

Technology

Deutsche Telekom Warns Huawei Ban Would Hurt Europe 5G

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- Europe would lag U.S., China by 2 years: internal assessment
 - Governments concerned Huawei's gear could be used for spying
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A Huawei booth at a China Mobile 5G experience center in Shanghai in Dec. 2018.

Photographer: STR/AFP

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Europe would fall behind the U.S. and China in the race to install the next generation of wireless networks if governments ban Chinese equipment

supplier Huawei Technologies Co. over security fears, according to an internal assessment by Deutsche Telekom AG.



Officials at Europe's largest telecommunication company have warned that removing Huawei from the list of suppliers of fifth-generation networks would delay roll-out of the technology by at least two years, said people familiar with a briefing paper written in recent weeks. The people asked not to be identified because the findings are confidential. A Bonn-based Deutsche Telekom spokesman declined to comment.

Germany and other European governments have been weighing whether to place restrictions on the use of Huawei equipment over concerns that Chinese intelligence could use it to spy on other countries, fears the company has dismissed.

The U.S. intensified the tension on Monday, when federal prosecutors filed criminal charges against Huawei, alleging it stole trade secrets from American rival T-Mobile US Inc. and committed bank fraud by violating sanctions against doing business with Iran. The move came before talks this

week aimed at ending a U.S.-Chinese trade war, with Washington pushing Beijing to respect laws on intellectual property as it emerges as a technology power.

U.S. Ramps Up Huawei Fight With Iran, Trade-Secret Charges

The Deutsche Telekom paper shows how nervous Europe's telecom industry has become that governments could throw its carefully-laid network expansion plans into chaos. Huawei has become a leading supplier to phone companies in the region as they prepare to spend billions of euros on 5G to cope with surging data demand and support potentially lucrative applications such as self-driving cars, smart appliances and connected factories.

Deutsche Telekom has installed Huawei systems in thousands of its wireless towers. The supplier's technology also forms the backbone of some of the German company's cloud products.

Deutsche Telekom shares rose 0.8 percent as of 9:01 a.m. in Frankfurt on Tuesday.

Dialing Back

In its internal assessment, Deutsche Telekom said 5G networks must be built on top of existing 4G infrastructure, which already relies extensively on Huawei gear. So if Huawei is banned outright and companies are forced to rip out all of its equipment, that would cost the industry many billions of euros, the people said.

Such a blanket, retroactive ban on using Huawei for 4G might be unlikely; bans in Australia and New Zealand, for example, have prohibited purchases of Huawei gear solely for 5G networks, which are viewed as harder to police as they process much of their data outside a central core.

Some telecom companies are already limiting work with Huawei as the pressure on the company grows, throwing their cooperation into doubt. Vodafone Group Plc said last week it is suspending some Huawei equipment purchases for the core of its networks in Europe. Deutsche Telekom said last month it's re-evaluating its purchasing strategy -- a first indication the German carrier may drop the Chinese company from its list of suppliers.

Other countries including the U.S., Australia and New Zealand have blocked or limited the use of Huawei equipment in public infrastructure. The U.S. has especially raised pressure on German policymakers, with an American delegation dispatched to Berlin last month to make the case about risks posed by Huawei. Germany is weighing how to respond.

Dropping Huawei in Europe wouldn't be easy. Most carriers have ordered its equipment because the technology is often seen as superior to that of its rivals. Competitors including Ericsson AB, Nokia Oyj, Cisco Systems Inc. and Samsung Electronics Co. would have to step in if Huawei were to be banned, potentially leading to capacity constraints.

(Adds Deutsche Telekom shares in seventh paragraph.)

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