



## National Security – The Next Frontier of Corporate Activism

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### Trump Administration's National Security Agenda

Against the backdrop of structural imbalances in world trade and increasingly fraying geopolitical relations, the Trump administration is advancing its “economic security as national security” doctrine in 2025 and reordering the global trade system. As a result, geopolitical risks and national security issues have increasingly become a significant topic across boardrooms. Like every other board-level topic, companies should anticipate that their shareholders have viewpoints and some of these viewpoints may be channeled by activist investors.

The Trump administration's policies and practices—from securing equity stakes in companies deemed vital to U.S. national interest to creating incentives to onshore manufacturing—have projected the federal government's agenda into private economic affairs. This macro shift and the resulting financial impact on companies could guide activist fund managers toward a new category of campaign platforms, where they integrate national security imperatives (which can be broadly expressed to include supply chain fortifications and decisions on whether or how to operate in certain parts of the world) into their narratives and demands. Despite a 12% drop in overall activist campaigns in the first half of 2025 amid geopolitical headwinds,<sup>[1]</sup> there is reason to believe that the conditions are ripe for activist campaigns to start incorporating national security themes.

### National Security as Driver of Shareholder Returns

For most activist campaigns to be persuasive, they need to be ultimately anchored in driving shareholder returns. While it is still early, stock market reaction to companies caught in the crosshairs of U.S. national interest is instructive to market participants. For example, on June 10, 2025, the Department of Defense purchased a 15% stake in rare-earth leader MP Materials. Since then, MP's stock price has more than doubled. As another example, since the U.S. announced taking 10% in Intel, its stock price has surged by approximately 40%.<sup>[2]</sup> It is worth noting that the U.S. investment in Intel took place after President Trump publicly demanded its newly appointed CEO to resign due to purported ties with China, briefly calling the CEO's leadership into question.

When tectonic shifts of the geopolitical landscape are afoot and the U.S. government takes an active role in shaping domestic industries, it is possible that in the foreseeable future, we will continue to see companies benefitting from aligning with U.S. national interest (or, on the flip side, suffering from a purported failure of adherence). It is also conceivable that in a fractured geopolitical environment, aligning with one country's national security imperative would hurt the same company's performance elsewhere. Multinational companies must weigh the pros and cons and carefully execute a balancing act.

All of the above point to an emerging correlation of stockholder return and national security imperatives, which would hardly escape the attention of event-driven hedge fund investors who could increasingly view a company's alignment with U.S. policies carrying out national interest as another lever to pull to drive stock market returns.

## National Security Integration in Activist Campaign

The conditions appear ripe for activists to start embedding national security—encompassing supply chain safeguards and divestments in certain countries—into campaigns and challenging corporate strategies. While in some instances activists may cite national security merely as rhetoric to legitimize their campaign objectives, in other cases these concerns may have genuine business substance.

With a 1% stake, Ancora waged a campaign at U.S. Steel in January 2025 to replace the CEO, elect a slate of new directors and terminate the \$14.9 billion merger with Nippon Steel.<sup>[3]</sup> Its public letter dated January 27, 2025 stated that the U.S. Steel board of directors ignored national security while asserting Ancora's desire to "Make U.S. Steel Great Again", an acknowledgement of a parallel political slogan popularized by President Trump. While Ancora dropped its bid in April following President Trump's approval of the merger, this campaign underscores activists' use of national security as a fulcrum for M&A redirection.

## Parallels to ESG Campaigns

In the not too distant past, ESG forged a movement that had a notable impact in activism, giving activists a platform to express their views on social issues and responsible investments. This was then followed by anti-ESG campaigns as the undercurrents of an anti-ESG movement gained steam. Most of the activists were in the form of socially-minded government pension funds, mutual funds, and non-profits as well as gadfly retail investors, who submitted shareholder proposals and exempt solicitations. However, we also saw notable proxy contests levied by Engine No. 1, Icahn and the Strategic Organizing Center against large multi-national organizations. While the focus of many of these initiatives was social in nature, others focused on the impact on value creation and the related risks. Not surprisingly, shareholders who provided arguments, which drew a strong

connection between environmental and social activities and value creation had significantly more success with securing the support of institutional investors.

Similarly, it is conceivable that a company could find itself dealing with activist shareholders who would view national security as a social issue as well as those who would view it as a significant economic driver of capital appreciation, with the latter being viewed a stronger catalyst for change among institutional shareholders.

## Navigating in Proactive Ways

To be clear, we are not suggesting that companies must implement changes to their current corporate strategy—often, the most rational response to a rapidly changing environment with potential policy reversals is to stay the course. However, preparedness and planning is key, and there may be situations where a pivot may be necessary.

As with any activist situation, companies should consult with their advisors on whether and how to proactively communicate that they are consciously positioning their operations and developing contingency plans as new geopolitical patterns emerge in an effort to preserve shareholder value. Global companies must be particularly careful to communicate these messages in a balanced manner when operating in countries with competing national interests. Failure to do so could result in retaliatory actions, which could negatively affect a company's operations, impair strategic transactions, and destroy shareholder value in the process.

It is also critical for companies to be aware of how their activities and relationships might be perceived by both governments and shareholders before undertaking them. Any appearance of activities and relationships which may be viewed as compromising national security interest could be catalyst for both government as well as activist activity, even if such activities and relationships are ultimately justified. Companies are advised to get ahead of such issues and undertake actions to control the narrative, before being compelled to undertake actions that they wouldn't otherwise do.

While still in its early stages, national security appears poised to become the next frontier in activist campaigns. Companies can take comfort that this development does not fundamentally alter the proven framework for managing activism—one that begins with anticipating issues, thorough preparation, strategic thinking and clear and transparent communication. As geopolitical tensions continue to reshape the business landscape, companies that proactively assess their national security positioning and prepare for potential activist engagement will be best positioned to navigate this emerging challenge while protecting shareholder value.

[1] Shareholder Activism: Resilient Campaign Activity and Boardroom Victories Barclays Investment Bank, July 7, 2025. <https://www.ib.barclays/investment-banking/shareholder-activism/2025-shareholder-activism-resilient-campaign-activity-and-boardroom-victories.html>

[2] Based on publicly available stock price data, as of September 26, 2025.

[3] <https://www.businesswire.com/news/home/20250127847051/en/Ancora-Nominates-Majority-Slate-of-Director-Candidates-and-Proposes-Industry-Legend-Alan-Kestenbaum-as-New-CEO-to-Turn-Around-U.S.-Steel>