

Blacklist Bonanza: Sanctions Against Chinese Companies Hit Record High

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In Q2 2024, Western governments blacklisted a record 198 Chinese entities driven by concerns about sustaining Russia's war in Ukraine, contributing to China's military modernization, supporting Iran and the Houthis, and facilitating forced labor practices. Looking ahead, sanctions are likely to remain a key risk for global investors as scrutiny of Chinese companies expands into new areas.

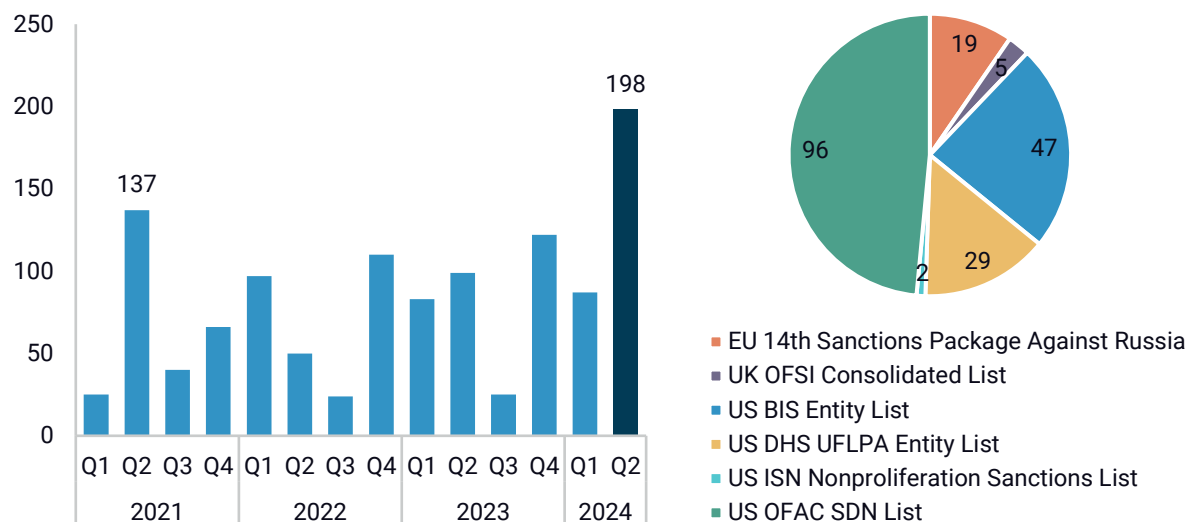
Blacklisting activity intensifies and broadens

Western governments added a record 198 Chinese entities to major sanctions and red-flag lists in Q2 2024, surpassing the previous high of 137 additions in Q2 2021 (Figure 1). As in previous quarters, the US government was the main driver of blacklisting activity, adding 174 entities to sanctions and red-flag lists (88% of the total). However, other Western governments have become important actors as well in 2024. In Q2 2024, the EU and the UK sanctioned 24 entities, accounting for 12% of new blacklisting activity.

FIGURE 1

Chinese entities added to major sanctions and red-flag lists

Number of new Chinese entity additions (left); Q2 2024 breakdown by list (right)

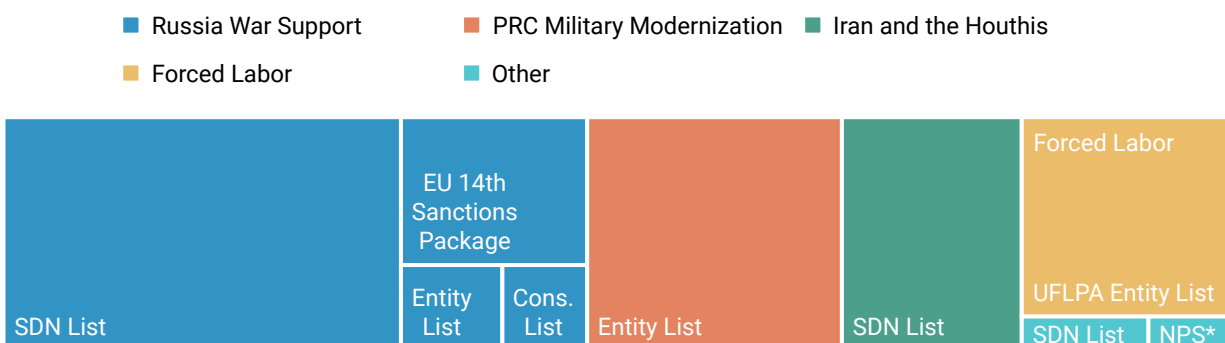


Source: Rhodium Group MPER China. MPER China tracks more than 50 sanctions and red-flag programs by major market economy governments and international organizations, see the full list [here](#).

Russia concerns are driving sanctions

Concerns about China providing support to Russia’s military-industrial complex and sustaining its war efforts in Ukraine have driven new activity across different jurisdictions. The US, EU, and UK all imposed sanctions on Chinese entities for such involvement, accounting for almost half of the new additions in Q2 2024. Supporting China’s military modernization is another major driver, with multiple Chinese entities involved in quantum technologies or “spy balloon” programs being added to a US export control list. Support of Iran and its Houthi proxies, as well as involvement in forced labor practices also drove new blacklisting by the US government.

FIGURE 2
Reasons for adding Chinese entities to sanctions and red-flag lists
Q2 2024



Source: Rhodium Group MPER China. MPER China tracks more than 50 sanctions and red-flag programs by major market economy governments and international organizations, see the full list [here](#). *Nonproliferation Sanctions List.

Impact on Chinese securities

Exposure to sanctions and red-flag lists poses significant legal and reputational risks to global investors, especially when a listed issuer is directly blacklisted (direct exposure) or has a shareholder or subsidiary blacklisted (indirect exposure). To identify Chinese security issuers posing such risks, our MPER China solution has developed a dedicated dataset tracking both direct and indirect exposures of [8,148 Chinese security issuers to more than 50 sanctions and red-flag programs](#) by major market economy governments and international organizations. To quantify the risk an issuer entails, each impacted issuer is assigned a Sanctions Exposure Score based on the legal and reputational consequences of the blacklist and the type of exposure.

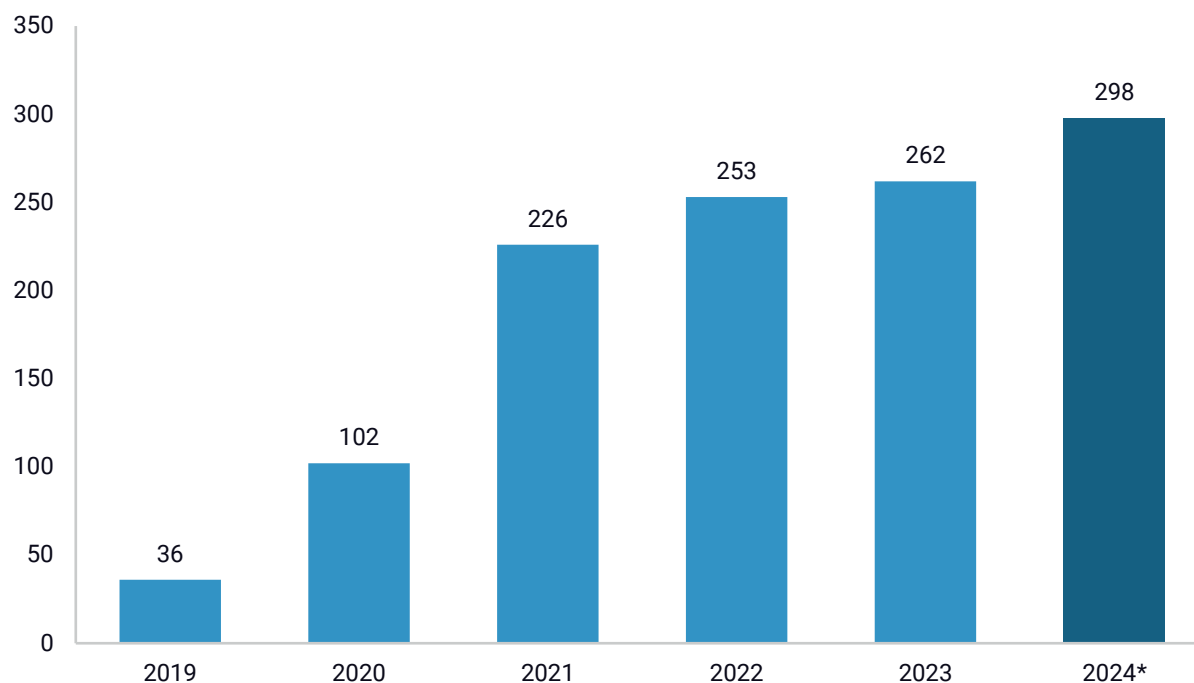
In Q2 2024, 17 Chinese security issuers were directly or indirectly exposed to the sanctions and red-flag lists we track. Table 1 shows a selected sample of the newly added issuers with the highest Sanctions Exposure Scores in Q2. These new additions bring the total number of Chinese security issuers with direct and indirect blacklist exposure from 36 in 2019 to 298, representing about 4% of the more than 8,000 issuers we track (Figure 3).

TABLE 1
Chinese security issuers newly added to major sanctions and red-flag lists in Q2 2024
 Selected issuers only

Issuer (Ticker)	List Name	Exposure Type	Sanctioned Entity	Score*
Wuhan Tianyu Information Industry Ltd (300205.SZ)	SDN List	Direct	Wuhan Tianyu Information Industry Ltd	10
Beijing BDStar Navigation Co Ltd (002151.SZ)	Entity List	Direct	Beijing BDStar Navigation Co Ltd	9
Geovis Technology Co Ltd (688568.SH)	Entity List	Direct	Geovis Technology Co Ltd	9
Raytron Technology Co Ltd (688002.SH)	SDN List	Indirect	Yantai Iray Technology Co Ltd	9
Wuhan Guide Infrared Co Ltd (002414.SZ)	SDN List	Indirect	Wuhan Global Sensor Technology Co Ltd	9

Source: Rhodium Group MPER China. *An issuer's Sanctions Exposure Score is determined by two primary factors: the severity of the respective sanctions or red-flag list and the proximity of the issuer to the sanctioned or red-flagged legal entity. For detailed methodology, see mper.rhg.com/methodology.

FIGURE 3
Number of Chinese issuers with direct and indirect sanctions and red-flag lists exposure
 Active exposure only



Source: Rhodium Group MPER China. MPER China tracks both direct and indirect exposures of 8,148 Chinese security issuers to more than 50 sanctions and red-flag programs by major market economy governments and international organizations. *2024 data as of June 30, 2024.

Outlook

Support for Russia's war in Ukraine drove sanctions activity throughout the first half of the year, and more Chinese entities may end up on sanctions lists for Russia connections before the end of the year. At their June meetings, G7 leaders [threatened](#) additional sanctions on Chinese entities, including financial institutions. Smaller Chinese banks doing business with Russia are [likely](#) to be targeted first.

Chinese entities supporting Iran and its proxies could also garner more attention, potentially leading to new sanctions. Notably, the House Select Committee on the CCP has already requested the Treasury Department to investigate whether certain Chinese companies and their subsidiaries have breached US sanctions or merit new sanctions based on their relationships with Iran.

Because Treasury's proposed implementing regulations for last year's outbound investment EO exclude US investments in publicly traded securities, lawmakers will continue to push for the use of other tools to fill the gap. This could lead to new Chinese entity additions to the NS-CMIC List, prohibiting US persons from investing in publicly traded securities of these entities.

We could also see additional Chinese entities added to the UFLPA Entity List, as the Department of Homeland Security seeks to scrutinize [more](#) business sectors and lawmakers push to include Chinese EV battery manufacturers. New additions of Chinese biotech companies to the 1260H List are also possible, as [stipulated](#) by the NDAA for FY 2024.

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