

## Position Statement – Foreign Direct Investment in the United States

### Executive Summary

The United States has long served as the largest recipient of foreign direct investment (FDI) in the world in large part because of free and fair U.S. trade and regulatory practices. We encourage policymakers to enact policies that are consistent with this legacy and promote FDI in the United States.

### Why It Matters

The United States benefits greatly when foreign companies invest in local communities, workers, and economies. In 2019, FDI in the U.S. amounted to more than \$261 billion.<sup>1</sup> All told, international companies across the country employ more than 7.4 million Americans, and every job these companies create supports three more jobs in the U.S. economy.<sup>2</sup> Furthermore, international companies annually produce 25 percent of all U.S. exports, reinvest \$63 billion into U.S. research and development (R&D) activities, and employ over 20 percent of America's manufacturing workforce.<sup>3</sup>

The U.S. businesses of Merck KGaA, Darmstadt, Germany exemplify these trends. Since entering the U.S. market in 1890, our company's domestic footprint has only grown, bolstered by the 2010 acquisition of Millipore Corporation, a major life sciences company headquartered in Massachusetts, the 2015 acquisition of Sigma-Aldrich Corporation, a leading chemical, life sciences, and biotechnology company headquartered in Missouri, and the 2019 acquisitions of Versum Materials, a leading specialty materials and equipment supplier to the semiconductor industry headquartered in Arizona, and of Intermolecular, an innovative advanced materials products and services supplier headquartered in California. Over the past 15 years, our company has invested approximately \$43 billion in the U.S., and we employ more than 13,000 people at 70 facilities across the country. Our operations lead to the employment of an additional 28,000 people within the U.S. labor market, we place nearly \$1 billion worth of orders with U.S. suppliers annually, and one fifth of every dollar that our company spends in the United States goes towards R&D activities.

While the positive impact of FDI on the U.S. economy is clear, protectionist measures threaten our ability and the ability of other companies to continue to invest in the United States. The flow of FDI relies upon policies that enable the fair and efficient flow of goods and services across U.S. borders. Additionally, international companies investing in the U.S. must be allowed to operate in a fair and non-discriminatory regulatory environment and be given the same opportunities and considerations as companies headquartered in the United States.

### Our Position

**Our company supports trade policies that foster FDI in the United States, including free trade agreements that promote open market access and strengthen intellectual property protections and enforcement.**

- We support free and fair trade policies and agreements between the U.S. and other nations, which allow and encourage international companies like ours to invest in the United States.
- We advocate for trade agreements that open foreign markets to U.S. exports by improving investment access and protections, reducing tariff and non-tariff barriers, and harmonizing regulations to reduce transaction costs and promote efficiency.<sup>4</sup>
- We support the United States-Mexico-Canada free trade agreement as well as the ongoing and prospective free trade agreement negotiations between the United States and the European Union, Japan, the United Kingdom, Switzerland, and other nations.

<sup>1</sup> FDI in Figures. (April 2020). Organisation for Economic Co-operation and Development. Retrieved from <http://www.oecd.org/investment/FDI-in-Figures-April-2020.pdf>

<sup>2</sup> Foreign Direct Investment. (2020). Global Business Alliance. Retrieved from <https://globalbusiness.org/about-us/foreign-direct-investment>

<sup>3</sup> Ibid.

<sup>4</sup> The Importance of Trade and Multinational Partnerships. (16 April 2018). Global Business Alliance. Retrieved from <https://globalbusiness.org/blog/the-importance-of-trade-and-multinational-partnerships>



- We also believe that U.S. policymakers and the business community must create the preconditions whereby as many people as possible benefit from global trade. We support public policies and workforce development initiatives that enable the continuous development of employees' skills and qualifications through such measures as on-the-job training, apprenticeships, and certification programs.

**The U.S. businesses of Merck KGaA, Darmstadt, Germany support regulatory requirements and policies that are fair, transparent, and do not discriminate against multinational or foreign companies operating in the United States.**

- While we support efforts to reform the Foreign Agents Registration Act (FARA) and to enhance compliance measures for persons lobbying on behalf of a foreign government, government entity, or political party, we believe any such reform must differentiate between a foreign government on the one hand and a foreign company on the other and maintain an exemption for commercial purposes.
- We strongly believe that neither foreign companies nor their U.S. subsidiaries should be classified as foreign agents. The required disclosures resulting from registering as a foreign agent would impose an undue burden on foreign businesses and their U.S. subsidiaries and place them at a competitive disadvantage.
- We also believe that U.S. subsidiaries of foreign companies should not be classified as foreign nationals. Any company designated a foreign national would be prohibited from a broad range of political activities in which we and other multinational companies have engaged without controversy for decades, including hosting political candidate appearances, conducting non-partisan "get out the vote" and voter registration drives, making voluntary dues payments to trade associations, and sponsoring and operating a company PAC. Designation as a foreign national would deprive Americans who work at foreign-owned domestic subsidiaries of their political influence and voice. It would prevent them from exercising their constitutional rights of citizenship and participation in the political process.
- We support the Global Business Alliance (GBA), the U.S. Chamber of Commerce, and other organizations in opposing "Buy American" forced-localization proposals and legislation, which typically impose a high penalty on the purchase of foreign materials, to the detriment of domestic consumers and manufacturers, and on the participation by foreign companies in state, local, and federal procurement processes. Such policies are often costly for taxpayers, curtail exports, and result in more jobs lost than created.<sup>5</sup>
- We believe that individual states in the U.S. must treat inbound investment in the same way as investment that originates domestically and not punish foreign companies eager to invest in the American economy by taxing foreign investment inconsistently or at a higher rate.

**FDI plays a significant role in the U.S. economy. America's position as a longstanding proponent of free and fair trade and its tradition of providing a fair and non-discriminatory environment for all U.S. employers has served to attract international companies to its shores for decades. We encourage policymakers to continue these policies so that the United States can maintain its status as the premier destination for global investment.**

**About Merck KGaA, Darmstadt, Germany**

*Merck KGaA, Darmstadt, Germany, a leading science and technology company, operates across healthcare, life science and electronics. Around 58,000 employees work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. From advancing gene editing technologies and discovering unique ways to treat the most challenging diseases to enabling the intelligence of devices – the company is everywhere. In 2020, Merck KGaA, Darmstadt, Germany, generated sales of € 17.5 billion in 66 countries.*

*The company holds the global rights to the name and trademark "Merck" internationally. The only exceptions are the United States and Canada, where the business sectors of Merck KGaA, Darmstadt, Germany operate as EMD Serono in healthcare, MilliporeSigma in life science, and EMD Electronics. Since its founding 1668, scientific exploration and responsible entrepreneurship have been key to the company's technological and scientific advances. To this day, the founding family remains the majority owner of the publicly listed company. For more information about Merck, KGaA, Darmstadt, Germany, visit [www.emdgroup.com](http://www.emdgroup.com).*

<sup>5</sup> Hufbauer, Gary C. and Jung, Euijin. (5 Sept. 2017). "Buy American" Is Bad for Taxpayers and Worse for Exports. Peterson Institute for International Economics. Retrieved from <https://www.piie.com/blogs/trade-investment-policy-watch/buy-american-bad-taxpayers-and-worse-exports>

