

# White House has deal to lift sanctions on China's ZTE (Update)

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The United States and China have reached a deal to lift sanctions on embattled Chinese telecom company ZTE, The New York Times reported

US President Donald Trump said Friday he had reached a deal to keep Chinese telecoms giant ZTE running, rolling back some penalties in

exchange for security guarantees—a move that infuriated Democrats and some in his own party.

The news comes as the US prepares to send a trade delegation back to Beijing next week to continue talks aimed at defusing a potentially serious trade dispute with China, after the countries exchanged huge tit-for-tat threats on imports.

In a tweet Friday evening the US president praised his plan while lambasting Democrats as well as the Barack Obama administration, who he said "let phone company ZTE flourish with no security checks."

"I closed it down then let it reopen with high level security guarantees, change of management and board, must purchase U.S. parts and pay a \$1.3 Billion fine. Dems do nothing...."

In a follow-up tweet he called the "so called Trade Deals" struck by Democrats "the laughing stock of the world!"

The New York Times had reported earlier of a deal with China's ZTE that would lift crippling sanctions slapped on the company.

The reported terms of the deal closely match the conditions US President Donald Trump and Commerce Secretary Wilbur Ross described earlier this week as a means for the firm to escape the export ban that nearly shuttered its operations.

It provoked a harsh reaction among some members of Congress, however, as lawmakers have been critical of the administration for signaling it might ease the pressure on a company that violated US sanctions on Iran and North Korea and repeatedly lied to US officials.

Democrat Nancy Pelosi, the House Minority Leader, slammed Trump's

deal as "a staggering betrayal of the American people."

"Trump pledged to fight for Americans, but he's now using U.S. government resources to enrich ZTE (a foreign company designated a national cybersecurity risk)," Pelosi tweeted.

ZTE was fined \$1.2 billion in March 2017, but last month Washington banned the sale of crucial US components to the company after finding it had lied multiple times and failed to take action against employees responsible for sanctions violations.

Under the new deal brokered by the Commerce Department, according to the Times, ZTE would pay a substantial fine, hire American compliance officers to be placed at the firm and make changes to its current management team.

Even while US officials said the ZTE penalties were a national security issue separate from the trade talks with Beijing, Trump said Tuesday he was looking at easing the tough sanctions on ZTE "as a favor" to Chinese President Xi Jinping.

## **Alternatives**

On Thursday, Ross said that at Trump's request, his department was looking at alternatives to the harsh penalty he chose to impose.

But, he said, "if we do decide to go forward with an alternative, what it literally would involve would be in planting people of our choosing into the company to constitute a compliance unit and that unit would report back to the Department of Commerce."

Top Republican and Democrat senators have denounced the compromise and one even vowed to block it.

The reprieve for ZTE came just after Washington and Beijing called a halt to a spiraling trade dispute sparked by US accusations of China's unfair practices and the alleged theft of US technology, with Washington suspending plans to impose tariffs on as much as \$150 billion in Chinese imports.

Trump also faced accusations of quid-pro-quo after pledging to soften sanctions on ZTE just days after AFP reported a Chinese state firm would pour cash into a Trump-tied real estate venture in Indonesia.

Lawmakers were incensed by Trump's offer last week to rescue the company and Chinese jobs, which came via Twitter in the midst of the trade talks with Beijing. The president angrily denied back-pedaling.

Top Republican Senator Marco Rubio of Florida, who chairs a key subcommittee on foreign relations, denounced the move, and vowed lawmakers would work on "veto-proof legislation" to stop the deal.

Tweeting again on Friday, Rubio again accused the administration of reaching an agreement that was beneficial to China.

"It is a great deal... for #ZTE & China. #China crushes US companies with no mercy & they use these telecomm companies to spy & steal from us," he said on Twitter.

Senate Minority Leader Chuck Schumer also decried the deal.

"If the administration goes through with this reported deal, President Trump would be helping make China great again. Would be a huge victory for President Xi, and a dramatic retreat by Pres Trump," he tweeted. "Both parties in Congress should come together to stop this deal in its tracks."

Asked by AFP for comment, a Commerce spokesman said no information was available.

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