

# Caught in the middle of the US-China trade war.

Has the arrest by Canadian officials of Meng Wanzhou, the Chief Financial Officer (CFO) of the Chinese telecommunications giant Huawei, created another cold war? Arrested on an extradition request from the US, she has now been released on \$10 million bail and must stay at her Vancouver home. Seemingly in response this past week, China has detained two Canadian businessmen Michael Spavor and Michael Kovrig.

## **Meng and Huawei**

Meng, who lives in Shenzhen China, is the daughter of Ren Zhengfei, the founder of Huawei technologies. Meng's father is the world's 83rd richest person, with a net worth of US\$3.2 billion. She is currently the CFO of Huawei and deputy Chairwoman of the board.

Huawei generated over \$90 billion US in revenue in 2017 and \$7 billion US in net profits. The company is poised to take a huge advantage of the global roll out of 5G – The fifth generation of cellular wireless technology. Huawei has been described as the world's largest telecommunications company. The firm employs 180,000 people in more than 170 countries and regions worldwide, including more than 700 people in Canada.

But Cyber-security experts have warned Canada about doing business with Huawei, as they say Meng's father is a former military engineer for the China's People's Liberation Army, thus raising concerns about the close relationship between the company and the Chinese government.

## **What is Meng accused of doing?**

There are fraud allegations against Meng that center around

the relationship between Huawei and a company called Skycom, which has done business in Iran. Iran is subject to US sanctions, where companies can be found criminally liable if they violate UN trade sanctions. US prosecutors accuse her of making “misrepresentations” including the assertion Huawei has sold all its shares in Skycom, and Meng had also quit her position on the Skycom board. This is highly misleading because Huawei sold its shares in Skycom to a company also controlled by Huawei. The claim is Meng has deceived financial institutions.

U.S. prosecutors have 60 days from the date of her arrest to file an official request for extradition. Meng will also have to pick up the tab for her 24/7 “guarding” which will continue until at least the next court appearance on February 6 2019, which is interestingly a date quite near the End February 2019 US-China trade talks extension. The United States will then have to provide a record of the case explaining the alleged offence and describe the type of evidence that might be presented at trial.

### **China’s reaction**

Arguing that she is being treated inhumanely, since the arrest, China has made it clear that they want Wanzhou released immediately, as they continue to threaten Canada with “unnamed consequences” if it doesn’t. Canada’s business community is openly worried about what’s coming next. Brian Kingston, Vice President of policy for the Business Council of Canada, told CBC News: “The options are essentially limitless and that’s what’s concerning about this.” According to Jim Carr, Canada’s minister of International Trade Diversification, as of today there are no indications from China of what those consequences might be.

### **Canada caught in the middle of the US-China trade war**

All of this is creating a huge amount of uncertainty for

Canadian businesses that operate in China and for Chinese in Canada, not to mention investors. It appears for now that Canada has to respect the extradition treaty with the United States, and so has no choice. One could say Canada is now caught in the middle of the US-China trade war.

The moral of the story is that companies and countries need to follow the rules and respect the law – As Apple and Huawei recently found out in their dealings with Qualcomm. Hopefully cool heads will prevail with all parties following international law. If this is the case then the trade war should melt away soon and give investors a break, after all if you continue to burn investors then one day there may be no investors left.