

Congress of the United States
Washington, DC 20515

August 6, 2021

The Honorable Gina Raimondo
Secretary
Department of Commerce
1401 Constitution Avenue, NW
Washington, D.C. 20230

Dear Secretary Raimondo,

We write to request that the End-User Review Committee (ERC) immediately consider designating Honor Device Co. Ltd. to the Department of Commerce Entity List. In many respects, the Department of Commerce’s Entity Listing of Huawei—notably its extensive designation of entities connected to Huawei and application of the Foreign Direct Product Rule—should be a template for the ERC in addressing the export control challenges with the People’s Republic of China (PRC). However, by not designating Honor to the Entity List following its divestiture from Huawei, U.S. technology and software can flow to a company that should be restricted.

In May 2019, the ERC, composed of representatives of the Departments of Commerce, State, Defense, and Energy, determined that Huawei Technologies Co., Ltd. (Huawei) has been involved in activities contrary to U.S. national security and foreign policy interests. This action, which received bipartisan support, requires Huawei and its affiliates to obtain a Bureau of Industry and Security (BIS) issued license for all items subject to the Export Administration Regulation, such as semiconductors.

With its access to U.S. technology and software cut off,¹ Honor was sold to a PRC state-led consortium, including majority ownership by the Shenzhen government. Analysts have noted that selling Honor gave it access to the semiconductor chips and software it relied on and would have presumably been blocked had the divestiture not gone through.² The Center for Strategic and International Studies suggests that the PRC state with guidance from the Chinese Communist Party (CCP) stepped in as an “investor of first resort” to rescue a national asset in a strategic sector from U.S. sanctions. The visible hand of the Party-state intervened to shield Honor from U.S. export controls.

This coordinated divestiture and acquisition reveal the extent to which nominally private entities, such as Honor, are deeply embedded within a PRC ecosystem that leverages interconnections among the CCP, state-owned banks, local governments, and venture capital for strategic objectives. The sale of Honor was not a market-based outcome, but rather orchestrated by the Party-state. The same concerns about technology exports to Honor when it was part of Huawei should apply under its current state-backed ownership structure. If we move too slowly and focus only on discrete entities rather than networks and ecosystems, the CCP’s novel Party-state economy can outmaneuver U.S. sanctions.

Therefore, we request a response in two weeks and would also like to request a briefing with the ERC to ensure the Administration is moving with enough speed to counter CCP attempts at export control evasion.

¹ Honor reportedly accounted for one-third of all the mobile phone chips imported by Huawei

² <https://www.thewirechina.com/2021/01/24/whats-behind-huaweis-deal/>

Sincerely,



Michael T. McCaul
Member of Congress



Andy Barr
Member of Congress



Liz Cheney
Member of Congress



Mike Gallagher
Member of Congress



Michael Waltz
Member of Congress



Anthony Gonzalez
Member of Congress



Darin LaHood
Member of Congress



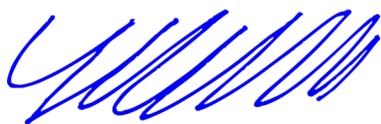
Guy Reschenthaler
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