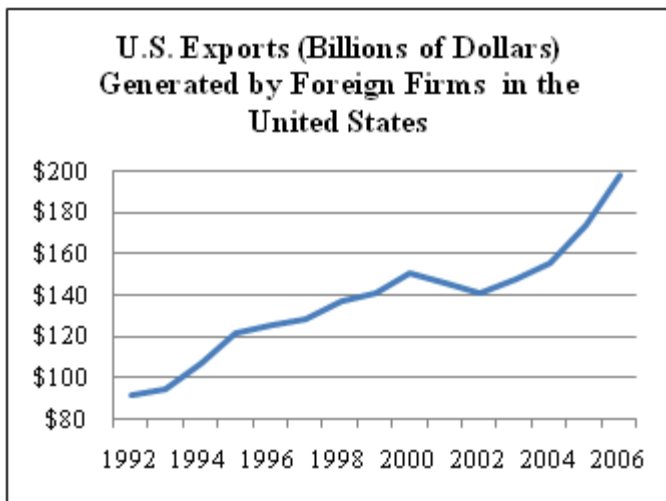
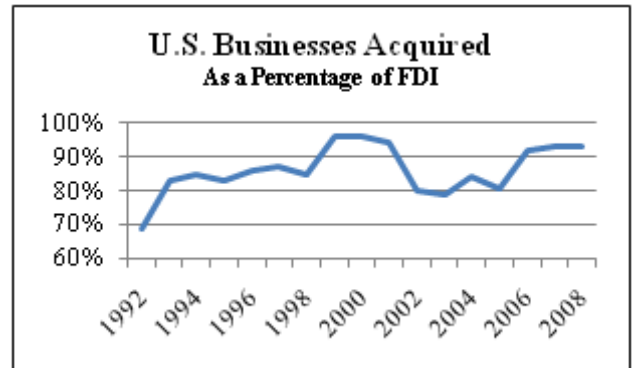


Mergers and Acquisitions (M&A) by foreign firms support U.S. jobs, increase business productivity, and finance the U.S. current-account deficit. M&A is a major part of foreign investment flows and accounts for most FDI into the United States – an average of 85 percent of all FDI inflows since the early 1990s.¹ Some advantages of M&A in the United States are as follows:

- **Support Jobs in the United States:** U.S. subsidiaries of foreign firms employ over 5.3 million American workers, support an annual payroll of \$364 billion and pay on average 25 percent higher wages than U.S.-owned firms.²
- **Increase Business Productivity and Profitability:** Empirical studies have shown that most mergers and acquisitions spur productivity growth for the acquired businesses.³ Furthermore, a December 2007 report highlights several studies that find that mergers and acquisitions generally improve cash flows, increase research and development spending, and enhance the overall performance of acquired companies.⁴ Global mergers and acquisitions strengthened to \$4.5 trillion in announced deals in 2007, a 24 percent increase over the previous record set in 2006.⁵ More than 60 percent of global mergers in 2007 involved companies outside the United States, mostly in Europe.⁶



- **Finance the U.S. Current Account Deficit:** A large proportion of the U.S. current account deficit is financed through the acquisition of U.S. companies by international investors. In contrast to portfolio investments, international M&A is highly stable and directly stimulates international trade and capital investment.⁷

- **U.S. Subsidiaries Reinvest:** U.S. subsidiaries spent \$34.3 billion on U.S. research and development and \$160.2 billion on plant construction and new equipment in 2006.⁸ In addition, U.S. subsidiaries account for 19 percent of all U.S. exports

(approximately \$195.3 billion).⁹ These transactions have a significant and positive effect on the U.S. economy as a whole by spurring new job creation and economic growth.

¹ Bureau of Economic Analysis (BEA), "News Release: Foreign Investors' Spending, 2006," <http://www.bea.gov/>.

² BEA, "Foreign Direct Investment in the U.S.: Financial and Operating Data" and "National Economic Accounts."

³ For example, see Maksimovic and Phillips, "The Market for Corporate Assets: Who Engages in Mergers and Asset Sales and Are There Efficiency Gains?" (2001).

⁴ Matthew Slaughter, "Insourcing Mergers & Acquisitions" (December 2007).

⁵ *Ibid.*

⁶ *Ibid.*

⁷ *Ibid.*

⁸ BEA, "Foreign Direct Investment in the U.S.: Financial and Operating Data."

⁹ *Ibid.*