

**Questions for the Record Submitted to
Deputy Assistant Secretary Rob Strayer by
Senator John Cornyn (No. 1 to No. 5)
U.S. Senate Committee on the Judiciary
May 14, 2019**

Question 1:

The U.S. has a vested national security interest in seeing developers continue to lead in all areas of the 5G race. I am particularly concerned about Chinese equipment manufacturers refusal to pay proper licensing standards for IP developed in the U.S. When Chinese companies do not pay proper licensing fees, the money stays inside the company providing billions in additional dollars for Chinese companies to invest in standards technology; while starving the US developers of the money that would be using for additional R&D in the standards space. Even more concerning, this problem is not just limited to the race for 5G. If we do not fix this disparity, it is impossible to expect U.S. innovators to continue developing at the same pace at the Chinese:

How can American companies compete in the development of 5G, 6G, AI, autonomous vehicle standards, and in all other sectors of the future, when US developers are intentionally being starved of R&D dollars by Chinese companies?

Answer 1:

Innovation and market discipline make U.S. firms world leaders in many parts of the 5G ecosystem, from semiconductors and smartphones to routers and servers, and we expect they will be competitive in developing and deploying other emerging technologies such as AI and IOT. Our companies continue to be market leaders throughout the ICT ecosystem and this shows the strength of the U.S. market-based approach. At the same time, the USG is taking action to address the unfair Chinese trade practices.

Question 2:

Should the USG consider forcing IP compliance by denying Chinese companies access to the U.S. market, until they are properly licensed?

Answer 2:

DOS defers to DHS on this matter.

Question 3:

Last year, I was proud to author legislation that helped close the gap on one of the existing tools used by the Chinese to acquire sensitive U.S. technology. My legislation, the Foreign Investment Risk Review Modernization Act (FIRRMA), strengthened the process whereby the Committee on Foreign Investment in the United States' vets' foreign investments in U.S. companies:

Given both DHS' and State's membership on the CFIUS Committee, are you both aware that Treasury's pilot program calls for transactions involving critical technologies in the fields of:

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wireless communications manufacturing, including semiconductor manufacturing and telephone apparatus manufacturing to be reviewed moving forward?

Answer 3:

Yes. The pilot program applies to certain investments by foreign persons in U.S. businesses that are involved with one or more critical technologies related to 27 enumerated sensitive industry sectors. Each of the industry sectors you mentioned are included.

Question 4:

Do you believe that transactions involving these critical technologies should be highly scrutinized moving forward in order to protect the interests of U.S. national security?

Answer 4:

I believe the security of information and communications technology (ICT) networks and services is a critical element of national security. ICT plays a crucial role in the safety, security, and prosperity of all nations and is thus an attractive target for foreign adversaries and malicious cyber actors. Executive Order 13873 entitled “Securing the Information and Communications Technology and Services Supply Chain” underscores how seriously the Administration takes its commitment to secure the ICT supply chain from efforts by foreign adversaries to create and exploit vulnerabilities. Protecting sensitive technology and intellectual property is a global challenge most likely to be realized through robust investment review mechanisms, such as CFIUS in the United States, multilateral export control regimes, and enhanced information sharing and collaboration among like-minded nations.

Question 5:

As the United States and China continue to escalate economic tensions and begin to decouple supply chains, what is the effect on the competitiveness of companies who are looking to conduct research in this space?

Answer 5:

DOS defers to DHS on this matter