

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

Subcommittee on Domestic and International
CFIUS and the Role of
Foreign Direct Investment in the United States

April 27, 2006

Thank you, Madam Chairman, and thank you for holding this important hearing. You have been a leader in the effort to insure that the American economy will have the needed investment muscle to continue its expansion and job creation while not impairing national security, and we all appreciate your efforts.

The debate earlier this year about CFIUS was all about a single transaction that clearly could have been handled better. Congress and the Administration need to work out a better way for Congress to carry out the necessary oversight of the process.

However, the basic process works well, in that it has done a good job of screening takeover proposals from foreign companies for American companies. I can think of quite a number of times that the process has stopped the deals that shouldn't go through and approved the ones that should, sometimes doing so with appropriate modifications to protect against the loss of a defense industrial base or a critical technology.

The results have been, in a nutshell, spectacular. U.S. subsidiaries of foreign-owned companies employ nearly five and a half million Americans. The average salary for those workers is a healthy \$60,000 – and a third of those jobs are in manufacturing. In a time when we worry about our balance of trade, it is important to remember that more than 20 percent of U.S. exports are produced by U.S. subsidiaries of foreign companies.

Even the phrase “foreign company” is something of a misnomer. In our increasingly global financial economy, citizens of the United States invest heavily in the equities of so-called “foreign companies,” owning \$2.9 trillion worth of their stocks. Nokia, the Finnish telecom company, is 40 percent American-owned. Twelve percent of Swedish automobile and construction equipment manufacturer Volvo is owned by Americans, either through direct stock ownership or mutual funds, and one of its ten largest investors is a U.S. funds manager. Though these firms are based overseas, Americans holding an ownership stake in these and other similar companies directly benefit from foreign investment in the U.S.

It's not even just manufacturing and service-industry jobs that are "in-sourced." A lot of the profits from these U.S. subsidiaries are re-invested here in the United States in new plant and equipment, and in research and development. The Swiss firm Novartis, in fact, has its worldwide research and development headquartered in Massachusetts. Panasonic was able to develop the plasma television sets we all know that we need so we can better watch golf and baseball after buying a U.S. company that developed the technology but couldn't find financing here to refine its breakthrough.

It has been decades since the terms "foreign" and "domestic" were distinct, and we need to update our thinking to match our modern, global economy.

While the benefits of foreign direct investment should be apparent to all – and are probably in every Congressional district in the country in some shape or form – the downsides of erecting a protectionist wall cannot be overstated. If Congress makes it too onerous to invest in this country, why would anyone in their right mind do business here? Labor is cheap in China, resources are cheap in South America, markets are huge in Europe. Already, with the talk of making investment here more difficult, the parliaments in Russia, India, Mexico and elsewhere have begun debating new, retaliatory moves.

There are a number of countries ready to use this issue as a reason to make their own markets harder to crack for Americans.

An incorrect move right now would be a particular setback when China is beginning to open up to foreign investments. If the door to China is open to European manufacturers and financial institutions, but not to U.S. firms, I think we all can imagine the consequences.

Thus, I think we must all take a deep breath before we decide to legislate things that might feel good, but actually do real damage to the country that we live in and that we will leave to our children. If America is to stay strong, we need the opportunities and challenges that foreign investment brings. We can protect our national security by constant vigilance, but we cannot protect it if we lack the economic prosperity that allows us for that protection.

With that, Madam Chairman, I yield back the balance of my time.