

How The T-Mobile/Sprint Merger Will Impact National Security

The proposed T-Mobile and Sprint merger, as currently structured, is bad news for workers and consumers. It also raises serious national security concerns regarding possible integration of Chinese-owned Huawei and ZTE equipment in their networks.

2012: Bipartisan House study recommends excluding Chinese-owned Huawei and ZTE from networks

In 2012, the House Permanent Select Committee on Intelligence issued a bipartisan study assessing the security threat posed by Chinese-owned telecommunications companies Huawei Telecommunications Company (“Huawei”) and ZTE Corporation (“ZTE”). The report recommended that the U.S. government and its contractors exclude Huawei and ZTE equipment in their networks, and strongly discouraged private companies from using these two vendors in their networks.¹

2017: Bipartisan House and Senate Intelligence Committee Letter to FCC reiterates national security concerns over Huawei

In December 2017, a bipartisan group of 18 members of both chambers’ intelligence committees sent a letter to FCC Chairman Ajit Pai reiterating the national security risks posed by Chinese government ownership of Huawei and ZTE and expressing concern “about Chinese espionage in general, and Huawei’s role in that espionage in particular.”² Additionally, the FY 2018 National Defense Authorization Act barred the Department of Defense from using telecommunications equipment or services from Huawei or ZTE in several critical programs.³

2018: US Investigates Huawei for Trade Violations, Arrests Huawei Executive

In April 2018, the US Department of Justice launched a criminal probe into Huawei’s dealings in Iran, and in December arrested Huawei CFO in Canada for alleged trade law violations. As the Wall Street Journal reported, “For years, Washington has alleged the Chinese government could compel Huawei to tap into the hardware it sells around the world to spy or to disrupt communications. US officials say they are intensifying efforts to curb Huawei because wireless carriers world-wide are about to upgrade to 5G...”⁴

Sprint’s troubling history with Huawei

In 2012, Sprint’s then-majority-owned subsidiary Clearwire contracted with Huawei for network equipment. That same year, the Japanese company SoftBank purchased Sprint and its then majority-owned subsidiary Clearwire. A review of the transaction by the inter-agency Committee on Foreign Investment in the United States (CFIUS), which is tasked with assessing national security implications of foreign investments, led to a National Security Agreement requiring both companies to remove Huawei equipment from their networks.⁵ However, three years later, Sprint admitted that the Clearwire network still used Huawei equipment.⁶

Other countries have banned Huawei and ZTE equipment in their networks

In December 2018, Japan’s government banned the use of Huawei and ZTE from official contracts.⁷ In August 2018, Australia banned the use of Huawei and ZTE equipment on

national security grounds.⁸ In November 2017, New Zealand banned Huawei hardware from the nation's networks as a national security risk.⁹

Sprint's Japanese owner, SoftBank, and T-Mobile's German owner, Deutsche Telekom, have ongoing partnerships with Huawei and ZTE

Since 2015, SoftBank has partnered with the two companies to develop and deploy 5G wireless technologies in Japan. Deutsche Telekom has contracted with Huawei to provide equipment for its 5G roll-out in Germany. Deutsche Telekom and Huawei have participated in joint tests of 5G networks in both Germany and China.¹⁰ Given these connections, it is imperative that regulators weigh the merger's approval against the evidence showing Deutsche Telekom's and Softbank's ties with these Chinese entities in developing 5G wireless across the world. Even if U.S. regulators are successful in limiting the role of companies such as Huawei and ZTE in the build-out of 5G networks in the U.S., approving this merger could directly contribute to funding these Chinese companies' expansion and innovation in overseas markets, undercutting the goal of achieving U.S. leadership in next-generation 5G wireless.¹¹

Sprint/T-Mobile deal must not allow China to threaten US security

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 ... [T]he Chinese government reportedly has the ability and propensity to compromise U.S. cybersecurity through Huawei and ZTE equipment embedded in our 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.

Former George W. Bush White House staffer and current Fox News contributor Bradley Blakeman

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The Bottom Line? The proposed merger between T-Mobile and Sprint is bad for workers and consumers. Regulators should not approve the merger without verifiable and enforceable commitments to terminate any existing relationships with vendors that pose potential security threats, remove all equipment supplied by such vendors, verify Sprint's full compliance with the 2013 National Security Agreement, and the new T-Mobile's participation in regular national security audits.

¹[Investigative Report on the U.S. National Security Issues Posed by Chinese Telecommunications Companies Huawei and ZTE](#)," Permanent Select Committee on Intelligence, Oct. 8, 2012.

²[Letter from Senator Tom Cotton et al., U.S. Senate, to Hon. Ajit Pai, Chairman, FCC](#), Dec. 20, 2017.

³Pub. L. 115-91, 131 Stat. 1283, 1762, Sec. 1656.

⁴[Canadian Authorities Arrest CFO of Huawei Technologies at U.S. Request](#)," Wall Street Journal, Dec 5, 2018.

⁵[Sprint and SoftBank Pledge to Forego Huawei Equipment, Lawmaker Says](#)," New York Times, Mar. 28, 2013.

⁶[Surprise! Sprint Still Has Huawei in Its Network](#)," Light Reading, Jan. 25, 2016.

⁷[Japan effectively bans China's Huawei and ZTE from government contracts, joining U.S.](#)," Washington Post, Dec. 10, 2018.

⁸[Huawei and ZTE handed 5G network ban in Australia](#)," BBC News, Aug. 23, 2018.

⁹[New Zealand blocks Huawei imports over 'significant security risk'](#)," Guardian, Nov. 28, 2018.

¹⁰See [CWA Reply Comments](#), pp. 35-36, Oct. 31, 2018; ["Deutsche Telekom Targets 99% 5G Coverage in Germany by 2025"](#), Light Reading, Oct. 12, 2018.

¹¹[CWA Reply Comments to FCC](#), pp. 36-37.