

White House Aims to Lure More Foreign Investment

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Searching for ways to boost job creation at home, the Obama administration is trying to focus the machinery of the federal government on drumming up foreign investment in the U.S.

The White House is considering a plan aimed at attracting at least \$1 trillion of new investment from abroad over the next five years, according to people familiar with the matter. But that target could prove difficult to reach, given that the sluggish U.S. economy may hold smaller potential payoffs to global investors, experts say.

Compounding this are some U.S. policies outsiders deem unfair, from antitrust rules to the federal government's "Buy American" programs. The administration is trying to change the sentiment with a new effort to encourage foreign investors to take a second look at the U.S. market.

The \$1 trillion investment initiative is one of several recommendations that will be formally made Tuesday by the President's Council on Jobs and Competitiveness, a board of outside advisers to the administration led by General Electric Co. Chief Executive Jeff Immelt. A target of \$1 trillion over five years would represent a 15% increase over the \$174 billion average of the past decade, but it would still be below the peak level before the financial crisis.

New foreign direct investment in the U.S. plunged to \$135 billion in 2009 from \$328 billion in 2008, when the financial crisis struck, according to Commerce Department data.

"This still is the world's biggest economy. It still is an attractive place to do business," Mr. Immelt said at a recent forum at the State Department to hear from executives of companies based outside the U.S. "There's no reason why we shouldn't be a lot more aggressive and a lot more competitive and a lot more welcoming, and a lot hungrier, quite honestly, as a country."

The push for more foreign investment has been ramping up for months. The State Department is directing its economic staff in embassies around the world, long focused on helping American companies win export business, to help find companies interested in putting money into the U.S.

President Barack Obama in June launched SelectUSA, a program housed in the Commerce Department to attract foreign companies interested in investing in the U.S. Part of the SelectUSA program involves helping foreign companies identify existing U.S. tax incentives that could help them.

No new tax breaks to lure foreign investment are expected.

"At the federal level, we have not really had an organized, structured program for attracting foreign investment," said Robert Hormats, U.S. undersecretary of State for Economic, Energy and Agricultural Affairs. "These companies have a lot of capital to invest. They want to diversify their investments. And we need capital to augment our own domestic capital."

The administration hopes that putting more of the government's personnel to work on the issue could overcome some obstacles. This includes, for instance, helping potential foreign investors navigate federal regulations.

The administration also plans to employ cabinet secretaries more often to lobby foreign CEOs to secure investments, as officials regularly do to win export deals for American companies to create jobs in the U.S. Other countries frequently use that kind of pressure to draw in their own investments.

Foreign investment comes in many forms, such as when companies based abroad build factories, open offices and expand other types of operations in the U.S. American subsidiaries of such companies account for about 5% of U.S. private-sector employment, and average annual compensation among those workers is \$77,000—about one-third higher than the average for all U.S. workers.

Unlike the administration's jobs package, which requires congressional approval, the latest push on foreign direct investment can move ahead largely through cabinet agencies.

The U.S. economy used to be the largest single magnet for foreign investment, attracting 40% of the world's total a decade ago. But that share has dropped to 17% today, according to estimates by Matthew Slaughter, an economist at Dartmouth College's Tuck School of Business.

In the first half of 2011, direct investment inflows into the U.S. fell by almost 12% from the same period a year earlier, in part because of surging capital flows to faster-growing emerging-market economies, Mr. Slaughter estimates.

In addition, some foreign investors cite the U.S. government's policies on mergers or federal procurement—which sometimes favor domestic firms—as a potential hindrance. Many also say they are reluctant to invest in the U.S. for the same reasons U.S. investors are holding on to their money, such as the weak economy and regulatory uncertainty.

"Certainty on legislative and regulatory issues...is going to be very important as we think about long-term investment in the country," Michael Graff, chief executive of Air Liquide USA, said at a recent jobs council forum.

The \$1 trillion investment initiative would be modeled on the administration's National Export Initiative, which aims to double U.S. exports over the five years through 2014. That aggressive target was designed to focus the government's administrative machinery on helping U.S. businesses win business abroad.

"For so long it has been a blind spot in our international economic policy," said Nancy McLernon, President of the Organization for International Investment, a trade group representing U.S. subsidiaries of foreign-based corporations. "We often talk about exports, exports, exports. This really is the first time we've had the discussion about cross-border investment into the U.S. at such high levels."

The Obama administration is already pushing other initiatives, recommended by the jobs council, to draw money from abroad to support U.S. jobs. The State Department, for instance, is trying to speed up visa applications from China and Brazil to attract more business and leisure travelers.