

## **BSNL gets nod to award deal to Huawei**

ET Bureau

NEW DELHI: State-run telecom giant BSNL has overcome opposition from the Intelligence Bureau (IB) and the defence ministry, winning a permission to award a lucrative contract for telecom equipment to Chinese company Huawei. A government panel, which included representatives from IB and the defence ministry, has endorsed BSNL's position and allowed the company to place orders with Huawei for only southern states as they have no international land borders.

ET had reported earlier this week that both IB and the defence ministry had cited security concerns to argue against any Chinese company being given BSNL contracts to provide telecommunication equipment. BSNL had shortlisted Huawei and Swedish company Ericsson for its 93-million-line GSM expansion project worth around Rs 30,000 crore, the single-largest telecom contract in the world.

Ericsson was shortlisted as the lowest bidder for northern and eastern regions, while Huawei made the cut for the western, eastern and southern zones. The government had also set up a committee, comprising representatives from IB, the defence ministry, the department of telecom and intelligence agency RAW (Research and Analysis Wing), to examine the issue of participation of foreign companies, particularly with regard to security-related sensitivities, in BSNL tenders.

“This committee has given us nod to place orders with Huawei, but only in south India,” a top BSNL executive told ET. The logic: southern India do not share sensitive borders with countries, such as Pakistan, China and Bangladesh. Besides, Huawei is already working with BSNL in south India. But an IB official, while objecting to the Chinese presence, had said that given the security situation in the country, even the southern region, because of its coastline, can be considered sensitive. Moreover, he argued, distinction in terms of zones is irrelevant in the communication sector. It is not clear what caused the change in thinking.

Ericsson will be given the contract for 43 million lines, of which 25 million will be for north India, while the remaining 18 million will be for the eastern region. Huawei will get the contract for 25 million for southern states,” the executive said, adding the final price would be determined only after negotiations with Ericsson and Huawei.

It is estimated that that Ericsson's contract is worth a little under \$3 billion, while the value of Huawei's order will be about \$1.5 billion. The BSNL contract is split into three parts of 25 million each for the northern, southern and western zones, and 18 million for the eastern zone. The tender conditions also stipulate that one company cannot be awarded more than two zones, implying that the maximum order an equipment maker can bag is for 50 million lines.

The BSNL executive also said that the committee did not open the bids for the western region for three reasons: Huawei is the only company shortlisted for this region, but since western Indian states share sensitive boundaries with Pakistan, the contract cannot be awarded to the Chinese firm. Moreover, Ericsson has been ruled out as it has already been selected for the north and the east.

Finally, the panel has not taken a decision on measures that must be adopted when awarding contracts, including conditionalities, in sensitive areas. IB had said that BSNL should not award contracts to Chinese telecom equipment companies, as “these firms were known to have links with the Chinese state and security apparatus and, therefore, their presence in this critical sector has national security implications in a variety of ways.”

The defence ministry, too, had objected and said that “Huawei has been set up with the assistance of the Chinese army and has a tainted past in addition to being black-listed in the US. Similarly, the other Chinese company ZTE also does not have a good track record and in any case these two companies should not be allowed to come in any part of the country.”