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US Blocks Companies From Selling Parts to China's Huawei

The United States dealt another blow to Chinese telecom giant Huawei with new action from the U.S. Commerce Department that blocks the renewal of licenses allowing American firms to sell essential components to the smartphone maker.

The [Financial Times](#) broke the news, reporting that the decision will end Huawei's ability to obtain processor chips and other technology from U.S. companies such as Intel and Qualcomm.

While the Federal Communications Commission (FCC) had already banned the sale of new Huawei equipment within the U.S. due to national security risks back in November, the latest move against the Beijing-supported company puts the multinational corporation in an even more difficult position.

Accordingly, a spokeswoman for China's Foreign Ministry, Mao Ning, told the [Associated Press](#) that "China is gravely concerned about the reports" and accused the U.S. government of "over-stretching the concept of national security and abusing state power" in order to harm competition from China.

"Such practices are contrary to the principles of market economy" and are "blatant technological hegemony," Mao continued, adding that China would "defend the legitimate rights" of its companies.

In a statement, the Commerce Department would not give further insight into the new policy.

"Working closely with our interagency export controls partners at the Departments of Energy, Defense and State, we continually assess our policies and regulations and communicate regularly with external stakeholders," the statement said. "We do not comment on conversations with or deliberations about specific companies."

Representative Mike McCaul (R-Texas), who chairs the House Foreign Affairs Committee, revealed in January that his panel would launch a 90-day review of the Commerce Department's Bureau of Industry Security in response to the agency's failure to respond to two-year-old requests for information on export control licenses granted by the bureau to China.

Also in January, McCaul wrote a letter to Commerce Secretary Gina Raimondo in which he asserted that the agency "failed to uphold its legal obligation to produce requested documents and information." However, he lauded the Commerce Department's decision to stop exports to Huawei, calling the move a "a positive step" that should be made permanent.

A major concern for U.S. officials regarding Huawei is its intimate relationship with the Chinese



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government. Although the company claims to be private, it was founded by a former officer in the People's Liberation Army and remains closely linked to the PLA.

Furthermore, Beijing [considers](#) Huawei a champion of its "techno-nationalist development strategies" and has consequently poured significant money into the company through state-owned banks. China has gone so far as to threaten reprisals against countries that block Huawei from their 5G infrastructure.

Many American policymakers fear that Huawei engages in spying on behalf of the Chinese government. Indeed, Beijing's 2014 Counter-Espionage Law and 2017 National Intelligence Law of the People's Republic of China virtually force Huawei and other technology firms to become accomplices in intelligence gathering. The company is known to have intelligence officials embedded within its workforce, and many of its employees are former members of the Chinese Ministry of State Security or the PLA.

In another move calculated to place a hurdle in front of China, Washington has reportedly [worked out a deal](#) with Japan and the Netherlands that will limit Chinese access to the components used in producing advanced computer chips.

Not surprisingly, Beijing isn't happy about America's efforts to keep advanced chips out of their reach.

"We hope the relevant countries will do the right thing and work together to uphold the multilateral trade regime and safeguard the stability of the global industrial and supply chains," China's Foreign Ministry spokesperson Wang Wenbin said. "This will also serve to protect their own long-term interests."

The smartphone market has been crucial to Huawei, which originally began as a maker of phone switches and went on to become a telecom monolith, overtaking Ericsson in 2012 as the world's largest telecommunications equipment manufacturer and overtaking Apple in 2018 as the world's second-biggest maker of smartphones, behind Samsung.

With the dent the U.S. has made in its business, Huawei finds itself having to diversify in order to survive.

As the [South China Morning Post](#) notes:

Huawei "is now racing against time to diversify its business into new segments less dependent on advanced semiconductors", said Dan Wang, an analyst at research firm Gavekal, in a note last month.

As revenue at its smartphone businesses has slumped amid a shortage of advanced chips, the company has doubled down on industrial digitalisation services, based on its prowess in 5G, artificial intelligence and other technologies. After success at home with projects such as its automated smart terminal at Tianjin Port, Huawei is looking to build momentum.

While the administration's efforts to keep Huawei out of the country are to be lauded, Biden is still shooting the country in the foot by undermining the U.S. in favor of China on other fronts — essentially making America take one step forward but two steps back.

For example, the Energy Department last week announced the awarding of [\\$1.6 million](#) to the Chinese-backed green energy company LanzaTech — which notably also has ties to top Democratic politicians.

LanzaTech, a carbon-capture company, signed a partnership in 2021 with Sinopec Capital, which is the



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clean energy-focused subsidiary of a Chinese state-owned oil conglomerate. It has also raised millions of dollars from CITIC Capital, a subsidiary of the biggest state-run conglomerate in China.

If the U.S. wants to keep up with the unrestricted warfare China is waging against it, American policymakers must be willing to exhibit a thus-far unseen level of aggressiveness in the economic plane.



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