

Congress probing BlackRock, MSCI for facilitating capital into blacklisted Chinese companies

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VIEW KEY DATA:

BlackRock

BlackRock, the world's largest asset manager, and index provider MSCI are being investigated by a U.S. congressional committee for facilitating "massive flows of American capital" into Chinese companies that have been blacklisted by the U.S. government, according to letters sent to the companies on Monday.

In letters sent to the leaders of both financial institutions, the U.S. House of Representatives' Select Committee on the Chinese Communist Party accused BlackRock and MSCI — through inclusion in indexes — of funneling investments into dozens of

"red flag" Chinese companies that either "fuel the military advancement" of China or help its government "facilitate human rights abuses," including forced labor in the Xinjiang Uyghur Autonomous Region.

Some of the companies listed in both letters — like software company Qihoo 360 and BGI Genomics Co. Ltd. — have been tied to what the committee describes as the Chinese Communist Party "techno-totalitarian surveillance state" and the genocide of Uyghurs, an ethnic minority in China. Beijing has **denied accusations** of genocide.

Though the Congressional committee blasted the investments as "deeply troubling," neither BlackRock nor MSCI has been accused of breaking the law.

The committee's review of BlackRock alone found that the asset manager, which had \$9.43 trillion in assets under management as of June 30, has invested more than \$429 million into blacklisted Chinese companies — though they add that "the true scale is likely much larger."

In the letters, signed by committee Chairman Mike Gallagher (R-Wisc.) and Ranking Member Raja Krishnamoorthi (D-Ill.), the committee blasted both BlackRock and MSCI for making investment decisions that are "exacerbating an already significant national security threat and undermining American values."

The new probe into BlackRock and MSCI comes on the heels of **a separate investigation** by the same committee, launched in July, into the investment activities of four American venture capital firms — GGV Capital, GSR Ventures, Walden International and Qualcomm Ventures — for investing in Chinese artificial intelligence and semiconductor companies.

Like BlackRock and MSCI, the four VC firms were accused of contributing to China's military development and human rights abuses.

The committee has said that the probe into the VC firms was the first in a series of investigations into the connection between the U.S. investment world and the Chinese Communist Party.

In response, the companies issued the following statements: "MSCI indexes measure the performance of equity markets available to international investors, and comply with all applicable U.S. laws. MSCI does not manage or recommend or facilitate investments in any country," said an MSCI spokesperson. "MSCI is currently reviewing the request for information from the House Select Committee."

"Like many global asset managers, BlackRock offers our clients a number of strategies to invest in or exclude China from their portfolios. The majority of our clients' investments in China are through index funds, and we are one of 16 asset managers currently offering U.S. index funds investing in Chinese companies," said a BlackRock spokesperson.

"With all investments in China and markets around the world, BlackRock complies with all applicable U.S. government laws. We will continue engaging with the Select Committee directly on the issues raised."

Brian Croce contributed to this story.

BlackRock, MSCI Under Fire From U.S. Officials For China Investments

By KEVIN GEORGE Published August 02, 2023



Spencer Platt / Getty Images

Investment giant BlackRock ([BLK](#)) and index manager MSCI have come under scrutiny from U.S. lawmakers, who accused them of "fueling China's military ambitions."

KEY TAKEAWAYS

- A U.S. congressional committee is investigating BlackRock Inc. and MSCI Inc.
- The committee says the firms are 'facilitating' investment into blacklisted companies.
- BlackRock shares fell, despite the firm saying it will work with the committee on the matter.

The Select Committee on the Chinese Communist Party (CCP) said the two firms "profit from investments that fuel the military advancement" of China, which it referred to as "America's foremost foreign adversary." The U.S. congressional committee also raised

alarm over the companies' Chinese investments that may be linked to human rights violations.¹

While BlackRock funds invest in China, MSCI doesn't do that directly.² In 2019 MSCI increased the proportion of China A shares included in its MSCI Emerging Markets Index to 20% from 5%. The index company, which advises investors but doesn't manage investments itself, says this was done to reflect the fact that global investors who use its indexes are increasingly re-evaluating their portfolio allocations of China equities in light of the country's "growing economic strength and improving market accessibility."³

In a sternly worded letter sent to BlackRock and MSCI, the U.S. committee said "hard-earned" pensions and savings of Americans are "unwittingly" funding companies that develop weapons for, and advance China's efforts for military technology supremacy.¹

The committee has asked the two companies to provide information on their due diligence practices when dealing with blacklisted companies, such as those on U.S. government "red-flag lists."

BlackRock shares were off 1.19% on the day but the firm denied any wrongdoing. The investment giant told *Reuters* that it "complies with all applicable U.S. government laws," and would work with the Select Committee to resolve the matter.⁴

The move by U.S. lawmakers to scrutinize investments comes after a year of rising tensions between the two countries. The Biden administration began looking at U.S. investments back in January, while the two countries have sparred over access to chip technology and rare earths.⁵

The pressure on BlackRock and MSCI could further dent investor appetite for Chinese stocks. Hedge funds bought Chinese stock at the fastest pace since October 2022 over the last two weeks.⁶

Update Aug. 2, 2023: Updated with more details about BlackRock and MSCI links to China.

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Bezos goes after Musk on China — but they both have dealings there

by [Jerry Dunleavy](#), Justice Department Reporter

April 26, 2022 11:58 AM

Jeff Bezos's attempts to [ding](#) his longtime rival Elon Musk over his [Chinese business ties](#) following Musk's purchase of Twitter backfired when Amazon's own troubled foray into China got called out.

[Twitter](#) agreed to [sell](#) the company on Monday for \$44 billion to [Musk](#), who plans to take it private. Tesla is [currently](#) the world's largest electric vehicle company, and Musk is heavily investing in China to make and sell his electric cars. He has [complimented](#) the Chinese Communist Party for its economic policies, even as the United States is relying on another Musk company, SpaceX, to launch satellites and astronauts into space.

On Monday night, Bezos, the owner of Amazon, Blue Origin, and the *Washington Post*, [tweeted](#): "Did the Chinese government just gain a bit of leverage over the town square?"

He was responding to *New York Times* reporter Mike Forsythe, who [pointed out](#) that Tesla's second-biggest market is China and that Chinese battery makers are significant suppliers for Tesla's electric vehicles. Forsythe speculated that the Chinese government had almost no leverage over Twitter after banning it in 2009 but said, "That may have just changed."

Bezos [quickly backtracked](#), though, saying, "My own answer to this question is probably not. The more likely outcome in this regard is complexity in China for Tesla, rather than censorship at Twitter ... Musk is extremely good at navigating this kind of complexity."

Following Musk's purchase of Twitter, he touted free speech as the "bedrock of a functioning democracy."

"Twitter is the digital town square where matters vital to the future of humanity are debated," Musk declared.

[CHINA'S GLOBAL UYGHUR REPRESSION CAMPAIGN BROADER THAN PREVIOUSLY KNOWN](#)

China blocks its own people from using Twitter, although the tech company has run sponsored content by Chinese state-owned Huawei, and the Chinese government and Chinese state-run media make extensive use of the social media platform, including to push [falsehoods](#) about COVID-19's origins.

Musk has worked to cozy up to China to expand his business there. China's ambassador to the U.S., Qin Gang, revealed he'd had a "smooth ride" in a Tesla with Musk in March during a California visit, and he tweeted photos of himself and Musk together.

Last June, when the CCP was commemorating its 100th anniversary, Musk [tweeted](#): "The economic prosperity that China has achieved is truly amazing, especially in infrastructure! I encourage people to visit and see for themselves."

Musk [shared](#) his tweet with 1.9 million [followers](#) on Weibo, while the comments were also parroted by state-run media.

In March 2021, Musk praised China during an interview with state-run China Central Television, touting the CCP's [14th five-year plan](#) to increase its research and development spending.

Tesla also touted a new car showroom in Xinjiang on Chinese social media on New Year's Eve, a week after President Joe Biden signed a law banning imports tied to forced labor in the region, where the U.S. says the Chinese government is conducting genocide against Uyghur Muslims.

Tesla will begin building a new Shanghai plant soon, [according](#) to *Reuters*, as part of an effort to more than double the company's production capacity in China. The China Passenger Car Association [said](#) in March that Tesla sold more than 56,500 Chinese-made vehicles in February alone, including more than 33,000 for export.

CNBC [said](#) in March that the Chinese portion of Tesla's revenue grew to 26% in 2021, up from 12% as recently as 2019.

Musk [predicted](#) in December that "China is probably going to have an economy two to three times the size of the United States" and asserted that "Tesla has a good relationship with China, and I don't mean to endorse everything that China does any more than I would, say, endorse everything the United States does, or any country."

SEC [filings](#) by Tesla show its revenue has grown in China, bringing in \$14.87 billion, \$12.65 billion, and \$15.2 billion from the U.S. in 2018, 2019, and 2020, respectively, compared to Tesla's revenue of \$1.76 billion, \$2.98 billion, and \$6.66 billion in China.

While Bezos may have wanted to point all of this out with his tweet, Amazon, meanwhile, has also pursued extensive Chinese business. It agreed to the Chinese government's request to stop allowing customer ratings and reviews on its Chinese-language website after a collection of Chinese leader Xi Jinping's speeches and writings received a negative review, *Reuters* [reported](#) in December. The outlet said Amazon's compliance with the CCP order was "part of a deeper, decade-long effort by the company to win favor in Beijing to protect and grow its business."

Amazon has also been linked to Uyghur forced labor claims.

The Australian Strategic Policy Institute in 2020 [identified](#) Amazon as one of dozens of foreign and Chinese companies "directly or indirectly benefiting from the use of Uyghur workers outside Xinjiang through abusive labor transfer programs as recently as 2019." The Tech Transparency Project [said](#) in March that Amazon's public list of suppliers "includes five companies that have been linked directly or indirectly to forced labor of ethnic minorities from China's Xinjiang region."

A company spokesperson [said](#), "Amazon complies with the laws and regulations in all jurisdictions in which it operates ... We take allegations of human rights abuses seriously, including those related to the use or export of forced labor."

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And filings [reported by](#) the *Free Beacon* also [show](#) that state-run *China Daily* paid Bezos's *Washington Post* more than \$100,000 per month over multiple years to push CCP propaganda, with the U.S. outlet saying it stopped printing it in 2019.

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Hunter Biden was paid millions by Chinese state-linked energy firm, Washington Post report finds

Grayson Quay, Weekend editor

March 30, 2022 · 2 min read



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Hunter Biden MANDEL NGAN/AFP via Getty Images

A *Washington Post* [report](#) published Wednesday shed new light on [Hunter Biden's](#) dealings with a Chinese energy firm and confirmed several details found on the hard drive of a laptop he allegedly abandoned in a Delaware repair shop.

CEFC China Energy, which has close ties to the Chinese Communist Party and People's Liberation Army, paid entities controlled by the then-cash-strapped Hunter Biden or his uncle James Biden \$4.8 million over the course of 14 months beginning in 2017, according to *The Washington Post*.

The *New York Post* began publishing stories based on information found on the laptop hard drive in September 2020. Due to concerns about the laptop's provenance and warnings from current and former intelligence officials that the laptop might be a Russian disinformation operation, social media sites [suppressed the story](#) until after the election.

Now, [the New York Post](#) is arguing that social media users' inability to share the Hunter Biden laptop story "helped swing the election to Biden."

Earlier this month, *The New York Times* [reported](#) that emails recovered from the laptop had been "[authenticated](#)." Wednesday's *Washington Post* report adds further weight to that authentication.

The Hunter Biden story may not have propelled former President Donald Trump to victory in 2020, but he's hoping it might help him win in 2024. In an interview broadcast Tuesday, [Trump said](#) Russian President Vladimir Putin "should release" any dirt he has on Hunter Biden and that Putin would probably "be willing" to provide it, since he's currently "not exactly a fan of our country."

Hunter Biden remains under federal tax investigation by a grand jury. According to *The Washington Post*, the investigation once sought to determine whether "he failed to account for income from China-related deals," though "it is unclear whether that is still a focus."

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