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2D SESSION

S. 3640

To require the Secretary of the Treasury to include any entity identified as a Chinese military company on the Non-SDN Chinese Military-Industrial Complex Companies List.

IN THE SENATE OF THE UNITED STATES

JANUARY 14, 2026

Mr. SCOTT of Florida (for himself, Mr. CRUZ, Mr. BANKS, and Mrs. MOODY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the Secretary of the Treasury to include any entity identified as a Chinese military company on the Non-SDN Chinese Military-Industrial Complex Companies List.

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 “Divesting from Com-
5 munist China’s Military Act of 2026”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

1 (1) In Executive Order 13959 (50 U.S.C. 1701
2 note; relating to addressing the threat from securi-
3 ties investments that finance Communist Chinese
4 Military Companies), President Donald J. Trump
5 described the People’s Republic of China’s military-
6 industrial complex by specifically citing the military-
7 civil fusion strategy of the Government of the Peo-
8 ple’s Republic of China, in which that Government
9 “is increasingly exploiting United States capital to
10 resource and to enable the development and mod-
11 ernization of its military, intelligence, and other se-
12 curity apparatuses . . . [k]ey to the development of
13 the PRC’s military, intelligence, and other security
14 apparatuses is the country’s large, ostensibly private
15 economy”.

16 (2) In Executive Order 14032 (50 U.S.C. 1701
17 note; relating to addressing the threat from securi-
18 ties investments that finance certain companies of
19 the People’s Republic of China), President Joseph
20 R. Biden reasserted those concerns and further
21 found that the use of Chinese surveillance tech-
22 nology outside the People’s Republic of China and
23 the development or use of Chinese surveillance tech-
24 nology to facilitate repression or serious human
25 rights abuse constitute unusual and extraordinary

1 threats, expanding the scope of the national emer-
2 gency declared in Executive Order 13959.

3 (3) Section 1260H(g) of the William M. (Mac)
4 Thornberry National Defense Authorization Act for
5 Fiscal Year 2021 (Public Law 116–283; 10 U.S.C.
6 113 note) defines a “Chinese military company” as
7 “an entity that is—

8 “(i)(I) directly or indirectly owned by,
9 controlled by, or beneficially owned by, af-
10 filiated with, or in an official or unofficial
11 capacity acting as an agent of or on behalf
12 of, the People’s Liberation Army, Chinese
13 military and paramilitary elements, secu-
14 rity forces, police, law enforcement, border
15 control, the People’s Armed Police, the
16 Ministry of State Security (MSS), or any
17 other organization subordinate to the Cen-
18 tral Military Commission of the Chinese
19 Communist Party, the Chinese Ministry of
20 Industry and Information Technology
21 (MIIT), the State-Owned Assets Super-
22 vision and Administration Commission of
23 the State Council (SASAC), or the State
24 Administration of Science, Technology, and

1 Industry for National Defense
2 (SASTIND); or

3 “(II) identified as a military-civil fu-
4 sion contributor to the Chinese defense in-
5 dustrial base; and

6 “(ii) engaged in providing commercial
7 services, manufacturing, producing, or ex-
8 porting”.

9 (4) The functions and objectives of Chinese
10 military companies and contributors to the Chinese
11 military-industrial complex are substantially similar
12 and warrant a commensurate level of treatment
13 under United States statutes and regulations.

14 (5) Section 805 of the National Defense Au-
15 thorization Act for Fiscal Year 2024 (Public Law
16 118–31; 10 U.S.C. 4651 note prec.) imposed restric-
17 tions on purchases by the Department of Defense of
18 goods and services produced or developed by Chinese
19 military companies identified under section
20 1260H(g) of the William M. (Mac) Thornberry Na-
21 tional Defense Authorization Act for Fiscal Year
22 2021 and entities subject to the control of such com-
23 panies. Beginning June 30, 2026, the Department
24 of Defense will be prohibited from executing new
25 contracts with such companies and entities, and

1 starting June 30, 2027, the Department of Defense
2 will be prohibited from purchasing end products or
3 services produced or developed by such companies
4 and entities indirectly through third parties.

5 (6) As the Department of Defense prepares to
6 implement the procurement restrictions described in
7 paragraph (5), it is still possible for companies and
8 entities described in that paragraph to raise capital
9 by selling securities to investors that trade on
10 United States exchanges.

11 (7) In harmonizing enforcement approaches
12 across sanctions regimes of the United States Gov-
13 ernment, Congress can assist the President to en-
14 sure consistent treatment of entities posing national
15 security risks, thereby enhancing the effectiveness of
16 United States sanctions and investment restrictions.

17 **SEC. 3. INCLUSION OF CHINESE MILITARY COMPANIES ON**
18 **NON-SDN CHINESE MILITARY-INDUSTRIAL**
19 **COMPLEX COMPANIES LIST.**

20 (a) IN GENERAL.—Not later than 90 days after the
21 Secretary of Defense identifies an entity as a Chinese mili-
22 tary company operating directly or indirectly in the United
23 States under section 1260H of the William M. (Mac)
24 Thornberry National Defense Authorization Act for Fiscal
25 Year 2021 (Public Law 116–283; 10 U.S.C. 113 note),

1 the Secretary of the Treasury shall include that entity on
 2 the Non-SDN Chinese Military-Industrial Complex Com-
 3 panies List (commonly known as the “NS–CMIC List”)
 4 if the entity is not already included on the NS–CMIC List.

5 (b) EFFECT OF INCLUSION.—

6 (1) IN GENERAL.—Except as provided by para-
 7 graph (2), not later than 60 days after the inclusion
 8 of an entity on the NS–CMIC List under subsection
 9 (a), the prohibitions set forth in Executive Order
 10 13959 shall apply with respect to the entity.

11 (2) DIVESTMENT PERIOD.—A United States
 12 person may, during the one-year period beginning on
 13 the date on which an entity is included on the NS–
 14 CMIC List under subsection (a), purchase or sell
 15 publicly traded securities issued by the entity solely
 16 for the purpose of divesting, in whole or in part,
 17 such securities.

18 (c) DEFINITIONS.—In this section:

19 (1) APPROPRIATE CONGRESSIONAL COMMIT-
 20 TEES.—The term “appropriate congressional com-
 21 mittees” means—

22 (A) the Committee on Banking, Housing,
 23 and Urban Affairs of the Senate; and

24 (B) the Committee on Financial Services
 25 of the House of Representatives.

1 (2) EXECUTIVE ORDER 13959.—The term “Ex-
2 ecutive Order 13959” means Executive Order 13959
3 (50 U.S.C. 1701 note; relating to addressing the
4 threat from securities investments that finance Com-
5 munist Chinese Military Companies), as amended by
6 Executive Order 14032 (50 U.S.C. 1701 note; relat-
7 ing to addressing the threat from securities invest-
8 ments that finance certain companies of the People’s
9 Republic of China).

10 (3) NON-SDN CHINESE MILITARY-INDUSTRIAL
11 COMPLEX COMPANIES LIST; NS-CMIC LIST.—The
12 terms “Non-SDN Chinese Military-Industrial Com-
13 plex Companies List” and “NS-CMIC List” mean
14 the list maintained by the Office of Foreign Assets
15 Control of the Department of the Treasury under
16 Executive Order 13959 or any successor order.

17 (4) PUBLICLY TRADED SECURITY.—The term
18 “publicly traded security” includes—

19 (A) any security (as defined in section 3(a)
20 of the Securities Exchange Act of 1934 (15
21 U.S.C. 78c(a))) denominated in any currency
22 that trades on a securities exchange, or through
23 the method of trading that is commonly re-
24 ferred to as “over-the-counter”, in any jurisdic-
25 tion; and

1 (B) any security that is derivative of or de-
2 signed to provide investment exposure to a se-
3 curity described in subparagraph (A).

4 (5) UNITED STATES PERSON.—The term
5 “United States person” means—

6 (A) any United States citizen or an alien
7 lawfully admitted for permanent residence to
8 the United States;

9 (B) an entity organized under the laws of
10 the United States or of any jurisdiction within
11 the United States (including any foreign branch
12 of such an entity); or

13 (C) any person in the United States.

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