



U.S.-China Economic and Security Review Commission

FOR IMMEDIATE RELEASE

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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.

The U.S.-China Economic and Security Review Commission Releases Report:

[The National Security Implications of Investments and Products From the People's Republic of China In the Telecommunications Sector](#)

Washington, D.C. - The U.S.-China Economic and Security Review Commission has released the report, "The National Security Implications of Investments and Products From the People's Republic of China In the Telecommunications Sector," detailing China's extensive engagement in the U.S. telecommunications sector and the impact on U.S. national security interests.

The report discusses how China's growing involvement and investment in U.S. telecommunications supply chains and companies, including the penetration of the U.S. marketplace by companies subject to ownership, control, or influence by the People's Republic of China, could eventually provide China with access to or control of vital U.S. and allied information, networks, or segments of critical supply chains. It also describes some of the potential security vulnerabilities in communications networks that might be exploited by hostile actors, whether state-sponsored or otherwise.

The report also details the activities of several Chinese telecommunications companies that have recently come under scrutiny in the United States and abroad as potential national security threats. Security concerns expressed by government officials are believed to have been a factor in Sprint Nextel's decision in November 2010 to exclude Huawei Technologies Ltd. and ZTE Corporation from final consideration as equipment suppliers for upgrades to its cellular networks, a deal worth billions of dollars. The report details how the fast growth of Chinese telecommunications companies has been met with controversies over unfair trade advantages, industrial espionage, and allegations of ties to China's military.

Among other things, the report finds that:

- products designated as domestic under Buy America and Trade Agreements Act rules, and purchased from a domestic U.S. company, may still be partly or largely sourced from an overseas supplier;
- protocols for how networks will communicate will likely be heavily influenced by China, and manufacturers outside of the China market may begin to lose global market share in dramatic fashion; and
- for America to remain competitive and generate future innovations, as well as to

maintain control over technology standards, it is essential to provide incentives for continued development of the U.S. scientific and engineering workforce.

The National Security Implications of Investments and Products From the People's Republic of China In the Telecommunications Sector report was produced by Commission staff with the support of Reperi LLC. It can be found at:

http://www.uscc.gov/RFP/2011/FINALREPORT_TheNationalSecurityImplicationsofInvestmentsandProductsfromThePRCintheTelecommunicationsSector.pdf

For a copy of this report, or a copy of the USCC 2010 Annual Report to Congress (released November 17, 2010), please visit www.uscc.gov or contact Tim Lipka at TLipka@uscc.gov or 202-624-1407.