

**US-China trade dispute**

## US unveils criminal charges against Huawei

China slams case as 'unfair' as prosecutors also charge telecom group's CFO Meng Wanzhou



Huawei has been accused of stealing American technology and breaking US sanctions against Iran © Getty

Kiran Stacey in Washington and Tom Mitchell in Beijing JANUARY 29, 2019

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The US has accused China's Huawei of stealing American technology and breaking US sanctions against Iran, in a criminal indictment that [sharply escalates](#) the two countries' technological rivalry.

The move will overshadow trade talks this week aimed at averting an all-out trade war between the world's two largest economies.

Matthew Whitaker, acting attorney-general, announced [the action](#) against the world's biggest telecoms equipment maker on Monday as China's trade negotiators, led by Vice-Premier Liu He, arrived in Washington for talks scheduled to open on Wednesday.

Depending on the penalties sought by the justice department, the Trump administration's salvo could disrupt the global operations of a Chinese corporate champion and land its chief financial officer, Meng Wanzhou, in prison.

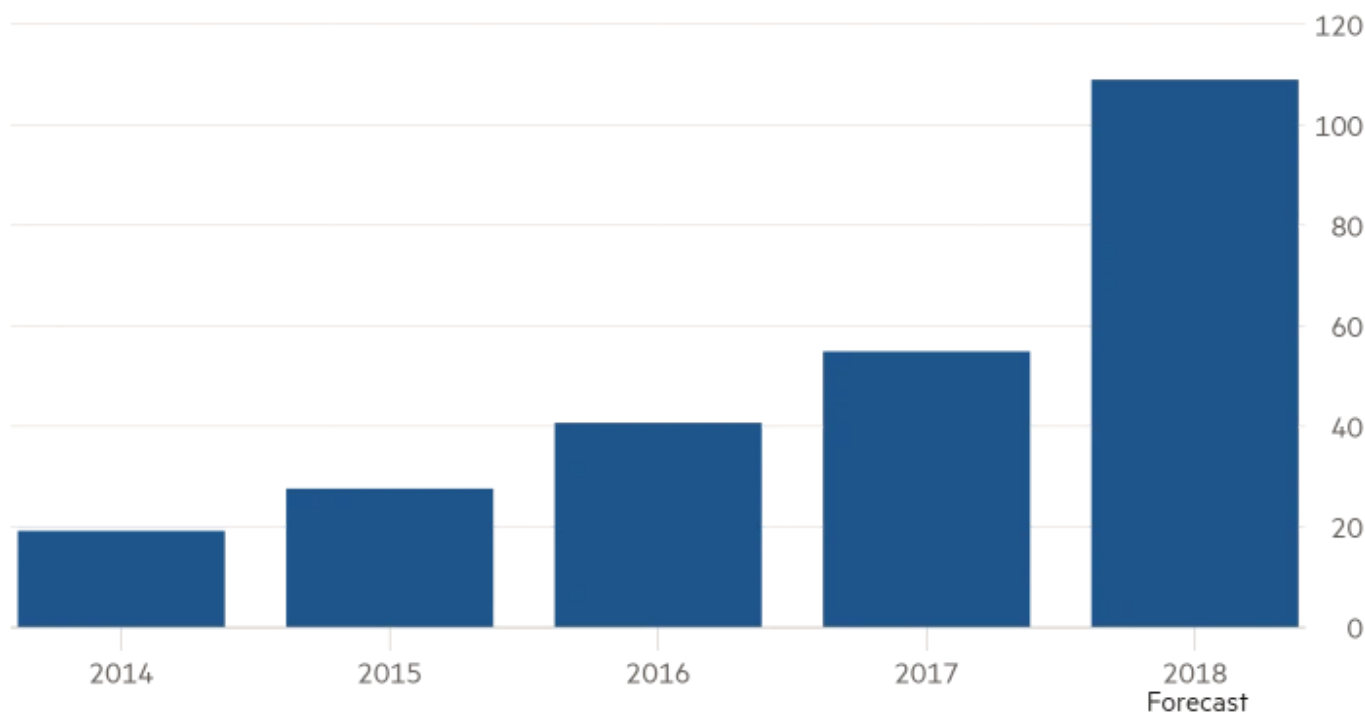
Ms Meng is the daughter of Huawei's founder, [Ren Zhengfei](#), and is currently in Vancouver as she fights a US extradition request in Canadian courts. Canada's justice department late Monday said it had received a formal extradition request from the US, the Canadian Broadcasting Corporation reported.

Mr Whitaker told a press conference: “These are very serious actions by a company that appears to be using corporate espionage and sanctions violations not only to enhance their bottom line, but also to compete in the world economy. This is something the United States will not stand for.”

He added: “This goes back 10 years and goes all the way to the top of the company.”

## Huawei's rapid growth

Revenue (Rmb bn)



Source: company  
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Huawei said it was “disappointed to learn of the charges brought against the company today”, adding that it had sought discussions with the US justice department after Ms Meng’s arrest but “the request was rejected without explanation”.

“The company denies that it or its subsidiary or affiliate have committed any of the asserted violations of US law set forth in each of the indictments, is not aware of any wrongdoing by Ms Meng, and believes the US courts will ultimately reach the same conclusion,” the Huawei statement added.

The Chinese government on Tuesday also rejected the charges. “It is neither fair nor ethical to use state power to discredit and attack specific companies without any evidence,” said a spokesman for the Ministry of Industry and Information Technology.

He added that Chinese companies were always encouraged to work in foreign countries in accordance with “international rules and on the basis of compliance with local laws”.

Shi Yinhong, an international affairs expert at Beijing’s Renmin University, said the charges revealed the Trump administration’s determination to “strike China’s technological development” and retain its grip on the “commanding heights” of key technology sectors.

US officials said the investigations into Huawei had been going on for years. But they began to come to a head in December, when Canadian officials [arrested Ms Meng](#) in Vancouver on US charges, a move that triggered protests from China, which has since detained at least two Canadian citizens.

Mr Whitaker said the US would formally lodge an extradition request with Canada in the coming days.

Ms Meng’s arrest is a particularly sensitive political issue given Huawei’s status as a Chinese national champion.



Source: company    Icons from Dreamstime  
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Eswar Prasad, a professor of trade policy at Cornell University, predicted the charges would make an eventual trade deal less likely.

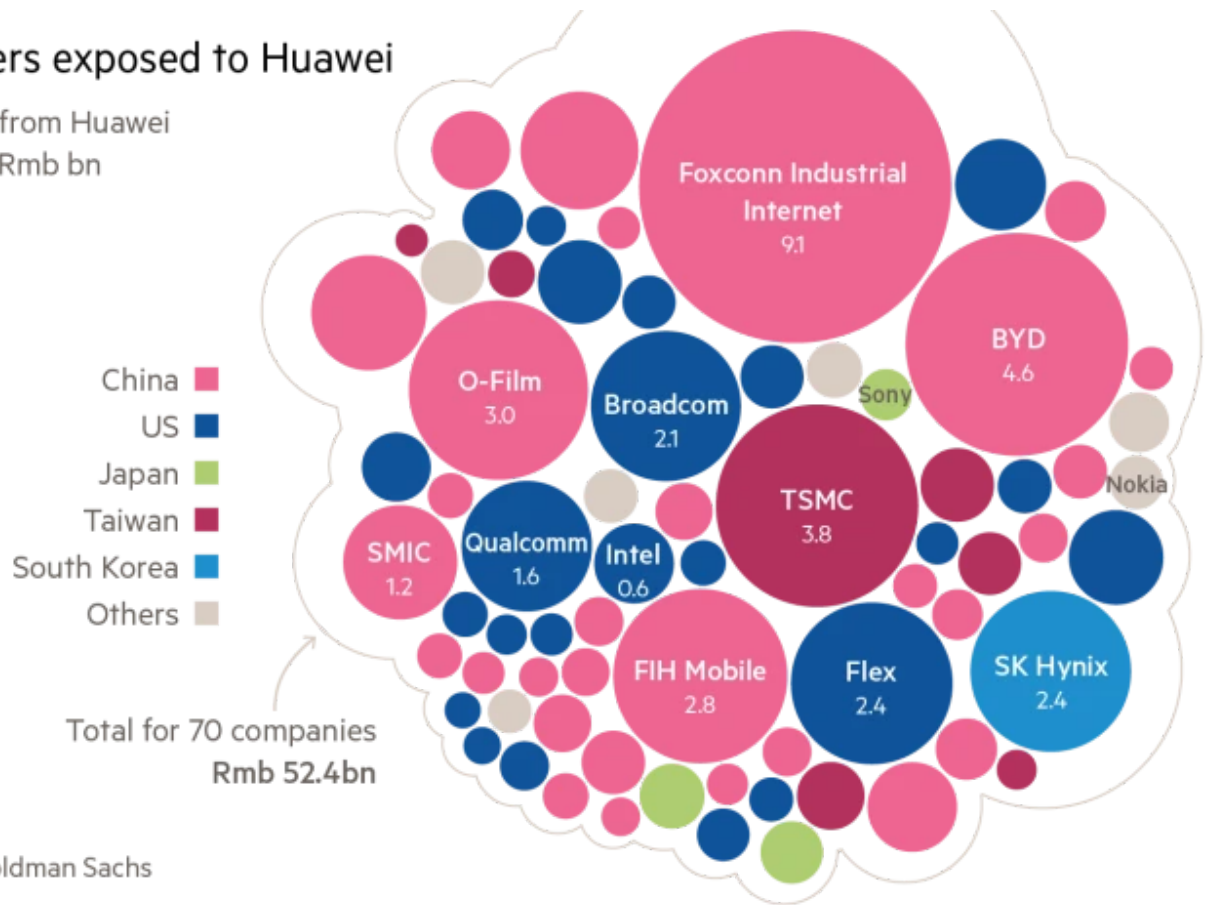
“These actions will ratchet up bilateral tensions ahead of the upcoming trade talks and could presage a hardening of positions on both sides,” he said. “Beijing will no doubt feel compelled to reconsider its willingness to make concessions in order to strike a deal.”

It is also likely to give the US further leverage when urging allies to do more to shut the Chinese company out of their markets.

Mark Warner, the Democratic vice-chairman of the Senate intelligence committee, said: “This is a reminder that we need to take seriously the risks of doing business with companies like Huawei and allowing them access to our markets. I will continue to strongly urge our ally Canada to reconsider Huawei’s inclusion in any aspect of its 5G infrastructure.”

## Suppliers exposed to Huawei

Revenue from Huawei  
Q3 2018, Rmb bn



US officials including Wilbur Ross, the commerce secretary, outlined on Monday the charges being brought against both Ms Meng and the company.

The charges of corporate espionage, they said, related to Huawei’s alleged attempts to steal the technology used by [T-Mobile](#), one of its US business partners, in a robot called Tappy, which was used to test mobile telephones.

Annette Hayes, first assistant US attorney for the western district of Washington state, said US officials had internal emails from Huawei showing this was a “determined and unrelenting effort”, and not a rogue operation by some within the company. “This was Huawei’s modus operandi,” she said.

T-Mobile declined to comment.

The sanctions-busting charges relate to Huawei’s ownership of a company called Skycom, which was reported to have offered to sell embargoed Hewlett-Packard equipment to Iran’s Mobile

Telecommunication Co in 2013.

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The indictment filed in the eastern district of New York alleges that Skycom illegally employed a US citizen in Iran, and that Huawei lied to US banks about its financial interest in Skycom. As a result, the indictment says, US funds were illegally funnelled to Iran.

US officials said they had evidence that Ms Meng was personally involved in these criminal actions.

The legal action might have additional consequences for the company as a whole.

One lawyer involved in action against Huawei in the US said: “The fact that Wilbur Ross was at the press conference indicates the US might end up putting Huawei on the export control list.”

Banning US companies from exporting to Huawei is seen in Washington as the “nuclear option” against the Chinese company, given its reliance on US software and microchips.

Stocks in China turned sharply lower following the filing of the charges and declines on Wall Street on Monday. The Shenzhen Composite fell as much as 2.6 per cent by mid-morning, but later erased some of that decline to trade down 1 per cent in the late afternoon.

*Additional reporting by Nian Liu and Xinning Liu in Beijing*

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