

Lawmakers seek harsh penalties against ZTE and Huawei



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Washington policymakers sought to ratchet up pressure on Chinese telecom giants Huawei and ZTE on Wednesday. A bipartisan group of lawmakers introduced new legislation that would ban exports to companies caught violating US sanctions laws.

It's the latest sign of a growing technological cold war between the United States and China over telecommunications technology. Huawei has allegedly stolen trade secrets from T-Mobile and other US companies. *The Wall Street Journal* reported yesterday that Huawei could face criminal charges over the issue.

In a separate case, Canadian officials arrested Meng Wanzhou—Huawei's chief financial officer and daughter of the company's founder—at the behest of the US government over allegations that the company had violated US sanctions laws. ZTE also stands accused of violating those laws.

Meanwhile, American lawmakers and national security experts are concerned about ties between the companies and the Chinese government. They worry that, if Americans buy telecommunications equipment from either company, the gear could later be used as a way for the Chinese government to spy on Americans.

"Chinese telecommunications firms like Huawei represent a growing threat to American national security," said Rep. Mike Gallagher (R-Wis.) in a statement announcing the new legislation. "As state-directed enterprises, they ultimately report to the Chinese Communist Party and will be employed where and whenever possible to undermine American interests and those of our allies."

Sen. Tom Cotton (R-Ark.) described Huawei as "effectively an intelligence-gathering arm of the Chinese Communist Party."

ZTE and Huawei insist that these fears are overblown. The companies say they are independent of the Chinese government and would not allow their products to be used for spying by the government.

Legislation would require tough response to violations

While US lawmakers' statements about the legislation largely focused on concerns about the companies' ties to the Chinese Communist Party, the bill's substantive provisions are more focused on enforcing US sanctions.

Last year, the Trump administration briefly banned US companies from exporting technology to ZTE after the company was caught violating US sanctions laws and then failing to live up to the terms of a subsequent settlement. ZTE was so dependent on US-made technology—including Google's Android operating system and Qualcomm chips—that this was a *de facto* death sentence for ZTE.

But then Donald Trump tweeted that he was working to lift the sanctions, because there were "too many jobs in China lost." Coincidentally, around the same time, the Chinese government loaned \$500 million to "build an Indonesian theme park that will feature a Trump-branded golf course and hotels." The Trump administration soon lifted the export ban, a move a Trump advisor described as "a personal favor to the president of China."

The Senate voted to re-impose the ban, but that proposal never became law. Instead, President Trump eventually signed narrower legislation that bans the US government from using equipment from Huawei or ZTE.

But some members of Congress aren't satisfied. The legislation introduced on Wednesday would force the executive branch to impose an export ban on ZTE, Huawei, or other Chinese companies if they were caught violating US sanctions again. Once put in place, an export ban would need to stay in place until the president certified that the company in question had not violated US laws for a full year and was fully cooperating

with US investigators.

A Chinese government spokesperson described the legislation as “hysteria” and as “an expression of extreme arrogance and an extreme lack of self-confidence,” according to Reuters.

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