# Foreign Direct Investment CP

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#### CP Text: The United States federal government should request transportation infrastructure investment from global public investors for [object of the plan].

#### Global public investors will say yes and it solves the entirety of the case

MacDonald 2011 (Lawrence MacDonald, finance, “The Untapped Potential of Global Public Investors: Vijaya Ramachandra,” Center for Global Development, <http://blogs.cgdev.org/global_prosperity_wonkcast/2011/03/21/the-untapped-potential-of-global-public-investors-vijaya-ramachandran/>)

In interviews with GPI fund managers from around the world, Vij and her co-authors found that most were passive investors looking for conservative investments with stable and long-term returns. GPIs have invested in everything from grocery store chains to banks and manufacturing companies. Vij believes that developing country infrastructure—power, roads, ports, and rail, for example—could be highly attractive to these investors, if the proper legal and regulatory frameworks are in place. “The GPIs want to diversify as their funds become larger and they themselves become more sophisticated investors,” says Vij. “Infrastructure projects – as relatively safe and low-risk opportunities – would be particularly good investments in both U.S. and developing world contexts.”

### Solvency Advocates- Generic

#### Foreign capital is comparatively better than federal or state funding

Goldstein et al 11 (Gordon M. Goldstein, Senior Vice President; Rick Kimball, Managing Director, Goldman Sachs Group, Inc., Trustee, The Brookings Institution; Joel H. Moser, Partner, Bingham McCutchen LL; Raffiq Nathoo, Senior Managing Director, Blackstone Group; Vijaya Ramachandran, Senior Fellow, Center for Global Development; Darrell M. West, Vice President and Director, Governance Studies, Center for Technology Innovation; Daniel Zwirn, Managing Member, Zwirn Family Interests, Trustee, the Brookings Institution, “Rebuilding America: The Role of Foreign Capital and Global Public Investors,” Brookings Institution, March 11, <http://www.brookings.edu/research/papers/2011/03/11-sovereign-wealth-funds>)

Driving Policies and Programs that Facilitate GPI Capital Deployment: The United States requires enhanced policies and innovative new programs that encourage GPI capital deployment to meet both public and private sector needs. America has a long tradition of foreign investment from European nations throughout our history, Japan in recent decades, and a variety of countries during the contemporary period. Today a surplus of capital from Global Public Investors is deployed around the world, its allocation determined not simply by the prospect of favorable risk-adjusted returns but also by calculations about the political and regulatory environment of host countries. America must compete aggressively in the contest for capital from the new class of Global Public Investors that are deploying greater resources in a diverse range of asset classes and public-private partnerships. In an integrated global economy public capital, like private capital, will inexorably find its highest and best use, based on the competitive dynamics of the global investment marketplace. The benchmarks for global capital investment, however, include but are not necessarily limited to the highest risk-adjusted return. Other inducements, protections and considerations that government can structure can influence investment decisions. The United States therefore requires a dynamic twenty-first century policy architecture to realize the potential represented by the increasingly broad reach of GPI capital deployment. Promoting Investment in U.S. Infrastructure: It is widely acknowledged that the United States is in the midst of a crisis afflicting its outdated and crumbling national infrastructure, the rehabilitation of which is vital to American economic competitiveness. It is similarly acknowledged that federal and state sources of funding, today exacerbated by a growing pattern of acute municipal deficits, are wholly inadequate to address the scope of the challenge. Foreign capital, including sovereign wealth funds and other Global Public Investors, can aid infrastructure development through direct investment, public-private partnerships and other financial vehicles that facilitate GPI investment in local, state, and federal infrastructure projects. While the need for policies to support infrastructure development is acute, there may be a corresponding opportunity to attract Global Public Investor capital. As an asset class, infrastructure has attributes historically attractive to Global Public Investors, including relative transparency and predictability of returns on invested capital due to generally stable cash flows. Innovative public policies and government sponsored programs that support and encourage such investments could further attract Global Public Investors to U.S. infrastructure development.

#### Municipal finance is not adequate- global bank reserves have enough capital to support transportation infrastructure

Crebo-Rediker and Rediker 2008 (Heidi Crebo-Rediker, founding Co-Director of the Global Strategic Finance Initiative; Douglas Rediker, member of the Executive Board of the International Monetary Fund, “Financing America’s Infrastructure: Putting Global Capital To Work,” Global Strategic Finance Initiative Policy Brief, July 1, <http://newamerica.net/files/Financing_America_Infrastructure.PDF>)

If the nation’s infrastructure needs are apparent, so too are the limits on available funds in federal, state, and local government coffers. In this presidential election year, we can see these limits clearly, as the nation’s spending priorities are magnified by electoral politics. Although significant government funding will likely continue to play a key role in the development of public infrastructure, the scale of our funding needs increasingly compels us to look beyond government to close the financing gap. It is for this reason that public support for private sector infrastructure investment is essential. The good news is that while the federal government struggles to find funds to address its spending needs there is abundant private capital for infrastructure investment. An estimated $400 billion in global funds are available for equity investment in infrastructure, and the funds available to support the debt component amount to several trillion dollars if we include global central bank reserves, global pension funds, and sovereign wealth funds. 2 Rather than focus on these large pools of global capital as a threat, we should view them as an opportunity. So, while we have enormous infrastructure financing needs, there are also enormous pools of capital available for investment. The trick is to bring the two together in a commercial, sustainable, and politically acceptable way. The U.S. municipal bond markets have functioned well for many years, channeling private capital into financing certain elements of U.S. infrastructure. But current budgetary constraints and other market conditions mean that municipal finance is no longer adequate to meet the challenge of financing the scale of investment needed. And our current financing structures are unable to take advantage of the large pools of capital that are

available for infrastructure financing.

#### Sovereign wealth funds are already happening, but more could be done

Ferguson 2011 (Niall Ferguson, Senior Research Fellow of Jesus College, Oxford University, and a Senior Fellow of the Hoover Institution, Stanford University, resident faculty member of the Minda de Gunzburg Center for European Studies, “Sale of the Century,” The Daily Beast, February 20, <http://www.thedailybeast.com/newsweek/2011/02/20/sale-of-the-century.html>)

American highways sold to foreign investors? It may sound unthinkable, but it’s already happening. Indiana recently leased the operation of the state’s principal 157-mile highway to a consortium led by the Spanish company Cintra and the Australian investment bank Macquarie. For the next 75 years, the consortium will collect the tolls from motorists. Indiana got $3.85 billion upfront. The city of Chicago has done a similar deal, leasing out its Skyway toll bridge for $1.83 billion. A few other state governments have been moving hesitantly down this same path, usually by setting up public-private partnerships to manage stretches of highway. But there’s so much more that could be done. California’s government has an estimated $103 billion in assets, including state highways with a book value of $59 billion. Are you telling me a sovereign wealth fund from, say, Singapore couldn’t do a better job of running those choked and often potholed roads? Yet one of Gov. Jerry Brown’s first acts since returning to office was to cancel a planned privatization of state-owned office buildings.

#### China wants to invest in America’s transportation infrastructure

Long 2011 (Cate Long, “Foreigners want America’s public assets,” Reuters, December 5, <http://blogs.reuters.com/muniland/2011/12/05/foreigners-want-americas-public-assets/>)

It seems like foreign governments and corporations are craving U.S. public assets like toll roads, electrical grids and railways. In the case of our largest creditor, the Chinese government, they don’t want any more U.S. Treasuries, but they do want to own the hard assets that comprise our nation’s infrastructure. Reuters Beijing bureau reported: China may channel part of its huge pool of foreign exchange reserves into investment in U.S. infrastructure, including rail and transportation networks, Commerce Minister Chen Deming said on Friday. “China is unwilling to take on too much U.S. government debt. We are willing to turn that money into investment,” he told U.S. Ambassador to China Gary Locke and U.S. businessmen. Chen did not elaborate on how China might channel some of the country’s war chest of $3.2 trillion foreign currency reserves to invest in U.S. infrastructure, such as rail and transportation systems. What the Reuters reporter didn’t mention was that the Obama administration has been urging such investment on the part of the Chinese since their state visit last January, if not before. From the Wall Street Journal: Key Chinese companies are considering stepped-up investment in the U.S., particularly in infrastructure, and the White House is encouraging them to move ahead. The prospects for fresh Chinese investment were discussed at a meeting last week between Chinese business leaders and the American and Chinese presidents during a state visit to Washington. At the meeting, President Barack Obama and the head of China’s Investment Corp. [CIC], the country’s $300 billion sovereign-wealth fund, talked about the Chinese investing in infrastructure projects in the U.S. “The United States is open for investment and would welcome it,” Mr. Obama told the group, which included four Chinese CEOs, 14 American CEOs and Chinese President Hu Jintao. [..] Last fall, a CIC official said the fund would be interested in financing U.S. infrastructure projects as a passive investor, not as a majority owner. “We are advocating that the U.S. government start a program to invest a massive amount of equity, in the form of public and private-equity partnership, in U.S. infrastructure,” Zhou Yuan, head of asset allocation at CIC, said at a conference in New York in October.

### Say Yes

#### Other countries will say yes to foreign direct investment

Jackson May 10 (James K. Jackson, Specialist in International Trade and Finance, “Foreign Direct Investment in the United States: An Economic Analysis,” Congressional Research Service, 2012, <http://www.fas.org/sgp/crs/misc/RS21857.pdf>)

Foreign direct investment in the United States in 2009 rose slightly over the amount invested in 2008, but set a record in nominal terms for the most amount of foreign direct investment in the economy in a year. Other countries have experienced a similar turnaround in foreign direct investment inflows, especially some of the less developed economies where there is a great potential for investment. As the rate of growth of the U.S. economy improves relative to other advanced economies, interest rates stay low, and the rate of price inflation stays in check, foreign direct investment in the United States likely will continue to increase. Of particular importance will be public concerns over foreign direct investment in the economy as a whole and on the overall phenomenon referred to as “globalization,” with its impact on jobs in the economy. Concerns over foreign direct investment, where they exist, stem not so much from the perceived potential losses of international competitiveness that characterized similar concerns in the 1980s, but from potential job losses that could result from mergers and acquisitions, although such losses could occur whether the acquiring company is foreign- or U.S.-owned. Such concerns are offset, at least in part, by the benefits that are perceived to be derived from the inflow of capital and the potential for new jobs being created in local areas.

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It seems like foreign governments and corporations are craving U.S. public assets like toll roads, electrical grids and railways. In the case of our largest creditor, the Chinese government, they don’t want any more U.S. Treasuries, but they do want to own the hard assets that comprise our nation’s infrastructure. Reuters Beijing bureau reported: China may channel part of its huge pool of foreign exchange reserves into investment in U.S. infrastructure, including rail and transportation networks, Commerce Minister Chen Deming said on Friday. “China is unwilling to take on too much U.S. government debt. We are willing to turn that money into investment,” he told U.S. Ambassador to China Gary Locke and U.S. businessmen. Chen did not elaborate on how China might channel some of the country’s war chest of $3.2 trillion foreign currency reserves to invest in U.S. infrastructure, such as rail and transportation systems. What the Reuters reporter didn’t mention was that the Obama administration has been urging such investment on the part of the Chinese since their state visit last January, if not before. From the Wall Street Journal: Key Chinese companies are considering stepped-up investment in the U.S., particularly in infrastructure, and the White House is encouraging them to move ahead. The prospects for fresh Chinese investment were discussed at a meeting last week between Chinese business leaders and the American and Chinese presidents during a state visit to Washington. At the meeting, President Barack Obama and the head of China’s Investment Corp. [CIC], the country’s $300 billion sovereign-wealth fund, talked about the Chinese investing in infrastructure projects in the U.S. “The United States is open for investment and would welcome it,” Mr. Obama told the group, which included four Chinese CEOs, 14 American CEOs and Chinese President Hu Jintao. [..] Last fall, a CIC official said the fund would be interested in financing U.S. infrastructure projects as a passive investor, not as a majority owner. “We are advocating that the U.S. government start a program to invest a massive amount of equity, in the form of public and private-equity partnership, in U.S. infrastructure,” Zhou Yuan, head of asset allocation at CIC, said at a conference in New York in October.

## Specific Solvency

### Hegemony Solvency

#### Foreign direct investment is the only thing that can sustain growth and US hegemonic status

Pietroburgo 2009 (Anthony Pietroburgo, “The End of American Hegemony,” <http://ezinearticles.com/?The-End-of-American-Hegemony&id=2207395>)

In the early 1950's the United States rose to power as the elite world hegemonic power. After World War II, major economic powers had to cut deep into their own pockets in order to pay for their war retributions and re-build devastated countries and economies. England, France, Germany and Japan were all on the brink of complete destruction at this moment in time, and the United States used this to their advantage. Even though the U.S. participated in the war itself, the extent of the battles never reached the mainland, which kept the nation's infrastructure in tact. This unbelievable power continued on from the 1950's until the later part of the 1970's. In this era, The Bretton Woods agreement made the USD the center of the Global Economy and was made the by default the official internationally traded currency. The USD was the only currency that could be created at great magnitude and keep the faith of foreign investors due to it's worth and versatility in the world market (Krasner 187). The top ten banks in the world were American owned making the U.S. the largest world creditor. The U.S. was the number one destination for foreign direct investment and during these two decades the U.S. was also able to sustain the highest level of growth in its' economy (Bartilow Lecture). These features made the U.S. the undisputed hegemonic state in the world at that moment in time. Almost every financial decision made in regards to international trade came through the United States. The U.S. also set up various regimes: the GATT (The General Agreement on Tariffs and Trade, now the WTO), The International Monetary Fund (IMF), and a slew of other international regimes affiliated with the United Nations (Lake 121).¶

#### Foreign Direct Investment would solve hegemony

Jobs Council 2011 (“Taking Action, Building Confidence,” President’s Council on Jobs and Competitiveness, October 11, <http://files.jobs-council.com/jobscouncil/files/2011/10/JobsCouncil_InterimReport_Oct11.pdf>)

Reversing the erosion in our leadership as an investment destination in recent years now presents a major jobs opportunity. In the late 1990s, the United States attracted nearly 26% of global foreign direct investment (FDI), but that figure has dropped roughly a third, to about 18%, today. At the same time, jobs in the tradable sectors, where firms are likely to invest, underperformed the rest of the economy from 1990 to 2000, continuing only 2% of jobs growth over that period, according to economist Michael Spence.

### Economy Solvency

#### SWFs are good for the global economy because funds promote stabilization

Lang 11 (Lillian Elisabeth Lang, BA, “Financial Points of Entry. Sovereign Wealth Funds: Hidden Security Threat or Smart Finance?,” Georgetown University, April 15, <http://repository.library.georgetown.edu/bitstream/handle/10822/553534/langLillianElisabeth.pdf?sequence=1>)

Proponents of SWFs often argue that these investment vehicles are good for the global economy because the funds promote stabilization. Typically, SWFs are long-term investments, which tend to be more stabilizing for an economy rather than short-term investments that result in more variation in a market and may cause volatility. Sovereign governments are typically around for long lengths of time so the investment horizon is naturally long-term. In addition, the management style of most SWFs tends to be that of a passive investor. A passive investor is one who rides out the ups and downs of the market without adjusting their investment strategy along the way. The passive investor does not become involved with the management of the corporation in which it has invested. In 2008, a CIC spokesman stated that the CIC did not seek control of firms through investment, thus suggesting the CIC has a passive investment strategy. Endorsing passive practices may help attract investors and preempt skeptics that could challenge CIC's motives. Even though CIC made that claim, there were still some representatives in the U.S. Congress such as Marcy Kaptur (D-OH) that questioned China's SWF strategy writ large and argued for greater transparency.

#### SWFs weathered the recent financial crisis

Lang 11 (Lillian Elisabeth Lang, BA, “Financial Points of Entry. Sovereign Wealth Funds: Hidden Security Threat or Smart Finance?,” Georgetown University, April 15, <http://repository.library.georgetown.edu/bitstream/handle/10822/553534/langLillianElisabeth.pdf?sequence=1>)

During the recent financial crisis SWFs performed as any major investment fund. Many of the SWFs lost revenue during the financial crisis; however some such as CIC were able to make some market gains in 2008. The majority of studies center on publicly available information such as the data in the Monitor-FEEM SWF database. The Monitor database, used by Miracky and Bortolloni, is by no means comprehensive but it is one of the largest databases on the subject. The Monitor group uses the publicly available data of SWF transactions to try determining behavior and performance of SWFs as a group. Curzio and Miceli cite a study done by Miracky and Bortolotti using the Monitor-FEEM data and concluded: "While the first half of the year was characterised by an investment boom...in the second quarter of 2008 investments started to decrease declining by almost 50% by number and 14% in value terms compared with the previous quarter. This sharply contrasted with 2007...that saw a doubling of the 2006 value." Overall the current research shows that SWFs weathered the financial crisis and appear to have acted as other investors did.

#### SWFs don’t exacerbate market uncertainty- they stabilize the economy

Drezner 2008 (Daniel W. Drezner, Professor of International Politics, “Sovereign Wealth Funds and the (in)Security of Global Finance,” The Fletcher School at Tufts University, September, <http://archives.financialservices.house.gov/hearing110/9-10-08_drezner_house_testimony.pdf>)

The argument that SWFs exacerbate market uncertainty also appears to lack empirical foundation. It contradicts the supposed comparative advantage of sovereign wealth funds – which is that they can hold large positions for long stretches of time, weathering short term panics and downturns. Sovereign wealth funds would therefore be expected to function in a countercyclical, stabilizing manner – as their investments in the financial sector earlier this year suggest. Furthermore, in contrast to their private sector counterparts, SWFs traditionally have not been highly leveraged. Their equity investments to date have been focused in regions and sectors where they have local knowledge. The general consensus among financial analysts is that sovereign wealth funds have taken a long-term, passive approach to their overseas investments. 17 The bulk of recent SWF equity investments in OECD countries has been for either non-voting shares or stakes too small to warrant corporate control.

#### Sovereign wealth funds are already happening and are effective- only way to solve the fiscal crisis

Ferguson 2011 (Niall Ferguson, Senior Research Fellow of Jesus College, Oxford University, and a Senior Fellow of the Hoover Institution, Stanford University, resident faculty member of the Minda de Gunzburg Center for European Studies, “Sale of the Century,” The Daily Beast, February 20, <http://www.thedailybeast.com/newsweek/2011/02/20/sale-of-the-century.html>)

So let’s get down to business. What can the U.S. federal government and the various bankrupt states put up for sale? No, not Yellowstone or Yosemite. Those natural wonders should always belong to the nation. And no, not Alaska, much as many moderate Republicans would love to sell Sarah Palin to the Chinese. In fact, the U.S. government currently has about $233 billion worth of nondefense “property, plant, and equipment,” according to the Treasury’s Financial Management Service. That is almost certainly an understatement. The government owns somewhere between 600 million and 700 million acres of land, or about 30 percent of the country’s land surface, much of it in the Western states, where as much as half the land is federally owned. Washington could also sell its stakes in the Southeastern Power Administration and related assets as well as the Tennessee Valley Authority’s electric-power assets. There’s Amtrak (which runs at a loss) and the extensive hydroelectric empire of the U.S. Army Corps of Engineers. And then there are the assets that have the potential to be among the most lucrative of all: America’s highways. Plenty of other countries—Japan, Turkey, and even China, to name just three—have already privatized substantial parts of their transportation infrastructure, leaving private companies to manage both revenues and maintenance. American highways sold to foreign investors? It may sound unthinkable, but it’s already happening. Indiana recently leased the operation of the state’s principal 157-mile highway to a consortium led by the Spanish company Cintra and the Australian investment bank Macquarie. For the next 75 years, the consortium will collect the tolls from motorists. Indiana got $3.85 billion upfront. The city of Chicago has done a similar deal, leasing out its Skyway toll bridge for $1.83 billion. A few other state governments have been moving hesitantly down this same path, usually by setting up public-private partnerships to manage stretches of highway. But there’s so much more that could be done. California’s government has an estimated $103 billion in assets, including state highways with a book value of $59 billion. Are you telling me a sovereign wealth fund from, say, Singapore couldn’t do a better job of running those choked and often potholed roads? Yet one of Gov. Jerry Brown’s first acts since returning to office was to cancel a planned privatization of state-owned office buildings. From sea to shining sea, American politicians are running scared from the only credible solution to the country’s fiscal crisis. Rather than publishing honest balance sheets with meaningful valuations of both their assets and liabilities, they’d rather maintain the fiction that it’s their job to invest billions in high-speed railroads and the like. Let’s face it: if you want to see serious investment in America’s infrastructure—and the American Society of Civil Engineers estimates that a full upgrade would cost $1.3 trillion—it isn’t going to come from the likes of Governor Brown, much less President Obama. They’re broke, folks. There are, remember, two kinds of economies in this world: those with guns and those who dig—those with piles of cash and those with mountains of debt. Sure, the debtors can keep on borrowing until their creditors revolt, or they can try to dig their way out with austerity budgets. But a better idea would be to get smart and start inviting bidders to what could be the sale of the century.

### Climate Solvency

#### Sovereign Wealth Funds could solve for climate adaptation

Kapoor et al 2010 (Sony Kapooor, Fellow at European Institution London School fo Economics and Political Science; Ryan Hogarth, Thais Narciso, Linda Oksnes, Anna Gibson, “Tackling Climate Change,” Foundation for European Progressive Studies, May, <http://re-define.org/sites/default/files/1005_TacklingClimateChange_FEPS_SK.pdf>)

Public pension funds, sovereign wealth funds and government-controlled investors and entities such as ¶ the European Investment Bank are less inflicted by financial market short-termism and are in a good ¶ position to make long term profitable ‘green’ investments, since they have a longer term horizon. They ¶ are, in fact, in a strong position to make good profits from such investments because the financial markets ¶ are likely to have underpriced them. ¶ For example, the Norwegian pension fund has already launched a $2.5bn green window that will invest in ¶ renewable/alternative energy, clean technology and climate change sectors, including water, energy and ¶ natural resources. ¶ Given how exposed many of the world’s top sovereign wealth funds are to oil and the energy sector, ¶ dedicated investments targeted towards the green sector would help them diversify their risks. The EU ¶ should pursue a strategy to help put together mechanisms that would encourage these funds to invest in ¶ ‘green technology’ and other green initiatives in the European Union. ¶ In parallel, there is a need to formulate mechanisms to channel SWF and pension fund investments into ¶ developing country green investments which would provide benefits of 1) high returns for investors 2) ¶ diversification of their portfolios and 3) mitigation benefits to help tackle climate change. Using pan EU institutions such as the European Investment Bank to launch a pan EU green infrastructure ¶ program funded by green Eurobonds would be a particularly opportune idea that could serve the triple ¶ purpose of helping tackle climate change, generating jobs and growth and furthering EU integration.

### High Speed Rail Solvency

#### Sovereign Wealth Funds from China can solve HSR- it’s happening in Britain

Macalister January 20 (Terry Macalister, energy editor of the Guardian, winning journalist, “China sovereign wealth fund buys Thames Water stake,” The Guardian, 2012, <http://www.guardian.co.uk/business/2012/jan/20/china-sovereign-wealth-fund-thames-water>)

The Chinese state has made its first direct investment in Britain's creaking infrastructure system, days after George Osborne took a begging bowl to China.¶ The sovereign wealth fund, China Investment Corporation (CIC), has bought an 8.68% holding in Kemble, the privately owned group that controls Thames Water, which has 14 million customers in and around London.¶ The move was confirmed in a one-sentence statement posted on the CIC website. No value was given nor the name of the seller but analysts said it was likely to have changed hands for between £600m and £700m.¶ The British government expressed delight and said it reflected a success for Osborne and David Cameron, who have been abroad separately this week trying to encourage state-owned funds in China and Saudi Arabia to invest in the UK.¶ The chancellor said: "It is a vote of confidence in Britain as a place to invest and do business. This investment is good news for both the British and Chinese economies."¶ Osborne held meetings with Wang Qishan, China's vice-premier, and Lou Jiwei, the chairman of the Industrial and Commercial Bank of China, and CIC on Tuesday.¶ The government has been looking at ways to support greater private sector and foreign investment in infrastructure and there has been speculation that China would help develop HS2, the proposed new high-speed rail link between London and Birmingham.

## AT: Common Arguments

### AT CP links to Politics

#### The creation of Global Public Investors Roundtable is key to alleviate political and clarity concerns about FDI

Goldstein et al 11 (Gordon M. Goldstein, Senior Vice President; Rick Kimball, Managing Director, Goldman Sachs Group, Inc., Trustee, The Brookings Institution; Joel H. Moser, Partner, Bingham McCutchen LL; Raffiq Nathoo, Senior Managing Director, Blackstone Group; Vijaya Ramachandran, Senior Fellow, Center for Global Development; Darrell M. West, Vice President and Director, Governance Studies, Center for Technology Innovation; Daniel Zwirn, Managing Member, Zwirn Family Interests, Trustee, the Brookings Institution, “Rebuilding America: The Role of Foreign Capital and Global Public Investors,” Brookings Institution, March 11, <http://www.brookings.edu/research/papers/2011/03/11-sovereign-wealth-funds>)

Stimulating Dialogue and Building Partnerships: To foster a climate that encourages investment and partnership between Global Public Investors and the United States, transparency and disclosure are principles that must be embraced by all relevant stakeholders. Amidst a period of legislative and policy activism on financial regulation in Washington, one of the most common concerns we observed was a lack of clarity among GPIs about the long-term regulatory and political environment in the United States.[4] Administration and congressional actors in Washington have ad hoc and extremely narrow channels of communication with Global Public Investors, which in turn exacerbates uncertainties about the rules and regulatory structures that will govern foreign direct investment in the United States. The absence of meaningful dialogue further limits the evolution of potential investment partnerships and new innovations in foreign financing mechanisms to deploy capital from GPIs in the United States. To remedy this problem, one of the most important yet easily implemented recommendations of this study is to create the Global Public Investors Roundtable, an informal group of administration policy-makers from the White House, Treasury, State and Commerce Departments and a range of congressional actors and their staff from both sides of the aisle in Washington who would meet with the world’s leading Global Public Investors, Sovereign Wealth Funds and representatives of other international financial institutions on a periodic basis to share information and stimulate dialogue on economic, regulatory, tax, national security and political issues central to foreign investment in the United States. Such meetings could engender dual benefits: foreign investors could gain greater clarity into rules, regulations and policy directives that would contribute to predictability and stability while government actors could develop more robust strategies to encourage sources of foreign direct investment that have a near-term impact on job creation and competitiveness.

#### Transparency and disclosure will alleviate political tensions and worries

Goldstein et al 11 (Gordon M. Goldstein, Senior Vice President; Rick Kimball, Managing Director, Goldman Sachs Group, Inc., Trustee, The Brookings Institution; Joel H. Moser, Partner, Bingham McCutchen LL; Raffiq Nathoo, Senior Managing Director, Blackstone Group; Vijaya Ramachandran, Senior Fellow, Center for Global Development; Darrell M. West, Vice President and Director, Governance Studies, Center for Technology Innovation; Daniel Zwirn, Managing Member, Zwirn Family Interests, Trustee, the Brookings Institution, “Rebuilding America: The Role of Foreign Capital and Global Public Investors,” Brookings Institution, March 11, <http://www.brookings.edu/research/papers/2011/03/11-sovereign-wealth-funds>)

Encouraging Best Practices: As Global Public Investors become increasingly central players in the international economy, expanded implementation of principles of transparency and disclosure will help to alleviate the political tensions surrounding their investing agenda and practices. Today there is great variability in adherence to the so-called “Santiago Principles” adopted on a voluntary basis in 2008 by the countries represented in the International Working Group of Sovereign Wealth Funds sponsored by the International Monetary Fund. Recently, some of the world’s most prominent GPIs issued their first public disclosures. In 2010, the China Investment Corporation filed its first voluntary report with the U.S. Securities and Exchange Commission outlining its American holdings and the Singapore Government Investment Corporation and Abu Dhabi Investment Authority published their first annual reports. Looking ahead, it is possible to imagine that increased transparency by GPIs could be incentivized by new marketplace mechanisms that reward relatively greater levels of disclosure.

#### SWFs are becoming more transparent

Lang 11 (Lillian Elisabeth Lang, BA, “Financial Points of Entry. Sovereign Wealth Funds: Hidden Security Threat or Smart Finance?,” Georgetown University, April 15, <http://repository.library.georgetown.edu/bitstream/handle/10822/553534/langLillianElisabeth.pdf?sequence=1>)

Ways to measure transparency are likely to change as SWFs become more mature financial actors and as more and more SWFs implement the Santiago Principles. 86 The Santiago Principles are non-binding guidelines established in 2008 by the International Working Group on SWFs that the IMF took part in organizing. 87 Thirteen of the 24 principles address "disclosure" issues from "legal relationships" to "withdrawal and spending operations" 88 making the Santiago Principles a key factor in SWF transparency.

### AT SWF Threatens National Security

#### SWFs don’t co-opt domestic interests

Drezner 2008 (Daniel W. Drezner, Professor of International Politics, “Sovereign Wealth Funds and the (in)Security of Global Finance,” The Fletcher School at Tufts University, September, <http://archives.financialservices.house.gov/hearing110/9-10-08_drezner_house_testimony.pdf>)

Looking at the empirical record, many of the concerns articulated in the previous section appear to be either overblown or cross-cutting. For example, the argument that sovereign wealth funds co-opt domestic interests in recipient countries also cuts in the opposite direction; private actors benefit from their association with a sovereign wealth fund when acting in the SWF’s home market. It is possible, for example, that Blackstone has had preferred access to the Chinese market following CIC’s investment in that private equity firm. In the time since CIC’s investment, Blackstone announced its purchased of a 20% stake in a state-owned Chinese chemical manufacturer, as well as a high-end commercial building in downtown Shanghai. They have announced plans to set up a Beijing office to facilitate even more transactions, relying on CIC for assistance within China. Blackstone’s successes have occurred while other private equity firms encountered fierce resistance to similar kinds of investment.

#### SWF investors will remain passive due to political pressure

Bortolotti et al 10 (Bernardo Bortolotti, Executive Director, Professor of Economics; Veljko Fotak, Doctoral Candidate, University of Oklahoma Research Associate; William L. Megginson, Professor and Rainbolt Chair in Finance, University of Oklahoma Visiting Professor; William F. Miracky, Senior Partner, Monitor Group, “Quiet Leviathans: Sovereign Wealth Fund Investment, Passivity, And The Value of the Firm,” October 25, <http://www.fin.ntu.edu.tw/~conference/conference2010/proceedings/proceeding/6/6-2(A46).pdf>)

This study presents an empirical analysis of SWF investment patterns and examines the impact of SWF investments on targeted firms. We list and describe the investment philosophies of the major funds, analyze their overall size, and discuss estimates of future growth. Using a broad sample of SWF investments in listed firm stocks we provide a comprehensive overview of SWF investment patterns by fund, by industry sector, and by geography. We present evidence on the mechanics of SWF investments, and measure the impact of SWFs on the subsequent performance of the listed companies in which they invest. We document that SWFs purchase, on average, sizable minority stakes in target companies. We also find that SWFs (except for Norway‘s Government Pension Fund-Global) generally buy equity stakes. in listed companies by purchasing newly-issued stock directly from target companies in friendly transactions that exclude outside participation by existing shareholders. This feature of SWF investment suggests that funds become the allies of target-firm managers and are thus constrained from playing a meaningful disciplinary or monitoring role. In addition, these government-owned funds face significant political pressure from recipient countries to remain passive investors in cross-border deals.

#### The Santiago Principles, OECD, and the IWG have accepted principles to protect US national security

Malawer et al 2009 (Dr. Stuart Malawer, PhD in International Relations, Director-General of the WTO; Catrina Ciobanu, Mark DeMicoli, Ericka Floyd, December 2, <http://www.slideserve.com/devi/the-emergence-of-sovereign-wealth-funds-and-u-s-investment>)

7. International Legislation Best Practices Initiatives: International Working Group of Sovereign Wealth Funds "Santiago principles“ Generally Accepted Principles and Practices (GAPP) - framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as the conduct of investment practices by SWFs on a prudent and sound basis. Organization for Economic Co-operation and Development Freedom of Investment - launched at the OECD in 2006, helps governments to reconcile the need to preserve and expand an open international investment environment with their duty to safeguard the essential security interests of their people. 7 International Monetary and Financial Committee (IMFC) when, in October 2007, it expressed the need for further analysis of key issues for investors and recipients of SWF flows, including a dialogue on identifying best practices. The International Working Group of Sovereign Wealth Funds (IWG) was established at a meeting of countries with SWFs on in the Spring of 2008, in Washington, D.C. In the meeting, it was agreed that the IWG would initiate the process, facilitated and coordinated by the International Monetary Fund (IMF). Some saw value in formalizing transparency regimes to reassure their domestic audiences that the money was invested and accounted for wisely, while others wanted to retain a greater degree of secrecy and are resistant to financial transparency. Nevertheless, the IWG comprised of 26 IMF member countries with SWFs met on three occasions—in Washington, D.C., Singapore, and Santiago (Chile)—to identify and draft a set of generally accepted principles and practices (GAPP) that properly reflects their investment practices and objectives, and agreed on the Santiago Principles at its third meeting. The GAPP is a voluntary set of principles and practices that the members of the IWG support and either have implemented or aspire to implement. Each principle is subject to home country laws, regulations, requirements, and obligations. The GAPP covers practices and principles in three key areas. These include (i) legal framework, objectives, and coordination with macroeconomic policies; (ii) institutional framework and governance structure; and (iii) investment and risk management framework. OECD and partner countries welcome investments from Sovereign Wealth Funds (SWFs) as a positive force for development and global financial stability. OECD guidance is to preserve and expand an open international investment environment for SWFs. OECD was invited to provide inputs into GAPP and believes appropriate governance, accountability and investment conduct is needed for SWF’s. In response to governments tightening their policies toward international investment in response to a changing context for national security and the emergence of new players, including large investors controlled by foreign governments, the OECD has published guidance for countries on how to treat investment from Sovereign Wealth Funds (SWFs) fairly, called Freedom of Investment process. FOI recommends using "restraint" when protecting "essential security" interests. According to the OECD countries, both OECD and non-OECD, need to maintain open environments for international investment and manage globalization co-operatively and responsibly and to learn to work together to this effect. As a result, OECD members have agreed to base their investment policies towards SWFs on these existing instruments to include five basic principles: Commitments to non-discrimination; Transparency; Progressive liberalization , Undertakings not to introduce new restrictions, and Undertakings not to insist on reciprocity as a condition for liberalization. \_\_\_\_\_\_\_\_ In addition, the OECD said the guidance – which resulted from the work of the 30 OECD countries as well as 14 non-members - also involves a process of regular “peer review” to monitor countries’ observance of the principles. The rise of sovereign wealth funds carries implications for global financial market stability and U.S. national interests. There is no question that America must ensure that the laws and procedures governing foreign investment are robust, up-to-date, and functioning effectively to achieve the purposes for which they are designed, especially with regard to U.S. national security. 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#### Long term investors in America’s infrastructure aren’t looking to control America’s economy

Rose-Smith 2011 (Imogen Rose-Smith, “Foreign Investment Could Help Rebuild America,” Institutional Investor, March 10, <http://www.institutionalinvestor.com/Popups/PrintArticle.aspx?ArticleID=2784884>)

“A lot of Americans worry about foreign money” investing in this country says Brookings Institution director of Governance Studies Darrell West who worked on the report, entitled ‘Rebuilding America: The Role of Foreign Capital, Sovereign Wealth Funds and Global Public Investors.’ But in actual fact these sovereign funds tend to be very prudent, long-term investors who are not looking to take a controlling interest in companies or investments. And, West argues, “we believe foreign capital can play a very constructive role in the United Sates.” While some sectors and industries, such as those related to national security, will continue to be sensitive, other sectors of the economy could really benefit from the economic input. In particular he says “infrastructure is an area where foreign capital can be very helpful.”¶ Massive state and federal budget deficits, along with a significant need for new infrastructure investments in everything from bridges to wind farms, means the US is in the midst of a well-recognized infrastructure crisis. “The infrastructure challenge is one that is going to last decades,” says report co-author Goldstein. And these foreign asset owners, with their long term investment horizons and desire for steady returns, can offer a solution.

## Aff Answers:

### CP Links to Politics

#### Lack of transparency by SWFs make them politically unpopular

CAPA Feb 13 (Center for Aviation, February 13, <http://centreforaviation.com/analysis/sovereign-wealth-funds-offer-alternative-airport-funding-opportunities-67782>)

The lack of transparency by SWFs regarding their investment policies, future strategies and the source of their wealth has made them unpopular in some political quarters, especially in the US. They are not publicly listed entities so they do not have the same reporting requirements as public funds. They are held by governments that have often been very conservative in the release of information. SWF managers are not the type to court publicity. In the Gulf they are primarily invested in private equity funds and occasionally private equity transactions. Furthermore, SWF holders may possibly pursue objectives of a strategic or political nature, such as to secure control of strategically important industries for political gain or to extract and acquire technology from a foreign industry. The geo-politics of SWFs are therefore immense. It is effectively a new era of “state capitalism”, a trend that affects airports as much as it does any other sector, and one that may conflict directly with established principles of airport privatisation and financing.

#### Bipartisan support against foreign direct investment in transportation infrastructure

Long 2011 (Cate Long, “Foreigners want America’s public assets,” Reuters, December 5, <http://blogs.reuters.com/muniland/2011/12/05/foreigners-want-americas-public-assets/>)

It’s a good stance for our President to encourage foreign investment. But is it such a great idea for foreign firms to own our most vital infrastructure? In 2006 an enormous controversy rocked Washington when a private firm from Dubai was negotiating a deal simply to operate 22 U.S. ports. A bipartisan opposition centering on national security eventually emerged and killed the arrangement.

#### Foreign investments will result in foreign control, higher real estate, dependency on foreign money, and risk national security

Vrountas 1990 (Christopher T. Vrountas, “The Necessity and Effectiveness of Barriers to Foreign Direct Investment,” Boston College International and Comparative Law Review, Volume 13, Issue 1, December 1, <http://lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?article=1359&context=iclr>)

The most significant policy question is whether foreign investment, particularly foreign direct investment, is beneficial or harmful to the United States. Most economists view the infusion of capital as beneficial to the economy, providing jobs, venture capital, new management techniques, and higher productivity. lO Some politicians fear, however, that foreign control will come with foreign money, and that foreign owners will not consider this country's best cultural and economic interests. Many U.S. citizens also fear that foreign speculation will bid real estate prices above the natives' ability to pay.12 Americans worry of possible U.S. dependency on foreign money, which could hamper domestic policy decision making. 13 Many U.S. citizens fear colonization or that the United States will suffer exploitation of resources and technology with little received in return. 14 Lastly, some politicians fear that foreign control of industries will affect the national security interests of the United States. 15 Despite the volume of expressed concern and support, the consequences of FDI are still uncertain.

### Solvency Deficit- Heg

#### The CP doesn’t solve heg- it prevents America from spreading democracy

Drezner 2008 (Daniel W. Drezner, Professor of International Politics, “Sovereign Wealth Funds and the (in)Security of Global Finance,” The Fletcher School at Tufts University, September, <http://archives.financialservices.house.gov/hearing110/9-10-08_drezner_house_testimony.pdf>)

The rise of sovereign wealth funds will also have some negative second order effects for American foreign policy. SWFs will impair democracy promotion efforts. These investment vehicles aid and abet in the persistence of “rentier states” – governments that do not need their citizens to raise revenue. Democratization is a much more difficult policy for the United States to pursue when the target government is sitting on trillions of dollars in assets to buy off discontented domestic groups. Authoritarian governments in the Middle East and East Asia will be more capable of riding out downturns that would otherwise have threatened their regimes. These funds are a means through which authoritarian regimes can guard against the vicissitudes of the free market. As the Asian financial crisis demonstrated a decade ago, market shocks can fell authoritarian governments. Sovereign funds, combined with ever increasing foreign reserves, can forestall economic crises before they topple authoritarian power structures. More perversely, the growth of sovereign wealth funds, combined with rising nationalism and anti-Americanism in capital exporting countries, would give the United States even less reason to want democratic transitions in these parts of the globe. Consider the effect of a populist or fundamentalist revolution taking over in Saudi Arabia or the Gulf emirates. Rampant anti-Americanism among the Arab populace could encourage a new government to purposefully sell off SWF investments in the United States in order to induce a financial panic. While such moves would be economically disastrous to these countries, such actions are not inconceivable in the early stages of a revolutionary government. Even if China or the Persian Gulf emirates were to democratize more gradually, one could easily envisage nationalist parliaments using their SWFs to constrain U.S. actions. Sovereign funds in democratic societies have been willing to inject political conditionality into their capital markets. As previously noted, interest groups have been eager to use America’s financial muscle to alter the behavior of foreign actors in Sudan, Iran and Russia. There would be no reason to expect other democratic, capital-rich countries to behave differently.

### Transparency Doesn’t Solve

#### Transparency doesn’t solve for concerns about SWFs

Drezner 2008 (Daniel W. Drezner, Professor of International Politics, “Sovereign Wealth Funds and the (in)Security of Global Finance,” The Fletcher School at Tufts University, September, <http://archives.financialservices.house.gov/hearing110/9-10-08_drezner_house_testimony.pdf>)

The shifting of government assets from central banks to sovereign wealth funds and state owned enterprises exacerbates these concerns. Transparency measures cannot completely erase concerns about the capabilities and intentions of powerful sovereign actors. These concerns, combined with the tight coupling of today’s financial markets, will cause the incentive structures in global finance to more closely resemble those of nuclear deterrence – specifically, the logic of mutually assured destruction. This does not mean that the financial equivalent of World War III will take place. It does mean, however, that policymakers must be increasingly cognizant of that contingency.

### Say No

#### Foreign investors want to invest in Europe, not America

Ferguson 2003 (Niall Ferguson, Senior Research Fellow of Jesus College, Oxford University, and a Senior Fellow of the Hoover Institution, Stanford University, resident faculty member of the Minda de Gunzburg Center for European Studies, “The Nation; True Cost of Hegemony: Huge Debt,” The new York Times, April 20, <http://www.nytimes.com/2003/04/20/weekinreview/the-nation-true-cost-of-hegemony-huge-debt.html?pagewanted=all&src=pm>)

SECOND, there can be no guarantee that foreign investors will be willing indefinitely to put such a large chunk of their savings in American government bonds and other low-risk securities. Right now they seem to be content with the prospect of a third year of disappointing returns on Wall Street and the lowest yields in Treasury bonds since 1962. But will they stay content?¶ Not so long ago, from 1984 to 1987, dollars were being dumped on the currency markets. Another crisis of confidence is not impossible to imagine, especially if all those foreign holders of bonds worry about the Bush administration's combination of increased military spending and decreased taxation.¶ Since the creation of the euro, investors have a whole new range of securities in which to invest. European bonds might look attractive if foreigners, and not just Americanophobic French millionaires, start to think of the euro as safer than the dollar. Al Jazeera recently ran a cartoon of Uncle Sam weeping as the euro was run up a flagpole in place of the once-mighty dollar.