

FLASH TRAFFIC REPORT

S.B. Submarine Systems & China Communications Service

June 2024



Prague Security
Studies Institute

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1. BACKGROUND AND RISK ASSESSMENT

On May 19, 2024, it was [revealed](#) that S.B. Submarine Systems, China's leading subsea cable installer, has been flagged by U.S. officials as presenting a security risk to American and allied undersea fiber-optic cables. Concerns arise from their vessels frequently hiding their locations from radio and satellite tracking, which officials believe endangers commercial and military data. Risks include these vessels tampering with cables, installing state surveillance equipment, engaging in industrial espionage, or installing devices for remote disabling or detonation in case of future conflict.

S.B. Submarine Systems (SBSS) is [owned](#) by China Communications Services, known as China Comservice. Chinese government procurement documents reveal that [China Comservice has signed contracts worth tens of millions of dollars](#) to provide mosque surveillance systems and similar surveillance data platforms in Xinjiang. It is a publicly traded company listed in Hong Kong.

China Comservice is itself a [subsidiary](#) of the China Telecommunications Corporation, known as China Telecom. As a state-owned enterprise, China Telecom is dangerously linked to the Chinese government. It is a [known supplier](#) of communications equipment for the PLA, including its Third Department of the General Staff Department - a cyber-espionage and electronic warfare unit better known as Unit 61398 or APT1. These ties to the PLA have led to China Telecom being [designated](#) a Chinese military company by the U.S. Department of Defense. The Federal Communications Commission has also [revoked](#) China Telecom's authority to provide services in the U.S., citing national security concerns. Specifically, China Telecom's "ownership and control by the Chinese government raise significant national security and law enforcement risks by providing opportunities for China Telecom Americas, its parent entities, and the Chinese government to access, store, disrupt, and/or misroute U.S. communications"

2. SANCTIONED STATUS

- [China Telecom](#) - China Telecom is on the U.S. Department of the Treasury's OFAC Non-SDN Chinese Military-Industrial Complex Companies List.

3. PUBLICLY TRADED STATUS AND SELECT OWNERSHIP DATA

China Communications Services is listed in Hong Kong under ticker number [0552](#). Of these H-shares, a quarter are held by American investment firms, including:

- Fidelity Investments holds 5.79%, valued at \$66.2 million.
- The American investment firm Kopernik Global Investors LLC holds 5%, valued at \$57 million.
- BlackRock holds another 5%, valued at \$54.3 million, with this ownership distributed through their offshore funds based in the US, UK, the Netherlands, and Singapore.

4. RECOMMENDATION

Given the recent flagging of substantial national security risks posed by S.B. Submarine Systems, and the documented corporate malfeasance of its parent companies – ranging from surveillance of minority populations in Xinjiang to supplying the PLA's cyber warfare unit – investments into any entity within this corporate structure ought to be prohibited by law. Specifically, PSSI recommends immediate regulatory action to prohibit all European and American retail and institutional investors from buying, selling, or holding the securities of China Communications Services.