



## CHINA REFORM MONITOR

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

# China Reform Monitor No. 1361

February 28, 2019 **Joshua Eisenman**

**Related Categories:** Cybersecurity and Cyberwarfare; Democracy and Governance; Human Rights and Humanitarian Issues; Intelligence and Counterintelligence; Military Innovation; Science and Technology; China

### **HUAWEI FRACAS PROMPTS CHINESE ECONOMIC THREATS**

China is threatening to slash investment into the Silicon Valley. "I can tell you, after the Huawei events, all the Chinese money into Silicon Valley stops. And no U.S. money will want to invest into China either," said Zhu Min, the former deputy governor of the People's Bank of China. Baidu, Alibaba and Tencent are China's biggest investors into Silicon Valley. Tencent, for instance, has a 40 percent stake in Epic Games, the North Carolina-based firm behind video game blockbuster "Fortnite," and Baidu has artificial intelligence labs in Silicon Valley. (CNBC, January 23, 2019)

### **CZECH CYBERSECURITY AGENCY ISSUES WARNING AGAINST HUAWEI**

The Czech Republic's cybersecurity agency, Nukib, has issued a warning, which carries the force of law, about the risk that Chinese technology firms Huawei and ZTE pose to the nation's infrastructure. Pursuant to the edict, all "critical" Czech companies must now perform a risk analysis. In response, Huawei has written formally to Czech Prime Minister Andrej Babis threatening legal action if the warning is not rescinded.

The U.S., Australia and New Zealand have already barred China's technology firms from participating in the building of the new 5G networks. "Australia took a position as a government that we would not allow Huawei to participate in the roll out of 5G in our country. That speaks to some of what we believe are some of the inherent weaknesses of Huawei that we were concerned about. If we didn't have a reason for doing that, we wouldn't of taken that decision," said Australian defense minister Steven Ciobo. China's 2017 National Intelligence Law requires Chinese companies wherever they operate to provide assistance and cooperate in Beijing's national intelligence work. (*New York Times*, February 8, 2019)

### **U.S. UNIVERSITIES UNPLUG FROM CHINESE TELECOMS**

More than a dozen top U.S. universities – including the University of Texas at Austin, UCLA, UC Berkeley, UC Irvine, University of Wisconsin, and Stanford – are removing telecom equipment made by Huawei, ZTE and other Chinese companies and reviewing their suppliers. UC San Diego has suspended all collaboration with Chinese audio-video equipment providers. U.S. universities that fail to do the same by August 2020, as per the directive outlined in the 2018 National Defense Authorization Act (NDAA), risk losing federal research grants and other government funding. U.S. authorities fear Chinese made audio-video equipment has built in back doors that give access to China's government agents. The NDAA also calls for new regulations that limit partnerships with Chinese universities and requires the Secretary of Defense to work with universities to guard against IP theft. In June, more than two dozen members of Congress wrote a joint letter expressing concern that Huawei's partnerships with dozens of U.S. universities "may pose a significant threat to national security." (Reuters, January 24, 2019)

### **CHINA IS WINNING THE AI RACE**

China is leading the race for supremacy in artificial intelligence (AI), and while American companies generally have small AI pilot projects Beijing continues to pour government money into R&D. Eighty-four percent of Chinese executives now believe AI will have a larger impact than the Internet, as compared to 38 percent of American executives. AI skeptics agree that the technology has enormous potential but raise ethical questions about widespread adoption and concerns that too much confidence will be placed in algorithms that reflect their designers' biases. The Pentagon will spend \$1.75 billion over six years on a Joint Artificial Intelligence Center – a tiny fraction of China's expenditures. (*Washington Post*, January 23, 2019)

## **ROLLING OUT FACIAL RECOGNITION**

China is installing facial recognition machines, which are already common in Xinjiang, at train stations around the country, with state media promising that they will bring shorter lines and better security. Guangzhou commuters who sign up for the new system and have a "good travel record" can avoid lines and use a biometric gate. On the high-speed train from Beijing to Shanghai, passengers are warned over the public announcement system that rule-breaking is recorded and will damage their social credit score. Smoking, disturbing public order, or fare evasion are among the offenses that may bar someone from future train travel. By the end of 2018, 5.4 million people had been banned from riding high-speed rail and 17 million people prohibited from air travel after a court, tax office or another government department blacklisted them. In 2018, only 1417 people managed to get off the blacklist and have their travel rights restored after paying back taxes, fees or fines. (*Sydney Morning Herald*, February 6, 2019)