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May 31, 2024

The Honorable Janet Yellen
Secretary
U.S. Department of Treasury
1500 Pennsylvania Ave, NW
Washington, D.C. 20220

Dear Secretary Yellen,

We request that the U.S. Department of the Treasury's (Treasury) Office of Foreign Assets Control (OFAC) and Financial Crimes Enforcement Network (FinCEN) examine whether the six companies listed below that are domiciled in the People's Republic of China (PRC) and support the Islamic Republic of Iran's military and energy sector are subject to mandatory secondary sanctions pursuant to the Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA) or the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA).

Billions of dollars' worth of U.S. investment, goods, and services flow to these PRC companies. Their products and services are supporting sanctioned divisions of the Iranian military and terrorist organizations across the region that serve as Iranian proxies. It is indefensible for the United States to permit investments that aid and abet Iran's backing of militant groups in the Middle East that have killed U.S. military personnel and threaten geopolitical stability. Continuing to do so jeopardizes U.S. values and national security.

In an April report, the Select Committee found that \$6.5 billion of U.S. investment capitalized PRC companies deemed to be national security risks as of 2023. Many of those companies were identified in a similar January report published by the Prague Security Studies Institute as being strategically tied to Iran's military or its energy industry to the tune of at least \$6 billion.¹ Many of these companies even appear to engage in activities that violate existing

¹ Elias Sköld et al., *Funding of the Iran-China Strategic Partnership via the U.S. Capital Markets*, PRAGUE SEC. STUD. INST. (Jan. 2024), https://www.pssi.cz/download/docs/10995_perspective-30-funding-of-the-iran-china-strategic-partnership-via-the-u-s-capital-markets.pdf.

U.S. sanctions against Iran. As a result, U.S. retirees are likely indirectly funding activities that run counter to U.S. national security and international stability.

Pursuant to CAATSA, Treasury must levy sanctions against “agents or affiliates” of the Islamic Revolutionary Guard Corps (IRGC), a designated terrorist organization directly linked to Iran’s support for the Houthi terrorist group in Yemen.² However, certain Chinese companies that have been implicated in supporting the IRGC continue to tap into U.S. capital markets.

Norinco: Between 2021 and 2023, the U.S. Navy seized 9,000 “Chinese-made Type 56 rifles” smuggled to the Houthis in an operation led by the IRGC.³ Subsidiaries of China North Industries Group Corporation Limited (Norinco) manufacture one of the most popular Chinese model of such rifles, the CQ 5.56, and the parent company is one of two major arms producers in the PRC. A subsidiary of Norinco, North Industries Group Red Arrow, manufactures ammunition, similar kinds of which have also been seized by the U.S. Navy en route to Yemen.⁴ U.S. capital markets have invested at least \$17 million into Norinco subsidiaries.

AVIC: Additionally, Aviation Industry Corporation of China (AVIC) subsidiary Harbin Aircraft Industry Co., Ltd. sells aircraft to the IRGC Aerospace Force.⁵ Our April report revealed that U.S. investors funnel \$178 million to AVIC via its subsidiaries. U.S. investors capitalizing Norinco, AVIC, and others are ultimately supporting Iran’s authoritarian alliances in the Middle East.

Furthermore, under IFCA, Treasury must impose “sanctions on persons determined to be part of the energy sector of Iran, or to sell, supply, or transfer to or from Iran significant goods or services used in connection with the energy sector of Iran.”⁶

The Select Committee has found evidence that PRC companies facilitate the circumvention of those sanctions. The PRC remained Iran’s top market for oil in January 2024, importing at least 1 million barrels per day. PRC companies appear to be supporting Iran’s

² OFF. OF FOREIGN ASSET CONTROL, U.S. DEP’T TREASURY, IRAN SANCTIONS: 533. WHAT ARE THE REQUIREMENTS OF CAATSA SECTION 105 RELATED TO THE IMPOSITION OF SANCTIONS ON THE IRGC, AND HOW ARE THOSE REQUIREMENTS BEING IMPLEMENTED? (Oct. 30, 2017), <https://ofac.treasury.gov/faqs/533>; Countering America’s Adversaries Through Sanctions Act § 105, 22 U.S.C. § 9404.

³ Press Release, U.S. Attorney’s Office, District of Columbia, U.S. Department of Justice, United States Files Forfeiture Action Against Over Nine Thousand Rifles and Over 700,000 Rounds of Ammunition En Route from Iran to Yemen (Jul. 6, 2023), <https://www.justice.gov/usao-dc/pr/united-states-files-forfeiture-action-against-over-nine-thousand-rifles-and-over-700000>; Lloyd Lee, *Here’s what nearly 10,000 rifles, 200 rocket launchers, and nearly 800,000 rounds of ammunition and other weapons seized by the US government looks like*, BUS. INSIDER (Jul. 15, 2023), <https://www.businessinsider.com/photos-us-seized-10k-rifles-800k-pounds-ammunition-yemen-iran-2023-7>.

⁴ Ibid.

⁵ *Registration 15-2245*, JETPHOTOS (2024), <https://www.jetphotos.com/photo/9167122>.

⁶ OFF. OF FOREIGN CONTROL, U.S. DEP’T TREASURY, 615. DOES E.O. 13846 MEAN THAT IRAN’S TRADE PARTNERS SHOULD NO LONGER BUY PETROLEUM PRODUCTS FROM IRAN? HOW WILL THIS AFFECT EXPORTS OF IRANIAN OIL? (Aug. 6, 2018), <https://ofac.treasury.gov/faqs/615>; National Defense Authorization Act for Fiscal Year 2013 §§ 1244-45, 22 U.S.C. §§ 8803-04.

record-setting levels of oil exports, and recent sanctions imposed by the Biden administration are doing little, if anything, to curb the problem.⁷

COSCO: Numerous subsidiaries of China Ocean Shipping Co., Ltd. (COSCO) have been linked to the shipping of Iranian oil to the PRC, including COSCO Shipping Development, COSCO Shipping Specialized Carriers Co., Ltd., and COSCO Shipping Energy Transportation Co., Ltd.⁸ Despite the implementation of narrow sanctions on a single COSCO subsidiary in 2019, the company unsurprisingly appears to be continuing its sanctions evasion activities. For example, two vessels owned by the COSCO subsidiary sanctioned in 2019—which the U.S. government had concluded was shipping Iranian oil—simply changed the vessel names, and those ships continue to dock at Iranian ports.⁹ U.S. entities provide at least \$230 million in capital to COSCO.

CNOOC: China National Offshore Oil Corporation (CNOOC) was listed in 2017 as one of fewer than 30 non-Iranian companies qualified to participate in projects with National Iranian Oil Co., a U.S.-sanctioned entity that provides oil and tankers for the sale of Iranian oil by the IRGC.¹⁰ More than \$400 million of U.S. investment flows to CNOOC's subsidiaries and affiliates.

CRRC: CRRC Corporation Limited's (CRRC) fully-owned subsidiary CRRC Nanjing Puzhen Co., Ltd. partnered with the OFAC-designated Industrial Development and Renovation Organization of Iran to finance, build, and deliver hundreds of train cars to Iran.¹¹ CRRC also partnered with Iran Heavy Diesel Manufacturing Company as part of the deal. According to open-source information reviewed by the Select Committee, Iran Heavy Diesel Manufacturing Company is controlled by the OFAC-designated Iranian Ministry of Defense and Armed Forces Logistics. U.S. persons have invested roughly \$285 million in CRRC and its subsidiaries.¹²

Sinopec: China Petroleum & Chemical Corporation (Sinopec) helped complete the first phase of developing the Yadavaran oil field in Iran in 2015, with a capacity of 110,000 barrels

⁷ Serene Cheong, *Why the US Can't Stop Iran's Lucrative Oil Trade With China*, BLOOMBERG, (Nov. 8, 2023), <https://www.bloomberg.com/news/articles/2023-11-09/why-the-us-can-t-stop-iran-s-lucrative-oil-trade-with-china?embedded-checkout=true>.

⁸ Keith Wallis & Henning Gloystein, *Exclusive: As Iran's oil exports surge, international tankers help ship fuel*, REUTERS (Jun. 6, 2016), <https://www.reuters.com/article/us-iran-oil-exports-idUSKCN0YR0XU/>.

⁹ Claire Jungman & Daniel Roth, *Is COSCO At It Again?*, UNITED AGAINST NUCLEAR IRAN (Mar. 15, 2022), <https://www.unitedagainstnucleariran.com/blog/cosco-at-it-again>.

¹⁰ *NIOC qualifies 29 firms for tender round*, OIL & GAS J. (Jan. 3, 2017), <https://www.ogj.com/general-interest/article/17288515/nioc-qualifies-29-firms-for-tender-round>.

¹¹ *China's Puzhen to finance manufacturing subway wagons in Iran*, TEHRAN TIMES (Mar. 7, 2018), <https://www.tehrantimes.com/news/421874/China-s-Puzhen-to-finance-manufacturing-subway-wagons-in-Iran>.

¹² Data obtained by the Select Committee.

per day, and Sinopec may still be involved in the second phase of development.¹³ Sinopec receives almost \$76 million by U.S. investors.

The United States must counter the new authoritarian axis spearheaded by the PRC and Iran and penalize those PRC companies that help fund Iran's activities to support Houthi attacks on commercial shipping in the Red Sea and stoke attacks against Israel by Hamas, Hezbollah, and Palestinian Islamic Jihad—all Specially Designated Nationals by Treasury.¹⁴

The Chief-Commander of the IRGC, Hossein Salami, recently called for the "total eradication of Israel," a call for which "the groundwork... has been laid," according to the commander of Iran's Basij militia.¹⁵ The United States has already listed many of these companies on either the OFAC Non-Specially Designated National Chinese Military-Industrial Complex Companies List (NS-CMIC List) or the U.S. Department of Defense's 1260H List, but Treasury must impose sanctions on those PRC companies that help Iran circumvent U.S. sanctions and thereby jeopardize U.S. strategic interests and international stability.¹⁶

We therefore request that you investigate the below companies, their subsidiaries (both majority and minority-owned), and their affiliates to determine whether their activities with respect to Iran have violated U.S. sanctions or otherwise warrant sanctions:

1. China North Industries Group Co., Ltd. (Norinco),
2. Aviation Industry Corporation of China (AVIC),
3. China Ocean Shipping Co., Ltd. (COSCO),
4. China National Offshore Oil Corporation (CNOOC),
5. CRRC Corporation Limited (CRRC), and
6. China Petroleum & Chemical Corporation (Sinopec).

We request that Treasury provide to the Select Committee an analysis as to whether or not the activities of these companies, their subsidiaries and/or their affiliates constitute material support, which creates a basis for secondary sanctions under Executive Order 13224, Executive

¹³ Saeed Azimi, *Iran's Special Relationship with China Beset by 'Special Issues,'* BOURSE AND BAZAAR FOUND., (Feb. 16, 2023), <https://www.bourseandbazaar.com/articles/2023/2/16/special-issues-on-the-agenda-as-irans-raisi-visits-beijing>.

¹⁴ Tzvi Joffe, *'Running out of patience': Iran is giving weapons to Hezbollah, Israel warns UNSC,* THE JERUSALEM POST (Feb. 24, 2024), <https://www.jpost.com/israel-hamas-war/article-788518>.

¹⁵ *Iran's IRGC chief calls for eradicating Israel amid escalating middle east tensions,* TIMES OF INDIA (Feb. 25, 2024), <https://timesofindia.indiatimes.com/videos/toi-original/irans-irgc-chief-calls-for-eradicating-israel-amid-escalating-middle-east-tensions/videoshow/107990529.cms>; *Basij Commander Reaffirms Iranian Goal to Annihilate Israel,* IRAN INT'L (Feb. 8, 2024), <https://www.iranintl.com/en/202402087496>.

¹⁶ The NS-CMIC List 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." The 1260H List identifies PRC military companies that operate in the United States.

Order 13846, and other relevant authorities.¹⁷ We request that you provide a copy of the analysis in a private, secure setting and brief the undersigned on your findings and decisions to sanction no later than June 14, 2024.

The House Select Committee on 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.

To make arrangements to deliver a response and organize a briefing, please contact Select Committee staff at (202) 226-9678.

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

Sincerely,



John Moolenaar
Chairman
Select Committee on China



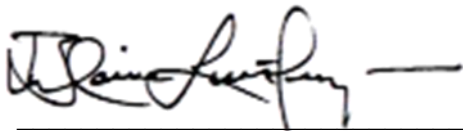
Dan Newhouse
Member of Congress



Rob Wittman
Member of Congress



Darin LaHood
Member of Congress



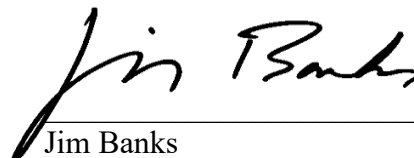
Blaine Luetkemeyer
Member of Congress



Neal P. Dunn, M.D.
Member of Congress

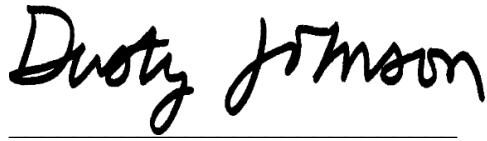


Andy Barr
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Jim Banks
Member of Congress

¹⁷ Office of Foreign Asset Control, *Counter Terrorism Sanctions*, U.S. DEP’T TREASURY, <https://ofac.treasury.gov/faqs/topic/2396> (last accessed Mar. 20, 2024); Office of Foreign Asset Control, *Iran Sanctions*, U.S. DEP’T TREASURY, <https://ofac.treasury.gov/faqs/topic/1551> (last accessed Mar. 20, 2024).



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