

115TH CONGRESS
2D SESSION

H. R. 6053

To prohibit the modification of civil penalties under export control and sanctions laws of the United States with respect to Chinese telecommunication companies.

IN THE HOUSE OF REPRESENTATIVES

JUNE 8, 2018

Mr. DEUTCH (for himself and Ms. ROS-LEHTINEN) introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

To prohibit the modification of civil penalties under export control and sanctions laws of the United States with respect to Chinese telecommunication companies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Sanctions Viola-
5 tors Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) In March 2016 Chinese electronics company
9 Zhongxing Telecommunications Equipment (ZTE)

1 was found to have breached United States sanctions
2 laws by exporting products with American-made
3 components to Iran in violation of the Export Ad-
4 ministration Regulations (15 C.F.R. part 730 et
5 seq.) and the Iranian Transactions and Sanctions
6 Regulations (31 C.F.R. part 560).

7 (2) In March 2017 the Department of Com-
8 merce announced that ZTE also shipped 283 micro-
9 processors, servers, and routers to North Korea in
10 violation of United States law.

11 (3) The Department of Commerce found that
12 ZTE had knowingly made false statements and mis-
13 led investigators about its business with Iran and
14 North Korea, with Secretary of Commerce, Wilbur
15 L. Ross, Jr., stating, “The results of this investiga-
16 tion and the unprecedented penalty reflects ZTE’s
17 egregious scheme to evade U.S. law and systemati-
18 cally mislead investigators.”

19 (4) The Department of Commerce found that
20 ZTE employees had “destroyed, removed, or sani-
21 tized all materials concerning transactions or other
22 activities relating to ZTE’s Iran business that post-
23 dated March 2012; deleted on a nightly basis all of
24 the team’s emails to conceal the team’s activities;
25 and required each of the team members to sign a

1 non-disclosure agreement covering the ZTE trans-
2 actions and activities the team was tasked with hid-
3 ing.”.

4 (5) The Department of Commerce further dis-
5 closed a 2011 internal ZTE document detailing its
6 ongoing business in Iran, North Korea, Syria,
7 Sudan, and Cuba, at the time all listed by the
8 United States as state sponsors of terrorism and
9 subject to embargoes.

10 (6) ZTE plead guilty to the charges and the
11 Department of Commerce fined ZTE \$1.19 billion,
12 the largest-ever combined civil and criminal penalty.

13 (7) In announcing the plea and subsequent fine,
14 Secretary of Commerce, Wilbur L. Ross, Jr., stated,
15 “Those who flout our economic sanctions and export
16 control laws will not go unpunished—they will suffer
17 the harshest of consequences.”.

18 (8) As part of ZTE’s plea agreement with the
19 United States, ZTE would be subject to a seven-year
20 suspended denial of export privileges, which could be
21 quickly activated if any aspect of the deal was not
22 met.

23 (9) On April 16, 2018, the Department of Com-
24 merce announced it had imposed a denial of export
25 privileges against ZTE due to its determination that

1 “ZTE made false statements to [the Bureau of In-
2 dustry and Security of the Department of Com-
3 merce] in 2016, during settlement negotiations, and
4 2017, during the probationary period, related to sen-
5 ior employee disciplinary actions the company said it
6 was taking or had already taken.”.

7 (10) In 2012, a report of the Permanent Select
8 Committee on Intelligence of the House of Rep-
9 resentatives entitled, “Investigative Report on the
10 United States National Security Issues Posed by
11 Chinese Telecommunication Companies Huawei and
12 ZTE”, it was recommended that “U.S. government
13 systems, particularly sensitive systems, should not
14 include Huawei or ZTE equipment, including in
15 component parts. Similarly, government contrac-
16 tors—particularly those working on contracts for
17 sensitive U.S. programs—should exclude ZTE or
18 Huawei equipment in their systems.”.

19 (11) The Federal Bureau of Investigation, in a
20 February 2015 Counterintelligence Strategy Part-
21 nership Intelligence Note stated that, “Chinese Gov-
22 ernment-supported telecommunications equipment
23 on U.S. networks may be exploited through Chinese
24 cyber activity, with China’s intelligence services op-

1 erating as an advanced persistent threat to U.S. net-
2 works.”.

3 **SEC. 3. PROHIBITION ON MODIFICATION OF CIVIL PEN-**
4 **ALTIES UNDER EXPORT CONTROL AND SANC-**
5 **TIONS LAWS WITH RESPECT TO CHINESE**
6 **TELECOMMUNICATION COMPANIES.**

7 (a) IN GENERAL.—Notwithstanding any other provi-
8 sion of law, the President may not modify any civil pen-
9 alties, including denial orders, implemented by the Gov-
10 ernment of the United States with respect to a Chinese
11 telecommunication company pursuant to a determination
12 that the company has violated an export control or sanc-
13 tions law of the United States until the date that is 30
14 days after the President certifies to the appropriate com-
15 mittees of Congress that—

16 (1) the company—

17 (A) is fully cooperating with investigations
18 conducted by the Government of the United
19 States, if any, of activities relating to the viola-
20 tion of the export control or sanctions law of
21 the United States; and

22 (B) has not, for a period of at least one
23 year after the date on which the civil penalties
24 were imposed, conducted any other activities in

1 violation of an export control or sanctions law
2 of the United States; and

3 (2) the modification of the civil penalties is in
4 the vital national security interest of the United
5 States and the President includes in the certification
6 a specific and detailed rationale for such modifica-
7 tion.

8 (b) APPROPRIATE COMMITTEES OF CONGRESS DE-
9 FINED.—In this section, the term “appropriate commit-
10 tees of Congress” means—

11 (1) the Committee on Banking, Housing, and
12 Urban Affairs and the Committee on Foreign Rela-
13 tions of the Senate; and

14 (2) the Committee on Financial Services and
15 the Committee on Foreign Affairs of the House of
16 Representatives.

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