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House of Representatives

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July 31, 2023

Larry Fink
Chairman and Chief Executive Officer
BlackRock, Inc.
50 Hudson Yards
New York, NY 10001

Dear Mr. Fink,

We write to request information about BlackRock's facilitation of American capital flows to Chinese companies that have been blacklisted by the U.S. government because of their role in fueling the People's Republic of China's (PRC) military advancement or in facilitating the Chinese Communist Party's (CCP) human rights abuses. As described below, a brief review of just a few of BlackRock's funds revealed that BlackRock facilitates American capital flows to more than 20 blacklisted PRC companies. Across just five funds, we approximate that BlackRock has invested more than \$429 million in PRC companies that pose national security risks to and act directly against the interests of the United States. It is unconscionable for any U.S. company to profit from investments that fuel the military advancement of America's foremost foreign adversary and facilitate human rights abuses. We therefore seek additional information regarding this deeply troubling matter.

As you know, asset management firms, like BlackRock, manage and invest retirement assets and savings of millions of Americans. They facilitate these investments by offering investment products, including mutual funds and exchange-traded funds (ETFs), security portfolios of which investors can buy shares.

As the world's largest asset manager, with over \$9 trillion under management in the first quarter of 2023, BlackRock provides and administers its own investment funds, and millions of Americans have their retirement and personal savings invested in BlackRock's funds.

Our review has shown that, as a direct result of decisions made by BlackRock, these Americans are now unwittingly funding PRC companies that develop and build weapons for the People's Liberation Army (PLA)—the PRC's military—and advance the CCP's stated mission of technological supremacy. By facilitating massive flows of American capital to these and other PRC

entities linked to the PLA or to human rights abuses, BlackRock is exacerbating an already significant national security threat and undermining American values.

We conducted an initial review of certain BlackRock-provided investment funds to examine the extent to which those funds include companies on a subset of the U.S. government (USG) blacklists (red-flag companies). Our initial review—which did not even cover one of the USG’s largest blacklists, the U.S. Department of Commerce’s Entity List—revealed that BlackRock facilitates investment into dozens of blacklisted companies. The true scale is likely much larger.

We examined the iShares Core MSCI Emerging Markets ETF (IEMG), iShares MSCI Emerging Markets ETF (EEM), iShares MSCI China ETF (MCHI), iShares MSCI China A ETF (CNYA), and BlackRock China A Opportunities Fund (CHILX). We reviewed each fund to determine whether it included PRC companies designated on one of the USG red-flag lists bulleted below. The lists identify companies that pose national security risks to the United States, use or support forced labor, or are affiliated with the PLA or other elements of the PRC military and security apparatus.

We compared the companies included on each fund to those PRC companies listed on a subset of the USG red-flag lists, specifically:

- The Uyghur Forced Labor and Prevention Act Entity List, which designates certain PRC companies that export to the United States and use or participate in forced labor (UFLPA List).
- The Non-SDN Chinese Military-Industrial Complex Companies List, which bars U.S. persons from purchasing or selling publicly traded securities of designated entities, which support the PRC’s “military, intelligence, and other security apparatuses” (NS-CMIC List).
- The list established by Section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year (FY) 2019, which prohibits contractors from providing the USG with equipment from five PRC companies, their subsidiaries, and their affiliates (889 List).
- The list established by Section 1260H of the William M. “Mac” Thornberry National Defense Authorization Act for FY 2021, which identifies PRC military companies participating in military-civil fusion and operating in the United States (1260H List).
- The list established by Section 5949 of the James M. Inhofe National Defense Authorization Act for FY 2023, which prohibits federal procurement of certain semiconductor products and services provided by three PRC companies, their subsidiaries, and their affiliates (5949 List).
- The Federal Communications Commission’s “Covered List,” which identifies companies whose communications equipment and services “pose an unacceptable risk to the national security of the United States” and which bans future importation and sales of the companies’ communications offerings (FCC Covered List).

Our investigation identified more than 20 companies (or subsidiaries and affiliates of such companies) across the five investment funds, many of which are included on multiple funds. The proportion of red-flag companies varied by fund, but as of October 31, 2022, they represented as much as 7.27% of CHILX. Across these five funds, we approximate that BlackRock has invested more than \$429 million in PRC companies that pose national security risks to and act directly against the interests of the United States.¹ The list of concerning companies included the following known PLA contractors:

- AVIC Industry-Finance Holdings Company Limited, AVIC Electromechanical Systems Company Limited, and Avicopter PLC – subsidiaries of the state-owned enterprise Aviation Industry Corporation of China (AVIC) that develops and produces aircraft for the PLA, including the 5th generation J-20 fighter jet. AVIC and many of its other subsidiaries are listed on the NS-CMIC List, the 1260H List, or both.
- CGN Power Co., Ltd., the largest subsidiary of China General Nuclear Power Group (CGN). In 2019, the USG accused CGN of attempting to acquire advanced proprietary U.S. nuclear technology to divert to military uses in the PRC.² CGN is included on the 1260H List and the NS-CMIC List.
- China CSSC Holdings Ltd., a holding company of China State Shipbuilding Corporation (CSSC). CSSC is one of the largest shipbuilders and PLA contractors. It designs and builds warships for the PLA Navy, including aircraft carriers. China CSSC Holdings Ltd. is on the 1260H list. Its parent company is on the NS-CMIC List.
- North Industries Group Red Arrow Company Limited, a subsidiary of China North Industries Group Co., Ltd., which produces ammunition, artillery shells, and munitions for the PLA. The subsidiary is on the 1260H List.

The funds also included companies implicated in human rights abuses and the CCP's techno-totalitarianism:

- Hoshine Silicon Industry Co., Ltd, a Xinjiang-based company that produces silica-based products for use across the Chinese economy. Hoshine has been implicated in the use of Uyghur forced labor and is on the UFLPA Entity List.
- BGI Genomics Co., Ltd., an affiliate of the BGI Group, which collaborated with the PLA to collect genetic data on foreign persons without their consent and was found by the U.S. Department of Commerce to be complicit in supporting forced labor. BGI affiliates have also provided genetic analysis and testing to the CCP to support the repression and genocide of Uyghurs.³ BGI Genomics is on the 1260H List, while its parent company has

¹ The total red-flag investment value is up to date as of June 5, 2023 for IEMG, EEM, MCHI, and CNYA, and October 31, 2022 for CHILX.

² Elina Teplinsky et al., “Four China Nuclear Industry Companies Added to ‘Entity List,’” *Pillsbury*, August 15, 2019, <https://www.pillsburylaw.com/en/news-and-insights/china-industry-entity-list.html>.

³ Philip Wang and Kathleen Magramo, “US adds Chinese genetics firms to trade blacklist over surveillance allegations,” *CNN.com*, March 2, 2023, <https://www.cnn.com/2023/03/02/business/us-blacklist-bgi-chinese-genetics->

been put on the Entity List.

- Qihoo 360, also known as 360 Security Technology Inc., whose software products have been linked to crackdowns, repression, and genocide in Xinjiang by “enabling [the PRC]’s high-technology surveillance” of Uyghurs.⁴ Qihoo 360 is on the 1260H List.

All five funds also included ZTE Corporation, whose cellphone and telecommunications infrastructure products enable the CCP to engage in espionage, fueling the CCP’s techno-totalitarian surveillance state and globally extending its reach.⁵ ZTE was also found guilty of selling restricted U.S. phone technology to foreign adversaries like Iran and North Korea.⁶ It is on the 889 and FCC Covered Lists.

In total, we have identified the following red-flag companies included on one or more reviewed BlackRock funds:

- AECC Aero-Engine Control Company Limited
- AECC Aviation Power Co., Ltd.
- AVIC Electromechanical Systems Company Limited
- AVIC Industry-Finance Holdings Company Limited (a.k.a. AVIC Capital Company Limited)
- Avicopter PLC
- BGI Genomics Co., Ltd.
- CETC Cyberspace Security Technology Co., Ltd.
- CGN New Energy Holdings Co., Ltd.
- CGN Power Co., Ltd.
- China CSSC Holdings Ltd.
- China Mobile Communications Group Company Limited
- China National Chemical Engineering Group Corporation Limited
- China National Nuclear Power Company Limited
- China State Construction Engineering Corporation Limited
- China State Construction International Investment Group Company Limited
- China United Network Communications Group Company Limited
- China National Nuclear Corporation Hua Yuan Titanium Dioxide Company Limited
- CRRC Corporation Ltd.
- Hoshine Silicon Industry Company Limited
- Inspur Electronic Information Industry Company Limited

surveillance-companies-intl-hnk/index.html; Kirsty Needham and Clare Baldwin, “EXCLUSIVE Prenatal test developed with Chinese military stores gene data,” *Reuters*, July 7, 2021, <https://www.reuters.com/business/healthcare-pharmaceuticals/exclusive-prenatal-test-developed-with-chinese-military-stores-gene-data-2021-07-07/>.

⁴ David Shepardson and Karen Freifeld, “Dozens of Chinese companies added to U.S. blacklist in latest Beijing rebuke,” *Reuters*, June 7, 2020, <https://www.reuters.com/article/us-usa-china-blacklist-idUSKBN22Y2QR>.

⁵ Sara Salinas, “Six top U.S. intelligence chiefs caution against buying Huawei phones,” *CNBC*, February 13, 2018, <https://www.cnbc.com/2018/02/13/chinas-huawei-top-us-intelligence-chiefs-caution-americans-away.html>.

⁶ Karen Freifeld and Jiang Sijia, “China’s ZTE pleads guilty, settles U.S. sanctions case for nearly \$900 million,” *Reuters*, February 26, 2020, <https://www.reuters.com/article/us-usa-china-zte-idUSKBN16E1X1>.

- North Industries Group Red Arrow Company Limited
- Offshore Oil Engineering Company Limited
- Qihoo 360
- Xinjiang Daqo New Energy Co., Ltd.
- Zhejiang Dahua Technology Company Limited
- Zhuzhou CRRC Times Electric Company Limited
- ZTE Corporation

The inclusion of these companies on BlackRock's funds is highly concerning, but these red flag lists represent only part of the problem. The CCP's strategy of military-civil fusion creates a very high risk that companies that produce dual-use technologies or are otherwise deeply connected to the PRC state may also be fueling the PRC's military development.

We would like to offer BlackRock an opportunity to help Congress and the American people understand BlackRock's inclusion of red-flagged PRC companies in its funds. We therefore request that you respond to the following questions by August 14, 2023:

1. Please produce in machine readable format a list of all the companies included on BlackRock indexes and, for each company, list the indexes on which that company is included.
2. Please provide a detailed description of the factors you consider when including companies in CHILX and other mutual funds:
 - a. Do you consult the USG red-flag lists described above? If so, why? If not, why not?
 - b. Do you consult the Entity List? Why or why not?
 - c. Do you consult other red-flag lists, which may or may not be maintained by the USG? If so, which lists, and why? If not, why not?
 - d. For any lists that you consult, if a company is included on that list, is it automatically barred from inclusion in a BlackRock fund? If not, what weight is accorded to its inclusion on the list? How does inclusion on the list weigh into BlackRock's decision-making? Please produce copies of all policies, procedures, and guidance documents related to such matters, as well as all communications, including electronic messages, regarding the development of such policies, procedures, or guidance.
 - e. Do you consider whether companies may be subject to secondary sanctions? If so, how do you determine whether they are subject to secondary sanctions and what is your process for determining the risk of loss from those companies? Please produce copies of all policies, procedures, and guidance documents related to such matters, as well as all communications, including electronic messages, regarding the development of such policies, procedures, or guidance.
 - f. Do you consider national security factors? If so, how do they weigh into the decision-making process? If not, why not?
 - g. Do you take into account companies' human rights records or concerns? If so, how do they weigh into the decision-making process? If not, why not?
 - h. How do geopolitical risks factor into your considerations, if at all?

- i. How has your internal, overarching policy toward including PRC companies in your funds varied from 2010 to the present?
3. Please provide a detailed description of the factors you consider when offering ETFs:
 - a. Do you consult the USG red-flag lists described above? If so, why? If not, why not?
 - b. Do you consult the Entity List? Why or why not?
 - c. Do you consult other red-flag lists, which may or may not be maintained by the USG? If so, which lists, and why? If not, why not?
 - d. For any lists that you consult, if a company is included on that list, is it automatically barred from inclusion in a BlackRock ETF? If not, what weight is accorded to its inclusion on the list? How does inclusion on the list weigh into BlackRock's decision-making? Please produce copies of all policies, procedures, and guidance documents related to such matters, as well as all communications, including electronic messages, regarding the development of such policies, procedures, or guidance.
 - e. Do you consider whether companies may be subject to secondary sanctions? If so, how do you determine whether they are subject to secondary sanctions and what is your process for determining the risk of loss from those companies? Please produce copies of all policies, procedures, and guidance documents related to such matters, as well as all communications, including electronic messages, regarding the development of such policies, procedures, or guidance.
 - f. Do you consider national security factors? If so, how do they weigh into the decision-making process? If not, why not?
 - g. Do you take into account companies' human rights records or concerns? If so, how do they weigh into the decision-making process? If not, why not?
 - h. How do geopolitical risks factor into your considerations, if at all?
 - i. How has your internal, overarching policy toward including PRC companies in your funds varied from 2010 to the present?
4. Please produce all policies, procedures, and related guidance documents pertaining to conflicts of interest and how your board has applied such policies, procedures, and related guidance with respect to the engagements with public or private entities based in or with significant operations in the PRC.
 - a. Please produce all communications and documents exchanged with any public or private party BlackRock understood to be acting on behalf of the PRC, including any state-owned enterprise or CCP-related company, related to the inclusion of PRC companies in BlackRock's funds. Please similarly produce any internal communications, including electronic messages, discussing or pertaining to any interaction with any public or private party BlackRock understood to be acting on behalf of the PRC, including any state-owned enterprise or CCP-related company, related to the inclusion of PRC companies in BlackRock's funds.
 - b. During 2022, how much revenue did BlackRock generate from companies and individuals based in the PRC?
 - c. Has the Securities Exchange Commission or any other U.S. regulatory body inquired to you about any conflicts of interest related to your inclusion of PRC companies in your funds? Please produce any communications, including

electronic messages, or documents exchanged with the SEC or any other U.S. regulatory body related to such matters.

5. Are you able to perform thorough due diligence on all PRC companies included in your funds, including those listed on the USG red-flag lists or any other red-flag lists? If so, how and through what means do you do so? If not, what is your process for determining whether to include those companies in your funds?
 - a. How has your ability to perform due diligence on all PRC companies included in your funds varied from 2010 to the present? Have certain CCP laws, acts, statutes, or other legal or regulatory provisions made it easier or harder to perform due diligence? Which, if so, and how?
6. What transparency do you provide to the public and to investors regarding the inclusion of red-flag companies in these funds?
 - a. Do those entities ever request information regarding the inclusion of red-flag companies in your funds?
7. Please provide a full list of funds that you manage, specifically identifying each fund that includes any company identified in this letter.
8. For each fund identified in Question 7, please provide a detailed summary of the fund and a breakdown of U.S. investor exposure, as of June 30, 2023, January 1, 2023, and January 1, 2022, including, but not limited to, answering the below questions:
 - a. Which companies identified in this letter or otherwise designated on the USG red-flag lists are included in the fund?
 - b. Which companies designated on any other list that BlackRock reviews are included in the fund?
 - c. Which subsidiaries and affiliates of companies identified in questions 8a and 8b are included in the fund?
 - d. Please produce the weighting for each company identified in questions 8a-8c in the fund for each date?
 - e. What was the total value of the fund and the value of the investments in each company identified in questions 8a-8c?

The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has broad authority to “investigate and submit policy recommendations on the status of the Chinese Communist Party’s economic, technological, and security progress and its competition with the United States” under H. Res. 11. Upon your receipt of this letter, please maintain and preserve all hard copy and electronic documents, including electronic communications, related to the subject matter of this letter.

To make arrangements to deliver a response, please contact Select Committee staff at (202) 226-9678 (Majority) and (202) 225-2489 (Minority).

Thank you for your attention to this important matter and prompt reply.

Sincerely,

A handwritten signature in blue ink, appearing to be 'MG', followed by a horizontal line.

Mike Gallagher
Chairman

A handwritten signature in blue ink, appearing to be 'Raja Krishnamoorthi', followed by a horizontal line.

Raja Krishnamoorthi
Ranking Member