

US FCC blocks China's Huawei, ZTE from subsidy program

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Huawei has denied US allegations that it poses a threat to national security

American regulators on Friday unanimously branded Chinese telecoms firms ZTE and Huawei as threats to national security and blocked them from accessing \$8.5 billion in federal funds for services and equipment.

The Federal Communications Commission also proposed that other [service](#) providers be required to cancel or replace existing services and equipment from the companies.

"Both companies have close ties to China's communist government and military apparatus," FCC Chairman Ajit Pai said in a statement, citing recent remarks from Attorney General Bill Barr and Federal Bureau of Investigation Director Chris Wray.

"Both companies are subject to Chinese laws broadly obligating them to cooperate with any request from the country's intelligence services and to keep those requests secret. Both companies have engaged in conduct like intellectual property theft, bribery and corruption."

In a statement, Huawei said Washington was needlessly undermining its own interests "based on selective information, innuendo and mistaken assumptions."

"These unwarranted actions will have profound negative effects on connectivity for Americans in rural and underserved areas across the United States," it said.

The FCC's 5-0 decision added the companies to a new list of entities prohibited from tapping the "Universal Service Fund."

"Rural schools, hospitals and libraries will feel the effects," Huawei said, adding that the FCC's decision would result in higher prices.

Friday's decision by the FCC follows President Donald Trump's move in May to block American companies from doing business with Huawei, which US officials accuse of violating US sanctions on Iran.

Trump has since offered temporary reprieves for Huawei to allow

service providers covering remote rural areas time to comply with the ban, US officials say.

The FCC in May also denied a request by China Mobile to operate in the US market, likewise citing [national security](#) risks.

ZTE came close to collapse last year after American companies were banned from selling it vital components over its continued dealings with Iran and North Korea.

But in a politically charged settlement, Trump then allowed ZTE to resume imports under tough conditions.

Huawei's chief financial officer, Meng Wanzhou, who is also the daughter of the [company](#)'s founder and CEO, was arrested in Canada last year and is now fighting extradition to the United States on fraud and conspiracy charges tied to US sanctions.

The battle over Huawei has landed squarely in the middle of Trump's trade battle with Beijing.

US officials initially said the two were unrelated, as the Huawei actions were strictly law enforcement and national security matters.

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