

Thursday, December 24, 2020

There are [concerns](#) President Trump's latest move to constrain China's semiconductor industry by blacklisting over 60 Chinese semiconductor companies including Semiconductor Manufacturing International Corp. (SMIC) is insufficient. Semiconductors are central to everything from advanced weapons, artificial intelligence, smart phones and data centers. It is also an industry the United States has traditionally dominated. The blacklist sanctions intend to deprive Chinese companies of the American inputs necessary to create their products, with the central tenant the restriction on U.S. companies selling the necessary equipment to make advanced chips.

A growing list of government and industry officials want to see harsher restrictions now in order to restrict SMIC's ability to make advanced chips in the short term, with Commerce Secretary Wilbur Ross Tuesday, Senator Marco Rubio and Representative Michael McCaul writing, "We are deeply concerned that the rules pursuant to the Entity Listing for the Semiconductor Manufacturing International Company (SMIC) will be utterly ineffective in addressing this growing national security threat," Rubio and McCaul wrote. "We are deeply concerned that SMIC's placement on the Entity List by the Bureau of Industry and Security was done for show."

However, while it is true SMIC could repurpose older equipment to make advanced chips, in the long term the prescribed rules will hamper if not completely arrest China's ability to create more advanced chip technology in the future. Perhaps more important, these sanctions are an early salvo of a growing conflict between China and the United States, as the former moves to take over industries traditionally controlled by the U.S. and the latter works to maintain control. By putting these weaker sanctions in place now, President Trump is actually giving the incoming administration room to maneuver over the next few years. President-elect Biden could decide to strengthen these sanctions or remove them, blaming Trump for their existence. What is more, the sanctions are unlikely to force China's hand to do something rash, such as invade Taiwan.

Question to Consider:

How will the increasingly tense relationship between the United States and China affect your business in 2021? How will your supply chain be affected, and will your markets in China be restricted as the 'tit for tat' increases between the two powers?

COVID-19: THE HIGHLIGHTS

Cases continue to increase at an alarming rate across the United States and globe as government and health officials race to roll out [the vaccine while the virus](#) appears to be mutating into more virulent strains.

BEYOND THE NOISE: Increasing Instability

It is becoming clear President Trump's last 30 days in office are going to increase instability in Washington. The [veto](#) of the defense bill, the ongoing [pardons](#) for individuals that would not normally be considered, [threats](#) to veto the stimulus deal, and reported conversations about the viability of enforcing [martial law](#) in an attempt to overturn the 2020 presidential election have all had an adverse effect the stability of the United States as it deals with a pandemic, worsening economic conditions and increased geopolitical tension. The most significant concern is the appearance of weakness of leadership to the rest of the world. The United States remains the most powerful nation on earth, and its military continues to stay out of the increasing political instability. However, from the view of China, Russia and Iran, instability of US leadership could push them to make moves to increase their own power and attempt to harm US interests while the country's leader is preoccupied with his own power. In acts of war, the President must be able to make decisions quickly, and with the full faith and support of all necessary agencies. Right now, it is unclear President Trump understands the danger of his behavior, and the message it sends to US adversaries.

TRUSTED RESOURCES: for numbers & guidance

[Johns Hopkins University](#) – Coronavirus Resource Center

[World Health Organization](#) – COVID-19 Pandemic

[Center for Disease Control](#) – Coronavirus (COVID-19)

Please contact Secure Source International at info@securesource.com to schedule a leadership roundtable with our intelligence and security experts to dive into these topics and discuss security and safety related best-practices.