



CHINESE COMPANY NUCTECH -
A MAJOR SECURITY CHALLENGE
FOR GEORGIA




SUPPORTING FREEDOM AROUND THE WORLD

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On January 20, 2022, Associated Press News featured an article "[Security scanners across Europe tied to China govt, military](#)," raising alarms about the notorious Chinese "Nuctech Company Limited" and its dispersal throughout the European states.




According to the article, Nuctech has established itself as a frontrunner of the European market in terms of distributing the security scanners to the border checkpoints, ports, airports, forums, and diplomatic missions. However, not many of you know that this particular company has the direct links to the Chinese Communist Party, as it was [established by the son of Hu Jintao](#), the former secretary-general of the Chinese Communist Party, which the New York Times also reported in 2006. Currently the firm involves many shareholder companies, all directly or indirectly connected to the Chinese government. Moreover, Nuctech representatives say that it also deals with big data, cloud computing, and safety inspection tools, which only increases the security concerns among its customers.




The Chinese company with explicit links to the CCP has been criticized and blocked by the United States and Canada

due to the elevated threat of espionage and other risks it poses to the states' national security.



In a [report released in 2020](#), the US Department of Homeland Security spoke of Chinese company Nuctech's malfunctions in Taiwan and Namibia and noted that Chinese technicians responsible for assembling the company's hardware could easily recover the data or change the equipment performance without being noticed by the operator. Homeland security recommended its own government, more specifically the department of economic security, to review the existing threats posed by Nuctech and other passenger and cargo screening equipment imported from China. The recommendations particularly emphasized Nuctech's access to data and algorithms used by security agencies.



Following the US example, [Canada has abandoned the offer from Nuctech to deliver its equipment to 170 diplomatic missions](#). Overall, Nuctech is considered to represent an influential tool in the hands of the Chinese government under the request of which, can leak sensitive information.





In addition to technological espionage and other security issues, the Associated Press suggested, that Nuctech has been suspected of being involved in violating human rights in the Xinjiang region, where Chinese authorities are treating the Uyghur Muslims with exceptional cruelty. Nevertheless, the company keeps winning contracts and establishing local branches in Europe.

Last year, **Civic IDEA** published a [report](#) about Nuctech Company Limited reviewing:

- its cooperation with the Georgian government,
- fraudulent activities related to Georgian and foreign tender procedures,
- malfunctions of its security equipment,
- corruption scandals worldwide.

Back then, our team has already stressed out the high-security risks threatening the national security of those states, where Nuctech has operated.

The company first appeared on the Georgian market in March 2008 and since then, won two contracts of Georgia's Revenue Service worth around 10 000 000 USD. Through the in-depth analysis of the procurements tailored to Nuctech, the report revealed the cases of the violation of Georgian legislation, such as unlawful debarment of other bidders and eventual payment of extra money to the company by the Georgian state agency. The company itself could not meet the contractual obligations resulting in the delays to deliver the equipment.

In addition to Georgia's controversial experience with Nuctech, the report highlighted its hostile practices in Namibia, Taiwan, reversed opinions in Europe, together with exposing Nuctech's military ties with the Russian Federation and reviewing the US adversarial policies towards it.

In particular, Nuctech belongs to the public defense sector in China's corporate relations network. Nuctech's parent company, Tsinghua Tongfang, is controlled by China National Nuclear Corporation (CNNC), one of China's largest defense organizations. The latter is a huge state-owned conglomerate specializing in dual-purpose nuclear technology. CNNC's two other subsidiaries, China Institute for Nuclear Energy Technology Research and Baotou Guanghua Chemical Industrial Corporation, are on the U.S. list of banned entities, restricting U.S. companies from doing business with them for national security reasons.

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. According to Unitracker, a monitoring website for Chinese defense universities developed by the Australian Strategic Policy Institute | ASPI, the founder of Nuctech [Tsinghua University, carries very high security risks](#). The Australian organization has exposed the given Chinese university in conducting defense research and being involved in cyber-attacks. Furthermore, to easily and quickly perceive the threat, it granted Nuctech the title "[Huawei of airports](#)".





Tsinghua University is actively engaged in research and initiatives that include artificial intelligence, the development of missile weaponry, navigation technology, instrumental science, and nuclear weapons programs.

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.

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.

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.

With a 2021 report, our goal was to make a comparative analysis of the company's reputation and activities to help various Georgian government agencies with comprehensive information about the company, which is still operating in the Georgian market despite numerous violations of the law and obligations, may participate in many tenders in the future.

When concluding any contract, government institutions learn about the company's experience and its activities carried out in other countries and make a decision based on its fundamental research. The purpose of our study is to help the government in this process. However, we already have a lot of cases when not only the experience of other countries is taken into account, but also our own past mistakes are not studied. That is why we consider it absolutely necessary to make changes in the Georgian legislation on imposing such an obligation in order to avoid the risks of concluding new contracts with Chinese companies like Nuctech in the future.



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