



## CHINA REFORM MONITOR

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P.R.C. Government Actions and U.S. Policy

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September 11, 2023 **Joshua Eisenman**

**Related Categories:** Cybersecurity and Cyberwarfare; International Economics and Trade; Science and Technology; Corruption; China; Europe; Israel; Japan

### CHINA HACKS THE UK FOREIGN OFFICE

In 2021, Chinese hackers gained access to the UK Foreign Office's internal systems in a major security breach that was kept secret by Downing Street. The breach, which compromised internet-connected servers belonging to the Foreign, Commonwealth and Development Office (FCDO), did not include classified information. However, the intruders obtained the department's day-to-day business emails, Teams meetings, and internal messages such as correspondence from ambassadors or diplomats stationed abroad. The hacks likely occurred after a staffer downloaded malware hidden in an email. (*I/News*, August 11, 2023)

### BEIJING BLOCKS INTEL ACQUISITION OF ISRAEL'S TOWER SEMICONDUCTOR

Intel has cancelled its plans to buy Israeli foundry Tower Semiconductor after the deal failed to obtain approval from Chinese regulators. The \$5.4 billion acquisition, which had been part of the U.S. tech giant's plan to expand its foundry business, was scuttled "due to the inability to obtain in a timely manner the regulatory approvals required under the merger agreement," the company said. Beijing requires mergers involving companies with a major business presence in China to be approved by its antitrust regulator, the State Administration for Market Regulation. Despite this denial, Intel continues to lobby the U.S. government against restrictions on the export of advanced chips to China. (*South China Morning Post*, August 16, 2023)

### CHINA'S FERTILITY RATE DROPS TO RECORD LOW

In 2022, China's official fertility rate dropped to a record low of 1.09. In Hong Kong, the number of childless women more than doubled from five years ago, to 43.2%, and the average number of children per woman dropped from 1.3 in 2017 to a record low of 0.9. These figures come as authorities urgently push various measures to raise the birth rate, from financial incentives and improved childcare facilities to arranging dating events. In May, Xi Jinping presided over a meeting to study the topic. (*Reuters*, August 15, 2023)

### CYBERATTACKS ON JAPAN PROMPT U.S. REBUKE

In the wake of revelations that Chinese military hackers accessed Japanese defense secrets, Defense Secretary Lloyd Austin suggested that data sharing between the two countries could be disrupted unless Japan bolsters its cybersecurity. The U.S. government discovered the Chinese hackers accessing Japan's defense servers back in 2020. "Japan is a primary target for Chinese cyber activities both for traditional political/military intelligence gathering, and also for economic espionage," said James Lewis of the Center for Strategic & International Studies. Deputy Pentagon press secretary Sabrina Singh sought to reassure Tokyo: "We feel confident in our relationship and the intelligence sharing that we do [and] that Japan will be able to address any security concerns that they have." (*Nikkei Asia*, August 10, 2023)

### CRACKING DOWN ON HEALTHCARE CORRUPTION

Ten national government agencies have launched a joint anti-corruption campaign to combat "profiteering," kickbacks and the improper use of medical insurance funds. The campaign covers the "entire chain of production" from the pharmaceutical industry to hospitals and insurance providers, China's National Health Commission has announced. More than 180 hospital leaders are now under investigation, including Party secretaries and hospital heads. Two executives from pharmaceutical companies - chairman of Shanghai Serum Bio-Technology Fan Zhihe and Winning Health Technology Group's chair, Zhou Wei - are under investigation as well. Some localities have set up healthcare corruption hotlines to call in tips, and Shanghai is offering cash rewards for reports on illegal behavior. Others have set up "clean accounts" for health sector workers to turn over illegal gains. China's hospitals have long been accused of over-prescribing treatments to inflate bills or taking kickbacks and other perks from pharmaceutical representatives to push overpriced medicines distributed by in-house pharmacies. (*CNN*, August 25, 2023)