

## **The CCP in the TSP**

On June 1, 2022, the federal government’s Thrift Savings Plan (TSP) – the country’s largest defined contribution plan, with more than \$730 billion in assets under management – introduced a new Mutual Fund Window. This new feature allows many TSP participants to invest up to 25 percent of their TSP account in 5,000 different mutual funds.

In a new study, the Coalition for a Prosperous America (CPA), and its partners in the “No TSP for CCP” coalition, have determined that the largest international and emerging markets funds offered in the Window are heavily invested in not only CCP-controlled entities, but also hold shares in entities that are currently and potentially subject to U.S. sanctions. The average weight of Chinese entities in our sample set of ten of these funds is 22 percent. Additionally, the Window includes 23 China-only funds.

While there are obvious benefits to providing TSP participants greater choice in investment opportunities, in developing the new Mutual Fund Window, the Federal Retirement Thrift Investment Board (FRTIB) has abdicated its fiduciary responsibilities to participants by not ensuring the funds offered to current and retired government employees, active duty military, and veterans are free of entities under the control of the Chinese Communist Party (CCP). In addition, the FRTIB has failed to live up to prior commitments to eliminate Chinese entities from TSP funds, presenting a grave danger to U.S. national security.

### **CPA TSP Fund Analysis**

- Fidelity Emerging Markets Index Fund (FPADX): China Weight 29%
- State Street Emerging Markets Equity Index Fund (SSKEX): China Weight 27%
- BlackRock iShares MSCI Total International Index Fund (BDOKX): China Weight 14%
- Vanguard Emerging Markets Stock Index Fund (VEMAX): China Weight 33%
- DFA Emerging Markets Core Equity I (DFCEX): China Weight 31%

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### **U.S. Department of Commerce Entity List**

A review of the 10 largest international and emerging markets funds offered through the new Mutual Fund Window found dozens of Chinese companies that have been placed on U.S. Department of Commerce’s BIS Entity List. These companies have been sanctioned due to their complicity in China’s pervasive surveillance state, technology theft, or use of forced labor. Companies that appeared repeatedly in these funds include iFlytek, Fiberhome Telecommunication Technologies, Wuhan Guide Infrared Co., and Hoshine Silicon Industry Company.

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## National Security Concerns

The potential that active-duty U.S. military and veterans could inadvertently invest in companies the U.S. government has determined are part of the Chinese military industrial complex not only



undermines U.S. national security, but also underscores the irresponsibility of the FRTIB. All of the funds researched included at least five (5) companies on the U.S. Department of Defense's Chinese Military Companies (CMC) list. These companies include:

### **Aviation Industry Corporation of China (AVIC) and subsidiaries:**

AVIC is one of China's largest defense contractors at \$66.96 billion.

AVIC manufactures military planes, among other aviation products. For comparison, Lockheed Martin is valued at \$67 billion.

**China General Nuclear Power Group (CGN) and subsidiaries:** CGN is a state-owned nuclear and power company. In 2020, the U.S. government put CGN not only on the Chinese military list, but also on the U.S. Entity List for attempted theft of U.S. nuclear intelligence.

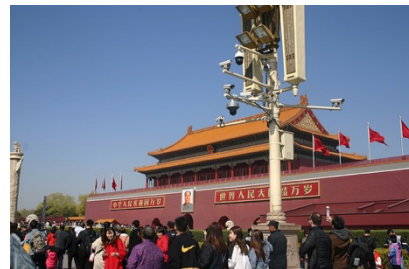
**Inspur and subsidiaries:** Inspur Group, a cloud computing company, and the third largest server manufacturer in the world, is heavily focused on artificial intelligence (AI). Similar to concerns regarding Huawei, Inspur was added to the U.S. Department of Defense Chinese Military Companies list in 2021.

**China United Network (formerly China Unicom):** China United Network, the third-largest wireless carrier in China with more than 300 million subscribers, is on both the Treasury Department's Chinese Military Industrial Complex list and the DoD CMC list. As noted by current deputy assistant secretary for cyber policy at the Department of Defense, Mieke Eoyang on June 23, 2022, "If our allies are adopting Chinese network technology, it puts a lid on how much cooperation we can have with them and how much information we can share with them because of our concerns about visibility onto the networks. This is not just about labels of one country versus another. It is about the kind of technology that we're talking about here that poses a security risk to the United States."

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## Human Rights Violators

In addition to national security concerns, these funds also hold companies with well-documented evidence of human right violations, including violations that are potentially punishable by the Uyghur Forced Labor Prevention Act. These companies are credibly alleged to have participated in building out the surveillance state in China and beyond, the production of goods through forced labor, and other aspects of the genocide against the Uyghur people.



**OFILM Group:** OFILM is a major manufacturer of optical components and equipment, including surveillance cameras and infrared filters deployed in Xinjiang. OFILM has also been implicated in forced labor accusations in Xinjiang, leading Apple to cut ties with the company in 2021.

**Foxconn and Hon Hai Precision Industry:** Foxconn has been implicated in forced labor in Xinjiang. The company is one of the largest electronics manufacturers in the world. Clients still include Apple, Dell, and Sony.

**Huafu Fashion:** More than 20 percent of the world's cotton is produced in Xinjiang, China. The U.S. Customs and Border Patrol (CBP) agency has identified cotton as a high-risk sector for Uyghur Forced Labor Prevention Act (ULFPA) implementation. Huafu Fashion sources cotton from Xinjiang and is a subcontractor for Adidas, GAP, Lululemon, and Target, to name a few brands.

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### **U.S. Unverified List and Companies of Concern**

In addition to the companies above, there are numerous other companies of concern held by these funds. These include:

**COSCO (China Ocean Shipping Company)** is a state-owned entity whose ships are flagged as both PRC and commercial vessels. It plays a key role in advancing China's Belt and Road initiative and its gray-zone activities on the high-seas. COSCO also has a 40 percent stake in the Port of Los Angeles.

**WuXi Biologics** is registered in the Cayman Islands as a variable interest entity (VIE), but is domiciled in China. WuXi is on the U.S. Department of Commerce Unverified List, and has been identified as a key player in DNA collection and biometric facial recognition software used to persecute Uyghurs in Xinjiang.



In 2017, the [Committee on Foreign Investment in the United States \(CFIUS\)](#) opposed **NavInfo Co.** and TenCent from acquiring a stake in a Dutch mapping firm. NavInfo recently signed a strategic partnership with Honeywell China, whose parent company is U.S. defense contractor, Honeywell, based in Charlotte, North Carolina.

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