Increased Scrutiny of Foreign Investors Backed

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WASHINGTON, May 8 — Democrats on a House panel expressed support today for legislation that would provide greater scrutiny of foreign investments in the United States, but Administration officials warned that the bill would discourage needed foreign funds.

The Democrats said that nobody knew the full extent of foreign investments in the United States — who was investing, where, how much or why. They said they feared that increased foreign investments, which have doubled in the last five years to nearly $1 trillion, would lead to a loss of economic and political independence.

Their views were expressed at a hearing of the Energy and Commerce Committee's Subcommittee on Telecommunications, Consumer Protection and Finance.

The panel's Republicans made brief appearances at the hearing, but expressed no views on the legislation, which would stiffen the reporting requirements for foreign investors and force public disclosure of the ultimate beneficial owner of major foreign holdings in the United States.

Representative John W. Bryant, Democrat of Texas, and chief sponsor of the bill, said, "As ownership of our economic assets is transferred overseas, so is the power to make decisions affecting the independence and prosperity of Americans."

'Hole in the Wall'

Representative Edward J. Markey, a Massachusetts Democrat, said that because of lax regulation of foreign investment, the former Philippine President, Ferdinand Marcos, had used the United States as his private "hole in the wall."

Mr. Markey asserted that Mr. Marcos might have stashed hundreds of millions of dollars in the United States, some of which might have originated as American foreign aid.

Representative Timothy E. Wirth, Democrat of Colorado, the subcommittee's chairman, said that the surge in foreign investments "suggests that adequate, timely and readily available information will be needed to insure adequate analysis in the decision-making process."

Representative James H. Scheuer, a New York Democrat, said: "Congress is being denied information on the degree to which major foreign holders of U.S. securities could destabilize our economy, and turn our financial markets and banking systems topsy-turvy."

Mr. Scheuer said that Sheik Ahmed Zaki Yamani, the Saudi Arabian oil minister, had once threatened to "destabilize" the American economy if Congress rejected an arms sale.

But Robert Ortner, the Commerce Department's chief economist, responded that "in my opinion, it was an empty threat."

'Good for the Economy'

Mr. Ortner, appearing before the panel, stated: "Foreign direct investment in the U.S. is good for the economy and should be encouraged. As a result of such investment, the U.S. gains new factories and jobs, improved technology, better management techniques and generally better products."

Similarly, Stephen J. Canner, director of the Treasury Department's Office of International Investment, told the subcommittee that the Government already had "comprehensive and adequate" information concerning foreign investment.

He stated: "It is Treasury's view that the costs of this bill clearly outweigh any benefits that may be intended. Registering foreign investments would discourage future investments and cause existing investments to be reconsidered."

A Different View

A third Administration official, Richard N. Perle, takes a different view. Mr. Perle was scheduled to testify, but failed to appear because, he said, he wanted to consult both the Treasury and Commerce Departments, with which he disagreed.

Mr. Perle, Assistant Secretary of Defense for International Security Policy, said in an interview that he [illegible]