



China Reform Monitor No. 1542

March 13, 2023 **Joshua Eisenman**

Related Categories: International Economics and Trade; Science and Technology; SPACE; China

STATE FIRMS INSTRUCTED TO PHASE OUT "BIG FOUR" AUDITORS

China's Ministry of Finance has instructed state-owned companies to let contracts expire with the big four accounting firms - Deloitte, KPMG, EY and PwC. Authorities claim this latest round of decoupling policies is intended to address security concerns and curb the influence of Western auditors. About sixty Hong Kong-listed and Chinese-headquartered public and private firms have changed their auditors since September 2022, and since December eighty companies listed in Shanghai and Shenzhen have switched to local auditors. Firms are being told to transition to using auditors from China and Hong Kong to support the local audit industry and protect their data and technology. Although no deadline has been set, the gradual exclusion of the "big four" from China would be a financial blow for the accounting firms, which earned a combined 20.6 billion RMB (\$3 billion) from Chinese clients in 2021. (*The Guardian*, February 22, 2023)

BEIJING BANS CHATGPT

Amid growing alarm over ChatGPT in Beijing, specifically the AI-powered chatbot's uncensored replies to user queries, regulators have told major Chinese tech companies (e.g., Tencent, Ant Group, and Alibaba's fintech affiliate) not to offer the service on their platforms. Although ChatGPT, which was developed by Microsoft-backed startup OpenAI, is not officially available in China, it can be accessed using a VPN. "Our understanding from the beginning is that ChatGPT can never enter China due to issues with censorship, and China will need its own versions of ChatGPT," said a tech company executive. According to the official China Daily, the chatbot could help "the U.S. government in its spread of disinformation." (*Nikkei*, February 22, 2023)

CANADA STOPS FUNDING RESEARCH LINKS WITH PLA-LINKED INSTITUTIONS

Canada's federal government will no longer fund research collaborations with China's military and security institutions, and is urging the country's provinces and universities not to do so either. Ottawa has instructed the Canada Foundation for Innovation and the federal research granting councils that screen funding requests from universities not to support such research. Those agencies include the Social Sciences and Humanities Research Council of Canada, the Natural Sciences and Engineering Research Council of Canada, and the Canadian Institutes of Health Research. "Grant applications that involve conducting research in a sensitive research area will not be funded if any of the researchers working on the project are affiliated with a university, research institute or laboratory connected to military, national defense or state security entities of foreign state actors that pose a risk to our national security," said Innovation Minister François-Philippe Champagne. (*Globe and Mail*, February 14, 2023)

CHINA TARGETS STARLINK

China will launch a constellation of 12,992 satellites in near-Earth orbit to provide internet services, spy on rival networks, and carry out missions to stifle Elon Musk's Starlink system. The project, codenamed "GW," is led by Xu Can of the PLA Space Engineering University in Beijing. The GW constellation's satellites are owned by the newly established China Satellite Network Group Co. Beijing views the wireless capability that Starlink is providing to Ukraine in its fight against Russia as a threat to its plans for annexing Taiwan. (*South China Morning Post*, February 24, 2023)

MISSING CHINESE BANKER WAS MOVING WEALTH TO SINGAPORE

In the run up to his disappearance, investment banker Bao Fan was working on moving his fortune from China to Singapore. The billionaire founder and chair of investment bank China Renaissance, who brokered some of China's biggest tech deals, was establishing a family office in the city-state to manage his personal wealth in the final months of 2022. A growing number of Chinese executives have set up family offices in Singapore in response to Beijing's anti-corruption campaign and a regulatory crackdown on the tech sector. (*Financial Times*, February 21, 2023)