

US/CHINA: Why has Beijing not retaliated against US technology companies?

The Chinese government has responded tit-for-tat to several recent coercive measures from the US, but the pattern of retaliation has been inconsistent. For some US actions, Beijing has not responded at all. Lack of retaliation on several vital issues raises the question of whether retaliation is still pending or whether leaders are choosing to exercise forbearance in the hopes of avoiding further deterioration in bilateral relations.

For US actions where a tit-for-tat response from Beijing is straightforward, such responses have generally been forthcoming. For example, on 10 August, China's foreign ministry announced sanctions against 11 Americans, including six members of Congress, in response to US sanctions against Hong Kong Chief Executive Carrie Lam and ten other officials. On 13 July, Beijing retaliated similarly against US sanctions on Chinese officials involved in alleged repression in Xinjiang. On 14 July, Beijing sanctioned Lockheed Martin over the company's Washington-approved sale of arms to Taiwan. The two governments have also traded a series of tit-for-tat expulsions of journalists.

But on several key issues, Beijing has refrained from retaliation. Most notable is the escalating series of US export controls targeting Huawei since May 2019. Chinese state media previously named several US companies that Beijing may target with the Commerce Ministry's ["unreliable entities" list](#), but authorities have so far declined to deploy this tool. Beijing has similarly declined to retaliate against the [export controls](#) targeting a group of Chinese companies – including facial recognition companies SenseTime, Megvii, and Yitu – over alleged repression in Xinjiang in October 2019.

Retaliation for the Huawei sanctions may still be pending. According to Chinese media, Huawei was recently forced to suspend production of the company's flagship Kirin processor, which is used in its new high-end Mate 40 smartphone. The suspension appears to reflect the impact of Commerce Department [rules issued in May 2020](#) that prevent US software companies from providing semiconductor design tools to Taiwan Semiconductor Manufacturing Corp, which produces chips for Huawei. With US sanctions now having an undeniable impact, the Chinese government may face increased pressure to retaliate as previously threatened. Beyond Huawei, the White House's plan to ban WeChat and possibly TikTok (if the app's Chinese parent company does not divest) forces Beijing into another decision on retaliation.

But as [previously noted](#), Beijing faces a difficult challenge in finding a means of retaliating against US technology companies that does not compromise China's access to key technology. One solution to this problem would be to target a consumer-focused US technology company that is not a source of high-end foreign technology that Chinese companies cannot replace.

Another possibility is that Beijing intends to forego or at least delay retaliation until after the US election. While Chinese leaders are under no illusion that a Biden administration would restore the pre-Trump status quo in bilateral relations, the leadership may calculate that forbearing from retaliatory measures would give a President Joe Biden space, within the US

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domestic political context, to seek improvement or at least stabilization of the relationship. They may even calculate that a second Trump administration could be willing to dial back tensions, once election pressures are removed.

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