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Committee Readies Report on Potential Chinese Involvement in Telecom

By Jennifer Scholtes, CQ Staff

The House Intelligence Committee plans to publish both classified and unclassified reports within the next two to three weeks on its investigation into the relationship between the Chinese government and the country's largest telecom equipment manufacturers, according to the panel's top Democrat.

The committee continued its 10-month probe this week into concerns that China and the People's Liberation Army secretly assert control over Huawei and ZTE, companies known for making broadband modems and manufacturing cell phones sold to major wireless companies such as Verizon Wireless. Lawmakers are worried that China could rig the equipment to direct user data to the government or that "back doors" in the software could leave the United States vulnerable to cyberattack.

"We already know the Chinese are aggressively hacking our networks," the committee's ranking Democrat, [C.A. Dutch Ruppersberger](#) of Maryland, said during a hearing Thursday. "This is not political jousting or trade protectionism masquerading as national security. We're doing this for very valid reasons."

Top executives from each of the companies insisted during testimony that they are independent of their government, but Ruppersberger and Chairman [Mike Rogers](#), R-Mich., said the panel has yet to receive documents proving those assertions, despite continued written requests and numerous personal meetings with company leaders since last fall.

The lawmakers want to know about any financial incentives the Chinese government may be giving the companies and additional information about Huawei President Ren Zhengfei's connections to the People's Liberation Army, in which he formerly served as an officer. They also have requested details about the Chinese communist committees operating within the companies, as required under Chinese law, and a list of the committees' members.

Huawei and ZTE have withheld much of that information, citing restrictions under China's trade secrets law, the lawmakers have said.

"If the Chinese government will not allow you to give this information, that's an indication to us that the Chinese government could order your companies to use your equipment or your expertise to hand over information," Ruppersberger told Huawei's corporate senior vice president, Charles Ding, and ZTE's vice president of North America, Zhu Jinyun.

Overseas sources say Huawei's equipment has been purposely designed with anomalies that allow external system access and that the company's products have been found to be beaconing back to China, Rogers said.

“Huawei and ZTE provide a wealth of opportunities for Chinese intelligence agencies to insert malicious hardware or software implants into critical telecommunications components and systems,” the chairman said. “And under Chinese law, ZTE and Huawei would likely be required to cooperate with any request by the Chinese government to use their systems or access for malicious purposes.”

Both executives denied their products have been purposely designed with such weaknesses, agreed to work to turn over the documents the committee has requested and said that they would refuse to comply if the Chinese government tried to use their systems for espionage.

“We condemn those activities,” Zhu said, through a translator. “ZTE has no special relationship with the Chinese government.”

Ding defended Huawei’s success as being achieved “through innovation, not favoritism.” The company, which brought in \$32 billion in revenue last year, has grown its market share in the United States over the last decade and does not want to jeopardize its U.S. business relationships, he said.

Regardless of whether the companies are controlled by the Chinese government, Huawei and ZTE’s reputations are hurt by their government’s actions, Ruppertsberger said. Lawmakers know China has long been waging cyberattacks against the United States, contributing to an estimated \$300 million hemorrhage in U.S. trade secrets each year, the ranking member said.

“If you want to do business in the United States . . . then you have to tell your Chinese government to stop cyberattacking our businesses,” Ruppertsberger told Ding and Zhu.

The U.S. government has twice blocked Huawei from buying U.S. technology firms in recent years and Australia banned the company from bidding as a vendor in its national broadband network this year.

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