

**Statement of
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**Before the U.S. Senate Committee on Banking, House and Urban Development on
“Advancing U.S. National Security through Export Controls, Investment Security, and the
Defense Production Act”**

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Chairman Brown, Ranking Member Scott, distinguished Members of the Committee, thank you for inviting me to testify today. As stated by Secretary Raimondo, every day at the Commerce Department, we are tackling our nation’s most pressing economic and national security priorities, and I welcome the opportunity to discuss how we are advancing this work.

As Assistant Secretary of Commerce for Industry and Analysis, I lead a team of more than 265 industry experts and economists. Our mission is to support the global competitiveness of U.S. industry. We provide critical sectoral expertise to proactively help U.S. industries compete abroad; strengthen supply chains vital to U.S. national security and economic competitiveness; advance U.S. exports and support job creation; and analyze investments to protect U.S. national security. The Industry and Analysis unit’s work supports \$170 billion in U.S. exports and inward investment and over 595,000 American jobs (in FY23) and influences policy decisions affecting trillions of dollars of economic activity.

The Industry and Analysis business unit, which sits in the International Trade Administration, is the analytical engine of U.S. competitiveness policy because it has the broadest industry expertise and connectivity available in any one place in the U.S. Government, covering approximately 90% of the U.S. economy. We work on everything from raw materials like critical minerals, to vital components like semiconductors, to finished goods like autos and airplanes.

Understanding sectors and the ties between them is crucial to our nation’s economic competitiveness and national security priorities. This is why the Industry and Analysis unit’s deep industry expertise, our unique commercial and national security perspective, and our advanced analytics capabilities are critical to advancing U.S. government work on outbound investments, the Committee on Foreign Investment in the United States (CFIUS), and supply chain resilience.

Outbound Investment Security Program

The Outbound Investment Security Program addresses a crucial gap in existing national security authorities. Already, Commerce Department colleagues at the Bureau of Industry and Security

(BIS) use export controls to regulate the transfer of commodities, software, and technology that threaten our national security. We also have sanctions programs administered by the Treasury Department that restrict the flow of U.S. capital, technology, and services to designated persons. Now, through the President's actions, we will soon have the Outbound Investment Security Program to prevent U.S. private capital from supporting advances in countries of concern in critical sectors that undermine U.S. national security.

The Commerce Department, and the Industry and Analysis unit in particular, plays a vital role in supporting the Outbound Investment Security Program called for by Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern," in August 2023. The Outbound Investment Security Program—like the CFIUS review process, which I will discuss subsequently—will be administered by the Treasury Department, but Commerce plays a significant role in each, leveraging our deep understanding of industries and supply chains.

In fact, from the start, the Administration's development of an Outbound Investment Security Program has relied on Commerce's core commercial and sector-specific technical expertise and, as recognized in the President's Executive Order, Commerce plays a special role in supporting the program.

I would like to briefly describe three dimensions of our work on this program in more detail.

First, Commerce is key to identifying and understanding the relevant technologies that ought to be covered and how the requirements should be scoped. My team in Industry and Analysis has experts leading efforts to advance the global competitiveness of digital, information, communication, and other emerging technologies. We also have the technical fluency and industry relationships to help understand and anticipate national security risks associated with cutting-edge technologies—both those currently covered and those that may need to be recommended to the President for future inclusion. This includes, for instance, having the skillsets to understand the semiconductor and other critical supply chains to identify the full range of investments that could boost the military, intelligence, surveillance, or cyber-enabled capabilities of countries of concern while trying to prevent unnecessary economic disruptions.

Second, Commerce brings a unique commercial perspective and expansive industry connectivity. We have regular touchpoints with companies and business associations operating in sectors directly impacted by the regulations. In addition, my team spearheaded industry engagement on the Outbound Investment Security Program and, in coordination with Treasury, consulted over 450 stakeholders in multiple rounds of outreach designed to solicit feedback as the development of the program progressed. We sought out perspectives from companies and investors on how they anticipate the program will impact their work, which is key as we seek to craft an effective program while reducing the risks of unintended market effects.

Third, Commerce will be key to successful implementation of the program. Our sector-specific experts will be indispensable to interpreting and recommending actions based on analysis of the influx of data that the private sector will be providing to the U.S. Government regarding

outbound investments and associated supply chains. Going forward, we will play an important role in assessing whether to add or remove technologies and products covered by the program. In addition, we will help anticipate and propose policy adaptations if countries of concern seek to develop new mechanisms to evade scrutiny and access U.S. investment to advance technologies in a way that threatens our national security.

At Commerce, we understand that there is significant work ahead in the implementation of this program. We are focused on narrowly scoping the program to avoid unintended consequences and minimize negative impacts to the broader economy. We will continue to support the program to address national security concerns in a targeted and proactive way.

CFIUS

Industry and Analysis is the policy lead for the Department of Commerce's participation in CFIUS national security reviews. We provide indispensable sectoral and supply chain expertise that guide U.S. Government decisions in reviewing hundreds of billions of dollars of foreign investment, all while enhancing investor confidence in our nation's longstanding open investment policy.

Since Congress enacted the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), the Industry and Analysis unit expanded its CFIUS team and established an Office of Investment Security. Our team has a wide range of experience in the public and private sectors, and we especially value these diverse backgrounds and skillsets as we work on increasingly complex CFIUS national security reviews. At the same time, we have taken on a greater leadership role on the Committee. As one example, since FIRRMA, Commerce has acted as a CFIUS lead agency on a significant number of CFIUS filings.

Overall, Commerce takes a broad approach to reviewing CFIUS cases. The Industry and Analysis unit provides analysis of issues related to the U.S. business and the market in which it operates, market trends, supply chain impacts, and the business rationales for transactions, among other issues. We also draw on inputs from across all of Commerce's bureaus and offices. In particular, my team works very closely with our colleagues in BIS, which reviews transactions with a focus on export control, technology transfer, and defense industrial base issues.

In Executive Order 14083, "Ensuring Robust Consideration of Evolving National Security Risks by CFIUS," issued in September 2022, President Biden directed CFIUS to consider supply chain resiliency in our national security analysis. Consistent with this direction, the Industry and Analysis unit examines a range of factors when considering whether a transaction may impact the resilience of certain critical U.S. supply chains, which may have national security implications. We consider issues such as the scale and types of supply relationships pertaining to a given U.S. company and the potential for supply chain disruption or undue foreign influence over specific supply chains. Analysis of supply chain risk in the context of investment reviews is part of a broader initiative by Industry and Analysis to advance the resiliency of U.S. supply chains, which I would like to briefly turn to next.

Supply Chains

The Industry and Analysis unit has long been central to U.S. supply chain work because of its breadth of sectoral expertise; its unique understanding of the opportunities and challenges facing U.S. companies; its daily connectivity to U.S. industry; and its economic analysis and modeling capabilities. In fact, we have had a supply chain services-focused office for over a decade and, for years before that, a dedicated team. We also have had an Advisory Committee on Supply Chain Competitiveness since 2011. Yet the criticality of this work has increased further still in recent years.

At its core, the Industry and Analysis unit focuses on applied analysis and action. For instance, the Industry and Analysis unit was the first team in the U.S. Government to sound the alarm on competitiveness in the semiconductor supply chain and spring into action. The team subsequently mapped out chokepoints, created an early warning system for industry to provide alerts of potential disruptions, and, in the face of severe shortages, connected industry leaders with semiconductor suppliers to encourage solutions. The team also set to work supporting investment to strengthen the supply chain and helped secure critical U.S. investments, such as those by Taiwan semiconductor companies totaling \$34 billion and supporting more than 20,000 U.S. jobs. And those investments in semiconductors have only grown, thanks to the CHIPS and Science Act.

Last year, we established what the White House called a “first-of-its-kind” Supply Chain Center to integrate industry expertise and data analytics to develop innovative supply chain risk assessment tools, coordinate deep-dive analyses on select critical supply chains, and drive targeted actions to increase resilience and address foreign dependency vulnerabilities. We aim to be the analytic engine for supply chain resilience policy by helping the U.S. Government be more proactive in getting ahead of supply chain challenges and strategic in setting priorities for action based on data-driven risk analysis. We also provide strategic and technical advice to other departments and agencies related to industry- and sector-specific competitiveness issues as they disburse billions of dollars in U.S. Government investments related to supply chains.

As part of this work, we are pioneering new data-driven tools and creating playbooks to assess supply chain vulnerabilities in specific sectors, including for emerging technologies. Our Supply Chain Exposure Tool provides a common operating picture of risks that enables focused, evidence-based conversations and actions with international partners. We are also building a tool that utilizes a comprehensive set of indicators to assess current or prospective supply chain risk across the U.S. economy, with an emphasis on risks to national security and economic security most relevant to the U.S. Government.

Additionally, we are providing action-oriented analyses on a wide variety of trade and supply chain related issues, including the impact of global supply chain disruptions, tariff actions, and unfair trade practices by the People’s Republic of China. We are supporting industry resilience

to supply chain or geopolitical shocks and working with foreign governments to mitigate international supply chain challenges. We are also supporting work targeting tens of billions of dollars of export opportunities for U.S. industry and inward investment to the United States as part of strengthening high-priority supply chains.

These efforts, which leverage the critical FY23 funding provided by Congress, are central to U.S. Government efforts to be more strategic and proactive in strengthening supply chains and securing our national interests. This work supports U.S. economic competitiveness and domestic job growth while supporting U.S. businesses in leading the industries of the future. At the same time, it is vital to improve our ability to counter efforts by adversaries to gain or exercise strategic leverage over key supply chains.

Conclusion

I appreciate the opportunity to update the Committee on Commerce's efforts to safeguard U.S. national security and economic competitiveness through our work on outbound investment, CFIUS, and advancing supply chain resilience.

If I have sought to convey one thing, it is this: I believe that industry expertise, and the ability to look across sectors, is vital to investment security, protecting and promoting U.S. technological advantages, supporting domestic manufacturing and job growth, and addressing attempts by adversaries to weaponize supply chains. For these reasons, the singular industry depth and connectivity of the Industry and Analysis business unit at Commerce has never been more central—or more needed—to protecting and advancing U.S. economic competitiveness and national security.

To meet these growing demands and, more frankly, to meet U.S. economic and national security needs, these efforts require resources. The President's FY25 Budget Request for the International Trade Administration is \$645.5 million. This includes \$5 million in new funding to support the Outbound Investment Security Program so that we can provide the sectoral and commercial expertise, industry connectivity, and actionable recommendations to ensure that the U.S. Government can understand and act on information received from covered transactions while also minimizing the risk of unintended disruptions to U.S. business. The President's Budget Request also includes \$12 million to sustain and support our supply chain resiliency efforts. This support is needed to improve crisis response and anticipate future constraints in key sectors so that the U.S. Government can proactively strengthen critical supply chains. Unfortunately, the House FY25 mark only provides the International Trade Administration \$558 million, which is \$53 million (9%) below the FY24 enacted level and \$87.5 million below the President's Budget Request.

As Congress works to finalize the FY25 appropriation bills in the coming months, we ask that you please consider how important it is for U.S. national security to support and fully fund these functions. Thank you for having me here today. I look forward to answering your questions.