US-Huawei-ZTE tussle

Why in news?

The US Federal Communications Commission (US FCC) designated Chinese telecom vendors Huawei and ZTE as national security threats.

Why has the US banned Huawei and ZTE?

- The first official action on these Chinese telecom equipment makers was taken based on House Intelligence Committee's report (2012).
- The report said that both the companies posed a risk to national security.
- It also said that the US businesses should avoid buying equipment from them.
- On most occasions, the US had accused Huawei and ZTE of working in ways that were contrary to national security or foreign policy interests.

Why is this ban important?

- Huawei is the world's largest maker of telecom equipment and the second largest maker of mobile phone parts.
- It has been at the forefront of innovation that allowed many companies to build large telecom infrastructure at very low costs.
- ZTE has tied up with several big corporations to manufacture their patented equipment in China at very low costs.
- A ban on both Huawei and ZTE could mean an **increase of up to 30% in cost** of telecom equipment across the board.
- Apart from hardware, Huawei has also been trying to make inroads into the software and operating systems (OS) industry.

Will the Huawei ban impact India?

- This decision could put pressure on India to take similar action.
- **Equipment market** - The low cost equipment from Huawei or ZTE could provide some relief to domestic telcos.
- Huawei was a major equipment supplier to companies like Vodafone Idea and Airtel during the initial rollout of the 4G services in India.
- Over the years, Huawei has made inroads into nearly 25% of the total telecom equipment market in India.
- **4G expansion** - Now, Department of Telecommunications said that it would

rework the 4G network expansion tenders of BSNL and MTNL.

- This would bar global vendors like Huawei and ZTE from participating.
- **5G trials** - In 2019, the telecom minister said that all players, including Huawei, were permitted to participate in 5G trials in India.
- To allay security fears, Huawei had said it was ready to sign a no backdoor agreement with the government.
- Under the agreement, Huawei would vouch that it did not gain access to any Indian customer's equipment under any circumstance.
- Barring Huawei and ZTE from even bidding in the 5G auctions could mean equipment as much as 30% costlier.

Source: The Indian Express

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