CASE STUDY FOR CONGRESS

BlackRock & MSCI

How Wall Street's Offshore Companies Fund the CCP & PLA

APRIL 2024

COALITION for a PROSPEROUS AMERICA

EXECUTIVE SUMMARY

Wall Street and the CCP are Now Business Partners

The Coalition for a Prosperous America (CPA) produced this case study to alert the United States Congress that the interests of Wall Street and the Chinese Communist Party (CCP) are rapidly converging. Leading financial services firms in the U.S. have partnered with state-controlled banks in the People's Republic of China (PRC). These firms are already using China's banking network to sell their investment products and services to mainland customers. The PRC benefits from additional capital flows to its stock exchanges while Wall Street earns fees from China's multi-trillion-dollar asset management market. This symbiotic relationship helps to explain why America's largest asset managers adamantly refuse to divest from known Chinese military companies and human rights violators despite the innate fiduciary risks.

Wall Street-CCP joint ventures put the United States at risk by giving Beijing leverage over American firms with disproportionate economic and political influence within the public policy process. This asymmetric leverage could further weaken the U.S. government's ability to act decisively in the interest of the American people when it matters most. Congress should take bold measures to stop the financial services industry's convergence with our foremost adversary. Toward this end, CPA policy recommendations include the divestment from China "A-share" stocks listed on mainland exchanges, a ban on outbound investment in sanctioned military companies and human rights violators, and legal restrictions on joint ventures between systematically important U.S. institutions and China's state-owned banks.

BlackRock and index provider MSCI represent one side of the Wall Street-Beijing merger. The U.S. House of Representatives is investigating their financing of sanctioned Chinese firms through domestic fund companies. CPA now examines the overseas dealings between the world's largest asset manager and the People's Republic of China to help Congress achieve comprehensive reforms on behalf of the American people.

CPA Findings

1. **BlackRock is funding Chinese military companies:** BlackRock invests in about 30 subsidiaries of Chinese Military-Industrial Complex (CMIC) companies presently under Treasury Department sanctions. In addition, BlackRock funds domiciled in foreign countries hold 14 CMIC companies that United States persons may not legally buy or sell. BlackRock products contain many of the same companies found inside exchange-traded funds (ETF) that invest exclusively in Chinese defense and aerospace stocks.

2. **BlackRock is funding companies in China's nuclear weapons complex:** BlackRock says it excludes companies involved in the production of nuclear weapons and related delivery systems pursuant to its "environmental, social, governance" (ESG) standards. The reality is that BlackRock holds stock in Chinese companies pursuing an aggressive buildup of nuclear warheads meant to hold United States territory at risk.

3. **BlackRock owns companies involved in China's campaign of oppression against the Uyghurs:** BlackRock has more than $50 million invested across four companies sanctioned under the bipartisan Uyghur Forced Labor Prevention Act (UFLPA). These investments undermine congressional intent to stop the systematic abuse and genocide of ethnic minorities in Xinjiang Province.

4. **The CCP has a top-down plan to reallocate capital to its strategic priorities:** President Xi Jinping has announced a "new whole-nation system" plan to manipulate capital markets for the benefit of companies that are driving China's technological development.

5. **The PRC is redirecting U.S. capital through ETFs:** BlackRock and other U.S. asset managers have issued funds that track indexes provided by China Securities Index Company (CSI). CSI is a CCP enterprise that steers capital toward companies of strategic value to the PLA.

6. **BlackRock and the PRC are now business partners:** Beijing approved an unprecedented joint venture that makes BlackRock a de facto partner of the CCP. The BlackRock-China Construction Bank (CCB) partnership proves that Wall Street and CCP interests are converging.

Research Method

All findings in this report are based on publicly available information. CPA compared the holdings of BlackRock fund companies with the Treasury Department's Consolidated Sanctions List and the Commerce Department's Consolidated Screening List.[1] The U.S. government regularly updates these online databases with notices in the Federal Register. In addition, CPA referenced the Defense Department's list of Chinese Military Companies Operating in the United States and the State Department's legacy fact sheet on Chinese Military Companies.[2]

[1] The Bureau of Industry and Security of the U.S. Department of Commerce is responsible for regulating the export of most "dual-use" items that have both commercial and military or proliferation applications.
[2] U.S. Department of State, "Communist Chinese Military Companies Listed Under E.O. 13959 Have More Than 1,100 Subsidiaries," January 14, 2021, available at https://2017-2021.state.gov/communist-chinese-military-companies-listed-under-e-o-13959-have-more-than-1100-subsidiaries/index.html.

CPA Compared BlackRock Holdings Against U.S. Sanctions Lists

- **U.S. Department of Treasury Consolidated Sanctions List**
  - **Non-SDN (Specially Designated Nationals) Chinese Military-Industrial Complex Companies List**
    Companies working to advance the military power of the PRC.
- **U.S. Department of Commerce Consolidated Screening List**
  - **Entity List**
    Companies that are engaged in weapons of mass destruction programs, sanctioned by the State Department, or involved in activities contrary to U.S. national security and/or foreign policy interests.
  - **Military End-User List**
    Companies that represent an unacceptable risk of military use in China, Russia, or Venezuela.
  - **Unverified List**
    Companies whose bona fides have not been verified by the Bureau of Industry and Security.
- **U.S. Department of Defense**
  - **Chinese Military Companies Operating in the United States**
    Congressionally-mandated list of PLA-controlled entities active inside the U.S.
- **U.S. Department of Homeland Security**
  - **Uyghur Forced Labor Prevention Act Entity List**
    Lists of companies using or enabling forced labor in the Xinjiang Uyghur Autonomous Region of Western China.

CPA also examined Shanghai-listed index funds that invest exclusively in China's defense and aerospace industry to compare their holdings with those of BlackRock. These thematic ETFs offer insights into a company's position within the Chinese military-industrial complex. Factual statements are supported by open-source materials, such as financial data, company releases, and government reports.

The Wall Street-CCP Merger

In the first part of this series of reports on U.S. asset managers and their associated index providers, CPA revealed how The Vanguard Group funds the Chinese Communist Party and People's Liberation Army with capital from tens of millions of American retail investors. The magnitude of Vanguard's investments in Chinese military companies through more than two-thousand A-shares holdings had previously been unexamined.

CPA now steps outside the United States to examine the offshore activities of BlackRock, a multinational corporation with $10 trillion in assets under management (AUM) and business interests spanning five continents.[3] Foreign affiliates of the BlackRock empire appear to operate under different rules than the parent company in New York. For instance, BlackRock's subsidiary in Hong Kong – now a special administrative region of the PRC – holds stock in 14 Chinese Military-Industrial Complex companies that U.S. investors are prohibited from trading.[4]

Double standards also exist in BlackRock's ESG agenda. BlackRock states that social issues cover human capital management and impacts on the communities in which a company operates, yet it ignores forced labor and genocide in northwestern China by funding business entities sanctioned under the Uyghur Forced Labor Prevention Act.[5] BlackRock's indifference to these troubling investments has an apparent profit motive: access to mainland China's asset management market.

The purpose of this investigative series is to expose Wall Street's convergence with the Chinese Communist Party. The Coalition for a Prosperous America is not accusing any U.S. corporation of illegal activity. CPA instead reasons that BlackRock's partnership with the CCP reflects a set of business ethics that undermines U.S. national security and human rights interests with the capital of unsuspecting investors. The extent of BlackRock's business dealings inside the PRC – an authoritarian regime hostile to the United States – also points to a collapse of moral values at the highest levels of corporate America. Durable legislative solutions and other reforms are required to reverse these trends.

A-Shares: A Critical National Security Concern

This report gives special attention to China A-shares, equities traded in local currency on the Shanghai and Shenzhen stock exchanges. Most U.S. investments in Chinese stocks are still made with H-shares traded in Hong Kong or through securities listed on Western exchanges, but asset managers have steadily shifted investor exposure to A-shares in recent years. Attracting foreign money to companies on mainland stock exchanges is a priority for Beijing because it cannot yet rely on domestic sources of capital. Unlike in Western economies, where institutional capital stabilizes markets, most stockholders in China are retail investors prone to panic selling.

Foreign investment is critical to capital formation in China. The China A-shares market has been supercharged by a "Stock Connect" scheme that channels outside capital to the mainland via the Hong Kong Stock Exchange. Since the Stock Connect opening in 2014, the allocation of global funds to Chinese equities has grown from an estimated $400 billion to roughly $1 trillion today.[6] This infusion has benefited the CCP and PLA by supporting the equity valuations of their state-controlled businesses.

The Chinese Communist Party is mobilizing capital markets in pursuit of greater military strength. General Secretary Xi Jinping has initiated a "new whole-nation system" that uses "market mechanisms" to

[3] BlackRock reported $10 trillion in assets under management as of December 31, 2023. BlackRock, "Q4 2023 Earnings: Earnings Release Supplement," January 12, 2024.
[4] Non-SDN Chinese Military-Industrial Complex Companies List is a publication by the Department of Treasury's Office of Foreign Assets Control.
[5] BlackRock, "BlackRock ESG Integration Statement," Revised March 2023, p. 2, available at https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf.
[6] Sayad Baronyan, "Comfort with China exceeds $1 trillion," EPFR, January 30, 2023.

reallocate capital in support of major scientific and technological innovations.[7] This means that the CCP will manipulate Chinese capital markets – including stock exchanges and initial public offerings – to put government priorities ahead of shareholder value. One such priority is modernizing the Chinese military in preparation for a potential conflict with the United States.

BlackRock is a Global Power

Thirty-five years after its founding in 1988, BlackRock may be one of the most powerful companies in history. A market capitalization of $120 billion places BlackRock around number seventy-five in the Fortune 500 list of American companies, behind competitors such as Morgan Stanley and Goldman Sachs, but this measurement tells only part of the story. Ten trillion dollars in assets under management give BlackRock influence over thousands of companies worldwide. Most of this influence comes from the proxy voting rights of its passive index funds registered around the world.

MSCI is a Leading Indexer

BlackRock's main index-provider is MSCI, a publicly traded company with over $15 trillion in assets under benchmark. Asset managers pay MSCI a license fee to track its indexes with pooled investment products, such as mutual funds and ETFs. Index business generates the majority of MSCI's annual revenue, $2 billion of which comes from BlackRock. The index provider has disclosed an 11% revenue dependency on BlackRock, which is also the number two shareholder of MSCI stock.[8]

As MSCI's most important customer and second largest shareholder, BlackRock could demand the exclusion of Chinese military companies and human rights violators from its indexes. Instead, BlackRock fails to acknowledge that its exposure to U.S.-sanctioned entities is a problem, claiming that it "complies with all applicable U.S. government laws."[9] BlackRock and MSCI push ESG – an agenda of their own making – yet they willfully undermine congressional intent to protect defenseless Uyghurs by investing in companies involved in the ongoing oppression.

BlackRock's Offshore Subsidiaries Hold Stock in Sanctioned Companies

BlackRock offers investment products through foreign subsidiaries that have not been required to comply with U.S. sanctions law. BlackRock Asset Management North Asia Limited (BAMNAL) is the investment management arm of its holding company in Hong Kong. On mainland China, the firm is represented by BlackRock Fund Management Company, a wholly owned mutual fund business headquartered in Shanghai. These subsidiaries together own stock in 14 companies on the Treasury Department's Chinese Military-Industrial Complex List that U.S. individuals and corporations are not permitted to trade. Presidential Executive Order 13959 – as amended by the Biden Administration in June 2021 – does not ban non-U.S. investment funds from buying or selling CMICs, but it does prohibit the purchase or sale of these securities for the ultimate benefit of a United States person.[10]

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[7] Hudson Lockett and Cheng Leng, "How Xi Jinping is taking control of China's stock market," *The Financial Times*, September 22, 2023.

[8] FactSet, MSCI Inc. Class A (MSCI), January 2023; MSCI, "Third Quarter 2023 Earnings Presentation," October 31, 2023.

[9] "BlackRock, MSCI draw scrutiny from US House Committee on China," *Reuters*, August 1, 2023.

[10] Executive Order 14032 expanded the scope of the national emergency declared in Executive Order 13959 by the Trump Administration. U.S. Department of the Treasury, Office of Foreign Assets Control, "Frequently Asked Questions (861 & 902)," June 2021, available at https://ofac.treasury.gov/faqs/861 and https://ofac.treasury.gov/faqs/902.

BlackRock's largest CMIC holding is Semiconductor Manufacturing International Corporation (SMIC), labelled a Chinese Military Company by the Pentagon in 2020.[11] The Commerce Department barred SMIC from accessing advanced U.S. technology based on national security concerns, but this fact has not stopped BlackRock's offshore fund companies from investing more than $50 million in its stock. BlackRock also owns $46 million of stock in China Communications Construction Company, and another $23 million in China Mobile, two CMICs deeply involved in PRC intelligence operations.[12] In 2022, the Federal Communications Commission expelled China Mobile from the United States on national security grounds, disallowing U.S. individuals and businesses from using its services.[13]

BlackRock's offshore funds have about $130 million invested across 14 Chinese Military-Industrial Complex companies listed on the Hong Kong, Shanghai, and Shenzhen stock exchanges – equity positions that would be illegal if held in the United States.[14] The chart below summarizes these investments in known Chinese military companies and their affiliates.[15]

BlackRock Offshore Holdings in Chinese Military Companies

Sanctioning Program or Designation	Managing Department	Number of Companies Held by BlackRock Foreign Fund Companies
Chinese Military-Industrial Complex Company (illegal to own in U.S.)	Treasury	14
Parent or Subsidiary of Chinese Military Industrial-Complex Company	N/A	29
Chinese Military Company Operating in the United States	Defense	21
Parent or Subsidiary of Chinese Military Company Operating in the United States	N/A	61
Military-End User or Entity List Company	Commerce	18

Red block indicates that the company is illegal to trade in the United States.
Source: FactSet

[11] U.S. Department of Defense, "DOD Releases List of People's Republic of China (PRC) Military Companies in Accordance With Section 1260H of the National Defense Authorization Act for Fiscal Year 2021," January 31, 2024; Code of Federal Regulations, Supplement No. 4 to Part 744, Title 15, accessed on March 3, 2024; FactSet.
[12] Holdings as of the last available reporting period. Source: FactSet.
[13] Federal Communications Commission, "Information and Resources: China Telecom (Americas) Can No Longer Provide Mobile Service in the United States," November 12, 2021.
[14] The 14 CMICs owned by BlackRock foreign subsidiaries as of the last available reporting period include: AVIC Jonhon Optronic Technology Co., Ltd.; AVIC Shenyang Aircraft Co., Ltd.; AVIC Xi'an Aircraft Industry Group Co., Ltd.; China Communications Construction Co., Ltd.; China Unicom (Hong Kong) Ltd.; China Telecom Corp. Ltd.; China Mobile Ltd.; China Railway Construction Corp. Ltd.; China Satellite Communications Co. Ltd; China Shipbuilding Industry Co., Ltd.; CNOOC Ltd.; Dawning Information Industry Co., Ltd.; Hangzhou Hikvision Digital Technology Co., Ltd.; and Semiconductor Manufacturing International Corp. Sources: FactSet; Ibid, U.S. Department of State.
[15] This category includes the Non-SDN Chinese Military-Industrial Complex Companies List, Entity List, Military End-User List, the Chinese Military Companies Operating in the United States report, and affiliates. Source: FactSet, as of January 31, 2024.

BlackRock funds AVIC companies central to the modernization program of the PLA Air Force.

Aviation Industry Corporation of China (AVIC) is the largest defense contractor in China, with over $30 billion in defense revenue from fighters, bombers, helicopters, unmanned aerial vehicles, and other airborne weapon systems. Worldwide, AVIC ranks approximately fourth in defense revenues, ahead of even Boeing and General Dynamics.[16] AVIC is currently developing advanced fighters like the Chengdu J-20, a stealth jet designed with technology stolen from the U.S. Joint Strike Fighter Program, and the Shenyang FC-31, a naval version of which may be used on China's aircraft carriers.[17] BlackRock holds four other subsidiaries for a total investment of about $36 million in AVIC, whose aircraft would be on the frontline of a regional conflict with the United States.[18]

[16] "Top 100 Defense Companies," Defense News, 2023, available at https://people.defensenews.com/top-100/.
[17] Bill Gertz, "NSA Details Chinese Cyber Theft of F-35, Military Secrets," *The Washington Free Beacon*, January 22, 2015; Siobhan Gorman, August Cole, and Yochi Dreazen, "Computer Spies Breach Fighter-Jet Project," *The Wall Street Journal*, April 21, 2009; U.S. Department of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China," 2023, p. 62.
[18] As of January 31, 2024, BAMNAL owned approximately $36 million of stock across AVIC Jonhon Optronic Technology Company, AVIC Shenyang Aircraft Company, AVIC Xi'An Aircraft Industry Group Company, AVIC Industry-Finance Holdings Company, AVIC Helicopter Company (Avicopter), Shennan Circuits Company, and Tianma Microelectronics Company. Sources: FactSet; Ibid, U.S. Department of State.

BlackRock funds companies building aircraft carriers, surface warships, and nuclear-armed ballistic missile submarines for the PLA Navy.

China Shipbuilding Industry Company (CSIC) is the PLA Navy's main supplier of warships. Initially formed by the PRC government in 1999, CSIC was reconstituted five years ago by a merger with China State Shipbuilding Corporation (CSSC), creating the world's largest shipbuilder. CSIC and its subsidiaries design and manufacture combatants ranging from aircraft carriers to submarines and their affiliated weapons systems. BlackRock holds stock in two CSIC subsidiaries, including China CSSC Holdings, owner-operator of the shipyard that is building new aircraft carriers for the PLA Navy. BlackRock has more than $50 million total invested in CSIC affiliates across 30 different foreign and domestic funds.[19]

CSIC subsidiary Bohai Shipyard Heavy Industry Company built the six JIN-class ballistic missile submarines that represent what the Pentagon calls "the PRC's first credible sea-based nuclear deterrent."[20] The JIN-class boats are armed with the JL-2 submarine-launched ballistic missile (SLBM) capable of delivering nuclear warheads about 4,000 miles. Bohai Shipyard is reportedly building the PLA Navy's next generation of ballistic missile submarines with a longer-range SLBM and multiple independently targeted reentry vehicles that allow a single warhead to strike different targets.[21]

[19] As of January 31, 2024, BlackRock owned approximately $51 million of stock across China Shipbuilding Industry Company, China CSSC Holdings Limited, and CSSC Science & Technology Company. Sources: FactSet; Ibid, U.S. Department of State.
[20] Ibid, DOD, p. 55.
[21] Ibid, DOD, p. 55.

In addition to spearheading the PLA Navy's modernization program, CSIC is intimately involved in Beijing's aggressive buildup across the South China Sea. Chinese military outposts on the Spratly Islands now support advanced weapons, including anti-ship and anti-aircraft missile systems capable of holding U.S. naval assets at risk, according to the Commander of U.S. Indo-Pacific Command.[22] In December 2020, the Commerce Department placed 25 subsidiaries of CSIC onto the Entity List for helping the PRC assert its unlawful maritime claims in the South China Sea.[23]

BlackRock owns 18 Chinese companies on the Military End-User or Entity List. These export control lists create a presumption that the companies will be denied access to certain U.S. technologies and equipment that may be diverted to military use or other harmful purposes. BlackRock's fund companies own two affiliated MEU End-Users: AECC Aero Engine Control and AECC Aviation Power. Parent company Aero Engine Corporation of China (AECC) is a Chinese Military-Industrial Complex Company that supports most of the PLA's fixed-wing aircraft programs. AECC Aero Engine Control and AECC Aviation Power cannot access advanced U.S. technology and equipment due to national security concerns, yet BlackRock funds hold more than $30 million of their stock.[24]

China's Military-Themed ETFs

BlackRock knows that it owns shares of companies that effectively work for the PLA, but if there was any question, it could call its business associate China Securities Index for clarification. A leading provider of indexes to global asset managers – including BlackRock – CSI has developed lists of companies involved in China's defense and aerospace industry.

Chinese asset managers have gone to market with about ten ETFs based on CSI's military-themed indexes. Most of the funds track the "CSI National Defense Industry Index," a basket of more than one-hundred PLA contractors. Others are based on the "CSI Military Top Index," a smaller benchmark of China's most prominent publicly traded defense firms. Over 80% of each index is comprised of companies from the electronic technology and producer manufacturing sectors, the heart of the Chinese military-industrial complex.

BlackRock funds own 29 companies held inside China's military-themed ETFs. The chart below lists just half of the BlackRock holdings that are common to the CSI National Defense Index. All but one is a subsidiary of a CMIC company identified by the U.S. government. BlackRock could easily exclude these companies but chooses not to act.

[22] Ibid, DOD, p. 124; Jim Gomez and Aaron Favila, "AP Exclusive: US admiral says China fully militarized isles," *Associated Press*, March 21, 2022.
[23] Federal Register, "Addition of Entities to the Entity List, Revision of Entry on the Entity List, and Removal of Entities from the Entity List," Document No. 2020-28031, December 18, 2020.
[24] As of January 31, 2024, BlackRock owned about $28 million in AECC Aviation Power Co., Ltd. and $2 million in AECC Aero-engine Control Co., Ltd. Source: FactSet.

BlackRock and China's National Defense Index Have Similar Holdings

Name and Ticker	Chinese Military-Themed Index that Owns the Company	Status of Covered Company	Type of BlackRock Fund that Owns the Company
Addsino Co Ltd (000547)	- CSI National Defense Industry Index - CSI Military Top Index	CMIC Subsidiary (Parent is China Aerospace Science & Industry Corporation)	- Foreign Subsidiary Holding
AECC Aero Engine Control (AVIC) (000738)	- CSI National Defense Industry Index - CSI Military Top Index	***MEU List - Bureau of Industry and Security*** CMIC Subsidiary (Parent is Aviation Industry Corporation of China)	- U.S. Subsidiary Holding Foreign Subsidiary Holding
AECC Aviation Power (AVIC) Co. Ltd. (600893)	- CSI National Defense Industry Index - CSI Military Top Index	***MEU List - Bureau of Industry and Security*** CMIC Subsidiary (Parent is Aviation Industry Corporation of China)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
AVIC Jonhon Optronic Technology Co (002179)	**- CSI National Defense Industry Index** **- CSI Military Top Index**	**Non-SDN Chinese Military-Industrial Complex Companies List - Treasury Department**	**- Foreign Subsidiary Holding**
AVIC Shenyang Aircraft Co. Ltd. (60076)	**- CSI National Defense Industry Index** **- CSI Military Top Index**	**Non-SDN Chinese Military-Industrial Complex Companies List - Treasury Department**	**- Foreign Subsidiary Holding**
AVIC Xi'An Aircraft Industry Group Co. Ltd. (000768)	**- CSI National Defense Industry Index** **- CSI Military Top Index**	**Non-SDN Chinese Military-Industrial Complex Companies List - Treasury Department**	**- Foreign Subsidiary Holding**
Avicopter Plc. (600038)	- CSI National Defense Industry Index - CSI Military Top Index	CMIC Subsidiary (Parent is Aviation Industry Corporation of China)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
CETC Cyberspace Security Technology Co. Ltd. (002268)	- CSI National Defense Industry Index	CMIC Subsidiary (Parent is China Electronics Technology Group Corporation)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
China CSSC Holdings Ltd. (600150)	- CSI National Defense Industry Index	CMIC Subsidiary (Parent is China State Shipbuilding Corporation)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
China Greatwall Technology Group Co. Ltd. (000066)	- CSI National Defense Industry Index	CMIC Subsidiary (Parent is China Electronics Corporation)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
China Satellite Communications Co. Ltd. (601698)	**- CSI National Defense Industry Index**	**Non-SDN Chinese Military-Industrial Complex Companies List - Treasury Department**	**- Foreign Subsidiary Holding**
China Shipbuilding Industry Company Ltd. (601989)	**- CSI National Defense Industry Index**	**Non-SDN Chinese Military-Industrial Complex Companies List - Treasury Department**	**- Foreign Subsidiary Holding**
China Zhenhua Group Science & Technology Co. Ltd. (000733)	- CSI National Defense Industry Index - CSI Military Top Index	CMIC Subsidiary and Section 1260H Subsidiary (Parent is China Electronics Corporation)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
Guangzhou Haige Communications Group Incorporated Co. (002465)	- CSI National Defense Industry Index - CSI Military Top Index	***Entity List - Bureau of Industry and Security***	- U.S. Subsidiary Holding - Foreign Subsidiary Holding
North Industries Group Red Arrow Co. Ltd. (000519)	- CSI National Defense Industry Index - CSI Military Top Index	CMIC Subsidiary and Section 1260H Subsidiary (Parent is Norinco Group)	- U.S. Subsidiary Holding - Foreign Subsidiary Holding

Bold Red = U.S. persons may not buy or sell the company
Bold Black Italics = Company restricted from accessing advanced U.S. technology
Source: FactSet

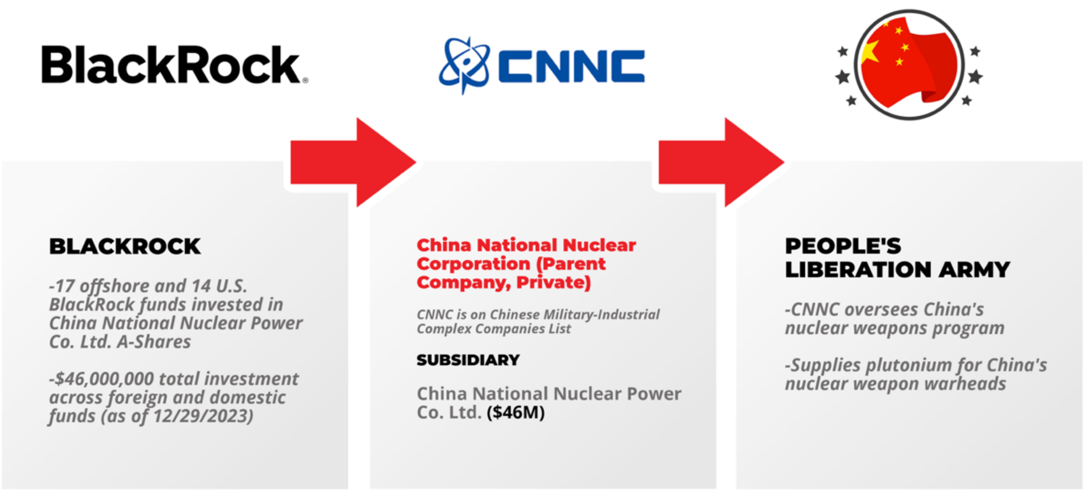
Most companies in China's military-themed index funds are not subject to U.S. capital and technology controls. These uncovered companies may have avoided Commerce Department scrutiny because the U.S. export control system does not yet recognize their role in the PLA supply chain. In the view of CPA, however, all or most of the companies on the CSI National Defense Industry Index should be on the Military-End User List with a presumption of denial.

BlackRock and China's Nuclear Weapons Buildup

The Defense Department has warned Congress that the PLA is rapidly expanding its strategic arsenal at the expense of U.S. national security. BlackRock funds hold stock in two companies that are integral to China's nuclear weapons program. These holdings contradict BlackRock's public assertion that 0.00% of companies in its flagship emerging markets fund are involved in the manufacture of nuclear weapons and their delivery systems.[25]

China National Nuclear Power (CNNP) is critical to the PLA's drive to expand its nuclear weapons stockpile. CNNP is currently building fast breeder reactors that can generate excess plutonium used to manufacture nuclear warheads.[26] Parent company China National Nuclear Corporation is a state-owned enterprise that has overseen all areas of Beijing's civilian and military nuclear programs since the 1950s. BlackRock funds have $46 million invested in CNNP.[27]

CGN Power is another linchpin of China's nuclear weapons program. The U.S. Nuclear Regulatory Commission specifically blocked CGN Power from accessing all radioactive materials and deuterium, a hydrogen isotope used to boost nuclear weapons.[28] Parent China General Nuclear Power Group is a military-controlled company sanctioned in 2019 for trying to steal nuclear technology and materials from the United States.[29] BlackRock funds have $142 million invested in CGN Power.[30]



[25] iShares MSCI Emerging Markets ETF claims 0.00% percentage sum of issuers within the fund that have been identified by MSCI ESG research as manufacturing nuclear weapons, including nuclear warheads, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warheads. BlackRock, "iShares MSCI Emerging Markets ETF," available at https://www.blackrock.com/us/individual/products/239637/ishares-msci-emerging-markets-etf.

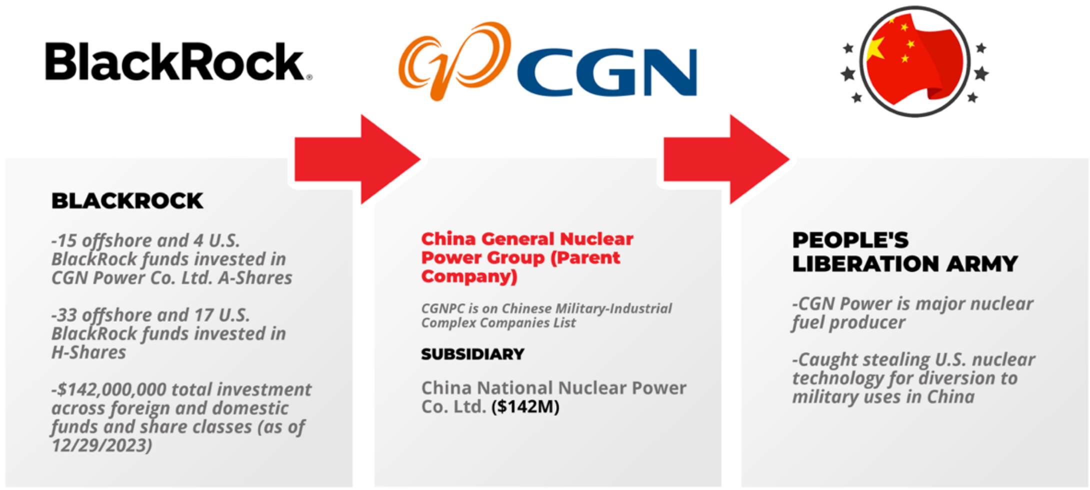
[26] World Nuclear Association, "Nuclear Power in China," Updated February 2024, available at https://www.world-nuclear.org/information-library/country-profiles/countries-a-f/china-nuclear-power.aspx; Prachi Patel, "China's New Breeder Reactors May Produce More Than Just Watts," IEEE Spectrum, December 28, 2022.

[27] Source: FactSet, as of January 31, 2024.

[28] Federal Register, "Order Suspending General License Authority To Export Radioactive Material and Deuterium to China General Nuclear (CGN), CGN Subsidiaries, or Related Entities," Document No. 2021-21342, October 1, 2021.

[29] Federal Register, "Addition of Certain Entities to the Entity List, Revision of Entries on the Entity List, and Removal of Entities From the Entity List," Document No. 2019-17409, August 14, 2019.

[30] Source: FactSet, as of January 31, 2024.



Source: FactSet, as of last available reporting period.

U.S. national security is threatened by the work of defense contractors CNNC and CGNPC, yet their subsidiaries have unfettered access to American capital, even as the Defense Department warns Congress about China's aggressive nuclear weapons buildup. The PRC is actively improving its nuclear triad of land-, sea-, and air-based strategic forces that can target the continental United States. China's forthcoming nuclear-armed submarines could prove more difficult to counter than manned bombers and land-based missiles.

BlackRock Investments in Corporate Human Rights Violators

BlackRock presents itself as a supporter of human rights and ESG standards, yet it has nearly $50 million invested in companies on the Uyghur Forced Labor Prevention Act Entity List.[31] The blacklist is produced by the Forced Labor Enforcement Task Force, an interagency body that requires a high level of evidence before sanctioning a company. Companies found in violation of the UFLPA are prohibited from exporting goods to the United States. These same companies, however, are not denied U.S. investor dollars from BlackRock funds.

UFLPA Entity & Date Added to List	BlackRock Domestic Funds	BlackRock Foreign Funds	Total Amount Invested
Hoshine Silicon Industry Co., Ltd. (603260) – June 21, 2022	8	13	$11,000,000
Xinjiang Daqo New Energy Co., Ltd. (688303) – June 21, 2022	15	17	$25,000,000
Ninestar Corp. (002180) – June 12, 2023	11	17	$10,000,000
Xinjiang Zhongtai Chemical Co., Ltd. (002092) – June 12, 2023	0	1	$120,000
Total	34	48	$46,120,000

[31] Source: FactSet, as of January 31, 2024.

Zhejiang Dahua Technology: The Eyes of the Uyghur Genocide

BlackRock also has $22 million invested in Zhejiang Dahua Technology Company ("Dahua") across 30 non-U.S. portfolios.[32] Before the UFLPA entered into law, the Commerce Department added Dahua and 27 other Chinese companies to the Entity List for "human rights violations and abuses in the implementation of China's campaign of repression, mass arbitrary detention, and high-technology surveillance against Uyghurs, Kazakhs, and other members of Muslim minority groups" in Xinjiang Province.[33] Dahua reportedly uses ethnic identification technology to alert police when Uyghurs are caught on camera.[34]

BlackRock funds Dahua, a surveillance technology company under U.S. sanctions for helping Beijing execute its genocidal campaign against minority groups detained in northwestern China.

Dahua's status as a corporate "bad actor" is not limited to human rights concerns. In 2022, the Federal Communications Commission banned Dahua surveillance equipment over national security threats, while the Commerce Department slapped additional export controls on the company due to its contribution of advanced technology to the Military-Civil Fusion scheme that officially links Chinese companies to the PLA's modernization program.[35]

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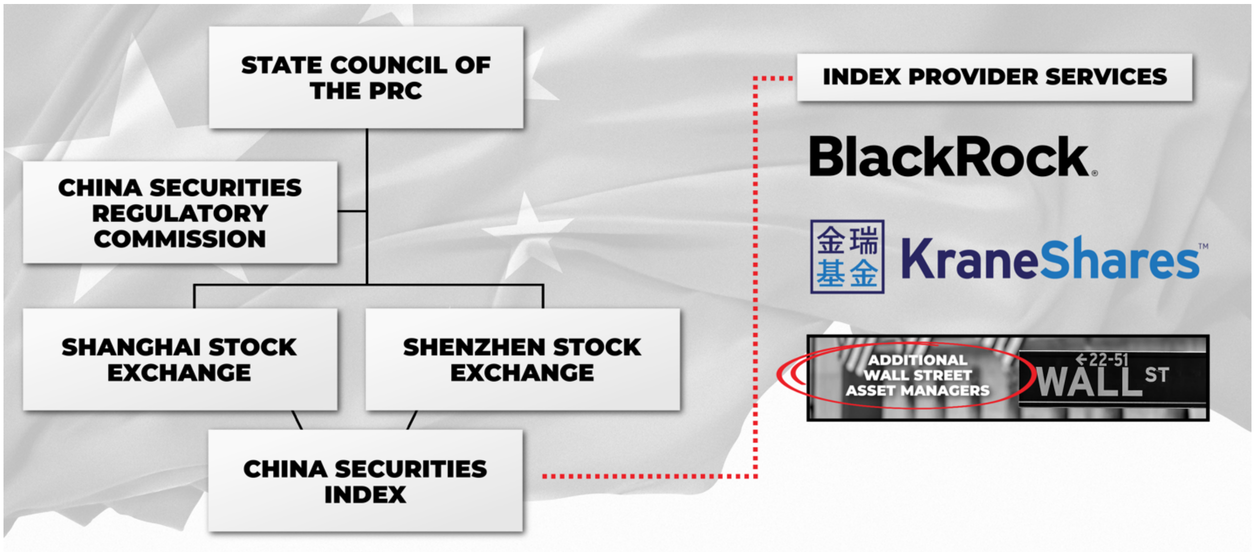
[32] Source: FactSet, as of January 31, 2024.
[33] Federal Register, "Addition of Certain Entities to the Entity List," Document No. 2019-22210, October 9, 2019.
[34] Joshua Bhuiyan, "Major camera company can sort people by race, alert police when it spots Uighurs," *The Los Angeles Times,* February 9, 2001.
[35] Federal Communications Commission, "Public Notice: Public Safety and Homeland Security Bureau Announces Additions to the List of Equipment and Services Covered by Section 2 of the Secure Networks Act," September 20, 2022; Federal Register, "Implementation of Additional Export Controls: Certain Advanced Computing and Semiconductor Manufacturing Items; Supercomputer and Semiconductor End Use; Entity List Modification," Document No. 2022-21658, October 7, 2022.

BlackRock rejects a universal human rights standard for all companies. BlackRock says its positions on human rights apply to *its own company*, but not necessarily to those in which the firm might invest. An official corporate statement on human rights downplayed expectations that BlackRock would stand up for the Uyghurs or any other group the CCP persecutes. "No single governance model or approach is universally appropriate for how companies address human rights issues in their business models," BlackRock asserted, rejecting a common moral standard for the treatment of human beings.[36]

The CCP's Index Provider

CSI is the product of a joint venture between the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Unlike in the United States, where private companies own the national trading floors, China's stock exchanges are an extension of the CCP. The Shanghai Stock Exchange proudly defines itself as "an undertaking established by the Party and an important platform for the Party to lead the financial industry" of the PRC.[37] As the PRC's main index provider, CSI helps Beijing control where capital is allocated.

Beijing controls its stock markets through the China Securities Regulatory Commission (CSRC). The CSRC itself answers to the State Council of the People's Republic of China, the supreme level of government by which the CCP exercises power. In other words, CSI reports to the Chinese central government. The organizational chart below shows the relationship between the State Council and CSI – and the index services it provides to companies like BlackRock and KraneShares.



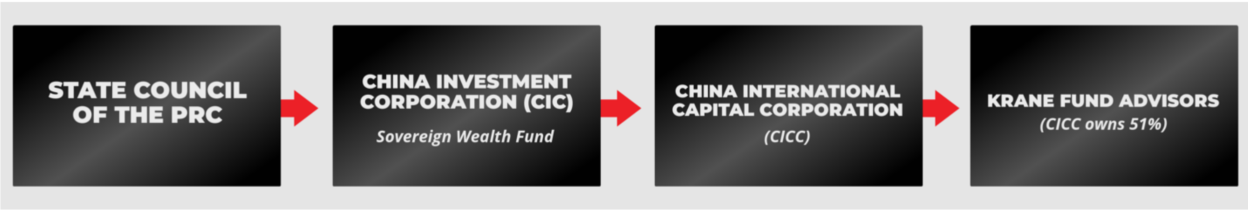
U.S. Funds Use Indexes Controlled by Beijing

MSCI is not BlackRock's only index-provider. BlackRock has used CSI for its offshore A-shares fund since it launched on the Hong Kong Stock Exchange in 2009. The iShares Core CSI 300 ETF tracks the performance of the three-hundred largest companies listed on the Shanghai and Shenzhen exchanges. Available to foreign

[36] BlackRock, "Our approach to engagement on corporate human rights risk," 2023, available at https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-human-rights.pdf.
[37] Shanghai Stock Exchange, "Party building leads," available at http://www.sse.com.cn/cpc/overview/.

investors through the Hong Kong Stock Connect, the ETF lets international investors move in and out of China's A-shares market with ease, creating trading volume that helps the mainland market operate smoothly.

CSI provides indexes to several other asset managers operating in the United States, including KraneShares, a $7 billion family of funds controlled by the PRC. Fifty-one percent of Krane Fund Advisors is owned by China International Capital Corporation (CICC), a multinational financial services company headquartered in Beijing.[38] CICC is itself controlled by China Investment Corporation (CIC), a sovereign wealth fund that is wholly owned and accountable to the State Council of the PRC. In other words, KraneShares and index provider CSI are state-owned enterprises that are channeling capital into the national security priorities of the CCP.



CSI Channels Money to China's Favored Companies

CSI's influence over investment funds in the United States should be a red flag for Congress. In a modern version of Maoist central planning, the Chinese government is using CSI indexes to steer capital into economic sectors that it deems strategically vital. Simply adjusting the weightings of key indexes allows Beijing to support equity valuations in militarily useful companies. Higher equity valuations make it easier for these companies to finance capital-intensive research and development for the ultimate benefit of the PLA.

On the first day of trading in 2024, Chinese stock exchanges launched the CSI A50, a new index designed to support Beijing's strategy for redirecting capital flows toward national priorities. The benchmark is designed to overweight advanced technologies, like semiconductor manufacturing, rather than allocate according to market capitalization size. Not every company in the index is problematic, but some are at the forefront of PLA modernization efforts. The CSI A50 index includes entities barred from advanced U.S. technology, like iFLYTEK, a well-known PLA contractor on the Commerce Department's Entity List.

> ***"Indexes are 'the baton' of money flows." – Shanghai Stock Exchange President describing how index funds serve China's technological goals.[39]***

China broadcasted its intention to redirect capital through index funds just weeks before the CSI A50 rollout. In November 2023, Shanghai Stock Exchange President Cai Jianchun – a former China Securities Regulatory Commission official – told an ETF forum that indexes are the "baton" of money flows, and that index investing must better serve the central government's goal of technological independence.[40] Six fund companies in China, including a wholly owned subsidiary of J.P. Morgan Asset Management, have already filed to launch ETFs that track the CSI A50 index.[41]

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[38] KraneShares, "Our Partners," available at https://kraneshares.com/our-partners/.
[39] Jason Xue and Tom Westbrook, "China sees an ETF boom as investors wait for stocks to trough," *Reuters*, November 28, 2023.
[40] Ibid, Xue and Westbrook.
[41] Fred Chan and Chloe Leung, "JPMorgan AM to join China 'fundraising war' for CSI A50 ETFs," *The Financial Times*, February 15, 2024.

China's A-Shares Market is a Military Technology Incubator

U.S. asset managers have supported China's stock markets by using A-shares indexes to set their fund allocations. The resulting investment vehicles provide liquidity to the Shanghai and Shenzhen stock exchanges, paving a path for foreign investors that require markets with enough trading volume to ensure efficient transactions. A larger A-shares market, where most of China's publicly-traded defense companies are listed, is not in the interest of the United States.

The China A-shares market is highly problematic for U.S. national security because it serves as a financial incubator for the PLA's next generation of publicly traded military companies. Each A-shares company is a "black box" exempt from generally accepted accounting principles and auditing standards at the expense of investor protection. A-shares are also resistant to business pressures that might encourage sound management practices. Beijing prevents a culture of corporate governance by limiting the number of voting rights a company may issue to outsiders and foreign investors. Beijing also has the power to restrict foreign capital *outflows* by halting its exchanges in the event of a market selloff. In essence, the China A-shares market acts like a financial sanctuary, where military-linked companies are shielded from economic realities.

The combination of China A-share ETFs and the Hong Kong Stock Connect is taking Chinese defense companies global. China's emerging defense firms are no longer un-investable companies that rely on funding from the central government. They have become part of a capitalization scheme that links the West and the People's Republic of China via Hong Kong. This means that institutional investors in the United States, Europe, Australia, and Japan are actively financing high-tech companies that represent the future of China's defense and aerospace industry.

Motive for the BlackRock and CCP Partnership

Understanding why BlackRock invests contrary to the national security and human rights interests of the United States requires a broader perspective of the firm's business dealings with the People's Republic of China. BlackRock has long served as an informal consultant to the PRC. In 2015, Chief Executive Officer Larry Fink travelled to China to advise government officials on how best to handle a crashing stock market, and the relationship has only grown since then.[42] In 2017, BlackRock helped Beijing tighten its control over dozens of companies listed on the Hong Kong Stock Exchange by voting for charter changes that require corporate boards to consult with the Chinese Communist Party.[43] The votes were controversial because BlackRock and other U.S. asset managers appeared to place CCP interests first.

BlackRock also took Beijing's side during U.S.-Sino trade negotiations in 2018. The PRC's top economic official, then Vice Premier Liu He, allegedly asked several Wall Street firms for help reaching a trade deal with the Trump Administration. In exchange, China would allow them to expand business operations in China. Liu's request reportedly occurred at a meeting of the Business Roundtable – a lobbyist association of chief executive officers – with Larry Fink, JPMorgan Chase CEO Jamie Dimon and David Solomon, now CEO of the Goldman Sachs Group, in attendance.[44] In January 2020, President Trump and Liu signed a phased trade deal that included a Chinese commitment to ease constraints on U.S. financial services firms operating in the PRC.[45]

Beijing has since showered Wall Street with approvals once thought unattainable. In the months following the Business Roundtable meeting, the China Securities Regulatory Commission began issuing permits to launch

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[42] "China calls in BlackRock's Fink on markets: Sources," *CNBC.com*, September 9, 2015.
[43] Jennifer Hughes, "BlackRock and Fidelity put China's Communists into company laws," *The Financial Times*, September 17, 2017.
[44] Lingling Wei, Bob Davis and Dawn Lim, "China Has a Friend In Wall Street," *The Wall Street Journal*, December 3, 2020.
[45] China agreed to partially relax foreign equity limits and license some U.S. firms. Congressional Research Service, "U.S.-China Phase One Trade Deal," May 27, 2022.

majority owned securities companies on the mainland, starting with J.P. Morgan in December 2019.[46] Within two years, the companies were allowed to take one-hundred percent stakes, removing their requirement for a Chinese partner. The CSRC granted BlackRock permission to launch a wholly owned mutual fund business on the mainland – a first for a U.S. corporation – in June 2021, with J.P. Morgan receiving its approval two months later.[47] Goldman Sachs was allowed full ownership of its investment banking venture in China, Goldman Sachs Gao Hua, in the same year.[48]

BlackRock's Partner: China Construction Bank

While the CSRC was permitting Wall Street's largest firms to operate wholly owned securities companies inside China, Beijing was preparing to make BlackRock the first U.S. majority partner in a joint venture with a state-owned bank.[49] The deal marked a strategic milestone on BlackRock's path to becoming a mainland China powerhouse.

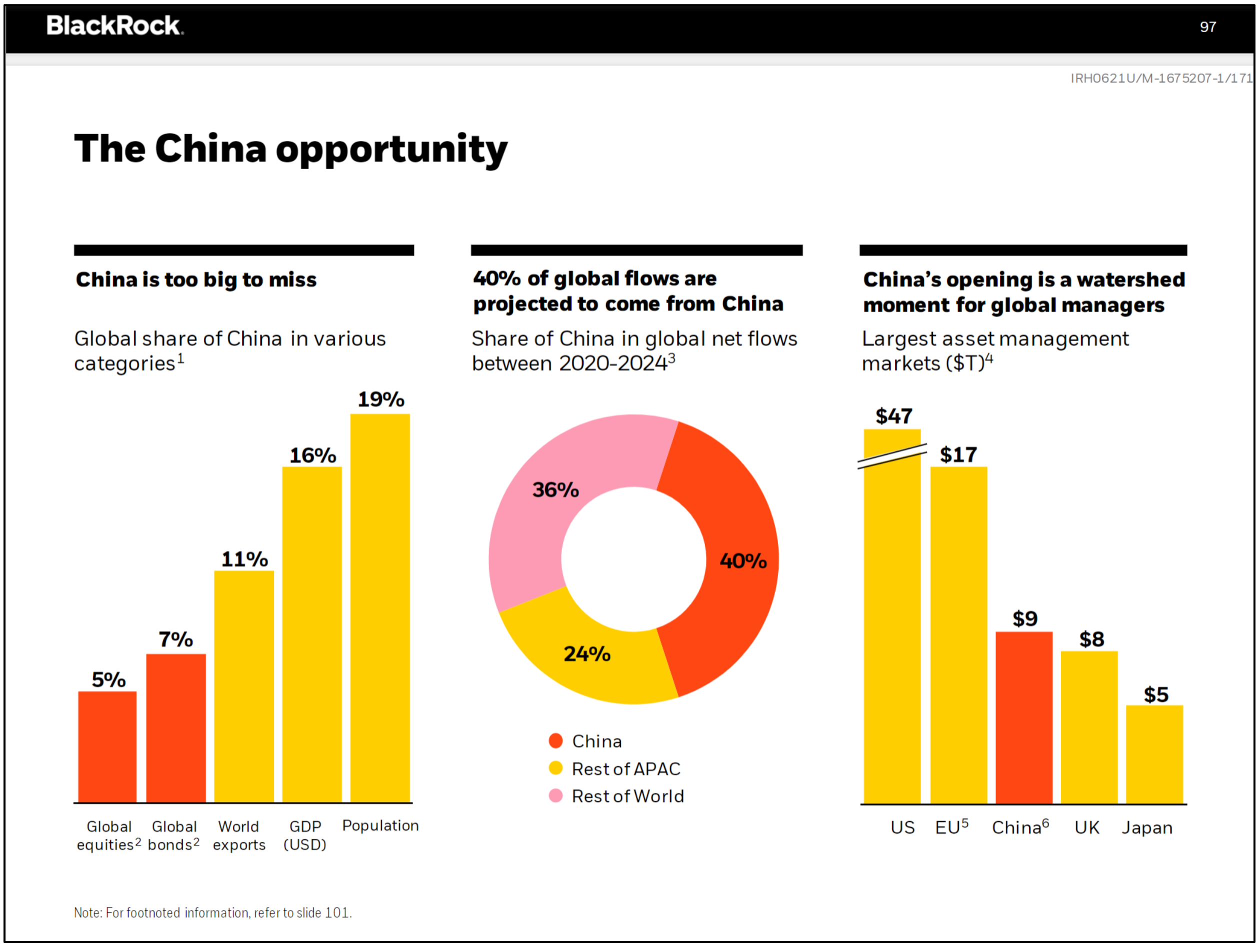
In May 2021, the China Banking and Insurance Regulatory Commission approved the launch of "BlackRock CCB Wealth," a strategic initiative to penetrate the mainland's $9 trillion asset management market. The partnership is between majority owner BAMNAL, BlackRock's Hong Kong-based company, and a unit of China Construction Bank. CCB, the world's second largest bank, is designated a Global Systemically Important Bank (GSIB) by the international Financial Stability Board.[50] Given CCB's importance to the Chinese economy, the joint venture represents an historic convergence of BlackRock and CCP interests.

[46] "J.P. Morgan Securities (China) Company Limited Permitted to Open for Business," J.P. Morgan, December 18, 2019.
[47] "BlackRock becomes first to operate wholly owned China mutual fund biz," Reuters, June 11, 2021; "J.P. Morgan Receives Approval From The China Securities Regulatory Commission For Registration Of Full Ownership Of J.P. Morgan Securities (China) Company Limited, The Bank's Securities Venture," J.P. Morgan, August 6, 2021.
[48] "Goldman Sachs signs pact to wholly own China joint venture," *Reuters*, December 11, 2020.
[49] French asset manager Amundi in 2020 became the first foreign-majority owned wealth management company in China.
[50] Ownership of BlackRock CCB is 50.1% for BlackRock, 40.0% for CCB, and 9.9% for Temasek, an investment company owned by the government of Singapore. The Chinese government has an estimated 57% ownership stake in CCB. "Rating Report: China Construction Bank Corporation – Update," FitchRatings, November 15, 2023. S&P Global Market Intelligence, "The world's 100 largest banks," 2023.

The joint venture will be critical to BlackRock succeeding in China because large banks dominate the wealth management industry on the mainland. BlackRock's plan, described by the firm's head of Asia Pacific business, is to sell mutual funds "to CCB's 400 million customers via its digital platforms and its 14,000 branches."[51]

Within days of the CCB deal, BlackRock executives briefed investors on the "long-term opportunity to build a global champion" inside China. The strategy involves: (1) providing wealth management services to an emerging middle class through the joint venture with CCB; (2) developing China investment products through its mainland fund business; and (3) capturing pension opportunities through new retirement products.[52] BlackRock has estimated that 40% of global net flows – the life's blood of the asset management industry – will come from China.

Slide from BlackRock 2021 Investor Day Shortly After CCB Deal



[51] CallStreet, "BlackRock, Inc. Investor Day," p. 34, June 10, 2021.
[52] BlackRock, "China: Positioning for one of the biggest growth opportunities," June 10, 2021.

Goldman Sachs' Partner: Industrial and Commercial Bank of China

Shortly after approving BlackRock CCB Wealth, Chinese regulators gave Goldman Sachs a greenlight for a similar joint venture with the wealth management unit of Industrial and Commercial Bank of China Limited (ICBC).[53] ICBC is the world's largest bank and another GSIB.[54] From its founding by the Ministry of Finance forty years ago to its 73% state ownership today, ICBC has been an instrument of the ruling party in Beijing, making the joint venture tantamount to a partnership between the CCP and Goldman Sachs.

As in BlackRock's joint venture, Goldman Sach's 51% ownership stake in the ICBC deal signals a convergence with the CCP. The New York-based firm said the partnership "will combine Goldman Sachs Asset Management's expertise in investment and risk management with ICBC's strong brand recognition and unparalleled access to retail and institutional clients across China."[55] In reality, every joint venture in the PRC is at the mercy of the Chinese government, which can unilaterally end any partnership that no longer pleases the CCP.

The BlackRock CCB Wealth joint venture represents a milestone in the convergence of Wall Street and CCP interests. Beijing values its relationship with BlackRock enough to have granted it the first U.S. majority stake in a joint venture with a state-owned bank. BlackRock has reciprocated by funding Chinese defense companies with the investment dollars of American retail clients whose sons and daughters may be called on to face the advanced weapon systems they produce.

PRC Exploitation of Joint Ventures

Wall Street's joint ventures in China will help Beijing recapitalize mainland stock exchanges depleted by recent outflows. Over the longer term, Beijing says the joint ventures are an opportunity for the Chinese to realize an independent financial system. An economic development official quoted in *China Daily* – a newspaper owned by the Central Propaganda Department of the CCP – stated that joint ventures are "an effective measure for commercial banks' wealth management units to attract foreign investment and learn from advanced international experience."[56] U.S. asset managers that have rushed into China's wealth management market may find themselves on the outside once the state-owned banks have extracted enough of their financial technology and know-how.

American asset managers in recent months have advised investors to exercise caution within Chinese capital markets. General Secretary Xi's rhetoric on private sector businesses, coupled with strained U.S.-Sino relations over security issues, have precipitated net capital outflows from China. However, if history is any guide, the pullback in foreign direct investment will not discourage Wall Street's long-term ambitions on the mainland.

[53] ICBC Wealth Management Co., Ltd., is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited. The funding contribution ratio of ICBC Wealth Management and Goldman Sachs Asset Management is 49% and 51%, respectively.
[54] Ibid, S&P Global Market Intelligence.
[55] "China approves Goldman Sachs, ICBC joint wealth management venture," *Reuters*, May 25, 2021.
[56] Jiang Xueqing, "Firms enter into joint ventures as nation opens finance market," *China Daily*, October 31, 2022.

Revenue slumps in BlackRock's Asia-Pacific business segments in 2016 and 2020 were followed by explosive growth rates of 20% and 30% in 2017 and 2021, respectively. In January 2024, BlackRock stated that its business in China had made "great strides" while announcing a new management team for BlackRock CCB Wealth – subject to the PRC's regulatory approval.[57]

A Decisive Moment for Congress

The joint ventures launched by BlackRock and other Wall Street firms represent a convergence of U.S.-based corporations and the Chinese Communist Party. In the case of BlackRock, what began as an informal advisory relationship has turned into a full-blown business partnership that provides Beijing with leverage over a leading U.S. financial services firm. BlackRock owns 51% of the joint venture with China Construction Bank, but its controlling stake misrepresents the real power dynamic of the partnership, which depends on access to the distribution channels of a state-owned bank and the regulatory approval of the central government. BlackRock CCB Wealth is worth nothing absent CCP consent.

Congress is faced with a "China markets moment" comparable to the ill-fated decision to grant the PRC permanent normal trade relations in 2000. Congress was assured that the United States-China Relations Act of 2000 would encourage Beijing to accept internationally recognized human rights and stop exporting products made with forced labor. Congress was also told that anti-dumping measures would keep American manufacturing on a level playing field just as outbound technology controls would protect U.S. intellectual property. A quarter of a century later it is clear that legislators were misled. Congress today must decide if it is in America's interest to allow major Wall Street firms – institutions with a long history of influencing public policy – to partner with China's largest financial institutions in pursuit of wealth management fees.

The expanding Wall Street-Beijing nexus further undermines U.S. national security and human rights interests. BlackRock is unlikely to divest from Chinese defense firms and corporate human rights violators, offending Beijing in the process, unless compelled to do so by law. The PRC government can punish Wall Street firms that oppose its agenda in any way, just as it rewards companies that support its policies. China's political leadership wants to redirect capital to emerging technologies with military application in preparation for a potential war with the United States. Beijing also wants to continue its campaign of oppression against the Uyghurs and other minority groups in northwestern China. U.S. corporations in joint ventures with CCP-controlled companies may ultimately be compelled to help the PRC achieve these objectionable goals unless Congress acts.

Summary

- ***BlackRock's offshore funds are invested in about 30 subsidiaries of Chinese Military-Industrial Complex companies.*** *BlackRock's foreign subsidiaries invest in companies that form the backbone of China's defense and aerospace industries.*

- ***Foreign subsidiaries of BlackRock hold Chinese securities that would be illegal to own in the United States.*** *BlackRock's fund management arms in Hong Kong and Shanghai collectively own $130 million of stock in 14 companies on the Chinese Military-Industrial Complex List maintained by the Treasury Department.*

- ***BlackRock funds own 18 Chinese companies on the Commerce Department's Military-End User List or Entity List.*** *These companies are subject to special export controls over concerns that any dual-use technology they obtained from the U.S. would be diverted to harmful purposes.*

[57] BlackRock Press Release, "BlackRock appoints Hua Fan Head of China and Jim Zhang General Manager of BlackRock CCB Wealth Management," January 15, 2024.

- ***BlackRock claims to exclude companies involved with nuclear weapons manufacturing despite owning stock in companies that are integral to China's nuclear weapons program.*** *BlackRock has nearly $200 million dollars invested in companies that help produce nuclear warheads capable of striking the continental United States.*

- ***BlackRock funds own four companies on the Uyghur Forced Labor Prevention Act Entity List.*** *BlackRock holds about $50 million of stock in companies under U.S. sanctions for participating in the PRC's systematic campaign of oppression against the Uyghurs and other minority groups.*

- ***BlackRock owns about 30 Chinese companies represented in military-themed ETFs traded on mainland exchanges.*** *PRC-based asset managers have issued securities that offer exposure to China's legacy defense firms as well as military contractors involved in emerging technologies.*

- ***Benchmarks from China Securities Index are steering investor capital toward militarily useful enterprises.*** *By hiring CSI as an index provider, Blackrock and other U.S. asset managers are allocating capital according to Beijing's strategic priorities.*

- ***BlackRock has formed a joint venture with state-owned China Construction Bank (CCB) to penetrate the mainland's $9 trillion asset management market.*** *BlackRock's unprecedented partnership with the PRC's second largest bank represents a convergence of the CCP and a politically powerful Wall Street firm. This foreign business alliance weakens the U.S. government's ability to act in the best interest of the American people.*

Recommendations

Congress still has time to halt and reverse Wall Street's convergence with the Chinese Communist Party. CPA therefore offers the following legislative recommendations:

1. *Prohibit ownership, and require divestment, of China A-shares listed on mainland exchanges by U.S. individual and institutional investors.*
2. *Make the law clear that foreign subsidiaries of U.S. corporations may not own Chinese Military-Industrial Complex companies sanctioned by the Treasury Department.*
3. *Ban U.S. investment in Chinese companies and subsidiaries on the Uyghur Forced Labor Prevention Act Entity List.*
4. *Deny outbound U.S. capital to companies and subsidiaries on the Commerce Department's Entity List and Military End-User List or the Defense Department's Chinese Military Companies Operating in the United States List.*
5. *Outlaw joint ventures between U.S. corporations and CCP-controlled financial institutions.*

These recommendations are a starting point to reverse policies that have placed short-term corporate profits over long-term national security and human rights interests. The most powerful Wall Street firms are developing joint ventures with CCP-controlled conglomerates inside the PRC. The capital generated from this business activity will help modernize the military capabilities – including strategic nuclear forces – of the People's Liberation Army. Congress should take bold steps to end Wall Street's underwriting of the CCP and PLA with the investment and retirement accounts of the American people.

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