Congress of the United States
House of Representatives
Washington, DC 20515-0906

February 29, 2024

Mr. Richard Pope
President
ZPMC USA Corporate Headquarters
4810 Belmar Blvd. Suite 203
Wall Township, NJ 07753

Mr. Liu Chengyun
Chairman and President
ZPMC Headquarters
No. 3261, Dongfang Rd New District
Shanghai, 200125 China

Dear Mr. Pope and Mr. Chengyun:

The Committee on Homeland Security and the Select Committee on the Strategic Competition between the United States and the Chinese Communist Party (Committees) are examining the national security implications of the widespread use of equipment at U.S. maritime ports originating in the People's Republic of China (PRC). This includes port equipment from Shanghai Zhenhua Heavy Industries Company (ZPMC) and other PRC-origin components and technology embedded in U.S. maritime critical infrastructure.

It is particularly concerning to the Committees that state-owned enterprises controlled, subsidized, or influenced by the Chinese Communist Party (CCP) may be seeking to increase the U.S. maritime sector's reliance on their equipment and technology. In briefings with the Committees, U.S. federal law enforcement agencies have confirmed PRC state-owned enterprises are aggressively attempting to generate undue economic influence and establish a strategic presence at certain maritime ports around the country.[1] The United States is alarmed by mounting evidence that the PRC is solidifying its presence and exerting influence over an industry critically important to the U.S. economy.[2]

The PRC government has simultaneously directed state-backed cyber actors, such as Volt Typhoon, to maliciously burrow into U.S. critical infrastructure, including in the maritime sector.[3] Due to the urgency to address these security threats, the Committees formally launched a joint investigation in June 2023, probing the cybersecurity risks, foreign intelligence threats, and supply chain vulnerabilities relating to maritime equipment and technology that has been produced, manufactured, assembled, or installed in the PRC. Based on what we have learned during our joint investigation, the Committees assess that ZPMC is fully capable of exploiting its

[1] Briefing with the U.S. Coast Guard (January 12, 2024); Briefing with the Federal Bureau of Investigation (December 11, 2023).
[2] Press Release, The White House, *FACT SHEET: Biden-Harris Administration Announces Initiative to Bolster Cybersecurity of U.S. Ports*, February 21, 2024, https://www.whitehouse.gov/briefing-room/statements-releases/2024/02/21/fact-sheet-biden-harris-administration-announces-initiative-to-bolster-cybersecurity-of-u-s-ports/.
[3] Ellen Nakashima and Joseph Menn, *China's cyber army is invading critical U.S. services*, THE WASH. POST, December 11, 2023, https://www.washingtonpost.com/technology/2023/12/11/china-hacking-hawaii-pacific-taiwan-conflict/.

supply chain access to manipulate U.S. maritime equipment and technology at the direction of the PRC government.

ZPMC is a subsidiary of China Communications Construction Company (CCCC)[4]—one of the main contractors for the CCP's Belt and Road Initiative, with known ties to the People's Liberation Army Navy (PLAN).[5] According to public reports, the CCCC's military-civilian fusion office entered into a "strategic cooperation" agreement with a PLAN entity in July 2018, agreeing to coordinate on maritime-related defense projects.[6] In addition, multiple CCCC subsidiaries are currently listed on the U.S. Department of Commerce Bureau of Industry and Security's Entity List for their efforts to help the Chinese military.[7]

Today, ZPMC accounts for nearly 80 percent of the ship-to-shore (STS) cranes in use at U.S. maritime ports.[8] The Committees discovered that many of the STS cranes operating at U.S. maritime ports were manufactured at ZPMC's "Changxing Base," adjacent to the Jiangnan Shipyard on Shanghai's Changxing Island.[9] Jiangnan Shipyard is where the PLAN's most advanced warships are built, including the PRC's third aircraft carrier and its fleet of Type 055 and Type 052 destroyers.[10]

The Committees have serious concerns that this proximity to the PLAN's main shipyard provides malicious CCP entities, including its intelligence agencies and security services, with ample opportunity to modify U.S.-bound maritime equipment, exploit it to malfunction, or otherwise facilitate cyber espionage thereby compromising U.S. maritime critical infrastructure.[11] While PRC government officials and various maritime stakeholders, including the American Association of Port Authorities, have previously dismissed the suggestion of this threat as "overly paranoid"[12] or "alarmist,"[13] the Committees have found otherwise.

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[4] Grady McGregor, *China's Crane Reign*, THE WIRE CHINA, March 26, 2023, https://www.thewirechina.com/2023/03/26/chinas-crane-reign-zpmc/.
[5] Kate O'Keefe, *U.S. Sanctions Chinese Firms and Executives Active in Contested South China Sea*, WALL ST. J., Aug. 28, 2020, https://www.wsj.com/articles/u-s-imposes-visa-export-restrictions-on-chinese-firms-and-executives-active-in-contested-south-china-sea-11598446551.
[6] *Id.*
[7] Press Release, U.S. Dep't of Commerce, *Commerce Department Adds 24 Chinese Companies to the Entity List for Helping Build Military Islands in the South China Sea*, Aug. 26, 2020, https://2017-2021.commerce.gov/news/press-releases/2020/08/commerce-department-adds-24-chinese-companies-entity-list-helping-build.html.
[8] Aruna Viswanatha et al., P*entagon Sees Giant Cargo Cranes as Possible Chinese Spying Tools*, WALL ST. J., Mar. 5, 2023, https://www.wsj.com/articles/pentagon-sees-giant-cargo-cranes-as-possible-chinese-spying-tools-887c4ade.
[9] Documents provided to the Committees from a U.S. Strategic Seaport (December 8, 2023); *see also* Press Release, ZPMC, *[S]hanghai Zhenhua Heavy Industries Co., Ltd. Changxing Branch*, Aug. 8, 2018, https://www.zpmc.com/jidi/cont.aspx?id=9.
[10] Matthew P. Funaiole et el., *Changxing Island: The Epicenter of China's Naval Modernization*, CSIS, May 18, 2023, https://chinapower.csis.org/analysis/china-changxing-island-shipbuilding-base-jiangnan-shipyard/.
[11] David E. Sanger, *Chinese Malware Hits Systems on Guam. Is Taiwan the Real Target?,* NEW YORK TIMES, (May 24, 2023), https://www.nytimes.com/2023/05/24/us/politics/china-guam-malware-cyber-microsoft.html
[12] Tucker Reals and Elizabeth Palmer, *China dismisses reported U.S. concern over spying cargo cranes as "overly paranoid"*, CBS NEWS, March 6, 2023, https://www.cbsnews.com/news/china-spying-cargo-cranes-report/.
[13] Press Release, American Association of Port Authorities, *Industry Vigilant on Integrity of Ship-to-Shore Cranes*, March 8, 2023, https://www.aapa-ports.org/advocating/PRDetail.aspx?ItemNumber=22896.

The Committees are also concerned that ZPMC has benefited from extensive PRC government subsidies which have facilitated its dominant market position. ZPMC's 2022 Annual Report reveals that the company is the recipient of large PRC government subsidies, amounting to tens of millions of dollars.[14] As a result of the PRC's economic support, ZPMC can submit unusually low bids for U.S. port contracts, furthering the CCP's economic influence within the U.S. maritime sector. Our nation's dependence on PRC state-owned enterprises, including ZPMC's port equipment, for international trade, and the lack of sufficient domestic industrial alternatives, introduces significant risk of future exploitation by the CCP, putting the American people in potential danger in future national emergencies.

Over the course of our 8-month joint investigation, the Committees engaged with several U.S. maritime ports and U.S. federal law enforcement agencies, requesting documents and information through public and non-public oversight inquiries.[15] Analysis of this material has led us to conclude that ZPMC installed certain components onto U.S.-bound STS cranes and onshore maritime infrastructure that are outside of any existing contract between ZPMC and U.S. maritime ports. These components do not appear in any way to contribute to the operation of the STS cranes or onshore infrastructure, raising significant questions as to their intended applications. However, this is not the first reported instance of ZPMC's apparent misconduct. In 2021, the Federal Bureau of Investigation (FBI) discovered intelligence gathering equipment on board a vessel delivering ZPMC cranes to the Port of Baltimore.[16] As always, but particularly in light of these findings, the Committees will take any and all necessary actions to help ensure that the risk of exploitation of our maritime critical infrastructure is eliminated.

While the Committees have heard from a variety of maritime stakeholders, as well as U.S. federal law enforcement agencies, we request to hear directly from ZPMC to better understand the products and services you provide to the U.S. maritime sector, and your working relationship with the CCP. We must have the full cooperation of ZPMC, especially when our national security is significantly undermined.

To assist the Committees with this investigation, we request that ZPMC provide, in writing, answers to the following questions as soon as possible, but no later than 5:00 p.m. on March 14, 2024:

1. The Committees have discovered that ZPMC technicians, engineers, or other personnel at ZPMC's PRC-based fabrication sites, have installed certain components, including cellular modems, onto U.S.-bound STS cranes and other onshore maritime infrastructure. These components do not contribute to the operation of the STS cranes or maritime infrastructure and are not part of any existing contract between ZPMC and the receiving U.S. maritime port.

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[14] Ernst & Young Hua Ming LLP, *Shanghai Zhenhua Heavy Industries Co., Ltd. Annual Report 2022*, (Chinese Yuan converted to United States Dollars) (on file with the Committees).
[15] Letter from Hon. Mark Green, Chairman, H. Comm. on Homeland Sec., and Hon. Mike Gallagher, Chairman, H. China Select Comm., et al. to U.S. Strategic Seaports (November 17, 2023).
[16] *Id* at 8.

A. Please explain whether any PRC entity, including the CCP's intelligence agencies or security services, has **ever** requested that ZPMC modify, in any way, its U.S.-bound maritime equipment, including STS cranes or other maritime infrastructure components, beyond its contractual obligations with U.S. maritime ports.

2. Please describe with specificity ZPMC's relationships or engagement with the following PRC entities over the past 10 years. Please identify the names and titles of the government personnel with whom ZPMC most frequently engaged with at each.

    A. The Chinese Communist Party;
    B. The Central Military Commission;
    C. The Ministry of National Defense;
    D. The People's Liberation Army Navy;
    E. The Ministry of State Security;
    F. The People's Bank of China; and
    G. The China Export Import Bank.

3. ZPMC is the recipient of PRC government subsidies, allowing it to dominate the global STS crane and port equipment market by underbidding its competitors and providing substantially cheaper products.

    A. Please list all grants or government subsidies that ZPMC has received from the PRC government over the past 10 years; and
    B. Please describe with specificity whether any grant funding or government subsidy has supported ZPMC's activity in the United States.

4. ZPMC maintains an internal Communist Party Committee that is reportedly overseen by Mr. Liu Chengyun. Mr. Chengyun serves as ZPMC's Chairman and President, and concurrently serves as the Party Secretary within the company.

    A. Please describe with specificity the composition, powers, and influence of the internal Communist Party Committee;
    B. Please identify all ZPMC personnel who are members of the internal Communist Party Committee;
    C. Please describe how members of the internal Communist Party Committee are chosen within ZPMC; and
    D. Please describe to whom the internal Communist Party Committee reports to within the PRC government and how often.

5. In briefings with U.S. maritime ports and U.S. federal law enforcement agencies, the Committees have learned that ZPMC, in concert with the Swiss multinational

corporation, ABB Ltd, have repeatedly made requests for remote access to U.S.-based STS cranes and other U.S. maritime infrastructure components.

A. Please explain whether any PRC entity, including the CCP's intelligence agencies or security services, has **ever** requested that ZPMC attempt to obtain remote access to U.S.-based STS cranes or other maritime infrastructure for any reason.

6. The U.S. Department of Commerce's Bureau of Industry and Security has added numerous PRC-based and related entities to the Entity List for their involvement in, or risk of becoming involved in, activities contrary to the foreign policy and national security interests of the United States.

A. Please describe with specificity ZPMC's previous or ongoing engagement with any of the entities listed on the Entity List, and particularly those based in the PRC.

To schedule the delivery of ZPMC's written response or ask any related follow-up questions, please contact Homeland Security Committee Majority staff at (202) 226-8417 and China Select Committee Majority staff at (202) 226-9678.

Per Rule X of the U.S. House of Representatives, the Committee on Homeland Security is the principal committee of jurisdiction for overall homeland security policy and has special oversight of "all Government activities relating to homeland security, including the interaction of all departments and agencies with the Department of Homeland Security."

The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has broad authority to "investigate and submit policy recommendations on the status of the Chinese Communist Party's economic, technological, and security progress and its competition with the United States" under H. Res. 11.

Thank you for your attention to this important matter and your prompt reply.

Sincerely,

MARK E. GREEN, M.D.
Chairman
Committee on Homeland Security

MIKE GALLAGHER
Chairman
Select Committee on China

CARLOS A. GIMENEZ
Chairman
Subcommittee on Transportation
and Maritime Security
Committee on Homeland Security

DUSTY JOHNSON
Member
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AUGUST PFLUGER
Chairman
Subcommittee on Counterterrorism,
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Committee on Homeland Security

MICHELLE P. STEEL
Member
Select Committee on China

cc: The Honorable Bennie Thompson, Ranking Member
Committee on Homeland Security

The Honorable Raja Krishnamoorthi, Ranking Member
Select Committee on China

The Honorable Shri Thanedar, Ranking Member
Subcommittee on Transportation and Maritime Security

The Honorable Seth Magaziner, Ranking Member
Subcommittee on Counterterrorism, Law Enforcement, and Intelligence