



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

July 20, 2023

James D. Farley, Jr.  
President & CEO  
Ford Motor Company  
1 American Road  
Dearborn, MI 48126

Dear Mr. Farley,

We are investigating the recently announced partnership between Ford Motor Company (Ford) and Contemporary Amperex Technology, Co. Limited (CATL). Ford has argued that the deal will create thousands of American jobs, further Ford’s “commitments to sustainability and human rights,” and lead to American battery technology advancements.<sup>1</sup> But newly discovered information raises serious questions about each claim. Specifically, information regarding the proposed partnership agreement between Ford and CATL suggests that a significant portion of these well-paying jobs will be given to citizens of the People’s Republic of China (PRC)—not Americans. Additionally, public financial disclosures and PRC media reporting suggest that shortly following the announcement of the partnership between Ford and CATL, CATL took steps to maintain effective control while appearing to divest its ownership stake in companies based in the Xinjiang Uyghur Autonomous Region (Xinjiang) that allegedly are connected to forced labor practices. This raises concerns about the troubling connection between CATL, the Chinese Communist Party (CCP), and forced labor in Xinjiang. Finally, there are reasons to question whether the structure of Ford’s deal will in fact contribute to the promised advancements in domestic battery technology.

The Committee on Ways and Means sent you a letter on April 17, 2023,<sup>2</sup> and your response to that letter did not provide the level of detail sought by the Committee. We write jointly today to seek information about the partnership agreement, Ford’s knowledge of CATL’s apparent attempt to shield its connection to Xinjiang-based companies, and Ford’s commitment to advance U.S. battery production.

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<sup>1</sup> *Ford Press Release (Battery Capacity Plan)*, FORD (July 21, 2022) available at [www.media.ford.com/content/fordmedia/fna/us/en/news/2022/07/21/ford-battery-capacity-raw-materials-scale-evs.html](http://www.media.ford.com/content/fordmedia/fna/us/en/news/2022/07/21/ford-battery-capacity-raw-materials-scale-evs.html); Phoebe Wall Howard, *Ford reveals key details of 950-acre battery plant deal in Marshall*, DETROIT FREE PRESS (Feb. 13, 2023) available at [www.freep.com/story/money/cars/ford/2023/02/13/ford-explains-why-battery-plant-china-partner-catl/69898600007/](http://www.freep.com/story/money/cars/ford/2023/02/13/ford-explains-why-battery-plant-china-partner-catl/69898600007/).

<sup>2</sup> Letter from Hon. Jason Smith, Chairman, H. Comm. on Ways & Means to Mr. James D. Farley, Jr., President & CEO, Ford Motor Company (Apr. 17, 2023).

## **Deal Structure and American Jobs**

Ford claims that its proposed licensing agreement with CATL will create at least 2,500 jobs in the United States and “will be run by [Ford’s] people.”<sup>3</sup> However, we have learned that several hundred of the 2,500 jobs will be given to CATL employees from the PRC who will be in charge of setting up and maintaining the equipment.<sup>4</sup> Additionally, the licensing agreement between Ford and CATL will maintain PRC employees at the plant until approximately 2038.<sup>5</sup> Indeed, although the executives of the proposed project will be US-based Ford employees, it appears that the project will rely on CATL employees from the PRC to maintain operations in the long term. As explained further below, the use of PRC-controlled battery technology in this multi-billion dollar project appears to be a deliberate choice by Ford.

## **CATL’s Potential Links to Forced Labor**

Further, CATL’s ongoing relationship with a lithium mining company implicated in forced labor calls into question Ford’s commitment to responsible supply chains. The timeline of a divestment made by CATL and CATL’s deal with Ford, in combination with the fact that entities closely connected with CATL appear to have maintained ownership and control post-divestment, raises serious questions about whether CATL is attempting to obscure links to forced labor. Shortly following the February announcement of the Ford and CATL licensing agreement, CATL quietly divested a 23.6% ownership stake in Xinjiang Zhicun Lithium (Xinjiang Lithium).<sup>6</sup> Within 48 hours, however, a majority stake (61.2%) of Xinjiang Lithium was purchased by a limited partnership (LP) managed by a former senior manager of CATL—Guan Chaoyu—with the financial support of CATL and one of its wholly-owned subsidiaries.<sup>7</sup> Indeed, CATL provided over one-third of the initial investment in the LP.<sup>8</sup> During his time at CATL, Guan oversaw the company’s battery production, research and development, and supply chains. Publicly available information indicates that he remains heavily involved in other CATL subsidiaries and serves as director of at least two companies in which CATL has majority ownership.<sup>9</sup>

Xinjiang Lithium—which aims to become the largest lithium carbonate producer in the world—is tied through wholly-owned subsidiaries and other relationships to companies that engage in state-sponsored labor transfer programs in the Xinjiang region.<sup>10</sup> This includes a

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<sup>3</sup> Michael Wayland, *Ford to move forward with \$3.5 billion EV battery plant with Chinese company*, CNBC (Feb. 13, 2023) available at [www.cnbc.com/2023/02/13/ford-ev-battery-plant-china-catl.html](http://www.cnbc.com/2023/02/13/ford-ev-battery-plant-china-catl.html).

<sup>4</sup> Documents on file with the Select Committee (Details of the licensing agreement between Ford and CATL).

<sup>5</sup> *Id.*

<sup>6</sup> See [www.finance.ce.cn/stock/gsgdbd/202303/13/t20230313\\_38440226.shtml](http://www.finance.ce.cn/stock/gsgdbd/202303/13/t20230313_38440226.shtml).

<sup>7</sup> See [www.gs.amac.org.cn/amac-infodisc/res/pof/manager/1706261548105004.html](http://www.gs.amac.org.cn/amac-infodisc/res/pof/manager/1706261548105004.html)

<sup>8</sup> See [http://pdf.dfcfw.com/pdf/H2\\_AN201803121102413717\\_1.pdf](http://pdf.dfcfw.com/pdf/H2_AN201803121102413717_1.pdf).

<sup>9</sup> See [www.finance.ce.cn/stock/gsgdbd/202303/13/t20230313\\_38440226.shtml](http://www.finance.ce.cn/stock/gsgdbd/202303/13/t20230313_38440226.shtml).

<sup>10</sup> Document on file with the Select Committee; Laura Murphy, *Driving Force*, SHEFFIELD HALLAM UNIVERSITY HELENA KENNEDY CENTRE FOR INTERNATIONAL JUSTICE (Dec. 2022) available at [www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/driving-force](http://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/driving-force).

relationship with TBEA Co and its subsidiaries.<sup>11</sup> The laborers in these programs are in many cases “transferred directly from camps to factories” and “subjected to constant surveillance.”<sup>12</sup>

This apparent obfuscation of a continued link between CATL and Xinjiang Lithium raises serious ethical and legal concerns. According to the U.S. Department of State, Treasury, and Commerce, “businesses and individuals that do not exit supply chains, ventures, and/or investments connected to Xinjiang could run a high risk of violating U.S. law,” like the Uyghur Forced Labor Prevention Act.<sup>13</sup> In light of evidence regarding CATL’s continuing relationships with Xinjiang-based lithium producers, the proposed partnership with CATL suggests that Ford is not exiting supply chains, ventures, and/or investments connected to Xinjiang.

### **Licensing Agreement Loophole and Increasing Reliance on Chinese Critical Minerals**

Finally, it is not clear that Ford’s licensing agreement will in fact contribute to the growth of the U.S. domestic battery sector and decrease our reliance on foreign countries of concern like the PRC, as many Democrats claimed the Inflation Reduction Act was intended to do. By entering into a licensing agreement instead of a traditional joint venture with PRC-based CATL, Ford can likely exploit the Section 30D clean vehicle credit aimed at reducing reliance on foreign technology and labor in the design and development of American electric vehicles.<sup>14</sup> Rather than developing American technology, we are concerned that the deal could simply facilitate the partial onshoring of PRC-controlled battery technology, raw materials, and employees while collecting tax credits and flowing funds back to CATL through the licensing agreement. If Ford is using a licensing agreement to maximize benefits to itself or CATL at the expense of the U.S. taxpayer, this demonstrates a disregard for corporate responsibility as an American company. Such behavior raises serious questions as Congress conducts oversight of the implementation of this and other federal tax incentives.

Ford claims it will leverage CATL’s technology to develop the capacity to produce lithium iron phosphate (LFP) batteries in the United States. Ford may have access to the production process as part of the licensing agreement. However, it has come to our attention that Ford may remain dependent on the PRC for critical battery inputs and components, like cathode active materials. If your company embraces this technology while outsourcing its own environmental stewardship to the PRC, Ford will maintain its reliance on PRC production of this critical input and continue to depend on China for raw materials.

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<sup>11</sup> Laura Murphy & Nyrola Elima, *In Broad Daylight: Uyghur Forced Labour and Global Solar Supply Chains*, SHEFFIELD HALLAM UNIVERSITY HELENA KENNEDY CENTRE FOR INTERNATIONAL JUSTICE (2021) available at [www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/in-broad-daylight](http://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/in-broad-daylight).

<sup>12</sup> *Risks and Considerations for Businesses and Individuals with Exposure to Entities Engaged in Forced Labor and other Human Rights Abuses linked to Xinjiang, China*, U.S. DEP’T OF STATE, et. al. (July 13, 2021) available at [www.state.gov/wp-content/uploads/2021/07/Xinjiang-Business-Advisory-13July2021-1.pdf](http://www.state.gov/wp-content/uploads/2021/07/Xinjiang-Business-Advisory-13July2021-1.pdf).

<sup>13</sup> *Xinjiang Supply Chain Business Advisory*, U.S. DEP’T OF STATE (July 13, 2021) available at [www.state.gov/xinjiang-supply-chain-business-advisory/](http://www.state.gov/xinjiang-supply-chain-business-advisory/).

<sup>14</sup> Amrith Ramkumar & Phred Dvorak, *The Biggest Winners in America’s Climate Law: Foreign Companies*, WALL STREET JOURNAL (July 20, 2023) available at [www.wsj.com/articles/the-biggest-winners-in-americas-climate-law-foreign-companies-c672e09d?mod=hp\\_lead\\_pos7](http://www.wsj.com/articles/the-biggest-winners-in-americas-climate-law-foreign-companies-c672e09d?mod=hp_lead_pos7).

Recent actions by the PRC government reiterate the danger of relying heavily on the PRC for supply chain inputs and should give pause to any company looking to expand such reliance. In June, reports indicated that European battery manufacturers were unable to source graphite from the PRC, causing “negative repercussions for battery production in Europe” according to the European Commission.<sup>15</sup> On July 3, the PRC announced export restrictions on gallium, germanium, and several compounds containing these metals.<sup>16</sup> Both instances raise serious concerns about the reliability of critical mineral supply chains that depend on the PRC. If Ford remains reliant on the PRC for inputs to produce LFP batteries, the company will be exposing itself and U.S. taxpayers to the whims of the Chinese Communist Party and its politics.

If Ford instead avoided iron sulfate from China and supported the development of home-grown process technologies and local sourcing strategies, it could play a central role in further developing the supply chain for North American sourced cathode active materials. Numerous U.S. automotive manufacturers have announced joint ventures with American allies and partners to manufacture batteries domestically. In addition, it appears that alternatives to CATL for LFP production similarly exist with partners in North America.<sup>17</sup>

### **Request**

We request the following documents and communications as soon as possible but no later than August 10, 2023:

1. A copy of the licensing agreement between Ford and CATL—including all appendices—in both English and Chinese;
2. All documents and communications exchanged between Ford and CATL referring or relating to the licensing agreement in the original language, i.e. not in translation; and
3. All documents and communications between Ford and the Biden Administration referring or relating to the Ford/CATL licensing agreement and/or achievable tax credits.

Additionally, please respond to the following questions as soon as possible but no later than August 10, 2023:

1. How many PRC nationals will be employed by BlueOval Battery Park Michigan? Under what visa class will these workers be entering the United States? What is their expected

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<sup>15</sup> *Why is China blocking graphite exports to Sweden?*, THE ECONOMIST (Jun. 22, 2023) available at [www.economist.com/business/2023/06/22/why-is-china-blocking-graphite-exports-to-sweden](http://www.economist.com/business/2023/06/22/why-is-china-blocking-graphite-exports-to-sweden).

<sup>16</sup> Liu Zhen, *China curbs critical metal exports in retaliation for Western restrictions on chip industry*, SOUTH CHINA MORNING POST (July 3, 2023) available at [www.scmp.com/news/china/diplomacy/article/3226430/china-curbs-critical-metal-exports-retaliation-western-restrictions-chip-industry](http://www.scmp.com/news/china/diplomacy/article/3226430/china-curbs-critical-metal-exports-retaliation-western-restrictions-chip-industry).

<sup>17</sup> Stuart Fieldhouse, *Nano One plans for massive global growth of its battery materials technology*, THE ARMCHAIR TRADER (Apr. 24, 2023) available at [www.thearmchairtrader.com/nano-one-global-growth-batteries-technology/](http://www.thearmchairtrader.com/nano-one-global-growth-batteries-technology/).

length of stay per visit and how many visas are expected to be requested for PRC nationals?

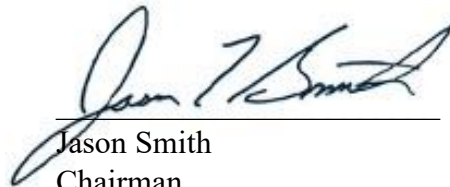
2. We understand that a Ford wholly-owned subsidiary will be responsible for sourcing precursor cathode active materials and cathode active materials for the BlueOval Battery Park Michigan. Will CATL or its subsidiaries be the primary source of precursor cathode active materials and cathode active materials? What percentage of those materials will be sourced from the PRC?
3. Does Ford expect CATL to import any other components from the PRC to produce LFP batteries in Michigan? Please provide the expected quantity of imports from the PRC and identify any components for which the PRC is expected to be the sole source of supply.
4. To what extent will Ford's wholly-owned subsidiary source iron phosphate derived from byproducts of titanium dioxide production using a sulfate process? What percentage of iron phosphate will be sourced from the PRC?
5. What measures does Ford have in place to ensure CATL remains a sound commercial partner, considering the company's founder and chairman is principally focused on national rejuvenation and advancement of the CCP's automotive priorities?
6. With the recent updates to the PRC Counter-Espionage Law, raids of foreign audit and due diligence companies, and new limits on PRC supply chain due diligence, how will Ford ensure imports from CATL to produce LFP batteries in Michigan are free of forced labor or inputs from Xinjiang?

To make arrangements to deliver a response, please contact Select Committee on China staff at (202) 308-8977 and Ways and Means Committee staff at (202) 225-3625.

Sincerely,



Mike Gallagher  
Chairman  
Select Committee on China



Jason Smith  
Chairman  
Committee on Ways and Means