

**Congress of the United States**  
**Washington, DC 20515**

October 13, 2022

The Honorable Janet L. Yellen  
Secretary of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20005

Dear Secretary Yellen:

Under the *National Defense Authorization Act for Fiscal Year 2020* (Public Law 116-92) and subsequent laws, Congress acted in defense of some of our most critical infrastructure sectors, freight rail and transit, to protect the market from the Chinese state-owned China Railway Rolling Stock Corporation Limited (CRRC) and other state-controlled enterprises acting in bad faith. Given this clear indication of concern from Congress, we write to inquire why the Department of the Treasury has failed to list CRRC as a state-directed enterprise linked to the People's Liberation Army (PLA), the military of the People's Republic of China. We request that CRRC be listed as a state-owned and directed enterprise with clear links to the PLA.

By its own estimate, CRRC currently controls more than 83 percent of the global rail market.<sup>i</sup> Moreover, the company has made public its aim to dominate the remainder of the global market. Within a decade of entering Australia's once-thriving domestic rail manufacturing industry, CRRC used anti-competitive tactics to wipe out Australia's domestic rail manufacturing entirely. CRRC has already made anticompetitive incursions into the United States rolling stock market with state-backed financing, below-market pricing, and other anti-competitive tactics as a mainland Chinese state-owned enterprise. CRRC's activities in Australia should serve as a blueprint of its designs for the American market.

We are deeply concerned that CRRC will continue to undercut good-faith actors in the rail sector, further compromising the global rail market. Despite the company's well-documented connections to China's PLA,<sup>ii</sup> CRRC already provides passenger railcars to transit agencies across the United States, including Boston and Los Angeles. The *National Defense Authorization Act or Fiscal Year 2020* (Public Law 116-92) precludes additional transit agencies for using federal funding to purchase CRRC-made railcars. Additional reporting on CRRC and its supply chains has found a troubling reliance on forced labor, including Uyghurs,<sup>iii</sup> and child labor in Madagascar mines.<sup>iv</sup>

Section 1260H of the *National Defense Authorization Act for Fiscal Year 2021* (Public Law 116-283) directed the Department of Defense (DoD) to release an annual list of Chinese military companies. 1260H covers not only those companies directly run by the PLA, but also those indirectly controlled by the PLA, as well as those that are contributors to China's military industrial complex via its military civil fusion (MCF) strategy. Under MCF, China aims to eliminate barriers between the military and civilian technology and industrial companies to maximize the PLA's military power against the United States. DoD included CRRC on its most

recent October 2022 list, demonstrating the company's continued ties to the PLA, and its important role in MCF.<sup>v</sup>

In June 2021, acting under Executive Order 14032, the Department of Treasury released a Non-SDN Chinese Military-Industrial Complex Companies List (NS-CMIC).<sup>vi</sup> This list included firms deemed to be operating in the "Defense and Related Materiel Sector of the Economy of the PRC." CRRC appears to fit this description but was not included, despite the inclusion of similar companies like AVIC Shenyang Aircraft Company Limited and China State Shipbuilding Corporation Limited. The most concerning difference between these two companies and CRRC is that the latter already has contracts in the United States funded by taxpayer dollars. State and local governments, as well as the American taxpayer, should know that they are signing contracts with an arm of the Chinese military.

Due to CRRC's established ties to the PLA and its status on the DoD list, we request the rationale and criteria considered for excluding CRRC from the Department of Treasury's NS-CMIC list, and that a revised list including CRRC be released. Thank you in advance for your timely response to this request. We look forward to hearing from you.

Sincerely,



Mike Gallagher  
Member of Congress



John Garamendi  
Member of Congress

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<sup>i</sup> Brigadier General John Adams, US Army (Retired), [National Security Vulnerabilities of the U.S. Freight Rail Infrastructure and Manufacturing Sector – Threats and Mitigation](#), 2018.

<sup>ii</sup> Radarlock, [CRRC and Beijing's Dash for Global Rolling Stock Dominance](#), 2019.

<sup>iii</sup> Xiuzhong Xu, Vicky. [Rep. Uyghurs for Sale—'Re-Education', Forced Labour and Surveillance beyond Xinjiang](#). Australian Strategic Policy Institute, 2020.

<sup>iv</sup> McFadden, Cynthia. ["Over 10,000 Children in Madagascar Are Mining Mica for Everyday American Products \(Part 2\)."](#) NBCNews.com. NBCUniversal News Group, November 18, 2019.

<sup>v</sup> Department of Defense, <https://media.defense.gov/2022/Oct/05/2003091659/-1/-1/0/1260H%20COMPANIES.PDF>, 2022.

<sup>vi</sup> Department of Treasury, Office of Foreign Assets Control, <https://www.treasury.gov/ofac/downloads/ccmc/nscmicnew21.pdf>, 2021.