

Statement of Chairman Sherrod Brown

“Advancing National Security through Export Controls, Investment Security, and the Defense Production Act.”

July 25, 2024

We face an uncertain world with many geopolitical challenges – from Russia’s continued brutal invasion of Ukraine, to ongoing conflicts in the Middle East, to an increasingly aggressive and capable Chinese military.

And we know that China has built that military capability with the help of American corporations, and even American tax dollars.

For too long, our government was willfully blind to the threat China posed. Multinational corporations eager to move jobs wherever they could pay ever-lower wages, lobbied for permanent normal trade relations with China.

And when corporations moved production overseas, they outsourced the technology and trade secrets along with it. We did nothing to stop it, and now we’re paying the price.

We cannot make the kinds of mistakes we have in the past. We have to be proactive about these threats, and take action now to protect our national and economic security. And we need to be clear – those two issues are intimately connected. You can’t separate the economy and our national security.

Today, hostile governments are working together more and more to challenge the interests, security, and values of the United States, and our allies and partners around the world.

Increasingly, hostile governments use our own technology to fuel their destructive efforts.

We must lead efforts to stop it.

It is the U.S. government's job to police the flow of sensitive and so-called "dual use technologies" – technologies that can be used for both military and civilian purposes. The Departments of Commerce and Treasury – along with DOD, State, and other agencies – try to restrict the flow of sensitive technologies to our adversaries.

We cannot allow U.S. innovation and investments to be used against us.

Against that backdrop, NATO met earlier this month and issued a statement addressing these threats.

Specifically, NATO leaders called on China to "cease all material and political support to Russia's war effort" including "the transfer of dual-use materials, such as weapons components, equipment, and raw materials that serve as inputs for Russia's defense sector."

That followed last month's G7 Summit in Italy, where the United States and our allies reaffirmed our shared efforts to "implement export controls to address risks to international security" and "ensure the effectiveness of our respective foreign investment screening."

The G7 leaders also noted that "measures designed to address risks from outbound investments could be important to complement existing tools of targeted controls on exports and inbound investments."

A core element of this Committee's work has been to establish and conduct oversight over our export controls, investment security, and Defense Production Act authorities.

The Treasury and Commerce Departments have had active and growing caseloads since our hearing last year.

They have expanded controls on semiconductors, equipment, and services that could support China's semiconductor ecosystem.

They have taken steps to establish an outbound investment program that would enable us to better understand – and stop – U.S. investments that build up China's military.

And they have recently issued a proposed rule that would significantly expand the Committee on Foreign Investment in the U.S.'s ability to review foreign real estate investments near military bases, like Wright-Patterson in Dayton.

This is the kind of action that I and many from both parties have been pressing for. I hear from farmers in Ohio near our military installations who are very concerned about this.

As we use our export control and investment security policies to restrict China's ability to use U.S. technology and investments to advance their military capabilities and human rights abuses, we also must bolster our own domestic capabilities.

To that end, I was pleased to see Dr. Taylor-Kale and her colleagues release the Defense Department's first ever National Defense Industrial Strategy earlier this year.

As a critical economic security tool, this Committee has jurisdiction over the Defense Production Act, which must play a vital role in advancing that strategy.

In Ohio, we know the potential here to harness the talents and patriotism of American workers to protect our country.

For decades, the Air Force Research Lab at Wright-Patterson Air Force Base in Dayton has been the home of the DPA Title III program.

Aside from the good work being done at AFRL, the Defense Production Act gives the Administration the authority to allocate and prioritize critical materials and to increase domestic productive capacity to address industrial shortfalls.

In other words, the DPA allows the Defense Department and other agencies to invest in American manufacturing that can support U.S. national security, as well as making us more prepared for emergencies.

This work could not be more urgent.

For decades, corporate offshoring and consolidation and restructuring – really just another elite business-school term for finding new ways to screw workers to increase profits – all weakened our domestic manufacturing sector.

Ohioans know what that has done to our towns, our families, our economy. And increasingly, people in this town are finally waking up to how it's weakened our national security.

We know that when companies outsource jobs, they outsource technological capabilities along with them.

There has not been enough appreciation for how much innovation happens on the production floor, by workers.

Over the past few years, we have finally taken steps to reverse that course – passing the CHIPS and Science Act and the Bipartisan Infrastructure Law.

And we have increased funding for strategic investments using the Defense Production Act.

But we must do more.

As Congress prepares to reauthorize the Defense Production Act, we need to look at new ways the DPA can support American industrial capabilities and help us revitalize our domestic industrial base to meet current and future challenges.

Today we will also discuss how we are working with our partners to coordinate our export controls and investment security policies, and what steps Congress can take to strengthen these authorities.

We look forward to testimony from this panel of witnesses, who can update the Committee on their important work.