



China Reform Monitor No. 1408

March 10, 2020 **Joshua Eisenman**

Related Categories: Cybersecurity and Cyberwarfare; Democracy and Governance; Human Rights and Humanitarian Issues; Intelligence and Counterintelligence; International Economics and Trade; Military Innovation; Science and Technology; Australia; China; South Asia

RUSSIAN EXPERTS OPPOSE SHARING AI INNOVATIONS WITH CHINA

Russia's state defense conglomerate Rostec has accused China of copying everything from Sukhoi fighter jets to missile systems. The unusual public airing of grievances, which occurred in December, reveals how fearful many Russian AI companies are about losing their technology to China, said Professor Alexey Maslov at the National Research University Higher School of Economics. "Formally, Russia and China have signed all the agreements about respecting intellectual property, but we know of cases of China acquiring Russian technology through piracy. As a result, Russian companies are afraid of cooperating with China. China is not the reliable partner to whom you can give over advanced technologies," said Maslov, adding that Russian tech companies working in China often register in Singapore or Hong Kong hoping for an extra layer of protection. Cooperation with China could result in a massive outflow of Russian data that would only widen the gap between the two nations, warned Sergey Karelov of Russian IT consultancy Witology. Valentin Makaro, the president of Russoft, a software developers association, said Russia cannot work with China because there is no guarantee their friendship will last. "There are certain critical technologies that will determine the new economic order and you need to maintain sovereignty over them. History has unfortunately shown that periods of warming are replaced by other periods." (*Nikkei Asian Review*, February 4, 2020)

LOCAL OFFICIALS "RESORTING TO EXTREME ADMINISTRATIVE MEASURES"

Renmin University's Chongyang Institute for Financial Studies released a report criticizing local governments' response to the COVID-19 outbreak. "We understand local governments are trying to control the disease. But some places are going too far by resorting to extreme administrative measures," concluded the report's nine authors, who were led by economist Jia Jinjing. Authorities were "stopping everything and acting carelessly, resulting in chaos," said the report, which cited incidents of local governments seizing shipments of masks and medical supplies destined for other locales. Authorities in Dali, Yunnan, took 600 boxes of masks destined for Chongqing, and an unnamed "southern municipality" seized 22,000 face masks from a private company and paid less than a third of their value. Local governments are blocking roads, some carriers are refusing to take passengers from Hubei, and patients with other ailments are having trouble getting treated at hospitals. "Such simple and brutal measures will only exacerbate public panic and are against the rules of modern governance. China should evolve towards a more refined and humanized style of governance instead of going backwards," the report advised. (*South China Morning Post*, February 18, 2020)

AUSTRALIA'S SPY CHIEF WARNS OF "UNPRECEDENTED" FOREIGN THREAT

"The level of threat we face from foreign espionage and interference activities is currently unprecedented. It is higher now, than it was at the height of the Cold War," Australian Security Intelligence Organisation Director-General Mike Burgess has said. Foreign nations are working hard to influence lawmakers, government officials, media figures, business leaders and academics. Visiting academics and scientists had been infiltrating universities to collect intelligence, while foreign spies had entered Australia to set up a sophisticated hacking infrastructure, said Burgess. A "sleeper agent" lay dormant for years and built business and community links before he started supplying information about expatriate dissidents in Australia that was used to harass them and their relatives, Burgess said. "The intent is to engineer fundamental shifts in Australia's position in the world, not just to collect intelligence or use us as a potential 'back-door' into our allies and partners," according to Burgess. Although Burgess did not identify any particular country in his remarks, "it's very reasonable to assume that China was the country in question," commented Rory Medcalf of the Australian National University. (Reuters, February 24, 2020)

LACK OF FREE SPEECH SPREAD COVID-19 - PEKING UNIVERSITY PROFESSOR

The lack of a free press, poor governance, and an information blackout allowed the spread of the Covid-19 virus, wrote Peking University Professor He Weifang in a two-page article shared with several WeChat groups. Writing by hand in an effort to slow the censors, whom it took an hour to delete his posts, He wrote: "I hope the heavy price of the outbreak will make Chinese authorities come to realize that without press freedom, people will live in distress and the government in mendacity. If the media in Wuhan or Hubei could report freely and responsibly, the people would not have to rely on the buck-passing bureaucracy and live in misery." Only a free press that could report on the authorities' performance and would thus produce a better governance system, he lamented. (*South China Morning Post*, February 18, 2020)

TECH GIANTS CONTINUE MOVING PRODUCTION OUT OF CHINA

Google, Microsoft, and Apple are expediting plans to shift production from China to Southeast Asia due to continued supply chain disruptions caused by the coronavirus outbreak. Google's smart speaker series, Nest Mini, which is expected to be rolled out in the first half of this year, is already made in Thailand, and in April the company will begin manufacturing its Pixel smartphones in Vietnam. Microsoft is also relocating the production of its personal PCs, laptops, and tablets from China to Vietnam. The company has seen a slump due to delayed resumption of work at its factories in China. Apple has also suffered from supply chain disruptions in China, and Foxconn, its major supplier, is ramping up production at its Vietnam, India, and Mexico facilities. The U.S.-China trade war and the coronavirus demonstrate that retail supply chains had become too heavily dependent on China, said former Macy's CEO Terry Lundgren. (*Taiwan News*, February 27, 2020)