

US, Europe press China to drop tech security rule

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In this June 11, 2009 file photo, a Chinese man walks past an advertisement showing a Chinese computer user on the streets of Beijing, China. Global technology suppliers face a looming Chinese deadline to reveal the inner workings of computer encryption and other security products in a move the United States and Europe say is protectionist. (AP Photo/Ng Han Guan, File)

(AP) -- Global technology suppliers face a looming Chinese deadline to reveal the inner workings of computer encryption and other security products in a move the United States and Europe say is protectionist.

Suppliers must comply with the rules that take effect Saturday or risk being shut out of the billions of dollars in purchases that the [Chinese government](#) makes of [smart cards](#), secure routers, anti-spam software and other [security](#) products. Encryption codes and other trade secrets would have to be disclosed to a government panel, and the foreign

companies worry they might be leaked to Chinese rivals.

It is the latest in a string of disputes over complaints Beijing is using regulations to support its companies at the expense of foreign rivals. It comes less than a month after China defused a separate conflict with the United States and Europe by scaling back a plan to favor Chinese technology in government procurement.

Washington and the European Union say no other nation imposes such a demand and want Beijing to scrap or at least postpone it.

Washington wants China to "follow global norms," said Nkenge L. Harmon, a spokeswoman for the U.S. Trade Representative, in an e-mail Wednesday. In a meeting this month, she said, American officials "pressed China to address the concerns of foreign governments and industry before implementing the testing and certification rules."

The requirement "has no real base in reality," the visiting EU trade commissioner, Karel De Gucht, said Tuesday. "We cannot see what they see in regard to security, so we are in fact disputing this."

De Gucht said he raised the issue with Chinese Commerce Minister Chen Deming, though he gave no details.

The demand reflects the communist government's unease about relying on foreign technology to manage its secrets and Beijing's desire to help fledgling Chinese high-tech companies catch up and compete with global rivals.

The rules cover 13 types of products, including database and network security systems, secure routers, data backup and recovery systems and anti-spam and anti-hacking software - all essential parts of computer and telecommunications networks. Such technology is enmeshed in products

sold by Microsoft Corp., Cisco Systems Inc. and other industry giants.

Acquiring such know-how would also help Beijing improve its extensive system of Internet monitoring and filtering, essentially giving security forces the keys to pry into encrypted messages and data.

Beijing faced a storm of criticism after it said in November it would favor Chinese goods in government procurement of computers and other technology in an effort to promote domestic innovation. The government backed down this month and promised to make it easier for foreign companies to qualify as domestic suppliers.

Beijing announced the computer security rules in 2008. They were due to take effect last year, covering all such sales in China. But after U.S. complaints, they were postponed to this year and scaled back to cover only government procurement.

Industry researchers say suppliers worry that technology they disclose might be leaked to Chinese competitors. They say some countries prohibit sales of security products to banks or other customers if sensitive details such as encryption coding have been revealed to Chinese regulators.

Beijing says such disclosure is needed for national security but also has said the rules are meant to develop Chinese industry. Trade groups note government panels that would review foreign products include employees of rival Chinese companies.

An official of a foreign trade group said the goal appears to be to force foreign suppliers out of China because it knows they cannot reveal key details. The official asked not be identified further to avoid straining his relations with the government.

"We see many actions in the area of innovation, in other areas of industrial policy, which suggest to us that in the future in a number of areas, the market opportunity will begin to get narrower," said the president of the American Chamber of Commerce in China, Christian Murck.

Any reduction in foreign access to government purchasing could mean a windfall for China's own fledgling computer security suppliers, some of which are owned or linked to its military or security agencies.

When the disclosure rules were first announced in 2008, the president of a Chinese state-sanctioned business group was quoted in state media as saying they were meant to help the country's computer security industry develop. He said the rules would shield Chinese suppliers from foreign rivals that controlled 70 percent of the market.

Spokespeople for Microsoft, Cisco and Dell Inc. did not immediately respond to requests for comment on how the companies might be affected.

A key stumbling block to any legal challenge is that Beijing has yet to sign the Government Procurement Agreement, a treaty that extends WTO free-trade rules to official purchases and would require it to treat foreign and Chinese suppliers equally.

Beijing wants to see China develop computer and telecoms industries and issued a 15-year plan in 2006 to support research in 11 areas from nuclear power to lasers to genetics.

The country has the most populous technology market, with more than 380 million Internet users and 590 million mobile phone accounts. The government has tried to leverage that to promote its high-tech industries, but communist leaders fret that its companies lag behind the global

industry.

Beijing has tried repeatedly to compel foreign companies to hand over know-how on encryption and other technologies but retreated after objections from the United States and other trading partners. It tried to force companies to adopt its homegrown wireless encryption standard but dropped that after foreign protests.

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