

Bipartisan hostility to Trump deal on Chinese telecom firm ZTE

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President Donald Trump's offer to ease restrictions on the Chinese telecom company ZTE has provoked a storm of bipartisan opposition from the US Congress. A Commerce Department ban last month on sales of US components to ZTE effectively had put it out of business.

Trump announced last week he had reached a deal with China to allow ZTE to resume operations. This was ahead of a planned visit to China later this week by a trade team led by Commerce Secretary Wilbur Ross to negotiate measures to increase US exports and reduce the US-China trade deficit.

Following the direct intervention of President Xi Jinping, China insisted that easing the restrictions on ZTE had to be part of any negotiations to open up Chinese markets to US exports. The ban was previously imposed on ZTE as punishment for trading with Iran and North Korea in defiance of US sanctions.

Under Trump's proposed deal, the ban would be lifted in return for ZTE paying a \$1.3 billion fine, changing its management and providing "high-level security guarantees." The latter proviso was reported to include hiring American compliance officers to monitor its operations.

Moves are underway in the Congress, supported by leading Republicans and Democrats, to block any deal with ZTE and to extend bans on Chinese telecom firms regarded as a threat to US "national security."

Last Thursday the Senate passed a defence policy bill containing a provision to compel Trump to certify to Congress that ZTE had not violated US law for the past year and was cooperating with US investigations. The House of Representatives has passed legislation to ban government agencies from using any technology made by ZTE and prohibit the Defense Department from renewing contracts with vendors that worked with it.

Yesterday, leading Florida Republican senator Marco Rubio denounced any deal with ZTE, claiming legislation against it in Congress would obtain a supermajority, thereby preventing any presidential veto.

"Most members of Congress have come to understand the threat that China poses," Rubio told CBS's program "Face the Nation," declaring: "There's a growing commitment in Congress to do something about what China is trying to do to the United States. And this is a good place to start."

After the proposed deal was announced, Rubio tweeted: "Yes they have a deal in mind. It is a great deal ... for ZTE and China. China crushes US companies with no mercy and they use these telecom companies to spy and steal from us. Many hoped this time it would be different. Now Congress will need to act."

The moves in Congress go beyond ZTE. In his remarks yesterday, Rubio said he expected Congress to move against other Chinese firms, such as Huawei, on the grounds that their equipment could be used to steal US technology.

"None of these companies should be operating in this country," he said. "None of them. They are used for espionage."

According to Rubio, the issue is not just about punishing ZTE for its breaches of US sanctions on North Korea and Iran. It is about the supposed Chinese theft of intellectual property, and forced technology transfers from US companies engaged in joint ventures with Chinese firms.

"Putting it out of business, a company like ZTE, is the kind of significant consequence that China would respond to, to understand that we're serious," he told ABC's "This Week" program.

Rubio's hostility to Chinese companies is part of a

broader anti-China agenda. Earlier this year, he warned of “the counter-intelligence posed to US national security from Chinese students, particularly those in advanced programs in the sciences and mathematics.”

He also wrote a letter to five educational institutions in Florida, calling on them to cut ties with Chinese government-backed bodies that he alleged were trying to present “half-truths” to “covertly influence public opinion” and portray “Chinese history, government or official policy in the most favourable light.”

The Democratic Party is calling for bipartisan moves in Congress to prevent any move that would allow ZTE to get back into business, citing “national security” considerations.

“If the administration goes through with this reported deal, President Trump would be helping make China great again,” the Democrat Senate minority leader Charles Schumer said on Friday.

“Simply a fine and changing board members would not protect America’s economic or national security, and would be a huge victory for President Xi, and a dramatic retreat by President Trump,” Schumer stated. “Both parties in Congress should come together to stop this deal in its tracks.”

The House Democratic minority leader Nancy Pelosi tweeted that Trump was “using US government resources to enrich ZTE (a foreign company designated as a national cybersecurity risk).”

Senator Mark Warner, the leading Democrat on the Senate Intelligence Committee, said any deal on ZTE would be “a big mistake.” He said Trump should heed the advice of intelligence agencies “who have continuously said that ZTE poses a national security threat.”

The Democrats articulate the views of the military and intelligence agencies, which view China’s move to advance its technological capacities under its “Made in China 2025” plan as a threat to the economic and military dominance of the US. Secondly, they are seeking to try to outflank Trump from the right in the November congressional elections by whipping up nationalist, “America First” anti-China sentiment, adding to their ongoing anti-Russia campaign.

The Ross-led team will meet with Chinese counterparts on June 2-4. They hope to secure agreements for increased US exports of agricultural products and energy.

China has made some concessions ahead of the talks by cutting tariffs on imported vehicles and indicating it is ready to drop opposition to the proposed takeover by Qualcomm of the Dutch chipmaker NXP Semiconductors. While no Chinese firms are directly involved, Beijing’s approval, which has been held up on anti-competitive grounds, is considered necessary for the deal because China is a large market for Qualcomm products.

According to a report in the *Wall Street Journal*, the US delegation will also “press China to make structural changes in its economic model, especially reducing subsidies to state-owned companies” that benefit them in global competition.

Little movement is likely on this score, however, nor on the broader US agenda, set out in a series of demands issued at the beginning of this month, for China to all but abandon its efforts to increase its technology-based industries.



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