Australian government bars Chinese telco on "security" grounds

Patrick O'Connor
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The Australian Labor government has intervened to block Huawei, a privately-owned Chinese telecommunications company, from winning lucrative contracts to help build the $36 billion fibre-optic National Broadband Network (NBN).

The decision was based on advice from the Australian Security Intelligence Organisation (ASIO). Attorney General Nicola Roxon explained that the NBN was "a strategic and significant government investment" and that the government had a "responsibility to do our utmost to protect its integrity." Prime Minister Julia Gillard added that she had made a "prudent decision to make sure that the infrastructure project does what we want it to do."

The episode has again demonstrated the increasingly fraught balancing act that the Australian ruling elite is engaged in, counterbalancing the interests of its most important economic and trading partner, China, and its long standing military and diplomatic patron, the US.

The ABC's "7.30" program on Monday suggested that the Labor government's move against Huawei was dictated by Washington. "It was after President Obama's visit [to Australia last November] that Huawei officials and consultants on its payroll noted a marked shift in what they felt had been positive relations with the NBN Co and the government," the program explained. "Some were hauled before ASIO and related departments and told to get a message to China that Australia would not tolerate increased cyber hacking of ministerial offices and departments, which has been going on for years."

Few countries other than the US and Australia have ever barred Huawei on security grounds. Huawei is the world's second largest company in telecom equipment sales, behind only Sweden's Ericsson, and has annual revenues of about $32 billion. The company operates in 140 countries and is involved in the construction of national broadband networks in several countries including Britain, New Zealand, Singapore, and Malaysia.

In the US, however, Huawei was barred in 2008 from bidding for 3Com, which develops anti-hacking software for the US military. In October 2010, the company was blocked from developing a wireless network for police, firefighters, and other emergency workers. It has also been barred from acquiring several American IT firms. Just this week, American security software company Symantec dissolved its four-year partnership with Huawei, because, as the *New York Times* reported, "Symantec feared the alliance with the Chinese company would prevent it from obtaining United States government classified information about cyberthreats."

There is no publicly available evidence implicating Huawei in espionage. The company has been accused of having close ties to the People's Liberation Army. Late last year, the US Congress began an investigation into whether Huawei and other Chinese telecommunications companies represent a national security threat. American officials have also accused the Chinese company of helping the Iranian government track people active in the opposition "Green" movement through mobile phone monitoring technology.

Huawei executives deny all of these allegations, and according to the *Australian Financial Review*, have

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argued that the accusations have "more to do with protecting the large American telecommunications suppliers from being undercut by Huawei's cheaper prices."

The Labor government's decision to bar Huawei from the NBN has exposed significant divisions within the ruling elite.

Huawei Australia's chairman is John Lord, a former rear admiral in the Australian navy, and its directors include former Liberal government foreign minister Alexander Downer, and former Labor premier of Victoria, John Brumby. All three condemned the government decision. "This whole concept of Huawei being involved in cyber warfare, presumably that would just be based on the fact that the company comes from China, and everybody in China who's involved with information technology is involved in cyber warfare," Downer told the "7.30" program. "This is just completely absurd."

Hugh White, analyst at the Australian National University's Strategic and Defence Studies Centre, told "7.30": "The key question for the government on this is whether or not the security risks which may well flow from hiring a Chinese company to build a broadband network are so great that they justify the costs that will flow from this kind of very pointed and deliberate exclusion of them... There's nothing wrong with irritating Beijing, but we shouldn't expect to be able to do it scot-free."

Leading figures within the Liberal-National opposition coalition have contradicted each other on the Huawei decision.

Opposition finance spokesperson Andrew Robb denounced Gillard: "This looks to be the latest clumsy, offensive and unprofessional instalment of a truly dysfunctional government," he declared. "Over the last four years the Rudd-Gillard governments have damaged our relations with China, India, Japan and Indonesia at a time when the middle class across that region is exploding... We must bear in mind that this is a company [Huawei] which is heavily involved in eight of nine NBN roll-outs around the world."

Last December, Huawei sponsored a visit by Robb and one of his staffers to its corporate headquarters in China. Opposition deputy leader and foreign affairs spokeswoman Julie Bishop also accepted an offer of free flights and hospitality in China courtesy of the telecommunications firm, as well as a gift of a tablet computer. The Liberal Party's communications spokesman, Malcolm Turnbull, has visited Huawei executives in China, but paid for the trip himself.

Robb later attempted to backtrack on his criticisms of the government, insisting that he merely disapproved of the "insensitive manner" in which the Huawei decision was made. He hastened to add: "I'm certainly not having a crack at ASIO."

The Liberal Party's shadow attorney-general, Senator George Brandis, nevertheless intervened to emphasise that "any government would be very slow to act at variance from the advice of the national security agencies." National Party leader in the senate, Barnaby Joyce, similarly said that he would have "a natural inclination to listen to ASIO." Recently retired Liberal powerbroker Nick Minchin went further, stating he was "not at all surprised by what is clearly the ASIO recommendation in relation to this matter and indeed [I am] pleased by the government's decision."

The Gillard government's decision on the NBN tender is consistent with its lockstep loyalty to the Obama administration's aggressive drive to maintain US dominance in the Asia Pacific against the strategic and economic challenge posed by China. However, the Huawei incident points to the nexus between strategic issues and corporate interests in Australia. As the economic interests of sections of the ruling elite become further bound up with China, Canberra's ability to manoeuvre between the competing demands of Washington and Beijing is less tenable than ever.

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