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Congress of the United States
House of Representatives
Washington, DC 20515-0605

HOUSE JUDICIARY COMMITTEE

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SUBCOMMITTEE ON ANTITRUST, COMMERCIAL
AND ADMINISTRATIVE LAW

HOUSE FOREIGN AFFAIRS COMMITTEE

SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS
SUBCOMMITTEE ON WESTERN HEMISPHERE,
CIVILIAN SECURITY AND TRADE

May 28, 2020

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave, NW
Washington, DC 20230

Dear Secretary Ross,

We write to applaud the Commerce Department's recent decision to update the Foreign-Produced Direct Product rule to more effectively restrict Huawei Technologies Co. and its affiliates from undermining and evading American export controls. These recent steps by the Trump Administration wisely promote U.S. national security interests by giving the U.S. government greater visibility into technology sales to Huawei that are the products of U.S.-origin technology and software.

The United States is the greatest economic superpower in the world due in large part to our nation's advanced technology and intellectual property (IP). However, the U.S. faces a growing threat from the Chinese Communist Party's (CCP) state-sanctioned efforts to access and steal U.S. technology, software, and IP. In fact, the Commission on the Theft of American Intellectual Property (IP Commission) estimates that Chinese-backed IP theft, counterfeited goods, and pirated software costs the U.S. economy as much as \$600 billion annually.¹ Additionally, a 2019 CNBC survey of North American CFOs found that approximately one in five companies experienced Chinese cyber or IP theft in the last year.²

The CCP's industrial policies prominently feature using IP theft and other illicit and deceptive activities to gain control of technologies that are critical to developing China's domestic industrial base and supply chains. Huawei is an essential player in China's industrial policies and is emblematic of the CCP's willingness to use illegal and deceptive behaviors to achieve these goals, including being accused of IP theft, bank fraud, sanctions evasion, and racketeering. In fact, this threat Huawei's behavior poses to our national security led to the Commerce Department originally designating Huawei on the U.S. Export Control Entity List in 2019. However, despite this blacklisting, Huawei has been able to work around U.S. export controls to access critical technologies through third-party countries.

¹ http://www.ipcommission.org/report/IP_Commission_Report_Update_2017.pdf

² <https://www.cnbc.com/2019/02/28/1-in-5-companies-say-china-stole-their-ip-within-the-last-year-cnbc.html>

In this vein, the Bureau of Industry and Security's (BIS) updated Foreign-Produced Direct Product Rule offers a strong first step in combatting Huawei's deliberate efforts to sidestep U.S. export controls. We support the Trump Administration's rule but believe the Administration must apply robust enforcement of this rule and continue updating the rule to combat the CCP's systematic and ever-changing efforts to acquire critical technology that undermines our national security. Additionally, given Huawei's centrality to achieving the CCP's stated goals and past illegal and deceptive behavior, we have no doubt that Huawei and other CCP-affiliated businesses will only grow their efforts to undermine our national security and foreign policy, especially as the race to build an international 5G network progresses. We must remain vigilant to the threat, stand ready to immediately close any gaps in this rule, and work with our allies and partners to crush the foreign availability of critical technologies to Huawei.

As such, we urge the Commerce Department to robustly enforce this rule and consider taking further actions to stop Huawei and other CCP-affiliated businesses from evading U.S. export controls and stealing American IP and technology. Additionally, we request that you keep Congress informed of any legislative changes the Commerce Department may need to further defend against the CCP's far-reaching and nefarious efforts to acquire U.S. technologies.

Our long-term economic and national security rely upon our nation's ability to take on and defeat CCP-sanctioned efforts to undermine our national security. Thank you in advance for your swift action to protect our nation.

Sincerely,



Ken Buck
Member of Congress



Michael McCaul
Member of Congress



Steve Chabot
Member of Congress



Scott Perry
Member of Congress



Ted S. Yoho, D.V.M.
Member of Congress



Brian Fitzpatrick
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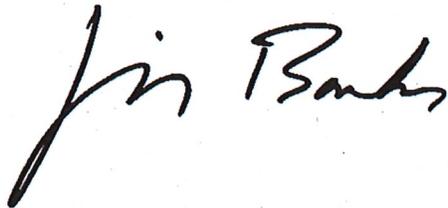
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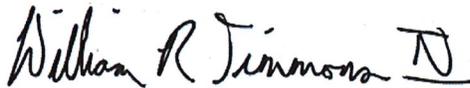
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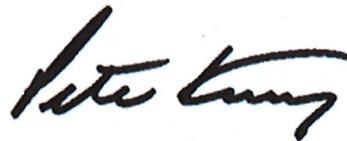
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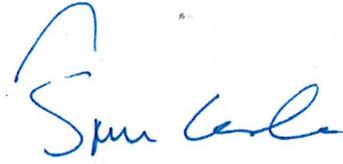
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