

Congress of the United States
Washington, DC 20515

May 18, 2022

The Honorable Marty Walsh
Secretary of Labor

The Honorable Janet Yellen,
Secretary of Treasury

Dear Secretaries Walsh and Yellen,

As members of Republican Study Committee, we are writing you with regard to the proposal by the Federal Retirement Thrift Investment Board (FRTIB) that manages the Thrift Savings Plan (TSP) to open a mutual fund window in June 2022 for federal employee retirement savings. Without additional due diligence by FRTIB regarding the mutual funds to be made available to investors, we are concerned that retirement funds of current and retired federal workers and military personnel are likely to be invested in Chinese companies whose activities pose threat to US national security and involve gross human rights abuses.

In recent years, China has implemented an aggressive industrial strategy to ensure gains towards its future global dominance at the expenses of US national security. There is a bi-partisan consensus that the United States must stand firm to counter China's economic aggression through reducing US economic dependence on China. That means, first and foremost, the US government must not invest in Chinese companies that threaten US national security, since such investment would pose a significant conflict of interest: how can the United States seeks to push back China's economic aggression through enacting and implementing laws while simultaneously permitting capital market investments in the very same companies whose activities threaten US national security? No one will take the US government's determination to push back China's malign behavior seriously if our federal employees' retirement money is invested in Chinese companies that engage in dangerous and abusive behavior.

In 2020, when FRTIB plans to permit investment in Chinese companies first surfaced, the Trump administration directed FRTIB to halt such investments, citing national security and human rights concerns. It is regrettable that knowing the risks and moral hazard the FRTIB again intends to create the potential for TSP participants to unwittingly invest in Chinese firms in 2022.

While FRTIB has not been transparent about which mutual funds are going to be made available to TSP participants, based on reporting that 5000 mutual funds will be included in the window we can draw certain conclusions. Based on a review of the current mutual fund market, funds in the window are likely to include: companies that are currently sanctioned by the United States for using Uyghur forced labor, e.g. KTK Group Co.; and entities that maintain close business

ties with the Xinjiang Production and Construction Corps (XPCC), which is sanctioned under the Global Magnitsky Act for its role in the gross violation of Uyghurs' human rights. The XPCC, or *Bingtuan* as it is known, is at the core of the CCP's settler-colonial project in Xinjiang as the leading facilitator of population transformation through internal migration and one of the region's biggest operators of prisons, industrial sites, industrial farming and other practices linked to the genocide. At least six listed companies held by widely available mutual funds sell XPCC produced cotton:

- Wuchan Zhongda Outai Co., Ltd., a subsidiary of Wuchan Zhongda Group Co., Ltd.
- Zhejiang Weixin Trading Co., Ltd., ultimate subsidiary of Huafu Fashion Co., Ltd.
- Xinjiang Guannong Tianfeng Products Co., Ltd., a subsidiary of Xinjiang Guannong Fruit and Antler Co., Ltd.
- Xiamen International Trade Group Co., Ltd., also known as Xiamen ITG, a Chinese state-owned, publicly listed, Fortune 500 company dealing. It sells XPCC cotton through the Union Cotton website. (Also a member of the Better Cotton Initiative).
- C&D (Shanghai) Co., Ltd., a subsidiary of Xiamen C&D Inc.
- Shanghai Haitong Resources Management, Co., Ltd., an ultimate subsidiary of Haitong Securities Company Ltd

It is a violation under the Magnitsky sanctions for a US person to facilitate any financial dealings with XPCC. When concerns about the TSP's exposure to Chinese firms were raised in the FRTIB's May 26, 2021 board meeting, FRTIB staff indicated that they considered it cost prohibitive to try to screen the 5000 mutual funds in the window and therefore would not be taking any steps to ensure the integrity of the funds or provide guidance to TSP investors on this matter.

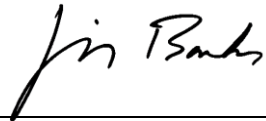
After widespread, bipartisan outrage in 2020, the FRTIB voted unanimously to abandon the ACWI ex-US IMI transition vis-a-vis the TSP's I-Fund. We continue to track this issue closely and urgently request a commitment from the Board not to follow through with implementation of the Mutual Fund Window initiative in June or beyond. We are likewise very concerned that there are presently some 35 Chinese companies in TSP's I-Fund, since FRTIB uses the MSCI EAFE index, despite Hong Kong having been compromised by Beijing's repression through the Hong Kong National Security Law. Accordingly, we urge you to remove those companies from the I-Fund as soon as possible.

We also call on the Department of Treasury to investigate whether the above listed Chinese companies that maintain close ties with the XPCC are significantly facilitating XPCC's operation and thereby implicated in human rights abuses. If they are, we request that the Department of Treasury place these companies under US sanctions. Additionally, we urge you to impose secondary sanctions on XPCC to fully extricate our supply chain from XPCC's use of slave labor, and choke-out its industrial empire built on genocide and crimes against humanity.

CC:

The Honorable David A. Jones
Acting Chairman, Federal Retirement Thrift Investment Board
77 K Street NE
Washington, D.C. 20002

With regards,



Jim Banks
Member of Congress



Rob Wittman
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