



Dahua and Hikvision Win Over \$1 Billion In Government-Backed Projects In Xinjiang

Published on Apr 23, 2018

Dahua and Hikvision have won well over \$1 billion worth of government-backed surveillance projects in China's restive Xinjiang province since 2016, IPVM has verified from Chinese sources.

Xinjiang has become an international controversy over human rights abuses, e.g., the [WSJ's investigation into China's 'total surveillance state'](#) followed by [the Chinese government attacking those reports](#).



Inside this note, we examine the projects and the impact this is having for Dahua and Hikvision.

IPVM Confirms Xinjiang Projects Worth Over \$1 Billion

Using data from bidding websites, the companies' own disclosures, and Chinese

trade publications, IPVM found 11 Hikvision and Dahua PPP (Public-Private Partnership) projects in Xinjiang worth a total of 7+ billion yuan / over \$1 billion USD.



Xinjiang Video Surveillance Spending

IPVM

Name	Year	Amount (Million USD)	Winner
Safe County in Yarkant County	2017	686	dahua
Shihezi Safe City	2016	94	dahua
Urumqi Hi-Tech Zone Safe City	2017	79	HIKVISION
Qiemo Safe County	2017	61	dahua + 
Yutian County Safe City	2017	58	HIKVISION
Lop County Social Security	2017	57	HIKVISION
Pishan County Facial Recognition System	2017	53	HIKVISION
Karakax County Social Defence System	2017	46	HIKVISION
Hotan County Public Security Checkpoint	2017	40	dahua
Qira County Smart City	2016	30	dahua
Yopurga County Safe City	2017	30	dahua
TOTAL		~\$1.2 Billion	

The projects include:

<!-- <g class="gr_gr_590 gr-alert gr_spell gr_inline_cards gr_run_anim ContextualSpelling ins-del multiReplace" id="590" data-gr-id="590">td</g> {border: 1px solid #ccc;}br {mso-data-placement:same-cell;} -->

- Safe County PPP Project in Yarkant County [link no longer available]
- Shihezi Safe City PPP Project [link no longer available]
- [Urumqi Hi-Tech Zone Safe City Project](#)

- Qiemo Safe County PPP Project [link no longer available]
- Yutian County Safe City PPP Project [link no longer available]
- [Lop County Social Security PPP Project](#)
- Pishan County Facial Recognition System PPP Project [link no longer available]
- Karakax County Social Defence System PPP Project [link no longer available]
- [Hotan County Public Security Checkpoint PPP Project](#)
- [Qira County Smart City PPP Project](#)
- [Yopurga County Safe City PPP Project](#)

The total amount of projects for Dahua and Hikvision are minimally this but could be more depending on what other projects are either not publicly disclosed or we did not find.

Massive Scope is Unsurprising

The huge expenditures are unsurprising given the Chinese government's unprecedented levels of security spending in Xinjiang Province, home to the Muslim minority Uighur population. [According to the Financial Times](#), total public security spending almost doubled in Xinjiang in 2017 to nearly \$10 billion.

Much of that money is going into "Safe City" or "Safe County" projects. Dahua appears to be leading the way in this regard: in July 2017 it won the contract for a single 10-year "Safe County" project worth over 4.3 billion yuan or \$685m in Xinjiang's Yarkant County, the site of violent riots that [caused at least 100 deaths in 2014.](#)

The project was notable enough for Dahua to file a standalone disclosure [link no longer available] about it at the Shenzhen stock exchange where it is listed. Although it's not clear in all the projects counted by IPVM what portion of total investment comes from the government, this particular disclosure noted that "during the licensed period, the total amount paid by the government is 4,314,790,000 yuan."

Enormous Compared To Western Scale

In the West, even \$10 million video surveillance contracts are uncommon and the

sheer number and size of these projects in Xinjiang are beyond any parallel with Western deployments and companies. As a rough sense of scale, [Axis 2017 global revenue](#) was about the same as these contracts for a Chinese province with ~20 million people.

Significant Force For Dahua And Hikvision Growth

Dahua and Hikvision continue to grow rapidly, at ~30% annual growth from an already massive size (compared to Western standards). Projects like these are key components of achieving that growth. For example, we estimate Dahua USA's branded sales to be in \$10 - \$30 million range for 2017, compared to the hundreds of millions in contracts just in Xinjiang. Moreover, while Western professionals see these companies most commonly [selling low-cost cameras for sale at distribution](#), these projects show that, inside China, the companies are far different, acting as mega-scale direct government contractors.

Xinjiang Human Rights Concerns

Human rights groups have repeatedly criticized China's government for violating Xinjiang's Muslim population's rights, particularly the Uyghur minority ethnic group, some of whom seek independence from China. Xinjiang has long been a restive province in China, notably after [violent riots left hundreds dead](#) in the capital of Urumqi in 2009 and terrorist attacks [killed 35 in China's southern city of Kunming in 2014](#). As a result, China has reportedly cracked down on the province, with International media and human rights group calling out numerous issues:

- Bloomberg reported that Xinjiang is China's "[surveillance laboratory](#)" and is developing a facial recognition system that detects when certain Xinjiang residents move 1,000 feet beyond designated safe areas.
- [Human Rights Watch](#) said Chinese authorities were building an advanced "predictive policing program" in Xinjiang that collected data about people, often without their knowledge, and sent thousands for re-education
- [Human Rights Watch also said](#) China was collecting the DNA samples, blood type, fingerprints, and iris scans of all Xinjiang residents between the ages of 12 and 65
- [Buzzfeed reported](#) that even gas stations required Xinjiang residents to be scanned by a facial recognition camera before filling up

- Reuters reported that Xinjiang authorities had [banned people](#) from growing overly long beards (a sign of Islamic piety)
- According to the Wall Street Journal, knives sold in the province must be [etched with tracking numbers identifying the buyer](#).

While the implementation of these surveillance tactics generates significant revenue for manufacturers like Dahua and Hikvision, it also raises concerns about the ethics and the appropriateness of participating in such practices.

Update August 2018 - Congressional Letter

[The WSJ is reporting that 17 Congresspeople have signed a letter urging](#) sanctions against Dahua and Hikvision for profiting off these human rights abuses.

Comments (9)

Undisclosed Manufacturer #1

Oppression comes at a cost!

John Honovich [IPVM](#) |

In reply to Undisclosed Manufacturer #1

In this case, it has its benefits. As a manufacturer, think of how much you could reinvest in growth globally if you had hundreds of millions of dollars of contracts coming in at home.

Undisclosed Integrator #3

In reply to John Honovich

As a manufacturer, think of how much you could reinvest in growth globally if you had hundreds of millions of dollars of contracts coming in at home.

True. On the flip side of that imagine being a manufacturer, integrator, or anyone in the whole supply chain of these mega projects when/if the coffers run dry. Billions of dollars inbound one year then tens of millions the next would hurt.

John Honovich IPVM |

In reply to Undisclosed Integrator #3

when/if the coffers run dry.

It's China. The coffers never run dry...

In all seriousness, I do think that is a concern but from a PRC perspective, overall growth rates have been so high for so long that there is a widespread belief, that this is the way things will always be (sort of like the US housing market before 2008). To your point, it is a risk but I am pretty sure they are happy to take that risk of billions now vs not billions now.

Also, I think the aggressiveness to expand globally is at least partially a diversification strategy of not being so reliant on Chinese domestic sales if or when a hard landing / domestic recession occurs.

Undisclosed Manufacturer #2

Should governments make more presence at places where riots happened and people died or less for human right reasons?

John Honovich IPVM |

In reply to Undisclosed Manufacturer #2

#2, can you clarify / expand? For example, what do you mean by 'presence'?

Undisclosed Manufacturer #1

In reply to Undisclosed Manufacturer #2

Cameras are obviously good in a free society. When they are used to control Government dissidence is when it's a problem e.g. China and Russia.

Craig Mc Cluskey

I wonder if the cameras will be on-line and hackable ...

Mark Rindy

Supports the analysis and predictions in ['The One Hour China Book'](#)
