

Examining Outbound Investment Screening”
Senate Committee on Banking, Housing, and Urban Affairs
10:00 AM, September 29, 2022
Senator John Cornyn
Opening Statement

- Thank you Chairman Brown and Ranking Member Toomey for organizing this hearing on such an important and timely topic.
- As many of you know, China poses a vast threat to our national security.
- Nearly twenty years ago, our government opened the door to do business in China and our industry did what they do best – found a market, captured it, and achieved efficiency and innovation.
- But it didn’t take long before that openness was abused by the Chinese Communist Party through theft, control, and perversion.
- Now, we’re seeing the vulnerabilities created by the open door between our economies.
- The Chinese Communist Party has weaponized our trade and financial apparatuses and is using them to achieve control, dominance, and self-sufficiency in the area of our national critical capabilities.
- This includes technologies such as semiconductors, quantum computing, and artificial intelligence.
- Following passage of the CHIPS act, the U.S. is the only allied, Pacific nation that provides domestic semiconductor incentives and does not have an outbound investment mechanism.
- The CCP’s predatory trade practices paint an alarming picture for our national security.
- This requires a collective response by the U.S. government, American businesses, our allies, and those nations who at least attempt to abide by the rules-based international trading system.

- That said, we must not overreach. Trade and investment with China must continue, so any legislative or regulatory actions must be targeted.
- We need a scalpel, not a sword.
- The first step is to improve visibility into human, financial, and intellectual capital in foreign adversary nations. We must know the full extent of the problem.
- I support a robust process that focuses on transparency and notification. The American people should know if a company is investing in critical industries on a foreign adversary's soil.
- For example, if a U.S.- headquartered company chooses to finance AI software for the People's Liberation Army, it is actively investing in China's military strength.
- In the event of a conflict with Taiwan or worse, our own men and women in uniform, China would have a military advantage that was funded in part by an American company.
- I'd like to note that this is not a hypothetical example – this happened. That's why this is so critical.
- There's an old saying attributed to Vladimir Lenin. "The capitalists will sell us the rope with which we will hang them."
- That's exactly what China is trying to do – use the enterprising minds of America to choke our economy.
- The challenge we face with regards to China in particular requires a shift in our way of thinking – a new paradigm. The focus on proxy wars and diplomacy are a relic of the past. We need real action.
- That said, our government cannot risk playing politics with an important topic like outbound investment to settle a centuries-old debate over protectionism versus free trade or labor vs big corporations.
- And we must act soon, or we risk policy being made on the campaign trail.

- I know that I am not alone, and I speak for many of my colleagues who understand the grave national security risks.
- The perspectives of the members of this panel, especially my good friend and Ranking Member Toomey, are necessary in us finding balance.
- I thank the Chair and Ranking Member for inviting me here today to set the scene for today's hearing.
- I also want to thank my colleague Senator Casey for being a productive partner in this effort.
- I hope it is one of several hearings to come that will provide additional, diverse perspectives and oversight on the topic.
- I yield back.