



CHINA REFORM MONITOR

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

China Reform Monitor No. 1520

September 22, 2022 **Joshua Eisenman**

Related Categories: Arms Control and Proliferation; Democracy and Governance; Human Rights and Humanitarian Issues; International Economics and Trade; Science and Technology; SPACE; Central Asia; China; Hong Kong; Southeast Asia; Taiwan

U.S. APPROVES \$1.1 BILLION WEAPONS SALE TO TAIWAN

The United States has approved the sale of \$1.1 billion in weapons to Taiwan, angering Beijing. The Pentagon's Defense Security Cooperation Agency said the arms package would include 60 anti-ship missiles, 100 air-to-air missiles, and logistics support for a radar surveillance system. The Department of State, which approved the sale, said the package was "essential for Taiwan's security." "These proposed sales are routine cases to support Taiwan's continuing efforts to modernize its armed forces and to maintain a credible defensive capability," said a spokesperson. A statement from Taiwan's Defense Ministry thanked Washington and said that the sale "will help our country strengthen overall defense capabilities and jointly maintain the security and peace of the Taiwan Strait." China called on the U.S. to "immediately revoke" the arms sale. (*Al Jazeera*, September 2, 2022)

BEIJING MAKES PROGRESS ON THE MOON

China has discovered a new lunar mineral containing helium-3, a "phosphate mineral in columnar crystal" that could be a future energy source. China's Chang'e-5 mission retrieved the samples from the moon in 2020 and China's National Space Administration will launch three more lunar orbiters over the next 10 years to investigate it. China has accelerated its space exploration in recent years, putting a rover on Mars, launching missions to collect moon samples, and building a space station and a research station with Russia on the moon's south pole. (*Business Insider*, September 11, 2022)

CHINA COLLECTING DNA SAMPLES IN TIBET

Authorities in Tibet are systemically collecting DNA as part of a massive "crime detection" program. The collection drive began in 2019 under the "three greats" – inspection, investigation and mediation – campaign to strengthen China's grassroots-level policing. Everyone from the elderly to kindergarten children is compelled to participate, according to a new Human Rights Watch report on the program. It discovered collection drives in 14 localities across Tibet and government tenders for the construction of the DNA databases. According to a police report from Chonggye county: "No village must be omitted from a township, no household must be omitted from a village, and no person must be omitted from a household." (*The Guardian*, September 5, 2022)

KPMG FACES \$830 MILLION LAWSUIT FOR "APPALLING" CHINESE AUDIT

Global auditing and financial advisory firm KPMG is accused of an "appalling" audit that allowed a U.S.-listed Chinese biotechnology company, China Medical Technologies, to carry out a "brazen" \$400 million accounting fraud. China Medical raised \$426 million from international investors in two convertible bonds in 2008 and 2010. The company was liquidated in 2012, and in 2017 U.S. prosecutors charged its founder, Wu Xiaodong, and CFO, Samson Tsang, with fraud and accused them of pilfering the cash. The firm's liquidator, Borrelli Walsh, said the auditing firm gave the firm a clean bill of health in 2007-2008 because it failed to ask "obvious" questions that would have exposed the fraud, and is thus responsible for any losses that "flowed from" its negligent auditing work. The liquidator seeks \$454 million to cover what it paid to investors based on KPMG audit and \$376 million in interest. (*Financial Times*, September 5, 2022)

SINGAPORE REPLACES HONG KONG AS TOP HAVEN FOR CHINESE ELITE

Singapore is seeing an influx of tycoons fleeing China's political crackdowns and severe COVID-19 lockdowns. Singapore's wealth management firms are handling an increasing number of inquiries from Chinese millionaires seeking to establish a family office there. They want "to stop being identified as a Chinese person. It is like money laundering. Except you are laundering your own identity," explained one banker. Joseph Poon, head of private banking at DBS, said demand from Chinese clients "is getting stronger and stronger." By 2021, there were some 400 family offices in Singapore – double the number in 2020. Some clients were even allowed to fly into Singapore at the height of the pandemic. (*Financial Times*, August 30, 2022)