

Trump Bars Investment in Chinese Firms With Military Ties

The ban, which affects companies including Huawei, China Mobile and China Telecom, is the administration's first major move toward decoupling American financial markets from China.

By Ana Swanson

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WASHINGTON — President Trump issued an executive order Thursday barring Americans from investing in a list of companies with ties to the Chinese military, arguing that such investments pose a risk to national security.

The order applies to 31 Chinese companies [previously identified](#) by the Defense Department as having links to China's military. The list includes prominent Chinese technology, manufacturing and infrastructure companies, such as China Mobile Communications Group, China Telecommunications Corporation, Huawei, Sinochem Group, Hangzhou Hikvision Digital Technology, China Railway Construction Corporation, Inspur Group and Aviation Industry Corporation of China.

In the order, Mr. Trump said American investment in these companies was helping China fund its military ambitions. Mr. Trump said China was “increasingly exploiting United States capital to resource and to enable the development and modernization of its military, intelligence, and other security apparatuses” — efforts that “directly threaten the United States homeland and United States forces overseas.”

The order takes effect on Jan. 11, and prohibits the purchase of shares in the companies or investment in emerging market funds that include the firms. But it gives American investors until Nov. 11, 2021, to fully divest from any shares or funds that involve the companies.

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Under its leader, Xi Jinping, China has pursued a national strategy of “military-civil fusion,” which draws on private as well as state-owned companies to support military and intelligence activities. That strategy has led to calls among politicians and legislators in Washington for the United States to take additional precautions against some Chinese companies, regardless of whether they are formally owned by the government.

“American capital should not be used to finance the construction of Chinese Communist weapons literally aimed at killing Americans and driving the U.S. military out of Asia,” said Peter Navarro, the director of the White House Office of Trade and Manufacturing Policy. “This strong action by President Trump puts a stop to that Wall Street insanity.”

The executive order marks the first time the administration has targeted the financial ties that private American investors and financial institutions have to China — representing another step in its efforts to “decouple” the economic links between the U.S. and China.

The Trump administration has imposed tariffs on hundreds of billions of dollars’ worth of Chinese products in an effort to block imports and encourage American companies to move their operations out of China. But the financial markets of the two countries have remained closely knit.

That has begun to change amid the Trump administration’s scrutiny of American ties to China, including financial links. In May, a federal retirement fund halted plans to invest in Chinese stocks under pressure from Congress and the administration. And in August, a government panel recommended forcing Chinese companies to delist from U.S. stock exchanges unless they provided American regulators with more access to their financial records.

Roger W. Robinson Jr., the president of RWR Advisory Group and former chairman of the U.S.-China Economic and Security Review Commission, established by Congress, said the move was a “historic first” for penalties on capital markets.

“This immense new domain of U.S. leverage over China is now here to stay,” he said.

Martin Chorzempa, a research fellow at the Peterson Institute for International Economics, said the order was one of the first steps toward financial decoupling “to actually have any teeth.” However, he said, it would have “essentially zero effect on China’s ability to fund its military and intelligence modernization,” since China does not rely on U.S. capital markets for those purposes.

The order draws on the legal authority of the International Emergency Economic Powers Act, which gives the president broad authority to regulate commerce to respond to unusual and extraordinary threats to the United States. Several other measures for which the president has relied on this authority, including his attempts to ban the Chinese social media services TikTok and WeChat, have faced legal challenges and been halted, at least temporarily, by American courts.

In a statement, Robert C. O’Brien, the national security adviser, said the action “serves to protect American investors from unintentionally providing capital that goes to enhancing the capabilities of the People’s Liberation Army and People’s Republic of China intelligence services, which routinely target American citizens and businesses through cyberoperations.”

Senator Marco Rubio, a Florida Republican who has introduced legislation to bar Chinese companies with military ties from U.S. exchanges, also welcomed the move.

“The Chinese Communist Party’s exploitation of U.S. capital markets is a clear and ongoing risk to U.S. economic and national security,” he said. “Today’s action also lays down a clear marker for U.S. policy going forward — we can never put the interests of the Chinese Communist Party and Wall Street above American workers and mom-and-pop investors.”

Trade experts have speculated whether Mr. Trump might introduce more tough measures on China in his final months in office, including further sanctions for China’s human rights violations in Hong Kong and the Xinjiang region. The administration has tried to set the country on a course to decouple its economy from China’s, and several of the president’s advisers are still bitter at China for its role as the source of the coronavirus, which they see as a major contributor to Mr. Trump’s electoral loss.

Eswar S. Prasad, a professor of trade policy at Cornell University, said the action “opened up a new front” in the Trump administration’s trade and economic warfare against [China](#), ratcheting up economic tensions just as President-elect [Joseph R. Biden](#) Jr. prepares to take office.

“Even in its waning days, the Trump administration has no intention of easing up on economic hostilities against China,” Mr. Prasad said.

Michael Crowley contributed reporting.

Ana Swanson is based in the Washington bureau and covers trade and international economics for The New York Times. She previously worked at The Washington Post, where she wrote about trade, the Federal Reserve and the economy. [@AnaSwanson](#)