



PSSI PERSPECTIVES — 30

FUNDING OF THE IRAN-CHINA STRATEGIC PARTNERSHIP VIA THE U.S. CAPITAL MARKETS

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40 Chinese Companies with Strategic Ties to Iran Present in the U.S. Capital Markets

ENERGY

- Sinochem
- PetroChina
- CNPC Capital Co.
- China Petroleum Engineering Co.
- Kunlun Energy
- Sinopec
- Sinopec Engineering (Group) Co.
- Sinopec Oilfield Service Co.
- Sinopec Oilfield Equipment Co.
- Sinopec Shanghai Petrochemical Co.
- Sinopec Kantons Holdings
- Offshore Oil Engineering Co.
- China BlueChemical
- China Oilfield Services (COSL)
- Yantai Jereh Oilfield Services Group Co.
- CRRC Co.
- COSCO SHIPPING Holdings Co.
- COSCO Shipping Energy Co.
- COSCO Shipping Specialized Carriers Co.
- COSCO Shipping Development Co.
- Harbin Electric Co.



MILITARY

- NORINCO International Cooperation
- North Industries Group Red Arrow Co.
- North Electro-Optic Co.
- Ling Yun Industrial Co.
- Avicopter
- AviChina Industry & Technology Co.
- China Aerospace International Holdings
- China Greatwall Technology Group Co.



COMMUNICATION & SURVEILLANCE

- ZTE
- Far East Cable
- CETC Potevio Science & Technology Co.
- CETC Chips Technology Inc.
- Chengdu Spaceon Electronics Co.
- Eastern Communications Co.
- Zhejiang Dahua Technology Co.
- Eastcompeace Technology Co.
- Fiberhome Telecommunication Technologies Co.



INFRASTRUCTURE

- China CAMC Engineering Co.
- SINOMACH Heavy Equipment Group



Est. Combined Market Value of
Investments by American Funds:
\$6.2 Billion

EXECUTIVE SUMMARY

After extensive research, PSSI has identified 40 Chinese publicly traded companies with strategic links to Iran that have attracted American investment estimated at over **\$6.2 billion**.¹ This research was undertaken in response to the Iranian regime's long-standing [involvement](#) in the [funding](#) and [arming](#) of Hamas, its responsibility for the devastating attacks against Israel on October 7, and its support for the continued activities of Hezbollah, Islamic Jihad, and other terrorist proxies. Subsequently, Iranian-aligned militant groups across the Middle East, notably the Houthi Movement, have [repeatedly](#) attacked U.S. forces and allied shipping in the Red Sea. Indeed, the United States has [accused](#) Iran itself of a drone strike on a commercial ship. These events have placed Iran unequivocally at the heart of the recent instability, destruction, and bloodshed affecting the region.

After decades of sanctions, it is clear that Iran could not continue to wield such outsized malign influence without foreign [partners](#). Since the Iranian Revolution in 1979, China has been Tehran's [most significant arms supplier](#). China has also been [Iran's largest trading partner](#) for a decade, has pledged another [\\$400 billion](#) in future investment, and has [purchased 87%](#) of Iran's oil exports as of October, 2023.² Accordingly, this PSSI report focuses on exposing an underreported and often-overlooked dimension of this crisis: the largely unwitting, indirect U.S. investor funding of the Iranian '[Axis of Resistance](#)' through investments in Iran-linked Chinese publicly traded companies.

These 40 Chinese enterprises are materially advancing Iran's strategic interests,³ yet they are **all** included in the investment products of U.S. asset management firms (e.g. Exchange-Traded Funds, etc.).⁴ Vanguard stands out for its especially egregious involvement,⁵ as it is responsible for channeling the investments of tens of millions of American retail investors into 38 of the 40 identified companies. For example, any investor in Vanguard's VGTSX fund (a major fund with over \$350 billion in assets under management) would see their money invested in 95% of those companies identified by PSSI as having strategic ties to Iran.

Of the 40 Chinese companies identified, 8 have ties to the Iranian military sector, 9 are involved in Iranian communications and surveillance, 21 in its oil and gas industries (including associated activity such as the shipment of Iranian oil), and 2 are engaged in Iranian infrastructure projects. These findings raise a number of pressing questions regarding the due diligence and material risk disclosures performed by the respective U.S. asset managers and index providers, not to mention the woeful level of fiduciary responsibility. In this latter connection, relying solely on the assertion of "compliance with the law" although accurate, simply does not suffice.

¹ All figures in USD. Calculations of U.S.-based investment represent the current value of the given investment, in Q4 2023.

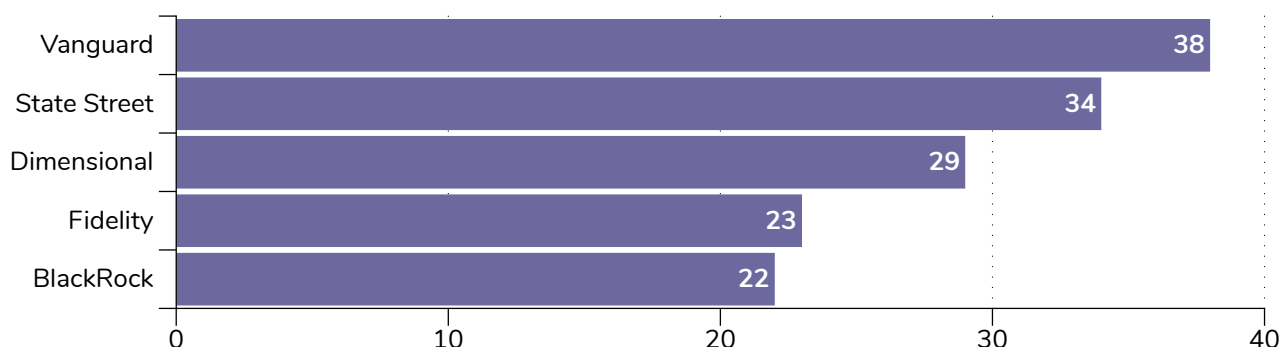
² China bought an average [1.05 million](#) barrels per day from Iran in the first 10 months of 2023.

³ Either through their own direct involvement with the Iranian regime, or through their respective subsidiaries or parent companies.

⁴ They are also present in the American indices used to benchmark these investment funds, primarily FTSE-Russell and MSCI.

⁵ Vanguard has previously come under scrutiny for channeling U.S. investor funds into dozens of Chinese military companies and multiple U.S.-sanctioned Chinese companies, as highlighted in a recent [report](#) from the Coalition for a Prosperous America.

Most exposed asset managers, sorted by number of holdings (out of the 40 Chinese firms)



In short, while Iran is ultimately responsible for much of the region’s ongoing bloodshed, its destructive and subversive capacity is magnified by Chinese support. The unacceptable Western funding of this strategic partnership via the U.S. and allied capital markets access must be addressed with urgent investigative and legislative action, culminating in comprehensive legislation prohibiting individual and institutional investor ownership of these 40 malign Chinese companies.

WALL STREET INVOLVEMENT

U.S. asset management firms like [Vanguard](#) and [BlackRock](#) are already under Congressional scrutiny for investments in Chinese companies tied to military operations and the PLA, including the production of advanced weapons systems and human rights abuses.⁶ A [landmark report](#) released by the nonpartisan U.S. industry group, the Coalition for a Prosperous America, recently highlighted that Vanguard’s flagship emerging markets fund channels U.S. investor funds into some 60 Chinese companies linked to China’s military and its defense sector, as well as 8 companies currently sanctioned by the U.S. government for human rights abuses in Xinjiang, China.

This report showcases at least 18 occasions when subsidiaries or sister companies of a sanctioned Chinese enterprise have been included in U.S.-based investment funds. Cumulatively, these investments are valued in the hundreds of millions of dollars.

⁶ See the [Press Release](#) entitled “‘Unconscionable to Profit From Fueling China’s Military’ - Select Committee Launches Investigation Into BlackRock & MSCI” for a further insight into U.S. Congressional action on BlackRock.



IRANIAN DEFENSE SECTOR

Naturally, the involvement of Chinese companies with Iran's military poses the greatest risk, as it contributes most directly to the violence and terror now convulsing the region. For example, the Iranian Revolutionary Guard Corps (IRGC), designated by the U.S. as a terrorist organization, uses [rifles](#) and weapon attachments, such as [scopes](#), designed and manufactured by Chinese state-owned defense company NORINCO. Although domestically manufactured rifles are now increasingly common, these models remain based upon NORINCO's designs. NORINCO has repeatedly been [implicated in missile exports to Iran](#), culminating in a string of U.S. government sanctions for weapons proliferation. NORINCO is [currently sanctioned](#) by the U.S. government, but its publicly listed subsidiary NORINCO Intl. (000065.SZ) is held by 16 U.S. investment funds, including some of Vanguard's largest.⁷ Another one of NORINCO's subsidiaries,

⁷ PSSI is not suggesting that these U.S. asset managers have engaged in any legal wrong-doing. There are many publicly listed Chinese subsidiaries of U.S.-sanctioned companies whose stock is legal to own, hence the charge of official regulatory failure

North Industries Group Red Arrow Co. (000519.SZ), which primarily manufactures artillery shells, rockets, and missiles, is held by 47 U.S.-based funds.

[U.S.-sanctioned](#) Aviation Industry Corporation of China (AVIC) is also heavily involved with the Iranian defense industry.⁸ The IRGC Aerospace Force [currently flies](#) aircraft manufactured by AVIC. We found two publicly-listed AVIC subsidiaries involved in the manufacturing of this aircraft in U.S. investment portfolios: Avicopter (600038.SH) and AviChina Industry & Technology Co. Ltd. Class H (2357.HK),⁹ whose combined U.S.-based investment totals \$112.7 million.¹⁰

China Electronics Corporation (CEC), the company [responsible](#) for supplying Iran with the JY-14 three-dimensional tactical radar system, has also made its way into American investor portfolios under its [subsidiary](#) China Greatwall Technology Group Co., Ltd. (000066.SZ). The U.S.-based investment into this company is valued at \$26.6 million.

SURVEILLANCE TECHNOLOGY

American national security was jeopardized when two Chinese publicly traded companies – ZTE (0763.HK; 000063.SH)¹¹ and Far East Cable (parent company Far East Smarter Energy Co., Ltd.; 600869.SH) – [conspired](#) to supply sensitive U.S. surveillance technology to an IRGC affiliate. ZTE is a [long-time sanctions violator](#), for which it has been fined [\\$1.2 billion](#). Given this history, it is shocking that ZTE can today be found in at least 145 U.S.-based investment funds, with a total American investor stake of over \$235 million. The substantially smaller Far East company, meanwhile, is found in 4 U.S.-based investment funds, 3 of which are managed by Vanguard.

The [relationship](#) between Chinese public companies and the Iranian regime's surveillance activities goes beyond deals which violate U.S. sanctions. [The scope and depth](#) of the collaboration includes facial recognition software which allows the Iranian government to combat dissent in its own populace, provided by companies like Zhejiang Dahua Technology Co., Ltd. (002236.SZ). Dahua has [34,334 camera networks in Iran](#) and a cumulative U.S.-based investment stake of \$64.3 million. But the true giant of Iran-linked Chinese surveillance technology is the [China Electronics Technology Group Corp](#) (CETC), a state-owned enterprise which manufactures both civilian and military products. The most important subsidiary of CETC is [Hikvision](#), one of the [largest manufacturers of video surveillance equipment in the world](#) and, [like Dahua](#), a well-known corporate human rights [abuser](#). While Hikvision and its subsidiaries are [sanctioned](#), PSSI found at least 5 other CETC subsidiaries with U.S.-based investment.¹²

referenced in this report.

⁸ AVIC has also taken advantage of U.S. [technology sharing](#) for military purposes.

⁹ AviChina Industry & Technology Co. Ltd. is also listed on a variety of other exchanges. Ticker numbers provided here are for informational purposes only and do not constitute an exhaustive list of the investment products associated with any one company.

¹⁰ We know that there are many more AVIC subsidiaries in U.S. portfolios, and all of them are funneling money into the CCP military establishment. Further research into this megacorporation would yield far higher totals for U.S. investment, which, while they might not be as directly linked to the Iranian military establishment, are complicit in CCP military aggression and repressive policies.

¹¹ ZTE Corporation is also traded OTC in the U.S. as ZTCOF.

¹² These included CETC Potevio Science & Technology Co., Ltd. Class A (002544.SZ), CETC Chips Technology Inc. Class A (600877.SH), Chengdu Spaceon Electronics Co. Ltd. Class A (002935.SZ), Eastern Communications Co., Ltd. Class A (600776.SH), and Eastcompeace Technology Co., Ltd. Class A (002017.SZ).

IRANIAN ENERGY SECTOR

China's largest oil companies are also replete with material risks stemming from their operations in Iran. The China National Petroleum Corporation (CNPC) is one of the world's [largest](#) oil companies,¹³ with at least [8 subsidiaries](#) known to be active in Iran.¹⁴ Most CNPC operations are run through its publicly listed flagship subsidiary, Petrochina Co. Ltd. (0857.HK; 601857.SH),¹⁵ [active in Iran](#) since 2007. Today, U.S.-based investment in Petrochina Co. Ltd. is valued at over \$2.1 billion, with this figure rising to nearly \$2.7 billion when its publicly traded subsidiaries are included.

The China National Offshore Oil Corporation (CNOOC), China's [third largest](#) oil company, is on both the U.S. Commerce Department's [BIS Entity List](#) and the Treasury Department's [Chinese Military-Industrial Complex Companies List](#) for its support of Chinese [territorial aggression](#).¹⁶ Its publicly listed flagship subsidiary CNOOC Ltd (0883.HK; 600938.SS)¹⁷ has been [delisted](#) from the NYSE and is under [heavy scrutiny](#) for its Iranian ties. CNOOC has at least 3 listed subsidiaries implicated in Iran: Offshore Oil Engineering Co. Ltd (600583.SH), China BlueChemical Ltd (3983.HK), and China Oilfield Services (also known as COSL) (2883.HK; 601808.SH), which have cumulatively attracted an estimated \$406 million from U.S.-based asset management funds.

Sinopec (0386.HK; 600028.SH) is heavily implicated in the [development of oil fields](#) in Iran.¹⁸ Some 224 U.S.-based funds have invested in Sinopec, with these investments cumulatively valued at over \$1.85 billion. A further \$220 million have been invested in five identified publicly traded subsidiaries of Sinopec. Another Chinese company engaged in oilfield exploration, Yantai Jereh Oilfield Services Group Co., Ltd. (002353.SZ) reached a [\\$2,774,972 settlement](#) for sanctions violations related to Iran.¹⁹ Nonetheless, U.S.-based funds have invested some \$75.5 million in this company.

One of the largest Chinese companies involved in [shipping Iranian oil](#) is COSCO. Its flagship subsidiary, COSCO SHIPPING Holdings Co., Ltd. (1919.HK; 601919.SH),²⁰ can be found in the portfolios of 83 U.S.-based funds, with investments valued at \$78 million. Three other subsidiaries – [COSCO Shipping Development](#) (2866.HK; 601866.SH), [COSCO Shipping Specialized Carriers Co., Ltd.](#) (600428.SH), and [COSCO Shipping Energy Transportation Co., Ltd](#) (1138.HK; 600026.SH) – have been known to facilitate the shipping of Iranian oil. The cumulative investment by U.S.-based funds into these three subsidiaries alone is valued at over \$150 million. Another company implicated in [Iranian oil shipments](#) to China, Sinochem International Corporation (600500.SH), can be found in 15 U.S.-based investment funds.

¹³ CNPC was ranked the 4th largest company in the world in the [2022 Fortune Global 500](#) list.

¹⁴ One of CNPC's subsidiaries, the Bank of Kunlun Co. Ltd., also faced U.S. Treasury [sanctions](#) for "facilitating the movement of millions of dollars worth of international transactions" to Iran.

¹⁵ PetroChina Company Ltd. can be found on a variety of other exchanges and is also traded OTC as PCCYF.

¹⁶ CNOOC has also allegedly engaged in [PLA-administered cyber-espionage](#).

¹⁷ Despite having been delisted in the U.S., CNOOC still trades freely in Europe.

¹⁸ Sinopec's former president was also [jailed](#) in 2017 for unrelated crimes including embezzlement and accepting bribes.

¹⁹ The Jereh group still [operates freely in the U.S.](#)

²⁰ Multiple COSCO equities are also traded OTC in the U.S. and on EU exchanges.

CONCLUSION

Our research findings confirm the troubling scope and significance of the Iranian regime's economic and military [dependence](#) on the CCP in the context of their overall strategic capabilities. China is a [leading outside power](#) propping up the Iranian regime, providing it with the ability to weather and offset Western sanctions, and allowing it to continue its repression of its own people and its attacks on U.S., Israel, and other American allies.

The publicly traded status of the Chinese companies referenced in this report, and the sizable U.S. investment they have garnered, offers actionable leverage against the CCP and Tehran. The imposition of comprehensive capital markets sanctions on these Iran-tied Chinese enterprises would send an unmistakable message to China, Russia and other sponsors of Iran, that the West possesses both the ability and the political will to end malign actor access to the U.S. and allied capital markets.

The complete [lack of separation between the state and “private” sector](#) in China taints U.S. investment in all Chinese companies, but especially those that pose an exceptional national security risk. Moreover, it represents a breathtaking regulatory failure that tens of millions of American investors (as well as their European and other allied counterparts) are unintentionally funding Chinese companies which are actively working to undermine their interests and foment global instability.

In short, while Iran is ultimately responsible for much of the terror currently afflicting the Middle East, China is, to a large extent, responsible for sponsoring Iran. The U.S. Executive Branch has failed to utilize the leverage that capital market sanctions offer in dealing with these malevolent Chinese corporations. Given this situation, it is therefore imperative that the U.S. Congress take urgent legislative action to exclude these 40 Chinese corporate bad actors from the U.S. capital markets and make it illegal for U.S. persons to own or hold their securities.

Moreover, this report has likely only begun to surface the Iran-tied, Chinese public companies being funded by U.S.-based asset managers and their investment products, including off-shore. Accordingly, the U.S. Securities and Exchange Commission, Department of the Treasury, the White House National Economic Council, the National Security Council, and the Department of State should be required by the Congress to investigate immediately the full extent of this China- Iran strategic partnership and the precise role of U.S. individual and institutional investors in holding the securities of the Chinese publicly traded companies involved. The true amount may far exceed the roughly \$6 billion unearthed by this report.

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