

January 25, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi:

We write today to express our deepest respect for the efforts you are undertaking to develop a House version of the Senate's U.S. Innovation and Competition Act (USICA) (S. 1260). We believe this legislative effort is one of the most important matters Congress has before it — and it will set the stage for how our nation addresses the threat the Chinese Communist Party (CCP) poses to U.S. economic and national security. There is one important provision in the Senate-passed USICA that CPA strongly supports to address this legislative effort.

Section 3407 — Annual Review on the Presence of Chinese Companies in United States Capital Markets — provides absolutely critical information that should be included in any final bill. This section requires an annual report (for five years) that describes the material risks posed to the United States by the presence of companies incorporated in the People's Republic of China (PRC) and present in U.S. capital markets (via direct listings, the OTC market, indices, ETFs, etc.) that are also known to be contributing to activities that seriously undermine the national security of the U.S., violate internationally recognized human rights, and/or substantially increase financial risk exposure for United States-based investors. Such Chinese corporate abusers are on full display in their support of genocidal repression of the Uyghurs and other religious minorities, equipping concentration camps, trafficking in forced labor, building a repressive "surveillance state", manufacturing advanced weapon systems for the PLA, militarizing China's illegal islands in the South China Sea, assisting the crackdown of the people of Hong Kong and building Chinese forces for the domination of Taiwan -- to name a few.

This key provision is vastly different from what is contained in Chairman Meeks' Ensuring American Global Leadership and Engagement Act (EAGLE Act) (H.R. 3524), a bill supported by House Democrats to enhance U.S. investment, engagement, and leadership in the Indo-Pacific and globally. Unfortunately, this bill guts the substance and effectiveness of the required Senate report. Mr. Meeks' version, among other major flaws:

- **Strikes** a requirement that this report occur annually;
- **Limits** the scope of the Chinese securities covered by the report by thousands of Chinese companies;
- **Excludes** companies which are non-compliant with U.S. federal securities laws or other SEC-required "material risk" disclosures; and
- **Removes** the Director of National Intelligence from consultation on the report.

We believe it is imperative for the protection of U.S. retail investors (over 100 million of them), our fundamental values, and national security that these reporting requirements be thorough and complete — and not deliberately limited in their ability to provide the necessary information to the Congress. We believe the Senate language will be far more effective in addressing the often-malign presence of Chinese companies in U.S. capital markets -- including U.S.-sanctioned and other Chinese corporate "bad actors". Watering down and narrowing this report would fail to comprehensively treat this strategic concern of the United States, as it involves well over a trillion dollars in American investor exposure entering the coffers of the Chinese Communist Party.

Accordingly, we respectfully implore you and your colleagues to preserve the Senate's version of Section 3407 in any final House version of USICA.

Sincerely,



Zach Mottl, Chairman
Coalition for a Prosperous America



Michael Stumo, CEO
Coalition for a Prosperous America

Enclosure: Section 3407 of S. 1260, the U.S. Innovation and Competition Act

1 **SEC. 3407. ANNUAL REVIEW ON THE PRESENCE OF CHI-**
2 **NESE COMPANIES IN UNITED STATES CAP-**
3 **ITAL MARKETS.**

4 (a) APPROPRIATE COMMITTEES OF CONGRESS.—In
5 this section, the term “appropriate committees of Con-
6 gress” means—

7 (1) the Committee on Foreign Relations of the
8 Senate;

9 (2) the Select Committee on Intelligence of the
10 Senate;

11 (3) the Committee on Banking, Housing, and
12 Urban Affairs of the Senate;

13 (4) the Committee on Foreign Affairs of the
14 House of Representatives;

15 (5) the Permanent Select Committee on Intel-
16 ligence of the House of Representatives; and

17 (6) the Committee on Financial Services of the
18 House of Representatives.

19 (b) REPORT.—

20 (1) IN GENERAL.—Not later than 180 days
21 after the date of the enactment of this Act, and an-
22 nually thereafter for the following 5 years, the Sec-
23 retary of State, in consultation with the Director of
24 National Intelligence and the Secretary of the Treas-
25 ury, shall submit an unclassified report to the appro-
26 priate committees of Congress that describes the

1 risks posed to the United States by the presence in
2 United States capital markets of companies incor-
3 porated in the PRC.

4 (2) MATTERS TO BE INCLUDED.—The report
5 required under paragraph (1) shall—

6 (A) identify companies incorporated in the
7 PRC that—

8 (i) are listed or traded on one or sev-
9 eral stock exchanges within the United
10 States, including over-the-counter market
11 and “A Shares” added to indexes and ex-
12 change-traded funds out of mainland ex-
13 changes in the PRC; and

14 (ii) based on the factors for consider-
15 ation described in paragraph (3), have
16 knowingly and materially contributed to—

17 (I) activities that undermine
18 United States national security;

19 (II) serious abuses of internation-
20 ally recognized human rights; or

21 (III) a substantially increased fi-
22 nancial risk exposure for United
23 States-based investors;

1 (B) describe the activities of the companies
2 identified pursuant to subparagraph (A), and
3 their implications for the United States; and

4 (C) develop policy recommendations for the
5 United States Government, State governments,
6 United States financial institutions, United
7 States equity and debt exchanges, and other
8 relevant stakeholders to address the risks posed
9 by the presence in United States capital mar-
10 kets of the companies identified pursuant to
11 subparagraph (A).

12 (3) FACTORS FOR CONSIDERATION.—In com-
13 pleting the report under paragraph (1), the Presi-
14 dent shall consider whether a company identified
15 pursuant to paragraph (2)(A)—

16 (A) has materially contributed to the devel-
17 opment or manufacture, or sold or facilitated
18 procurement by the PLA, of lethal military
19 equipment or component parts of such equip-
20 ment;

21 (B) has contributed to the construction
22 and militarization of features in the South
23 China Sea;

1 (C) has been sanctioned by the United
2 States or has been determined to have con-
3 ducted business with sanctioned entities;

4 (D) has engaged in an act or a series of
5 acts of intellectual property theft;

6 (E) has engaged in corporate or economic
7 espionage;

8 (F) has contributed to the proliferation of
9 nuclear or missile technology in violation of
10 United Nations Security Council resolutions or
11 United States sanctions;

12 (G) has contributed to the repression of re-
13 ligious and ethnic minorities within the PRC,
14 including in Xinjiang Uyghur Autonomous Re-
15 gion or Tibet Autonomous Region;

16 (H) has contributed to the development of
17 technologies that enable censorship directed or
18 directly supported by the PRC government;

19 (I) has failed to comply fully with Federal
20 securities laws (including required audits by the
21 Public Company Accounting Oversight Board)
22 and “material risk” disclosure requirements of
23 the Securities and Exchange Commission; or

1 (J) has contributed to other activities or
2 behavior determined to be relevant by the Presi-
3 dent.

4 (c) REPORT FORM.—The report required under sub-
5 section (b)(1) shall be submitted in unclassified form, but
6 may include a classified annex.

7 (d) PUBLICATION.—The unclassified portion of the
8 report under subsection (b)(1) shall be made accessible to
9 the public online through relevant United States Govern-
10 ment websites.

11 **SEC. 3408. ECONOMIC DEFENSE RESPONSE TEAMS.**

12 (a) PILOT PROGRAM.—Not later than 180 days after
13 the date of the enactment of this Act, the President, act-
14 ing through the Secretary of State, shall develop and im-
15 plement a pilot program for the creation of deployable eco-
16 nomic defense response teams to help provide emergency
17 technical assistance and support to a country subjected
18 to the threat or use of coercive economic measures and
19 to play a liaison role between the legitimate government
20 of that country and the United States Government. Such
21 assistance and support may include the following activi-
22 ties:

23 (1) Reducing the partner country’s vulnerability
24 to coercive economic measures.