

Huawei Technologies has big plans, faces big questions

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Many Americans may not be familiar with Huawei Technologies, but the Shenzhen, China-based company has become one of the largest telecommunications and networking suppliers in the world, competing against the likes of Cisco and Ericsson, as well as Samsung and Apple in smartphone sales.

And it has aspirations to broaden its global reach - despite suspicions from the U.S. government that the company could pose a [national security](#) risk and its equipment could be used to spy on, or steal from, Americans.

"There is no evidence against us. It's supposition," said Joe Kelly, Huawei's head of international media affairs.

Kelly's remarks last month came as part of a discussion with American journalists visiting the company's Shanghai research and development center.

Founded in 1987 by Ren Zhengfei, a former officer of the People's Liberation Army, the company now operates in 170 countries.

More than half of its 150,000 employees worldwide have a stake in the employee-owned firm, which last year logged \$39 billion in revenue (up 8.5 percent from 2012) and \$3.5 billion in profit (up 34 percent).

Most of its business - about 70 percent - involves supplying

telecommunications equipment and services to carriers, Kelly said.

Another 24 percent comes from sales to consumers: In recent years Huawei has become the world's third largest smartphone vendor, behind Samsung and Apple. The remainder largely deals with corporate private networks.

Huawei's smartphone sales have taken off mainly due to the expansion of China's high-speed 4G LTE networks. But it's also seeing success in Europe and emerging markets.

And the company sees big opportunities in the growth of mobility, cloud computing and big data.

But it also faces some big challenges as it looks to expand globally.

Outside of China, the company's brand is not well known among consumers. And it's still facing continuing suspicion from the U.S. government, along with continued allegations of intellectual-property theft.

Earlier this year, T-Mobile USA filed a lawsuit claiming Huawei stole its software for a cellphone-testing robot.

(A Huawei spokesman acknowledged inappropriate actions by two company employees who were fired, but rejected the broader claims in the suit.)

In 2012, a U.S. congressional committee accused Huawei (along with fellow Chinese tech company ZTE) of stealing intellectual property from American companies.

COMMITTEE QUESTIONS

The committee also raised concerns that its equipment could be used for cyberwarfare, and questioned its ties to the Chinese government.

The congressional panel discouraged U.S. carriers from doing business with both companies.

Last year, the Obama administration had also queried South Korean officials about their plans to let Huawei develop the country's advanced wireless network, according to The Wall Street Journal.

But those concerns came even as documents from former National Security Agency contractor Edward Snowden revealed NSA spying on foreign governments and companies.

Earlier this year, those documents revealed the NSA had "pried its way into the servers in Huawei's sealed headquarters," monitored Huawei executives' communications, and gathered information that could allow the NSA to "exploit Huawei's technology so that when the company sold equipment to other countries ... the N.S.A. could roam through their computer and telephone networks," according to The New York Times.

While Huawei doesn't need the U.S. market to expand, the U.S. still represents about 30 percent of Huawei's markets.

"So you're playing in 70 percent of the market, effectively, if you can't compete openly in the U.S.," Kelly said.

"We're committed to when the U.S. government decides we pose no risk. We're patient. We're happy to return to the U.S. market."

One area Huawei is unlikely to return to, unless the market changes: Windows Phone.

Huawei produced two models running Microsoft's smartphone OS before it said it was putting its plans for future Windows Phones on hold.

"We didn't make any money in Windows Phone," Kelly said. "Nobody made any money in Windows Phone."

Huawei is also facing stiff competition in the smartphone market from Beijing-based Xiaomi, which in the third quarter of this year bypassed Huawei to become the world's third biggest smartphone vendor, according to IDC.

Xiaomi, founded just four years ago, has ascended quickly due mainly to a strategy of offering high-end features for low prices, resulting in high-volume sales figures, especially in its home country.

Huawei says it isn't looking to compete in the low-margin arena, and is instead concentrating on high-end phones.

"We will lose volume in that shift," Kelly acknowledged.

Where Huawei sees itself as different from its competitors is in its history with networking technology.

"Each phone that is made has got to connect to a network. The way in which it connects to the network will determine how it performs," Kelly said.

"Because of our legacy running networks,

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