U.S.-China Economic and Security Review Commission

Press Release

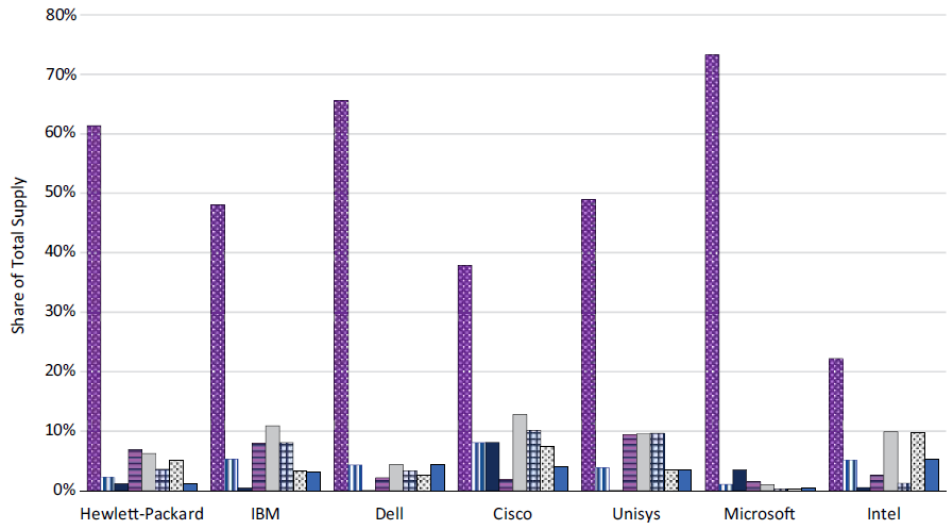
April 19, 2018

Contact: Leslie Tisdale
ltisdale@uscc.gov
202-624-1496

NEW REPORT: Supply Chain Vulnerabilities from China in U.S. Federal Information and Communications Technology

Washington, DC— Today, the U.S.-China Economic and Security Review Commission released a report entitled *Supply Chain Vulnerabilities from China in U.S. Federal Information and Communications Technology*, prepared for the Commission by Interos Solutions, Inc. The report examines vulnerabilities in the U.S. government information and communications technology (ICT) supply chains posed by China, and makes recommendations for supply chain risk management.

Exhibit 1
China Supply for Seven Leading Federal IT Providers, 2012–2017



Source: Panjiva.

Key Findings:

- Effective supply chain risk management is the ability to anticipate future developments in supply chains, identity potential threats to supply chains, develop threat profiles, and mitigate or address future threats to the supply chain. Federal government laws and policies do not currently address supply chain risk management comprehensively.
- Chinese government's policies prioritize domestic production, extract intellectual property and technology from multinational companies in exchange for market access, use Chinese companies to further state goals, and target U.S. federal networks and the networks of federal contractors.

These policies have heightened risks to the U.S. ICT supply chain, and to U.S. national and economic security.

- Cyber attacks on supply chains will become easier—and more prevalent—as developing technologies such as fifth generation (5G) mobile network technology and the Internet of Things (IoT) exponentially increase avenues for attack.
- ICT products have increasingly complex, globalized, and dynamic supply chains, many of which include commercial suppliers that source from China at multiple points within a single supply chain. For example, an average of 51 percent of shipments to seven leading federal ICT providers originate in China (see Exhibit 1).
- It is unlikely that political or economic shifts will push global ICT manufacturers to dramatically reduce their operations in China or their partnerships with Chinese firms. A national strategy is needed for supply chain risk management of U.S. ICT, and it must include supporting policies so that U.S. security posture is forward-leaning, rather than reactive and based on incident response.
- To minimize risks, the federal government should: centralize the leadership of federal ICT supply chain risk management efforts, link federal funding to supply chain risk management, promote supply chain transparency, and craft forward-looking policies.

The report was authored by Tara Beeny, with assistance from Jennifer Bisceglie, Brent Wildasin, and Dean Cheng.

###

The U.S.-China Economic and Security Review Commission was created by Congress to report on the national security implications of the bilateral trade and economic relationship between the United States and the People's Republic of China. For more information, visit www.uscc.gov.