

Huawei defends security record as annual sales top \$100B

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Huawei rotating chairman Guo Ping speaks as he releases the Huawei's annual report in Shenzhen in south China's Guangdong province, Friday, March 29, 2019. Chinese tech giant Huawei said its 2018 sales surged above \$100 billion, though sales of network equipment were flat amid U.S. warnings to other governments that its telecom technology is a security risk. (AP Photo/Dake Kang)

Chinese tech giant Huawei's deputy chairman defended its commitment

to security Friday after a stinging British government report added to Western pressure on the company by accusing it of failing to repair dangerous flaws in its telecom technology.

Guo Ping's comments came as Huawei Technologies Ltd., the biggest global maker of network equipment for phone and internet companies, announced last year's sales surpassed \$100 billion despite U.S. pressure on American allies to shun it as a security threat.

Accusations that Huawei, China's first global tech brand, might facilitate Beijing's spying threaten to hamper its access to global carriers that are preparing to invest billions of dollars in next-generation technology.

Britain's National Cyber Security Center added criticism Thursday on a different front, accusing Huawei of "poor software engineering." The agency said in a report British researchers saw no sign that was due to Chinese government interference, but it said Huawei had not repaired flaws that might make its systems vulnerable to cyberattacks.

Guo didn't respond directly to the British report's criticisms but said Huawei will work with regulators to improve security. He noted the [company](#) has promised to invest \$2 billion over five years to improve its software engineering and expressed confidence British regulators will "increase their confidence" in Huawei over time.

"We prioritize cybersecurity and privacy protection even above our commercial targets," Guo said at a news conference. He said the British report showed Huawei products had no "backdoors" to permit eavesdropping.

Huawei is, along with Sweden's LM Ericsson and Nokia Corp. of Finland, a global leader in developing fifth-generation, or 5G, telecoms. The technology is intended to vastly expand mobile networks to support

self-driving cars, medical devices and factory equipment, but that makes it more politically sensitive.

Huawei is at the center of U.S.-Chinese tensions over technology and accusations of cyber-spying and violating trade sanctions on Iran.



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The company's [chief financial officer](#) was arrested in December in Canada on U.S. charges of lying to banks about dealings with Iran. Beijing has detained two Canadians and blocked imports of canola from Canada in what is widely seen as an attempt to compel her release.

Huawei's U.S. market evaporated after a 2012 congressional report labeled the company a security threat, but sales elsewhere grew rapidly. Huawei passed Apple last year as the No. 2 global smartphone brand behind Samsung and earlier passed Ericsson as the No. 1 network gear seller.

Australia, Japan and Taiwan have imposed curbs on use of Huawei technology, but Germany, France and other governments are balking at U.S. demands to exclude it from 5G networks. Carriers complain that would reduce competition, raise prices and delay the rollout of 5G service.

Huawei has opened testing centers in Britain, Germany and Belgium for regulators to examine its products.

"We welcome the European Union's attitude," said Guo. "They do not discriminate against vendors from any country."

Chinese officials and some industry analysts have suggested the Trump administration might be exaggerating [security concerns](#) to hinder a competitor to U.S. tech brands.

Earlier this month, Premier Li Keqiang promised at a nationally televised news conference that Beijing never would tell Chinese tech

companies to spy on foreign countries.

Huawei's founder, Ren Zhengfei, told reporters earlier this year the latest U.S. criticism had yet to hurt sales. But Guo said Friday the company has to spend more time talking to potential customers "to address their concerns."



In this Thursday, March 7, 2019 file photo, two men use their mobile phones outside a Huawei retail shop in Shenzhen, China's Guangdong province. British cybersecurity inspectors have found significant technical issues in Chinese telecom supplier Huawei's software that they say pose new risks for the country's telecom companies. The annual report Thursday, March 28, 2019 said that because of Huawei's involvement in Britain's critical telecom networks it can only give "limited assurance" that long-term national security risks can be adequately managed. (AP Photo/Kin Cheung, File)

Despite that, Huawei's sales last year rose 19.5 percent over 2017 to 721.2 billion (\$105.2 billion), according to Guo. That was driven by double-digit gains for its consumer and enterprise units, while sales of network gear to phone and internet carriers were unchanged at 294 billion yuan (\$62.3 billion).

Profit rose 25.1 percent to 59.3 billion yuan (\$8.6 billion).

Guo blamed weak network gear sales on a temporary lull in investment by carriers. He expressed confidence 5G sales will take off this year.

Huawei denies U.S. accusations it is controlled by China's ruling Communist Party and says it is owned by about half the members of its 180,000-strong workforce. The company has no publicly traded shares but started issuing annual financial reports a decade ago in an attempt to appear more open and mollify Western security concerns.

Guo said global sales for the first two months of 2019 rose by more than 30 percent from a year earlier. Ren, the company founder, said earlier this year's revenue target is \$125 billion.

Huawei has announced sales of 5G networks to a handful of carriers and contracts with major carriers in Germany and other countries for field testing. The company says it already has shipped more than 40,000 5G base stations to customers.

Huawei is asking a U.S. federal court in a lawsuit filed this month to throw out a law that bars the Trump administration and government contractors from using its equipment. The company says that improperly punishes the company without giving it away to defend itself.

The company's chief legal officer, Song Liuping, said he had no updates on the lawsuit.

"We believe the U.S. court will give us a fair judgment," said Song at the news conference with Guo.

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