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Intersections is a news digest that describes the People's Republic of China's (PRC's) technological goals and acquisition efforts as well as the responses to those activities from the United States and its allies and partners. In this issue, we discuss the PRC lunar program, PRC regulatory updates to attract investment in domestic technology firms, the Zhongguancun Forum in Beijing, and Xi Jinping's state visit to Europe, in addition to US and ally and partner developments. This issue will be our last for now as we take a hiatus in publishing. We hope to bring you more updates on US-PRC technology competition in the future. In the interim, please refer to previous issues by clicking here. You can also read *Intersections* in your browser.

THIS ISSUE'S CONTENTS

PRC INVESTMENT REGULATORY UPDATES

The PRC government releases new investment regulations meant to promote the domestic technology sector. The Ministry of Commerce (MOFCOM), along with related government agencies, released regulations titled "Several Measures and Steps to Maintain Overseas Institutional Investing for Domestic Technology Enterprises" on March 22.[1] The regulations include 16 specific measures, grouped into four categories:[2]

- Optimizing management services and facilitating institutional investment operations
- Increasing financing support and enriching sources for science and technology innovation
- Strengthening exchanges and promoting efficient joint (Sino-foreign) investment
- Improving exit mechanisms and promoting a virtuous investment cycle

The measures are meant to provide foreign investors with new incentives to fund PRC technology firms. The MOFCOM regulations do not explicitly mention specific "overseas institutional investors," but they describe a variety of steps to "better leverage the role of finance in supporting technological innovation."[3] Foreign investors have contributed to PRC companies, and a recent *Nikkei Asia* article notes that firms such as BlackRock (which it calls "the world's largest asset manager") and investment fund MSCI have supposedly contributed funds to "63 Chinese companies blacklisted or red-flagged by the US government."[4] The allegations that BlackRock and MSCI have contributed "$6.5 billion" to PRC defense and technology companies are based on a recent report released by the US House of Representatives Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party.[5]

CRITICAL AND EMERGING TECHNOLOGIES

Zhongguancun Forum convenes in Beijing. On April 25, the Zhongguancun Forum convened in Beijing. This annual science and technology forum, cohosted by the PRC central and Beijing municipal governments, was first held in 2007 and is promoted by its hosts as a "national platform facilitating global exchanges and cooperation on high-tech innovation."[6] According to a report by China's state news agency Xinhua, the forum is intended to showcase China's technological development; Xinhua noted that presenters at the 2024 forum included researchers in cutting-edge areas such as quantum computing, brain-computer interfaces, and artificial intelligence (AI).[7] For example, this year's forum featured a startup backed by the Beijing city government that claims to have implanted a chip in a monkey's brain that the monkey can use to control a robotic arm with its thoughts.[8]

The forum's namesake, Zhongguancun, is a district in northwest Beijing often referred to in PRC media as "China's Silicon Valley."[9] It was founded in the early 1980s by PRC physicist Chen Chunxian, who was inspired during a 1978 tour of US technology hubs in Massachusetts and California as part of China's renewed effort to learn about foreign technology under Deng Xiaoping.[10] Since then, Zhongguancun has been the incubator for numerous technology startups—some of which provide technology to the People's Liberation Army (PLA) as part of China's military-civil fusion strategy.[11] For example, PRC technology firm Megvii was founded in Zhongguancun in 2011.[12] Megvii produces facial recognition software and has been accused of providing this technology to the PRC government for surveillance of ethnic minorities.[13] The company is also on the US Department of Defense's list of Chinese military companies.[14] In addition, Zhongguancun

collaborates closely with two of China's elite academic institutions: Peking University and Tsinghua University. Both universities host laboratories that conduct research for the PLA.[15]

US revokes licenses allowing export of chips to Huawei. On May 7, the US Department of Commerce revoked some companies' licenses to export chips used in laptops and handsets to Huawei.[16] Although Commerce has not publicly identified the companies subject to this change, Intel has since released a Securities and Exchange Commission filing saying that its license has been revoked, and Reuters has cited unnamed sources to assert that Qualcomm also lost its license.[17] The US placed trade restrictions on Huawei in 2019, but it granted some Huawei suppliers licenses to sell some products to the PRC company. Since then, Huawei has continued to release advanced products, including a smartphone with high-end chip technology and an AI-enabled laptop with an Intel processor.[18]

However, buying chips from US companies is not the only way that Huawei accesses cutting-edge research and development (R&D) abroad. According to a Bloomberg report, Huawei, through a nonprofit organization called the Optica Foundation, is "the sole funder of a research competition that has awarded millions of dollars since its inception in 2022 and attracted hundreds of proposals from scientists around the world, including those at top US universities that have banned their researchers from working with the company."[19] Per the report, the Optica Foundation is not required to publicly declare Huawei to be the funding source of the competition that it runs, so Huawei is using the foundation to obfuscate its role in funding research at US universities.[20] Moreover, according to a leading expert on export controls, because the competition is soliciting research meant to be published, Huawei's secret funding of it likely does not violate the US Department of Commerce's export regulations. According to the Bloomberg report, although Huawei's action in this instance is likely legal, some US defense experts, such as James Mulvenon, argue that US universities taking part in a competition ultimately funded by Huawei is still a "bad look" and violates the spirit of the requirement for US institutions to be transparent about foreign funding sources.[21]

Australian government awards the University of Sydney a grant to create Quantum Australia, a center to strengthen the quantum industry and support the country's quantum strategy. [22] Quantum Australia will serve as the "single front door" for supporting "commercialization of quantum technologies" and "creating connections across the quantum ecosystem."[23] Last year, the Australian government's Department of Industry, Science, and Resources released a National Quantum Strategy with the goal of becoming a recognized leader in quantum by 2030.[24] According to the Australian Strategic Policy Institute's 2023 *Critical Technology Tracker*, the country was not in the lead in any of the four categories examined in that study, which included quantum computing, post-quantum cryptography, quantum communications, and quantum sensors. In all four categories, either China or the US led.[25] The five key themes laid out in Australia's 2023 National Quantum Strategy are as follows:[26]

- Create thriving R&D for quantum technologies
- Secure access to quantum infrastructure and materials
- Grow a skilled quantum workforce
- Create standards and frameworks
- Build a trusted, ethical, and inclusive quantum ecosystem

Quantum technology is also an important component of AUKUS Pillar 2, as noted by Australia's Minister for Industry and Science in a February 2024 speech at the Sydney Quantum Academy, a leading Australian quantum research institution.[27]

ALLY AND PARTNER DEVELOPMENTS

Australia strengthens and streamlines foreign investment review. On May 1, the Australian Treasury announced reforms to its foreign investment framework intended to "deliver a stronger, faster, and more transparent approach to foreign investment."[28] According to the Australian Treasury, the updated policy is necessary because Australia faces increasing national security threats, including from foreign investment, because of "intensifying geopolitical competition." At the same time, accomplishing Australia's economic goals requires attracting significant amounts of foreign capital.[29] To balance these two priorities, the updated policy adopts a "risk-based approach" that adjusts the amount of resources and scrutiny dedicated to screening a foreign investment depending on two risk factors:

- **The investor.** The Australian Treasury has streamlined the review process for those who are already present in the Australian market and have good compliance records.
- **The sector targeted for investment.** The Australian Treasury more closely scrutinizes investments in critical infrastructure, critical minerals, critical technologies, sensitive datasets, and investments on land close to military sites.

The new reforms have also granted the Australian Treasury more power to monitor and enforce the conditions put on foreign investment transactions during the review process.[30]

Xi Jinping makes a state visit to Europe. In early May, PRC President Xi Jinping made his first diplomatic trip to Europe since 2019.[31] Xi's visit comes amid increased tensions between the European Union (EU) and the PRC over Russia and trade disputes.[32] Over the past year, the EU has launched multiple investigations into whether PRC subsidies make PRC manufacturers artificially competitive (we discussed electric vehicle subsidies in Issue 7). In response to the allegations, PRC official statements criticized the investigations as protectionist.[33] Xi's trips to France, Serbia, and Hungary demonstrate the PRC's desire to cultivate potential counterweights in Europe to perceived US "hostility" toward China.[34]

Of note, Xi's visit to France concluded with multiple commercial deals but little progress on trade or Ukraine. During a trilateral meeting on May 6, French President Emmanuel Macron, European Commission President Ursula von der Leyen, and PRC President Xi Jinping discussed European concerns about Russia's war in Ukraine and alleged inequalities in EU-PRC trade relations. In separate statements delivered after the meeting, both Macron and von der Leyen asserted that the EU would take actions to protect its market against "non-reciprocity" and "imbalances" in the bloc's trade relationship with the PRC, which von der Leyen attributed to government-subsidized overcapacities in PRC manufacturing and constraints on market access for EU companies in the PRC.[35] In contrast, the PRC Ministry of Foreign Affairs statement asserted that the "so-called 'problem of China's overcapacity' does not exist" and that any trade disputes should be solved through dialogue.[36]

Given the disparities between the statements by European and Chinese leaders, the French newspaper *Le Monde* assessed that Xi's visit to Europe gave him the opportunity to "display the commercial and geopolitical objectives of Chinese power without offering concessions to the leaders of the European Union."[37] The main outcomes of Xi's visit to France were a number of commercial agreements between French and PRC companies rather than breakthroughs on the Russia-Ukraine war or trade disputes.[38] One such contract was between the French state-owned electricity company EDF and the PRC state-owned China Nuclear Power Group; the parties agreed to continue expanding their nuclear energy cooperation.[39] According to a 2023 *Diplomat* article, France and the PRC have long cooperated on civilian nuclear power.[40]

ILLEGAL ACTIVITIES

Germany arrests three individuals suspected of transferring sensitive technology to the PRC. On April 22, German authorities arrested three German citizens and accused them of working with the PRC's Ministry of State Security (MSS) to transfer technology with potential military uses to China. German prosecutors allege that the individuals set up a research transfer agreement with a German university for marine engine technology.[41] Historically, China has relied on foreign-designed engines for its submarines and naval ships, as discussed in our 2020 report. German prosecutors also assert that the suspects purchased a dual-use laser with funds from the MSS and subsequently exported the laser to the PRC without authorization.[42] The arrests in Germany are only one part of a slew of investigations and arrests of suspected PRC agents across Europe as national authorities seek to crack down on PRC espionage operations. In another example reported by the *Financial Times*, German authorities in April arrested Jian Guo, a European Parliament staffer whom German prosecutors are accusing of spying for the PRC.[43]

MOON MISSIONS: MULTINATIONAL COOPERATION

Currently, both China and the United States have active lunar programs. China's *Chang'e* program aims to collect samples from the far side of the moon, and the US intends to conduct crewed moon missions. We consider recent developments in both programs as well as how each country is engaging in multinational cooperation on its program. China continues cooperation with Russia, Pakistan, and various European countries.[44] The United States cooperates with several partners and allies, notably Japan.[45] Some countries, such as France and Italy, are cooperating with both the US and China. The race to establish a sustained footprint on the moon is underway as countries pursue space exploration. Beyond their symbolic and diplomatic value, these missions are important for US-China economic and technological competition because they boost the aerospace industries of each country and its partners, with implications for whether the US or China will emerge as commercially dominant in space over the long term.

China's *Chang'e* 6 mission aims to return samples from the far side of the moon. On May 3, the sixth mission of China's Lunar Exploration program, named *Chang'e* after the Chinese moon goddess, blasted off from southern China's Hainan Island,[46] and as of early June, the mission's lunar lander had successfully reached the moon's surface, collected samples, and begun its ascent to return to Earth.[47] The mission has been challenging because the landing site was on the moon's largely unexplored far side, and from that position, the lander was unable to directly communicate with Earth. Instead, China relied on a satellite that it had placed previously in lunar orbit to relay signals from Earth to the lander.[48] Assuming that the *Chang'e* 6 mission succeeds, it will pave the way for the PRC to conduct further surveys of the moon's far side during *Chang'e* 7 and 8 and to eventually establish a crewed, permanent lunar base with a target date of 2036.[49]

According to space policy expert Namrata Goswani, the *Chang'e* program is significant for several reasons, including its propaganda value for Beijing, the potential for China to access valuable lunar minerals, and the development of the PRC's space ecosystem.[50] Another important aspect is that the program provides Beijing the opportunity to play a leading role in international space research cooperation. The *Chang'e* spacecraft carries instruments provided by the European Space Agency, France, Italy, and Pakistan; in addition, Russia provided an aircraft to transport spacecraft components to the launch site.[51]

Japan announces plan to send first astronaut to moon in cooperation with US. At their meeting in April 2024, Japanese Prime Minister Fumio Kishida and US President Joe Biden announced that a Japanese

astronaut is expected to become the first non-US citizen to set foot on the moon. The mission under the National Aeronautics and Space Administration (NASA) Artemis program plans to send astronauts to the moon as early as 2026.[52] According to a report by the *Asahi Shimbun*, NASA agreed to provide Japan two seats on future crewed missions in exchange for Japan developing a lunar rover for later Artemis missions.[53]

Japan is party to the Artemis Accords, a series of bilateral agreements between the US and 38 other governments that was developed alongside the Artemis program.[54] The accords detail principles for space exploration, and they represent US efforts to encourage cooperation and manage potential competition in space. Besides Japan, several other key US allies with active space programs are signatories to the accords and are planning to participate in the Artemis program, including France, Italy, and the United Kingdom.[55] However, according to Hermann Ludwig Moeller, the Director of the European Space Policy Institute in Vienna, by providing the seats on future crewed missions to Japan ahead of European allies, the US has made a "geopolitical decision" that "has a lot to do with China" given Japan's importance as a key ally in competition with Beijing.[56]

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