

The Way the U.S. Balances Ideology and National Interest in Foreign Policy from the Perspective of Encouraging and Restricting Foreign Investment

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Abstract: In recent years, the US has imposed a series of initiatives such as high tariffs on China and even its Western allies, etc. Especially in 2018, the US introduced the Foreign Investment Risk Review Modernization Act, which further strengthened the security review of foreign investment, resulting in non-US companies with advantages being restricted from investing in the US. This paper argues that whether the US encourages or restricts local investment by companies from different countries is still a direct reflection of its foreign policy towards different countries, which has always oscillated between idealism and realism. Whether or not to pursue the ideological attitude of foreign investment, mainly depends on its security and economic goals, values of the goal of maximizing the interests of the integrated consideration, and its pursuit of strategic interests is above the pursuit of ideological goals. This paper will cite decades of U.S. treatment of investment enterprises in different countries, as well as whether the technological level of different enterprises let the U.S. feel the pressure of specific cases to analyze how the U.S. balance of ideology and national interests. Therefore, the consistency and conflict between foreign investment and U.S. national interests determine the realist position of the U.S. in the security review of foreign investment, i.e., to maximize U.S. national interests by seeking to obtain a balance between national interests and the transmission of ideology in the review.

Keywords: International political economy, U.S. national interests, U.S. attitudes on foreign investment, U.S. ideology, Foreign Policy.

1. Introduction

The US, which used to be an active advocate of free trade and investment, has witnessed the emergence of an “anti-globalization” trend. The recent foreign trade policy of the US has been characterized by strong protectionism against foreign investment (especially China) and free trade. The introduction of FIRRMA also shows the accelerating pan-securitization posture of the US towards Chinese tech investments in the US. This restriction on Chinese companies investing in the US is motivated by the US desire to maintain state secrets from being stolen by other countries as well as to protect the US industrial chain and technological superiority. However, after the China-EU Comprehensive Agreement On Investment was signed in 2020, then US Deputy National Security Advisor Matt Pottinger stated that the EU Commission’s haste to partner with Beijing despite its

grotesque human rights abuses has removed a fig leaf [1]. It seems that the U.S. again considers its proud human rights ideology to be the main axis of its foreign policy. Biden follows the Democratic Party's consistent preference for democratic ideology and seeks to reshape the competitiveness of U.S. technology internally, actively promote the return of manufacturing industries from democratic countries to the US, and revitalize the system of technological alliances, while externally in the name of "human rights" boycott of China and other totalitarian countries of "forced labor" products, and to restrict these countries to the US to invest [2]. In his attitude toward foreign investment, Biden's mobilization to reshape the "democratic" identity ultimately serves to maintain U.S. national interests.

But the U.S. has also suppressed investments in ideologically similar democratic partners in the past. In the 1980s, the U.S. faced strong competition from Japan in the semiconductor industry, and the need to maintain U.S. dominance in the high-tech sector, as well as considerations of national security interests, all of these factors intertwined to form the basis of U.S. sanctions against the U.S.-invested Japanese firm Toshiba, because Toshiba violated an agreement to export to the Soviet Union a The use of CNC machine tools to upgrade Soviet nuclear submarine technology threatened U.S. national security [3]. At this point, the U.S. analyzed its national interests from the perspective of strategic interests and national security, but was filled with concerns that its democratic partners were collaborating with authoritarian states and thus impacting democratic institutions. Therefore, the U.S. attitude toward the companies of its democratic partners was also focused on their technological competitiveness, whether they would be exploited by the centralized states, and ideology. How does the U.S. focus on the immediate and long-term national interests of the U.S. in terms of different historical contexts and the extent to which the technological competitiveness of foreign investment firms impacts the U.S.? How does the U.S. balance its national interest in foreign investment between economic and technological interests and national security and international competitiveness? How does the U.S. guard against foreign-invested companies being used as a tool for the centralized state to disseminate its ideology?

2. Literature review

2.1. The United States Understanding of the Definition and Classification of National Interests and the Relationship between National Interests and Ideology

Nuechtelein defines national interest as "the perceived needs of a sovereign country when dealing with relations with other sovereign countries and desire [4]. Cochran's definition of ideology is that "Ideology is an interrelated set of values, ideas, and value systems about the nature of people and society" [5]. This author of this paper thinks that it includes a set of what is the best way to live and what is a vision of the most appropriate institutional arrangements. Ideology includes a picture of a good society and the means of achieving it.

The influence of ideology on U.S. foreign policy should not be underestimated. It also affects Americans' determination of fundamental national interests, which in turn guides U.S. foreign policy decisions. Ikenberry, professor of international relations at Princeton University, believes that the United States' promotion of democracy around the world reflects its realistic and deep understanding of how to establish a stable and peaceful world order. This is the so-called US grand strategy of "liberalization" [6]. It is based on the very real view that the political character of other countries has a significant impact on the United States' ability to ensure its security and economic interests. Therefore, promoting and exporting American ideology is part of U.S. diplomacy, and is also necessary to safeguard U.S. national interests.

Jeryl Rossetti believes that national interests cannot be completely separated from subjective things such as ideology. Since different people define national interests differently. Therefore, national interests change over time and their characteristics depend at any point on the ideologies and

foreign policies generally held in society and government. In other words, Jeryl Rossetti thought national interests and the formulation of U.S. foreign policy are greatly influenced by the power of ideas—that is, the power of the ideological and foreign policy views of elites and popular groups [7]. It can be seen that American scholars recognize that ideology and national interests are consistent, that is, ideology is one of the components of American national interests. In 1998, the US divided national interests into three categories. The first category includes “vital interests—those of broad, overriding importance to the survival, safety and vitality of our nation.” The second category is “important national interests. These interests do not affect our national survival, but they do affect our national well-being and the character of the world in which we live. The third category is humanitarian and other interests” [8]. The third category is the ideological interests of the United States. It can be seen that the American politicians believe that ideology does not constitute the most important national interest of the US.

2.2. American Ideology as A Slogan and Tool that Serves its Vital/ Major National Interests in Its Investment Policy

Han Zhaoying, a professor at Nankai University, believes that the so-called “democracy” and ideological identity are nothing more than a false defence constructed by the United States for its policy propositions. The United States’ interference in alliance members and China has nothing to do with the “democracy” and “freedom” it claims. [2]. Take the CHIPS and Science Act as an example. For this purpose, Biden has provided US\$52.7 billion in subsidies for US semiconductor research and development and production. It also stipulates that applicants who receive funds exceeding US\$150 million must share profits exceeding expectations with the US government [9]. In fact, the United States uses the so-called “democratic value standards” to create technical rules and technical governance systems, but forces its allies and partners to accept “American standards” to jointly constrain countries with large ideological differences such as China. Yin Nannan, a scholar at Xiamen University, believes that if it pursues the formulation of global usage norms in a way that is consistent with “democratic” values and respects human rights, the alliance’s primary legitimate concern should be the agenda-setting of investment usage norms, rather than confrontation and contradiction[10]. The US’ suppression of China’s emerging technology fields such as semiconductors has made the above-mentioned scholars’ basic understanding of “democratic” ideology having been “privatized” by the United States, the “Technology Alliance” is nothing more than the Biden administration using the name of “democracy” to maintain the hegemony of important national interests (technology) of the US.

Li Yuan, a professor at Shandong University, believes that in a narrow sense, ideological preferences make values and strategic interests “compete on the same stage”, and the two may be in a competitive relationship. The preference for narrow ideologies is a kind of prejudice that can easily induce countries to generalize their narrow values and even trigger value conflicts between countries. This is often the case with the value-based foreign policy of America, which flaunts so-called universal values such as “democracy” and “freedom” and engages in the ideological delineation of national camps [11]. For example, the Biden administration has given a strong ideological color and institutional superiority to the Sino-US competition in science and technology, emphasizing human rights issues as the entry point, trying to shape the opposition between the so-called “techno-democracies” and “techno-autocracies.” Andrew Imbrie, a professor at Georgetown University, believes that starting from the level of the value system, using a typical American discourse system, he pointed out that China’s foreign policy attempts to destroy and replace the US-led Asian order, and violates human rights through emerging technologies such as artificial intelligence and “towards the world exports censorship and surveillance technologies to gain strategic advantage” [12]. Therefore, these scholars believe that the ideological dispute between the United States and China is

essential and that China's rise in emerging technologies and investment in the United States threatens the U.S.-led international order and threatens U.S. national security interests. Obtaining geopolitical and economic interests and relative competitive advantages has always been the core consideration and important goal of the U.S. investment strategy in China in the field of technology.

Some scholars believe that the role of ideology in U.S. attitudes toward foreign investment actually changes based on whether foreign capital itself poses a challenge to U.S. national security and key scientific and technological interests. As a member of the G7, Japan's ideology is highly similar to that of the United States, but it has also caused the US to review Japan's foreign investment in its soil. Zhong Feiteng, a professor at the Chinese Academy of Social Sciences, pointed out since the mid-1980s, Japan's direct investment in the US has surged in the short term and "investment in the U.S. manufacturing industry is more concentrated and strategic than in other countries," creating many political issues and conflicts [13]. On this basis, Akio Morita, founder of Japan's Sony Corporation, believes that more and more Americans regard foreign investment, including Japan's, as a threat to the United States' ability to control the economy, political process and even national security [14]. Therefore, the above-mentioned scholars believe that the adjustment of the United States' foreign investment policy stems from the insecurity of its national interests, especially the relative decline of its economic advantages. Therefore, whoever may challenge its dominant position is the main target of its national interest's threat. This reflects that the United States' foreign investment review has been characterized by technological competition from the beginning, and the United States will never adjust its investment policy based on whether it is similar to the United States based on pure ideology.

2.3. U.S. National Interests to Preserve U.S. Ideological Leadership

Former Secretary of State Kissinger rejects the notion that the ideology of "democracy and morality" is merely a pretext to protect the national interests of the US. As a growing number of Chinese companies invest in the US, there is a rising concern among U.S. scholars and the business community that Chinese foreign investment in the US is one of the most important means of helping the communist Chinese government to obtain single technology and asset transfers. Thilo Hanemann argues that not only do Chinese investments fail to produce technology spillovers, but that they are compatible with China's domestic industrial policies, it have become a tool for acquiring cutting-edge technologies and achieving industrial upgrading. In addition, Chinese companies are generally perceived to be politically protected and economically supported by the Chinese government, and therefore have an "unfair competitive advantage" in the M&A process, creating market distortions that put the investee's own companies at a disadvantage [15]. Ryan Fedasiuk argues that "the U.S. and its allies should assess the potential risks to U.S. and allied economic security, the ability of U.S. and democratic partner companies to withstand potential retaliatory behavior and loss of market share, and follow rules that protect the values of liberal democracy and preserve the enduring competitiveness of techno-democracies" [16]. The writer of this paper thinks that Ryan is still following the logic of the market, protecting free competition and technological advantage while not allowing ideology to take too much of a role in a market economy.

Scholars of this school believe that the U.S. government believes that it has the responsibility to try its best to suppress authoritarianism, promote the liberal international order, and oppose the emergence of regional or global hegemony in Eurasia by promoting liberal values of freedom, democracy, and human rights. That is, the national interests are all for the spread of American ideology around the world so that the United States will always stand on the moral high ground of ideology.

3. Methodology

3.1. Case Study Method

This is the main narrative method of this paper. Since the context of this paper is the U.S. attitude toward foreign investment, and how the U.S. balances ideology and national interests in this context, only the case study method can make readers understand more clearly and immersively how the U.S. deals with the relationship between the two in different eras and contexts. The most debatable examples in this paper are the U.S. attitudes toward investment in countries with China (a country with huge ideological differences), such as the formation of a chip alliance for this purpose to strengthen the semiconductor supply chain of democracies to maintain their national interests. In addition, in the 1980s, Japanese (ideologically closer) semiconductor companies invested in the United States and globally due to the impact on U.S.-based companies. The U.S. justification for sanctioning Japanese investment companies in order to protect its own national interests was based on the fact that its semiconductor products were being used by more ideologically centralized countries to undermine the world order and the democratic system. As both ideology and national interests inform the case of FDI itself, it makes it easier for the reader to understand the relationship.

3.2. Process Tracing Method

Based on a large collection of literature, the study traces the reasons for the important role of "ideology" in the U.S. economy and diplomacy throughout U.S. history. It also utilizes quantitative methods to compare the U.S. approach to economic investment in countries with different ideologies and national interests.

4. Conclusion

In terms of economic policy and investment in foreign science and technology enterprises, the degree of importance that the United States attaches to foreign science and technology enterprises varies according to the historical conditions and the national and international environment.

The United States divides its own interests into strategic interests and general interests, and ideological interests play a secondary role in US national strategy; the fundamental purpose of the United States is still to protect its own vital interests, but intangible interests such as ideology often affect the tangible interests of the United States. When the US implements a specific foreign investment policy, it will respond with a combination of protecting strategic interests and exporting ideology. The Biden administration places greater emphasis on alliances and ideology, actively encouraging companies from countries with similar ideologies to the US to invest on their soil and increase the resilience of production and supply chains in the Western democratic alliance to ensure that national interests are not threatened. This policy of ideological domination of international investment and international politics will cost the US some large investments from countries with large ideological differences, such as China, and short-term economic gains.

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