

# Huawei's global ambitions come under a cloud (Update)

October 9 2012, by Kelly Olsen

---



Chinese telecom firm Huawei's ambitions to become a global brand rivalling Apple and Samsung have been hit by a US report claiming that the company, founded by a former Chinese soldier, posed an espionage threat.

Chinese telecom firm Huawei's ambitions to become a global brand rivalling Apple and Samsung have been hit by a US report claiming that the company, founded by a former Chinese soldier, posed an espionage threat.

Huawei was founded in 1987 by former People's Liberation Army engineer Ren Zhengfei and has risen to become the world's second-largest provider of carrier network infrastructure after Sweden's Ericsson.

Ren, a secretive figure who declines press interviews, set up Huawei

with just a few thousand dollars and built it into a \$32-billion-dollar business.

Huawei has been mentioned as a potential standard-bearer for a new breed of globally respected China companies as Beijing seeks to graduate from its labour-intensive economic model to one that can boast high-tech champions.

But in the latest and most damaging blow for those high hopes, a draft report by the House Intelligence Committee seen by AFP on Monday said a year-long probe found Huawei posed a security threat to the United States.

The report, which also singled out fellow Chinese telecoms firm ZTE, recommended that both should be barred from contracts and acquisitions in the US. Both firms have denied the allegations.

The issue is rooted in the distrust between the US and China as the latter has emerged as a global power, causing concern in Washington over the intentions of China's secretive one-party government and its fast-growing military.

US defence officials have repeatedly warned that China is strengthening its cyber-war capabilities, such as incapacitating vital US information systems.

Adding to concerns have been accusations that China is a major source of global computer hacking and cyberattacks, although Beijing denies any involvement.

The fear in the United States and other countries is that Huawei will allow its platforms to be manipulated by the Chinese government.

Being shut out of the US market would be a blow and Huawei's outraged reaction to the report has indicated that.

"This report is little more than an exercise in China-bashing and misguided protectionism," its US spokesman William Plummer told reporters.

Roland Sladek, the company's vice president for international affairs, told AFP the US market is vital for all telecom firms that aspire to grow.

"The US market is not only important because it is a key telecommunications market, but also because it's a market where a lot of innovation happens," Sladek said by phone from the southern Chinese city of Shenzhen, where the company is based.

Huawei has already been forced to back away from several North American investments amid pressure from Washington, while Australia earlier this year blocked it from bidding for contracts on a huge national broadband network.

European governments share these concerns, but have found ways to do business anyway. British officials, for example, scrutinise the company's source code to make sure its equipment is operating securely.

"This will have have an impact on their operations in some regions, mainly European and US markets," said Liang Xiao, an IT analyst at Beijing-based CCID Consulting, referring to both Huawei and ZTE.

"Europe and the US are sensitive to the potential impact that foreign telecom companies may have on their national security."

Huawei's ambitions go beyond products such as servers and application software used to build mobile phone networks. It has moved into high-

profile smartphones, dominated by Apple and Samsung Electronics.

Ren provides strategic vision to the company while leaving day-to-day operations to his board, Sladek told AFP previously, describing his boss as a "pure entrepreneur".

In a letter published in April with Huawei's annual report—one of several recent moves by the company to present a more open image—Ren likened the company's year-old system of rotating chief executives to the rise and fall of Chinese dynasties.

"Even if we fail, we will not regret our choice because we have blazed a new trail," he wrote.

(c) 2012 AFP

Citation: Huawei's global ambitions come under a cloud (Update) (2012, October 9) retrieved 25 April 2024 from <https://phys.org/news/2012-10-huawei-global-ambitions-cloud.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--