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China Seeks Out Unlikely Ally: U.S. Tech Firms

As U.S. readies cybertheft sanctions against China, President Xi to meet with heads of tech firms

By CHRISTOPHER MIMS

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Chinese President Xi Jinping's visit to the U.S. starts Tuesday with meetings with tech executives in Seattle rather than government officials in Washington, but politics will still be front and center.

Mr. Xi's goal, say several experts on U.S. and China relations, will be to cajole American tech chief executives into helping him persuade the Obama administration not to retaliate against China for years of alleged hacking and theft of intellectual property, which the Chinese government has repeatedly denied.

He will try to accomplish this by convening what may be a single or multiple private meetings with CEOs from U.S. firms—including potentially Tim Cook, head of Apple Inc., and Satya Nadella, head of Microsoft Corp.

Along with International Business Machines Corp. CEO Virginia Rometty, who was reportedly invited but whose attendance IBM wouldn't confirm, Mr. Zuckerberg may be treated to a bit of statecraft that goes something like this if, in fact, Mr. Cook is in attendance at a private meeting of American tech CEOs that will take place the afternoon of Sept. 23, which may or may not include Mr. Xi.

"The companies who are all there are going to be able to hear from Tim Cook," says Alec Ross, former technology adviser to Hillary Clinton during her years as secretary of state. "Xi will turn to Tim Cook and say 'We are so pleased you are doing business in our country.' And what Apple represents is that American companies can enter the consumer market in China and win."

Indeed, Mr. Cook said at an Apple event in September that last quarter, growth in sales of iPhones shot up 75% in China from the prior year. In a letter to CNBC host Jim Cramer last month, he said, "I continue to believe that China represents an unprecedented opportunity over the long term."

Apple didn't respond to a request for comment.

That's the kind of opportunity American tech companies would like to take advantage of, especially as they seek growth outside of developed-world markets. There are a number of barriers in the way, including China's demands that U.S. companies host their data inside the country as well as submit to China's laws about giving the government unfettered access to that data.

But another barrier looms: The Obama administration is ready to get serious about inflicting economic pain on China if the country doesn't stop hacking into U.S. companies and stealing all their hard-won secrets—technologically-enabled piracy.

The problem, says Mr. Ross, is that China fundamentally views this kind of hacking as a commercial matter. As such, it's necessary for the continuing growth and profitability of China's state-owned and state-affiliated companies, and therefore key to maintaining China's engine of growth, which the party also views as essential to maintaining order in a country of 1.3 billion people.

The U.S., on the other hand, views it as a matter of national security, Mr. Ross says.