American Security Project

U.S. Trade and Investment Toolkit

Briefing Note

Quick Facts

- Since the appointment of General Secretary Xi Jinping, the Chinese Communist Party has increasingly leveraged cutting-edge American technology for defense and surveillance purposes.
- Concerns over the impact of Chinese technology transfer on U.S. national security sparked efforts to curb critical technology exports to China and monitor foreign direct investment in emerging technologies.
- Four primary authorities are tasked with preventing foreign financial interests from posing risks to U.S. national security: the Bureau of Industry and Security, the Directorate of Defense Trade Controls, the Committee on Foreign Investment in the United States, and the Office of Foreign Assets Control.

Managing Export Controls

- The Bureau of Industry and Security (BIS) regulates the export of sensitive and dual-use goods, enforces international arms control agreements, and maintains lists of restricted items and foreign purchasers.
- The Commerce Control List denotes whether an item is restricted or subject to export controls.
- The Entity List denotes whether a foreign party is restricted or subject to export controls.
- These lists, in addition to lists such as The Military End User List, The Denied Persons List, and The Unverified List, are combined into the Consolidated Screening List for ease of use by exporters.
- As the number of U.S. export controls has more than doubled since 2019, the budget of BIS exceeded $139 million in 2024.

Restricting Defense Technology Transfer

- The Directorate of Defense Trade Controls (DDTC) prevents articles pertaining to defense and military-related technologies from being sold or transferred outside of the United States without permission.
- With authority granted by the Arms Export Control Act (AECA), DDTC interprets and enforces the International Traffic in Arms Regulations (ITAR) and manages the United States Munitions List (USML), a list of articles and technical data deemed pertinent to U.S. national defense.
- Items on the USML may not be shared with foreign entities without written authorization from the DDTC, even if both parties remain in the United States. Applications are reviewed on a case-by-case basis.
- With a budget of $72 million in 2024, DDTC authorizes over $150 billion in defense trade annually.

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by Courtney Manning

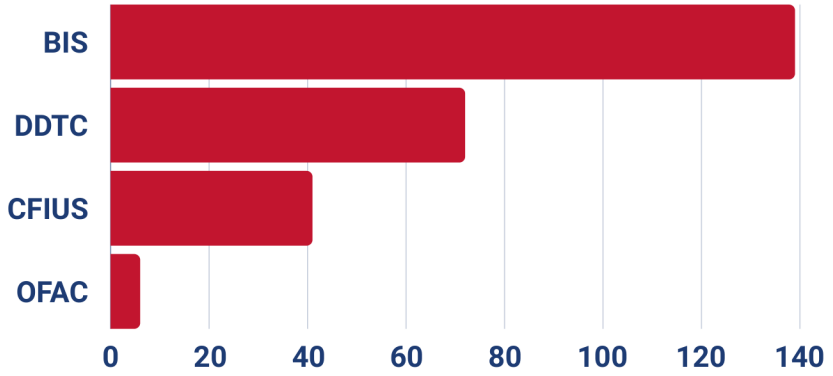
Monitoring Foreign Investment

- The Committee on Foreign Investment in the United States (CFIUS) is tasked with analyzing the national security risks of foreign investment in the U.S. economy.
- In 2018, the Foreign Investment Risk Review Modernization Act (FIRRMA) increased the oversight, enforcement authority, and budget of CFIUS, highlighting investment risk from Russia and China. This was followed in 2022 by Executive Order 14083, which granted additional categories of oversight, and the CFIUS Enforcement and Penalty Guidelines of 2023, which clarified the process for CFIUS review.
- These actions broadened CFIUS oversight from foreign direct investments to property transfers and sales, acquisitions/mergers, and transactions that may introduce cybersecurity vulnerabilities or pose risks to national security. The annual budget of CFIUS expanded from $15mil in 2020 to $41mil in 2024.
- Before CFIUS authority can be invoked, the President must determine that no other U.S. laws apply and that the foreign interest intends to use a specific transaction to impair national security.

Enforcing Economic Sanctions

- The Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions against foreign entities (individuals, states, non-state groups, and regions) deemed to be a threat to U.S. national security. These foreign entities are placed on one of seven lists maintained by OFAC.
- Entities that pose the most severe threat are placed on the Specially Designated Nationals (SDN) list. U.S. persons are prohibited from engaging in any transactions with SDNs and must block any property in their possession or under their control in which an SDN has an interest.
- The Chinese Military-Industrial Complex Companies List was introduced following Executive Order 14032 in 2021. The Executive Order imposed sanctions against targets affiliated with Chinese defense and intelligence agencies by prohibiting all U.S. investments in Chinese civil-military companies.
- Located within the Department of the Treasury, OFAC operates under a budget of $6 million in 2024.

2024 Budget Allocation (Millions)



Executive Department

BIS	Department of Commerce
DDTC	Department of State
CFIUS	Inter-agency (Chaired by Treasury)
OFAC	Department of the Treasury