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## **China Telecom Giant, Thwarted in U.S. Deals, Seeks Inquiry to Clear Name**

By DAVID BARBOZA

**SHANGHAI — In a highly unusual move, Huawei Technologies, one of the most successful companies in China, has asked the United States to formally investigate its background in the hopes of clearing the company's path to expand and make deals in United States.**

In an open letter released Friday, Huawei complained that its push into the United States had been undermined by false allegations and mistaken suspicions that the company had close ties with the Chinese government and the military, and that the privately owned company did not respect intellectual property rights.

The letter, simply labeled “Huawei Open Letter” and addressed to no person or agency in particular, was from Ken Hu, the chairman of Huawei USA and deputy chairman of the parent company, Huawei Technologies.

Huawei, the world's second-largest maker of telecommunications equipment, after Ericsson of Sweden, is frustrated by its inability to make deals in the United States, the letter said, and is determined to work with the United States government to help clear up what the company said were misperceptions about its history and business operations.

“We sincerely hope that the United States government will carry out a formal investigation on any concerns it may have about Huawei,” Mr. Hu wrote.

The letter was released just days after Huawei canceled a deal reached last year to buy the assets of 3Leaf Systems, an insolvent company based in Santa Clara, Calif., that developed technology to link off-the-shelf computers into more powerful machines.

Huawei's purchase of the assets had been questioned by United States senators and had been reviewed by the Committee on Foreign Investments in the United States — a federal interagency committee that includes the office of the Treasury secretary. The committee had asked Huawei to unwind the 3Leaf deal.

**Last week, an official at the Chinese Ministry of Commerce accused the American government of using national security concerns and other reasons to “interfere” with Chinese investments in the United States and that such actions could affect Beijing’s relations with Washington.**

**Huawei has also run into problems when it has sought much bigger deals, like buying a stake in the American company 3Com, bidding on assets of Motorola and, more recently, trying to sell advanced wireless equipment to Sprint Nextel, one of the largest American wireless operators.**

**None of those deals were completed, largely because of concerns in Washington that Huawei might pose national security risks.**

**In a response, the Treasury Department said Friday: “We strongly support the longstanding bipartisan U.S. commitment to welcoming foreign investment, consistent with national security. This includes investment from China.”**

**Duncan Clark, chairman of BDA China, a technology advisory firm in Beijing, said Huawei’s decision to call for a government investigation seemed the logical next step, particularly since some American customers were eager to use Huawei equipment because its products were competitively priced.**

**“From Huawei’s standpoint, there’s nothing to lose,” he said by telephone. “To some extent, they’ve tried everything else.”**

**Last year, a group of Republican senators wrote to the administrators of four federal agencies after hearing of the possible Sprint deal to say they were troubled by Huawei’s history.**

**The senators, including Jon Kyl of Arizona and Susan Collins of Maine, said there were indications that Huawei might have supplied communications equipment to Iran and to Iraq during Saddam Hussein’s regime, possibly in violation of United Nations sanctions.**

**The senators and some national security experts in Washington have also said that giving contracts to Huawei might allow the Chinese government to manipulate American wireless networks and disrupt or intercept phone and Internet messages.**

**The company’s image problems seem to stem from United States government reports, including one from the Defense Department, and testimony from national security experts**

who have portrayed Huawei as having close ties to the Chinese government and its military.

Moreover, Huawei has been aided in its overseas expansion by credit lines made available by the Chinese government — as much as \$30 billion in recent years.

The company said, however, that money had been made available to overseas customers, not to Huawei, and the amount used had been closer to \$10 billion. In its open letter, Huawei also said that last year it had purchased \$6 billion worth of products and services from American companies.

The statement was meant to counter accusations that Huawei had stolen intellectual property from American companies.

Over the last decade, Huawei has been sued in the United States by two of its competitors: Cisco Systems, which later settled with Huawei, and Motorola.

In court documents filed last summer in Illinois, Motorola said that Chinese-born engineers at Motorola had developed contacts with Huawei's founder, created a dummy corporation and, between 2003 and 2007, conspired to steal technology from Motorola and pass it on to Huawei.

Executives at Huawei said the Cisco suit had been settled and the Motorola suit had no merit.

Despite these problems, Huawei has grown into a global powerhouse. The company had revenues of more than \$22 billion last year and has signed huge equipment contracts in Europe, Africa and the Middle East.

Founded in 1987 by a former Chinese officer of the People's Liberation Army, Huawei has struck up partnerships with most of the world's leading telecommunication giants.

And it has begun to win respect from telecommunications experts for developing innovative products and building huge research and development centers.

One of those centers has opened in Silicon Valley.

Still, the company has struggled to win business in the United States, despite having hired influential lobbyists and public relations firms.