Public Affairs 856
Trade, Competition, and Governance in a Global Economy
Lecture 22
4/10/2017

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UW Madison
Spring 2017

Outline

- Immigration
- FDI

Outline

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.

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

FIGURE 5-1   Home Labor Market
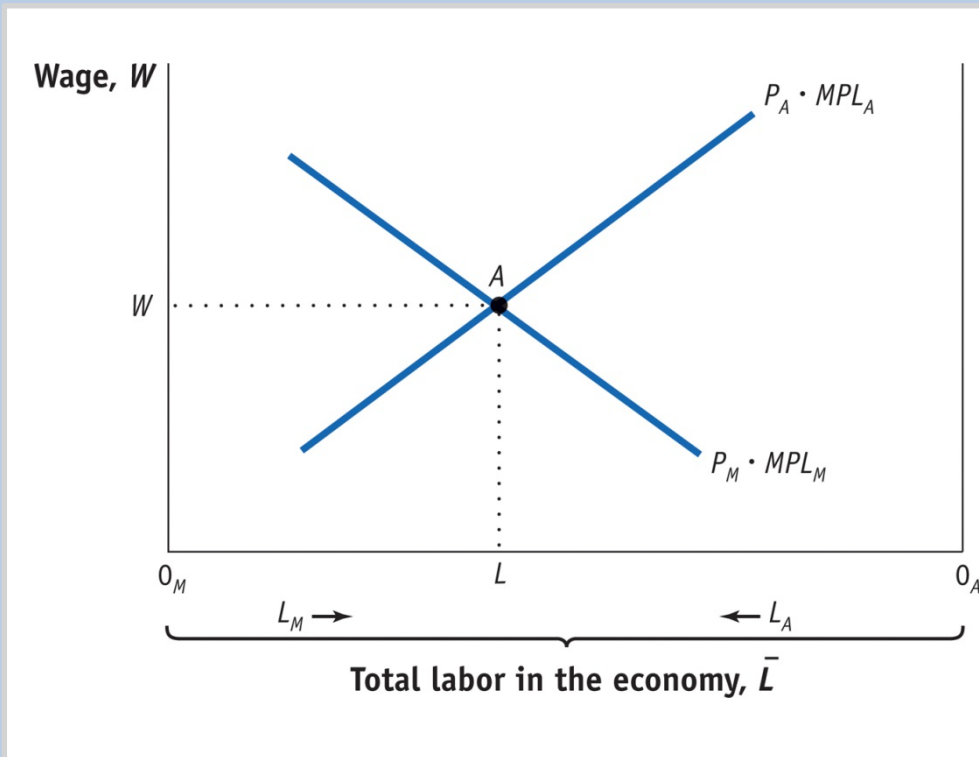
The Home wage is determined at point *A,* the intersection of the marginal product of labor curves $P_M \cdot MPL_M$ and $P_A \cdot MPL_A$ in manufacturing and agriculture, respectively.

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.

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

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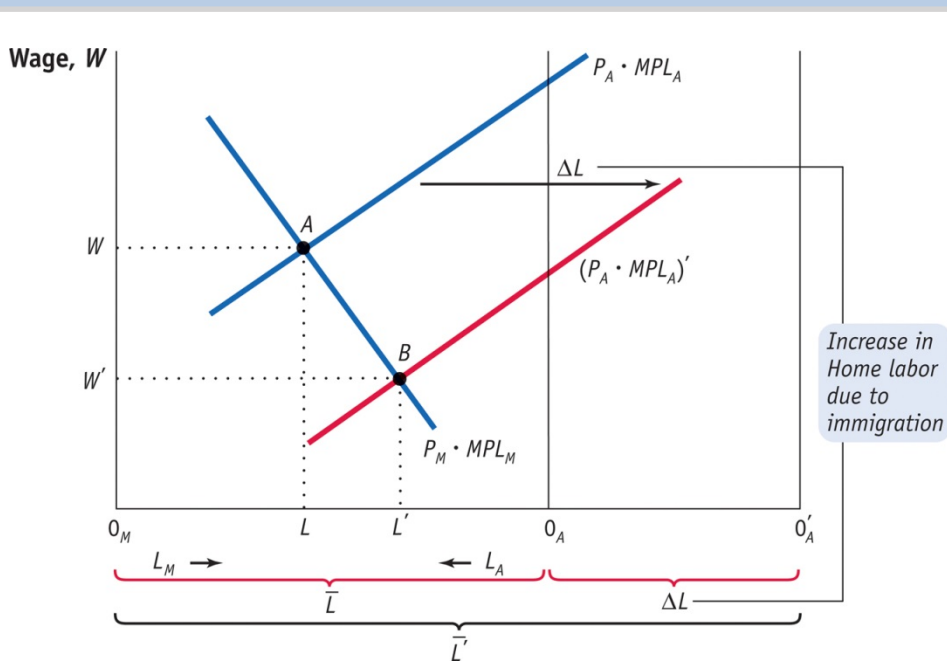
When the amount of labor at Home increases by the amount ΔL, the origin for agriculture shifts to the right by that amount, from 0_A to $0_A{}'$.

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 $0'_A L'$).

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.

Immigration to the United States and Europe Today

FIGURE 5-4 (3 of 3) Share of Foreign-Born Workers in U.S. Workforce, 2010 (continued)
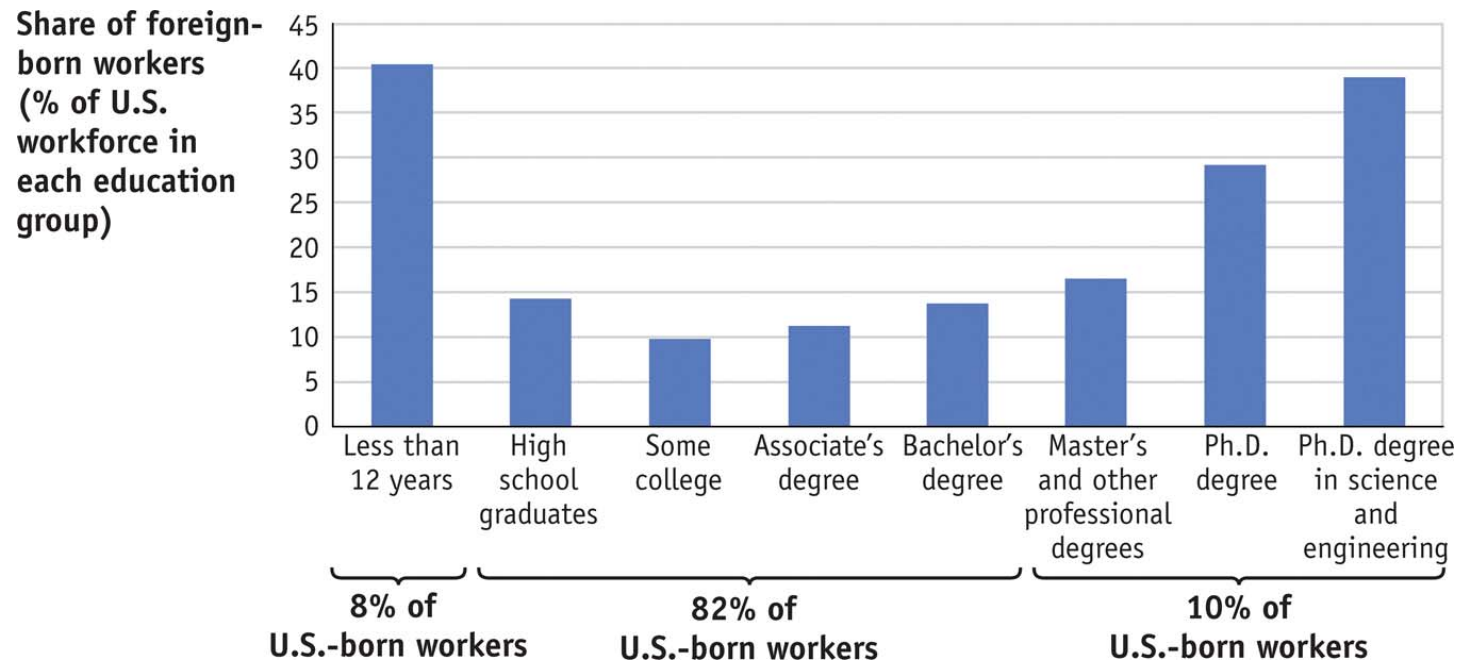
In the middle educational levels (high school and college graduates), there are much smaller shares of foreign-born workers, ranging from 10% to 15%. In contrast, only about 10% of U.S.-born workers are categorized in each of the low-education and high-education groups.

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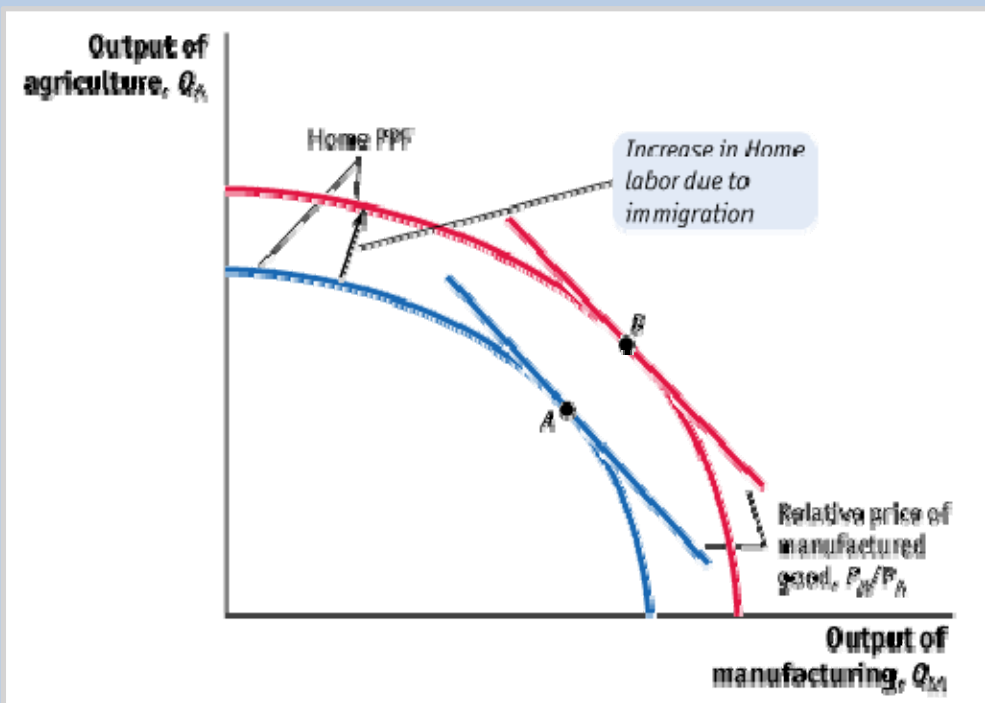
With the increase in labor at Home from immigration, the production possibilities frontier shifts outward and the output of both industries increases, from point *A* to point *B*.

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.

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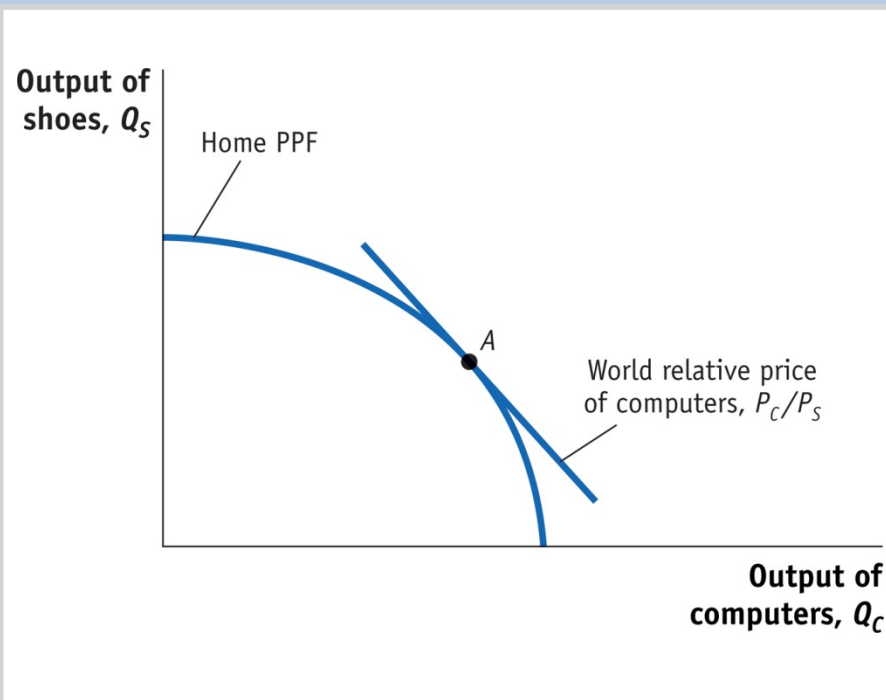
Shown here is the production possibilities frontier (PPF) between two manufactured goods, computers and shoes, with initial equilibrium at point A.

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

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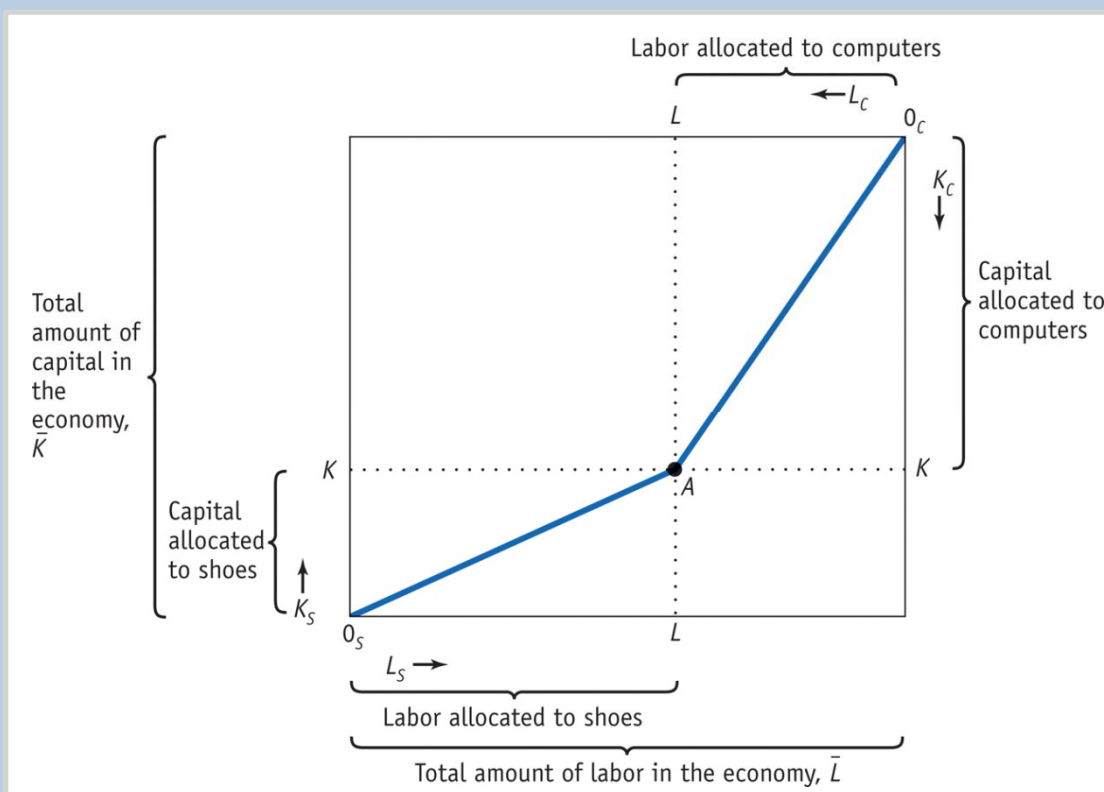
The top and bottom axes of the box diagram measure the amount of labor, $\bar{L}$, in the economy, and the side axes measure the amount of capital, $\bar{K}$.

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.

Effects of Immigration in the Long Run

Determination of the Real Wage and Real Rental

Labor allocated to computers

$\leftarrow L_C$

L

0_C

K_C $\downarrow$

Capital allocated to computers

Total amount of capital in the economy, $\bar{K}$

K

K

Capital allocated to shoes

$\uparrow$ K_S

A

0_S

$L_S \rightarrow$

L

Labor allocated to shoes

Total amount of labor in the economy, $\bar{L}$
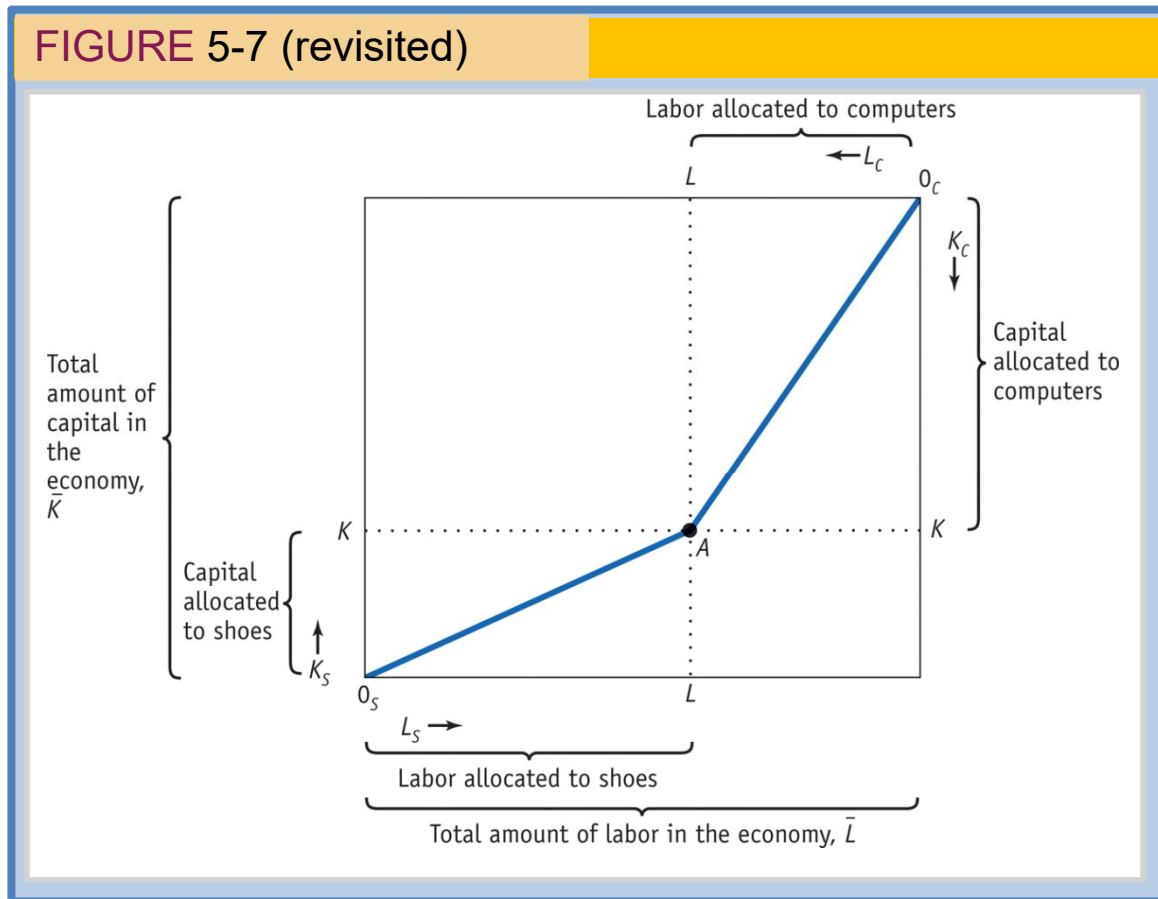
Each amount of labor and capital used in Figure 5-7 along line $0_S A$ corresponds to a particular capital-labor ratio for shoe manufacture and therefore a particular real wage and real rental.

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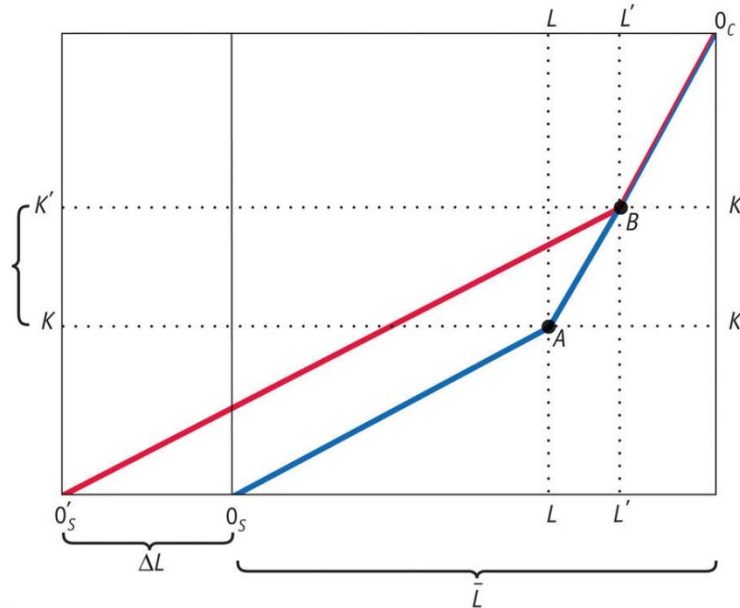
With an increase in Home labor from $\overline{L}$ to $\overline{L} + \Delta L$, the origin for the shoe industry shifts from 0_S to $0_S'$.

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

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)
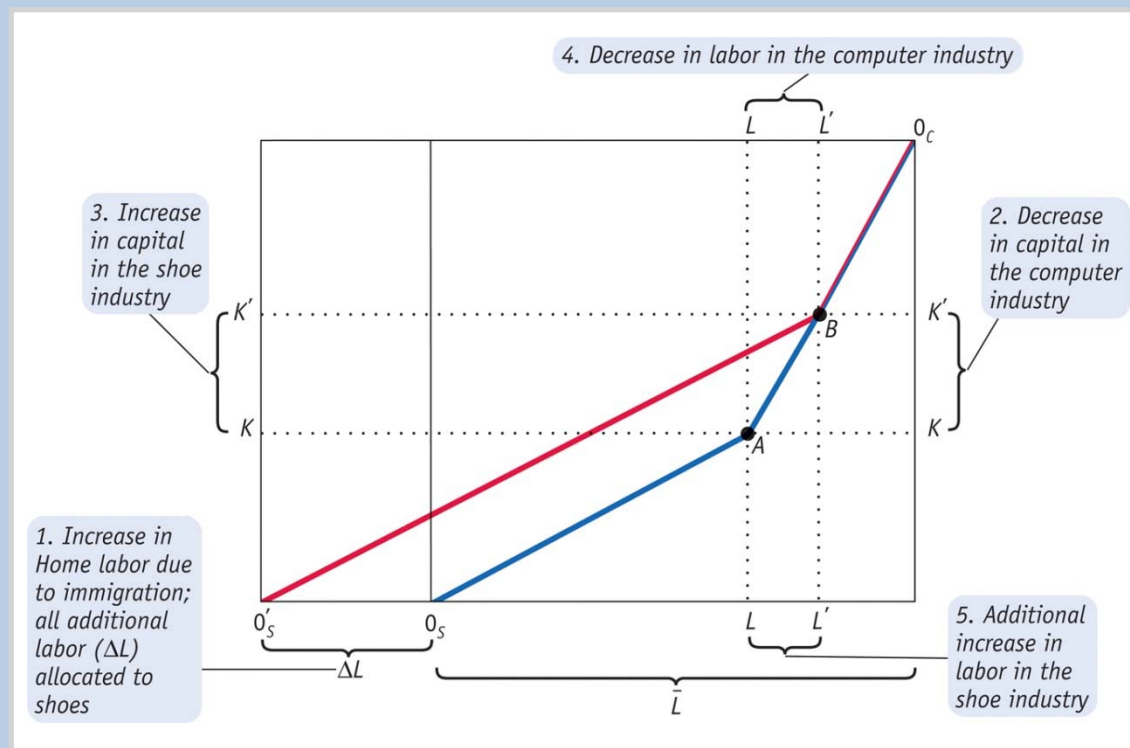

4. Decrease in labor in the computer industry

3. Increase in capital in the shoe industry

2. Decrease in capital in the computer industry

1. Increase in Home labor due to immigration; all additional labor (ΔL) allocated to shoes

5. Additional increase in labor in the shoe industry

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

Output of shoes, Q_S

Relative price of computers, P_C/P_S

Shift in Home PPF due to immigration

B

An increase of both labor and capital in shoe production causes an increase in shoe output and a decrease in computer output

A

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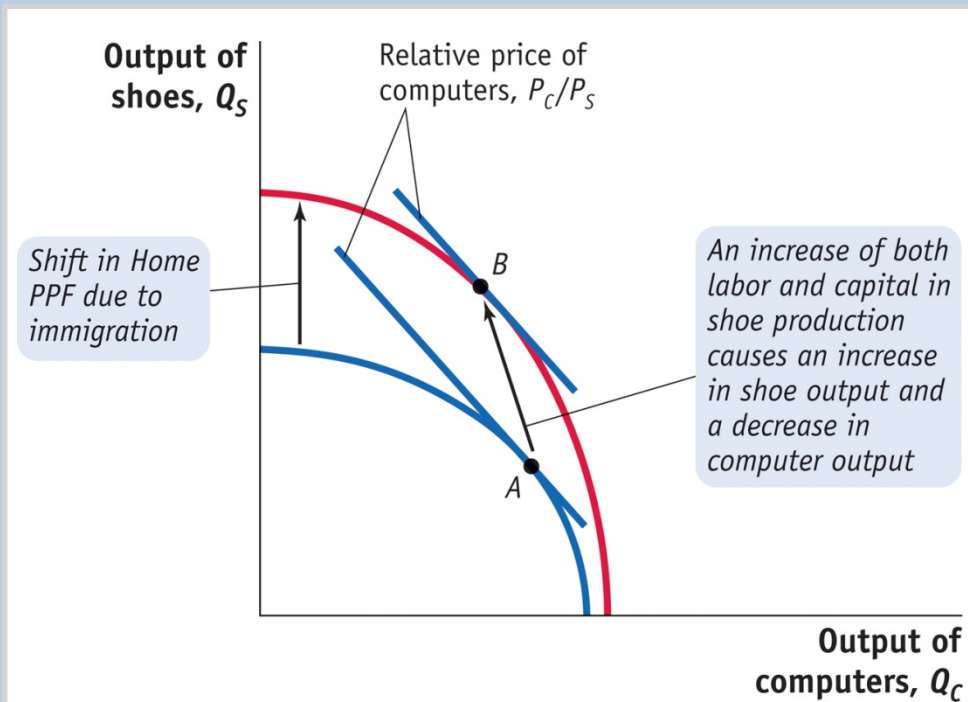
With an increase in the amount of labor at Home, the PPF shifts outward.

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.

1 Movement of Labor Between Countries: Migration

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.

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

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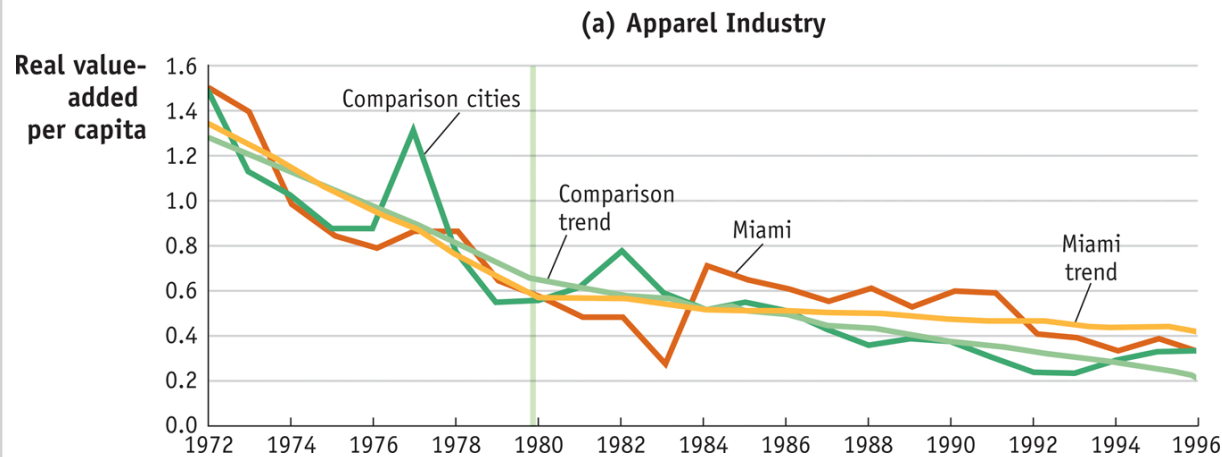
(a) Apparel Industry

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.

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

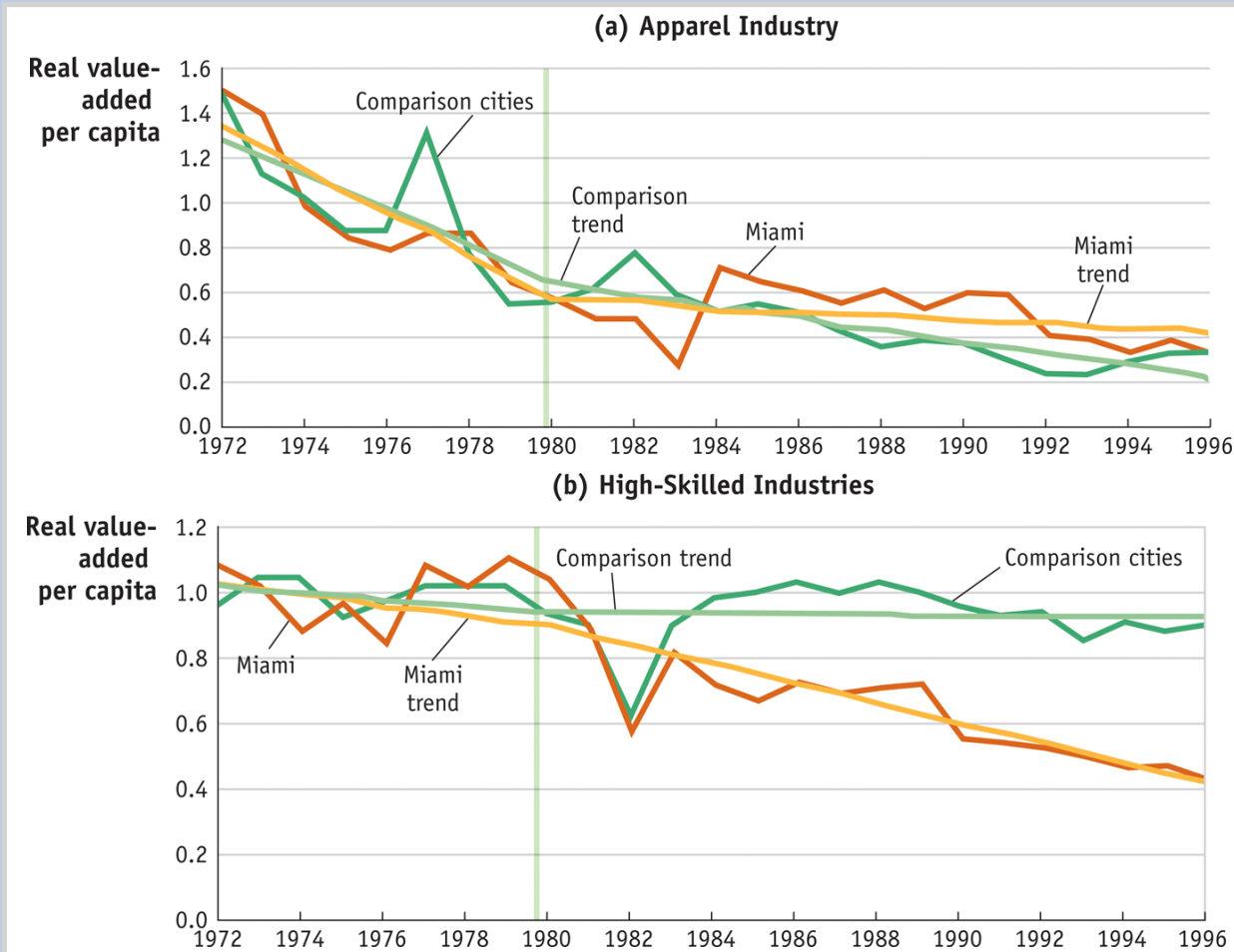| FIGURE 5-10 (2 of 2)	Industry Value-Added in Miami (continued)

(a) Apparel Industry

(b) High-Skilled Industries

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

2 Movement of Capital Between Countries: Foreign Direct Investment

Direct Investment

We 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

Greenfield Investment

- Our focus in this section will be on Greenfield investment, that is, the building of new plants abroad.

- We model FDI as a movement of capital between countries, just as we modeled the movement of labor between countries.

- The key question we ask is: How does the movement of capital into a country affect the earnings of labor and capital there?

- This question is similar to the one we asked for immigration, so the earlier graphs that we developed can be modified to address FDI.

FDI in the Short Run: Specific-Factors Model

(a) Effect on Labor Allocation and Wage

In panel (a), an inflow of capital into the manufacturing sector shifts out the marginal product of labor curve in that sector.

The equilibrium in the labor market moves from point A to B, and the wage increases from W to W'. Labor used in the manufacturing industry increases from $0_M L$ to $0_M L'$. These workers are pulled out of agriculture, so the labor used there shrinks from $0_A L$ to $0_A L'$.

2 Movement of Capital Between Countries: Foreign Direct Investment

FDI in the Short Run: Specific-Factors Model

(a) Effect on Labor Allocation and Wage

(b) Effect on Industry Outputs

In panel (b), with the inflow of capital into manufacturing, and the extra labor used in that sector, the output of manufacturing increases.

Because labor has been drawn out of agriculture, the output of that sector falls. These changes in outputs are shown by the outward shift of the PPF (due to the increase in capital) and the movement from point *A* to point *B*.

2 Movement of Capital Between Countries: Foreign Direct Investment

FDI in the Short Run: Specific-Factors Model

Effect of FDI on the Wage

- As a result of the shift in $P_M \cdot MPL_M$, the equilibrium *wage increases*, from W to W'. More workers are drawn into the manufacturing industry, and the labor used there increases.

Effect of FDI on the Industry Outputs

- An FDI inflow and the shift in $P_M \cdot MPL_M$ will cause workers to be pulled out of agriculture, and since there is no change in the amount of land used there, *output of the agriculture industry must fall*.

- Since both capital and labor used in manufacturing increases, *output in manufacturing also increases*.

FDI in the Short Run: Specific-Factors Model

Effect of FDI on the Rentals

- With regard to the rental on land, we know that with an inflow of FDI, fewer workers are employed in agriculture, and each acre of land cannot be used as intensively.

- The value of marginal product of land, $R_K = P_A \cdot MPT_A$, falls.

- If MPT_A falls and P_A remains unchanged, then land rental must fall.

- One way to measure the impact of FDI on the rental of capital is by the value of the marginal product of capital, or $R_K = P_M \cdot MPK_M$. However, using this method is difficult to determine how the rental on capital changes.

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2 Movement of Capital Between Countries: Foreign Direct Investment

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2 Movement of Capital Between Countries: Foreign Direct Investment

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FDI in the Short Run: Specific-Factors Model

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FDI in the Short Run: Specific-Factors Model

FIGURE 5-12 The Effect of an Increase in Capital Stock on the Rental on Capital
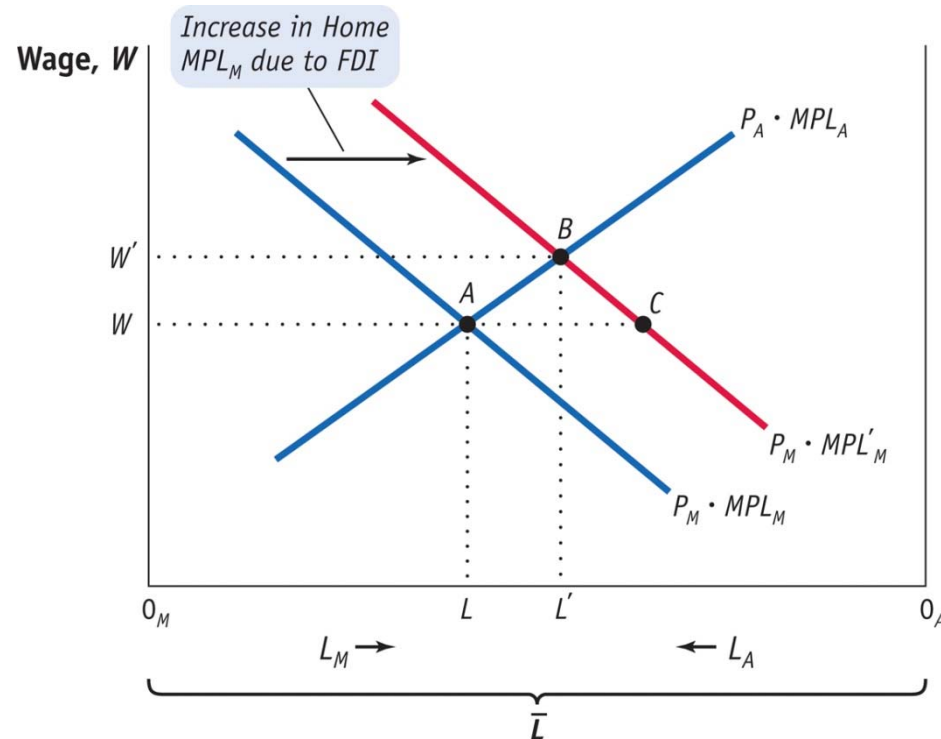
By carefully tracing through how the capital-labor ratio in manufacturing is affected by the movement from A to C (where wages and hence the capital-labor ratio do not change), and then the movement from C to B (where wages and the capital-labor ratio both increase), we conclude that the rental on capital is lower at point B than at point A. Therefore, the rental on capital declines when the capital stock increases through FDI.

2 Movement of Capital Between Countries: Foreign Direct Investment

FDI in the Long Run

To analyze the impact of FDI in the long run, we continue with the same assumptions as before.

- There are two industries, computers and shoes.

- There are two factors of production: labor and capital.

- Computers are capital-intensive and shoes are labor-intensive, meaning that K_C/L_C exceeds K_S/L_S.

- However, now we consider an increase in capital due to FDI.

FDI in the Long Run

FIGURE 5-13 (1 of 2)   Increase in the Capital Stock in the Long Run

(a) Effect on the Allocation of Labor and Capital
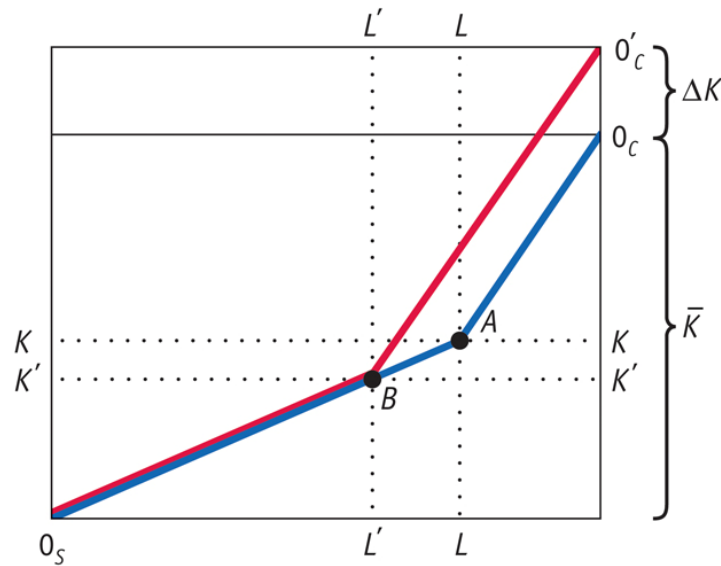
In panel (a) the top and bottom axes of the box diagram measure the amount of labor in the economy, and the right and left axes measure the amount of capital. The initial equilibrium is at point A.

FDI in the Long Run

(a) Effect on the Allocation of Labor and Capital
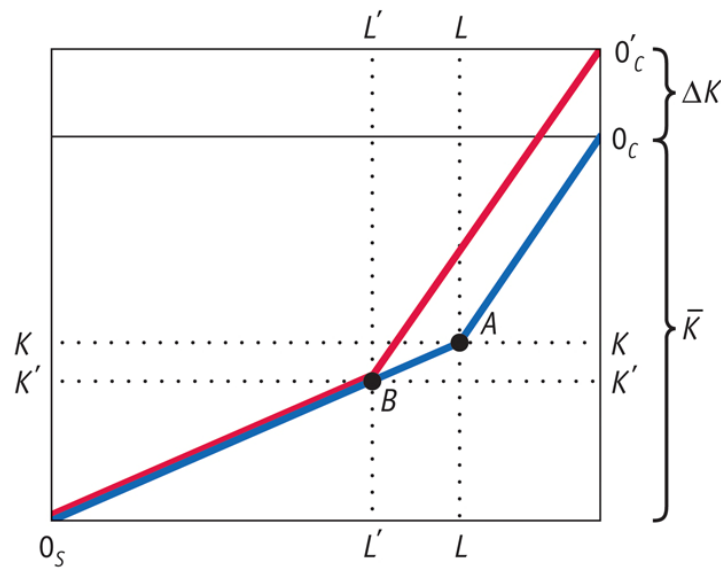
(b) Effect on Industry Outputs
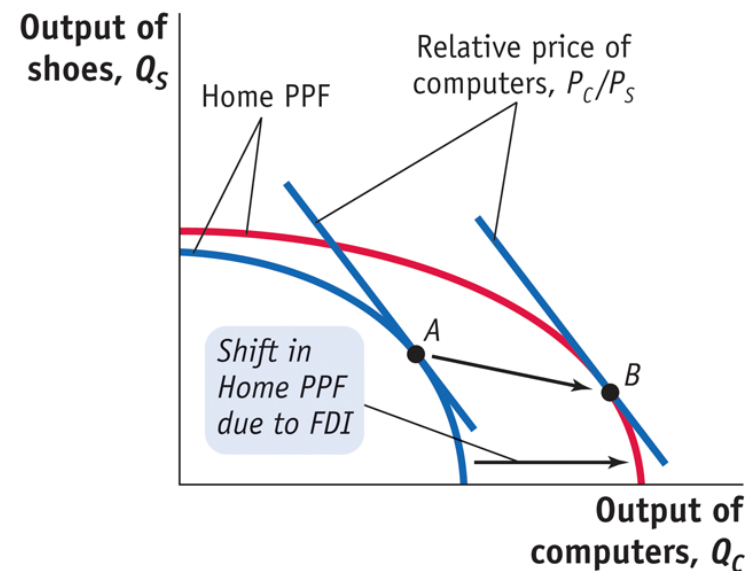
In panel (b), with the increase in the amount of capital at Home from increased FDI, the PPF shifts outward.

2 Movement of Capital Between Countries: Foreign Direct Investment

FDI in the Long Run

Effect of FDI on Outputs and Factor Prices

- As the Rybczynski theorem states, the increase in capital has increased the output of the capital-intensive industry and reduced the output of the labor-intensive industry.

- This change in output is achieved *without* a change in the capital labor ratios in either industry.

- Because capital-labor ratios are unchanged, the wage and the rental on capital are also unchanged.

- In the long-run model, an inflow of either factor of production will leave factor prices unchanged.

Global Trends

Figure I.1. FDI inflows, global and by group of economies, 1995–2014 (Billions of dollars)
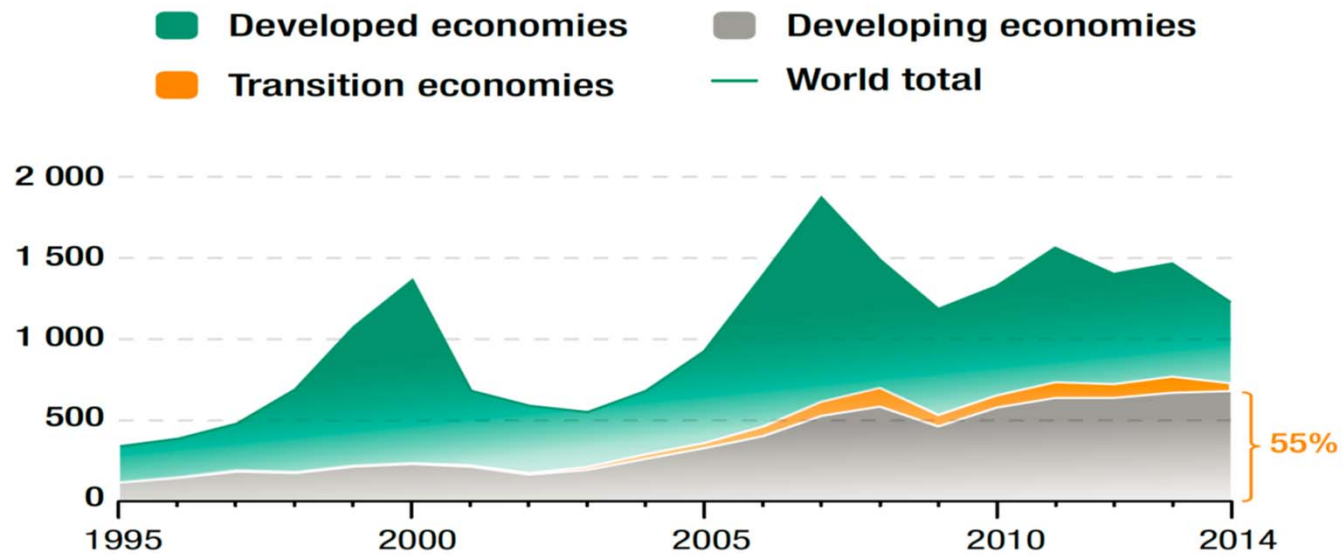
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Regional Aspects

Figure I.2. **FDI inflows, by region, 2012–2014** (Billions of dollars)

Legend: 2012, 2013, 2014

- Developing Asia: 401, 428, 465
- Europe: 401, 326, 289
- Latin America and the Caribbean: 178, 186, 159
- North America: 209, 301, 146
- Transition economies: 85, 100, 48
- Africa: 56, 54, 54
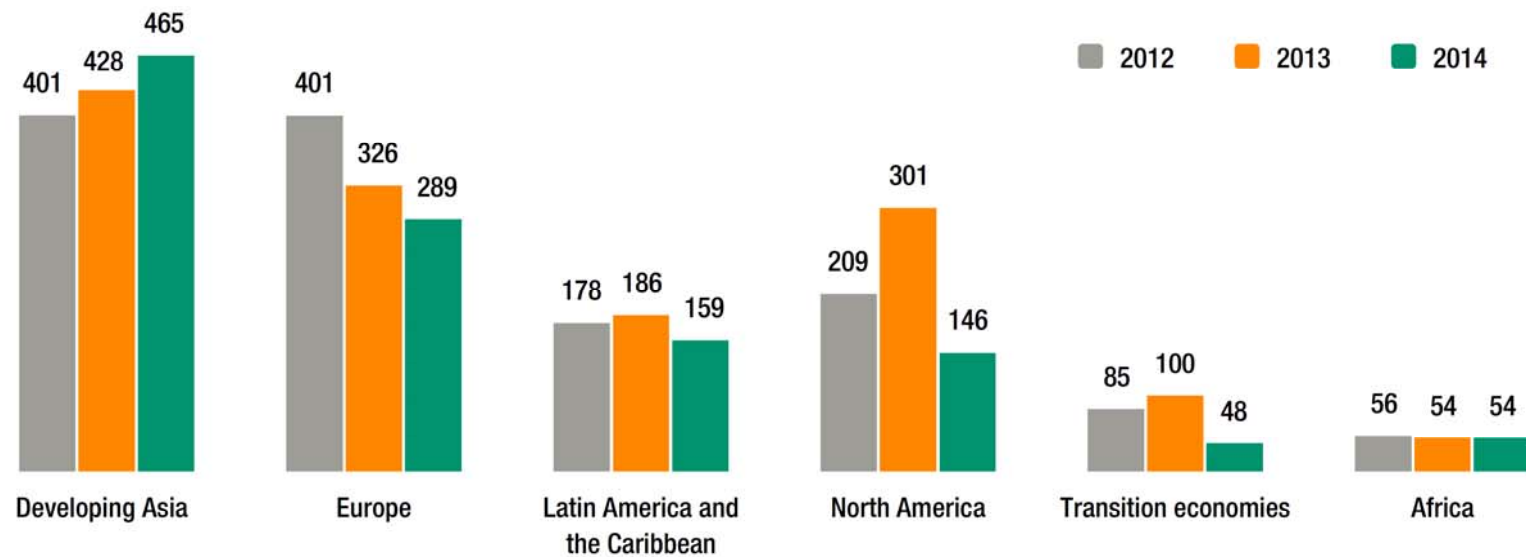
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Countries as Host

Figure I.3. **FDI inflows: top 20 host economies, 2013 and 2014** (Billions of dollars)
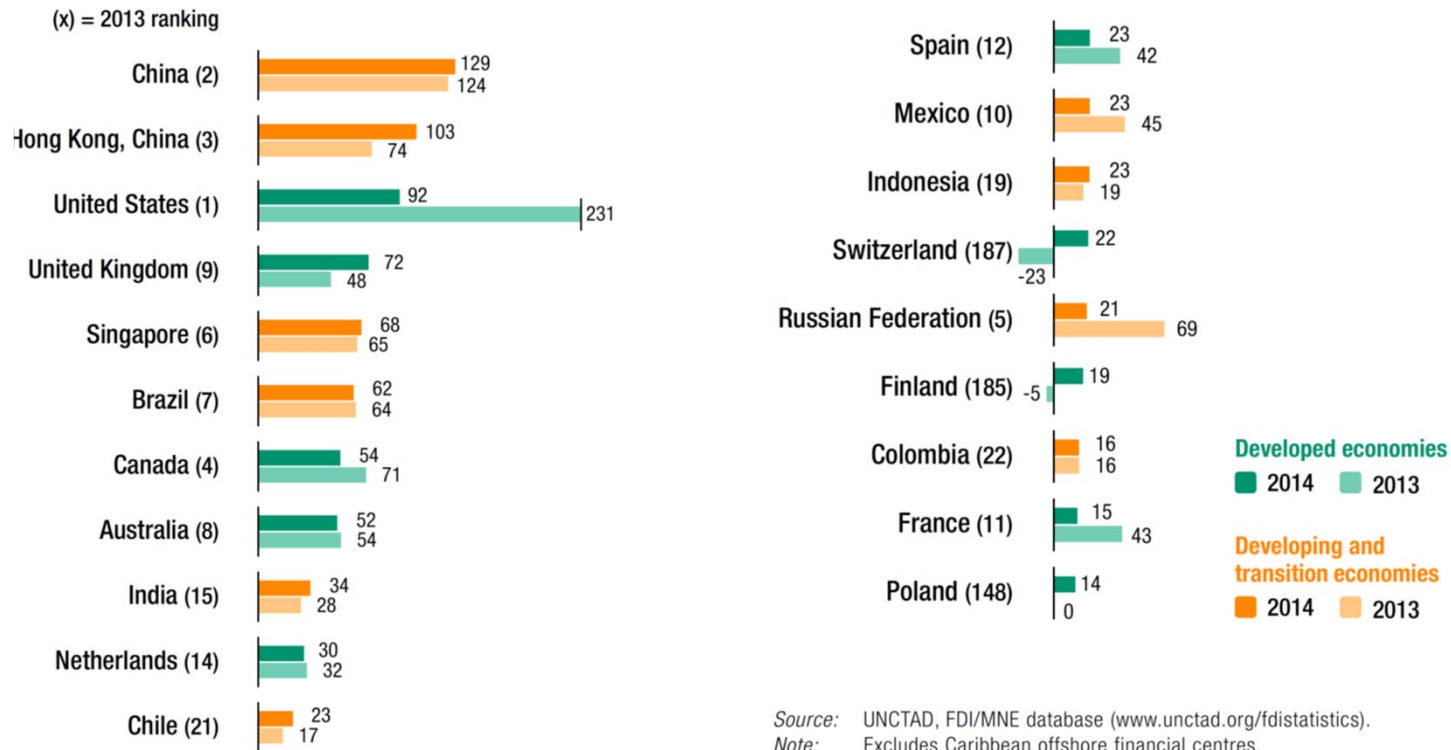
(x) = 2013 ranking

China (2) — 129 / 124
Hong Kong, China (3) — 103 / 74
United States (1) — 92 / 231
United Kingdom (9) — 72 / 48
Singapore (6) — 68 / 65
Brazil (7) — 62 / 64
Canada (4) — 54 / 71
Australia (8) — 52 / 54
India (15) — 34 / 28
Netherlands (14) — 30 / 32
Chile (21) — 23 / 17

Spain (12) — 23 / 42
Mexico (10) — 23 / 45
Indonesia (19) — 23 / 19
Switzerland (187) — 22 / -23
Russian Federation (5) — 21 / 69
Finland (185) — 19 / -5
Colombia (22) — 16 / 16
France (11) — 15 / 43
Poland (148) — 14 / 0

Developed economies
2014 / 2013

Developing and transition economies
2014 / 2013

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Excludes Caribbean offshore financial centres.

Countries as Source

Figure I.8.   **FDI outflows: top 20 home economies, 2013 and 2014**
(Billions of dollars)
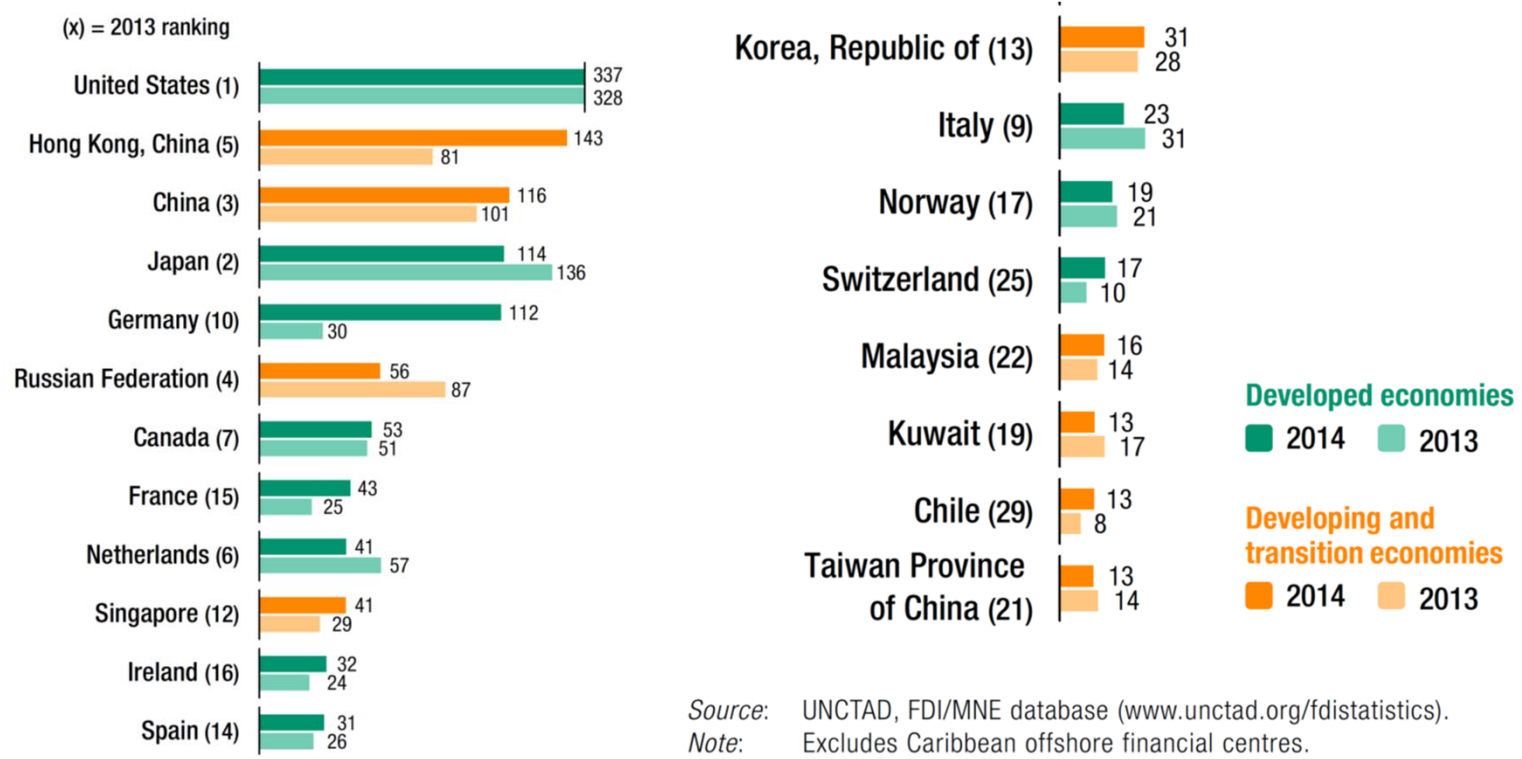
(x) = 2013 ranking

Country	2014	2013
United States (1)	337	328
Hong Kong, China (5)	143	81
China (3)	116	101
Japan (2)	114	136
Germany (10)	112	30
Russian Federation (4)	56	87
Canada (7)	53	51
France (15)	43	25
Netherlands (6)	41	57
Singapore (12)	41	29
Ireland (16)	32	24
Spain (14)	31	26
Korea, Republic of (13)	31	28
Italy (9)	23	31
Norway (17)	19	21
Switzerland (25)	17	10
Malaysia (22)	16	14
Kuwait (19)	13	17
Chile (29)	13	8
Taiwan Province of China (21)	13	14

Developed economies
■ 2014   ■ 2013

Developing and transition economies
■ 2014   ■ 2013

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Excludes Caribbean offshore financial centres.

Greenfield vs. M&A

Figure I.10. | **Value of cross-border M&As and announced greenfield projects, 2003–2014**
(Billions of dollars)

Value of announced FDI greenfield projects

Net value of cross-border M&As

707   -2%   696

28%   399

313
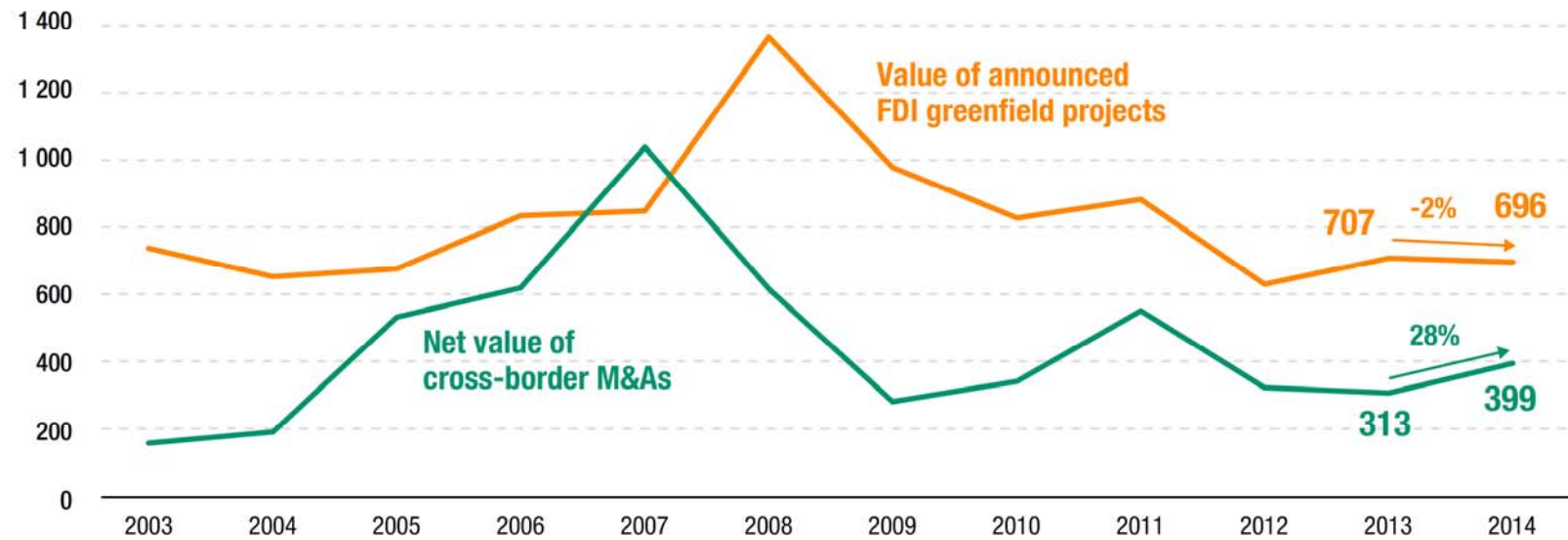
Source: UNCTAD, cross-border M&A database for M&As (www.unctad.org/fdistatistics); Financial Times Ltd, fDi Markets (www.fDimarkets.com) for greenfield projects.

United States

Figure 1. Foreign Direct Investment in the United States and U.S. Direct Investment Abroad, Annual Flows, 1990-2012

(in billions of dollars)

Source: U.S. Department of Commerce.

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

Table 1. Foreign Direct Investment Position in the United States on a Historical-Cost Basis at Year-End 2012
(in billions of U.S. dollars)

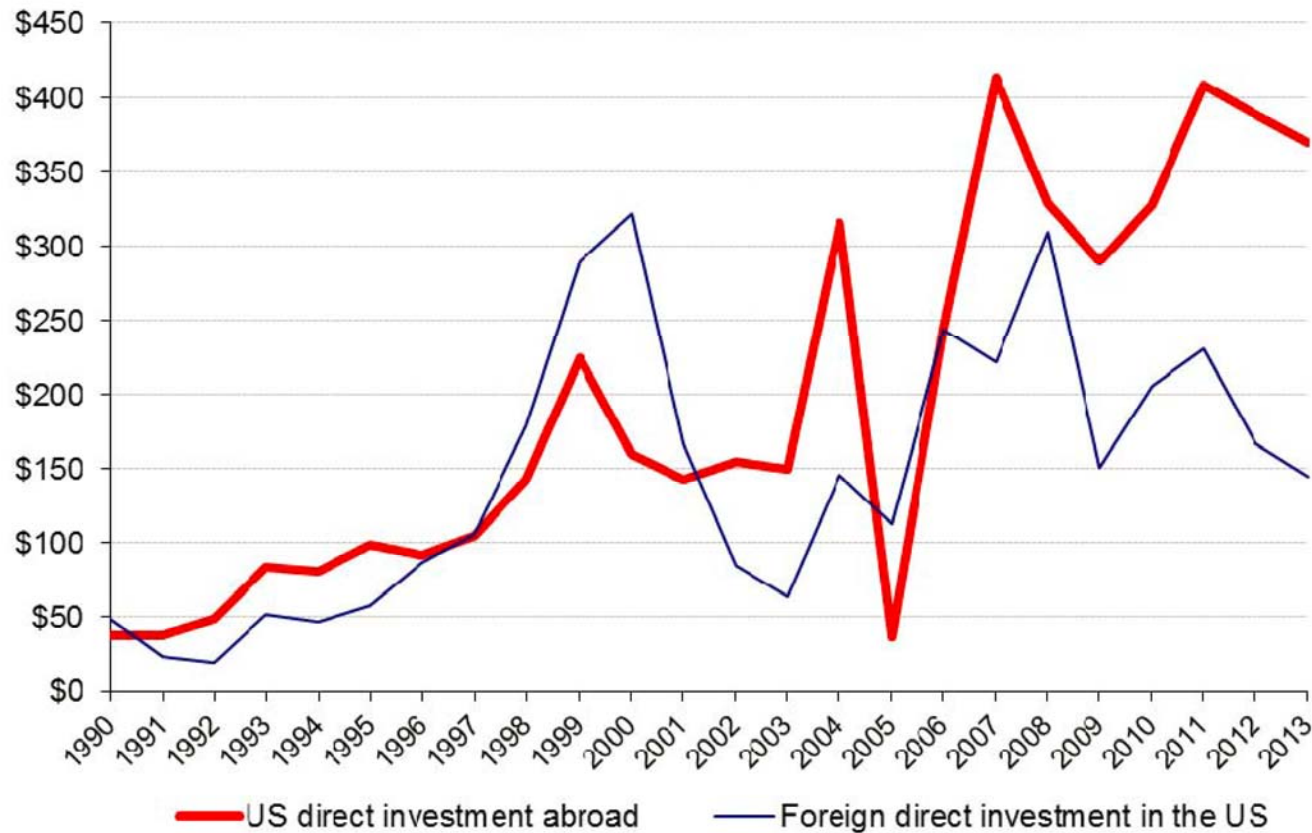| All	All industries	Manufacturing	Wholesale trade	Retail trade	Information	Banking	Finance	Real estate	Services	Other industries
All countries	**$2,650.8**	**$898.9**	**$292.4**	**$51.7**	**$123.8**	**$198.1**	**$365.8**	**$50.5**	**$106.7**	**$562.8**
Canada	225.3	39.9	5.3	(D)	1.4	(D)	64.4	2.2	(D)	67.6
Europe	**1,876.2**	**717.6**	**142.3**	**38.8**	**113.5**	**108.8**	**279.8**	**25.5**	**75.9**	**374.1**
Belgium	88.7	55.3	17.0	7.1	0.0	(D)	(D)	(D)	0.0	7.7
France	209.1	75.8	21.4	5.0	12.5	17.3	30.1	0.5	6.4	40.3
Germany	199.0	67.4	16.6	(D)	40.9	14.0	26.1	90	(D)	11.7
Ireland	24.9	10.7	0.8	0.0	0.0	0.1	3.4	0.0	(D)	(D)
Italy	23.3	7.2	1.4	3.5	0.2	(D)	(D)	0.2	(D)	(D)
Luxembourg	202.3	73.7	(D)	2.8	14.1	0.0	45.5	2.2	(D)	50.7
Netherlands	274.9	118.3	19.5	2.6	6.9	(D)	58.1	2.8	(D)	(D)
Spain	47.4	6.2	0.0	(D)	0.0	28.6	3.0	0.3	(D)	8.9
Sweden	42.4	29.0	6.6	(D)	0.5	(D)	0.2	(D)	(D)	1.8
Switzerland	204.0	106.6	10.6	6.5	(D)	(D)	42.5	1.6	0.5	38.1
UK	486.8	137.6	26.1	3.3	22.9	(D)	67.8	5.0	(D)	(D)
L. America	**98.6**	**12.3**	**3.6**	**(D)**	**0.9**	**5.1**	**-16.8**	**13.1**	**(D)**	**56.7**
Africa	**5.3**	**(D)**	**0.6**	**(D)**	**0.0**	**(D)**	**(D)**	**0.1**	**0.0**	**3.9**
Mid. East	**20.6**	**(D)**	**7.2**	**(D)**	**0.7**	**(D)**	**(D)**	**1.6**	**(D)**	**3.0**
Asia	**427.7**	**123.4**	**133.5**	**5.4**	**7.3**	**45.6**	**37.4**	**8.0**	**9.7**	**57.6**
Australia	42.7	3.8	0.7	(D)	0.1	3.0	3.6	0.9	(D)	29.8
Japan	308.3	93.4	105.9	5.1	6.2	36.9	29.5	6.4	6.5	18.4
Korea	24.5	3.9	16.8	0.0	0.0	0.6	0.2	0.1	0.0	2.8
Singapore	26.2	15.8	3.9	(D)	0.0	0.4	(D)	(D)	(D)	1.4
OPEC	15.5	(D)	(D)	(D)	0.0	1.1	(D)	1.2	0.0	2.8

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

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

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

Table 2. Foreign Investment Transactions Reviewed by CFIUS, 2008-2014

Year	Number of Notices	Notices Withdrawn During Review	Number of Investigations	Notices Withdrawn During Investigation	Presidential Decisions
2008	155	18	23	5	0
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
Total	**782**	**38**	**267**	**43**	**1**

Source: *Annual Report to Congress*, Committee on Foreign Investment in the United States, February 2016.

Jackson, "CFIUS," CRS

US in Context