

For Immediate Release

FACT SHEET

December 8, 2020

## **U.S. Investors Are Funding Malign PRC Companies on Major Indices**

*“Under Xi Jinping, the CCP has prioritized something called ‘military-civil fusion.’ ... Chinese companies and researchers must... under penalty of law – share technology with the Chinese military. The goal is to ensure that the People’s Liberation Army has military dominance. And the PLA’s core mission is to sustain the Chinese Communist Party’s grip on power.”*

– [Secretary of State Michael R. Pompeo](#), January 13, 2020

The Chinese Communist Party’s (CCP) threat to American national security extends into our financial markets and impacts American investors. Many major stock and bond indices developed by index providers like [MSCI](#) and [FTSE](#) include malign People’s Republic of China (PRC) companies that are listed on the [Department of Commerce’s Entity List](#) and/or the [Department of Defense’s List](#) of “**Communist Chinese military companies**” (CCMCs). The money flowing into these index funds – often passively, from U.S. retail investors – supports Chinese companies involved in both civilian and military production. Some of these companies produce technologies for the surveillance of civilians and repression of human rights, as is the case with Uyghurs and other Muslim minority groups in Xinjiang, China, as well as in other repressive regimes, such as Iran and Venezuela.

As of December 2020, at least 24 of the 35 parent-level CCMCs had affiliates’ securities included on a major securities index. This includes at least 71 distinct affiliate-level securities issuers. There are also at least 13 PRC firms on the Entity List whose parent company or affiliates are included in the MSCI or FTSE stock indices. The MSCI emerging market index includes 230 Chinese A-shares stocks incorporated on the Mainland, quoted in renminbi, and listed on Chinese Communist Party-controlled Shanghai and Shenzhen exchanges.

### **Investments Financing Communist Chinese Military Companies Pose National Security Risk to the United States**

*“Some of the Chinese companies [on MSCI Index] present significant national security and humanitarian concerns for the United States, which increases the risk that they could be subject to sanctions, public protests, trade restrictions, boycotts, and other punitive measures that jeopardize their business and profitability... for example, military contractors that provide military aircraft and telecommunications support to the People’s Liberation Army. The list also includes companies that manufacture surveillance equipment that China uses to oppress religious minorities as well as one company indicted for engaging in economic activity with Iran and North Korea in violation of U.S. sanctions law.”*

– [Letter from](#) Robert C. O’Brien, National Security Advisor, and Lawrence Kudlow, Director, National Economic Council, to the Department of Labor, May 11, 2020

***Parent-Level Communist Chinese Military Companies***

<b>CCMC</b>	<b>Exchange Jurisdictions Listing Affiliates</b>	<b><a href="#">Affiliate on MSCI EM Stock Index</a></b>	<b><a href="#">Affiliate on FTSE Emerging Stock Index</a></b>	<b><a href="#">Affiliate on BBGA Bond Index</a></b>
Aviation Industry Corporation of China (AVIC)	Hong Kong, Mainland PRC, Austria, Germany	X	X	X
China Aerospace Science and Technology Corporation (CASC)	Not a publicly traded company			
China Aerospace Science and Industry Corporation (CASIC)	Not a publicly traded company			
China Electronics Technology Group Corporation (CETC)	Not a publicly traded company			
China South Industries Group Corporation (CSGC)	Not a publicly traded company			
China State Shipbuilding Corporation (CSSC)	Hong Kong, Mainland PRC		X	X
China Shipbuilding Industry Corporation (CSIC)	Hong Kong	X		
China North Industries Group Corporation (Norinco Group)	Hong Kong	X		
Hangzhou Hikvision Digital Technology Co., Ltd. (Hikvision)	Hong Kong, Mainland PRC	X	X	
Huawei Technologies	Not a publicly traded company			
Inspur Group	Hong Kong, Mainland PRC	X	X	
Aero Engine Corporation of China (AECC)	Mainland PRC	X	X	

China Railway Construction Corporation (CRCC)	Hong Kong, Mainland PRC	X	X	X
Panda Electronics Group	Not a publicly traded company			
Dawning Information Industry Co. (Sugon)	Hong Kong, Mainland PRC	X	X	
China Mobile Communications Group	Mainland PRC	X	X	
China National Nuclear Corp. (CNNC)	Mainland PRC	X	X	
China Telecommunications Corp.	Hong Kong	X	X	
CRRC Corp.	Hong Kong, Mainland PRC	X	X	
China General Nuclear Power Corp.	Mainland PRC	X	X	X
China Communications Construction Company (CCCC)	Hong Kong, Mainland PRC	X	X	X
China Academy of Launch Vehicle Technology (CALT)	Not a publicly traded company			
China Spacesat	Mainland China	X	X	
China United Network Communications Group (China Unicom)	Hong Kong, Mainland China		X	
China Electronics Corporation (CEC)	Not a publicly traded company			
China National Chemical Engineering Group Co., Ltd. (CNCEC)	Mainland China		X	
China National Chemical Corporation (ChemChina)	Hong Kong, Mainland China	X	X	X
Sinochem Group Co Ltd	Mainland China		X	X

China State Construction Group Co., Ltd.	Hong Kong, Mainland China	X	X	X
China Three Gorges Corporation Limited	Not a publicly traded company			X
China Nuclear Engineering & Construction Corporation (CNECC)	Mainland China			
China Construction Technology Co. Ltd. (CCTC)	Not a publicly traded company			
China International Engineering Consulting Corp. (CIECC)	Not a publicly traded company			
China National Offshore Oil Corp. (CNOOC)	Hong Kong, Mainland China, United States	X	X	X
Semiconductor Manufacturing International Corp. (SMIC)	Hong Kong, Mainland China	X	X	X

*Affiliates of Communist Chinese Military Companies*

<b>Security Name</b>	<a href="#"><u>MSCI China A Index</u></a>	<a href="#"><u>MSCI EM Index</u></a>	<a href="#"><u>MSCI ACWI Index</u></a>	<a href="#"><u>FTSE Emerging Index</u></a>	<a href="#"><u>FTSE All-World Index</u></a>
AviChina Industry & Technology Co., Ltd.		X	X	X	X
AVIC International Holdings Ltd.					
AVIC International Holding (HK) Ltd.					
AVIC Aircraft Co., Ltd.	X	X	X	X	X

AVIC Capital Holdings Co., Ltd.	X	X	X		
AVIC Heavy Machinery Co., Ltd.				X	X
AVIC Electromechanical Systems Co., Ltd.	X	X	X	X	X
AVIC Jonhon Optronics Technology Co., Ltd.	X	X	X	X	X
AVIC Shenyang Aircraft Co., Ltd.	X	X	X	X	X
AVIC Sanxin Co., Ltd.					
AviCopter Plc. (AVIC Helicopter)	X	X	X		
AVIC Aviation High-Technology Co., Ltd.					
AVIC Jiangxi Hongdu Aviation Industry Group (HAIG)					
China Avionics Systems Co., Ltd.	X	X	X	X	X
Xi'an ChenXi Aviation Technology Corp., Ltd.					
Rainbow Digital Commercial Co., Ltd.				X	X
Xiamen Tianma Microelectronics Co., Ltd.	X	X	X	X	X
Shennan Circuit Co. Ltd.	X	X	X	X	X
Sichuan Chengfei Integration Tech Corp.					
Harbin Dongan Auto Engine Co., Ltd					
Guizhou Guihang Automotive Components Co. Ltd.					

China Merchants Property Operation & Service Co., Ltd. (CMPO)	X	X	X	X	X
FIYTA Precision Technology Co., Ltd.					
AECC Aero Engine Control Co., Ltd.	X	X	X	X	X
AECC Aviation Power Co., Ltd.	X	X	X	X	X
AECC Aero Science & Technology Co., Ltd.					
China Aerospace Times Electronics Co., Ltd. (CATEC)	X	X	X	X	X
China Aerospace International Holdings Limited (CASIL)					
Aerospace CH (Cai Hong/Rainbow) UAV Co., Ltd.					
Shaanxi Aerospace Power Hi-Tech Co., Ltd.					
Aisino Corp., Ltd.	X	X	X	X	X
Guizhou Space Appliance Co., Ltd.					
Aerosun Corp.					
Aerospace Communications Holdings Co., Ltd. (Aerocom)					
Beijing Aerospace Changfeng Co., Ltd. (ASCF)					
ZTE Corp. (SZ)	X	X	X	X	X
ZTE Corp. (HK)		X	X	X	X

Anhui Sun-Create Electronics Co., Ltd.					
Hangzhou Hikvision Digital Technology Co., Ltd.	X	X	X	X	X
Shanghai East-China Computer Co., Ltd. (SHECC)					
Chengdu Westone Information Industry Inc.	X	X	X	X	X
Chengdu Spaceon Electronics Co., Ltd.					
Guangzhou GCI Science & Technology Co., Ltd.					
Glarun Technology Co., Ltd.					
Taiji Computer Co., Ltd.				X	X
Phoenix Optics Co., Ltd.					
CETC Energy Joint-Stock Co., Ltd.					
Jiangling Motors Corporation Ltd. (JMC)				X	X
Chongqing Changan Automobile Co., Ltd.	X	X	X	X	X
Baoding Tianwei Baobian Electric Co., Ltd. (BTW)					
Chongqing Jianshe Vehicle System Co., Ltd.					
Yunnan Xiyi Industrial Co., Ltd.					
China Shipbuilding Industry Group Power Co., Ltd.	X	X	X	X	X

China Marine Information Electronics Co., Ltd. (CMIE)					
CEC CoreCast Corp. Ltd.					
China Harzone Industry Corp., Ltd.					
China CSSC Holdings Ltd.				X	X
CSSC Offshore and Marine Engineering (Group) Co., Ltd. (SS)				X	X
CSSC Offshore and Marine Engineering (Group) Co., Ltd. (HK)				X	X
CSSC Science and Technology Co., Ltd.					
CSSC (Hong Kong) Shipping Co., Ltd.					
Shanghai Jiangnan Changxin Heavy Industry Co., Ltd. (SCJ)					
Norinco International Cooperation Ltd.					
North Navigation Control Technology Co., Ltd.					
North Industries Group Red Arrow Co., Ltd.				X	X
Inner Mongolia First Machinery Group Co., Ltd. (FIRMACO)	X	X	X	X	X
Inner Mongolia North Hauler Joint Stock Co., Ltd.					
North Huajin Chemical Industries Co., Ltd.				X	X



North Electro-Optic Group Co., Ltd. (Sicong Group or NEO)					
Sichuan Nitrocell Co., Ltd.					
Changchun Yidong Clutch Co., Ltd.					
Lingyun Industrial Co., Ltd.					
Jinxi Axle Co., Ltd.					
AKMIndustrial Ltd.					
Inspur International Ltd.					
Inspur Software Co., Ltd.					
Inspur Electronic Information Industry Co. Ltd.	X	X	X	X	X
China Railway Construction Corporation Ltd. (CRCC) (SS)	X	X	X	X	X
China Railway Construction Corporation Ltd. (CRCC) (HK)		X	X	X	X
CRRC Corporation Ltd. (SS)	X	X	X	X	X
CRRC Corporation Ltd. (HK)		X	X	X	X
Zhuzhou CRRC Times Electric Co., Ltd.		X	X	X	X
Dawning Information Industry Co., Ltd. (Sugon)	X	X	X	X	X
China Mobile Ltd. (NYSE)					
China Mobile Ltd. (HK)		X	X	X	X

CGN Power Co., Ltd. (SZ)				X	X
CGN Power Co., Ltd. (HK)		X	X	X	X
CGN New Energy Holdings Co., Ltd.					
CGN Nuclear Technology Development Co. Ltd.					
China Telecommunications Corp. Ltd. (HK)		X	X	X	X
China Telecommunications Corp. Ltd. (NYSE)					
China Communications Construction Company, Ltd. (HK)		X	X	X	X
China Communications Construction Company, Ltd. (SS)	X	X	X	X	X
Shanghai Zhenhua Heavy Industries Co., Ltd. (ZPMC)				X	X
CCCG Real Estate Corp. Ltd. (CREC)					
Greentown China Holdings				X	X
Greentown Service Group		X	X		
China Energine International (Holdings) Ltd.					
China Spacesat Co., Ltd.	X	X	X	X	X
China Unicom (Hong Kong) Ltd. (HK)		X	X	X	X
China Unicom (Hong Kong) Ltd. (NYSE)					

China United Network Communications Ltd.	X	X	X	X	X
China Electronics Huada Technology Co., Ltd.					
China National Software & Service Co., Ltd. (ChinaSoft)				X	X
Chinasoft International Limited (CSI)					
Nanjing Panda Electronics Co., Ltd.					
Nanjing Panda Electronics Co., Ltd.					
Amoi Electronics Co., Ltd.					
Shenzhen SED Electronics Group Co., Ltd					
Shanghai Belling Co., Ltd.					
Shenzhen Kaifa Technology Co., Ltd.	X	X	X	X	X
Nanjing Huadong Electronics Information & Technology Co., Ltd.					
TPV Technology Co., Ltd.					
China Zhenhua (Group) Technology Co., Ltd.					
Solomon Systech (International) Limited					
China Greatwall Technology Group Co., Ltd.	X	X	X	X	X
IRICO Group New Energy Co., Ltd.					

IRICO Display Devices Co., Ltd.					
China Electronics Optics Valley Union Holding Co., Ltd.					
China Electronics Huada Technology Co., Ltd.					
China National Chemical Engineering Group Co., Ltd. (CNCEC)	X	X	X	X	X
Syngenta AG					
Haohua Chemical Science & Technology Co., Ltd.					
China BlueStar Shenyang Chemical Co., Ltd.					
Cangzhou Dahua Co., Ltd.					
Adama Agricultural Solutions Co., Ltd.				X	X
KraussMaffei Group					
Bluestar Adisseo Co., Ltd.				X	X
Aeolus Tyre Co., Ltd.					
Pirelli & C. SpA			X		X
Elkem ASA					
Sinochem International (Holding) Co., Ltd.				X	X
Sinofert Holdings Ltd.					
China Jinmao Holdings Group Ltd.		X	X	X	X
Far East Horizon Co., Ltd.		X	X	X	X
China State Construction Engineering Corporation Ltd. (CSCECL)	X	X	X	X	X

China State Construction International Holdings Ltd.		X	X	X	X
China West Construction Co., Ltd.				X	X
China Overseas Land and Investment Ltd. (COLI)		X	X	X	X
CSCEC Scimee Science & Technology Co., Ltd.					
China Overseas Grand Oceans Group Ltd.					
China Overseas Property Holdings Ltd. (COHL)		X	X		
China State Construction Development Holdings Ltd.					
Chongqing Three Gorges Water Conservancy & Electric Power Co.					
China Yangtze Power Co., Ltd.	X	X	X	X	X
Hubei Energy Group Co., Ltd.	X	X	X	X	X
China Nuclear Engineering & Construction Corporation Ltd. (CNECC)					
China National Nuclear Power Co., Ltd. (CNNP)	X	X	X	X	X
SUFA Technology Industry Co., Ltd.					
CNNC International Group					
Semiconductor Manufacturing International Corp (SMIC)		X	X	X	X

CNOOC Ltd		X	X	X	X
China Oilfield Services		X	X	X	X

### **PRC Entity List Companies on the MSCI and FTSE**

A number of PRC firms have been placed on the **Commerce Department’s Entity List** for engaging in or enabling activities contrary to the national security and/or foreign policy interests of the United States. This includes entities that have been implicated in supporting [PRC military development](#), providing material support for [human rights violations and abuses](#) in the PRC’s campaign targeting Uyghurs and other Muslim minorities in the Xinjiang Uyghur Autonomous Region (XUAR), and companies [helping the Chinese military construct and militarize](#) the internationally condemned artificial islands in the South China Sea. Hikvision, iFlyTek, FiberHome, and Dahua are prominent examples of [PRC firms with widely recognized ties to the oppression of Uyghurs](#) that benefit from inclusion in the [MSCI](#) EM and/or [FTSE](#) Emerging stock indices. China Communications Construction Company (CCCC), China Shipbuilding Group, and Guangzhou Haige are prominent [examples of companies](#) that enabled China to reclaim and militarize the disputed artificial islands in the South China Sea.

<b>Publicly Traded Firm</b>	<b>Entity List Affiliates</b>	<b><a href="#">MSCI EM Index</a></b>	<b><a href="#">FTSE Emerging Index</a></b>
China National Nuclear Power Co (CNNC)	Baotou Guanghai Chemical Industrial Corporation	X	X
Hangzhou Hikvision Digital Technology Co. (Hikvision)	Hangzhou Hikvision Digital Technology Co.	X	X
China Communications Construction Company (CCCC)	China Communications Construction Company Dredging; Guangzhou Waterway; Second Navigation Engineering; Shanghai Waterway; Tianjin Waterway	X	X
China Shipbuilding Industry Corp	China Shipbuilding Group 722nd Research Institute	X	X
Guangzhou Haige Communication Group	Guangzhou Haige Communication Group	X	X
Zhejiang Dahua Technology	Dahua Technology	X	X
iFlyTek Co	iFlyTek	X	X

FiberHome Telecommunications Technologies	FiberHome Technologies Group	X	X
Xiamen Meiya Pico Information Co. Ltd.	Xiamen Meiya Pico Information Co. Ltd.		X

**Communist Chinese Military Company Affiliates on the New York Stock Exchange (NYSE)**

- China Mobile Communications Group (NYSE: CHL)
- China National Offshore Oil Corporation (NYSE: CEO)
- China Telecommunications Corp. (NYSE: CHA)
- China United Network Communications Group Co. (NYSE: CHU)

***PRC stocks directly affect the pension assets of American workers and retirees***

- There are [more than 5,000](#) public pension systems in the United States, according to the United States Census Bureau.
- \$10.7 trillion invested in the private pension plans is covered by the Employee Retirement Income Security Act (ERISA).

***The Thrift Savings Plan’s governing board [study revealed](#) that a majority of pension funds use the MSCI emerging market index as their investment guide, including:***

- The 401k’s of all 10 largest publicly traded U.S. companies;
- All 10 of the top federal contractors;
- All 20 of the largest state pension plans;
- All six of the largest target-date mutual-fund providers with holdings of \$1.9 trillion as of June 2019;
- The Pension Benefit Guaranty Corporation (PBGC), with \$131 billion in pension insurance reserves;
- Numerous Insurance Funds;
- Numerous University and College Endowment Funds.

***Institutional investors and endowment managers can and should pay attention to these risks***

*“Under Secretary [Krach sent a letter](#) to the governing boards of American universities, alerting them to the threats the Chinese Communist Party poses to academic freedom, to human rights,*

*and to university endowments. These threats can come in the form of illicit funding for research, intellectual property theft, intimidation of foreign students, and opaque talent recruitment efforts.*

*University governing boards can help ensure their institutions have clean investments and clean endowment funds by taking a few key steps:*

- *Disclose all PRC companies invested in endowment funds, especially those in emerging-market index funds.*
- *Divest from Chinese companies on the Commerce Department Entity List that are contributing to human rights violations, military coercion, and other abuses.*
- *And simply understand the recommendations issued by the President's Working Group on Financial Markets, which examined the risk to investors of Chinese companies that are listed on U.S. stock exchanges."*

– [Secretary of State Michael R. Pompeo](#), September 2, 2020

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### **Additional Resources**

- Executive Order on Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies:  
**<https://www.whitehouse.gov/presidential-actions/executive-order-addressing-threat-securities-investments-finance-communist-chinese-military-companies/>**
- Letter from Under Secretary of State Keith Krach to Business Leaders on Xinjiang Supply Chain Business Advisory urging financial institutions' boards to divest from companies that contribute to human rights violations:  
**<https://www.state.gov/Letter+from+Under+Secretary+of+State+Keith+Krach+to+Business+Leaders+on+Xinjiang+Supply+Chain+Business+Advisory>**
- Letter From Under Secretary Keith Krach to the Governing Boards of American Universities urging endowment funds to divest from companies that are on the Entity List or that contribute to human rights violations:  
**<https://www.state.gov/letter-from-under-secretary-keith-krach-to-the-governing-boards-of-american-universities>**
- Find out more about American economic diplomacy, headed by Under Secretary of State Keith Krach:  
**<https://www.state.gov/bureaus-offices/under-secretary-for-economic-growth-energy-and-the-environment/>**

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