

Kudlow Says US Has 'Always Had A Security Concern' On ZTE, Trump Reversal Was At Chinese Leader's Request

WASHINGTON, May 17, 2018 –President Donald Trump's calls to reverse a Commerce Department order banning the Chinese telecommunications equipment firm ZTE from exporting American products came in response to a request from Chinese president Xi Jinping, National Economic Council Director Larry Kudlow said Thursday.

"I think the president is responding to a request from President Xi to take another look at it," Kudlow said while speaking to reporters outside the White House.

Trump trades 'America First' for 'Too many jobs in China lost'

ZTE became an issue in US-China relations last month after the Commerce Department's Bureau of Industry and Security issued an order denying ZTE the ability to export American-made products for seven years.

But it is now unclear whether any of those actions will stick. As has become his habit since taking office, Trump upended the proverbial table Sunday with a tweet announcing that "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 added that too many jobs in China had been lost and that he'd instructed the Commerce Department to "get it done!"

The weekend tweet was a dramatic reversal for Trump, who'd convinced voters to put him in the White House with promises that he'd crack down on alleged trade abuses by China, which he said was working to steal American jobs.

Describing China's actions as "rape," Trump promised voters that if elected, he'd label the world's most populous country a currency manipulator "on day one" of his administration.

Kudlow dismissed the possibility that Trump's change of heart toward China was linked to a \$500 million investment made by Chinese state-owned company in support of an Indonesia-based development featuring a Trump hotel, golf courses, and residences.

A report on the investment came just one day after Trump's tweet, leading some observers to suggest that Trump, who has not divested from his hotel, golf, and real estate empire, might be in violation of the Emoluments Clause of the United States Constitution.

"Oh for heaven's sakes," he said, exasperated at being asked to respond to the allegation. "I'm not even going to respond to that."

Commerce department leveled the export ban Xi asked Trump to reverse after ZTE execs lied and obstructed justice

In March, ZTE executives agreed to settle the sanctions violations by paying a \$1.19 billion fine and accepting a suspended seven-year export ban to automatically take effect if it was found that the

company violated any aspect of the settlement agreement or committed any more violations of American Export Administration Regulations.

Because two of the major components in most mobile phones — Google's Android operating system and radio chips made by San Diego, California-based Qualcomm — are made in the United States, an export ban is a potential death sentence for the company.

But the Commerce Department imposed the ban after investigators discovered that company executives had made false statements and obstructed justice during negotiations to settle charges against the Shenzhen, China-based company, formally known as the Zhongxing Telecommunications Equipment Corporation, for violating sanctions by selling telecom equipment to Iran and North Korea.

Chinese telecom gear has long inspired security fears in US

Chinese telecom equipment makers like ZTE and Huawei have also long been considered security risks by the American defense and intelligence establishments, which fear that the Chinese government-owned companies insert backdoor that could be used for espionage into their equipment.

As a result, the Pentagon recently banned the sale of Huawei and ZTE phones in the subsidized retail stores located on military bases known as Post Exchanges, and the Federal Communications Commission issued an order prohibiting Universal Service Fund dollars from being spent on gear from either manufacturer.

While Kudlow said the government has “always had a security concern” when it comes to ZTE, when asked by BroadbandBreakfast whether Trump would support reversing the FCC ban, he replied: “I can't comment on that.”

He also wouldn't say if security concerns would factor into a decision on whether or not the export ban gets reversed.

“I would just say that Secretary Ross is reviewing some of the remedies and penalties,” he said. “That's as far as I can go right now.”