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The Foreign Investment Solution for American Jobs

You know that battery plant in Michigan the president visited the other day? It's Korean-owned.

By ROBERT M. KIMMITT AND MATTHEW J. SLAUGHTER

At the ground-breaking ceremony for a new factory in Michigan this month, President Barack Obama touted the fact that 300 people will soon be employed building lithium-ion car batteries there. "These are jobs in the industries of the future," Mr. Obama said at the Compact Power Inc. plant. "You are leading the way in showing how manufacturing jobs are coming right back here to the United States of America."

Nowhere in his remarks did the president mention that Compact Power is a subsidiary of LG Chem Limited, a multinational firm headquartered in South Korea. But it is important for the administration to acknowledge explicitly that it can promote job creation by supporting investment in the U.S. by foreign companies like LG Chem. Such support should begin with free trade agreements (the U.S.-South Korean agreement remains stalled in Congress), but extend far beyond.

Since December 2007, the U.S. has lost 16% of its manufacturing jobs. Just 11.7 million Americans work in manufacturing today, the fewest since April 1941. Michigan has been hit hardest, losing 11.3% of its total jobs as the number of unemployed Michiganders has nearly doubled. The state unemployment rate hit 14.5% last December and is now at 13.6%.

For decades, multinational companies headquartered outside the U.S. have been creating high-paying American jobs. According to the Commerce Department's most recent data, over 5.5 million Americans—4.6% of all private-sector workers—are employed at such companies here. Foreign multinationals account for 11.3% of capital investment and 14.8% of research and development in the U.S. private sector, along with 18.5% of all exports of goods. Much of this activity is in manufacturing. More than 36% of the Americans working for foreign multinationals—nearly two million—are in manufacturing, which accounts for less than 11% of all private-sector U.S. workers.

In 2007, total U.S. compensation at these multinational companies was $403.6 billion—a per-worker average of $72,363. That was 33.2% higher than the average of $54,319 for the rest of the U.S. private sector. Moreover, contrary to popular opinion, these companies have high unionization rates. In 2007, 12.4% of their U.S. employees were covered by collective bargaining agreements—versus just 8.2% of private-sector workers overall.

LG Chem is a prime example of how international investment benefits the U.S. economy. The company started researching lithium-ion batteries in South Korea in 1995, began producing them three years later, and now employs 14,000 employees across 28 subsidiaries world-wide. Compact Power was founded in 2001 as one such subsidiary, and its R&D operations in Michigan have won multiple contracts from the U.S. Advanced Battery

Consortium.

To support similar international investment into the U.S., the Obama administration can take two significant steps immediately.

First, it should issue an "open investment policy" statement to affirm its commitment to policies that promote foreign investment, such as granting foreign investors "national treatment" so they can operate in the U.S. as American companies do with regard to bidding on contracts, making capital investments, and hiring personnel. (An important exception, however, is that the government justifiably denies national treatment to foreign companies whose operations present potential national security concerns.)

Second, Mr. Obama should formally designate a single official as the federal government's point person on international investment. Many different federal agencies currently have responsibility for some element of U.S. investment policy, including the Office of the U.S. Trade Representative and the departments of State, Treasury and Commerce. This dispersion of authority can create turf battles that muddle policy. Designating a single senior official—such as the National Economic Council deputy who also serves as the president's sherpa for the G-20—would underscore the importance that the U.S. attaches to investment from multinationals.

These steps are especially important since the U.S. faces increasing competition to attract and retain companies like LG Chem. The U.S. share of global foreign direct investment is now only about half what it was 20 years ago. Meanwhile, countries like China and India continue to grow and gradually liberalize their economies. This highlights the need for smart U.S. investment policies that support American job growth.

Mr. Kimmitt served as deputy secretary of the Treasury from 2005-2009. Mr. Slaughter served as a member of the Council of Economic Advisers from 2005 to 2007.