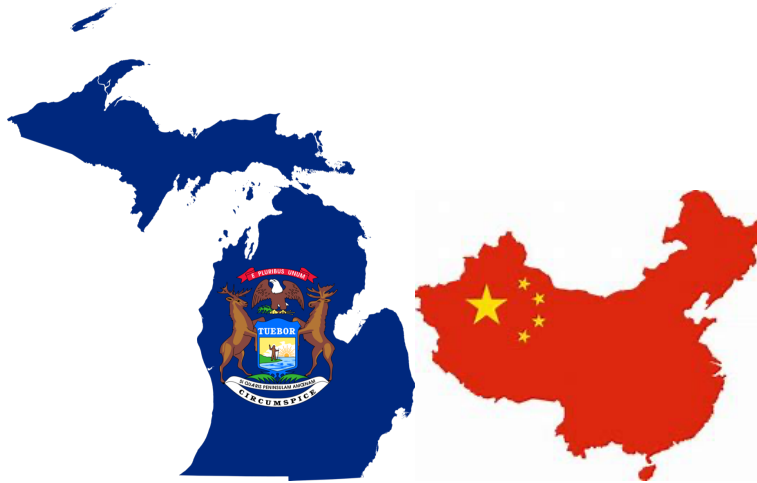


Michigan - China Economic and Security Review Group



I am submitting for the record grave concerns I have with the aggressive pursuit by certain elected and appointed leaders in the State of Michigan, economic development entities, and local officials, to bring lithium ion battery manufacturers based in the People's Republic of China (PRC) to Michigan.

As I began serving as an ambassador for the United States of America, I immediately faced head-on the manifestations of how the People's Republic of China (PRC) and the Chinese Communist Party (CCP) are grave national security threats to the U.S. and our allies. They are certainly one of the gravest threats our republic has faced in its history. All 50 states are targeted by this threat, including our beloved and beautiful home state of Michigan.

For our Founding Fathers, the central and primary job of the federal government was to "provide for the common defense" and that is manifested in the Preamble to the Constitution. Since 1908, the Michigan Constitution, in Article 1, Section 1, declares the State of Michigan government is instituted for the "security and protection" of the people.

While the Founders then, and most people today, consider this involving the military, national guard or state police apparatuses responding to domestic and foreign kinetic threats, the non-kinetic threat also applies, particularly with our adversaries, and specifically with the PRC and the Chinese Communist Party (CCP).

The PRC and the CCP are penetrating our shores on a sub-national level and beyond the eyes of the United States Government. This is manifested through industry, higher education, and whenever economic engagement occurs, there is great peril to our national security and our state security.

No PRC-based company escapes the reach of the CCP. In fact, in the National Intelligence Law, Articles 7, 10, 11 and 14 requires all organizations and citizens to "support, assist and cooperate with national intelligence efforts" and that all "necessary means, tactics, and channels to carry out intelligence efforts, domestically and abroad" must be used.

For instance, it does not matter if a PRC-based company looking to locate to Michigan is not a State Owned Enterprise, or is just a subsidiary, they are considered to be "relevant organs" by the PRC, the CCP and the Ministry of State Security (MSS) and their United Front intelligence gathering mechanism to "provide necessary support, assistance and cooperation." Any PRC-national who may be present as a part of these companies are required to surveil, collect, and report any information on anything, as directed whether on local military installation activity or academic programs and research at the neighborhood colleges or university.

It is dangerous some of the parties involved with these projects have paid more attention to binding five-year non-disclosure agreements and code words, rather than gaining an understanding of how such companies present threats to the United States and Michigan, and taking a long, clear eyed and prudent look at the threat, before financially supporting such projects which are inextricably tied to the PRC and the CCP.

As stewards of taxpayer dollars and good corporate citizens, those involved with the projects should be conducting strict scrutiny and due diligence. A best practice with such foreign investment, and a very basic step at that, which should have been taken, and has not been, is to petition for a voluntary review by the Committee on Foreign Investment in the United States (CFIUS) through the United States Department of Treasury. Because of the scaling threat from the PRC, the CFIUS process has been made more rigorous on a bi-partisan basis in the Trump and Biden Administrations.

Agreeing to such a voluntary review is particularly important since the entire process with these projects has been secretive, rushed, and not thorough. Particularly striking is what appears to be either a dismissiveness or lack of interest in asking the difficult prudential question about whether these projects could present a national security threat. It is unconscionable Michigan government officials leading the campaign for such projects did not voluntarily submit to a CFIUS review.

The reports and threats of espionage, intelligence gathering and influence operations by the PRC against the United States government, military, higher education, and private sector, have soared in the last 15 years.

Director of the Federal Bureau of Investigation (FBI), Christopher Wray, stated in the recent past: "The greatest long-term threat to our nation's information and intellectual property, and to our economic vitality, is the counterintelligence and economic espionage threat from China."

Virginia's Gov. Glenn Youngkin prudently rejected the use of taxpayer-funded economic incentive packages to bring to his state one of these companies, preventing a misuse of taxpayer dollars, deterring the influence or espionage operations which emanate from such companies.

Last year, officials from the U.S. National Counterintelligence and Security Center, an entity within the office of the Director of National Intelligence (DNI) the FBI and the Department of Homeland Security (DHS) advised state and local officials from around the country about the risks of Chinese influence operations. They cited an aggressive, pervasive, and escalated campaign by the PRC to lobby and influence state, local, tribal, and business leaders. A notice released from the Center advises state and local leaders to guard against PRC operations that run counter to U.S. national security and economic security, even if they may appear to benefit a state or local government in the short term. They further recommended insisting on public and transparent terms for all such agreements and share such engagements with other local leaders and U.S. authorities.

The Michigan Legislature still has time to act. Any Michigan taxpayer subsidy for a PRC-based company should be rejected on a bipartisan basis. Michigan taxpayers should not be used to enable a CCP-affiliated company to establish a base in Michigan. Listen to Wray. The CCP can use these types of footholds to conduct espionage, steal intellectual property and enrich the PRC, not Michigan. If tax incentives for companies from Michigan are to be employed, it would be best if provided to U.S. or allied countries, not the PRC.

State and local government officials and the private sector must understand, take heed, and engage with the threat the PRC and the CCP present to the security of our state. I strongly recommend a NAY vote on the funding release for the proposed Gotion project today.

Joseph Cella
Director
Michigan-China Economic and Security Review Group
15 March 2023