BLOCKING CHINESE-LINKED INVESTMENTS FROM ACCESSING U.S. TAXPAYER FUNDS IN STRATEGIC INDUSTRIES

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Blocking Chinese-Linked Investments From Accessing U.S. Taxpayer Funds in Strategic Industries

By CPA Economics

Executive Summary

Chinese-linked firms are restructuring ownership, routing investments through third-country fronts, and using contractual and technological leverage to access U.S. taxpayer-funded programs—including the Inflation Reduction Act, 45X, 48E, CHIPS Act incentives, and related subsidies. These tactics allow PRC-backed entities to reenter critical U.S. supply chains through influence and functional control rather than formal ownership, creating hidden but powerful channels of Chinese leverage in sectors where national security requires independence.

Treasury's September 2025 FEOC rulemaking confirms that a firm can be deemed a foreign entity of concern even without equity ownership above 25 percent if the PRC maintains influence through technology licensing, exclusive supply agreements, critical software, or contractual control. Under these rules, "material assistance" includes upstream supply-chain dependence, reliance on PRC-origin equipment, embedded software systems, engineering support, and any contractual terms enabling PRC influence over production. Equity dilution alone is therefore insufficient for compliance under the updated interpretation.

Even when Chinese firms reduce equity stakes, control persists through technology licensing, critical-input supply agreements, financing structures, and managerial oversight. These mechanisms perpetuate foreign dependence inside the United States and directly undermine Section 232 goals and findings, which establish that adversarial control in essential industries is itself a national-security vulnerability.

Treasury does not need new legislation to stop these circumvention models. It already possesses broad interpretive and enforcement authority to refine the definition of a foreign entity of concern, expand material-assistance criteria, treat functional control as disqualifying, aggregate related entities, and apply totality-of-circumstances reviews supported by intelligence inputs. These existing powers are sufficient to prevent Chinese-linked firms from accessing U.S. subsidies or embedding influence in strategic sectors.

Treasury should immediately tighten Foreign Entity of Concern (FEOC) rules through definitional and regulatory changes that treat any Chinese-linked influence and material control—whether through technology, supply chains, financing, or management—as disqualifying for IRA, 45X, 48E, and CHIPS incentives. In parallel, Congress should establish a State Department–run White List system requiring affirmative approval for all foreign investment in Section 232-designated industries.

Situation Analysis: China Is Using Investment Structures to Reassert U.S. Dependence

Section 232 findings and ongoing investigations across critical sectors—from steel and aluminum to pharmaceuticals, batteries, critical minerals, and solar—have established a consistent principle: reliance on foreign adversaries in essential supply chains creates national security vulnerability.

In response to these U.S. trade protections, China has shifted from a simple export strategy to a more sophisticated model: building or buying into operations inside other countries—including the United States—and embedding ownership, financing, and technology control inside U.S.-based facilities to keep and expand its control over key supply chains even as protections increase [1], [2], [3].

The United States was the single largest global recipient of Chinese official-sector credit during 2018-2023 (figure 1). Virtually none of this financing goes to the U.S. federal government. Instead, Chinese state-owned lenders have overwhelmingly targeted greenfield projects, brownfield acquisitions, and corporate liquidity lines in strategic U.S. sectors—energy infrastructure, pipelines, data centers, airport terminals, and high-tech manufacturing facilities during 2000–2023 (figure 2 and 3). These debt structures enable PRC-backed firms to build or buy U.S. facilities while disguising ultimate control [4].

Figure 1

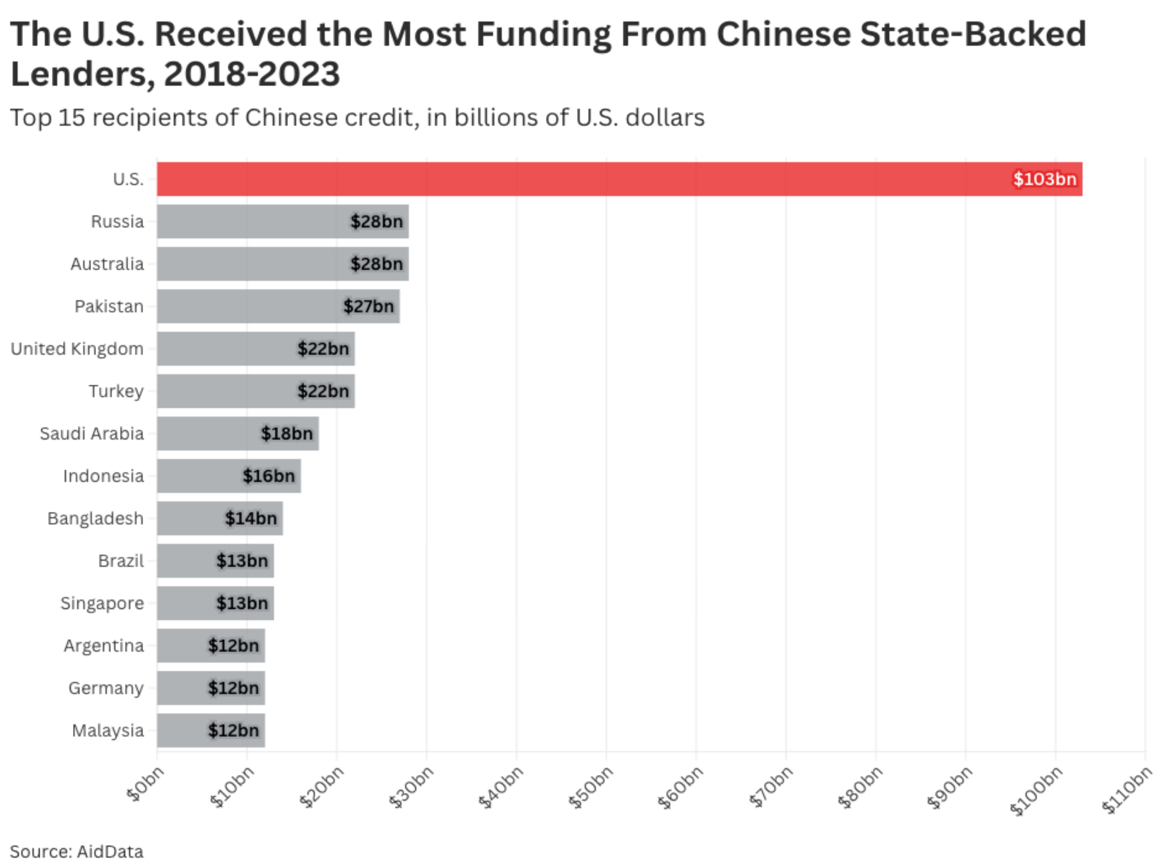
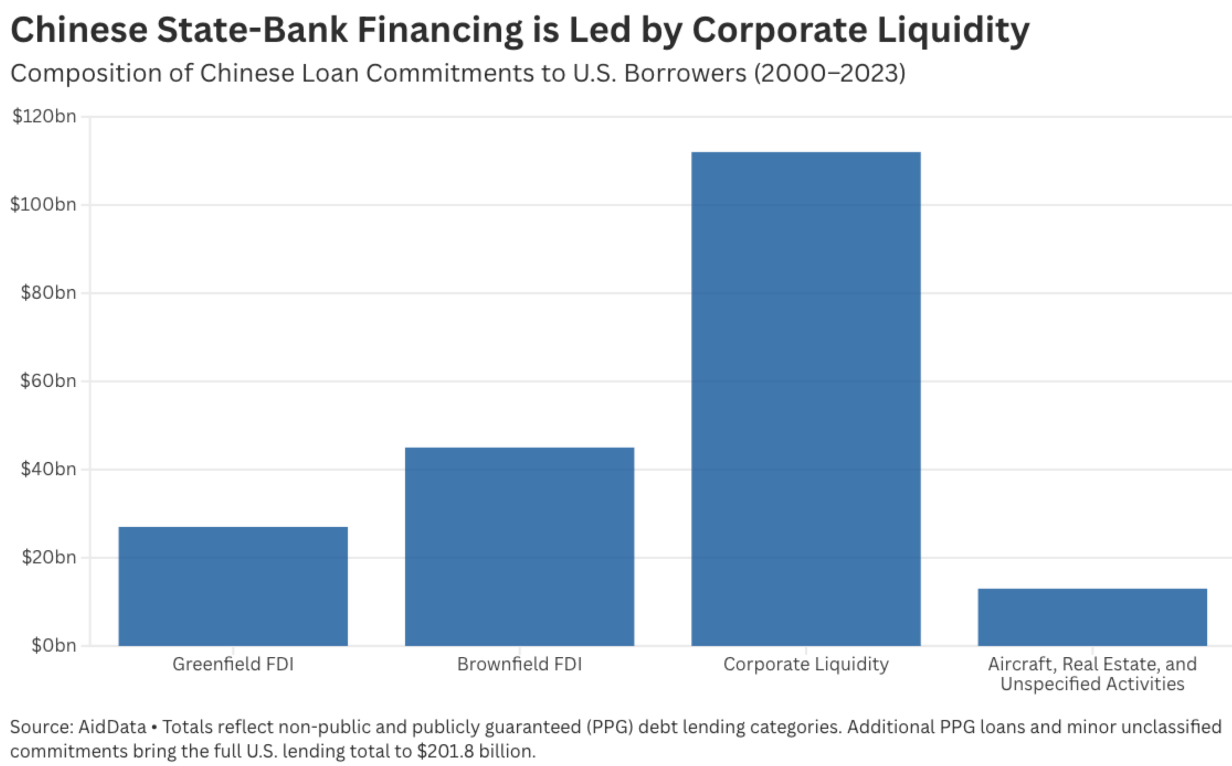


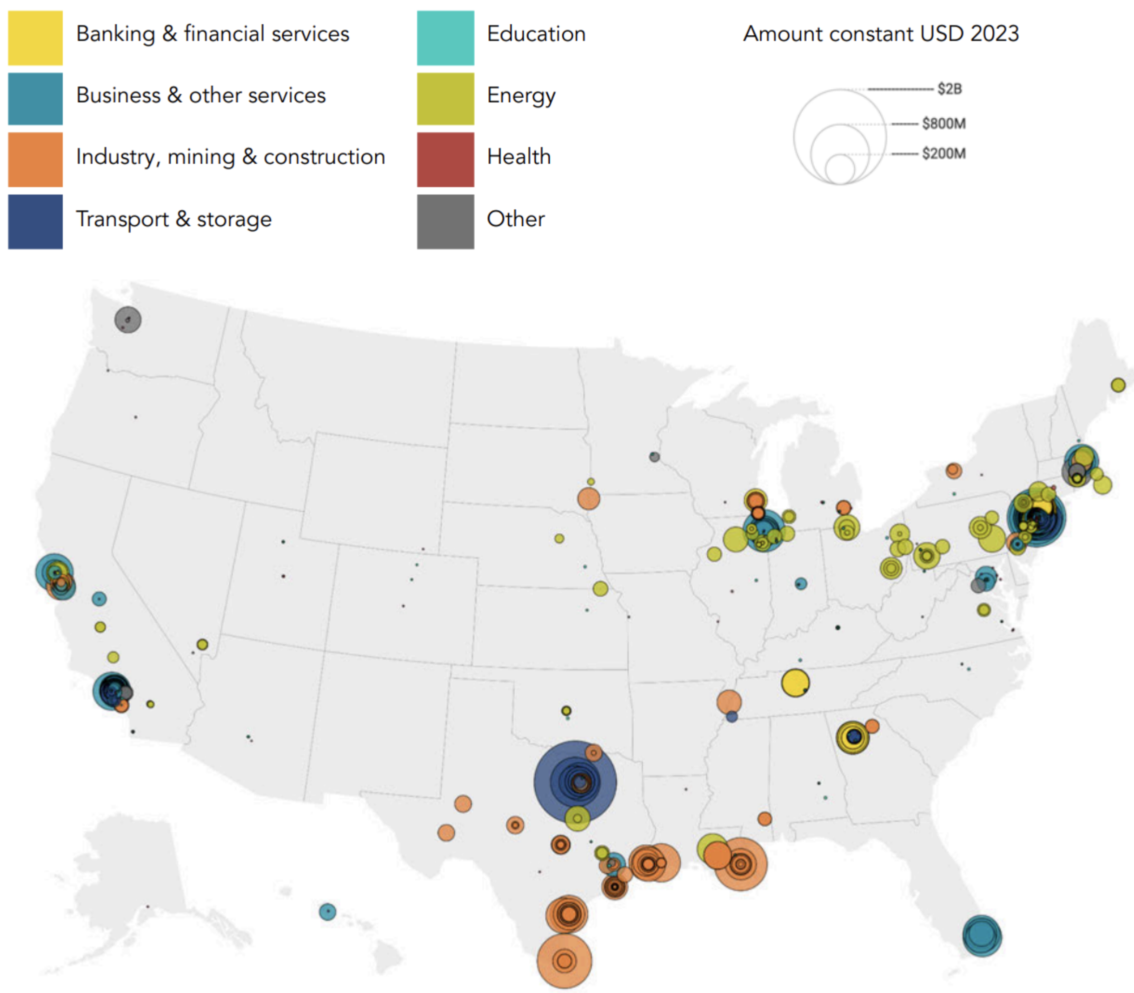
Figure 2



Chinese State-Bank Financing is Led by Corporate Liquidity
Composition of Chinese Loan Commitments to U.S. Borrowers (2000–2023)
$120bn
$100bn
$80bn
$60bn
$40bn
$20bn
$0bn
Greenfield FDI
Brownfield FDI
Corporate Liquidity
Aircraft, Real Estate, and Unspecified Activities
Source: AidData • Totals reflect non-public and publicly guaranteed (PPG) debt lending categories. Additional PPG loans and minor unclassified commitments bring the full U.S. lending total to $201.8 billion.

Figure 3

Chinese State-Backed Loans Finance Projects Across the U.S., 2000-2023



Notes: This figure presents the locations of Chinese loan- and grant-financed projects and activities in the U.S. between 2000 and 2023. Each project/activity location is assigned 3-digit OECD sector codes in the 1.0 version of AidData's CLG-Global Dataset. The "other" category consists of projects and activities assigned to the following OECD sector codes: agriculture, forestry, fishing; communications; emergency response; government and civil society; other multisector; other social infrastructure and services; water supply and sanitation. The size of each centroid is derived from the financial commitment amount (in constant 2023 USD) directed to each project/activity location. Projects and activities with multiple locations (e.g. gas pipelines) are collapsed into a singular representative point using Python.

Source: AidData

Chinese firms are constructing U.S. facilities that remain deeply tied to Chinese supply chains and oversight, and yet these projects still qualify for substantial federal and state subsidies—effectively reinforcing Chinese control within the U.S. market [5], [6], [7]. These investments are partially or wholly dependent on U.S. taxpayer funding and are structured to maintain People's Republic of China (PRC) control even when formal equity ownership is reduced.

Many Chinese companies also mask their origin by routing ownership through Vietnam, Mexico, Singapore, the Cayman Islands, or Canadian entities [2]. Chinese investors routinely hide the ownership of the business, use offshore shell companies and route investment through opaque jurisdictions to evade the Committee on Foreign Investment in the United States (CFIUS) and U.S. investment rules [8].

When equity thresholds become an obstacle, companies simply reduce their ownership stake below Treasury's bright-line thresholds while retaining the same operational control through long-term supply agreements, capital structures, managerial oversight, and intellectual-property licensing [9], [10].

Tax-credit transferability allows these firms to convert IRA incentives into immediate revenue—yet the U.S. facilities they operate remain tied to Chinese supply chains, management, and technology [11]. Even when production begins, manufacturing on U.S. soil under Chinese control is not sovereign domestic production.

This playbook is not theoretical. It is an active strategy Beijing-linked companies are openly executing to reshape U.S. supply-chain architecture while continuing to dominate global production networks.

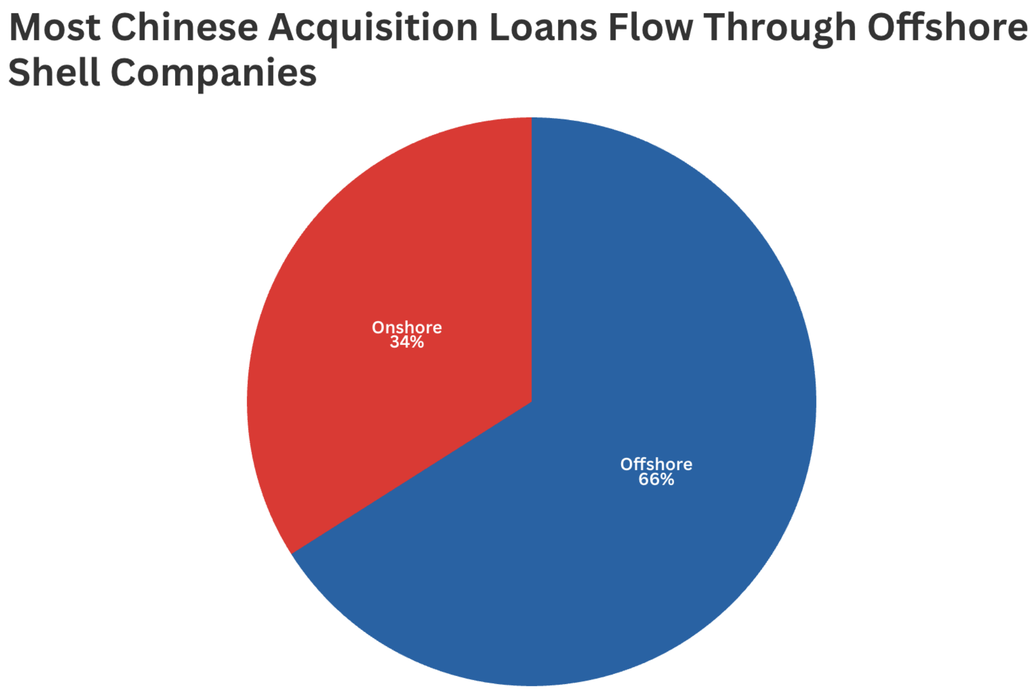
China's New Model: Investment Without Ownership

China's investment strategy is now inseparable from its industrial policy and geoeconomic coercion toolkit. Beijing's deliberate shift toward greenfield overseas expansion—factories, energy infrastructure, logistics nodes, and advanced manufacturing facilities—is occurring precisely because these projects avoid traditional ownership-triggered screening while still embedding Chinese control [8].

A precursor to this model appeared in Haier's acquisition of GE Appliances [12], which remains a clear example of Chinese firms embedding supply-chain, technology, and managerial control inside a U.S.-branded operation. The Louisville, Kentucky facility is presented as an American manufacturer, yet core components, engineering support, and technology integration remain tied to Haier's China-based ecosystem [13]. This illustrates how functional control can persist even when operations occur on U.S. soil—and previews the exact dynamic Treasury must prevent from reemerging under IRA-eligible projects.

Chinese state banks intentionally deploy subsidized credit to help PRC-linked firms acquire or build sensitive U.S. assets using offshore shell companies and syndicated structures designed to obscure the real owners; nearly two-thirds of China's cross-border mergers and acquisitions (M&A) loans are routed through offshore shell companies specifically to avoid regulatory detection (figure 4). These financing routes allow PRC-controlled firms to operate through U.S. or third-country fronts, keeping Chinese involvement hidden while securing the strategic footholds Beijing wants [4].

Figure 4

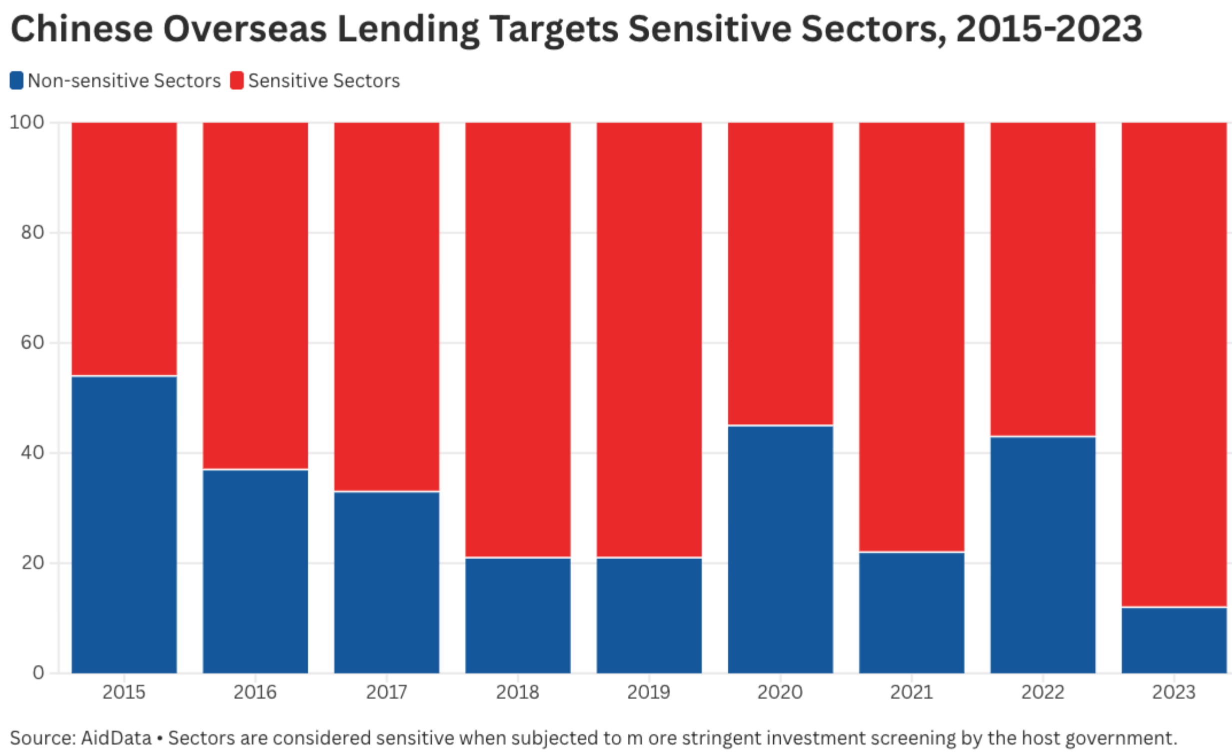


Source: AidData • Offshore' refers to shell companies set up in a third country — neither China nor the country where the acquisition target is located — and used to disguise the buyer's true identity. 'Onshore' refers to shell companies created in the same country where the acquisition takes place.

This pattern extends beyond manufacturing. Chinese sovereign funds have poured hundreds of billions of dollars into Western private equity firms, which then acquire companies across critical healthcare, energy, technology, and industrial sectors [14]. These arrangements are deliberately structured through offshore vehicles and fund layers that conceal the PRC's capital origins. As a result, Chinese state-backed investors gain indirect exposure to strategic Western assets without appearing on ownership filings and without triggering CFIUS or FEOC review.

China no longer relies on visible equity stakes to exercise influence. It embeds leverage through the technology, components, software, and supply chains that underpin U.S. facilities, even when the facility itself appears American. Chinese-made energy systems, grid components, connected devices, and remote-monitoring platforms give Beijing direct access points into U.S. critical infrastructure with zero ownership on paper [8], [15]. This is China's new model: credit, contractual control, embedded technology, and supply-chain dependence—not equity—are now its primary channels of influence inside U.S. industries (figure 5).

Figure 5



Solar & Batteries: Chinese Ownership Strategy Mirrors a Broader Pattern

Boviet Solar is the U.S. solar-manufacturing arm of Ningbo Boway Alloy Material, a Chinese industrial group with major operations in China and Vietnam [16], [17]. Boway affiliates are among the 1,635 U.S. projects financed by Chinese state-owned lenders during 2000–2023, including greenfield and brownfield FDI loans structured through offshore entities. These financing channels directly support the "U.S.-facility-but-Chinese-controlled" model Boway's executives have publicly acknowledged [4].

Boviet presents itself as an American producer operating a photovoltaic module plant in North Carolina, but its production model relies on Chinese-origin components and Chinese-controlled supply chains—mirroring the broader pattern documented in U.S. circumvention petitions, where nominal third-country production remains deeply tied to Chinese technology, inputs, and oversight [18].

This structure allows Boway to position Boviet as "U.S. production" on paper while maintaining real operational control offshore. The Boway/Boviet case is the clearest demonstration of how Chinese firms manipulate IRA eligibility rules. Boway executives have openly discussed restructuring their stake in the U.S. subsidiary to continue qualifying for U.S. government subsidies [8], [19], dropping their stake to just above the 25% line to avoid FEOC classification [20], while retaining full functional control through Chinese engineers, technology platforms, and supply-chain channels.

Despite its U.S. location, Boway confirmed that the North Carolina facility operates at lower efficiency than its Chinese and Vietnamese plants and requires overseas technical teams to stabilize output [21]. Boway's readiness to continually adjust its U.S. subsidiary's structure to meet evolving subsidy rules underscores its intent to maintain control and supply while appearing compliant.

A parallel case is Gotion Inc., the U.S. arm of China-based Gotion High-Tech. In 2023, Illinois approved a subsidy package worth approximately $536 million in state incentives for Gotion's new lithium-battery plant in Manteno [22]. Despite operating through a U.S. subsidiary, Gotion High-Tech retains majority Chinese ownership and a CCP committee within its corporate governance structure [23]—making the project a clear example of a PRC-controlled firm accessing substantial U.S. taxpayer support. The Illinois case underscores how Chinese-linked energy companies can capture domestic subsidies while maintaining foreign supply-chain, technology, and management control, mirroring the Boway/Boviet model.

Canadian Solar follows the same model. The company recently announced it would "resume direct oversight" of its U.S. operations through a new joint venture, CS PowerTech [24]—a restructuring explicitly designed to preserve U.S. market access and control as scrutiny of PRC-linked firms increases. To operationalize this shift, Canadian Solar is acquiring 75.1 percent of three overseas factories from its majority-owned Chinese subsidiary, CSI Solar—an energy-storage system plant (3 GWh), a battery facility (2.9 GW), and an 8 GW wafer-slicing operation—assets valued at roughly US$50 million [25]. These facilities primarily serve U.S. buyers and allow the company to navigate tariffs and IRA restrictions without altering its Chinese-centered production base. Despite its North American branding, Canadian Solar conducts only final assembly—not comprehensive manufacturing—in the United States; CSI retains a 24.9 percent stake in the U.S. ventures; and upstream inputs, manufacturing platforms, and technical capabilities remain anchored in China and Southeast Asia [26]. The reorganization adjusts governance on paper while preserving real operational control offshore, mirroring the Boway/Boviet and Gotion structures.

These examples reveal four core dynamics:

1. Ownership dilution serves as a compliance tactic, not true divestment.
2. Technology, supply-chain inputs, and managerial control remain foreign and linked to China, regardless of nominal U.S. incorporation.
3. IRA tax-credit transferability enables companies to monetize U.S. subsidies immediately, turning federal incentives into direct revenue flows to Chinese firms unlinked to genuine domestic capacity building.
4. The project functions as financial arbitrage, leveraging U.S. subsidies while strengthening China's industrial position.

These cases are not one-offs—they are the model Chinese firms are scaling across critical sectors.

How China Embeds Control in U.S. Metals Production

Although PRC-linked companies capture U.S. subsidies across many critical industries, China's metals strategy operates differently: Chinese firms enter U.S. and Mexican metals production not to collect subsidies, but to bypass trade remedies, claim local origin, and entrench PRC-controlled supply chains. This is especially true for critical metals like copper, which is vital for semiconductors, EVs, defense systems, grid components, and advanced manufacturing [27]. CPA's analysis shows that Chinese firms enter U.S. copper supply chains through minority stakes, layered ownership structures, and tariff-jumping investments that appear domestic but remain anchored to PRC-controlled supply chains [7].

Chinese firms such as Golden Dragon Precise Copper Tube Group, Hailiang Group, and Jiangyin Electrical Alloys have built or acquired copper facilities across the United States and Mexico [28], [29], [30]. These moves have only been to bypass trade remedies and embed and expand PRC-controlled supply chains inside North America. Golden Dragon's $100 million copper-tube plant in Alabama, Hailiang's rapidly expanding tube facility in Texas, and Jiangyin Electrical Alloys' busbar operation in Mexico all enable these companies to claim U.S. or North American origin while retaining Chinese technology, managerial oversight, and long-term feedstock ties [7].

China's overseas manufacturing footprint—including copper and aluminum facilities established in Mexico and Southeast Asia—creates significant risks of tariff evasion, transshipment, and erosion of U.S. industrial capacity. Chinese investments enable rerouting of PRC-origin materials to claim local origin. This aligns precisely with the tariff-jumping copper and aluminum facilities you identify [8].

Boway Alloy—already active in the United States through Boviet Solar—has also moved aggressively into the copper sector through acquisitions and technology transfers aimed at the U.S. market. In 2020, Boway Alloy acquired Cooper Plating specifically to target the U.S. market [31], extending the same PRC-directed model of embedding Chinese supply-chain control inside U.S. manufacturing. This pattern is not limited to copper. A similar strategy appears in aluminum: China Zhongwang's attempted $2.3 billion takeover of Aleris demonstrated how PRC firms use layered offshore entities to obscure true ownership and gain control of strategic U.S. rolling-mill assets [32].

Chinese metals firms maintain effective control of U.S. supply chains despite Section 232 tariffs through:

- feedstock dependence created by PRC smelting dominance and long-term sourcing ties to Chinese suppliers,
- tariff-jumping production chains in the U.S. and Mexico that allow PRC firms to claim local origin while keeping Chinese-controlled inputs,
- technology transfers and acquisitions that give PRC firms exclusive control over advanced alloy and rolling-mill capabilities, and
- PRC-directed financing and managerial oversight embedded inside U.S. and Mexican copper mills.

Just as in solar, the ownership is American on paper—but the inputs, technology, pricing power, and governance structures remain Chinese. The result is a foreign-directed copper supply chain operating on U.S. soil while serving Chinese strategic and commercial priorities.

Why These Cases Matter

Solar and batteries show how PRC-linked firms can capture U.S. subsidies while retaining Chinese supply-chain and technology control. Metals—especially copper and aluminum—show a parallel but distinct threat: Chinese firms embed themselves in U.S. and Mexican production not to obtain subsidies, but to bypass trade remedies, claim local origin, and entrench PRC-controlled inputs and management inside North American supply chains.

Together, these sectors reveal the full circumvention model:

- drop ownership below the FEOC threshold,
- retain real control through supply chains, technology, financing, and management,

- in solar and batteries: convert U.S. subsidies into Chinese revenue, and
- in metals: use tariff-jumping facilities and state-subsidized pricing to displace U.S. competitors.

These combined examples show that China's strategy is structural—not sector-specific. Without decisive administrative action, Treasury risks allowing U.S. incentives in clean energy and structural gaps in metals oversight to reinforce PRC-controlled production across industries where the United States cannot afford foreign dominance.

Allowing These Investments Undermines U.S. Sovereignty and Section 232 Goals

Section 232 determinations were created to restore sovereign U.S. production, eliminate dependency on adversaries, ensure domestic capacity for defense and critical infrastructure, and build stable U.S.-rooted supply chains. Allowing extensive Chinese-linked operations in the United States—and worse, funding them with taxpayer dollars—directly contradicts these statutory and national-security objectives.

Even when facilities are located on U.S. soil, reliance on Chinese inputs, engineering, technology, capital, and decision-making authority perpetuates the very vulnerabilities Section 232 processes were designed to eliminate. Subsidizing these companies strengthens China's industrial base by indirectly funding its parent firms through technology licensing, IP transfers, or captive supply contracts. Domestic competitors—especially early-stage or reshoring firms—are forced to still compete against PRC-linked entrants armed with CCP-backed financing, artificially low prices, and globally entrenched overcapacity.

These PRC-linked facilities also create local political and economic leverage. When a Chinese-controlled plant becomes a major employer or tax base for a county, local officials and chambers of commerce develop a direct stake in protecting the investment. That dependence turns Beijing's corporate footholds into political pressure points in U.S. domestic politics, as local stakeholders lobby against federal scrutiny, resist divestment, and advocate for continued subsidies to preserve jobs and tax revenue—even when there is little direct benefit to local workers and when the underlying ownership and control structure serves China's strategic interests rather than U.S. economic security.

Many Chinese firms seek to maintain U.S. taxpayer funding by presenting U.S. operations as compliant through ownership restructuring, but this hides the deeper channels of control that matter—from licensing rights to supply-chain leverage to managerial staffing. These structural dependencies make U.S. operations functionally Chinese, even with reduced or restructured equity, and direct the production benefits overseas. The risk is already material—and expanding: Chinese-controlled entities have already secured grants, loans, and subsidies in key sectors, and have made structural inroads in many more—including solar, batteries, critical metals, ports, agriculture, pharmaceuticals, and advanced manufacturing supply chains.

China's overseas investments in critical infrastructure—including energy grids, telecoms, data centers, robotics, industrial machinery, and transportation systems—create persistent cyber, operational, and coercive risks due to PRC laws compelling data sharing and Beijing's demonstrated willingness to weaponize supply-chain dependence (e.g., critical mineral export controls, Volt Typhoon network intrusions) [8].

Congress is already moving to limit PRC-linked participation in sensitive U.S. industries. The final compromise text of the FY2026 National Defense Authorization Act includes:

- **The Biosecure Act**, which bars federal agencies—and recipients of federal grants or contracts—from procuring biotechnology equipment or services from "biotechnology companies of concern," a designation expected to encompass major PRC-linked firms once defined by the executive branch; and
- **New outbound-investment and technology-screening provisions** restricting U.S. capital and corporate involvement in Chinese artificial intelligence, advanced computing, and other technologies with clear military or dual-use potential.

Although negotiators ultimately removed a proposed Nvidia-supported provision on export prioritization for AI chips, the inclusion of the Biosecure Act and the broader China-technology controls reflects a bipartisan consensus: adversarial control of biotechnology, critical inputs, and frontier technologies now constitutes a national-security threat comparable to traditional defense risks.

These measures reinforce the policy foundation for the Executive Branch to prevent PRC-linked firms from accessing taxpayer-funded programs such as the IRA and CHIPS Act wherever national-security concerns are implicated. Treasury has both the authority and the responsibility to ensure that public funds do not reinforce adversarial industrial power, and the Administration likewise holds clear authority to impose broader controls on inbound investment that threatens U.S. ownership and oversight of critical Section 232 industries.

Immediate Actions Treasury Can Implement Under Existing Authority

The following measures rely entirely on existing statutory definitions under the IRA, 45X, 48E, and CHIPS Act. Treasury's authority to issue interpretive guidance, define terms, conduct audits, apply FEOC rules, and deny eligibility is already fully established.

1. Strengthen the Definition of "Foreign Entity of Concern" (FEOC) Using Material Control

Treasury may refine FEOC guidance without new legislation to clarify that control is not limited to equity ownership. Treasury can define FEOC to include any entity where a foreign adversary exercises direct or indirect influence through technology licensing, capital structures, supply-chain leverage, exclusive purchasing obligations, IP dependence, or managerial authority. This closes the loophole used by companies like Boway that drop ownership to 25 percent while retaining operational dominance.

Treasury should incorporate PRC state-directed financing, offshore shell company ownership, and Chinese state-bank credit as indicators of FEOC status. These are core mechanisms Beijing uses to obscure control and evade U.S. review.

2. Expand the Definition of "Material Assistance" to Cover Technology, Contracts, and Supply-Chain Dependence

Treasury should define "material assistance" to include any dependency that materially enables production or provides foreign leverage—whether through technology, personnel, software, supply chains, financing, or contractual obligations. This includes technology licensing, engineering support, equipment sourcing, PRC-based digital control systems, long-term feedstock or off-take contracts, PRC-subsidized financing, dependence on Chinese managers or technicians, and supply-chain routing through third countries such as Vietnam or Mexico. Any of these ties give a foreign adversary operational influence and should therefore render a project ineligible regardless of its nominal equity structure.

3. Aggregate Related Entities When Influence, Dependence, or Technology Ties Exist

Treasury may legally treat subsidiaries, parent companies, offshore affiliates, proxy owners, long-term suppliers, and licensed IP holders as a single entity when functional control or material assistance is present. This defeats multilayered ownership routing through Vietnam, Singapore, Mexico, or Cayman holding companies. Chinese firms routinely establish multi-layered offshore structures to circumvent review; Treasury should treat these layers as a single FEOC-linked entity.

4. Treat Ownership Reductions as a High-Risk Indicator of FEOC Influence

Treasury cannot automatically disqualify applicants for reducing ownership, but it can treat such transactions as presumptive indicators of structural manipulation and continued FEOC involvement. Treasury should require enhanced disclosure, totality-of-circumstances review, and verification that functional control and material assistance have been eliminated—not merely equity adjusted.

Chinese investors increasingly reduce visible stakes while maintaining control through financing, technology, and supply-chain leverage. This strengthens the case for presumptive scrutiny.

5. Apply Heightened FEOC Scrutiny to Sectors With Section 232 Vulnerability Findings

Treasury may designate industries identified or investigated under Section 232 as high-risk for FEOC involvement. These sectors—including steel, aluminum, critical minerals, pharmaceuticals, solar, and batteries—already have documented national-security risks, warranting stricter screening without new statutory authority.

The U.S.-China Economic and Security Review Commission (USCC) recommends presumption of denial for PRC-linked investments in sectors aligned with their industrial programs like "Made in China 2025"—precisely the sectors already covered under Section 232 vulnerability findings.

6. Require Mandatory Beneficial Ownership and Supply-Chain Disclosure Across All Subsidy Programs

Treasury can require detailed disclosure of ownership structures, offshore affiliates, supply contracts, technology licenses, and financing arrangements as a condition of eligibility. Incomplete or inconsistent disclosures provide independent grounds for denial.

7. Use Intelligence-Driven FEOC Screening Through IRS, OIA, CFIUS, BIS, and DHS

Treasury may instruct the IRS to incorporate intelligence assessments in reviewing FEOC risk. This includes data from CFIUS, Commerce's Bureau of Industry and Security, DHS trade enforcement, and Treasury's Office of Intelligence and Analysis. This addresses the current weakness of self-certification.

8. Apply a Totality-of-Circumstances Standard for Denial

Treasury can deny tax-credit eligibility if the overall structure—past ownership, licensing dependencies, supply relationships, financing arrangements, or governance patterns—indicates FEOC influence. In applying this totality-of-circumstances standard, Treasury should evaluate all indicators of control together rather than rely on any single ownership threshold, consistent with long-standing IRS enforcement practice.

9. Enforce Clawbacks for Post-Award FEOC Findings

The IRS already possesses the authority to audit and reclaim improperly claimed credits. Treasury should direct IRS to treat undisclosed FEOC involvement, restructuring intended to evade FEOC definitions, or misrepresentations of supply-chain dependencies as grounds for clawback and penalty assessment.

State Department “White List” Investment Screening for Critical U.S. Industries

Treasury can block subsidy access, but it cannot on its own prevent adversarial firms from acquiring new footholds in critical industries. However, that gap can be closed without new legislation. Under the International Emergency Economic Powers Act (IEEPA), the President already has clear authority to restrict or prohibit transactions with foreign persons or entities that pose national-security risks. Using this authority, the Administration can immediately establish a State Department–administered “White List” system that permits investment in Section 232-sensitive industries only by pre-approved, trusted allied firms. This reverses the current CFIUS presumption of approval by making foreign investment in critical sectors prohibited unless the investor appears on the White List.

The White List provides a fast, legally grounded mechanism to protect U.S. industries from adversarial control while maintaining open and stable investment channels with allies such as the EU, South Korea, Japan, the UK, Australia, and Canada. Most importantly, it upholds the core purpose of Section 232 determinations: ensuring that critical U.S. supply chains remain domestically controlled, secure, and insulated from foreign leverage.

1. Mandatory Approval Framework

Foreign investment in covered sectors is prohibited unless the investor appears on the State Department White List. This establishes a higher and more secure standard than CFIUS, which operates on a presumption of approval unless a transaction is flagged or blocked.

2. White List Eligibility Criteria

To qualify, applicants must demonstrate:

- no beneficial ownership by an adversarial nation or affiliated entity;
- no material assistance, technology transfer, licensing, or engineering support from adversaries;
- no meaningful supply-chain, equipment, or financing dependence on adversaries;
- no contractual rights that enable foreign control or influence;
- no management, board, or personnel ties to adversary-linked entities; and
- full transparency of ownership, governance, and all related-party relationships.

Qualified firms become pre-cleared for investment in critical U.S. sectors.

3. Covered Industries

All industries with existing or pending Section 232 determinations, including steel, aluminum, critical minerals, batteries, solar components, medical supply chains, semiconductors, agricultural inputs, and port or logistics infrastructure.

4. Annual Review and Revocation

White List approval is reviewed annually. If new adversarial ties or dependencies emerge, the company may be suspended or removed and barred from additional investment unless it undertakes corrective action or divestment.

5. Enforcement Mechanisms

Using IEEPA, the Executive Branch may:

- suspend or prohibit transactions with non-approved investors,
- require divestment where adversarial influence is identified, and
- impose civil or criminal penalties for concealment or false reporting.

Conclusion: Treasury Can Close These Gaps Immediately

China's investment-based circumvention model strikes at the core purpose of Section 232: ensuring that America's critical supply chains remain domestically controlled and insulated from adversarial leverage. The Executive Branch already has the authority to stop this. By defining FEOC status in functional terms and treating material assistance, related-entity structures, and supply-chain control as disqualifying, Treasury can prevent PRC-linked firms from accessing IRA and CHIPS subsidies before a single taxpayer dollar flows offshore.

To reinforce this firewall, the Administration should also use its existing IEEPA authority to establish a State Department–run White List that permits investment in Section 232 sectors only by trusted, pre-approved allied firms. Tightened FEOC enforcement combined with a White List investment screen provides the comprehensive framework needed to block both subsidy capture and ownership-based circumvention.

Through stronger disclosure requirements, intelligence-driven screening, and the use of existing statutory tools, the United States can ensure that public subsidies rebuild American industrial capacity—not Chinese influence. With Congress already advancing measures such as the Biosecure Act and the FIGHT China Act, the Administration must act decisively to prevent Beijing's investment-control model from taking root in U.S. supply chains. Failure to act will entrench foreign leverage within critical U.S. supply chains. The United States must secure control of its critical industries to ensure sovereign, domestically controlled capacity in the sectors essential to national power.

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