

Opening Statement
Chairman Steve Chabot
House Committee on Small Business
Hearing: “ZTE: A Threat to America’s Small Businesses”
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AS PREPARED FOR DELIVERY

Good morning. I call this hearing to order. I would like to thank our witnesses for coming here to share their expertise and experience.

Today we are here to discuss a topic that has garnered quite a bit of attention in recent months. However, it is an issue that this Committee has paid close attention to for years. That is the looming threat of Chinese telecommunications giant ZTE.

As this Committee has learned through past hearings, foreign backed firms from countries like China and Russia regularly target small businesses to steal intellectual property and undermine America’s critical infrastructure. The FBI has already determined that foreign state actors pose a serious cyber threat to the telecommunications supply chain. It is also clear that many foreign nations are responsible for direct cyber attacks on the United States in an effort to steal intellectual property and sensitive personal information.

In a report by our colleagues on the House Permanent Select Committee on Intelligence, U.S. businesses and cyber security experts have reported persistent attacks that could be traced back to China and were thought to be supported by the Chinese government. And studies from the Department of Defense have warned of the difficulties associated with defending against threats posed by foreign nations, stating that, “[the] means and opportunity [for nation-state adversaries] are present throughout the supply chain and lifecycle of software development.”

This is particularly troublesome for small businesses that not only rely on products from, but also engage in commerce with, globalized telecommunications firms in countries like China.

Hearings by this Committee have shown that small businesses have become top targets for nefarious state-backed actors because they tend to be the softest targets. They have fewer resources to manage their information Technology systems and respond to cybersecurity incidents and they often lack the technical knowledge needed to assess the ever-evolving threats.

Additionally, most small businesses are extremely aware of their expenses and, unfortunately, the cheapest technology products available tend to be produced by some of China’s largest telecommunications firms. This is a recipe for disaster.

Now, let me be clear, I don’t believe for a minute that an American small business owner would purposely buy a product that puts their own operations at risk, let alone jeopardize our national security.

However, the problem is that most small businesses won’t even know that they’re using a product or service that has been provided by a nefarious actor. Nor should they. Their job is to run their business, employ hardworking Americans, and keep their customers happy. When we talk about existential threats to national security—and that is what ZTE is—it is the federal government’s job to protect Americans and American small businesses.

That is exactly what happened in April of this year when ZTE was effectively banned from doing business in the U.S. After years of investigations and deliberations into the ZTE case, after ZTE was afforded its due process in this country (a favor that usually goes unreturned to American



companies in China), and after numerous second chances, the Trump Administration rightfully made the decision to kick ZTE out of the country. A move that many of our colleagues on both sides of the aisle applauded.

Now, we face the very real possibility that ZTE may be given yet another chance. Commerce Secretary Wilbur Ross announced earlier this month that a new agreement had been reached with ZTE and after paying over a billion dollars, the Bureau of Industry and Security will remove ZTE from the Denied Persons List and they can return to business as usual. I am deeply concerned that this decision could ultimately put Americans at risk. ZTE has consistently lied to this Administration and I fundamentally believe it will do so again.

Today's hearing will examine the threat posed by ZTE to American small businesses, if ZTE is allowed to re-engage with the American economy. This is an important decision that impacts both our national security and our economic security and I believe it demands much more attention than it has received so far.

I look forward to hearing our witnesses' assessment of this threat as well as their suggestions for how we may better guard against it.

I now yield to the Ranking Member for her opening statement.

