Deloitte Review

ISSUE 6 | 2010

Complimentary article reprint

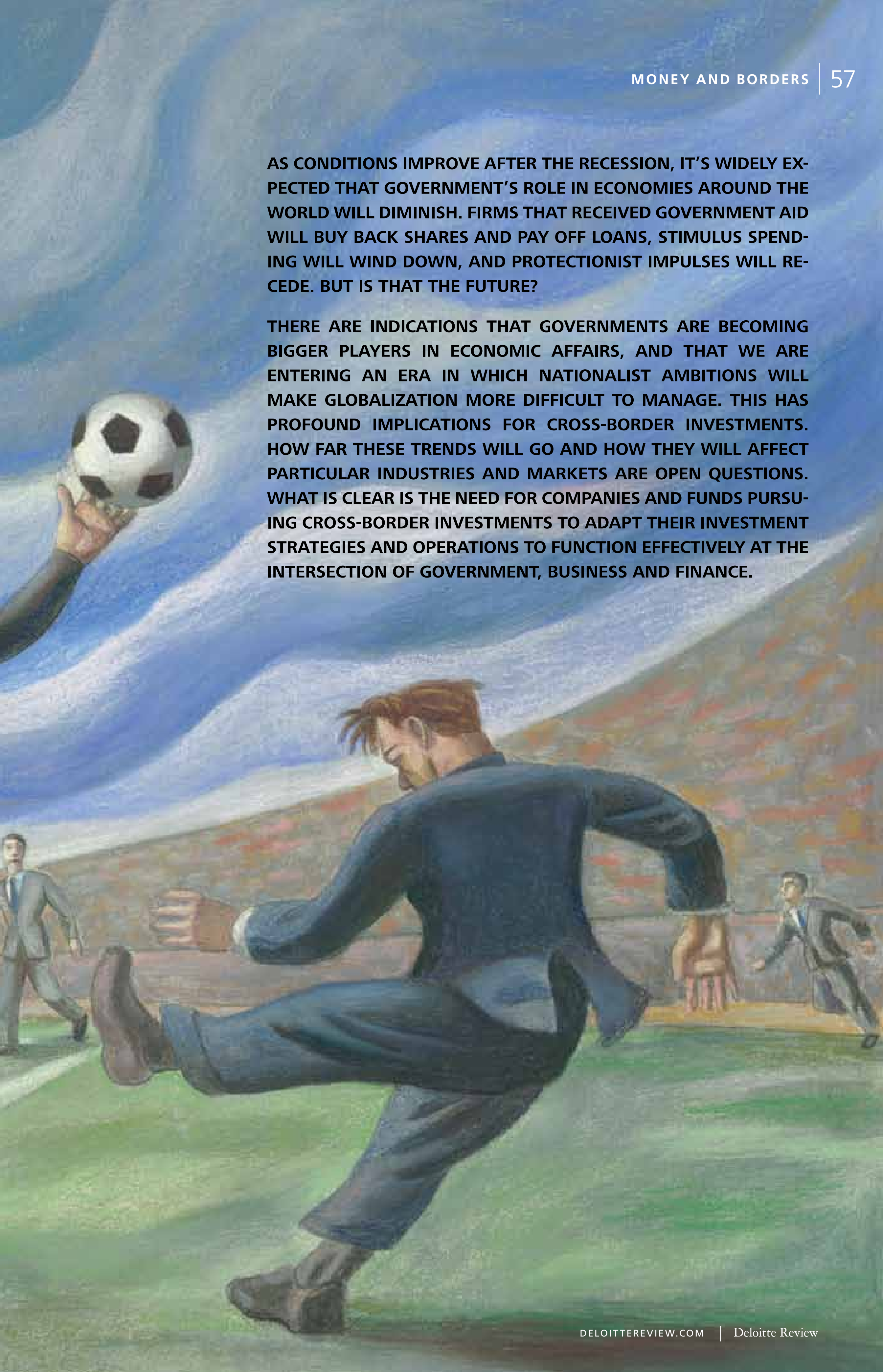
MONEY AND BORDERS:

CROSS-BORDER INVESTMENTS IN A CHANGING GLOBAL MARKETPLACE

BY ROBERT KIMMITT, MARK GARAY, AND DWIGHT ALLEN
> ILLUSTRATION BY CHRIS O'LEARY

MONEY AND BORDERS:
CROSS-BORDER INVESTMENTS IN A CHANGING GLOBAL MARKETPLACE

BY ROBERT KIMMITT, MARK GARAY, AND DWIGHT ALLEN
> ILLUSTRATION BY CHRIS O'LEARY



AS CONDITIONS IMPROVE AFTER THE RECESSION, IT'S WIDELY EXPECTED THAT GOVERNMENT'S ROLE IN ECONOMIES AROUND THE WORLD WILL DIMINISH. FIRMS THAT RECEIVED GOVERNMENT AID WILL BUY BACK SHARES AND PAY OFF LOANS, STIMULUS SPENDING WILL WIND DOWN, AND PROTECTIONIST IMPULSES WILL RECEDE. BUT IS THAT THE FUTURE?

THERE ARE INDICATIONS THAT GOVERNMENTS ARE BECOMING BIGGER PLAYERS IN ECONOMIC AFFAIRS, AND THAT WE ARE ENTERING AN ERA IN WHICH NATIONALIST AMBITIONS WILL MAKE GLOBALIZATION MORE DIFFICULT TO MANAGE. THIS HAS PROFOUND IMPLICATIONS FOR CROSS-BORDER INVESTMENTS. HOW FAR THESE TRENDS WILL GO AND HOW THEY WILL AFFECT PARTICULAR INDUSTRIES AND MARKETS ARE OPEN QUESTIONS. WHAT IS CLEAR IS THE NEED FOR COMPANIES AND FUNDS PURSUING CROSS-BORDER INVESTMENTS TO ADAPT THEIR INVESTMENT STRATEGIES AND OPERATIONS TO FUNCTION EFFECTIVELY AT THE INTERSECTION OF GOVERNMENT, BUSINESS AND FINANCE.

GOVERNMENTS AND NATIONAL ECONOMIES

Some political figures, academics and pundits contend the political pendulum is swinging away from free market policies toward a more government-led model for economic growth. Increasingly governments are concerned not only with setting the rules for economic activity but also with planning how their economies will develop. In some cases governments are taking or retaking control of private sector companies.

The financial crisis that began in the United States and United Kingdom has brought to the fore criticisms of the model of market capitalism prevalent among developed nations and doubts about the strength of countries whose economies function according to its principles. Meanwhile the developing world appears to be faring somewhat better. A 2009 World Economic Forum survey of leading economists identified Brazil, India and China as having stronger international competitiveness prospects than developed nations such as the United States, United Kingdom, Germany and France.[1] The more resilient developing economies generally feature a greater degree of government ownership and government involvement.

Economists are cautious and uncertain about the recovery. A weak economy would build support for continued government involvement. Even in a strong recovery political leaders could choose to remain engaged in the business of business.

Roger Altman, chair and CEO, Evercore Partners, and former U.S. deputy treasury secretary, is among those who see an inflection point: "Much of the world is turning a historic corner and heading into a period in which the role of the state will be larger and that of the private sector will be smaller."[2]

Indeed, a shift has already occurred. In the United States, as in many other countries, the financial crisis and economic downturn have brought about a massive increase in government intervention. In troubled sectors government has taken ownership stakes, supplied subsidies, and imposed new regulatory requirements. Stimulus measures have routed huge amounts of money into the private as well as public sectors.

Government initiatives may recede as economic conditions ease, but that is not assured. Economists are cautious and uncertain about the recovery. A weak economy would build support for continued government involvement. Even in a strong recovery political leaders could choose to remain engaged in the business of business.

China, Russia and other developing nations have recently tightened government influence and reduced competition in their economies by renationalizing or consolidating various sectors including aircraft, agribusiness, metals, oil and petrochemicals, power and telecommunications. China, Russia and the Persian Gulf states have national plans that call for government-led economic growth, identifying broad strategies that designate the industries and paths that will take the countries forward.

Developed nations also have been formulating plans for their economies or for particular sectors. In the United States, major new initiatives are under consideration that involve committing to strategies defining how health care is delivered, how fuel is used in industrial processes and in vehicles, and where R&D focuses. Many U.S. states have launched programs and policies that discourage the use of fossil fuels and promote renewable substitutes. At meetings of the G-20 and at the Copenhagen conference, national leaders have been moving toward global goals, requirements and incentives that would coordinate efforts worldwide.

What this suggests is a new tendency of government to channel economic activities toward desired objectives. Together with the expanded role in owning and supporting crisis-struck sectors of the economy, the outlook is for the more government-led economic model to gain ground. A corollary is that rather than being just a rule-setter and enforcer, government is becoming more of a player in business activity, with an interest in the outcome – government has a stake in whether the industries, methods and technologies it has selected as winners do in fact win.

GOVERNMENTS AND INTERNATIONAL COMPETITION

At the global level, the spectacular growth of emerging markets has implications for the existing order. As developing nations gain traction, international competition is likely to sharpen. This will challenge the vision of globalization as an integrated, cooperative system in which commerce drives decisions and geopolitics fade.

Some analysts see a new era of international contention. Robert Kagan of the Carnegie Institute for International Peace declares that "struggles for status and influence in the world have returned as central features of the international scene."[3] Former *Economist* editor Bill Emmott expects geopolitical divisions in Asia, which he calls "an arena for balance-of-power politics."[4]

Aggravating tensions are concerns about energy. Michael Klare, author of several books on resource politics, observes that relations among major energy consuming nations such as China, India, Japan and the United States are "edgy and competitive" as they jostle for access to oil and gas reserves. He suggests that "this often pugnacious maneuvering is bound to have profound consequences for international peace and security."[5]

In his book *The Shape of the World to Come*, Paris-based international lawyer Laurent Cohen-Tanugi argues two conflicting forces are at work. On the one hand, he agrees national and regional geopolitical struggles are being generated by "the clash of civilizations as well as from the economic rise of continent-sized nations driven legitimately by strategic ambitions." On the other, he thinks there is an uneasy agreement that some degree of international coordination is required, permitting globalization to endure as "the main driving force of the international system."[6]

This suggests that in coming years national governments will want to ensure that institutions and policies are in place to provide frameworks for their interaction, given that their plans for economic growth depend on continued global trade and investment flows. However, the new geopolitical ferment means it will not always be easy to accommodate diverse values and perspectives nor reconcile divergent interests and strategies.

PROSPECTS FOR THE CROSS-BORDER DEAL ENVIRONMENT

There is thus the potential for the cross-border deal environment to become more heavily influenced by government policies, the political process, and geopolitical dynamics. What are the implications for companies and funds pursuing investments abroad?

Context for transactions

Generally, governments committed to certain economic goals and with a stake in the welfare of certain industries and companies will be more rigorous in scrutinizing the implications of proposed deals on those ends and entities. Further, governments engaged in geopolitical competition for commercial advantage, access to resources, and strategic positioning will be more concerned about the implications of proposed deals on their economic interests and national security. Firms could face a future deal environment that entails:

- ***More focus on how a proposed acquisition will support or undermine the achievement of government industrial policies and international strategies:*** There have already been some high-profile cases in several major markets

THE UPSIDE CASE FOR CROSS-BORDER INVESTMENTS

OVERALL SCALE AND GROWTH

Scale: Between 1998 and 2008, annual U.S. inbound cross-border investments grew from $780 million to $2.3 billion. By comparison, annual U.S. inbound trade in goods and services grew from $1.1 billion to $2.5 billion.

Growth: The compound annual growth rate for U.S. inbound cross-border investments was over 11 percent between 1998 and 2008. By comparison, for U.S. inbound trade in goods and services the compound annual growth rate was slightly less than 9 percent.

HOW U.S.-BASED MULTINATIONALS BENEFIT THE U.S. ECONOMY (2006 data)

Output: MNCs accounted for 25 percent of all private sector GDP – over $2.5 trillion.

Capital investment: MNCs purchased $442.6 billion in new property, plant and equipment – 31 percent of all private sector capital investment.

Exports: MNCs exported $495.1 billion of goods to the rest of the world – nearly half of total U.S. exports.

Research and development: MNCs performed $188 billion of R&D in the U.S. This was 76 percent of the total R&D performed by all U.S. companies.

HOW FOREIGN MULTINATIONALS BENEFIT THE U.S. ECONOMY (2005 data)

Employment: Foreign MNCs employ 5 million Americans, supporting an annual payroll of $336 billion. Average compensation is $66,000, 32 percent above the average for the rest of the U.S. private sector.

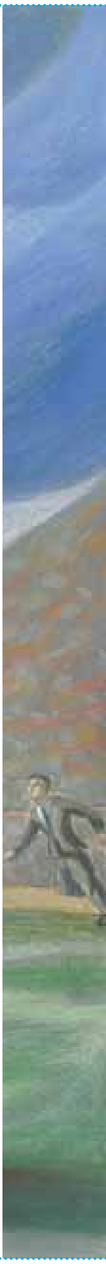
Manufacturing: Foreign MNCs employ U.S. workers in manufacturing jobs at a rate over 3.5 times greater than in the economy as a whole.

Reinvestment: Foreign MNCs reinvested $65 billion of their American earnings into their U.S. businesses.

Taxes: Foreign MNCs paid $30 billion in federal income taxes – 13 percent of the taxes paid by all U.S. corporations.

Research and development: Foreign MNCs performed $32 billion worth of R&D – 14 percent of the R&D by all U.S. companies.

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Matthew Slaughter, *How U.S. Multinational Companies Strengthen the U.S. Economy*, Business Roundtable and United States Council Foundation, spring 2009; Matthew Slaughter, *Insourcing Mergers & Acquisitions*, Organization for International Investment, December 2007.



in which deals have been rejected or abandoned because a proposed transaction involves an industry or brand the government wants to protect. In others it has meant reducing the ownership stake below what was originally sought or imposing limitations or obligations such as technology sharing.

- ***An increase in the number of targets that are owned by government, supported by government, or favored by government:*** In the past decade, the value and volume of cross-border deals have been boosted by policies that led to the privatization of many enterprises which, along with the opening of national markets, created new opportunities for foreign companies and funds to make acquisitions. The reversal of the trend could make it more difficult to find attractive targets that do not have government ties. This would not necessarily rule out acquisitions, but it would tend to make them more complicated.

- ***Tougher competition for certain acquisitions from rivals that have ties to governments:*** The difficulties that arise when another bidder emerges could be magnified because of the resources and political leverage that can come from government backing.
- ***More opposition from outside the government to certain acquisitions based on assertions that foreign ownership will frustrate the achievement of national goals, reduce international competitiveness, and compromise national security:*** The resistance may arise due to the state of the host country's political environment or undercurrents in the geopolitical realm. Opposition may also be roused, exacerbated or manipulated by unsympathetic players within the government, rivals with their eye on the same target, or competitors of the target who would prefer not to see its clout increased by the acquisition.

Even in national political systems characterized by strong central control, governments are prone to ambiguity and change as policy debates rage and personalities and interests vie for influence.

Allowing for surprises

Several factors make it difficult to forecast tomorrow's cross-border investment scene with specificity and confidence, however. Nassim Nicholas Taleb, professor at New York University's Polytechnic Institute and author of *The Black Swan: The Impact of the Highly Improbable*, observes that, thanks to the complexity of globalization and highly networked economic life, we need to learn to "navigate a world with fewer certainties."[7]

If it does turn out that there is a long-term trend in the direction of the government-led economic model and fiercer international competition, there will be much variation in how this looks both from one market to the next and over time. To say that on the whole governments could become more assertive at the national and global levels is no small thing for those engaged in cross-border investing, but it is not to suggest political systems and policies will coalesce around one or a few specific templates. There will always be differences that matter – the United States is not Canada, France is not Italy, China is not India, and so on.

Nor does an overall trend toward more government involvement in economic affairs imply a world of well-defined and durable policies. Even in national political systems characterized by strong central control, governments are prone to ambiguity and change as policy debates rage and personalities and interests vie for influence.

Obvious examples of this are to be found in debates around the world over what policies to adopt on the subject of climate change. Among those who favor dramatic action with substantial government direction there are competing schools of thought as to the best ways to put a price on carbon, reduce energy consumption, and encourage the commercialization of green technologies.

And once a piece of legislation or an international treaty is approved, the implementation process often morphs in ways that are hard to foresee both because of continuing political struggles and the law of unintended consequences. As one scholar has observed with respect to the way government's grand designs are subject to ongoing evolution and revision, "By itself, the passage of a reform act does not settle *anything*." (emphasis in original)[8]

Overall then, recent developments imply the cross-border deal environment is becoming more affected by the political process and the feedback loop between public opinion and government decisions. Yet how far the pendulum will swing and what conditions lie ahead are difficult to plan for due to the inherent unpredictability of politics at the national and international levels, the lingering effects of the recession, and the unusually uncertain economic outlook.

STEPPING UP TO NEW DEMANDS

The situation in the global marketplace calls for adjustments in how companies and funds approach cross-border investments. Firms that regularly make acquisitions are experienced in dealing with government. They have access to key decision makers and know the rules in areas such as governance, antitrust, taxation and industry regulation. They are accustomed to the challenges that arise when seeking approval for proposed deals. However, cross-border investments are becoming more complex and sensitive. This applies particularly to investments by state-controlled entities including sovereign wealth funds and state-owned enterprises. It is increasingly difficult to achieve successful cross-border investments without generating political controversy.[9]

Firms will need to be clear about their assumptions as to how government policy will affect their investments and anticipate circumstances that could help or hinder achievement of their strategic objectives. This is not to say firms are obliged to react to events as they occur. Executives can plan investments in ways that make provision for alternative outcomes while working to move policy in favorable directions. This has implications for the way cross-border investments are planned, managed and pursued.

Executive capabilities

Maintaining competitive advantage requires that the executives in charge of strategy and investments have a special set of skills. Our thesis is that the world is tilting toward a more politicized marketplace, but we also caution that much remains uncertain as to how events will play out, and we allow for the reality that the story will unfold differently in different national markets. Consequently executives directing cross-border investments will need to possess political as well as commercial expertise, and they will have to be able to cope with ambiguity and change.

More specifically, new conditions mean executives must excel at reading, anticipating and influencing the political process not only in their home country but in foreign markets where they do business. They must be adept at analyzing and articulating how the firm's strategy aligns with the agendas of multiple players. Moreover, success at cross-border investments will require an ability to understand the subtleties of complicated geopolitical relationships, such as those between the United States and Russia, Japan and China, and India and Iran. Because the new world order is a work in progress, executives must be able to anticipate shifting threats and opportunities, distinguish signals from noise, and manage risks. It may be helpful to augment internal resources with outside advisers who possess expertise in managing the dynamics at the intersection of government, business and finance.

Clear strategic imperatives

For some organizations it may be helpful to review and clarify strategic objectives. With the stakes rising, it is advisable to be certain about the firm's aims and the corresponding importance of various national markets. A precise definition can be useful when difficult questions arise about how much to commit in order to establish a position in a given location or to pull off a particular deal. One multinational has announced it will invest billions of dollars over the next several years in a developing nation where it has been seeking to expand with mixed results; commitments on that scale need a deep strategic justification.

Networks and relationships

Opening channels to political leaders abroad is a prerequisite, but not simply for the purpose of promoting a particular cross-border transaction. Intense campaigns when a deal is under review can be helpful, but more effective is building networks and cultivating relationships according to a sustained program that begins much earlier. A multinational recently made a major acquisition in a developing nation where other foreign investments in the same industry have been rebuffed. The company had grown into a significant player in that market after securing a foothold in the early 1980s. Over the intervening years the CEO had visited repeatedly. When the country was hit by a natural disaster he dispatched a deputy to review the situation there, highlighting the company's concern. The company subsequently was able to acquire a minority position in the target, improving its position for the takeover bid.

That type of attentiveness is increasingly important now because of the changes underway in the global marketplace. Maintaining communications with key people over time makes it easier to explain the firm's plans and actions and to gain insights into new developments. An executive of a foreign sovereign wealth fund recently visited several officials of a European government to discuss the country's new inbound foreign investment screening law. The rules didn't affect the type of investments his fund typically makes; his interest was in knowing more about the thinking behind them so he could better assess what factors might lead to future action that would apply.

The scope of the efforts required goes beyond the officials directly involved in investment decisions. The political ecosystem is broader than that. In many cases it is wise to include a wide range of political contacts in the legislature or parliament and at the state or provincial and local levels. Nongovernmental organizations also deserve notice. The broader the network, the greater the opportunities to anticipate and address issues concerning foreign investment in general or pertaining to a specific deal.

In major controversies over U.S. inbound investments, the objections typically arise not within the administration but in Congress or outside Washington. In a recent example, protests and petitions condemning the (ultimately successful) takeover of a U.S. consumer products company by a multinational based in a developing nation were spearheaded by the governor of the target company's home state.

Yale professor and former Clinton administration official Jeffrey Garten has said that, "Companies that establish deep local roots and show, by dint of example rather than empty rhetoric, that their strategies are aligned with the long-term goals of the host country stand the best chance of persevering."[10] He was referring to firms from developed nations doing business in emerging markets, but the observation applies equally to firms from developing nations investing in industrialized economies.

Influencing public opinion

Paying attention to the vicissitudes of public opinion is essential as well. Grassroots attitudes about jobs and national security can be the cause or effect of controversies over foreign investment. This is true even in nondemocratic countries, partly because of the Internet's growing importance. Building goodwill, evaluating the potential reaction to a transaction, and marshalling an effective response to adverse publicity are all increasingly crucial.

A positive example is the favorable local publicity that accompanied the March 2009 announcement by a European chemical company that it would build a new plant in Tennessee – the *Chattanooga Times Free Press* ran a story that linked that investment with three others in the past four years under the headline, "Region Swells with Investments from Overseas." The article included supportive quotes from the governor and the president of the Washington-based Organization for International Investment.[11]

The upside story on cross-border investment is one that companies can use to good advantage. Inbound and outbound investments confer substantial benefits – they create employment, stimulate R&D, generate tax revenues, and enhance competition.

Nevertheless, foreign investment is a volatile topic, and as noted, public opinion can be rallied against it. Twice in the past 18 months, opposition to proposed foreign acquisitions in a developing nation has been amplified by critical articles in the press and by negative postings on the Internet. In one case the source of some of the most strident Internet postings was the CEO of a company that competes with the target. In the other, a popular website announced a survey that showed the vast majority of the respondents didn't want to see a national brand taken over by a company based abroad.

Foreign investment reviews

Understanding foreign investment policies and review requirements is essential given the proliferation of new requirements in recent years and the potential for additional measures in the future. In the United States, foreign investment screening is done by the federal interagency group known as the Committee on Foreign Investment in the United States (CFIUS).

This aspect needs to be kept in perspective, however. CFIUS reviews investments only for national security purposes and not for reasons having to do with

INBOUND INVESTMENT REVIEWS

COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES

- The Committee on Foreign Investment in the United States (CFIUS) is a federal interagency body headed by the Secretary of the Treasury.
- The group's membership includes the heads of the following departments: Justice, Homeland Security, Commerce, Defense, State, and Energy. Also members are the U.S. Trade Representative and the Director of the Office of Science and Technology Policy. The Director of National Intelligence and the Secretary of Labor are *ex officio* CFIUS members. Other officials serve as observers and participate as required.

2007 CROSS-BORDER INVESTMENT REVIEWS

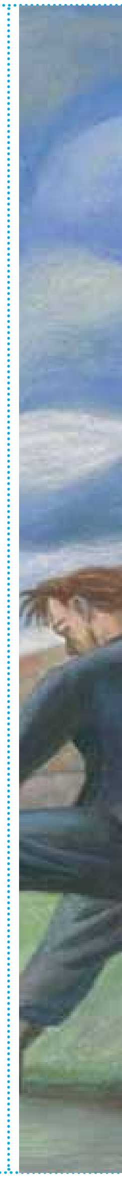
- CFIUS examination of inbound investments is increasing, but few deals have been withdrawn.
- In 2007, 138 notifications were filed regarding proposed transactions, up 112 percent over 2005.
- The 138 notifications filed in 2007 were 9 percent of all U.S. inbound transactions in 2007.
- Of the 138 deals that were subject to CFIUS review in 2007, 15 were withdrawn. Most of the withdrawals occurred prior to a formal investigation by CFIUS.
- Since 1988, only 23 notices have been withdrawn as a result of CFIUS investigations.

PUBLICLY DEBATED TRANSACTIONS

Dubai Ports World: In 2006, Dubai Ports World (DP World) sought approval for its acquisition of Peninsular and Oriental Steam Navigation Company (P&O). DP World is a government-owned entity based in the United Arab Emirates, and P&O was a UK-based operator of shipping facilities, including major US ports. CFIUS approved the transaction, but debate over it arose in Congress. DP World sold the US port operations to a U.S. company.

China National Offshore Oil Corporation: In 2005, China National Offshore Oil Corporation (CNOOC) offered to acquire Unocal. CNOOC, based in Hong Kong, is China's largest producer of offshore crude oil and natural gas. Unocal was a California-based U.S. oil producer. After the House of Representatives passed legislation that would have delayed the transaction, CNOOC chose not to pursue it. Chevron subsequently acquired Unocal.

Sources: Committee on Foreign Investment in the United States; Matthew Slaughter, *Global FDI Policy: Correcting a Protectionist Drift*, Council on Foreign Relations, June 2008



"national interests" or "national economic security." Thus many investments, including large ones, are not subject to foreign investment reviews. Only a fraction of U.S. cross-border deals fall into categories that require a CFIUS review, and, of those that are screened, the vast majority are approved as submitted.[12]

In the small percentage of cases in which measures are required to address concerns, it is often possible to craft solutions the prospective acquirer finds workable. When a European telecommunications supplier purchased a U.S. counterpart, issues involving intellectual property deemed important to U.S. national security were resolved by the separation of units engaged in providing services to government. Similarly, the acquisition of an Internet services firm by an Asian telecommunications company was approved based on an agreement to form a separate division staffed with U.S. citizens that responds to requests from U.S. law enforcement authorities. The challenge is to properly analyze how a particular transaction fits in the policy framework and how it can be positioned most effectively in light of the pertinent criteria.

Flexible transaction structures

Structuring the transaction is another topic that becomes more complicated in the circumstances now surrounding cross-border investments. The record is replete with examples of companies and funds that have changed their original plan from an outright acquisition to a partial ownership stake on pragmatic grounds due to government resistance or conditions they encountered as negotiations proceeded. However, there can be more substantive reasons for considering alternative structures.

For example, a multinational was moving to strengthen its presence in a region where it had been only a minor player. When the recession struck, a larger competitor in that market buckled, raising the question whether the company should make a bid for the rival with the aim of resuscitating it or using its facilities and distribution network as a better way to gain share. However, there were major uncertainties about whether customers in the market would buy from a foreign company, how much freedom to cut costs the government would permit, and whether legislation promoting green technology would pass, a development that would favor the company's products. Rather than try for an outright acquisition, the company took a minority position. The terms permit it to ratchet up its ownership level if things go well or exit with relatively limited cost if they do not. In effect the transaction represents a real option – an investment that confers the right but not the obligation to invest further.[13]

WHEN THE REFEREE JOINS THE GAME

The recession has intensified a shift toward more government involvement in economic affairs, and at the global level political leaders will maneuver to defend national interests and aspirations even as they continue to participate in multilateral parlays and institutions. The strategic challenges are formidable. More rigorous analysis and due diligence are required with respect to the government component of cross-border deal-making. Companies and funds will need to adjust their methods and broaden their perspective. In a complex and changing marketplace, effective cross-border investment will require more emphasis on political as well as commercial issues and astute anticipation rather than focusing only on current circumstances. This 360-degree approach offers a more complete picture of the relevant market dynamics and strategic options, raising the potential for making cross-border investments that are likely to avoid controversy in the short run and prove financially successful in the long run.

***Robert Kimmitt**, former deputy secretary of the U.S. Treasury, is independent chairman of the Deloitte Center for Cross-Border Investment.*

***Mark Garay**, Deloitte Tax LLP, is executive director of the Deloitte Center for Cross-Border Investment.*

***Dwight Allen**, Deloitte Services LP, is director of M&A studies for Deloitte Research.*

*The Deloitte Center for Cross-Border Investment promotes the business benefits and global economic opportunities resulting from the free international movement of capital. The Center was established in May 2009, with **Jerry Leamon**, Deloitte Touche Tohmatsu Managing Partner, Services and Mergers & Acquisitions, as executive sponsor.*

Endnotes

1. World Economic Forum, *The Global Competitiveness Report* 2009-2010, 2009
2. Roger Altman, "The Great Crash, 2008," *Foreign Affairs*, January/February 2009
3. Robert Kagan, *The Return of History and the End of Dreams* (Alfred A. Knopf, 2008)
4. Bill Emmott, *Rivals: How the Power Struggle Between China, India, and Japan Will Shape Our Next Decade* (Harcourt, 2008)
5. Michael Klare, *Rising Powers, Shrinking Planet: The New Geopolitics of Energy*, (Metropolitan Books, 2008)
6. Laurent Cohen-Tanugi, *The Shape of the World to Come: Charting the Geopolitics of a New Century* (Columbia University Press, 2008)
7. Nassim Nicholas Taleb, "Ten Principles for a Black-Swan Proof World," *Financial Times*, April 7, 2009
8. Erik Patashnik, *Reforms at Risk: What Happens After Major Policy Reforms Are Enacted*, (Princeton University Press, 2008)
9. Robert Kimmitt, "Public Footprints in Private Markets: Sovereign Wealth Funds and the World Economy," *Foreign Affairs*, January/February 2008
10. Jeffrey Garten, "Troubles Ahead in Emerging Markets," in *World View: Global Strategies for the New Economy*, Jeffrey Garten, editor (Harvard Business School Press, 2000)
11. Dave Flessner, "Region Swells with Investments from Overseas," *Chattanooga Times Free Press*, March 1, 2009
12. Only once has an investment been disallowed under this process, in 1990. See U.S. General Accounting Office Testimony, "The President's Decision to Order a Chinese Company's Divestiture of a Recently Acquired U.S. Aircraft Parts Manufacturer," March 19, 1990.
13. For more on the use of strategic options to manage strategic risk, see *Michael Raynor, The Strategy Paradox: Why Committing to Success Leads to Failure (and What to Do About It)* (Currency Doubleday, 2007)