

# Kansas Senate Foreign Adversaries Committee Hearing

## September 27, 2023

### Testimony

My name is R. Lee Harris and I'm sorry that I'm unavailable to testify in person. I'm the president and CEO of Cohen-Esrey, LLC, an apartment acquisition, development, and management firm based in Merriam, KS. Cohen-Esrey operates in 17 states and has an apartment portfolio valued at \$1.6 billion. I joined the company in 1975 after graduating from Kansas State University where I earned a Bachelor of Science degree in economics. I'm a past chair of the K-State University Foundation Board of Trustees and Board of Directors, and I also chaired the K-State Charitable Real Estate Foundation for several years. I have served on the Johnson County Airport Commission since 2012 with a brief hiatus earlier this year and am pleased to have rejoined the Commission recently. Finally, another business unit affiliated with Cohen-Esrey is iiM – Innovation in Motion, a funding platform for early-stage companies in the agriculture, animal health, and human health sectors. I'm the managing member of that entity.

I have watched carefully over the past several years as China and the Communist Chinese Party (CCP) have made significant inroads into our society. I'm aware that many have embraced Chinese investment in the United States, however it comes with a potential risk.

One of the higher profile examples was a Chinese firm that bought 370 acres for a corn-milling plant that would have been located 12 miles from the Grand Forks Air Force Base near Grand Forks, ND. The company and its supporters claimed that the investment would be \$700 million for the plant and would create 200 direct jobs. Fortunately, the Air Force protested stating that the plant would pose a security risk for the U.S. and the local officials voted to deny the plant.

Another example is Gotion Inc. which quietly registered on April 21, 2023, as a Chinese foreign principal. The U.S. subsidiary's document declared that it is "wholly owned and controlled" by the China-based Hefei Gotion High-Tech Power Energy Co., Ltd. This is the company behind a controversial Big Rapids, MI, electric vehicle battery plant. The corporate bylaws of Gotion High-Tech require the company to "carry out Party activities in accordance with the Constitution of the Communist Party of China."

There are those who believe that U.S. subsidiaries of Chinese companies are autonomous. I believe this to be flawed thinking. All Chinese companies are either owned or controlled by the Chinese government and by extension, the CCP. Thus, the U.S. subsidiaries will either directly or indirectly be influenced by the CCP. One obvious risk is that of spying and espionage – both industrial and military – that is made easier with China's presence in the U.S.

The American Action Forum research shows that China has purchased nearly 400,000 acres of agricultural land in the United States. According to a USDA chart reported by ABC affiliate KTBS-3 (Shreveport, LA), the Chinese already own 1.6% to 2.4% of land in the state of Kansas as of December 2020. It's unfortunate to note that while China is allowed to acquire land in Kansas, Kansans cannot acquire land in China.

In 2013, the Chinese pork company WH Group purchased Smithfield Foods which has operations in Kansas. Smithfield Foods is often used to purchase farmland. Many people don't know that Syngenta Flowers, Syngenta Seeds, and Syngenta Crop Protection, were acquired by state-owned ChemChina.

Companies that are owned by China besides Smithfield Foods include:

1. **AMC** – Beijing-based Dalian Wanda Group acquired a majority interest in this Leawood, KS-based company.
2. **Snapchat** – Tencent Holdings a Chinese company, owns 14% of Snapchat shares.
3. **Spotify** – Tencent Holdings bought 10% of the company in 2017.
4. **Hilton Hotels** – In 2016, the HNA Group, a Chinese aviation and shipping giant bought a 25% stake in the company and put two Chinese directors on Hilton's board of ten.
5. **General Electric Appliance Division** – In 2016, the Chinese investor Haier bought the company's appliance division.

Does this mean that all the farmland and corporate acquisitions are nefarious? Not at all. However, because China is controlled by the CCP, there is certainly the possibility that there's more to these purchases than meets the eye. But there's really no way to find out which is disturbing to say the least.

In recent years, significant numbers of Chinese students have been attending Kansas universities.

1. Fort Hays State states on its website that it has graduated over 15,000 Chinese students. While many were physically on the FHSU campus, a large number were part of the online community.
2. 312 Chinese students were on the K-State campus as of May 25, 2023.
3. 799 Chinese students were on the KU campus during 2020.
4. Some have expressed concern that there may be Chinese spies masquerading as students.
5. *"Protecting our national security while maintaining a free and open academic environment is a difficult challenge,"* Joseph G. Morosco, the assistant director of the Office of the National Manager for Counterintelligence in the National Counterintelligence and Security Center, said in his testimony before a Senate subcommittee hearing during 2018. *"Although there are many benefits that international students bring to the United States, we must be clear-eyed about the potential risks. There are many foreign academics and researchers currently attending U.S. institutions from nations that are strategic competitors, including Iran, Russia, and the People's Republic of China. We are particularly concerned about China because it is among the United States' most formidable economic competitors."*

*"Let me be clear,"* Morosco said in response to a question from Senator John Cornyn at a later point in the hearing. *"Our counterintelligence concern with respect to China is not driven by race or ethnicity of the students that are in the United States. Our counterintelligence concern is driven by the fact that China has a publicly stated policy goal of acquiring sensitive information and technology around the world, to include here*

*in the United States, and that they seek [to] access and recruit global experts regardless of their nationality to meet their science and technology aims."*

E. W. Priestap, the assistant director of the FBI's Counterintelligence Division, added that for some of the reasons Morosco mentioned, a "disproportionate number" of the economic espionage cases the FBI sees involve Chinese nationals.

I previously referenced iiM, our venture capital unit. We screen hundreds of companies each year and one of our critical due diligence touchpoints is whether there's Chinese involvement – as an investor, a supplier, or a customer. If an early-stage company has such ties to China, we decline to invest.

As Kansans, I contend that we must be more diligent about the role of China in our economy from a competitive standpoint and especially where our national security is concerned. I'm not a China expert nor is foreign policy my competency. It just seems to me that we cannot be naïve about inviting China into our country through land and/or corporate investments. If the playing field was level and if China was not a military threat to the U.S., I would not have the same concerns.

Thank you for listening to my testimony.