



**WARNING:** U.S. Consumers should be wary of investments managed by BlackRock Investment Management Company. Seeking profits with no regard for consequences, BlackRock is taking your money and betting on China. BlackRock is knowingly using investments funded by hard-working Americans to support companies directly tied to the Chinese Communist Party (CCP). These investments made with Americans' retirement savings are strengthening the Chinese economy and enhancing the Chinese military.<sup>1</sup>

**COMPANY PROFILE:**

# BLACKROCK

**Blackrock (BLK)**

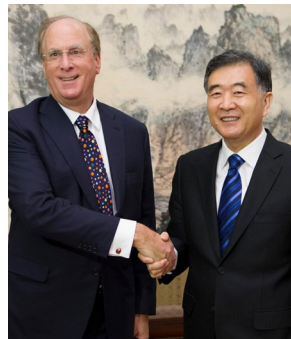
**Industry:** Global Investment Manager  
**Founded:** 1988  
**Headquarters:** New York City, NY  
**CEO:** Larry Fink  
**CFO:** Gary Shedlin  
**2020 Net Income:** \$5.2 billion  
**Assets Under Management:** \$9.5 trillion

**BLACKROCK IS ALL IN  
ON CHINA:**

BlackRock's connections to China are deep and troublesome.

Today, BlackRock has nearly  
**\$10 trillion**  
under its management

Today, BlackRock has nearly \$10 trillion under its management including the retirement and savings of countless Americans across the country.<sup>2</sup> BlackRock's investment dollars are riddled with examples of the company using American investments for the betterment of the CCP. Beyond just its investment portfolio, BlackRock CEO Larry



Chinese Vice Premier Wang Yang (R) shakes hands with Laurence D. Fink, chairman and Chief Executive Officer of BlackRock Inc., during their meeting in Beijing, capital of China, Feb. 18, 2014.

**"I continue to firmly believe China will be one of the biggest opportunities for BlackRock over the long term, both for asset managers and investors"**

**Larry Fink  
BlackRock CEO**

Fink has concerning ties to the China's leadership, including aiding the CCP in negotiations<sup>3</sup> with the United States during recent trade talks. However, this is not a new relationship. Their ties go back many years. In 2008, BlackRock opened an office in Beijing in an attempt to "expand its business into China," saying the office would "help establish local contacts."<sup>4</sup> Since then, BlackRock expanded investments into companies like Baidu, Pinduoduo, Xiaomi, and China National Offshore Oil Corporation (CNOOC)<sup>5</sup> which reportedly have ties to the CCP. BlackRock has poured money into Chinese tech and telecommunication companies like Baidu and Xiaomi that have displayed their CCP allegiance by launching internal Communist Party committees within their companies to gain favor.<sup>6</sup> Pinduoduo has contributed hundreds of millions to Chinese Communist Party initiatives within the country.<sup>7</sup> BlackRock investments in CNOOC have helped aid the CCP's efforts to expand its influence across the globe.<sup>8</sup>

1. *Financial Times: BlackRock and Vanguard face heavy burden of US sanctions on China*  
*Business Insider: BlackRock says investors should triple their allocations in Chinese assets despite increasing regulatory risks*  
2. *The Wall Street Journal: BlackRock Closes In on the Once Unthinkable, \$10 Trillion in Assets*  
3. *The Wall Street Journal: China Has One Powerful Friend Left in the U.S.: Wall Street*  
4. *MarketWatch: BlackRock opens Beijing office; seeks to expand in China*  
5. *CNN: Baidu Inc Shareholders*  
*CNN: Pinduoduo Inc Shareholders*  
*Financial Times: Shares in China's Xiaomi tumble after US investment ban*  
*Reuters: United States adds China's SMIC and CNOOC to Defense blacklist*  
6. *Financial Times: Chinese tech groups display closer ties with Communist party*  
*SCMP: China's largest smartphone maker Xiaomi sets up Communist Party committee*  
7. *Nikkei Asia: China's Big Tech vows to give back as Xi touts 'common prosperity'*  
8. *The Globe and Mail: The dual loyalties behind CNOOC's push for global growth*

In 2015, BlackRock’s relationship with China was so close that CEO Larry Fink was summoned to China<sup>9</sup> to provide counsel on how to address a downturn in the market there, something he has done many times since.

BlackRock has worked hard to please the CCP. The Wall Street Journal reported that “in 2017 when Hong Kong-traded Chinese companies—including Industrial & Commercial Bank of China and oil-and-gas giant China Petroleum & Chemical Corp.—proposed charter changes requiring their boards to seek advice on major decisions from Communist Party committees, BlackRock funds voted in support.”<sup>10</sup>

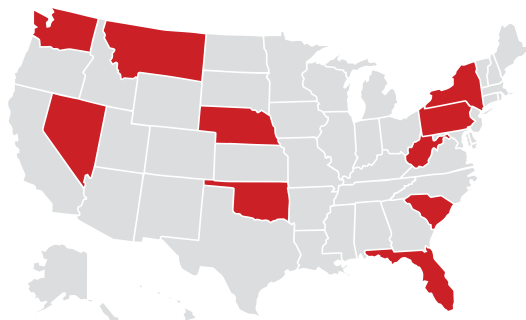
Again in 2018, when things looked grim for a trade deal between China and the United States, Larry Fink was part of an elite group of Wall Street executives tapped by senior CCP officials to help boost China and support the CCP in their negotiations with United States.<sup>11</sup> In order to cozy up to the CCP and further its business in China, BlackRock hired a former official with the Chinese Securities Regulatory Commission in 2019 to head its office in Beijing.<sup>12</sup>

Then, in March 2020, as the novel coronavirus that originated in China began ravaging the United States, BlackRock CEO Fink sent a letter to BlackRock’s shareholders confirming BlackRock’s commitment to China and the CCP. “I continue to firmly believe China will be one of the biggest opportunities for BlackRock over the long term, both for asset managers and investors, despite the uncertainty and decoupling of global systems we’re seeing today,” wrote Fink.<sup>13</sup>

This culminated in August of 2020<sup>14</sup> when BlackRock got approval to start the first wholly foreign owned mutual fund business in China. This is something that is likely to provide BlackRock with hundreds of millions of new investors and an incentive to boost Chinese companies over their U.S. competitors.

As BlackRock continues to tell Americans how to run their businesses and their lives, they are knowingly turning a blind eye to the CCP’s malign behavior and worse, sending American pensions to China to support it.

## Top 10 State Pension Fund Investments with BlackRock



<b>Washington</b>	\$13 Billion	<b>South Carolina</b>	\$9.3 Billion
<b>Florida</b>	\$10.7 Billion	<b>Oklahoma</b>	\$5.8 Billion
<b>New York</b>	\$9.8 Billion	<b>Pennsylvania</b>	\$3.5 Billion
<b>Nevada</b>	\$9.7 Billion	<b>Montana</b>	\$2.9 Billion
<b>Nebraska</b>	\$9.4 Billion	<b>West Virginia</b>	\$2.1 Billion

## CHOOSING CHINA OVER THE UNITED STATES

BlackRock has made extensive efforts to position itself publicly as a socially conscious company. However, when it comes to China, BlackRock has not applied the same investment standards it champions in the U.S.

BlackRock claims environmental and social priorities are at the forefront of its investment approach,<sup>15</sup> but BlackRock continues to prioritize investment in China – which is the world’s largest polluter<sup>16</sup> and has a horrific human rights record.<sup>17</sup>

Despite constant preaching about morality in their

investing, BlackRock is an investor in two companies, Hikvision and iFlytek, that the United States government has backlisted for human rights abuses against Uyghurs in Xinjiang. In the case of Hikvision, BlackRock *increased* its holding after the blacklisting. These companies aren’t cheap, low-tech, mass-production businesses. iFlytech works on AI and voice recognition, and Hikvision is one of the world’s largest surveillance equipment manufacturers. Both could play critical roles in expanding the CCP’s network of surveillance and control.<sup>18</sup>

9. CNBC: China calls in BlackRock’s Fink on markets: Sources

10. The Wall Street Journal: China Has One Powerful Friend Left in the U.S.: Wall Street

11. The Wall Street Journal: China Has One Powerful Friend Left in the U.S.: Wall Street

12. Reuters: BlackRock appoints veteran Tang Xiaodong to head China operations

13. Larry Fink’s 2020 Letter To Shareholders

14. Bloomberg: BlackRock Gets Approval to Set Up Mutual Fund Company in China

15. CNBC: \$7 trillion asset manager BlackRock makes climate change central to its investment strategy for 2021

16. BBC: Report: China emissions exceed all developed nations combined

17. Human Rights Watch: China: Events of 2020

18. The American Prospect: BlackRock’s Investment in Blacklisted Chinese Surveillance Companies

## SUPPORTING CHINA'S MILITARY

Despite China's status as a significant threat to American security, BlackRock has poured large capital investments into companies closely linked to the Chinese military. BlackRock has shown that its relationship with the CCP is more important than America's national security interests.

BlackRock has sent Americans' money overseas to companies like Tencent, Semiconductor Manufacturing International Corporation (SMIC), China Telecom, and China SpaceSat that have extensive ties to the Chinese military.<sup>19</sup> Through their investments in these companies, BlackRock is bolstering the Chinese military's technological buildup as it seeks to rival the United States' capabilities.<sup>20</sup> In the case of China SpaceSat, BlackRock took a stake in a company that is a key part of the Chinese military's satellite and space

priorities.<sup>21</sup> BlackRock's investment choices are not only risking the security of U.S. pensions, but the security of our nation as a whole.



## RISK TO CONSUMERS:

BlackRock's dependence on Chinese investments and relationship with the Chinese Communist Party put investors' money at extraordinary risk.

### 1. U.S. investors do not own direct shares of Chinese firms, which is illegal under Chinese law, but rather they own shares in shell companies.<sup>22</sup>

Through its large passive investing funds, BlackRock is thought to be one of the largest investors in U.S. exchange-listed Chinese companies, yet they fail to advertise to fund customers that ownership of Chinese companies by foreigners is illegal under Chinese law. Instead, investors in BlackRock's funds own shares of shell companies set up in the places like the Cayman Islands that have profit sharing agreements with Chinese companies.<sup>23</sup> And it gets worse. These shell companies, referred to as Variable Interest Entities (VIEs), are also invalid under current Chinese law and are allowed to operate only at the pleasure of the CCP.<sup>24</sup> The illegitimate status of the VIEs in China means that their legal recognition and value is completely dependent on the whims of the Chinese government. This applies to nearly all Chinese firms. U.S. exchange-listed VIEs include the shell company equivalent for Alibaba, TenCent, and recently defaulted Evergrande.

The risks VIEs pose to U.S. investors are not hypothetical. In 2011, payment processor Alipay, the most profitable division of U.S. listed Alibaba, was unilaterally removed from ownership of the parent company that U.S. investors "owned."<sup>25</sup> The division was placed in the personal ownership of Chinese billionaire Jack Ma, leaving U.S. investors with little recourse. Despite these obvious and inherent risks, Blackrock continues to invest its clients' money in VIEs that remain at substantial risk of sudden devaluation based on the decisions of the CCP.

### 2. Companies operating in China, even those officially privately owned, are controlled by or at least beholden to the Chinese government.

A prominent example of this is Huawei which was blacklisted by the U.S. Federal Communications Commission in March of 2021. It was "deemed to pose an unacceptable risk to the national security of the United States or the security and safety of United States persons."

As one of the world's largest providers of telecommunications equipment, the risks associated with Huawei are well known. However, Xiaomi poses concerns similar to Huawei and was added to the investment blacklist by the United States.

19. Reuters: BlackRock says ETFs match index cuts of China stocks  
Nikkei Asia: US blacklists top China chipmaker SMIC and oil giant CNOOC  
Reuters: BlackRock sells \$200 mln China Telecom stake after U.S. ban  
SEC  
"iShares\_MSCL\_China ETF"

20. ForeignPolicy: Tech Giants Are Giving China A Vital Edge In Espionage  
Forbes: SMIC Is One Of Many Semiconductor Fabs With Ties To China's Military

DoD: Entities Identified as Chinese Military Companies Operating in the United States

21. FDD: Defusing Military-Civil Fusion The Need to Identify and Respond to Chinese Military Companies

22. GCI Investors: Chinese VIE Structure: Wall Street Continues to Ignore the Risks

23. BlackRock: Annual report and audited financial statements

24. GCI Investors: Chinese VIE Structure: Wall Street Continues to Ignore the Risks

25. The Wall Street Journal: Ownership Shift at Alipay

Still, BlackRock has been a leading investor in the smartphone company.<sup>26</sup> Investments by BlackRock in companies that pose a danger to U.S. national security create a significant risk for investors. Such investments expose BlackRock clients to unreasonable and underreported geopolitical risk. Actions by both U.S. and PRC governments could cause the value of U.S. holdings in these companies to evaporate overnight.

- 3. BlackRock's investments make customers party to the oppressive tactics of a totalitarian regime, including the ongoing genocide in Xinjiang, China.**
- 4. Chinese firms do not have the same reporting requirements of U.S. and European companies.**

Even when traded on U.S. exchanges, Chinese companies are not obligated to provide the same, standard reporting that western firms are required to issue.<sup>27</sup> Despite recent regulatory bodies pushing for transparency,<sup>28</sup> Chinese firms are shielded by the CCP, which claims that exposing the inner workings of their companies poses a security risk to the state. Such was the case with Luckin Coffee, a purported rival to Starbucks, which took a \$5 billion haircut on its market value in a single day after it came to light that its earnings in 2019 were largely fabricated.<sup>29</sup> BlackRock invested large sums in Luckin prior to the company going public.<sup>30</sup>

- 5. Chinese firms are routinely manipulated by the CCP in accordance with the whims of their country's communist leadership.**

In August, as the CCP embarked on new regulatory measures to "redistribute wealth," Chinese firms listed on U.S. exchanges lost \$150 billion in value in less than two weeks.<sup>31</sup>

Even more recently, massive Chinese homebuilder Evergrande defaulted on billions in debt. Blackrock has reportedly been one of the biggest investors in Evergrande bonds.<sup>32</sup>

Strangely, BlackRock invested more in Evergrande after its decline began.<sup>33</sup> Now, Evergrande's collapse will likely cause a spiral of defaults, and Blackrock's investors are likely to suffer significant consequences. Exacerbating an already bad situation, the CCP is allowing

Evergrande to leave foreign bond holders in the dark regarding bond payments and bankruptcy.<sup>34</sup>

- 6. Even though BlackRock has taken major losses in its Chinese holdings this year, BlackRock is increasing its investments and encouraging its clients to do the same. Even on the cusp Evergrande's collapse, BlackRock was still all-in on China:**

"Our strategic view on China already takes into account that the country is unmistakably on a path toward greater state involvement with social and political objectives taking primacy over economic ones –leading to greater risks and the need for a new investment lens. But context is everything: Our allocations to Chinese assets remain orders of magnitude lower than those to developed market assets. To justify currently very small client allocations to China would imply a view that the market will become essentially un-investable despite its growing importance."<sup>35</sup>

BlackRock's investments in China put the firm and its investors at significant risk. BlackRock's reliance on the good will of the CCP puts their investment holdings in jeopardy. As we've seen with companies like retail giant Alibaba, the CCP can alter their ownership at any time, for any reason.<sup>36</sup>

- For these reasons we recommend the following:<sup>37</sup>**

1. Retail investors with exposure to BlackRock should consider the risks associated with BlackRock's services, especially any holdings of passive investment funds that include Chinese companies.
2. Employees should consider contacting their human resources department to determine if BlackRock manages their company's 401(k) accounts or pension fund. If so, inquire as to what safeguards the company has in place to protect their funds from CCP related risks.
3. Individuals with state or municipal pensions should contact state officials to find out if any portion of their pension fund is managed by BlackRock. If so, encourage officials to safeguard your retirement against the risks posed by BlackRock's investments in Chinese companies.

26. *Financial Times: Shares in China's Xiaomi tumble after US investment ban*

*Financial Times: US blacklists Xiaomi and CNOOC in flurry of actions to counter China*

27. *The Wall Street Journal: Countdown Starts on Chinese Company Delistings After Long U.S.-China Audit Fight*

28. *The Wall Street Journal: SEC Chair: Chinese Firms Need to Open Their Books*

29. *The New York Times: Chinese Coffee Chain's Scandal Renews U.S. Calls for Oversight*

30. *Reuters: China's Luckin Coffee raises \$150 mln from BlackRock, others*

31. *U.S.-Listed Chinese Stocks Have Lost Another \$150 Billion In Market Value This Week As Beijing Targets 'Excessive' Wealth*

32. *BlackRock, HSBC Among Largest Buyers of Evergrande Debt: Morningstar*

33. *BlackRock and HSBC funds boosted Evergrande holdings as crisis loomed*

34. *Evergrande Is Leaving Foreign Bondholders in the Dark, Advisers Say*

35. *BlackRock: September 2021 Global Outlook*

36. *The Washington Post: The Chinese Communist Party just showed Jack Ma — and the rest of us — who's boss*

37. *This report is for informational purposes only. Readers should not construe this report as investment advice*