



### **Protecting the USMCA from Harmful Chinese Investment Act**

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This bill would direct the U.S. Trade Representative to prioritize North American alignment on foreign investment screening during the upcoming joint review of the U.S.-Mexico-Canada Agreement (USMCA). The close economic relationship between the United States and its top two trading partners, Canada and Mexico, enhances the potential threat of foreign investment from the People's Republic of China (PRC) and other nonmarket economies to U.S. national security. This legislation would help address this threat and encourage greater cooperation in North America on investment security.

#### **Background**

- For decades, the Committee on Foreign Investment in the United States (CFIUS) has reviewed proposed foreign investments for risks to U.S. national security.
- Canada's framework for reviewing significant foreign investments is the Investment Canada Act (ICA).
  - While the ICA includes many CFIUS-like requirements for national security reviews, Canada only recently [introduced](#) mandatory pre-closing notification of investment in critical sectors.
  - The USMCA joint review provides an opportunity to strengthen cooperation with Canada on investment security.
- Mexico maintains a National Registry of Foreign Investments but does not have a comprehensive framework for reviewing proposed foreign investments on national security grounds.
- Senior Mexican government officials have [expressed](#) openness to establishing a CFIUS-like mechanism for screening foreign investments.

#### **Potential National Security Risks of Chinese Investment in USMCA Partners**

- According to Rhodium Group's China Cross-Border Monitor, PRC investment in Mexico [reached](#) nearly \$4 billion in 2023, more than the previous two years combined.
- A December 2024 *Financial Times* [analysis](#) found that "Chinese companies have established themselves deeper into supply chains, developed stronger trade links and increased manufacturing in Mexico," including in telecommunications and other sectors that have raised U.S. national security concerns.
- Canada also faces [continued economic threats](#) from the PRC, and investment screening is a key tool in Canada's response to those threats.

#### **Bill Summary**

- Reiterates the importance of the U.S. economic relationship with Canada and Mexico and outlines why establishment of a CFIUS-like mechanism in both countries would advance U.S. national security.
- Establishes as a USMCA joint review negotiating objective that:
  - each USMCA country to implement a legislative and regulatory framework for reviewing foreign investment for national security risks that is similar to CFIUS; and
  - USMCA countries establish a mechanism to coordinate to address shared threats from investments by nonmarket economy countries.
- Directs USTR to coordinate with Treasury and the Department of State on the provision of technical assistance to USMCA partners to support the establishment of frameworks for reviewing foreign investments for national security risks.