



In a move that will affect China's commercial space business and could hamper U.S./Chinese space cooperation, the U.S. Treasury Dept. has frozen the financial assets of the China Great Wall Industry Corp. and another Chinese space exporter for allegedly aiding Iranian missile development.

In addition to the Treasury Dept., the Federal Bureau of Investigation has been gathering evidence against the company, federal officials said.

The Iranian missile programs involved are also tied directly to development of the third-stage solid rocket motor for the North Korean Taepo-Dong-2C/3 ballistic missile, according to an analysis by GlobalSecurity.org. Iran has specifically aided the North Korean third-stage design, the think tank says.

A Taepo-Dong was poised on its North Korean launch pad late last week for a possible flight test that raised international alarm even before liftoff. The concern is that the upper stage could, in future years, be armed with a nuclear weapon capable of striking Japan, part of the continental U.S. or American sites around the Pacific such as Alaska, Hawaii and Guam.

The Chinese have also provided extensive rocket technology to help the North Korean Taepo-Dong.

**AS IN A 1998 TEST**, GlobalSecurity.org believes the North Korean flight could be couched as a satellite launch, but in reality would be a "wolf in sheep's clothing" attempt to develop a 5,000-7,500-mi.-range ICBM.

The sanctions come as Great Wall seeks to expand beyond Long March

**Long March 3A (left) similar to those marketed commercially by Great Wall Industry Corp. lifts off from Xichang, China. Iranian Shahab-3 ballistic missile (right) is test-fired in Iran. The U.S. assets of China Great Wall Industry Corp. have been frozen by the U.S. Treasury Dept. on the grounds that Great Wall allegedly aided in the development of this and other Iranian missiles.**

undercut both U.S. Atlas and Delta launchers and the European Ariane, taking some business away from these operators.

China Great Wall Industry Corp. (CGWIC) is owned by the Chinese government, and the U.S. government's accusations concerning Iran are aimed as much at the Chinese government as company representatives. Chinese officials reacted angrily to the asset freeze.

**THE TREASURY DEPT. SAID** the Chinese space companies sanctioned have provided missile guidance technology to Iranian programs such as 800-1,000-mi.-range upgraded Shahab-3 ballistic missiles. That weapon is capable of striking southeastern Europe and most areas of the Middle East. The Shahab-3 is believed to be nuclear-capable.

The companies cited by the U.S. government in the asset freeze are specifically accused of aiding the Iranian contractors that develop the Shahab-3 and other shorter range missiles capable of carrying chemical or nuclear weapons.

In addition to CGWIC, the assets of its U.S. subsidiary, G.W. Aerospace Inc. of Torrance, Calif., were also frozen. The U.S. assets of the China National Precision Machinery Import/Export Corp. have also been frozen. It does space technology export business in U.S. currency.

"The companies targeted have supplied Iran's military and Iranian proliferators with missile-related and dual-use components," said Stuart Levey, undersecretary for terrorism and financial intelligence at the Treasury Dept.

To carry out the freeze, the Treasury Dept. is notifying U.S.



XICHANG SPACE CENTER

# BLOWING THE WHIST

launch services to satellite components coupled with banking activities to finance such ventures (*AW&ST* June 23, 2003, p. 37). The asset freeze could especially hurt Great Wall's self-financing plans. Although the freeze could complicate Great Wall's business dealings, there already are long-standing U.S. restrictions on the launch of American components or satellites as part of Long March payloads.

Long March boosters have conducted 24 international commercial launch missions and six piggyback missions, lofting 30 Chinese and international satellites. The company's prices have

banks and financial institutions that they must halt all transactions involving the Chinese companies sanctioned. Any funds owned by them deposited in those financial institutions are also frozen and not allowed to be used by the Chinese or the banking establishment, the Treasury Dept. said. The sale of property owned by Great Wall in the U.S.—such as office space or cars—is also blocked, says Molly Millerwise, a Treasury Dept. official.

The flap comes as NASA Administrator Michael Griffin has accepted an invitation to visit China in the fall to dis-

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U.S. freezes Chinese space company assets over Iranian missile aid. North Korean ICBM also tied to Iran, China.

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cuss U.S./Chinese space cooperation. One sticky problem is that Chinese companies that could theoretically be involved in any future cooperative work are cited in the new sanctions.

However, it's too early to tell whether the sanctions will affect the cooperation. The U.S. deals with China across a wide range of commercial and scientific topics. If the U.S. views this as a Chinese-company problem, the cooperation will not be directly impacted. But if the Bush administration views it as more of a government problem, then it could cool the administration's recent cooperative tone. And the Treasury Dept. aimed some of its comments directly at the Chinese leadership.

"Governments . . . are urged to take appropriate measures to ensure that their companies and financial institutions are not facilitating Iran's proliferation activities," Levey said.

**THE ACTION WAS INITIATED** by the Treasury Dept.'s Office of Foreign Assets Control. The department said the move is aimed at "financially isolating proliferators of weapons of mass destruction [WMD], their supporters, and those contributing to the development of missiles capable of delivering WMD."

Great Wall managers accused the U.S. of taking the action to give U.S. companies an advantage over the Chinese.

"The true purpose of such an action is known to all," Great Wall said caustically. The comments were given strong play in the *People's Daily*, the Chinese Communist Party's mouthpiece to the outside world. "By applying its domestic laws, the U.S. government is seriously [interfering] in the normal business activities of [a] Chinese company engaged in peaceful causes, resulting in severe damage to CGWIC's reputation and economic interests. CGWIC strongly demands that the U.S. government make correction to its wrong action," the company said.

But the Treasury Dept. says the Chinese companies have provided, or attempted to provide, financial, technological or other support for the Iranian Aerospace Industries Organization (AIO), the Shahid Bakeri Industrial Group (SBIG) and the Shahid Hemmat Industrial Group (SHIG).

"AIO, a subsidiary of the Iranian Ministry of Defense and Armed Forces, is the overall manager and coordinator of Iran's missile program, overseeing all of Iran's missile industries," the Treasury Dept. said.

"SBIG, an affiliate of AIO, is also involved in Iran's missile programs. Among the weapons SBIG produces are the Fateh-110, with a range of 200 km., and the Fajr rocket systems, a series of North Korean-designed rockets produced under license by SBIG with ranges of between 40 and 100 km.

"Both systems are capable of being armed with at least chemical warheads.

"SHIG is responsible for Iran's liquid-fueled ballistic missile programs, most notably the Shahab-3, which is based on the North-Korean-designed No Dong missile and has a range of at least 1,300 km.," the Treasury Dept. stressed.

**THE COMPANIES ARE ALSO** repeat offenders in the eyes of the U.S. government. The Treasury Dept. said it had cited both Great Wall and China National Precision Machinery for Iranian violations in 2004.

Great Wall has "continued to provide goods to Iran's missile program" and China Precision Machinery "has sold the Iranian Shahid Bakeri Industrial Group goods that are controlled under the Missile Technology Control Regime," the Treasury Dept. said.

Great Wall "strictly abides by the relevant domestic and international laws," the company said. "It has never rendered assistance to any country for any weapon-of-mass-destruction program. . . . It is simply unreasonable that the U.S. government [alleges Great Wall engages] in proliferation activities," the company said. ☐