

THE WALL STREET JOURNAL

December 9, 2013, 6:46 AM ET

The Morning Ledger: U.S. Losing Out on Foreign Investment

By David Hall

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The U.S. is losing ground in the battle for foreign investment. Of all the new foreign direct investment that flowed across borders last year, only 12% went to the U.S., [the WSJ's Brenda Cronin reports](#). Meanwhile developing economies attracted 52% of global FDI, for the first time eclipsing developed countries. By comparison, as recently as 2000, the U.S. attracted 22% of new global FDI. America's smaller slice "is a worrying indicator that our policy environment is...unattractive," said Matthew Slaughter, a professor at Dartmouth's Tuck School of Business. It also reflects that companies have "multiple opportunities around the world."

Developing economies have "gotten their acts together with rule of law, better-educated workforces, newer infrastructure," said Dan Ikenson of the Cato Institute, a libertarian Washington think tank. With the rest of the world "competing pretty ferociously" for investment, the U.S. can't be complacent, Mr. Ikenson said.

The U.S. could try to reverse the trend by focusing on what multinationals want, Cronin notes. In 2011, PricewaterhouseCoopers polled CFOs of U.S. subsidiaries of foreign companies and found that when deciding where to invest, companies' key considerations included workforce skills, the corporate-tax system and trade policy. "We're really not making any progress on all three of those," Mr. Slaughter said. Instead, there has been "stagnation."

THE WEEK AHEAD:

It's a big week for regulation. Five regulatory agencies are set to vote Tuesday on the [Volcker rule](#), while banks and business trade groups are gearing up to challenge it, [US Airways](#), [the WSJ reports](#). No one is expecting integration to go off without a hitch, and

there are signs of tensions. Flight-attendant unions have begun squabbling over which will represent the combined carrier's 24,000 cabin-crew members. And US Airways mechanics are vowing not to integrate with their peers at American until their own stalled contract talks are resolved. Still, the relative head start could remove much of the emotion and volatility that can hamper workforce integration and distract management from focusing on the myriad of other details of combining two large companies, said Gary Chaison, a labor professor at Clark University in Worcester, Mass.

BIS sounds alarm on PIK bonds. Record sales of high-yield payment-in-kind bonds are triggering uneasiness among international regulators, concerned investors may suffer losses when central banks tighten monetary policy, [Bloomberg reports](#). "Low interest rates on benchmark bonds have driven investors to search for yield by extending credit on progressively looser terms to firms in the riskier part of the spectrum," the Bank for International Settlements said in its quarterly review. "This can facilitate refinancing and keep troubled borrowers afloat. Its sustainability will no doubt be tested by the eventual normalisation of the monetary policy stance." [CFOJ's Vipal Monga reported last month](#) that the value of pay-in-kind toggle bonds sold to investors so far this year has already blown past the record set in 2007.

J.P. Morgan JPM +0.70% tracked business linked to China hiring. Federal authorities have obtained confidential documents that shed new light on **J.P. Morgan's** decision to hire the children of China's ruling elite, securing emails that show how the bank linked one prominent hire to "existing and potential business opportunities" from a Chinese government-run company, [the NYT reports](#). The documents, which also include spreadsheets that list the bank's "track record" for converting hires into business deals, offer the most detailed account yet of J.P. Morgan's "Sons and Daughters" hiring program, which has been at the center of a federal bribery investigation for months.

Business salutes WTO trade deal. Businesses are hailing a WTO trade deal to set common customs standards and ease the flow of goods through borders around the world, [the FT reports](#). The agreement requires the removal of obstacles such as mandatory customs brokers and sets up an international trade-facilitation committee to keep pushing for the streamlining of bureaucracy. **UPS** CEO Scott Davis said the deal was a "giant step forward for businesses large and small in expediting the movement of goods globally and reducing unnecessary paperwork." And **Wal-Mart** said the agreement would "significantly reduce the costs of customs clearances, logistics, border measures and other inefficiencies [and] enhance our ability to deliver the right product at the right time and price."

Before Amazon's drones come the robots. [Amazon.com AMZN -0.60%](#) received a lot of news coverage for its drone-delivery idea last week. But an immediate robotics effort under way in the retailer's warehouses could save the company more than \$900 million a year, [writes the WSJ's Greg Bensinger](#). Amazon's rollout of robots from a company it bought last year, Kiva Systems Inc., could help pare 20% to 40% off the \$3.50 to \$3.75 cost of fulfilling a typical order, said Shawn Milne, a Janney Capital Markets analyst.

The robots can shuttle shelves full of merchandise to warehouse workers, relieving the workers of having to dash throughout the warehouse.

ECONOMY:

Clock ticks on budget deal. A Congress stymied by partisan divides, blown deadlines and intraparty squabbling gets a late chance this week to end the year with an elusive budget deal and to make headway on other fronts, [the Journal's Kristina Peterson and Michael R. Crittenden write](#). In the final week of 2013 that the Senate and House are scheduled to be in Washington at the same time, lawmakers and aides are optimistic that negotiators can reach a budget accord and continue to make progress on a farm bill and other measures. "Negotiations are making progress, moving in the right direction," Sen. Dick Durbin of Illinois, the No. 2 Democrat in the Senate, said Sunday.

Tapering not expected until next year. Fed officials see little harm in postponing the decision to scale back its bond-buying campaign, particularly compared with the risks of pulling back too soon, [the NYT reports](#). "Everything else equal, I would like to see a couple of months of good numbers," Charles L. Evans, president of the Federal Reserve Bank of Chicago, told Reuters on Friday, referring to the relatively strong jobs numbers in November. Mr. Evans added that he was "certainly nervous" about the sluggish pace of inflation. [As Quartz notes](#), the Fed's favorite measure of inflation, the latest core price index used in the personal consumption expenditures report showed prices in October up just 1.1% from a year earlier—off from September's 1.2% pace and well below the Fed's target of 2%.

CFO MOVES:

Fusion-io, a flash-memory-technology firm based in Salt Lake City, named Theodore Hull finance chief. He succeeds Dennis Wolf, who resigned at the beginning of November after roughly three years with the company in order to pursue a career with a private company. Mr. Hull was most recently vice president of finance with networking-equipment maker Cisco Systems. At Fusion-io he will receive a base salary of \$350,000, a \$125,000 one-time payment, 120,000 restricted shares and options to buy 240,000 shares.

TransCentra, a closely held billing- and payments-outsourcing company based in Norcross, Ga., said it hired Mike McCloskey to be its CFO. He most recently was CFO of closely held Parkmobile USA Inc., a mobile-payments-technology company focused on the for-pay-parking sector. A spokeswoman couldn't immediately comment on his compensation arrangements or disclose his predecessor.