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COMMENTS OF ITIF

to the

U.S. Department of the Treasury
Office of Investment Security
Washington, D.C.

In the Matter of: Information Pertaining to the CFIUS Known Investor Program and Streamlining the Foreign Investment Review Process	)	FR Docket ID TREAS-DO-2026-0067

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INTRODUCTION AND SUMMARY

The Information Technology and Innovation Foundation (ITIF) is pleased to submit the following comments in response to the U.S. Department of the Treasury's Office of Investment Security's request for information regarding the Committee on Foreign Investment in the United States (CFIUS) known investor program and streamlining the foreign investment review process. ITIF is an independent, nonprofit, nonpartisan research and educational institute focusing on the intersection of technological innovation and public policy.

ITIF believes that CFIUS is an interagency committee that plays a key role in safeguarding the U.S. economy from foreign threats. However, CFIUS' procedures need to be strengthened to ensure that Chinese entities, particularly those influenced or backed by Chinese government influence or funding, cannot acquire U.S. companies or technology that could harm America's economic or national security.

This filing focuses on ITIF's congressional and executive policy recommendations on CFIUS in its upcoming report "Slowing China's Advance to Avoid Losing the Techno-Economic-Trade War," to be published on March 30, 2026. In particular, CFIUS can be improved to better encompass threats to not only U.S. leadership "in areas related to national security" but also to industries critical to economic and strategic competitiveness and to limit Chinese "false flagging."

CONGRESS NEEDS TO PASS A NEW FIRRMA THAT IS TOUGHER ON CHINA

Despite the changes to CFIUS' process made in the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) that became effective in 2020, CFIUS is still designed around the Soviet Cold War challenge and focuses too little on acquisitions in dual-use and enabling industries.[1] Congress should also expand FIRRMA to widen the definition of what would affect U.S. leadership. CFIUS's mandate should encompass threats to not only U.S. leadership "in areas related to national security" but also industries critical to economic and strategic competitiveness, including dual-use and enabling industries.[2]

In addition, PRC companies, including tech heavyweights Baidu and Huawei, have engaged in R&D in the United States. The presence of such firms amounts to helping Beijing innovate against Washington. Currently, despite FIRRMA, CFIUS is still not able to block certain types of non-acquisition investments (i.e., establishments or expansions) that could empower a foreign adversary such as China. At the same time, both Chinese firms and government venture funds invest in U.S. technology company start-ups and are

[1] Foreign Investment Risk Review Modernization Act of 2018, H.R. 4311, 115th Cong. (2018).

[2] Robert D. Atkinson, "How to Implement CFIUS to Support U.S. Competitiveness" (ITIF, January 2, 2020), https://itif.org/publications/2020/01/02/how-implement-cfius-support-us-competitiveness/.

usually able to avoid CFIUS scrutiny. New CFIUS legislation should expand its coverage to include not just acquisitions but also investments, including venture capital investments, in U.S. firms by entities from China.

In addition, in statute, CFIUS treats all nations the same, regardless of their threat to U.S. security. This results in resources that should be spent on addressing the China threat spent on less-risky transactions. Congress should reform CFIUS by adding a "white list" for approved nations—ideally ones that join U.S.-allied strategic trade and technology partnerships (the subject of a forthcoming ITIF report).

CFIUS is designed to limit adversaries' investments in key U.S. companies because that is a way foreign companies gain access to knowledge and technology. But China can gain access to U.S. firm technology by requiring a joint venture for any sales or production in China. Congress needs to close this loophole. But just like export controls, unilateral action is not only limited in its effect, but also is likely harmful to U.S. national interests. If American companies cannot sell in China, our competitor nations will, and the only result will be lost U.S. sales. As such, any legislation requiring CFIUS approval for Chinese joint ventures needs to ensure that key allies in the European Union, Japan, and South Korea, at least, have adopted similar rules.

Finally, the Treasury Department, through CFIUS and working with funding agencies, should require companies that receive U.S. federal funding to obtain explicit approval before relocating operations or substantial portions of their workforce or IP to China, or before accepting any investment from Chinese entities. This requirement should be designed not to prevent legitimate global business activity, but rather to ensure that taxpayer-funded investments are not diverted to China in ways that could undermine U.S. strategic industrial capabilities.

CFIUS ROLE IN LIMITING CHINESE "FALSE FLAGGING"

Certain Chinese companies operating in the United States and other economies mask their national origin, presenting themselves as American corporate citizens—sometimes complete with patriotic branding—even while Beijing retains ultimate control over their ownership and strategic direction.[3] This phenomenon of false flagging is favorable to the CCP: these obscured companies benefit from their obfuscation by gaining privileged access to the U.S. market, IP, talent, and even generous government funding to support China's strategic industrial and military priorities.

In order to strengthen U.S. systems to reduce vulnerabilities to Chinese techno-industrial predation through false flagging, Congress and the Trump administration should take the following steps:

First, FIRRMA states that CFIUS should also factor into its reviews "whether a covered transaction involves a country of special concern that has a demonstrated or declared strategic goal of acquiring a type of critical technology or critical infrastructure that would affect United States leadership in areas related to national security."[4] ITIF has found evidence of CFIUS permitting Chinese companies with ties to the PLA to acquire

[3] Eli Clemens, "How Some Chinese Companies Obscure Ties to China and What Policymakers Should Do About It" (ITIF, November 2025), https://itif.org/publications/2025/11/03/some-chinese-companies-obscure-ties-to-china-what-policymakers-should-do-about-it/.

[4] Foreign Investment Risk Review Modernization Act of 2018.

U.S.-enabling industry companies, even following FIRRMA's implementation.[5] Congress should strengthen CFIUS screening and oversight to ensure that Chinese companies with ties to the PLA cease having the ability to acquire U.S.-enabling industry companies.[6]

Second, Congress should also direct CFIUS to create a comprehensive registry of all Chinese-origin companies operating in the United States, including subsidiaries, joint ventures, firms with Chinese financing, and entities with partial Chinese government ownership. CFIUS should leverage private sector open-source intelligence providers to both identify Chinese-controlled entities that may otherwise evade detection and ensure that the registry remains accurate and up to date.

Third, Congress should expand the Corporate Transparency Act to require Chinese-origin companies operating in U.S. national power industries to report beneficial ownership and operational control, including minority stakes, joint ventures, offshore subsidiaries, and IP transfer rights.[7] Using CFIUS' registry, the Securities and Exchange Commission should collect detailed information on ownership and decision-making structures, while DOC should verify compliance and monitor access to dual-use technology and strategic assets. Companies that fail to provide full transparency should be barred from doing business in America, and CFIUS and DOC should have authority to enforce restrictions or divestment wherever necessary to protect U.S. national security.

Thank you for your consideration.

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[5] Clemens, "How Some Chinese Companies Obscure Ties to China and What Policymakers Should Do About It."

[6] Meghan Ostertag, "US National Power Industries Are at Risk" (ITIF, November 2025), https://itif.org/publications/2025/11/17/us-national-power-industries-are-at-risk/.

[7] Corporate Transparency Act of 2020, Pub. L. No. 116-283, 134 Stat. 3388 (2021); Robert D. Atkinson, *Marshaling National Power Industries to Preserve America's Strength and Thwart China's Bid for Global Dominance* (ITIF, November 2025), https://itif.org/publications/2025/11/17/marshaling-national-power-industries-to-preserve-us-strength-and-thwart-china/; Ostertag, "US National Power Industries Are at Risk."