

# US and Britain hit Chinese telecom company ZTE

Nick Beams  
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In an escalation of inter-linked trade and national security wars, Britain and the US have taken action against the major Chinese telecom company ZTE, effectively banning it from both countries.

Yesterday, the British National Cyber Security Centre (NCSC) ordered the UK telecom sector not to use equipment or services from ZTE, as it would have a “long-term negative effect on the security of the UK.”

Hours later, the US Commerce Department announced it was banning the sale of components to ZTE for seven years. This was said to be enforcing an agreement the company entered when it pleaded guilty in March 2017 to breaching bans on sales to North Korea and Iran.

Under that deal, ZTE paid some \$1.2 billion in fines and said it would take action against those involved. Four company directors were sacked but the Commerce Department said bonuses were paid to other employees that were involved. ZTE had “misled” it and so it was invoking the seven-year suspension.

Commerce Secretary Wilbur Ross said: “Instead of reprimanding ZTE staff and senior management, ZTE rewarded them. This egregious behaviour cannot be ignored.”

These declarations ring rather hollow. Senior US banking executives have been regularly rewarded with increased bonuses in the wake of the malpractices that led to the crisis of 2008.

In an indication that other reasons were involved, the Commerce Department said the company had argued “it would have been irrational for ZTE to knowingly or intentionally mislead the US government in light of the seriousness of the suspended sanctions.”

Commerce Department officials, cited by the *Financial Times*, claimed its actions were not related to the recent measures initiated by the White House

targeting Chinese companies operating under the “Made in China 2025” program, by which China is seeking to advance its high-tech development in telecommunications and other areas.

“The timing of this is somewhat unfortunate because it could make it seem like they are connected,” a senior Commerce Department official said.

Under the decision, US companies are banned from conducting any business with ZTE in the US or anywhere else in the world.

Last year ZTE purchased as much as \$1.6 billion worth of products from US chip makers, and it is a significant customer of both Qualcomm and Intel. It has sold handset services to major US companies, including AT&T, T-Mobile and Sprint.

A smaller US company, Acacia Communications, that supplies ZTE has been hard hit. Last year it derived 30 percent of its \$385.2 million of revenue from sales to ZTE. Its shares fell 35 percent in trading yesterday.

The Commerce Department action came amid calls for more aggressive moves by US authorities against Chinese communications and telecom firms.

Arkansas Republican Senator Tom Cotton and Federal Communications Commission (FCC) chairman Ajit Pai issued an op-ed piece on Fox News.com yesterday, warning that a hostile foreign power could exploit the US telecom supply chain to “spy on Americans or attack our critical infrastructure by injecting viruses or launching denial-of-service attacks.”

The FCC earlier this month proposed rules that would make it more difficult for Chinese firms, such as Huawei and ZTE, to sell equipment to small rural US providers.

Last month the US fears of Chinese telecommunication advances were highlighted by the

Trump administration's decision, on the basis of a finding by the Committee for Foreign Investment in the US, to ban a proposed takeover by the US firm Broadcom of the high-tech company Qualcomm because it would advantage Huawei in the development of 5G phone technology.

The British decision to ban ZTE was taken on national security grounds. The NCSC said that if ZTE became a big supplier to the UK it could pose a risk to measures it has taken against Huawei, which is a big supplier to the British telecom sector. Huawei agreed some years ago to set up a centre where its components can be broken down and inspected.

In a letter to British telecom firms, NCSC technical director Ian Levy wrote: "The UK telecommunications network already contains a significant amount of equipment supplied by Huawei. Adding in new equipment and services from another Chinese supplier would render our existing mitigations ineffective."

The NCSC said it was concerned over new Chinese laws which it claimed gave Beijing "wide-ranging powers of compulsion" that could force companies to infiltrate or sabotage telecommunications infrastructure.

The US and British actions against ZTE were accompanied by a broader offensive by the two imperialist powers following the attack on Syria over the weekend.

Yesterday, the UK and US governments issued a joint warning about Russian cyber attacks on government and private organisations.

US Department of Homeland Security assistant secretary Jeanette Manfra said the government had a "high confidence" that the Russian government was behind alleged intrusions.

"We hold the Kremlin responsible for its malicious cyber activities," she said, claiming that Russia was trying to seize control of connectivity, including routers, and firewall detection systems, with a view to espionage, intellectual property theft or positioning for offensive action.

The head of the British NCSC, Ciarin Martin, said "there are millions of machines being targeted globally" and the alert was part of an allied "fightback against state-sponsored aggression in cyber space."

The measures against ZTE, the trade war against China over its high-tech development and the warnings

of cyber attacks, coupled with the missile attacks on Syria and the anti-Russia propaganda campaign, are part of an integrated offensive. The US is seeking to overcome its decline through economic and military warfare.



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