Public Affairs 856
Trade, Competition, and Governance in a Global Economy

Lecture 20-21

4/6-8/2020

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UW Madison

Spring 2020

Outline

- Immigration: Short run effects
- Immigration: Long run effect
- Foreign Direct Investment (FDI)
- FDI & national security concerns

Motivation

- Why are immigration and foreign direct investment included in an international trade course?
- Because, particularly in the Heckscher-Ohlin model, cross-border trade in goods and services are a substitute for cross-border movement of factors of production,
- Namely, labor (immigration) and capital (FDI)

Immigration: Models

Topic: The movement of labor across countries and investigate when immigration leads to a fall in wages, as we normally expect.

- First, use the **specific-factors model**, the short-run model from Chapter 3.
- Second use the long-run **Heckscher-Ohlin model**, from Chapter 4, in which capital and land can also move between industries.
- In the long run, an increase in labor *will not* lower the wage, as industries have more time to respond to the inflow of workers.

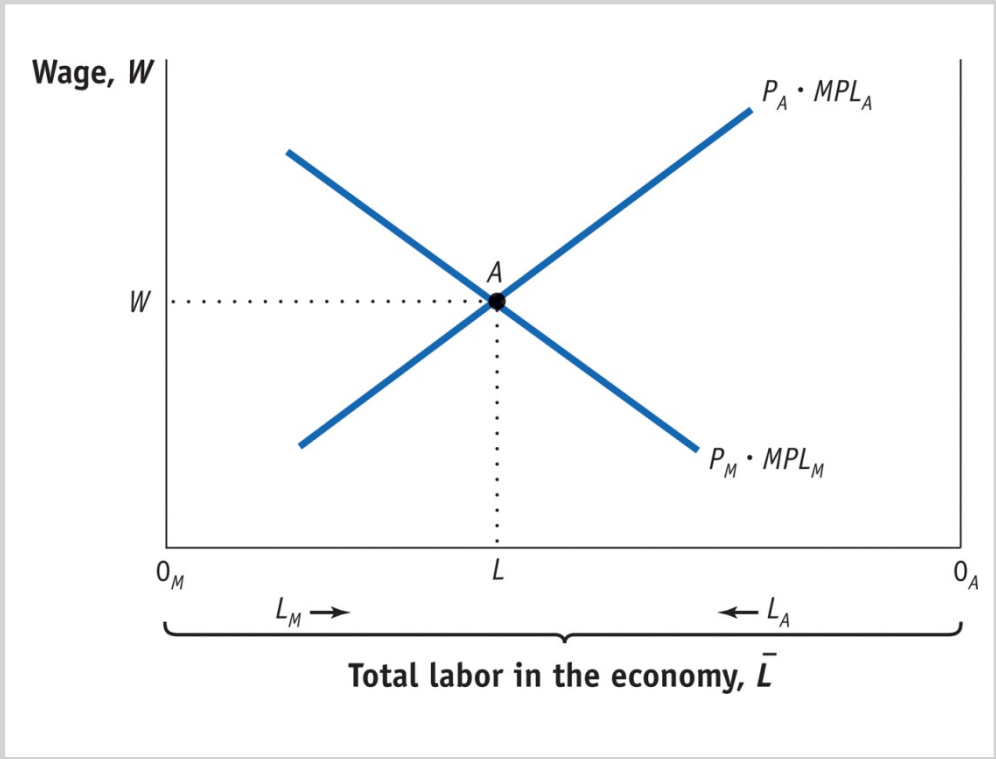
Immigration:
Short Run Effects

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Short Run: Specific-Factors Model

Determining the Wage

FIGURE 5-1 Home Labor Market



$$L_M + L_A = \bar{L}$$

The Home wage is determined at point *A*, the intersection of the marginal product of labor curves $P_M \bullet MPL_M$ and $P_A \bullet MPL_A$ in manufacturing and agriculture, respectively.

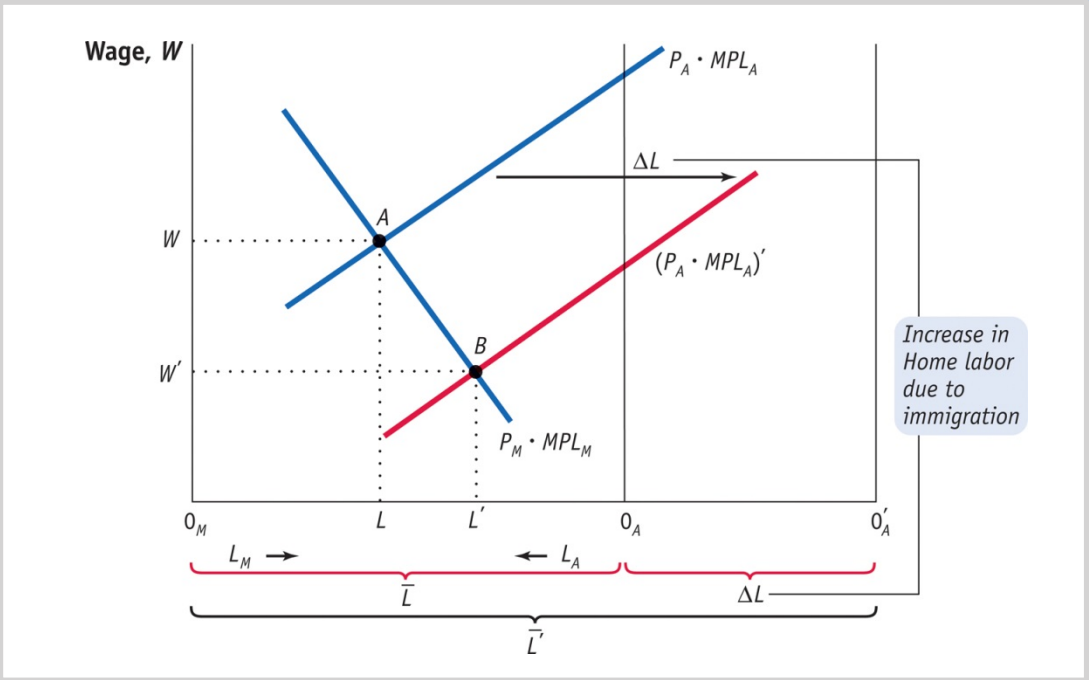
The amount of labor used in manufacturing is measured from left to right, starting at the origin 0_M, and the amount of labor used in agriculture is measured from right to left, starting at the origin 0_A. At point *A*, $0_M L$ units of labor are used in manufacturing and $0_A L$ units of labor are used in agriculture.

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Short Run: Specific-Factors Model

Effect of Immigration on the Wage in Home

FIGURE 5-2 Increase in Home Labor

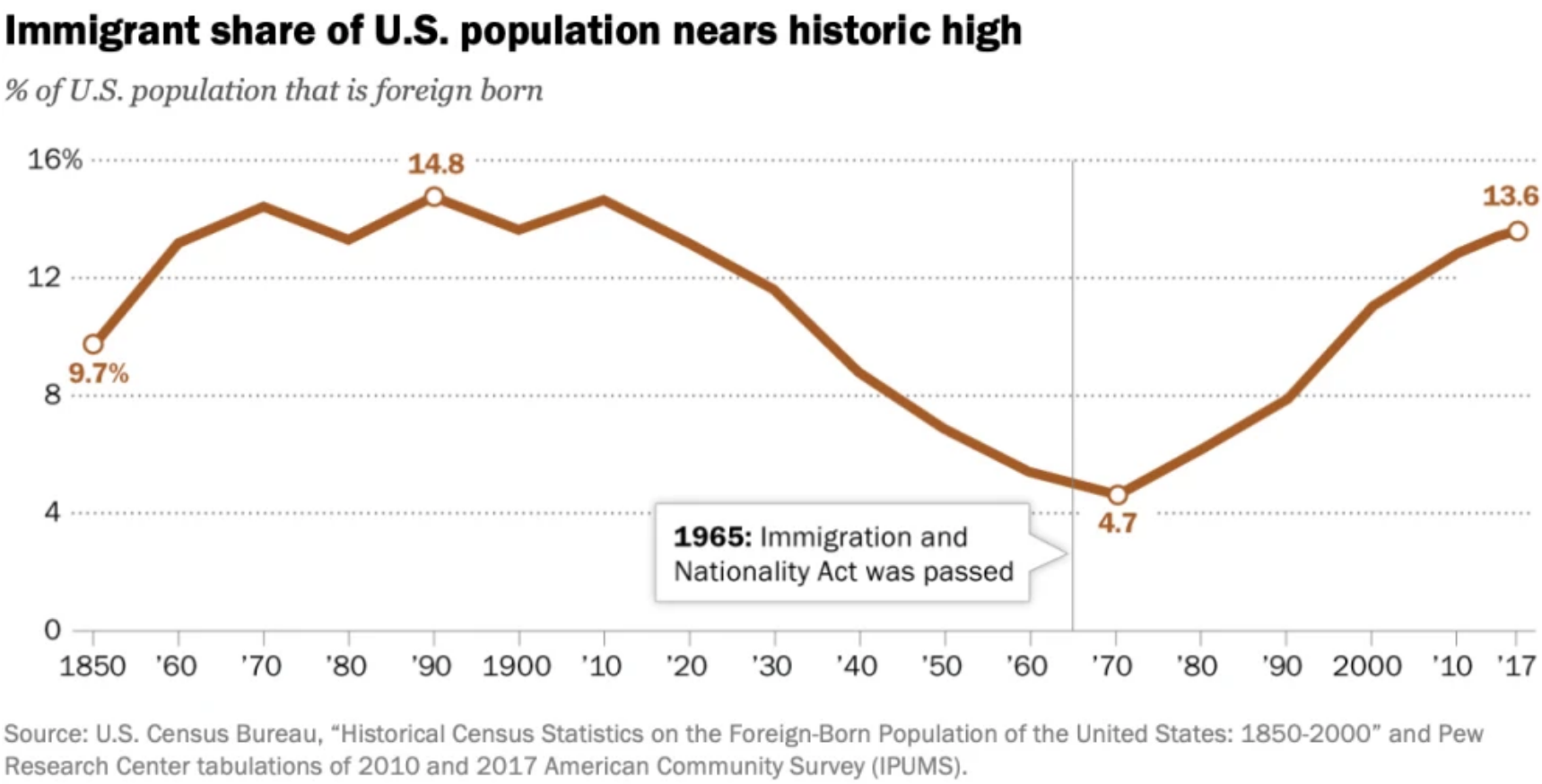


When the amount of labor at Home increases by the amount ΔL, the origin for agriculture shifts to the right by that amount, from 0_A *to* $0_A'$.

The marginal product of labor curve in agriculture also shifts right by the amount ΔL.

Equilibrium in the Home labor market is now at point *B:* wages have fallen to W' and the amount of labor has increased in manufacturing (to $0_M L'$) and in agriculture (to $0'_A L'$).

US Immigrants: Data

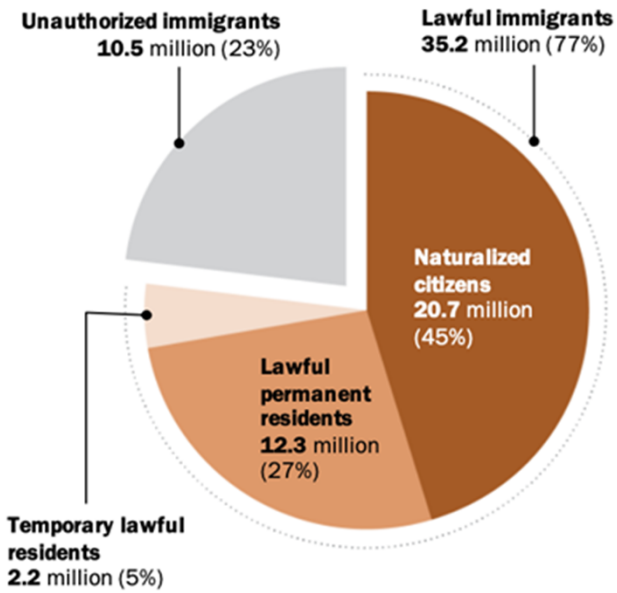


https://www.pewresearch.org/fact-tank/2019/06/17/key-findings-about-u-s-immigrants/ft_19-06-17_keyfindingsimmigrants_immigrant-share-us-population-nears-historic-high_corrected/

US Immigrants: Attributes

Unauthorized immigrants are almost a quarter of U.S. foreign-born population

Foreign-born population estimates, 2017

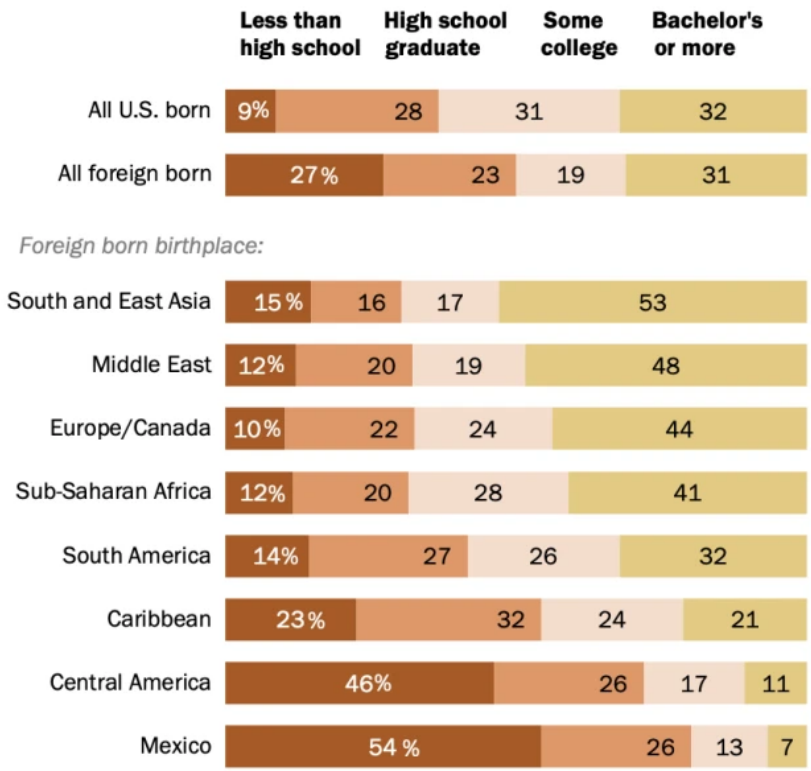


Note: Figures for the total and subgroups differ from published U.S. Census Bureau totals because census data has been augmented and adjusted to account for undercount of the population. All numbers are rounded. Unauthorized immigrants include some with temporary protection from deportation under Deferred Action for Childhood Arrivals (DACA) and Temporary Protected Status (TPS), as well as pending asylum cases.
Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER

Educational attainment among U.S. immigrants, 2017

% among those ages 25 and older



Note: "Some college" includes those with two-year degrees. "High school graduate" includes those with a high school diploma or its equivalent, such as a GED certificate. Middle East consists of Southwest Asia and North Africa.
Source: Pew Research Center tabulations of the 2017 American Community Survey (IPUMS).

PEW RESEARCH CENTER

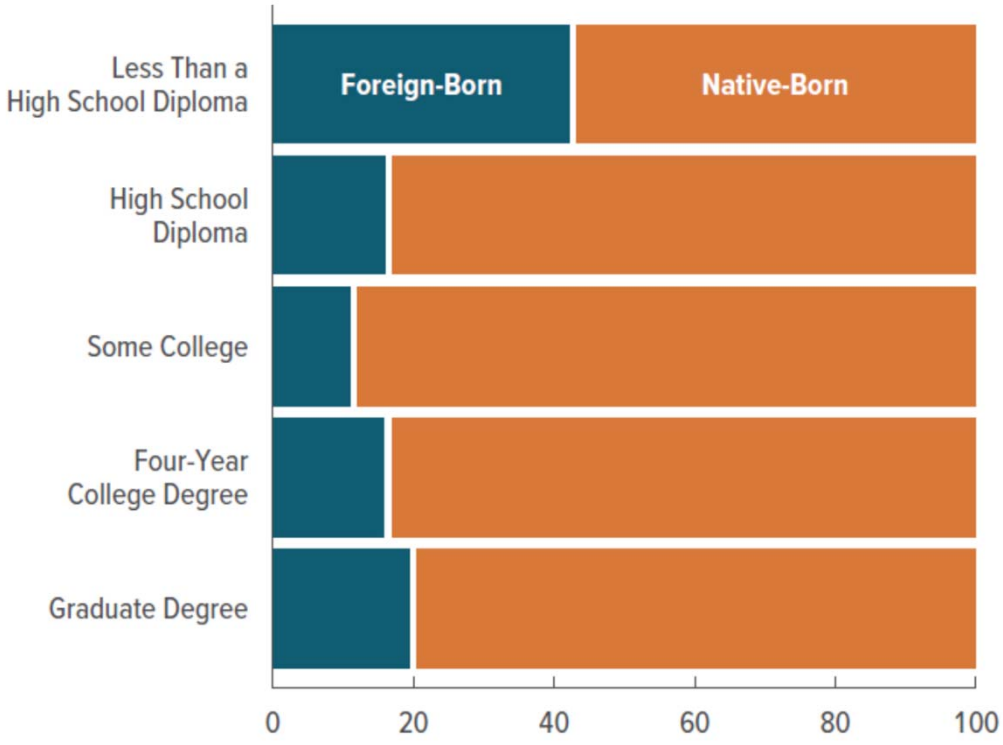
https://www.pewresearch.org/fact-tank/2019/06/17/key-findings-about-u-s-immigrants/ft_19-06-17_keyfindingsimmigrants_immigrant-share-us-population-nears-historic-high_corrected/

US Immigrants: Human Capital Attributes

The Share of People Age 25 and Older With Various Levels of Education Who Were Native Born and Foreign Born, 2018

Percent

Among people with less education, a large percentage are foreign born. Consequently, immigration has exerted downward pressure on the wages of relatively low-skilled workers who are already in the country, regardless of their birthplace.



CBO, The Foreign Born Population, January 2020

HEADLINES

The Economic Windfall of Immigration Reform

- Professor Giovanni Peri discusses three principles that reform should follow. He argues that there are large gains from increasing the supply of highly skilled immigrants to the United States, by allowing firms to bid for temporary work permits.
- He found that foreign scientists and engineers brought into this country under the H1B visa program have contributed to 10-20% of the yearly productivity growth in the U.S. during the period 1990-2010.
- This allowed the GDP per capita to be 4% higher than it would have been without them—that's an aggregate increase of output of $615 billion as of 2010.

Other Effects of Immigration in the Short Run

Rentals on Capital and Land

- U.S. and Europe have both welcomed foreign workers in specific industries: agriculture and high-tech.
- They do this even though those foreign workers compete with domestic workers in those industries.
- Therefore there must be benefits to the industries.
- We can measure these potential benefits by the payments to capital and land, called rentals.
- We use the same two measurements for rentals as in Chapter 3.

Other Effects of Immigration in the Short Run

Rentals on Capital and Land

- Under the first method for computing the rentals, we take the revenue earned in either manufacturing or agriculture and subtract the payments to labor.
- If wages fall, then there is more left over as earnings of capital and land, so these rentals are higher.

Other Effects of Immigration in the Short Run

Rentals on Capital and Land

- Under the second method for computing rentals, capital and land earn their marginal product in each industry times the price of the industry's good.
- As more labor is hired in each industry (because wages are lower), the marginal products of capital and land both increase. The increase in the marginal product occurs because each machine or acre of land has more workers available to it, and that machine or acre of land is therefore more productive.
- So under the second method, too, the marginal products of capital and land rise and so do their rentals.

Other Effects of Immigration in the Short Run

Rentals on Capital and Land

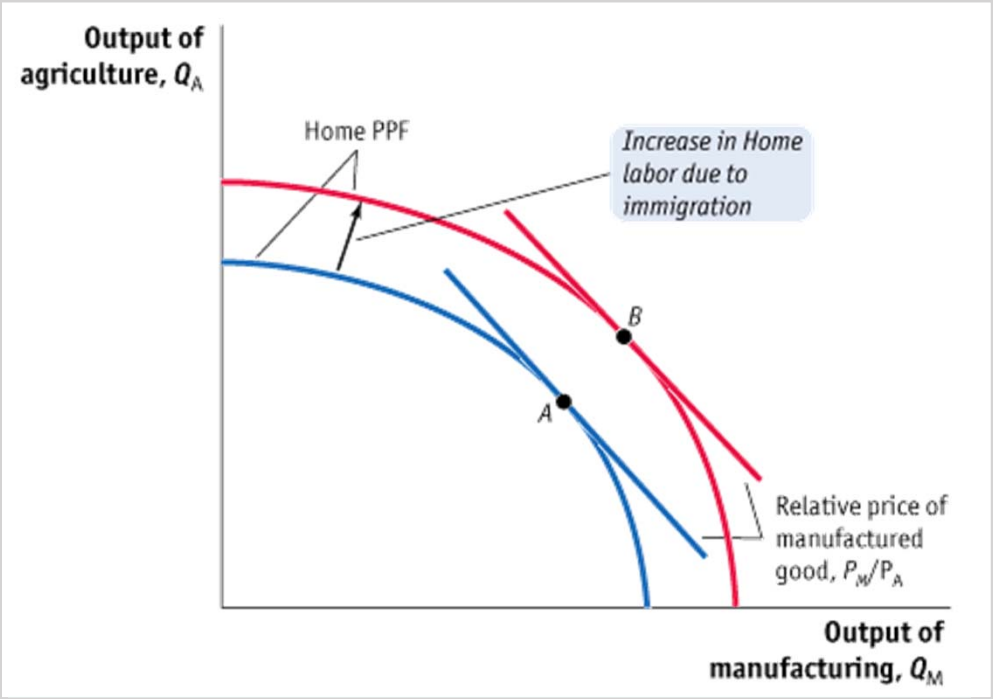
- We should not be surprised that owners of capital and land often support more open borders, which provides them with foreign workers that can be employed in their industries.
- The restriction on immigration in a country should be seen as a compromise between entrepreneurs and landowners who might welcome the foreign labor.
- Local unions and workers who view migrants as a potential source of competition leading to lower wages.
- Immigrant groups themselves, if they are large enough, might also have the ability to influence the political outcome on immigration policy.

1 Movement of Labor Between Countries: Migration

Other Effects of Immigration in the Short Run

Effect of Immigration on Industry Output

FIGURE 5-5 Shift in Home Production Possibilities Curve



With the increase in labor at Home from immigration, the production possibilities frontier shifts outward and the output of both industries increases, from point *A* to point *B*.

Output in both industries increases because of the short-run nature of the specific-factors model; in the short run, land and capital do not move between the industries, and the extra labor in the economy is shared between both industries.

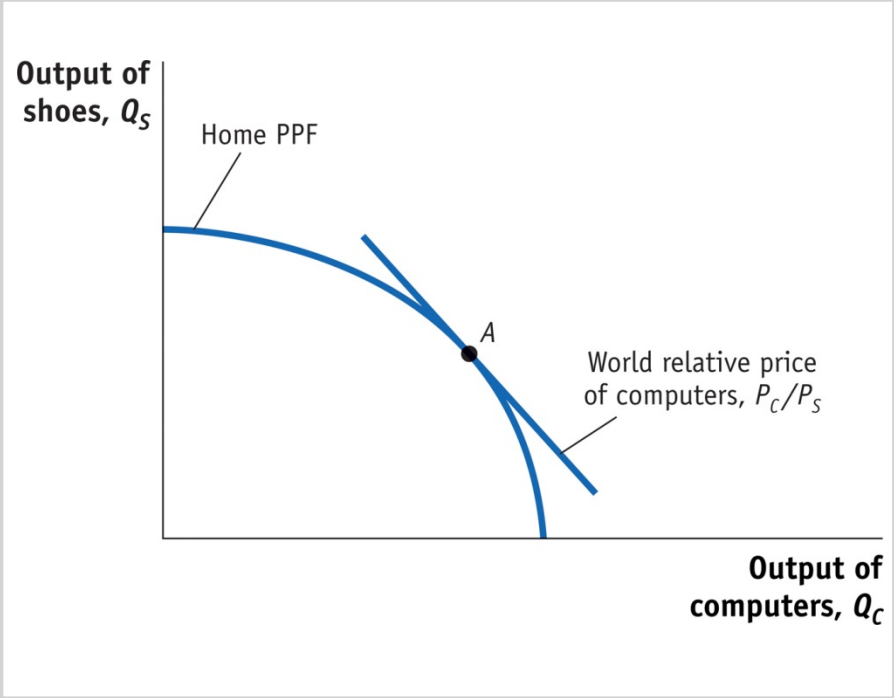
Immigration:
Long Run Effects

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Long Run

Effect of Immigration on Industry Outputs

FIGURE 5-6 Production Possibilities Frontier



Shown here is the production possibilities frontier (PPF) between two manufactured goods, computers and shoes, with initial equilibrium at point *A*.

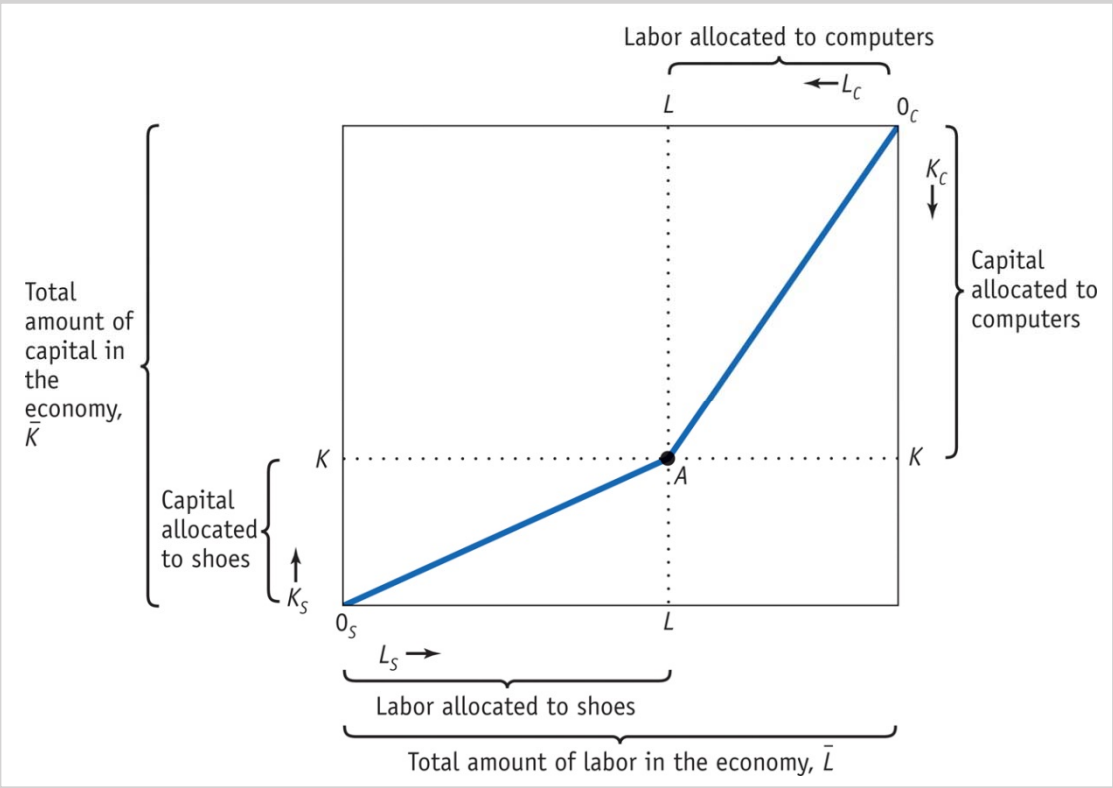
Domestic production takes place at point *A*, which is the point of tangency between the world price line and the PPF.

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Long Run

Effect of Immigration on Industry Output

FIGURE 5-7 Allocation of Labor and Capital in a Box Diagram



The top and bottom axes of the box diagram measure the amount of labor, $\bar{L}$, in the economy, and the side axes measure the amount of capital, $\bar{K}$.

At point A, $0_S L$ units of labor and $0_S K$ units of capital are used in shoe production, and $0_C L$ units of labor and $0_C K$ units of capital are used in computers.

The K/L ratios in the two industries are measured by the slopes of $0_S A$ and $0_C A$, respectively.

Effects of Immigration in the Long Run

Determination of the Real Wage and Real Rental

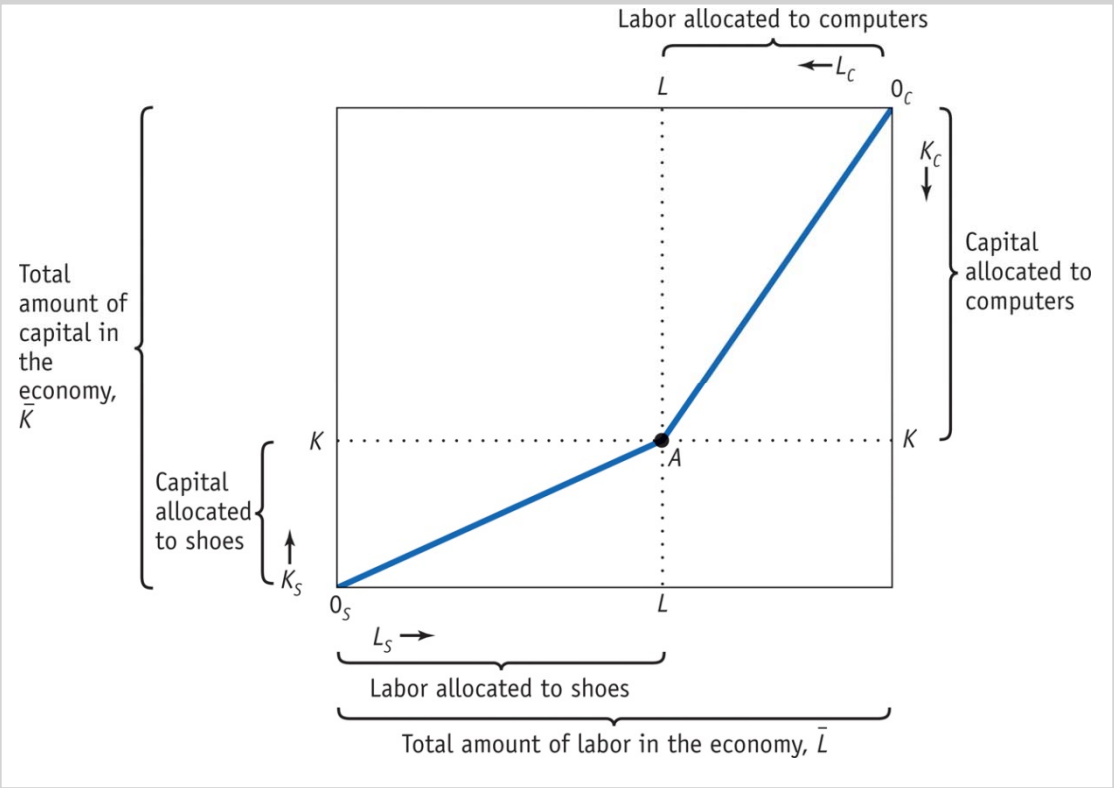
- To determine the wage and rental in the economy, we use the marginal products of labor and capital, *which are determined by the capital-labor ratio in either industry*.
- If there is a higher capital-labor ratio (more machines per worker), then by the law of diminishing returns, the marginal product of capital and the real rental must be lower.
- Having more machines per worker means that the marginal product of labor (and hence the real wage) is higher because each worker is more productive.

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Long Run

Determination of the Real Wage and Real Rental

FIGURE 5-7 (revisited)



Each amount of labor and capital used in Figure 5-7 along line $0_S A$ corresponds to a particular capital-labor ratio for shoe manufacture and therefore a particular real wage and real rental.

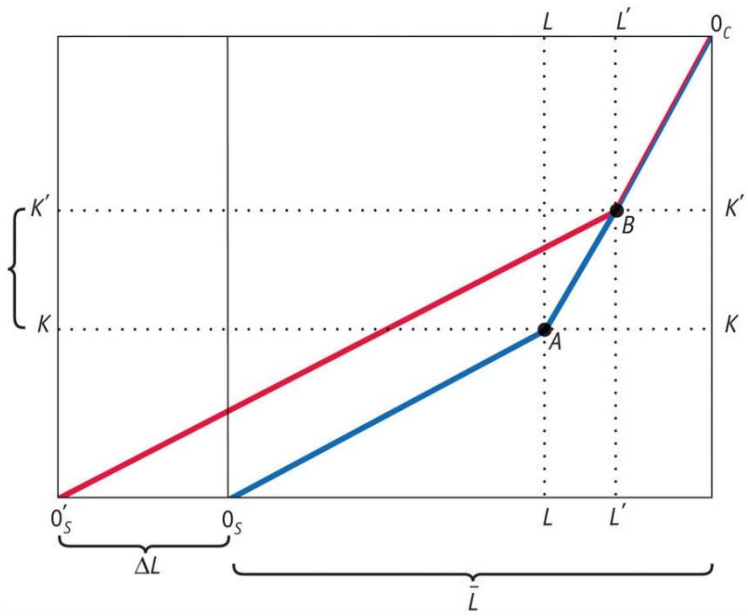
While the total amount of labor and capital used in each industry changes, the capital-labor ratios are unaffected by immigration, which means that the immigrants can be absorbed with no change at all in the real wage and real rental.

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Long Run

Increase in the Amount of Home Labor

FIGURE 5-8 (1 of 2) Increase in Home Labor



With an increase in Home labor from $\bar{L}$ to $\bar{L} + \Delta L$, the origin for the shoe industry shifts from 0_S *to* $0_S'$.

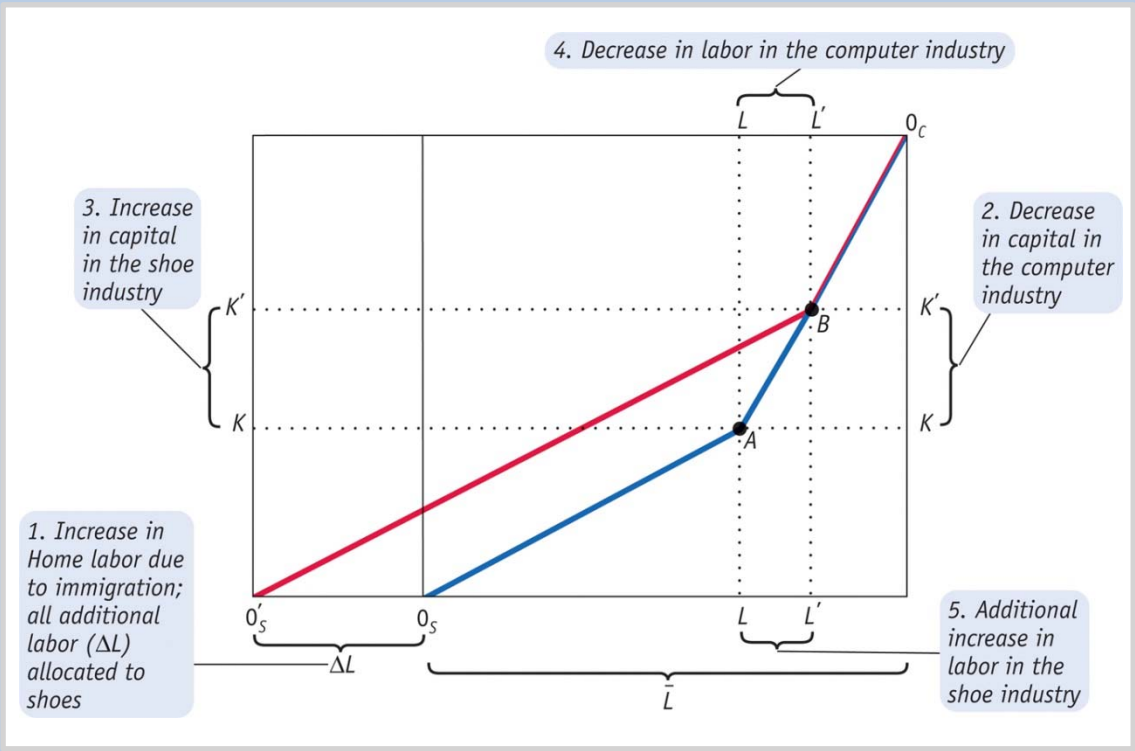
At point *B*, $0'_S L'$ units of labor and $0'_S K'$ units of capital are used in shoes, while $0_C L'$ units of labor and $0_C K'$ units of capital are used in computers.

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Long Run

Increase in the Amount of Home Labor

FIGURE 5-8 (2 of 2) Increase in Home Labor (continued)



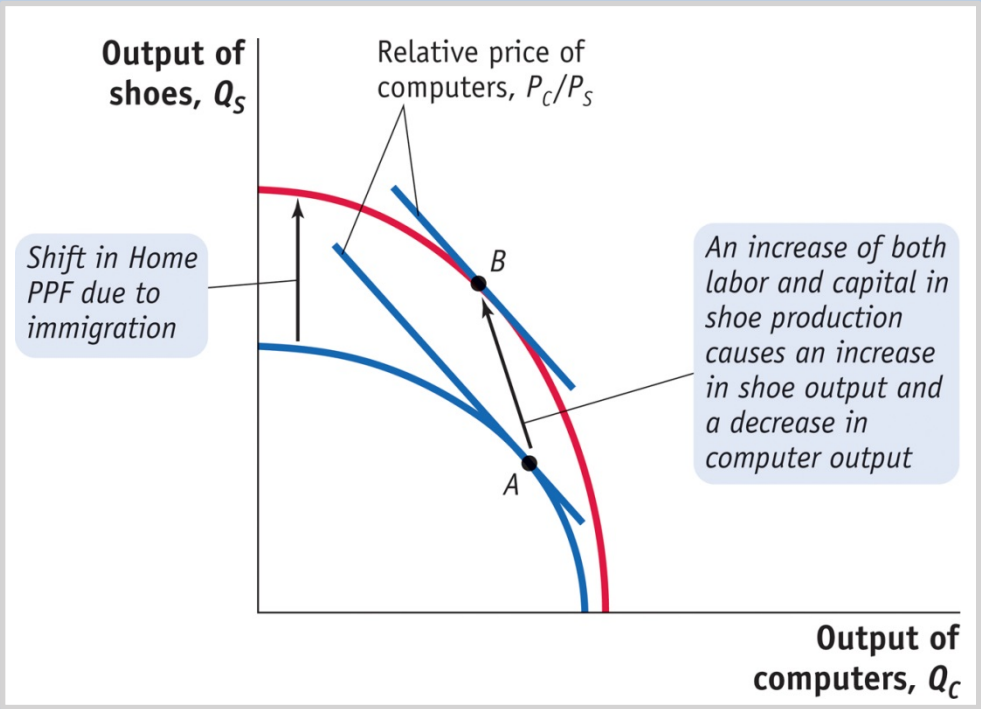
In the long run, industry outputs adjust so that the capital-labor ratios in each industry at point B (the slopes of $0'_S B$ and $0_C B$) are unchanged from the initial equilibrium at point A (the slopes of $0_S A$ and $0_C A$). To achieve this outcome, all new labor resulting from immigration is allocated to the shoe industry, and capital and *additional* labor are transferred from computers to shoes, keeping the capital-labor ratio in both industries unchanged.

1 Movement of Labor Between Countries: Migration

Effects of Immigration in the Long Run

Effect of Immigration on Industry Outputs

FIGURE 5-9 The Long-Run Effect on Industry Outputs of an Increase in Home Labor



With an increase in the amount of labor at Home, the PPF shifts outward.

The output of shoes increases while the output of computers declines as the equilibrium moves from point *A* to *B*.

The prices of goods have not changed, so the slopes of the PPFs at points *A* and *B* (i.e., the relative price of computers) are equal.

The finding that an increase in labor will expand one industry but contract the other holds only in the long run; in the short run, as we saw in Figure 5-5, both industries will expand.

Rybczynski Theorem

The **Rybczynski theorem** states that, in the Heckscher-Ohlin model with two goods and two factors, an increase in the amount of a factor found in an economy will increase the output of the industry using that factor intensively and decrease the output of the other industry.

- We have proved the Rybczynski theorem for the case of immigration, where labor in the economy grows.
- Later we will show that the same theorem holds when capital in the economy grows: in this case, the industry using capital intensively expands and the other industry contracts.

1 Movement of Labor Between Countries: Migration

Effect of Immigration on Factor Prices

Factor prices do not need to change as a result of immigration.

- The reason that factor prices do not need to change is that the economy can absorb the extra amount of a factor by increasing the output of the industry using that factor intensively and reducing the output of the other industry.
- The finding that factor prices do not change is sometimes called the factor price insensitivity result.

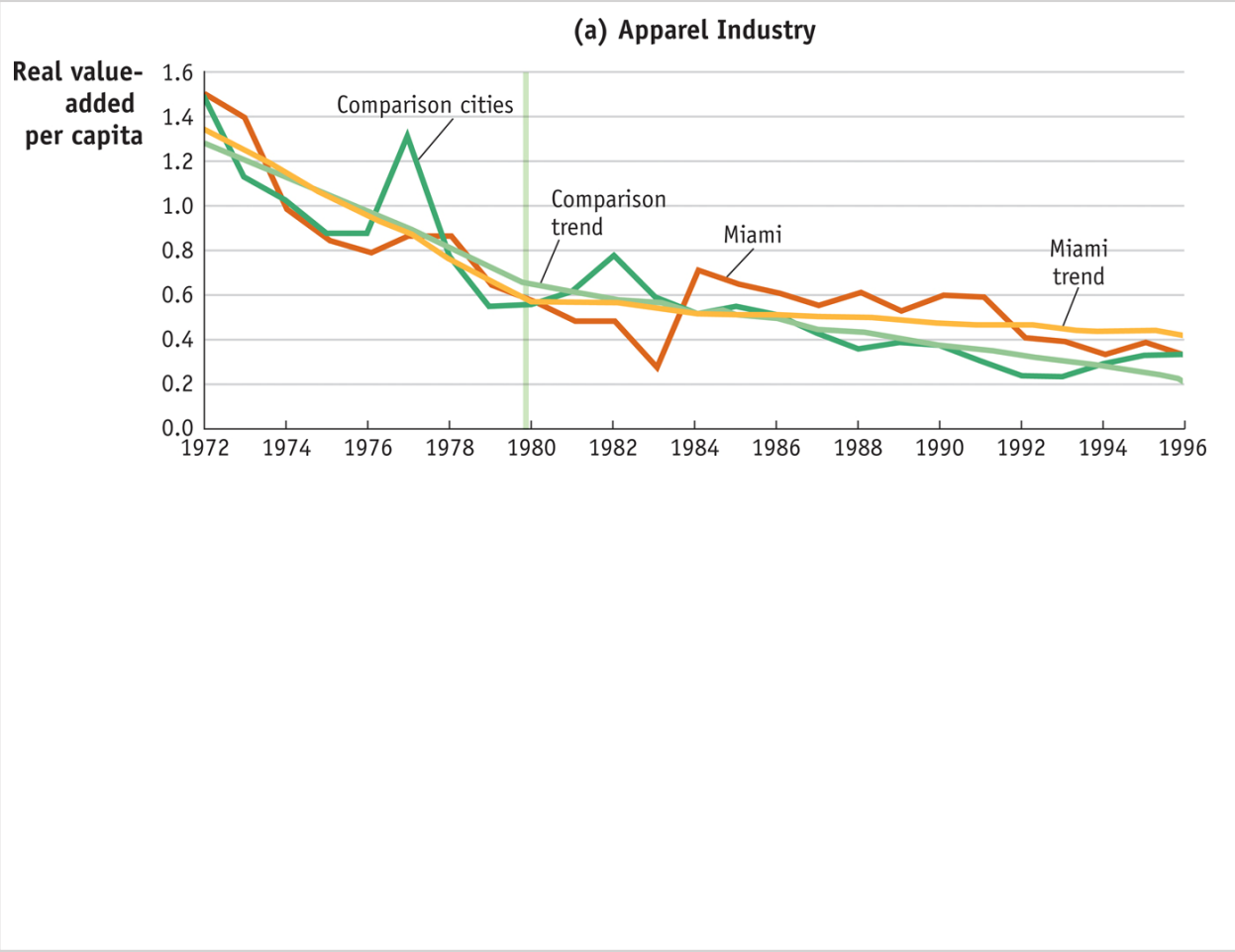
Factor Price Insensitivity Theorem

The **factor price insensitivity theorem** states that: in the HO model with two goods and two factors, an increase in the amount of a factor found in an economy can be absorbed by changing the outputs of the industries, without any change in the factor prices.

APPLICATION

The Effects of the Mariel Boat Lift on Industry Output in Miami

FIGURE 5-10 (1 of 2) Industry Value-Added in Miami

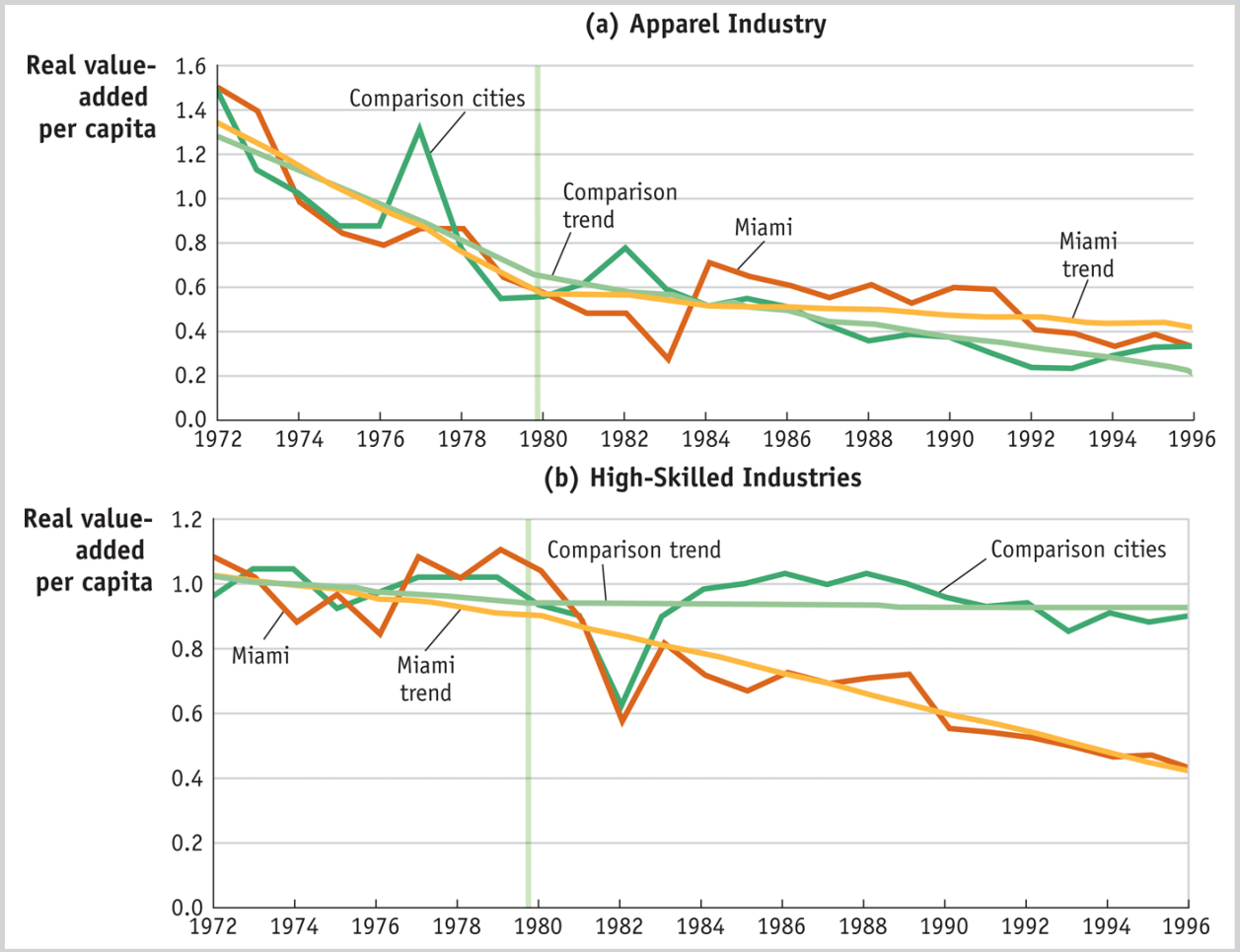


In panel (a), with the inflow of refugees from Cuba in 1980, **real value-added** in the apparel industry in Miami rose from 1983 to 1984, and the trend decline of this industry in Miami was slower (i.e., value-added did not fall as fast) after 1980 than in the comparison cities.

APPLICATION

The Effects of the Mariel Boat Lift on Industry Output in Miami

FIGURE 5-10 (2 of 2) Industry Value-Added in Miami (continued)



In panel (b), real value-added in Miami in high-skilled industries fell faster after 1980 than in the comparison cities. Both of these findings are consistent with the Rybczynski theorem.

APPLICATION

Immigration and U.S. Wages, 1990-2006

TABLE 5-1

Immigration and Wages in the United States This table shows the estimated effect of immigration on the wages of workers, depending on their educational level. Short-run estimates hold capital and land fixed, while long-run estimates allow capital to adjust so that the capital/labor ratio and real rental are constant in the economy. Immigration has the greatest impact on workers with very low or high levels of education and only a small impact on those workers with middle levels of education (12 to 15 years). The impact is even smaller in the long run.

	PERCENTAGE CHANGE IN THE WAGE OF WORKERS WITH EDUCATIONAL LEVEL				
	Less Than 12 Years	High School Graduate	Some College	College Graduates	Overall Average
Part A: Effect of Immigration on All U.S. Workers					
Method:					
Short run	−7.8	−2.2	−0.9	−4.7	−3.0
Long run	−4.7	0.9	2.2	−1.7	0.1
Part B: Long-Run Effect of Immigration, by Type of Worker					
Type of Worker:					
U.S. born	0.3	0.4	0.9	0.5	0.6
Foreign born	−4.9	−7.0	−4.0	−8.1	−6.4

Foreign Direct Investment

2 Movement of Capital Between Countries: Foreign Direct Investment

Direct Investment

We could continue our examination of what happens to wages and rentals when factors can move across borders by considering the effect of changes in the capital stock.

- We turn now to look at how capital can move from one country to another through foreign direct investment (FDI).
- FDI occurs when a firm from one country owns a company in another country.
- According to the Department of Commerce, if a foreign company acquires 10% or more of a U.S. firm, that is counted as an FDI inflow to the United States, and if a U.S. company acquires 10% or more of a foreign firm, that is counted as an FDI outflow for the United States.

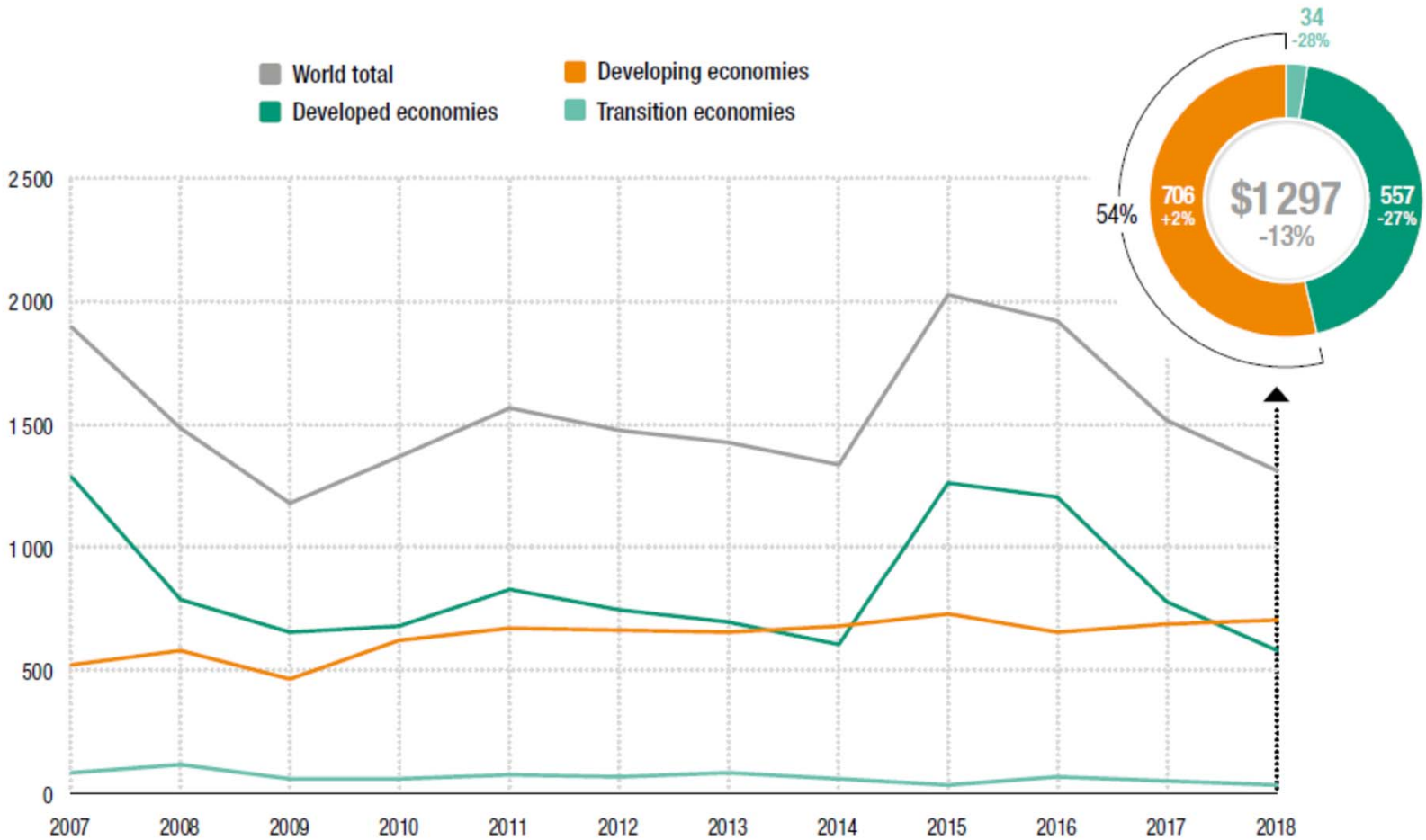
2 Movement of Capital Between Countries: Foreign Direct Investment

Direct Investment

- According to the Department of Commerce, if a foreign company acquires 10% or more of a U.S. firm, that is counted as an FDI inflow to the United States, and if a U.S. company acquires 10% or more of a foreign firm, that is counted as an FDI outflow for the United States.
- This control aspect is what differentiates FDI from – for instance – movement of financial capital via loans, bonds, and stocks (below the 10% threshold)
- In principle we could use the same models (specific factors, Hecksher-Ohlin) we used for immigration as for FDI, as the textbook does, but rather than that we'll take an alternative approach (see textbook for conventional approach)

Global Trends

Figure I.1. | **FDI inflows, global and by economic group, 2007–2018** (Billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf

Motivations for FDI

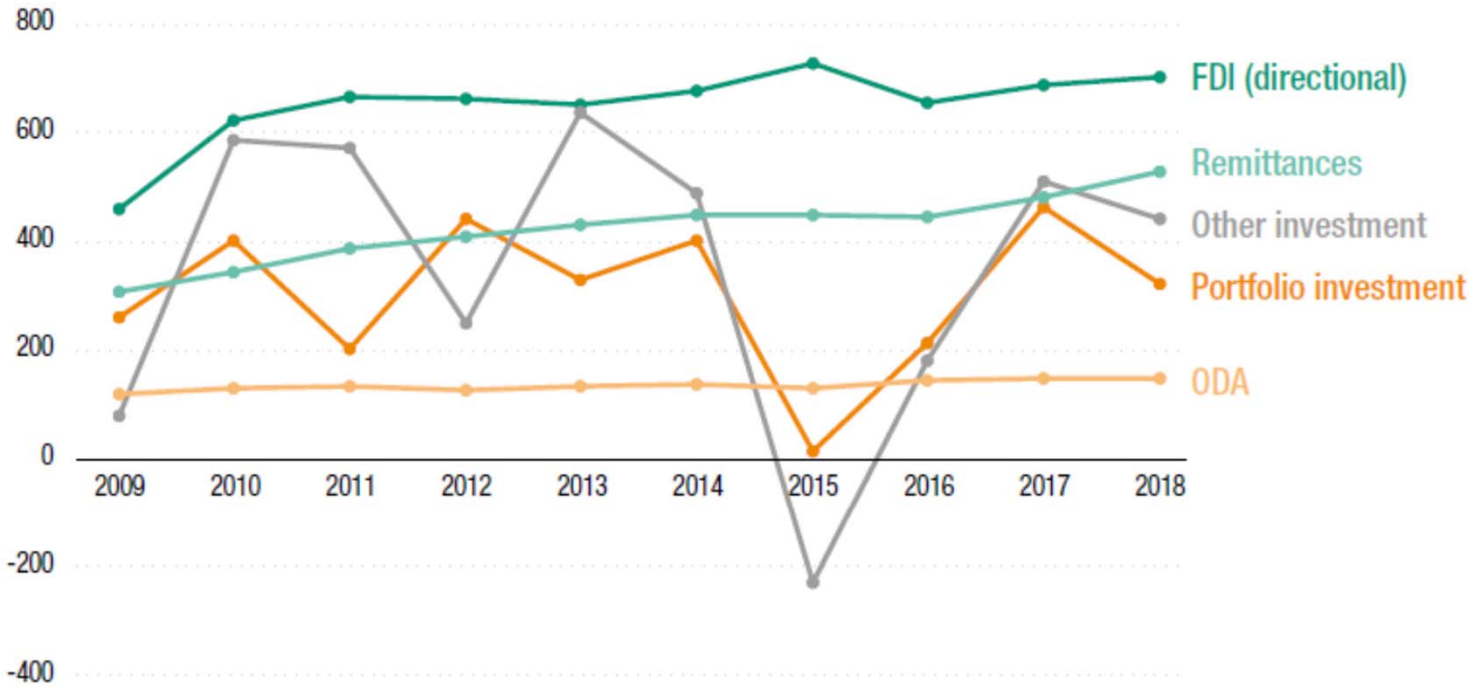
Table 2 Motivation-based Classification of FDI

Motive	General Definition	Relevant Alternatives	Internalisation Determinants	Localisation Determinants
Resource seeking (RS)	FDI is taken to acquire particular and specific resources at a lower cost than could be obtained in the home country	International Outsourcing International Trade	Asset Specificity (+) Uncertainty(+) Asset Intangibility(+) Asset Complementarity (+)	Real cost of the resource (-) Absolute scarcity of the resource (+) Relative productivity of the resource (+)
Market seeking (MS)	FDI is taken to exploit a foreign market which is of some appeal to the firm, by supplying either the market of the host country (host-market FDI) or that of adjacent ones (export-platform FDI)	Exports Licenses	Policy Barriers (+) Transportation/Communication Costs(+) Easiness of Imitation(-) Degree of Patentability (mixed)	<u>Host-Market FDI</u> Absolute market size(+) Growth rate of the market(+) Absolute advantage(+) Comparative advantage(+) <u>Export-Platform FDI</u> Differences in norms and regulations(+) Labour costs differentials(+)
Non-marketable asset seeking (NMAS)	FDI is taken to acquire assets which are not directly transferable through market transactions	Joint Venture Acquisition of Core Personnel	Degree of competition into the market(+) Degree of transferability of knowledge through direct contact(-) Extent of organisational capabilities (+)	Basic and advanced infrastructure(+) Degree of closeness of the technological frontier between home and host country (+)

Franco, et al., http://www.pucsp.br/icim/ingles/downloads/pdf_proceedings_2008/31.pdf

FDI in Perspective

Figure I.10. **Developing economies: sources of external finance, 2009–2018**
(Billions of dollars)



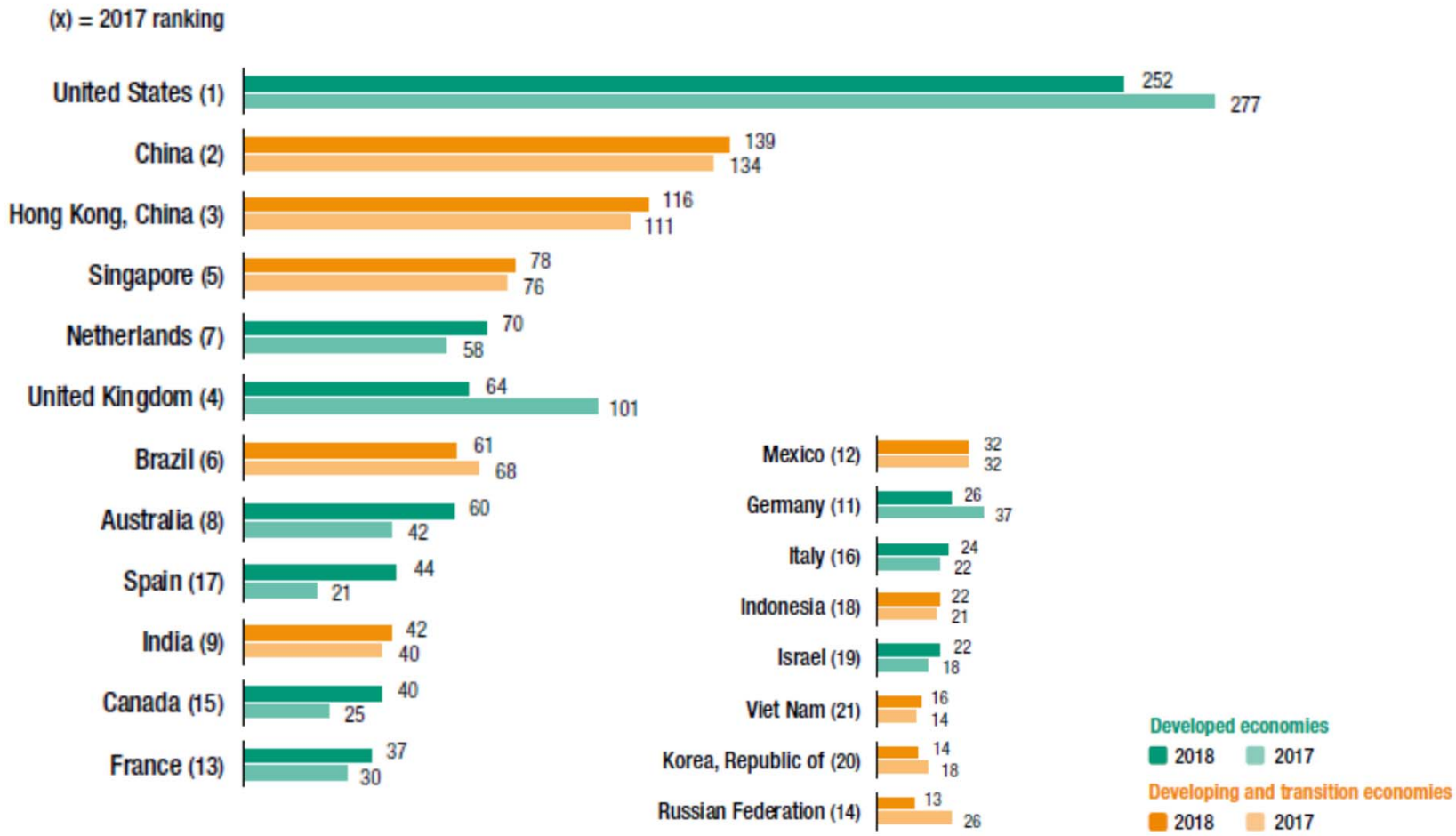
Source: UNCTAD, based on KNOMAD (for remittances), UNCTAD (for FDI), IMF World Economic Dataset (for portfolio investment and other investment) and OECD (for ODA).

Note: Remittances and ODA are approximated by flows to low- and middle-income countries, as grouped by the World Bank.

https://unctad.org/en/PublicationsLibrary/wir2019_en.pdf

Countries as Host

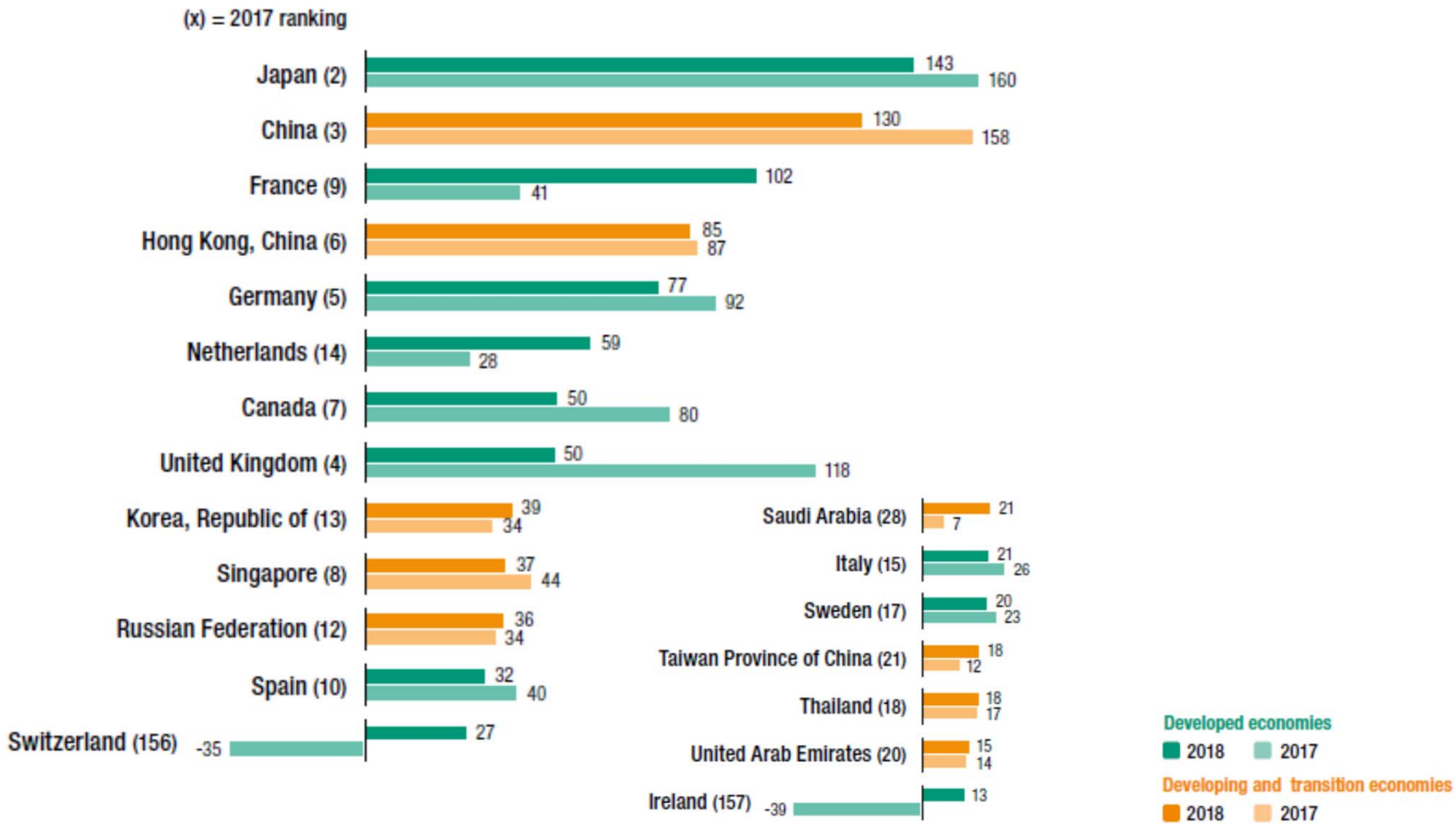
Figure I.3. | **FDI inflows, top 20 host economies, 2017 and 2018** (Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Countries as Source

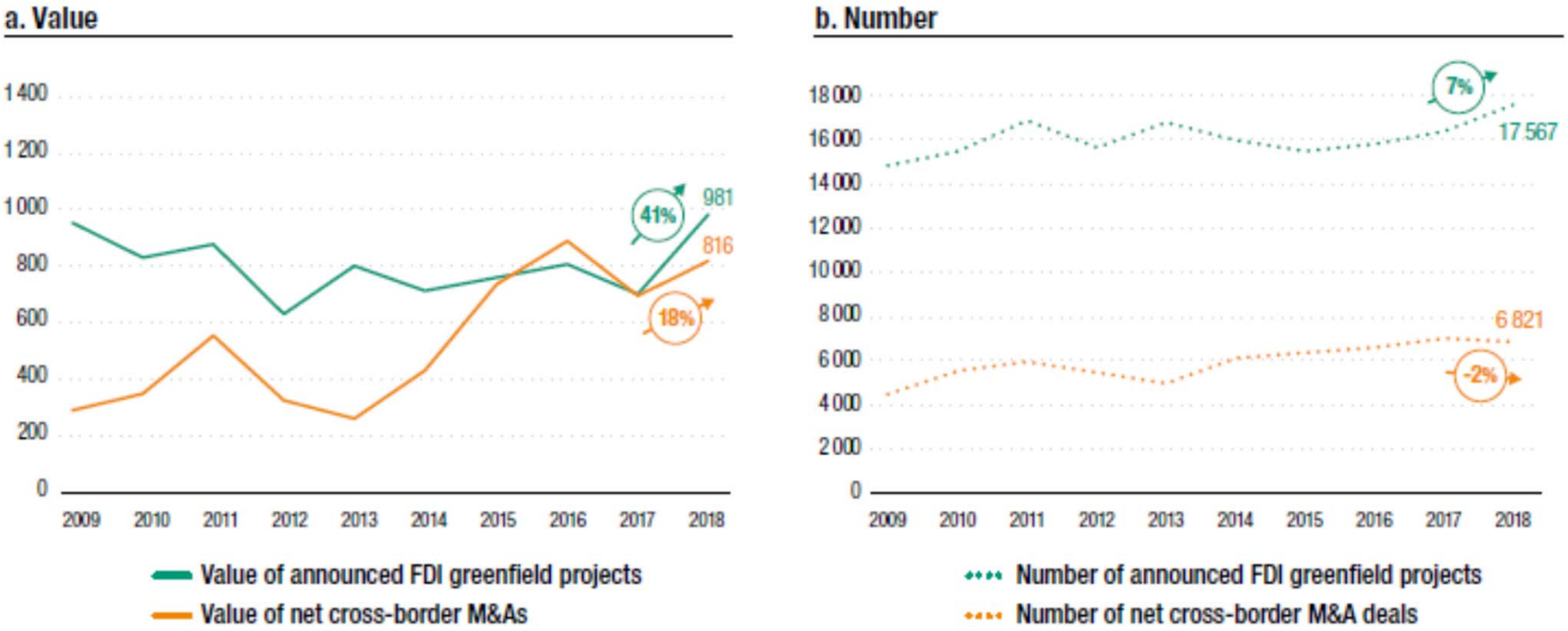
Figure I.6. | **FDI outflows, top 20 home economies, 2017 and 2018** (Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Greenfield vs. M&A

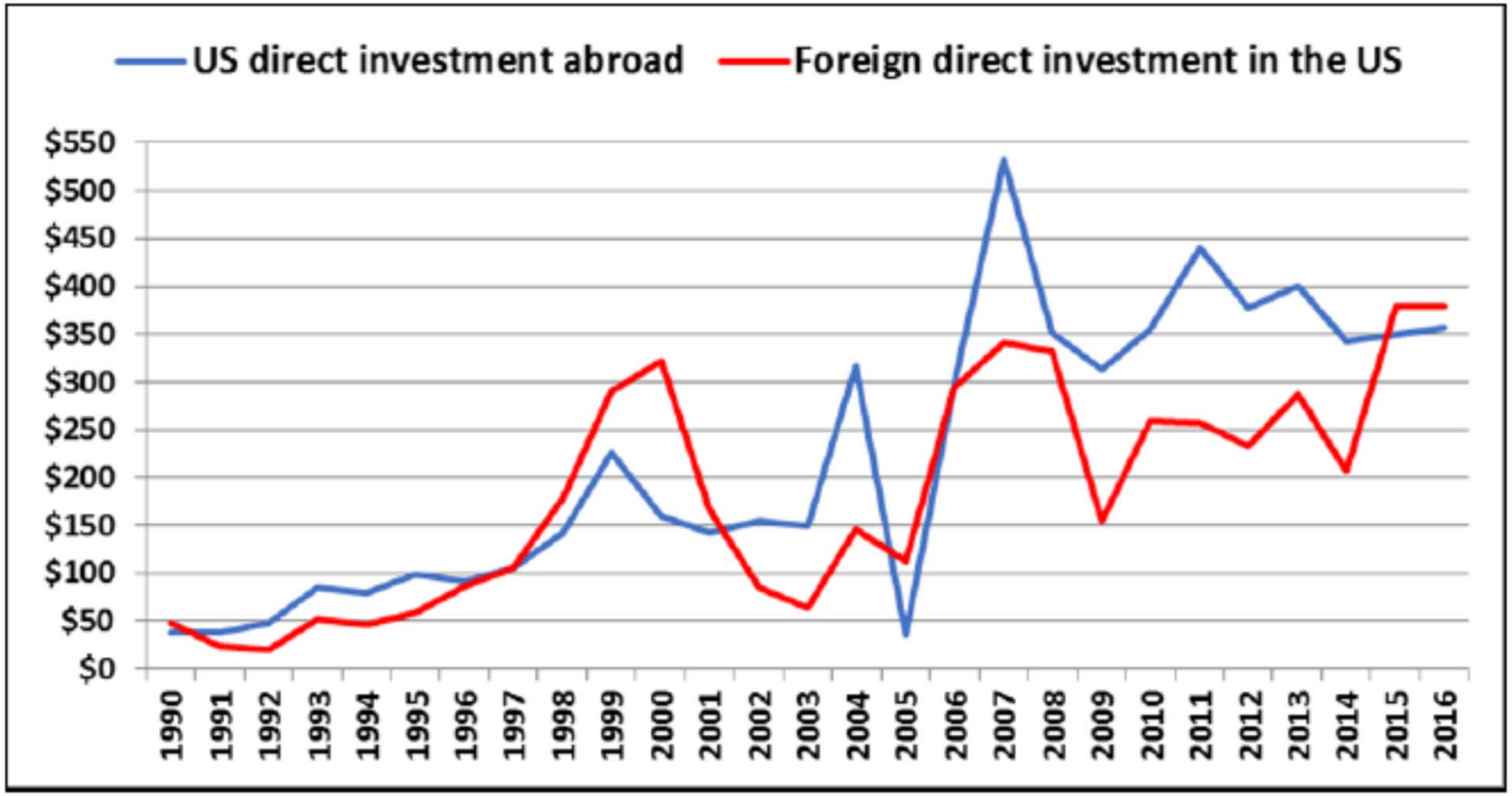
Figure I.7. **Value and number of net cross-border M&As and announced greenfield FDI projects, 2009–2018** (Billions of dollars and numbers)



Source: UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics) and information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects.

United States

Figure 3. Foreign Direct Investment in the United States and U.S. Direct Investment Abroad, Annual Flows: 1990-2016



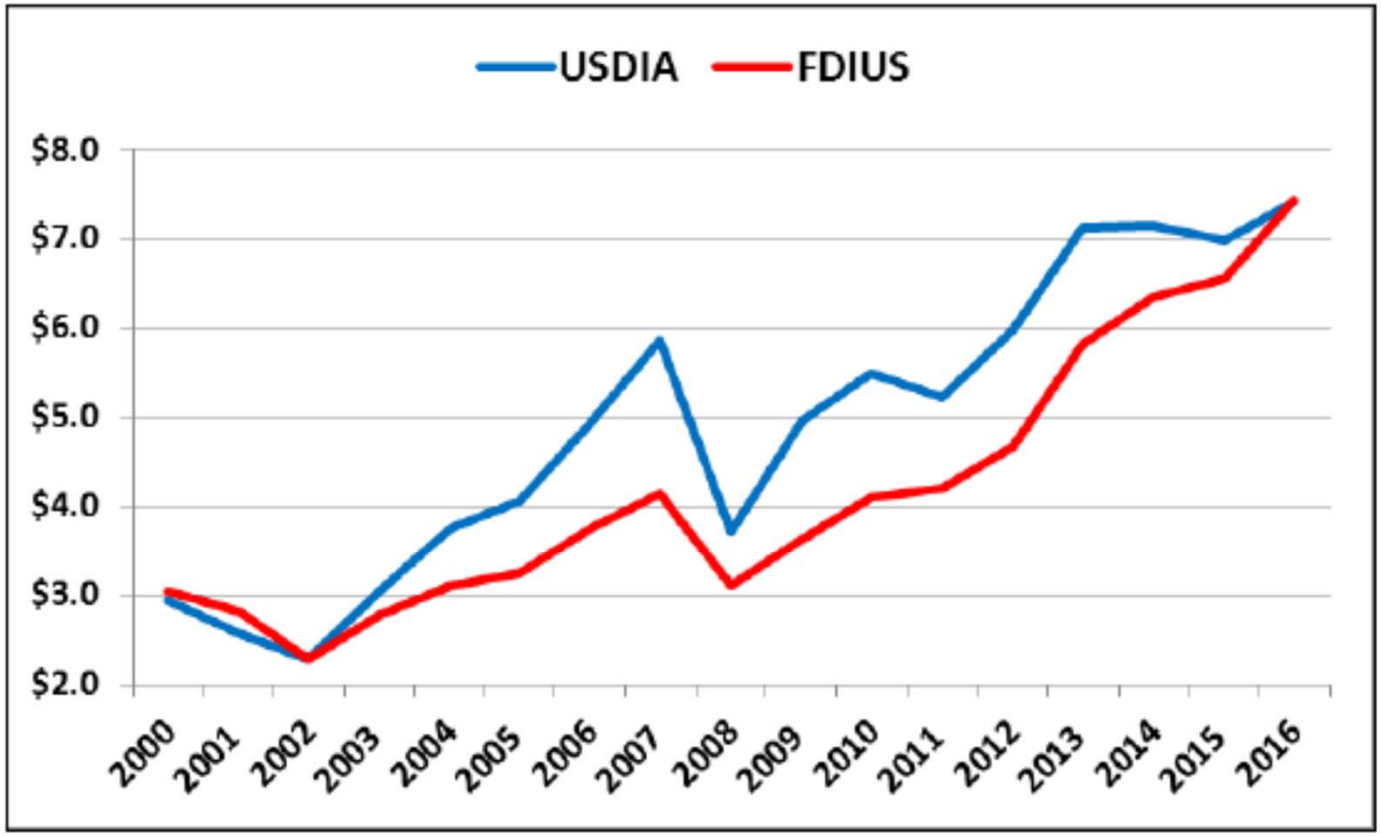
Source: U.S. Department of Commerce.

Jackson, "FDI in US: An Economic Analysis," CRS

United States

Figure 2. Foreign Direct Investment Position in the United States and U.S. Direct Investment Position Abroad at Market Value (Cumulative Amount)

($ in trillions)



Source: Department of Commerce.

Jackson, "FDI in US: An Economic Analysis," CRS

Table 2. Foreign Direct Investment Position in the United States on a Historical-Cost Basis at Year-End 2015

(in billions of U.S. dollars)

All	All industries	Manu-facturing	Wholesale trade	Retail trade	Infor-mation	Banking	Finance	Real estate	Services	Other industries
All countries	**$3,134.2**	**$1,222.9**	**$367.1**	**$65.7**	**$198.9**	**$197.9**	**$387.5**	**$70.5**	**$145.5**	**$478.3**
Canada	269.0	52.5	19.5	7.7	6.3	49.9	61.9	8.7	6.9	55.7
Europe	**2,162.8**	**964.7**	**180.8**	**48.3**	**157.7**	**105.6**	**240.6**	**35.6**	**120.5**	**308.9**
E.U.	1,866.5	835.7	144.2	38.8	141.9	102.9	180.4	31.4	119.4	271.7
Belgium	80.1	45.5	18.8	(D)	(D)	(D)	(D)	(D)	0.3	7.4
France	233.8	96.7	15.3	5.1	(D)	20.3	36.3	0.9	10.2	(D)
Germany	255.5	96.7	25.6	(D)	(D)	19.3	19.8	9.9	(D)	18.5
Ireland	13.5	-8.2	-2.8	(D)	(D)	0.0	4.2	(D)	(D)	3.0
Italy	28.6	7.3	2.2	5.4	0.1	(D)	(D)	0.1	(D)	2.8
Luxembourg	328.4	202.3	14.3	1.9	23.1	0.0	18.6	1.5	27.8	38.8
Netherlands	282.5	143.3	25.4	4.8	13.2	(D)	29.9	6.8	7.3	(D)
Spain	61.9	9.7	0.1	(D)	0.1	16.4	(D)	0.6	0.5	16.9
Sweden	46.9	32.7	(D)	(D)	(D)	(D)	0.1	(D)	(D)	4.2
Switzerland	257.9	117.4	20.5	(D)	15.8	(D)	60.1	1.9	0.8	33.5
UK	483.8	187.9	27.8	5.0	29.7	(D)	51.4	3.9	34.6	(D)
L. Am.	**118.8**	**37.0**	**1.8**	**(D)**	**1.4**	**7.0**	**7.3**	**9.7**	**4.6**	**(D)**
Mexico	16.6	3.8	1.3	0.1	(D)	1.0	0.3	(D)	0.1	9.6
UK Car.	93.0	20.5	9.5	1.6	1.2	(D)	19.4	6.6	0.5	(D)

Jackson, "FDI in US: An Economic Analysis," CRS

Table 2. Foreign Direct Investment Position in the United States on a Historical-Cost Basis at Year-End 2015

(in billions of U.S. dollars)

All	All industries	Manu-facturing	Wholesale trade	Retail trade	Infor-mation	Banking	Finance	Real estate	Services	Other industries
Africa	**0.7**	**0.0**	**(D)**	**(D)**	**0.0**	**(D)**	**0.0**	**0.5**	**(D)**	**(D)**
Mid. East	**18.5**	**3.9**	**(D)**	**(D)**	**0.8**	**(D)**	**2.7**	**1.7**	**(D)**	**1.8**
Asia	**564.4**	**164.7**	**159.2**	**7.7**	**32.6**	**33.4**	**75.0**	**14.3**	**14.3**	**63.1**
Australia	42.3	12.2	3.7	(D)	0.0	1.5	4.7	1.1	1.1	(D)
China	14.8	3.2	1.1	0.0	0.2	2.9	0.5	2.7	-0.2	4.5
Japan	411.2	128.3	121.8	7.3	30.8	23.0	61.1	9.5	9.4	20.0
Korea	40.1	5.9	26.5	0.0	(D)	1.1	0.6	(D)	0.1	5.8
Singapore	19.4	8.7	1.3	(D)	-0.3	0.5	(D)	0.0	0.4	(D)
OPEC	15.7	2.8	(D)	(D)	(D)	1.5	2.6	1.1	0.0	(D)

Source: Jenniges, Derrick T. and James J. Fetzer. Direct Investment Positions for 2015: Country and Industry Detail, Survey of *Current Business*, July 2016. p. 16.

Notes: The position is the stock, or cumulative, book value of foreign direct investors' equity in, and net outstanding loans to, their U.S. affiliates. A negative position may result as U.S. affiliates repay debts to their foreign parents, and as foreign parents borrow funds from their U.S. affiliates. "D" indicates that data have been suppressed by the Department of Commerce to avoid the disclosure of data of individual companies.

Jackson, "FDI in US: An Economic Analysis," CRS

FDI & National Security Concerns

National Security

Table 1. National Definitions of Critical Infrastructure

Australia	"Critical infrastructure is defined as those physical facilities, supply chains, information technologies and communication networks which, if destroyed, degraded or rendered unavailable for an extended period, would significantly impact on the social or economic well-being of the nation, or affect Australia's ability to conduct national defence and ensure national security."
Canada	"Canada's critical infrastructure consists of those physical and information technology facilities, networks, services and assets which, if disrupted or destroyed, would have a serious impact on the health, safety, security or economic well-being of Canadians or the effective functioning of governments in Canada."
Germany	"Critical infrastructures are organisations and facilities of major importance to the community whose failure or impairment would cause a sustained shortage of supplies, significant disruptions to public order or other dramatic consequences."
Netherlands	"Critical infrastructure refers to products, services and the accompanying processes that, in the event of disruption or failure, could cause major social disturbance. This could be in the form of tremendous casualties and severe economic damage… "
United Kingdom	"The [Critical National Infrastructure] comprises those assets, services and systems that support the economic, political and social life of the UK whose importance is such that loss could: 1) cause large-scale loss of life; 2) have a serious impact on the national economy; 3) have other grave social consequences for the community; or 3) be of immediate concern to the national government."
United States	The general definition of critical infrastructure in the overall US critical infrastructure plan is: "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters." For investment policy purposes, this definition is narrower: "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on national security."

Masters, "Foreign Investment and US National Security," CFR, 2018

CFIUS

- The Committee on Foreign Investment in the United States (CFIUS) is an interagency committee that serves the President in overseeing the national security implications of foreign investment in the economy.
- Originally established by an Executive Order of President Ford in 1975.

Jackson, "CFIUS," CRS

CFIUS

Formal Actions

P.L. 110-49 established CFIUS by statutory authority and designated the Secretary of the Treasury to serve as the Chairman of CFIUS. The measure followed the same pattern that had been set by Executive Order by allotting the Committee:

- 30 days to conduct a review;
- 45 days to conduct an investigation; and
- 15 days for the President to make his determination.

The President retained his authority as the only officer with the authority to suspend or prohibit mergers, acquisitions, and takeovers, and the measure placed additional requirements on firms that resubmitted a filing after previously withdrawing a filing before a full review was completed.

Jackson, "CFIUS," CRS

The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA)

(1) expanded the scope and jurisdiction of CFIUS by redefining such terms as "covered transactions" and "critical technologies";

(2) refined CFIUS procedures, including timing for reviews and investigations; and

(3) required actions by CFIUS to address national security risks related to mitigation agreements, among other areas.

The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA)

(4) FIRRMA broadened CFIUS' mandate by including for review real estate transactions in close proximity to a military or U.S. government facility

(5) FIRRMA provides for CFIUS to review any noncontrolling investment in critical technology, critical infrastructure, or collecting sensitive data on U.S. citizens;

(6) any change in foreign investor rights; transactions in which a foreign government has a direct or indirect substantial interest;

Table 2. Foreign Investment Transactions Reviewed by CFIUS, 2009-2017

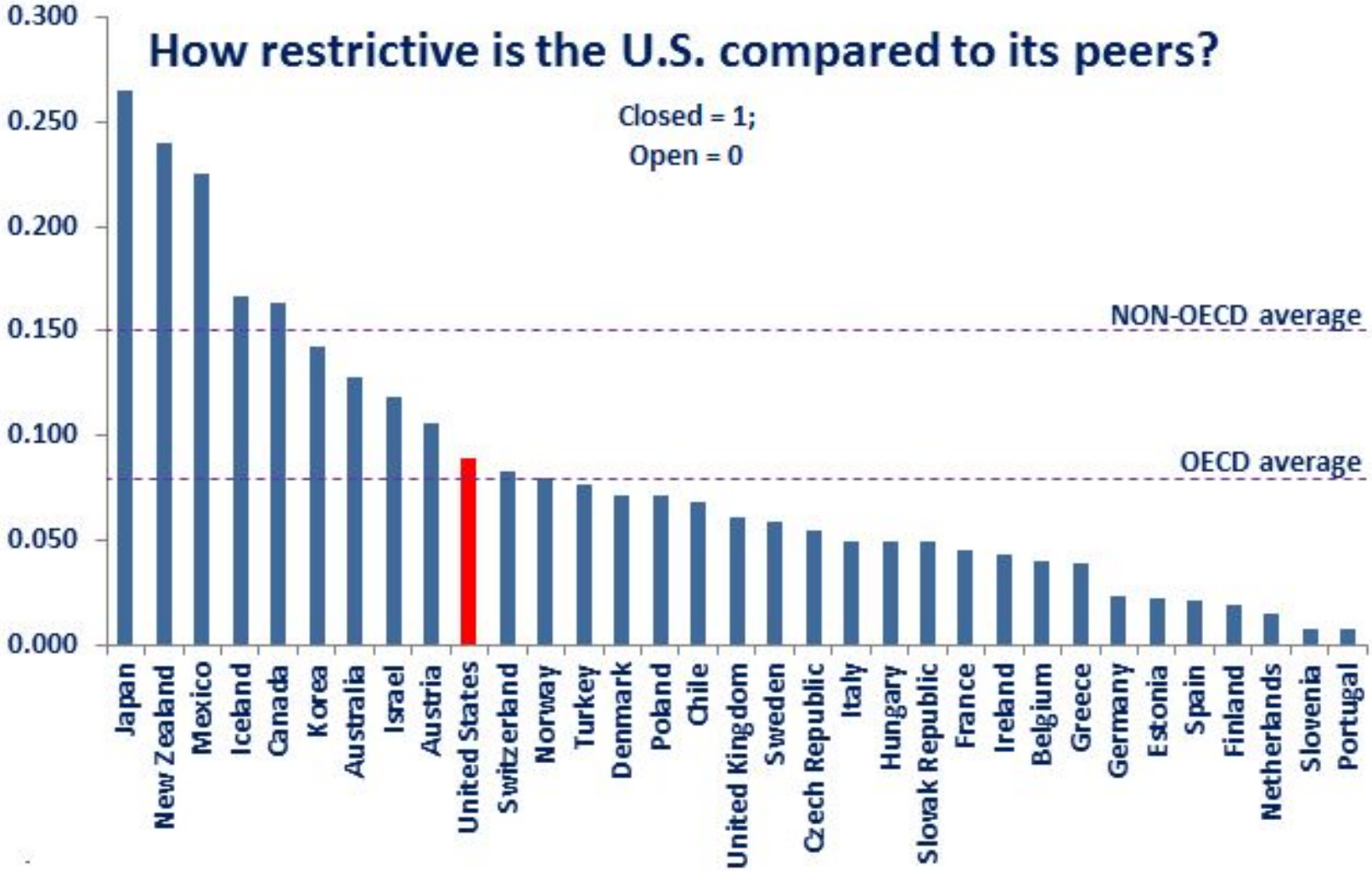
Year	Number of Notices	Notices Withdrawn During Review	Number of Investigations	Notices Withdrawn During Investigation	Presidential Decisions
2009	65	5	25	2	0
2010	93	6	35	6	0
2011	111	1	40	5	0
2012	114	2	45	20	1
2013	97	3	48	5	0
2014	147	3	51	9	0
2015	143	3	66	10	0
2016	172	6	79	21	1
2017	237	7	172	67	1
Total	**1,179**	**36**	**561**	**145**	**3**

Source: *Annual Report to Congress*, Committee on Foreign Investment in the United States, CY 2016 and CY 2017, December 2019.

Note: Two additional foreign investment transactions have been blocked by presidential order.

Jackson, "CFIUS," CRS

US in Context



https://www.cfr.org/backgrounder/foreign-investment-and-us-national-security