THE CCP’S INVESTORS: How American Venture Capital Fuels the PRC Military and Human Rights Abuses
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In this investigation, the House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party (Select Committee or Committee) set out to understand the relationship between U.S. venture capital firms (VCs) and the People’s Republic of China’s (PRC) explosive growth in two advanced technology sectors: artificial intelligence (AI) and semiconductors.

Both technologies have civilian and military applications. Both will drive the future of warfighting, and both are necessary components of the Chinese Communist Party’s (CCP) Orwellian surveillance state and human rights abuses. Both technologies also provide the foundation for advancements in other cutting-edge technologies such as biotechnology and quantum computing.

The Committee examined five U.S. venture capital firms that have a sizeable footprint in PRC AI and semiconductor companies to better understand whether and how American capital and expertise have supported the PRC’s technological advancement.

We found that these five VCs alone have made investments worth at least $3 billion into PRC technology companies that facilitate human rights abuses including genocide, contract with the Chinese military, or strengthen the PRC’s semiconductor supply chains and advance China’s national security ambitions.

We also found evidence that VCs provide intangible support, including expertise, to companies, including problematic PRC companies in the targeted sectors.

By virtue of our small sample size, our results significantly understate the amount of U.S. investment and expertise that has flowed into companies linked to the People’s Liberation Army (PLA) or the CCP’s human rights abuses.

Related to artificial intelligence, the Committee found that just these firms alone have invested:

- In total, more than $1.9 billion into AI companies that support the CCP’s human rights abuses, surveillance state, or the People’s Liberation Army (PLA).
- More than $130 million into PRC artificial intelligence companies blacklisted by the U.S. government for supporting the CCP’s genocide and human rights abuses.
- More than $20 million into AI companies supporting the CCP’s surveillance state and companies associated with forced labor.
- Over $1 billion into ByteDance, which supports the PRC’s digital authoritarianism and presents a threat to U.S. national security.
• More than $190 million into AI companies that are now blacklisted by the U.S. government for supporting the PRC’s military.
• Another $140+ million into AI companies that support the PLA.

Related to semiconductors, the Committee found that these firms have invested:

• In total, more than $1 billion into more than 150 semiconductor companies.
• More than $50 million into PRC semiconductor giant SMIC, beginning one year after SMIC’s founding.
• More than $35 million into a semiconductor company after it was blacklisted by the U.S. government for supporting the PLA.
• Tens of millions of dollars into semiconductor companies backed by and receiving subsidies from the PRC government.
• More than $180 million into semiconductor companies that support the PLA.

U.S. investments were critical to the early growth and success of some of the PRC’s largest and most notorious AI and semiconductor companies, many of which are now blacklisted by the U.S. government over national security concerns, and many of which are supported by the PRC government. Some VCs even touted the PRC’s strategic priorities and PRC government support as a positive factor weighing in favor of investment in their internal memos.

The results of the Committee’s investigation significantly understate the total U.S. funding that has flowed into the PRC’s AI and semiconductor sectors: we looked only at venture capital funds, examined just five venture firms out of countless that invest in the PRC, and focused narrowly on companies that are publicly linked to the PLA or the CCP’s human rights abuses. We also only looked at investments related to two technologies out of many that are relevant to U.S. national security and technological competition.

The Committee’s findings suggest that there are billions of dollars beyond those captured in this report that have flowed into PRC companies that support the PRC’s military, digital authoritarianism, and efforts to develop technological supremacy and undermine American technological leadership. The status quo is untenable.

This report illustrates that outbound U.S. capital investment has advanced the PRC’s strategic priorities while undercutting U.S. strategy towards the PRC. The

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* Our results understate the true scope of investment into these sectors even with respect to these five firms. For example, one of the smaller funds examined had invested more than $700 million into PRC semiconductor and artificial intelligence companies since 2010, but only a fraction of that total is covered in the specific investments noted below. Another firm produced partial information that suggested investment totals in the billions of dollars into semiconductors alone.
United States has invested enormous time, resources, and government effort to prevent the transfer of sensitive U.S. technology to the PRC. But U.S. venture capital flows have undercut those efforts by funding and providing intangible support to the very same companies that export controls and other regulations are intended to isolate.

Decades of investment—including funding, knowledge transfer, and other intangible benefits—from U.S. VCs have helped build and strengthen the PRC’s priority sectors. This bell cannot be unrung. Simply put, robust PRC outbound investment restrictions in key strategic sectors are a national security and human rights are imperative.

*   *   *
BACKGROUND

1. Scope and method

This report details the findings from the Select Committee’s investigation into the relationship between U.S. VCs and the PRC’s AI and semiconductor sectors, with a particular focus on the ways in which those VCs have supported companies linked to the PLA or the CCP’s human rights abuses. AI and semiconductor technologies are dual-use technologies, critical to national security, necessary components of the CCP’s Orwellian surveillance state and human rights abuses, and priority industries for the PRC government.

Venture Capital Funds Examined

The Committee reviewed investments—including capital and expertise—provided by five U.S.-headquartered venture capital firms to PRC artificial intelligence and semiconductor companies.

GGV Capital was founded in 2000 and is headquartered in California. GGV opened its first office in China in 2005 and operated an integrated global business in the decades that followed.1 GGV spun off its China business into a separate entity in 2023, shortly after the public announcement of the Committee’s investigation.2

GSR Ventures was founded in 2004 and is headquartered in California. GSR has an office in the PRC and has invested heavily in PRC technology companies.3

Qualcomm Ventures is the investing arm of Qualcomm, a U.S. semiconductor company headquartered in California. Qualcomm Ventures has a PRC office.4

Sequoia Capital was founded in 1972 in California. Sequoia partnered with local leaders in 2005 to establish Sequoia Capital China, which had offices in the PRC.5 Sequoia split off its China business into a separate entity in 2023, which is now known as HongShan.6

Walden International was founded in 1987 and is headquartered in California. Walden is a self-described “pioneer[]” in venture investing in the PRC.7 Its investments have focused especially on PRC semiconductor companies.8 Walden has offices in Beijing and Shanghai.9

All five firms have United States-based investors. These investors—or limited partners (LPs)—often include institutional entities such as university endowments, family offices, pension funds, and others, such as corporate entities and individuals.

“Artificial intelligence and semiconductor technologies are necessary components of the CCP’s Orwellian surveillance state and human rights abuses.”
U.S.-based VCs invest in PRC companies using both U.S. dollars (USD) and Chinese renminbi (RMB). This report examines investments from both USD and RMB funds. While different VCs may organize the corporate links between USD and RMB funds in different ways, our examination found that these funds are deeply intertwined in practice. For example, the funds have often shared general partners, professional networks, and corporate name and reputation, resulting in the transfer of expertise and intangible goodwill to companies. In addition, some RMB funds raise money from U.S. limited partners. RMB investments are therefore included in the findings below, alongside investments in USD.

All five firms produced information to the Committee in this investigation by identifying investments in the relevant sectors and producing specific information about a targeted subset of investments. The Committee also conducted interviews with senior executives at multiple firms. Given the limited information produced to the Committee, our results below significantly understate the true scope of the investment of capital, expertise, and intangible goodwill even with respect to these five firms.

Some of the VCs have divested from certain investments, and any such divestments are noted throughout. However, our investigation found that some of the VC firms have not divested their investments into PRC companies linked to the PLA or human rights abuses. In addition, even where a firm divested, the company had already benefited from the investment in the first instance.

Several of the VCs the Committee investigated stressed that their investments in the PRC were made “during an era of optimism lasting about 15 years.” Sequoia, for example, told the Committee that its entry into the PRC “coincided with expressed government policies and public positions in the US that encouraged businesses to invest in the region.”

**Threats to VC Employees in the PRC**

U.S. businesses in the PRC have faced an increasingly hostile environment as PRC authorities crack down on information flowing out of the country. The PRC government has raided U.S. companies in the PRC and has also increasingly stopped executives, including foreigners, from leaving the country by imposing exit bans. The PRC’s recently updated counter-espionage law is sweeping—the

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b See also ANTON Malkin, CHINA’S EXPERIENCE IN BUILDING A VENTURE CAPITAL SECTOR 7 (2021) ("[Foreign funds provided the foundation for the VC sector to grow. Therefore, while today RMB funds comprise the vast majority of total venture funds under management, the expertise and capital were originally provided by foreign VC funds . . ."). Some U.S. VCs set up RMB funds to increase investment into the PRC, specifically in areas where the PRC imposes foreign investment restrictions. c Sequoia Capital told the Committee that Sequoia Capital China’s RMB funds did not contain U.S. limited partners.
law treats all “documents, data, materials, and items related to national security and interests” as akin to state secrets.  

Amid these pressures, multiple U.S. firms expressed apprehension to the Committee about cooperating with the Committee’s investigation because of pressure or fear of pressure from the PRC government and the CCP. One firm told the Committee that its PRC personnel were “scared to death” about providing basic fund information to the Committee because of potential repercussions in the PRC. A representative of that firm recalled that in another case, one of his clients, a general partner, had disappeared—and re-appeared in a PRC prison. 

Another U.S. firm told the Committee that the PRC government was “actively pressuring” venture capital firms not to cooperate with the Committee’s investigation. That firm also faced pressure from its investment companies and limited partners, who likewise urged the firm not to cooperate. Shortly before the Committee opened its investigation, the PRC authorities had informed another one of the firm’s senior employees, without explanation, that he or she could not travel outside the country. 

In addition, multiple VCs expressed concern about providing information to the Committee because of the PRC’s vague so-called “data security” laws and associated civil or criminal penalties. For example, GSR Ventures initially refused to provide the Committee with any information about its RMB investments. After extensive negotiations, GSR Ventures told the Committee it could not disclose the exact amounts invested in a handful of companies, citing the PRC’s “data privacy rules.” GSR Ventures is headquartered in the United States. 

**Splitting U.S. and PRC Funds**

Two of the firms that the Committee investigated, Sequoia Capital and GGV, in 2023 announced their intentions to split their China funds into separate legal
entities. This report examines investments made prior to the announcement of those splits.

Sequoia Capital announced in summer 2023 that it would split its China business, known as Sequoia Capital China (Sequoia China), into a new entity, called HongShan. Before the split, Sequoia’s U.S. and PRC entities were interlinked, with Sequoia China raising money from U.S. limited partners and U.S.-based Sequoia personnel investing in Sequoia China funds. The two shared profits, networks, and certain back-office functions. The head of Sequoia China, Neil Shen, served as a “steward of Sequoia Capital.” Shen was a representative to the Chinese People’s Political Consultative Congress, the CCP’s standing advisory committee.

GGV opened its first office in China in 2005. By 2014, a GGV managing partner explained that GGV was “considered a local firm” in the PRC, with roughly half of GGV’s partners reportedly based in the PRC. GGV’s associated RMB funds were set up in 2017 and were overseen by a GGV then-managing partner. At least two additional GGV partners were dual-hatted, working in both GGV’s USD and RMB funds.

GGV told the Committee that it began evolving its approach to the PRC in 2018. That year, a GGV managing partner stated that unlike other U.S. venture firms, GGV was “one fund” across the United States and the PRC. In 2023, the firm announced a decision to legally split the U.S. and PRC entities. Notably, this decision came shortly after the launch of the Committee’s investigation.

By splitting off their China businesses, it appears likely that Sequoia and GGV will reduce the flow of American technological and managerial expertise from those two U.S. VCs to PRC-based companies, which is a step in the right direction.

However, without further legislative action, it is not clear whether these splits will in fact staunch future flows of American capital to problematic PRC companies—indeed, such splits may insulate some types of capital flows from regulatory scrutiny they would have otherwise been subject to under a recently released Executive Order. For example, as of 2023, U.S. investors remained the single largest source of capital for

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“Without further legislative action, it is not clear whether these splits will in fact staunch future flows of American capital to problematic PRC companies.”

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4 GGV’s associated RMB funds are a separate legal entity, and are now known as Jiyuan Capital.
Sequoia Capital China, and the corporate split will not prevent continued investment by U.S. institutional and other investors into HongShan.24

These splits also raise new questions about the reverse flow of emerging American technologies to venture funds like GGV Asia and HongShan, which may seek to ramp up investments in Silicon Valley startups.25

2. The PRC’s pursuit of technological supremacy

The CCP’s Military-Civil Fusion Strategy

General Secretary Xi Jinping has made plain his intent to “resolutely win the battle of key and core technologies” and build the People’s Liberation Army into a “great wall of steel.”26 The PRC is actively seeking out and using advancements in artificial intelligence and in semiconductors to facilitate the PRC’s repressive surveillance state and enhance its military capabilities.27

The PRC government uses a complex mix of state subsidies and incentives, state-owned and controlled enterprises, and start-ups to advance its technological goals. The PRC’s policy of military-civil fusion (军民融合)—which “eliminates barriers between the PRC’s civilian research and commercial sectors[] and its military and defense industrial sectors”—ensures that no technology company in the PRC is truly a private company.28 This is especially relevant in the venture capital space, because start-ups that begin with a civilian purpose may be leveraged for military ends or to advance the Party’s authoritarianism at home and abroad.

U.S. VC Investments Support the PRC Government’s Technology Ambitions

The PRC government views foreign venture capital as key to becoming the world leader in science and technology by 2050.29 This is not surprising; foreign venture capital has been foundational to the development of the PRC’s venture capital ecosystem and to the PRC’s advancement in high-tech sectors.30 Indeed, many of the PRC companies funded by U.S. VCs also received PRC state subsidies or other support, demonstrating the alignment between U.S. investment and the PRC’s national technology priorities.

The Committee found that some VCs even touted actual or potential PRC government support as a factor favoring investment. For example, in its investment memo for a PLA-linked company, GGV noted potential PRC support due to priorities under the Made in China 2025 strategy—the PRC’s strategy to technologically surpass and dominate the United States—as a factor favoring the investment.31 Similarly, in its internal memorandum for PRC semiconductor giant
SMIC, Walden pointed to the PRC’s Five Year Plan prioritizing the semiconductor industry, as well as PRC state policy incentivizing and supporting semiconductor companies, as an important factor favoring investment. SMIC has continued to receive billions of dollars in PRC state funding. The PRC’s largest semiconductor foundry has therefore benefitted both from U.S. dollars—flowing through Walden funds—and from PRC state subsidies.

Similarly, in a 2004 investment memorandum for PRC semiconductor company Advanced Micro-Fabrication Equipment (AMEC), Walden listed “support from the Chinese government and receiving tax benefits” as a “pro” of the investment. See Walden International documents (on file with Select Committee).
The five U.S. VCs examined by the Committee have made investments worth more than a billion dollars into PRC artificial intelligence companies that support the CCP's human rights abuses, surveillance state, or the People’s Liberation Army.

The PRC views artificial intelligence as critical to its goal of global technological supremacy. In General Secretary Xi Jinping’s words, “[A]ccelerating the development of a new generation of artificial intelligence is an important strategic tool for us to win the initiative in global scientific and technological competition.” For the PRC, AI is critical to national priorities ranging from manufacturing to military modernization to “public security”—the CCP’s euphemism for its repressive surveillance state.35

Some of the PRC’s most prized companies that are today on the cutting-edge of AI development have received U.S. investment. For example, the PRC in 2017 formed an AI “national team,” the goal of which is to advance the PRC’s AI development more efficiently.36 Many of the companies on the team received, or have since received, U.S. funding, including those below:

<table>
<thead>
<tr>
<th>PRC AI National Team</th>
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</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
</tr>
<tr>
<td>Megvii</td>
</tr>
<tr>
<td>MiningLamp</td>
</tr>
<tr>
<td>Qihoo360</td>
</tr>
<tr>
<td>SenseTime</td>
</tr>
<tr>
<td>Yitu</td>
</tr>
<tr>
<td>Xiaomi</td>
</tr>
<tr>
<td>Alibaba Cloud</td>
</tr>
</tbody>
</table>

This section will examine U.S. venture capital investments into PRC companies through the lens of two of the PRC’s end-uses for artificial intelligence. First, the PRC uses AI for “social governance” or “public security,” a euphemism for censorship and surveillance. In Xinjiang and elsewhere in the PRC, the CCP uses facial recognition, biometric surveillance, and other AI-powered technologies to perpetrate genocide against Uyghurs and commit other human rights abuses against targeted populations.37 Across China, the PRC also uses its mass
surveillance system to enforce political repression. The Committee’s investigation found that U.S. VCs have invested in companies that are now designated on red flag lists by the U.S. government for human rights abuses, as well as companies whose activities support the PRC’s surveillance state or forced labor but are not on any U.S. blacklists.

Second, the PRC uses AI for military modernization. This section will examine investments in AI companies with links to the PLA. AI is central to the PRC’s concept of future warfare. The PLA is using AI to advance its intelligence, surveillance, reconnaissance, and command and control capabilities. This includes leveraging AI to make split-second wartime decisions and to detect U.S. ships and aircraft quickly and accurately. The Committee’s investigation confirmed that U.S.-based venture capital firms have invested in PRC companies that contract with the PLA.

Finally, this section will touch on U.S. investments in generative AI companies. The PRC views generative artificial intelligence—a type of AI model that produces content when prompted by the user, such as text, video, or images—as critical to its national security. Dozens of PRC companies are developing generative AI, including foundational models akin to ChatGPT. U.S. venture capital firms have funded several such companies. It is critical to maintain American leadership in these technologies.

Overall, the five U.S. VCs examined by the Committee have made investments worth more than a billion dollars into PRC artificial intelligence companies that support the CCP’s human rights abuses and surveillance state, as well as PRC artificial intelligence companies that support the People’s Liberation Army. There are other investments highlighted by our investigation that may not fall neatly into one of these categories but represent a threat to American technological leadership or present other significant national security or human rights concerns. The below examples uncovered by the Committee’s investigation represent only a fraction of the broader problem of U.S. venture capital investment into companies that advance PRC human rights abuses or the PLA.

1. AI companies blacklisted by the U.S. government for supporting genocide or other human rights abuses

   GGV, Qualcomm Ventures, Sequoia Capital China, and Walden International have made investments worth more than $130 million into PRC artificial
intelligence companies that have been blacklisted by the U.S. government for supporting the CCP’s genocide and human rights abuses.

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Megvii</td>
<td>Blacklisted over surveilling and tracking Uyghurs in Xinjiang</td>
<td>GGV</td>
</tr>
<tr>
<td>Intellifusion</td>
<td>Winner of the Xinjiang Security Excellent Enterprise Award</td>
<td>Walden</td>
</tr>
<tr>
<td>SenseTime</td>
<td>Develops facial recognition tech used to track Uyghurs</td>
<td>Qualcomm Ventures</td>
</tr>
<tr>
<td>DeepGlint</td>
<td>Partners with Xinjiang police and Huawei on facial recognition</td>
<td>Sequoia Capital China</td>
</tr>
<tr>
<td>Yitu</td>
<td>Produces AI chips, increasing PRC surveillance abilities</td>
<td>Sequoia Capital China</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$~138,000,000</strong></td>
</tr>
</tbody>
</table>

Note: Amounts are rounded to the nearest million. GGV’s Megvii investment is between $15-20 million.

**Megvii | GGV**

Megvii is a facial recognition company that is on multiple U.S. government red flag lists over its involvement in surveilling and tracking Uyghurs in Xinjiang.\(^h\)\(^44\) Starting in February 2019, GGV invested over $15 million into Megvii.\(^45\) Just a few months before GGV’s investment, Megvii touted its products at a Xinjiang “security” expo, and a September 2018 article described the company’s debut of its “City Sky Eye 2.0” system at the Xinjiang Police Technical Equipment and Public Security Products Expo.\(^46\) And in 2017, PRC media described Megvii as an “official technical support unit” of Xinjiang’s Public Security Video Laboratory.\(^47\)

GGV told the Committee that around the time it made its investment, U.S. investment banks had been engaged in and working on Megvii’s initial public

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\(^h\) Megvii builds surveillance technology and has worked with Huawei to test “Uyghur alarms,” which use AI to detect members of the minority group in a crowd. *Huawei/Megvii Uyghur Alarms*, IPVM (Dec. 8, 2020, 10:44 A.M.), https://ipvm.com/reports/huawei-megvii-uygur. Megvii has also filed multiple patent applications that allow for facial recognition by ethnicity. One application states that the technology can “directly connect to the facial recognition that has been built by the public security organ.” The patents were filed in June 2019 and in 2017. *Patenting Uyghur Tracking – Huawei, Megvii, More*, IPVM (Jan. 12, 2021, 7:33 P.M.), https://ipvm.com/reports/patents-uyghur.
offering (IPO).\textsuperscript{48} It pointed to Megvii’s publicly available IPO prospectus, which stated that its technology was intended for “civil purposes,” not human rights abuses.\textsuperscript{49}

The year that GGV made the investment, roughly two-thirds of Megvii’s revenue came from PRC surveillance projects.\textsuperscript{50} GGV’s internal memorandum dated November 2018 repeatedly and favorably notes that Megvii technology is used by PRC government bodies including the CCP’s Ministry of Public Security.\textsuperscript{51} The memorandum states that AI public security applications are experiencing “explosion growth” in the PRC, as the PRC government invests in projects such as Safe City and Smart City Brain.\textsuperscript{52} Both are tools of the PRC’s digital authoritarianism that it has exported abroad.\textsuperscript{53} In its memo, GGV did not note the potential (or actual) abuse of Megvii’s technology as an investment risk.\textsuperscript{54} Since investing, GGV has sought to divest from Megvii but has faced difficulties in part due to limited market appetite for purchasing the shares.\textsuperscript{55}

**Intellifusion | Walden International**

Intellifusion develops facial recognition technology that is used in Xinjiang for “anti-terrorism solutions,” according to PRC media.\textsuperscript{56} “Anti-terrorism” is often used in the PRC as a euphemism for genocide against Uyghurs.\textsuperscript{57} Walden International made RMB investments worth more than $65 million into Intellifusion from 2018 to February 2020.\textsuperscript{58} The Commerce Department added Intellifusion to its Entity List in June 2020 because of its involvement in human rights abuses in Xinjiang.\textsuperscript{59}

A Walden International investment director reportedly first discovered Intellifusion at a road show in 2016; he was “deeply impressed” in part because the company was focused on public security applications of facial recognition.\textsuperscript{60} In 2017, Intellifusion won the Xinjiang Security Excellent Enterprise Award.\textsuperscript{61} The company’s “DeepEye” facial recognition system can purportedly “recognize a suspect from a million people in just one second.”\textsuperscript{62}

Walden’s internal investment memo on Intellifusion praises the company’s successful work with PRC police forces.\textsuperscript{63} Intellifusion’s expansion into Xinjiang, the memo states, is a “pro” of the investment.\textsuperscript{64} A potential con, the memo notes, is fierce competition from companies including Hikvision, SenseTime, Megvii, and Yitu, all of which are on U.S. government red flag lists over their role then the Uyghur genocide.\textsuperscript{65}

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\textsuperscript{1} GGV told the Committee it was not aware of any abuse of Megvii’s technology as an investment risk at the time.
**SenseTime | Qualcomm Ventures**

SenseTime is one of the largest facial recognition companies in the PRC. It is on two U.S. government red flag lists over its role in human rights abuses against Uyghurs. Qualcomm Ventures invested $9.5 million into SenseTime in 2017, and another $9.5 million in 2018. This investment occurred before Qualcomm Ventures enhanced its due diligence controls to include “reviewing the potential investment entity’s customer list to assess whether the entity’s product has military end uses.” Qualcomm Ventures’ internal pitch deck for the investment did not include human rights concerns among the fund’s risk considerations. The deck highlighted security surveillance as a current application of the technology, including SenseTime’s provision of face and vehicle recognition to “seven of top ten surveillance system integrators.”

Qualcomm Ventures told the Committee that it divested from SenseTime after the company was blacklisted by the U.S. government; the divestiture was complete by November 2022. Still, SenseTime was first blacklisted in 2019—and in November 2021, Qualcomm Ventures congratulated SenseTime on its Hong Kong IPO approval and said that the company is “creating a better #AI empowered future through #innovation.”

**DeepGlint | Sequoia Capital China**

DeepGlint is a Beijing-based company founded in 2013 that develops image analysis and pattern recognition technologies. Starting in April 2014, Sequoia Capital China invested almost $15 million into DeepGlint through a fund with U.S. limited partners.

After Sequoia Capital China’s early investment, DeepGlint built software that can detect Uyghurs and partnered repeatedly with Xinjiang police. For example, DeepGlint co-founded a lab with the Urumqi (the capital of Xinjiang) police. DeepGlint also partnered with Huawei to develop a facial recognition tool used in Xinjiang.

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1 The co-developed tool is known as the “One Person One File” facial recognition solution. Eva Dou, *Documents Link Huawei to China’s Surveillance Programs*, WASH. POST (Dec. 14, 2021, 4:00 A.M.), https://www.washingtonpost.com/world/2021/12/14/huawei-surveillance-china/.

Yitu | Sequoia Capital China (now HongShan)

Yitu Technology is an AI company whose facial recognition technology is used by the PRC police. The company also produces its own AI chips and provides “intelligent healthcare.” Sequoia Capital China invested roughly ¥85 million RMB and $6 million ($20 million total) into Yitu starting in June 2014.

Yitu partners with companies including China Unicom, which was designated in 2022 as a threat to national security by the Federal Communications Commission and in 2021 as a Chinese military company by the Department of Defense, and the General Hospital of the People’s Liberation Army.

In October 2019, the Commerce Department added Yitu to the Entity List over its involvement in human rights abuses against Uyghurs. In 2021, the Treasury Department added Yitu to an investment blacklist over those abuses. Sequoia Capital China did not exit the USD investment.

2. AI companies supporting the PRC’s surveillance state or materially associated with Uyghur forced labor

GSR Ventures and Walden International have made investments worth more than $20 million in PRC artificial intelligence companies whose activities support the PRC’s surveillance state or are materially associated with Uyghur forced labor.

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k RMB investment amounts are converted to USD at the RMB-to-USD exchange rate as of the initial date of investment.
<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Bochuang</td>
<td>Walden</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Longmao Data</td>
<td>GSR</td>
<td>Unknown</td>
</tr>
<tr>
<td>Moqi</td>
<td>GSR</td>
<td>$\sim15,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$\sim24,000,000</td>
</tr>
</tbody>
</table>

Note: Amounts are rounded to the nearest million. GSR’s Moqi investment is between $10-20 million.

**Beijing Bochuang Linkage Technology Co., Ltd. | Walden International**

Beijing Bochuang Linkage Technology Co., Ltd. (Bochuang) is a PRC smart agriculture company that provides equipment to cotton farmers in Xinjiang.\(^86\) The import of Xinjiang cotton is banned under U.S. law due to the CCP’s ongoing genocide there and its use of Uyghur forced labor in the cotton industry.\(^87\)

Walden International made RMB investments worth over $9 million into the company between March 2018 and November 2020. Walden’s internal investment memo for the company highlights the PRC’s stated goal in its 14th Five Year Plan of “agricultural digitalization.”\(^88\)

Bochuang has close ties to Xinjiang. When the company launched a joint venture with another PRC company in 2017, the Deputy Director of the Science and Technology Bureau of the Eighth Division of Xinjiang Production and Construction Corps (XPCC)—a paramilitary organization that has been sanctioned because it perpetrates genocide against Uyghurs—attended the launch.\(^89\) Bochuang’s partner in the joint venture, meanwhile, is tied to the PLA.\(^90\) One of its wholly owned subsidiaries is a PLA contractor with over 15 known bids on PLA contracts.\(^91\) Another of the company’s majority-

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owned subsidiaries won a Strategic Support Force bid in 2021 related to drones.92 The joint venture’s office appears to be in the Aviation Industry Corporation of China (AVIC) Technology Building in Beijing.93 AVIC is a designated PRC military company.94

Bochuang’s founder received his undergraduate and master’s degrees at Beihang University, which is one of the PRC’s ‘Seven Sons of National Defense’ and is on the Commerce Department Entity List.95 He studied under a professor known as the “honorary director” of the Beihang Robotics Research Institute.96 At least one company that supports the PLA has grown out of the research at the Institute.97

**Longmao Data | GSR Ventures**

GSR Ventures has invested into Longmao Data, a company that provides data services for AI platforms, helping them train their models.98 GSR did not provide the amount invested for this investment. The company touts intelligent security as a core use for its data.99 Longmao has a long list of problematic partners. Longmao counts Entity Listed companies Megvii, SenseTime, and iFlyTek as customers, most likely helping these companies train their AI models.100 Other customers include China Mobile—which is on multiple U.S. red flag lists, YMTC—a semiconductor company on the Commerce Department’s Entity List, and the University of Electronic Science and Technology of China—a major PRC defense research institution on the Entity List.101

**Moqi | GSR Ventures**

Moqi is a biometrics company that specializes in fingerprint scanners.102 GSR invested between $10 and $20 million into Moqi starting in 2018 and holds a seat on the company’s board.103 GSR touted Moqi’s ties to the PRC’s police agency, the Ministry of Public Security (MPS), in its updates to limited partners.104

Moqi has presented its products at PRC “security” conferences alongside companies like Intellifusion.105 It won multiple awards at the China International Public Security Expo in 2021.106 Moqi has an array of problematic partners including Inspur Information, which is owned by the

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92 For example, in a 2018 update, GSR highlighted Moqi’s strategic partnership with the Third Research Institute of the MPS. The Third Research Institute focuses on “smart police research” and network security. SOS INTERNATIONAL, BLUE HERON: SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION 23 (2020), https://www.jcapitalresearch.com/uploads/2/0/0/3/20032477/blue_heron_smic_footnoted.pdf. It also reportedly appears to be co-located with a PLA unit central to cyberattacks against the United States. Id.
blacklisted CCP military company Inspur. In 2022, Sugon—a blacklisted company with ties to both the PLA and Xinjiang—also listed Moqi as a “cooperation partner.”

3. Sequoia’s billion+ dollar investment into ByteDance, which supports the PRC’s digital authoritarianism and threatens national security

*Sequoia Capital and Sequoia Capital China have invested over one billion dollars into ByteDance, which supports the PRC’s digital authoritarianism and presents a threat to U.S. national security.*

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ByteDance</td>
<td>Collaborates with Entity Listed companies, disseminates CCP propaganda, app hosts Xinjiang Internet Police</td>
<td>Sequoia Capital China</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GGV</td>
</tr>
</tbody>
</table>

*Total* $ 1,411,600,000

Note: Amounts are rounded to the nearest million. GGV has exited its ByteDance investment.

Sequoia Capital and Sequoia Capital China have collectively invested over $1.4 billion dollars into ByteDance starting in March 2014, helping facilitate the company’s overseas expansion. Unfortunately, Sequoia is far from alone; other major American VC firms and other investors hold large stakes in ByteDance, and some of these investors retain board seats. Neil Shen, who headed Sequoia China and now heads HongShan, was and is a ByteDance board member. ByDance, the parent company of TikTok, has collaborated with Megvii, iFLYTEK, SenseTime, and other companies implicated in the Uyghur genocide. ByteDance also works with Xinjiang authorities and helps disseminate propaganda about the region. In 2018, Douyin—the PRC version of TikTok that is owned by ByteDance—actively welcomed Xinjiang Internet Police onto the app. At the welcome ceremony, an MPS official said that

Internet police will use Douyin to “enhance the Internet social governance capabilities of public security agencies.”\textsuperscript{114} The next year, ByteDance signed a strategic cooperation agreement with the Ministry of Public Security’s Press and Publicity Bureau to improve PRC police departments’ “influence and credibility.”\textsuperscript{115} In addition to helping the PRC spread propaganda, ByteDance has reportedly worked with CCP officials to surveil Hong Kong protestors.\textsuperscript{116}

ByteDance’s U.S. application, TikTok, also poses national security risks. For example, the Secretary of ByteDance’s CCP committee, Zhang Fuping, also serves as ByteDance’s Editor-in-Chief and Vice President and has vowed that the CCP committee would “take the lead” across “all product lines and business lines,” which include TikTok.\textsuperscript{117} Forbes reported that TikTok’s internal platform, which houses its most sensitive information, was inspected in person by CCP cybersecurity agents in the lead-up to the CCP’s 20th National Congress.\textsuperscript{118} In addition, in leaked audio from more than 80 internal TikTok meetings, China-based employees of ByteDance repeatedly accessed nonpublic data about U.S. TikTok users, including the physical locations of specific U.S. citizens.\textsuperscript{119}

ByteDance also has ties to the PRC’s defense ecosystem. It is a founding member of the Beijing Academy of Artificial Science, which emerged from a PRC state plan that emphasizes the importance of military-civil fusion in AI.\textsuperscript{120} ByteDance researchers have also worked with PLA-linked universities.\textsuperscript{121}

Several other U.S. firms have contributed to the rise of TikTok and ByteDance. For example, GGV was an early investor in and board member of Musical.ly, co-leading two of the company’s funding rounds.\textsuperscript{122} ByteDance acquired Musical.ly in 2017 and merged it into TikTok. GGV’s lead partner on the investment supported the acquisition.\textsuperscript{123} GGV then invested into ByteDance in 2020.\textsuperscript{124} It exited the investment in 2023.\textsuperscript{125}
4. **AI companies blacklisted by the U.S. government for supporting the PLA**

*Sequoia Capital China and Walden International have made investments worth more than $190 million into PRC artificial intelligence companies now blacklisted by the U.S. government for their support of the PLA.*

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qihoo 360</td>
<td>Leads Cyberspace Security</td>
<td>$ ~48,000,000</td>
</tr>
<tr>
<td></td>
<td>Military-Civil Integration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Innovation Center</td>
<td></td>
</tr>
<tr>
<td>BGI</td>
<td>Collects genetic info globally &amp;</td>
<td>$ ~32,000,000</td>
</tr>
<tr>
<td></td>
<td>collaborates with PLA</td>
<td></td>
</tr>
<tr>
<td>4Paradigm</td>
<td>Contracts with the PLA’s</td>
<td>$ ~81,000,000</td>
</tr>
<tr>
<td></td>
<td>Armored Forces Academy</td>
<td></td>
</tr>
<tr>
<td>DJI</td>
<td>Produces drones used by the</td>
<td>$ ~36,000,000</td>
</tr>
<tr>
<td></td>
<td>PLA</td>
<td></td>
</tr>
</tbody>
</table>

**Total** $ ~197,000,000

*Note: Amounts are rounded to the nearest million.*

**Qihoo 360 | Sequoia Capital China (now HongShan)**

Established in 2005, Qihoo 360 is a military-civilian PRC enterprise focused on cybersecurity that has been blacklisted by the Commerce Department and Defense Department over its support for the PLA. In 2006, Sequoia Capital China invested $12 million and roughly ¥291 million ($48 million total) into Qihoo 360. The USD fund that it used to do so had a variety of U.S. limited partners. Sequoia Capital China exited its USD investment in June 2015; it only partially exited the RMB investment. Neil Shen remained on Qihoo’s board until 2020.

In 2017, Qihoo 360 was announced as the leader of the PRC’s Cyberspace Security Military-Civil Integration Innovation Center, the goal of which is to strengthen the PRC’s cyber defenses. Qihoo 360 also signed a strategic cooperation agreement with an office of the State Administration of Science, Technology, and Industry for National Defense (SASTIND), which manages China’s defense industry. PRC media reported at the time that the agreement is intended to “export the most advanced technical
capabilities to the cyber defense industry and create a new model of military-civilian integration in cyberspace.’’

Relatedly, Unisound—a 2015 Qualcomm Ventures investment—signed a strategic cooperation agreement with Qihoo 360 in May 2023 under which the two companies work together on AI advancement. Unisound has also signed a strategic cooperation agreement with China Construction Electronics Information Technology Co., a PLA supplier.

**BGI | Sequoia Capital China**

BGI is a PRC genomics company that has partnered with the PLA on genetic research since at least 2010. In one example, a BGI researcher collaborated with a PLA university that is on the Entity List to sequence human genomes using a PLA-built supercomputer. BGI operates the China National GeneBank, a massive government-funded gene repository that includes genetic data from people around the world. Sequoia Capital China invested roughly $32 million into BGI Tech, a BGI subsidiary, starting in 2013 and exited that investment in November 2020.

Sequoia China’s internal investment memo touted BGI’s acquisition of U.S. company Complete Genomics. American scientists expressed concern at the time that the acquisition would weaken U.S. sequencing companies, according to public reporting. Others expressed privacy and national security concerns that the deal would give BGI greater access to Americans’ DNA. Sequoia China’s investment memo is dated September 2012, the same month the acquisition was announced.

The Commerce Department added BGI Tech and two other BGI subsidiaries to the Entity List in March 2023, stating that “their collection and analysis of genetic data poses a significant risk of contributing to monitoring and surveillance by the government of China.” BGI Tech parent company BGI Genomics has been designated as a Chinese military company by the Department of Defense.

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a Further, Qihoo collaborates closely with Beihang University, one of the PRC’s seven sons of national defense. The two established a “military-civilian integration big data analysis and application research center,” among other projects. See Li Qin, 360 and Beihang University Jointly Built a Laboratory, Amplifying a “Signal” They Had Long Said, LEIPHONE (Jan. 17, 2018, 3:50 P.M), https://web.archive.org/web/2023112173549/https://webcache.googleusercontent.com/search?q=cach e:VsquWaJWIfJ:https:m.leiphone.com/category/gbsecurity/KU0DaxeR1kXb4KA.html&sca_esv=5 81742246&hl=en&gl=us&strip=1&wsrc=0.

p The 2012 memo states, “Acquisition of CGI enables BGI’s fast expansion to whole human genome services with highest accuracy and lowest cost among competitors.”
4Paradigm | Sequoia Capital China (now HongShan)

4Paradigm is a PRC AI company and PLA supplier that is on the U.S. Commerce Department’s Entity List. Sequoia Capital China began investing in 4Paradigm in March 2015 and has invested ¥466 million ($76 million) and roughly $5 million using a fund with U.S. limited partners. It did not exit those investments.

4Paradigm has contracted with the PLA’s Armored Forces Academy to provide command decision-making software. The company also counts PRC defense conglomerate China Electronics Technology Group Corporation (CETC) and Suzhou Nuclear Power Research Institute—which is on the Commerce Department’s Entity List—as customers.

DJI | Sequoia Capital China & Walden International

DJI is a PRC drone manufacturer that the U.S. government blacklisted over its ties to the PLA and involvement in human rights abuses. Sequoia Capital China invested $36 million into DJI starting in August 2014. In December 2021, the Treasury Department identified DJI as part of the Chinese Military-Industrial Complex for providing drones to the Xinjiang Public Security Bureau. In October 2022, the Department of Defense designated DJI a Chinese military company. Sequoia China exited the investment in 2019 and 2021. Walden International has also invested in DJI, and one of its partners reportedly served as DJI’s executive vice chairman of innovation.

As early as 2017, the U.S. Army began discontinuing its use of DJI drones due to concerns related to “cyber vulnerabilities.” In 2019, the 52nd Research Institute of China Electronics Technology Group (CETC) sold DJI drones to the PLA. CETC is a state-owned defense conglomerate that leverages civilian technology to supply the PLA. The 52nd Research Institute is on the Commerce Department’s Entity List due to its support of PLA modernization.

DJI has received investments from state-owned entities including China Chengtong Holdings Group, which seeks to “increase capital support for major national strategies such as the Belt and Road project and military-civilian fusion.”
5. AI companies supporting the PLA or its contractors

The five U.S. venture capital firms the Committee examined invested more than $140 million to PRC artificial intelligence companies that support the PLA or its contractors.

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJTF</td>
<td>GGV</td>
<td>$~13,000,000</td>
</tr>
<tr>
<td>Works with “domestic military units” on software contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AirLook</td>
<td>GGV</td>
<td>$~8,000,000</td>
</tr>
<tr>
<td>Describes itself as a “military-civilian integration enterprise”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EverSec</td>
<td>Sequoia Capital China</td>
<td>$~13,000,000</td>
</tr>
<tr>
<td>Contracts with the PLA on cybersecurity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i-Space</td>
<td>Sequoia Capital China</td>
<td>$~11,000,000</td>
</tr>
<tr>
<td>Avowed proponent of military-civil fusion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7Invensun</td>
<td>Qualcomm Ventures</td>
<td>$~1,000,000</td>
</tr>
<tr>
<td>Develops eye-tracking tech with PLA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LandSpace</td>
<td>Sequoia Capital China</td>
<td>$~26,000,000</td>
</tr>
<tr>
<td>Contracts with the PLA Central Military Commission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hangzhou YuShu</td>
<td>Sequoia Capital China</td>
<td>$~4,000,000</td>
</tr>
<tr>
<td>Collaborates with state-owned ballistic missile manufacturer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HAI Robotics</td>
<td>Sequoia Capital China</td>
<td>$~48,000,000</td>
</tr>
<tr>
<td>Bid on PLA contract; works with Megvii and Xinjiang government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nanjing Black Lake</td>
<td>GSR</td>
<td>$~15,000,000</td>
</tr>
<tr>
<td>Sells to blacklisted companies including NORINCO, a state-owned defense manufacturer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walden</td>
<td>Unknown</td>
<td></td>
</tr>
<tr>
<td>Alibaba</td>
<td>GGV</td>
<td>Unknown</td>
</tr>
<tr>
<td>Runs an AI lab with PLA-linked university</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SinoITS</td>
<td>Qualcomm Ventures</td>
<td>$~3,000,000</td>
</tr>
<tr>
<td>Collaborates with PRC defense university on AI lab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aplux</td>
<td>Qualcomm Ventures</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Collaborates with PRC defense university on AI lab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ObjectEye</td>
<td>GSR</td>
<td>Unknown</td>
</tr>
<tr>
<td>Incubated from PRC AI hub that developed PLA wargaming system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alibaba</td>
<td>GGV</td>
<td>$~8,000,000</td>
</tr>
<tr>
<td>Provides cloud services to PLA contractors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: $~154,000,000

Note: Amounts are rounded to the nearest million. GGV’s NJTF investment is between $10-15 million. GGV’s AirLook investment is between $5-10 million. GSR’s Nanjing Black Lake investment is between $10-20 million. GGV’s Alibaba investment is between $5-10 million.
NJTF | GGV (now Jiyuan Capital)

GGV, through its associated RMB funds, has made RMB investments worth between $10 and $15 million into NJTF, a software firm focused on industries including shipbuilding and aerospace. GGG GGG 158 ZTE—which the U.S. has designated as a national security threat, and which has sold restricted U.S.-made equipment to foreign adversaries like Iran and North Korea—is also an investor. 159

NJTF has worked with an array of PLA universities and entities; it has also bid on at least one PLA project. 160 Descriptions of the company tout its work with “domestic military units.” 161 As for aerospace applications, NJTF states on its website that it has collaborated with PLA entities including: Beihang University, Northwestern Polytechnical University, Nanjing University of Aeronautics and Astronautics, Harbin Institute of Technology, China Aerospace Science and Technology Corporation, and Aviation Industry Corporation of China, among others. 162 In the maritime domain, NJTF lists the China State Shipbuilding Corporation’s (CSSC) 702nd Shanghai Branch as a partner. 163 CSSC’s 702nd Research Institute and others are on the Commerce Department Entity List “for acquiring and attempting to acquire U.S.-origin items in support of programs for the People’s Liberation Army.” 164

AirLook | GGV

GGV has made RMB investments worth between $5 and $10 million into AirLook, a drone company that is self-avowedly a “military-civilian integration enterprise.” 165 The company’s CEO has stated that AirLook has “created a path for civilian use of military technology” and “enjoyed the benefits of the country’s policies that encourage military-civilian integration.” 166 Its core team is “composed of two people, one is from the military drone team of the aerospace group, and the other is from the Internet company.” 167

AirLook has a strategic cooperation agreement with China Aerospace Science and Industry Corporation’s (CASIC) Space Data Service Center, which provides satellite data services and drone aerial photography to the PRC government and others. 168 The two parties agreed among other things to “collect, analyze, and process a range of data sources to support government departments and research institutes.” 169 CASIC is a major PLA contractor that is blacklisted by the U.S. government. 170

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4 GGG’s associated RMB funds were overseen by a GGG then-managing partner. At least two additional GGG partners were dual-hatted, working in GGG’s USD and RMB funds.
EverSec | Sequoia Capital China (now HongShan)

EverSec is a PRC cybersecurity company and PLA supplier. Sequoia Capital China began investing in EverSec in April 2016. It has invested around ¥87 million ($13 million) into the company.

EverSec serves as a “Cybersecurity Emergency Service Support Unit” for the PRC government and has contracted with the PLA to develop an AI-enabled “cyber threat intelligent sensing and early warning platform.” In addition, EverSec won a bid in 2019 for a malware-related cyber project from the PLA’s Strategic Support Force. It also won a data platform software-related bid for the PLA Air Force in 2020.

i-Space | Sequoia Capital China (now HongShan)

i-Space is a “commercial” space company whose president, Peng Xiaobo, is an enthusiastic proponent of military-civil fusion. Sequoia Capital China began investing in i-Space in August 2020 and has invested roughly ¥73 million ($11 million).

i-Space also participated in conferences promoting military-civil fusion. Coverage of the company’s attendance at one conference states:

As a useful complement to China’s aerospace industry and an important participant in the national military-civilian fusion development strategy, Interstellar Glory is committed to... the implementation of the national military-civilian fusion development strategy.

In 2018, i-Space was selected as a top ten commercial aerospace company on the “2018 Military Industry Ranking.”

7Invensun | Qualcomm Ventures

7Invensun is a PRC company that develops eye-tracking and facial identification technologies. Qualcomm Ventures invested $1.2 million into 7Invensun in 2013 and divested by March 2022.

The company has worked with a variety of PLA entities. In 2018, 7Invensun co-authored two pieces with a subsidiary of the blacklisted PRC military company China Aerospace Science and Industry Corporation. 7Invensun’s website touted its work with the PLA’s Air Force Aviation University on technology that tracks pilot eye movements. The website also featured 7Invensun’s work with China
“Qualcomm Ventures’ internal investment memo notes that the company’s CEO is an expert in fighter jet simulation systems.”

Academy of Launch Vehicle Technology (CALT), a CCP military company whose research institutes have been on the Commerce Department’s Entity List since 2001. Qualcomm Ventures’ internal investment memo notes that Invensun’s CEO is an expert in fighter jet simulation systems and a former faculty member at Shenyang Aerospace University.

Shenyang Aerospace University builds PLA aircraft.

LandSpace | Sequoia Capital China (now HongShan)

LandSpace is a PRC aerospace company that contracted with the PLA Central Military Commission in fall of 2020. Sequoia Capital China began investing in LandSpace in August 2020 and has invested around ¥163 million ($26 million). In a 2018 post on its website, a LandSpace investor said the company “promotes the active and effective transformation of high-end military technologies in civilian aerospace and other fields.”

HangZhou YuShu Technology | Sequoia Capital China (now HongShan)

HangZhou YuShu is a robot developer that has contracted with China Aerospace Science and Technology Corporation, a state-owned enterprise that produces ballistic missiles and space launch vehicles. China Aerospace entities are on Commerce and Treasury Department blacklists. In 2020, HangZhou YuShu won a bid to provide China Aerospace with robot technology. The company received roughly ¥27 million ($4 million) from Sequoia Capital China, with its first investment coming in December 2019.

HAI Robotics | Sequoia Capital China (now HongShan) & Walden International

HAI Robotics is a warehouse robotics company that sought to contract with state-owned defense conglomerate China Aerospace Science and Technology Corporation in 2021. Sequoia Capital China invested ¥307 million ($48 million) into the company starting in May 2021. Walden International also invested in HAI Robotics. The company’s chief consultant is the “Godfather of DJI,” according to its website, referring to the PRC drone company on multiple U.S. government red flag lists. In addition, HAI has ties to entities implicated in forced labor. The company’s technology appears to power a Xinjiang government-owned “smart warehouse.” HAI has also signed a strategic cooperation agreement with Megvii, which the U.S. has designated for involvement in human rights abuses.
Black Lake is a software company that has collaborated with several PLA suppliers. GSR invested between $10 and $20 million into the company from 2018 and 2021 and holds a seat on the company’s board. GGV has also led a funding round into the company. Black Lake, which develops “intelligent manufacturing” software for factories, counts blacklisted PRC state-owned defense company NORINCO as a customer. The company also reportedly works with China Mobile, China Unicom, Huawei, and other companies that are blacklisted by the United States.

**SinoITS | Qualcomm Ventures**

SinoITS, an AI startup focused on vehicle and pedestrian recognition, received $2.8 million from Qualcomm Ventures starting in April 2021. SinoITS has a joint artificial intelligence laboratory with the Beijing University of Posts and Telecommunications, a university that is on the Commerce Department’s Entity List. The university is a member of numerous military-civil fusion alliances, maintains top-secret security credentials, and conducts cyber research for the PLA. The stated research focuses of the lab include pedestrian recognition research, surveillance video analysis, and big data analysis for public security.

**Aplux | Qualcomm Ventures**

Aplux, a PRC company focused on intelligent Internet of Things technologies, received a $4 million investment from Qualcomm Ventures in December 2022. Aplux has created a joint artificial intelligence laboratory with the University of Electronic Science and Technology of China (UESTC). The lab will “conduct cutting-edge exploration” on internet of things technology. UESTC is on the Commerce Department’s Entity List and is a major PRC defense industry university.

**ObjectEye | GSR Ventures**

GSR Ventures invested an unknown total in RMB in ObjectEye, an artificial intelligence company purportedly focused on intelligent transportation and smart textiles. The company was “incubated from the National Key Laboratory of Pattern Recognition of the Institute of Automation, Chinese Academy of Sciences.” The Chinese Academy of Sciences’ Institute of Automation (CASIA)
is a leading PRC state-owned artificial intelligence research and development hub. Companies like Huawei, Alibaba, and Baidu collaborate with CASIA, as do state security applications, which “utilize CASIA’s intelligent video surveillance and face recognition technologies.”205 The founder of ObjectEye, Jinqiao Wang, is an artificial intelligence researcher at CASIA.206 CASIA has developed an AI system used in PLA wargaming.207

Alibaba | GGV Capital

Alibaba is one of the PRC’s leading AI companies and an e-commerce provider. GGV invested between $5 and $10 million into Alibaba starting in 2003, a few years after its founding, and exited the investment in 2012. In November 2017, the PRC Ministry of Science and Technology selected Alibaba’s cloud arm as part of its “national team” to lead the PRC’s AI development.208 That year, Alibaba’s cloud arm also secured a military-civil fusion cooperation agreement with NORINCO, a critical state-owned PLA contractor, and an agreement with the PRC’s National University of Defense Technology.209

Alibaba’s cloud arm has been investigated by the U.S. government for national security risks, including how it stores personal information and intellectual property.210 Belgium’s intelligence service has also reportedly been monitoring Alibaba for potential espionage activities.211 According to one report, PRC intelligence agencies task major PRC tech companies like Alibaba to process valuable data for them, with such coordination occurring “daily.”212

6. Generative AI companies

U.S. VCs firms have made meaningful investments into generative artificial intelligence companies, a technology critical to national security.

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moonshot AI</td>
<td>Develops AI foundation models</td>
<td>Sequoia Capital China</td>
</tr>
<tr>
<td>Surreal</td>
<td>Focuses on deepfake generation</td>
<td>Sequoia Capital China</td>
</tr>
</tbody>
</table>

**Total** $32,000,000

Note: Amounts are rounded to the nearest million.
Moonshot AI | Sequoia Capital China

The PRC government views generative artificial intelligence—a type of AI model that produces content when prompted by the user, such as text, video, or images—as critical to its national security.213 Starting in March 2023, Sequoia China invested $30 million into Beijing Dark Side of the Moon Technology Co., known as Moonshot AI. Founded in 2023, Moonshot AI develops large-scale AI foundation models.214 Shortly after its founding, Moonshot launched Kimi Chat, which a PRC newspaper described as “the first smart assistant product that supports the input of 200,000 Chinese characters, which is the longest context input length supported by the large model service that can be used in the global market.”215 According to a news report, “[T]he core members of its founding team participated in the research and development of Google Gemini, Google Bard, Pangu NLP, Wudao and other large models, and a number of core technologies . . . adopted by mainstream products such as Google PaLM, Meta LLaMa, and Stable Diffusion.”216

Surreal | Sequoia Capital China

In addition to foundation models, PRC companies are developing generative artificial intelligence tools that produce deepfakes. Deepfakes are videos that are generated or altered using artificial intelligence to make people appear to say or do things they did not in fact do or say. Deepfakes pose a national security threat because they can be used to spread false information or propaganda, to manipulate users to reveal confidential information through fake texts or videos, and for other malicious purposes.217

Despite these national security concerns, starting in 2020 Sequoia China invested $2.2 million in Surreal, a start-up focused on the generation of deepfakes.218 At the time, Surreal was based in the PRC.219 Surreal has since “tak[en] measures to distance itself from its Chinese origins.”220 It is now based in Los Angeles, and has twice renamed itself, first as Movio and now as HeyGen.221

HeyGen’s main product is personalized deepfake videos. Sequoia China’s investment in Surreal/HeyGen raises concerns about whether a PRC entity (HongShan) has influence over a U.S.-based company developing technology with significant national security implications. The PRC has a history of censoring content on platforms that have ties to the PRC, such as content about the Uyghur genocide or criticism of the CCP.222

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1 The first federal statute in the United States regarding deepfakes required the Intelligence Community to assess how the PRC may use them for, among other ends, “intelligence or influence operations directed against the United States.” 50 U.S.C. § 3369(a).
SECTION II – SEMICONDUCTORS

The five U.S. VCs examined by the Committee have made investments worth more than $1 billion into more than 150 PRC semiconductor companies.

Semiconductors are the paradigmatic “dual use” technology: they are a critical component in everything from cars to weapons. The PRC has made it a top priority to edge out U.S. firms and dominate the semiconductor space globally by 2030. Over the last decade, the PRC government has been racing to produce domestic capability across the semiconductor supply chain, including parts where it is dependent on the United States and other nations. U.S. venture capital firms have been helping the PRC accomplish its goal.

In 2014, the PRC introduced state industrial policies to boost semiconductor production domestically. The government offers PRC-based semiconductor companies large subsidies, tax preferences, and other incentives. But the PRC’s semiconductor expansion strategy is multi-faceted: it also includes acquiring foreign semiconductor firms, establishing joint ventures with foreign semiconductor firms, leveraging open-source technology to develop chips, stealing intellectual property, and seeking to attract talent to the PRC to boost semiconductor production. And, of course, the PRC has also encouraged foreign investment into its many state-funded semiconductor startups. Many U.S. VCs have been more than happy to help, investing alongside state funds such as China’s Integrated Circuit Industry Investment Fund.

U.S. VC investments into PRC semiconductor companies align with the PRC’s stated goal of “establishing a world-leading semiconductor industry” across the semiconductor supply chain. The PRC has had mixed success, but U.S. capital has played a role in the success it has experienced. From 2011 to 2020, the number of registered PRC chip companies grew 17-fold—from 1,300 to 22,800. U.S. VC investments run the gamut from electronic design automation or chip design firms to etching equipment companies. U.S. venture capital dollars have also flowed to PRC semiconductor companies who in turn fund additional semiconductor start-ups.

The U.S. government has sought to implement a range of controls on the PRC’s semiconductor sector. This includes prohibitions on allowing the PRC access to advanced chips. VC investments in PRC semiconductor firms undercut these restrictions because these investments help the PRC increase its semiconductor production capacity and expertise, thereby bringing the country closer to being
able to produce advanced chips on its own. For example, U.S. dollar investment has supported the growth of PRC firm Advanced Micro-Fabrication Equipment (AMEC)—which now is rapidly working to lessen the blow of U.S. export controls by replacing imported equipment with domestic alternatives.233

The VCs that the Committee examined have invested in more than 150 semiconductor companies. The semiconductor sector is unique in that any investment into any PRC semiconductor company helps the PRC in certain key respects vis-à-vis the United States.234 However, certain investments have proven more problematic than others because they have helped grow the PRC’s national giants in the semiconductor space. In addition, some investments have fueled companies that end up as PLA suppliers.

1. Supporting PRC government priority semiconductor companies

Walden International has partnered with PRC state-owned enterprises and provincial governments to advance China’s semiconductor industry.

Walden PRC Semiconductor Investment Range

<table>
<thead>
<tr>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>~833,000,000</td>
<td>~1,539,000,000</td>
<td>~2,246,000,000</td>
</tr>
</tbody>
</table>

Note: Based on ~140 unique investments by Walden. Most investments were reported as ranges: “low” assumes the lower range for all investments, “high” assumes the higher range for all investments, and “medium” splits the difference.

Walden partnered with PRC government entities in 2011 to create what PRC media described as “the first fund focusing on the semiconductor industry in China.”235 Walden also signed a strategic cooperation agreement in 2022 with Guangzhou Industrial Investment Group to establish the Guangdong Province Semiconductor and Integrated Circuit Venture Sub-Fund.236

Similarly, Walden set up a $500 million fund with PRC state-owned enterprise China Everbright in 2017 to fund the semiconductor industry.237 China Everbright Limited is a state-owned asset manager whose investments are oriented toward advancing PRC strategies and plans, including military-civil fusion and the One Belt, One Road initiative.238

“Walden appears to have set up a fund with China Electronics Corporation, a critical state-owned PLA supplier, with the stated goal of enlarging the PRC’s domestic semiconductor sector.”

In addition, Walden appears to have set up a fund in 2018 with China Electronics Corporation (CEC), a critical state-owned PLA supplier, with the stated goal of enlarging the PRC’s domestic semiconductor sector.239 The U.S.
government has designated CEC a Chinese military company and prohibited U.S. investors from buying or selling its publicly traded securities.  

2. Early investments into SMIC

**U.S. venture investments were critical sources of funds and expertise for SMIC, China’s largest semiconductor foundry, in the company’s early days.**

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMIC</td>
<td>Provides chips for PLA research, equipment, and weapons</td>
<td>Walden</td>
</tr>
<tr>
<td>SJSemiconductor</td>
<td>Entity Listed affiliate of SMIC</td>
<td>Walden</td>
</tr>
<tr>
<td>GalaxyCore</td>
<td>SMIC’s “most trusted foundry partner”</td>
<td>Walden</td>
</tr>
</tbody>
</table>

**Total** $~125,000,000

Note: Amounts are rounded to the nearest million. Walden’s GalaxyCore investment is between $25-50 million.

U.S. dollars and expertise helped the PRC build Semiconductor Manufacturing International Corporation (SMIC), a company critical to the PRC’s semiconductor advancement and to the PLA. Walden International invested over $50 million into SMIC, with its first investment coming in 2001, about a year after SMIC was established. One of the funds that Walden used to invest in SMIC has received funding from U.S. limited partners.

In addition to funding, Walden has provided SMIC with hands-on expertise. Walden founder Lip-Bu Tan, who also served as CEO of U.S. semiconductor firm Cadence Design Systems, served on SMIC’s board from 2001 to 2018. Tan was compensated hundreds of thousands of dollars in salary and stock options for his tenure as a board member during those years.

Today, SMIC is a U.S. government-designated Chinese military company on multiple U.S. blacklists. SMIC products have been used in military research since at least 2004.

In addition to SMIC, Walden has invested into an ecosystem of SMIC affiliates such as SJSemiconductor, described below. Multiple U.S. firms, including Walden, have also invested in GalaxyCore, a fabless image sensor company and early partner of SMIC’s. GalaxyCore became SMIC’s “largest local customer” in 2008, according to
PRC media. Several years later, GalaxyCore’s CEO described SMIC as the company’s “most trusted foundry partner.” As a fabless company, GalaxyCore reportedly tested its products on SMIC’s platform early on, while SMIC poured R&D funds into GalaxyCore. PRC media in 2021 described Walden as GalaxyCore’s largest institutional shareholder.

Walden funds exited from SMIC in June 2013 and in January 2021.

3. Investment into red flag listed semiconductor company SJSemi

Walden invested $35 million into SJSemi a year after SJSemi was added to the Entity List.

Walden International invested more than $35 million into SJSemi in October 2021, about a year after SJSemi was added to the Commerce Department Entity List alongside SMIC over its PLA ties. Walden has not exited that investment. SJSemi began as a joint venture between SMIC and Jiangsu Changjiang Electronics Technology (JCET). JCET has supplied PRC companies that the U.S. government has designated on red flag lists over support to the PLA, such as Ningbo Semiconductor International Corporation (a SMIC affiliate) and Hunan Goke Microelectronics. In April 2021, SMIC transferred all of its shares of SJSeimi to other PRC entities, some of which are state-owned.

Qualcomm Ventures personnel also supported an investment into SJSemi in 2015. The firm’s internal investment slides highlight that the investment will support the PRC government’s “aspiration to build local advanced [semiconductor] production.”

4. PRC semiconductor companies benefit from U.S. R&D

U.S. VC firms have invested in PRC semiconductor companies that tout their status as beneficiaries of U.S. research and development.

U.S. venture capital funds have specifically targeted and invested in PRC companies whose executives tout expertise gained in American institutions and

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* Qualcomm Ventures told the Committee that, “Qualcomm Ventures personnel were involved in supporting an investment in SJ Semiconductor in 2015, although this investment was not sourced by Qualcomm Ventures.” After SJ Semiconductor was added to the Entity List, Qualcomm ceased export activity with the company.
benefited from U.S.-funded research and development. For example, Walden and Qualcomm Ventures invested tens of millions of dollars into PRC semiconductor company Advanced Micro-Fabrication Equipment (AMEC), whose founder Dr. Gerald Yin spent much of his career at American semiconductor firms Applied Materials and Lam Research, which specialize in the same area of etching technology as AMEC. AMEC has been sued by U.S. semiconductor companies alleging misappropriation of trade secrets and patent infringement.) Walden International made investments worth roughly $38 million in both USD and RMB from 2005 to 2019; Qualcomm Ventures invested $7.1 million into AMEC starting in 2006. Another PRC company with U.S. VC backing, AmLogic, states on its website that its core team is composed of “many senior integrated circuit design talents who have returned from the United States.” AmLogic’s customers include ZTE, China Telecom, China Unicom, and Russia Telecom. In addition, in an early investment memo for SMIC, Walden described the return of overseas talent to the PRC as an attractive reason for its investment. In the memo, Walden said that while the PRC has a lack of experienced management personnel and a weak design force more broadly, it anticipated China “will eventually overcome [these] obstacles” because “overseas Chinese talents are returning to China.”

U.S. venture funds have also worked with and supported companies that participate in the PRC’s talent recruitment plans, the goal of which is to incentivize experts to come to the PRC and transfer knowledge and technology. GGV, GSR, Walden, and Sequoia Capital China personnel have participated in a start-up competition run by the venture capital arm of the Thousand Talents Plan. Walden also invested $8 million in a PRC talent program recipient, semiconductor company Anyka. Anyka is a participant in the “Help Our Motherland through Elite Intellectual Resources from Overseas” (HOME) Program, which seeks to “to build a platform for overseas talents to return to work in and serve the country.”

These findings are not only notable but highlight the importance of ensuring America is a welcoming destination for the talented workers who facilitate technological innovation.

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1 Walden founder Lip-Bu Tan and Hing Wong, a Walden managing director, both previously held AMEC board seats. Qualcomm Ventures stated that it and others “provided financial support for the stable development of AMEC in its early years.” Congratulations to AMEC Who Made Its IPO Debut on the Shanghai Stock Exchange, STAR Market!, QUALCOMM VENTURES (Aug. 1, 2019), https://www.qualcommventures.com/insights/blog/shanghai-stock-exchange-star-market/.


3 Walden has made RMB investments worth $23.5 million into AmLogic.
5. Semiconductor companies that support the PLA or present other significant security concerns

*U.S. venture capital firms have made investments worth roughly $180 million into PRC semiconductor companies that directly or indirectly support the People's Liberation Army.*

<table>
<thead>
<tr>
<th>Company</th>
<th>U.S. VC</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMIC</td>
<td>Walden</td>
<td>$\sim52,000,000</td>
</tr>
<tr>
<td>SJSemi</td>
<td>Walden</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>AMEC</td>
<td>Walden</td>
<td>$\sim38,000,000</td>
</tr>
<tr>
<td>Siptory</td>
<td>Walden</td>
<td>$13,000,000</td>
</tr>
<tr>
<td>Fujian</td>
<td>Sequoia Capital China</td>
<td>$\sim13,000,000</td>
</tr>
<tr>
<td>Dapu</td>
<td>Walden</td>
<td>$\sim18,000,000</td>
</tr>
<tr>
<td>RT-Thread</td>
<td>GGV</td>
<td>$\sim8,000,000</td>
</tr>
<tr>
<td>Semishare</td>
<td>Walden</td>
<td>$\sim5,000,000</td>
</tr>
</tbody>
</table>

**Total** $\sim189,000,000

Note: Amounts are rounded to the nearest million. Walden’s Dapu investment is between $10-25 million. GGV’s RT-Thread investment is between $5-10 million and GGV is seeking to exit this investment. Walden’s Semishare investment is less than $10 million.

U.S. VCs have invested in PRC semiconductor companies with ties to the PLA. In addition to SMIC and SJSemi, starting in 2020 Walden International made RMB investments worth $13 million into packaging firm Siptory, which states on its website that it was founded based on strategic cooperation with the Chinese Academy of Sciences and the Aviation Industry Corporation of China, a designated Chinese military company. Specifically, Siptory grew out of collaboration between Chinese Academy of Science’s Institute of Microelectronics and...
and the PRC company Shennan Circuits, which is majority owned by AVIC.\textsuperscript{268} Shennan Circuits has been heavily involved in defense procurement with entities including AVIC’s Lei Hua Institute of Electronic Technology and the China Aerospace Science and Technology Corporation.\textsuperscript{269} Both AVIC and China Aerospace are “national leaders in developing intelligent AI-enabled unmanned vehicles.” A Walden partner also sits on Siptory’s board of directors.\textsuperscript{271}

Walden has also invested in AMEC, described above, which is a vendor to several blacklisted semiconductor companies, including SMIC. AMEC works with the Shanghai Integrated Circuit Research and Development Center, which the United States added to its Entity List over its efforts to acquire U.S.-origin items to support the PLA’s modernization.\textsuperscript{272} YMTC, which is likewise on the Entity List and supplies the PRC military company Huawei, is also an AMEC customer.\textsuperscript{273}

Another PRC recipient of U.S. investment, Fujian Deer Technology, is involved in chemicals used in semiconductor production. The company is self-avowedly transforming its products “from civilian to military use.”\textsuperscript{274} Sequoia China invested in Fujian Deer Technology in 2021. PRC semiconductor companies that bid on PLA projects have also received U.S. VC funding. For example, Walden investment Semishare has been a repeat bidder on PLA projects.\textsuperscript{275} Similarly, Dapu received an investment from Walden International worth between $10 and $25 million; the company is a PLA contractor with a successful bid as recently as 2021.\textsuperscript{276}

U.S. VCs have also invested in PRC companies that, in turn, partner with problematic PRC semiconductor companies. For example, GGV has invested between $5 and $10 million in RT-Thread, which works closely with a range of PLA-linked semiconductor and artificial intelligence companies. The company touts Phytium as a “chip partner,” among other major PRC semiconductor companies.\textsuperscript{277} Phytium’s technology has helped power PLA research on hypersonic testing.\textsuperscript{278} Phytium is on the U.S. Entity List, which cites the fact that “supercomputing capabilities are vital for the development of many – perhaps almost all – modern weapons and national security systems, such as nuclear weapons and hypersonic weapons.”\textsuperscript{279}

Another of RT-Thread’s partners, Loongson, is also on a U.S. red flag list over its efforts to acquire U.S.-origin items in support of PLA modernization.\textsuperscript{280} Loongson has contracted with China Aerospace Science and Industry Corporation, a key PLA missile contractor.\textsuperscript{281} RT-Thread also works with state-owned PLA contractor CETC and state-owned rail company CRRC, both of which
have been designated by the Department of Defense as Chinese military companies.\textsuperscript{282}

In addition to PLA-linked entities, RT-Thread’s other customers include Hikvision and iFlyTek, two companies on U.S. government red flag lists over their complicity in human rights abuses against Uyghurs.\textsuperscript{283} U.S. VC funding has supported other companies in the semiconductor supply chain tied to forced labor. For example, GGV invested over $20 million into Daqo New Energy in 2009.\textsuperscript{284} Daqo, which produces polysilicon—a material critical to making semiconductors—is the majority owner of Xinjiang Daqo New Energy, which the Commerce Department placed on its Entity List in 2021 for accepting or using Uyghur forced labor.\textsuperscript{285} GGV exited the investment in 2014.

6. AI semiconductor companies blacklisted by the U.S. government

\textit{U.S. venture capital firms funded the growth of PRC artificial intelligence semiconductor companies that were placed on the Entity List in October 2023.}

U.S. venture capital firms have invested into PRC artificial intelligence chip companies that seek to do exactly what U.S. export controls are meant to stop: advance China’s AI chip industry. In a sign that U.S. VCs are investing in particularly sensitive PRC companies, the United States added Biren Technology and Moore Threads—recipients of funding from Walden and GGV (now Jiyuan Capital), respectively—to the Commerce Department’s Entity List in October 2023, making it more difficult for U.S. companies to ship to them.\textsuperscript{286}

AI chips are specialized computer chips that are needed to efficiently train advanced AI algorithms.\textsuperscript{287} These chips are critical to the PRC’s ability to develop advanced AI capabilities—which can be applied in the military and surveillance sectors—because cutting-edge AI chips make developing AI algorithms faster and cheaper.\textsuperscript{288} PRC companies are dependent on Western firms for AI chip fabrication and AI chip design technology.\textsuperscript{289} The United States has accordingly barred the export of advanced AI chips to the PRC and controlled the export of certain U.S. chip design software to the PRC.\textsuperscript{290}

Meanwhile, venture capital firms have invested both U.S. dollars and renminbi into PRC AI chip producers including Biren Technology, Moore Threads, SemiDrive, NebulaMatrix, ThinkForce, and Intellifusion.\textsuperscript{291} Horizon Robotics, which has received funding from GSR and Sequoia China, has been described as the PRC rival to U.S. firm Nvidia.\textsuperscript{292} Horizon Robotics focuses especially on autonomous driving chips and facial recognition technology such as smart cameras.\textsuperscript{293} Its chip business is led by Zhou Feng, who PRC media described
as “the former main chip architect of Huawei[] HiSilicon.” The founder of Horizon Robotics was named a member of the PRC Ministry of Science and Technology’s “Next Generation Artificial Intelligence Strategic Advisory Committee,” which advises the PRC government on AI. Other members include representatives from Beihang University—a PLA research institution, the PLA’s Central Military Commission, and the National University of Defense Technology. Horizon Robotics has also helped lead the Chinese Association for Artificial Intelligence alongside members of the PLA General Staff Department and ZTE. In addition, Horizon Robotics—along with Sequoia Capital—were listed as sponsors for a 2018 event launching a “military-civilian integration system testing area” related to autonomous driving.
SECTION III – INTANGIBLE SUPPORT AND EXPERTISE

**U.S. VCs offer a blend of funding, expertise, and intangible goodwill that is uniquely valuable to PRC-based companies.**

While the value of U.S. funding is obvious, the intangible benefits provided by U.S. venture firms are equally as important but less understood. This section will provide a high-level overview of these intangible benefits, examples of which are also provided throughout the previous sections of this report.

Venture firms have an incentive to ensure that the companies they fund succeed and bring returns to the fund’s partners, and they are well-placed to provide companies with the expertise needed to achieve this success. Start-ups have a narrow focus—for example, on a certain type of chip or a certain kind of artificial intelligence application. But a venture firm covers a variety of industries in its portfolio and can pull insights from analogous fields and competitors. In the words of a leading PRC venture capital firm, “No matter how successful an entrepreneur is, his influence is always limited to one enterprise. But a VC is different because its influence can cover various fields and even the whole economy.”

As Walden described in one of its submissions to the Committee: “[P]ortfolio companies are often pre-revenue and have not yet reached scale. During these early stages, it is often expected that investors can provide, in addition to capital, advice on growth opportunities. This is in contrast to late-stage investment funds who seek to identify targets based primarily on historical financial performance.”

Therefore, in many cases, venture firms act almost as consultants for target companies. Based on our investigation, U.S. VCs help PRC companies in at least four critical ways, detailed below.

1. **U.S. VCs help PRC companies go global**

U.S. venture firms help PRC companies go global, particularly when spreading to U.S. and European markets. U.S. VCs are adept at dealing in non-PRC markets because of their connections to U.S. and other capital markets. They are therefore well-positioned to help PRC companies venture into the international market. This includes helping PRC companies expand operations overseas, diversify their supply chains, IPO overseas, and combat potential headwinds from the U.S. government related to these efforts.

For example, when inaugurating a Sequoia Capital China-backed “genomics incubator” in the PRC, Neil Shen stated that Sequoia is committed to “enabling innovators to access global resources.” Similarly, a GGV managing partner highlighted the firm’s global resources as a key selling point in a 2021 interview, stating that “[c]ompared with most Chinese investment institutions, we have a
more global team and can effectively give the company global value. For example, we can call our partners in other regions at any time to connect with overseas resources and help.”  

A few years earlier, GGV noted as a major achievement of 2014 that it “makes intros for China internet giants looking to the US.”  

GGV clients also recognize the value-add: one of GGV’s investment companies said that GGV’s U.S. partners bring PRC start-ups to Silicon Valley and connect them “with many American resources.”  

U.S. venture capital firms are also well-positioned to help PRC companies that face headwinds doing business in the United States. Sequoia’s investment in ByteDance, the parent company of TikTok, is a prime example. Sequoia has invested over $1 billion into ByteDance. After the federal government launched an investigation into the national security risks of TikTok in 2020, Sequoia partner Doug Leone reportedly advocated for TikTok by pressing government officials “to craft a solution that would enable TikTok to keep operating in the U.S.”  

2. U.S. VCs provide PRC companies with invaluable mentorship and management expertise  

U.S. venture capital firms provide mentorship to PRC start-ups new to the business world, including business management, media, and other advice. Venture capitalists are often former founders of successful companies and sit on boards of successful companies. They have a larger breadth of knowledge and are better connected than PRC start-up founders, who are often technical specialists in narrow fields.  

VCs help their PRC companies gain business management skills. For example, GGV launched a training program alongside Tsinghua University for companies in GGV’s ecosystem focused on financial training.  

VCs also provide their companies with substantive expertise. For example, the founder and chairman of Walden International, Lip-Bu Tan—whose venture firm invests heavily in semiconductor companies—was a long-time board member and former CEO of U.S. chip company Cadence Design Systems.  

Cadence specializes in electronic design automation, a part of the semiconductor supply chain dominated by Western companies.  

Tan and other partners at Walden sat on the board of Walden’s semiconductor companies, including SMIC and AMEC, positioning them to provide business and subject-matter expertise. AMEC and SMIC undertook an initial public offering  

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Many PRC companies reportedly use Cadence software—including Phyntium, a PRC semiconductor company that works closely with the PLA, and Brite Semiconductor, which has close ties to the PRC’s Semiconductor Manufacturing International Corporation (SMIC). See Ellen Nakashima & Gerry Shih, China Builds Advanced Weapons Systems Using American Chip Technology, WASH. POST (Apr. 9, 2021, 6:52 P.M., https://www.washingtonpost.com/national-security/china-hypersonic-missiles-american-technology/2021/04/07/37a6b9be-96fd-11eb-b28d-bfa7bb5cb2a5_story.html.
while Tan was a board member. Tan has said that he provided advice to AMEC about strategic planning, business planning, and team building, has introduced new shareholders and partners, and has helped develop customers and markets.\textsuperscript{309} Descriptions of Walden’s activities in Chinese also state that it “assists in technology transfer.”\textsuperscript{310}

Even in cases where VCs may not hold board seats, VC firms contribute significant value to companies in the PRC. In a submission to the Committee, Walden noted that its “years of experience and industry knowledge within the investment community . . . [make it] well-positioned to provide general strategic advice.”\textsuperscript{311} In an interview with the Committee, a GGV partner, speaking in general terms about the role of VCs, described himself as “a part time therapist” to founders, who counsels them through difficult corporate decisions such as layoffs.

3. U.S. VCs help PRC companies find, develop, and hire talent

U.S. VCs help PRC companies find and hire talent. VCs can provide PRC companies with invaluable connections. For example, Walden told the Committee that it “often assists its portfolio companies with identifying talent, suggesting or connecting with other investors, and corporate strategy matters.”\textsuperscript{312} An early Walden internal investment memo flags that SMIC’s challenges would be to “create a working environment for [the] team” and “train the . . . team.”\textsuperscript{313} Another disclosure for AMEC noted that the company’s CEO was a first-time CEO.\textsuperscript{314} U.S. venture capitalists have a global network of potential talent that state-led funders and advisers may not. Indeed, Lip-Bu Tan was ranked #1 most well-connected executive in the technology industry.\textsuperscript{315}

Disclosures from other VCs painted a similar picture. GGV noted that its platform team provides support “in areas such as recruiting, business development, and marketing” to companies.\textsuperscript{316}

4. U.S. VCs give PRC companies credibility and help them find and engage with co-investors and industry partners

U.S. VCs help PRC companies with finding and engaging with other co-investors. Most U.S. VCs operating in the PRC boast mature, well-funded, and experienced investors—so foreign VC backing of a PRC start-up sends a positive signal to the market and other potential co-investors. In fact, research shows that “portfolio firms that receive investment from a foreign VC are more likely to list on foreign markets and be affiliated with prestigious law firms, bankers, and accountants.”\textsuperscript{317}

Relatedly, venture capital firms play an important role in introducing funded companies to industry associations and other multilateral organizations that provide them with benefits. Access to these organizations is especially important
for companies that are seeking to go global. The more globally connected a company, the more able it is to bring in new outside directors and partners.
SECTION IV – ANALYSIS AND RECOMMENDATIONS

1. Outbound investment in critical sectors undercuts U.S. policy

U.S. VC investment in the PRC grew in the mid-2000’s and exploded the following decade as the U.S. government encouraged investment into the PRC, believing that greater economic ties would encourage economic liberalization.318

Unfortunately, we have seen the opposite. As U.S. capital flows into PRC advanced technology companies grew, the PRC channeled technological advances to facilitate the regime’s authoritarian surveillance state and human rights abuses and propel the PRC’s military modernization.

This report illustrates that outbound U.S. capital investment in critical sectors has advanced the PRC’s strategic priorities while undercutting U.S. strategy towards the PRC. The United States has invested enormous time, resources, and government effort to regulating U.S. technology transfers to the PRC to prevent American technology from fueling the PLA modernization, supporting the PRC’s human rights abuses, and giving China the technological edge in critical foundational and emerging technologies. The United States has used export controls, human rights and military blacklists, and other regulatory restrictions to pursue these goals.

At the exact same time, U.S. capital has flooded into the very PRC companies that are designed to provide the PRC with those same technologies. While the U.S. has barred certain PRC companies from operating on government devices or in federal infrastructure, savings of American retirees and other investors flow to these companies or their customers.319 For instance, after allowing U.S. capital and expertise to flow to SMIC for decades, U.S. policy has belatedly recognized the national security risks it poses, and now prohibits Americans from buying SMIC’s publicly traded securities.320

The United States bars the export of sensitive technology to companies like SMIC—but it does not bar U.S. investors from funding the next SMIC, just as U.S. dollars and expertise proved foundational to SMIC itself over more than two decades. Likewise, the United States has designated companies like Megvii, SenseTime, and others on red flag lists for their involvement in genocide—but allows U.S. investment and expertise to power the next Megvii or SenseTime. The recent executive order on outbound investment will begin to remedy these

“Outbound U.S. capital investment has advanced the PRC’s strategic priorities while undercutting U.S. strategy towards the PRC.”

“[T]he PRC channeled technological advances to [its] authoritarian surveillance state, human rights abuses, and . . . military modernization.”

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incongruities, but congressional action is still needed to build upon this foundation. In short, U.S. capital and expertise have flowed directly into the hands of our nation’s foremost strategic competitor. Simply put, robust PRC outbound investment restrictions in key strategic sectors are a national security and human rights imperative.

2. Recommendations

The PRC routinely leverages civilian technology to advance the PLA or to support its human rights abuses and surveillance state. The former frequently occurs under a doctrine known as military-civil fusion, where civilian resources—from technology to research and talent—are leveraged for national military power. This means that civilian universities, state-owned enterprises, start-ups, government funds, government agencies, and more, are used to achieve both military modernization and economic advancement. The PRC also leverages domestic companies to perpetuate its attempts to erase the Uyghur culture and ethnicity—using surveillance cameras, drones, and facial recognition technology developed by purportedly private, civilian PRC companies.

**Outbound Capital Investment to Listed PRC Entities:**

**Recommendation 1:** Restrict U.S. investment in entities tied, directly or indirectly, to the PLA, or forced labor and genocide.

Specifically, Congress should pass legislation to generally prohibit investment in PRC companies included on key U.S. government sanctions and red flag lists, including the Uyghur Forced Labor Prevention Act (UFLPA) Entity List, the Non-SDN Chinese Military-Industrial Complex Companies (NS-CMIC) List, the list established by Section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, the list established by Section 1260H of the William M. “Mac” Thornberry National Defense Authorization Act for FY 2021, Military End User List, the list established by Section 5949 of the James M. Inhofe National Defense Authorization Act for FY 2023, the Federal Communications Commission’s “Covered List,” the Entity List, and the Withhold Release Orders and Findings List related to forced labor. Legislation should include subsidiaries and parent or holding companies of these listed entities. The 1260H list should also be updated to include companies identified as supporting the PLA, including those unlisted companies identified above.
Outbound Capital Investment in Strategic Sectors and Technologies:

**Recommendation 2:** Implement sectoral outbound investment restrictions in areas related to the PRC’s critical and emerging technologies, military capabilities, and human rights abuses.

VC investments occur early in a company’s existence, and it is possible that some PRC companies do not set out to supply the PLA or participate in human rights abuses from the start—but grow into doing so as they gain funding and notoriety. Because of the extent of government control over the PRC’s private sector, it is necessary to implement sectoral investment controls to prevent U.S. capital from flowing to entities that support the PLA or the PRC’s domestic repression or genocide.

The Biden Administration’s executive order is an important first step to implementing sector-based restrictions on outbound investments.\(^{225}\) Congress should codify restrictions on U.S. investment in areas related to the PRC’s critical and emerging technologies, military capabilities, and human rights abuses. Outbound rules should restrict investment on a sectoral basis, including many of the technology sectors identified as critical by the Office of Science and Technology Policy and many of those the CCP has openly declared its intent to dominate in the 14th Five Year Plan.

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ENDNOTES


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9 *Walden International, supra note 7.*

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exposure to China and its explosive growth.”).


31 GGV documents (on file with Select Committee).

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38 See, e.g., Charles Rollet, Hikvision Wins PRC Police Project to Predict Protesters Entering Capital, IPVM (June 25, 2022, 9:34 P.M.), https://ipvm.com/reports/hikvision-capital-platform.

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54 GGV documents (on file with Select Committee).

55 Id.


58 Walden International documents (on file with Select Committee).


Walden International documents (on file with Select Committee).

Id.

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88 Walden International documents on file with Committee.


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Proprietary third-party software (information sourced from PRC government contracting records). The company is Hi-Target Surveying Instrument Co. (广州市中海达测绘仪器有限公司).

Proprietary third-party software (information sourced from PRC government contracting records). The company is Wuhan Hi-Target DigitalCloud Technology (武汉海达数云技术有限公司).


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Id.


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121 Id. at 64.

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125 Id.

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Solutions for the Aerospace Industry, supra note 158.


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Id.


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Id.

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172 Id.

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174 Id.


178 Qualcomm Ventures documents (on file with Select Committee).


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190 About Us, HAIROBOTICS.


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200 Qualcomm Ventures documents (on file with Select Committee).


We will make innovations in learning inference and decision making, images and graphics, voice and video, natural language recognition and processing, and other fields."


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Id. at 6–7.

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For example, Qualcomm Ventures documents from 2015 discuss an investment into a PRC semiconductor company alongside a PRC government semiconductor fund. The documents state that Qualcomm Ventures is “seeking other collaboration opportunities” with the PRC fund. Qualcomm Ventures documents (on file with Select Committee).

Sutter, *supra* note 223.


For example, Walden International invested in GigaDevice, which is also a corporate investor into other PRC semiconductor companies. See Walden International documents (on file with Select Committee).


In part, this is because start-up semiconductor companies not only help the PRC advance technologically across the semiconductor supply chain, but also help the PRC expand its capacity to make more chips. This undercuts America’s domestic competitors. The PRC can also implement its advancements for military purposes. See Andrew David et al., Foundational Fabs: China’s Use of Non-Market Policies to Expand Its Role in the Semiconductor Supply Chain 6 (2023), https://cdn.sanity.io/files/0wficz71x/prodution/4061d4fb69f1253928edd511752c558ede02fe8c.pdf.


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240 Id. at 49, 148.

241 See Dep’t of Def., supra note 83; Press Release, U.S. Dep’t of Com., Commerce Adds China’s SMIC to the Entity List, Restricting Access to Key Enabling U.S. Technologies (Dec. 18, 2020); OFF. OF FOREIGN ASSETS CONTROL, supra note 187.


247 Walden International documents (on file with Select Committee).

248 Walden International documents (on file with Select Committee).


251 Qualcomm Ventures documents (on file with Select Committee).

252 Peter Landers, Chinese-American Semiconductor Industry Legend Caught Between U.S. and China Chip War, WALL ST. J. (Nov. 10, 2022, 2:15 P.M.), https://cn.wsj.com/articles/%E7%BE%8E%E7%B1%8D%E5%8D%8E%E8%A3%94%E5%8D%8A%E5%
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261 Walden International documents (on file with Select Committee).

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263 Jeffrey Stoff, China’s Talent Programs, in CHINA’S QUEST FOR FOREIGN TECHNOLOGY: BEYOND ESPIONAGE 38 (William C. Hannas & Didi Kirsten Tatlow eds., 2020).


265 Walden International documents (on file with Select Committee).


268 Walden International documents (on file with Select Committee).

269 Proprietary third-party software, information sourced from PRC government contracting records.

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273 Id.


275 Proprietary third-party software, information sourced from PRC government contracting records.

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285 Press Release, U.S. Dep’t of Com., Commerce Adds Seven Chinese Supercomputing Entities to Entity List for Their Support to China’s Military Modernization, and Other Destabilizing Efforts (Apr. 8, 2021); see Nakashima & Shih, supra note 278.


288 Dep’t of Defense, supra note 94.

289 Product Description, supra note 277.

290 GGV documents (on file with Select Committee).


293 See also Nakashima & Shih, supra note 278.


279 Press Release, U.S. Dep’t of Com., Commerce Adds Seven Chinese Supercomputing Entities to Entity List for Their Support to China’s Military Modernization, and Other Destabilizing Efforts (Apr. 8, 2021); see Nakashima & Shih, supra note 278.

276 Additions and Revisions to the Entity List, 88 Fed Reg. 13673 (Mar. 6, 2023).


272 Dep’t of Defense, supra note 94.

271 Product Description, supra note 277.
Id.


Walden International documents (on file with Select Committee).


Walden International documents (on file with Select Committee).

Id.

Id.

Id.


GGV documents (on file with Select Committee).


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See generally STONE & WOOD, supra note 28.

See, e.g., Mozur, supra note 80.