While Congress has debated the merits of establishing a system for screening outbound investment—or U.S. capital meant for investment in other countries—for more than a year, members have not reached a consensus on the best way to proceed. In a new insight, Director of International Economic Policy Tori Smith considers the pros and cons of current proposals and cautions both Congress and the Biden Administration to be wary of unduly restricting Americans’ ability to invest in other countries.

Key points:

- Proponents of establishing a system to screen outbound investment ostensibly seek to prevent U.S. capital from funding or materially supporting the Chinese Communist Party, as well as to prevent the kind of investment that is viewed as offshoring American jobs and factories—but these are two fundamentally different goals.
- A new proposal by Senator Pat Toomey (R-PA) would create a notification requirement for investments in areas already covered by export controls.
- While this is a significantly scaled-down approach to outbound investment screening, Congress should ensure that any mechanism to monitor or regulate outbound investments would protect Americans’ ability to move capital as freely as possible.

Read the analysis