

CRRC and Its Encroachment Into the United States' Rail Market

CRRC Advancing PRC, CPC Interests in the United States

CRRC is being used as a way to advancing the China's communist party interests in the United States. China Railway Rolling Stock Corporation (CRRC) is a key People's Republic of China (PRC) state-owned enterprise (SOE) whose business interests are closely aligned if not indistinguishable from the PRC government's and the Communist Party of China's (CPC) priorities, including gaining an edge in critical emerging technologies as well as in military capabilities against the United States.

- Like other SOEs, it is managed by the PRC State Council's State-Owned Assets Supervision and Administration Commission (SASAC).¹
- SOE's are obliged to support Beijing's objectives and security apparatuses, as prescribed by the PRC Company Law of 1993 (revised 2013),² the PRC Counter-espionage Law of 2014, The PRC National Security Law of 2015,³ and the PRC Cybersecurity Law of 2017.⁴
- As Beijing's key rail equipment entity, it is mandated by the PRC's "Made in China 2025" plan to make China the leading domestic and global provider of high-end rail equipment and systems.⁵
- CRRC receives PRC government subsidies and preferential access to state bank financing. For instance, CRRC in the 6 months ended on June 2018 received almost RMB 370 million (about USD 55.9 million using 30 June 2018 exchange rate) in "government grants," one way SOE's are subsidized by Beijing.⁶

Like other SOE's, top CRRC executives are vetted by CPC leaders and are dual-hatted. In fact, CRRC as of 2018 appears to have further codified the CPC's leadership over not just the company's political but also its business affairs.

- CRRC took a step further in 2018 when it amended its Articles of Association to give the CPC "the role of leadership core and political core in the company."⁷ Notably, Article 14, which previously made no reference to the CPC, was amended so that "the Party organization plays the role of the leadership core and political core in the Company."⁸ This change requires CRRC to improve its abilities to fund and staff CPC organs within the Company.

¹ "Central Enterprise List" [央企名录], State-owned Assets Supervision and Administration Commission [国务院国有资产监督管理委员会], (29 December 2017), accessed on 8 August 2019 at root URL: <http://www.sasac.gov.cn/n2588035/n2641579/n2641645/index.html>

² Chapter 1 Article 19 of the "Company Law of the People's Republic of China (Revised in 2013)" [中华人民共和国公司法(2013修订)], Standing Committee of the National People's Congress [全国人大常委会], (December 28, 2013), accessed on 8 August 2019 at root URL: http://www.fdi.gov.cn/1800000121_23_71637_0_7.html. See English version at: http://www.fdi.gov.cn/1800000121_39_4814_0_7.html

³ "Counter-espionage Law of the People's Republic of China" [中华人民共和国反间谍法], Xinhua News rehosted by the Ministry of National Defense, (1 November 2014), accessed on 8 August 2019 at root URL: http://www.mod.gov.cn/regulatory/2017-12/07/content_4799261.htm

⁴ "Cybersecurity Law of the People's Republic of China" [中华人民共和国网络安全法], China Securities Regulatory Commission [中国证监会], (7 November 2016), accessed on 8 August 2019 at root URL: http://www.csrc.gov.cn/pub/newsite/flb/flfg/flxzsf/201805/t20180518_338285.html

⁵ "2017 Annual Results Announcement," CRRC Corporation Limited, (30 March 2018), accessed on 8 August 2019 at root URL: <http://www.crrcgc.cc/Portals/73/Uploads/Files/2018/3-30/636580156407627217.pdf>

⁶ "CRRC 2018 Interim Results Announcement," CRRC Corporation Limited, (24 August 2018), accessed on 12 August 2019 at root URL: <http://www.crrcgc.cc/Portals/73/Uploads/Files/2018/8-31/636713013500842019.pdf>

⁷ "Annual General Meeting," CRRC Corporation Limited, (15 April 2018), accessed on 8 August 2019 at root URL: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0415/lt20180415011.pdf>

⁸ "Annual General Meeting," CRRC Corporation Limited, (15 April 2018), accessed on 8 August 2019 at root URL: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0415/lt20180415011.pdf>

- The Chairman of the Board, Liu Hualong is also the company’s CPC Party Secretary.⁹
- CRRC has 110 party committees at all levels of the company, with a total of 85,306 CPC Party members, according to the “Overview of Party Building Work” of CRRC’s website.¹⁰ The website boasts that the company has been a leader in implementing CPC Party guidance since 2001.

CRRC is actively implementing the PRC’s “Military-Civil Fusion” (MCF) strategy, which seeks to more effectively and efficiently integrate both civilian and military-industrial economic resources to benefit the People’s Liberation Army (PLA).

- CRRC Zhuzhou Times Electric’s 2008 acquisition of UK-based Dynex Semiconductor¹¹ allowed for the successfully manufacturing of IGBT chips in China, which are now being used to support advances in the PLA’s programs.^{12 13}

CRRC has a history of underbidding on contracts in the United States, thus hurting U.S. domestic industries as well as other international players in the railway and rolling stock supply chain. CRRC has also struggled with quality control issues in the past.

- For instance, Singapore transport operator SMRT Corporation in 2016 discovered that the metro trains it had purchased from CRRC Qingdao Sifang Locomotive had been shipped with cracks in the structure connecting the car body to the tracks; the company returned the trains to China to be fixed.¹⁵ Notably, CRRC Sifang is the parent company of Chicago-based CRRC Sifang America, which built and currently operates a \$100 million facility in the southeast side of Chicago.¹⁶

CRRC Underbidding History in United States

	Boston	Philadelphia	Chicago	Los Angeles
CRRC Bid	\$566.6m	\$137.5m	\$1.3b	\$178.4m
% below next lowest bidder	22%	20%	15%	12%

Sources: MBTA, CTA, LACMTA

⁹ “Group Leadership: Liu Hualong” [集团领导: 刘化龙], CRRC Corporation [中国中车], (undated), accessed on 8 August 2019 at root URL: <http://www.crrcgc.cc/g7024.aspx>

¹⁰ “Overview of Party Building Work” [党建工作概况], CRRC Corporation, (undated), accessed on 8 August 2019 at root URL: <http://www.crrcgc.cc/g6644.aspx>

¹¹ “What We Do,” Dynex Semiconductor, Ltd., (undated), accessed on 9 August 2019 at root URL: <https://www.dynexsemi.com/about/what-we-do>

¹² Minnie Chan, “China’s aircraft carrier conundrum: hi-tech launch system for old, heavy fighter jets,” South China Morning Post, (19 November 2017), accessed on 9 August 2019 at root URL: <https://www.scmp.com/news/china/diplomacy-defence/article/2120391/chinas-aircraft-carrier-conundrum-hi-tech-launch-system>

¹³ Zhang Tao, “China’s aircraft carriers to get new propulsion system,” PLA Daily rehosted from Global Times, (6 November 2017), accessed on 9 August 2019 at root URL: http://english.chinamil.com.cn/view/2017-11/06/content_7813300.htm

¹⁴ Mark Hookham and Richard Kerbaj, “Has China used British technology to build a railgun?” The Sunday Times, (4 March 2018), accessed on 9 August 2019 at root URL: <https://www.thetimes.co.uk/article/has-china-used-british-technology-to-build>

¹⁵ “UPDATE-1-China’s CRRC to step up checks after Singapore returns metro trains for repair,” Reuters, (6 July 2016), accessed on 9 August 2019 at root URL: <https://www.reuters.com/article/crrc-singapore/update-1-chinas-crrc-to-step-up-checks-after-singapore-returns-metro-trains-for-repair-idUSL4N19S214>

¹⁶ “About CRRC,” CRRC Sifang America Incorporated, (undated), accessed on 9 August 2019 at root URL: <https://www.crrcsifangamerica.com/about-crrc/>