

DIRECT SELECT CHINESE FDI TO BUILD AMERICAN FACTORIES

<p>ISSUE</p>	<p>Chinese foreign direct investment (FDI) in the United States has declined substantially amid heightened tensions and tighter regulatory scrutiny, with greenfield investments representing only a small portion of overall Chinese FDI. President-elect Trump floated the idea of inviting more Chinese investment into the United States, provided it leads to new U.S. factories, creates jobs, and does not threaten national security. Any such policy must be implemented incrementally and carefully to align with U.S. economic and national security interests. Investments must comply with federal and state laws, including restrictions on locations near sensitive areas such as military installations, critical infrastructure, and farmland.</p>
<p>SIGNIFICANCE</p>	<p>Carefully managed Chinese greenfield FDI could create jobs, foster innovation, and strengthen U.S. competitiveness by providing capital and know-how. Historical precedents, such as Japanese FDI in the U.S. auto sector, illustrate how foreign investment can reduce economic friction and strengthen manufacturing capacity. However, China's status as a strategic competitor—not a treaty ally—limits this comparison. China's overseas investments, driven by domestic challenges and efforts to globalize production, present an opportunity to selectively invite greenfield projects in nonstrategic sectors to enhance U.S. manufacturing, technology, and infrastructure. Such investments should be conditioned on training American workers, using U.S.-made components and machinery, sharing intellectual property and know-how, establishing joint ventures with U.S. firms, and building strict firewalls in sensitive areas such as data security.</p>
<p>EXPECTATIONS IN THE REGION</p>	<p>Many Indo-Pacific countries welcome Chinese investment for economic growth, job creation, and to move up the value chain. Given their extensive trade ties with China, these countries are concerned about an escalation in U.S.-China tensions. U.S. efforts to accept select Chinese FDI could alleviate concerns about trade wars and economic decoupling.</p>
<p>DOMESTIC CONSTRAINTS/ CONSIDERATIONS</p>	<p>There are bipartisan concerns about Chinese investments, particularly in sensitive areas like defense technology and critical infrastructure. Existing restrictions and CFIUS processes help mitigate risks but may require enhancement to address greenfield investments. Balancing economic benefits with national security risks requires a transparent, stringent screening process to build congressional and public trust.</p>
<p>RECOMMENDED COURSE OF ACTION</p>	<p>President-elect Trump's idea to encourage select Chinese greenfield investments should be explored and implemented incrementally, starting with a few investments in sectors like industrial machinery and consumer goods. The CFIUS committee should develop additional safeguards to screen investments and ensure benefits are maximized without compromising sovereignty, the economy, or national security.</p>