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United States Senate
WASHINGTON, DC 20510-0908

COMMITTEES:
APPROPRIATIONS
FOREIGN RELATIONS
SELECT COMMITTEE ON INTELLIGENCE
SMALL BUSINESS AND ENTREPRENEURSHIP
SPECIAL COMMITTEE ON AGING

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Dear Colleague:

Recent events have brought to attention the urgent need for greater restriction on financial investment in the People's Republic of China (PRC). Beijing has a pressing need for financial capital as it seeks to build up its military and impose increasing technological control over its population amidst the COVID-19 pandemic, a slowing economy, and increasing debt. After the PRC's loss of private wealth in recent years due to capital flight and expropriation, capital is in short supply. For that reason, it is frankly a strategic disaster that, at the same time, American financial investment is pouring into the PRC at its highest rate ever.

American investment in Chinese companies has surged, even as the Chinese Communist Party (CCP) has turned increasingly authoritarian and reckless on the global stage. According to the 2021 Annual Report to Congress of the U.S.-China Economic and Security Review Commission, U.S. holdings of Chinese equity and debt securities have risen by 57.5 percent since 2017, to $1.2 trillion total.[1] Unreported flows through offshore investment vehicles and private equity mean this amount is likely significantly higher. Major Wall Street banks have in recent months announced the approval of large wealth management products focused on investing in the PRC.

Ideally, this problem is a problem that market conditions would address on their own. Investors have plenty of reasons to stay out of China. The ultimate control of the CCP over economic activity and the opacity of the PRC economy pose fundamental barriers to well-functioning markets. Moreover, the association of the CCP and Chinese companies with the genocide of the Uyghurs and other predominantly Muslim ethnic groups in the Xinjiang Uyghur Autonomous Region, among other human rights violations, exposes those entities to policy risks, and, at the very least, reputational risks. But these market factors have evidently not been enough to date.

Unfortunately, given the dramatic rise of investment in the PRC in these circumstances, we can have little confidence that investors are in the PRC for mainly the right reasons. Witness, for example, the recent comments of Bridgewater co-chief Ray Dalio, who, upon the announcement of the firm's third investment fund in the PRC, excused the CCP's authoritarian, genocidal regime as that of "a strict parent."[2] We simply cannot be confident that investors like Mr. Dalio are not putting American savings to work in Chinese companies that threaten our national security or violate human rights.

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[1] U.S.-China Economic and Security Review Commission, 2021 Report to Congress 243, 117th Cong., 1st session (Nov. 2021).
[2] Brittany Bernstein, "Ray Dalio Defends Investments in China Despite Human Rights Abuses: CCP Behaves Like a 'Strict Parent'" NATIONAL REVIEW (Dec. 1, 2021) https://www.nationalreview.com/news/ray-dalio-defends-investments-in-china-despite-human-rights-abuses-ccp-behaves-like-a-strict-parent/.

For the above reasons, I believe it is necessary that Congress act to restrict financial investment in the PRC. My bill, the *American Financial Markets Integrity and Security Act* (S.570), would prohibit investment vehicles of all types—mutual funds, venture capital, private equity, ERISA plans and trusts, among others—from investing in Chinese companies listed on the Section 1237 Communist Chinese military companies list and the Commerce Department's Entity List.

The *American Financial Markets Integrity and Security Act* would at least ensure that American investment in China is not going directly to Chinese companies that pose threats to our national security. I invite you to cosponsor S.570, and would welcome your support to mitigate this increasingly pressing risk to our national security.

Sincerely,

Marco Rubio
U.S. Senator