



CHINA REFORM MONITOR

The American Foreign Policy Council's Review of
P.R.C. Government Actions and U.S. Policy

China Reform Monitor No. 1549

May 11, 2023 **Joshua Eisenman**

Related Categories: Democracy and Governance; International Economics and Trade; Science and Technology; Border Security; China; Iran; Russia; India

IRAN IN TALKS WITH CHINA TO ACQUIRE SANCTIONED MISSILE FUEL

Iran is negotiating with both China and Russia to replenish its supply of ammonium perchlorate (AP) - a key chemical compound used in ballistic missile fuel. Although it is unclear exactly how much AP Iran wants to buy, a deal that provides Tehran with large quantities of it would violate United Nations sanctions. In Beijing, Iranian diplomat Sajjad Ahadzadeh, who serves as Tehran's "technology counselor," has led talks to acquire AP, although it is unclear which Chinese companies are involved. "Iran is deepening its reliance on solid-propellant ballistic missiles in its security strategy. Therefore, the ingredients which go into solid-rocket fuel - like AP as an oxidizer - will only grow in importance for the regime," said Behnam Ben Taleblu of the Foundation for Defense of Democracies. (*Politico*, April 12, 2023)

[EDITOR'S NOTE: In November, the U.S. Navy discovered and sank a ship containing about 70 tons of AP sailing from Iran and destined for delivery to Yemen's Houthi rebels.]

CHINA CENSORS AI

The Cyberspace Administration of China will impose strict controls on AI-generated content, but has yet to announce when those restrictions will be rolled out. The new rules will ensure content generated by AI tools like ChatGPT do not subvert state power, incite secession, or disrupt social order. According to a draft, companies must pass a government security review before providing AI services, and they are responsible for ensuring the content they generate is compliant with Chinese laws. China will not only restrict the content that AI can produce, but will also limit the materials that Chinese developers can use to train their products to a much smaller pool than their foreign rivals. Chinese tech companies are developing their own versions of the technology, but still lag behind OpenAI's ChatGPT, which is banned. (*Wall Street Journal*, April 11, 2023)

INDIA'S VILLAGES PROGRAM IN ARUNACHAL PRADESH ANGERS CHINA

India's home minister, Amit Shah, visited the Himalayan frontier state of Arunachal Pradesh, which China claims as part of its territory, to launch a \$585 million development scheme to enhance security along the unmarked border. Shah said the program, which will cover nearly 3000 villages in four states and one federally administered territory on the China-India border, aims to help reverse migration out of border areas. During his visit, Shah said that Indian troops deployed in the region were protecting India's borders. Beijing firmly opposed the visit, which it views as a violation of China's territorial sovereignty. (Reuters, April 10, 2023)

CHINA'S TIGHTENING GRIP ON FOREIGN FIRMS HITS INVESTMENT

Foreign direct investment into China dropped by 48% in 2022 from a year earlier, to \$180 billion, hitting its lowest level in five years. The Group of Seven economies-the U.S., Japan, Germany, France, the UK, Canada and Italy-together invested just \$16.3 billion in China in 2021, down from \$24.7 billion in 2020 and a peak of \$35.3 billion in 2014. China's appeal has been dented by clashes with the West over trade, technology and national security, as well as the growing attraction of lower-cost manufacturing in India and Vietnam. Recently, Beijing's growing pressure on foreign companies is squeezing the flow of overseas capital its economy needs. "New investment and new market entrants-that has really slowed down," said Thilo Hanemann of Rhodium Group. (*Wall Street Journal*, May 3, 2023)

CHINA'S EXPANDS ITS ANTI-ESPIONAGE LAW

The Standing Committee of the National People's Congress has updated the country's anti-espionage law "to expand the scope of targets of espionage, with all documents, data, materials, and articles" related to national security. (Here is the full text in Chinese, and here in English) The law, which will take effect on July 1, is vague about what constitutes "national security" or "interests." But under the new law, cyber-attacks against China's "state organs, confidential organs or crucial information infrastructure" are now considered espionage. It calls for the use of exit bans on anyone, Chinese or foreigner, who is under investigation or deemed a national security risk. Over the last five years, China has implemented least 15 new laws providing for the use of exit bans, which have ensnared a growing number of foreigners. (*The China Project*, May 3, 2023)