China's Huawei criticizes US security complaints

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BEIJING (AP) — Chinese tech giant Huawei on Monday criticized U.S. claims the company might be a security risk as trade protectionism that harms consumers.

The comments came as Huawei Technologies Ltd., a maker of network switching gear and smartphones, disclosed details of its 2012 performance in an effort to show transparency and allay security concerns.

At a news conference, chief financial officer Cathy Meng expressed frustration about U.S. security complaints. She said Americans pay about twice what Europeans do for third- and fourth-generation mobile phone service and suggested it was due to impediments to competition.

"These measures using trade protectionism to interfere with free competition will ultimately harm the benefits of end users and consumers," Meng said. "As we continue to invest in this industry and work with our customers, our customers and markets generally see the value we create for them."

Outside the United States, Huawei has grown rapidly in developing countries and is increasing sales in Europe, becoming the first Chinese firm to break into the top ranks of global technology companies. It is challenging Sweden's Ericsson AB for the

status of the biggest network gear supplier.

Last year's profit rose 33 percent over 2011 to 15.4 billion yuan ($2.4 billion) on sales of 220.2 billion yuan ($34.9 billion), according to Meng. Still, last year's profit was less than half 2010's high of 24.7 billion yuan ($3.9 billion).

Huawei is privately held but has released more financial details in recent years in an effort to ease concern about the company.

Monday's news conference was the first of its kind for Huawei and part of an effort to "honor our commitment to transparency," said Meng, a daughter of Huawei founder Ren Zhengfei. She did not respond directly to a question about possible plans for further disclosures about things such as how key company decisions are made.

Huawei was set up in 1987 by Ren, a former Chinese military engineer, to sell imported telecoms equipment and later started to develop its own. The company says it is owned by its employees and denies it is controlled by the communist government or China's military, but such concerns have hampered its efforts to expand in the United States.

In October, a U.S. congressional panel recommended phone carriers avoid doing business with it or its smaller Chinese rival, ZTE Corp. Beijing rejected the report as false and an effort to block Chinese companies from the U.S. market.

In Australia, Huawei suffered a setback in 2011 when the government barred it from bidding to work on a national broadband network.

The U.S. and Australian actions highlight concern about Beijing's cyber warfare efforts, a spate of hacking attempts aimed at Western companies and the role of Chinese equipment providers, which are expanding abroad.

Huawei issued a pledge last year not to cooperate with spying.

Its financial rebound came as ZTE warned Sunday it is likely to report a loss for 2012 of 2.5 billion yuan to 2.9 billion yuan ($400 million to 460 million) due to thinner margins on contracts in Africa, South America, China and elsewhere in Asia.

Huawei says it serves 45 of the world's 50 biggest telecoms carriers. The company has 140,000 employees and research and development centers in Europe, Silicon Valley and elsewhere. Meng said R-and-D spending last year rose 26 percent to 29.9 billion yuan ($4.7 billion).

Last year, only one-third of sales came from its home China market, according to Meng. Europe, the Middle East and Africa accounted for 35 percent of sales, while 17 percent of sales were in other Asia-Pacific markets and 15 percent from the Americas.

Meng said Huawei paid 12.5 billion yuan ($1.9 billion) in employee bonuses last

year but said some top executives received no bonus because they failed to meet personal performance targets. She gave no other details.

Major carriers need to keep making long-term investments and are forecast to increase spending by about 5 percent this year, Meng said. She said that should help to insulate Huawei from swings in the global economy.

"It's not as if people stop talking on the phone because the economy is weaker," Meng said. "We will not be influenced too much by the economic downturn in our industry."

Huawei Technologies Ltd.: www.huawei.com [1]

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