

China high-tech firms deny spying before Congress (Update)

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Executives of two major Chinese technology companies, Charles Ding, Huawei Technologies Ltd senior vice president for the U.S., left, and Zhu Jinyun, ZTE Corporation senior vice president for North America and Europe, are sworn in on Capitol Hill in Washington, Thursday, Sept. 13, 2012, prior to testifying before the House Intelligence Committee as lawmakers probe whether their expansion in the U.S. market poses a threat to national security. (AP Photo/J. Scott Applewhite)

(AP)—Two major Chinese technology companies on Thursday denied allegations that some of their equipment is designed to facilitate spying, but struggled to convince U.S. lawmakers that they are independent from the dictates of Beijing's communist government.

Raising their right hands, executives of Huawei Technologies Ltd. and ZTE Corp took an oath before testifying to the House Intelligence Committee, in what was a rare appearance by Chinese business leaders before a congressional panel. The hearing lasted 3 ½ hours and the executives answered questions through interpreters.

The committee is finalizing a yearlong probe into whether the companies pose a risk to U.S. national security. They are among the world's largest

suppliers of telecommunications gear and want to expand their operations in the U.S. Huawei is a private company, founded by a former Chinese military engineer. ZTE Corp. is partly state-owned.

The committee's top Democrat, Rep. C.A. Dutch Ruppersberger, said the U.S. National Counterintelligence Executive had issued a report detailing the volume of Chinese-enabled cyberattacks, and the actions of China's government in this regard were the biggest obstacle to the tech giants expanding in the U.S. market.

"If you want to do business in the United States," Ruppersberger said, "then you have to tell your Chinese government to stop cyberattacking our businesses."

Both companies denied being influenced by the Chinese government, receiving special treatment or posing a security threat. Company officials said it would be bad for their global business to compromise their customers' networks to any third party.

Huawei corporate senior vice president Charles Ding said that would amount to "corporate suicide."

But the committee chairman, Republican Rep. Mike Rogers, criticized the companies for citing Chinese state secrecy laws as the reason for failing to supply all corporate documents requested in the investigation. He also said their testimony failed to satisfy concerns that the companies were subject to Chinese state influence.



Charles Ding, Huawei Technologies Ltd's senior vice president for the U.S., is sworn on Capitol Hill in Washington, Thursday, Sept. 13, 2012, prior to testifying before the House Intelligence Committee as lawmakers probe whether Chinese tech giants' expansion in the U.S. market pose a threat to national security. (AP Photo/J. Scott Applewhite)

"Huawei and ZTE provide a wealth of opportunities for Chinese intelligence agencies to insert malicious hardware or software implants into critical telecommunications components and systems. And under Chinese law, ZTE and Huawei would likely be required to cooperate," Rogers said.

Rogers said the committee has received multiple reports that Huawei's equipment has been known to "beacon" back to China, or relay data without the consent of the user. He cited unnamed sources overseas as saying that anomalies of equipment from both Huawei and ZTE appeared designed to allow unauthorized access.



Zhu Jinyun, ZTE Corporation's senior vice president for North America and Europe, is sworn in on Capitol Hill in

Washington, Thursday, Sept. 13, 2012, prior to testifying before the House Intelligence Committee as lawmakers probe whether Chinese tech giants' expansion in the U.S. market pose a threat to national security. (AP Photo/J. Scott Applewhite)

Both executives denied that. ZTE senior vice president for North America and Europe, Zhu Jinyun, said all major high technology firms periodically provide patches to fine tune their software. "A bug is not a back door," he said.

"One person's bug is yet another person's back door," Rogers responded.



Charles Ding, Huawei Technologies Ltd's senior vice president for the U.S., testifies on Capitol Hill in Washington, Thursday, Sept. 13, 2012, before the House Intelligence Committee as lawmakers probe whether Chinese tech giants' expansion in the U.S. market pose a threat to national security. (AP Photo/J. Scott Applewhite)

Both Chinese executives said their companies were willing to cooperate with efforts to improve cybersecurity and allow independent testing of their equipment. They said it was unfair to single out companies based in China and exclude from scrutiny Western companies also operating and sourcing equipment from China.

The committee had requested exhaustive information from the companies, details of meetings with government and communist party officials over the past five years and credit received through state institutions. Huawei's Ding complained that

fully satisfying that request would mean supplying hundreds of thousands of documents and some proprietary business information.

Huawei is the world's second largest supplier of telecommunications network gear, operating in 140 countries. ZTE Corp is the world's fourth largest mobile phone manufacturer, which 90,000 employees worldwide. The espionage fears, however, have hampered both companies' expansion in the U.S., particularly beyond selling mobile devices to the lucrative provision of network infrastructure.

Huawei had to unwind its purchase of a U.S. computer company, 3Leaf Systems, last year after it failed to win approval from a government security panel. Australia in April barred Huawei from bidding to work on a planned high-speed Internet network due to concerns about cyberattacks traced to China.

ZTE has faced allegations about the sale of banned U.S.-sanctioned computer equipment to Iran, and the FBI is probing reports that the company obstructed a U.S. Commerce Department investigation into the sales.

Asked if ZTE had purposefully destroyed documents, Zhu said the company "would never do something like that." Zhu also said ZTE has communicated to the U.S. government its plans to reduce its operations in Iran.

In another concession, each executive agreed to supply to the committee a list of past and present members of the communist party committee, a body that they said is mandatory for companies operating in China. That, however, did not appear to appease committee members.

Rep. Adam Schiff, a Democrat, said the companies had a "big burden" to show they have sufficient independence to "say no" to the Chinese government as state security law requires them to allow access to their communication equipment if requested. He criticized both executives for professing not to be familiar with that law, although they stated they would not accede to such a request.

The committee says it will finalize its investigation and issue a public report in early October.

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