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U.S. Penalizes 24 Chinese Companies Over Role in South China Sea

The Trump administration moved to cut them off from the American market on Wednesday, saying they had contributed to China's controversial island-building campaign.



The 24 companies added to a government list that bans them from buying American products included the China Communications Construction Company.

By Ana Swanson

WASHINGTON — The Trump administration on Wednesday added 24 Chinese companies to a government list **that bans them from buying American products**, citing their role in helping the Chinese military construct artificial islands in the disputed South China Sea.

The Trump administration has penalized dozens of Chinese companies in previous months by adding them to the so-called **entity list over national security concerns related to advanced technology** and alleged **human rights violations against Muslim minorities** in the Xinjiang region. But this is the first time that the administration has used the entity list in relation to China's encroachment in the South China Sea, which stretches south of Hong Kong and borders the Philippines, Vietnam, Malaysia and other countries.

Companies added to the entity list will no longer be able to buy technology and other products shipped from the United States, “whether a toothbrush or a semiconductor,” without first obtaining special permission to do so, said Kevin Wolf, an international trade partner at Akin Gump. While companies can request a license to continue selling to firms on the entity list, such requests are often denied, the Commerce Department said.

The State Department also announced that it would begin imposing visa restrictions on Chinese citizens “responsible for, or complicit in, either the large-scale reclamation, construction, or militarization of disputed outposts in the South China Sea.” Such

individuals would be barred from the United States, and their family members may also face visa restrictions, the announcement said.

Senior State Department officials said they could not publish the names of the executives that would be precluded from traveling to the United States, but they noted that there were “dozens of individuals” who would be subject to the travel restrictions.

The move is the latest in a series of actions that have further soured relations between China and the United States. President Trump, who has accused Beijing of not doing enough to prevent the coronavirus from becoming a global pandemic, has increasingly looked to punish China.

In recent weeks, the Trump administration moved to bar the Chinese-owned social media apps TikTok and WeChat from the United States, shut down a Chinese diplomatic mission in Houston, and placed sanctions on Chinese officials and entities over human rights violations, among several other measures. In July, Secretary of State Mike Pompeo announced that China’s claims across much of the South China Sea were “completely unlawful,” paving the way for the United States to pursue sanctions against Chinese companies acting in the region.

A spokesperson from the Chinese Embassy in Washington on Wednesday called the sanctions “completely unreasonable” and said the South China Sea was an “integral part of China’s territory.”

“It is an act of hegemony in serious violation of international law and basic norms covering international relations. China firmly rejects and condemns it,” the spokesperson said. “We urge the U.S. side to immediately withdraw its wrong decision and stop harming China’s interests and undermining China-U.S. relations.”

The South China Sea has become a potential site for military confrontation, with worrying brushes between ships and aircraft. On Tuesday, China accused the Americans of flying a U-2 spy plane over a live-fire military exercise that China had been conducting, calling it a “naked provocation.” Senior State Department officials declined to confirm or comment on news reports of two missiles fired by Chinese military into the South China Sea.

The Chinese government has been rapidly building artificial islands in the disputed waters since 2013, dredging and constructing more than 3,000 acres of new land, including air defense and anti-ship missile features, the Commerce Department said in its announcement. The island building undermines the sovereignty of other countries in the region and comes despite the condemnation of the United States and other countries, according to the announcement.

“The entities designated today have played a significant role in China’s provocative construction of these artificial islands and must be held accountable,” Wilbur Ross, the commerce secretary, said in a statement.

A senior Commerce Department official told reporters on Wednesday that “there’s been a relatively small amount” of U.S. exports to the companies targeted on Wednesday, totaling around \$5 million over the past five years.

The named companies include several divisions of China Communications Construction Company, a contractor for many of the “Belt and Road” infrastructure projects that China has built around the world. In its announcement, the State Department said that the company had “engaged in corruption, predatory financing, environmental destruction and other abuses across the world.”

The list also includes Beijing Huanjia Telecommunication Company, Chongxin Bada Technology Development Company, Shanghai Cable Offshore Engineering Company, Tianjin Broadcasting Equipment Company, and the research institutes of the China Electronics Technology Group Corporation and China Shipbuilding Group.

China must not be allowed to use these companies “as weapons to impose an expansionist agenda,” Mr. Pompeo said in his statement. “The United States will act until we see Beijing discontinue its coercive behavior in the South China Sea, and we will continue to stand with allies and partners in resisting this destabilizing activity.”

The United States does not have maritime claims in the South China Sea, but wants to ensure Beijing does not trample on the “sovereign rights” of Southeast Asian nations. Senior State Department officials also accused China and its state-owned companies of “bullying and coercion” in the region, which plays host to lucrative and vital shipping lanes.

David R. Stilwell, the assistant secretary of state for the Bureau of East Asian and Pacific Affairs, has referred to China’s territorial expansion in the region as “modern-day equivalents of the East India Company,” referring to the trading company that fueled the British Empire.