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Congress of the United States
House of Representatives
Washington, DC 20515-0918

April 12, 2024

The Hon. Lina M. Khan
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chair Khan,

I write to you regarding recent reports about PDD Holdings Inc. (“PDD”; NASDAQ: PDD)—and its subsidiaries Pinduoduo and Temu— their ties to the Chinese Communist Party (“CCP”), and their harmful business practices here in the United States. As a publicly traded company in the United States with access to our capital markets, the time has come for the Federal Trade Commission to hold PDD accountable and press them to come clean with the American people about their business practices and the level of control the CCP has over them.

In one report, Boston 25 News debunked the claim that Temu (aka Whaleco Inc.) is based in Boston but rather is merely based there in name only¹. In 2021, Pinduoduo was openly touting its partnership “to support the [Chinese] national economy” with the China Agricultural University (CAU)², a public university based in Beijing that has “the principles of Marxism Department” within its Ideology and Political Education College and whose Chairman of University Council, Jian Peimin, has direct ties to CCP³⁴. In fact, the CAU also states that it will “... develop [the] college into a distinctive political education base which has best leveled teaching and researching techniques, and a Marxist theory disciplines and professional training base.”⁵

Furthermore, in their 2021 Annual Report to Congress, the U.S.-China Economic and Security Review Commission s noted that “[t]ech companies which remain subject to a government crackdown, have been particularly vocal in their donations towards the CCP’s ‘Common Prosperity’ campaign⁶.” A Bloomberg article states that Pinduoduo pledged a 10 billion yuan investment for this effort.⁷ In their 2022 annual report⁸ to the U.S. Securities and Exchange Commission (SEC), PDD acknowledged as *Other income, net* that it generated \$332.1 million of

¹ <https://www.boston25news.com/news/local/consumer-expert-says-buyer-beware-when-using-popular-shopping-app-this-holiday-season/VW7ZNV5U7RD7XAW5CT5VWOTWZQ/>

² <https://www.youtube.com/watch?v=jMOL2Dtk9jQ>

³ <https://en.cau.edu.cn/col/col32351/index.html>

⁴ http://en.npc.gov.cn.cdurl.cn/2022-01/11/c_697522.htm

⁵ <https://en.cau.edu.cn/col/col32379/index.html>

⁶ https://www.uscc.gov/sites/default/files/2021-11/2021_Annual_Report_to_Congress.pdf

⁷ <https://www.bloomberg.com/news/articles/2021-08-26/billionaire-donations-soar-in-china-push-for-common-prosperity>

⁸ <https://investor.pddholdings.com/static-files/757dfc0f-ba08-4455-944c-89997c9dbca8>

income “due to the increase in the amount of subsidies received...” This is on top of the \$103 million it received in 2021⁹. PDD itself acknowledged that this income is directly linked to its receipt of “[g]overnment subsidies...received from local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments.”

Pinduoduo and Temu’s business practices have also raised concerns regarding their handling of Americans’ private data. As was recently reported by the TODAY Show, Temu is now facing two class-action lawsuits due to concerns about the Temu app and data privacy.¹⁰ According to an investigation by Chicago’s CBS 2 News¹¹, one complaint was filed in Illinois in November 2023 on behalf of seven named plaintiffs from Illinois, California, Massachusetts, and Virginia, in which they allege that Temu violates its customer’s privacy rights by collecting private data and using “deceptive” and “unscrupulous” practices to access that data. Plaintiffs’ lawyers in the lawsuit claim experts, including their own independent expert, have reviewed the Temu app and found the “app is purposefully and intentionally loaded with tools to execute virulent and dangerous malware and spyware activities on user devices” and concluded, “Temu misled people about how it uses their data.”

The second class-action lawsuit, *Hu v. Temu*, filed in New York state in September 2023, accuses Temu of collecting customers’ private information and not keeping it secure. The lawsuit alleges that Temu “grossly failed to comply with security standards and allowed its customers’ financial information to be compromised, all in an effort to save money by cutting corners on security measures that could have prevented or mitigated the Breach.” The complaint also notes many customers reporting to the Better Business Bureau about their credit card and bank information being sold or leaked after using those accounts on Temu. Furthermore, in March 2023, Google suspended the Play version of Pinduoduo app “for security concerns, after malware issues were found on version of the Chinese e-commerce app” in March 2023. Based on this, we should all echo the concerns of Kim Komando of *The Kim Komando Show*¹² about the Temu app: “[C]onsidering its ties to Communist China, the permissions seem even more frightening to me.”¹³

I respectfully request that you use the appropriate authorities of the Commission to force PDD to disclose the risks associated with its unscrupulous practices via its subsidiaries’ operations in the United States and consider the appropriate referrals to other federal stakeholders.

Given PDD’s track record above, the Commission should consider:

1. questioning Temu about its financial benefits from the CCP to subsidize its marketing efforts in the United States;
2. questioning Temu’s data security practices and disclosures, and ability to secure customers’ data, based on its ties to the CCP, the location of where Temu stores its

⁹ <https://investor.pddholdings.com/static-files/2b25c53d-f33e-4aa7-a219-3bef4c30799b>

¹⁰ <https://www.today.com/video/temu-faces-2-class-action-lawsuits-over-data-privacy-concerns-205174341972>

¹¹ <https://www.cbsnews.com/chicago/news/temu-class-action-lawsuit-illinois-data-privacy-concerns/>

¹² https://en.wikipedia.org/wiki/Kim_Komando

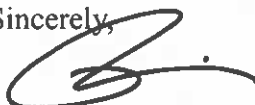
¹³ <https://www.usatoday.com/story/tech/columnist/komando/2023/04/20/delete-temu-app-cybersecurity-expert-advice/11667796002/>

customers data (which is most likely outside the United States), and need to comply with China's National Intelligence Law since PDD's main corporate structure operates inside the Peoples Republic of China;

3. questioning Temu's business nexus with the Xinjiang Uyghur Autonomous Region, given its close ties to the CCP and self-admission that it "does not expressly prohibit third-party sellers from selling products based on their origin in the Xinjiang Autonomous Region"¹⁴, and refer any relevant information to the U.S. Department of Homeland Security to determine if it is in violation of Public Law 117-78, the Uyghur Forced Labor Prevention Act;
4. question how Temu benefits from CCP subsidies to PDD and allows for Temu to offer price points so far below other market offerings in an effort to entice American consumers to "shop like a billionaire"; and
5. refer any relevant information to the U.S. Securities and Exchange Commission, so they can take appropriate action against PDD for not disclosing these or other associated risks and lacking transparency in its annual report to its shareholders.

Please reply to this request no later than 5:00 pm EDT by April 19, 2024. We appreciate your cooperation in this matter.

Sincerely,



Brian Mast
Member of Congress

Cc:

The Hon. Alejandro Mayorkas
Secretary
U.S. Department of Homeland Security
245 Murray Lane, SW
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The Hon. Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
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The Hon. John Moolenaar (R-MI-2)
Chair
The Select Committee on the Chinese Communist Party
2138 Rayburn House Office Building
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¹⁴ <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/fast-fashion-and-the-uyghur-genocide-interim-findings.pdf>

The Hon. Raja Krishnamoorthi (D-IL-8)
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