A week after the United States first penalized China’s second largest telecom equipment provider ZTE, there is still no consensus in China on how to interpret the case. On April 20, ZTE representatives called a press conference, urging the people of China to back the company against unfair treatment by the United States. Several voices with inconsistent messages have emerged in the wake of the penalties.

Populists and netizens quickly derided the United States, and treated the U.S. Commerce Department’s penalty as a political maneuver rather than legal decision. They conflated the ZTE case with an aim at attacking the Made in China 2025 industrial policy initiative and China’s overall technological development.

The ZTE deal was also evaluated based on its direct impact on the state. A report from the research arm of China’s State-Owned Assets Supervision and Administration Commission (SASAC), the organ that oversees China’s state-owned enterprises, emphasized that ZTE violated both foreign and domestic laws. In the Global Times, Liu Kun, stressed SASAC’s findings, saying that “when it comes to international businesses, companies should always follow the rules and regulations of foreign markets.” At the same time, the report itself emphasized ZTE’s violation of domestic regulations: “According to state regulations, such confidential information was absolutely not allowed to go abroad!”

In addition, ZTE’s response to the decision was also criticized, specifically for coopting national sentiment for its own benefit. Online writers responding to ZTE’s press conference argued that for the
company to use public sentiment in this way was akin to committing daode bangjia (道德绑架) or “moral kidnapping.”

Other academics were more prescriptive, focusing on what the ZTE case means for future national high-tech policy. Preeminent economist Wu Jinglian noted “the danger” of harnessing “nationalism to support our related industries” and criticized the concept of technological developments “at all costs.” Some experts admitted that ZTE had problems abiding by to the spirit of contract, risk management, and legal compliance. They therefore suggested building out the Chinese compliance system and consolidating development generally to prevent further mishaps. These scholars warned against the vulnerability of relying on foreign supply chains and argued that developing China’s domestic technology was extremely important to do so.

Finally, entrepreneurs sharply criticized ZTE for its poor business practices, such as this author on WeChat. Such bloggers also argued that ZTE’s actions were harmful to all Chinese companies because when Chinese companies do not “respect the rules, we also lose the protection of the rules and can only succumb to the invisible powers that be.”

A great deal is still up in the air. Whether the Chinese government will take responsibility for Chinese companies in ZTE’s position — and if so, how — has yet to be determined. Either way, aside from what the ZTE case may mean for China’s determination to develop an independent chip industry, this case highlights the variety of voices in China and may also mark the beginning of another change in the relationship between China’s companies and government.

Ms. Maria Krol Sinclair is a Program Coordinator and Research Assistant with the Freeman Chair in China Studies at CSIS.

Mr. Qiu Mingda is a Research Associate with the Freeman Chair in China Studies at CSIS.

Further Reading