

HB 894

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State Armor Action

Testimony in support of HB 894 – Procurement – Government of the People’s Republic of China – Prohibition

State Armor Action writes in support of the bill prohibiting Chinese government-controlled entities from participating in state procurement.

State Armor is a non-profit organization dedicated to advocating for state solutions to global security threats.

The risk of allowing Chinese corporations to participate in state procurement cannot be overstated. Very recently, it was revealed that Chinese hackers have hidden within U.S. infrastructure for up to [five years](#), prepositioning themselves to cause widespread disruption when given the order to do so by the PRC. FBI Director Chris Wray recently [testified](#) that Chinese hackers are targeting water treatment plants, the electrical grid, transportation systems, and other critical infrastructure in the United States.

One reason these hackers are able to access our critical infrastructure so easily is that the United States has spent decades purchasing Chinese equipment to install into that same critical infrastructure—equipment that undoubtedly contained backdoors and other known exploits that then allowed state-sanctioned hacking groups to prepare to wreak havoc on our country. CISA Director Jen Easterly recently [testified](#) that this effort is primarily intended to incite societal panic and chaos and deter the United States from marshaling military might and civilian will in the event China makes good on its [repeated threats](#) to invade Taiwan.

Furthermore, DJI, which is designated by the Department of Defense to be a Chinese military company, dominates the market for law enforcement drones. States must phase these out by purchasing from America and her allies moving forward.

Prohibiting Chinese government-controlled entities from participating in state procurement is not only a reasonable step for states to take, it emulates many of the bi-partisan best practices of the federal government. The Department of Defense maintains its own list of Chinese companies involved with the People’s Liberation Army, as authorized under section 1260H of the 2021 National Defense Authorization Act. Placement on this list prohibits the DoD from procuring goods or services from these entities. Federal lawmakers recently enacted the American Drone Security Act to remove adversary drones from federal supply chains because of the risk of espionage and the danger of allowing one Chinese company to dominate this critical civilian-military technology. The State Department banned the use of Lenovo computers way back in 2006 because of the risk of cyberespionage, America’s military has been phasing

out purchases of computers from Chinese companies like Lenovo and Lexmark because of the risk to sensitive information.

The lessons learned from the Federal Communications Commission’s “remove-and-replace” program, for which the FCC has sought to have prohibited Huawei technology removed from telecommunications infrastructure across the country, will prove prescient with procurement in other sectors. The difficulty of the remove-and-replace program—which is only [13 percent](#) complete as of June 2023—should give pause to states continuing to procure goods and services from Chinese companies. Director Jen Easterly noted in her testimony that 80 percent of ship-to-shore cranes originate from China. Some states procure 95 percent of their drones from a single Chinese company. States should act now to prohibit procurement from Chinese government-involved companies going forward, before emerging infrastructure like LiDAR, electric vehicle batteries, and increased drone usage require a massive re-purchase investment in a few years.

Finally, China’s 2017 National Intelligence Law requires private firms to act at the direction of the government and effectively eliminates the distinction between the Chinese government and Chinese private sector companies. All foreign adversary products must be completely removed from state supply chains. That is why it is also critical to prevent government entities from purchasing products from any adversary companies or third-party vendors if the product comes from any company from an adversary nation.