company. This Minneapolis, Minnesota-based company owns well-known food brands, as well as the Burger King restaurant chain.

A British candy and beverage company was responsible for the second largest investment for this industry. Cadbury Schweppes PLC paid $220 million for Crush International of Cincinnati, Ohio. This acquisition strengthened Cadbury's market share of the U.S. soft drink market, which already included ownership of Canada Dry and a 30 percent interest in the Dr. Pepper Company.

Great Western Malting Company, headquartered in Vancouver, Washington, was acquired by Canada Malting Company Ltd. for $125 million. Great Western Malting is one of the largest producers of brewer's malt in the United States.

There were only three modes of investment in the food and kindred products industry. Acquisitions, which continued to be the most prominent form of investment, accounted for 69 percent of the total number of transactions. These 29 acquisitions had a total value of $6.6 billion. There were also seven new plants constructed and six new companies created.

Investors from Japan and the United Kingdom accounted for more than 71 percent of the total number of cases for this industry. Japanese investors were the major players in the food sector by number of transactions (19), with 18 known values totaling $254 million. British investors were by far the top foreign spenders with 11 transactions and an overall known value of $6.2 billion.

In the U.S. wine industry, the American wines, brandy, and brandy spirits subsector (2084), was a major area of activity for foreign investors. Foreign companies were responsible for eight transactions in California, the largest wine producing state in the nation. Of the eight transactions, five of them had a known value of $141 million.

Geographically, foreign investment in the food and kindred products sector took place in 18 states. California was the primary location in attracting foreign investors with 19 transactions. Minnesota was second with three transactions, while Georgia, New York, Virginia, and Wisconsin had two transactions each. Twelve other states had one transaction each.

Paper and Allied Products (SIC 26) -- U.S. producers of paper and allied products have enjoyed four years of steady growth and profits from rising sales in both the domestic market and expanded exports. These factors helped to attract foreign investors who spent a record sum on investments in this industry in 1989. While the number of transactions fell 25 percent, the values were larger than in previous years. Eight transactions were identified, seven of which had a total value of almost $2 billion.

Three transactions accounted for 84 percent of this total figure. The largest transaction, valued at $821 million, was Jefferson Smurfit PLC's equity increase in and recapitalization of Jefferson Smurfit Corp., its St. Louis-based paper products subsidiary. This transaction was accomplished through SIBV/MS, a company jointly owned by the Jefferson Smurfit Group and the Morgan Stanley Group. The Smurfit Group, a major paper products producer in the United Kingdom, is controlled by the Smurfit family of Dublin, Ireland.

The second largest investment transaction was Daishowa Paper Co. Ltd.'s $500 million modernization and expansion of its Port Angeles, Washington paper mill, which included the construction of a new pulp mill. The original mill, which produces paper for telephone directories, was purchased for $75 million from James River Corp. in 1988.

The third largest investment was a $300 million equity increase by Jujo Paper Co. Ltd. of Japan in North Pacific Paper Co. of Longview, Washington. Jujo Paper increased its ownership to 20 percent from 10 percent in this newsprint joint venture with Weyerhauser Co.

Japan, the major foreign investment source country in 1989, accounted for four investments, while Finland, Ireland, the Republic of China (Taiwan), and Sweden each had one investment. The leading form of investment was by acquisition; there were three of them. New plants and equity increases were the next most frequently utilized investment form, and each one accounted for two transactions.

Almost two-thirds of the investment transactions were in two industry subsectors: three in paper mills (SIC 2621) and two in pulp mills (SIC 2611). Washington, which had three transactions, and Kansas, which had two, were the states which attracted the most investment in this industry.

Foreign direct investment in the U.S. paper industry increased at a steady rate in the last decade. From 1980 through 1989, the Office of Trade and Investment Analysis identified 102 investment transactions, 65 of which had a total value of just over $6.6 billion. Investors from Canada, the United Kingdom, Japan, and Ireland were the most prominent during the 1980s.

Printing and Publishing (SIC 27) -- The trend toward industry consolidation in printing and publishing and the increasingly global nature of publishing ownership were more evident in 1989 as international publishers continued to strengthen their presence in the U.S. publishing market. In 1989, foreign direct investment in this industry fell slightly from the previous year's record high levels. Foreign firms made 31 investments, 17 of which had a total value of just over $3.2 billion. While this amount was a 45 percent decrease from the 1988 record value of $5.8 billion, it was, nevertheless, the second highest value on record for this industry since the International Trade Administration (ITA) monitoring program began.

Investors in this sector represented 10 countries, but as in 1988, five source countries accounted for 90 percent of the transactions. The United Kingdom ranked first, as it had for the previous three years, with 11 transactions. Canada was second with six transactions, followed by West Germany with five and Japan with three transactions.

Nine transactions had values exceeding $100 million in 1989. The largest investment was the $810 million acquisition of Lawyers Cooperative Publishing Co. Inc., a Rochester, New York publisher of legal and accounting publications, by International Thomson Organisation Ltd. of Canada. The Toronto-based publisher is controlled by the Thomson family. The Thomson publishing group also made two investments in the periodicals publishing sector and one in the newspaper publishing sector, values for which were not available.

Reed International PLC, the British publishing firm, had the second largest investment with the acquisition of News Corp. Ltd.'s Travel Information Group in a transaction valued at $359.9 million. (The total value was not used since part of this transaction was a transfer of assets between foreign parent companies; News Corp. is an Australian company.) This acquisition gives Reed the leading U.S. hotel directory and enough trade magazines to make it the major travel publishing firm.

The third largest investment in this industry was Ringier A.G.'s equity increase in W.A. Kreuger, a Scottsdale, Arizona commercial printing firm, for $322.4 million. The Zurich, Switzerland-based publisher and printer, which is owned by the Ringier family, acquired the 95 percent interest it did not already own. Ringier and Kreuger had jointly operated a book publishing concern called Krueger, Ringier Inc. in Chicago since 1985.

Continuing a five-year trend, most foreign direct investments in 1989 were in the periodicals publishing subsector (SIC 2721). Eleven transactions were identified; only three values were publicly available, however, and they totaled $696.7 million. There were eight investments in the book publishing subsector (SIC 2731) for which four values had a total of almost $1.5 billion, or almost 47 percent of the entire industry value. The newspaper publishing subsector (SIC 2711) had three transactions with one available value of $50 million.

The two primary forms of investment in the printing and publishing industry in 1989 were acquisitions (17) and joint ventures (4) which together accounted for more than two-thirds of the transactions. The majority of the investments were located in four states: 14 transactions were in New York, 5 in Massachusetts, and 2 each in Florida and Illinois.

In the 1980s, the U.S. printing and publishing industry became dominated by foreign companies intent on establishing strong positions in both the United States and the international market. During the decade, 255 investments were made; 104 of them had a total value of $12.7 billion. The primary source countries for foreign publishers were Canada, the United Kingdom, West Germany, and Japan. Foreign firms in Australia, France, and the Netherlands were also active investors.

Chemicals & Allied Products (SIC 28) -- The chemical and allied products industry, which has consistently attracted foreign investors, had some of the largest transactions this year. Global planning and efforts to pool market resources and research and development costs have caused considerable consolidation in this industry. Three transactions were valued at more than $1 billion each.

Seventy-eight transactions were identified with values for 38 of them totaling $15.6 billion. This was a 25 percent increase in the number of transactions over 1988. The value increased four fold.

The pharmaceutical preparations sector (SIC 2834) had 11 transactions with 62 percent of the value ($9.6 billion). In the largest transaction, Philadelphia-based Smithkline Beckman Corp merged its assets with the Beecham Group of England in an investment valued at $8.3 billion, establishing a new 50/50 joint venture company in England. In another major transaction, Fujisawa Pharmaceutical Co. Ltd. of Japan, which had purchased a 30 percent interest in Lyphomed Inc. of California in 1984, bought the remaining Lyphomed shares for $798 million.

Likewise, the cosmetics, perfumes, and personal care products industry (SIC 2844) attracted a sizable amount of foreign investment. Nine transactions were concluded with values for six in the amount of $2.2 billion. Unilever NV of the Netherlands, which acquired Chesebrough-Ponds in 1987 for $3.1 billion, continued its expansion strategy in the United States by acquiring Faberge Inc. of New York for $1.5 billion and Minnetonka Corp. in Minnesota for $376 million. These acquisitions give Unilever control over several well-known perfume and cosmetics products.

The largest transaction in the industrial chemicals subsector (SIC 2819), which had only four transactions, was the French oil firm Societe Elf Aquitaine's purchase of Pennwalt Corp of Pennsylvania, a diversified specialty chemical manufacturer, for $1 billion.

Acquisition/merger was the mode used most often (44). There were also 17 plant expansions, 9 new plants, 5 equity increases and 3 joint ventures. Twenty-five states were the beneficiaries of this investment with California having nine transactions. Illinois, New Jersey, North Carolina, and Philadelphia had five each. Louisiana, Michigan, and New York had four each. No other state had more than three.

Although companies from the United Kingdom represented over half of the value, they had only nine transactions. Companies from Japan had the greatest number of transactions (25) and 11 percent of the known value. German investors were second in number of transactions (12), with 4 percent of the known value, while companies from the Netherlands had 10 transactions and nearly 16 percent of the known value.

Rubber & Miscellaneous Plastics Products (SIC 30) -- Investment activity by foreigners in the rubber and miscellaneous plastics products industry decreased in number and total value from the previous year. During 1989, the Office of Trade and Investment Analysis identified 24 transactions with 14 known values totaling $964.1 million. In 1988, there were 33 transactions with 18 known values for a total of $3.1 billion.

Acquisitions were the favorite mode of investment in the rubber and miscellaneous plastics industry. Foreign companies made 11 acquisitions, 6 of which had a total value of $153.9 million. There were also seven new plants constructed, three plant expansions, one joint venture, one equity increase, and one new subsidiary created.

Japan was the most active foreign source country in this industry with 12 transactions, followed by the United Kingdom with 5, West Germany with 3, and Canada, France, the Netherlands, and Liechtenstein with 1 each.

In order to aid their survival in a fiercely competitive international tire market, foreign companies pursued their global objective by acquiring American manufacturers and/or adding capacity to currently owned establishments located in the United States. Bridgestone Corp., a Japanese tire manufacturer, made the largest investment by establishing a $350 million radial truck tire plant in McMinnville, Tennessee.

Japan's second largest tire manufacturer, Yokohama Rubber Co Ltd. acquired Mohawk Rubber Co. of Akron, Ohio for $150 million. The third largest transaction, also Japanese, was Firestone Tire and Rubber Company's $115 expansion of its tire plant in Wilson, North Carolina.

Fifty percent of the transactions for this industry were in the miscellaneous plastics products subsector (SIC 3079 and SIC 3089). There were 12 transactions identified with 9 known values totaling $216.8 million. Leading major source countries were the United Kingdom with five transactions and Japan with four.

Stone, Clay & Glass Products (SIC 32) -- Foreign investors' activity in this industry declined during 1989. There were 17 transactions identified, with values for 6 of them totaling more than $1 billion. This represented a decrease of 34 percent in value and 39 percent in the number of transactions identified for 1988 when 28 transactions with 17 known values of $1.5 billion were identified.

As foreign investment in the U.S. real estate industry declined, a concurrent decline was seen in investment in the cement and building materials industry, which was once the major source of much of the foreign investment in this industry. The building materials industry (SIC 327) accounted for half of the transactions in this sector, but none had a reported value.

Glass (SIC 3211) and glass containers (SIC 3221) were the two subsectors with the two largest transactions, representing nearly 89 percent of the known value. The largest was the acquisition by one of Mexico's largest industrial manufacturers, Vitro, SA, of Florida-based Anchor Glass Container Corp. for $800 million. Vitro, which is controlled by the Sada family, also completed the second largest transaction in this industry when it acquired Latchford Glass Company in California for $100 million.

Of the 17 transactions identified, Japan had the most (6), but had only 11 percent of the value. Mexico was second with four transactions representing 89 percent of the value, as explained above. Most of the transactions were acquisitions (12), but there were also 3 new plants, 1 plant expansion and 1 equity increase.

Primary Metal Industries (SIC 33) -- A further infusion of foreign capital, technology, and strong demand were factors responsible for increased productivity and profitability in this sector in 1989. While there was only a slight increase in the number of foreign investment transactions over 1988, the total investment value more than doubled. Thirty-one completed investment transactions were identified, 21 of which had a total value of almost $1.9 billion. This is the largest number of transactions recorded in the 1980s, the highest total investment value recorded since 1984, and a record total value since the ITA monitoring program began.

The three largest investments were made by Japanese companies. Two of them were in the steel industry and one of them was in the copper smelting business. The largest investment was a joint venture between Kawasaki Steel Corp. and Armco Inc. The Japanese firm paid $525 million for 50 percent of the project, which produces surface-treated steel sheets for automotive use.

The second largest investment in this sector was Mitsubishi Metal Corp.'s $250 million copper smelter in Texas City, Texas, which will employ 250 people. The plant's output will go to Cox Creek Refining, in which Mitsubishi Metals has a 20 percent interest, for the production of electrolyte copper. This investment makes Mitsubishi Metals Corp., Japan's largest integrated nonferrous metal refiner, the first Japanese firm to establish a copper smelting business overseas. In 1989, Mitsubishi Metal also acquired the remaining 49 percent of Neomet Corp., a rare earth metal manufacturer located in Pittsburgh, Pennsylvania, from its U.S. partner.

The third largest investment was a second joint venture between Nippon Steel and Inland Industries Inc. The project, known as I/N Kote, is an equally owned production facility for corrosion-resistant coated steel located near New Carlisle, Indiana. The value of the transaction was $225 million. The first joint venture between Nippon Steel and Inland Steel was in I/N Tek Inc., a South Bend, Indiana cold-rolled steel mill, established in 1987. Nippon Steel, the world's largest steel producer, is controlled by NKK Corp. of Japan.

A second Nippon Steel-Inland Steel transaction demonstrated the close working relationship between the two companies. Nippon Steel purchased 185,000 newly issued preferred shares of Inland for $185 million. These shares, which are equal to 13 percent of Inland's common stock, are to be redeemed in seven years.

Japan, with 19 investments was the number one source country in this industry for the sixth consecutive year. Canada was a distant second with five investments, while the United Kingdom was in third place with three investments. Nine acquisitions and nine plant expansions accounted for more than half of the investment transactions identified. The other primary forms of investment were seven joint ventures, six made by Japanese firms, and three new plants.

In 1989, two subsectors accounted for 80 percent of the investment transactions. Thirteen investments were made in the area of rolling, drawing, and extruding of nonferrous metals (SIC 335), and 12 investments were made in the steel industry (SIC 331). Ohio was the site for the largest number of investment transactions; there were four. California, Michigan, and Pennsylvania each had three transactions, while Kentucky, Massachusetts, and New York had two transactions apiece.

A noteworthy investment involving the transfer of assets between foreign parent companies was also concluded in 1989. Sammi Special Steel Corp. of Korea acquired three specialty steel producing divisions of Rio Algom Ltd. of Toronto, a mining and resource exploration firm that is a subsidiary of London-based RTZ Corp. Two of the divisions are located in Canada, and the third, AL Tech Specialty Steel Corp., has mills in Dunkirk and Watervliet, New York. This $200 million acquisition made Sammi Steel, South Korea's largest specialty steel company, the first Korean company to purchase an existing American plant.

The 1980s witnessed both a prolonged slump and a resurgence in the U.S. primary metal industries sector, particularly in steel. The decade ended with a return to productivity and profitability due largely to the alliances of U.S. firms with foreign producers. The Office of Trade and Investment Analysis identified 196 investment transactions, 134 of which had a total value of $7.3 billion. Japan, Canada, and the United Kingdom were the primary source countries for investors in this industry during the 1980s.

Fabricated Metal Products (SIC 34) -- Foreign direct investment in the fabricated metal products sector rose slightly as overseas suppliers to major foreign automobile producers with U.S. plants continued to establish or expand their own plants in this country in 1989. Twenty-one completed investment transactions were identified; 14 of them had a total value of $539 million.

Continuing the pattern of the previous five years, Japan was the primary source country for investors in this industry and accounted for 13 transactions, more than 60 percent of the total investment in 1989. The United Kingdom was well behind the leader with three transactions, and Finland placed third with two transactions.

The largest transaction was a $200 million investment made by Pechiney of France, the world's largest aluminum producer, in its American National Can Co. subsidiary. Pechiney, which acquired the Chicago-based company in 1988, opened a new U.S. packaging research and development center, modernized several plants, and provided an infusion of new capital to strengthen its balance sheet. Pechiney is owned by the Government of France.

The second largest investment in this industry was the $100 million acquisition of Flo-Con Systems Inc. of Champagne, Illinois by Vesuvius Crucible Inc., a member of the Cookson Group Plc, a British firm with interests in metals, ceramics, and plastics. Flo-Con produces valves and controls used to regulate the flow of molten steel.

Unlike the previous seven years, new plants outnumbered acquisitions as the leading form of investment. There were eight new plants, six acquisitions, and four plant expansions in 1989. More than 70 percent of the investment transactions were concentrated in three areas. Metal forgings and stampings (SIC 346) had six transactions as did miscellaneous fabricated metal products (SIC 349), while fabricated structural metal products (SIC 344) had three transactions.

States with major automobile and automotive parts production facilities continued to attract the largest number of foreign investments. Kentucky was the site of five transactions and Illinois had four transactions as did North Carolina.

Foreign direct investment in the fabricated metal products sector grew more rapidly toward the close of the 1980s. Most of this investment resulted from the increased number of foreign automobile and automotive parts producers in the United States. Investors came primarily from Japan, the United Kingdom, Canada, and West Germany. In a decade they made 170 investments, 84 of which had a total value of $2.9 billion.

Industrial Machinery & Equipment (SIC 35) -- Although the United States is considered to have the largest and most prosperous market and with the machine tool sector being the mainstay of the manufacturing economy, investment activity by foreign investors in the industrial machinery and equipment industry nonetheless experienced a 20 percent decrease in the number of transactions for 1989. The Office of Trade and Investment Analysis recorded 78 completed transactions with 38 known values totaling $3.9 billion.

Five states attracted more than 55 percent of the investments identified in machinery. California led in attracting foreign investors with 20 transactions, followed by Massachusetts with 8, and 5 apiece from New Jersey, Ohio, and Virginia.

Two countries--Switzerland and the United Kingdom--were responsible for the three largest transactions. In the largest transaction, ABB Asea Brown Boveri Group Ltd. of Switzerland paid $1.6 billion to acquire Combustion Engineering Inc. Combustion Engineering, headquartered in Stamford, Connecticut, manufactures, installs, and services steam generating systems and equipment. ABB Asea Brown Boveri is a leading international electrical engineering company.

Vying to strengthen its position in the United States' vertical transportation sector, Schindler Holding AG of Switzerland bought Westinghouse Electric Corp's elevator business for $600 million in the second largest transaction. Schindler, as well as Westinghouse, manufactures, sells, and services a wide range of escalators and elevators.

In the third largest transaction, Rockwell International sold its measurement and control division in Pittsburgh, Pennsylvania to BTR PLC for $437.5 million. The London, England-based BTR is a diversified holding company.

As in 1988, Japanese investors were involved in more than 60 percent of the transactions in the industrial machinery and equipment industry. Japanese companies accounted for 47 transactions. British investors were second with 11 transactions.

Acquisitions (36), the most frequent form of investment, accounted for 46 percent of the total number of investments. Values for 19 of them totaled $3.5 billion, representing 90 percent of total known value. Other modes of investment included 12 new plants, 12 plant expansions, 6 equity increases, 3 joint ventures, and 9 other categories consisting of new outlets, new subsidiaries, or new companies.

The computer peripheral equipment subsector (3577) with 13 transactions attracted the largest number of investments. Japanese investors were responsible for eight of the identified investments.

Electric & Electronic Equipment (SIC 36) -- At a time of rapid technological advancement and with competitiveness slipping in the domestic sector, foreign companies continued to buy U.S. electronic companies at a rapid pace. Foreign investment in electronics increased 29 percent compared with 1988. The Office of Trade and Investment Analysis recorded 88 transactions, 45 of which had a combined value of more than $5.3 billion.

Investors from two major source countries -- Japan and the United Kingdom -- accounted for 84 percent (74 transactions) of the total investment identified in electric and electronic equipment. The leading source country, Japan, had 63 investments with 29 values totaling $2.1 billion. Investors from the United Kingdom were responsible for 11 transactions with values for 7 of them totaling $166 million.

The largest transaction involved a German company. Unable to compete in the highly competitive PBX equipment market and with consolidations taking place along international lines, IBM Corp. sold its computerized phone system division, Rolm Corp. of Santa Clara, California, to Siemens AG for $844 million. As a result of the acquisition, the German electronics company became the leading supplier of PBX equipment.

Facing increased competition from both domestic and foreign competitors, Zenith Electronics Corp. sold its computer business in Springfield, Missouri to Cie des Machines Bull for $511.4 million. Bull, a computer company, is controlled by the Government of France.

Tied for the third largest transaction were investments from the Netherlands and Japan. The last independent U.S. record company, A&M Records of Los Angeles, California, was bought by NV Philips of the Netherlands for $500 million. Also in 1989, NV Philips acquired Island Records Inc. for $300 million. Island Records specializes in rap and reggae music. The Japanese electronics company, NEC Corp., is building a $500 million semiconductor plant in Roseville, California.

The most active subsector for foreign investment in the electronics industry was semiconductors and related devices (SIC 3674), with 14 investment transactions, 11 of which were by Japanese investors. There were also five subsectors with six transactions each: household audio and video equipment (SIC 3651), telephone and telegraph apparatus (SIC 3661), radio and tv broadcasting and communications equipment (SIC 3663), printed circuit boards (SIC 3672), and electronic components (SIC 3679).

Geographically, states known for their high technology sectors continued to be the focal point for foreign investors. California dominated by attracting 30 investments, followed by New Jersey with 6 transactions, and Texas and Illinois with 5 each.

Transportation Equipment (SIC 37) -- Even though domestic manufacturers in the automotive industry improved the quality, production techniques, and technology level of U.S. automobiles during 1989, Japanese investors continued to make gains in their market share (around 20 percent) of this industry by moving into the upscale, more profitable areas of manufacturing. Of the 31 transactions identified, 15 reported values totaling nearly $2 billion. Japanese firms accounted for nearly 68 percent of the number of transactions and 49 percent of the known value.

The largest transaction during 1989, however, was the acquisition of the Fruehauf Corp., a Michigan truck trailer and auto parts producer, by a Canadian Company, Varity Corp., at a cost of $655 million. Nissan Motor Company Ltd. had the second largest transaction,a $490 million expansion for a new passenger car line at its Tennessee plant. One other large investment took place when Mark IV sold its Blackstone Corp., a New York auto parts maker, to Valeo SA of France for $310 million.

Motor vehicle parts and accessories (SIC 3714) continues to account for the greatest number of investments (16). New plants was the mode used most often to enter into this industry (12), followed by plant expansions with 10 transactions. Japanese investors had the largest number of transactions (21), followed by Canadian and French investors with 3 transactions each.

Investors continue to locate these facilities close to existing manufacturing centers in the eastern and southeastern parts of the United States to be more accessible to manufacturers. Indiana, Kentucky, Michigan, and Tennessee had four transactions each, and Ohio had three. No other states had more than two.

Even as Japanese companies turn their attention to the European market and increased globalization, their U.S. market share is expected to remain stable or possibly increase, making domestic manufacturers more vulnerable.

Instruments & Related Products (SIC 38) -- Foreign direct investment in the instruments and related products industry has remained relatively stable over the last couple of years with the medical and surgical instruments subsector (SIC 3841) continuing to be the primary area of foreign investment. The Office of Trade and Investment Analysis identified 33 transactions during this period, one less than for 1988. Values for 23 of those transactions were $1.7 billion, nearly the same as the 1988 total of $1.8 billion.

Four major source countries supplied nearly all the investment in this industry with Japan having the greatest number of investments (14), representing $448 million in value. West Germany, however, with five transactions, had the most value ($499 million). The United Kingdom had four transactions and a value of $305 million, while Switzerland had two transactions with one known value of $325 million.

Thee were four major transactions in this industry. Bayer AG in West Germany acquired Cooper's Technicon Inc., a New York subsidiary, that makes medical and laboratory equipment for $477 million. Nestle SA of Switzerland acquired Cooper's Surgical Unit in California for $325 million. Smith and Nephew PLC of the United Kingdom acquired Ioptex Research in California for $236 million, and Toshiba Corp. of Japan purchased Diasonic's Magnetic Resonance Imaging Division for $167.5 million.

The preferred modes of investment in this industry continue to be acquisitions/mergers (22) and new plants (6).

Air Transportation (SIC 45) -- In 1989, an increasing number of foreign investments in U.S. airlines raised serious concerns, despite the fact that these acquisitions were smaller than the 25 percent holding allowed by law. Four foreign direct investments were identified; three of them had a total value of $420 million.

Two investments that attracted attention were acquisitions of partial equity in two major U.S. airlines by foreign carriers. The first transaction was the acquisition of NWA Inc., the parent of Northwest Airlines, by an investment group that included KLM Royal Dutch Airlines, which is majority-owned by the Government of the Netherlands, and Elders IXL Ltd., an Australian firm with interests in brewing, finance, and hotels. The transaction, valued at $230 million, gave KLM 5 percent of the voting shares after the investment group, Wings Holdings Inc., agreed to restructure the acquisition according to Department of Transportation guidelines. The restructured deal included reducing KLM's share of the total equity from $400 million (57 percent) to $175 million (25 percent) as well as limiting its participation in operating decisions. These restrictions were instituted to ensure that KLM did not exercise control over Northwest.

The second transaction was the $40 million acquisition of 10 percent of Texas Air Corp., the parent of Continental Airlines, by Scandinavian Air Systems (SAS). The governments of Denmark, Norway, and Sweden share ownership of 50 percent of SAS.

There was another acquisition in the airlines industry that attracted the public's interest but which was never completed. British Airways PLC had agreed to participate in a $6.8 billion employee-management acquisition of UAL Corp., parent of United Airlines Inc. British Airways would have provided $750 million, or 78 percent of the equity, in exchange for preferred shares equal to 15 percent of United's voting stock. However, the transaction fell apart when the investment group failed to obtain the necessary bank financing.

The fourth transaction that attracted some interest was in its final stages at the end of 1989. This was Delta Air Lines Inc.'s cross-holdings agreement with Singapore Airlines Ltd. (SIA). The plan involved SIA's purchase of 5 percent of Delta, which, in turn, would purchase 3 percent of SIA. Delta, which had earlier in the year sold 5 percent of its outstanding stock to Swissair A.G. for $193 million, was allowed to purchase 5 percent of Swissair. When completed, this transaction will give two foreign airlines -- Swissair and Singapore Airlines -- 10 percent of Delta's stock.

Finance, Insurance, & Real Estate (SIC 60, SIC 61, SIC 62, SIC 63, SIC 64, SIC 65, SIC 67) -- In 1989, the number of foreign direct investment transactions in the U.S. finance, insurance, and real estate industries increased by 167 percent to 40, from 15 transactions a year earlier. For 1989, values were reported for 25 transactions totaling $5.0 billion as compared with $916 million for just three cases in 1988. Because of some very large transactions in the finance, insurance, and real estate sector, the industry total was higher than for either the hotel (SIC 70) or the commercial real estate sector.

The largest single transaction in the finance, insurance and real estate sector during 1989 occurred in SIC 61, credit agencies other than banks. In that investment, Dai-ichi Kangyo Bank of Japan purchased CIT Group Finance Co. of Livingston, New Jersey for $1.30 billion. This megadeal ranked as the seventh largest foreign direct investment in the United States for 1989.

After a year on the sidelines, foreign investors returned to the U.S. insurance carriers industry (SIC 63), completing seven transactions with a known worth of $1.6 billion for six of them. Two major purchases accounted for approximately 76 percent of the industry's total foreign investment. Maryland Casualty Co. (SIC 6331) of Houston, Texas was purchased by Zurich Insurance Co. of Switzerland for $740 million, and Southland Life Insurance Co. (SIC 6311) of Plano, Texas was bought by Nationale-Nederlander N.V. of the Netherlands for $433.5 million.

Japanese investors were the major players in the U.S. finance, insurance, and real estate sector, accounting for 19 of the 40 cases transacted in 1989 (47.5 percent) and $2.5 billion of the $5 billion total expended (49.6 percent).

Hotels & Other Lodging Places (SIC 70) -- Led by the acquisitions of the Holiday Inn chain ($2.2 billion) and Ramada Inc. ($540 million), foreign investors spent nearly $5 billion acquiring U.S. hotels and lodging places in 1989.

In 1989, foreign investors concluded 50 transactions in the U.S. hotels and other lodging places industry. Of these, values were reported for 41 transactions totalling $5 billion. Comparatively, for 1988 there were 25 completed investments with 20 showing a total value of $1.5 billion.

Japan, with 34 of 50 hotel and lodging investments (68 percent), was by far the most active investor country, followed by Hong Kong with 4 investments, and China and the United Kingdom with 3 investments each. No other country had more than one investor. The three investments from the United Kingdom amounted to $2.2 billion (45 percent), the most by any country. Investments from Japan totaled $1.8 billion (37 percent) and from Hong Kong $676 million (14 percent).

Individually, the largest transactions during 1989 were the acquisition of the Holiday Inn chain, headquartered in Memphis, Tennessee, bought by Bass PLC of the United Kingdom for $2.2 billion; Ramada Inc., headquartered in Phoenix, Arizona, purchased by New World Development Co. Ltd. of Hong Kong for $540 million; the Royal Concordia hotel in New York City bought for $230 million by Royal Hotel Ltd. of Japan; and the Biltmore Hotel in Los Angeles, California purchased for $219 million by TAT Group of Japan. If the Holiday Inn and Ramada megadeal transactions were eliminated as an aberration, the investment pattern would show a large number of small- to medium-sized investments of which the majority value (83 percent) was by Japanese investors.

One-half of the investment transactions in the hotels and other lodging places industry took place in California (13) and Hawaii (12). Of these, Japanese investors accounted for all 12 Hawaiian investments and 6 of the 13 California transactions. Both past and present Japanese hotel investment patterns indicate a preference for investing in Hawaii and on the West Coast.

Business Services (SIC 73) -- Foreign investment in the business services industry leveled off in 1989, becoming more consistent with other industries. The high concentration of foreign investment in 1987 (112 transactions and a known value of $3.7 billion) declined to 46 transactions and $441.2 million in 1988. Forty transactions were concluded in 1989 with values totaling $1.4 billion for 19 of them, down 13 percent from the 46 transactions the previous year.

Most of the value identified in business services was in the advertising subsector (SIC 7311), with seven transactions and values for three of them at $921 million. in expanding its U.S. empire of advertising, public relations, market research. sales promotion, and communications firms, WPP Group, a British advertising agency controlled by Martin Sorrell, acquired the New York advertising agency, Oglivy Group for $864 million, the largest investment to take place in this industry. WPP Group had acquired another New York advertising agency, JW Thompson Group, in 1987 for $566.6 million.

There were 20 transactions in the computer service related subsectors (SICs 7371-7379). Normally, because of the relatively small businesses involved, these investments have a small or no value assigned. This year, however, one transaction ranks as a megadeal. ISI Systems Inc., a Massachusetts computer software systems operator for the insurance industry, was acquired by Memotec Data Inc. of Canada for $130 million. Memotec is controlled by BCE Inc. of Canada.

The United Kingdom accounted for most of the transactions (13), and over 70 percent of the value. Japan was in second place with 12 transactions, while other source countries included Switzerland with 4 transactions, Canada with 3, and France and the Netherlands with 2 transactions each.

Fourteen of these transactions were in New York and seven were in California. Another 13 states had 3 transactions or less. The investment method utilized for the majority of these investments (27) was the acquisition/merger.

Motion Pictures (SIC 78) -- Economic, technological, and cultural factors, combined with a chance to enter into the highly visible and often profitable global entertainment industry, are attracting a wide range of foreign investors to the U.S. motion picture industry.

In 1989, the Office of Trade and Investment Analysis identified 14 transactions with values for 10 of them in the amount of $5.5 billion, as compared with 9 transactions in 1988 with values for 7 in the amount of $1.3 billion.

The acquisition of Columbia Pictures Entertainment Inc. by Sony Corp. of Japan for $5 billion and Sony's subsequent purchase of Guber-Peters Entertainment at $250 million gave Japanese investors the two largest investments in this industry. These acquisitions have given Sony, which acquired CBS Records in 1987 for $2.3 billion, a sizable interest in the U.S. entertainment industry. One other investment of lesser proportion occurred when Victor Company of Japan (JVC), controlled by Matsushita Electric Industrial Company, formed a 50/50 joint venture with Lawrence Gordan, a California motion picture producer, in establishing Largo Entertainment. The contribution from JVC was $100 million.

Companies from Japan had the most transactions (seven) and most of the value ($5.4 billion). The United Kingdom and Australia had two transactions each. Ten of the investments in this industry were in California.

As the entertainment industry experiences increased popularity overseas, and American movies and TV shows become more popular worldwide, foreign investors in this industry will have more control over the movies, TV shows and music played on the VCR's, TV sets, and stereo systems they manufacture.

Real Property -- In 1989, the number of investments by foreigners in U.S. commercial real estate (89) were equal to the number for 1988. Of these, 66 investment transactions reported a combined value of $3.4 billion, a decline from the $3.9 billion reported for 1988. It is known, however, that two additional investments totaling $880 million were transacted. Since each investment involved multiple locations, each crossing geographic lines and reasonable allocations could not be estimated, the data were omitted.[1] Purchases of agricultural land and individual residential real estate units are not included in this report.

For the fifth year in a row, the Japanese were the most active investors in the real property sector. Thirty six of the total of 91 real property investments (40 percent) were by Japanese investors. Of the transactions with reported values, the Japanese share increased to 76 percent ($2.6 billion out of a total $3.4 billion). In 1989, except for one investment each from Australia and Singapore, all real property investment transactions over $100 million were by Japanese investors. The major investments were the Rockefeller Group in New York purchased by Mitsubishi Estate Co. of Japan for $846 million; the PaineWebber Building in New York bought by Nippon Life Insurance of Japan for $550 million; 280 acres of beachfront property in Monarch Beach, California bought by Quintex Group of Australia for $260 million; and Two Rodeo Drive in Beverly Hills, California purchased by Japanese investor Sogo Co. Ltd. et al. for $200 million.

After the Japanese investors, the largest foreign sources for buying U.S. property were investors from Australia ($285.1 million) and Singapore ($187.3 million). For 1988, the Canadians ($426.9 million) and the British ($129.0 million) ranked second and third, respectively, behind the Japanese.

In 1989, foreign investors in commercial real property concentrated their investments in five states. Texas was the state of choice by investors (23 investments), followed by California (15 investments), Hawaii (10 investments), and Florida and Oregon (9 investments each). As a group these five states accounted for almost 73 percent of the foreign direct investments in U.S. commercial real estate.

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[1]The Saatchi & Saatchi Building in New York along with the Cigna Building and 222 North LaSalle Building, both in Chicago, were purchased by Dala Holdings N.V. of Sweden for a combined total of $630 million; six shopping centers, Whitehall Mall, Lehigh Valley Mall, and Montgomery Mall each located in Pennsylvania along with Ridgemar Mall in Texas, Quaker-Bridge Mall in New Jersey, and Bangor Mall in Maine were purchased by Trizec Ltd. of Canada for a combined total of $250 million.

Maintaining their historical pattern, the Japanese concentrated a large number of investments in Hawaii and on the West Coast. Seventy-five percent of Japan's 1989 commercial real estate transactions occurred in either California (11 transactions), Hawaii (9 transactions), or Oregon (7 transactions). Clearly, Japanese investments dominate in these states as evidenced by the fact that there were only seven non-Japanese foreign commercial real estate investments in these states for 1989.

MAJOR SECTORAL DEVELOPMENTS

This section on industrial sectors focuses on major investment transactions' trends in those sectors where foreign direct investment was concentrated or for various other reasons such as a particular investment pattern or a noteworthy transaction.

In 1990, there was notable foreign direct investment activity in 19 industrial sectors. In 13 sectors, there were more than $1 billion worth of foreign direct investment transactions.

Oil and Gas Extraction (SIC 13) -- During the U.S. oil boom of the early 1980s, foreign direct investment in the oil and gas extraction industry grew steadily. In contrast, reduced oil prices at the end of the decade resulted in less prospecting and drilling by U.S. companies. As industry profits declined, so did interest by foreign investors. Rising crude oil prices in 1990, however, spurred an increase in U.S. oil production and renewed interest by foreign investors in the oil and gas extraction sector.

Both the number of transactions and the total value figure showed an increase over the previous year; the number of transactions increased by 25 percent. Twenty transactions were identified in 1990; nine of them had a total value of $791.1 million.

Two transactions accounted for 90 percent of the total value. The largest transaction was a joint venture valued at $556.6 million, which represented British Petroleum Co. PLC's share of a $1.1 billion gas handling plant on Alaska's North Slope near the Prudhoe Bay oil fields. British Petroleum owns a 50.6 percent interest in the Prudhoe Bay crude reserves; Arco and Exxon each hold a 21.8 percent interest.

The second largest transaction was an acquisition. Mosvald Shipping A/S of Kristiansand, Norway acquired a controlling interest in Dual Drilling Co. for $170 million from Bechtel Investments Inc. Dual Drilling of Dallas, Texas is among the country's largest offshore oil drilling concerns.

Foreign investment in the oil and gas sector came primarily from three source countries in 1990. The United Kingdom accounted for six investments, while Japan and Norway each had four investments. Three investments were made

by companies owned or controlled by the governments of Italy and Japan.

There were four types of investment transactions in this sector. Ten transactions were acquisitions. There were also three joint ventures and three equity increases. Other investments included two new subsidiaries, one new office and one drilling project.

The oil and gas exploration and development subsector (SIC 1311) with 14 transactions was the most active area. Drilling oil and gas wells (SIC 1381) accounted for three transactions, while oil and gas field services (SIC 1389) had two transactions.

As in 1989, Texas, with 12 transactions, was the state that had the most foreign investment in oil and gas extraction. Louisiana was in second place with five transactions and Alaska had two.

Food and Kindred Products (SIC 20) -- Foreign investment in the food and kindred products sector in 1990 declined by 24 percent in the number of transactions and by 84 percent in the known dollar volume from the previous year. The Office of Trade and Investment Analysis identified 32 completed transactions with an aggregate value of $1.1 billion for 19 of them.

Acquisitions continue to be the favored mode of investment in this industry. Foreign companies invested $836 million in 16 U.S. food processors by establishing nine new plants, and completing three plant expansions, one joint venture, and one equity increase. Two transactions were recorded in the other category, a new company and a headquarters.

Three major transactions accounted for nearly 74 percent of the total reported value. The largest investment was by a Swiss corporate giant. In order to reduce debt and concentrate on core businesses, RJR Nabisco Inc. (Atlanta, Georgia) sold its candy business, which includes such top-selling bars as Baby Ruth and Butterfinger, to Nestle SA for $370 million. Nestle, headquartered in Vevey, Switzerland, is known for its confectionery and milk products.

The second largest transaction in the food and kindred products sector was the acquisition of Wyndham Foods Inc. for $335 million by President Enterprises Corp., Taiwan's largest integrated food company. Wyndham, of San Francisco, California, is the United States' largest baker of Girl Scout cookies.

The third largest investment transaction was the establishment of a $140 million joint venture. Sapporo Vineyards USA Inc.(Seattle, Washington) has a 70 percent interest through its two Japanese owners, Sapporo Breweries with 51 percent and Okura & Company Ltd. with 19 percent. The U.S. partner in the venture, Wyckoff Farms Inc., also of Seattle, Washington, has a 30 percent interest. Sapporo Vineyards produces malt beverages.

Investment by principal source countries accounted for almost 88 percent of completed transactions. Japan was the major source country with 16 of the 32 identified transactions, Canada with four, the United Kingdom with three, France and Switzerland with two each, while Germany had one.

Geographically, 17 states had foreign investments in the food industry. California had the largest number of investments in the foods sector with eight. Washington was second with four, followed by New York with three.

Paper and Allied Products (SIC 26) -- In 1990 the paper and allied products sector had its first downturn after four years of rapidly rising prices and record profits. This downturn was largely the result of excess production capacity and weaker consumer demand. The decrease in foreign direct investment reflected the industry's situation; transactions figures have not been this low since 1982 when they were identical to the 1990 figures. Seven transactions, with five values, were identified. The total investment value was $236.1 million as compared with almost $2 billion for 1989.

All of the major investment transactions were acquisitions and all had values of less than $100 million. The largest investment was the $95 million acquisition of Golden State Newsprint Co., a Pomona, California newsprint recycling mill, by a subsidiary of Jefferson Smurfit Group PLC of Ireland. The Dublin-based paper, packaging, and printing company, which is controlled by the Smurfit family, also acquired two corrugated-container plants from Boise Cascade Corp. in 1990. The terms of this transaction were not disclosed.

The second largest investment was the $60 million acquisition of American Tape Co. by STC Inc., a South Korean producer of film and batteries. The Marysville, Michigan firm manufactures pressure-sensitive and adhesive tape.

The third largest investment was Patriot Paper Corp.'s acquisition of James River Corp.'s Boston paper mill for $50 million. Patriot Paper Corp., a

Montreal, Canada paper products manufacturer, is 50 percent owned by Tembec Inc., another pulp and paper concern headquartered in Montreal.

Investors in this sector were from four countries. Canadian investors accounted for three transactions, while Irish investors had two. Investors from Japan and South Korea accounted for the remaining two transactions.

Most of the investment in this industry was in the converted paper and paperboard products subsector (SIC 267); there were three transactions. The remaining investment was divided equally between the paper mills subsector (SIC 262) and the paperboard containers and boxes subsector (SIC 265).

Acquisitions accounted for more than 70 percent of the investment transactions in the paper and allied products industry; five of the transactions were identified. The other two transactions were a plant expansion and a new subsidiary.

California and Michigan were the two states with the most foreign investment in this industry; both had two investment transactions. Connecticut, Massachusetts, and Michigan accounted for the remaining three transactions.

Printing and Publishing (SIC 27) -- Despite a slump in the U.S. printing and publishing sector in 1990, foreign direct investment rose about 10 percent. Foreign firms made 34 investments, 13 of which had a total value of $1.4 billion. There were more investment transactions than in the previous year, but fewer had large price tags. Only six transactions had values exceeding $100 million.

Reed International PLC, Britain's largest publishing and information company, continued to expand its U.S. publishing presence with the largest investment in this sector. Reed Publishing USA, the Newton, Massachusetts subsidiary of Reed International, acquired Martindale-Hubbell Inc. for $303.7 million. The 121-year-old, privately owned firm, located in New Providence, New Jersey, publishes legal reference texts.

Another British company made the second largest investment in this sector. MB Group PLC, a Reading, England-based financial printing company, acquired American Bank Stationery Co., a Baltimore, Maryland check printer for $300 million. This acquisition expands MB's capabilities in the U.S. check printing industry. The British firm also owns Clark Checks Inc., a San

Antonio, Texas check printing company acquired in 1985 for $40 million.

International Thomson Organisation Ltd. of Canada made the third largest investment in this sector. The Toronto-based company acquired five Midwestern daily newspapers from Ingersoll Publications Co. for $270 million. The papers include the New Journal, Mansfield, Ohio; the Sheboygan Press, Sheboygan, Wisconsin; the Tribune-Star, Terre Haute, Indiana; the Herald-Bulletin, Anderson, Indiana, and the Tribune-Chronicle, Warren, Ohio. Kenneth R. Thomson and his family control International Thomson, which has holdings in the publishing, oil and gas exploration, and travel industries.

In 1990, 12 source countries were represented in this sector. Four of them accounted for more than 70 percent of the transactions. The United Kingdom ranked first, as it has for the last four years, with 13 transactions. Canada was in second place with five transactions, followed by Australia with four and Japan with three transactions.

Continuing the trend of the late 1980s, most foreign direct investments in 1990 were in the periodicals publishing subsector (SIC 2721). Fourteen transactions were identified; only four values were publicly available and they totaled $70.6 million. Foreign investors were also very active in three other subsectors in this industry. There were six investments in the newspaper publishing subsector (SIC 2711) of which two had a total value of almost $370 million. The book publishing subsector (SIC 2731) had five transactions with two available values totaling $121 million. The commercial printing (lithographic) subsector (SIC 2752) had three transactions with two known values of $53.3 million.

Acquisitions were the primary form of investment in the printing and publishing industry. Twenty-four acquisitions accounted for almost 71 percent of the transactions identified. Joint ventures and equity increases were the second most utilized form of investment; each accounted for two transactions.

Printing and publishing investments were located in 18 states. The majority of them were in three states: eight transactions were in New York, six in Florida, and four in California.

Chemicals and Allied Products (SIC 28) -- The chemicals and allied products industry continued a trend toward consolidation and globalization. More than a dozen large U.S. companies in the chemicals and allied products industry have been acquired, or merged, or have formed an alliance with foreign companies over the last five years to maintain competitiveness and to have access to each others' markets. Such consolidation has been particularly evident in the pharmaceutical subsector, being used as a means of sharing research and development costs. Few pharmaceutical companies on their own can afford the prohibitive cost of innovative drug research to bring a product to the market.

Both economic reasons and corporate survival have made it necessary for many diversified U.S. chemical manufacturers to move out of the non-health sector into the lucrative health care and related products subsector. Foreign direct investment in this industry, while not as large as 1989, was still substantial. Fifty-eight transactions by foreign companies were identified. Thirty-four of them had a combined value of $8.9 billion, as compared with 78 transactions during 1989 with a combined value of $15.5 billion for 38 of them.

Foreign investment in the pharmaceutical subsector (SIC 2834) was responsible for the most value, nearly $3.8 billion. This total came from only four transactions, however. The plastic and synthetic resin subsector (SIC 2821) had the greatest number of transactions, 11, which accounted for 17 percent of the value.

In the largest transaction in this industry, Hoffmann LaRoche of Switzerland acquired 60 percent of Genentech Inc., a California-based biotechnology company, for $2.1 billion. The second largest transaction, also an acquisition/merger, occurred when French Government-owned Rhone-Poulenc merged its pharmaceutical operations with Rorer Inc. of Pennsylvania into a new company for $1.7 billion. Rhone-Poulenc has a 68 percent interest in the new company. Rhone-Poulenc also acquired GAF Corp.'s special chemical division for $480 million.

Reckitt and Coleman PLC of England acquired American Home's Boyle-Midway household products division for $1.3 billion in the third largest transaction for this industry. And the fourth largest occurred when Mitsubishi Corp. teamed up with the management of Aristech Chemical Corp. to acquire that company. Mitsubishi paid an estimated $880 million for its 76 percent share. Nine other transactions in this industry are also listed in the megadeals

section, which begins on page 11.

Countries whose transactions accounted for the most value were not necessarily those with the most transactions. Germany was the leading source country with 20 transactions, but had little more than 6 percent of the value. Japan was second in number of transactions (13) but was fourth in value terms, about 12 percent. The United Kingdom, which was number three in value as well as in the number of transactions (seven), commanded 22 percent of the value. French companies, which had six transactions, had the most value, about 28 percent. Likewise, Switzerland, which had only two transactions, had nearly 25 percent of the value.

While investors from 13 countries participated in investments here, five investments accounted for 93 percent of the reported value. There were 27 acquisition/mergers, which was the investment mode used most often. Also, foreign investors increased their production capacity by expanding 17 existing facilities. Nine new plants were also established.

Geographically, transactions in the chemical industry were scattered throughout the United States. Texas had the most transactions with 11. California, Pennsylvania, Ohio, and Virginia attracted seven, six, five, and four, respectively. Another 16 states had three or fewer transactions each.

Although foreign direct investment in this industry has been substantial, more seems likely as U.S. companies consolidate and restructure and join with foreign investors to become more competitive internationally. Foreign investors have also turned their attention to smaller companies, providing them with badly needed research and development capital in order to gain access to innovative products coming out of these testing laboratories.

Rubber and Miscellaneous Plastics Products (SIC 30) --Foreign direct investment in the rubber and miscellaneous plastics products industry decreased more than 40 percent in 1990 as a result of price wars in the original and replacement tire markets caused by global overcapacity and sagging sales to car manufacturers. Fourteen transactions were identified with five known values totaling $1.9 billion.

Seeking to gain a foothold in the lucrative American tire market, Cie Generale des Etablissements Michelin of France, was responsible for the largest investment in the rubber sector during 1990. Uniroyal/Goodrich Tire

Company, an Akron, Ohio-based tire giant, was purchased by Michelin for $1.5 billion. Michelin, France's largest tire producer, is controlled by the Michelin family. With this acquisition, Michelin became the world's largest tire maker, increasing its U.S. market share in the original equipment area to 32.7 percent and 11.5 percent in replacement passenger tires. This leaves Goodyear Tire and Rubber Company as the only major American-owned tire producer.

The Uniroyal acquisition marks the latest of several transactions by foreign investors, which have changed the shape of the tire industry to multinational giants – Bridgestone Corp. (Japan) acquired Firestone Tire and Rubber Co., General Tire and Rubber Company sold to Continental AG (Germany), Pirelli SPA (Italy) acquired Armstrong Rubber Company, Sumitomo Rubber Industries Ltd. (Japan) purchased Dunlop Tire, and Yokohama Rubber (Japan) bought Mohawk Rubber.

The second largest transaction was Societe Generale de Belgique SA's $215 million acquisition of Foamex Products Inc., headquartered in East Providence, Rhode Island. Foamex manufactures flexible plastic foam products. Generale de Belgique is a diversified Belgian holding company.

In the third largest transaction, Black and Decker (Towson, Maryland) sold its footwear materials business to United Machinery Group Ltd. of Britain for $125 million. United Machinery manufactures shoe-working and leather-working machinery.

As in past years, acquisitions continue to be the primary mode of investment. Four of the six completed acquisition transactions had a total value of $1.9 billion. Other modes of investment included four new plants, two joint ventures, and one each plant expansion and new company.

Nearly 93 percent of the transactions identified in the rubber and miscellaneous plastics products sector were scattered throughout 13 states in the east/mid-eastern section of the United States.

On a country basis, investors from Japan were the most numerous with five transactions. France was by far the biggest spender with a $1.5 billion acquisition. Other countries with investment activity included Belgium (three), Germany (two), and Canada and Sweden (one each).

Six transactions (43 percent of the investments for this industry) occurred in

the miscellaneous plastics products (SIC 3089) subsector. Japanese investors dominated this subsector with four investments, while investors from Belgium and Germany had one apiece.

Stone, Clay, and Glass Products (SIC 32) -- Foreign direct investment in the stone, clay, and glass products industry had a value of $2.3 billion for seven of the 21 transactions identified in 1990. This amount was more than double the $1 billion for six of the 17 transactions identified in 1989.

Historically, major investments in this industry have been in the building trade and related products subsector (SIC 327). Within the last couple of years, however, as the real estate industry declined, foreign investors have moved into other segments of this industry. In 1990, the abrasive products subsector (SIC 329) had the largest transaction identified for this industry.

Prior to 1989, British investors consistently provided the greatest number of transactions, with Japan second. However, during 1989, companies from Japan became the leader in the number of transactions even though they contributed little of the value. Again in 1990, Japan had more transactions than any other country – six. Their value was still small, about 12 percent. France, with four transactions, had nearly 80 percent of the value. Also, Ireland and Switzerland had four transactions each.

One large transaction of over $1 billion occurred when, in an effort to avoid being taken over by a hostile suitor, the Norton Company, a Massachusetts-based manufacturer of abrasive and high technology ceramic products, agreed to be acquired by a friendly suitor. Compagnie de Saint Gobain, partially owned by the French Government, acquired the Norton Company in an amicable acquisition at a value of $1.9 billion.

One other large transaction took place. Onoda Cement of Japan acquired California Portland Cement Company in a complicated transfer from its parent company, Calmat Inc., for an estimated value of $229 million. This and the Norton transaction provided 90 percent of the value for this industry.

The investment mode used most often was acquisition (11), with equity increase in existing facilities second (four). Three of the 21 transactions in this industry took place in California. Michigan, Texas, and Virginia had two transactions each. Another 12 states had one transaction each.

Primary Metal Industries (SIC 33) -- Investors from Asia and Europe continued to seek opportunities to expand their U.S. presence and to increase the revenue from their U.S. operations in the primary metal industries sector, but they were more conservative with their investments in 1990. There was a slight decrease in both the number of investment transactions and the total investment value from the 1989 figures. Twenty-five completed investment transactions were identified, 14 of which had a total value of almost $1.4 billion.

Japan, with 10 investments, was the leading source country in this sector for the seventh consecutive year. France was in second place with eight investments, while Canada and Norway tied for third place with three investments each. Two of the three largest investments in the primary metal industries sector were made by European companies with government ownership.

The first investment was the $570 million acquisition of J&L Specialty Products Corp. by Ugine ACG of Paris, a subsidiary of Usinor-Sacilor, the French Government-owned steel producer. J&L Specialty Products is a Pittsburgh, Pennsylvania manufacturer of stainless steel products. Usinor-Sacilor also purchased two other U.S. specialty steel products firms in 1990: Alloy & Stainless Inc. of Mahwah, New Jersey and Techalloy Inc. of Rahns, Pennsylvania.

The second largest investment was the $200 million acquisition of American Brass Co. of Buffalo, New York by Outokumpu Copper Oy, a subsidiary of Outokumpu Oy, a Helsinki, Finland mining and metals company. The parent company is 57.5 percent owned by the Government of Finland. American Brass Co. produces copper, brass, bronze, and other copper-base alloy products.

The third largest investment was an equity increase. NKK Corp., Japan's second largest steel producer, raised its holdings in National Steel Corp., the sixth largest steel company in the United States, to 70 percent from 50 percent with a $147 million purchase of additional shares. The initial $292 million acquisition of National Steel by NKK Corp. took place in 1984.

There were nine acquisitions, which accounted for more than one-third of the investment transactions identified. The other primary forms of investment were five joint ventures, five new plants, and four equity increases.

In 1990 two subsectors accounted for 84 percent of the investment transactions. Fifteen investments were made in the steel industry (SIC 331) and six investments were made in the area of rolling, drawing, and extruding of nonferrous metals (SIC 335). Pennsylvania was the site for the largest number of investment transactions – six. Kentucky and Ohio each had three transactions, while California, Indiana, and New York had two transactions apiece.

One particular investment transaction in this sector, although not foreign direct investment, was noteworthy in 1990. That was the agreement by Titanium Metals Corp. of America (Timet) with Toho Titanium Co. Ltd. of Japan and its major stockholders, Nippon Mining Co. Ltd. and Mitsui & Co. Ltd. This agreement provides for the financing, design, and construction of an elemental titanium sponge plant, which would use vacuum distillation technology, at Timet's Henderson, Nevada facilities. In exchange for $70 million in financing, the Japanese companies have an option to acquire 25 percent of Timet's common stock. Timet is the world's largest producer of titanium.

Fabricated Metal Products (SIC 34) -- In 1990, the number of foreign direct investment transactions in the fabricated metal products sector declined 24 percent from that of the previous year. Sixteen completed investment transactions were identified; 10 of them had a total value of $1.1 billion., more than twice the 1989 value figure.

Japan, as in the previous six years, was the primary source country for investors in this industry, accounting for five transactions, more than 30 percent of the total investment identified. Germany was in second place with three transactions and Finland and Italy placed third with two transactions apiece.

The three largest transactions in this industry were all acquisitions, and they accounted for about 80 percent of the total industry value. The first transaction was Tomkins PLC's $550 million acquisition of Philips Industries Inc., a Dayton, Ohio manufacturer of products in the building and transportation industries. Tomkins, a London-based industrial management firm, is controlled by Gregory Hutchings. This is the British firm's largest U.S. acquisition to date. In 1987, Tomkins acquired Smith & Wesson Corp., the Springfield, Massachusetts firearms maker for $112.5 million. A year later Tomkins purchased Murray Ohio Manufacturing Co., a major manufacturer

of power lawn mowers and bicycles, for $224 million.

The second largest transaction in 1990 was the joint venture acquisition of Vermont American Corp. by Maple Acquisition Corp., which is equally owned by a subsidiary of Robert Bosch Industrietreuhand KG of Stuttgart, Germany and Emerson Electric Co. of St. Louis, Missouri. Vermont American, headquartered in Louisville, Kentucky manufactures and markets a variety of power tools and accessories for industrial and consumer use.

The third largest transaction was the acquisition of Yates Industries Inc., the world's second-largest manufacturer of electrodeposited copper foil for printed circuit boards, to a partnership of Furukawa Electric Co. Ltd. of Japan and Arbed S.A. of Luxembourg. The transaction had a value of $175 million.

Acquisitions were the leading form of investment in the fabricated metal products sector. There were eight acquisitions as well as three new plants and three plant expansions. The investment transactions were concentrated in three areas: two subsectors, fabricated metal products (SIC 344) and miscellaneous fabricated metal products (SIC 349), each had four transactions, while heating equipment and plumbing fixtures (SIC 343) had three.

Geographically, states in the South and Northeast had more than two-thirds of the foreign investments in this sector. Kentucky was the site of two transactions as was Texas; Maryland, South Carolina, and Virginia had one transaction each. In the Northeast, Massachusetts, New Jersey, New York, and Pennsylvania also had one transaction each.

Industrial Machinery and Equipment (SIC 35) -- Foreign investment transactions in the depressed industrial machinery and equipment industry declined by 15 percent in 1990. There were 66 completed transactions with values for 28 of them totaling $1.7 billion, compared with 78 transactions in 1989 with a total value of $3.9 billion.

Investors from three major source countries – Japan, Germany, and the United Kingdom – accounted for 82 percent of the transactions identified in machinery. Japan continued to be the leading investor country with 62 percent of the transactions in this sector. Japanese investors made 41 investment transactions totaling $912 million. The second leading investor country was Germany with eight transactions, followed by the United Kingdom with five.

A Taiwanese business-government consortium was responsible for the largest transaction. The consortium acquired Wyse Technology Inc. for $270 million ($158 million cash plus assumption of $112 million debt). Wyse, based in San Jose, California, manufactures terminals and personal computers. Members of the consortium include Mitac, China Trust, and Grand Pacific Petrochemical, controlled by the Koo family, and USI Far East, a Taiwan Government agency.

Under a belt-tightening program to concentrate on core businesses, Eastman Kodak Company sold its Verbatim Corp. to Mitsubishi Kasei Corp. of Japan for $200 million. This sale was the second largest transaction in this industry. Verbatim, headquartered in Charlotte, North Carolina is a leading manufacturer of computer floppy disks. Mitsubishi Kasei, an affiliate of the Mitsubishi Corp., is a giant industrial inorganic chemical company.

Dataproducts Corp., a Woodland Hills, California manufacturer of data processing equipment, was acquired by two members of the Hitachi Group for $160 million. Hitachi Koki Ltd., a leading maker of power tools and printers, and Nissei Sangyo Company, an electronics equipment trading company, are 22.5 percent and 59.6 percent, respectively, owned by Hitachi Ltd.

Acquisitions, which continue to be the favored form of investment, accounted for 48 percent of the total number of transactions. These 32 transactions had an aggregate value of $1.2 billion. There were also six new plants constructed, five plant expansions, three equity increases, two joint ventures, and 18 other transactions.

Geographically, California was the most popular location for foreign investors. The state accounted for almost one-fourth (15 transactions) of the 66 deals recorded in the industrial machinery and equipment sector. The 21 remaining states attracting foreign investors with a significant number of investments included North Carolina (five), Pennsylvania (four), and Tennessee (four).

The most active subsector in the machinery industry was computer peripheral equipment (SIC 3577) with 10 investment transactions. Japanese investors, advancing their drive to take the lead in the computer sector, were the most prominent with seven transactions.

Electric and Electronic Equipment (SIC 36) -- Coupled with a downturn in the U.S. economy and with foreign companies' strategic corporate pursuit to

gain global market share, investment activity in the electric and electronics sector experienced an increase in the total number of transactions and a decrease of more than 50 percent in total value for 1990. There were 70 transactions identified with a total value of $1.4 billion for 35 of them.

With acquisitions being the primary form of investment, foreign firms were involved in 38 acquisitions or mergers of U.S. electronics companies in 1990. Other modes of investment included 10 new plants, seven in the other category consisting of new outlets, new subsidiaries or new headquarters; six joint ventures; five plant expansions, and four equity increases.

Japanese companies were responsible for the two largest transactions in this sector. The largest transaction involved a stock-swap between two leading companies that manufacture ceramics for high technology. To expand its manufacturing in the United States and in exchange for its American depositary receipts, Kyocera Corp. of Kyoto, Japan acquired all of the outstanding shares of AVX Corp. in a deal worth $620 million. AVX, with headquarters in New York, is the United States' largest maker of ceramic capacitors. Kyocera is a global manufacturer of technical ceramics for semiconductor equipment and optical instruments.

Kawasaki Heavy Industries Ltd. (Kyoto, Japan) opened a $200 million lawn mower motors plant, Kawasaki Motor Manufacturing (USA) Corp., in Maryville, Missouri.

By country, Japanese investors, eager to gain U.S. market share, were involved in 57 percent of the transactions in electric and electronic equipment. Investing in numerous but smaller scale firms, Japanese companies accounted for 40 transactions and a total value of $1.2 billion. British investors were second with 10 transactions totaling $160 million.

There were 18 transactions in the semiconductor and related devices subsector (SIC 3679), the most active subsector. Japanese companies continue to dominate in semiconductors with 13 transactions. Other subsectors in the electronics area with a notable number of investments included household audio and video equipment (SIC 3651) with eight, telephone and telegraph apparatus (SIC 3661) with five, and electronic components (SIC 3679) with five.

Geographically, foreign companies focused their electronics investments in 18 states with California being the most popular locale, having 19 transactions,

followed by New York with 11. Other states also known for high technology that had a notable number of investment transactions included Massachusetts (five) and New Jersey, Texas, and Michigan (four each). These six states accounted for 67 percent of the identified transactions.

Transportation Equipment (SIC 37) -- During 1990, foreign investment in the transportation equipment industry declined for many of the same reasons that caused the decline in investment in other industries. The economic slowdown in the United States and sluggish conditions abroad were conducive to fewer large investments generally. Most Japanese automotive manufacturers, the major source of the investments in this industry, have completed setting up their U.S. manufacturing facilities. Future investment in this area is expected to consist primarily of plant expansions. Japanese companies commanded more than 28 percent of the U.S. passenger car sales as they continue to move into the luxury end of the market by quickly responding to market changes with their flexible management techniques.

Thirty-five transactions involving foreign investors took place as compared with 31 in 1989. Values for 17 of them totaled $907 million. Although the number of transactions increased by 12 percent, the dollar value was down more than 50 percent.

The largest transaction took place when T&N PLC (formerly Turner and Newall PLC) of the United Kingdom acquired Michigan-based JP Industries, a manufacturer and distributor of automotive engine parts, for $375 million thereby giving it access to JP Industries' established U.S. distribution network. One other megadeal transaction occurred when Regie Nationale des Usines (Renault), partially owned by the French Government, acquired the remaining 46 percent share of Mack Trucks that it did not already own for $103 million.

As in recent years, motor vehicle parts and accessories (SIC 3714) had the most transactions (23). Japan continues to be the source of most of these transactions (21), while Germany had three. No other country had more than two.

The investment mode favored in this industry was new plants (19). There were also eight expansions of existing plants, six acquisitions/mergers, and two equity increases.

The geographic pattern of investment remained the same as in previous years.

Most of these investments were located near existing automotive manufacturing facilities, of which Michigan had seven, Ohio had five, and Kentucky had four.

With the European market outlook brightening, investors from Japan are turning their attention to Europe as are other foreign investors in this industry. Nevertheless, Japan's market share of the U.S. automobile industry is expected to climb upward through both imports and domestic production during the next few years.

Instruments and Related Products (SIC 38) -- Smaller industries like the instruments and related products industry are proving to be fertile ground for foreign investors, giving them moderate access and visibility in the United States. The medical and surgical instruments subsector (SIC 384), which has been the primary source of much of this industry's investments had 10 transactions. However, measuring and control devices (SIC 382) was the largest subsector, with nine transactions representing 69 percent of the value.

There were 25 investments identified in 1990, as compared with 33 for 1989. Of the 25, 14 had a combined value of $1.3 billion, down about 23 percent in value from that identified in 1989.

Investors from Japan had the most transactions (12). However, British investors continue to provide the major share of the dollar value in this industry. Even though the United Kingdom had only four transactions, it represented over half of the value. France and Sweden had two transactions each.

The largest transaction was the acquisition of Foxboro Company of Massachusetts by Siebe PLC of the United Kingdom for $656.4 million. Both are leading manufacturers of automatic control systems. Siebe PLC acquired two other U.S. manufacturers of control devices in 1987 - Barber Coleman for $227 million and the Ranco Company for $150 million.

The transaction with the second highest value took place when Cobe Laboratories Inc., a Colorado medical instruments manufacturer, was acquired by a subsidiary of Sweden's Volvo AB, for $253 million. One other transaction of similar value occurred when Anritsu Corp. of Japan acquired Wiltron Corp. of North Carolina for $180 million. Both of these companies produce high frequency instruments for measuring and testing electricity.

Anritsu is 25 percent controlled by the Nippon Electric Company.

The investment mode used most often was acquisition/merger (17). There were also five new plants, two joint ventures, and one equity increase. Thirteen states had foreign investment in this industry, but except for California with five transactions and New Jersey with four, no other state had more than two.

Air Transportation (SIC 45) -- Major changes continued throughout the air transportation industry in 1990. As a result of the political events in the Middle East, airlines were shaken by high fuel prices and reduced traffic due to recession and the threat of terrorism. Unforeseen political and economic circumstances caused major realignments around the world as many of the world's major air carriers forged links through mergers and acquisitions or joint venture projects.

In the United States, both European and Asian investors were interested in expanding their presence in a rapidly changing market, despite continued public concerns about the issue of foreign control of U.S. airlines, even when foreign investors acquired less than the 25 percent legal limit. In 1990, the number of foreign direct investment transactions in the air transportation sector rose 60 percent over 1989. Ten investment transactions were identified, half of which had a total value of almost $315 million, down 25 percent from the previous year.

The two largest investment transactions, which accounted for most of the total value, were an extension of investment activities in the airlines subsector in 1989. The first transaction was the acquisition of a 5 percent equity share in Delta Air Lines Inc. by Singapore Airlines Ltd. The transaction, valued at $183 million, was recorded as an equity increase because Swissair AG had acquired a 5 percent share in the Atlanta, Georgia-based airline the previous year. The investment by Singapore Airlines, which is 54.1 percent held by government-controlled Temasek Holdings (Pte) Ltd. of Singapore, makes Delta Airlines 10 percent-owned by two foreign air carriers.

The second major investment was Scandinavian Airlines System's (SAS) $106 million equity increase in Continental Airline Holdings Inc. SAS, which is 50 percent-owned by the governments of Denmark, Norway, and Sweden, raised its holdings to 16.8 percent of the equity and 18.4 percent of the voting stock in the Houston-based airline.

Asian investors accounted for half of the investment transactions in this sector. Japanese investors accounted for three transactions, while investors from Singapore had two. Investors from four European countries, Denmark, France, Germany, and Italy, and also from New Zealand, accounted for the remaining transactions. Companies owned or controlled by the governments of six European countries made four investments. The countries included Denmark, France, Germany, Italy, Norway, and Sweden.

Five investment transactions were in the other category, which included, among other investments, new subsidiaries, new terminals, and new air cargo facilities. There were also three equity increases and two acquisitions.

Six transactions were in the scheduled air transportation subsector (SIC 4512), while three transactions were in the airports, flying fields, and airport terminal services subsector (SIC 4581). The remaining transaction was in the nonscheduled air transportation subsector (SIC 4522).

Geographically, the investments in this sector were located in eight states. California and Texas had the most with two each. The remaining investment transactions were located in Alaska, Georgia, Hawaii, Louisiana, New York, and Oregon.

Communications (SIC 48) -- The U.S. communications industry has become increasingly attractive to foreign investors in recent years, and 1990 was the year that some foreign companies made large investments in order to secure a place in the growing U.S. market. Investment in this sector increased 44 percent over 1989. There were nine investment transactions identified, values for three of which totaled $1.9 billion.

Two transactions accounted for almost 99 percent of the total value identified. The largest investment was the $1.5 billion acquisition of 20 percent of McCaw Cellular Communications Inc. by British Telecommunications PLC. McCaw, a Kirkland, Washington-based firm, is the largest cellular telephone company in the United States. British Telecom, which is 48 percent government-owned, runs about 95 percent of its country's telecommunications services. This was the second major U.S. acquisition in two years by this London-based firm. In 1989, it acquired McDonnell Douglas Network Systems Co., including the Tymnet data communications network, for $355 million.

British Telecommunications also accounted for the second largest transaction in this sector. This investment, valued at $395.2 million, was the British firm's share of McCaw Cellular Communications Inc.'s $3.8 billion equity increase in Lin Broadcasting Corp., a New York-based cellular telephone company.

Investors from seven source countries were represented in this sector. France and the United Kingdom, the two primary source countries, each accounted for two transactions. Australia, Canada, Japan, Portugal, and South Korea accounted for the remaining investment transactions. Two-thirds, or six, of the investment transactions were made by companies owned or controlled by the governments of Australia, France, Germany, Portugal, Spain, and the United Kingdom.

Two subsectors had most of the foreign investment. The telephone communications subsector (SIC 481) had six transactions, while the cable/pay television subsector (SIC 484) had two transactions. The two primary forms of investment were acquisitions (four) and joint ventures (two).

Investments in the communications industry were widespread geographically. The District of Columbia had two transactions, while seven states had one transaction each. They were California, Delaware, Hawaii, New York, Tennessee, Texas, and Washington.

Finance, Insurance, and Real Estate (SIC 60, SIC 61, SIC 62, SIC 63, SIC 64, SIC 65, SIC 67) -- In 1990, for the second consecutive year, foreign investors continued to invest record amounts in the U.S. finance, insurance, and real estate industry. The value of foreign investment transactions increased to $7.0 billion from $5.0 billion in 1989. Of the 52 investment transactions in 1990, values were reported for 22, compared with 40 transactions of which 25 had known values in 1989. The $7.0 billion investment total for the finance, insurance, and real estate industry represented the third largest total among U.S. industries. Only motion pictures (SIC 78) and chemicals and allied products (SIC 28) reported greater foreign investment value in 1990.

As in 1989, foreigners invested heavily in the U.S. insurance carriers industry. Of the 10 reported foreign transactions in the insurance carriers industry, five reported values totaling $4.3 billion. In 1989, by comparison, there were seven transactions, six of which had a reported combined value of $1.6 billion.

The single largest foreign transaction in the finance, insurance, and real estate sector occurred with the purchase of Fireman's Fund Insurance Co. of Novato, California by Allianz AG of Germany for $3.3 billion. This acquisition was the second largest foreign investment transaction in any U.S. industry in 1990. The second major insurance carriers industry transaction was the purchase of General Casualty Co. of Sun Prairie, Wisconsin by Winterthur Swiss Insurance Co. of Switzerland for $630 million. Together, the Fireman's Fund and General Casualty transactions accounted for 90 percent of the reported total value of foreign investment in the U.S. insurance carriers industry in 1990.

Willis Faber of the United Kingdom acquired Corroon and Black Corp. (SIC 64 – insurance agents, brokers, and service sector), headquartered in New York City for $778 million. The Willis Faber transaction ranked as the second largest foreign acquisition (after Fireman's Fund) in the U.S. finance, insurance, and real estate industry.

Hotels and Other Lodging Places (SIC 70) -- Foreign investment in the U.S. hotels and lodging places industry declined 25.3 percent to $3.7 billion in 1990 in spite of two major foreign acquisitions, Motel 6 ($1.3 billion) and Pebble Beach Co. ($800 million).

In 1990, there were 39 foreign investments in the U.S. hotels and other lodging places industry. Of these, 31 reported transaction values totaling $3.7 billion. By comparison, there were 50 transactions in 1989 with reported values for 41 transactions equaling $5.0 billion.

Japanese investors accounted for 31 of the 39 foreign hotel and lodging investments (79.5 percent), further increasing their share of the foreign direct investment in the industry. In 1989, Japanese investors were responsible for 34 of 50 hotel industry investments (68.0 percent). Of the other eight investment transactions in 1990, no single country had more than one investor. However, a French investor made the single largest acquisition, paying $1.3 billion to purchase the Motel 6 chain. Of the $3.7 billion invested in 1990, Japanese investments amounted to $2.3 billion (61.8 percent). The investment from France of $1.3 billion equaled 35.1 percent.

Individually, the largest transactions made during 1990 were the acquisition of the Motel 6 chain, headquartered in Dallas, Texas, bought by Accor SA of France for $1.3 billion; the Pebble Beach Co. in Pebble Beach, California, acquired by Minoru Isutani of Japan for $800 million; and the Westin Maui

in Maui, Hawaii, purchased for $261.5 million by Kentaro Abe of Japan.

More than half of the 39 foreign transactions in the U.S. hotel and lodging industry occurred in either California (14) or Hawaii (eight). In keeping with their historical pattern of concentrating their investments in Hawaii and on the West coast, Japanese investors were responsible for all 22 hotel and lodging investments in these two states. Japanese investors also made seven other hotel and lodging investments throughout the United States. No other country had investors that made more than one investment in the U.S. hotel and lodging industry.

Motion Pictures (SIC 78) -- Foreign investment in the high-profile motion pictures industry has attracted a great deal of attention and publicity. Some well-known motion picture production companies in the United States have formed alliances with foreign companies. Foreign investors have come up with some innovative ways to invest in this industry. In some cases, they have financed the production of movies directly in order to gain distribution rights to the finished product for their home base. In others they have bought studios outright, providing American producers with badly needed financing. Some of the largest transactions to take place in 1990 were in the motion picture industry.

Although there were only 12 transactions identified, seven had a combined value of $9.4 billion. In 1989, there were 14 transactions with values for 10 of them in the amount of $5.5 billion. Even though the number of investments this year declined by two, the value increased nearly 70 percent. Two transactions were recorded in excess of $1 billion each.

Investors from Japan completed seven transactions and investors from the United Kingdom had two. Belgium, Italy, and Korea had one each. Japan and Italy's investments of $7.5 billion and $1.4 billion, respectively, were 95 percent of the value.

The acquisition of MCA Inc., a California diversified motion picture producer, by Matsushita Electric Industrial Company of Japan for $7.5 billion was the largest transaction this year. The second largest in this industry was also an acquisition. After experiencing many delays in obtaining financing, Italian businessman Giancarlo Parretti and others bought MGM/UA Communications Company, also of California, for $1.4 billion.

Two other noteworthy transactions took place in this industry. A Japanese consortium formed a $200 million company, Media International Corp., in California for motion picture production and sports programming. And Fox Inc. sold its Deluxe Film Lab to British Rank Organization PLC for $150 million. Deluxe Film is one of the largest film processing companies in the United States.

Nine of the investments were in the acquisition/merger category. Another three were in the new subsidiary category. California and New York received most of these investments, seven and three, respectively.

Real Property -- The value of foreign direct investment transactions in the United States real property sector declined by nearly $1 billion (22.4 percent) to $3.3 billion in 1990, from $4.3 billion in 1989. However, the number of identified transactions increased to 109 in 1990 from 89 a year earlier. Activity in the real property sector continued lively, except for the high-profile, extremely costly realty acquisitions that were popular with foreign investors during the late 1980s. Purchases of agricultural land and individual residential real estate units are not included in this report.

Maintaining their optimistic attitude toward investing in U.S. real property, the Japanese, for the sixth consecutive year, were the dominant foreign investors in U.S. commercial real estate. Of the 109 transactions in 1990, Japanese investors accounted for 50 transactions (46 percent), an increase over their 1989 share of 36 out of 91 transactions (40 percent). However, the Japanese share of the total value of real property transactions declined to 71 percent ($2.4 billion) in 1990 from 76 percent ($2.6 billion) a year earlier.

Except for a single investment from Ireland, all the major transactions of $100 million or more in this sector in 1990 came from Japan. The major transactions were 1,340 acres of commercial land in Vallejo, California bought by Mishawa Homes Co. of Japan for $338 million; the Aventine Center in San Diego, California, developed by Shimizu Construction Co. Ltd., TSA Development Co. Ltd., and Nissho Iwai Corp., all Japanese, for $200 million; office buildings in Peachtree Center in Atlanta, Georgia, purchased by Nippon Life Insurance Co. of Japan for $166 million; and San Francisco Center in San Francisco, California, bought by Robin Power of Ireland for $131 million.

Investors from the United Kingdom ($155 million) and Sweden ($153 million) were the second and third biggest foreign sources for U.S. real property in

1990, replacing investment from Australia and Singapore, which were the second and third largest source countries in 1989.

In 1990, geographic concentration of foreign investment in the U.S. real estate sector became even more concentrated. Four states, California, Texas, Hawaii, and Florida, accounted for 82 of the 109 (75.2 percent) foreign real estate investments. California (29) and Texas (28), the states selected most often by foreign realty investors, together accounted for more than half (52.3 percent) of all real property transactions. Hawaii (13) and Florida (12) were the third and fourth most selected states. As a group, these four states accounted for 81.7 percent of the total value of foreign direct investment transactions in U.S. commercial real estate in 1990. By comparison, geographic concentration in 1989 was in five states: Texas (23 transactions), California (15), Hawaii (10), Florida (nine) and Oregon (nine), accounting for 72.5 percent of the total value.

Maintaining their past investment pattern, Japanese real estate investors continued to concentrate their realty acquisitions in California and Hawaii. In 1990, 21 out of 29 foreign real property investments in California were Japanese. Of the 13 direct real estate investments in Hawaii, 12 were Japanese. Of the 42 foreign real estate investments in California and Hawaii, 33 (78.6 percent) were Japanese.

MAJOR SECTORAL DEVELOPMENTS

This section focuses on major investment transactions trends in those sectors where foreign direct investment was concentrated or where a particular investment pattern or a noteworthy transaction occurred.

In 1991, there was notable foreign direct investment activity in 10 industrial sectors. Only six sectors recorded more than $1 billion worth of foreign direct investment transactions in 1991, as compared with 13 sectors in 1990.

Oil and Gas Extraction (SIC 13) -- Depressed crude oil and natural gas prices and fears of more stringent environmental restrictions discouraged global oil firms from investing in U.S. energy exploration and development projects in 1991. Moreover, major foreign investors in this industry, such as the Royal Dutch Shell Group and British Petroleum PLC, sold U.S. assets to stem losses from costly production operations.

Shell Oil Company, the Houston-based subsidiary of the Royal Dutch Shell Group, sold its Wilmington refinery in Carson, California to Unocal Corporation, offered oil and gas properties in the same state for sale, and laid off some of its employees to trim expenses. Also, British Petroleum, the largest U.S. producer of domestic oil, sold its non-Alaskan onshore oil and gas operations to Pacific Gas and Electric Company and Central & South West Corporation for $650 million.

The slowdown in the U.S. oil and gas industry was also reflected in the foreign investment transaction figures which dropped 50 percent from the previous year. Ten transactions with seven available values totaled $906.5 million.

Two transactions accounted for almost 82 percent of the total value. The largest transaction was an equity increase with a value of $530 million. BHP Holdings (USA) Inc., a wholly owned subsidiary of the Broken Hill Proprietary Company Ltd. of Sydney, Australia, acquired the remaining 49.9 percent of Hamilton Oil Corporation it did not already own. Broken Hill Proprietary Company, Australia's largest firm, acquired its existing holdings in Hamilton Oil, a Denver, Colorado-based oil and natural gas exploration and production concern, for $393 million in 1987.

As in the previous year, the second largest transaction was an acquisition by a Norwegian corporate investor. Aker A/S, a major Scandinavian conglomerate, purchased Transocean Drilling Company Ltd. for $210 million in cash. Transocean Drilling is a contract offshore drilling services firm based in Oklahoma City.

Half of the investments in the oil and gas industry came from two non-European source countries in 1991. Canadian investors accounted for three transactions, while investors from New Zealand had two. The remaining investments came from Australia, France, Germany, the Netherlands, and Norway.

There were four types of investment transactions in this sector. Five transactions were acquisitions, two were equity increases, two were drilling projects, and one was a joint venture. The oil and gas exploration and development subsector (SIC 1311) was the most active area with nine transactions; the remaining investment was in the oil and gas field services subsector (SIC 1389).

In 1991, Texas, Oklahoma, and Louisiana tied for first place as states with the most oil and gas foreign investments; each state had two transactions. The other four transactions were located in Alaska, Colorado, New Mexico, and Pennsylvania.

Printing and Publishing (SIC 27) -- Foreign direct investment in the printing and publishing sector slowed considerably in 1991. Moreover, the death of British publisher Robert Maxwell, one of the major investors in this industry, left questions about the fate of several of his U.S. publishing and data subsidiaries at year's end.

As foreign publishers spent more time consolidating their activities and moving to position themselves in the global market, there was less investment in the U.S. printing and publishing sector; the number of transactions fell by 35 percent from the previous year's figure. Twenty-two transactions were identified; eight of them had a total value of $228.2 million.

Investors came from seven source countries in 1991. European investors accounted for about 55 percent of the investment transactions, while Asian investors had a higher profile than in previous years with almost 32 percent of the transactions. The United Kingdom was the primary source country for

the fifth year in a row with nine transactions. Canada and Japan followed with three transactions apiece. The remaining investments came from Italy (2), South Korea (2), Thailand (2), and France (1).

The periodicals publishing subsector (SIC 2721) attracted the most investment interest in 1991, as it has for the past several years. Eight investment transactions were identified; five of them had a total value of $57.7 million. The newspaper publishing subsector (SIC 2711) had the second highest number of investment transactions. There were seven investments with one available value worth $150 million. Other subsectors where foreign investors were active included book publishing (SIC 2731), commercial gravure printing (SIC 2754), and other commercial printing (SIC 2759); these subsectors each accounted for two investment transactions. There was also one investment in the lithographic printing subsector (SIC 2752).

In 1991, acquisitions were once again the primary form of investment in the printing and publishing industry; they accounted for 50 percent of the transactions. The "other" investment category, which includes investments such as new subsidiaries, new magazines, etc., accounted for six transactions, while new plants accounted for three transactions.

The largest investments in the printing and publishing industry in 1991 were both acquisitions by British firms. The largest investment was the acquisition of The Daily News in New York City for $150 million by the Mirror Group Newspapers Ltd. of London, controlled by Robert Maxwell and his family. In addition to the acquisition of The Daily News, this British publishing conglomerate set up The Racing News and acquired Dillon Press Inc., a Minneapolis-based book publisher, and Maxam Publishing Inc., a gravure printing firm. The Maxwell family also had the largest number of investments in this industry.

The second largest investment was the acquisition of Broadcasting magazine by Reed International PLC. Reed, Britain's largest publishing and information company, purchased the 60 year-old weekly trade magazine for $32 million through its U.S. subsidiary, Cahners Publishing Co. Cahners is the largest publisher of business and trade magazines in the United States.

Publishing and printing investments were located in eight states and the District of Columbia. As in 1990, New York and California had the most transactions, eight and four, respectively. The District of Columbia was in third place with three transactions. The remaining investments were located

in Illinois, Kentucky, Michigan, Minnesota, New Jersey, and Pennsylvania.

A noteworthy development in the U.S. newspaper industry in 1991 was the closing of The New York City Tribune, a newspaper founded by the Rev. Sun Myung Moon of South Korea in 1976 and published by News World Communications Inc. While the Tribune was closing, The Washington Times, published in Washington, D.C. since 1982 by News World Communications, was expanding its publication activities to seven days a week. News World Communications has reportedly invested between $800 million and $1 billion in The Washington Times since its inception.

Chemicals and Allied Products (SIC 28) -- After several years of restructuring, consolidating, merging, and establishing joint ventures with foreign investors to reduce start-up costs and to become more competitive internationally, the U.S. chemical industry has experienced a significant slowdown in foreign investment. Greater caution regarding growth and disappointing results from prior investments have contributed to fewer investments of smaller size in this industry.

In 1991, there were 52 foreign investment transactions with values identified for 22 of them totaling $2.5 billion, considerably less than the $8.9 billion invested in 1990 and the $15.5 billion invested in 1989. The number of transactions declined by 10 percent from 1990.

The plastics materials and synthetic resins subsector (SIC 282) had the most value, $1.2 billion (about 48 percent), but was second in number of transactions with 10. The medicinal chemicals subsector (SIC 283) had the greatest number of transactions with 13, but had little more than 15 percent of the value at $370 million.

The largest completed transaction was the acquisition of Vista Chemical Company, a leading Texas producer of specialty chemicals used in the cosmetic, automobile trim, and printing and ink industries by RWE AG of Germany for cash and debt estimated at $1.1 billion.

The second largest transaction was the acquisition of Chemed Corporation's DuBois Chemicals, Inc., an Ohio maker of soaps and cleaning products, to a subsidiary of the Molson Companies Ltd. of Canada for $243 million.

In the third largest transaction, Mitsui & Co. Ltd. and Daicel Chemical

Industries Ltd. of Japan started construction on Global Octane, Inc., a $200 million methyl tertiary butyl ether (MTBE) gasoline additive plant near Houston, Texas. Demand for MTBE is expected to be extensive in the next few years, given the increasing environmental concern in the United States.

Investors from Japan accounted for the most transactions with 14. Germany was second in number of transactions with 12, followed by the United Kingdom with seven.

Two modes of investment dominated this industry, new plants (16) and acquisitions (15). Other forms of investment included eight plant expansions, seven equity increases, five joint ventures, and one in the "other" category.

Foreign investors selected sites in Ohio for eight investments. Second preference for investors was Texas with seven, followed by California with six and New York with five. None of the remaining 14 states had more than four transactions each.

Industrial Machinery and Equipment (SIC 35) -- Amid a continuing sluggish economy and a downward trend of demand for machine tool products, foreign companies invested $460 million in 54 transactions in the U.S. industrial machinery and equipment industry. This compares with 66 transactions and a $1.7 billion value in 1990, representing an 18 percent decline in the total number of transactions and a decrease in reported value of over 70 percent.

Acquisitions, the primary mode of investment, accounted for 52 percent of the total number of transactions. There were 28 acquisitions, with Japanese investors accounting for 17 of them. Other modes of investment included 10 transactions in the "other category," seven new plants, five joint ventures, and four equity increases.

On a country basis, investors from Japan continued as the major investors in the machinery sector, accounting for 34 investment transactions, 18 of which totaled $290 million. The second leading source country was the United Kingdom with five. Nine other countries had one or two each of the remaining 15 transactions.

Geographically, one-half of the direct investment transactions in the machinery sector were located in four core states. As in 1990, California was the location selected most often with 12 transactions, followed by Michigan

with seven, Texas with five, and North Carolina with four.

Computer peripheral equipment (SIC 3577) was the most active subsector with eight transactions. Japanese-owned companies were responsible for seven of the transactions.

In sharp contrast with prior years, foreign investors focused on transactions of less than $100 million.

Electronic and Electric Equipment (SIC 36) -- Continued difficult economic times in the electronic and electric equipment sector caused foreign companies to rethink their corporate strategy, bolster sales at home, and invest in more receptive markets. Foreign investment activity in the electronics industry dropped 36 percent from 1990 to 1991 in the number of transactions, but the value identified increased almost threefold. In 1991, 45 completed investment transactions were identified, 22 of which had a total value of $3.9 billion, compared with 70 transactions in 1990 with a total value of $1.4 billion. The $3.9 billion value was the highest recorded by any industry in 1991.

Acquisitions/mergers continued to be the predominant mode of investment with 25 transactions. There were also six transactions each for new plants and joint ventures, four in the "other category," three equity increases, and one plant expansion.

In a continuation of previous trends, investors from Japan continued to play a major role in the electronics sector by acquiring established U.S. high-technology companies, investing in start-up facilities or adding to existing U.S.-owned operations. Seeking deeper inroads into this industry, Japanese investors accounted for 27 transactions totaling $407 million. Other countries with a significant number of investors were France and Switzerland with four transactions each.

The two largest megadeal transactions by French investors accounted for 73 percent of the total value in the electronic and electric equipment industry. Seeking to become an international competitor in a global market, France's Groupe Schneider SA acquired Square D Company (Palatine, Illinois), a manufacturer of electrical distribution equipment and industrial controls, for $2.23 billion in a hostile takeover. Groupe Schneider, an electrical engineering company, is 57.8 percent owned by Societe Parisienne d'Entreprises et de

Participations SA (SPEP), a diversified French holding company. The consolidation of the two companies created the world's largest maker of electrical control devices and gives Schneider a major presence in the United States.

The second largest transaction also involved a French company. To strengthen its position in the telecommunications area, Alcatel NV acquired Texas-based Rockwell International Corporation's Network Transmission Systems, a leading maker of transmission systems for voice, image, and data traffic, for $625 million. The acquisition boosted Alcatel's share of the United States transmission equipment market from 4 percent to 15 percent.

Unisys Corporation, a computer manufacturer trying to reduce its heavy debt load through asset sales, sold its Timeplex Inc. unit for $207 million to a group of multinational investors led by Switzerland's Ascom Holding AG and Mercedes Information Technologies Ltd. of South Africa. Ascom Holding, a telecommunications company, will have a 51 percent interest. Timeplex is a computer networking concern headquartered in Woodcliff Lake, New Jersey.

The semiconductors and related devices (SIC 3674) subsector had the most transactions with 18. Japanese firms continued to be the principal investors in U.S. chip facilities with 14 transactions.

Geographically, 30 of the 45 identified transactions were located in states known for high technology industries. California led with 11 transactions, followed by five each from Texas, Massachusetts, and New Jersey, while New York had four.

Transportation Equipment (SIC 37) -- In a year of sluggish sales in the United States' transportation equipment industry, the reported value of foreign direct investment transactions increased to $1.5 billion, about 60 percent over that identified in 1990. This was accomplished through one large and two midsize transaction. The number of transactions declined by 34 percent to 23 in 1991.

The trend toward high-quality products, shorter development time, cost cutting, upgrading technology, and globalization have caused Japanese transplants to continue investing in the United States. As in previous years, the most transactions, seven, occurred in the automotive parts subsector (SIC 3714). However, the motor vehicles subsector (SIC 3711), which includes

research and development, had the most value, about 71 percent. Japan accounted for 73 percent of the number of transactions and 96 percent of the value in this subsector.

A maturing U.S. automotive market did not deter Toyota Motor Corporation of Japan from its planned expansion in the United States. In 1991, it started construction on an $800 million auto plant adjacent to its current manufacturing facility in Georgetown, Kentucky. That addition, the largest transaction in this industry, is expected to double the number of the popular Camry models produced there to 400,000 units annually.

Toyota also had the second largest transaction in this industry by investing $350 million to add a second assembly line to produce trucks at the joint venture company it owns with General Motors in Fremont, California.

In the third largest transaction, Mitsubishi Motors Corporation of Japan increased its equity in the joint venture company, Diamond Star Motors Corporation in Illinois, formed with Chrysler Corporation in 1985. The value of the transaction was $100 million.

These three transactions by two Japanese companies accounted for nearly 83 percent of the known value. Nine transactions were plant expansions. Acquisitions/mergers and new plants accounted for six transactions each.

Seven of the transactions occurred in Michigan near an existing automotive manufacturing facility. The second highest concentration was five transactions in California. Nine other states had two or less transactions.

Air Transportation (SIC 45) -- In January 1991, the U.S. Department of Transportation raised to 49 percent the level of non-voting equity a foreign investor can hold in a U.S. airline, while retaining the 25 percent limit on foreign ownership of voting stock, the defining element of "foreign control." Also, in 1991, several pieces of legislation concerned with foreign ownership in the airlines industry were introduced, including one proposal to allow overseas investors to buy up to 49 percent of a U.S. air carrier's voting stock. These developments came in the wake of severe financial hardship in the industry, which was transformed by bankruptcies, mergers, and consolidations.

The result was an increase in the number of foreign investment transactions in the industry, which rose 20 percent over the 1990 figure, although the value

declined. Twelve transactions were identified; 75 percent or nine of them had a total value of $158.7 million, down almost 50 percent from the previous year.

Although the air transportation industry did not have large transactions in 1991, the pattern of foreign direct investment was noteworthy. As in 1990, companies, owned or controlled by foreign governments, were prominent investors in major U.S. airlines and airlines' assets. Two-thirds, or eight of the investments in this sector, were made by firms owned or controlled by the governments of Denmark, the Netherlands, Norway, Singapore, Spain, and Sweden. The Netherlands and Singapore, with three investment transactions apiece, were the primary source countries, followed by Japan and the United Kingdom with two transactions each. Denmark and Spain accounted for one transaction apiece.

Two major air carriers went bankrupt in 1991 – Eastern Airlines and Pan American World Airways. A significant portion of their assets were sold to foreign airlines and U.S. airlines with foreign ownership. The largest transaction recorded was the acquisition of some of Pan American World Airways' assets, including the Pan Am Shuttle, by Delta Airlines. A 10 percent foreign holding in Delta Airlines is shared equally by Singapore Airlines Ltd. and Swissair A.G., making the value of the transaction $41.6 million.

The second largest transaction was the construction of a $34.8 million cargo terminal at John F. Kennedy Airport in New York by Nippon Cargo Airlines Company Ltd. of Japan.

Two-thirds or eight of the investment transactions were acquisitions, while the remaining four investments were in the "other" category, which includes investments such as new subsidiaries, new terminals, and new air cargo facilities.

The numerical breakdown for investment transactions in the industry subsectors included four investment transactions in the scheduled air transportation subsector (SIC 4512) and eight investments in the airports, flying fields, and airport terminal services subsector (SIC 4581).

Geographically, investments in the air transportation industry were located in nine states. New York, with three investment transactions, was the most attractive site, followed by Florida which had two investments. Alabama,

Arkansas, Georgia, Hawaii, Illinois, Nevada, and Virginia had one investment transaction apiece.

Communications (SIC 48) -- The recent privatization of some of the world's major telecommunications companies, their goals for global expansion, and increased opportunities in the U.S. market are all factors that explain the larger number of foreign investment transactions in the communications sector in 1991. The Office of Trade and Economic Analysis noted a 31 percent increase over the previous year. Thirteen transactions were identified; six had a total value of $138.5 million.

In a repeat performance of 1990, BT PLC (formerly British Telecommunications PLC) of the United Kingdom was the most visible foreign investor. This London-based communications firm, which is 48 percent-owned by the Government of the United Kingdom, made four investments in the telecommunications subsector. Another prominent U.K. investor, Cable and Wireless PLC, which has also built up a presence in the U.S. market in recent years, made two investments. A third investment, the proposed $174 million acquisition of TRT/FTC Communications Inc. from Pacific Telecom Inc. was terminated by mutual consent.

The largest transaction in this industry was an acquisition. Italcable USA Inc., a subsidiary of Italcable, Italy's government-owned international telecommunications services company, purchased a 20 percent holding in LCI Communications Holdings Co. for $50 million. LCI is a long-distance telephone company based in Dublin, Ohio.

Investors from five source countries were represented in this sector. The United Kingdom, the primary source country, accounted for seven transactions, followed by Japan with three transactions. France, Italy, and Switzerland accounted for the remaining three investment transactions. As in 1990, two-thirds or six of the investment transactions were made by companies owned or controlled by foreign governments. They were the governments of the United Kingdom (4), France (1), and Italy (1).

The telephone communications subsector (SIC 481) attracted most of the foreign investment with 10 transactions. Radio and television broadcasting stations (SIC 483) had two transactions, while satellite transmission services (SIC 489) had the remaining transaction. Acquisitions and joint ventures were the primary forms of investment. The former category accounted for six

transactions and the latter for four transactions. There were also two new subsidiaries and one equity increase.

Almost half of the investment transactions in the communications industry were located in three states. New York, Massachusetts, and Texas each accounted for two transactions. Six other states and the District of Columbia each had a single investment in this industry. They included California, Florida, Georgia, Ohio, Rhode Island, and Washington.

Motion Pictures (SIC 78) -- After several years of significant foreign investment in the motion picture industry, investment activity slowed in 1991. The large cash outlays necessary to renovate studios, to hire new management, and to create new pictures, have caused foreign investors to move more slowly in making new commitments to this industry.

In contrast to previous years, no single transaction of a billion dollars or more was completed in this industry. However, at year-end there was one transaction of over a billion dollars being negotiated between Time Warner Inc.'s Warner Bros. Studio and Toshiba Corporation and C. Itoh and Co., both Japanese firms.

In 1991, there were seven transactions identified with values for four of them totaling $445 million, as compared with 12 transactions with values for seven of them that totaled $9.4 billion in 1990 and 14 transactions with values for 10 of them for $5.5 billion in 1989.

The largest transaction in the motion picture industry was Sony Corporation's acquisition of the 50 percent of RCA-Columbia Pictures Home Video that it did not already own for $300 million, ending a 10-year partnership with the owner NBC. RCA-Columbia Home Video is one of the world's largest home video businesses. The major shareholder of Sony Corporation is the Morita family of Japan.

All seven of the 1991 transactions were made by Japanese investors, most of whom had made previous investments in this industry. Four transactions took place in California, two in New York, and one in Maryland.

Real Property -- Except for a slight increase in 1989, foreign investment in U.S. commercial real estate has fallen each year since 1986. In 1991, foreign

investors spent $1.6 billion purchasing U.S. commercial real estate, a decline of $1.7 billion or 53 percent from $3.3 billion invested in 1990. Declining interest by foreigners in U.S. real estate is evidenced by the fact that only 41 transactions took place during 1991 compared with 109 transactions in 1990, a drop of more than 62 percent. The downturn in the U.S. economy coupled with the sudden and severe retreat of Japanese investors accounted for the major share of the decline. Purchases of agricultural land and individual residential real estate units are not included in this report.

Although Japanese investors, for the seventh consecutive year, were the major players in foreign purchases of U.S. commercial real estate, their presence diminished greatly. Of the 41 foreign investments in U.S. commercial real estate during 1991, the Japanese concluded only 18 compared with 50 transactions in 1990. The value of Japanese real estate investments made in 1991 dropped to $1.5 billion from $2.4 billion for 1990. As a percentage of the total value of U.S. real estate investments made in 1991, the Japanese share was 74 percent compared with 71 percent for 1990, increasing their dominance in the U.S. real property sector.

In 1991, there were four major commercial real estate transactions of $100 million or more compared with six in 1990. Three of the four investments were Japanese, the other German. The major transactions were an increase in its holdings of the Rockefeller Group, Inc. in New York, New York, to 80 percent by Mitsubishi Estate Company, Ltd. (Japanese) for $526 million; a 50 percent stake in the Fashion Center at Pentagon City in Arlington, Virginia, by the Lehndorff Group (German) for $200 million; a 35-story skyscraper in Louisville, Kentucky, by Kawasaki Steel Corporation, (joint venture) (Japanese) for $110 million; and an acquisition of the Nexus City Square office complex in Los Angeles, California, by Nippon Landic Company, Ltd., (Japanese) for $100 million.

In addition to the Japanese investment, only investment from Germany (four transactions with three values totaling $248 million) was of significance in 1991. All other investment, representing 12 countries, amounted to less than $30 million combined.

In the past, foreign investments in U.S. real property usually revealed a geographic pattern. In 1991, however, with just 41 transactions occurring in 17 states, no real pattern emerged. The number of transactions was concentrated in three states, Florida (9), Texas (8), and California (7). The value of the investments, however, was not as concentrated. New York

received the largest investment ($526 million), followed by California ($253 million), Virginia ($200 million), Georgia ($134 million), and Kentucky ($110 million).

The outlook for foreign investment in U.S. commercial real estate for the next one to three years is for diminished activity. During the 1980s, the Japanese, criticized by some who felt they were buying some of our most valuable commercial real estate, were paying premium prices for prime properties. Subsequently, the U.S. economy turned down and the Japanese were left holding properties that had lost, in some instances, substantial market value. Thus, having suffered a severe decline in the value of their earlier investments and with the realty market currently depressed, the Japanese would seem to have no incentive to expand their investments any time soon. As a result, the Japanese may either maintain a hold position until real estate values increase or sell at a significant loss.

MAJOR SECTORAL DEVELOPMENTS

This section focuses on major investment transactions trends in those sectors where foreign direct investment was concentrated or where a particular investment pattern or a noteworthy transaction occurred.

In 1992, there was notable foreign direct investment activity in 10 industrial sectors. Only three sectors recorded more than $1 billion worth of foreign direct investment transactions in 1992, as compared with six sectors in 1991 and 13 sectors in 1990.

Printing and Publishing (SIC 27) -- The number of foreign direct investment transactions in the printing and publishing industry continued to decline in 1992, down almost 23 percent from the previous year. The total transaction value rose by more than 64 percent over that of the previous year, however. Seventeen printing and publishing transactions were identified; five of them had a total value of $374.5 million, as compared with 1991 when 22 transactions with eight identified values totaled $228.2 million.

Japan, with four investment transactions, was the primary source country for investors in this industry, replacing the United Kingdom, which had been the leading investor for five consecutive years. The United Kingdom and Canada tied for second place with three investment transactions apiece, while Germany was third with two transactions. The two largest investments in this industry accounted for almost 82 percent of the total dollar value. The largest transaction was an equity increase valued at $175 million. Philips Gloeilampenfabriken NV of the Netherlands acquired 25 percent of Whittle Communications LP, a Knoxville, Tennessee publisher and communications firm, raising the foreign ownership to 49.6 percent from 33 percent.

The second largest transaction was the $130 million acquisition of the periodicals publishing subsidiaries of American Publishing Group Inc., a Miami-based publisher of Spanish-language magazines, by Mexico's Grupo Televisa SA de CV. In 1992, Televisa was also part of a group of investors that acquired Univision Holdings Inc.'s Spanish-language network from Hallmark Cards Inc. for $550 million. Grupo Televisa is controlled by the Emilio Azcarraga family.

The periodicals publishing subsector (SIC 2721), with 11 transactions, attracted almost two-thirds of the foreign investment in the publishing and printing industry. Newspaper publishing (SIC 2711) and book publishing (SIC

2731) were less active with two transactions each. As in 1991, New York, California, and Washington, D.C. were the primary locations for foreign investments, accounting for seven, three, and two transactions, respectively.

Chemicals and Allied Products (SIC 28) -- Foreign direct investment in the chemicals and allied products sector accounted for more than 21 percent of the total foreign direct investment value in 1992. Forty-six transactions with 33 available values were identified; they had a total worth of almost $3.2 billion.

Three major source countries accounted for more than half of the investment transactions in this industry. Japanese investors had the most transactions (12) followed by investors from Germany (11) and Canada (4). The largest investment, however, was made by a Belgian firm, Solvay SA. Solvay America Inc., the Houston-based subsidiary of the Brussels chemical firm, acquired Tenneco Minerals Co. for $550 million in cash. Tenneco Minerals Co, based in Lakewood, Colorado, produces caustic soda and sodium sulfite and has an 80 percent interest in a Wyoming soda ash joint venture with Japan's Asahi Glass Co. Ltd.

The second largest investment transaction was also an acquisition. Joh. A. Benckiser GmbH, a German consumer products company, purchased the Coty fragrance and cosmetics business from Pfizer Inc. for $440 million. Benckiser has headquarters in Ludwigshafen and is controlled by the Reimann family.

Acquisitions were the primary mode of investment and accounted for 20 transactions. Investors from Japan and Germany accounted for half of all of the acquisitions; they purchased six firms and four firms respectively. Plant expansions were the second most prevalent form of investment; there were 10 of them.

Three chemical subsectors attracted most of the foreign direct investment. Plastics materials, synthetic resins and nonvulcanizable elastomers (SIC 2821) had 10 transactions; pharmaceutical preparations (SIC 2834) had nine transactions and perfumes, cosmetics, and other toilet preparations (SIC 2844) accounted for seven. These chemical investments were located primarily in four states: New York and Texas had seven transactions each and California and New Jersey had five each.

Primary Metal Industries (SIC 33) -- The number of foreign direct investment transactions in primary metals in 1992 remained at the level of the previous year; the total investment value rose by almost 47 percent,

however. Twenty-one transactions with 11 known values had a total of $601.7 million. Japan was once again the primary source country for foreign investors in this industry, as has been the case for the last eight years. Japanese investors had nine transactions followed at a distance by German investors with three transactions and investors from the United Kingdom with two transactions.

The largest investment was the $350 million acquisition of FLS Holdings Inc., the parent company of Tampa-based Florida Steel Corp., by Kyoei Steel Ltd of Japan. Florida Steel is the country's largest maker of concrete-reinforcing steel bars. Kyoei Steel Ltd., based in Hirakata, Japan, is one of that country's largest producers of steel bars. The second largest investment was also an acquisition. BICC Cables Corp., the New York subsidiary of London's BICC PLC, purchased the North American electrical cable operations of Reynolds Metals Co. of Richmond, Virginia for $77 million and merged them into Cablec Utility Cable Co.

Almost one-third of the investment transactions (nine) were in the steel works, blast furnaces, and rolling mills subsector (SIC 3312). The steel pipes and tubes subsector (SIC 3317), with three transactions, was the second most attractive subsector to investors. Investments were divided evenly among acquisitions, new plants, and joint ventures; there were five transactions in each category, while plant expansions had four transactions. More than one-quarter of the transactions took place in two states; Pennsylvania accounted for four investment transactions, Indiana, for two, and the remaining transactions were widely scattered.

Industrial Machinery and Equipment (SIC 35) -- Foreign direct investment in the industrial machinery and equipment industry totaled $225 million in 1992, a drop of $235 million from the $460 million invested in 1991. The total number of transactions by foreign companies investing in the machinery area decreased 39 percent from 54 in 1991 to 33 in 1992.

Acquisitions were the principal mode of investment with 12 transactions. There were also six transactions each for new plants, plant expansion, and the "other" category, two equity increases and a joint venture.

Japan had the most investments in U.S.-based machinery companies with 19 transactions. Values for 11 of them totaled $153 million. Japanese investments in this sector continue to be small in size with no transaction exceeding $100 million.

The computer storage devices (SIC 3572) was the most active subsector with five investment transactions. Japanese investors continued to expand their base in the U.S. computer and office equipment area by making all five transactions in this subsector.

Geographically, most transactions were located in the same four states as in 1991. California had the most with seven transactions, followed by North Carolina with five, and Michigan and Texas with three each.

Electronic and Electric Equipment (SIC 36) -- In an increasingly sluggish economy, foreign investors' activity in the electronic and electric equipment sector declined more than 30 percent in the number of identified transactions and 56 percent in known values. In 1992, 31 transactions were recorded with 12 known values totaling $1.7 billion, as compared with 45 transactions with 22 values that totaled $3.9 billion in 1991.

Investors from Japan, Germany, and Canada accounted for 81 percent of the total number of transactions. Japanese companies were the most active foreign investors in the computer market, accounting for 16 transactions totaling $312 million. Although German investors had only five transactions, they totaled more than 60 percent of the value identified in this industry at $1.1 billion. There were four investments from Canada.

There were 10 acquisitions, which remained the most favored mode of investment in this industry. Eight new plants, six joint ventures, four "other" transactions, two plant expansions, and one equity increase were also identified.

The largest transaction in electronics was an equity increase by Siemens AG, a German electronics company, in Rolm Systems, a Santa Clara-based switching equipment manufacturer. Siemens acquired the 50 percent owned by IBM Corp. for $1 billion. Siemens had originally acquired 50 percent of Rolm Systems in 1989 for $844 million.

For the tenth consecutive year most foreign direct investment transactions in the electronics industry occurred in California. In 1992, eight investments were made in California, followed by four in Illinois, while 13 other states had three or fewer investments.

Transportation Equipment (SIC 37) -- Foreign direct investment in the transportation equipment industry fell

by almost 22 percent in 1992. There were 18 transactions with 12 known values totaling almost $1.1 billion compared to 23 transactions with 17 values totaling $1.5 billion in 1991. This year marked the tenth year that Japanese investors were predominant in this industry. They accounted for 10 transactions with eight values that totaled $544.5 million. German investors were also active investors; there were four transactions with two values that totaled $490 million.

The two largest investment transactions were made by German and Japanese firms and accounted for almost three-quarters of the total investment in this industry. The first of these, BMW of North America's new $400 million manufacturing plant in Greer, South Carolina, was made by Bayerische Motoren Werke AG. The Munich-based automobile manufacturer is controlled by the Quandt family. The second largest investment was Auto Alliance International Inc., a joint venture between Mazda Motor Corp. of Japan and the Ford Motor Co. valued at $380 million. The equally owned joint venture will run an auto assembly plant in Flat Rock, Michigan.

More than three-quarters of the 18 investments were made in two transportation subsectors. Motor parts, vehicle parts and accessories (SIC 3714) had eight investment transactions, six of which had a total value of $213.5 million. The second subsector -- autos, motor vehicles, and passenger car bodies (SIC 3711) -- had six investment transactions, five of which had a total value of $825.5 million. Of these 14 investments, six were plant expansions, while there were two investments in each of the acquisitions/mergers, joint ventures, and new plants categories. They took place primarily in Michigan (four), Kentucky (three), Florida (two), and South Carolina (two).

Instruments and Related Products (SIC 38) -- Investment activity by foreigners in the instruments and related products industry decreased 27 percent in the total number of transactions and increased by 36 percent in total value from the previous year. During 1992, 11 transactions were identified with seven known values that totaled $403.7 million. In 1991, there were 15 transactions with seven known values that totaled $297 million.

Acquisitions were the favorite mode of investment in the instruments sector. Foreign companies made six acquisitions, three of which had a total value of $333 million.

The most notable transaction in this sector was the $250 million acquisition of California-based Shiley Inc.'s cardiovascular line by Fiat SpA of Italy, which is controlled by the Agnelli family.

Insurance Carriers (SIC 63) -- In what amounted to the largest foreign acquisition of 1992, Altus Finance, a financial services holding company 60 percent owned by the French bank Credit Lyonnais SA, purchased the Los Angeles-based Executive Life Insurance Company for $3.6 billion. The transaction, which involved months of negotiations, accounted for 23.9 percent of the total value of foreign direct investment in the United States for 1992.

Hotels and Other Lodging Places (SIC 70) -- In 1992, foreign direct investment in U.S. hotels and other lodging places amounted to $290 million compared with $588 million in 1991, $3.7 billion for 1990, and $5.0 billion in 1989. The number of transactions dropped from 50 in 1989, 39 in 1990, and 22 in 1991 to 16 for 1992. The decline is largely the result of the virtual inactivity in this industry by investors from Japan and the United Kingdom.

For 1989 and 1990 investors from Japan ($4.1 billion) and the United Kingdom ($2.2 billion) accounted for $6.4 billion, 74 percent of foreign direct investment in the U.S. hotels and other lodging places sector. In 1992, investment from these sources declined to $34 million or 12 percent of foreign investment.

Along with the decline of foreign investment by traditional major foreign investors, new investors have emerged from nontraditional sources. For example, in 1992 the largest investments came from the Bahamas, Hong Kong, Taiwan, and Spain. These investments, for the most part, were individually smaller than the earlier investments from Japan and the United Kingdom.

Real Property -- In 1992, the value of foreign direct investment in U.S. commercial real estate continued the downward trend that began in the late 1980's. For 1992, foreigners purchased $600 million of U.S. commercial real estate, a decline of 62 percent from the $1.6 billion foreigners purchased in 1991 and 82 percent from $3.3 billion invested in 1990. There were 28 transactions completed in 1992, compared with 41 in 1991 and 109 for 1990. The recent sharp decline in Japanese investment in U.S. commercial real estate is the leading factor in the

overall decline. Purchases of agricultural land and individual residential real estate units are not included in this report.

For the first time in eight years the Japanese were not the major investors in U.S. real estate. The Germans who invested $256 million in 1992 were the major foreign investors. Japanese real estate investment declined to $120 million in 1992 from $1.5 billion in 1992 and $2.4 billion in 1990. The Japanese concluded only five U.S. real estate transactions in 1992 compared with 18 in 1991 and 50 for 1990.

In 1992, there were two major commercial real estate transactions of $100 million or more, both involving German investors. The investments involved the purchase of a vacant Times Square office building by Bertelsmann AG (owned by Reinhard Mohn) from Citicorp for $119 million and the purchase of the Carillon office building in Charlotte, North Carolina by Hesta AG for $100 million.

The outlook for foreign direct investment in U.S. commercial real estate is for continued limited activity. Although the current U.S. commercial real estate market is depressed and bargains exist, most current foreign interest is being generated by Europeans and South Americans. Any significant increase in foreign investment activity will probably not occur until vacancy rates of existing capacity decline and/or profitability prospects increase.

MAJOR SECTORAL DEVELOPMENTS

This section focuses on major investment transaction trends in those sectors where foreign direct investment was concentrated or where a particular investment pattern or a noteworthy transaction occurred.

In 1993, there was notable foreign direct investment activity in 13 industrial sectors. There were more than $1 billion worth of foreign direct investment transactions in eight sectors in 1993, as compared with only three sectors in 1992.

Metal Mining (SIC 10) -- A significant increase in gold prices and the expectation of worldwide industrial recovery and subsequent increased demand for copper prompted foreign investors to invest heavily in the U.S. metal mining industry in 1993. This industry accounted for the third largest total foreign investment value for the year. Seven transactions were identified, six of which had a total value of more than $2.1 billion.

Canadian investors accounted for the largest number of transactions – four, but investors from the United Kingdom, with only two transactions, had the two largest investments as well as the highest total value in the industry. At just over $2 billion, these two investments accounted for more than 95 percent of the industry total.

The largest transaction was RTZ Corp.'s acquisition of Nerco Inc. The London-based firm, through its U.S. subsidiary, Kennecott Corp., paid $470 million and assumed $692 million in debt for a total transaction value of almost $1.2 billion, the sixth largest megadeal in 1993. Nerco is a minerals and coal mining company based in Portland, Oregon. This acquisition combined with the $120.5 million acquisition of the Cordero Mining Co., a Wyoming coal producer, made Kennecott the fifth largest coal producer in the United States. RTZ is the world's largest mining group.

The second largest investment was the construction of a new $880 million copper smelter and refinery near Salt Lake City, Utah by Kennecott Corp. RTZ Corp., through its Kennecott subsidiary, is the third largest copper producer in the United States.

More than half of the investments in this industry were acquisitions; there were four. The other investments included a new plant, an equity increase, and a new mine. The gold mining subsector (SIC 1041) had four investments and the copper mining subsector (SIC 1021) had three.

The mining investments were located in six states. Two were in Colorado, and the remainder were in Arizona, Montana, Nevada, Oregon, and Utah.

Oil and Gas Extraction (SIC 13) -- In 1993, the Office of Trade and Economic Analysis identified 14 transactions in the oil and gas extraction sector. Half of them had a total value of more than $1.9 billion. This is the first time since 1988 that the total value has been at or above the $1 billion level. Ample supplies of crude oil and petroleum products and a decline in world oil prices have kept foreign investor interest in the oil and gas industry subdued.

Three countries accounted for 50 percent of the transactions in this sector. Investors from the United Kingdom, as has been the case for four of the last five years, were in first place with three transactions. Investors from the Netherlands and the Republic of Ireland tied for second place with two transactions apiece.

The two largest transactions in the industry were both megadeals. They accounted for more than 97 percent of the total value. The first one was the Mars project, a $1.2 billion joint venture between Shell Oil Co., a subsidiary of the Royal Dutch Shell Group of the Netherlands, and BP Exploration Inc., the Houston-based subsidiary of British Petroleum PLC. The two firms agreed to develop a 700 million barrel oil and gas field off the coast of Louisiana. In the initial phase, they will deploy a tension leg platform in the Mars oil field, estimated to be the largest reserve of oil in the Gulf of Mexico.
The second largest transaction was an equity increase. Schlumberger Ltd., a major oil field services firm, acquired the remaining 50 percent of Dowell Schlumberger Inc. from its joint venture partner, Dow Chemical Co., in a transaction worth more than $675 million. Schlumberger is controlled by the Schlumberger family of France.

Eleven of the 14 transactions were in the oil and gas extraction subsector (SIC 1311). Oil and gas field services (SIC 1389) had two transactions, while the oil and gas field exploration services subsector (SIC 1382) had one.

The greatest number of investment transactions in the oil and gas extraction industry, six, were acquisitions, as has been the case for the past dozen years. There were also four equity increases, one joint venture, and three other category investments.

More than three-quarters of the transactions were located in three traditional oil and gas producing states. Texas had the largest number with five transactions, followed by Louisiana with four, and Oklahoma with two transactions.

Food and Kindred Products (SIC 20) -- As U.S. and foreign companies look for new ways to strengthen their market share in the United States, several important acquisitions by foreign investors took place in the food industry in 1993. There were 15 foreign investment transactions identified with seven known values totaling $882.2 million.

Unilever PLC, an Anglo-Dutch consumer products company, expanded its presence in the increasingly competitive U.S. ice cream market. Unilever acquired Kraft General Foods' ice cream business for $215 million. Kraft, the nation's largest ice cream company, manufactures product lines that include the Breyers and Sealtest brands. Unilever, through its U.S. subsidiary Thomas J. Lipton Co, also purchased Isaly Klondike Co. and Popsicle Industries Ltd. from Empire of Carolina Inc. of Deerfield Beach, Florida.

Building on its worldwide share of the beverage industry, Cadbury Schweppes PLC, a British beverage and candy company, paid over $500 million for two U.S. soft drink companies. Cadbury paid $334 million for A & W Brands Inc. of White Plains, New York, the country's top root beer producer. Cadbury Schweppes also increased its equity interest in Dr Pepper/Seven-Up Cos. from 5.7 to 25.9 percent for a total of $231.8 million.

Chemicals and Allied Products (SIC 28) -- In 1993, the chemicals and allied products sector recorded the highest total value of foreign direct investment of any U.S. industry sector and the second highest number of transactions. The Office of Trade and Economic Analysis identified 39 transactions, 20 of which had values of more than $6.3 billion.

These figures represent a 15 percent decrease in the number of transactions and a 50 percent increase in the total value over the 1992 figures. The total value figure represents 22 percent of the total value of all foreign direct investment identified in 1993.

Three major source countries accounted for two-thirds of the investment transactions. Japanese investors, as has been the case for four of the last five years, accounted for 13 transactions. Investors from the United Kingdom displaced German investors from their long-held second place position with eight transactions; German investors accounted for five transactions.

The two largest investment transactions in the chemical industry accounted for almost 66 percent of the industry's total. Moreover, the largest investment in the chemicals sector was also the largest megadeal in 1993 – the acquisition of Quantum Chemical Corp. of New York, the nation's largest polyethylene maker, by Hanson PLC. In this transaction, valued at $3.2 billion, Hanson also acquired Quantum's Suburban Propane division, the second-largest distributor of propane gas in the United States. Hanson PLC is a London-based conglomerate with disparate holdings located mainly in the United Kingdom and the United States. Hanson owns businesses such as Farberware Cookware, Imperial Tobacco, Jacuzzi Whirlpool Baths, Peabody Coal, SCM Chemicals, and Smith-Corona.

The second largest investment was a plant expansion at Formosa Plastics Corp. in Point Comfort, Texas. The expanded plant, which included a chlor-alkali plant and a 1.5 billion lbs/year steam cracker, became one of the largest integrated PVC complexes in the world.

This transaction, valued at $947 million, was part of Formosa Plastics Corp.'s decade-long $1.5 billion expansion, noted in earlier foreign direct investment transactions reports.

The majority of transactions in the chemicals sector were acquisitions; there were 18. There were also seven new plants, six joint ventures, five other types of ventures, and three plant expansions. More than half of the transactions were located in six states. Texas had the most transactions with five, followed by California, Florida, New Jersey, North Carolina, and New York, each of which had three transactions.

Foreign investment was divided among four subsectors. There were seven transactions in both the plastic materials, synthetic resins, and nonvulcanizable elastomers subsector (SIC 2821) and in the pharmaceutical preparations subsector (SIC 2834). Ten additional transactions were equally divided between the industrial inorganic chemicals subsector (SIC 2819) and the industrial organic chemicals subsector (SIC 2869).

Petroleum Refining and Related Industries (SIC 29) -- In 1993, the Office of Trade and Economic Analysis identified five investments in the petroleum refining and related industries sector; four of them had a total value of more than $1.5 billion. Although the number of foreign investment transactions in this sector was not large, this was the only industry sector in which all transactions with known values were megadeals. The transaction values ranged from $100 million to $1 billion.

The largest transaction, accounting for almost two-thirds of
3-the entire sector value, was a joint plant expansion project of Shell Oil Co. and Petroleos Mexicanos (Pemex) to upgrade Shell's Deer Park, Texas refinery. Pemex, which is owned by the Government of Mexico, paid $1 billion for a 50 percent equity in the refinery, which Shell will continue to manage. Shell Oil Co. is a subsidiary of the Royal Dutch Shell Group of the Netherlands.

The second largest investment was a joint venture, Lyondell-Citgo Refining Co. Ltd., valued at $320 million. Petroleos de Venezuela SA, the state-owned oil company, through its U.S. Citgo Petroleum Corp. subsidiary, agreed to invest in a Houston-based oil refinery owned by Lyondell Petrochemical Co. In exchange for funding a substantial share of the cost of upgrading the refinery, Citgo received a minority interest in the project and an option to increase its interest to 50 percent in the future.

The four megadeal investment transactions were all made in the petroleum refining subsector (SIC 2911). There was also one investment in the asphalt paving mixtures subsector (SIC 2951). Two of the investments were acquisitions; two were plant expansions and one was an equity increase.

Sixty percent of the investment transactions were made by government-owned companies. Both of them were Latin American countries – Mexico and Venezuela. Two of the transactions were located in Texas, and the remaining transactions were in Colorado, Georgia, and Missouri.

Stone, Clay, and Glass Products (SIC 32) -- In 1993, the value of foreign direct investment in the stone, clay, and glass products industry increased by more than $1 billion. There were six transactions recorded with five known values and a total value of $1.3 billion, compared with seven transactions in 1992 with a total value of $44.3 million.

The largest transaction in the stone, clay, and glass sector was also one of the largest megadeals reported in 1993. Asahi Glass Co. Ltd. of Japan increased its equity interest in AFG Industries Inc., the nation's largest glass maker, headquartered in Fort Worth, Texas, by $1 billion. This raised the equity interest of Asahi Glass Co. in AFG Industries from 20 to 100 percent.

In another major equity increase, Nippon Electric Glass Co. Ltd. acquired the 50 percent interest in OI-NEG TV Products that it did not already own for $135 million. OI-NEG TV Products of Columbus, Ohio was established in 1988 as a 50-50 joint venture with Owens-Illinois Inc. to manufacture glass television parts.

These two transactions plus a plant expansion by Japanese investors accounted for 88 percent, almost $1.2 billion, of the total identified value in the stone, clay, and glass products industry. The remaining investors were from France, Mexico, and the United Kingdom.

Primary Metal Industries (SIC 33) -- Foreign investment in the U.S. primary metal industries reflected the worldwide conditions of global overproduction, reduced demand, and low prices that affected both steel and aluminum producers in 1993. The number of foreign direct investment transactions in this sector fell a substantial 57 percent from the level of the previous year, while the dollar value declined only moderately in 1993. Nine transactions with eight known values had a total of $515.1 million, as compared with 21 transactions and 11 values totaling $601.7 million in 1992.

Japan was the source country for the largest number of foreign investments in the primary metal industries for the ninth consecutive year. Japanese investors had three transactions, including the second largest investment. British and French investors accounted for two transactions each, while Canadian and Italian investors had one transaction apiece.

The largest investment was a new $300 million hot-rolled steel minimill in Gallatin County, Kentucky. The project is an equally owned joint venture of two Canadian steel firms,

Dofasco Inc. and Co-Steel Inc. of Toronto. The second largest investment was a plant expansion of Nucor-Yamato Steel Co., a Blytheville, Arkansas joint venture between Yamato Kogyo Co. Ltd. of Japan and Nucor Corp. of Charlotte, North Carolina. Nucor-Yamato began operation in 1988 and is 49 percent-owned by Yamato Kogyo, which accounted for $98 million of the total cost of the I-beam facility addition.

The majority of transactions in primary metals were acquisitions (4); however, larger investments were made for plant expansions (3) and new plants (2). More than half of the transactions were in two subsectors. Three were in the steel pipes and tubes subsector (SIC 3317), and two were in the steel works, blast furnaces, and rolling mills subsector (SIC 3312).

Both Nevada and Pennsylvania had two transactions each, while one investment each was located in Arkansas, Kentucky, Ohio, Oregon, and Texas.

Industrial Machinery and Equipment (SIC 35) -- Foreign direct investment in the industrial machinery and equipment industry in 1993 increased substantially in dollar terms, but marginally in the number of transactions as compared with 1992 figures. Thirty-four transactions were identified, 15 of which had a total value of $2.4 billion as compared with the previous year's 33 transactions, 16 of which totaled $225.2 million.

Acquisitions were the primary mode of investment and accounted for 13 transactions, more than 38 percent of the total number. Other forms of investment included six new plants, five each in the other category and plant expansions, three equity increases, and two joint ventures.

Japan, as has been the case for at least the last five years, was once again the primary source country in this industry sector. Japanese investors accounted for 60 percent of the transactions with 21 investments. They accounted for only a small amount of the total investment value, however, with six transactions that totaled $190.4 million. Investors from the United Kingdom accounted for only four transactions, while investors from Canada and Germany accounted for two transactions each. In terms of value, Japanese investors were fifth behind those from France with $1.2 billion, Canada with $340 million, the United Kingdom with $216 million, and Germany with $215 million.

The largest investment was a $1.2 billion acquisition by Compagnie des Machines Bull. The French Government-owned computer and electronics conglomerate purchased a 20 percent interest in Packard Bell Electronics Inc., a Chatsworth, California personal computer manufacturer.

The second largest investment was also an acquisition. Canadian Pacific Ltd., through an affiliate, United Dominion Industries Ltd., purchased Kansas City, Kansas-based Marley Co. for $340 million. Marley manufactures air conditioning and warm air heating equipment.

A third significant acquisition was BTR PLC's $204.3 million investment in Rexnord Inc. of Milwaukee, Wisconsin. BTR, a leading British industrial conglomerate, acquired more than a 44 percent equity interest in Rexnord, which is a major manufacturer of industrial conveying equipment and aerospace seals.

More than 56 percent of the investment transactions in this sector took place in only three states. California attracted the largest number of investments with 11. North Carolina and Ohio each had four transactions, while the remaining 15 investment transactions were widely scattered in 12 states.

Electronic and Electric Equipment (SIC 36) -- Foreign investors spent $1.7 billion in the U.S. electronic and electric equipment industry in 1993 with 28 identified with 14 known values. In 1992, 31 transactions were recorded with 12 known values also totaling $1.7 billion.

For the ninth consecutive year, Japan was the primary source country with 19 transactions, more than 65 percent of the transactions in electronics. The two largest transactions in electronics were from Germany and the Netherlands, however. In order to focus on its telecommunications business, GTE Corp. sold its Danvers, Massachusetts Sylvania lighting business to Siemens AG, the German industrial conglomerate, and a consortium of international investors for $1.2 billion.

As part of a consolidation trend in the music world, Polygram NV, a Dutch music company, paid $301 million for widely known Motown Records Co., headquartered in Detroit, Michigan. Polygram NV is a subsidiary of Philips Electronics NV, itself one of Europe's leading electronic and electric equipment holding companies.

There were six transactions in the telephone and telegraph apparatus (3661) subsector. Japanese companies continued to dominate with three transactions, while investors from Finland, France, and the United Kingdom had one transaction each.

Acquisition was the most frequent form of investment with 12 and accounted for 43 percent of the total number of investments. Values for six of them totaled $1.6 billion, representing 94 percent of total value in the electronic and electric equipment sector. Other modes of investment included plant expansions (6), joint ventures (5), other category transactions (3), and equity increases (2).

California continued to be the focal point for foreign investors in the electronic and electric equipment sector with eight investments. Texas had three transactions, followed by two apiece from Colorado, Virginia, New York, and Kentucky.

Air Transportation (SIC 45) -- Although there were fewer foreign investment transactions in the U.S. air transportation industry as compared with some other U.S. industries, there were noteworthy investments, as U.S. airlines continued to form alliances with foreign airlines in 1993. Many of these alliances involved no exchange of funds for equity, but there were three direct investments by two foreign airlines and an aircraft manufacturer in U.S. carriers this year. Six transactions were identified in this sector; five of them had values totaling $491.6 million. This was a 33 percent decrease in the number of transactions and an eightfold increase in value over the 1992 figures that recorded nine transactions, two of which had a total value of $62 million.

The two investments by foreign airlines were each megadeals. The first transaction was a $300 million investment by British Airways PLC in USAir Group Inc. of Arlington, Virginia that provided the British air carrier with a 19.9 percent share of USAir's voting stock, three seats on a 16-member board of directors, and the right to increase its ownership in USAir in the future. This transaction counted as an equity increase since it raised the foreign ownership level from the 4 percent held by other foreign interests prior to the completion of the transaction. Also in 1993, British Airways purchased $101 million of USAir's Series T convertible preferred stock to keep its holdings from being diluted by a public stock offering. The purchase allowed British Airways to maintain a 24.6 percent equity in USAir on an undiluted basis.

The second transaction was a $450 million investment by Air Canada and Air Partners L.P. in Continental Airlines Holdings. The investment gave them a combined 55 percent equity and 65 percent of the voting stock in the Houston-based airline. Air Canada's share of the investment included 24 percent of the voting stock and 27.5 percent of the equity, keeping the Canadian air carrier's holdings within the legal limits of foreign ownership set by federal law: 25 percent for voting control and 49 percent for equity. The transaction, valued at about $125.1 million for purposes of foreign investment, was recorded as an equity increase, since Scandinavian Airlines System (SAS) had held equity in Continental since 1988. The investment was part of a reorganization plan that allowed Continental to end 29 months of Chapter 11 bankruptcy.

The third transaction, while small, also involved an acquisition of equity in a U.S. air carrier. Romaero S.A., a Romanian aircraft manufacturer, invested $1 million for a 12 percent holding in Kiwi International Air Lines, a newly established airline based in Newark, New Jersey. Romaero also received one seat on Kiwi's board of directors as part of the agreement.

Communications (SIC 48) -- World communications companies competing globally to build and control a boundless electronic network made a substantial number of investments in the U.S. communications industry in 1993. Both the number of transactions and total transactions value rose substantially over the previous year. Twenty-one transactions were identified and six values had a total of $725.6 million, as compared with seven transactions in 1992, one of which had a value of $137.5 million.

Japan displaced the United Kingdom as the primary source country for the communications industry. Japanese investors had five transactions, while investors from Australia, Canada and the United Kingdom had three transactions apiece. Almost one-quarter, or five, of the investment transactions were made by companies owned or controlled by foreign governments. They were the governments of the United Kingdom (2), France (1), Russia (1) and Spain (1).

The largest transaction was a joint venture satellite communications consortium, Iridium Inc., based in Washington, D.C. Motorola Inc., the founder and prime contractor of the venture, had a 34 percent holding. Foreign investors included Nippon Iridium Corp., a consortium of 18 Japanese companies that includes Daini Denden, Kyocera Corp., Sony Corp., Mitsubishi Corp., Mitsui Co., several regional cellular operators, and other Japanese firms. They will hold a 15 percent share of the equity as will the Mawarid Group of Saudi Arabia. The transaction had a value of $240 million. Investors from Canada, China, Italy, Russia, Thailand, and Venezuela will also join the venture.

The second largest investment was the $200 million acquisition of a 50 percent equity holding in PanAMSat LP, by Grupo Televisa SA of Mexico. PanAmSat, a satellite company with headquarters in Greenwich, Connecticut, intends to set up the first privately owned global satellite network. Grupo Televisa, a leading Spanish-language broadcaster and Mexico's dominant private media company, last year acquired publishing subsidiaries of American Publishing Group in Miami, Florida, and the Univision Spanish-language network in the United States with two other investors. Grupo Televisa is controlled by the Emilio Azcarraga family.

Three subsectors accounted for more than half of the foreign investment in this industry. The telephone communications subsector (SIC 4813) was the most attractive to investors with seven transactions. The cable and other pay television services subsector (SIC 4841) had six transactions, while the other communications services subsector (SIC 4899) had four.

There were two primary modes of foreign investment in this industry. Joint ventures accounted for 11 transactions and acquisitions accounted for four transactions. Almost half of the investment transactions were located in only three states. New York had four transactions, while Florida and Virginia had three transactions apiece.

Hotels and Other Lodging Places (SIC 70) -- In what once was an industry that attracted considerable foreign investment, the U.S. hotels and other lodging places sector continued in 1993 to hold little of the allure for foreign investors that occurred during the 1980s. In 1993, foreign direct investment in U.S. hotels and other lodging places increased slightly to $313 million from $290 million in 1992. As recently as 1990 foreign investment in this sector was $5.0 billion. The number of transactions, 12 in 1993, continued its steady decline from 16 transactions in 1992.

There was one major foreign purchase of a U.S. hotel in 1993. The Royal Family of Brunei purchased the Helmsley Palace Hotel in New York City for $203 million. The remaining 11 foreign direct investments in the U.S. hotels and other lodging places sector were relatively small, totaling $110 million, and came from seven countries. Two-thirds of the investment came from Asian countries. In addition to Brunei, investment from other countries included Taiwan with three transactions, Malaysia and the Netherlands with two transactions each, and Japan, China (PRC), Thailand, and the United Kingdom with one transaction each.

More than 83 percent of the transactions were located in four states. New York and Texas had three transactions apiece, while California and Florida had two each. Connecticut and Michigan had the two remaining investments.
The outlook for a resurgence of foreign investment in the U.S. hotels and lodging places sector is unlikely anytime soon. There are properties available, but either the price is perceived as too high or they are already owned by foreign nationals.

Real Estate -- For 1993, foreigners invested $1.0 billion in U.S. commercial real estate, an increase of 67 percent from the $600 million invested in 1992, but still considerably below the $1.6 billion foreigners invested in 1991. The 1993 increase in the value of foreign direct investment in U.S. commercial real estate was, for only the second time since 1986, higher than the amount invested a year earlier. Foreign transactions in U.S. commercial real estate increased to 30 for 1993[1] compared with 28 in 1992. For 1993, the average foreign investment transaction value in U.S. commercial real estate was considerably larger than for 1992.

Australian investors were, for the first time, the largest investors in U.S. real estate, spending $400 million in 1993 and replacing the Germans, who were the largest investors in 1992. For the eight years prior to 1992, the Japanese dominated foreign investment in

[1] In one transaction, Westfield Holdings Ltd. of Australia purchased Centermark Properties of St. Louis, MO, which owns 19 shopping centers throughout the United States. For the purposes of the report, the 19 shopping centers are shown as individual investments. In this real estate analysis, however, the 19 shopping centers are counted as one transaction.

U.S. real estate. Japanese investments in U.S. commercial real estate bottomed out in 1992 with $120 million invested, then rebounded in 1993 to $233 million, the second highest value for any country that year. In 1993, the Germans completed the most transactions with seven, followed by the Japanese, who matched their 1992 total with five transactions and halted their downward trend.

In 1993, there were two major commercial real estate transactions of $100 million or more. The largest was the acquisition of Centermark Properties of St. Louis, Missouri by Australian investor Westfield Holdings Ltd. for $400 million. In acquiring Centermark, Westfield became the owner of 19 shopping centers across the United States. The second largest transaction was CityWalk, a Los Angeles, California entertainment and shopping promenade built by Japanese family-owned Matsushita Electric Industrial Co. for $100 million.

It is interesting to note that 27 of the 49 real estate transactions, or 55 percent, were located in just three states of the 14 states identified as having transactions. There were 13 real estate transactions in California, nine in Florida, and five in Missouri. In addition, Georgia and New York had four transactions each.

The outlook for foreign direct investment in the U.S. commercial real estate industry in 1994 is for continued softness with selective buying. There are a number of current buying opportunities in U.S. commercial real estate, some of which are foreign-owned. The foreign-owned properties, for the most part, were purchased a few years ago at significantly inflated prices. To the extent that resales of these foreign-owned properties are concerned, there may be some real estate activity that goes unreported. When foreign-owned U.S. property is purchased by other foreigners, the Department of Commerce considers the transaction a transfer of assets, not a new foreign investment. Also, purchases of agricultural land and individual residential real estate units are not included in this report.