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SelectUSA: 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. Such efforts currently are focused through SelectUSA, a Department of Commerce program established in 2011 (Executive Order 13577).

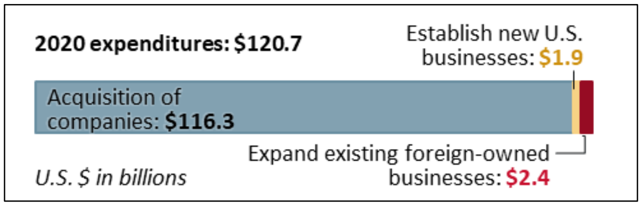
SelectUSA aims to coordinate federal efforts to attract and retain "job-creating" business investment in the United States. The program focuses both on drawing foreign investors to the United States and working to "re-shore" U.S. firms. Given the potential economic and competitiveness implications of U.S. efforts to attract inbound FDI, and the specific impacts that such activity may have on U.S. districts and states, Members of Congress may be interested in better understanding SelectUSA.

Inbound Investment Background

The United States is a major destination for FDI. Businesses 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 2020, expenditures for new FDI in the United States (to acquire, establish, or expand U.S. businesses) totaled $120.7 billion (preliminary data, U.S. Bureau of Economic Analysis (BEA); see **Figure 1**). This represented a 45.4% decrease from 2019 ($221.2 billion) and a 61.6% decrease from the annual average of $314.4 billion for 2014-2019. The decline reflected global patterns in FDI flows in 2020, due to ongoing uncertainty about the Coronavirus Disease 2019 (COVID-19) pandemic and other factors.

Figure 1. New FDI in the United States: Expenditures

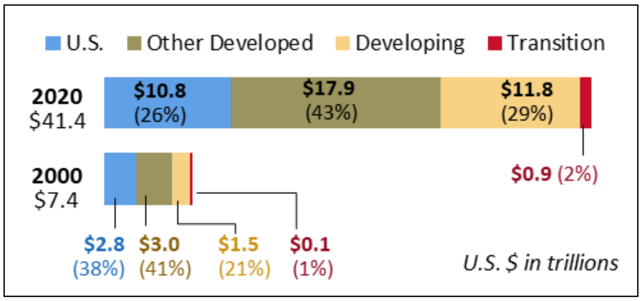


Source: CRS. Data from U.S. Bureau of Economic Analysis (BEA).
Note: Data for 2019 are preliminary.

Foreign firms operating in the United States through their affiliates play a significant role in the U.S. economy. In 2019, majority-owned affiliates of foreign firms in the United States contributed $1.1 trillion in value-added to the U.S. gross domestic product (GDP) (7.0% of total U.S. business sector value-added); and they employed 7.95 million workers (6.0% of total U.S. private-industry employment), the largest being manufacturing and retail (latest available data, BEA).

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 increasingly become 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 2020



Source: CRS. Data from U.N. Conference on Trade and Development (UNCTAD), *World Investment Report 2021*.
Note: Data on a historical stock basis. Parts may not sum to total due to rounding.

Select USA Overview

SelectUSA Structure. The Global Markets unit (also known as the U.S. Commercial Service) of the Department of Commerce's International Trade Administration (ITA) houses SelectUSA. In addition to supporting inward investment promotion, the Global Markets unit also provides export assistance services for U.S. firms.

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 the Department of State also provide support.

A Federal Interagency Investment Working Group, chaired by SelectUSA's Executive Director, aims to enhance coordination in federal assistance for business investment decisions across more than 20 agencies.

Services. 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 its high-level summit (typically annually), "road shows" abroad, and customized fee-based services; and

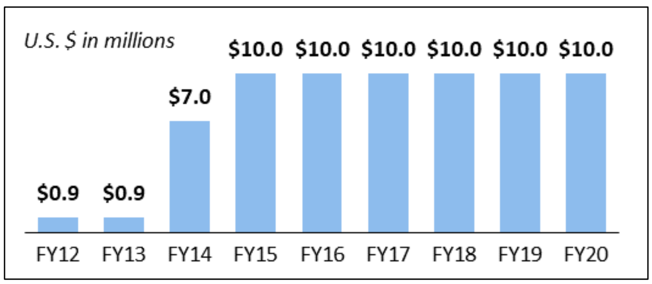
- coordinating high-level engagement at the national level with EDOs to advocate that a firm invest in the United States over a foreign location for a particular project.

SelectUSA has certain special initiatives, including a technology program to connect early-stage and startup companies with investment prospects in the United States.

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 can 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.

Funding. Appropriations for SelectUSA have grown from less than $1 million in the program's early years, to $10.0 million in recent years—a relatively small share of the overall Global Markets unit budget ($333.0 million in FY2020) (see **Figure 3**).

Figure 3. SelectUSA Funding, FY2012-FY2020



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

For FY2021, Congress did not provide a specific funding level for SelectUSA. For FY2022, neither the Biden Administration's budget justification, nor the House and Senate appropriations bills for Commerce, Science, Justice and Related Agencies (CJS) provide a specific funding level for SelectUSA.

Recent Activity. In June 2021, SelectUSA hosted its first virtual Investment Summit, following a postponement of its annual in-person summit from 2020, due to the COVID-19 pandemic. SelectUSA reported that the summit had more than 3,400 participants from across the United States and over 80 international markets.

According to SelectUSA, since its inception, it has facilitated more than $102 billion in what it describes as "client-verified investment," supporting over 132,000 U.S. jobs. ITA's FY2022 congressional budget justification reports that, in FY2020, SelectUSA assisted over 115 investment deals, valued at nearly $17.7 billion and in support of some 14,000 U.S. jobs.

Key Issues for Congress

Authorization and Resources. Congress may consider whether to codify SelectUSA and whether to adjust its funding (see, for example, H.R. 3288 in the 116th Congress). 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 COVID-19 pandemic. It may examine if innovations to SelectUSA programs are 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 debate 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 effects of the program. On the other hand, SelectUSA may play an additional role in attracting investments. Measuring the impact of a government program can be complicated and sensitive to the assumptions made.

Focus Areas. Congress may consider whether to direct SelectUSA to focus on supporting FDI for specific objectives. A June 2021 White House report (pursuant to Executive Order 14017, "America's Supply Chains") recommends using SelectUSA to attract investment in semiconductor manufacturing supply chains. Legislation introduced in the 117th Congress (S. 3309) would direct SelectUSA to coordinate with state-level EDOs to increase FDI in semiconductor-related manufacturing and production in order to help secure the U.S. semiconductor supply chain. Other potential areas of focus include, for instance, to direct SelectUSA to seek to increase FDI opportunities for rural areas and smaller states (e.g., H.R. 3288 in the 116th Congress).

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) by 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.

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

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