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SelectUSA Program: U.S. Inbound Investment Promotion

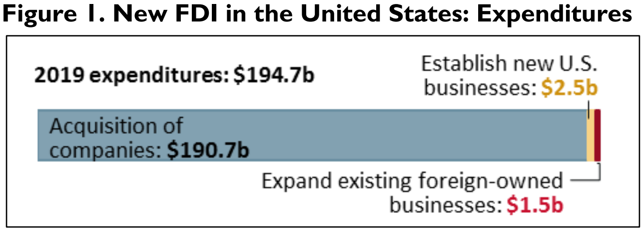
U.S. efforts to attract foreign direct investment (FDI) primarily take place at U.S. state and local levels, such as through economic development organizations (EDOs), which work to attract business investment locally and regionally. At the same time, federal efforts to coordinate investment promotion also exist.

Currently, federal efforts are focused through SelectUSA, a Department of Commerce program established in 2011 (Executive Order 13577), which aims to coordinate federal efforts to attract and retain "job-creating" business investment in the United States. SelectUSA focuses both on drawing foreign investors to the United States and working to "re-shore" U.S. firms. For the 117th Congress, SelectUSA may present issues as to its possible codification, funding, economic impact, and implications for other investment policy issues.

Inbound Investment Background

A key aspect of U.S. investment policy is attracting 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. Expenditures on acquisitions of companies represented the majority of FDI expenditure in 2019, as compared to expenditures to establish new U.S. businesses or expenditures to expand existing foreign-owned businesses (see **Figure 1**).

Figure 1. New FDI in the United States: Expenditures



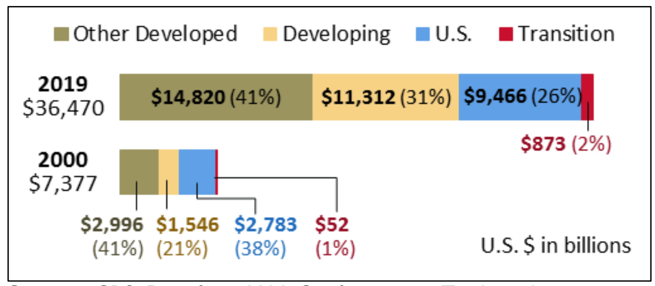
Source: CRS. Data from U.S. Bureau of Economic Analysis (BEA), preliminary for 2019.

Majority-owned affiliates of foreign firms in the United States play a significant role in the U.S. economy and U.S. international trade. According to data from the U.S. Bureau of Economic Analysis, in 2018, these affiliates:

- contributed $1.1 trillion in value-added to the U.S. gross domestic product (GDP);
- employed 7.8 million workers, including about 2.8 million in the manufacturing industry;
- conducted $66.9 billion in research and development; and
- exported $395.3 billion and imported $750.6 billion in goods.

The United States' large consumer market, strong legal protections, such as for intellectual property rights, high labor productivity, and position as an innovation and technology hub have made the United States an attractive destination for investors. At the same time, developing economies have been increasingly competitive destinations for FDI (see **Figure 2**), leading to increased global competition to attract FDI.

Figure 2. Destination of Global Inbound FDI by Country Grouping, 2000 and 2019



Source: CRS. Data from U.N. Conference on Trade and Development, World Investment Report 2020.
Note: Data on a historical stock basis.

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. Investment specialists manage portfolios of international markets and U.S. regions. SelectUSA uses resources of Global Markets commercial service officers internationally. U.S. foreign missions of Department of State also support the program.

The SelectUSA Executive Director chairs the Federal Interagency Investment Working Group, which aims to enhance coordination in federal assistance for business investment decisions across more than 20 agencies.

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.

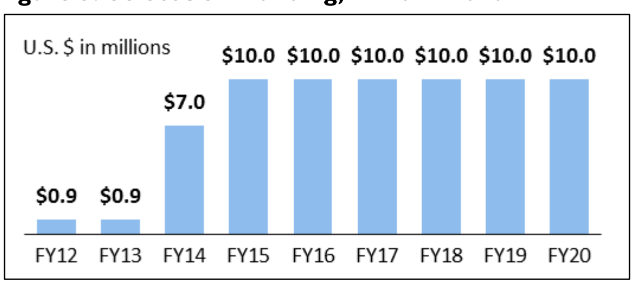
SelectUSA states that it operates with "strict geographical neutrality," whereby it does not advocate for investment in one U.S. location over another, though it is able to assist specific locations with individual promotional activities on a first-come, first-served basis. It also states that it does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

In June 2019, SelectUSA hosted its 8th annual investment summit. The 2019 summit brought together more than 3,100 attendees from 79 international markets and across the United States. Among other things, four new investment projects of more than $85 million were announced onsite, and SelectUSA launched a technology program to connect early-stage and startup companies with investment prospects in the United States. Uncertainty due to the Coronavirus Disease 2019 (COVID-19) pandemic resulted in the postponement of the 9th annual summit to June 2021.

According to SelectUSA, since its inception, it has facilitated more than $78 billion in investment, creating and/or retaining over 95,000 U.S. jobs. It reported facilitating more than $18.5 billion in investment in FY2019. 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.

Funding. Appropriations for SelectUSA have grown from less than $0.9 million at the program's inception in FY2012, up to $10.0 million for each of FY2015 through FY2020 (see **Figure 3**). SelectUSA comprised a fraction of the overall Global Markets unit budget ($333.0 million in FY2020). Congress did not provide a specific funding level for SelectUSA for FY2021.

Figure 3. SelectUSA Funding, FY2012-2020



Source: CRS. Data from joint explanatory statements, accompanying the annual appropriations acts.

For FY2021, the Trump Administration budget continued to request to rescale the Global Markets unit's export promotion and trade analysis efforts by reducing personnel worldwide and closing overseas and domestic offices to reduce fixed operational expenses. It is not clear to what extent SelectUSA may have been a focus of these efforts. Congress has continued to provide full funding for Global Markets, including increasing its funding by 2.3% for FY2021 ($340.8 million).

Key Issues for Congress

Authorization and Resources. Possible issues before Congress include whether to codify SelectUSA and whether to adjust funding for SelectUSA. Relatedly, Congress may consider whether SelectUSA sufficiently leverages sub-federal efforts to attract investment.

One view is that a permanent or long-term authorization and consistent resources could stabilize SelectUSA's role in attracting investment and, in turn, boost U.S. exports and jobs, as well as send a message internationally of U.S. interest in competing for investment. Another view is that SelectUSA duplicates existing state- and local-level investment promotion programs and that policies to improve 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.

Programs and Performance Metrics. Congress may examine SelectUSA programs' ability to attract FDI effectively in light of increased competition for FDI from emerging markets, as well as the challenges to FDI presented by the economic and policy uncertainty surrounding the COVID-19 pandemic. It may examine if innovations to SelectUSA programs may be needed. Congress also could examine how SelectUSA measures the effectiveness of its activities, and whether more regular reporting may be warranted.

Economic Debate. Inbound investment is tied to supporting U.S. jobs and exports, but it raises concerns about job losses, for instance, from mergers and acquisitions. To the extent that foreign investors compete with domestic firms for capital funds, Congress may examine the net U.S. economic impact of inbound FDI. (Outbound FDI also presents debate, but is beyond the scope of this product.)

Congress also may consider SelectUSA's role in facilitating investment, and in turn, U.S. jobs and exports. On one hand, macroeconomic factors, such as economic growth and exchange rates, 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.

Investment Policy Goals. U.S. investment policy includes consideration of the national security impact of certain FDI transactions in the United States (e.g., potential foreign acquisitions of firms in critical sectors) through the Committee on Foreign Investment in the United States (CFIUS). Congress may examine how to balance federal efforts to attract FDI and to protect national security.

Congress also may consider SelectUSA's expanded focus on "reshoring" U.S. companies' foreign activities, alongside its original mandate to attract and retaining FDI in the United States.

For more information, see CRS In Focus IF10636, *Foreign Direct Investment: Overview and Issues*, by James K. Jackson and Shayerah I. Akhtar.

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