

China scales back IT disclosure demands

April 30 2009, By JOE McDONALD , AP Business Writer

(AP) -- Beijing has temporarily averted a trade clash with Washington by scaling back a demand for foreign suppliers of computer security technology to disclose how their products work.

Such a disclosure will no longer be required for commercial sales but the rule still will apply to products sold to the government, the Chinese enforcement agency said in statement Wednesday. The rule was to have taken effect Friday, but the agency said that would be postponed by one year to May 1, 2010.

Suppliers of technology that keeps e-mail and computer networks secure worried that they might be forced to disclose business secrets. Washington complained the rule could hinder access to China's fast-growing technology market and pressed Beijing to scrap it.

Washington welcomed the announcement by the China Certification and Accreditation Administration but expressed concern that disclosure still will apply to products sold to the government.

"China's action is a step in the right direction," said U.S. Trade Representative Ron Kirk in a statement. However, Kirk said, "We remain very concerned about China's plans to mandate on May 1, 2010, the information security testing and certification rules for products procured by China's government in a manner not consistent with global norms."

American officials objected to the Chinese rules at talks in August as a

violation of global trade standards, setting the stage for a possible formal battle if Beijing went ahead with enforcing them.

The rules cover 13 types of hardware and software, including database and network security systems, secure routers, data backup and recovery systems and anti-spam and anti-hacking software. Such technology is enmeshed in products sold by Microsoft Corp., Cisco Systems Inc. and other global suppliers.

The rules highlight the communist government's unease about managing secrecy and its efforts to use regulation to promote growth of fledgling Chinese high-tech industries.

An official of a state-sanctioned industry group said earlier the rules were meant to support development of Chinese technology by shielding companies from foreign competition.

Requiring disclosure of technical details might help Beijing read encrypted e-mail or create competing products. Beijing tried earlier to force foreign companies to reveal how encryption systems work and has promoted its own standards for mobile phones and wireless encryption.

Requiring technology disclosure for goods sold to the government still could strain ties with Beijing's trading partners. State agencies and government-linked bodies are the biggest buyers of computers, software and other technology products in China.

On the Net:

China Certification and Accreditation Administration (in Chinese):
<http://www.cnca.gov.cn>

U.S. Trade Representative: <http://www.ustr.gov>

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