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# Chinese Telecom Executives Deny Government Control at U.S. Hearing

By BLOOMBERG NEWS

WASHINGTON — Executives of ZTE and Huawei, two of the largest phone-equipment makers in China, tried to dispel allegations by U.S. lawmakers that their potential expansions could lead to an increase in cyberattacks and spying.

But in what was described as the first appearance by Chinese executives at a congressional hearing, they heard accusations that they had not cooperated with an investigation or shown that they were independent of a government that has been accused of stealing U.S. intellectual property.

After the hearing Thursday, one member of the House intelligence committee joined a colleague in urging the Washington office of law firm DLA Piper to reconsider representing ZTE, citing "threats your client may pose to the national security of the United States."

In his testimony, Charles Ding, a senior vice president of Huawei, said, "We have been hindered by unsubstantiated, nonspecific concerns that Huawei poses a security threat."

The exchanges showed that the Chinese companies might face more restrictions on supplying telecommunications gear to power networks used by U.S. consumers, as well as banks, utilities and technology companies to transfer data around the country.

The hearing also showed continued tension between the United States and China. In Washington, the U.S. ambassador, Gary Locke, said that the renminbi needed to appreciate against the dollar. The Republican presidential candidate, Mitt Romney, has said that if elected, he would label China as a currency manipulator on his first day in office.

Huawei and ZTE, both based in Shenzhen, told lawmakers at the hearing that the companies were not controlled by the Chinese government. Mike McConnell, former U.S. director of national intelligence, has called China the "the most prolific" state thief of U.S. intellectual property.

But the committee chairman, Representative Mike Rogers, a Republican, said during the hearing that the companies had not provided full answers and had supplied "very few" documents that related to the committee's inquiry.

"We need answers to very specific questions. And when they don't answer those, it just raises more suspicions," Mr. Rogers said after the hearing.

"There's concern because the Chinese government can use these companies and use their technology to get information," said Representative Dutch Ruppersberger, a Democrat on the panel.

But Huawei's founder and chief executive, Ren Zhengfei, said the United States would "eventually" accept the company.

"The U.S. still needs time to understand us," Mr. Ren said in an e-mail sent out by Huawei after the hearing.

"The U.S. is such a big country, after we explain everything clearly to Texas, we need to explain again to Virginia, and then Boston. It will be a long process."

Zhu Jinyun, ZTE's senior vice president for North America and Europe, said that ZTE had set "a new standard for a Chinese company in cooperating with the U.S. government."

The Republican representatives Sue Myrick of North Carolina, a member of the intelligence committee, and Frank Wolf of Virginia wrote to DLA Piper to say they were disappointed the law firm was advising ZTE.

Ms. Myrick and Mr. Wolf said that ZTE had appeared to violate U.S. sanctions by selling equipment that would allow the Iranian government to monitor mobile, landline and Internet communications.

DLA Piper had no comment, John Merrigan, a Washington-based partner, said in an e-mail.

During the hearing, Mr. Zhu, the ZTE executive, told Ms. Myrick that the company had not sold gear to the Iranian government.

"We conduct normal business operations in Iran, but we are gradually reducing our present operations, and we are not starting any new business operations in Iran," Mr. Zhu said.

Mr. Zhu also testified Thursday that ZTE was not state-owned or government-controlled. But according to the U.S.-China Economic and Security Review Commission, an

independent body that advises Congress, government- affiliated entities appear to retain a majority of ZTE's stock.

Mr. Ren founded Huawei in 1987 after leaving the Chinese military, building it into the world's second-largest maker of equipment for phone networks, after Ericsson of Sweden.

Mr. Ren's military record and his selection to the 12th National Congress of the Communist Party of China in 1982 have been cited by U.S. lawmakers as reasons why Huawei might pose a threat.

According to the company, though, Mr. Ren has not maintained any ties with the military since his retirement and the government and military hold no stake in Huawei.

In 2010, Mr. Locke, then-Commerce Secretary, expressed concern about Huawei's participation in bids for a network upgrade by the U.S. company Sprint Nextel. Sprint Nextel instead awarded the contract, worth as much as $5 billion, to companies from France, Sweden and South Korea.

In 2008, Huawei and Bain Capital dropped a bid to buy a computer equipment maker, 3Com, after U.S. officials opposed the transaction. Last year, Huawei withdrew from purchasing patents from a computer-services company, 3Leaf, after U.S. objections.

About 70 percent of Huawei's $32 billion revenue comes from outside China, Mr. Ding said in his testimony. Huawei is owned by its employees, and the Chinese government "has no influence over Huawei's daily operations, investment decisions, profit distributions, or staffing," he said.

In an interview after the hearing, Mr. Ding added that Huawei would remain in the United States. "We'll be in the U.S. forever," he said. "We have customers here."

The company sells handsets and other telecommunications equipment and is seeking to sell network equipment in the United States, Mr. Ding said.

"I did my best to answer all the questions," Ding said. "I understand they have concerns about companies from China."