

Congress of the United States
Washington, DC 20515

October 17, 2024

The Honorable Lloyd Austin
Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Washington, D.C. 20301-1000

Dear Secretary Austin:

We write today to request that the U.S. Department of Justice examine whether McKinsey & Company (McKinsey) provision of consulting services to the U.S. Department of Defense (DOD) were compliant with federal law and to express our concern that McKinsey may have misrepresented its relationship with the PRC government in testimony before the U.S. Senate Permanent Subcommittee on Investigations. We also request that the Department of Defense examine McKinsey's actions as described below to determine its eligibility for future defense-related contracts. Publicly available information and documents on file reveal that McKinsey failed to disclose consulting engagements with the central and provincial government of the People's Republic of China (PRC) and state-owned enterprises (SOEs) ultimately under the control of the Chinese Communist Party (CCP) while McKinsey worked with DOD on sensitive national security matters. McKinsey's Global Managing Partner denied such consulting engagements before the Senate Permanent Subcommittee on February 6, 2024, and claimed the firm filed all necessary disclosures. McKinsey's activities pose a serious risk to U.S. national security and may have failed to meet McKinsey's obligations under federal law.

In the last two decades, McKinsey has rapidly expanded two lines of effort that, together, create serious national and economic security risks. Starting in the late 1990s, McKinsey began extensive consulting engagements with the PRC government and SOEs with adverse interests to the United States.¹ McKinsey's work for the PRC government included consultation on the CCP's paramount military and economic planning document, its Five-Year Plans.

While providing consulting services that helped the PRC to rapidly develop its military and economy, McKinsey substantially increased its defense-related work with the U.S. government, granting it access to classified or otherwise sensitive national security data.

McKinsey consulted for the DOD on projects involving the F-35 Joint Strike Fighter program,

With more than 9,000 consultants across 102 offices, and more than 1,000 engagement teams serving over 600 clients in 75 countries on a typical day, McKinsey is truly a global firm. We are comfortable in any geography, with 50 percent of our work in Europe, the Middle East, and Africa; 30 percent in North America; and 20 percent in Latin America and Asia Pacific. We operate as one firm, bringing the best experts from around McKinsey and from our external network to each engagement in Greater China.

The Clients We Serve

Globally, we are the trusted advisor and counselor to many of the most influential businesses and institutions in the world. We serve more than 80 percent of Fortune magazine's list of the Most Admired Companies. In Greater China, we advise clients in over 15 different industry sectors, and work with dozens of government agencies and institutions at the national, regional and municipal levels.

Our clients are comprised of:



Archived excerpt from McKinsey's Greater China page, where McKinsey described McKinsey Greater China as part of its global "one firm" and noted that it "works with dozens of government agencies and institutions at the national, regional and municipal level."

of the U.S. government. Many of the contracts also had separate provisions expressly requiring McKinsey to disclose its potential or possible conflicts of interest while competing for the award. Importantly, our review of available DOD documentation revealed that, in many instances, **McKinsey repeatedly failed to disclose its work with the PRC government when acquiring DOD contracts.**

These failures are especially disconcerting given McKinsey's prior pattern of using its federal government contracts to benefit clients with interests adverse to the United States and its citizens. In 2022, a Congressional investigation revealed that McKinsey concurrently consulted with the Food and Drug Administration (FDA) and opioid companies like Purdue Pharma L.P. McKinsey partners worked on both matters simultaneously, giving opioid manufacturers insights that were otherwise unavailable to them.² It is deeply disturbing that McKinsey engaged in sensitive government contracts with DOD while failing to disclose its work with the PRC government and its state-owned enterprises on issues of national importance.

McKinsey not only failed to make necessary disclosures but actively concealed its sensitive work for the PRC government in testimony before Congress. In describing McKinsey's Chinese contracts, McKinsey's Global Managing Partner testified before Congress this year that the company never worked for the central government of the PRC. He specifically stated that McKinsey "do[es] no work, and to the best of my knowledge never ha[s], for the Chinese Communist Party or the central government in China. The vast majority of the work we do for China is for multinational companies, many of those are US companies, and private-sector Chinese companies."³ He further said that McKinsey "made all appropriate disclosures" and has "even gone beyond what is required" regarding organization conflict of interest with respect to its DOD contracts.⁴ McKinsey's Global Managing Partner's statements are at odds with publicly-

the renewal and renovation of the U.S. Navy's principal port facilities, the U.S. Air Force's Space and Missile Systems Command, and the U.S. Navy's now-called Naval Information Warfare Systems Command. These consulting agreements resulted in significant revenue for McKinsey—DOD has paid the company more than \$470 million since 2008—and gave the firm access to critical national security information. Federal regulations required McKinsey to disclose to the U.S. government any actual or *potential* conflicts of interests, which may impair its ability to act on behalf

available information, including both court filings that McKinsey made under penalty of perjury a few years earlier and statements on McKinsey’s websites.

I. McKinsey’s PRC Engagements Pose National Security and Legal Concerns

A. McKinsey Worked Closely with the CCP and the Central Government of the PRC

McKinsey’s consulting services in the PRC encompass various agencies and entities of the central government of the PRC. Its first offices in mainland China opened in the mid-1990s. McKinsey’s China practice has since grown to more than 1,000 employees, and the firm executed more than 1,500 client engagements since 2019 alone.⁵ These include work for the PRC government, with McKinsey’s own web page previously acknowledging that, “[i]n the past 10 years alone, we have served more than 20 central, provincial and municipal government agencies on issues ranging from economic development planning, urbanization and development, to social public affairs.”⁶

A major client for McKinsey was the PRC national government. Archived versions of the McKinsey China website from the 2010s state that the firm worked for “dozens of government agencies and institutions at the national, regional, and municipal levels.”⁷ In fact, McKinsey categorized 10 percent of its PRC clients as “government & non-profits” in 2017.⁸ McKinsey has described the archived websites for McKinsey China as containing inaccurate information.⁹ However, **McKinsey’s filings in bankruptcy court from 2020 made under pain and penalty of perjury state that “CN [China] Government – Fed/Prov” and “China. Chinese Government” were clients of the firm.**¹⁰

One of the most influential PRC agencies that McKinsey worked with was the National Development and Reform Commission (NDRC). Part of the State Council, the NDRC is a “superagency” and the “cockpit” for economic planning and industrial policy.¹¹ It develops the PRC’s Five-Year Plans (FYP), which outline the PRC’s economic roadmap and which are approved by the National People’s Congress. A FYP is the essential and central document that guides the PRC’s grand strategy. As The Economist noted in its analysis on the importance of the Thirteenth FYP,

In the absence of democracy, the five-year plans are the closest thing to an election manifesto for the Communist Party, laying out its longer-term priorities. But since the party still has overwhelming power, the plans carry more weight than ordinary manifestos. All major actors—local officials, banks and big companies, both state-owned and private—change their strategies and their rhetoric to look like they are in line with the plans.¹²

Industrial and Commercial Bank of China (Argentina) S.A.
DIDI
Didi Chuxing
STANDARD BANK
Tianjin Bank
GRABTAXI HOLDINGS PTE LTD
COSCO SHIPPING HOLDINGS
COSCO SHIPPING Holdings Co., Ltd.
HUAINAN MINING GROUP CO. LTD.
HENGYI PETROCHEMICAL CO., LTD.
Pirelli Tyre S.p.A.
CN Government - Fed/Prov
China. Chinese Government
QUIKSILVER
China Railway Construction Corporation Limited
China Railway Construction

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Excerpt from a 2020 McKinsey U.S. bankruptcy court filing where it lists a subset of its clients, including the Chinese government and SOEs.



Public sector & non-profit institutions

McKinsey's impact in China goes well beyond our work in the corporate sector. In the past decade alone, we've served over 20 different central, provincial and municipal government agencies on a wide range of economic planning, urban redevelopment ...



State-owned enterprises

We advise China's largest state-owned enterprises in industries ranging from oil and gas, to technology and telecommunications, to banking and insurance. We've helped several of the state-run majors transform their strategies ...

McKinsey noting its extensive work with the PRC government and SOEs.

in a 2015 speech, noting that the NDRC “invit[ed] the famous American consulting firm McKinsey to conduct research on the impact of technological changes in the future world on China.”¹⁹ And that is exactly what McKinsey provided. The Financial Times reported earlier this year that McKinsey prepared a book for the NDRC that helped lay the foundation for the Thirteenth FYP.^{20a} The 310-page book, titled *Scientific and Technological Revolutions around the World*, provided “a road map to the opportunities for China’s science and technology development” during the 13th Five-Year Plan.²¹ *Scientific and Technological Revolutions* relied extensively on McKinsey research throughout the book.²² With a foreword and multiple chapters authored by a senior McKinsey partner, *Scientific and Technological Revolutions* explicitly credits McKinsey for performing research underlying the conclusions.²³ In the foreword, the

McKinsey worked extensively on the PRC’s Thirteenth FYP, which would direct China’s military and economic development from 2016-2020. It was the first FYP issued under CCP General Secretary Xi Jinping’s tenure. The Thirteenth FYP deviated from its predecessors in emphasizing military-civil fusion, referencing it ten times.¹³ According to the State Department, military-civil fusion is “an aggressive, national strategy of the Chinese Communist Party (CCP) [with the] goal [of] enabl[ing] the PRC to develop the most technologically advanced military in the world” through “the elimination of barriers between China’s civilian research and commercial sectors.”¹⁴ The Thirteenth FYP also advocated for an aggressive state-sponsored industrial policy—Made in China 2025—for dual-use industries, including aerospace, shipbuilding, robotics, and next-generation information technology.¹⁵ The Council on Foreign Relations described Made in China 2025 as “a threat to U.S. technological leadership,” and experts contend that the program blurs commercial and military distinctions.¹⁶ The Thirteenth FYP also supported the continuation and expansion of the Belt and Road Initiative (BRI), the PRC’s global infrastructure spending program and the centerpiece of the CCP’s foreign policy.¹⁷ A branch of the PLA Central Military Commission worked alongside the NDRC in developing the plan, which would have inevitably required McKinsey to coordinate with the PRC military as part of its work.¹⁸

McKinsey worked with the NDRC to develop the Thirteenth FYP. Xu Lin, the chief of the NDRC planning section, publicly celebrated McKinsey’s contribution to the Thirteenth FYP

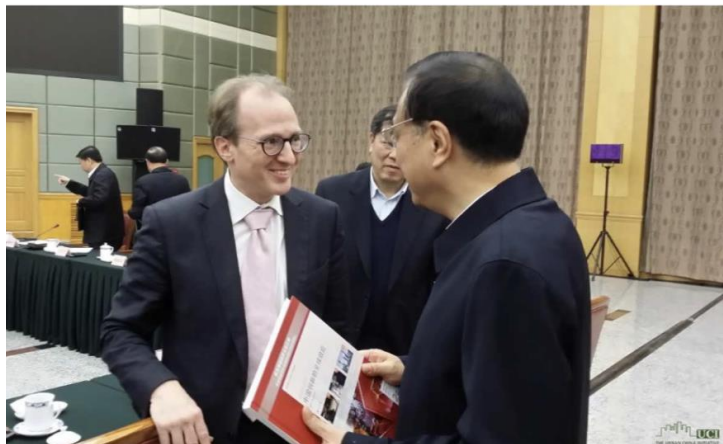
^a The Freeman Chair in China Studies at the Center for Strategic and International Studies published a report on the FYP, noting that the NRDC hired only three foreign organizations to help “carry out projects” relating to the FYP: the Organization of Economic Cooperation and Development, the Asian Development Bank, and McKinsey. See SCOTT KENNEDY & CHRISTOPHER K. JOHNSON, PERFECTING CHINA, INC.: THE 13TH FIVE-YEAR PLAN, CTR. FOR STRATEGIC & INT’L STUDS. 15 (2016), https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/160521_Kennedy_PerfectingChinaInc_Web.pdf. McKinsey’s hiring was also reiterated in a staff research report by the U.S.-China Economic and Security Review Commission. See KATHERINE KOLESKI, THE 13TH FIVE-YEAR PLAN 31 (2017), https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan_Final_2.14.17_Updated%20%28002%29.pdf.

McKinsey senior partner stated that they “hope this book provides useful input for the planning and development of China’s technology enterprises and government institutions.” McKinsey’s research on the Thirteenth FYP also appears to have been influenced by U.S.-based McKinsey personnel—including some partners who have worked extensively with the federal government.^b

A McKinsey senior partner personally handed a copy of the book to then-Premier Li Keqiang at a symposium on the Thirteenth FYP in 2015.²⁴

Scientific and Technological Revolutions gave an overview of 14 technologies, including robotics, AI, big data, and human genomics, cloud computing, 3D printing, and electric vehicles, which could help China achieve technological supremacy. McKinsey itself noted the military application of these technologies throughout the book. For instance, in its chapter on robotics, McKinsey advocated that,

The deployment of military robots ... in the field will greatly reduce casualties and improve success rates of operations. The militarized development of robots has also introduced high-precision equipment such as unmanned aerial vehicles, unmanned submersibles, and space robots, while reducing casualties, greatly extending the combat field space, significantly improving combat effectiveness, and reducing combat costs.²⁵



In 2015, a McKinsey senior partner hands Chinese Premier Li Keqiang the firm's book, which summarizes its recommendations for the PRC's 13th FYP.

^b In May 2013, McKinsey’s think tank published a report titled “Disruptive Technologies: Advances That Will Transform Life, Business, and the Global Economy.” See MCKINSEY & COMPANY: MCKINSEY GLOBAL INSTITUTE, DISRUPTIVE TECHNOLOGIES: ADVANCES THAT WILL TRANSFORM LIFE, BUSINESS, AND THE GLOBAL ECONOMY (2013), https://www.mckinsey.com/~media/mckinsey/business%20functions/mckinsey%20digital/our%20insights/disruptive%20technologies/mgi_disruptive_technologies_full_report_may2013.pdf. The report appears to serve as a basis for *Scientific and Technological Revolutions*, drawing heavily on its research and analysis for 12 of the 14 sectors analyzed in the book. *Scientific and Technological Revolutions* even credits McKinsey with providing “relevant research data and added economic benefit indicators [on] 12 disruptive technologies” and cites heavily to it throughout. The co-authors of MGI’s “Disruptive Technologies” included several prominent figures in McKinsey’s U.S. offices, including those with direct ties to senior U.S. government officials. The involvement of prominent U.S. based consultants in the research that underpinned McKinsey’s work on the Thirteenth FYP suggests that the firm’s unusual insight into U.S. strategic priorities may have informed its advice to China. It also provides further evidence that there is no functioning firewall forcibly separating the work of China-based partners from their colleagues in the U.S., raising the question of whether consultants working for DOD and other key U.S. agencies also worked on the firm’s engagements in China.

The McKinsey book also repeatedly advocated in favor of civil-military fusion for advanced materials (a wide-ranging term that includes items like semiconductors and alloys used in military jets) and other technologies throughout the book. For example, in the final chapter, *Trend and Innovation* recommends that the PRC government,

Make full use of the existing technological advantages of the military industry in China, optimize the allocation of military and civilian scientific and technological forces and industrial resources, promote the acceleration of the transformation of defense scientific and technological achievements into economic construction, accelerate the industrialization and large-scale development of military and civilian sharing of new technologies, encourage domestic enterprises to actively participate in international division of labor and cooperation, and support the merger and acquisition of foreign new technology enterprises and technology R&D institutions.²⁶

As revealed in archived Chinese government press releases, a McKinsey senior partner who led the firm's effort to aid China's authoritarian economic planning proclaimed to Premier Li Keqiang that "China is transforming from a global innovation 'absorber' to a 'leader.'" ²⁷ He did so at a high-level strategy session for China's 13th Five-Year Plan in 2015 whose goals were to support Beijing's ambitions to dominate global trade and technology under its state-controlled model.²⁸ These recommendations thereafter coincided with what became official PRC policy, with the Thirteenth FYP directing the government to integrate military and civilian development, including through scientific research and technology development.²⁹ Subsequent offshoots of the Thirteenth FYP likewise implemented policies that resulted in the PRC developing advanced military robotic capabilities.³⁰ Due in large part of these policies, the PRC has since "caught up with the U.S. in drone warfare."³¹

During its long tenure in China, McKinsey's Shanghai arm further entrenched its support for the PRC government by completing contracts with local governments³² and state-owned enterprises³³ to devise their five-year plans, effectively aligning regional economic strategies with Beijing's national objectives to enhance China's technological and financial dominance. This work even began before 2015. In November 2010, China Economic Weekly, a magazine owned by the CCP-controlled People's Daily News Group, published a cover story titled "The Octopus McKinsey: The Hidden 'Foreign Brains' Behind the 12th Five-Year Plan." The publication described McKinsey's influence on the implementation of projects under the aegis of the Twelfth FYP (2011-2015).³⁴ The article also described McKinsey's work for the government of Shanghai on the Eleventh Five-Year Plan.³⁵ Most recently, the governments of Shanghai and Shaanxi also disclosed that McKinsey provided support related to the city's development of its Fourteenth FYP in 2021.³⁶

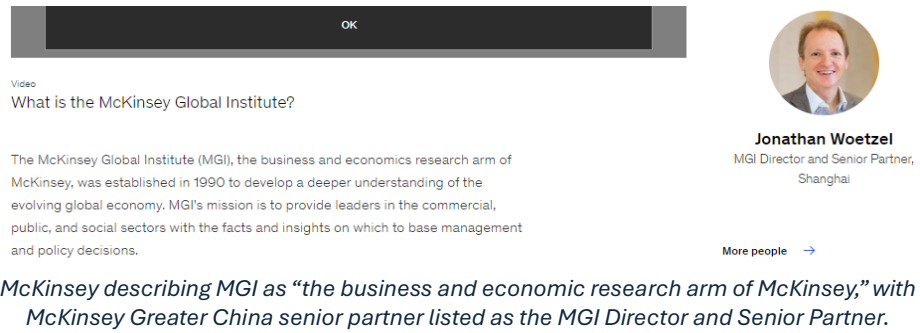
McKinsey's work furthering the PRC national government's agenda through multiple contracts continued with the Thirteenth FYP. In 2019, for instance, McKinsey actively empowered China's techno-authoritarian agenda by accepting nearly \$1.4 million from the Chinese government to develop a strategic plan for Qingdao, a key port city.³⁷ This project directly led to the creation of a major economic hub for the Shanghai Cooperation Organization, a China-led security bloc including Russia, Iran, and several others who aspire to challenge

Western influence and promote their own authoritarian models of governance. By 2023, this hub had attracted over 70 projects and nearly \$28 billion in investments.³⁸ PRC's state-run media praised McKinsey for its work on the Qingdao project.

The article explains that the Qingdao project began based on “General Secretary Xi Jinping’s important instructions” and that Qingdao “entrust[ed] such an important project” to the firm.³⁹ In order to fulfill Secretary X’s commands, “Qingdao invited McKinsey, a world-renowned consulting firm, to cooperate with the company to conduct a systematic study of Qingdao and, with the help of the world’s top wisdom, jointly conceive a blueprint for Qingdao’s future development. At the briefing, the McKinsey research team introduced in detail the main results of the research.”⁴⁰

Despite sworn statements in U.S. court filings confirming that China’s central government was a McKinsey client, the firm has continued to try to distance itself from this fact. One way that it attempted to do so was to claim that it was not McKinsey, but rather the McKinsey Global Institute (MGI) and the Urban China Initiative (UCI), that worked on the Thirteenth FYP.⁴¹ This assertion is both misleading and offers a distinction without a difference, as McKinsey effectively controls both MGI and UCI. MGI, McKinsey’s internal think tank, publishes research on economic and business issues for private companies and public entities. MGI is completely funded by McKinsey and under the purview of McKinsey partners, and was described as “the business and economics research arm of McKinsey.”⁴² MGI’s work in the PRC overlapped with the firm’s private client work—CSIS reported that McKinsey’s work with the NDRC on the Thirteenth FYP occurred through MGI,⁴³ and some of the firm’s top partners at the time held positions at MGI concurrently to their employment at McKinsey.⁴⁴

McKinsey also ran the Urban China Initiative (UCI).⁴⁵ UCI was a joint initiative between McKinsey, Tsinghua University, and Columbia University that aimed to find ways to promote sustainable urban development in the PRC.⁴⁶ It published research on urban financing, smart city technology, mega regions, and PRC migration patterns. McKinsey’s top partners in China co-chaired UCI until 2021, when it appears to have ceased operations, as well as MGI.⁴⁷ UCI’s website is no longer active. UCI was co-chaired by a McKinsey senior partner and, according to insiders, was a McKinsey initiative, with one insider stating that UCI “was initiated and run by McKinsey,



11:59 AM	McKinseychina.com - Whois History	11:35 AM	Urbanchinainitiative.org - Whois History
<p>Domain Name: mckinseychina.com Registry Domain ID: 162418748_DOMAIN_COM-VRSN Registrar WHOIS Server: whois.corporatedomains.com Registrar URL: www.cscprotectsbrands.com Updated Date: 2022-11-02T01:06:32Z Creation Date: 2010-11-06T10:20:01Z Registrar Registration Expiration Date: 2024-11-06T15:20:01Z Registrar: CSC CORPORATE DOMAINS, INC. Sponsoring Registrar IANA ID: 299 Registrar Abuse Contact Email: domainabuse@cscglobal.com Registrar Abuse Contact Phone: +1.888.780.2723 Domain Status: clientTransferProhibited http://www.icann.org/registry/registrant-id: Registrant Name: Domain Administrators Registrant Organization: McKinsey & Company, Inc Registrant Street: 711 Third Avenue Registrant City: New York Registrant State/Province: NY Registrant Postal Code: 10017 Registrant Country: US Registrant Phone: +1.212.7989200 Registrant Phone Ext.: Registrant Fax: +1.212.7989200 Registrant Fax Ext.: Registrant Email: Domain_Administrators@MCKINSEY.COM Admin Name: Domain Administrators Admin Organization: McKinsey & Company, Inc Admin Street: 711 Third Avenue Admin City: New York Admin State/Province: NY</p>	<p>Domain ID: D160737751-LROR Domain Name: URBANCHINAINITIATIVE.ORG Created On: 22-Nov-2010 16:45:00 UTC Last Updated On: 22-Nov-2010 16:45:01 UTC Expiration Date: 22-Nov-2012 16:45:00 UTC Sponsoring Registrar: CSC Corporate Domains, Inc. (R24-LROR) Status: CLIENT TRANSFER PROHIBITED Status: TRANSFER PROHIBITED Status: ADDPENDING Registrant ID: 49673007958b7728 Registrant Name: Domain Administrators Registrant Organization: McKinsey & Company, Inc Registrant Street: 1405 Madison Av Registrant Street2: Registrant Street3: Registrant City: New York Registrant State/Province: NY Registrant Postal Code: 10022 Registrant Country: US Registrant Phone: +1.212.7989200 Registrant Phone Ext.: Registrant FAX: +1.212.7989200 Registrant FAX Ext.: Registrant Email: Domain_Administrators@MCKINSEY.COM Admin ID: 86334007958b1545 Admin Name: Domain Administrators Admin Organization: McKinsey & Company, Inc</p>		

McKinsey’s New York headquarters served as the McKinsey Greater China and UCI website domains registrant and administrator.

rather than Columbia or Tsinghua.”⁴⁸ McKinsey was also inextricably linked to UCI’s core activities. UCI’s website instructed press to contact a Beijing-based McKinsey employee “at the McKinsey & Company Beijing office” at china@McKinsey.com for all inquiries.⁴⁹ UCI’s headquarters were also located in the same downtown Beijing skyscraper, the Kerry Centre, as McKinsey’s local practice, one floor below the firm’s office. McKinsey even owned and administered the UCI domain name and URL.

B. McKinsey’s Work for the PRC Government’s State-Owned Assets Supervision and Administration Commission and State-Owned Enterprises

In a 2020 bankruptcy filing, McKinsey acknowledged under pain and penalty of perjury that the PRC’s State-Owned Assets Supervision and Administration Commission (SASAC) was its client. SASAC is a special government commission within the PRC that reports directly to the State Council, the nation’s chief administrative authority and equivalent to the national cabinet.⁵⁰ SASAC oversees the 96 SOEs deemed most vital to the nation’s economic and geopolitical strategy.⁵¹ Its supervisory role includes appointing top executives, approving sales or mergers, drafting SOE-related laws, as well as overall responsibility for implementing the dictates of the Central Committee of the CCP^c and the State Council, including the FYPs.⁵² In this role, it has responsibility for implementing dictates from FYPs through the SOEs, including the “national champion” companies in key areas like energy, shipbuilding, semiconductors, and infrastructure, all areas where McKinsey has key PRC SOE clients. SASAC also plays a critical role in the PRC’s defense development programs through the SOEs it controls. For instance, in a 2017 press conference, a SASAC representative credited the agency’s incentive programs for the launch of the first aircraft carrier built within China and,⁵³ in 2023, SASAC boasted of its efforts to spur AI advances among its SOEs to ensuring that it “maintain[ed] a key role for China in the global AI industry.”⁵⁴

According to SASAC’s website, the agency^d “performs the responsibilities mandated by the Central Committee of the Chinese Communist Party.”⁵⁵ These include the Bureau of Party Building, which ensures that SOEs are supporting the Chinese Communist Party (CCP); the Bureau of Financial Oversight and Operational Evaluation, which oversees “the budgets and

^c By way of example, SASAC issued an order in 2017 to all of its SOEs formalizing requirements to build CCP committees into their corporate hierarchy and to endow these committees with authority over the activities of the companies to ensure that they were complying with Beijing’s dictates. See SCOTT LIVINGSTON, *THE NEW CHALLENGE OF COMMUNIST CORPORATE GOVERNANCE 4* (2021), https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/210114_Livingston_New_Challenge.pdf.

^d SASAC’s leading figures all have long histories in the CCP. For instance, SASAC Chairman Hao Peng has served as a party leader in a succession of provincial posts, including deputy secretary of the Tibetan CCP and executive vice chairman of the government in Tibet; deputy secretary of the CCP in Qinghai Province, as well as governor of the same entity; and deputy secretary of the CCP in the municipal government of Lanzhou, as well as vice mayor of the city. Hao currently serves as party secretary of the CCP committee within SASAC, and he is a member of the Central Committee of the CCP, the nation’s highest permanent political body. See *Hao Peng: Party Secretary of the CPC Committee, SASAC, STATE-OWNED ASSETS SUPERVISION & ADMIN. COMM’N OF THE STATE COUNCIL*, http://en.sasac.gov.cn/2018/07/18/c_23.htm (July 18, 2018).

final accounts for supervised enterprises”;
and the Bureau of Scientific and
Technological Innovation, which “drives
the development of military-civilian
integration.”⁵⁶

While McKinsey has never publicly
disclosed the nature of its work for
SASAC, the revenue from it was
substantial, totaling up to 3% of the total
revenue for McKinsey’s Shanghai office
from September 2019 to August 2020. In
addition, the authors of the book *When McKinsey Comes to Town* also reported that McKinsey’s
internal records list SASAC among its clients.⁵⁷ While McKinsey has denied this fact, it has
offered no explanation as to why it nevertheless listed SASAC not only as a client in sworn court
filings, but also detailed McKinsey’s extremely lucrative work for SASAC out of its Shanghai
Office. Despite this denial, the Select Committee discovered a McKinsey publication where it
stated that “McKinsey is willing to fully support SASAC and central state-owned enterprises in
promoting management improvement. To this end, we have written this article, focusing on how
to identify management shortcomings through benchmarking and promote management
improvement and innovation.”⁵⁸

McKinsey’s work for SASAC, a state government agency, both removes many of the alleged
defenses that it raised in relation to its earlier work on the PRC’s FYPs and completes the picture
on what McKinsey did after the fact. First, McKinsey’s attempts to distance itself from its work
on the FYPs are not only belied by facts but also wholly irrelevant for its work with the PRC
government SASAC contract. Based on court filings, McKinsey did this work directly with
SASAC and not through any intermediary like MGI or UCI. Second, SASAC, through its SOEs,
would be in charge of implementing many of the technological and national security initiatives
that McKinsey championed in its consultation on the Thirteenth FYP. McKinsey thereafter
acquired consulting agreements with not only SASAC but (as detailed below) over two-dozen
other PRC SOEs that would be in charge of implementing these plans. In denying even the
existence of this work, McKinsey has thus far prevented any further analysis of what it did on
behalf of the PRC government as part of the FYP implementation.

C. McKinsey’s Extensive Work for PRC State-Owned Enterprises (SOEs) Enterprises

In addition to its work with central and provincial PRC governments on military and
economic planning, McKinsey also worked directly with PRC SOEs whose interests are directly
adverse to the United States. McKinsey itself previously acknowledged that it “help[s] large
Chinese state-owned enterprises in industries including oil and gas, high-tech,
telecommunications, banking and insurance to complete strategic transformation, organizational
structure and management process changes, and help them prepare for overseas listings.”⁵⁹ In
U.S. Bankruptcy Court sworn filings over the last several years, McKinsey has acknowledged
over two-dozen PRC government SOEs are its clients, including SOEs designated as Chinese
Military Companies and subject to U.S. sanctions.⁶⁰ These companies, under the direction of the

21. To the best of my knowledge, the following clients accounted for more than
1.00% of McKinsey Shanghai’s gross revenue during the Revenue Period. To the best of my
knowledge, based on the results of the Surveys, none of the services provided to any of these cli-
ents is or was related to the Debtors or their Chapter 11 Cases.

- a. China Construction Bank (CCB), Bank of China, SASAC, HSBC Hold-
ings plc, Du Xiaoman Financial, China Minsheng Banking Co. Ltd., and
Hitachi Ltd. each accounted for 1.01–3.00% of McKinsey Shanghai’s
gross revenue during the Revenue Period.

*McKinsey court filing disclosing PRC government entity
SASAC as a client.*

central government of the PRC, often spearhead CCP initiatives that directly challenge U.S. security and economic interests, often through anticompetitive and sometimes illegal practices.

One such client of McKinsey's is China COSCO Shipping Corporation Limited (COSCO),⁶¹ a state-owned marine logistics and shipping company that Western defense analysts say has helped the People's Liberation Army (PLA) Navy project power internationally. The CCP, through SOEs such as COSCO, uses maritime commercial investment to advance geostrategic priorities—a 2017 law requires PRC shipping companies to support PLA military activities, drawing no distinction between domestic and foreign jurisdictions, and COSCO has developed an extensive network of port access and maritime integration.⁶² COSCO has invested in a logistics hub in Kazakhstan, a container terminal in the Netherlands, and a port facility in Greece.⁶³ U.S. officials have also expressed alarm about Peruvian President Dina Boluarte approval of a deal for COSCO to build a multibillion-dollar, deep-water port in Chancay, the first known example of China controlling a port—which could have military use—in South America.⁶⁴ COSCO is also a key player in the BRI, receiving \$26 billion in the past decade from the CCP for investments in maritime terminals.⁶⁵ Moreover, major COSCO subsidiaries are known to facilitate the shipping of Iranian oil,⁶⁶ and the U.S. Department of the Treasury has sanctioned several subsidiaries and COSCO-owned tankers for violating U.S. sanctions on Iranian oil exports.⁶⁷ McKinsey aided COSCO in developing the company's Fourteenth Five-Year Plan, which involved discussions of the oil shipping industry.⁶⁸

Another PRC SOE, China Communications Construction Company (CCCC), also advertised its hiring of McKinsey for consulting services related to corporate Five-Year Plans. CCCC touted McKinsey's participation in a 2015 conference related to the firm's latest Five-Year Plan, explaining that McKinsey “made recommendations regarding the company's overall strategic objectives.”⁶⁹ CCCC is listed as a Chinese military company by the U.S. Department of the Treasury and DOD, and it is illegal for U.S. persons to invest in the company's publicly traded securities. The U.S. Department of Commerce (Commerce) also placed CCCC on its Entity List trade blacklist in 2020, noting that the company has helped the PLA militarize the South China Sea and construct more than 3,000 acres of islands for military bases.⁷⁰ CCCC's activities in the South China Sea occurred during the period covered by the Five-Year Plan on which McKinsey consulted.

CITIC Group, a financial conglomerate and the largest PRC SOE, was a McKinsey client as early as 2016 and as recently as 2022.⁷¹ CITIC is a major player in the BRI; it planned to spend more than \$110 billion and offered Iran a \$10 billion line of credit as part of the program.⁷² In addition to supporting the centerpiece of the CCP's foreign policy,⁷³ CITIC is a primary collaborator of the PRC government's intelligence apparatus and the PLA. CITIC is a longtime contributor to the Intelligence Bureau of the Joint Staff Department, one of the PRC's primary intelligence agencies and the principal intelligence organ of the PLA.⁷⁴ Additionally, a CITIC subsidiary, CITIC Offshore Helicopter, is a PLA supplier and an example of “civilian participation in the military,” per the company.⁷⁵

McKinsey also worked for several partially state-owned PRC companies involved in semiconductors and microchips. The U.S. government sanctioned two such companies, Semiconductor Manufacturing International Corporation (SMIC) and Yangtze Memory

Technology Company (YMTC), for their involvement with the PLA. SMIC has been a client of McKinsey as early as 2017, according to McKinsey's sworn bankruptcy filings.⁷⁶ It was designated a military end-user by Commerce in 2020, was placed on Commerce's trade blacklist (the Entity List) in 2020, and was determined by DOD to be "owned or controlled" by the PLA in 2022.⁷⁷ YMTC faced a similar fate. A McKinsey client as far back as 2017,⁷⁸ YMTC was added to Commerce's Entity List in 2022 after the Financial Times reported that YMTC sold memory chips to Huawei,⁷⁹ and DOD named YMTC on its list of Chinese military companies operating in the United States in 2024. The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 also bans the U.S. government from buying or using the semiconductors produced by SMIC and YMTC.

These companies are all considered national security threats by the U.S. government, and U.S. persons face some sort of sanction or restriction on all but one. All act in support of the CCP's strategic plans, ambitions, and policies, and many did so while simultaneously employing McKinsey.

II. McKinsey Worked on Sensitive DOD Contracts and Did Not Disclose Its PRC Engagements

McKinsey has chosen to profit from governments and state-owned enterprises whose goals are fundamentally at odds with U.S. national security interests, economic aims, and fundamental values. It has employed some of America's brightest minds and tasked them with providing advice, consultation, and expertise to entities that undermine the security and prosperity of the United States and its citizens. This behavior alone is deeply disturbing.

Yet McKinsey did not stop there. Simultaneous to its work for the PRC government and its SOEs, McKinsey also sought and obtained U.S. government contracts on highly sensitive and classified U.S. defense projects.⁸⁰ This work required McKinsey to disclose conflicts of interest, including its work with foreign nations. McKinsey repeatedly failed to do so. This is consistent with McKinsey's documented practice of serving clients with interests adverse to the United States and its citizens while simultaneously using its U.S. government contracting services to gain vital insights valuable to its clients that are otherwise unavailable to it.

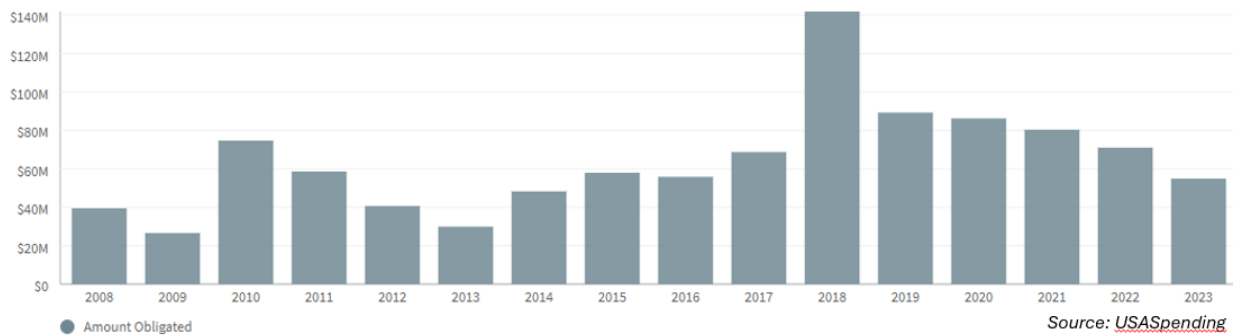
A. McKinsey Failed to Disclose its Work for the PRC Government while Gaining Sensitive and Restricted U.S. Defense Information at Taxpayer Expense

McKinsey has received over \$470 million in identifiable DOD contracts since 2008.⁸¹ The firm has received these revenues while executing over 90 prime contracts for DOD and over 15 subcontracts.⁸² McKinsey was awarded \$98 million in contracts from the U.S. Army, \$132 million from the Air Force, and \$37 million from the Navy as well as over \$100 million from the Washington Headquarters Service office.⁸³ While the extent of McKinsey's classified contractual work is unknown, it has executed at least two projects for the Defense Advanced Research Projects Agency ("DARPA").⁸⁴ Some of McKinsey's work involved particularly sensitive military programs and installations, including:

- The F-35 Fighter Jet Program;

- DARPA’s pursuit of advanced microchips;
- Naval Warfare Systems Center (SPAWAR), a Navy entity that provides communications and surveillance support to personnel engaged in combat operations and renamed to NAVWAR in 2019;
- Naval Shipyard Studies, including a study of the performance of the Navy’s four remaining shipyards;
- Air Force Space and Missile Systems Center (SMC); and
- Defense Information Systems Agency (DISA).

Federal regulations—such as the Federal Acquisition Regulations (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS)—as well as express contractual provision—require federal contractors like McKinsey to disclose actual or potential organizational conflicts of interest to DOD. The FAR defines organizational conflict of interest as meaning, “that because of other activities or relationships with other persons, a person is unable or potentially unable to render impartial assistance or advice to the government, or the person’s objectivity in performing the contract work is or might be otherwise impaired, or a person has an unfair competitive advantage.”⁸⁵ It even expressly states that “organizational conflicts of interest are more likely to occur in contracts involving...management support services [and] consultant or other professional services.”⁸⁶ The FAR requires government agencies (generally through information provided in mandatory disclosures by the contractors) to determine whether contractors have any conflicts of interest. The DFARS even specifically directs contracting officers to seek vendors that are unencumbered by conflicts of interest.⁸⁷ These risks are particularly fraught when a contractor has business relationships with foreign governments, or even just by operating in foreign jurisdictions.⁸⁸



McKinsey’s annual revenue from the DoD prime awards between 2008 and 2023.

Importantly, it is not up to the contractor to decide whether an actual conflict of interest exists. Even the potential for one gives rise to these regulatory reporting obligations.⁸⁹ When contractors have a potential conflict of interest, they must develop an approved mitigation plan, seek a waiver from the contracting department, or withdraw from the project.⁹⁰ It is then up to the contracting agency—*not the contractor*—to assess whether there is a conflict of interest and, if so, if a contractor like McKinsey can continue work on the project with the appropriate mitigation or waiver.

In addition to McKinsey's obligations under the FARS and DFARS, its contracts with the DOD often included express contractual provisions mandating that it disclose conflicts of interest. A McKinsey contract with the Air Force, for instance, contained the following clause:

[I]f vendors either during the [Task Order Proposal Request] process, during performance of a task order, or at any time become aware of an OCI [organizational conflict of interest], they shall immediately inform the Contracting office. This may result in a work stoppage until (if) the OCI can be neutralized or mitigated. If it cannot, the task order will be terminated immediately and recompeted. If a vendor does not inform the Contracting officer of an OCI that it has been made aware of, the Contracting office may terminate the task order, may remove the vendor as an [Air Force] awardee, or request debarment.⁹¹

Many other McKinsey-DOD contracts contained similar mandatory clauses emphasizing McKinsey's disclosure obligations under the FAR and DFARS.

14. Other Pertinent Information or Special Considerations. Contractor will be given access to █████ personnel and historical, financial and programmatic data.

a. Identification of Possible Follow-on Work. N/A

b. Identification of Potential Conflicts of Interest (COI). Contractor shall identify any potential Conflict of Interest (COI) and their proposed mitigation in their proposal.

Example of a COI clause found in many McKinsey/DOD contracts. In our review of these contracts, we did not find a single instance of McKinsey providing any actual or potential conflicts based on its PRC and other clients.

Based on a review of a subset of DOD documents available to the Select Committee, it appears that McKinsey failed to disclose *any* potential conflicts of interest.⁹² In addition, correspondence with DOD confirmed that, to the best of its knowledge, McKinsey failed to disclose these conflicts of interest for those contracts.

You requested three items: (1) The 2018 contract between the Air Force and McKinsey & Company (FA8807-18-F-0010, which is a contract ordered off of a 2017 underlying multiple award Blanket Purchasing Agreement, HQ003417A0011), (2) any and all conflict of interest disclosures made by McKinsey & Company in connection with FA8807-18-F-0010, and (3) any conflict mitigation plans submitted by McKinsey in connection with the contract. The program office located the contract. Both the contract and the 2017 BPA will be provided with some redactions. The reasons for the redactions will be described below. **The program office did not find any conflict of interest disclosures made by McKinsey & Company.** The program office did

Response to a formal document request from the U.S. Air Force, acknowledging that McKinsey failed to disclose any conflicts of interest despite being required to do so.

McKinsey's failures to disclose organizational conflicts of interest appear to present a violation of its obligations under federal contracting law. Equally

importantly, they also appear to present a threat to U.S. national security. McKinsey, for instance, failed to disclose its multi-year work on the PRC's central and defining document, the Five-Year Plan, while it was obtaining highly confidential and classified information about U.S. military capabilities. It failed to disclose its work with COSCO, the PRC government-controlled shipping company that works directly with the PLA Navy, or CCCC, the state-owned construction firm building more than 3,000 acres of islands for PLA military bases in the South China Sea, while it gained sensitive information about the U.S. Navy's shipyards and its NAVWAR center. McKinsey likewise failed to disclose its work with CITIC, a primary collaborator of the PRC

government's intelligence apparatus and the PLA, while working with DISA, the organization tasked with information technology (IT) and communications support to the President, Vice President, Secretary of Defense, the military services, and the combatant commands. In short, **McKinsey appears to have failed to disclose its clear and apparent conflicts of interest and potential for the compromise of U.S. national security while working on sensitive U.S. government projects, despite a clear and unambiguous legal obligation to do so.**⁹³

Federal law and express contractual terms legally obligated McKinsey to disclose organizational conflicts of interest to DOD as part of the acquisition process.^e In all instances that we have been able to review McKinsey's documentation with DOD, it failed to do so. Even the simplest check of McKinsey's internal client lists or a simple online search of generally available information would have

(5) Disclosures. If the Contractor discovers an organizational conflict of interest or potential conflict of interest as contemplated by FAR 9.5 before or after award, a prompt and full disclosure shall immediately be made in writing (before award if applicable) to the Contracting Officer. This disclosure shall include a description of the action the Contractor has taken or proposes to take in order to avoid or mitigate such conflicts.

(6) Remedies and Waiver. For breach of any of the above restrictions or for non-disclosure or misrepresentation of any relevant facts required to be disclosed concerning this contract, the Government may terminate this contract for default, disqualify the Contractor for award or for subsequent related contractual efforts, and pursue such other remedies as may be permitted by law or the contract. If, however, in compliance with this paragraph, the Contractor discovers and promptly reports an OCI or potential OCI subsequent to contract award, the CO may terminate this contract for the convenience of the Government if such termination is deemed to be in the best interest of the Government.

Provisions like this one, from McKinsey's 2018 contract with the Space and Missile Systems Center, were common in the firm's work for DOD.

revealed to the McKinsey applicants that these conflicts of interest existed. There is thus no colorable explanation for this behavior. Under the FAR, a Government contractor's failure to report and mitigate conflicts of interest and related issues can result in a violation of the False Claims Act (FCA) (31 U.S.C. §3729), a statute that contemplates liability not just for knowing violations but also for deliberate ignorance or reckless disregard for the truth or falsity of the information that is being submitted to the government.⁹⁴ Companies have previously been found guilty of FCA violations for failing to disclose conflicts of interest, including with foreign governments.⁹⁵

McKinsey has claimed that it does not need to disclose these conflicts of interest because it has adequate firewalls in place. First, the law requires that McKinsey disclose any *potential*

^e McKinsey failure to disclose conflicts of interest also occurred with other clients. For instance, while engaging in analysis of the F-35 fighter jet program, McKinsey failed to disclose—in violation of express contractual requirements to do so—that it also had the F-35's developer, Lockheed Martin, as one of its clients. *See* AIR FORCE STRATEGIC TRANSFORMATION SUPPORT (AFSTS) FORMERLY BUSINESS TRANSFORMATION (BT) INDEFINITE DELIVERY / INDEFINITE QUANTITY (IDIQ) CONTRACT (2020), https://imlive.s3.amazonaws.com/Federal%20Government/ID144263314791567499966088346680208025619/Attachment%204%20-%20Scope%20and%20Ordering%20Guide_Amendment%200001.pdf. This failure is even more egregious due to the fact that one purpose of one of McKinsey's \$24 million contracts was to “address[] the affordability of the F-35 program,” which creates a clear conflict of interest between DOD and McKinsey's other client, Lockheed Martin. *See* Contract number N6833518 A0042, dated June 12, 2018. *See also Award Profile: Contract Summary*, USASPENDING.GOV, https://www.usaspending.gov/award/CONT_AWD_N6833518F0362_9700_N6833518A0042_9700 (last visited Oct. 16, 2024). Similarly, while McKinsey was engaged at SMC, it also consulted for Northrop Grumman, Lockheed Martin, and Raytheon, all of which secured major contracts from SMC since the end of McKinsey's engagement worth up to billions of dollars. *See, e.g.,* Robert Johnson, *Northrop Secures \$2B Space Force Contract for Two Next-Gen OPIR Satellites*, POTOMAC OFFICERS CLUB (May 20, 2020), <https://potomacofficersclub.com/northrop-secures-2b-space-force-contract-for-two-next-gen-opir-satellites/>.

conflicts so that the United States, through the contracting agency, can determine whether the mitigation is appropriate. McKinsey has no legal right to police itself. Second, recent enforcement action has shown that McKinsey lacks appropriate firewalls, with both SEC⁹⁶ and DOJ⁹⁷ settlements revealing that McKinsey allowed partners to access sensitive client data to benefit their other clients. These actions are all consistent with a broader finding that McKinsey has engaged in behavior against U.S. taxpayers interests.^{98 99}

B. McKinsey's Pattern and Practice of Using Privileged and Confidential U.S. Government Information to Benefit their Clients Underlines McKinsey's Clear National Security Risk

McKinsey has also previously accessed and used confidential U.S. government information to benefit clients adverse to U.S. interests, likely contribution to the loss of American life. In 2022, Congress published a report detailing how McKinsey had at least 22 of its personnel working for both the Food and Drug Administration (FDA) and the opioid manufacturers that the FDA regulated.¹⁰⁰ For years, McKinsey consulted for the FDA while simultaneously providing advice to many of the major private sector players in the opioid industry, including manufacturers, distributors and retailers on how best to maximize their distribution of opioids and minimize FDA scrutiny. While engaging in this inherently conflicted consulting, it failed to disclose any conflicts of interest to the government. McKinsey's behavior ultimately led the firm to pay more than \$600 million to settle claims brought by attorneys general in all 50 states, 5 territories and the District of Columbia. Its conduct was so egregious that, according to public reporting, it is now under criminal investigation with the U.S. Department of Justice for criminal conspiracy, healthcare fraud, and obstruction of justice.¹⁰¹ While McKinsey advised opioid companies and kept the FDA in the dark about its work, the number of American opioid overdose deaths rose dramatically.

This callous conduct clearly demonstrates that the United States cannot trust McKinsey to police itself or provide accurate information about its past practices absent legal compulsion to do so.

III. McKinsey's Misrepresentations Under Oath to Congress about its Work for the PRC Government

On February 6, 2024, McKinsey's Global Managing Partner testified before the Senate Permanent Subcommittee on Investigations ("PSI"). He testified under oath, appearing after receiving a subpoena requiring his attendance.¹⁰² The purpose of the hearing was to investigate foreign influence in the United States, including McKinsey's prior business practices in China.

During the hearing, McKinsey's Global Managing Partner made the following sworn statements about McKinsey's work in China that are at odds with definitive documentary evidence:

1. “Senator, we [McKinsey] do no work, and to the best of my knowledge never have, for the Chinese Communist Party or the central government in China. The vast majority of the work we do for China is for multinational companies, many of those are US companies, and private-sector Chinese companies.”¹⁰³
2. “Senator, we’ve never worked with the Chinese Communist Party or the central government in China to the best of my knowledge.”¹⁰⁴
3. “I would start with the reaffirming we [McKinsey] don’t work with the federal government in China. We have very tight client selection policies.”¹⁰⁵
4. “Senator, we do no work with the Chinese Communist Party or the central government in China.”¹⁰⁶

Industrial and Commercial Bank of China (Argentina) S.A.
DIDI
Didi Chuxing
STANDARD BANK
Tianjin Bank
GRABTAXI HOLDINGS PTE LTD
COSCO SHIPPING HOLDINGS
COSCO SHIPPING Holdings Co., Ltd.
HUAINAN MINING GROUP CO. LTD.
HENGYI PETROCHEMICAL CO., LTD.
Pirelli Tyre S.p.A.
CN Government - Fed/Prov
China. Chinese Government
QUIKSILVER
China Railway Construction Corporation Limited
China Railway Construction

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Excerpt from a 2020 McKinsey U.S. bankruptcy court filing where it lists a subset of its clients, including the Chinese government and SOEs, directly contradicting the testimony.

McKinsey’s Global Managing Partner had access to the entirety of the firm’s information and resources to prepare for a congressional hearing that would require him to testify truthfully under oath. McKinsey’s general counsel was even present with him at the hearing. Moreover, he spent 30 years working at McKinsey prior to his appointment as Global Managing Partner, giving him an



McKinsey Global Managing Partner testifying under oath.

unparalleled personal knowledge of the firm’s global practice. This would include its longstanding and well-documented work in China. In addition, as part of his preparation, He would only need to engage in online searches of publicly available information to find troubling evidence of McKinsey’s business dealing with the “Chinese Communist Party [and] the central government in China,” as well as state-owned enterprises. It is therefore hard to understand how he could be unaware of information that he should have known or, if he was somehow unaware of it despite his 30-year career at McKinsey and role as leader of the firm, was so easily within his grasp.

This sworn testimony misrepresents McKinsey’s extensive work for the PRC government and its SOEs, directly contradicts statements that the firm made under penalty of perjury in U.S. courts about this business, and requires further scrutiny.¹⁰⁷ His actions as the head of McKinsey also speak to a fundamental lack of remorse and an inability to reform a deeply compromised institution that, based on the evidence, has placed profit so far beyond the security of its fellow citizens that it is incapable of serving in any role that requires the public’s trust. It also speaks to McKinsey’s inability to act with honesty and integrity which, in the context of national security work, is absolutely essential.

Given the underlying evidence, the undersigned hereby respectfully requests that the Department of Justice thoroughly investigate whether McKinsey's:

- (i) business dealings with the PRC to ascertain if they presented any risks to U.S. national security, particularly in light of McKinsey's documented use of confidential client insider information to benefit itself and other clients in the opioid crisis and elsewhere;
- (ii) failure to disclose its PRC-related and other conflicts of interest in DOD and other government contracts and examine whether such behavior is in violation of McKinsey's obligations under federal law, including the FCA; and
- (iii) misrepresentations before Congress on February 6, 2024.

We also ask that the Department of Defense examine McKinsey's actions to determine whether McKinsey should remain eligible to continue to work with the Department. The undersigned furthermore ask for a briefing from the Departments of Justice and Defense explaining their planned course of action no later than December 1, 2024.

Sincerely,



John Moolenaar
Member of Congress



Marco Rubio
U.S. Senator



Joni K. Ernst
U.S. Senator

¹ These include COSCO, SMIC, ChinaChem, SinoChem, China Communications Construction Company, and China United Network Communications Group. In 2020, the U.S. Department of Commerce declared SMIC a military end-user, while DOD named SMIC a company “owned or controlled” by the People’s Liberation Army. China Communications Construction Company and China United Network Communications Group are likewise recognized as Chinese military companies by the U.S. Department of the Treasury.

² STAFF OF H. COMM. ON OVERSIGHT AND REFORM, 117TH CONG., *THE FIRM AND THE FDA: MCKINSEY & CO.’S CONFLICTS OF INTEREST AT THE HEART OF THE OPIOID EPIDEMIC* (Apr. 13, 2022) (interim majority staff report), <https://oversightdemocrats.house.gov/sites/evo-subsites/democrats-oversight.house.gov/files/2022-04-13.McKinsey%20Opioid%20Conflicts%20Majority%20Staff%20Report%20FINAL.pdf> (“In 2009, in a bid to lead a working group of opioid manufacturers, McKinsey highlighted that due to its direct work for regulators, the company had “developed insights into the perspectives of the regulators themselves.”).

³ *Foreign Influence in the United States: Reviewing Boston Consulting Group, McKinsey & Company, M. Klein and Company, and Teneo’s Compliance with Congressional Subpoenas: Hearing Before the S. Permanent Subcomm. on Investigations, 118th Cong (2024)*, <https://www.c-span.org/video/?533391-1/consulting-company-executives-testify-foreign-influence-us> (oral testimony of Bob Sternfels, Global Managing Partner, McKinsey & Co.). Transcript at 27:32. Sternfels’ response to questions from Senator Roger Marshall.

⁴ *Id.*

⁵ *Welcome to McKinsey Greater China*, MCKINSEY & CO., <https://www.mckinsey.com/cn/overview> [<https://web.archive.org/web/20240226051927/https://www.mckinsey.com/cn/overview>] (last visited Feb. 26, 2024).

⁶ *About Us*, MCKINSEY GREATER CHINA, <https://web.archive.org/web/20180629154405/http://www.mckinsey.com.cn/about-us/> (archived June 29, 2018).

⁷ *An Introduction to McKinsey Greater China*, MCKINSEY & CO., <http://mckinseychina.com/about-us/> [<http://web.archive.org/web/20170106090342/http://mckinseychina.com/about-us/>] (archived Jan. 6, 2017).

⁸ *Id.*

⁹ Marc Filippino et al., *McKinsey’s China Problem*, FIN. TIMES (Feb. 29, 2024), <https://www.ft.com/content/eea9af43-3b88-4392-bfe6-ccd363fafc6b>; Stephen Foley et al., *McKinsey Website Touted Its Advice to Chinese Government Ministries*, FIN. TIMES (Feb. 28, 2024), <https://www.ft.com/content/159f27df-5758-4be2-881e-1bf3025bc98b>.

¹⁰ Debtors’ Appl. For Entry of an Order (I) Authorizing the Retention and Employment of McKinsey Recovery & Transformative Services U.S., LLC, and Certain of its Affiliates to Provide Certain Ordinary Course Consulting Services to the Debtors Effective as of the Pet. Date and (II) Granting Related Br. at 226, In re Valaris PLC, et al, No. 20-34114 (Bankr. S.D. Tex. Sep. 18, 2020).

¹¹ Brian Woodall, *The Development of China’s Developmental State: Environmental Challenges and Stages of Growth*, CHINA RSCH. CTR. (2014), <https://www.chinacenter.net/2014/china-currents/13-1/the-development-of-chinas-developmental-state-environmental-challenges-and-stages-of-growth/>.

¹² See S.R., *Why China’s Five-Year Plans aAreSo Important*, THE ECONOMIST (Oct. 25, 2015), <https://www.economist.com/the-economist-explains/2015/10/26/why-chinas-five-year-plans-are-so-important?>.

¹³ See Audrey Fritz, *China’s Evolving Conception of Civil-Military Collaboration*, CTR. FOR STRATEGIC & INT’L STUDIES (Aug. 2, 2019), <https://www.csis.org/blogs/trustee-china-hand/chinas-evolving-conception-civil-military-collaboration>.

¹⁴ U.S. DEP’T OF STATE, *MILITARY CIVIL FUSION AND THE PEOPLE’S REPUBLIC OF CHINA* (2020), <https://www.state.gov/wp-content/uploads/2020/05/What-is-MCF-One-Pager.pdf>.

¹⁵ See KATHERINE KOLESKI, U.S.-CHINA ECON. & SEC. REV. COMM’N, *THE 13TH FIVE YEAR PLAN 9* (2017), [https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan_Final_2.14.17_Updated%20\(002\).pdf](https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan_Final_2.14.17_Updated%20(002).pdf)

¹⁶ Lorand Laskai, *Why Does Everyone Hate Made in China 2025*, COUNCIL ON FOR. RELS. (Mar. 28, 2018, 3:33 P.M.), <https://web.archive.org/web/20181229074639/https://www.cfr.org/blog/why-does-everyone-hate-made-china-2025>; KAREN M. SUTTER & CHRISTOPHER A. CASEY, CONG. RSCH. SERV. IF11627, *U.S. EXPORT CONTROLS AND CHINA 1* (2022), <https://crsreports.congress.gov/product/pdf/IF/IF11627>.

¹⁷ See *The Pandemic is Hurting China’s Belt and Road Initiative*, THE ECONOMIST (June 4, 2020), <https://web.archive.org/web/20240709115646/https://www.economist.com/china/2020/06/04/the-pandemic-is-hurting-chinas-belt-and-road-initiative> (“The BRI is the centrepiece of Mr Xi’s foreign policy.”).

¹⁸ See KOLESKI, *supra* note 15, at 43.

¹⁹ See also Stephen Foley & Sun Yu, *McKinsey-Led Think-Tank Advised China on Policy That Fed US Tensions*, FIN. TIMES (Feb. 23, 2024), <https://www.ft.com/content/15a3e8d9-6c57-422a-8eb8-35a3c24a50e3>; https://ia904704.us.archive.org/6/items/xu-lin-translation_202310/Xu%20Lin%20Translation.pdf.

²⁰ Foley & Yu, *supra* note 19..

²¹ Foley & Yu, *supra* note 19.

²² URBAN CHINA INITIATIVE, SCIENTIFIC AND TECHNOLOGICAL REVOLUTIONS AROUND THE WORLD (2015). The Select Committee has both an original publication of the book in Mandarin and an English translation on file.

²³ *Id.* Woetzel is identified as a McKinsey employee in the book.

²⁴ Press Release, Urban China Initiative, UCI Co-Chairs Jonathan Woetzel and XUE Lan Meet Premier LI Keqiang, (Dec. 8, 2015), https://web.archive.org/web/20160414120952/http://www.urbanchinainitiative.org/en/content/details_19_62085.html.

²⁵ URBAN CHINA INITIATIVE, *supra* note 22, at 127.

²⁶ *Id.* at 310.

²⁷ *Li Keqiang Invites Famous Chinese and Foreign Experts to Make Suggestions for the 13th Five-Year Plan*, CHINA GOV. NETWORK (Dec. 8, 2015, 9:50 P.M.), https://web.archive.org/web/20241002161021/https://www.gov.cn/xinwen/2015-12/08/content_5021421.htm.

²⁸ *Id.*

²⁹ THE 13TH FIVE-YEAR PLAN FOR ECONOMIC AND SOCIAL DEVELOPMENT OF THE PEOPLE'S REPUBLIC OF CHINA 214 (2015), <https://web.archive.org/web/20230909191540/https://en.ndrc.gov.cn/policies/202105/P020210527785800103339.pdf>. Chapter 78 is titled “Integrate Military and Civilian Development.”

³⁰ A machine translation of the RIDP is available at the following link:

<https://ia600304.us.archive.org/7/items/translated-robotics-industry-development-plan/Translated%20Robotics%20Industry%20Development%20Plan.pdf>. See page 10 for a reference to tax reductions for research: “implement policies such as super deduction of corporate R&D expenses, and encourage enterprises to increase technological research and development efforts and improve technological levels.” Translation of STIP is available at the following link: <https://cset.georgetown.edu/publication/national-13th-five-year-plan-for-the-development-of-strategic-emerging-industries/>. See chapter 25, section 2 for more detail on the proposals to optimize the nation’s tax structure. The following link contains a machine translation of a 2018 Ministry of Finance announcement about tax reductions: https://ia600306.us.archive.org/27/items/translation-of-announcement_202404/Translation%20of%20announcement.pdf. See page 1, final paragraph for a reference to reduced research taxes for robotics companies.

³¹ Wall St. J., *How China Caught Up with the U.S. in Drone Warfare*, YOUTUBE (Aug. 12, 2014),

<https://www.youtube.com/watch?v=O-CDwrQ8jVA>.

³² See *Q&A on the Outline of Shanghai’s 14th Five-Year Plan and Long-Term Goals for 2035*, SHANGHAI MUNICIPAL PEOPLE’S GOV. (Jan. 30, 2021), <https://web.archive.org/web/20241002170130/https://www.shanghai.gov.cn/nw12344/20210129/753a129320974bf6a5d60cb184863d89.html>.

³³ See *McKinsey Won the Bid for Guoyuan Securities’ Strategic Project, and a Summary of Recent Key Projects*, SINA (Oct. 26, 2022, 10:17 A.M.), [https://blog.sina.com.cn/s/blog_18036cba80102zwcwz\[.html](https://blog.sina.com.cn/s/blog_18036cba80102zwcwz[.html); *China Merchants Group Holds a Seminar on the Strategic Planning of the 14th Five-Year Plan*, SINA FINANCE (Dec. 1, 2020, 4:02 P.M.), [https://urldefense.com/v3/https://web.archive.org/web/20241002162806/https://finance.sina.cn/2020-12-01/detail-iiznctke4212822.d.html?cre=wappage&mod=r&loc=3&r=0&rfunc=62&tj=wap_news_relate_!!Bg5easoyC-OII2vIEqY8mTBrtW-N4OJKAQ!OYGNJ_vq1LX8qrm4ylFAGnuSlofwzBZdswygMbGzv5WRH_gQvvc-YyxK_wg8D9yZeA2qpC1W-AkROowl0LMpKsvyCsm6f1TLvw\\$](https://urldefense.com/v3/https://web.archive.org/web/20241002162806/https://finance.sina.cn/2020-12-01/detail-iiznctke4212822.d.html?cre=wappage&mod=r&loc=3&r=0&rfunc=62&tj=wap_news_relate_!!Bg5easoyC-OII2vIEqY8mTBrtW-N4OJKAQ!OYGNJ_vq1LX8qrm4ylFAGnuSlofwzBZdswygMbGzv5WRH_gQvvc-YyxK_wg8D9yZeA2qpC1W-AkROowl0LMpKsvyCsm6f1TLvw$); Huang Qi Niu, *Draw and New Blueprint and Focus on the Future*, S. NETWORK NEWS (Feb. 15, 2022, 3:05 P.M.), https://web.archive.org/web/20241002161915/https://economy.southcn.com/node_8ac0b9b23c/83b445443a.shtml; *McKinsey Won the Bid for Guoyuan Securities’ Strategic Project, and a Summary of Recent Key Projects*, SINA (Oct. 26, 2022, 10:17 A.M.), https://web.archive.org/web/20241002162806/https://finance.sina.cn/2020-12-01/detail-iiznctke4212822.d.html?cre=wappage&mod=r&loc=3&r=0&rfunc=62&tj=wap_news_relate.

³⁴ Guo Fang Ma Yuzhong [郭芳 马玉忠], *The “Foreign Brain” Hidden Behind the “12th Five-Year Plan [隐身“十二五”背后的“洋外脑”]*, CHINA ECON. WEEKLY [中国经济周刊] (Nov. 9, 2010), <https://news.sohu.com/20101109/n277437851.shtml>; see also WALT BOGDANICH & MICHAEL FORSYTHE, WHEN

McKINSEY COMES TO TOWN (2022) (noting that, while there was one instance of a Chinese McKinsey copycat in Chengdu, the rest of the article accurately conveyed McKinsey's work as the "foreign brains" behind the 12th FYP).

³⁵ *Id.* "Shanghai Mayor Han Zheng conducted a special research on Shanghai's '12th Five-Year' service industry development plan. He described the service industry as "a strategic task related to Shanghai's long-term development in the future" and sought advice from the heads of professional companies in finance and insurance, information services, cultural creativity, business information, and consulting services, including the relevant heads of McKinsey." *Id.* Han Zheng hopes to pool wisdom to answer some common problems in the development of the service industry and achieve breakthroughs in Shanghai's "12th Five-Year Plan."

³⁶ See *Q&A on the Outline of Shanghai's 14th Five-Year Plan and Long-Term Goals for 2035*, *supra* note 32.

³⁷ *Qingdao Overall Strategic Concept – Qingdao Overall Strategic Concept [Purchase No.: 401001201900009_001]*, VYOUKE (July 9, 2022, 8:26 A.M.), <https://www.vyouke.net/zhaocai/41058.html>.

³⁸ *China Developing SCO Demonstration Area into New Belt and Road Cooperation Platform*, THE STATE COUNCIL INFO. OFF.: THE PEOPLE'S REPUBLIC OF CHINA (Oct. 12, 2023), http://english.scio.gov.cn/beltandroad/2023-10/12/content_116739366.htm.

³⁹ *A 'Brainstorming Session' to 'Define' the Future of Qingdao [一场“定义”未来青岛的“头脑风暴”]*, OFFICIAL ACCOUNT OF THE QINGDAO MUNICIPAL CYBERSPACE ADMIN. [青岛市委网信办官方澎湃号] (Dec. 20, 2019), https://m.thepaper.cn/newsDetail_forward_5295510.

⁴⁰ *Id.*; see also *"Focus | A 'brainstorming session' to 'define' the future of Qingdao [聚焦 | 一场“定义”未来青岛的“头脑风暴”]*, DAZHONG NET [大众网] (Dec. 20, 2019), <https://www.163.com/dy/article/F0R8D07A0514R9KU.html>.

⁴¹ See generally Stephen Foley et al., *McKinsey 'Advised Chinese Agencies' in Row Over Beijing Work*, AUSTRL. FIN. REV. (Feb. 28, 2024, 10:03 A.M.), <https://www.afr.com/world/asia/mckinsey-advised-chinese-agencies-in-row-over-beijing-work-20240228-p5f8dl> (discussing McKinsey's blanket denials of its role advising the PRC central government).

⁴² *About MGI*, MCKINSEY & CO., <https://web.archive.org/web/20210613214217/https://www.mckinsey.com/mgi/overview/about-us> (archived June 13, 2021).

⁴³ SCOTT KENNEDY & CHRISTOPHER K. JOHNSON, PERFECTING CHINA, INC.: THE 13TH FIVE-YEAR PLAN, CTR. FOR STRATEGIC & INT'L STUDS. 15 (2016), https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/160521_Kennedy_PerfectingChinaInc_Web.pdf.

⁴⁴ *Jonathan Woetzel*, MCKINSEY & CO., <https://www.mckinsey.com/cn/our-people/jonathan-woetzel> [<https://web.archive.org/web/20231003044022/https://www.mckinsey.com/cn/our-people/jonathan-woetzel>] (archived Oct. 2, 2023); *Jeongmin Seong*, MCKINSEY & CO., <https://www.mckinsey.com/cn/our-people/jeongmin-seong> (last accessed July 25, 2024).

⁴⁵ UCI's archived web pages describe McKinsey senior partner Woetzel's and the initiative's extensive relationship with the PRC central government, particularly the NDRC. A September 2011 version states that Woetzel "advises China's national and local government authorities on economic development and reform issues." *Founders*, URBAN CHINA INITIATIVE, <http://www.urbanchinainitiative.org/about/founders/> [<https://web.archive.org/web/20110930015138/http://www.urbanchinainitiative.org/about/founders/>] (archived Sept. 30, 2011). An archived page indicates that the organization hosted a workshop with Zhou Nan, the NDRC's deputy director for the Department of Development Planning, in April 2012. *Events: Workshops*, URBAN CHINA INITIATIVE, <http://www.urbanchinainitiative.org/events/workshops/> [<https://web.archive.org/web/20140101032045/http://www.urbanchinainitiative.org/events/workshops/>] (archived Jan. 1, 2014). The following month, UCI hosted a workshop with urban planning and policy officials of the NDRC in Sichuan. *Id.* In January 2013, UCI and MGI hosted another urbanization seminar in Beijing, which was attended by the director of the NDRC's Department of Development Planning, among others. *Id.* In 2013, the UCI website also described three projects on which the initiative was collaborating with the NDRC: an urban indicator system to evaluate the development of more than 100 cities throughout the PRC, a research project on rural Chinese who migrate to urban areas, and a project focused on planning for so-called mega regions. *Flagship Research*, URBAN CHINA INITIATIVE, <http://www.urbanchinainitiative.org/research/policy-research-on-citizenization-of-chinas-migrant-workers/> [<https://web.archive.org/web/20130110033510/http://www.urbanchinainitiative.org/research/policy-research-on-citizenization-of-chinas-migrant-workers/>] (archived Jan. 10, 2013).

⁴⁶ URBAN CHINA INITIATIVE, <http://www.urbanchinainitiative.org/en/> [<https://web.archive.org/web/20190515180358/http://www.urbanchinainitiative.org/en/>] (archived May 15, 2019).

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- ⁴⁷ Jonathan Woetzel, MCKINSEY & CO., <https://www.mckinsey.com/our-people/jonathan-woetzel> [<https://web.archive.org/web/20211031120657/https://www.mckinsey.com/our-people/jonathan-woetzel>] (archived Oct. 31, 2021).
- ⁴⁸ Foley & Yu, *supra* note 19.
- ⁴⁹ Information on file with the Select Committee; *Newsroom*, URBAN CHINA INITIATIVE, <http://www.urbanchinainitiative.org/newsroom/> [<https://web.archive.org/web/20110926215946/http://www.urbanchinainitiative.org/newsroom/>] (archived Sept. 26, 2011).
- ⁵⁰ *Constitution of the People's Republic*, THE STATE COUNCIL: THE PEOPLE'S REPUBLIC OF CHINA, https://english.www.gov.cn/archive/lawsregulations/201911/20/content_WS5ed8856ec6d0b3f0e9499913.html (nov. 19, 2019).
- ⁵¹ *Directory*, STATE-OWNED ASSETS SUPERVISION & ADMIN. COMM'N OF THE STATE COUNCIL, <http://en.sasac.gov.cn/directorynames.html> (last visited Oct. 10, 2024).
- ⁵² See STUART DAVIS, *SANCTIONS AS WAR: ANTI-IMPERIALIST PERSPECTIVES ON AMERICAN GEO-ECONOMIC STRATEGY* (2023).
- ⁵³ *SCIO Briefing on Half-Year Central SOE Performance*, THE STATE COUNCIL INFO. OFF.: THE PEOPLE'S REPUBLIC OF CHINA, http://english.scio.gov.cn/m/pressroom/2017-07/12/content_41199738_2.htm (July 12, 2017) (“Such incentives have produced remarkable outcomes. ... The first domestically-built aircraft carrier, jointly developed by the China Shipbuilding Industry Corporation (CSIC), was launched.”).
- ⁵⁴ *SOEs' AI Push May Transform Industries*, THE STATE COUNCIL INFO. OFF.: THE PEOPLE'S REPUBLIC OF CHINA (Feb. 23, 2024), http://english.scio.gov.cn/m/in-depth/2024-02/23/content_117014785.htm.
- ⁵⁵ *What We Do*, STATE-OWNED ASSETS SUPERVISION & ADMIN. COMM'N OF THE STATE COUNCIL, http://en.sasac.gov.cn/2018/07/17/c_7.htm (July 17, 2018).
- ⁵⁶ *Bureaux*, STATE-OWNED ASSETS SUPERVISION & ADMIN. COMM'N OF THE STATE COUNCIL, <http://en.sasac.gov.cn/sasacbureaux.html>.
- ⁵⁷ BOGDANICH & FORSYTHE, *supra* note 34.
- ⁵⁸ BENCHMARKING TO BUILD WORLD CHAMPIONS (2024) <https://web.archive.org/web/20240930161355/https://s3-ap-northeast-1.amazonaws.com/mckinseychinavideos/PDF/CN/Whitepaper-Conduct-benchmarking-to-build-world-champions.pdf> (“麦肯锡愿意全力支持国资委和各央企推动管理提升。为此，我们撰写此文，重点针对如何通过对标找准管理短板，推动管理提升和创新”).
- ⁵⁹ *Generative AI in China: \$2 Trillion in Economic Value*, SHANGHAI PUBLIC SEC. NETWORK (June 29, 2018), <https://web.archive.org/web/20180629154405/http://www.mckinsey.com.cn/about-us/>.
- ⁶⁰ The Select Committee reviewed bankruptcy court filings and found that McKinsey has had the following state-owned or majority state-owned enterprises as clients: CN Government – Fed/Prov, China Chinese Government, SASAC, COSCO Shipping/COSCO Shipping Holdings, China Railway Construction Corporation/Limited, Bank of China, Huaneng, China Construction Bank, Industrial & Commercial Bank of China, CITIC/CITIC Steel, China Resources, China Eastern Airlines, China Petroleum & Chemical Corporation/SINOPEC/Sinopec Corporation, China Merchants Bank, China FAW, China Postal Bank. McKinsey also served the partially state-owned Yangtze Memory Technology Company (YMTC) and Semiconductor Manufacturing International Corporation (SMIC). *See, e.g.*, In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 423 (Bankr. D.P.R. May 16, 2022) (referencing Alibaba as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 302, at 8 (Bankr. S.D. Tex. Oct. 2, 2020) (referencing Bank of China as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 22756, at 648 (Bankr. D.P.R. Oct. 28, 2022) (referencing Cathay Industrial Biotech as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 226 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing the Chinese Government as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 302, at 8 (Bankr. S.D. Tex. Oct. 2, 2020) (referencing China Construction Bank as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 218, 262 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing China Eastern Airlines as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 1588-2, at 172 (Bankr. S.D.N.Y. Jan. 6, 2021), Doc. 5853, at 62 (Bankr. S.D.N.Y. June 30, 2022) (referencing China Eastern Airlines as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 467 (Bankr. D.P.R. May 16, 2022) (referencing China Everbright as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 227 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing China Evergrande Group as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 233, at 261 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing China Faw Co. Ltd. as McKinsey's client); In re The Financial

Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 371 (Bankr. D.P.R. May 16, 2022) (referencing China Life Insurance Company as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 356, 396 (Bankr. D.P.R. May 16, 2022) (referencing China Merchants Group as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 393 (Bankr. D.P.R. May 16, 2022), Doc. 22756, at 490 (Bankr. D.P.R. Oct. 28, 2022) (referencing China National Offshore Oil [CNOOC] as McKinsey's client); In re Pacific Gas & Electric, Case No. 19-3008, Doc. 5924, at 440 (Bankr. N.D. Cal. Feb. 26, 2020) (referencing Chian National Chemical Corp [ChemChina] as McKinsey's client); In re Pacific Gas & Electric, Case No. 19-3008, Doc. 5924, at 112 (Bankr. N.D. Cal. Feb. 26, 2020) (referencing Chain Pacific Insurance Company as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 233, at 228 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing China Petroleum & Chemical Corporation as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 233, at 240, 272 (Bankr. S.D. Tex. Sept. 18, 2020), Doc. 1111, at 41 (Bankr. S.D. Tex. Mar. 1, 2020) (referencing China Railway Construction Corporation Limited [CRCC] as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 302, at 154, 227 (Bankr. S.D. Tex. Oct. 2, 2020) (referencing China Resources as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 356, 390, 396, 398 (Bankr. D.P.R. May 16, 2022), Doc. 22756, at 492-93, 466, 508 (Bankr. D.P.R. Oct. 28, 2022) (referencing China Vanke Co., Ltd. as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 233, at 154, 228 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing CITIC as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 233, at 226 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing CN Government – Fed/Prov. as McKinsey's client); In re Valaris, Case No. 20-34114, Doc. 233, at 226, 263 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing COSCO Shipping as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 333, 345-46, 348 (Bankr. D.P.R. May 16, 2022), Doc. 22756, at 450, 458-59 (Bankr. D.P.R. Oct. 28, 2022) (referencing CRRC Yongji as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 5853, at 60 (Bankr. S.D.N.Y. June 30, 2022) (referencing CRCC Yongji as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 357 (Bankr. D.P.R. May 16, 2022) (referencing CNOOC International Limited as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 159 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing Dongfeng Motor Corp. as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 309, 211, 317 (Bankr. D.P.R. May 16, 2022) (referencing Dongfeng Motor Corp. as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 5853, at 67 (Bankr. S.D.N.Y. June 30, 2022) (referencing Dongfeng Motor Corp. as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 153, 225 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing Huaneng as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 1588-2, at 165 (Bankr. S.D.N.Y. Jan. 6, 2021) (referencing Huaneng as McKinsey's client); In re Pacific Gas & Electric, Case No. 19-3008, Doc. 5924, at 13 (Bankr. N.D. Cal. Feb. 26, 2020) (referencing Industrial & Commercial Bank of China as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 376-78 (Bankr. D.P.R. May 16, 2022), Doc. 22756, at 35, 470, 479-81 (Bankr. D.P.R. Oct. 28, 2022) (referencing Ping An as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 391 (Bankr. D.P.R. May 16, 2022) (referencing Postal Savings Bank of China as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 7297, at 70 (Bankr. S.D.N.Y. Jan. 1, 2023) (referencing Sinopharm Holding (China) Finance Leasing Co. as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 1588-2, at 179 (Bankr. S.D.N.Y. Jan. 6, 2021) (referencing State Grid Corporation of China as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 302, at 8, 127, 129 (Bankr. S.D. Tex. Oct. 2, 2020) (referencing State-Owned Assets Supervision and Administration Commission of the State Council [SASAC] as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 380 (Bankr. D.P.R. May 16, 2022) (referencing Semiconductor Manufacturing International Company [SMIC] as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 7297, at 73 (Bankr. S.D.N.Y. Jan. 3, 2023) (referencing Tianma Microelectronics as McKinsey's client); In re The Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 20832, at 402 (Bankr. D.P.R. May 16, 2022) (referencing WuXi AppTech as McKinsey's client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 222, 265 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing WuXi AppTech as McKinsey's client); In re Latam Airlines Group S.A., Case No. 20-11254, Doc. 7297, at 64 (Bankr. S.D.N.Y. Jan. 3, 2023) (referencing WuXi PharmaTech as McKinsey's client); In re The

Financial Oversight and Management Board for Puerto Rico, Case No. 17-03283, Doc. 22756, at 496 (Bankr. D.P.R. Oct. 28, 2022) (referencing WuXi PharmaTech as McKinsey’s client); In re Valaris PLC, Case No. 20-34114, Doc. 233, at 227 (Bankr. S.D. Tex. Sept. 18, 2020) (referencing Yangtze Memory Technologies Corp. [YMTC] as McKinsey’s client).

⁶¹ Dan De Luce & Yasmine Salam, *Advising Both Chinese State Companies and the Pentagon, McKinsey & Co. Comes Under Scrutiny*, NBC NEWS (Nov. 13, 2021), <https://www.nbcnews.com/politics/national-security/advising-both-chinese-state-companies-pentagon-mckinsey-co-comes-under-n1283777>. Debtors’ Appl. For Entry of an Order, *supra* note 10, at 223.

⁶² Christopher R. O’Dea, *Ships Of State?*, 72 NAVAL WAR COLL. REV. 56, 56-58 (2019); Brad Glosserman, *China’s Port Investments and Risks to National Security*, JAPAN TIMES (Sept. 26, 2023), <https://www.japantimes.co.jp/commentary/2023/09/26/world/china-ports/>.

⁶³ Dustin Braden, *China Cosco Gets \$26B for Belt and Road Initiatives*, S&P J. OF COMMERCE (Jan. 13, 2017), https://www.joc.com/article/china-cosco-gets-26b-belt-and-road-initiatives_20170113.html; Daisuke Harashima, *Cosco Leading China’s ‘Belt and Road’ Drive*, NIKKEIASIA (July 15, 2017), <https://asia.nikkei.com/Business/Cosco-leading-China-s-Belt-and-Road-drive>.

⁶⁴ Alex Lo, *US Fears Tide Has Turned with Cosco Port Deal in Peru*, S. CHINA MORNING POST (July 2, 2024), <https://archive.is/lTxc#selection-1589.0-1589.53>.

⁶⁵ Braden, *supra* note 63.

⁶⁶ See ELIAS SKÖLD ET AL., FUNDING OF THE IRAN-CHINA STRATEGIC PARTNERSHIP VIA THE U.S. CAPITAL MARKETS, PRAGUE SEC. STUD. INST. 7 (2024), https://www.pssi.cz/download//docs/10995_perspective-30-funding-of-the-iran-china-strategic-partnership-via-the-u-s-capital-markets.pdf.

⁶⁷ Amy Williams & David Sheppard, *US Sanctions Chinese Companies for Shipping Iranian Oil*, FIN. TIMES (Sept. 25, 2019), <https://www.ft.com/content/9b61b4fa-dfc9-11e9-9743-db5a370481bc>. Sanctions on several of the subsidiaries and tankers have since been lifted.

⁶⁸ Press Release, COSCO Shipping, McKinsey Visited COSCO SHIPPING Energy (Dec. 4, 2020), https://web.archive.org/web/20220716215805/http://en.energy.coscoshipping.com/art/2020/12/4/art_1428_183718.html.

⁶⁹ De Luce & Salam, *supra* note 61.

⁷⁰ Press Release, U.S. Dep’t of Commerce, Commerce Department Adds 24 Chinese Companies to the Entity List for Helping Build Military Islands in the South China Sea (2020), <https://2017-2021.commerce.gov/news/press-releases/2020/08/commerce-department-adds-24-chinese-companies-entity-list-helping-build.html>.

⁷¹ Debtors’ Appl. For Entry of an Order, *supra* note 10 at 154 (McKinsey acknowledging in sworn bankruptcy filing that CITIC is one of its clients).

⁷² Shu Zhang et al., *China’s CITIC to Invest \$113 billion for “Silk Road” Investments*, REUTERS (June 24, 2015), <https://reuters.com/article/china-citic-investments/chinas-citic-to-invest-113-billion-for-silk-road-investments-idUSL3N0ZA3AH20150624/>; Mark Bendeich & Parisa Hafezi, *China Pushing Billions into Iranian Economy as Western Firms Stall*, REUTERS (Nov. 30, 2017), <https://www.reuters.com/article/us-iran-nuclear-china/china-pushing-billions-into-iranian-economy-as-western-firms-stall-idUSKBN1DU225/>.

⁷³ *The Pandemic is Hurting China’s Belt and Road Initiative*, *supra* note 17 (“The BRI is the centrepiece of Mr Xi’s foreign policy”).

⁷⁴ ROGER FALIGOT, CHINESE SPIES: FROM CHAIRMAN MAO TO XI JINPING 204 (2019).

⁷⁵ *CITIC Holdings (00267): CITIC Offshore Helicopters Plans to Set Up Aviation Technology Co., Ltd. to Carry Out Military Product Maintenance Business* [中信股份(00267) : 中信海直拟设立航空技术有限公司开展军品维修业务], QUANBAI INFO. NETWORK [泉佰资讯网] (Dec. 12, 2019), <https://www.quanbai17.com/guonei/10669.html>.

⁷⁶ Debtors’ Appl. For Entry of an Order, *supra* note 10, at 226.

⁷⁷ *U.S. Tightens Exports to China’s Chipmaker SMIC, Citing Risk of Military Use*, REUTERS (Sept. 26, 2020), <https://www.reuters.com/article/business/u-s-tightens-exports-to-china-s-chipmaker-smic-citing-risk-of-military-use-idUSKBN26H0LQ/>.

⁷⁸ Debtors’ Appl. For Entry of an Order, *supra* note 10, at 227.

⁷⁹ Demetri Sevastopulo, *US Lawmakers Escalate Pressure on Chinese Chipmaker YMTC*, FIN. TIMES (Sept. 21, 2022), <https://www.ft.com/content/173eb5b7-c211-4fa8-af8e-93382ed12836>.

⁸⁰ For instance, McKinsey worked on the Thirteenth FYP from approximately April 2014 until McKinsey partner Woetzel handed the book *Scientific and Technological Revolutions* to PRC Premier Li in December 2015. See KOLESKI, *supra* note 15. At the same time, McKinsey was working on a project related to the F-35 for the Pentagon. See *Award Profile: Contract Summary*, USA SPENDING,

https://www.usaspending.gov/award/CONT_AWD_HQ003414F0005_9700_GS10F0118S_4730 (last visited Oct. 16, 2024).

⁸¹ Safeguarding the Homeland: Examining Conflicts of Interest in Federal Contracting to Protect America’s Future: Hearing before the S. Homeland Security and Government Affairs Committee, 118th Cong. (Sept. 24, 2024), <https://www.hsgac.senate.gov/wp-content/uploads/Testimony-Doshi-2024-09-24.pdf>, (written testimony of Rush Doshi); *Award Profile: Contract Summary*, USA SPENDING, <https://www.usaspending.gov/search/?hash=f3031ce6918561be3ce564ecba2b84da> (last visited Oct. 10, 2024). The table shows all DOD prime contracts awarded to McKinsey. Subcontracts available by changing the filter from “Prime Awards and Transactions” to “Subawards” located top right.

⁸² *Id.*

⁸³ *Prime Award Results*, USA SPENDING,

<https://www.usaspending.gov/search/?hash=f74ca9e2350a916b38c0d2d1dbf98a17> (last visited Oct. 10, 2024). The table shows prime contracts awarded to McKinsey by the Army. *Prime Award Results*, USA SPENDING, <https://www.usaspending.gov/search/?hash=cf615d94644bb507480e9886f515f958> (last visited Oct. 10, 2024). The table shows prime contracts awarded to McKinsey by the Air Force. *Prime Award Results*, USA SPENDING, <https://www.usaspending.gov/search/?hash=520e257b9b5f57a296e630af071fc7f7> (last visited Oct. 10, 2024). The table shows prime contracts awarded to McKinsey by the Navy. *Prime Award Results*, USA SPENDING, <https://www.usaspending.gov/search/?hash=d2f21e49facdce280742447709a6cd90> (last visited Oct. 10, 2024). The table shows prime contracts awarded to McKinsey by DoD’s Washington Headquarters Services.

⁸⁴ *Award Profile: Contract Summary*, USA SPENDING,

https://www.usaspending.gov/award/CONT_AWD_FA701421F0042_9700_FA701420D0003_9700 (last visited Oct. 10, 2024). For the contract labeled as DARPA MICROELECTRONICS AWARD, see “Description” heading on the right side for confirmation that this was a DARPA contract. *Award Profile: Contract Summary*, USA SPENDING, https://www.usaspending.gov/award/CONT_AWD_HR001117C0104_9700_-NONE_-NONE- (last visited Oct. 10, 2024). For the Defense Advanced Research Projects Agency listed as the awarding subagency, see drop-down menu titled “Agency Details” at bottom left. In 2016, author Annie Jacobsen wrote a book labeling DARPA the Pentagon’s brain. See ANNIE JACOBSEN, *THE PENTAGON’S BRAIN: AN UNSENSORED HISTORY OF DARPA, AMERICA’S TOP SECRET MILITARY RESEARCH AGENCY* (2016).

⁸⁵ *FAR 2.101*, ACQUISITION.GOV (Sept. 30, 2024), <https://www.acquisition.gov/far/2.101>.

⁸⁶ *FAR 9.502*, ACQUISITION.GOV (Sept. 30, 2024), https://www.acquisition.gov/far/part-9#FAR_Subpart_9_5. Section 9.502 also notes that “an organizational conflict of interest may result when factors create an actual or potential conflict of interest on an instant contract, or when the nature of the work to be performed on the instant contract creates an actual or potential conflict of interest on a future acquisition.” *Id.*

⁸⁷ *DFARS Subpart 209.5—Organizational and Consultant Conflicts of Interest*, OFF. OF THE UNDER SEC’Y OF DE. FOR ACQUISITION & SUSTAINMENT, https://www.acq.osd.mil/dpap/dars/dfars/html/current/209_5.htm (Oct. 30, 2023).

⁸⁸ In 2018, for instance, the Air Force canceled a contract with a potential value of up to \$419 million because the company that won the contract had a Swiss parent, creating an inherent potential conflict of interest and risk of foreign ownership, control, and influence (FOCI). See GOV. ACCOUNTABILITY OFF., *DECISION: B-416582.4 2-4* (2018), <https://www.gao.gov/assets/b-416582.4.pdf>.

⁸⁹ See *FAR 9.502*, *supra* note 86.

⁹⁰ *FAR 9.500*, ACQUISITION.GOV,

<https://web.archive.org/web/20231121055010/https://www.acquisition.gov/far/subpart-9.5> (archived Nov. 21, 2023).

⁹¹ AIR FORCE STRATEGIC TRANSFORMATION SUPPORT (AFSTS) FORMERLY BUSINESS TRANSFORMATION (BT) INDEFINITE DELIVERY / INDEFINITE QUANTITY (IDIQ) CONTRACT (2020),

https://imlive.s3.amazonaws.com/Federal%20Government/ID144263314791567499966088346680208025619/Attachment%204%20-%20Scope%20and%20Ordering%20Guide_Amendment%200001.pdf.

⁹² Public reporting likewise has found that McKinsey failed to disclose any conflicts of interest in its DOD contracts. De Luce & Salam, *supra* note 61.

⁹³ McKinsey also failed to report its potential conflicts of interest based on its extensive work with Russian Federation clients.

⁹⁴ See *FAR 52.303-13*, ACQUISITION.GOV, (Sept. 30, 2024), <https://www.acquisition.gov/far/52.203-13>. As part of a mandatory code of business ethics and conduct, a government contractor must agree to a mandatory disclosure rule requiring that the contractor report any “credible evidence that a principal, employee, agent, or subcontractor of the Contractor has committed – (A)A violation of Federal criminal law involving fraud, conflict of interest, bribery, or

gratuity violations found in Title 18 of the United States Code; or (B) A violation of the civil False Claims Act (31 U.S.C. 3729- 3733). *Id.* This clause is included in all solicitations and contracts “if the value of the contract is expected to exceed \$6 million and the performance period is 120 days or more.” *FAR 3.1004*, ACQUISITION.GOV (Sept. 30, 2024), <https://www.acquisition.gov/far/3.1004>.

⁹⁵ See, e.g., Press Release, U.S. Dep’t of Just., Government Contractor Agrees to Pay \$425,000 for Alleged False Claims Related to Conflicts of Interest (May 20, 2022), <https://www.justice.gov/opa/pr/government-contractor-agrees-pay-425000-alleged-false-claims-related-conflicts-interest>; Press Release, U.S. Dep’t of Just., Computer Science Corporation Settles False Claims Action Involving Government Contracts (May 13, 2008), <https://www.justice.gov/archive/opa/pr/2008/May/08-civ-409.html>; Press Release, U.S. Dep’t of Just., U.S. Attorney Announces \$110,000 Settlement with Tech Company and Its CEO to Resolve Allegations of False Claims on Defense Procurement Contract (Dec. 17, 2018), <https://www.justice.gov/usao-co/pr/us-attorney-announces-110000-settlement-tech-company-and-its-ceo-resolve-allegations>; Press Release, U.S. Dep’t of Just., Northrop Grumman Systems Corporation to Pay \$27.45 Million to Settle False Claims Act Allegations (Nov. 2, 2018), <https://www.justice.gov/opa/pr/northrop-grumman-systems-corporation-pay-2745-million-settle-false-claims-act-allegations>; Press Release, U.S. Dep’t of Just., KBR Defendants Agree to Settle Kickback and False Claims Allegations (June 14, 2022), <https://www.justice.gov/opa/pr/kbr-defendants-agree-settle-kickback-and-false-claims-allegations>.

⁹⁶ See Press Release, U.S. SEC. & EXCHANGE COMM. (Nov. 19, 2021) <https://www.sec.gov/newsroom/press-releases/2021-241>.

⁹⁷ See Press Release, U.S. Dep’t of Just., U.S. Trustee Program Reaches \$15 Million Settlement with McKinsey & Company to Remedy Inadequate Disclosures in Bankruptcy Case (Feb. 19, 2019), <https://www.justice.gov/opa/pr/us-trustee-program-reaches-15-million-settlement-mckinsey-company-remedy-inadequate>.

⁹⁸ OFF. OF AUDITS: OFF. OF INSPECTOR GEN.: U.S. GEN. SERVS. ADMIN., IMPROPER PRICING ON THE MCKINSEY PROFESSIONAL SERVICES CONTRACT MAY COST THE UNITED STATES AN ESTIMATED \$69 MILLION (2019), https://www.gsaig.gov/sites/default/files/audit-reports/A170118_1.pdf.

⁹⁹ See, e.g., Jason Miller, *GSA Terminates McKinsey’s & Co.’s schedule Contract*, FED. NEWS NETWORK (May 19, 2020, 6:13 P.M.), <https://federalnewsnetwork.com/acquisition-policy/2020/05/gsa-terminates-mckinsey-co-s-schedule-contract/>; Dan De Luce, *FDA to Halt MckInsey Contracts Amid Federal Probes into Opioid Work*, NBC NEWS (Apr. 26, 2022, 7:41 P.M.), <https://www.nbcnews.com/news/fda-halt-mckinsey-contracts-federal-probes-opioid-work-rcna26160>.

¹⁰⁰ Press Release, Comm. on Oversight & Accountability Democrats, Committee Releases Report Uncovering Significant Conflicts of Interest at McKinsey & Co. Related to Work for FDA and Opioid Manufacturers (Apr. 13, 2022), <https://oversightdemocrats.house.gov/news/press-releases/committee-releases-report-uncovering-significant-conflicts-of-interest-at>; Chris Hamby et al., *McKinsey Opened a Door in Its Firewall Between Pharma Clients and Regulators*, N.Y. TIMES (Apr. 13, 2022), <https://www.nytimes.com/2022/04/13/business/mckinsey-purdue-fda-records.html> (“Since 2010, at least 22 McKinsey consultants have worked for both Purdue and the F.D.A., some at the same time...”).

¹⁰¹ *McKinsey Reportedly Under US Criminal Investigation Over Opioid Industry Work*, THE GUARDIAN (Apr. 24, 2024, 8:15 P.M.), <https://www.theguardian.com/us-news/2024/apr/24/mckinsey-criminal-investigation-opioids-crisis>.

¹⁰² Foreign Influence in the United States: Reviewing Boston Consulting Group, McKinsey & Company, M. Klein and Company, and Teneo’s Compliance with Congressional Subpoenas: Hearing Before the S. Permanent Subcomm. on Investigations, 118th Cong. (2024), <https://www.c-span.org/video/?533391-1/consulting-company-executives-testify-foreign-influence-us>. Bob Sternfels and the other witnesses were sworn in by Sen. Blumenthal: “As is our custom, I’d ask the witnesses to stand and be sworn in. Do you swear that the testimony you’re about to give is the truth, the whole truth, and nothing but the truth so help you God?”

¹⁰³ *Id.* at 27:32 (Sternfels’ response to questions from Senator Roger Marshall).

¹⁰⁴ *Id.* at 15:53 (Sternfels’ response to questions from Senator Josh Hawley).

¹⁰⁵ *Id.* at 20:46 (Sternfels’ response to questions from Senator Maggie Hassan).

¹⁰⁶ *Id.* at 28:36 (Sternfels’ response to questions from Senator Roger Marshall).

¹⁰⁷ See, e.g., 18 U.S.C. § 1621 (perjury); 18 U.S.C. § 1001 (false statements).