

Business

China's Huawei sues US over federal ban on its products

Lawsuit targets an 'unconstitutional exercise of executive and/or judicial power'

SHENZHEN: Tech giant Huawei yesterday opened a legal front in its counter-offensive against US warnings that it could aid Chinese intelligence services, filing suit to overturn a US law that bars federal agencies from buying its products. Huawei said the case was filed in a US District Court in Plano, Texas, challenging what it called an "unconstitutional" 2019 defense bill that prevents government agencies from buying its equipment, services, or working with third parties that are Huawei customers.

The move may send a global signal that Huawei is willing to use all means, including national courts, to prevent exclusion from a race to the 5G market—the future of high-speed telecommunications.

"The US Congress has repeatedly failed to produce any evidence to support its restrictions on Huawei products. We are compelled to take this legal action as a proper and last resort," Huawei's rotating chairman Guo Ping said. Guo added the company was seeking unspecified damages. "The US government is sparing no effort to smear the company," he said at a news conference at Huawei's corporate headquarters in the southern Chinese city of Shenzhen.

Guo also said the US government "has hacked our servers and stolen our emails and source code", without providing details. Washington has long

considered Huawei a potential threat due to the background of founder Ren Zhengfei, a former Chinese army engineer. The concerns have escalated as Huawei has risen to become the world leader in telecom networking equipment and one of the top smartphone manufacturers alongside Samsung and Apple. A law recently enacted by Beijing that obliges Chinese companies to aid the government on national security has added to the concerns.

No 'backdoors'

Huawei's lawsuit targets an "unconstitutional exercise of executive and/or judicial power" that deprived it of a "fair hearing" to rebut allegations against it. It also says the National Defense Authorization Act violates a bill of attainder clause by "singling out Huawei for

punishment". Chinese foreign ministry spokesman Lu Kang said in Beijing that it was "entirely legitimate and understandable for enterprises to safeguard their legitimate rights and interests through legal means". He said Beijing had issued an official protest against the defence bill's "negative content concerning China". Washington has warned that Huawei systems could be manipulated by Beijing to spy on other countries and disrupt critical communications, and is urging nations to shun the company in 5G networks.

“ The US government is sparing no effort to smear the company ”



DONGGUAN, China: This picture taken on Wednesday shows a general view of a shuttle train station at Huawei Songshan Lake Campus during a media tour in Dongguan, China's Guangdong province. —AFP

Huawei is expected to play a key role in the coming rollout of ultra-fast 5G networks that will allow wide adoption of next-generation technologies like artificial intelligence. The firm has responded to the pressure with an aggressive PR campaign in recent months, with Ren, its reclusive founder, denying the claims in several foreign media interviews.

This week the company gave news organizations a tour of its production lines and R&D facilities in southern Guangdong province. The clash is heightened by ongoing US-China trade talks and

the December arrest of Huawei's Chief Financial Officer Meng Wanzhou, Ren's daughter.

A Canadian court on Wednesday set a May 8 date for the start of Meng's hearing into a US extradition request over charges that she and Huawei circumvented US sanctions against Iran. Two Huawei affiliates also have been charged with stealing trade secrets from telecom group T-Mobile. Two Canadians were subsequently detained in China in suspected retaliation over Meng's arrest. —AFP

Russia telecoms giant MTS to pay \$850m in US corruption case

MOSCOW: Russia's leading telecoms firm said yesterday it had agreed to pay \$850 million to settle a US corruption case over huge bribes paid to the family of Uzbekistan's former president.

The case shed light on massive corruption in Uzbekistan under former president Islam Karimov, who ruled the ex-Soviet republic from 1990 until his death in 2016. MTS, based in Moscow and listed on the New York Stock Exchange, said the settlement had been agreed with the US Justice Department and the US Securities and Exchange Commission (SEC). The deals "mark the closure of the investigations into the company's acquisition and operation of its former subsidiary in Uzbekistan," MTS said in a statement.

In agreeing to the fine "MTS affirmed its commitment" to complying with anti-corruption legislation, it said. MTS was in a long-running dispute with the Uzbek authorities, which seized the company's local subsidiary in 2012 after cancelling its operating licenses for alleged tax evasion.

The Uzbek subsidiary, which had 9.5 million subscribers by the end of 2011, filed for bankruptcy in 2013.

The SEC said that MTS had "bribed an Uzbek official" related to Karimov to obtain and retain business operations in

Uzbekistan, a Central Asian nation of more than 32 million people. "The company engaged in egregious misconduct for nearly a decade, secretly funnelling hundreds of millions of dollars to a corrupt official," the SEC said in a statement. An investigation by the Organized Crime and Corruption Reporting Project previously said that the subsidiary, which was known as Uzdurobita before it was acquired by MTS, had paid hundreds of millions of dollars to companies owned by Karimov's daughter Gulnara.

The OCCRP, an NGO that works with investigative reporters mainly in Eastern Europe, alleged that MTS made payments in 2004 and 2007 to purchase stakes in the company. MTS was not the only telecoms company involved. "Karimova squeezed more than \$1 billion worth of payments... out of international telecom-related companies," OCCRP said.

Some commentators in Russia expressed dismay that the US was fining Russian companies for operations in third countries. "What concern does the US have about the far-away Uzbekistan and Russian operators?" said a journalist on BFM business radio, pointing out that "the money will go to the American budget, not the Uzbek one."

Uzbekistan is led by Karimov's former prime minister Shavkat Mirziyoyev, who has moved to end the country's economic isolation and removed visa restrictions for travellers from European Union countries and the United States.

Gulnara Karimova, once a high-profile diplomat and pop singer, was being held under house arrest after being convicted on fraud and money laundering charges in 2017 and sentenced to five years.

Uzbek authorities this week said she had violated the terms of her house arrest and had been sent to prison where she would remain until the end of her sentence. —AFP

Restructuring costs burden Deutsche Post in 2018

BERLIN: German logistics group Deutsche Post DHL said yesterday that net profits fell sharply in 2018, a year marked by headwinds for its postal arm that implemented a far-reaching restructuring.

Bosses in Bonn said last summer that they would reorganize the postal unit to tackle the long-term decline in traditional post and the surging growth in package deliveries stoked by online shopping.

Pointing to a "short-term burden" on operating, or underlying profit from the restructuring, chief executive Frank Appel nevertheless judged that "we have thus created the conditions for reaching our 2020 targets". Last year net profit across Deutsche Post fell 23.5 percent, to 2.1 billion euros (\$2.4 billion). Underlying profit fell less sharply, shedding 15.5 percent to 3.2 billion euros, while revenues were up 1.8 percent at 61.5 billion.

Although profits fell even faster in the fourth quarter last year, Deutsche Post was confident enough for 2019 to raise its target for operating profit.

The group now expects to make between 3.9 and 4.3 billion euros before interest and taxes this year, saying "the measures initiated to raise profitability in the German post and parcel business are expected to be one of the main factors" in the rise. Further out, Deutsche Post forecast an operating profit of "at least" 5.0 billion euros in 2020. —AFP