117TH CONGRESS 1ST SESSION

H. R. 6329

To require reviews of United States investment in foreign countries that may threaten national critical capabilities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

December 20, 2021

Ms. Delauro (for herself, Mr. Pascrell, Mrs. Spartz, and Mr. Fitzpatrick) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To require reviews of United States investment in foreign countries that may threaten national critical capabilities, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "National Critical Capa-
- 5 bilities Defense Act of 2021".
- 6 SEC. 2. NATIONAL CRITICAL CAPABILITIES REVIEWS.
- 7 (a) IN GENERAL.—The Trade Act of 1974 (19
- 8 U.S.C. 2101 et seq.) is amended by adding at the end
- 9 the following:

"TITLE X—NATIONAL CRITICAL CAPABILITIES REVIEWS

3	"SEC. 1001. DEFINITIONS.
4	"In this title:
5	"(1) Appropriate congressional commit-
6	TEES.—The term 'appropriate congressional com-
7	mittees' means—
8	"(A) the Committee on Finance, the Com-
9	mittee on Armed Services, the Committee on
10	Banking, Housing, and Urban Affairs, the
11	Committee on Commerce, Science, and Trans-
12	portation, the Committee on Health, Education,
13	Labor, and Pensions, and the Committee on
14	Homeland Security and Governmental Affairs
15	of the Senate; and
16	"(B) the Committee on Ways and Means,
17	the Committee on Armed Services, the Com-
18	mittee on Education and Labor, the Committee
19	on Financial Services, the Committee on Home-
20	land Security, and the Committee on Transpor-
21	tation and Infrastructure of the House of Rep-
22	resentatives.
23	"(2) Committee.—The term 'Committee'
24	means the Committee on National Critical Capabili-
25	ties established under section 1002.

1	"(3) Control.—The term 'control' means the
2	power, direct or indirect, whether exercised or not
3	exercised, to determine, direct, or decide important
4	matters affecting an entity, subject to regulations
5	prescribed by the Committee.
6	"(4) Country of Concern.—The term 'coun-
7	try of concern'—
8	"(A) has the meaning given the term 'for-
9	eign adversary' in section 8(c)(2) of the Secure
10	and Trusted Communications Networks Act of
11	2019 (47 U.S.C. $1607(c)(2)$); and
12	"(B) may include a nonmarket economy
13	country (as defined in section 771(18) of the
14	Tariff Act of 1930 (19 U.S.C. 1677(18))) iden-
15	tified by the Committee for purposes of this
16	paragraph by regulation.
17	"(5) Covered transaction.—
18	"(A) In general.—Except as otherwise
19	provided, the term 'covered transaction' means
20	any of the following transactions, proposed or
21	pending on or after the date of the enactment
22	of this title:
23	"(i) Any transaction by a United
24	States business that—

1	"(I) shifts or relocates to a coun-
2	try of concern, or transfers to an enti-
3	ty of concern, the design, develop-
4	ment, production, manufacture, fab-
5	rication, supply, servicing, testing,
6	management, operation, investment,
7	ownership, or any other essential ele-
8	ments involving one or more national
9	critical capabilities identified under
10	subparagraph (B)(ii); or
11	"(II) could result in an unaccept-
12	able risk to a national critical capa-
13	bility.
14	"(ii) Any other transaction, transfer,
15	agreement, or arrangement, the structure
16	of which is designed or intended to evade
17	or circumvent the application of this title,
18	subject to regulations prescribed by the
19	Committee.
20	"(B) REGULATIONS.—
21	"(i) In General.—The Committee
22	shall prescribe regulations further defining
23	the term 'covered transaction' in accord-
24	ance with subchapter II of chapter 5, and
25	chapter 7, of title 5, United States Code

1	(commonly known as the 'Administrative
2	Procedure Act').
3	"(ii) Identification of national
4	CRITICAL CAPABILITIES.—For purposes of
5	subparagraph (A)(I), the regulations pre-
6	scribed by the Committee under clause (i)
7	shall—
8	"(I) identify the national critical
9	capabilities subject to that subpara-
10	graph based on criteria intended to
11	limit application of that subparagraph
12	to the subset of national critical capa-
13	bilities that is likely to pose an unac-
14	ceptable risk to the national security
15	and crisis preparedness of the United
16	States; and
17	"(II) enumerate, quantify,
18	prioritize, and set forth sufficient al-
19	lowances of, specific types and exam-
20	ples of such capabilities.
21	"(6) Crisis preparedness.—The term 'crisis
22	preparedness' means preparedness for—
23	"(A) a public health emergency declared
24	under section 319 of the Public Health Service
25	Act (42 U.S.C. 247d): or

1	"(B) a major disaster declared under sec-
2	tion 401 of the Robert T. Stafford Disaster Re-
3	lief and Emergency Assistance Act (42 U.S.C.
4	5170).
5	"(7) Critical infrastructure.—The term
6	'critical infrastructure' means systems and assets,
7	whether physical or virtual, so vital to the United
8	States that the incapacity or destruction of such sys-
9	tems and assets would have a debilitating impact on
10	national security, national economic security, na-
11	tional public health or safety, or any combination of
12	those matters.
13	"(8) Entity of Concern.—The term 'entity
14	of concern' means an entity—
15	"(A) the ultimate parent entity of which is
16	domiciled in a country of concern; or
17	"(B) that is directly or indirectly controlled
18	by, owned by, or subject to the influence of a
19	foreign person that has a substantial nexus
20	with a country of concern.
21	"(9) Foreign entity.—
22	"(A) IN GENERAL.—Except as provided by
23	subparagraph (B), the term 'foreign entity'
24	means any branch, partnership, group or sub-
25	group, association, estate, trust, corporation or

1	division of a corporation, or organization orga-
2	nized under the laws of a foreign country if—
3	"(i) its principal place of business is
4	outside the United States; or
5	"(ii) its equity securities are primarily
6	traded on one or more foreign exchanges.
7	"(B) Exception.—The term 'foreign enti-
8	ty' does not include any entity described in sub-
9	paragraph (A) that can demonstrate that a ma-
10	jority of the equity interest in such entity is ul-
11	timately owned by nationals of the United
12	States.
13	"(10) Foreign Person.—The term 'foreign
14	person' means—
15	"(A) any foreign national, foreign govern-
16	ment, or foreign entity;
17	"(B) any entity over which control is exer-
18	cised or exercisable by a foreign national, for-
19	eign government, or foreign entity; or
20	"(C) any entity over which control is exer-
21	cised or exercisable by a person described in
22	subparagraph (A) or (B).
23	"(11) NATIONAL CRITICAL CAPABILITIES.—The
24	term 'national critical capabilities', subject to regula-
25	tions prescribed by the Committee—

1	"(A) means systems and assets, whether
2	physical or virtual, so vital to the United States
3	that the inability to develop such systems and
4	assets or the incapacity or destruction of such
5	systems or assets would have a debilitating im-
6	pact on national security or crisis preparedness;
7	and
8	"(B) includes the following:
9	"(i) The production, in sufficient
10	quantities, of any of the following articles:
11	"(I) Medical supplies, medicines,
12	and personal protective equipment.
13	"(II) Articles essential to the op-
14	eration, manufacture, supply, service,
15	or maintenance of critical infrastruc-
16	ture.
17	"(III) Articles critical to infra-
18	structure construction after a natural
19	or manmade disaster.
20	"(IV) Articles that are compo-
21	nents of systems critical to the oper-
22	ation of weapons systems, intelligence
23	collection systems, or items critical to
24	the conduct of military or intelligence
25	operations.

1	"(V) Any other articles identified
2	in regulations prescribed under sec-
3	tion 1007.
4	"(ii) Supply chains for the production
5	of articles described in clause (i).
6	"(iii) Essential supply chains for the
7	Department of Defense.
8	"(iv) Any other supply chains identi-
9	fied in regulations prescribed under section
10	1007.
11	"(v) Services critical to the production
12	of articles described in clause (i) or a sup-
13	ply chain described in clause (ii), (iii), or
14	(iv).
15	"(vi) Medical services.
16	"(vii) Services critical to the mainte-
17	nance of critical infrastructure.
18	"(viii) Services critical to infrastruc-
19	ture construction after a natural or man-
20	made disaster.
21	"(ix) Any other services identified in
22	regulations prescribed under section 1007.
23	"(12) National security.—The term 'na-
24	tional security' includes—

1	"(A) national security, as defined in sec-
2	tion 721(a) of the Defense Production Act of
3	1950 (50 U.S.C. 4565(a));
4	"(B) national defense, as defined in section
5	702 of that Act (50 U.S.C. 4552); and
6	"(C) agricultural security and natural re-
7	sources security.
8	"(13) Party.—The term 'party', with respect
9	to a transaction, has the meaning given that term in
10	regulations prescribed by the Committee.
11	"(14) United States.—The term 'United
12	States' means the several States, the District of Co-
13	lumbia, and any territory or possession of the
14	United States.
15	"(15) United States Business.—The term
16	'United States business' means a person engaged in
17	interstate commerce in the United States.
18	"SEC. 1002. COMMITTEE ON NATIONAL CRITICAL CAPABILI-
19	TIES.
20	"(a) In General.—There is established a com-
21	mittee, to be known as the 'Committee on National Crit-
22	ical Capabilities', which shall carry out this title and such
23	other assignments as the President may designate.
24	"(b) Мемвекsнір.—

1	"(1) In General.—The Committee shall be
2	comprised of the head, or a designee of the head, of
3	each of the following:
4	"(A) The Office of the United States
5	Trade Representative.
6	"(B) The Department of Commerce.
7	"(C) The Office of Science and Technology
8	Policy.
9	"(D) The Department of the Treasury.
10	"(E) The Department of Homeland Secu-
11	rity.
12	"(F) The Department of Defense.
13	"(G) The Department of State.
14	"(H) The Department of Justice.
15	"(I) The Department of Energy.
16	"(J) The Department of Health and
17	Human Services.
18	"(K) The Department of Agriculture.
19	"(L) The Department of Labor.
20	"(M) Any other Federal agency the Presi-
21	dent determines appropriate, generally or on a
22	case-by-case basis.
23	"(2) Ex officio members.—
24	"(A) In GENERAL.—In addition to the
25	members of the Committee specified in para-

1	graph (1), the following shall, except as pro-
2	vided in subparagraph (B), be nonvoting, ex
3	officio members of the Committee:
4	"(i) The Director of National Intel-
5	ligence.
6	"(ii) The Administrator of the Fed-
7	eral Emergency Management Agency.
8	"(iii) The Director of the National In-
9	stitute of Standards and Technology.
10	"(iv) The Director of the Centers for
11	Disease Control and Prevention.
12	"(v) The Director of the National In-
13	stitute of Allergy and Infectious Diseases.
14	"(vi) The Chairperson of the Federal
15	Communications Commission.
16	"(vii) The Chairperson of the Securi-
17	ties and Exchange Commission.
18	"(viii) The Chairperson of the Com-
19	modity Futures Trading Commission.
20	"(ix) The Administrator of the Fed-
21	eral Aviation Administration.
22	"(B) Designation as voting mem-
23	BERS.—The chairperson of the Committee may
24	designate any of the officials specified in

- clauses (ii) through (ix) of subparagraph (A) as 1 2 voting members of the Committee.
- 3 "(c) Chairperson.—

merce.

- "(1) IN GENERAL.—The United States Trade 4 Representative shall serve as the chairperson of the 5 6 Committee.
- 7 "(2) Consultations with secretaries of 8 DEFENSE AND COMMERCE.—In carrying out the du-9 ties of the chairperson of the Committee, the United 10 States Trade Representative shall consult with the 11 Secretary of Defense and the Secretary of Com-12
- 13 "(d) Designation of Officials To Carry Out 14 DUTIES RELATED TO COMMITTEE.—The head of each 15 agency represented on the Committee shall designate an official, at or equivalent to the level of Assistant Secretary 16 in the Department of the Treasury, who is appointed by
- 19 Senate, to carry out such duties related to the Committee

the President, by and with the advice and consent of the

- 20 as the head of the agency may assign.
- 21 "SEC. 1003. REVIEW OF COVERED TRANSACTIONS.
- 22 "(a) Mandatory Notification.—A United States
- business that engages in a covered transaction shall sub-
- mit a written notification of the transaction to the Com-
- 25 mittee.

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1	"(b) Review.—
2	"(1) In general.—Not later than 60 days
3	after receiving written notification under subsection
4	(a) of a covered transaction, the Committee may—
5	"(A) review the transaction to determine it
6	the transaction is likely to result in an unac
7	ceptable risk to one or more national critical ca
8	pabilities, including by considering factors spec
9	ified in section 1005; and
10	"(B) if the Committee determines under
11	subparagraph (A) that the transaction poses a
12	risk described in that subparagraph, make rec
13	ommendations—
14	"(i) to the President for appropriate
15	action that may be taken under this title
16	or under other existing authorities to ad
17	dress or mitigate that risk; and
18	"(ii) to Congress for the establish
19	ment or expansion of Federal programs to
20	support the production or supply of articles
21	and services described in section
22	1001(a)(11)(B) in the United States.
23	"(2) Unilateral initiation of review.—
24	The Committee may initiate a review under para

- graph (1) of a covered transaction for which written notification is not submitted under subsection (a).
- "(3) Initiation of review by request from Congress.—The Committee shall initiate a review under paragraph (1) of a covered transaction if the chairperson and the ranking member of one of the appropriate congressional committees jointly request
- 9 "(c) Treatment of Business Confidential In-

the Committee to review the transaction.

- 10 FORMATION.—A United States business shall submit each
- 11 notification required by subsection (a) to the Committee—
- 12 "(1) in a form that includes business confiden-
- tial information; and
- 14 "(2) in a form that omits business confidential
- information and is appropriate for disclosure to the
- public.

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17 "SEC. 1004. ACTION BY THE PRESIDENT.

- 18 "(a) IN GENERAL.—Subject to subsection (d), the
- 19 President may take such action for such time as the Presi-
- 20 dent considers appropriate to address or mitigate any un-
- 21 acceptable risk posed by a covered transaction to one or
- 22 more national critical capabilities, including suspending or
- 23 prohibiting the covered transaction.
- 24 "(b) Announcement by the President.—The
- 25 President shall announce the decision on whether or not

- 1 to take action pursuant to subsection (a) with respect to
- 2 a covered transaction not later than 15 days after the date
- 3 on which the review of the transaction under section 1003
- 4 is completed.
- 5 "(c) Enforcement.—The President may direct the
- 6 Attorney General of the United States to seek appropriate
- 7 relief, including divestment relief, in the district courts of
- 8 the United States, in order to implement and enforce this
- 9 section.
- 10 "(d) FINDINGS OF THE PRESIDENT.—The President
- 11 may exercise the authority conferred by subsection (a) to
- 12 suspend or prohibit a covered transaction only if the Presi-
- 13 dent finds that—
- 14 "(1) there is credible evidence that leads the
- 15 President to believe that the transaction poses an
- unacceptable risk to one or more national critical ca-
- pabilities; and
- 18 "(2) provisions of law (other than this section)
- do not, in the judgment of the President, provide
- adequate and appropriate authority for the Presi-
- 21 dent to protect such capabilities.
- 22 "(e) Factors To Be Considered.—For purposes
- 23 of determining whether to take action under subsection
- 24 (a), the President shall consider, among other factors,

each of the factors described in section 1005, as appro-2 priate. "SEC. 1005. FACTORS TO BE CONSIDERED. 4 "The Committee, in reviewing and making a determination with respect to a covered transaction under section 1003, and the President, in determining whether to take action under section 1004 with respect to a covered 8 transaction, shall consider any factors relating to national critical capabilities that the Committee or the President 10 considers relevant, including— 11 "(1) the long-term strategic economic, national 12 security, and crisis preparedness interests of the 13 United States; "(2) the history of distortive or predatory trade 14 15 practices in each country in which a foreign person 16 that is a party to the transaction is domiciled; "(3) control and beneficial ownership (as deter-17 18 mined in accordance with section 847 of the Na-19 tional Defense Authorization Act for Fiscal Year 20 2020 (Public Law 116-92; 10 U.S.C. 2509 note)) of 21 each foreign person that is a party to the trans-22 action; and 23 "(4) impact on the domestic industry and re-

sulting resiliency, including the domestic skills base,

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- 1 taking into consideration any pattern of foreign in-2 vestment in the domestic industry. 3 "SEC. 1006. SUPPLY CHAIN SENSITIVITIES. "The Committee shall determine the sensitivities and 4 risks for sourcing of articles described in section 6 1001(a)(11)(B)(i), in accordance with the following: 7 "(1) The sourcing of least concern shall be arti-8 cles the supply chains for which are housed in whole 9 within countries that are allies of the United States. 10 "(2) The sourcing of greater concern shall be 11 articles the supply chains for which are housed in 12 part within countries of concern or from an entity 13 of concern but for which substitute production is 14 available from elsewhere at required scale.
- "(3) The sourcing of greatest concern shall be articles the supply chains for which are housed wholly or in part in countries of concern or from an entity of concern and for which substitute production is unavailable elsewhere at required scale.
- 20 "SEC. 1007. IDENTIFICATION OF ADDITIONAL NATIONAL
- 21 CRITICAL CAPABILITIES.
- "(a) In General.—The Committee should prescribe regulations to identify additional articles, supply chains, and services to recommend for inclusion in the definition

1	of 'national critical capabilities' under section
2	1001(a)(11).
3	"(b) Review of Industries.—
4	"(1) In General.—In identifying under sub-
5	section (a) additional articles, supply chains, and
6	services to recommend for inclusion in the definition
7	of 'national critical capabilities' under section
8	1001(a)(11), the Committee should conduct a review
9	of industries identified by Federal Emergency Man-
10	agement Agency as carrying out emergency support
11	functions, including the following industries:
12	"(A) Energy.
13	"(B) Medical.
14	"(C) Communications, including electronic
15	and communications components.
16	"(D) Defense.
17	"(E) Transportation.
18	"(F) Aerospace, including space launch.
19	"(G) Robotics.
20	"(H) Artificial intelligence.
21	"(I) Semiconductors.
22	"(J) Shipbuilding.
23	"(K) Water, including water purification.
24	"(2) QUANTIFICATION.—In conducting a review
25	of industries under paragraph (1), the Committee

1	should specify the quantity of articles, supply chains,
2	and services, and specific types and examples of
3	transactions, from each industry sufficient to main-
4	tain national critical capabilities.
5	"SEC. 1008. REPORTING REQUIREMENTS.
6	"(a) Annual Report to Congress.—
7	"(1) In general.—Not later than 90 days
8	after the date of the enactment of the National Crit-
9	ical Capabilities Defense Act of 2021, and annually
10	thereafter, the Committee shall submit to the appro-
11	priate congressional committees a report—
12	"(A) on the determination under section
13	1006 with respect to sensitivities and risks for
14	sourcing of articles described in section
15	1001(a)(11)(B)(i);
16	"(B) assessing whether identification of
17	additional national critical capabilities under
18	section 1007 is necessary; and
19	"(C) describing, for the year preceding
20	submission of the report—
21	"(i) the notifications received under
22	subsection (a) of section 1003 and reviews
23	conducted pursuant to such notifications;

1	"(ii) reviews initiated under para-
2	graph (2) or (3) of subsection (b) of that
3	section;
4	"(iii) actions recommended by the
5	Committee under subsection (b)(1)(B) of
6	that section as a result of such reviews;
7	and
8	"(iv) reviews during which the Com-
9	mittee determined no action was required;
10	and
11	"(D) assessing the overall impact of such
12	reviews on national critical capabilities.
13	"(2) Form of Report.—The report required
14	by paragraph (1) shall be submitted in unclassified
15	form but may include a classified annex.
16	"(b) Use of Defense Production Act of 1950
17	AUTHORITIES.—Not later than 180 days after the date
18	of the enactment of the National Critical Capabilities De-
19	fense Act of 2021, the Committee shall submit to Congress
20	a report that includes recommendations relating to use the
21	authorities under title III of the Defense Production Act
22	of 1950 (50 U.S.C. 4531 et seq.) to make investments
23	to enhance national critical capabilities and reduce de-
24	pendency on materials and services imported from foreign
25	countries.

	22
1	"SEC. 1009. REQUIREMENT FOR REGULATIONS.
2	"(a) In General.—The Committee shall prescribe
3	regulations to carry out this title.
4	"(b) Elements.—Regulations prescribed to carry
5	out this title shall—
6	"(1) provide for the imposition of civil penalties
7	for any violation of this title, including any mitiga-
8	tion agreement entered into, conditions imposed, or
9	order issued pursuant to this title; and
10	"(2) include specific examples of the types of—
11	"(A) the transactions that will be consid-
12	ered to be covered transactions; and
13	"(B) the articles, supply chains, and serv-
14	ices that will be considered to be national crit-
15	ical capabilities.
16	"(c) Coordination.—In prescribing regulations to
17	carry out this title, the Committee shall coordinate with
18	the United States Trade Representative, the Under Sec-
19	retary of Commerce for Industry and Security, and the
20	Committee on Foreign Investment in the United States
21	to avoid duplication of effort.
22	"SEC. 1010. REQUIREMENTS RELATED TO GOVERNMENT

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- 23 PROCUREMENT.
- 24 "(a) In General.—Not later than 90 days after the
- date of the enactment of the National Critical Capabilities
- 26 Defense Act of 2021, the Federal Acquisition Regulation

- 1 shall be revised to require each person that is a prospective
- 2 contractor for an executive agency to disclose the supply
- 3 chains the person would use to carry out the contract and
- 4 the extent to which the person would depend on articles
- 5 and services imported from foreign countries, including
- 6 the percentage of such materials and services imported
- 7 from countries of concern.
- 8 "(b) Materiality.—The head of an executive agen-
- 9 cy shall consider the failure of a person to make the disclo-
- 10 sures required by subsection (a) to be material deter-
- 11 minants in awarding a contract to that person.
- 12 "(c) Applicability.—The revisions to the Federal
- 13 Acquisition Regulation required under subsection (a) shall
- 14 apply with respect to contracts for which solicitations are
- 15 issued on or after the date that is 90 days after the date
- 16 of the enactment of the National Critical Capabilities De-
- 17 fense Act of 2021.
- 18 "(d) Definitions.—In this section:
- 19 "(1) EXECUTIVE AGENCY.—The term 'executive
- agency' has the meaning given that term in section
- 21 133 of title 41, United States Code.
- 22 "(2) Federal acquisition regulation.—
- The term 'Federal Acquisition Regulation' means
- the regulation issued pursuant to section 1303(a)(1)
- of title 41, United States Code.

1	"SEC. 1011. MULTILATERAL ENGAGEMENT AND COORDINA-
2	TION.
3	"The United States Trade Representative—
4	"(1) should, in coordination and consultation
5	with relevant Federal agencies, conduct multilateral
6	engagement with the governments of countries that
7	are allies of the United States to secure coordination
8	of protocols and procedures with respect to covered
9	transactions with countries of concern; and
10	"(2) upon adoption of protocols and procedures
11	described in paragraph (1), shall work with those
12	governments to establish information sharing re-
13	gimes.
14	"SEC. 1012. AUTHORIZATION OF APPROPRIATIONS.
15	"There are authorized to be appropriated such sums
16	as may be necessary to carry out this title, including to
17	provide outreach to industry and persons affected by this
18	title.
19	"SEC. 1013. RULE OF CONSTRUCTION WITH RESPECT TO
20	FREE AND FAIR COMMERCE.
21	"Nothing in this title may be construed as prohibiting
22	or limiting the free and fair flow of commerce outside of
23	the United States that does not pose an unacceptable risk
24	to a national critical capability.".

- 1 (b) CLERICAL AMENDMENT.—The table of contents
- 2 for the Trade Act of 1974 is amended by adding at the
- 3 end the following:

"TITLE X—NATIONAL CRITICAL CAPABILITIES REVIEWS

- "Sec. 1001. Definitions.
- "Sec. 1002. Committee on National Critical Capabilities.
- "Sec. 1003. Review of covered transactions.
- "Sec. 1004. Action by the President.
- "Sec. 1005. Factors to be considered.
- "Sec. 1006. Supply chain sensitivities.
- "Sec. 1007. Identification of additional national critical capabilities.
- "Sec. 1008. Reporting requirements.
- "Sec. 1009. Requirement for regulations.
- "Sec. 1010. Requirements related to government procurement.
- "Sec. 1011. Multilateral engagement and coordination.
- "Sec. 1012. Authorization of appropriations.
- "Sec. 1013. Rule of construction with respect to free and fair commerce.".

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