

Foreign Investment in the U.S. A National Security Risk That Must Be Contained?

By Katja Kleinberg

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In December 2023, U.S. Steel announced that it had agreed to be taken over by Japan's largest steelmaker, Nippon Steel. The deal has attracted significant attention from policymakers, who continue to express concern about its [implications for U.S. national security](#).

Such worries about foreign direct investment (FDI) are nothing new. For decades, policymakers have raised alarm over foreign companies buying (or merging with) enterprises in the United States. A prominent example is the eventually aborted 2006 takeover of six U.S. port facilities by Dubai Ports World (DP World), a United Arab Emirates (UAE)-owned company. Although operation of the ports was already in foreign hands, specifically the British-owned Peninsular and Oriental Steam Navigation Company (P&O), the prospect of having vital U.S. infrastructure operated by an Arab company generated [sufficient public outcry to doom the deal](#).

In 2018, the U.S. Congress enacted a comprehensive overhaul of the Committee on Foreign Investment in the United States (CFIUS), which is tasked with reviewing the national security implications of foreign direct investment in the U.S. economy. The legislation significantly expanded the range of inward investments that are subject to congressional scrutiny, including real estate, critical technology, and any ventures in which a foreign government has a substantial interest ([Congressional Research Service 2020](#)). The legislation takes aim at one source of inward investment in particular—the People's Republic of China and its [efforts to acquire U.S. technologies](#) through private and semi-private investments in U.S. companies.

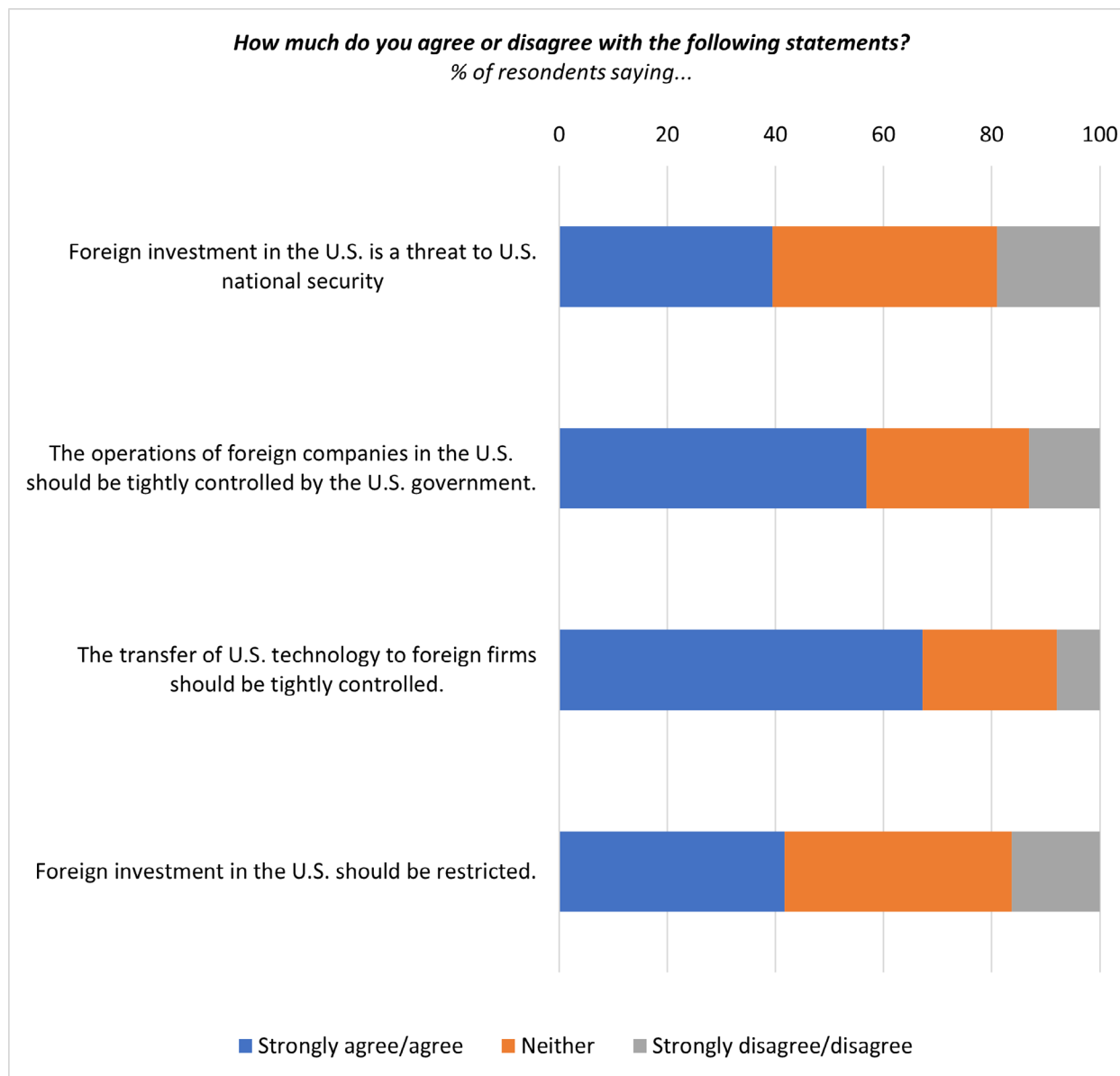
To what extent are Americans concerned about foreign investments in the U.S. economy and what, if any, restrictions do they support? In November 2023, we asked a representative sample of Americans about their views.

Risk Perceptions and Need for Restrictions

Only 39% of respondents in our sample see foreign investment in the U.S. as a threat to national security, and only 14% strongly agree with the statement. Similarly, fewer than half of respondents (42%) feel that such investment should be restricted.

At the same time, respondents for the most part did not believe that foreign investment should be completely free from government oversight. A majority (57%) of respondents agree that the operations of foreign companies in the U.S. should be tightly controlled by the U.S. government. An even larger proportion of respondents appears to share policymakers' concerns about the transfer of U.S. technology to foreign companies. Two thirds of respondents (67%) agree that such activity should be tightly controlled.

Figure 1.



An Age Gap in Attitudes toward Inward FDI

Risk perceptions and demand for restrictions differ significantly across our respondents. One of the most striking divisions is age. Among our respondents, young people (aged 18–29) express the least concern and least support for government intervention. Only 21% agree that foreign investment is a threat to U.S. national security, compared to 28% for respondents aged 30–44, 42% for respondents aged 45–59, and 58% of respondents aged 60 or older. Only a minority of young people support government controls over technology transfers (46%) and the activities of foreign companies more broadly (43%), compared to sizable majorities of those 45 years and older.

Figure 2. % of Respondents Strongly Agree/Agree



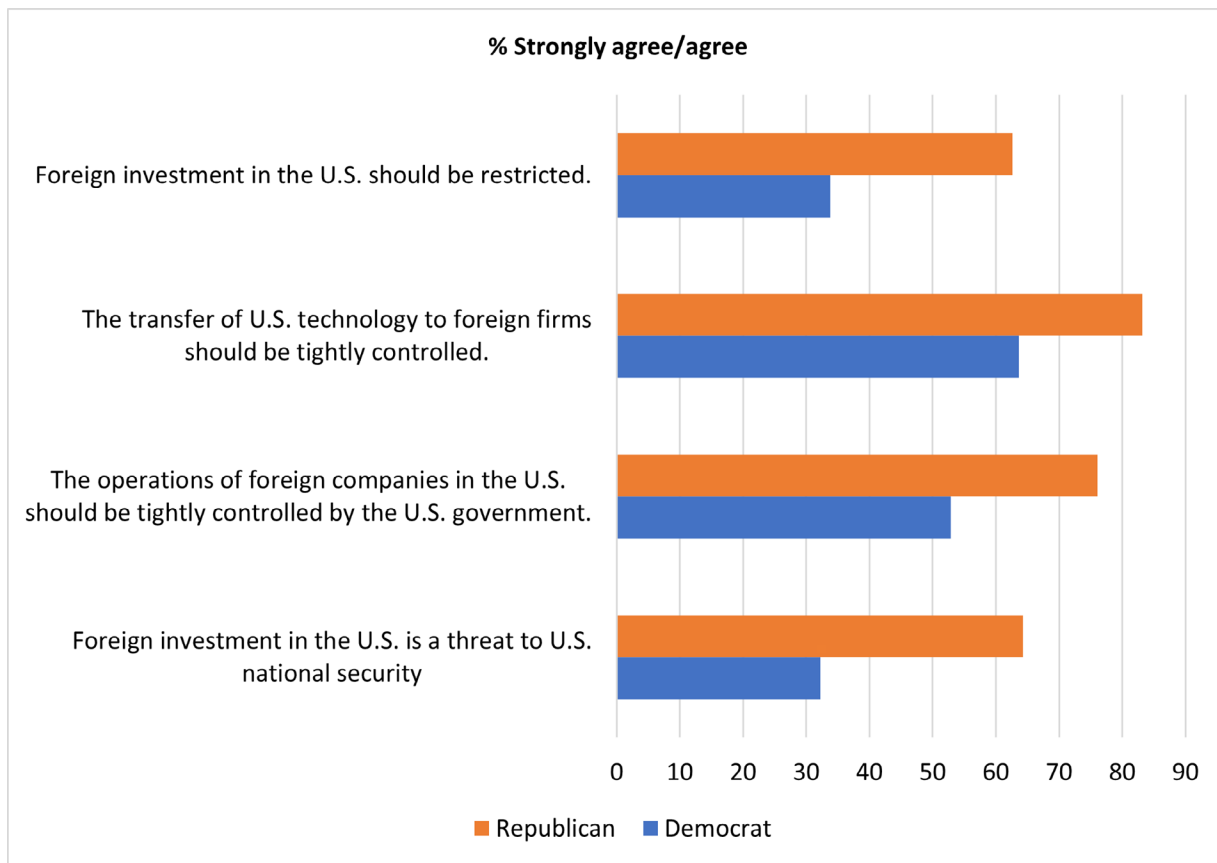
These differences mirror similar age cleavages found in Americans' attitudes toward regulating specific foreign-owned technologies, such as [TikTok](#).

Political Polarization over Bipartisan Policy?

Efforts to restrict inward investment have bipartisan appeal among policymakers. Both the Biden administration and the Trump administration have sought to limit the activities and influence of foreign companies. Nevertheless, the American public appears divided on the issue along partisan lines.

Figure 3. Differences across Party

(Democrats and Republicans only, Independents omitted)



Majorities of self-identified Republicans in the sample agree that foreign investment is a national security threat (64%) and should be restricted (63%), compared to around a third (32% and 34%, respectively) of self-identified Democrats. We also find that support for tight controls on firm activities and technology transfers is substantially higher among Republicans (76% and 83%, respectively) than among Democrats (53% and 64%, respectively), though majorities of both agree that such restrictions are desirable.

Whether national security concerns will become an obstacle for Nippon Steel’s takeover of U.S. Steel remains to be seen. Even if this deal eventually passes CFIUS review, other foreign investments in the U.S. are likely to face increasing scrutiny from policymakers and the American public alike. This will be true especially if the November 2024 elections return a Republican congressional majority and President.

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