

Is China Implanting Spy Chips on Widely Used Computer Motherboards? Bloomberg Thinks So

February 21, 2021 - Back in 2018, Bloomberg's Newsweek did a report on a company by the name of Supermicro. The company, which manufactures in China, makes motherboards for computers and their products are widely used in network servers around the world. More importantly, the company's motherboards are used by a number of US Government agencies including the Department of Defense. According to the initial report, Supermicro's motherboards contained chips that were diverting information to the Chinese government, and the US federal government had known about it for about a decade at the time of publication. This week, Bloomberg issued a follow-up report that is much more damning than the first one. According to the latest publication, the federal government continues to purchase Supermicro products. But that probably shouldn't be a real surprise given the federal government's abysmal history of data protection.

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If the Bloomberg report is correct, the federal government has been grossly negligent. It would mean that rather than trying to prevent data breaches, the government is complicit in a data breach that is leaking highly sensitive information to China; a potential enemy of the United States. But it's even worse that just negligence at protecting government secrets. Apparently, the government has known about this issue for over a decade but still allowed Supermicro to import motherboards that are included in non-government systems. Again, if true, it means that these systems are compromised too.

Bloomberg's report claims that the Supermicro motherboards contain some equipment that shouldn't be on them. Chips that can store certain information and then transmit that information back to China. The actual report reads like a spy novel and is quite entertaining for anyone interested in espionage. Of course, Supermicro is denying that its products are compromised in any way and as a matter of fact, nobody at the company has been charged or implicated in any way by the government. Additionally, several government agencies have publicly stated that they don't agree with Bloomberg's reporting.

But Supermicro's response to the initial report is somewhat baffling. They are a company with several billion dollars of annual revenue and their response so far has been a denial. Then two years after the initial report, Bloomberg just published a follow-up article in which they essentially double down on their original claims. Supermicro has once again issued a denial, but one might expect something a little more forceful if the reports aren't accurate. A lawsuit perhaps?

The lack of action is even more baffling when one considers that Supermicro saw its share price plummet when

Bloomberg first reported the issue in 2018. In 2019, the company also announced that it was moving its production facilities out of China. That probably had to do with the fact that many of the company's customers started asking them to only supply equipment that was manufactured elsewhere. All of this had to be very expensive. And it isn't unreasonable to think that if the story wasn't true that Supermicro would be saying, "See you in court!" But that just hasn't happened.

A few months ago, we asked our readers a question. Would it be wise to ban all Chinese technology imports into the United States? We asked that question because another Chinese company was supplying drones to the US market that were transferring data back to China. We're now asking it again. Does it really make any sense for US companies or for the US Government to be using highly technical products that could be transferring large amounts of data to a country that is threatening much of the globe both politically and economically? We think not.

And whether or not Bloomberg's report is completely accurate, we suggest that companies take a long hard look at where the technology products they are using are actually manufactured. Just because you may be able to get a product on the cheap right now doesn't mean it will be inexpensive in the long run. In fact, it could prove to be the worst business decision that you could possibly make for both your company and your customers.

by Jim Malmberg

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