



## SPRINT/T-MOBILE DEAL MUST NOT ALLOW CHINA TO THREATEN US SECURITY

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The proposed merger between Sprint and T-Mobile poses serious national security risks that President Trump, his national security team, and Republicans in Congress should take very seriously.

Both Sprint and T-Mobile have a long history of using Chinese equipment suppliers Huawei and ZTE for devices integral to providing voice and data service, such as routers, servers, transmitters or receivers. These big suppliers — Huawei had more than \$92 billion in revenue last year — have powerful tools at their disposal that could be used against the United States. As Sen. Tom Cotton (R-Ark.) and other members of Congress (including House Permanent Select Committee on Intelligence members) have warned for years, the Chinese government reportedly has the ability and propensity to compromise U.S. cybersecurity through Huawei and ZTE equipment embedded in our communications networks.

It begins with what the Chinese consider to be free-market companies. In reality, rather than what we would consider an independent, non-governmental entity, a major Chinese firm producing electronic goods works in concert with, and often is partially or wholly owned by, the Chinese government. Therefore, Chinese companies Huawei and ZTE should be viewed as instruments of the Chinese state, which for decades has conducted espionage against the United States.

That is precisely why the U.S. government has taken action to guard against Huawei and ZTE infiltration of our critical-infrastructure communications networks.

Earlier this year, Congress passed and President Trump signed the fiscal year 2018 National Defense Authorization Act barring the Department of Defense (DOD) from using Huawei and ZTE telecommunications equipment and services. The Federal Communications Commission (FCC) recently opened a proceeding to investigate whether the Universal Service Fund, designed to help low-income and rural households to obtain broadband access, should not be used to purchase equipment or services from companies that pose national security risks; the FCC pointed out that protecting U.S. communications networks is one of its central roles.

The proposed merger between Sprint and T-Mobile would combine two companies that have a history of doing business with Huawei and ZTE, even when directly instructed by the U.S.

government to cease such activities. For example, in 2012, a majority-owned subsidiary of Sprint purchased network equipment from Huawei. Later that year, when the Japanese SoftBank acquired Sprint, the U.S. government Committee on Foreign Investment in the U.S. (CFIUS) required Sprint to remove Huawei equipment from its networks. Three years later, there is the question of whether Sprint still has embedded Huawei equipment in its networks throughout the United States, which would be in direct violation of its agreement with CFIUS and pose a potential threat to U.S. national security.

Sprint and T-Mobile now seek permission from the U.S. government, including CFIUS, the Department of Justice (DOJ) antitrust division and the FCC to expand Sprint's reach by merging the companies. The FCC and DOJ should postpone any action on the proposed Sprint/T-Mobile merger unless and until CFIUS concludes that the proposed transaction does not in any way threaten our national security or the integrity of our domestic communications networks.

CFIUS, which is chaired by the Department of the Treasury and includes the Departments of Defense, State and Homeland Security, is our last, best hope to protect our national security against any threat posed by foreign ownership of U.S. companies, especially companies that run critical infrastructure such as communications networks.

For its part, the Trump administration should demand answers from Sprint's Japanese parent company as to whether Sprint violated the 2012 CFIUS directive to remove Huawei equipment from Sprint's U.S. networks. If such a violation occurred, CFIUS should question whether to trust Sprint's parent company again. CFIUS should ask T-Mobile, and in particular its German government-owned parent company (representing still more foreign ownership of critical U.S. infrastructure), whether it has embedded Chinese equipment from ZTE or Huawei in our communications networks and, if so, what it will do to remove such equipment prior to consummating any merger.

Anything less would be an abdication of the U.S. government's fundamental role in protecting our national security.

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