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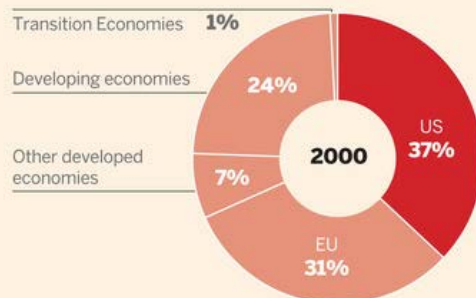
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US courts foreign investment for economic boost

By James Politi in Washington

In 2000, the US gobbled up 37 per cent of the worldwide stock of inward foreign investment



Source: Organization for International Investment 2013



Indian conglomerate [Tata](#) has placed a big bet on the US.



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It generates \$8bn of annual revenues in the world's biggest economy and employs more than 18,000 people in IT centres, gourmet coffee production, and steel plants across the country.

US President Barack Obama would like many more global multinationals to follow suit, but America's

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recent record in attracting foreign investment has been worrying. In 2000, the US gobbled up 37 per cent of the worldwide stock of inward foreign investment. But by 2012, that market share had shrivelled to 17 per cent.

Annual inflows have almost halved from their 2008 peak.

To boost those figures the US president is donning his salesman cap for “brand USA” at an [international conference starting on Thursday](#). In FT interviews this week, senior administration officials said Mr Obama

would be making the most emphatic case for foreign cash of any president in recent memory.

“This is the beginning of a sustained commitment to attracting FDI [foreign direct investment] in the US,” said Penny Pritzker, commerce secretary, who is hosting the two-day event. “We have so many great assets that should be celebrated and promoted at a time when the world is a very competitive place,” Ms Pritzker adds.

Kapil Sharma, Tata’s senior general manager for North America and among the attendees, wants some “appreciation of what companies like Tata are doing to make the US competitive, to help it grow. And hopefully an appreciation that we want to be part of the solution, and we are not part of the problem”.

The US need for inward investment is clear. A [study by the Organization for International Investment](#), which represents the US subsidiaries of foreign companies, found that their companies pay better wages and benefits, spend more and faster on research and development, and are more productive than their domestic peers.

“The policy challenge isn’t just that we need to create 20m jobs in the next 10 years, but we need to create 20m high productivity, high wage jobs,” said Matthew Slaughter, associate dean at the Tuck School of Business at Dartmouth University. “Companies connected to the global economy tend to generate those types of jobs.”

Administration officials and executives say there is a strong case that the [US is becoming a destination for new manufacturing hubs](#), as labour costs increase in China and America’s shale-driven domestic energy boom helps lower production costs.

“The US is poised to see significant growth on the manufacturing side and over time that’s an advantage,” says Eric Spiegel, the chief executive of Siemens USA.

Gene Sperling, director of the White House’s National Economic Council, says the push for FDI “is about going on offence on an affirmative economic trend – not playing defence”. “We believe this is a moment where there’s increasing momentum for companies to locate in the US,” Mr Sperling added.

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But, with America still experiencing sluggish demand when compared with the economic performance of emerging markets with expanding middle classes, multinational companies have a wide choice for their investments.

And foreign investors have been uneasy about the political gridlock consuming Washington. Not only has political paralysis led to multiple fiscal crises in recent years, but impasses have blocked key legislative priorities for foreign investors, from corporate tax and immigration reform to upgrades in infrastructure.

European companies have traditionally accounted for the bulk of FDI into the US, but there is a strong argument for attracting more cash from faster-growing economies such as China, India, and Brazil. However, investments from emerging economies, particularly China, are often the ones to attract the most scepticism.

“Foreign investment and insourcing are generally very good things, but only to a point. We shouldn’t be in the business of encouraging investment by state-owned or state-supported firms that have little or no cost of capital,” says Scott Paul, president of the Alliance for American Manufacturing, a partnership between US industrial companies and the United Steelworkers Union.

In some cases over the past decade, doubts about foreign investment in the US have gone a step further and turned into political firestorms, at times streaked with xenophobia. The biggest outcries came over attempts by Chinese companies Cnooc and Huawei to invest in oil and telecoms networks, as well as Dubai’s planned acquisition of US ports. More recently, a Chinese acquisition of Smithfield, the US pork producer, met a smaller measure of political resistance, but was ultimately approved.


Obama administration officials are trying to make sure any bad experiences – though relatively isolated – will not cause foreign investors to balk now, when they are most needed.

“The president is making a statement for job creation that helps middle class Americans by emphasising that foreign companies that locate here, create jobs here and play by the rules are welcome with open arms,” said Mr Sperling, a veteran of both the Obama and Clinton administrations. “In all my years in government, this is the strongest expression of that sentiment by an administration.”

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