

# Dragoman Digest

## US moves to widen its export control arsenal on key chipmaking technologies

*Some Chinese companies may benefit from the rumoured regulations*

In a bid to further limit **China's** chip manufacturing capabilities, the **US** is looking to broaden the scope of its export controls. In late July, two major US equipment suppliers reportedly received letters from the Department of Commerce directing them to restrict the sale of equipment used to make 14nm chips or below. The US already banned companies [in 2020](#) from supplying China with chipmaking equipment used in the fabrication of 10nm chips or below without an export license. Further reports in July indicated the US is considering blocking the export of electric design automation (EDA) software, used in the design of artificial intelligence chips, and equipment used in manufacturing NAND flash memory chips. The latter ban would namely affect China's most advanced memory chip manufacturer, [Yangtze Memory Technologies Co.](#)

Though the putative regulations are expected to be highly disruptive to China's chip sector in the short-term, the restriction may be a boon for some companies. The share price of China's Epyrean Technology – and EDA supplier – has tripled since its IPO on [July 29](#). This surge has been largely [attributed](#) to the new US restrictions. For the US, export controls are a double-edged sword. Bans on the supply of chips featuring US inputs has throttled Huawei's smartphone and 5G business. However, the ban has been highly beneficial for China's fledgling chip sector by forcing Chinese manufacturers and tech suppliers concerned about the reliability of chip supply to source domestically. It remains to be seen whether further US bans will have a similar effect.

## US tries to woo African countries with new strategy

*Nuclear energy is a clear example of an area where Washington hopes to regain ground ceded to rivals*

On Monday, Secretary of State Anthony Blinken revealed the **US'** new Sub-Saharan Africa strategy with the intention of countering **Russia** and **China's** increasing presence on the continent. In a [speech](#) launching the strategy in Pretoria, **South Africa**, Blinken emphasised the importance of countries in the region “having] choices” in their strategic and trade partnerships. This was echoed in [official documents](#) published by the White House, which states the US intends to counter “harmful activities by the PRC, Russia, and other actors”. Much like the Administration's Latin American and Indo-Pacific strategies (including the Indo-Pacific Economic Framework), the Africa strategy was relatively short on specifics.

One field in which the US may seek to ramp up its engagement in Africa is in the supply of infrastructure for nuclear energy. This is an area that the US [historically](#) led, but which in recent years has been dominated by **Russia** and **China**. For example, on [July 20](#), **Egypt** officially began construction with the Kremlin's state-run Rosatom of its nuclear power plant in El-Dabaa – a US\$25 billion project. Russia is also understood to be a likely candidate for future projects in the works in **Nigeria** and **Ghana**. Chinese nuclear companies have also signed deals in recent years in **Kenya** and **Sudan**.

The US may be able to re-insert itself as a nuclear energy provider through the supply of more stable small modular reactors ([SMRs](#)). Russia and China opt for the more commonly used large scale light water reactors (LWRs), but they require more water than SMRs, and pose infrastructure challenges for many developing countries because they require major grid capacity. With Africa's energy demand estimated to grow [75 percent](#) over the decade to 2030, US companies are theoretically well positioned to satisfy some of the estimated market demand.

## **Zambia emerges as a test case of China's approach toward multilateral debt negotiations**

*All eyes on Beijing as it departs from its typical behind-closed-doors approach to debt restructuring*

On July 28, **China** announced that it, alongside a committee of creditors co-chaired by **France**, has agreed to work with Zambia's creditors to negotiate debt-relief. China has traditionally negotiated debt restructuring on a unilateral basis and has displayed an aversion to joining multilateral efforts. But with Zambia recently reaching a deal with the IMF for a bail-out contingent on debt re-negotiation under the G20 Common Framework, China has been forced to modify its approach. The G20 [Common Framework](#) was specifically created in 2020 to help low-income countries in danger of default by bringing together official and private sector creditors under one umbrella to restructure debts.

Beijing has lent large sums to Asian and African countries under its flagship Belt and Road Initiative (BRI). However, the total value of loans needing to be renegotiated because of the failure of lenders to be able to meet commitments has climbed, reaching [US\\$52 billion](#) in 2020 and 2021 – more than tripling the 2018 and 2019 totals. Beijing lent an estimated US\$6 billion to Zambia in the last decade. Zambia was the first African country to default in 2020, when it halted payments on US\$17 billion of external debt.

Creditors and indebted nations alike are watching closely. What happens in Zambia is likely to have a bearing on debt restructuring processes for countries such as **Sri Lanka**, which have also borrowed heavily from China. As the world's largest bilateral creditor, China's willingness to participate in multilateral debt relief efforts will be crucial for financial stability in developing countries.

## **Alibaba's revenue growth slows to lowest since IPO**

*China's sweeping tech sector regulations and COVID lockdowns have hit its tech sector hard*

Alibaba has recorded flat revenue growth for the first time since becoming a public company in 2014. The company's revenue was roughly unchanged, recording approximately [US\\$30 billion](#) in the April-June quarter. Despite this exceeding the [expectations](#) of some forecasts, the stagnant growth is a symptom of **Beijing's** concentrated crackdown on its tech sector. In the same quarter, Alibaba [reportedly](#) let go of nearly 10,000 employees, reducing the company's overall personnel from 254,941 to 245,700.

Since late 2020, Beijing has been targeting tech sector giants including Alibaba, Tencent, and ByteDance with new regulations around personal data collection, use of algorithms, and anti-trust concerns. Last year, Alibaba received a record fine of [US\\$2.8 billion](#) under Chinese anti-monopoly laws, after regulators determined that it had been restricting merchants from doing business or running promotions on rival platforms.

Other soft tech fields like fintech have been a major target of paramount leader **Xi Jinping's** 'common prosperity' campaign. Ant Group (Alibaba's fintech affiliate) saw its profit fall 17 percent in the March quarter. Late last month, the US Securities and Exchange Commission [added](#) Alibaba to a [delisting](#) watchlist on the grounds that inspectors have not been able to access financial audits. The glory days previously enjoyed by China's freewheeling tech sector appear to be past.

## **Regional tensions over AUKUS continue as Indonesia urges the UN to strengthen non-proliferation treaty**

*Indonesia is using non-proliferation concerns to make clear its displeasures with AUKUS*

**Australia**, the **UK**, and **US** flagship AUKUS pact continues to aggravate Canberra's key regional partners. Last week, **Indonesia** raised concerns over the loophole in the UN's Treaty on the Non-Proliferation of Nuclear Weapons (NPT) that allows (among other things) the acquisition of nuclear-powered submarines. Jakarta submitted a draft working paper to the UN calling for tighter supervision by the International Atomic Energy Agency (IAEA). While the AUKUS partnership was not specifically mentioned, the working paper was clearly drafted with the trilateral initiative in mind.

Indonesia's disapproval of AUKUS is not new. Both **Malaysia** and Jakarta [expressed concern](#) when the pact was initially signed in September 2021. The two countries warned that AUKUS could inflame [regional tensions](#). Both are uneasy about the prospect of increased submarine activity in the ASEAN region. Indonesia's political leaders themselves are somewhat divided on the issue of AUKUS. Likely Indonesian presidential candidate Prabowo Subianto has appeared largely [unphased](#) by AUKUS, saying he understands countries "will do whatever they can to protect themselves". Conversely, current President **Jokowi** has continually expressed his concerns, echoing broader unease within Indonesia's foreign ministry. Indonesia's UN submission demonstrates the fine line that Australia will need to walk balancing AUKUS with its key regional partnerships. ASEAN by its nature prefers consensus and the avoidance of assertiveness.