

HUAWEI ACTIVITIES IN IRAN

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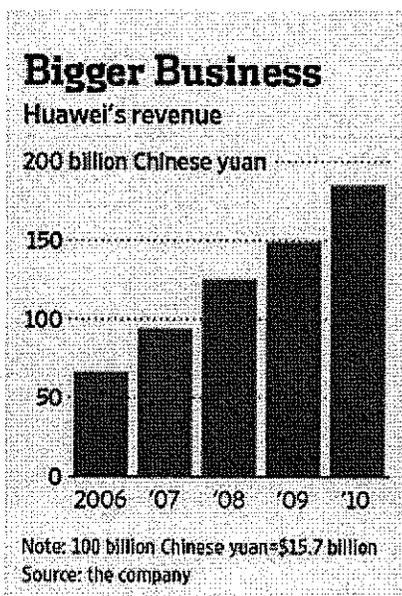
WSJ.com

TECHNOLOGY | October 27, 2011

Chinese Tech Giant Aids Iran

By STEVE STECKLOW, FARNAZ FASSIHI and LORETTA CHAO

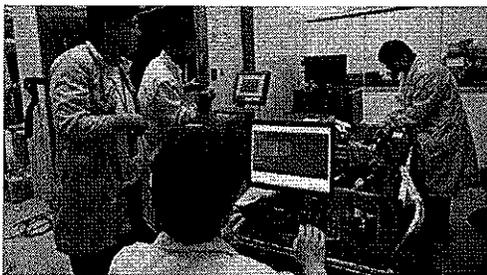
When Western companies pulled back from Iran after the government's bloody crackdown on its citizens two years ago, a Chinese telecom giant filled the vacuum.



Huawei Technologies Co. now dominates Iran's government-controlled mobile-phone industry. In doing so, it plays a role in enabling Iran's state security network.

Huawei recently signed a contract to install equipment for a system at Iran's largest mobile-phone operator that allows police to track people based on the locations of their cellphones, according to interviews with telecom employees both in Iran and abroad, and corporate bidding documents reviewed by The Wall Street Journal. It also has provided support for similar services at Iran's second-largest mobile-phone provider. Huawei notes that nearly all countries require police access to cell networks, including the U.S.

Huawei's role in Iran demonstrates the ease with which countries can obtain foreign technology that can be used to stifle dissent through censorship or surveillance. Many of the technologies Huawei supports in Iran—such as location services—are available on Western networks as well. The difference is that, in the hands of repressive regimes, it can be a critical tool in helping to quash dissent.



WSJ's Steve Stecklow has the story of Chinese telecom firm Huawei, which dominates Iran's government-controlled mobile industry. Photo: AP Photo/Kin Cheung

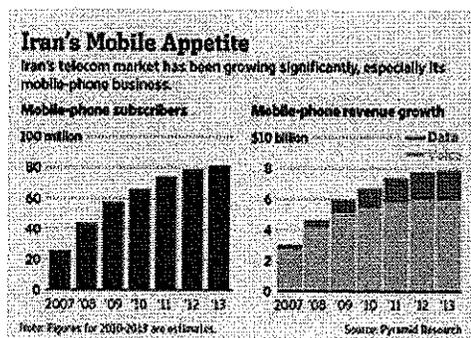
Last year, Egyptian state security intercepted conversations among pro-democracy activists over Skype using a system provided by a British company. In Libya, agents working for Moammar Gadhafi spied on emails and chat messages using technology from a French firm. Unlike in Egypt and Libya, where the governments this year were overthrown, Iran's sophisticated spying network remains intact.

In Iran, three student activists described in interviews being arrested shortly after turning on their phones. Iran's government didn't respond to requests for comment.

See a screenshot of an article about Huawei reprinted on the website of the Chinese embassy in Tehran. It first appeared in August 2009, two months after mass demonstrations erupted in Iran. The article notes that Huawei's

Iran beefed up surveillance of its citizens after a controversial 2009 election spawned the nation's broadest antigovernment uprising in decades. Authorities launched a major crackdown on personal freedom and dissent. More than 6,000 people have

clients include "military industries."



been arrested and hundreds remain in jail, according to Iranian human-rights organizations.

This year Huawei made a pitch to Iranian government officials to sell equipment for a mobile news service on Iran's second-largest mobile-phone operator, MTN Irancell. According to a person who attended the meeting, Huawei representatives emphasized that, being from China, they had expertise censoring the news.

The company won the contract and the operator rolled out the service, according to this person. MTN Irancell made no reference to censorship in its announcement about its "mobile newspaper" service. But Iran routinely censors the Internet using sophisticated filtering technology. The Journal reported

in June that Iran was planning to create its own domestic Internet to combat Western ideas, culture and influence.

In winning Iranian contracts, Huawei has sometimes partnered with Zaeim Electronic Industries Co., an Iranian electronics firm whose website says its clients include the intelligence and defense ministries, as well as the country's elite special-forces unit, the Islamic Revolutionary Guards Corps. This month the U.S. accused a branch of the Revolutionary Guards of plotting to kill Saudi Arabia's ambassador to the U.S. Iran denies the claim.

Huawei's chief spokesman, Ross Gan, said, "It is our corporate commitment to comply strictly with all U.N. economic sanctions, Chinese regulations and applicable national regulations on export control. We believe our business operations in Iran fully meet all of these relevant regulations."

William Plummer, Huawei's vice president of external affairs in Washington, said the company's location-based-service offerings comply with "global specifications" that require lawful-interception capabilities. "What we're doing in Iran is the same as what we're doing in any market," he said. "Our goal is to enrich people's lives through communications."

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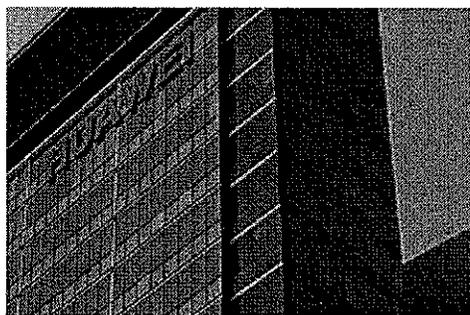
Full Coverage: Wsj.com/censorship

Huawei has about 1,000 employees in Iran, according to people familiar with its Iran operations. In an interview in China, a Huawei executive played down the company's activities in Iran's mobile-phone industry, saying its technicians only service Huawei equipment, primarily routers.

But a person familiar with Huawei's Mideast operations says the company's role is considerably greater, and includes a contract for "managed services"—overseeing parts of the network—at MTN Irancell, which is majority owned by the government. During 2009's demonstrations, this person said, Huawei carried out government orders on behalf of its client, MTN Irancell, that MTN and other carriers had received to suspend text messaging and block the Internet phone service, Skype, which is popular among dissidents. Huawei's Mr. Plummer disputed that the company blocked such services.

Huawei, one of the world's top makers of telecom equipment, has been trying to expand in the U.S. It has met resistance because of concerns it could be tied to the Chinese government and military, which the company denies.

Last month the U.S. Commerce Department barred Huawei from participating in the development of a national wireless emergency network for police, fire and medical personnel because of "national security concerns." A Commerce Department official declined to elaborate.



Bloomberg News

Building F1, home to the exhibition hall, stands at the Huawei Technologies Co. campus in Shenzhen, Guangdong Province, China, on Thursday, May 19, 2011.

In February, Huawei withdrew its attempt to win U.S. approval for acquiring assets and server technology from 3Leaf Systems Inc. of California, citing opposition by the Committee on Foreign Investment in the United States. The panel reviews U.S. acquisitions by foreign companies that may have national-security implications. Last year, Sprint Nextel Corp. excluded Huawei from a multibillion-dollar contract because of national-security concerns in Washington, according to people familiar with the matter.

Huawei has operated in Iran's telecommunications industry since 1999, according to China's embassy in Tehran. Prior to Iran's political unrest in 2009, Huawei was already a major supplier to Iran's mobile-phone networks, along with Telefon AB L.M. Ericsson and Nokia Siemens Networks, a joint venture

between Nokia Corp. and Siemens AG, according to MTN Irancell documents.

Iran's telecom market, which generated an estimated \$9.1 billion in revenue last year, has been growing significantly, especially its mobile-phone business. As of last year, Iran had about 66 million mobile-phone subscribers covering about 70% of the population, according to Pyramid Research in Cambridge, Mass. In contrast, about 36% of Iranians had fixed-line phones.

As a result, mobile phones provide Iran's police network with far more opportunity for monitoring and tracking people. Iranian human-rights organizations outside Iran say there are dozens of documented cases in which dissidents were traced and arrested through the government's ability to track the location of their cellphones.

Many dissidents in Iran believe they are being tracked by their cellphones. Abbas Hakimzadeh, a 27-year-old student activist on a committee that published an article questioning the actions of Iran's president, said he expected to be arrested in late 2009 after several of his friends were jailed. Worried he could be tracked by his mobile phone, he says he turned it off, removed the battery and left Tehran to hide at his father's house in the northeastern city of Mashhad.

A month later, he turned his cellphone back on. Within 24 hours, he says, authorities arrested him at his father's house. "The interrogators were holding my phone records, SMS and emails," he said.

He eventually was released and later fled to Turkey where he is seeking asylum. In interviews with the Journal, two other student activists who were arrested said they also believe authorities found them in hiding via the location of their cellphones.

In early 2009, Siemens disclosed that its joint venture with Nokia, NSN, had provided Iran's largest telecom, government-owned Telecommunications Company of Iran, with a monitoring center capable of intercepting and recording voice calls on its mobile networks. It wasn't capable of location tracking. NSN also had provided network equipment to TCI's mobile-phone operator, as well as MTN Irancell, that permitted interception. Like most countries, Iran requires phone networks to allow police to monitor conversations for crime prevention.

NSN sold its global monitoring-center business in March 2009. The company says it hasn't sought new business in Iran and has established a human-rights policy to reduce the potential for abuse of its products.

A spokesman for Ericsson said it delivered "standard" equipment to Iranian telecom companies until 2008, which included built-in lawful-interception capabilities. "Products can be used in a way that was not the intention of the manufacturer," the spokesman said. He said Ericsson began decreasing its business in Iran as a

result of the 2009 political upheaval and now doesn't seek any new contracts.

As NSN and Ericsson pulled back, Huawei's business grew. In August 2009, two months after mass protests began, the website of China's embassy in Tehran reprinted a local article under the headline, "Huawei Plans Takeover of Iran's Telecom Market." The article said the company "has gained the trust and alliance of major governmental and private entities within a short period," and that its clients included "military industries."

The same month the Chinese embassy posted the article, Creativity Software, a British company that specializes in "location-based services," announced it had won a contract to supply a system to MTN Irancell. "Creativity Software has worked in partnership with Huawei, where they will provide first and second level support to the operator," the company said.

The announcement said the system would enable "Home Zone Billing"—which encourages people to use their cellphones at home (and give up their land lines) by offering low rates—as well as other consumer and business applications that track user locations. In a description of the service, Creativity Software says its technology also enables mobile-phone operators to "comply with lawful-intercept government legislation," which gives police access to communications and location information.

A former telecommunications engineer at MTN Irancell said the company grew more interested in location-based services during the antigovernment protests. He said a team from the government's telecom-monitoring center routinely visited the operator to verify the government had access to people's location data. The engineer said location tracking has expanded greatly since the system first was installed.

An official with Creativity Software confirmed that MTN Irancell is a customer and said the company couldn't comment because of "contractual confidentiality."

A spokesman for MTN Group Ltd., a South African company that owns 49% of the Iranian operator, declined to answer questions, writing in an email, "The majority of MTN Irancell is owned by the government of Iran." He referred questions to the telecommunications regulator, which didn't respond.

In 2008, the Iranian government began soliciting bids for location-based services for the largest mobile operator, TCI's Mobile Communication Co. of Iran, or MCCI. A copy of the bidding requirements, reviewed by the Journal, says the contractor "shall support and deliver offline and real-time lawful interception." It also states that for "public security," the service must allow "tracking a specified phone/subscriber on map."

Ericsson participated in the early stages of the bidding process, a spokesman said. Internal company documents reviewed by the Journal show Ericsson was partnering with an Estonian company, Reach-U, to provide a "security solution" that included "Monitor Security—application for security agencies for locating and tracking suspects."

The Ericsson spokesman says its offering didn't meet the operator's requirements so it dropped out. An executive with Reach-U said, "Yes, we made an offer but this ended nowhere."

One of the ultimate winners: Huawei. According to a Huawei manager in Tehran, the company signed a contract this year to provide equipment for location-based services to MCCI in the south of Iran and is now ramping up hiring for the project.

One local Iranian company Huawei has done considerable business with is Zaeim Electronic Industries. "Zaeim is the security and intelligence wing of every telecom bid," said an engineer who worked on several projects with Zaeim inside the telecom ministry. Internal Ericsson records show that Zaeim was handling the "security part" of the lawful-interception capabilities of the location-based services contract for MCCI.

On its Persian-language website, Zaeim says it launched its telecommunications division in 2000 in partnership with Huawei, and that they have completed 46 telecommunications projects together. It says they now are working on the country's largest fiber-optic transfer network for Iran's telecom ministry, which will enable simultaneous data, voice and video services.

Zaeim's website lists clients including major government branches such as the ministries of intelligence and defense. Also listed are the Revolutionary Guard and the president's office.

Mr. Gan, the Huawei spokesman, said: "We provide Zaeim with commercial public use products and services." Zaeim didn't respond to requests for comment.

—Margaret Coker and David Crawford contributed to this article.

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THE WALL STREET JOURNAL

WSJ.com

TECHNOLOGY | January 5, 2012

Lawmakers Ask State Department to Probe Huawei Business With Iran

By STEVE STECKLOW

Six U.S. lawmakers have asked the State Department to investigate whether Chinese telecommunications-equipment maker Huawei Technologies Co. has violated U.S. sanctions on Iran by supplying it with sensitive communications technology that has been used for censorship.

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The lawmakers called on the department to "expeditiously investigate" whether Huawei violated U.S. sanctions passed by Congress in 2010 by providing technology to government-controlled telecoms that "has been used to restrict the speech of the Iranian people and the free flow of unbiased information in Iran." The law prohibits the federal government from contracting with companies that export to Iran technology that can be used to disrupt, monitor or restrict free speech.

The lawmakers' request came in a letter sent to Secretary of State Hillary Clinton on Dec. 22 that was made public this week. It repeatedly cites the findings of a front-page Wall Street Journal article in October that documented how Huawei's business grew in Iran following a pullback by Western companies after the government's bloody crackdown on its citizens in 2009.

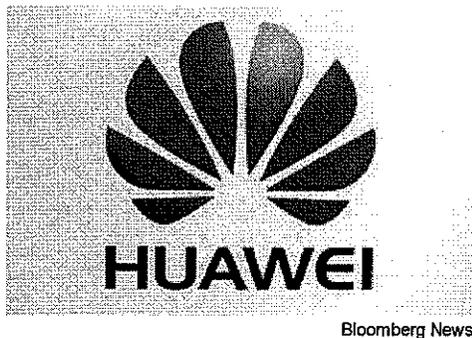
The article reported, among other things, that Huawei made a pitch last year to Iranian government officials to sell equipment for a mobile news service on Iran's second-largest

mobile-phone operator, MTN Irancell. According to a person who attended the meeting, Huawei representatives emphasized that, being from China, they had expertise censoring the news. Huawei won the contract.

Huawei also has provided support for technology that can allow the government to track the location of people through their cellphones, the Journal reported. Iranian human-rights groups outside Iran say there are dozens of documented cases in which dissidents were traced and arrested that way.

In a statement Wednesday, a Huawei spokesman said the Shenzhen-based company complied with all local and international laws, including in the U.S., and called the allegations "inaccurate" and "groundless."

The statement added, "We remain open and transparent and continue to conduct communications with stakeholders around the world in a manner that is sincere and fact-based."



The company also pointed to its announcement last month that it would scale back its business in Iran, where the company provides services and equipment to government-controlled telecom operators. "This has been carried out and followed strictly by our company," the statement said.

The six lawmakers—five Republicans and one Democrat—also asked the State Department to probe whether Huawei and other telecommunications companies operating in Iran are violating other U.S. sanctions by doing business with the Islamic Revolutionary Guard Corps, the country's elite special-forces unit. The Journal reported that in winning Iranian contracts,

Huawei has sometimes partnered with Zaeim Electronic Industries Co., an Iranian electronics firm whose website says its clients include the unit.

The letter to the State Department was signed by Sen. Jon Kyl (R., Ariz.), Sen. Sheldon Whitehouse (D., R.I.), Sen. Jeff Sessions (R., Ala.), Sen. James Inhofe (R., Okla.), Rep. Frank Wolf (R., Va.) and Rep. Sue Myrick (R., N.C.).

A State Department spokesman didn't immediately respond to a request for comment.

—Loretta Chao contributed to this article.

Write to Steve Stecklow at steve.stecklow@wsj.com

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**HUAWEI ACTIVITIES IN SADDAM
HUSSEIN'S IRAQ**

October 12, 2004 Tuesday

Saddam bribed China with oil deals, CIA finds

BYLINE: By Bill Gertz, THE WASHINGTON TIMES

SECTION: NATION; Pg. A03

LENGTH: 740 words

China illegally supplied Saddam Hussein's regime with missile technology and other weaponry and was a major beneficiary of the U.N. oil-for-food program, according to a CIA report.

The report by the Iraq Survey Group also stated that China, along with France and Russia, was bribed by Saddam with oil sales and weapons deals into working to end U.N. sanctions.

One sale took place in 2001 and involved an intelligence officer in Beijing, Abd al-Wahab, who bought 10 to 20 gyroscopes and 20 accelerometers from a Chinese firm that was not identified by name. The equipment was to be used in Iraq's Al-Samud missile program, said a former high-ranking official of Iraq's Military Industrialization Commission, which was in charge of arms procurement.

China was the third-largest recipient of oil vouchers from Saddam's regime, the report said. Russia and France were the two largest.

The Iraqi government used the voucher system to siphon off \$11 billion through contracting kickbacks and other corruption in the \$64 billion humanitarian program, which operated from 1996 to 2003. The program was designed to get food and medicine to the Iraqi people, despite international sanctions.

China also supplied rocket guidance software to the Iraqi Atomic Energy Commission in 2002 that was labeled "children's software" to mask its military nature, the report said.

The report sought to clear the Chinese government of a direct role in the illicit trade by stating the CIA had "no evidence" suggesting Beijing approved the exports.

However, the report noted that the companies involved were "state-owned" firms that were newly privatized and were willing to circumvent U.N. monitoring in supplying goods illegally.

Chinese Embassy spokesman Sun Weide said China's actions under the oil-for-food program were "totally legal." He also said Beijing complied strictly with U.N. resolutions regarding arms technology transfers to Saddam.

Chinese assistance helped boost Iraq's missile programs, especially in the area of guidance and control systems, the report said, noting that "Chinese companies willingly supplied these types of items to the Iraqi regime."

"In supplying prohibited goods, Chinese companies would frequently employ third countries and intermediaries to transship commodities into Iraq," the report said. "The Chinese-Iraqi procurement relationship was both politically problematic and economically pragmatic in nature, but it ultimately provided Iraq with prohibited items, mainly telecommunication equipment and items with ballistic missile applications."

One of the Chinese front companies named in the report was Siam Premium Products. Other Iraqi intermediaries for the China military sales were identified in India, Turkey, Syria and Jordan.

The CIA identified a major supplier of weapons goods to Iraq as the China North Industries Corp., or Norinco, which has been sanctioned by the U.S. government several times.

Norinco agreed in 2000 to supply 200 gyroscopes for use in Russian and Chinese cruise missiles. It also sold machine tools with missile applications.

The report, quoting documents obtained in Iraq, stated that Norinco agreed to continue selling military goods to Iraq despite Baghdad's debt of more than \$3 billion to the company from earlier sales.

The company said it would keep the arms trade secret from the Beijing government, and Iraq agreed to repay Norinco with crude oil and petroleum products, the report said.

Iraq also was in the process of buying chemicals and materials for liquid-fuel missiles from Chinese and Indian companies. The sale may have been stopped by the U.S. military action that began in March 2003, the report said.

The report also provided new details on Chinese assistance to Iraq's fiber-optic communications networks, which were used to "connect static command, control and communications bases."

The report stated that the Chinese company Huawei and two other Chinese firms "illicitly provided transmission switches" for fiber-optic communications from 1999 to 2002.

The equipment was banned under the oil-for-food program, and included more than 100,000 lines and fiber-optic cable, the report said.

Chinese firms also supplied Iraq with graphite, a key component for missile nose cones, directional vanes and engine nozzle throats.

"Recovered documents from 2001 indicated a drive to acquire Chinese graphite-related products such as electrodes, powder and missile-related fuel," the report said.

Comprehensive Report

of the Special Advisor to the DCI on
Iraq's WMD

30 September 2004

volume 1 of 11

Chinese Assistance in Iraqi Telecommunications

One area of robust cooperation between Chinese firms and Iraq was telecommunications. These technologies had both military and civilian uses. Saddam's Regime used Chinese circuits and fiber optics to connect static command, control, and communication (C3) bases. UN sanctions impeded rehabilitation of the telecommunications sector. This equipment was sanctioned because of the nature of modern communications systems, which could be used both for civil or military purposes. These obstacles were overcome by the Iraqi Regime by acquiring materials for cash and procuring materials illicitly, outside the purview of the UN.

One Chinese company, illicitly provided transmission equipment and switches to Iraq from 1999 to 2002 for projects that were not approved under the UN OFF Program. Reporting indicates that throughout 2000, Huawei, along with two other Chinese companies, participated in extensive work in and around Baghdad that included the provision and installation of telecommunication switches, more than 100,000 lines, and the installation of fiber-optic cable.

In early January 2001, the Chinese company pulled out of a \$35 million mobile phone contract in Iraq, citing difficulty it would face sourcing key components from a US firm. The company, which had been negotiating for two years on a Baghdad ground station module network, cited US Government pressure as the reason for its decision. Iraqi telecom official retaliated by putting all other contracts with this company on hold and cutting off contact with the firm. The company, however, in 2002 used Indian firms as intermediaries to illicitly supply fiber-optic transmission equipment for Iraqi telecommunications projects.

Other companies were also present in Iraq. A summary of their activity is given below:

- A Chinese company was one of the more aggressive firms selling equipment to Iraq outside the UN OFF Program, including major fiber-optic transmission projects.
- Another company agreed to provide switches to Iraq as part of a large switching project for Baghdad prior to Operation Iraqi Freedom. Working with a second Chinese firm, this company participated in a bid for a project in Iraq not sanctioned by the UN. In late 2002 this company submitted a bid for a large switching system for Iraq.
- Reporting indicated that a Chinese company, working through a second Chinese company, had supplied switches to Iraq. This company's switches were used for both unsanctioned and sanctioned projects in Iraq. This company illicitly supplied the switches for the Jordan Project, a fiber-optic network in Baghdad that was completed in late 2000. This company might have been involved in supplying switches with more capabilities than specified in an UN approved project.

panies willingly supplied these types of items to the Iraqi Regime.

- In the fall of 2000, Iraq sought 200 gyros, suitable for use in Russian and Chinese cruise missiles, and machine tools with missile applications from NORINCO, a Chinese military supplier that has

been sanctioned many times by the United States, twice in 2004. (No delivery established.)

- Contracts were initiated in 2000 between Al-Rawa and a Chinese firm, for test equipment associated with inertial guidance systems, including a one-

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The Washington Times

Chinese firm 'owns' telephone system in Iraq

Huawei denies links to PLA

By [Shaun Waterman](#)

The Washington Times

Monday, February 21, 2011

A Chinese telecommunications company suspected of links to China's military has won hundreds of contracts in Iraq since the 2003 U.S.-led invasion, some paid in part with U.S. tax dollars, and now effectively owns the country's phone system.

Huawei Technologies has won more than 600 telecommunications infrastructure contracts since Iraqi reconstruction began in 2004, said Robert C. Fonow, the State Department's senior adviser to Iraq's Telecommunications Ministry from 2006 to 2008.

"No other company comes close to" that number, said Mr. Fonow, now a consultant and managing director of the business-turnaround firm RGI Ltd.

He said that Huawei "controls the market for the national fiber-optic grid, and much of the mobile-phone and wireless fixed-line equipment markets in Iraq, which is just about everything."

"In a real sense, Huawei owns Iraq telecommunications," he said.

Huawei has long generated concern among U.S. officials, who have blocked its efforts to buy American high-tech firms or supply U.S. companies with phone systems, because they suspect the company of links to China's People's Liberation Army via its founder, a retired PLA officer.

Late last week, Huawei agreed to cut its ties to a small high-tech firm in California after a U.S. government panel deemed the business relationship a national security risk.

Huawei officials say there are no links between the company and China's armed forces.

The reconstruction of Iraq's telecommunications sector was "for the most part, funded by private companies, institutions and wealthy Middle Eastern investors," said Mr. Fonow, a former research fellow at the U.S. National Defense University.

Some U.S. funds were put in immediately after 2003, he said, estimating the U.S. contribution to be about 5 percent of the total.

"Today, the telecom sector is one of the few verifiable reconstruction success stories in the sense that it's self-sustaining," Mr. Fonow said.

He added that Iraq's telecommunications network, built in part by Huawei, had helped U.S. forces, especially during the surge, and had "saved American lives."

In part, observers attribute Huawei's success in Iraq to its long history there, including reputed U.N. sanctions-busting during the regime of since-deposed Iraqi leader Saddam Hussein.

According to a 2004 report by the U.S. Iraq Survey Group, "Huawei, along with two other Chinese companies, participated in extensive work in and around Baghdad that included the provision and installation of telecommunication switches, more than 100,000 lines, and the installation of fiber-optic cable," after the U.N. had sanctioned Saddam's regime in 2000.

As a result, Huawei employees "are considered friends" by Iraqis today and can go places in Iraq where "American engineers attempting to operate ... would be killed," Mr. Fonow said.

Huawei denies it engaged in sanctions-busting and says it won its reconstruction contracts in Iraq fairly, competing with other global telecommunications companies.

"We didn't sell into the Iraqi market until sanctions were lifted in 2003," William Plummer, Huawei North America's vice president for external affairs, told The Washington Times.

Mr. Plummer said national security concerns about Huawei are groundless, noting that founder and CEO Ren Zhengfei retired from the PLA more than two decades ago.

"Huawei has no ties of any kind to the Chinese government," he said.

**HUAWEI ACTIVITIES IN TALIBAN-LED
AFGHANISTAN**

The Washington Times

September 28, 2001, Friday, Final Edition

Chinese firms help Taliban put phone system in Kabul

BYLINE: Bill Gertz; THE WASHINGTON TIMES

SECTION: PART A; Pg. A1

LENGTH: 879 words

Two Chinese state-run telecommunications companies are helping the Taliban militia install a telephone system in Afghanistan's capital, according to U.S. intelligence officials.

The companies, Zhongxing Telecom and Huawei Technologies, have been working on the telephone system in Kabul for the past two years, said intelligence officials who spoke on the condition of anonymity.

The system was described as a switching network to handle up to 130,000 users.

Intelligence reports of the Chinese cooperation contradict Beijing's claims that no Chinese firms are working in Afghanistan.

Huawei Technologies was identified by U.S. intelligence as one of three Chinese telecommunications companies that violated U.N. sanctions against Iraq by building a fiber-optic communications network there. That network was targeted in U.S. and British bombing raids against Iraqi air-defense sites several months ago.

Zhongxing Telecom has been building telephone networks in Serbia.

Both companies are located in the special economic zone of Shenzhen, China.

Huawei was founded by at least one official of the Chinese military and has developed communications networks for the People's Liberation Army, according to U.S. officials.

Spokesmen for both companies could not be reached for comment. A Chinese Embassy spokesman also could not be reached.

A State Department official declined to comment on the two companies' activities in Afghanistan. The official also would not say whether the U.S. government has urged Chinese officials to cut off the activities of Chinese companies working in Afghanistan.

But the official said: "We're looking for Chinese cooperation against those who are engaged in terrorism and those who harbor and support them."

Secretary of State Colin L. Powell met recently with Tang Jiaxuan, China's foreign minister. A group of Chinese security officials also held talks with U.S. officials earlier this week about cooperating against the terrorists who carried out the Sept. 11 attacks.

State Department spokesman Richard Boucher said the talks held Tuesday were "serious and productive," and identified areas of common interest between the United States and China.

Chinese Foreign Ministry spokesman Zhu Bangzao told reporters in Beijing on Sept. 18 that China's contacts with the Taliban are limited to "the working level."

"China does not have any kind of formal relations with the Taliban," he said.

Mr. Zhu said reports that China has assisted in building telephone networks and constructing a dam are "unfounded rumors."

Mr. Zhu also dismissed reports that a Chinese government delegation concluded an economic and technical assistance agreement with the Taliban on the day of the terrorist attacks on the United States.

Defense and intelligence officials said Beijing appears to be following a dual-track policy of voicing official support for U.S. efforts against terrorism while maintaining other ties to the Taliban militia, the main protector of Osama bin Laden, the principal suspect in the Sept. 11 terrorist attacks on New York and Washington.

There have been other reports of Chinese ties to the Taliban and bin Laden.

In August, bin Laden called for "good relations" between Afghanistan and China, saying they were in China's interest and would reduce U.S. military and economic influence in Asia, according to the Pakistani newspaper Islamabad Ausaf.

The official Iranian government news agency reported in December 1998 that Beijing and the Taliban had concluded a defense cooperation agreement. The agreement followed the Taliban's help in supplying China with unexploded U.S. cruise missiles fired during attacks against terrorist training camps in August of that year.

The continued Chinese business support for the Taliban is raising questions among some Bush administration national security officials about Beijing's cooperation in the new effort against terrorism.

Asked about the Chinese government's expertise in dealing with terrorism, one defense official said: "There's no doubt they execute terrorists without trial in places like Xinjiang, but whether or not they will help us in fighting terrorism is another story." Xinjiang is in western China.

China has called for U.S. retaliation against terrorism to be directed by the United Nations.

Domestically, China has been battling Muslim Uighur separatists in Xinjiang who have been engaged in bombing attacks there. China's government has accused the CIA of supporting the Uighurs.

The Chinese are offering to provide the U.S. government with intelligence on bin Laden, U.S. officials said. But that information is expected to be less reliable than intelligence provided by nations who are friends and allies of the United States.

Two Chinese colonels, Qiao Liang and Wang Xiangsui, said in published interviews two days after the U.S. terrorist attacks that the deaths of more than 6,500 Americans from suicide bombings were not only victims of terrorism but "victims of U.S. foreign policy."

The two colonels are authors of a Chinese military book called "Unrestricted Warfare," which advocates the use of all forms of warfare and identifies bin Laden as one form of new warrior to be emulated by the Chinese.

