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Latest Status of the U.S. Investment Environment

Investment Screening for the US Expected to Become Stricter

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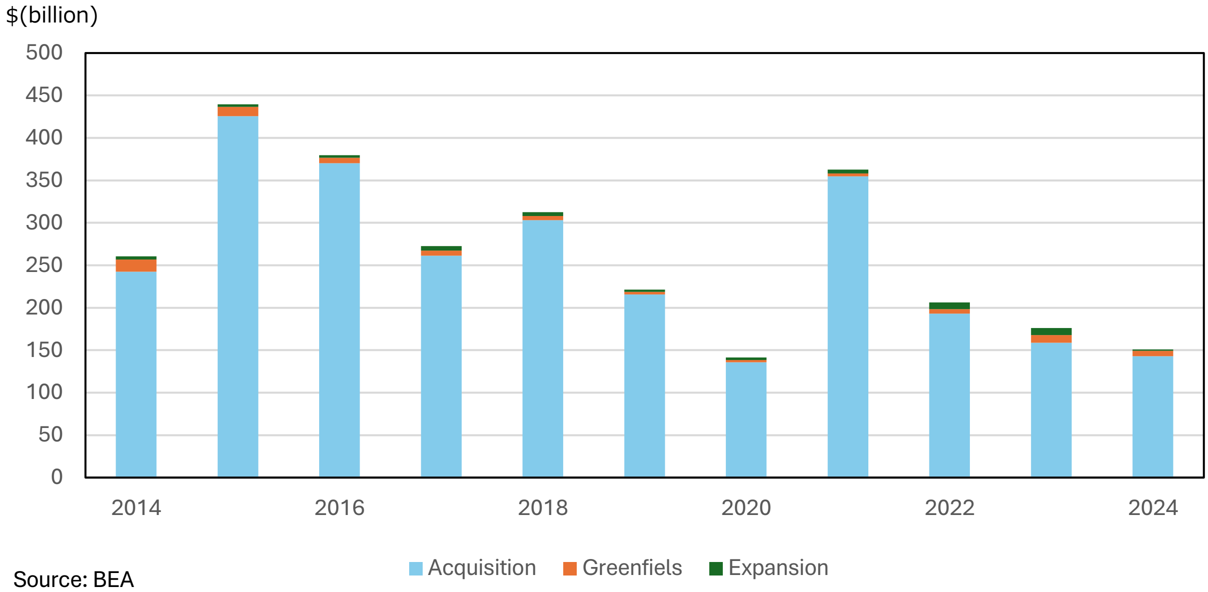
- New foreign investment in the United States has declined for three consecutive years. In 2024, it is expected to reach $151 billion, the second lowest level after the COVID-19 pandemic of 2020. However, from 2022 onwards, greenfield investment in the semiconductor industry and other areas is expected to remain at a high level.
- The Committee on Foreign Investment in the United States (CFIUS) has been tightening its screening process since changes were made to the system in 2018. The number of cases where companies have withdrawn their filings after they have been filed is increasing.
- The "America First Investment Policy" announced by the Trump administration includes the expansion and tightening of CFIUS reviews, with movements such as adding the Secretary of Agriculture as a permanent member of CFIUS specifically concerning farmland acquisitions. Additionally, bills have already been submitted to Congress for further regulation of investments from and into China, as well as including greenfield investments under CFIUS review. On the other hand, regarding the "fast track" to promote investment in the U.S., the U.S. Department of the Treasury has announced the start of a pilot program, but details have not yet been disclosed.

It has been six months since the second Trump administration took office. During this time, various developments have occurred, including investment plans announced by many domestic and foreign companies in the United States. These plans might be a result of the Trump administration's tariff policies aimed at bringing manufacturing back home and creating jobs, as well as the firm U.S. economy. But will these plans truly be implemented? The Trump administration's policies, starting with tariffs, remain uncertain, and changes in the investment environment are expected. Based on an analysis of the latest investment statistics and the Trump administration's policies to date, I will analyze the future investment environment in the United States.

Investment in the United States Declines for Three Consecutive Years

According to statistics released by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) in July 2025, the amount of foreign investment in the U.S. (cost basis) in 2024 was $151 billion, a 15% decrease from the previous year, marking the third consecutive year of year-on-year decline since 2022. While it is necessary to discount the rebound from the previous year's COVID-19 pandemic in 2021, considering that the average amount over the five years from 2015 to 2019 was $325 billion per year, it can be seen that foreign investment in the U.S. is on a declining trend. Looking at the forms of investment, most foreign investment in the U.S. takes the form of acquisitions, but following the enactment of the Inflation Reduction Act and the CHIPS Plus Act in 2022, greenfield investment in 2023 increased to $9 billion, the highest since 2016. In 2024, it remained at $6.3 billion, the second-highest level since 2016 (Chart 1). Among the published data, relatively large greenfield investments were made in the electronics industry amounting to $2.7 billion in 2023, and in the management, scientific, and technical consulting industry amounting to $1.6 billion in 2024.

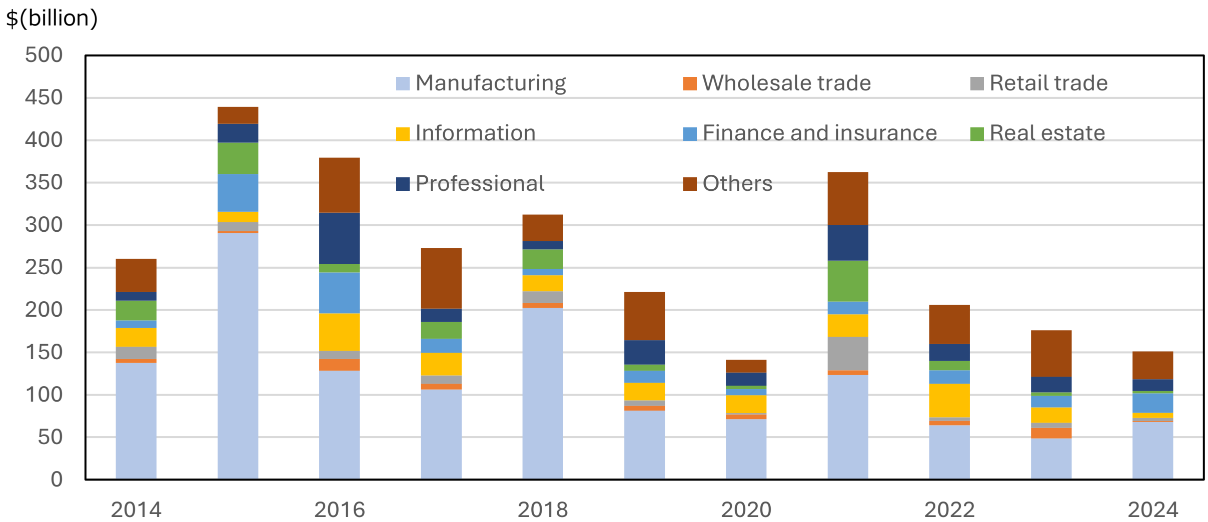
Figure 1: New Foreign Investment in the United States (by type of investment)



Source: BEA

By industry, the largest share of foreign investment in the United States is in manufacturing (68 billion dollars in 2024, accounting for 40% of the total), with the pharmaceutical industry traditionally having a high proportion within that sector (22.1 billion dollars, about 14%). Until 2021, the proportion of electronics such as computers was also high, but in 2024 metal processing increased significantly to over 10 billion dollars. Outside of manufacturing, finance such as insurance (23.2 billion dollars, about 15%) and utilities (16 billion dollars, about 10%) have been growing in recent years (Chart 2).

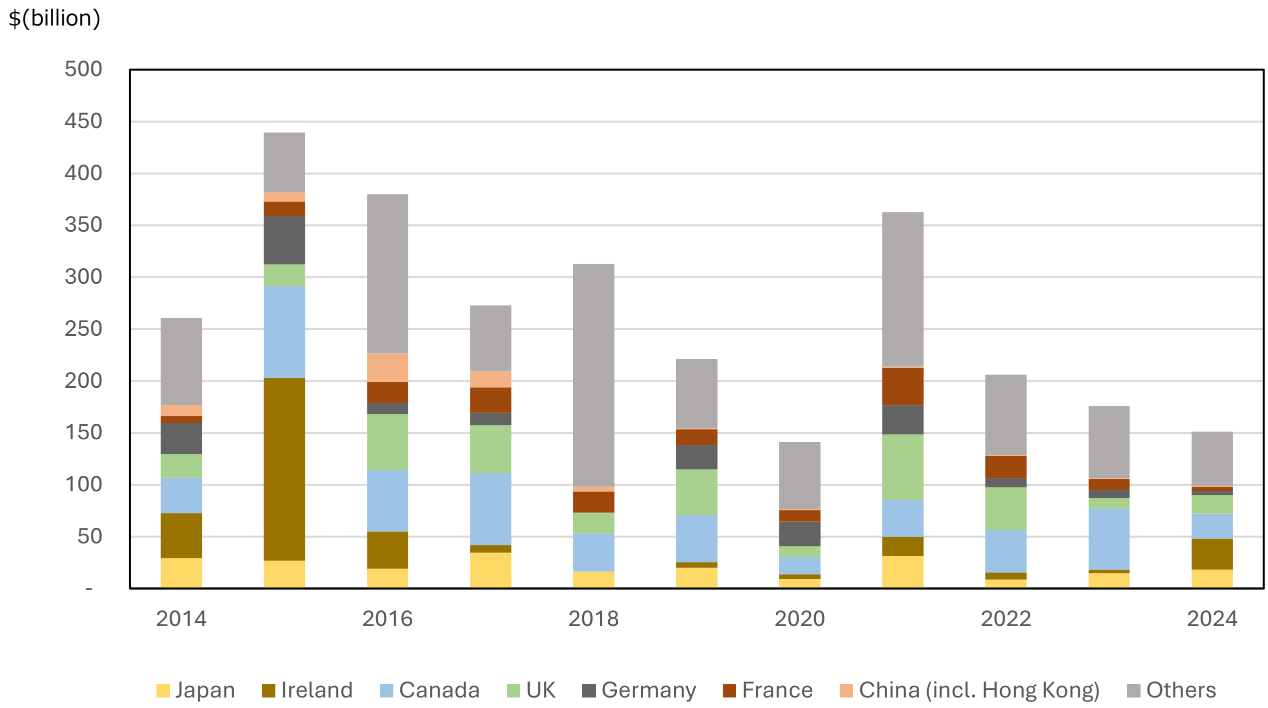
Figure 2: New Foreign Investment in the United States (by industry)



Source: BEA

Looking at it by country, investments in the U.S. from Japan and Canada have relatively little fluctuation, but investments from European countries such as the UK, France, and Germany show a declining trend (Chart 3). This may be influenced by economic softening in Europe and policies to strengthen investment within the region (the significant increase in investment from Ireland around 2015 was greatly affected by investments from U.S. companies that relocated their headquarters to that country for tax purposes).

Figure 3: New Foreign Investment in the United States (by country)



Source : BEA As the investments from Germany and Ireland in 2018 was undisclosed, these amount was included in others.

Another notable point is the significant decrease in investment from China (including Hong Kong), which accounted for a certain proportion until around 2017. The amount of Chinese (including Hong Kong) foreign investment in the U.S. exceeded $10 billion annually between 2014 and 2017, at one point surpassing the amount of investment from Japan. However, it then rapidly declined, falling to $600 million in 2024[1]. The background to this is the U.S. investment regulatory reforms during the first term of the Trump administration, as well as the effects of sanctions on major Chinese telecommunications companies such as Huawei and ZTE. Companies subject to sanctions are effectively barred from investing in the U.S., and even for those not targeted, it is likely that other Chinese companies assess the risks of investing in the U.S. as high. Furthermore, during the Biden administration, the clean vehicle tax credit program instituted provisions to exclude influence from the Chinese government and companies (the so-called "foreign entities of concern" provision), aiming to curb the expansion of Chinese firms into the U.S. clean vehicle manufacturing supply chain. During the second term of the Trump administration, these provisions

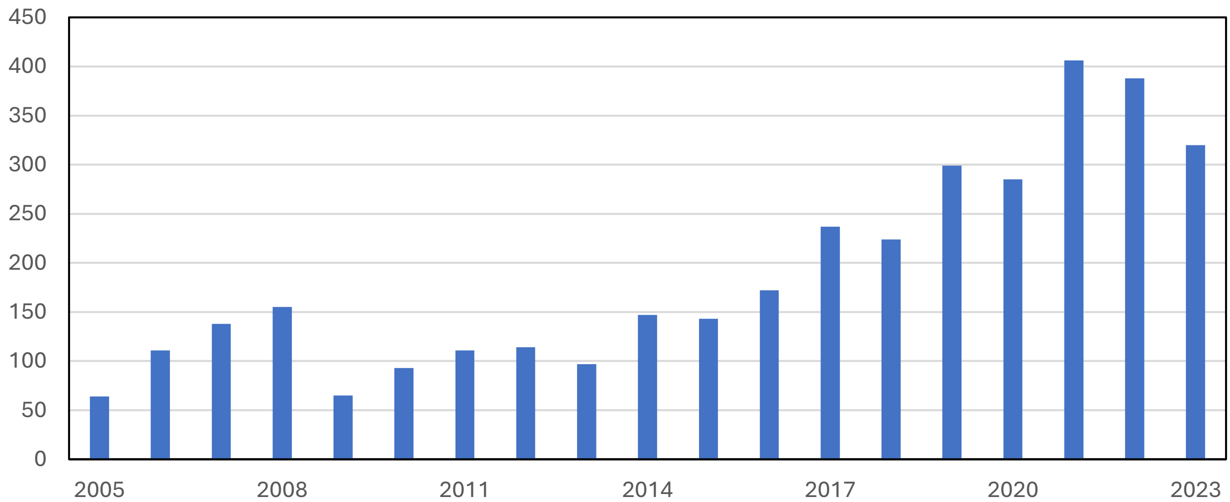
[1] According to the data from BEA, which might have a discrepancy with the data from China.

were further expanded so that merely receiving licenses or raw materials from certain Chinese companies would disqualify tax credit eligibility, and the applicable areas extended from clean vehicles to renewable energy and advanced manufacturing sectors. Also, cases such as the short video site TikTok being forced by the U.S. government to ban use or sell have likely caused a chilling effect on Chinese companies to hesitate in investing in the U.S. According to a report, the Chinese government also appears to restrict its own companies' investments in the U.S. More recently, the Secretary of Agriculture has indicated a ban on the sale of farmland to individuals and entities of hostile nationalities, including China.
Additionally, in 2025, foreign direct investment in the U.S. on a balance of payments basis reached $52.8 billion (seasonally adjusted) in the first quarter, the lowest level in two years.

Investment Review Reform and Lack of Transparency in Review Management

The decline in foreign investment in the United States may also be attributed to changes in the U.S. investment review and environment. The Foreign Investment Risk Review Modernization Act (FIRRMA), enacted in 2018 during the first term of the Trump administration, expanded the scope of CFIUS review to include transactions that do not involve control when they involve U.S. companies with critical infrastructure, sensitive technologies, or vast amounts of personal data. Furthermore, if sensitive technologies are involved, filings became mandatory (previously, transactions without control were excluded from review and all filings were voluntary). Additionally, a system distinguishing between simplified declarations and full notices was introduced. Depending on the investment structure, some cases may be completed with only a simplified declaration, while others may require filing a full notice after a simplified declaration at CFIUS's request. Rules were also strengthened to investigate transactions that are not voluntarily filed and encourage filings if deemed necessary. Possibly due to the impact of FIRRMA, the number of filings has been on the rise since 2018 (see Chart 4).

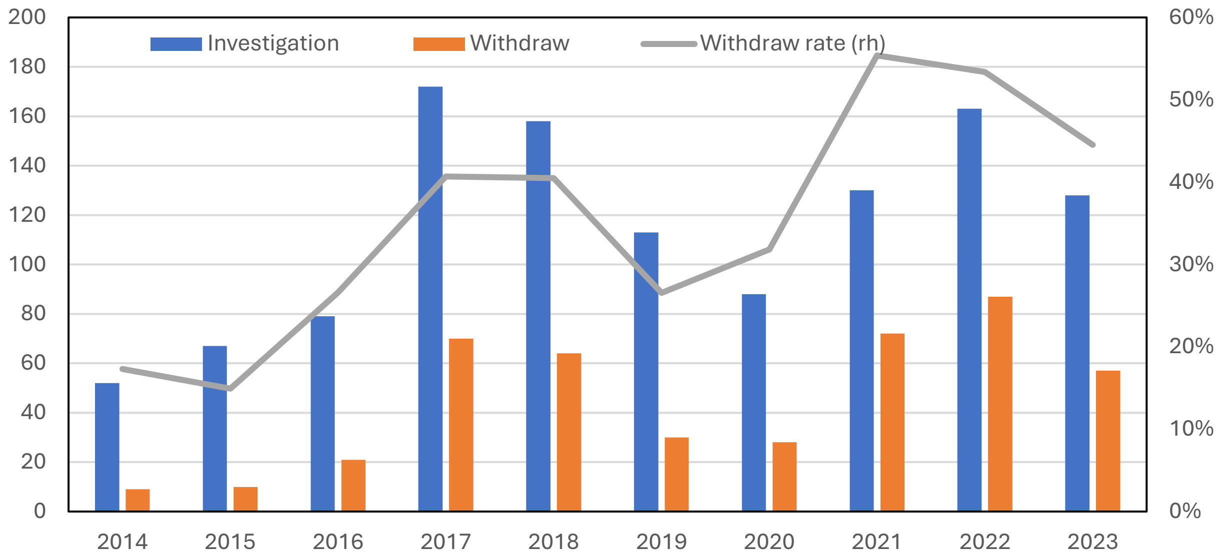
Figure 4: Trends in the Number of CFIUS Filings



Source : U.S. Treasury CFIUS Annual Report
The number 2018 afterword is a sum of all declartions and notices eiminating that of notices required by CFIUS after declartion.

One factor for the increase in the number of filings may be the stricter reviews under FIRRMA and the introduction of simplified applications. However, it can also be said that the United States, which was among the first in the world to recover from the COVID-19 pandemic and has maintained a strong economy, is an attractive investment target compared to other regions. So why are foreign investments in the U.S. shrinking? Figure 5 shows the number of investigations[2] conducted after filings and the number and proportion of filings withdrawn during the investigation period. As the figure indicates, since 2016, the withdrawal rate has risen from 20% to temporarily exceed 50%, reaching a high level. The reasons for withdrawal of filings have not been disclosed, so it is unnecessary that all withdrawals are due to failure to pass CFIUS review. However, the increase in the withdrawal rate suggests that cases where companies filed believing there would be no issues in the review but later find that passing the review is unlikely are increasing. In other words, besides the FIRRMA-related changes to the CFIUS review, it is possible that the standards for the review itself have become stricter than before.

Figure 5: Number of CFIUS Investigations and Withdrawals



Source : U.S. Treasury CFIUS Annual report

Changes in Investment Regulations in the U.S. under the Second Trump Administration

Now, I would like to consider how regulations on investment in the United States will further change in the future. On February 21, 2025, one month after the inauguration of his second administration, President Trump announced the "America First Investment Policy (hereinafter, AFIP)", which sets the direction for future reforms of investment regulations in the U.S. (Figure 6). In AFIP, the Trump administration states that it "commits to maintaining a strong and open investment environment that contributes to the U.S. economy and the American people," while also declaring that it will "strengthen the ability to protect the United States from new and increasing threats associated with foreign investment." China is specifically named, emphasizing the need to protect important U.S. infrastructure and technology from that country. To this end, the policy aims to restrict investment by Chinese

[2] After a submission of notice, CFIUS conducts a review for 45 days at maximum. Furthermore, the committee conduct an investigation if needed.

companies in key sectors and the purchase of agricultural land, expand the review to include greenfield investments, and in cases of investment from third countries other than China, consider how those third-country governments regulate investment from China or other hostile nations. Thus, the policy could affect all foreign investment, including those from Japan. Meanwhile, the Department of Agriculture has already announced an action plan to restrict agricultural land purchases, and Congress has already submitted bills to regulate foreign investment in countries like China and to expand the scope of CFIUS review.

On the other hand, AFIP also includes a few investment promotion measures. One of them is the establishment of a "fast-track" system limited to certain allied countries and sectors; the Treasury Department issued a notice of launching a pilot program on May 8. However, details have not been made public as of the time of writing this report, so it is not possible to evaluate how much investment promotion effect it will have.

Figure 6: AFIP and Its Impact

AFIP Content		(Expected) Impact
Targeting hostile nations such as China	China restricts investment in critical sectors (critical infrastructure, healthcare, agriculture, energy, materials, etc.)	Declining Chinese investment in the US
	Protection of real estate and agriculture near important facilities	USDA announced the action plan. The Congress also submitted a law to make USDA secretary as permanent CFIUS member.
	Restrictions on Americans' investment in China	Legislation for restriction on outbound investment has been accelerated.
	Consideration of abolishing the US-China tax treaty	The administration may be cautious in considering the proposal because it would have a major impact on both the U.S. and China.
	Tighter audits of listed foreign companies	Chinese companies' US listings and fundraising slowdown
	Restrictions on access to pension funds of hostile foreign companies	
Targeting the whole world	Considering the level of restrictions on China by third countries	Countries tighten restrictions on inward investment into China
	Expanding CFIUS Review Authority to Greenfields	The Senate has passed the law to expand the CFIUS authorities.
	Termination of application of "mitigation agreements" to reduce security risks	If relief measures are not applied, there is a possibility that cases of investment withdrawal will increase.
Investment promotion	Establishment of a fast track in certain allied countries and investment areas	※ The U.S. Treasury has launched a pilot program on May 8th (but the detail is not unclear)
	Facilitating environmental assessments for investments of $1 billion or more	Increase investment in sectors that require time for environmental assessment

Sources: Compiled by the Washington Office based on information from the White House, the U.S. Treasury Department, and federal lawmakers' web pages

Uncertainty: the Double-Edged Sword of Deals

President Trump is attempting to leverage unpredictable tariff policies in trade negotiations with other countries. This unpredictability and uncertainty function effectively in the negotiations themselves, and as the president asserts, to avoid uncertainty surrounding tariffs, there may be an active movement to further expand supply chains within the United States. The fact that the participant number for the U.S. investment event "SelectUSA" held in May 2025 exceeded a record high of 5,500 reflects a strong interest in the U.S. investment environment. There is also the idea that high tariffs on imports act as significant entry barriers, benefiting investments.[3]

However, the tariff policy itself is highly fluid, and it is not easy to gauge the certainty of the benefits of building manufacturing bases and supply networks within the United States. It is almost impossible to procure all necessary raw materials domestically, and if there is even slight dependence on imports, there is a risk of tariffs on those imported goods. Even if the investment decision is made, it is necessary to pass the increasingly stringent CFIUS review as mentioned above. This involves not only pure national security risks but also political risks, as revealed by the recent acquisition of US Steel by Nippon Steel. Additionally, the recently enacted Fiscal Reconciliation Act (OBBBA) has significantly altered the tax credit system for renewable energy and clean vehicles established by the previous Biden administration's Inflation Reduction Act (IRA), reinforcing the recognition that the investment environment, including the tax system, in the US is strongly influenced by politics. Although ultimately averted, proposals like Section 899, a punitive tax system targeting foreign companies, may still arise in the future. A portfolio manager of one of Europe's largest asset management firms stated, "The US may no longer offer the reliable investment runway it did just months ago".

The United States, with a population of over 330 million that continues to grow at an annual rate of about 1%, remains one of the most attractive investment destinations as an advanced country characterized by strong consumption, abundant resources, and continuous innovation. Additionally, the recent fiscal adjustment law includes expanded bonus depreciation measures for corporations, providing short-term incentives. In the long term, as long as interventionist protectionism like the New Right and efforts to eliminate threats such as China from supply chains continue, the U.S. policy emphasizing the return of manufacturing industries domestically is likely to persist even after Trump.[4]

However, the demand for reshoring manufacturing and the acceptance of foreign capital are never seen as the same. As seen in Nippon Steel's acquisition of US Steel, there may continue to be political expansion of the sentiment that American companies do not welcome being acquired by foreign capital. The importance of scrutinizing political and geopolitical risks in investment in the United States will likely increase further in the future.

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[3] In a survey conducted by the Japan External Trade Organization (JETRO) in April 2025, a little over 10% of respondents answered that, as a countermeasure to additional tariff measures, they were increasing local production within the United States (shifting from exports) or increasing local procurement within the United States.

[4] The details on the principles of the "New Right," please refer to the Washington Office Report "The New Conservative 'New Right' in the United States" (Parts 1, 2, and 3).

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