



Will Telus Corporation (TSX:T) Stock Take a Hit if Canada Bans Huawei From Its 5G Network?

Description

Canada and China have been locked in a diplomatic dispute since the arrest of Huawei executive Meng Wanzhou in Vancouver back in December. Stocks like **Canada Goose** [suffered from the political fallout](#), and other companies [will face long-term consequences](#) if relations do not improve.

Canada is facing mounting pressure to bar Huawei from its 5G network. U.S. Democratic Senator Mark Warner, vice chairman of the Senate Intelligence Committee, and Republican Senator Marco Rubio have both warned Canada that failure to bar Huawei from its 5G network would result in a downgrade in intelligence sharing in the Five Eyes alliance. The United States, Australia, and New Zealand have already barred Huawei from their 5G networks.

Lu Shaye, the Chinese ambassador to Canada, has warned of repercussions if Canada moves to ban Huawei from its 5G network. Several Canadian telecommunications companies have worked with Huawei-made equipment in the push to establish these networks. A pullback at this stage would be costly, but not catastrophic.

Telus ([TSX:T](#))([NYSE:TU](#)) recently voiced its support for the Chinese technology giant. Eros Spadatto, executive vice president of technology at Telus, reportedly told employees in a memo that Huawei was a “viable and reliable” player and said that Telus’ partnership was “positive, transparent and innovative-centric.” Huawei is Telus’ Number 3 supplier.

Telus has not used Huawei equipment in its core network. It has, however, used Huawei radio equipment atop cell towers. This equipment handles calls, texts, videos, and an assortment of other data sent from cellphones before entering the Telus network. Telus has been a vocal advocate of Huawei’s tech, especially when it comes to constructing the future 5G network. However, Telus has reiterated that it has not yet issued major tenders to provide equipment for this new network. Telus has said that government action against Huawei would be a “lost opportunity” considering Huawei has a “12-to-18-month lead” on its competitors.

Canada-China tensions have erupted in the midst of crucial trade negotiations between the United

States and China. Chinese manufacturing has grown from 10% of global value added in 2005 to 25% in 2015. However, the Chinese state has made a concerted effort to reduce its dependence upon foreign companies for hi-tech products. Beijing's "Made in 2025" program aims to bolster Chinese competitiveness worldwide in hi-tech industries. The United States and its allies are working to curb Chinese ambitions in the tech sector, and the global campaign against Huawei is part of this campaign.

Telus stock took a significant hit following the arrest of Meng Wanzhou but has been on the rebound in January. Shares were up 1.9% in 2019 as of close on January 23. The barring of Huawei would represent a setback for Telus, but the company is locked in on alternative vendors for key equipment. It is worth noting that there is still fierce debate within Canadian ruling circles. The country may opt for a response that mirrors the United Kingdom, which forced Huawei to pass through strict security barriers in order to participate in its 5G network.

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