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October 16, 2024

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

Dear Secretary Raimondo,

We write to respectfully seek your agency's urgent action to address Huawei's rapid buildout of semiconductor fabrication facilities and address attempts by Huawei to conceal its involvement with these facilities as part of an effort by the company to circumvent restrictions imposed by your agency.¹ These facilities still rely on a large amount of U.S.-produced manufacturing equipment (SME) which provides the United States with an opportunity to deny Huawei its chip ambitions. Such ambitions clearly threaten our national security.

You have long been a leader in raising alarm about the threat posed by Huawei's chip capacity. In 2023, you described reports that Huawei had potentially used U.S. SME to manufacture advanced semiconductors as "deeply disturbing." Earlier this year Commerce reportedly took the important step of revoking licenses for U.S. companies to ship their chips to Huawei's smartphone division.² Just as you have taken steps to prohibit Huawei from purchasing U.S. chips, it is similarly important and logical to restrict the flow of SME to prevent Huawei from fabricating its own chips. Restricting the flow of SME to Huawei's clandestine network of semiconductor companies will send an important signal to both the PRC and Huawei that the United States will take appropriate action to prevent U.S. technology from enabling its problematic technology ambitions. It will also demonstrate to our allies and partners the seriousness and fairness with which the U.S. Government executes its export control policy.

¹ Merics Institute for China Studies. August 9, 2024. "Huawei is quietly dominating China's semiconductor supply chain." <https://merics.org/en/report/huawei-quietly-dominating-chinas-semiconductor-supply-chain>

² Lionel Lim. October 6, 2023. Fortune. "Why U.S. Commerce Secretary Gina Raimondo is calling Huawei's new phone 'incredible disturbing.'" <https://fortune.com/asia/2023/10/06/why-commerce-secretary-gina-raimondo-is-calling-huawei-smartphone-incredibly-disturbing/> and Alexandra Alper, Fanny Potkin, and David Shepardson. And May 8, 2024. Reuters. "US revokes Intel, Qualcomm's export licenses to sell to China's Huawei, sources say." <https://www.reuters.com/technology/us-revoked-some-export-licenses-chinas-huawei-2024-05-07/>

Failing to do so will only benefit a small group of American companies producing SME at the expense of chipmakers worldwide who cannot sell their chips, undermining the intent of the Huawei listing, and harm our national security.

Huawei's clandestine chip network appears to include firms such as Pengxin Xu (鹏新旭) SwaySure Technology (昇维旭) Qingdao SiEn (芯恩-青岛), and potentially many others, none of which are currently listed on the Department of Commerce's Entity List.³ Despite one of Huawei's clandestine entities – PXW Semiconductor – being quickly and correctly put on the Entity List in 2022, Huawei has likely turned to other firms to meet its semiconductor needs. Knowledge of these firms and their close connections to Huawei have been repeatedly described in public news reports, including by conducting physical site visits to ascertain these firms' connections with Huawei.⁴

For example, PXW Semiconductor's sister firm, SwaySure, which reportedly is developing advanced memory chips for AI⁵, is understood to be ultimately controlled by the Shenzhen State-owned Shenzhen Major Industrial Investment Group Co., Ltd., the same entity that controls PXW (on the Entity List) with SwaySure also being run by former Huawei executives and reportedly engaging in “supply chain collaboration and research” with Huawei.⁶ Pengxin Xu is also believed to be ultimately run by the Shenzhen Major Industrial Investment Group Co., Ltd.; and PRC media has said PXW, SwaySure and Pengxin Xu are all pillars of the Shenzhen government's buildout of its semiconductor capacity.⁷ Given that PXW Semiconductor was added to the Entity List based on “information that this company represents a risk of diversion to a party on the BIS Entity List” it stands to reason its sister companies, which are also suppliers in the semiconductor industry, and openly reported close connections with Huawei would carry the same risk.⁸

³ Ian King and Debby Wu. August 23, 2023. Bloomberg. “Huawei Building Secret Network for Chips, Trade Group Warns.” <https://www.bloomberg.com/news/articles/2023-08-23/huawei-building-secret-chip-plants-in-china-to-bypass-us-sanctions-group-warns?embedded-checkout=true>

⁴ Bloomberg News. “Key Taiwan Tech Firms Helping Huawei With China Chip Plants.” October 2023. <https://www.bloomberg.com/news/articles/2023-10-03/taiwan-tech-companies-are-helping-huawei-build-a-secret-network-of-chip-plants?embedded-checkout=true>

⁵ Semiconductor Frontier. “Former TSMC Plant Manager + Elpida president! Sunway plants to build a 12-inc DRAM plant, with trial production scheduled for the first quarter of 2024.” June 2022. <https://www.eet-china.com/mp/a141223.html>

⁶ Baidu Knowledge. “HW and the Chinese Academy of Sciences jointly applied for a new type of Dram patent.” May 2023. <https://tieba.baidu.com/p/8408915949> and Baidu Knowledge. “Is Shengweixu related to Huawei?” April 2024. <https://zhidao.baidu.com/question/251654298276890444.html>

⁷ CSDN. “Pengxin Micro, Pengxin Xu, Shengwei Xu – Shenzhen's three major chip factories Shenzhen's main fab factories.” April 2024. https://www.baidu.com/link?url=AtSd2JBVLSO22jt-BS2IEwEG3UX5PPf71Q15OACyoCIlqEstOFJV0aj_YbOgzItllw4CsrqJRg3zVoy-LnepX-iGFfKyIj4CKMZGi57fJNa&wd=&eqid=c03c3bed0378e3ea000000066708690b

⁸ Bureau of Industry and Security. Federal Register. “Additions and Revisions to the Entity List and Conforming Removal from the Unverified List.” December 2022. <https://www.federalregister.gov/documents/2022/12/19/2022-27151/additions-and-revisions-to-the-entity-list-and-conforming-removal-from-the-unverified-list>

We must continue in our efforts to deny Huawei, and similar firms, the ability to access U.S. technology that undermines our national security. Given the clear ties of the aforementioned firms to Huawei and the PRC government, we ask that you move quickly to deny Huawei's ability to use U.S. SME to build its own semiconductor capabilities. We applaud your work to reportedly address these issues in coordination with allies and partners. However, we remain concerned the drawn-out negotiations have let Huawei continue to stockpile the SME necessary for reconstituting their supply chains.

We appreciate the significant steps Commerce has taken to date on Huawei and look forward to hearing your response.

Sincerely,



John Moolenaar
Chairman



Raja Krishnamoorthi
Ranking Member

CC:

The Honorable Lloyd Austin, Secretary, U.S. Department of Defense

The Honorable Antony Blinken, Secretary of State, U.S. Department of State

The Honorable Jennifer Granholm, Secretary, U.S. Department of Energy