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REPORT #6

CHINA WATCH

Nuctech Company Ltd. in Georgia

by

CIVIC IDEA





ABOUT CIVIC IDEA

Civic Initiative for Democratic and Euro-Atlantic Choice - Civic IDEA is a non-governmental organization based in Georgia, covering global issues.

The mandate of the organization serves the realization of Democratic and Euro-Atlantic choice, institutionalizing it and bringing to every citizen.

Democratic and Euro-Atlantic choice means the formation of free and fair state based on equality, where citizens equipped with the rule of law feel safe and secure.

Civic IDEA has been actively monitoring China's growing influence in Georgia. This month, the latter has published the report "Who is in charge of the post-cold war world? Chinese influence operations in Academia, Media & CSOs: The case of Georgia", which evaluates the CCP's influence operations in Academia, Media and CSOs. Civic IDEA case study Georgia, however, the report is written with a comparative perspective of similar practices in other countries. Today, China's activities in Georgia do not pose a direct, visible and immediate threat, but the ignorance of respectable and authoritative organizations, security services of our partner countries, numerous EU studies, recommendations and decisions by the Georgian government is another clear example of the disruption of foreign policy incentives and a vague vision concerning Georgia's long-term success and the development.



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Executive Summary

Civic IDEA's sixth China Watch report is based on a case study of the Chinese state-owned Nuctech company limited. The latter covers the company's cooperation with the Georgian government, fraudulent activities related to Georgian and foreign tender procedures, malfunctions of its security equipment, and corruption scandals worldwide. More specifically, the report discusses the cases of Georgia, Namibia, Taiwan, and Europe, reveals Nuctech's military ties with the Russian Federation, and reviews the US adversarial policies towards it.

[Chinese company Nuctech company limited first appeared on the Georgian market in March 2008.](#)

At that time, The Minister of Finance of Georgia, Nika Gilauri, signed an agreement with Nuctech Company Limited on behalf of the Government of Georgia. The contract was on the implementation of the project for the supply of inspection complexes to the Government of Georgia. According to the 2014 [report](#) of the State Audit Office, in 2012, within the framework of simplified procurements, two contracts were signed with Nuctech Company Limited for the purchase of stationary X-ray scanners (NUCTECH MB1215DE). The X-ray inspection system was to be delivered at the Kazbegi customs checkpoint. The total value of the procurement was 4,566,775 USD. Within the tenders announced by the Revenue Service in 2011-2013, participating suppliers filed several claims against the National Procurement Agency over the fact that the Revenue Service adapted required technical specification to the Nuctech Company Limited catalogs; also, they were so complicated that many suppliers were barred from participating. In 2018-2020, the Revenue Service purchased a total of 5,870,722.48 USD goods from Nuctech Company Limited through simplified procurement. The objects of procurements were the preventive and corrective maintenance service of the X-ray scanners owned by the Revenue Service.

One of the countries that properly resist Nuctech and restricts its access to critical domestic industries is the United States. The US Transport Security Administration (TSA) banned Nuctech installations in 2014 and provided a detailed

review of the company's misconduct leaning on its international experiences in the classified document. Furthermore, the US government is calling on its European allies to restrict Nuctech's access to public tenders and disregard the baggage screening equipment it provides. Moreover, the US government is calling on its European allies to restrict Nuctech's access to public tenders and abandon its baggage screening equipment. However, today European states respond individually to the allegations against Nuctech and its activities. For example, while Nuctech has successfully won tenders in Estonia, Finland, and Croatia, the Lithuanian government has officially banned equipment manufactured by this company.

We are often asked about the specific damage Nuctech can bring to the country. For instance, in Ukraine, Nuctech not only supplied incomplete and defective equipment to the Ukrainian customs checkpoints but even won the case against the State Security Bureau and the Ministry of Finance in court. Namibia also has a painful experience, as Beijing removed it from China's internet search engines and imposed all kinds of media censorship on it all over the country just because the latter had launched an investigation regarding the Nuctech-related corruption scandal. The Chinese authorities removed Namibia because Hu Haifeng, the son of the Chinese Communist Party leader Hu Jintao, was involved in the corruption scandal there. Despite the global technological development, the Chinese Communist Party still effectively manages to ban undesirable internet searches from its population.

It is noteworthy that in addition to expanding economic influence and participating in corrupt and fraudulent activities, Nuctech and its owner, Tsinghua University, also seek to spread influence through the academic sphere. The company works closely with St. Petersburg State University to develop high-energy X-ray machines, anti-terrorist equipment, and other technologies that have the potential of being used for military purposes.

INTRODUCTION

Nuctech Company Limited



Nuctech Company Ltd is a state-owned Chinese company, established in 1997 as a subsidiary of [Tsinghua University](#). Its security products and services have become a matter of concern among its customer states. The company is involved in scandalous business practices in Asia, Africa, Europe and even America, several of which we will thoroughly evaluate in this report. Nuctech is distinguished by its lower prices that make it more attractive than its Western competitor companies. However, its global reputation is hindered by the illegal dumping caused by its soft loans and the cyber espionage conducted by the Chinese state intelligence agencies through its security equipment spread worldwide. Furthermore, Nuctech has garnered criticism over alleged corruption cases occurring all over the world.

Despite the allegations made against Nuctech, the latter still manages to expand its sphere of economic influence at the expense of developing states, like Georgia. According to the Public information and contracts on state procurements requested by the Civic IDEA from the Revenue Service, from 2012 to 2020, the Revenue Service of Georgia made some public procurements from Nuctech company limited. The total value of these procurements equals 14,762,192.5 USD. Within the tenders mentioned above, numerous complaints arose about lobbying and promotion of Nuctech company limited. Besides, as stated in the [2014 report](#) of the Audit Office, in 2012 some state procurements related to Nuctech were conducted with violations.

The malpractices related to Nuctech are cheered by its founder Tsinghua University being among those research and academic institutions that are placed in a very high-security risk category. The latter is accused of cyber-attacks and cyber espionage in different countries. According to the [Unitracker](#), Tsinghua University is China's leading university in the fields of technology and science and is engaged in numerous military research initiatives under the supervision of the Chinese Ministry of Education. It involves eight defense laboratories that concentrate on such

topics as artificial intelligence, nuclear weapons, navigation technology and so on. The university has been involved in sophisticated cyber-attacks directed against Tibetans, and both the public and private sectors of various states worldwide. Even the current General Secretary of the Chinese Communist Party (CCP) and Chairman of the Central Military Commission (CMC), Xi Jinping is an alumnus of Tsinghua University. Consequently, there is no doubt that its offshoot Nuctech Company Limited serves the interests of the Chinese Communist Party.

The company has denied all the allegations made by different experts from the US and Europe, who doubt that with its growing global influence and its wide deployment of machines to European ports and airports Nuctech might get access to [sensitive information](#) that could be later effectively used by the Chinese government. Therefore, it is not surprising that the latter has been labelled by the Times as "[Huawei of airport security](#)". "Moreover, in 2019, the 21 percent stake of Nuctech's parent company called "Tsinghua Tongfang Co Ltd" was transmitted to [China National Nuclear Corporation \(CNNC\)](#), the company that is managing China's nuclear weapons. Hence, this occasion strengthens the argument that Nuctech Company Ltd. carries significant national security risks to a wide range of western societies.

The report discusses the misconduct of the tenders won by this company in Georgia and evaluates the violations related to its products/services on the examples of different countries in Europe, Africa and North America to underline its tainted international reputation.



Timeline of the scandalous events linked to Nuctech

- 2006-2007 ● In the Philippines , legislators revealed that the state customs agency overpaid when it granted Nuctech a [150 million USD dollar no-bid agreement](#), according to which the latter would install its scanners at transfers points. The government financed this project with a soft loan taken from China.
- 2006-2009 ● In Namibia , Africa representative of Nuctech, Chinese national Yang Fan and two Namibian nationals, public service commissioner, Teckla Lameck and her business partner Kongo Mokaxwa were arrested and charged with [corruption, money-laundering, bribery and fraud](#) related to a 55.3 million US dollar worth contract signed between the Nuctech Company Ltd. and the Government of Namibia.
- 2009-2010 ● The European Union  has found Nuctech Company Ltd. guilty of dumping and set a provisional [anti-dumping duty](#) on imports of Nuctech's scanning systems.
- 2012 ● Georgian  Revenue Service has purchased 4,566,775 USD worth X-ray inspection system from Nuctech Company Limited for the Kazbegi and Red Bridge customs checkpoints. Later, in 2014, the Audit Office noted in its [report](#) that within the framework of these procurements, the values of the various components of the contractual obligations were decrypted.
- 2014 ● The Revenue Service of Georgia  purchased 4,324,695 USD worth 3 units of stationary X-ray scanners from Nuctech Company Limited for the "Ninotsminda", "Valle" and "Sadakhlo" customs checkpoints. Throughout the selection process of this tender several complaints were arose against the Revenue Service concerning the lobbying of Nuctech company limited.
- 2014 ● In the United States , the [Transport Security Administration](#) (TSA) initially banned Nuctech's machinery in 2014 and provided a detailed review of the company's misconduct leaning on its international experiences in the classified document.
- 2016 ● The scandal broke out in the Taoyuan District, Taiwan  regarding Nuctech's engagement in illicit activities there. A head of the Aviation Police Bureau's aviation security section of Taiwan, Sun Yi-ming received a 3.6 million New Taiwan (NT) dollar [bribe](#) from a representative of Nuctech in Taiwan, Chinese national Li Weilin, for the implementation of the procurement of 17 X-ray scanners from Nuctech Company Ltd. for the airports in Taiwan.
- 2016-2019 ● In Ukraine , Nuctech was granted an official [contract](#) worth of UAH 482.399 million to place the stationary scanners at the country's check points. Despite the lack of construction permits and required project expertise, Ukraine's State Fiscal Service allowed Nuctech to proceed with the construction work. In 2019, the head of the State Customs Service, Maxim Nefedov claimed that instead of seven scanners, Ukraine received only four from Nuctech and all of them were [defective](#).
- 2018-2020 ● Despite the report of the State Audit Office, the Revenue Service of Georgia  still purchased a total of 5,870,722.48 USD worth products from Nuctech Company Limited. The objects of procurements were preventive and corrective maintenance service of the X-ray scanners owned by the Revenue Service
- 2019 ● Nuctech publicly announced that it is working closely with St. Petersburg State University (СПбГУ) to develop high-energy X-rays, anti-terrorism equipment, and other technologies. According to Nuctech, this partnership is for "public safety" and, therefore, [they can use the joint technologies for military purposes](#).
- 2020 ● The Canadian  authorities awarded Nuctech with a [contract worth of \\$6.8 million](#) to supply 170 Canadian embassies, high commissions and consulates with the X-ray machines. Canada's Minister of Foreign Affairs, Francois-Phillipe Champagne has promised to revise the 2020 agreement.
- 2021 ● 2021 - Lithuanian  authorities officially decided [to ban the equipment](#) provided by Nuctech to three Lithuanian international airports.
- 2021 ● 2021 - Despite the Lithuanian precedent and the negative opinion on Nuctech issued the State Security Service (VDD), [Latvia's State Revenue Service](#) (SRS) continues using Nuctech equipment at all Latvian-Russian border crossing points.

Nuctech in Georgia

According to the publicly available information on the state procurement of Georgia, [Chinese company Nuctech company limited first appeared on the Georgian market in March 2008](#). At that time, The Minister of Finance of Georgia, Nika Gilauri, signed an agreement with Nuctech Company Limited on behalf of the Government of Georgia. The agreement was on the implementation of the project for the supply of inspection complexes to the Government of Georgia.

In June 2010, Vice Minister of Commerce of the People's Republic of China Fu Xing



visited Georgia with a business delegation of the Chinese Government. During the visit, [the parties signed an agreement on economic and technological cooperation](#). Under the framework of the aforementioned agreement, another contract was signed between the Chinese company Nuctech and the Georgian Government. The Chinese party noted that another Chinese high-tech company has already installed for Georgian Revenue Service, the container inspection system in Batumi Seaport, SARPI border and in other border customs checkpoints. In addition, by the first half of 2011, Nuctech will have to install a



railway inspection system in Poti.

[According to Transparency International Georgia 2015 Report - "How and in what state budget is spent in 2013-2014"](#), Nuctech was the fourth foreign company to win the largest electronic tenders in a certain period of time.

The activities of Nuctech Company Limited in 2011-2012

In 2014, the State Audit Office issued a [report](#) (from now on referred to as the "Report"). According to the report, based on the Decree N464 of the Government of Georgia of March 15, 2012, within the framework of simplified procurements, two contracts were signed with Nuctech Company Limited to purchase stationary X-ray scanners (Nuctech MB1215DE). According to the aforementioned contracts, the X-ray inspection system was to be delivered at the Kazbegi customs checkpoint (Agreement No. 3/306 of April 3, 2012 - GEL 4,173,500 ([2,514,156 USD at the relevant exchange rate](#))) and the Red Bridge customs checkpoint (May 16, 2012, 3,327,500 GEL ([2,052,619 USD at the relevant exchange rate](#))).

The difference between the value of these contracts is 846,000 GEL ([USD 521,868 at the](#)

respective exchange rate), although the basic terms of both contracts were almost identical. The exception was only the place of delivery of goods and the requirement of Article 13 of the contract. More precisely, in the case of the Kazbegi customs checkpoint, the construction of the anti-radiation building was to be carried out by the seller, and in the case of the Red Bridge by the buyer.

The State Audit Office pointed out this difference in its report and described it as “decrypted”, since none of the contracts was accompanied by a document explaining the difference between the prices – 846,000 GEL (521,868 USD at the relevant exchange rate):

“If this difference was due to the cost of construction work of the anti-radiation building, then the contract (N1 / 306) should have been accompanied by the relevant estimate. As it turned out, the aforementioned task-work was performed by the subcontractor “Dia Construction Company” Ltd. According to the documents submitted by the company, the cost of these task-works amounted to 306,500 US dollars (502,700 GEL at the relevant exchange rate). Therefore, it is unclear to pay 343,200 GEL (215,368 USD) more for the same goods. “

According to the report, the values of the other components of contractual obligations (for example, the value of goods, software, installation, training, etc.) are also decrypted. Besides, there is no plausible explanation of the fact that there is a considerable difference between the prices of the same identical goods.

It is important to consider the e-tender (SPA130024704) announced by the Revenue Service on November 13, 2013, for the procurement of 3 units of stationary cargo

X-ray scanner and its construction works for Ninotsminda, Valle, and Sadakhlo customs checkpoints. The estimated value of the aforementioned procurement was 9,960,000 GEL. Two bidders participated in the tender - Rapiscan Systems LTD UK Corporation and Nuctech Company Limited. As a result of the trade, Nuctech Company Limited won the tender with the bid proposal of 7,560,000 GEL. The comparison of numbers gives us a significant difference in this case as well. The value of the last-mentioned state procurement (SPA130024704) is 1,653,500 GEL more than the value of the contract of Kazbegi customs checkpoint and 807,500 GEL less than the contract value of the Red Bridge customs checkpoint. According to the evaluation of the Audit Office on the following issue, Revenue Service had enough time to organize and conduct the e-tender; despite that, the public agency chose another way – simplified procurement, which led them to the unfavorable and expensive purchase.

The report also states that, since the beginning of the year, the Revenue Service had enough time to announce an e-tender for the procurement of X-ray Inspection Systems at Kazbegi and Red Bridge Customs Checkpoints. Despite that, the Revenue Service still appealed to the government for the consent to conduct the simplified procurement, which was an infringement of the law according to Article 101 (3) (d) of the Law of Georgia on Public Procurement. Therefore, if the above-mentioned procurements were realized through electronic tenders, it would be possible for the government to save a significant amount of money.

What kind of conclusion can be drawn from the facts mentioned above?

- ✓ The state procurement of the X-ray inspection systems for Kazbegi and Red Bridge customs checkpoints, organized by the Revenue Service, was conducted in violation of the law;
- ✓ The Revenue Service had enough time and possibility to announce an e-tender for the procurement of X-ray Inspection Systems for Kazbegi and Red Bridge Customs Checkpoints, but they chose another, less transparent method - Simplified Procurement;
- ✓ The Revenue Service purchased the product from Nuctech Company Limited, in violation of the law;
- ✓ Thus, the procuring entity paid much more money for the same goods.

The aforementioned circumstances raise a reasonable doubt that the Revenue Service deliberately made a high-priced purchase in a non-competitive environment and promoted the existence of related parties and a corrupt transaction.

The next project carried out by Nuctech Company Limited in Georgia is also related to the tender announced by the Revenue Service.

In order to assess the legality and fairness of the abovementioned procurement and related decisions, also whether has Nuctech fulfilled its obligations under the contract in good faith, it is essential to consider the [tender SPA110030724](#) announced two years earlier on 02.12.2011 by the Revenue Service for the procurement of two stationary cargo X-ray scanners and one portable cargo X-ray scanner. The estimated value of the procurement was 15,500,000 GEL, and three bidders submitted the bid: Nuctech Company Limited, SMITHS HEIMANN SAS, Rapiskan Systems Ltd. The Rapiskan system made the best bid - 10`578`800.00 GEL. The tender commission did not even consider the compliance of the bidders' proposals with the tender documents, and the tender was

cancelled under [the order N3 of December 27, 2011](#). The reason was the approval of the 2012 budget of the Revenue Service.

According to the documentation of tender [SPA130024704 \(announcement date 13.11.2013\)](#), the technical specification for the same object of the procurement has changed substantially, unlike the canceled tender [SPA110030724 \(announcement date 02.12.2011\)](#). These changes led to a reduction in the number of bidders because they could not meet the tender requirements anymore. As stated by [the order N3](#) of the tender commission, One of the suppliers - Rapiskan Systems complained to the procuring entity about the preceding issue.

The representative of Rapiskan Systems, Ian Williams, stated that in 2011 world-famous companies participated in the tender [SPA110030724 \(announcement date 02.12.2011\)](#). These companies could not manage to participate in the ensuing tender [SPA130024704 \(announcement date 13.11.2013\)](#), because the technical specification of similar goods became much more complicated. For example, within the last

tender [SPA130024704](#) (announcement date [13.11.2013](#)), the required minimum feature of working humidity was 0% -99%. Significantly, only Nuctech Company Limited had met this requirement, but, as Ian Williams mentioned, it is practically impossible to verify.

[He also raised some relevant questions:](#)

- In which side of Georgia or the world do you find a place where the minimum humidity is 0%, and the maximum is 99%?
- Did the procuring entity intend to change this unrealistic requirement and adjust other parameters of the technical specification as well?
- Will the manufacturer whose scanner meets the actual extreme humidity conditions of 5% ~ 95% be disqualified from the tender?

Another supplier, ["Iberioni" LLC had the same questions \(28.11.2013 09:45\)](#). Its representative Nikoloz Archvadze noted that Order N11 / 1743 of the Ministry of Economy of Georgia describes the climatic data of Georgia, and the technical specifications of this tender documentation do not comply with it.

After the publicly stated pretensions, procuring entity clarified the preceding features, and the required minimum rate of working humidity was changed to 5%-95%. Despite that, only two companies, British "Rapiskan Systems" Ltd. and the Chinese Nuctech Company Limited, could manage to participate in the tender. [Nuctech submitted the best bid 7`560`000.00 GEL \(4,324,695 USD at the relevant exchange rate\)](#). It is notable that the technical specification of Nuctech ultimately met the requirements of tender documentation. According to [order N6 of the tender commission](#), the company was instructed to submit only a translation of the

documents.

In the selection process, [Rapiskan Systems LLC](#) filed two complaints against the Revenue Service - [Complaint # DIS130024704_01 \(SPA\)](#) and [Complaint # DIS130024704_02 \(SPA\)](#). The complainant claimed that:

- Numerous documents uploaded to the electronic system by "Nuctech" contain technical or other kinds of discrepancies. For example, actual technical specifications of the Stationary X-ray inspection device MB1215LC, which the winning bidder offered, **did not meet the requirements of the technical documentation.**

- According to Nuctech's submission, the proposed device MB1215LC was also installed in Lithuania (The Department of Customs of Lithuania). **Therefore, the complainant claimed an official appeal to Lithuania to request exact technical data of the MB1215LC from The Department of Customs of Lithuania.**

- Nuctech Company Limited didn't submit **Extract from the notarial deed issued by the competent authority of its country**, which would confirm the validity of the qualification documents and the **certificate from the Registry about its activity status.**

The dispute resolution council considered that complaint # [DIS130024704_01 \(SPA\)](#) was unfounded; thus, the council did not satisfy it, while the second complaint # [DIS130024704_02 \(SPA\)](#) was partially satisfied, and the tender commission was instructed to reconsider its decision.

The recommendations mentioned above were discussed on March 25, 2014, by the Tender Commission. According to the [order N8 of the Tender Commission](#), the documents

submitted by Nuctech Company Limited were complied with the tender documentation. Hence, Nuctech Company Limited was declared as a winner. It is considerable that, [after signing the contract](#), some problems arose related to the fulfillment of the supplier's obligations.

- The Chinese company was supposed to fulfill its contractual obligation [by January 8, 2015](#), but it has not been completed yet.¹ The overdue period is more than five years in total.

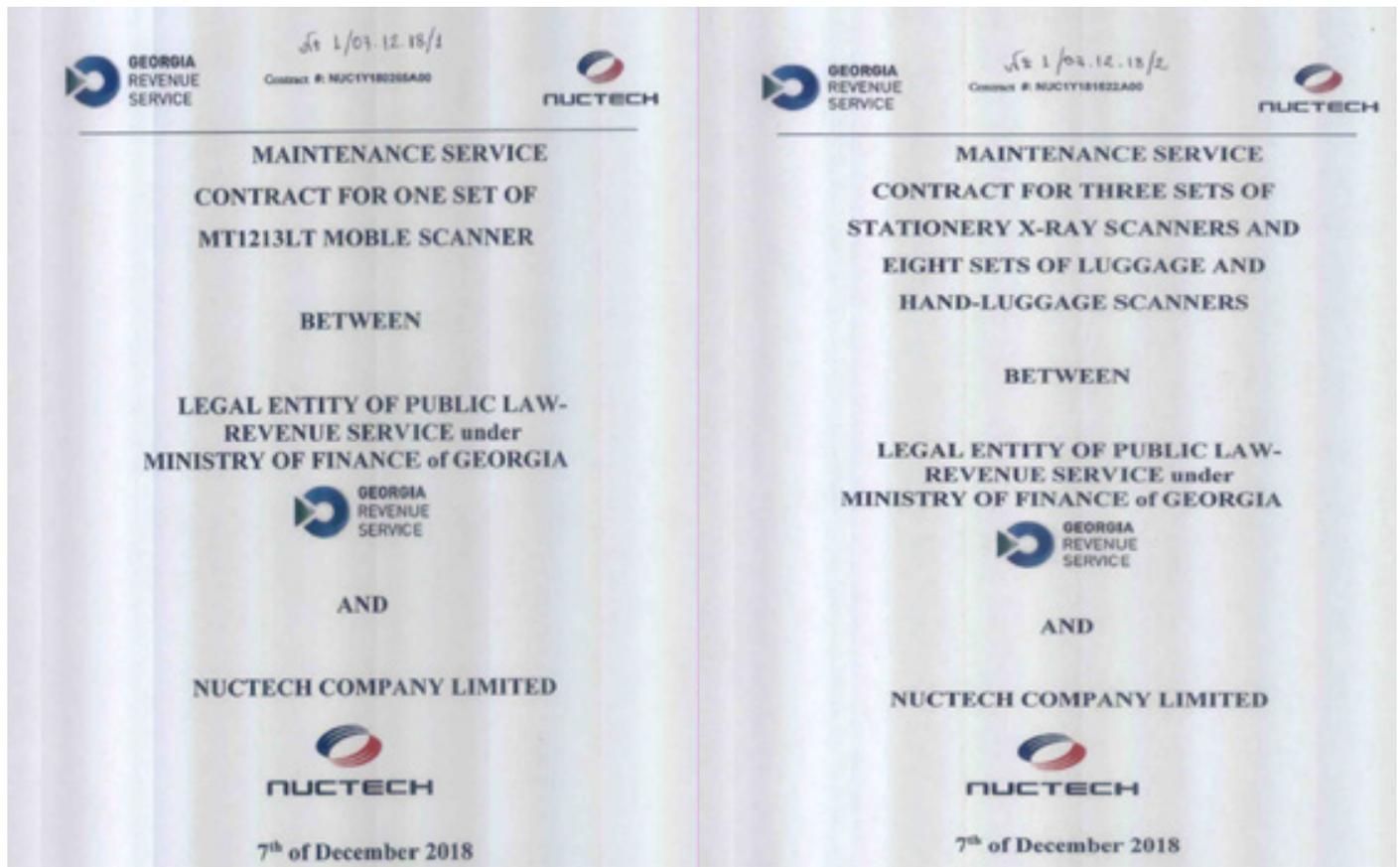
- During this time, [seven changes were made to the contract](#), including the changes of place of delivery and the price.

Based on the facts obtained and discussed by us, a reasonable doubt arises that the procuring entity attempts to promote and lobby Chinese

¹ <http://tenders.procurement.gov.ge/public/?go=97561&lang=ge> [ინფორმაცია უკანასკნელად გადამოწმდა 2021 წლის 15 მარტს / Last verified on March 15, 2021]

Nuctech Company Limited. Regardless of the fact that documents submitted by the company were dubious, the tender commission did not fulfill its obligations under Due Diligence. The agency failed to examine the company's international reputation. Moreover, the Revenue Service adapted required technical specifications to the Nuctech Company Limited catalogs. Thus, the tender was conducted in a non-competitive environment.

According to paragraph 6 of Article 12 of the Law of Georgia on State Procurement, "While describing technical and quality characteristics of a procurement object, a contracting authority shall ensure that the text materials, technical specifications, plans, drawings, sketches, and other materials used conform to the standards, technical specifications, terminology and conventional symbols recognized in Georgia and in international practice. A contracting authority shall refer to the applied standard, if any. It shall be inadmissible to indicate a trademark, patent, model, source of origin, or manufacturer in the description of a procurement object. In those



cases, when describing a procurement object, the words ‘similar’, ‘equivalent’ and others shall be used.” The Humidity rate 0% -99% did not correspond to Georgia’s climatic data defined by the Ministry of Economic order. The required technical specifications were disproportionate.

Nuctech Company Limited failed to fulfill its obligation under the agreement.² Nevertheless, the Revenue Service still prolongs cooperation with this company within the simplified state procurements, which lacks transparency and publicity, unlike the electronic tenders.

The activity of Nuctech Company Limited in 2018-2020

On December 7, 2018, two contracts were signed between Nuctech Company Limited and the Revenue Service. Unlike the previous procurements, for this time, the Revenue Service conducted a simplified electronic tender.³ The Agency explained that, according to the article 10¹, Paragraph 3, Subparagraph C of the Law of Georgia on State Procurement, “Public procurements might be performed through a simplified procurement by decision of a contracting authority, to prevent the deterioration of the quality of an object procured from the supplier and/or to ensure further operation of that object, it is necessary that the object be procured from the same supplier or from a sub-contractor specified in the contract signed with the same supplier, except when the estimated

² <http://tenders.procurement.gov.ge/public/?go=97561&lang=ge> [ინფორმაცია უკანასკნელად გადამოწმდა 2021 წლის 15 მარტს/last verified on march 15, 2021]

³ შემოსავლების სამსახურის უფროსის 2018 წლის 31 აგვისტოს N97144-21-02-ისა და სახელმწიფო შესყიდვების სააგენტოს 2018 წლის 25 სექტემბრის N2226 თანხმობების საფუძველზე განხორციელებული გამარტივებული სახელმწიფო შესყიდვა/ Simplified state procurement carried out on the basis of the approvals of N97144-21-02 of the Head of the Revenue Service of August 31, 2018 and N2226 of September 25, 2018 of the Head of the Revenue Service.

value of the object to be procured exceeds the value of the object initially procured.”

Under the first contract, the procurement object was preventive and corrective maintenance service for one mobile X-ray scanner Nuctech MT1213LT in Kazbegi, owned by the Revenue Service. The value of this contract was 779,881.65 USD.⁴

Under the second contract, the procurement object was preventive and corrective maintenance service for three sets of stationary X-ray scanners and eight sets of luggage and hand luggage scanners. The total price of the procurement is 2,601,442.17 USD. The deadline for both contracts is January 12, 2024.⁵

Consequently, in 2018, the Revenue Service made a total of 3,381,323.82 USD value procurement from Nuctech Company Limited through simplified tenders, and the object of procurement was preventive and corrective maintenance service of the X-ray scanner owned by the Revenue Service.⁶

On December 2, 2019, and August 13, 2020, the Revenue Service still signed contracts with Nuctech Company Limited within the simplified procurements.

Under the agreement signed in 2019,⁷

⁴ კონტრაქტი/Agreement between NUCTECH Company Limited and Revenue Service N1/07.12.18/1 (#NU-C1Y180265A00)

⁵ კონტრაქტი/Agreement between NUCTECH Company Limited and Revenue Service N1/07.12.18/2 (#NU-C1Y181522A00)

⁶ სახელმწიფო შესყიდვების სააგენტოს 2019 წლის 11 ნოემბრის N4423 თანხმობისა და SMP190004200 თანხმობის საფუძველზე განხორციელებული გამარტივებული სახელმწიფო შესყიდვა და სახელმწიფო შესყიდვების სააგენტოს 2020 წლის 05 აგვისტოს N3191 თანხმობისა და SMP200003200 თანხმობის საფუძველზე განხორციელებული გამარტივებული სახელმწიფო შესყიდვა/Simplified state procurement based on the consent of the State Procurement Agency N4423 of November 11, 2019 and SMP190004200 and the simplified state procurement based on the consent of the State Procurement Agency N3191 and SMP200003200 of August 5, 2020

⁷ კონტრაქტი/Agreement between NUCTECH Company Limited and Revenue Service N1/021219/1 (#:NU-C1Y191661A00)

Electronic Tender announced by Revenue Service / Contract with Nuctech Company Limited within the Simplified Procurement	Date of the procurement	Objects of the procurement	Value of the procurement
Contract N1/306 03.04.2012	03.04.2012	Supply of X-ray inspection system at Kazbegi customs checkpoint	2,514,156 USD
Contract N1/428 16.05.2012	16.05.2012	Supply of X-ray inspection system at Red Bridge customs checkpoint	2,052,619 USD
Electronic Tender (SPA130024704)	08.04.2014	3 units of stationary cargo X-ray scanner and its construction works for Ninotsminda, Valle, and Sadakhlo customs checkpoints	4,324,695 USD
Contract N1/07.12.18/1 (#NUCIY180265A00)	07.12.2018	Preventive and corrective maintenance service for one mobile X-ray scanner Nuctech	779,881.65 USD
		MT1213LT in Kazbegi owned by the Revenue Service	
Contract N1/07.12.18/2 (#NUCIY181522A00)	07.12.2018	Preventive and corrective maintenance service for 3 sets of stationary X-ray scanners and eight sets of luggage and hand luggage scanners	2,601,442.17 USD
Contract N1/021219/1 (#NUCIY191661A00)	02.12.2019	Preventive and corrective maintenance service for one set of mobile stationary X-ray scanner (Nuctech MB1215HS Kazbegi (in the village of Fanshet))	412,992 USD
Contract #NUCIY200851A00	13.08.2020	Preventive and corrective maintenance service for 15 sets of automotive stationary X-ray, luggage, and body scanner owned by the Revenue Service of Georgia	2,076,406.66 USD

the object of procurement was preventive and corrective maintenance service for one set of mobile stationary X-ray scanners (NuctechMB1215HS Kazbegi (in the village of Fanshet)). The value of the contract is 412,992 USD. Under the agreement signed in 2020, the procurement object was preventive and corrective maintenance service for 15 sets of automotive stationary X-ray, luggage and body scanner owned by Georgia's Revenue Service. The value of the contract is 2 076 406.66 USD. These scanners are owned by the Revenue Service and have been purchased from Nuctech Company Limited for the Ninotsminda, Valle, Lagodekhi, and Poti customs checkpoints in recent years.⁸

For more obviousness, we offer the timetable of the contracts signed between Nuctech Company Limited and the Revenue Service in different years.⁹

⁸ კონტრაქტი/Agreement between NUCTECH Company Limited and Revenue Service #:NUCIY200851A00

⁹ ცხრილში მოცემული ინფორმაცია ეფუძნება საქართველოს სახელმწიფო შესყიდვების სააგენტოს ელექტრონულ პორტალზე საჯაროდ განთავსებულ მონაცემებსა და „სამოქალაქო იდეას“ მიერ, საქართველოს კანონმდებლობის შესაბამისად, სსიპ შემოსავლების სამსახურისგან განცხადების საფუძველზე გამოთხოვილ და მიღებულ საჯარო

It is noteworthy that the products of Nuctech Company Ltd. is more widely and actively used in the Georgian market. [For example, the Georgian company D&G Communications Ltd. has won 15 tenders in the Unified Electronic System of State Procurement. Within the ten tenders, the objects of procurement were Nuctech Company Limited's production.](#)¹⁰

Most of the tenders mentioned above were noncompetitive since just one or maximum of three bidders participated. According to Transparency International-Georgia's electronic platform "Tendermonitor.ge", tenders won by [D&G Communication Ltd have been awarded risk ratios due to high prices, low competition, newly registered supplier, and single supplier status.](#)¹¹

According to the foregoing facts, Nuctech Company Limited is one of the most favorite suppliers for the Revenue Service and Georgian Airports Union Ltd.

ინფორმაციას, სახელმწიფო შესყიდვების ფარგლებში, NUCTECH Company Limited-სა და შემოსავლების სამსახურს შორის გაფორმებულ ყველა ხელშეკრულება. /The information in the table is based on the data publicly posted on the electronic portal of the State Procurement Agency of Georgia and the public information received from the Revenue Service.

10 იხ.see.:<https://www.tendermonitor.ge/ge/organization/24628>

ასევე იხ./ Also, see the following tenders:
<http://tenders.procurement.gov.ge/public/?go=333013&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=269651&lang=ge> შეწყვეტილია/cancelled
<http://tenders.procurement.gov.ge/public/?go=234742&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=226301&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=182015&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=148636&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=132986&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=115559&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=115422&lang=ge> მოგებულია/won
<http://tenders.procurement.gov.ge/public/?go=96041&lang=ge> მოგებულია/won

11 Find on tendermonitor.ge; Supplier შპს დ & გ კომუნიკაცია / registration number: 204554721

სარეგისტრაციო კოდი	შემსყიდველი	მიმწოდებელი	თარიღი	სავარაუდო ღირებულება	რისკის მარკენგებლები
GEO170000391	შპს "საქართველოს აეროპორტების გაერთიანება"	შპს დ & გ კომუნიკაცია	28-06-2017	250250.00	■
NAT170003502	შემოსავლების სამსახური	შპს დ & გ კომუნიკაცია	31-03-2017	162500.00	■
GEO160000063	შპს "საქართველოს აეროპორტების გაერთიანება"	შპს დ & გ კომუნიკაცია	25-02-2016	395000.00	
SPA150012752	შპს "საქართველოს აეროპორტების გაერთიანება"	შპს დ & გ კომუნიკაცია	30-04-2015	582000.00	■
SPA140029290	შპს "საქართველოს ფოსტა"	შპს დ & გ კომუნიკაცია	11-12-2014	396300.00	■
SPA140012663	შემოსავლების სამსახური	შპს დ & გ კომუნიკაცია	15-05-2014	106150.00	
SPA140012494	შპს "საქართველოს აეროპორტების გაერთიანება"	შპს დ & გ კომუნიკაცია	14-05-2014	940000.00	
SPA130023235	შპს "საქართველოს აეროპორტების გაერთიანება"	შპს დ & გ კომუნიკაცია	24-10-2013	150000.00	■
SPA130010895	საარჩევნო სისტემების განვითარების რეფორმებისა და სწავლების ცენტრი	შპს დ & გ კომუნიკაცია	17-05-2013	2034.00	■
SPA120019304	საარჩევნო სისტემების განვითარების რეფორმებისა და სწავლების ცენტრი	შპს დ & გ კომუნიკაცია	11-07-2012	8900.00	■ ■

The United States resilience to Nuctech Company Ltd.



(Photo from the [cnbc.com](https://www.cnbc.com), Holger Gogolin / iStock / Getty Images)

Despite the US's strong will to oppose the Chinese companies not only internally, but also internationally, Nuctech Company Ltd. still tries to lobby its interests and achieve access to critical industries even in the US.

Up to this point, the [US Transport Security Administration](#) (TSA) has been officially announcing Nuctech as *a non-reliable company working for the Chinese government, representing threat to the US national security*. The government agency initially banned Nuctech's machinery in 2014 and provided a detailed review of the company's misconduct leaning on its international experiences in the classified document. The Nuctech representatives [denied the allegations](#) claiming that there is no proof of delinquency and that they are not tied to the Chinese Communist Party. The company's previous attempts to enter the US market were also unsuccessful. According to the [Washington Free Beacon](#), "The company (Nuctech) contracted with the Port of Los Angeles years ago to supply an X-ray unit to scan cargo, but the contract was cancelled when the \$2.4 million unit failed field tests."

Up to now, 2020, TSA refuses to grant Nuctech access to the US critical infrastructural industries and both Nuctech and its lobbying firm refuse to comment on this topic.

The US National Council together with the other state agencies [lobby](#) against Nuctech equipment arguing that Nuctech's access to the critical infrastructure is dangerous as the latter sends the sensitive data (e.g. travel information of passengers or shipping manifests) collected to the Chinese Communist Party intelligence units. "According to [WSJ](#), citing a document prepared by the US Department of State, Nuctech operates in many European countries and it accounts for 90% of the market for screening sea cargo and more than 50% of the market for screening baggage and passengers at airports."

The US government targets its [European allies](#), such as Germany, Italy, Hungary, Portugal, Greece, etc. and encourages partner governments to move Nuctech from their tenders and abandon its baggage screening techniques. Nevertheless, as we have seen above, the European states react individually to the allegations made against Nuctech and its activities, some of them ignore the recommendations from their key Western ally while further proceeding with the close cooperation with Nuctech, and others reduce the company's leverage on their critical industries.

Nuctech in Europe



(Photo from the [worldin.news](#))

Nuctech Company Ltd. has been competing for enterprise on the European continent already for several years. There are dozens of European locations where the company has undercut its US and UK competitors.

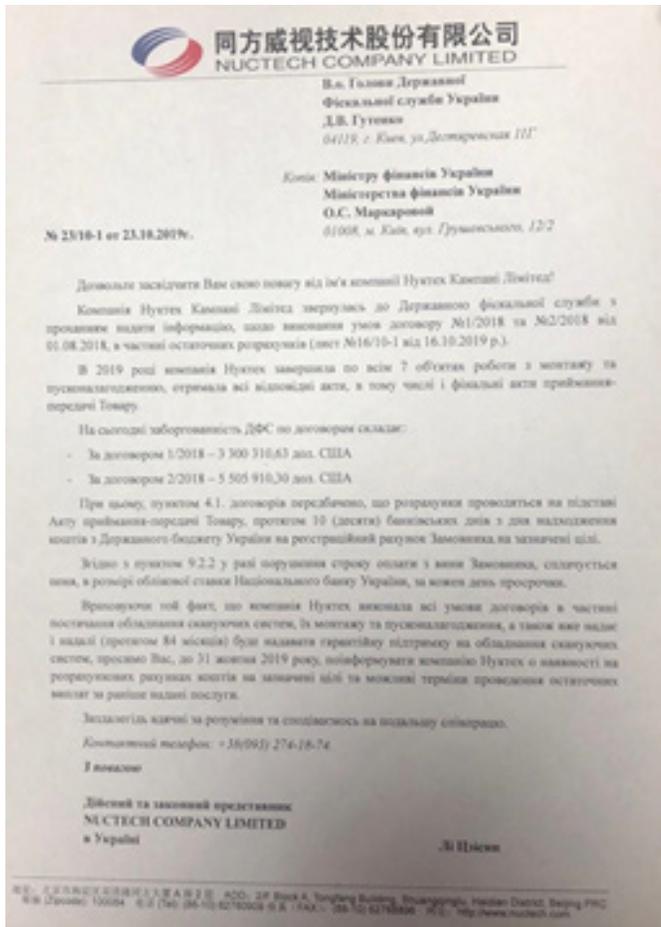
A decade ago, [the European Union](#) has found Nuctech Company Ltd. guilty of dumping. Nevertheless, certain member states have developed positive approaches towards Nuctech and its products and Nuctech recently has been very successful in selling [security equipment](#) to European airports. For instance, in January 2020, Nuctech Company Ltd. Warsaw branch won the procurement procedure of [EUR 1.9 million worth project](#) in Tallinn, Estonia. The company is going to provide two baggage-scanning devices to Tallinn Airport. In June 2020, Nuctech was granted a tender in Finland, according to which it is going to provide the scanners for the Finnish-Russian border checkpoints. The [Finnish government](#) claimed that Nuctech was the only low-value bidder for this project contract. Croatia's current Minister of Finance answered to Nuctech's criticism from its partners that [Croatia's procurement law](#) obliges them to choose the lowest-cost bidder company.

It should be noted that the views of the remaining two Baltic countries on Nuctech and

its security products are significantly different. Recently, Lithuanian intelligence services raised the alarm regarding Nuctech and its baggage scanners, claiming that it contains national security risks. On February 17, 2021, Lithuanian authorities officially decided [to ban the baggage control equipment](#) provided by this particular company to three Lithuanian international airports. Even though, last year the latter won a tender for the installation of baggage scans at airports, no contract has been signed. Lithuania created a precedent among the EU member states of banning the controversial Chinese company and encouraging others to act accordingly. "Using equipment and technologies of Russian or Chinese origin in sensitive sectors poses both short and long-term threats," – [mentioned](#) Lithuania's Deputy Defense Minister, Margiris Abukevicius. Therefore, Lithuanian authorities are aware that the data obtained by Nuctech through its security machines are transmitted to Chinese intelligence apparatus under [Chinese law](#).

Despite the Lithuanian precedent and the negative opinion on Nuctech issued the State Security Service (VDD), Latvia's State Revenue Service (SRS) continues using Nuctech equipment at [all Latvian-Russian border crossing points](#). At the same time, Riga airport started looking for other suppliers while excluding Nuctech from further partnership. The representatives of the company filed a [complaint](#) to the Procurement Monitoring Service, but the latter closed the case based on the warnings of the State intelligence service.

The case of Ukraine



(Photo from [delo.ua](#))

The massive Nuctech scandal broke out in Georgia's close partner country, Ukraine. According to the [Stockworld.com.ua](#), between the 2016-2018, the Chinese companies have won more than [UAH 10 billion worth tenders](#) in Ukraine, UAH 0.47 billion out of which was obtained by Nuctech Company Ltd, while the rest was won by other Chinese. In 2017, Ukrainian government held the auction for [the purchase of stationary scanners](#) worth of UAH 482.399 million, for the inspection of trucks and containers at the Ukrainian customs points. The requested scanning system was supposed to combat smuggling traffic across the Ukrainian border, since the lack of border control had resulted in the [significant economic loss](#) (UAH



(Photo from the economics. [segodnya.ua](#))

25 billion) of the country annually.

Two companies, Arempa International Ltd FZC from the UAE and NUCTECH COMPANY LIMITED from China won this tender through the [ProZorro](#) system, the official public purchasing data web portal of the Ukrainian Government. However, the project implementation went with serious violations. In particular, [the State Fiscal Service of Ukraine](#) did not provide the contractors with the necessary documents related to most of the facilities, without which the installation of the equipment could not begin at customs points. As a result, the contractor company Arempa International Ltd FZC, refused to implement the project. Nevertheless, the Chinese company Nuctech agreed to carry out the work despite lacking construction permits and required project expertise. The State Fiscal Service granted Nuctech a permit aiming to hide the shortage of certifications or substitute the missing official permits for construction work. The approved license stressed to "change the landscaping and perform the necessary work at the facility". Generally, this issued permit is not sufficient for carrying out construction work of X-ray complexes at customs points. Regardless of those efforts made by the State Fiscal Service,

Nuctech failed to meet the deadline of the project scheduled for December 2018.

In 2019, the head of the State Customs Service, Maxim Nefedov claimed that instead of seven scanners, Ukraine received only four from Nuctech and all of them were defective. He also [noted](#) that allegedly *“the scanners were installed in violation of the technology, without the necessary special complexes and permits, and some even at double payment.”* The State Security Bureau had to open the court case based on Nefedov’s statements.

Nuctech denied the accusations claiming that it provided Ukraine with all seven scanners

and they are effectively functioning without any interruptions. The company representatives [accused Nefedov](#) of spreading the disinformation regarding their equipment and they spread the official letter where they demanded from the Ministry of Finance and the State Fiscal Service of Ukraine to pay off the debt of \$ 8.8 million for stationary scanners.

However, the issue was resolved in favor of the company and the same year, the Ministry of Finance allocated the funding. Up until now, Nuctech’s X-ray scanners continue operating at customs points in Ukraine.

Nuctech in Taiwan



(Airport Photo from [Dezeen.com](#))

In 2016, the scandal broke out in the Taoyuan District, Taiwan regarding Nuctech’s engagement in illicit activities there. In 2013, a head of the Aviation Police Bureau’s aviation security section of Taiwan, Sun Yi-ming signed the 2.31 million US dollar worth contract with the Han Yuan Co-owner Tsai Yi-jen who was in connection with a representative of Nuctech in Taiwan, Chinese national Li Weilin. The contract itself implied the procurement of 17 X-ray scanners from Nuctech Company Ltd. for the airports in Taiwan.

Sun Yi-ming himself received a [3.6 million](#)

[New Taiwan \(NT\) dollar bribe](#) from Li to approve the procurement of Nuctech machines after, despite being married, was sexually seduced by her. To meet [the regulations of government procurement set by the WTO](#), Sun organized for the scanners to be reconstructed in Japan. Later, the investigators revealed that fourteen out of the seventeen scanners were [malfunctioning and unreliable](#). Sun was arrested for corruption in May 2016 and sentenced to 17.5 years in prison.

Taiwanese government claimed that this case represented a serious threat to the state’s national security since Nuctech’s scanners might have sent the sensitive data collected from the airports to the Chinese government. Despite the US Homeland Security’s warnings to Taiwan, regarding the misconduct of Nuctech’s machines, four scanners are still being utilized at the Taiwan Taoyuan International Airport.

Nuctech in Namibia

One of the initial corruption scandals involving Nuctech Company Ltd is related to Namibia.

In 2007, the CCP's General Secretary, Hu Jintao [visited Namibia](#) within the frames of its twelve-day tour of Africa. During his trip, Namibia openly [conveyed its support](#) to the "One China Policy" and resisted the creation of the Taiwan-Namibia" forum. Therefore, according to [the Chinese Embassy in Namibia](#), "H.E. Hu Jintao, President of the People's Republic of China, pledged to provide Namibia with RMB 1 billion of concessional loans, 100 million US dollars of preferential export buyer's credit, RMB 30 million yuan of grants and RMB 30 million of interest-free loans during his visit to Namibia in February 2007." Later, the Namibian authorities used the Chinese loan to buy security equipment from the Beijing-based company Nuctech. Particularly, in May 2008, the Namibian government signed [a 55.3 million US dollar worth contract](#) with Nuctech to install 13 X-ray scanners at customs all over the country. During that time, Nuctech Company Ltd was led by President Hu Jintao's son, Hu Haifeng.

According to the [World Bank document](#), the Namibian Ministry of Finance transferred 12.8 million US dollars to Nuctech as a deposit for the latter to launch the production of the requested equipment. Alongside this agreement, Nuctech signed another contract with the local company "Teko Trading" and



(Photo from [The New York Times](#))

(Photo from [AGENCE FRANCE-PRESSE/GETTY IMAGES](#))



ensured to pay them the exact amount of money disguised as "commission payment". It is reported, 4.3 million US dollars, out of the total sum transferred to Teko, were split among Africa representative of Nuctech, Chinese national Yang Fan and two Namibian nationals, Co-owners of Teko, public service commissioner, Teckla Lameck and her business partner Kongo Mokaxwa. Nuctech's corruption case in Namibia was first revealed by the [Anti-Corruption Commission](#) (ACC) established under the Anti-Corruption Act of 2003. According to their investigators, three defendants started to rapid money transactions, spending a large amount of money in just a few days. They immediately bought apartments, vehicles, farms and houses, thus [opposing the anti-money laundering law](#) that obliges the banks in Namibia to report large money transmissions to investigators. The investigation was officially launched in 2009 and led to the arrest of the three suspects: Lameck, Mokaxwa and Fan. They were charged with [corruption, money-laundering, bribery and fraud](#). Also, the Namibian government requested explanations from Mr. Hu Haifeng. However, instead of questioning him in the court, Hu was promoted as [a party secretary](#) of Nuctech's mother company, Tsinghua Holdings.

CCP's censorship over Namibian scandal

Due to the corruption, bribery and scandals related to Nuctech Company Ltd. in Namibia, Beijing decided [to remove the country from the Chinese internet search engines](#) and set all kinds of media censorship covering the entire territory of China. Additionally, the Chinese authorities blocked the online data regarding Hu Haifeng's involvement in Namibian corruption outrage. Also, in 2009, Chinese authorities shut down the technology sections of the most popular websites in China: 163.com, Netease and Sina. While referring to the particular data search, the users have received [the following message](#): "The search results may contain content not in line with relevant laws, regulations and policies." Shortly, it became clear that these websites have published [the](#)

[Namibian fraud report](#) involving the name of the CCP leader Hu Jintao and his son. The US-based China Digital Times revealed that prior to blocking, the Propaganda Department of the PRC had issued a [statement](#) directed towards the Chinese media outlets and online websites and according to which, the latter had to censor the data about the Namibian scandal. Nuctech [never took the responsibility](#) to comment on the Chinese government's banning of the content connected to them.

The Chinese Communist Party has a vast history of censoring sensitive data related to their officials and political opinions reported on various web portals. Chinese mainstream media outlets are especially vulnerable to their [government's censorship regulations](#). Despite the global digital advancement, China effectively manages to ban undesirable internet searches from its population.

Nuctech in Academia

Relations with the St. Petersburg State University

Earlier, we have informed you about Nuctech Company Ltd. expanding its economic influence and participating in corrupt and fraudulent transactions worldwide. However, it turned out that Nuctech and its parent Tsinghua University, are also trying to strengthen their power through the academic domain.

A clear example of this is the bilateral memorandum signed between Tsinghua University and St. Petersburg State University. Although, the bilateral cooperation between the two universities has been going on in various fields already for years, our attention was especially drawn to the memorandum based on deepening the relationship between the parties in terms of [technology and innovation](#). The document was signed in 2017 as part of the opening ceremony of Russian-Chinese scientific, technical and innovative

cooperation (2020-2021), which was attended by [representatives of the governmental structures of Russia and China](#).

Nuctech, as a subsidiary of Tsinghua University, is actively involved in cooperation with the University of St. Petersburg. In 2019, the company publicly announced that it is working closely with St. Petersburg State University to develop high-energy X-rays, anti-terrorism equipment, and other technologies. According to Nuctech, this partnership is for "public safety" and, therefore, [they can use the joint technologies for military purposes](#).

Unfortunately, public information on this issue is scarce, although the Civic IDEA actively monitors developments and, therefore, reflects new information in further research.

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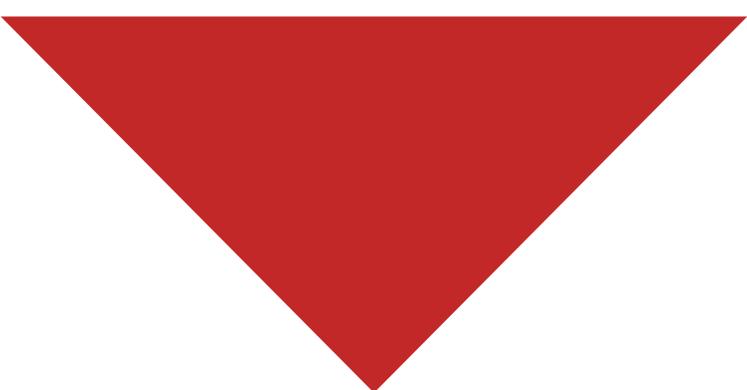
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