

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

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June 21, 2024

The Honorable Carlos Del Toro  
Secretary  
Department of the Navy  
1000 Navy Pentagon  
Washington, DC 20350

Dear Secretary Del Toro:

The Committee on Oversight and Accountability (Committee) is investigating the Chinese Communist Party's (CCP or the Party) unrestricted warfare efforts to infiltrate and influence the United States and what federal agencies are doing to counter these grave and ongoing threats. The Department of the Navy (Navy) is central to the protection and defense of American freedoms. The CCP is focused on "building a fully modernized national defense and military force by 2035," and in the meantime, the CCP seeks to use the People's Liberation Army (PLA) to secure, assert, and project global power.<sup>1</sup> In October 2021, you acknowledged that the "long-term challenge posed by the People's Republic of China [(PRC)] is the most significant" challenge the Navy faces.<sup>2</sup> The Committee seeks more information regarding the Navy's leadership, actions, and public messaging to identify, counter, and defeat CCP threats to the homeland.

### Broader Committee Investigation

The Committee is conducting oversight of the federal government's work to protect the American people from CCP political warfare<sup>3</sup> and nefarious influence operations. For decades, the CCP has sought to infiltrate and influence every aspect of American society.<sup>4</sup> The CCP's goal is plain: defeat the "main enemy," which counterintelligence officials have identified as

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<sup>1</sup> Off. of the Dir. of Nat'l Intelligence, *Annual Threat Assessment of the U.S. Intelligence Community*, at 10 (Feb. 5, 2024) ("ODNI").

<sup>2</sup> U.S. Dep't of the Navy, *One Navy-Marine Corps Team: Strategic Guidance from the Secretary of the Navy*, at 1 (Oct. 2021).

<sup>3</sup> "Political warfare seeks to influence emotions, motives, objective reasoning, and behavior of foreign governments, organizations, groups, and individuals in a manner favorable to one's own political-military objectives." Mark Stokes, *The People's Liberation Army General Political Department: Political Warfare with Chinese Characteristics*, Project 2049 Inst. (Oct. 14, 2013).

<sup>4</sup> See generally Constantine C. Menges, *China The Gathering Threat* (2005); H.R. Rep. No. 105-851 (1999) ("Cox Report"); Robert Spalding, *War Without Rules* (2022); Col. Grant Newsham, *When China Attacks: A Warning to America* (2023); Kerry K. Gershaneck, *Political Warfare: Strategies for Combating China's Plan to "Win without Fighting"* (2020); see also Larry Diamond and Orville Schell, *China's Influence & America's Interests: Promoting Constructive Vigilance*, Hoover Inst. (2019).

America.<sup>5</sup> The fronts are multiple; according to the CCP itself: “[t]he battlefield will be everywhere.”<sup>6</sup> And the tools are myriad, with the “united front”<sup>7</sup> leading as one of the PRC’s<sup>8</sup> “magic weapons,”<sup>9</sup> as described by General Secretary Xi Jinping,<sup>10</sup> to advance the Party’s aim of global domination.<sup>11</sup> United front work (UFW), which may be executed by the United Front Work Department (UFWD) or elsewhere in the Party, is a “unique blend of engagement, influence activities, and intelligence operations” that the CCP uses to “influence other countries’ policy toward the PRC and to gain access to advanced foreign technology.”<sup>12</sup> UFW “generally involves covert activity and is a form of interference that aids the CCP’s rise.”<sup>13</sup> United front “networks” are used “to carry out relationship-focused influence campaigns through a multitude of proxies.”<sup>14</sup>

Despite years of false promises to the West, the CCP openly seeks to achieve its destructive ambition. In 1999, two People’s Liberation Army Air Force colonels authored *Unrestricted Warfare*, which has been described as a strategic military vision for the PRC to defeat America through political warfare.<sup>15</sup> Retired Brig. Gen. Robert Spalding, who has served in senior positions in strategy and diplomacy with the U.S. Departments of Defense and State for decades, characterizes the book as “the main blueprint for China’s efforts to unseat America as the world’s economy, political, and ideological leader,” which “shows exactly how a totalitarian nation set out to dominate the West through a comprehensive, long-term strategy that includes everything from corporate sabotage to cyberwarfare to dishonest diplomacy; from violations of international trade law and intellectual property law to calculated abuses of the global financial system.”<sup>16</sup> Kerry Gershaneck, former counterintelligence officer who wrote a seminal book on

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<sup>5</sup> Menges, *supra* note 4; Gershaneck, *supra* note 4 (“The PRC is engaged in war against the United States. It is not mere competition or malign influence, but war by PRC definition.”); Newsham, *supra* note 4, at 60 (The CCP “seeks global domination” and “will fight its main enemy, the United States, to achieve it.”).

<sup>6</sup> Qiao Liang & Wang Xiangsu, *Unrestricted Warfare: China’s Master Plan to Destroy America* (PLA Lit. & Arts Pub. House 1999) (China) (military colonels describing twenty-four varieties of warfare).

<sup>7</sup> “While the CCP’s United Front Work Department has functional responsibility for these [warfare] operations and activities, PRC united front work is a task of all CCP agencies and members.” Gershaneck, *supra* note 4, at 22.

<sup>8</sup> It is essential to understand that Xi Jinping has removed any “veneer of separation between the [CCP] and the Chinese state.” Gershaneck, *supra* note 4, at 43 (quoting Ann-Marie Brady, *Exploit Every Rift: United Front Work Goes Global*, in David Gitter et al., *Party Watch Annual Report*, Ctr. for Adv. China Res. (2018)).

<sup>9</sup> Ann-Marie Brady, *Magic Weapons: China’s political influence activities under Xi Jinping*, Wilson Ctr. (Sept. 18, 2017); *see also* Sel. Comm. on the Chinese Communist Party, *Memorandum: United Front 101*, at 7 (“United Front 101 Memo”).

<sup>10</sup> Alex Joske, *The party speaks for you: Foreign interference and the Chinese Communist Party’s united front system*, Austl. Strategic Pol’y Inst. (Jun. 9, 2020) (quoting Xi Jinping at 2015 Central United Front Work Meeting).

<sup>11</sup> *See, e.g.*, Newsham, *supra* note 4, at 43 (“The People’s Republic of China may settle for dominance rather than occupation, but it does indeed aim to rule us all.”).

<sup>12</sup> United Front 101 Memo, *supra* note 9, at 1.

<sup>13</sup> Joske, *The party speaks for you*, *supra* note 10, at 19.

<sup>14</sup> Alex Joske, *Spies and Lies: How China’s Greatest Covert Operations Fooled the World*, at 63 (2022).

<sup>15</sup> Gershaneck, *supra* note 4.

<sup>16</sup> Spalding, *War Without Rules*, *supra* note 4, at xii; *see also* Robert Spalding, *Stealth War*, at 12-13 (2019) (*Unrestricted Warfare* “should be required reading for all branches of the US government and for business leaders, because it outlines, in no uncertain terms, the strategy behind China’s policies,” including stating that the “new principles of war” are “no longer ‘using armed force to compel the enemy to submit to one’s will,’ but rather are ‘using all means, including armed force or non-armed force, military and non-military, and lethal and non-lethal means to compel the enemy to accept one’s interests.’”).

combatting PRC Political Warfare, has explained that *Unrestricted Warfare* details CCP use of “any methods” where “the boundaries between war and non-war and between military and non-military affairs [have] systemically broken down.”<sup>17</sup> To successfully combat these highly organized and pervasive warfares spawned by China, federal agencies must first recognize and understand them.

The CCP “know[s] the strength of the American people, of the American idea, and that’s why China has launched so many warfares to try to weaken us, divide us, and get us to hate ourselves and each other.”<sup>18</sup> Retired Col. Grant Newsham, former U.S. Marine Liaison Officer to the Japan Ground Self-Defense Force and U.S. Foreign Service Officer, has advised that “the way out of this is to rediscover why we are an exceptional country, get to know each other better, and fight side by side.”<sup>19</sup>

As all Americans are targets of the PRC’s warfare,<sup>20</sup> federal agencies have responsibilities to (1) conduct outreach to citizens about the dangers they may encounter, and (2) provide appropriate incentives for Americans to proactively protect themselves—their communities, schools, houses of worship, businesses, finances, food, and more—from the threat. Federal agencies must prepare Americans to “take action.”<sup>21</sup> To stop the CCP’s “destructive actions,” retired Brig. Gen. Spalding advises that it will “take macrolevel strategic changes by our government, but also microlevel actions by individuals, businesses and other civic institutions.”<sup>22</sup> The Committee is surveying each agency’s role to secure Americans and their communities.

Congress has recognized the threat posed by the PRC for some time. Notably, in 1999, the U.S. House Select Committee on U.S. National Security and Military/Commercial Concerns with the People’s Republic of China concluded that in the preceding decade, the PRC used a “variety of techniques including espionage, controlled commercial entities, and a network of individuals that engage in contact with scientists, business people and academics” as part of its warfare operations.<sup>23</sup>

With varying degrees of effort and success, federal agencies have sought to address the CCP’s attack on what Col. Newsham has aptly described as “[t]he core of America.”<sup>24</sup> However,

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<sup>17</sup> Gershaneck, *supra* note 4, at 16 (quoting Qiao Liang & Wang Xiangsu, *supra* note 6, at 6-7).

<sup>18</sup> Newsham, *supra* note 4, at 341.

<sup>19</sup> *Id.*

<sup>20</sup> “The Three Warfares, the traditional foundation of PRC political warfare, include public opinion/media warfare, psychological warfare, and legal warfare.” Gershaneck, *supra* note 4. It “requires efforts to unify military and civilian thinking, divide the enemy into factions, weaken the enemy’s combat power, and organize legal offensives.” Elsa Kania, *China Brief: The PLA’s Latest Strategic Thinking on the Three Warfares*, Jamestown Found. (Aug. 22, 2016).

<sup>21</sup> Spalding, *War Without Rules*, *supra* note 4, at 214.

<sup>22</sup> *Id.*; see also Peter Mattis & Matt Schrader, *America Can’t Beat Beijing’s Tech Theft With Racial Profiling*, War on the Rocks (July 23, 2019) (“The U.S. government’s difficulties in telling a convincing story about the Chinese Communist Party point to a[n] important step: addressing a serious lack of ‘China literacy,’ both within the enforcement portions of the federal bureaucracy, and in U.S. society as a whole.”).

<sup>23</sup> Cox Report, *supra* note 4, at xxxiii; see generally Menges, *supra* note 4.

<sup>24</sup> Newsham, *supra* note 4, at 33.

the threat is grave and work must be done across agencies to protect America.<sup>25</sup> Peter Mattis, former staff director of the Congressional-Executive Commission of China and counterintelligence analyst at the CIA counsels that

Only by being clear in public about the actions and intentions of the Chinese party-state, and being publicly accountable for the actions the U.S. government takes in response, will the United States be able to address Beijing's challenges while upholding our democratic commitment to fair, transparent justice for all Americans.<sup>26</sup>

To this end, the Committee is conducting this investigation and implores each federal agency to uphold its duty to the American communities for whom they are responsible.

### America is Facing a New Cold War

America is facing a new Cold War with the CCP,<sup>27</sup> and the Navy must do its part to secure the nation. The situation has been described as “an existential fight for our national survival” by retired U.S. Navy Capt. James Fanell, former Director of Intelligence and Information Operations for the U.S. Pacific Fleet, and Dr. Bradley Thayer, a founding member of the Committee on Present Danger: China.<sup>28</sup> For decades, the CCP has sought to advance its political warfare strategies through threat deflation and power politics waged against the United States. The PRC has used threat deflation in an attempt to change the Western perception of the PRC and the CCP, which in turn influences the behavior of powerful elites in the United States and deceives national security decision-makers into adopting the false view that CCP political reform is imminent.<sup>29</sup>

The CCP's effective use of these strategies has resulted in the PRC being “more prosperous, more bellicose, and more determined to supplant the liberal order and the US position in the world.”<sup>30</sup> In their book, *Embracing Communist China: America's Greatest Strategic Failure*, Capt. Fanell and Dr. Thayer explain that, to the detriment of our nation, the Intelligence Community (IC) “never seems to have conducted analyses of the CCP and PRC's

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<sup>25</sup> See Newsham, *supra* note 4, at 309 (“We need to know, value, protect and build the strengths of the United States of America, and shed the light of truth on the corruption, in every sense of the word,” of the CCP. “That could mean in discussions with family, community, at school or wherever that understanding needs bolstering.” Education courses on PRC political warfare would benefit “[a]ny decision-makers who work with China.”); see Gershaneck, *supra* note 4, at 153 (outlining such courses to “build[] internal defenses”).

<sup>26</sup> Mattis and Schrader, *supra* note 22.

<sup>27</sup> See, e.g., *Winning the New Cold War: A Plan for Countering China*, The Heritage Foundation (Mar. 28, 2023) (“Whether politicians and pundits in Washington care to acknowledge it or not, the United States is in a Cold War with the PRC, an adversary even more capable and dangerous than the Soviet Union was at the height of its power.”); Lianchao Han & Bradley A. Thayer, *Understanding the China Threat*, at 4 (2023) (“[T]he relative change in the balance of power and China's willingness to use its increased power to challenge the U.S. is a major threat to Washington's position in the world.”).

<sup>28</sup> James E. Fanell & Bradley A. Thayer, *Embracing Communist China, America's Greatest Strategic Failure*, at 121 (2024).

<sup>29</sup> See *Id.* at 38-39.

<sup>30</sup> *Id.* at 63.

grand strategy and intentions through the lens of power politics.”<sup>31</sup> Although non-kinetic at this point, America is facing a 21st century Cold War with the CCP, and the Navy plays an important role in protecting our country from this danger. Capt. Fanell and Dr. Thayer counsel that if the United States, “is ever going to be able to survive what the CCP has planned for America,” there need to be serious structural changes to recognize and react to the threat posed by the CCP.<sup>32</sup> To this end, the Navy has important responsibilities to protect itself and our shores from CCP infiltration.

### CCP Efforts to Infiltrate the U.S. Navy

The CCP seeks to destabilize America’s national security by finding illicit ways to access sensitive U.S. military information, including by conducting espionage and offering bribes to active-duty officers. In January 2024, a U.S. Navy service member was sentenced to 27 months in prison for transmitting sensitive U.S. military information to the PRC’s intelligence services in exchange for payment.<sup>33</sup> In December 2021, a former U.S. Navy sailor was sentenced to 30 months in custody for conspiring to illegally export sensitive military equipment to the PRC for money.<sup>34</sup> Following the 2021 sentencing, an Immigrations and Customs Enforcement Officer pointed out that “it’s important for organizations – particularly those involved in national defense – to educate their workforces on how to properly identify and report insider threats.”<sup>35</sup> It is crucial that the Navy continues to use its authority to pursue those who violate their oath to the United States and compromise national security to benefit the CCP. If the Navy does not proactively and honestly advise its forward deployed service members about CCP warfare targeting them, American Naval security will remain vulnerable to CCP warfare efforts.

The CCP is using elite capture to influence the Navy’s strategy and approach to the PRC. Elite capture allows the CCP to control leaders and policy decisions through a variety of methods, including “financial incentives, financial dependence or compromise, business entanglement, offers of access to opportunities with China, ideological appeal, and even blackmail.”<sup>36</sup> CCP elite capture tactics within the U.S. military helped foster military-to-military (mil-to-mil) engagement and ultimately distracted top U.S. military officials from the serious and

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<sup>31</sup> *Id.* at 70, 19-20 (“The logic of power politics is that great powers are determined by the correlation of forces and the distribution of power in the international system. That is, how much power they have and how much their rivals possess. Thus, relative power is key—how much power a great power possesses in relation to its rivals—rather than absolute power—how much power it possesses.”).

<sup>32</sup> *Id.* at 118.

<sup>33</sup> See Press Release, U.S. Dep’t of Just., U.S. Navy Sailor Sentenced to 27 Months in Prison for Transmitting Sensitive U.S. Military Information to Chinese Intelligence (Jan. 8, 2024).

<sup>34</sup> See Press Release, U.S. Dep’t of Just., Former U.S. Navy Sailor Sentenced to 2.5 Years for Selling Export-Controlled Military Equipment to China (Dec. 21, 2021) (“This individual abused her position of trust to obtain military-grade equipment, which foreign adversaries could have used against American service members and allies.”) (quoting Chad Plantz, Special Agent in Charge of U.S. Immigration & Customs Enf’t (ICE) Homeland Sec. Invest. (HSI) San Diego).

<sup>35</sup> *Id.*

<sup>36</sup> See *Elite Capture, Why America Is Losing in the Political Warfare Arena, and What Can Be Done*, Heritage Found. (Apr. 5, 2023).

consequential threats to American national security.<sup>37</sup> Capt. Fanell and Dr. Thayer explain that over the last several decades, “US Navy admirals have demonstrated they put more faith in unconstrained engagement than they appear to take when it comes to fighting for the world’s biggest and most powerful navy.”<sup>38</sup>

In the 1990s, concerns were rising about the engagement that the Pentagon and American war colleges were having with high-level PLA officers.<sup>39</sup> William C. Triplett, former chief counsel to the Senate Foreign Relations Committee, documented the “PLA industrial base buildup” as early as 1994,<sup>40</sup> and publicly warned that visits with PLA officers were “a potentially dangerous program of military cooperation with China that the Clinton Administration [undertook] without informing Congress.”<sup>41</sup> Capt. Fanell and Dr. Thayer explain how Triplett’s warnings were met with “willful blindness” and, shockingly, a team was reportedly established within the IC to “knock down” the idea that the PRC was a threat to the United States.<sup>42</sup> The Pentagon’s unfettered mil-to-mil engagement with the PLA and “open door” approach led Congress to take action in the 2000 National Defense Authorization Act (NDAA).<sup>43</sup> The NDAA restricted the Department of Defense’s (DOD) mil-to-mil engagement with the PLA.<sup>44</sup> Apparently, the disregard for national security throughout the IC and the military was so bad that Congress had to step in and expressly forbid the DOD from “conducting these very clearly destructive engagement activities.”<sup>45</sup>

Even more troubling, the DOD reportedly found workarounds to this Congressional oversight when PLA officers were invited aboard U.S. aircraft in 2005, and as late as 2016, the U.S. Chief of Naval Operations met with the Commander of the PLA in Beijing.<sup>46</sup> Capt. Fanell and Dr. Thayer assert that the justification for continued engagement may have been, “when they’re talking, they aren’t shootin’.”<sup>47</sup> But, they believe that this level of mil-to-mil engagement was, and is, more likely a reflexive response by senior Navy officers who have been “numbed into inactivity against China.”<sup>48</sup> The Navy is overdue in confronting the CCP’s elite

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<sup>37</sup> Fanell & Thayer, *supra* note 28, at 104 (“...the fact remains that for twenty years, not a single US Navy admiral spoke out in protest against the slide that was occurring to the US Navy, while the PLAN [PLA Navy] was concurrently growing faster than any navy since World War II.”).

<sup>38</sup> *Id.* at 106.

<sup>39</sup> *Id.* at 101; *see also* Caitlin Campbell, *China Primer: U.S.-China Military-to-Military Relations*, Cong. Research Service (Jan. 4, 2021) (“Washington and Beijing generally engaged in high levels of military cooperation up until the PRC’s June 1989 Tiananmen Square crackdown.”).

<sup>40</sup> William C. Triplett II, *Dangerous Embrace*, New York Times (Sep. 10, 1994); Fanell & Thayer, *supra* note 28, at 93.

<sup>41</sup> Triplett II, *supra* note 40.

<sup>42</sup> Fanell & Thayer, *supra* note 28, at 93-94.

<sup>43</sup> *Id.* at 102.

<sup>44</sup> Caitlin Campbell, *supra* note 39; Fanell & Thayer, *supra* note 28, at 102 (“For instance, NDAA 2000 prohibited the Secretary of Defense from authorizing any military contact with the PLA that would ‘create a national security risk due to inappropriate exposure’ of the PLA to twelve operational areas of the US military.”).

<sup>45</sup> Fanell & Thayer, *supra* note 28, at 102 (quoting an interview with William C. Triplett II on Aug. 15, 2023).

<sup>46</sup> *Id.* at 102-03, 106.

<sup>47</sup> *Id.* at 105.

<sup>48</sup> *Id.* at 107.

capture efforts, and the Committee hopes to ensure that the CCP efforts to exert soft power are not overlooked to the detriment of American national security.

### CCP Efforts to Compromise U.S. Supply Chains and National Security

In addition to seeking to influence U.S. Navy leadership and personnel, the CCP seeks to infiltrate American military equipment, materials, and supplies to weaken U.S. Navy readiness. PRC-manufactured technologies used by the U.S. military may leave critical U.S. military information vulnerable to CCP access. The 2024 Annual Threat Assessment of the U.S. Intelligence Community reported that the CCP’s “cyber espionage pursuits and its industry’s export of surveillance, information, and communications technologies increase the threats of aggressive cyber operations against the United States.”<sup>49</sup> If the U.S. military remains reliant on PRC-manufactured military equipment, the CCP will continue to have the capability to breach U.S. national security through cyber-enabled warfare tactics.

A number of PRC companies are on the Department of Commerce’s Entity List, which bars U.S. companies from selling to listed entities unless the exporter secures a specific, U.S.-government-issued license.<sup>50</sup> Although this list is an export control list, it has been described by the Department of Commerce and researchers as a “de facto warning to US customers not to buy from a listed foreign company.”<sup>51</sup> However, the U.S. military reportedly sources products from PRC companies with direct affiliation to companies on the Entity List. For example, it has been reported that PRC-manufactured encryption microcontroller chips are present in encrypted hard drives purchased by the Navy.<sup>52</sup> Though the chips are reportedly designed to protect data against compromise, an unintentional vulnerability or an intentional backdoor would allow anyone who lays hands on the drive to access its information.<sup>53</sup> One PRC company sourcing these encryption chips to the U.S. military is a subsidiary to a company on the Entity List.<sup>54</sup> The adequacy of current procurement protocols to thwart CCP infiltration is far from clear.

The Committee on Foreign Investment in the U.S. (CFIUS), a multi-agency committee, reviews the national security implications posed by foreign investments in American companies.<sup>55</sup> Despite U.S. protections, such as CFIUS and the Entity List, critical technologies

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<sup>49</sup> ODNI, *supra* note 1, at 11.

<sup>50</sup> Bureau of Indus. & Sec., U.S. Dep’t of Commerce, *Entity List*, available at <https://www.ecfr.gov/current/title-15/subtitle-B/chapter-VII/subchapter-C/part-744/appendix-Supplement%20No.%204%20to%20Part%20744>; see also Yuka Hayashi, *U.S. Blacklists 28 Entities From China, Russia, and Other Countries*, *Citing National Security Risks*, Wall St. J. (Sep. 25, 2023).

<sup>51</sup> Andy Greenberg, *How a Shady Chinese Firm’s Encryption Chips Got Inside the US Navy, NATO, and NASA*, *Wired* (June 15, 2023) (Hualan Microelectronics, also known as Sage Microelectronics, was added to the “entity list” in July 2021. Its subsidiary, Initio, still supplies encryption microcontroller chips to Western manufacturers of encrypted hard drives, which in turn are purchased by the U.S. government, including the U.S. military.).

<sup>52</sup> *See Id.*

<sup>53</sup> *See Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *See* Comm. on For. Invest. in the U.S., U.S. Dep’t of Treasury, available at <https://home.treasury.gov/policy-issues/international/the-committee-on-foreign-investment-in-the-united-states-cfius>.

have been transferred to the PRC, which is especially concerning when the technologies could “end up in the hands of the PLA for use against our own military forces.”<sup>56</sup> For example, in 2022, CFIUS approved the sale of a company with an invention used to make a more sustainable version of nylon.<sup>57</sup> The sale to China was approved, even after a U.S. intelligence assessment warned that byproducts from the company’s manufacturing processes could “theoretically serve as a high-quality base for fuel used in cutting-edge weapons.”<sup>58</sup>

Historically, U.S. defense procurement needs have been reliant on the PRC for products such as rare-earth magnets and motor vehicle parts. The CCP induces this reliance by offering lower costs and negotiating with empty promises. As for rare-earth magnets, “Chinese investors found a number of different vulnerabilities in the U.S. defense industry base,” and a CFIUS-approved divestment has benefited the CCP’s critical military technologies to the detriment of U.S. national security.<sup>59</sup> In the 1960s, the first rare-earth magnets were discovered by scientists working in a U.S. Air Force laboratory, and by the late 1980s, Magnequench, a subsidiary of General Motors (GM), was selling its unique expertise in its manufacture of high-powered rare-earth magnets to defense industries.<sup>60</sup> When GM decided to sell Magnequench in 1995, the \$70 million asking price was met by an investment consortium that included two Chinese state-owned metal firms.<sup>61</sup> Both PRC firms were headed by the sons-in-law of the CCP’s former leader, Deng Xiaoping.<sup>62</sup> Following the acquisition, the U.S. plant was shut down and the distinctive magnet production line was reportedly “duplicated in China.”<sup>63</sup> While “made-in-China magnets” are now restricted in U.S. military equipment, the PRC currently holds 92 percent of the rare-earth magnet global market share.<sup>64</sup> CCP promises made during the CFIUS approval process were abandoned and the CCP took control of an essential component of weaponry and machinery.<sup>65</sup> The Navy must take heed of the CCP’s destructive efforts to exploit U.S. reliance on the PRC and threaten U.S. national security.

As for other military needs, like motor vehicle parts and accessories, Govini, a defense software company used by the national security community and the U.S. military, has reported that the Navy had 41,856 tier 1 and tier 2 Chinese suppliers from fiscal years 2018-2022.<sup>66</sup> Additionally, from 2005 to 2020, the number of PRC suppliers in the U.S. supply chain quadrupled, and the reliance on the PRC for electronics, industrial equipment, and transportation

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<sup>56</sup> Fanell & Thayer, *supra* note 28, at 118.

<sup>57</sup> Kate O’Keeffe & Aruna Viswanatha, *A DuPont China Deal Reveals Cracks in U.S. National-Security Screening*, Wall St. J. (Aug. 12, 2023).

<sup>58</sup> *Id.*

<sup>59</sup> John Tkacik, *Magnequench: CFIUS and China’s Thirst for U.S. Defense Technology*, Heritage Found. (May 2, 2008).

<sup>60</sup> Jon Emont, *America’s War Machine Runs on Rare-Earth Magnets. China Owns That Market.*, Wall St. J. (May 4, 2024).

<sup>61</sup> Tkacik, *supra* note 59.

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> Emont, *supra* note 60.

<sup>65</sup> Tkacik, *supra* note 59.

<sup>66</sup> Govini, *The 2023 National Security Scorecard, Critical Technologies Edition*, at 86 (2023).



is even more pronounced.<sup>67</sup> According to Govini, this leaves “[c]ountless major weapons platforms [] vulnerable” to CCP infiltration.<sup>68</sup> For example, spyware software and hardware has been discovered in PRC-manufactured U.S. military equipment and the CCP continues to increase its authoritative state by requiring private companies to divulge data, particularly if foreign or sensitive.<sup>69</sup> It is critical that the U.S. Navy rely only on sources of military equipment secure from CCP influence.

The CCP’s efforts to infiltrate the U.S. Navy and compromise U.S. supply chains have unfortunately been miscalculated regarding “the scope, scale, and timing of the PRC’s modernization and its impact on US national security.”<sup>70</sup> Capt. Fanell and Dr. Thayer point out that the Navy, along with the greater IC, have let decades pass by while the PLA Navy has fashioned itself to be the largest navy in the world – not just in ship numbers, but also in raw tonnage.<sup>71</sup> The 2022 Naval Navigation Plan reports that the PRC’s offensive warfighting systems “are aimed at the heart of America’s *maritime* power.”<sup>72</sup> The PLA’s Navy hosts a “dominant fleet size and overwhelming industrial capacity.”<sup>73</sup> A 2023 DOD report entitled, “Military and Security Developments Involving the PRC,” recognized that the PRC is “nearly self-sufficient for all shipbuilding needs.”<sup>74</sup> Since 2004, the PRC’s global shipbuilding capacity has reportedly gone from 10 to 50 percent.<sup>75</sup> Retired U.S. Navy Admiral James Stavridis recently warned that the PRC’s fleet of 350 warships outnumbers the U.S.’s 290 and that “the US must pursue a coalition strategy to balance the numbers.”<sup>76</sup> Reducing reliance on the PRC and ensuring self-sufficiency for the U.S.’s military shipbuilding needs is critical to combatting the CCP in this New Cold War and any possible future hot wars.

## Conclusion

As Gen. Spalding has explained, the CCP has been “fighting a strategic war for decades,” which has led to “ceding gains—strategic, geographical, technological, and digital,” ultimately fueling the CCP’s military.<sup>77</sup> To counter and defeat the CCP’s unrestricted warfare, the Navy

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<sup>67</sup> See Jeffrey J. Nader & Tara M. Dougherty, *Numbers Matter: Defense Acquisition, U.S. Production Capacity, and Detering China*, Govini, at 2 (2024).

<sup>68</sup> *Id.* at 4.

<sup>69</sup> See Kathleen Snyder, *Despite Sanctions, U.S. Defense Still Sources from China*, Am. Sec. Project (Sep. 26, 2023).

<sup>70</sup> Fanell & Thayer, *supra* note 28, at 98.

<sup>71</sup> *Id.* at 99-100.

<sup>72</sup> M.M. Gilday, Chief of Naval Operations, *Navigation Plan 2022*, U.S. Navy, at 4 (July 26, 2022) (emphasis in original).

<sup>73</sup> Matthew Hipple, *China’s Navy is Using Quantity to Build Quality*, Maritime Exec. (Feb. 18, 2024); see also Cong. Res. Serv., RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities – Background and Issues for Congress*, at 2 (2024) (“U.S. military officials and other observers are expressing concern or alarm regarding the pace of China’s shipbuilding effort, the capacity of China’s shipbuilding industry compared with the capacity of the U.S. shipbuilding industry, and resulting trend lines regarding the relative sizes and capabilities of China’s navy and the U.S. Navy.”).

<sup>74</sup> U.S. Dep’t of Def., *Military and Security Developments Involving the People’s Republic of China*, at 166 (2023).

<sup>75</sup> Hipple, *supra* note 73.

<sup>76</sup> James Stavridis, *China Has 350 Warships. The US Has 290. That’s a Problem*, Bloomberg (May 1, 2024).

<sup>77</sup> Spalding, *Stealth War*, *supra* note 16, at 80-81.

must protect military equipment and active-duty service members from CCP infiltration and influence. To assist the Committee in investigating this matter, we request a briefing from the Department of the Navy with Committee staff. Please contact Committee staff as soon as possible, but no later than June 28, 2024. This briefing should address the following:

1. How the Navy strives to inspire and equip Americans to strengthen their communities, innovate, and create the technologies and phenomena that will secure a strong and prosperous future for our nation;
2. How Navy leadership ensures from the top down that all service members and Navy employees are aware of CCP warfare and influence operations against America and are equipped to address them wherever they arise;
3. Training that the Navy offers to service members, Navy employees, and students at the Naval War College, the Naval Post Graduate School, the Naval Academy, and the U.S. Naval Community College—that specifically addresses how to identify, counter, and defeat CCP unrestricted warfare against America and CCP threats to the Navy;
4. Navy outreach to, and engagement with, the American public and relevant industries about identifying, countering, and defeating CCP unrestricted warfare, including, but not limited to infiltration of military equipment and influence of active-duty service members;
5. Navy efforts to ensure that its service members and employees are not influenced, through legal or illegal methods, by the CCP;
6. Navy concerns about the procurement of PRC-linked products, including but not limited to information technology equipment and shipbuilding supplies;
7. Navy efforts to consider, elevate and actively heed warnings regarding the CCP threat that are raised anywhere in the Navy’s ranks, including from line analysts and those who are forward deployed;
8. Navy efforts to acknowledge that the CCP threat was overlooked for decades, and plans to change course to protect Americans from CCP unrestricted warfare; and
9. Navy participation in the “Western Pacific Naval Symposium” hosted in Qingdao, PRC this spring,<sup>78</sup> and the Navy’s justification for such engagement in light of CCP unrestricted warfare against America.

Please contact Committee staff at (202) 225-5074 to schedule the staff briefing. The Committee on Oversight and Accountability is the principal oversight committee of the U.S.

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<sup>78</sup> See *Readout: U.S. Pacific Fleet Participates in Western Pacific Naval Symposium, April 21-23*, Commander, U.S. Pac. Fleet News (Apr. 23, 2024).

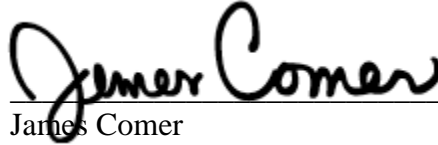
The Hon. Carlos Del Toro

June 21, 2024

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House of Representatives and has broad authority to investigate “any matter” at “any time” under House Rule X. Thank you for your prompt attention to this important investigation.

Sincerely,

A handwritten signature in black ink that reads "James Comer". The signature is written in a cursive style with a horizontal line underneath the name.

James Comer

Chairman

Committee on Oversight and Accountability

cc: The Honorable Jamie B. Raskin, Ranking Member  
Committee on Oversight and Accountability