U.S.-China Economic and Security Review Commission
Economics and Trade Bulletin

April 5, 2019

Highlights of This Month's Edition

- **Bilateral trade:** In January 2019, U.S. exports of goods to China fell 27.5 percent year-on-year to $7.1 billion—a record-setting decline; the monthly U.S. trade deficit in goods with China totaled $34.5 billion.
- **Bilateral policy issues:** On March 6, Huawei sued the U.S. government, alleging it had been unlawfully and incorrectly banned from U.S. government procurement.
- **Policy trends in China's economy:** The Chinese government set an annual GDP growth target of between 6 and 6.5 percent in 2019 amid slowing global economic growth projections and ongoing trade tensions with the United States; China's new Foreign Investment Law aims to address U.S. concerns about intellectual property theft and forced technology transfers; observers expressed concern the law will serve as window dressing and not result in meaningful change.
- **In focus – China-EU relations:** Intra-EU divisions on display amid President Xi's trip to Europe; the European Commission labeled China a "systemic rival" and France tried to apply greater pressure on Chinese trade and technology policies, while Italy endorsed China's Belt and Road Initiative.

Contents

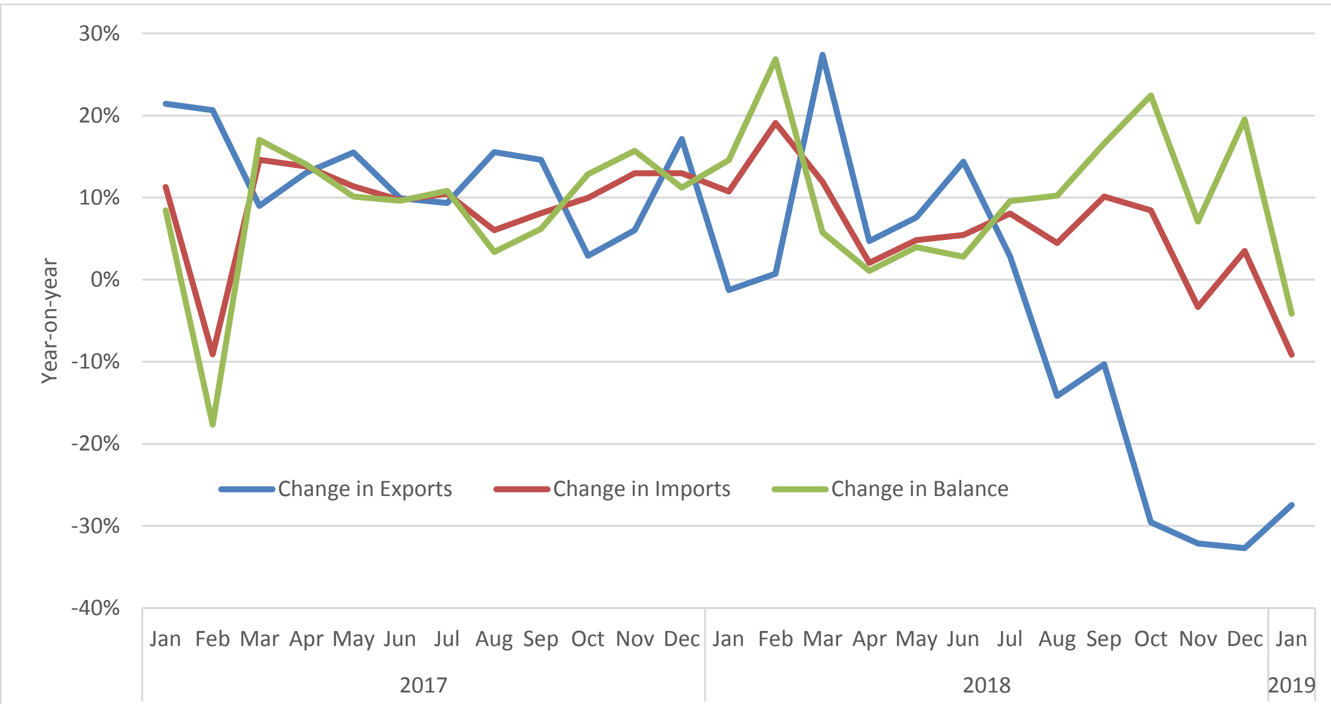
This issue of the Economics and Trade Bulletin *was prepared by Nargiza Salidjanova, Lauren Dudley, Charles Horne, Sean O'Connor, and Suzanna Stephens. For inquiries, please contact us at* contact@uscc.gov.

Bilateral Trade

In January 2019, U.S. Exports to China Plunge

The U.S. trade deficit in goods with China totaled $34.5 billion in January 2019, a decline of 4.1 percent year-on-year (see Figure 1).[1] U.S. exports to China hit $7.1 billion, down 27.5 percent year-on-year; this is the steepest year-on-year decline in U.S. exports to China since 1990.[2] U.S. imports from China fell 9.1 percent year-on-year to $41.6 billion. [3]

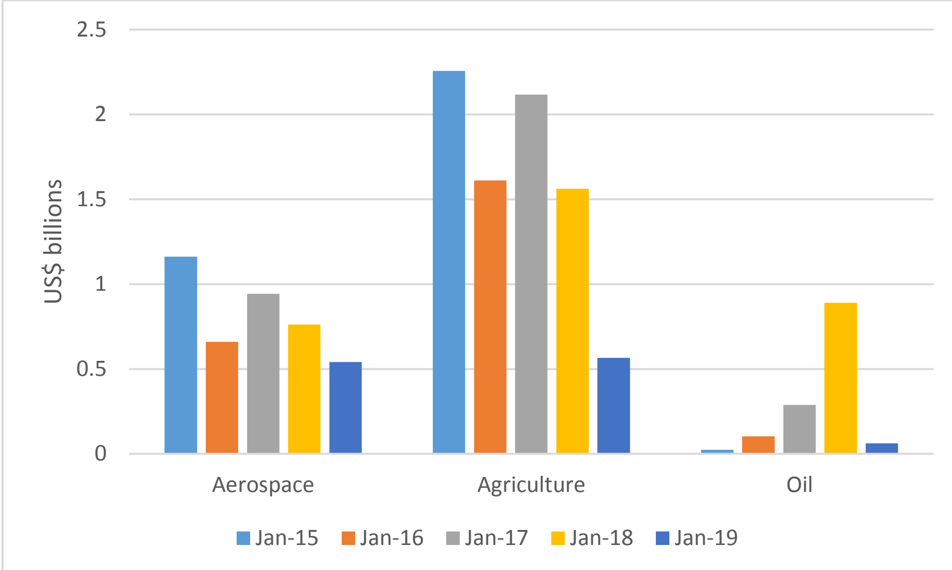
Figure 1: U.S. Exports, Imports, and the Trade Deficit with China, January 2017–January 2019



Source: U.S. Census Bureau, *Trade in Goods with China*, March 27, 2019. *https://www.census.gov/foreign-trade/balance/c5700.html.*

Although U.S. exports to China are typically low in the first two months of the year due to seasonal variations, the ongoing U.S.-China trade tensions contributed to the slide. Sectors impacted by Chinese retaliatory tariffs, such as aerospace products and parts, oil and gas, and agriculture, contributed the most to the decline (see Figure 2).[4]

Figure 2: U.S. Exports of Aerospace, Oil, and Agricultural Products, January 2015–January 2019



Source: U.S. Census Bureau, *Trade in Goods with China*, March 27, 2019. *https://www.census.gov/foreign-trade/balance/c5700.html*.

Bilateral Policy Issues

Huawei Sues the U.S. Government over Procurement Ban

On March 6, Huawei filed a lawsuit against the U.S. government over the latter's prohibition of use and purchase of Huawei services and equipment by U.S. government agencies.[5] The ban, detailed in Section 889 of the 2019 National Defense Authorization Act (2019 NDAA), prohibits U.S. government agencies from procuring, contracting with, or extending federal loans or grant funding to those who procure telecommunications and video surveillance services or equipment from Huawei and four other Chinese companies.[*]

Huawei's lawsuit challenged the constitutionality of the 2019 NDAA ban. According to the lawsuit, by singling Huawei out, the ban was intended to "bar Huawei from significant segments of the U.S. market for telecommunications equipment and services" without allowing Huawei a means of challenging it.[6] Huawei's chief legal officer, Song Liuping, asserted the ban was "based on numerous false, unproven, and untested propositions" that Huawei was "owned, controlled, or influenced" by the Chinese government.[7] In Huawei's announcement, Chief Executive Guo Ping characterized the ban as "unlawful," restricting Huawei from "engaging in fair competition, ultimately harming U.S. consumers."[8] When asked for comment, Chinese Foreign Minister Wang Yi stated that China supported Huawei's lawsuit, saying China would continue to "protect the legitimate and lawful interests of Chinese businesses and citizens."[9]

Legal experts have commented that Huawei is unlikely to win the suit, citing the result in a similar case brought by Russian cybersecurity company Kaspersky Labs.[10] By filing the suit, however, Huawei adds legal action to its broader effort to counter U.S. government coordination around a multilateral halt on procurement.[11] In the last two months, the U.S. government has worked to communicate Huawei's security risks abroad: in a February 11 speech, U.S. Secretary of State Mike Pompeo cautioned U.S. allies that reliance on Huawei could limit U.S. intelligence

[*] The 2019 NDAA prohibited U.S. government executive agency procurement from the following companies: Huawei Technologies Company ("Huawei"), ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company, as well as their subsidiaries and affiliates. John S. McCain National Defense Authorization Act for Fiscal Year 2019 § 889, Pub. L. No. 115-232, 2018. *https://www.congress.gov/bill/115th-congress/house-bill/5515/text#toc-H4350A53097BD46409287451A50C4F397*.

sharing;[12] and on February 22, the U.S. government sent a large official delegation* to speak about Huawei-related concerns at the world's largest telecommunications trade show, the Barcelona Mobile World Congress.[13] U.S. allies have acknowledged these concerns.† On March 27, the Australian government banned Huawei from supplying 5G equipment due to perceived security risks in critical infrastructure; the Japanese government also banned the public procurement of equipment from Huawei and other Chinese companies in December 2018.[14] Other U.S. allies are debating how to mitigate these risks: the United Kingdom is currently undertaking a review of its telecommunications systems,[15] and Germany is considering limitations and requirements for vendors in its 5G buildout.[16]

In its defense, Huawei has commissioned declarations from two major law firms—Zhong Lun in Beijing and Clifford Chance in London—to address concerns Chinese authorities could use Huawei to conduct espionage.[17] The Zhong Lun declaration, submitted to the Federal Communications Commission (FCC) in June 2018, reviewed whether the Chinese government had the legal authority to compel companies to hack their products to spy on or disable communications systems or access those systems. It found that under Chinese law, Chinese government actors would not be authorized to compel the company's cooperation.‡

The declaration's conclusions have been questioned by legal and tech policy experts outside China. Donald Clarke, George Washington University law professor and Chinese legal expert, said the key question is not what is written in Chinese law, but rather "what the Chinese government can actually do."[18] According to Dr. Clarke, "The Chinese political system is essentially Leninist, and recognizes no limits on government power, even as a matter of form." Under such a system, the government "is not meaningfully constrained by Chinese law."[19] He noted that in practice, Chinese courts will not overrule state security authorities, which "generally operate beyond the law."[20] Similarly, Chinese digital policy expert Graham Webster observed Chinese law would not be decisive in instances with national security considerations.[21]

The prohibition on direct U.S. government agency procurement of Huawei and other specified equipment and services is scheduled to go into effect on August 13, 2019, a year after the 2019 NDAA's passage into law.[22] For equipment and services used indirectly—by government contractors or recipients of federal loans and grants—the ban will go into effect on August 13, 2020.[23]

Policy Trends in China's Economy

China Sets 2019 GDP Growth Target, Lays out Other Economic Plans in Annual Meeting of the Legislature

At the annual session of China's legislature in March 2019, Chinese Premier Li Keqiang announced an annual gross domestic product (GDP) growth target of between 6 and 6.5 percent in 2019, down from "about 6.5 percent" in

* U.S. officials typically visit the Mobile World Congress; however, as mentioned by a U.S. official attending in 2019, "There [was] a huge delegation going this time," including representatives from the Federal Communications Commission, the Department of Defense, the Department of Commerce, and a "big delegation" from the Department of State. Nic Fildes and Kiran Stacey, "Huawei v U.S. in 'Battle of Barcelona' at Mobile World Congress," *Financial Times*, February 24, 2019. *https://www.ft.com/content/76edd3e2-35f6-11e9-bb0c-42459962a812*.

† For a more detailed discussion on international scrutiny of Huawei, see U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, March 6, 2019, 6–7. *https://www.uscc.gov/sites/default/files/trade_bulletins/March%202019%20Trade%20Bulletin_0.pdf*.

‡ The statement reviewed four specific Chinese laws related to state authority over telecommunications network operators, manufacturers, and service providers: the Counterespionage Law, the Anti-Terrorism Law, the Cybersecurity Law, and the National Intelligence Law. Jihong Chen and Jianwei Fang, "Before the Federal Communications Commission, May 27, 2018, Declaration of Jihong Chen and Jianwei Fang," Federal Communications Commission, Comments of Huawei Technologies Co., Ltd., and Huawei Technologies U.S.A. Inc., Docket 18-89, Exhibits A-N, Exhibit E, May 27, 2018. *https://ecfsapi.fcc.gov/file/1060161615708/%5BEXHIBIT%20A-N%5D%20Comments%20of%20Huawei%20Technologies%20Co.,%20Ltd.%20and%20Huawei%20Technologies%20USA,%20Inc.%20Docket%20WC%2018-89.pdf*.

2018.* According to Premier Li's remarks, the downward adjustment of the GDP growth target was made in light of slowing global economic growth. In his speech, Premier Li warned that China "will face a graver and more complicated environment as well as risks and challenges [in 2019].... We must be fully prepared for a tough struggle."[24]

Premier Li did not rule out using policy tools to address economic uncertainty, including raising the deficit-to-GDP ratio or adjusting banks' required reserve ratios and interest rates. Li stated that the Chinese government will use these measures as needed to support China's economy, but will "refrain from using a deluge of stimulus policies" in the coming year.[25]

The reduced GDP growth target is likely in part a result of ongoing trade tensions with the United States. However, Premier Li's comments provided no details about the progression of trade talks and promised only to "promote China-U.S. trade negotiations" in the coming months.[26] Instead, the meetings focused on the continued development of China's domestic industries, particularly technological development in areas such as artificial intelligence, new electric vehicles, and biotechnology. The Chinese government also committed to increasing spending on public goods like education and public works construction, along with announcing nearly $300 billion in tax cuts and employer social welfare contributions to support consumption levels.[27]

The Chinese government announced that the country will increase its military spending by 7.5 percent in 2019, bringing its annual defense spending to approximately $178 billion. In 2018, the Chinese government increased military spending by 8.1 percent.[28] The Center for Strategic and International Studies, a U.S. think tank, estimates this announcement may underestimate China's total defense spending in 2019, predicting total funding of close to $200 billion.[29] For comparison, the 2019 U.S. defense budget is $717 billion.[30]

China's New Foreign Investment Law Rehashes Old Promises

China's National People's Congress passed the Foreign Investment Law on March 15, combining three separate laws governing joint ventures established by contract, joint ventures established with equity investment, and wholly foreign-owned enterprises.[31] The passage of the law aims to appease U.S. and international concerns about China's treatment of intellectual property (IP) and comes as China seeks an increase of foreign capital to bolster its domestic economy.[32] Absent more substantive changes in China's legal system, however, the law's protections for foreign-invested firms may prove unenforceable, or may be selectively enforced by administrative means rather than genuine rule of law.[33]

Chinese officials have indicated that swift passage of the law—the first draft was only introduced in late December 2018†—was intended to facilitate the ongoing U.S.-China negotiations, while at the same time denying the validity of many of the concerns raised by the United States.[34] The law includes articles that appear to respond directly to a number of complaints raised in the Office of the U.S. Trade Representative's (USTR) Section 301 investigation into the Chinese government's practices regarding technology transfer and IP.[35] Some of these provisions include penalizing government officials for sharing foreign firms' trade secrets with their domestic competitors, forbidding use of administrative means to force technology transfers, removing regulations that favor Chinese products in all but 48 industries, allowing foreign firms to participate in Chinese standards-setting bodies, and creating a complaint mechanism and channel for foreign firms to sue government agencies.[36]

Both Chinese law professors and international lawyers representing foreign clients in China have voiced skepticism at the enforceability of new protections guaranteed under the Foreign Investment Law, noting that the law is vaguely worded and the most substantial provisions are not new.[37] For instance, technology transfers are already expressly banned under China's World Trade Organization (WTO) accession protocol, yet numerous testimonies before the USTR detail a pattern of market access being preconditioned on transfer of technology.[38] Often these conditions are communicated informally, so there is no written evidence that a foreign firm was forced to share technology, and

---

* In 2018, China's GDP grew 6.6 percent on an annualized basis. *Xinhua*, "What Did Premier Li Say at the Two Session Press Conference?" March 15, 2019. *https://www.shine.cn/news/nation/1903151234/*.

† On average, new legislation between 1993 and 2017 took 4.7 years to pass, and amended legislation took 2.9 years to pass, with 73 percent of introduced (both new and amended) legislation passing. Yang Mingyu, "Does China Have Legislation Grid Lock?" CNPolitics.org, August 1, 2018. Translation. *http://cnpolitics.org/2018/08/understanding-delay-in-the-chinese-legislative-system/*.

the government can claim it was shared voluntarily.[39] Foreign firms are also theoretically able to bring lawsuits against government agencies under the Administrative Litigation Law. Yet, in practice the law is ineffectual, with cases unlikely to be decided in foreign firms' favor, and firms fearing that bringing a suit will only invite retaliation from government defendants.[40] Lastly, foreign firms' trade secrets are also protected under China's Administrative Law, but the Section 301 Report documents instances of Chinese regulators requiring excessive disclosure of trade secrets as a precondition to obtain licenses, and then providing this information to domestic competitors.[41] Chinese officials deny that Chinese companies or government agencies have violated these laws in the first place, raising concerns that additional legal mechanisms will be useless in addressing a violation if the government is unwilling to acknowledge the violation occurred.[42]

Despite reservations about the Foreign Investment Law's vague language, several industry groups praised the law as a step in the right direction.[43] The U.S.-China Business Council expressed optimism about fundamental changes to the foreign investment regime, including streamlining the three separate categories of foreign investment into one law and providing equal treatment for foreign and domestic enterprises in all but 48 industries included in a negative list.[44]

Other analysts dismissed concerns about the law's terse language, noting that the law itself was intended to serve as a high-level framework, and the important sign of follow-through would be quick implementation of supplementary regulations.[45] So far, the State Council and Ministry of Commerce have moved quickly to introduce follow-up measures adding clarity or modifying existing regulations to comply with the new law, and Premier Li has promised all supplementary regulation will be in place when the law goes into effect in 2020.[46]

Implications for the United States

The Foreign Investment Law's expedient enactment demonstrates China's eagerness to attract more foreign investment and quickly resolve trade tensions with the United States; it does not guarantee China will make substantive long-term changes to its treatment of foreign-invested firms and legal system. As China faces economic slowdown, tries to stave off the relocation of production chains to neighboring counties, and attempts to invigorate the financial sector, Chinese policymakers are eager to increase the influx of foreign capital.[47] They are also hopeful the law will improve China's bargaining position in ongoing trade negotiations with the United States.

The Foreign Investment Law's implementation bears hallmark signs of enforcement through regulators rather than courts, and via crackdown rather than genuine rule of law. While extensive supplementary regulations often compensate for vague provisions in Chinese law, and their quick enactment can be a sign of political intent, vague wording in the original law still creates room for broad administrative discretion in application.[*] Moreover, in the absence of effective institutions, Chinese regulators often conduct sporadic enforcement campaigns, making examples of violators to scare companies or local governments into compliance.[†] Along these lines, China's National Audit Office fined 45 local governments in the first quarter of 2019 for mistreating foreign firms.[48]

The biggest risk for the United States and U.S. firms is not that the Foreign Investment Law does not work, but that administrative intervention creates a convincing illusion that it is working. China may use crackdowns to keep local governments and domestic firms in line long enough to placate the United States in trade negotiations and attract further foreign investment. However, these temporarily enforced concessions will not serve as long-term safeguards without meaningful reform to the legal system curbing administrative discretion and providing recourse for injured

[*] The Budget Law Amendment of 2014 is a strong example. The law was enacted swiftly to comply with requirements from the Third Plenum Decision to curb issuance of local government debt and corruption in fiscal appropriations, but contained mostly vague language. The State Council and Ministry of Finance acted quickly to fill the gaps, however, and initially imposed an austerity campaign on local governments in the beginning of 2015, only for the Politburo to commandeer the program and turn it into a local government bailout. Barry Naughton, "Local Debt Restructuring: A Case of Ongoing Authoritarian Reform," *China Leadership Monitor* 47 (Summer 2015). *https://www.hoover.org/sites/default/files/research/docs/clm47bn.pdf*.

[†] The sudden series of penalties issued to foreign firms found guilty of anticompetitive behavior under China's Antimonopoly Law is one such example. See U.S.-China Economic and Security Review Commission, Chapter 1, Section 2, "Foreign Investment Climate in China," in *2015 Annual Report to Congress*, November 2015, 91–94.

firms. Once China's economic and negotiating objectives have been fulfilled, U.S. firms may continue experiencing IP theft, forced technology transfers, and unequal access.

In Focus: China-EU Relations

The European Commission Labels China a "Systemic Rival"

On March 12, 2019, the European Commission released a landmark paper on EU-China relations that labels China a "systemic rival."[49] The paper calls on European leaders to seek "a more balanced and reciprocal economic relationship" with China by taking a tougher stance in key areas of bilateral trade while noting potential areas of cooperation.[50]

The paper outlines the EU's trade-related complaints, similar to those launched by the United States, such as China's failure to reciprocate market access, market-distorting industrial policies, and discrimination against foreign companies through joint venture requirements, technology transfer, closure of procurement markets, and other protectionist policies.[51] In a list of ten recommended actions, the European Commission calls on the EU to assert its trade, technology, and geostrategic concerns in the EU-China relationship while strengthening domestic competitiveness. Key recommendations include:

- Call on China to deliver on existing joint EU-China commitments, including reforming the WTO, working together on subsidies and forced technology transfers, and concluding bilateral agreements on investment by 2020, on geographical indications swiftly, and on aviation safety in the coming weeks;
- Adapt the International Procurement Instrument* before the end of 2019 to promote reciprocity and open procurement opportunities in China;
- Conduct an overview of the current framework and publish guidance by mid-2019 on the participation of foreign bidders and goods in the EU procurement market;
- Create a common approach to the security of 5G networks and issue a recommendation following the European Council to safeguard against potential security implications for critical infrastructure; and
- Ensure swift, full, and effective implementation on the regulation of screening of foreign investment to detect and raise awareness of security risks posed by foreign investment in critical assets, technologies, and infrastructure.[52]

Divisions among EU Member States Exposed during Xi Visit

Ahead of the annual EU-China Summit (scheduled for April 9), divisions among EU Member States were on display during President Xi Jinping's European visit. While the European Commission's report notes that "neither the EU nor any of its Member States can effectively achieve their aims with China without full unity," broad disagreements remain within the EU on how to manage relations with China.[53] France and Germany have taken the lead promoting a stronger position against Chinese trade and technology policies within the EU, seen with their push for the

* The International Procurement Instrument is a proposal within the European Commission to improve the conditions for EU companies competing in foreign procurement markets and give the EU more leverage when negotiating access to foreign procurement markets. An amended version submitted in 2016 would enable the European Commission to investigate alleged discrimination against EU companies in foreign procurement markets. If the European Commission finds evidence of discrimination, it could launch negotiations with the third country and adopt reciprocal restrictive measures, such as a market closure or a price penalty, in national procurement markets. See Roderick Edward Noël Harte, "International Procurement Instrument [EU Legislation in Progress]," *European Parliamentary Research Service Blog*, December 1, 2017. *https://epthinktank.eu/2017/12/01/international-procurement-instrument-eu-legislation-in-progress/*.

regulation on the screening of foreign direct investment.[*] [54] But while French President Emmanuel Macron hailed the "end of European naïveté" and an uncoordinated approach that he said China took advantage of, Italy and other EU Member States hungry for Chinese investment are far less willing to stand up to Chinese trade, human rights, military, and technology policies, fracturing the EU's leverage.[55]

At the end of March, Chinese President Xi travelled to Italy, Monaco, and France.[56] While France tried to present a unified European position following the release of the European Commission's white paper on China, Italy's endorsement of the Belt and Road Initiative highlighted the divisions on China policy with EU Member States that court Chinese investment.

A handful of Eastern European countries have already signed on to the Belt and Road Initiative, but Italy is the first G7 country to endorse China's signature infrastructure and development strategy.[57] The memorandum of understanding (MOU) between Italy and China comprises 29 separate deals totaling over $2.8 billion of projects.[58] Key areas of the MOU include commitments to boost infrastructure ties, financing, and interoperability in strategic sectors such as ports, energy, roads, and telecommunications, and promoting bilateral trade.[59]

Following his visit to Italy, President Xi traveled to France to meet with President Macron.[60] Despite France's skepticism of China's unfair and potentially threatening trade and technology practices, the two countries signed 15 major trade deals during the visit, including one for China's purchase of 300 Airbus aircraft from France.[61] At the last minute, President Macron invited German Chancellor Angela Merkel and European Commission President Jean-Claude Juncker to join a meeting with President Xi on trade, widely seen by more wary members of the EU as an attempt to step up pressure on China.[62]

Debates over use of Huawei's equipment in Europe's 5G rollout are another example of intra-EU frictions. On March 26, the last day of President Xi's visit, the European Commission issued a recommendation for common EU approach to 5G network security. Each Member State is encouraged to "complete a national risk assessment of 5G network infrastructures by the end of June 2019."[63] The recommendation referenced the European Parliament's Resolution on "security threats connected with the rising Chinese technological presence in the Union."[64]

Endnotes

[*] The regulation on the screening of foreign direct investment is a framework for cooperation among EU Member States to address security concerns with foreign investment in strategic or sensitive sectors, particularly when the investor is state-owned. The regulation requires EU Member States to share information and allows the European Commission to offer nonbinding opinions on foreign investments in EU Member States. However, it stops short of harmonizing national foreign investment screening mechanisms, creating an EU-wide screening mechanism, or even requiring Member States to have foreign investment screening mechanisms. It was agreed upon in November 2018. See European Commission, "Screening of Foreign Direct Investment—An EU Framework," 2019. *http://trade.ec.europa.eu/doclib/docs/2019/february/tradoc_157683.pdf*.

[1] U.S. Census Bureau, *Trade in Goods with China*, March 27, 2019. *https://www.census.gov/foreign-trade/balance/c5700.html*.

[2] U.S. Census Bureau, *Trade in Goods with China*, March 27, 2019. *https://www.census.gov/foreign-trade/balance/c5700.html*.

[3] U.S. Census Bureau, *Trade in Goods with China*, March 27, 2019. *https://www.census.gov/foreign-trade/balance/c5700.html*.

[4] U.S. Census Bureau, *Trade in Goods with China*, March 27, 2019. *https://www.census.gov/foreign-trade/balance/c5700.html*; Ministry of Commerce of the People's Republic of China, *Announcement on Levying Tariffs on Goods and Commodity Imports from the U.S.*, September 19, 2018, *http://english.mofcom.gov.cn/article/newsrelease/significantnews/201809/20180902790073.shtml*; Frances P. Hadfield, Yun Gao, and Edward Goetz, "China's Retaliatory Tariffs on U.S. Goods – List of Affected Subheadings," *Cromwell & Moring*, August 19, 2018, *https://www.cmtradelaw.com/2018/08/china-threatens-new-retaliatory-tariffs-on-60-billion-in-u-s-goods-releases-list-of-affected-hts-subheadings/*.

[5] Huawei Technologies U.S.A., Inc., and Huawei Technologies Co., Inc., v. The United States of America et al., 4:19-cv-00159, U.S. District Court, Eastern District of Texas (Sherman), Filed: 03/06/2019, 3–4. *https://www.lawfareblog.com/document-huawei-lawsuit-against-united-states*.

[6] Huawei Technologies U.S.A., Inc., and Huawei Technologies Co., Inc., v. The United States of America et al., 4:19-cv-00159, U.S. District Court, Eastern District of Texas (Sherman), Filed: 03/06/2019, 3–4. *https://www.lawfareblog.com/document-huawei-lawsuit-against-united-states*.

[7] Huawei, "Huawei Sues the U.S. Government for Unconstitutional Sales Restrictions Imposed by Congress," March 7, 2019. *https://www.huawei.com/us/press-events/news/2019/3/huawei-sues-the-us-government*.

[8] Huawei, "Huawei Sues the U.S. Government for Unconstitutional Sales Restrictions Imposed by Congress," March 7, 2019. *https://www.huawei.com/us/press-events/news/2019/3/huawei-sues-the-us-government*.

[9] Arjun Kharpal, "'Justice Will Have its Day': Beijing Back's Huawei's Lawsuit against U.S. Government," *CNBC*, March 8, 2019. *https://www.cnbc.com/2019/03/08/china-supports-huawei-lawsuit-against-us.html*.

[10] Joseph Marks, "The Cybersecurity 202: Huawei Is Suing the U.S. to Win—in the Court of Public Opinion," *Washington Post*, March 18, 2019. *https://www.washingtonpost.com/news/powerpost/paloma/the-cybersecurity-202/2019/03/18/the-cybersecurity-202-huawei-is-suing-the-u-s-to-win-in-the-court-of-public-opinion/5c8ea1ec1b326b0f7f38f1ae/?utm_term=.fa4dbe689ecd*; Jan Wolfe, "Explainer: Huawei Faces Slim Odds in New U.S. Court Fight," *Reuters*, March 7, 2019. *https://www.reuters.com/article/us-usa-china-huaweitech-lawsuit-explaine/explainer-huawei-faces-slim-odds-in-new-u-s-court-fight-idUSKCN1QO2E6*; Gerry Shih, "Huawei Sues U.S. Government in Growing Counteroffensive against Purchasing Ban," *Washington Post*, March 7, 2019. *https://www.washingtonpost.com/world/huawei-sues-us-government-in-growing-counteroffensive-against-purchasing-ban/2019/03/07/776fa5fa-40a2-11e9-a44b-42f4df262a4c_story.html?utm_term=.2c0780be901c*.

[11] Joseph Marks, "The Cybersecurity 202: Huawei Is Suing the U.S. to Win—in the Court of Public Opinion," *Washington Post*, March 18, 2019. *https://www.washingtonpost.com/news/powerpost/paloma/the-cybersecurity-202/2019/03/18/the-cybersecurity-202-huawei-is-suing-the-u-s-to-win-in-the-court-of-public-opinion/5c8ea1ec1b326b0f7f38f1ae/?utm_term=.fa4dbe689ecd*; Jan Wolfe, "Explainer: Huawei Faces Slim Odds in New U.S. Court Fight," *Reuters*, March 7, 2019. *https://www.reuters.com/article/us-usa-china-huaweitech-lawsuit-explaine/explainer-huawei-faces-slim-odds-in-new-u-s-court-fight-idUSKCN1QO2E6*; Gerry Shih, "Huawei Sues U.S. Government in Growing Counteroffensive against Purchasing Ban," *Washington Post*, March 7, 2019. *https://www.washingtonpost.com/world/huawei-sues-us-government-in-growing-counteroffensive-against-purchasing-ban/2019/03/07/776fa5fa-40a2-11e9-a44b-42f4df262a4c_story.html?utm_term=.2c0780be901c*.

[12] Ellen Nakashima and Souad Mekhennet, "U.S. Officials Planning for a Future in which Huawei Has a Major Share of 5G Global Networks," *Washington Post*, April 1, 2019. *https://www.washingtonpost.com/world/national-security/us-officials-planning-for-a-future-in-which-huawei-has-a-major-share-of-5g-global-networks/2019/04/01/2bb60446-523c-11e9-a3f7-78b7525a8d5f_story.html?utm_term=.45a1fd265111*.

[13] Stu Woo and Dan Strumpf, "U.S.-Huawei Fight to Take Center Stage at Trade Show," *Wall Street Journal*, February 22, 2019. *https://www.wsj.com/articles/battle-in-barcelona-huawei-flexes-as-u-s-officials-head-to-trade-show-11550831400*.

[14] Jamie Smith, "Australia Banned Huawei over Risks to Key Infrastructure," *Financial Times*, March 27, 2019. *https://www.ft.com/content/543621ce-504f-11e9-b401-8d9ef1626294*; U.S.-China Economic and Security Review Commission, *Economics and Trade Bulletin*, March 6, 2019, 7. *https://www.uscc.gov/sites/default/files/trade_bulletins/March%202019%20Trade%20Bulletin_0.pdf*.

[15] David Bond and Nic Fildes, "U.K. Intelligence Panel Warns on Huawei Security Flaws," *Financial Times*, March 28, 2019. *https://www.ft.com/content/8d701096-50ac-11e9-b401-8d9ef1626294*.

[16] Lauren Cerulus, "Merkel Pushes Back on Calls for Huawei Ban in Germany," *Politico*, March 19, 2019. *https://www.politico.eu/article/merkel-pushes-back-on-calls-for-huawei-ban-in-germany/*.

[17] Tom Simonite, "U.S. Lawyers Don't Buy Huawei's Argument on Chinese Hacking," *Wired*, March 4, 2018. *https://www.wired.com/story/us-lawyers-dont-buy-huaweis-argument-chinese-hacking/*.

[18] Donald Clarke, "The Zhong Lun Declaration on the Obligations of Huawei and Other Chinese Companies under Chinese Law," March 17, 2019, 1. *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3354211*.

[19] Donald Clarke, "The Zhong Lun Declaration on the Obligations of Huawei and Other Chinese Companies under Chinese Law," March 17, 2019, 3. *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3354211*.

[20] Donald Clarke, "The Zhong Lun Declaration on the Obligations of Huawei and Other Chinese Companies under Chinese Law," March 17, 2019, 4–5. *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3354211*.

[21] Tom Simonite, "U.S. Lawyers Don't Buy Huawei's Argument on Chinese Hacking," *Wired*, March 4, 2019. *https://www.wired.com/story/us-lawyers-dont-buy-huaweis-argument-chinese-hacking/*.

[22] John S. McCain National Defense Authorization Act for Fiscal Year 2019 § 889, Pub. L. No. 115-232, 2018. *https://www.congress.gov/bill/115th-congress/house-bill/5515/text#toc-H4350A53097BD46409287451A50C4F397*.

[23] John S. McCain National Defense Authorization Act for Fiscal Year 2019 § 889, Pub. L. No. 115-232, 2018. *https://www.congress.gov/bill/115th-congress/house-bill/5515/text#toc-H4350A53097BD46409287451A50C4F397*; Wiley Rein, "Important Cyber Provisions Now under the 2019 NDAA," August 13, 2018. *https://www.wileyrein.com/newsroom-articles-Important-Cyber-Provisions-Now-Law-Under-the-2019-NDAA.html*.

[24] Lily Kuo, "China Warns of 'Tough Struggle' as It Cuts Growth Target to Lowest since 1990," *Guardian*, March 4, 2019. *https://www.theguardian.com/world/2019/mar/05/china-economy-target-cut-tough-struggle-ahead-li-keqiang*.

[25] *Xinhua*, "What Did Premier Li Say at the Two Session Press Conference?" March 15, 2019. *https://www.shine.cn/news/nation/1903151234/*; Yen Nee Lee, "China Says It Needs 'Stronger' Responses to Support its Slowing Economy," *CNBC*, March 4, 2019. *https://www.cnbc.com/2019/03/05/chinese-premier-li-keqiang-on-tax-cuts-monetary-stimulus-in-china.html*.

[26] Joe McDonald, "At Two Sessions, China Seeks to Bolster Cooling Economy," *Diplomat*, March 6, 2019. *https://thediplomat.com/2019/03/at-two-sessions-china-seeks-to-bolster-cooling-economy/*.

[27] Joe McDonald, "At Two Sessions, China Seeks to Bolster Cooling Economy," *Diplomat*, March 6, 2019. *https://thediplomat.com/2019/03/at-two-sessions-china-seeks-to-bolster-cooling-economy/*.

[28] Tripti Lahiri, "China's 'Two Sessions' Gathering in Three Numbers and Two Photos," *Quartz*, March 5, 2019. *https://qz.com/1565211/chinas-two-sessions-meeting-in-three-numbers-and-two-photos/*.

[29] Center for Strategic and International Studies, "What Does China Really Spend on its Military?" *https://chinapower.csis.org/military-spending*.

[30] U.S. Department of Defense, *President Signs Fiscal 2019 Defense Authorization Act at Fort Drum Ceremony*, August 13, 2018. *https://dod.defense.gov/News/Article/Article/1601016/president-signs-fiscal-2019-defense-authorization-act-at-fort-drum-ceremony/*.

[31] Zhao Runhua and Teng Jin Xuan, "China Passes Landmark Foreign Investment Law," *Caixin*, March 15, 2019. *https://www.caixinglobal.com/2019-03-15/china-passes-landmark-foreign-investment-law-101393025.html*; Yang Fanxin, "Draft Unveils China's Open Stance of Competitive Neutrality," *China Internet Information Center*, March 10, 2019. *http://www.china.org.cn/opinion/2019-03/10/content_74548062.htm*.

[32] Amanda Lee, "China Names and Shames Local Governments for Mistreating Foreign Investors," *South China Morning Post*, April 3, 2019. https://www.scmp.com/economy/china-economy/article/3004479/china-names-and-sh; Lingling Wei and Chao Deng, "China Aims to Placate U.S. with Law Banning Theft of Foreign Trade Secrets," *Wall Street Journal*, March 14, 2019. https://www.wsj.com/articles/china-aims-to-placate-u-s-with-law-banning-theft-of-foreign-trade-secrets-11552566137.ames-local-governments-mistreating-foreign.

[33] Steve Dickinson, "China's New Foreign Investment Law and Forced Technology Transfer: Same as It Ever Was," *China Law Blog*, March 21, 2019. *https://www.chinalawblog.com/2019/03/chinas-new-foreign-investment-law-and-forced-technology-transfer-same-as-it-ever-was.html*.

[34] Lingling Wei and Chao Deng, "China Aims to Placate U.S. with Law Banning Theft of Foreign Trade Secrets," *Wall Street Journal*, March 14, 2019. *https://www.wsj.com/articles/china-aims-to-placate-u-s-with-law-banning-theft-of-foreign-trade-secrets-11552566137*.

[35] Office of the U.S. Trade Representative, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*, March 22, 2018. *https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF*; National People's Congress of the Republic of China, *Foreign Investment Law of the People's Republic of China*, March 15, 2019. Translation. *http://www.npc.gov.cn/npc/xinwen/2019-03/15/content_2083532.htm*.

[36] Office of the U.S. Trade Representative, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*, March 22, 2018. *https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF*; National People's Congress of the Republic of China, *Foreign Investment Law of the People's Republic of China*, March 15, 2019. Translation. *http://www.npc.gov.cn/npc/xinwen/2019-03/15/content_2083532.htm*.

[37] Lingling Wei and Chao Deng, "China Aims to Placate U.S. with Law Banning Theft of Foreign Trade Secrets," *Wall Street Journal*, March 14, 2019. *https://www.wsj.com/articles/china-aims-to-placate-u-s-with-law-banning-theft-of-foreign-trade-secrets-11552566137*. Steve Dickinson, "China's New Foreign Investment Law and Forced Technology Transfer: Same as It Ever Was," *China Law Blog*, March 21, 2019. *https://www.chinalawblog.com/2019/03/chinas-new-foreign-investment-law-and-forced-technology-transfer-same-as-it-ever-was.html*; Zhou Xin, "China Approves New Foreign Investment Law Designed to Level Domestic Playing Field for Overseas Investors," *South China Morning Post*, March 15, 2019. *https://www.scmp.com/economy/china-economy/article/3001780/china-approves-new-foreign-investment-law-designed-level*.

[38] Steve Dickinson, "China's New Foreign Investment Law and Forced Technology Transfer: Same as It Ever Was," *China Law Blog*, March 21, 2019. *https://www.chinalawblog.com/2019/03/chinas-new-foreign-investment-law-and-forced-technology-transfer-same-as-it-ever-was.html*; Office of the U.S. Trade Representative, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*, March 22, 2018. *https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF*.

[39] Office of the U.S. Trade Representative, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*, March 22, 2018, 20. *https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF*.

[40] Angela Huyue Zhang, "Bureaucratic Politics and China's Anti-Monopoly Law," *Cornell International Law Journal* 47:3 (2014). *https://scholarship.law.cornell.edu/cilj/vol47/iss3/6/*.

[41] Office of the U.S. Trade Representative, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*, March 22, 2018, 41–43. *https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF*.

[42] Isabelle Hoagland, "Pompeo: Despite Progress, U.S.-China Talks Could 'Fall Apart' at the Last Minute," *World Trade Online*, March 4, 2019. *https://insidetrade.com/daily-news/pompeo-despite-progress-us-china-talks-could-%E2%80%98fall-apart%E2%80%99-last-minute*.

[43] Amanda Lee, "Chinese Premier Li Keqiang Says Foreign Investment Law Shows Beijing Is Serious about Opening Economy Further," *South China Morning Post*, March 15, 2019. *https://www.cnbc.com/2019/03/15/chinas-new-foreign-investment-law-may-not-be-enough-for-us-trade-deal.html*; U.S.-China Business Council, "US-China Business Council Comments on the Draft Foreign Investment Law of the People's Republic of China," February 24, 2019. *https://www.uschina.org/sites/default/files/uscbc_comment_on_chinas_draft_foreign_investment_law_en_-_february_24_2019_0.pdf*; *World Trade Online*, "China Passes Foreign Investment Law with U.S. Concerns in Mind," March 15, 2019. *https://insidetrade.com/trade/china-passes-foreign-investment-law-us-concerns-mind*.

[44] U.S.-China Business Council, "US-China Business Council Comments on the Draft Foreign Investment Law of the People's Republic of China," February 24, 2019. *https://www.uschina.org/sites/default/files/uscbc_comment_on_chinas_draft_foreign_investment_law_en_-_february_24_2019_0.pdf*.

[45] Alexander Chipman Koty, "China's New Foreign Investment Law," *China Briefing*, Dezan Shira and Associates, March 20, 2019. *https://www.china-briefing.com/news/chinas-new-foreign-investment-law/*.

[46] Ministry of Commerce of the People's Republic of China, *Regular Press Conference of the Ministry of Commerce (March 21, 2019)*, March 21, 2019. Translation. *http://www.mofcom.gov.cn/article/ae/ah/diaocd/201903/20190302845575.shtml*; China Government Network, "Today's State Council Regular Meeting Decided Four Big Items," April 3, 2019. Translation. *http://www.gov.cn/guowuyuan/2019-04/03/content_5379492.htm*; Jiang Yan and Zhang Yuanke, "Li Keqiang: Supplementary Regulation for the Foreign Investment Law to Be Finished This Year, Financial Sector Will Continue to Open toward Outside," *Yicai*, March 28, 2019. Translation. *https://www.yicai.com/news/100150126.html*.

[47] Jiang Yan and Zhang Yuanke, "Li Keqiang: Supplementary Regulation for the Foreign Investment Law to Be Finished This Year, Financial Sector Will Continue to Open toward Outside," *Yicai*, March 28, 2019. Translation. *https://www.yicai.com/news/100150126.html*.

[48] Amanda Lee, "China Names and Shames Local Governments for Mistreating Foreign Investors," *South China Morning Post*, April 3, 2019. *https://www.scmp.com/economy/china-economy/article/3004479/china-names-and-shames-local-governments-mistreating-foreign*.

[49] Joint Communication to the European Parliament, the European Council and the Council, "EU-China – A Strategic Outlook," JOIN(2019), 1, *https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf*.

[50] Joint Communication to the European Parliament, the European Council and the Council, "EU-China – A Strategic Outlook," JOIN(2019), 6, *https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf*.

[51] Joint Communication to the European Parliament, the European Council and the Council, "EU-China – A Strategic Outlook," JOIN(2019), 5–6, *https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf*.

[52] Joint Communication to the European Parliament, the European Council and the Council, "EU-China – A Strategic Outlook," JOIN(2019), 11, *https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf*.

[53] Joint Communication to the European Parliament, the European Council and the Council, "EU-China – A Strategic Outlook," JOIN(2019), 2, *https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf*; Katsuji Nakazawa, "China's Belt and Road Descends on Europe, in Iron Curtain Fashion," *Nikkei Asia Review*, March 28, 2019. *https://asia.nikkei.com/Editor-s-Picks/China-up-close/China-s-Belt-and-Road-descends-on-Europe-in-Iron-Curtain-fashion*.

[54] Theresa Fallon, "When the China Dream and the European Dream Collide," *War on the Rocks*, January 7, 2019. *https://warontherocks.com/2019/01/when-the-china-dream-and-the-european-dream-collide/*.

[55] Michael Peel, Victor Mallet, and Miles Johnson, "Macron Hails 'End of European Naivete' towards China," *Financial Times*, March 22, 2019. *https://www.ft.com/content/ec9671ae-4cbb-11e9-bbc9-6917dce3dc62*; Theresa Fallon, "When the China Dream and the European Dream Collide," *War on the Rocks*, January 7, 2019. *https://warontherocks.com/2019/01/when-the-china-dream-and-the-european-dream-collide/*.

[56] Karen Leigh, "Xi to Visit Europe in Bid to Offset Concerns, Boost Trade," *Bloomberg*, March 17, 2019. *https://www.bloomberg.com/news/articles/2019-03-18/xi-to-visit-europe-in-bid-to-offset-concerns-boost-trade*; *Xinhua*, "Xi's Ongoing First Overseas Trip of 2019 Highlights Importance of China-Europe Ties," March 24, 2019. *http://www.xinhuanet.com/english/2019-03/24/c_137920243.htm*; Paul Haenle and Philippe Le Corre, "Xi's Visit to Europe and China as a 'Systemic Rival,'" *Carnegie-Tshinghua Center for Global Policy*, March 18, 2019. *https://carnegietsinghua.org/2019/03/18/xi-s-visit-to-europe-and-china-as-systemic-rival-pub-78615*.

[57] Government of the Italian Republic and Government of the People's Republic of China, *Memorandum of Understanding between the Government of the Italian Republic and the Government of the People's Republic of China on Cooperation within the Framework on the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative*, March 23, 2019. *http://www.governo.it/sites/governo.it/files/Memorandum_Italia-Cina_EN.pdf*; Miles Johnson, "Italy Endorses China's Belt and Road Initiative," *Financial Times*, March 23, 2019. *https://www.ft.com/content/fda398ac-4d72-11e9-b401-8d9ef1626294*; HKTDC Research, "The Belt and Road Initiative Country Profiles." *http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative-Country-Profiles/obor/en/1/1X000000/1X0A36I0.htm*.

[58] Miles Johnson, "Italy Endorses China's Belt and Road Initiative," *Financial Times*, March 23, 2019. *https://www.ft.com/content/fda398ac-4d72-11e9-b401-8d9ef1626294*.

[59] Government of the Italian Republic and Government of the People's Republic of China, *Memorandum of Understanding between the Government of the Italian Republic and the Government of the People's Republic of China on Cooperation within the Framework on the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative*, March 23, 2019. *http://www.governo.it/sites/governo.it/files/Memorandum_Italia-Cina_EN.pdf*; Zhenhua Lu, "Xi Jinping Urges France to Help Build Trust with China Ahead of Meeting with Germany and EU," *South China Morning Post*, March 26, 2019. *https://www.scmp.com/news/china/diplomacy/article/3003339/xi-jinping-urges-france-help-build-trust-china-ahead-meeting*.

[60] *Xinhua*, "Xi's Ongoing First Overseas Trip of 2019 Highlights Importance of China-Europe Ties," March 24, 2019, *http://www.xinhuanet.com/english/2019-03/24/c_137920243.htm*.

[61] Noemie Bisserbe, "In Delicate Courtship, France and China Make Deals," *Wall Street Journal*, March 26, 2019. *https://www.wsj.com/articles/in-delicate-courtship-france-and-china-make-deals-11553542187*.

[62] Richard Lough, "France's Macron to Host Xi, Merkel, and Juncker at March 26 Meeting," *Reuters*, March 21, 2019. *https://www.reuters.com/article/us-france-china-europe/frances-macron-to-host-xi-merkel-and-junker-at-march-26-meeting-idUSKCN1R22BD*; Keegan Elmer, "France's Emmanuel Macron Asks Angela Merkel and Jean-Claude Juncker to Join Meeting with Xi Jinping in Paris," *South China Morning Post*, March 22, 2019. *https://www.scmp.com/news/china/diplomacy/article/3002935/frances-macron-asks-merkel-and-juncker-join-meeting-xi-jinping*.

[63] European Commission, "European Commission Recommends Common EU Approach to the Security of 5G Networks," March 26, 2019. *http://europa.eu/rapid/press-release_IP-19-1832_en.htm?locale=en*.

[64] European Commission, "European Commission Recommends Common EU Approach to the Security of 5G Networks," March 26, 2019. *http://europa.eu/rapid/press-release_IP-19-1832_en.htm?locale=en*.