



# China Reform Monitor 1466

June 8, 2021 Joshua Eisenman

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## CHINA COULD HAVE ORDERED HUAWEI TO SHUT DOWN AUSTRALIA'S 5G

The Australian Signals Directorate (ASD) spent more than eight months trying to make Huawei's equipment safe, but ultimately decided that the risk posed by the Chinese tech giant could not be sufficiently mitigated. ASD found that more than 300 security measures would have had to be used to make Huawei's equipment secure for the country's 5G system, and even then, it still could have been shut down from Beijing. Proposed measures included granting Australia full and sole access to the source code and hardware schematics, and ensuring that systems updates could only be done in Australia. Canberra is concerned that Beijing could order Huawei to disconnect the Australian 5G network altogether, said an unnamed Australian intelligence official. If Beijing made Huawei "switch things off," the official said, then "the sewerage pump stops working. Clean water doesn't come to you. You can imagine the social implications of that. Or the public transport network doesn't work. Or electric cars that are self-driving don't work." (*Sydney Morning Herald*, May 21, 2021)

## CHINA WOOS WALL STREET BANKERS...

Beijing is allowing Wall Street to set up foreign-controlled wealth management firms with its state-owned banks. Goldman Sachs announced its majority (51% stake) deal with the Industrial and Commercial Bank of China (ICBC), which would give the firm access to the savings of 680 million Chinese savers. Goldman's China-focused products will initially target high net worth individuals, then expand to average Chinese. Meanwhile, BlackRock has a new partnership with China Construction Bank, and JPMorgan will invest \$415 million in China Merchants Bank. Beijing wants Wall Street to offer retirement products for its ageing population, while American capitalists are seduced by \$18.9 trillion in untapped Chinese savings. "Foreign banks can represent a new sort of institutional investor, a new player, with best practice, a well-established process and good standards," said Zhong Xiaofeng at Amundi. Last year, Amundi and Bank of China created the first majority foreign-owned wealth management joint venture, which has already attracted billions in assets to its over 20 financial products. (*Financial Times*, May 28, 2021)

[EDITOR'S NOTE: Chinese savings have long sat in bank deposits or chased speculative returns in the real estate market. In 2020, about 60 percent of all household assets were in property, and 24 percent were in cash deposits.]

## ...WHILE U.S. SCRUTINY OVER CHINESE INFLUENCE OVER FINANCE GROWS

At a Congressional hearing in late May, Wall Street financial chiefs defended their China ties. "There are places where obviously we cooperate, there are places where we're confrontational. We try to navigate that in an appropriate way," said Goldman Sachs chief executive David Solomon. But while they remain a powerful lobby, "their effectiveness in influencing U.S. policy toward China has become highly constrained by the current political climate," according to Cornell University's Eswar Prasad. Senator Marco Rubio (R-FL) has noted that Wall Street is "more tightly integrated with China than ever before," and has become one of "our nation's greatest vulnerabilities" in a confrontation "over who will determine the course of the 21st century." (*Financial Times*, May 28, 2021)

## BIDEN ANNOUNCES NEW PROBE INTO SOURCE OF COVID-19

President Joe Biden has announced a new investigation into the origins of the coronavirus. The renewed scrutiny comes amid disagreement within the U.S. intelligence community; two elements currently "lean" toward the explanation that the virus came from animal contact, while another believes it leaked from the Wuhan Institute of Virology. "I have now asked the IC to redouble their efforts to collect and analyze information that could bring us closer to a definitive conclusion, and to report back to me in 90 days," the White House statement reads. Beijing's refusal to participate in the WHO investigation has "heightened interest in us being more transparent about the steps we were taking. We continue to believe that China has crucial information about the origins of the pandemic that it is not sharing," said a White House source. In response, China's foreign ministry spokesperson accused the U.S. of "political manipulation" and of "stigmatizing" China. (NBC, May 26, 2021)

## **PHILIPPINES PROTESTS CHINA'S "ILLEGAL" PRESENCE IN ITS EEZ**

The Philippines has lodged its 84th diplomatic protest against China since 2016 over the continuing "incessant deployment, prolonged presence, and illegal activities of Chinese maritime assets and fishing vessels" near Thitu island. Thitu, known as Pag-asa in the Philippines, "is an integral part of the Philippines over which it has sovereignty and jurisdiction," the country's foreign ministry said. Bilateral tensions have escalated over the months-long presence of hundreds of Chinese boats in the Philippines' 200-mile exclusive economic zone. Manila says the vessels are manned by Chinese militias, while Beijing claims they are fishermen sheltering from bad weather. About 15 miles from Thitu on Subi Reef, China has installed runways, hangars and surface-to-air-missiles. (Reuters, May 28, 2021)