



PSSI PERSPECTIVES — 37

MADE IN CHINA, FIRED IN LEBANON: BEIJING'S ROLE IN ARMING HEZBOLLAH

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INTRODUCTION

In the aftermath of the devastating October 7 attacks on Israel, the region has endured unspeakable and unacceptable suffering and destruction. Despite the population of the Gaza Strip bearing the brunt of the bloodshed, the fighting also spread into Lebanon - with [remote detonations](#), [airstrikes](#), and “[limited, localized and targeted ground raids](#)” along the border carried out by the Israeli Defence Forces (IDF). These operations were part of an effort to counter Hezbollah, the heavily armed Shiite militant group and political organization which serves as [Iran’s](#) most powerful anti-Israel [proxy](#) in the region, and degrade their capacity to threaten Israel’s security.

Despite Hezbollah’s significant losses, including their leader [Hassan Nasrallah](#) and [other senior figures](#), Hezbollah fighters demonstrated resilience, coordination, and fierce resistance. Through [urban guerrilla warfare tactics](#) and leveraging their extensive network of [tunnels](#), Hezbollah inflicted substantial casualties on the IDF - with figures ranging from [around 50](#) to “[more than 95](#)” Israeli soldiers killed in action, and [many hundreds more injured](#).

After months of fighting, Israel and Lebanon [agreed to a ceasefire](#) on November 27th, 2024, calling for the withdrawal of both Hezbollah and Israeli military forces from southern Lebanon within 60 days. The agreement [mandates](#) a “phased” withdrawal of IDF units, coordinated with the simultaneous deployment of Lebanese military and security forces.

The ceasefire agreement is, however, fragile, with both sides accusing each other of violations. While Hezbollah is considered [substantially weakened](#), it has also [vowed to continue its resistance](#), claiming its fighters “[remain fully equipped to deal with \[Israel\]](#)”, and that “[Our patience may run out before or after the 60 days \[...\] and when we decide to act, you will see it immediately.](#)” Israel’s defense minister [claimed](#) on January 5, 2025, that Hezbollah’s withdrawal “has not yet happened” and that “If Hezbollah does not withdraw beyond the Litani River, there will be no agreement,” while the IDF carried out a number of targeted airstrikes in Lebanon in [January](#) and [February](#) 2025. Meanwhile, Hezbollah is using events like the funeral of former leader Hassan Nasrallah as a “[mobilizing tool to rally people around their cause,](#)” with [experts](#) worrying that Israel’s [slow withdrawal](#) from Southern Lebanon -- which the Lebanese government considers a violation of the ceasefire agreement -- can bolster Hezbollah’s recruitment efforts and validate its fundamental mission: resistance against Israeli occupation.

While the ceasefire agreement aims to remove Hezbollah’s physical presence from the south of Lebanon, the deeper challenge lies in identifying, and eventually neutralizing, the networks that armed it. **Without understanding the origins of its arsenal, any peace remains dangerously precarious.**

THE ROLE OF CHINESE ARMS MANUFACTURERS

While Iran is often recognized as Hezbollah's most prominent backer, providing significant [military](#), [strategic](#), [logistical](#), and [financial](#) support and guidance, it is important to acknowledge the critical role of [Chinese arms manufacturers](#) in bolstering Hezbollah's arsenal. Weapons of Chinese origin, ranging from [light shoulder-fired weapons](#) to [sophisticated missile systems](#), have significantly advanced Hezbollah's military capabilities. This dynamic not only allows Iran to sustain its proxy forces with affordable, exportable weapons, but also enables Hezbollah to diversify its supply chains.

This diversification could signal a reduced reliance on direct Iranian support, complicating efforts to curb their regional influence. Despite the current ceasefire, tracking weapons exports and identifying manufacturers remains crucial. It not only uncovers how groups like Hezbollah acquire modern weaponry, but also highlights the state actors that enable the expansion of such capabilities, providing essential intelligence for preventing future threats. Hezbollah's urgent need to re-arm and rebuild their forces, coupled with [Iran's recent strategic setbacks](#), may encourage Hezbollah to look further east in their search for suppliers.

Accordingly, PSSI has identified seven Chinese-made weapon systems used by Hezbollah. Given the inherent open-source limitations in verifying the current contents of their arsenal, PSSI has restricted the list to systems either visually confirmed in use over the past few months or those recently verified as still being part of their arsenal - despite last being deployed as far back as 2006.

Name	Details	Manufacturer	Use by Hezbollah
QW-18	MANPADS (man portable air defense systems) ^{A1}	^{A2,A3} CASIC	Found in a Hezbollah weapons cache captured by the IDF, October 2024. ^{A4} Showcased in Hezbollah parades and drills, May 21, 2023. ^{A5,A6}
W-85	Heavy machine gun	^{B1,B2} NORINCO	Found in a Hezbollah weapons cache captured by the IDF, November 2024. ^{B3}
Type 63	107mm High-Explosive (HE) rocket	^{C1,C2} NORINCO	Fired by Hezbollah towards Israel, including on April 1, 2024 ^{C3} , March 28, 2024 ^{C4} , November 18, 2023 ^{C5} , and November 14, 2023. ^{C6} In Hezbollah's stockpile ^{C7} , although it is unclear how many are Chinese and how many are Iran-made derivatives of the Chinese design. ^{C8}
Type 81	122mm High-Explosive Fragmentation (HE-Frag) rocket	^{D1,D2,D3} NORINCO	Fired by Hezbollah towards Israel, including on September 29, 2024. ^{D4} Reported as in Hezbollah's stockpile in August 2024 ^{D5} and October 2023. ^{D6} Used by Hezbollah in July 2006 to fire cluster munitions into civilian areas in northern Israel. ^{D7}
MZD-2	Dual-Purpose-Improved-Conventional-Munition (DPICM) submunition (Cluster munition)	^{E1,E2} NORINCO	Used by Hezbollah in the Syrian Civil War in August 2016. ^{E3} Used by Hezbollah in July 2006 to fire cluster munitions into civilian areas in northern Israel. ^{E4}
C-704	Anti-ship missile	^{F1} CASIC	Dozens of C-704 and C-802 were targeted by Israeli airstrikes in September 2024. ^{F2} Showcased by Hezbollah in a video uploaded in 2019. ^{F3}
C-802	Anti-ship missile	^{G1,G2} CASIC	Dozens of C-704 and C-802 were targeted by Israeli airstrikes in September 2024. ^{G3} Reported as in Hezbollah's arsenal in August 2024. ^{G4} Showcased by Hezbollah in a video uploaded in 2019. ^{G5} Fired by Hezbollah against an Israeli warship on July 14 2006. ^{G6,G7}

This data indicates a long-term, systemic flow of Chinese-origin weapons or technology into Hezbollah's arsenal. While the exact supply chain remains unclear, the scale here is noteworthy, demonstrating that

Chinese military technology has consistently reached Hezbollah in significant quantities over nearly two decades, with documented deployment as far back as 2006. These weapons have been used directly against Israel, including the C-802 anti-ship missile that targeted an Israeli warship, Type 63 and Type 81 rockets launched into Israeli territory, and MZD-2 cluster munitions that struck civilian areas in Northern Israel. Beyond the conflict with Israel, Hezbollah has also employed Chinese-made weapons in other theaters, such as during the Syrian Civil War in 2016.

These weapons systems are linked to just two manufacturers - CASIC and NORINCO. China Aerospace Science and Industry Corporation (CASIC) and China North Industries Corporation (NORINCO) are two of China's most prominent state-owned defense conglomerates, with close ties to the People's Liberation Army (PLA). CASIC takes "[empowering the military](#)" as its "[first duty](#)," supplying the PLA with "[air-defense missile weapon systems, cruise missile weapon systems, ballistic missile weapon systems](#)" and more, earning it a central role in China's military modernization efforts. NORINCO, meanwhile, is "[the only major military industry group that is capable of providing weapons and technical support services to the army, navy, air force, rocket force, strategic support force, as well as armed police & public security unit](#)," and provides the Chinese military with a wide range of military equipment including small arms, artillery, tanks, air defense platforms, and anti-missile systems. Beyond supplying the Chinese armed forces, NORINCO is a major exporter to [actors in conflict zones](#) worldwide.

Both companies operate under the strategic direction of the Chinese Communist Party (CCP), blurring the lines between commercial ventures and state military objectives. Both [NORINCO](#) and [CASIC](#) are heavily sanctioned, and face international criticism for proliferating arms to unstable regions, enabling conflict, and bypassing embargoes and regulations. Their activities, whether intentional or facilitated through intermediaries, empower non-state actors such as Hezbollah and contribute to global instability and bloodshed.

The seven weapons systems highlighted in this report are notably diverse, both in terms of their size and their technological maturity. What makes this particularly concerning is the presence of modern systems with advanced capabilities, posing an elevated threat due to their improved accuracy, range, and counter-measure resistance. One such example is the QW-18, first developed in the early 2000s, which can be placed in the same class as modern MANPADS like the U.S. FIM-92 Stinger and the Russian Igla-S.





This [photo from June 2023](#) shows Hezbollah fighters armed with the QW-18 MANPADS.



A comparison with a [product image for the QW-18 from CPMIEC](#) (China Precision Machinery Import-Export Corporation, the state-run [primary exporter of Chinese military technology](#)) shows matching markings and design features with the weapon held by the Hezbollah fighters.

THE ROLE OF WESTERN INVESTMENT

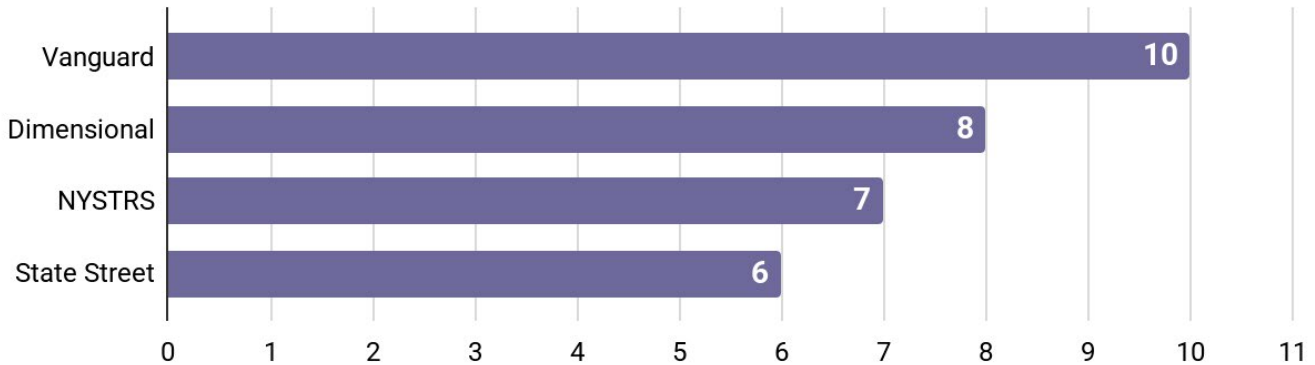
NORINCO and CASIC are both major conglomerates, each comprising numerous publicly traded subsidiaries. As such, despite both currently facing U.S. government sanctions over their military activity, foreign investment continues to flow into these entities through the capital markets. Notably, U.S. asset management firms have played a central role in directing tens of millions of dollars into the publicly traded subsidiaries of NORINCO and CASIC, through their investment products (e.g. Exchange-Traded Funds). PSSI has identified seven subsidiaries of NORINCO and four of CASIC benefiting from these investments.

Company Name	Ticker	Parent/Affiliated Company
Jinxi Axle Co. Ltd.	600495	 <p>中国兵器工业集团 NORINCO GROUP</p>
Lingyun Industrial Corp. Ltd.	600480	
Norinco International Cooperation Ltd.	000065	
North Electro-Optic Co.	600184	
North Huajin Chemical Industries	000059	
North Industries Group Red Arrow Co.	000519	
North Chemical Industries Co.	002246	
ZTE Corp.	000063 0763	 <p>COSIC</p>
Beijing Aerospace Changfeng Co.	600855	
Aerospace Hi-Tech Holding Group Co.	000901	
Aisino Co.	600271	

Despite NORINCO'S prominent role in the Chinese military industrial complex, U.S.-based funds have channeled over \$20 million into these seven subsidiaries. Its publicly listed subsidiary NORINCO International Cooperation (000065.SZ) is held by 21 U.S. investment funds, while another subsidiary, North Industries Group Red Arrow Co. (000519.SZ), which manufactures artillery shells, rockets, and missiles, is held by 25 U.S.-based funds. Vanguard, in particular, stands out as a particularly egregious asset manager, with its investment products holding six of NORINCO's seven highlighted subsidiaries.

CASIC's subsidiaries Beijing Aerospace Changfeng Co. (600855.SH), Aerospace Hi-Tech Holding Group Co. (000901.SZ), and Aisino Co. (600271.SH), are held by eight, 20, and 29 U.S.-based funds respectively. These investments are cumulatively valued at over \$15 million. The fourth entity listed, ZTE Corp., is less directly controlled by CASIC. Instead, ZTE's parent company Zhongxingxin (also known as ZTE New Communications Co.), is jointly controlled by two companies - CASIC and CASC. CASC, much like CASIC, is a state-owned enterprise and key player in China's military and space capabilities, and is under U.S. government sanctions for its role in China's military industrial complex. Beyond its problematic controlling entities, ZTE is itself a long-time sanctions violator, for which it has been fined \$1.2 billion. Despite these issues, ZTE Corp. has nonetheless enjoyed over \$315 million in investment from 128 U.S.-based funds, across both its Shenzhen (000063.SZ) and Hong Kong (0763.HK) listings.

Most Exposed Asset Managers



Of these eleven companies, certain investors stood out for their outsized involvement. Vanguard's investment funds were present in the ownership data of ten out of eleven companies - a staggering 91%. This was followed by the Texas-based Dimensional Fund Advisors, found investing in eight companies (73%), and the New York State Teachers' Retirement System (NYSTRS) pension fund, found investing in seven companies (64%) out of eleven.

CONCLUSION

The role of Chinese arms manufacturers, particularly NORINCO and CASIC, in bolstering Hezbollah's military capabilities underscores the dangerous intersection of global security threats and the capital markets. Despite being sanctioned by the U.S. government for their military activities, they continue to attract U.S. and other foreign investment through their numerous publicly traded subsidiaries -- with American asset management firms playing an outsized role in funding these Chinese state-owned enterprises¹.

This reality spotlights a staggering regulatory failure: tens of millions of investors in the U.S., Europe, and allied nations are unknowingly funding Chinese companies that directly undermine their security and fuel global instability. By imposing capital markets sanctions on the above listed subsidiaries of NORINCO and CASIC, such as excluding them from allied exchanges and prohibiting the buying, selling, or holding of their securities, the U.S. and its allies can disrupt a significant portion of the financial life-support sustaining Iran and its proxies.

Such decisive action would not only weaken the supply chains sustaining hostile regimes, but also send an unmistakable message to Moscow, Beijing, and other such enablers: the free world will no longer allow its capital markets to bankroll adversaries and facilitate the supply of advanced weaponry to terrorist organizations. Failing to act now would mean continuing to finance the very threats we seek to contain - at an incalculable cost to global security.

1 [PSSI has previously uncovered how American investment funds have funneled over \\$6 billion into 40 Chinese companies which bolster and support Iran's rogue activities.](#)

CHINESE-MADE WEAPONS SYSTEMS IN USE BY HEZBOLLAH GRAPHIC, SOURCES

- A1 - <https://odin.tradoc.army.mil/WEG/Asset/aaf79ce0d9f12ead48ad5144a25814c3>
- A2 - <https://www.sastind.gov.cn/n10086200/n10086344/c10139752/content.html>
- A3 - <https://odin.tradoc.army.mil/WEG/Asset/aaf79ce0d9f12ead48ad5144a25814c3>
- A4 - https://x.com/war_noir/status/1844354063799869561
- A5 - <https://www.middleeasteye.net/news/lebanon-inside-hezbollah-arsenal>
- A6 - <https://www.militantwire.com/p/weapons-used-by-hezbollah-during>
- B1 - https://www.militaryfactory.com/smallarms/detail.php?smallarms_id=1156
- B2 - <https://ammoterra.com/product/type-w-85>
- B3 - https://x.com/war_noir/status/185557458877791491
- C1 - https://ipisresearch.be/wp-content/uploads/2017/04/201703_publicatie-Norinco.pdf
- C2 - <https://old.weaponsystems.net/weaponssystem/DD05%20-%20Type%2063.html>
- C3 - https://x.com/war_noir/status/1774904613335908477
- C4 - https://x.com/war_noir/status/1773475632585871482
- C5 - https://x.com/war_noir/status/1725952324583977456
- C6 - https://x.com/war_noir/status/1724210052901351614
- C7 - <https://edition.cnn.com/2024/08/24/middleeast/hezbollah-weapons-visuals-intl-dg/index.html>
- C8 - <https://missilethreat.csis.org/country/hezbollahs-rocket-arsenal/>
- D1 - https://odin.tradoc.army.mil/WEG/Asset/PHL-81_
- D2 - <https://weaponsystems.net/system/529-PHL81>
- D3 - https://www.militaryfactory.com/armor/detail.php?armor_id=848
- D4 - https://x.com/war_noir/status/1840397355897467048
- D5 - <https://iranprimer.usip.org/blog/2024/jul/31/hezbollah%E2%80%99s-iranian-arms>
- D6 - <https://www.twz.com/this-is-hezbollahs-arsenal-of-weapons-it-could-rain-on-israel>
- D7 - <https://www.hrw.org/news/2006/10/18/lebanon/israel-hezbollah-hit-israel-cluster-munitions-during-conflict>
- E1 - https://media.nti.org/pdfs/china_missile.pdf
- E2 - <https://cat-uxo.com/explosive-hazards/submunitions/mzd-2-submunition>
- E3 - <https://armamentresearch.com/wp-content/uploads/2023/11/ARES-Special-Report-5-Cluster-Munitions-Submunitions-in-Syria.pdf>
- E4 - <https://www.hrw.org/news/2006/10/18/lebanon/israel-hezbollah-hit-israel-cluster-munitions-during-conflict>
- F1 - https://media.nti.org/pdfs/china_missile.pdf
- F2 - https://www.timesofisrael.com/liveblog_entry/idf-says-dozens-of-hezbollah-anti-ship-missiles-destroyed-in-overnight-beirut-strikes/
- F3 - <https://www.france24.com/en/live-news/20231111-what-does-hezbollah-s-arsenal-look-like>
- G1 - https://media.nti.org/pdfs/china_missile.pdf
- G2 - https://odin.tradoc.army.mil/WEG/Asset/C-802_Chinese_Anti-Ship_Cruise_Missile/1000
- G3 - https://www.timesofisrael.com/liveblog_entry/idf-says-dozens-of-hezbollah-anti-ship-missiles-destroyed-in-overnight-beirut-strikes/
- G4 - <https://www.washingtonpost.com/world/2024/07/10/hezbollah-weapons-israel-war-border-nasrallah/>
- G5 - <https://www.france24.com/en/live-news/20231111-what-does-hezbollah-s-arsenal-look-like>
- G6 - https://www.admiraltytrilogy.com/cic/HarpoonAnalysis/Hanit_Analysis.pdf
- G7 - <https://capsindia.org/wp-content/uploads/2022/10/Shelly-Johny-1.pdf>

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