China bans Micron’s products from key infrastructure, citing security risk

reader comments

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China said US chipmaker Micron Technology’s products posed “serious network security risks” as it banned operators of key infrastructure from buying them, in its first big measure against an American semiconductor group.

The Cyberspace Administration of China on Sunday announced that the company, which is the biggest US maker of memory chips, “posed significant security risks to China’s critical information infrastructure supply chain.” As a result, it ordered “critical national infrastructure operators” to stop purchasing products from Idaho-based Micron.

The move follows a seven-week investigation into Micron by the CAC, a probe that was widely seen as retaliation for US efforts to curb China’s access to critical technology. Last October, Washington introduced expansive chip export controls, and the Netherlands and Japan have since followed.

The US Department of Commerce said it strongly opposed the action, which it said had “no basis in fact.”

“This action, along with recent raids and targeting of other American firms, is inconsistent with the PRC’s assertions that it is opening its markets and is committed to a transparent

regulatory framework," the Department of Commerce said.

It said it would engage with Chinese authorities to seek clarification. "We also will engage with key allies and partners to ensure we are closely coordinated to address distortions of the memory chip market caused by China's actions," it added.

Analysts said Micron presented an obvious first target for Beijing as its tech would be more easily replaced with competitors' chips from South Korean rivals Samsung and SK Hynix. Last month the White House asked South Korea to urge its chipmakers not to fill any market gap in China if the sale of Micron products was restricted.

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China is an important market for Micron. Mainland China and Hong Kong generated 25 percent of its $30.8 billion in revenue last year, according to a person familiar with the matter.

Paul Triolo, an expert on China tech at consultancy Albright Stonebridge, said: "This could be really bad for Micron. It depends how broad China's definition of critical information infrastructure is, but this could include the financial sector, transportation, energy and data centers."

He added that data centers were a particularly important customer for Micron memory chips.

Beijing's edict comes a day after G7 leaders issued a stark rebuke of China during the annual meeting of global leaders in Hiroshima, decrying its human rights record, "non-market" economic policies, and increasing military assertiveness in the East and South China Seas.

Micron chief executive Sanjay Mehrotra was part of a delegation of business leaders who attended the G7 summit. He dined with US Ambassador to Japan Rahm Emanuel and Citi chief Jane Fraser on Saturday night in the Japanese coastal town.

“We have received the CAC’s notice of conclusion of its review of Micron products sold in China,” Micron said in a statement. “We are evaluating the conclusion and assessing our next steps. We look forward to continuing to engage in discussions with Chinese authorities.”

China informed Micron of its decision in a meeting in Beijing on Sunday, according to a person familiar with the matter. Micron had received no communication from CAC after responding to questions from the regulator in March until it was summoned for a meeting this weekend, the person said.

“This is new for China,” Triolo said of the Micron ban, adding that Beijing was not taking the US actions “lying down.”

In its statement, the CAC said that “China welcomes global companies and various platform products into the China market as long as they follow China’s laws and regulations.” The regulator’s statement did not provide any information on the “security risks” posed by Micron’s products.

Analysts warned that Beijing’s restrictions could even prompt Chinese companies that did not provide “critical information infrastructure” to seek to eliminate Micron from their supply chains.

“The blast radius could be much bigger,” said Triolo.

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