

Additional Questions for the Record and Response of Martin Baily, Brookings Institute

The Honorable Jan Schakowsky

In your written testimony, you said, “[m]aking America a location that attracts good foreign companies is very important and, by the way, those same factors will also make it more attractive for US multinational companies to locate more of their investment here at home.” During the hearing you mentioned three specific complaints you frequently hear from foreign companies, regarding an educated workforce, taxes, and permitting in the United States. All three of these complaints affect domestic and foreign firms alike.

1. The subject of the hearing was whether there should be a study undertaken on foreign direct investment. I would like to understand whether there are issues that are unique to foreign firms. Can you list the significant competitiveness factors that uniquely apply to foreign investors in the United States? How important are these factors compared to the factors on which they make business decisions that they *share* with domestic firms?

Answer from Martin Baily

Many of the issues that are important for the competitiveness of American companies are also important for attracting foreign investment, such as the skills of the workforce and the quality of the infrastructure.

Other issues may affect domestic companies but are of particular interest to foreign companies. For example, regulation and permitting are more difficult for foreign companies that have limited experience with operating in the United States. There may be several federal agencies involved and then there are state and local governments. As you know, the Commerce Department is working to simplify the process and create a one-stop shop for foreign investment.

Trade and visa issues are likely to be of particular importance for foreign companies. They will need to bring foreign nationals to work here as they establish operations and obtaining visas can be difficult. A foreign manufacturing company will want to bring parts and components in from its home base and trade rules can be complex. They may also want to export from a manufacturing base in the United States either to third countries or back to their home country. Improving trade agreements bilaterally and multilaterally would help make this an economic choice.

In a time of budget stringency, Congress must weigh each spending choice carefully. I would not support a expensive study, or a highly politicized study. A limited and careful study would be helpful, particularly to know what has been the experience of companies that have come here and what barriers they found to be the most difficult to overcome. Talking to companies that have decided against making an investment would be valuable also, to see what made them decide against producing here.