

United States Senate

WASHINGTON, DC 20510-0908

October 14, 2021

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

Dear Secretary Raimondo:

We write to express concern regarding the national security threat posed by Honor Device Co. (“Honor”), a smartphone producer and Huawei offshoot owned by a Chinese state-led consortium. By neglecting to add Honor to the Entity List at the U.S. Department of Commerce’s Bureau of Industry and Security, the Biden Administration is allowing what amounts to an arm of the Chinese Communist Party (CCP) to exploit our technological sector.

After the Trump Administration placed it on the Entity List in 2019 for engaging in numerous activities counter to American national security, the People’s Republic of China (PRC)-run Huawei was left without access to critical American software and hardware components, such as advanced semiconductors. To avoid these export controls, it spun off its mid-range smartphone line, Honor, by selling it to the Shenzhen Zhixin New Information Technology Co., a company controlled by the municipal government of Shenzhen. Zhao Ming, a president at Huawei, retained his role as head of the newly independent Honor, while numerous other executives, engineers, and other employees from Huawei similarly migrated over.

By spinning off Honor, the CCP has so far guaranteed continued access to critical American technology required to ensure one of its companies can continue to produce smartphones – right as Huawei itself has otherwise begun to feel severe market consequences of a successful American export control regime leveled against it. In other words, just as one of the PRC’s preeminent national champions has begun to suffer from the repercussions of its actions, Beijing has intervened to ensure that some portion of it, in the form of Honor, remains financially viable.

Lacking necessary intervention on the part of the Department of Commerce to place it on the Entity List, Honor has been able to achieve exactly that. Soon after its separation from Huawei, the Chinese firm began cutting deals with several American companies to purchase high-tech chips. “We are proud... to reintroduce Honor to the global market,” Zhao has boasted, noting that future Honor products will come equipped with Google Mobile Services. CCP propaganda outlet *China Daily* has reported that the company is “quickly reestablishing strategic partnerships with some of the world’s top suppliers.”

Through a state-administered transaction of Huawei assets to a Shenzhen government-owned firm, Beijing has effectively dodged a critical American export control. By failing to act

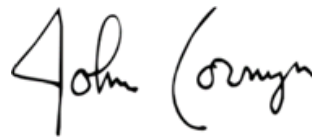
in response, the Department of Commerce risks setting a dangerous precedent and communicating to adversaries that we lack the capacity or willpower to punish blatant financial engineering by an authoritarian regime. United States Trade Representative Katherine Tai declared this month that the Biden Administration “will use the full range of tools we have... to defend American economic interests from harmful policies and practices.” Honor provides a clear example of where the Biden Administration can begin doing so. As such, we urge that the Department of Commerce add Honor to its Entity List.

Thank you for your attention to this matter. We look forward to your prompt response.

Sincerely,



Marco Rubio
U.S. Senator



John Cornyn
U.S. Senator



Rick Scott
U.S. Senator