**Crapo Statement at CFIUS Reform Hearing, Part II**

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the United States Senate Committee on Banking, Housing and Urban Affairs, today delivered the following remarks during a full committee hearing entitled “CFIUS Reform: Administration Perspectives on the Essential Elements.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“This morning, we will receive testimony for a third time this Congress on the role of the Committee on Foreign Investment in the United States, or ‘CFIUS.’

“The Committee held a general oversight hearing on CFIUS in September, and last Thursday, the Committee began its review of S. 2098, the Foreign Investment Risk Review Modernization Act of 2017, or FIRRMA, a comprehensive reform bill that significantly expands the purview of CFIUS, introduced by Senators Cornyn and Feinstein

“CFIUS’ authorities cover transactions that result in foreign ‘control’ of a U.S. business that may threaten the national security of the United States. The focus is currently on inbound investment and technology acquisition.

“Today’s hearing brings in witnesses from three of the nine federal agencies and offices that comprise the full voting membership of CFIUS: the Department of the Treasury, which serves as Chair of the Committee; the Department of Defense; and the Department of Commerce’s Bureau of Industry and Security, which administers and enforces the dual use regulations of the U.S. export control regime.

“According to their testimony last week, Senators Cornyn and Feinstein, informed by their work on the Senate Intelligence Committee, introduced their bill because of growing concerns arising from China’s multi-layered threat to U.S. national security.

“Namely, threats emanating from a weaponization of its foreign investment strategy to acquire, by design, dual-use technology and know-how from U.S. companies.

“Our colleagues believe that China has found gaps in both the existing CFIUS process and export control regime, and is exploiting each of them to the detriment of U.S. national security and the U.S. defense industrial base.

“To address these concerns, FIRRMA is specifically designed to broaden CFIUS’ jurisdiction to review certain high technology joint venture and related arrangements, minority-position investments and certain types of real estate transactions.

“At last week’s hearing, a consensus emerged that much of the bill is focused on national security threats that need to be addressed as China executes its policies born of its unique civil-military integration that effectively blurs the lines between military and commercial activities.

“It is also important to note that the overwhelming majority of foreign investments and transactions provide significant benefit to the U.S. economy, including those Chinese investments that occur in most sectors of the U.S. economy and do not impact the national security of the United States.

“It is that point of inflection, between national security and economic growth realized from an open investment policy, that the Banking Committee has been entrusted to debate and oversee throughout the now forty-two-year evolution of the CFIUS process.

“The challenge comes in the continued use of foreign investment to promote economic growth and next generation technologies while shielding those very technologies from foreign threats.

“Last week, the panel of witnesses from the private sector offered their perspectives on the potential effects of FIRRMA.

“During the hearing’s question and answer period, there were several questions raised that merit feedback from today’s panel:

“One, would the expansion of CFIUS authority to unwind or alter outbound joint venture-related international commercial activity duplicate or in any way undermine the current U.S. export control regime and end up chilling this type of commercial activity?

“Two, if there are gaps in the export control process, why should this Committee, which has jurisdiction over both the relevant parts of the U.S. export control regime and CFIUS, opt to create new export control authority for CFIUS, a traditionally unilateral, inward bound review process?

“Three, what would the resource burden look like for each of your agencies for the type of expansion envisioned by this legislation, and what impact would it have on foreign investment if the review period were actually increased by fifty percent to accommodate these new reviews?

“The three government agencies represented here today provide a spectrum of viewpoints necessary to understand where the United States must position itself with respect to CFIUS to assure the national security of the United States.

“Given what we have heard in previous hearings, it is apparent on national security grounds that legislative fixes to the current system may be warranted, including expanding the authority of CFIUS to monitor certain additional transactions that are evading the process.

“Preservation of the U.S. defense industrial base, protection of U.S. critical technology, critical infrastructure, and even related American know-how are all legitimate areas of concern.

“It is not the intention of the Banking Committee to chill direct foreign investment into the United States, but neither can this nation’s national security interests be subordinated to commercial interests.

“I am certain that these fixes can be made with the help of the Administration, business community and my colleagues, from both sides of the dais, on the Banking Committee.”

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