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One Hundred Seventeenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

March 25, 2022

The Honorable Gina Raimondo
Department of Commerce
1401 Constitution Avenue, NW
Washington D.C. 20230

Dear Secretary Raimondo,

Last year, you pledged to take "strong, decisive action" against companies from the People's Republic of China (PRC) that are threatening U.S. national security by fueling the Chinese Communist Party's (CCP) military modernization drive. We are concerned that the Department is not doing all that it should to uphold this pledge.

Although this administration added multiple PRC companies to the Entity List last year, restricting their access to U.S. technology, several firms with clear, public ties to the CCP's Military-Civil Fusion strategy remain undesignated, giving bad actors unrestricted access to U.S. dual-use technology. One such bad actor is CRRC Corporation Ltd., a Chinese state-owned railway conglomerate with a long history of transferring sensitive military technology to the CCP military. We request that the Department add CRRC and its subsidiaries to the Entity List as soon as possible.

Below are just some examples of the CRRC's efforts to obtain sensitive foreign military technologies:

- In September 2021, an Italian probe found that CRRC did not disclose its acquisition of an Italian drone company and defense supplier, Alpi Aviation, violating the law. CRRC reportedly paid 90 times the market price to acquire Alpi Aviation.

- In 2018, a CRRC subsidiary with ties to Chinese military companies acquired Beneq Oy, a Finnish firm that produces Atomic Layer Deposition (ALD) equipment for use in nanotechnology and semiconductor development. Beneq Oy's U.S. subsidiary is a government contractor working for NASA.
- In 2008, a CRRC subsidiary acquired U.K. firm Dynex Semiconductor. Soon after, CRRC built a factory in Shanghai modeled after Dynex facilities in the U.K. The Shanghai factory manufactures semiconductors that could be used for railgun development.

The Trump administration recognized the threat posed by CRRC, designating the firm as a Chinese Military-Industrial Complex Company and barring it from U.S. investments in 2020. The Biden White House, however, lifted this investment ban in 2021. The Biden administration's backpedaling helped CRRC re-integrate itself into U.S. financial markets; Morgan Stanley added CRRC to its indexes in November. That move helped normalize CRRC's presence in the United States, where the Chinese company has already nabbed contracts to supply metro cars to Los Angeles and Boston.

We are worried that CRRC's omission from the Entity List might be emblematic of larger structural issues in the Department's approach to cutting the CCP military's access to dual-use American technology. In July, Ranking Member McCaul and Senator Hagerty urged you to add Yangtze Memory Technologies Company (YMTC), a state-owned firm with ties to the Chinese military-industrial complex, to the Entity List. You have yet to do so. In October, the House Foreign Affairs Committee released Commerce documents showing that the Department is approving the sale of billions of dollars' worth of licenses to Huawei and SMIC. Unless you take decisive, strong action, the Bureau of Industry and Security will maintain its perception as being more concerned with business interests than the growing malign threat from the CCP.

We strongly urge the Department to add CRRC and other firms with ties to the Chinese military-industrial complex, like YMTC, to the Entity List. Such a move is essential to protect U.S. economic and national security.

Sincerely,



Michael T. McCaul
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