Congress of the United States
Washington, DC 20515

February 26, 2026

The Honorable Scott Bessent
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Bessent,

We applaud the President's leadership in preventing U.S. capital and know-how from fueling the military-industrial base of foreign adversaries through the enactment of the Comprehensive Outbound Investment National Security (COINS) Act of 2025 in the National Defense Authorization Act.

The Outbound Investment Security Program (OISP), codified and strengthened by the COINS Act, closes loopholes that previously allowed U.S. investment and expertise to flow into the defense industrial base and strategic technology sectors of foreign adversaries, including cutting-edge semiconductors, artificial intelligence, and quantum technology. We recently saw a concrete victory in protecting U.S. technological leadership because of this policy when Manus, a Chinese artificial intelligence startup deprived of access to U.S. capital and technology, left China and was subsequently acquired by the U.S. firm Meta.

The OISP and the COINS Act have been major successes in protecting U.S. national security. However, more must be done to ensure that the United States does not fund its own destruction. We appreciate your leadership in ensuring that the United States maintains its economic, technological, and military dominance over foreign adversaries, and we respectfully recommend that the Treasury Department consider the following steps as it implements the COINS Act.

1. Address Threats Posed by Foreign Adversary Biotechnology Development

Section 809 of the COINS Act provides the Administration with clear authority to restrict additional technologies when they enable the military, intelligence, surveillance, or cyber capabilities of a country of concern. Biotechnology now squarely falls within that risk profile. [1]

The United States is allowing billions of dollars in U.S. biotechnology investment—and the accompanying transfer of expertise, talent, and know-how—to flow into China's research and manufacturing ecosystem. This capital is not merely supporting commercial innovation; it is helping to build the scientific and industrial foundation upon which foreign adversaries can develop military and coercive capabilities.

One of the most acute dangers is the potential enablement of bioweapons programs. As President Trump warned at the United Nations General Assembly last year, "Just a few years ago, reckless experiments overseas gave us a devastating global pandemic, yet despite that worldwide catastrophe, many countries are continuing extremely risky research into bioweapons and manmade pathogens." [2] U.S. intelligence assessments underscore this concern. In 2025, the State Department reported that the Chinese military conducted research with potential bioweapons applications, and the Office of the Director of National Intelligence concluded that "China most likely possesses capabilities relevant to chemical and biological warfare." [3] Continued U.S. investment risks accelerating precisely the capabilities these assessments warn against.

At the same time, U.S. capital is helping to expand China's biotechnology industry in ways that could leave the United States dangerously dependent on a strategic competitor for advanced medicines. Such dependence would pose risks even greater than China's dominance in rare earths. PRC media has already publicly discussed weaponizing American reliance on China for generic pharmaceuticals[4]. There is little reason to believe Beijing would hesitate to apply similar leverage to more advanced medical technologies in a crisis.

Finally, these investments threaten America's long-term leadership in biotechnology itself. As U.S. firms expand R&D and manufacturing capacity in China, they are exporting not only capital but also expertise and opportunity. This dynamic is already visible domestically: Boston's biotechnology sector is reportedly "sputtering," as U.S.-trained scientists increasingly find better job prospects in China than in the United States. [5] Left unaddressed, this trend risks hollowing out a critical American industry while strengthening that of a foreign adversary.

For these reasons, we recommend that the Administration consider expanding the Outbound Investment Security Program to address biotechnology-related investments that enable foreign adversaries' military, coercive, or strategic capabilities.

2. Target Additional Transaction Types

The COINS Act was designed to prevent U.S. capital and expertise from strengthening the military and strategic capabilities of foreign adversaries. Section 809 recognizes that risk does not arise solely from traditional equity investments and therefore grants the Administration authority to restrict "any other transaction" that contributes to the military, intelligence, surveillance, or cyber-enabled capabilities of a country of concern.

Foreign adversaries have increasingly exploited additional transaction types to achieve the same outcomes that the OISP was meant to prevent. These channels allow U.S. firms to provide credibility, expertise, and institutional support to adversary-linked companies while technically remaining outside the scope of transactions currently impacted by the OISP.

One such channel is IPO underwriting. America's world-leading financial institutions have underwritten initial public offerings for companies that later became central to China's military and strategic technology ambitions. Alibaba Group—whose 2014 IPO was underwritten by U.S. firms—has reportedly supported People's Liberation Army operations against U.S. targets.[6] Allowing U.S. banks to bring such companies to public markets undermines the very purpose of outbound investment restrictions. Americans should not be permitted to boost the public offerings of companies operating in Chinese sectors in which direct U.S. investment is otherwise prohibited.

Management consulting represents a similar vulnerability. U.S. consulting firms provide strategic guidance that can shape national industrial policy, research priorities, and institutional design. McKinsey and Boston Consulting Group reportedly advised local officials on Huairou Science

City, [7] a Beijing-based science hub tasked with facilitating collaboration between military and civilian research. McKinsey also contributed to the PRC's 13th Five-Year Plan, recommending that the Chinese Communist Party deepen military-civil fusion.[8] These services go beyond commercial advice; they often directly support the CCP's strategy to integrate civilian innovation into its defense industrial base and strategic technology sectors.

Absent action under Section 809, these transaction types will continue allow U.S. firms to enable adversary military and technological advancement even as direct investment pathways are restricted. To fully realize the intent of the COINS Act, the Administration should use its authority to address these transactions and ensure that U.S. financial and professional services are not strengthening the capabilities of foreign adversaries.

3. Prohibit Publicly Traded Security Investments into Blacklisted Firms

The COINS Act recognizes that restricting private investment alone is insufficient if U.S. capital can continue to reach foreign adversaries through public markets. Subtitle D therefore requires the President to submit regular reports to Congress assessing whether entities already designated on U.S. government blacklists also qualify for inclusion on the Non-SDN Chinese Military-Industrial Complex Companies (NS-CMIC) List—a designation that would prohibit Americans from trading those firms' publicly traded securities.

This requirement reflects a clear principle: companies identified by the U.S. government as contributing to China's military modernization or coercive capabilities should not simultaneously benefit from access to American capital. Yet today, several firms that already meet the criteria for national security designation remain accessible to U.S. investors, creating a gap between U.S. policy intent and real-world financial exposure.

There is strong reason to believe that multiple companies already on U.S. government blacklists may qualify for inclusion on the NS-CMIC List, including but not limited to:

- **ChangXin Memory Technologies (CXMT)**, the PRC memory-chip champion identified by the Department of War as a Chinese military company, plans to raise $4 billion in a Shanghai IPO.[9]
- **Yangtze Memory Technologies (YMTC)**, another major PRC memory-chip manufacturer, was added to the Commerce Department Entity List in 2022 over risks of technology diversion to Huawei.[10]
- **Tencent** has been identified by the Department of War as a Chinese military company.[11]
- **Biren and Moore Threads**, both PRC advanced semiconductor designers, were added to the Entity List in 2023 for their development of advanced chips, which assisted the "development of weapons of mass destruction, advanced weapons systems, and high-tech surveillance applications that create national security concerns."[12]
- **Zhipu AI**, the PRC artificial intelligence company on the Entity List since January 2025 because it "advance[d] the People's Republic of Chinas military modernization through the development and integration of advanced artificial intelligence research."[13]

- **BGI Genomics Company** has been identified by the Department of War as a Chinese military company and is on the Commerce Department's Entity List.
- **Cambricon**, the PRC AI chip designer, is on the Entity List "for acquiring and attempting to acquire U.S.-origin items in support of China's military modernization".[14]
- **Naura, Piotech, Kingsemi, Hwatsing,** all PRC chipmaking tool companies, are on the Entity List for developing semiconductors for military end use.[15]
- **Quectel**, the PRC cellular module company, has been identified as a Chinese military company by the Department of War.[16]
- **DJI**, the PRC drone manufacturer, was added to the Entity List in 2020 because it "enabled wide-scale human rights abuses within China."[17]

Allowing Americans to continue trading the publicly listed securities of these firms undermines the purpose of existing designations and risks financing the very military capabilities U.S. policy seeks to constrain. The Administration should ensure that companies already identified as national security threats are promptly evaluated for inclusion on the NS-CMIC List and that U.S. public markets are not used to subsidize adversary military and technological advancement.

Sincerely,

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United States Senator

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[11] https://www.war.gov/News/Releases/Release/Article/4023145/dod-releases-list-of-chinese-military-companies-in-accordance-with-section-1260/

[12] https://public-inspection.federalregister.gov/2023-23048.pdf

[13] https://www.federalregister.gov/documents/2025/01/16/2025-00704/addition-of-entities-to-and-revision-of-entry-on-the-entity-list

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[15] https://www.federalregister.gov/documents/2024/12/05/2024-28267/additions-and-modifications-to-the-entity-list-removals-from-the-validated-end-user-veu-program

[16] https://media.defense.gov/2025/Jan/07/2003625471/-1/-1/1/ENTITIES-IDENTIFIED-AS-CHINESE-MILITARY-COMPANIES-OPERATING-IN-THE-UNITED-STATES.PDF

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