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SelectUSA Program: U.S. Inbound Investment Promotion

SelectUSA, a Department of Commerce program established in 2011 (Executive Order 13577), aims to coordinate federal efforts to attract and retain "job-creating" business investment in the United States. It focuses both on drawing foreign investors to the United States and working to "re-shore" U.S. firms. SelectUSA presents issues for Congress as to its possible codification, funding, economic impact, and implications for other investment issues.

Inbound Investment Context

A key aspect of U.S. investment policy is promoting foreign direct investment (FDI). The United States is a major destination for FDI. Foreign firms invest in the United States by establishing new operations ("greenfield investments"), purchasing existing operations of another company (e.g., mergers and acquisitions), or adding capital to existing U.S. operations. In 2016, the United States had $6.4 trillion in stock of inbound FDI measured at market-value (U.S. Bureau of Economic Analysis, BEA, data). Expenditures for acquisitions of companies ($408.1 billion) exceeded new establishments ($11.2 billion) in 2015.

Role of Inbound Investment in the U.S. Economy

In 2014, majority-owned affiliates of foreign firms in the United States (e.g., U.S. operations of Japanese automaker Toyota or German life science company Bayer) exported $425 million and imported $724 million in goods, conducted $57 million in research and development, and employed over 6 million workers in the United States—more than one-third in manufacturing. Other sectors included wholesale and retail trade, finance and insurance, professional services, and information.

Source: BEA, 2014 preliminary data.

The U.S. large consumer market, strong legal protections such as for intellectual property rights, high labor productivity, and position as an innovation and technology hub make the United States an attractive destination for investors. At the same time, emerging economies such as China are increasingly competitive destinations for FDI as well, leading to increased global competition to attract investment.

Inbound investment promotion primarily takes place at state and local levels, such as through economic development organizations (EDOs), which work to attract business investment locally and regionally. Federal efforts to coordinate investment promotion also exist. The Invest in America program, SelectUSA's predecessor, was launched in 2007 under the Commerce Department.

Select USA Overview

SelectUSA Structure. The International Trade Administration (ITA) of the Department of Commerce houses SelectUSA in its Global Markets unit (formerly called the U.S. and Foreign Commercial Service). The Global Markets unit provides both export assistance services for U.S. firms and inward investment promotion. An Executive Director leads SelectUSA, with investment specialists managing portfolios of international markets and U.S. regions. Global Markets commercial service officers in regional offices and U.S. foreign missions also support the program. The Executive Director chairs the Federal Interagency Investment Working Group, which aims to enhance coordination in federal assistance for business investment decisions.

In October 2013, President Obama announced a plan to enhance SelectUSA by making investment promotion a formal part of the portfolio of U.S. ambassadors and their embassy staff (starting with priority markets for FDI), enhancing investment advocacy at the highest levels of the U.S. government. The Obama Administration subsequently in March 2015 established a federal advisory committee to solicit input on retaining FDI.

Program Activities. SelectUSA services include:

- providing information and data on FDI to businesses and EDOs;
- connecting companies with EDOs and federal resources;
- acting as an "ombudsman" to help companies navigate the U.S. regulatory environment;
- providing an international platform for EDOs to market their locations as investment destinations through the annual SelectUSA Investment Summit, "road shows" abroad, and customized fee-based services; and
- coordinating high-level engagement at the national level with EDOs to advocate that a firm invest in the United States over a foreign location for a particular project.

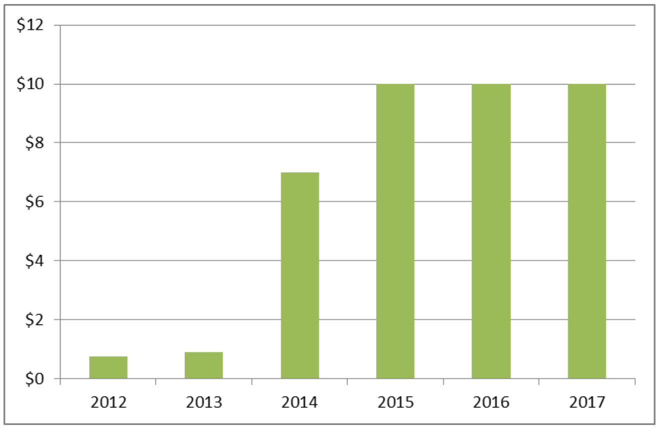
SelectUSA states that it operates with "strict geographical neutrality," whereby it does not advocate for investment in one U.S. location over another, though it is able to assist specific locations with individual promotional activities on a first-come, first-served basis. It also states that it does not engage in activities that encourage inbound investment by state-owned enterprises (SOEs).

According to SelectUSA, it has facilitated over $23 billion in investment and helped to create or retain "tens of thousands of U.S. jobs."

Funding. Appropriations for the Commerce Department have not included a line item for SelectUSA. The ITA's congressional budget justifications (CBJ) from prior years generally have provided funding levels for SelectUSA. Funding levels for the program have grown from less than $1 million to up to $10 million in FY2017. The FY2017 CBJ under the Obama Administration requested up to $20 million in funding for SelectUSA. In contrast, the FY2018 CBJ under the Trump Administration does not appear to include any specific funding request for SelectUSA, but mentions it in its budget request for Global Markets overall.

Figure 1. SelectUSA Funding, FY2012-2017

Millions of U.S. Dollars



Source: CRS, compiled from ITA-provided data.

Key Issues for Congress

Authorization and Funding. A possible issue for Congress is whether to codify SelectUSA, currently operating under an executive order. Supporters argue that a permanent or long-term authorization could stabilize SelectUSA's role in attracting investment and, in turn, boost U.S. exports and jobs and send a message internationally of U.S. interest in competing for investment. Critics contend that the program duplicates existing state- and local-level investment promotion programs and that policies focusing on improving the U.S. investment environment, such as in terms of education, the labor force, and the tax system, would be more effective in attracting and retaining FDI.

Past SelectUSA Legislative Efforts

In the 114th Congress, S. 3097, reported favorably out of committee with an amendment, would have codified SelectUSA, and H.R. 1007 would have authorized appropriations for it at $20 million annually for FY2016-2020. Bills to authorize the program also were introduced in the 113th Congress. In contrast, in the 112th Congress, an amendment proposed to the FY2013 Commerce appropriations bill would have prohibited any funds available under the bill to conduct SelectUSA activities.

The Trump Administration's decision to hold a 2017 SelectUSA Investment Summit, hosted by Secretary of Commerce Wilbur Ross, appears to signal support for investment attraction efforts generally. Moreover, SelectUSA activities appear to be consistent with President Trump's direct efforts to retain certain U.S. firms' manufacturing plants in the United States and dissuade others from moving operations abroad. Yet, it is possible that SelectUSA could figure into the Administration's ongoing review of executive branch agencies and programs, based on an executive order issued by the President in March 2017 to develop a comprehensive reorganization plan to improve the U.S. government's effectiveness, efficiency, and accountability.

Economic Impact. Inbound investment is tied to supporting U.S. jobs and exports, but also raises concerns about job losses, for instance, from mergers and acquisitions. To the extent that foreign investors compete with domestic firms for capital funds, questions could arise about the net U.S. economic impact of FDI. (Outbound FDI also presents debate about economic impact, but is outside of this product's scope.)

In addition to examining any underlying issues about FDI, Congress could examine SelectUSA's role in facilitating investment and, in turn, U.S. jobs and exports. On one hand, macroeconomic factors, such as economic growth rates and exchange, may exert primary influence on investors' decisions to locate in the United States and may outweigh any effect of the program. On the other hand, SelectUSA may play an additional role in attracting investments that may have not happened otherwise. Measuring the impact of a government program can be complicated and sensitive to the assumptions made.

The data available on SelectUSA's website appear to focus more on analyzing U.S. FDI levels, rather than on metrics regarding SelectUSA's performance, but the U.S. government periodically has provided information about outcomes associated with the program. Congress could consider whether to require more regular reporting.

Implications for Other Investment Issues. A focus on promoting inbound investment through SelectUSA could confront Congress with other issues, such as the following.

National Security. In addition to promoting FDI, U.S. investment policy includes consideration of the national security impact of certain FDI transactions in the United States, such as potential foreign acquisitions of firms in critical U.S. sectors, through the Committee on Foreign Investment in the United States (CFIUS). This duality in U.S investment policy presents Congress with questions of how to balance federal investment promotion with efforts to protect national security.

U.S. Liability. Investment promotion efforts that target countries with U.S. bilateral investment treaties and free trade agreements with investor-state dispute settlement (ISDS) could raise questions about potential U.S. government liability from suits by foreign investors. ISDS is binding arbitration of private, foreign investors' claims against host governments alleging violations of investment obligations, such as non-discriminatory and minimum standard of treatment and protection against expropriation without compensation—protections reflected in the U.S. Constitution. U.S. agreements in force with ISDS account for a fraction of U.S. inbound FDI stock. To date, 17 individual ISDS cases have been initiated against the United States, with none decided against it, and U.S. investors have been leading users of ISDS globally.

More Information. See CRS In Focus IF10636, *Foreign Direct Investment: Overview and Issues*, by James K. Jackson and Shayerah Ilias Akhtar.

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