

“Cross-Border Investment: The Foundation of the Transatlantic Economy”

Robert M. Kimmitt

Deputy Secretary of the U.S. Department of Treasury

On April 14, 2008, at a program hosted by the American Council on Germany and the LEVIN Institute at SUNY, Deputy Treasury Secretary Ambassador Robert M. Kimmitt said that although the U.S. economy may be weathering some challenges at the moment, the long-term view is fundamentally sound. In January, a bipartisan stimulus package was passed, two-thirds of which will go to individuals in the form of tax rebates which will be mailed out shortly. Roughly \$50 billion is targeted at business investment. He said that job expansion is key to keeping the economy healthy, and that the United States has enjoyed 52 months of continuous job growth. The current conditions have emerged as a result of the housing market. Roughly 1.5 million mortgages have been restructured, and this has affected everyone in the chain – borrowers and lenders alike. Amb. Kimmitt said that steps must be taken on both a domestic and a global level to deal with the challenges we face. He expressed concern over rising “investment protectionism” which may deter people from investing. However, he said that the United States remains an attractive market.

Throughout the Cold War, people thought of security primarily in political and military terms. Today, the economic and financial component is coming to fore. Chancellor Angela Merkel recognized this, and – in her capacity as President of the European Union during the first half of 2007 – proposed a transatlantic free trade area. The American response was to suggest the reduction of non-tariff trade barriers instead. In April 2007 the Transatlantic Business Council was launched to help prioritize and resolve non-tariff trade issues. The coordination of accounting standards and the Open Skies Agreement, which reduces air transportation regulations, have been among the first tangible results.

Amb. Kimmitt said the Department of Treasury works closely with EU Commissioners interested in this important issue of (re)structuring the global economy. The top three U.S. priorities are free trade, flexible exchange rates, and the free movement of capital. He said that investment has been overlooked by some, and pointed out that “international investment is key to the world economy.” Foreign direct investment is a vote of confidence in the economy, and high FDI is essential for a strong U.S. economy. One in 10 private-sector jobs – or 5 million – are dependent on foreign capital. This is 4 percent of the workforce, but the positions pay 25 percent more than the average job and produce a significant amount of exports: “These are very powerful jobs.” Amb. Kimmitt went on to say that \$10 million in investment creates 20 direct jobs and 30 indirect ones.

Unfortunately, the image of the United States has been shaped by the Dubai Ports and Chinook controversies and the like. In an effort to improve America’s image, in May 2007 President Bush announced an open investment policy – the first in 16 years. At the G8 Summit in Heiligendamm, the heads of state discussed open investment. And, in July the Foreign Investment Security Act was passed. Nevertheless, the United States does not have a coordinated approach to regulating investment.

It is important to look at both sides of investment decisions. Transparency, risk management, and good governance are key. Amb. Kimmitt said that openness to investment can contribute to U.S. prosperity and security. He said that in many cases, the United States had not considered reciprocity when assessing foreign investment, and that this should enter the equation.

In 2007 foreign direct investment in the United States was at the highest level in years. \$82 billion – or 42 percent of this investment – came from Europe, making it the largest bilateral relationship. And, it appears to be growing, despite the market and credit market turbulence. There are only four sectors which bar foreign ownership: airlines, media/communications, barge operators, and nuclear power plants. In closing, Amb. Kimmitt said that the private sector can play a key role in setting the agenda.

Ambassador Robert M. Kimmitt was confirmed as Deputy Secretary of the Department of the Treasury in July 2005. Previously, he served as Executive Vice President of Global and Strategic Policy of AOL Time Warner Inc. Amb. Kimmitt has held a series of other high-level government posts, serving as U.S. Ambassador to Germany, Under Secretary of State for Political Affairs, General Counsel to the U.S. Treasury Department, and Deputy Assistant to the President for National Security Affairs at the White House.