



Congress Seeks Oversight of CFIUS Reviews to Curb China National Security Threat

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On July 14, 2020, Congressmen Van Taylor (R-TX) and Jim Himes (D-CT) introduced a [bill](#) in the House of Representatives (H.R. 7603) seeking to expand Congressional oversight of the Committee on Foreign Investment in the United States (CFIUS or the Committee). The bill would amend the Defense Production Act of 1950 to require congressional notice when CFIUS has completed its expedited review of foreign investment transactions.

CFIUS is an interagency committee tasked with reviewing the national security implications of foreign investment in the U.S. economy. The Committee has the authority to block proposed foreign investment transactions if determined that they pose a threat to national security. On February 13, 2020, pursuant to the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), the U.S. Department of the Treasury issued regulations significantly expanding CFIUS authority including the ability to review non-passive investments in certain U.S. businesses. FIRRMA further created a new declaration process where parties to foreign investment transactions can seek to expedite CFIUS consideration. H.R. 7603 would require Congressional notification when CFIUS has completed its expedited review of foreign investment transactions as required for reviews of other transactions.

The bill targets recent efforts by China and other foreign adversaries to acquire sensitive U.S. capabilities, including through increased acquisitions and mergers with U.S. entities. A [press release](#) accompanying the bill stated “[a]s the People’s Republic of China continues to aggressively focus on acquiring sensitive American military and national security technologies, Congress must improve oversight of CFIUS’ actions to safeguard our nation.” Accordingly, the bill represents Congress’ ongoing concerns with China’s growing investment in the United States, particularly in the technology sector. A Congressional [report](#) published on February 14, 2020, demonstrated that China investment transactions accounted for more than a quarter of all transactions reviewed by CFIUS between 2015 and 2017.

Given the escalating trade tensions between the U.S. and China, represented by a recent uptick in the addition of Chinese entities to various U.S. restricted parties [lists](#) and the revocation of Hong Kong’s special trade [status](#), it is likely that the U.S. government will continue to consider additional measures specifically targeting foreign investment.

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