

# China hails Trump's ZTE olive branch ahead of trade talks

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China on Monday hailed President Donald Trump's offer to prevent Chinese telecom giant ZTE from collapsing due to a US technology ban, as the two sides prepare for new negotiations this week to avert a trade war.

In an apparent olive branch, Trump announced on Twitter that he had discussed how to save ZTE with Chinese President Xi Jinping.

The fate of ZTE has become a key part of the talks between the top two world economies, with Chinese officials protesting at the ban during discussions with top US officials in Beijing earlier this month.

"We highly commend the positive remark from the US on the ZTE issue and now we are communicating with the US side on the details," foreign ministry spokesperson Lu Kang told a regular press briefing.

ZTE, which employs 80,000 people, said last week its major operations had "ceased" after being banned for seven years from buying crucial American technology, raising the possibility of its collapse.

Its fibre-optic networks depend on US components and its cheap smartphones sold en masse abroad are powered by US chips and the Android operating system.

"President Xi of China, and I, are working together to give massive Chinese phone company, ZTE, a way to get back into business, fast,"

Trump tweeted on Sunday.

"Too many jobs in China lost. Commerce Department has been instructed to get it done!"

Trump's concern for Chinese workers comes despite his repeated vows to bring back US jobs which he complains have been lost to other countries, particularly China.

"How about helping some American companies first?" Democratic Senate Minority Leader Chuck Schumer said in response to Trump's tweet.

## **Trade war fear**

US officials imposed the ban because of what they said were false statements by the firm over actions it claimed to have taken regarding the illegal sale of goods to Iran and North Korea. ZTE pleaded guilty to the charges in March last year and was hit with \$1.2 billion in fines.

Trump has insisted that relations between Washington and Beijing have never been better and has been working closely with Xi to persuade North Korea to abandon its nuclear programme.

At the same time, threats of mutual tariffs have sparked fears of a trade war after Trump accused China of unfair practices that have cost American jobs.

China's top economic official, Vice Premier Liu He, will be in Washington for a new round of trade talks from Tuesday until Saturday, the foreign ministry said, confirming the dates of the previously announced trip.

"The two sides will work together to ensure a positive and constructive outcome during the upcoming consultations," Lu said.

The Washington Post reported late Sunday that the White House and senior Chinese officials are discussing a deal that would relax the severe penalties on ZTE in exchange for unspecified demands from Trump.

It said ZTE has become a bargaining chip as Washington seeks trade-related concessions while pushing for cooperation on sanctions against North Korea and Iran.

The daily reported that a high-level Chinese delegation was in Washington on Friday and raised the issue of whether the US could relax its stance on ZTE.

The newspaper also cited a veteran lobbyist as saying the high-powered Hogan Lovells law firm, which has represented ZTE, has been asking people close to the Trump administration for ways to alter the US position.

There has been an intense rivalry for supremacy in emerging technology fields such as artificial intelligence and 5G, the next-generation superfast wireless system.

## **Cybersecurity 'threat'**

Against that background, the Pentagon cited security risks in banning personnel on US military bases from buying equipment from ZTE and fellow Chinese smartphone maker Huawei.

Trump's conciliatory move quickly came under fire domestically.

"Our intelligence agencies have warned that ZTE technology and phones

pose a major cyber security threat," said Adam Schiff, the senior Democrat on the House Intelligence Committee.

"You should care more about our national security than Chinese jobs," he wrote on Twitter.

David Frum, a former speechwriter for President George W. Bush, said Trump was sending mixed signals after scrapping the Iran nuclear deal and threatening sanctions on European countries that continue to do business with Tehran.

The US president earlier this year cited security concerns when he took the unusual step of blocking the proposed takeover, by a firm then-based in Singapore, of US chipmaker Qualcomm.

That case highlighted growing concerns about the rise of Chinese competitors.

"China and the United States are working well together on trade," Trump said on Sunday.

"But past negotiations have been so one sided in favor of China, for so many years, that it is hard for them to make a deal that benefits both countries," he tweeted. "But be cool, it will all work out!"

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