



## APPG ON CYBER SECURITY MEETING ON CYBER SECURITY MINUTES

25<sup>th</sup> November 2020 at 10.15

**Title:** High Risk Vendors, the Telecomms Security Bill and China

**Chairman's welcome** – The Chairman welcomed Prof Burton to the meeting from Canada and the Minister. The session is in two parts with the Professor's address, questions and then the Minister. The Chairman summed up the previous meeting in June on this topic.

**Present:** Simon Fell MP (Chair), Lord Mackenzie of Framwellgate, Lord Taylor, Tony Lloyd MP, Owen Thompson MP, Julian Lewis MP, Mark Prtichard, MP and Matt Warman MP, Parliamentary Under Secretary of State (Minister for Digital Infrastructure)

**Apologies** Baroness Pauline Neville-Jones, Lord Arbuthnot of Edrom, Lord West of Spithead, Rt Hon Sir George Howarth, MP

### Speakers:

#### 1. Professor Charles Burton

*Macdonald Laurier Institute*

Andrew Henderson asked me to speak for 10 minutes or so about China's soft power influence operations as related to cyber security

First of all let me say a few words about how the China's exercise of soft power fit into the Chinese Communist Party's regime's overall geostrategic goals

At the 19th Congress of the Chinese Communist Party in October 2017, in the very long address that is de rigeur for Leninist gatherings, China's Party General Secretary Xi Jinping gave a long sweep through Chinese history from ancient times and then laid out his vision for China's foreign relations under his leadership.

Perhaps strange to us but in China the 19th century past is very much alive in the nationalistic propaganda of the Xi Jinping regime today.

But with the promise of Marxist utopia bankrupted today, the legitimacy of the current Chinese regime lies in its nationalistic assertion that only under the Chinese Communist Party's autocratic one-party rule can China achieve a foreign policy redress the historical humiliations against the Chinese nation of Western imperialism since the 1839 First Opium War.

This is about getting back at the West for forcing the Qing dynasty to concede the island of Hong Kong as a British crown colony in perpetuity and many other concessions made by

weak Chinese governments to Japan and to the West in the hundred years following the Opium Wars prior to the establishment of the People's Republic of China in 1949

So this is what is behind Chinese leader Xi Jinping's promise that under his leadership the Chinese dream of the great revitalization of the Chinese nation will be achieved by the hundredth anniversary of the revolution in 2050.

At the same time Mr. Xi is fully confident that the United States as global super power will decay and decline and China will rise in glory to take its place

The mythology is this is to restore China to its traditional position as the leading global civilization to which other nations are subordinate in a modern form of the tributary State system.

So Xi postulates an alternative global order that he defines as "the community of the common destiny of mankind."

The idea is that the post-war institutions of the international rules based order are based in liberal democratic values that are at odds with the PRC regime's ideology of socialism with Chinese characteristics..

The expectation is that multilateral institutions like the UN and the WTO will gradually fade into irrelevance as the United States continues the decline as a global power and China rises to the fore leading the community of the common destiny of mankind.

Domination of global cyber technology is a critical element in China's mobilization to develop Xi Jinping's "community of the common destiny of mankind."

It amounts to a reorientation of all global multilateral institutions in diplomacy and trade to a China-centric world order supported by Beijing's Belt and Road Initiative which will restructure global infrastructure to put China at the centre of international trade and investment and strategic relations.

A crucial goal to support this overall scheme is to engender the conditions to have Huawei 5G and other PRC technology dominate all global communications to serve the needs of Chinese cyber-espionage and facilitate Chinese military advantage over infrastructure in all critical areas everywhere on the planet. That is China is looking to add capability that could

realize intent. That is where the threat to us lies

So Chinese state heavily subsidizes Huawei and other Chinese hardware and software development and production to make it highly competitive in global markets.

These state-sponsored enterprises' raison d'être is not primarily economic profitability but also to serve other PRC regime purposes

The language of China's National Intelligence Law seen as compelling all Chinese nationals working for Huawei to collaborate with agents of the Chinese state on request to further Chinese state interests by purloining confidential data and engaging in compromise of infrastructure around the world is really just a *pro forma*.<sup>1</sup>

While Huawei CFO, Ren Zhengfei claims Huawei would never comply with an PRC regime request to hand over customer's data,<sup>2</sup> In fact Huawei's connection to the Chinese Party-Military state is much more than a master-servant relationship. It is indeed a symbiotic relationship.

Huawei like all Chinese global enterprises is fully integrated into the PRC Party-state, military and security apparatus because as Xi Jinping has put it "Party, government, military, civilian, and academic; east, west, south, north, and centre, the Party leads everything."<sup>3</sup> Just as China's Communist Party regime does not allow true civil society as a non-government sector,<sup>4</sup> there are also no industrial enterprises existing independently from China's Party-State.<sup>5</sup> While Huawei is not deemed a state-owned enterprise as such, it is still an integral component of China's Communist Party regime.

The Huawei corporate organigram shows its Chinese Communist Party branch and its Party Secretary Zhou Daiqi at the apex of Huawei's corporate pyramid.<sup>6</sup> This has been dismissed by

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<sup>1</sup> Canadian Security Intelligence Service. "China's Intelligence Law and the Country's Future Intelligence Competitions." aem, May 10, 2018. <https://www.canada.ca/en/security-intelligence-service/corporate/publications/china-and-the-age-of-strategic-rivalry/chinas-intelligence-law-and-the-countrys-future-intelligence-competitions.html>.

<sup>2</sup> Kharpal, Arjun. "Huawei CEO: No Matter My Communist Party Ties, I'll 'definitely' Refuse If Beijing Wants Our Customers' Data." CNBC, January 15, 2019. <https://www.cnbc.com/2019/01/15/huawei-ceo-we-would-refuse-a-chinese-government-request-for-user-data.html>.

<sup>3</sup> Merics China Monitor. "The Party Leads on Everything." Merics, September 24, 2019. <https://merics.org/en/report/party-leads-everything>.

<sup>4</sup> Haas, Benjamin. "China 'eliminating Civil Society' by Targeting Human Rights Activists – Report." the Guardian, February 16, 2017. <http://www.theguardian.com/world/2017/feb/16/china-eliminating-civil-society-by-targeting-human-rights-activists-report>.

<sup>5</sup> McGregor, Richard. "How the State Runs Business in China." The Guardian, July 25, 2019, sec. World news. <https://www.theguardian.com/world/2019/jul/25/china-business-xi-jinping-communist-party-state-private-enterprise-huawei>.

<sup>6</sup> Huawei. "Mr. Zhou Daiqi - Huawei Executives." Huawei Technologies. Accessed September 21, 2020. <https://www.huawei.com/en/executives/supervisory-board/zhou-daiqi>. The organigram showing the Party leadership at the top was

Huawei's apologists as a formality with no substantive meaning<sup>7</sup>

But a parallel can be drawn between the PRC's Constitutional fiction that the rubber stamp National People's Congress is the "supreme organ of state power"<sup>8</sup> whereas ultimate and unassailable political power in China in fact rests with the Standing Committee of the Political Bureau of the Central Committee of the Communist Party.

Huawei is of an utterly different substantive nature than its foreign competitors like Nokia, Ericsson and Samsung who exist in the civil space outside of political institutions. It is a hugely significant distinction between Huawei and non-Chinese telecommunication concerns. Huawei's purposes are actually the Chinese Communist Party's purposes for Huawei.<sup>9</sup>

Because of its role as an integral element of the unified Communist Party régime Huawei's primary purpose is not to generate profits, but to serve the overall interests of the Chinese Communist Party at home and abroad. Huawei can reciprocally draw on the Chinese military and intelligence services to obtain technology and data to its advantage. It is fully supported by the Chinese Communist Party's extensive United Front Work Department operations coordinated out of the PRC's embassies and consulates abroad.<sup>10</sup>

This is because Huawei is mobilized by the Chinese Communist's Party to serve PRC regime geostrategic goals throughout the world.

It is the ultimate whole of government approach. China coordinates its regime goals through its 5 year plans which dictate all social, economic and industrial policies

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previously publicly available but has evidently since been scrubbed from the internet "Reportedly, as of 2007, Huawei's party committee managed 56 general branches (总支), controlled 300 party branches (党支部) and had over 12,000 members . . . Huawei's current Party Secretary is Zhou Daiqi (周代琪), who has served simultaneously as Chief Ethics & Compliance Officer and Director of the Corporate Committee of Ethics and Compliance. However, Zhou Daiqi often seems to represent Huawei in his official capacity as Party Secretary (党委书记) and senior vice president) for high-level talks and occasions, such as the signing of a strategic cooperation agreement with a municipal government on the creation of a cloud computing data centre": Kania, Elsa. "Much Ado about Huawei (Part 2)." The Strategist, March 28, 2018. <https://www.aspistrategist.org.au/much-ado-huawei-part-2/>.

<sup>7</sup> "Our founder Ren Zhengfei is a member of the CPC but this has no bearing on the business. To explain why, it is useful to put this into its historical context. When Ren Zhengfei was a young man, you needed to be a CPC member to have any position of responsibility, even as the head of a cooking team in the military." Huawei Facts. "Does Huawei Have Ties to the Communist Party of China (CPC)?" Huawei Technologies. Accessed September 21, 2020. <https://www.huawei.com/en/facts/question-answer/does-huawei-have-ties-to-the-cpc>.

<sup>8</sup> Global Times. "NPC: Supreme Organ of State Power in China." Global Times, March 8, 2011. <https://www.globaltimes.cn/content/631036.shtml>.

<sup>9</sup> McGregor, Richard. *The Party: The Secret World of China's Communist Rulers*. New York, NY: Harper, 2010.

<sup>10</sup> Brady, Anne-Marie. "Magic Weapons: China's Political Influence Activities under Xi Jinping." Wilson Center, September 18, 2017. <https://www.wilsoncenter.org/article/magic-weapons-chinas-political-influence-activities-under-xi-jinping>.

So that is why we have the problem of purloining of proprietary manufacturing processes and intellectual property theft through collaborations in our universities, sometimes by PLA researchers coming to the West under false pretenses

And we have PRC generously funded programs such as the Thousand Talents Program targeting scholars working in sensitive areas in the West designed to inveigle them to transfer technologies to the Chinese state by setting up parallel labs in Chinese institutions and supervising the work of researchers in China.

There is a lot of temptation in the large amounts of money offered and quite a sophisticated engagement that can extend over years to exploit our Western naivete and greed.

The key here is to recognize that Huawei is a function of an integrated Party-State-Military-civilian-market PRC régime complex whose strategic intent is severely at odds to the interests and values of the liberal democratic West.

So what is my conclusion?

Looking at cyber security “‘country-agnostic’ policy approaches, for example, may feel politically correct but are detrimental for decision-makers and for publics, as they obscure realities by ill-defining the nature of the problem.”

The bottom line is that the West lacks linguistic and cultural expertise and political knowledge to defend our interests against a very sophisticated engagement by China, which seems to always come out on top.

Main ask of the UK Government: Using country agnostic approaches in cyber security may feel politically correct but this kind of approach is detrimental to decision makers as it obscures the nature of the relationship with China. West lacks political expertise to combat China.

Questions to Professor Burton (answers in italics):

1) Simon Fell – what do you think about Chinese bullying of other nations. How will they react to those who go against them?

*Great deal of resentment against foiling plans. Canada arrested the Huawei CFO and the Chinese Govt expected that they had been successful in co-opting the Canadian elite so the Canadians would not respect the US extradition request. The response of China was hostage*

*diplomacy and the arrest of two Canadians (two years under arrest) and the withdrawal of access to them and sanctions.*

*In the case of Australia, China has listed 17 aspects that trouble them and have been more explicit. Have not made any pretense that their 20 billion dollars' worth of trade violation is anything other than that.*

*Expects under Biden an alliance of like-minded countries. Many countries will rally to China as they see more benefit being with China than against it. This will lead to a global split. Will see China lashing out more, the global community will need to decide how to react. Significant elements in Canada would be discomfited by a deterioration in relations with China.*

*Too soon to predict, but China will not take this lying down.*

- 2) Prof Keith Mayes – involved in academia and an open door for Chinese influence. If you look at other ways the world is being influenced (Google, Amazon etc.), do you think that China is reaching out to influence these companies?

*Does not have expertise to give an immediate answer. In Canada there are 163 Chinese diplomats accredited to Canada as opposed to 146 for the U.S. (with whom Canada has much, much more diplomatic interaction) and 20 odd for the UK, so what are they doing? China wants to get all the data they can but not sure if they can tap into Google etc.?*

- 3) Lord Mackenzie – Is it feasible for the West to fight back by harnessing consumers to not purchase Chinese goods? Would that bring China back into line?

*Good point. In Canada only 4% of trade is with China so trade retaliation would be feasible. The main constraint would be foreign agents acting for the Chinese regime that are at work who would fight back against any sort of boycott of Chinese goods and services. Governments should make a demand that politicians and policy makers reveal income from foreign sources through a foreign agent registry This would disincentivise people from making decisions favourable to China.*

*Also there should be no tolerance of Chinese agents. Some come under false pretenses to harass people, not enough legislation to stop this. When found out they are just sent home. Also need to cover transfer of technology. Not overly optimistic about this.*

*No successful boycotts yet, people prefer the cheaper stuff.*

Lord M - When you say that Chinese agents come to harass people, are these Chinese?

*Primarily those of Chinese origin yes. Sometimes though these are people with enormous assets and are potential money launderers. 86 US dollar billionaires in the People's Congress alone whilst millions toil in poverty.*

- 4) Tony Lloyd MP – we want to work with China on some issues of common interest such as climate change. Runs counter to the prescription that you have given us, how can we finesse these two things?

*China is an important and large country and claims to have a stronger commitment to collaboration. At the recent G20 there were discussions on debt relief for poorer countries, Chinese banks have not followed the terms agreed to. China claims to be committed to climate change but supplies coal fired technology to countries.*

*Engagement is an open question if we can find the common good that would be terrific. China does not trust the West and is not prepared to collaborate. Fentanyl is exported by China and the Canadian Govt has supplied money for investigations into illegal export. China does not care about other countries and the harmful effects of this drug. There may be some sense of glee about drug addiction in the West (cf. Opium wars).*

*Skeptical about engagement with China. Have to work with them and hope that they are true to commitments on climate change.*

- 5) John Lyons – surprised to find how the Chinese are supporting ports in Nigeria. See politicians ingratiating themselves with Chinese Govt and what about the Russians? Can we get a consensus across Western Governments to respond collectively and consistently?

*This is a priority of the Biden administration. Under the current administration they talked about this but hard to get states behind Trump because he is / was unpredictable. Will occur quite rapidly under Biden. How bad does China have to be before the West goes in?*

*Andrew Robb, Australia's former Trade Minister who negotiated the trade deal with China, has also accepted a lucrative role in the private sector working as a private consultant for a Chinese company with whom he had previously negotiated deals. This pervasive co-optation of elites must be happening Worldwide. Those people are therefore not going to allow investigation of Chinese activity in their countries. No country wants to bear the brunt of Chinese wrath individually.*

- 6) Richard Bingley – asked about China and social media and how TikTok was targeting adolescents. Are we to be concerned about Chinese social media firms and whether they are influencing Western audiences?

*WeChat is the main issue as it has such an enormous monopoly in China. Prof Burton has to use WeChat to communicate. We know that data is harvested and kept. Some messages only go to*

*people overseas, some have sentences removed in the Chat session and some only go to people in China, censorship is very thorough. Do we decide to ban WeChat in Britain or Canada and then cut people off from communications with friends and family? We are compromising privacy expectations and the reliability of information. TikTok is more about harvesting information.*

- 7) Prof Mayes – was involved in an academic conference in China which was run over VooV, the Chinese equivalent of Zoom. You have to give your age and phone number to use this. Need to be concerned.

## **2. Minister Matt Warman MP**

### ***Parliamentary Under Secretary of State (Minister for Digital Infrastructure)***

Focus is on Telecomms Security Bill, introduced yesterday. Intended to be a persistent piece of legislation that covers problem companies now and in the future. In practice the debate mostly focuses on China.

Will publish the diversification strategy in the next few days and before 2<sup>nd</sup> Reading next week. In conversation with Treasury about funding this. This is real opportunity for UK plc, we already excel in the software site. Opportunities in NE and Newport, semi-conductor catapult is part of this. Plays into some of the levelling up agenda that is important to the Govt.

Being implemented by legal instruments of an administrative nature in relation to Huawei rather than primary. Unusual step will be taken at 2<sup>nd</sup> Reading of publishing the designation of Huawei as a High Risk Vendor. Still in draft form for the time being. Really hopes that the regime has the confidence of the country and the industry in terms of national security. Real attempt to demonstrate the approach towards Huawei. Networks have been co-operative in working with Govt.

- 1) Mark Pritchard MP – will there be anymore meat on the bones vis-à-vis the timetable for competition around hard and software.

Yes, more of a timetable will be made clear. Where are we planting the acorns and encouragement of existing vendors and Open RAN tech will be made clear. Vodafone has already announced a significant deployment in South Wales of OpenRAN. Want a more competitive landscape, not about banning use of individual vendors but aiding a quick, safe roll-out. Not expecting a halt to 5G rollout.

Balance is to keep rollout going and promote competition with new technologies, cannot say that we guarantee to have X% of a particular vendor by Y date.

- 2) Prof Keith Mayes – used to work for Vodafone which is international. In other parts of the world a network may be using Vodafone kit, how is this resolved?

Opportunity for the UK to take a leading global role in this area, we have to seize the day and work with 5 eyes countries who share our concerns about Huawei. Demonstrate that there are opportunities for UK firms to export hard and software and to work with our US allies. Election result does not change the fact that there is skepticism about China. Real opportunity to work with a global coalition.

Vendors are also aware of the global nature of the market.

- 3) Kevin Borley – parallels with other technology sectors, do we see more constraints over Chinese providers?

On the one hand the Telecomms Security bill is not entirely limited to Huawei and covers all the telecomms supply chain. The NS&I bill is to cover the rest of the iceberg. Covers technology and physical purchases as well as other countries that do not share our values, not just China. Minister is responsible for the bit around Telecomms. The NS

- 4) Simon Fell – looked at supply chain and how a HRV could sub-contract to a legitimate supplier.

In terms of the telecomms supply chain, got to recognise that the Nokia or Ericsson kit is made to places close to where Huawei's equipment is made. We have to look further than the badge on the box and do recognize that there is a supplier chain. Ofcom will have greater powers to audit and check supply chains to create confidence. Cannot be 100% confident about absolutely everything, about managing as best we can

- 5) Richard Bingley – Minister mentioned investment into UK firms. How does the bill promote the UK?

Mentioned the Welsh catapult which has £47m of Government money and has kicked off useful clusters in the NE, Bristol and Cambridge. We have much more to do in order to capitalize on this. 1500 jobs have been pumped primed in this sector and expects more growth. These high value jobs and levelling up in the locations where they are.

Important to join Ofcom, BEIS etc. to ensure benefits.

- 6) Prof Mayes – does the guidance cover HRV investment in academia?

NS&I bill is the prime route to tackling this. UK government will be promoting investment to counter that from HRV.

- 7) Prof Tim Watson – supports Keith's point. Knows that decision makers ask if they should be taking funding from China. Hard for Govt to give a clear steer, message is often mixed: academic freedom vs tutting. Need a clear message

Correct, Govt has been keen to preserve academic freedom. There are times when Govt advice needs to be clear and to prevent the situation where the Govt thinks it has made a strong position clear and academia has not fully understood the message. Greater clarity needs to be made. Legislation will promote frank conversations around HRV's and their ways of investing in academia.

- 8) Mark Pritchard – success government's have promoted collaboration with private sector. Cannot see any reference in either bill about investment in academia. A clear direction of travel is needed for planning.

Minister agrees. Especially relevant when an academic is trying to commercialise research. Bill will help to promote a frank conversation to avoid getting into a mess.

### **Conclusions –**

Simon Fell thanked both speakers for a sobering and enlightening set of talks.

The next meeting in January will look at the Computer Misuse Act.