The Emerging Influence of Huawei and China’s Digital Silk Road

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Introduction

The Chinese tech giant, Huawei, has made its way into the global tech systems with its latest development of the 5G technology, and it is now set to provide the installation and equipment to several countries around the globe. Huawei was founded by an engineer-turned entrepreneur, Ren Zhengfei, in 1987. Since then, it has grown to become one of the largest manufacturers of electronic equipment, including smartphones. It is headquartered in Guangdong in China and has expanded its markets worldwide to become a multinational corporation.

Recent Developments

Huawei has been the talk in policy circles for more reasons than just business. The founder of the company, Zhengfei, was an engineer with the People’s Liberation Army of China for a long time and understandably there are concerns over cyber security issues with Huawei products. In a dramatic development in December 2018, the CFO of the company was arrested in Canada at the behest of the US government. The US has prevented its companies from using Huawei equipment since 2012. And in May 2019, the company was added to the Bureau of Industry and Security Entity List of the US Department of Commerce, by virtue of Donald Trump’s presidential order resulting in a ban of Huawei in all American communication networks. This happened after the US Department of Justice saw 23 cases of trade secret theft and fraud against Huawei. The US has discouraged countries around the world, especially her allies, from using Huawei equipment.

The UK government in February 2019 concluded that it is possible to mitigate the risk from using Huawei equipment in 5G networks, in a serious blow to the US efforts to persuade allies to ban the Chinese supplier; while on the other hand Italian politicians pushed for a ban on the company. In March 2019, Huawei worked on developing its own operating system in case it is prevented from using Android and Windows. At the same time, in a desperate move, the US asked Germany to stop cooperating with Huawei or risk intelligence sharing, only to drop the demand a month later.[1]

Allegations on the Company

In June 2019, Russia allowed Huawei to work and develop 5G network in the country and subsequently China issued 5G licenses. In a parallel development, Bloomberg reported that Huawei employees have worked with the Chinese military on several artificial intelligence and communication projects, apparently more than ten, in the past decade. Huawei spokesman, Joe Kelly, stated that the company cannot be held accountable for research works its employees publish in their individual capacities; while the Chinese defense ministry spokesperson, Ren Guoqiang, declined to comment. The Washington Post newspaper also came out with a story in July 2019, exposing Huawei’s link to North Korea. Huawei has allegedly help build the commercial wireless network in North Korea. This was done in collaboration with Chinese state-owned firm, Panda International Information Technology Co. Ltd. Such reports have increased the American insecurities but have not affected the sales of Huawei globally. The company reported increasing sales despite the US ban.

Jake Saunders, the Vice-President of Asia-Pacific advisory services in ABI research, stated that the allegations against Huawei do not have much ground. If communications have to be made more secure, companies in their individual capacity can put an encryption layer to regulate traffic.

Huawei’s Reactions and Challenges

Further expanding the sanctions on Huawei, in August 2019, at least 11 research facilities of the company were named in a list of 46 affiliates which the US companies need to obtain permission from the government to trade.
Some of these facilities are spread out in the UK and Italy.[4] It is possible that sanctions on the company’s research will likely be detrimental to its growth and development of newer technology.

The company, however, has put a strong front against the US treatment since May 2019. The US is effectively preventing Huawei from using American technology and products to innovate further. Despite the ban, companies in America have maintained commercial ties with Huawei. Pressure from private sectors forced the US government to cut back the restrictions which resulted in allowing Huawei to buy from the US despite being on the blacklist of the Department of Commerce. About one third of Huawei’s supplies come from American manufacturers.

This has been affected because the manufacturers are no longer permitted to sell to Huawei without approval from the US government. However, in August 2019, a grace period of 90 days was given to Huawei to continue buying certain products and services from the US companies. Commerce Secretary, Wilbur Ross, stated that this was done to support small American companies. Zhengfei has strongly advocated the company’s brand and has maintained that the company will manage sufficiently even without the US support. He has said that Huawei does not expect any relief in the sanctions. The company is prepared to conduct businesses despite the challenges. He has also been giving interviews to foreign news media to clarify Huawei’s position and the company’s efforts to rebuild its international reputation.

In September 2019, Huawei launched its latest phones, Mate 30 and Mate 30 pro, at an event in Munich, Germany. Both phones will work without Google Maps or Google play store. Instead, the company will use its own browser and play store which has over 45,000 apps. The phones received overwhelming response the world over, especially in China. The reason not only that it is a Chinese phone, but also that the Chinese citizens have been relatively independent of the American software services due to the ban on popular applications like Google and Facebook in the country.

**Huawei’s International Acceptance**

Huawei has grown astonishingly fast and has captured large portion of the global markets for electronic and communications. It has operations in over 170 countries and with the 5G coming in, the company is looking to build infrastructure in all these countries and supply necessary equipment. One region that is fast coming under Huawei’s market influence is Southeast Asia. The ASEAN countries have sought to balance US and China since the trade war began. Most of the Southeast Asian countries are seeing Huawei as a good option for cheap technological installations that are key to revolutionizing their economies through fast digital connectivity. The company has built strong business ties with ASEAN countries in the past years and it continues to cultivate on those relations.

This was acknowledged by Mansur Khamitov, an Assistant professor in the Singaporean state-run Nanyang Technological University. He said that Huawei is an established telecommunications player with a strong brand equity. Another analyst from the same university, Amalina Anuar, from Center for Multilateralism Studies, said that economic considerations and strategic foreign policy element are reasons that Southeast Asian countries have adopted a relatively open approach to Huawei.

Farlina Said, an analyst in the Foreign Policy and Security Studies program, Institute of Strategic and International Studies in Malaysia, said that Southeast Asian countries need to explore the 5G technology for further development in areas such as building smart cities’ network, education delivery, sustainability, disaster management, etc. The ASEAN countries together could be the world’s sixth largest economy and Huawei has engaged with them for the past 20 years. James Wu, president of Southeast Asia Huawei, stated that the company can provide industry opportunities worth of US$1.2 trillion and the number of 5G subscribers likely to be 80 million. According to a telecom lobby group, GSMA, the Asia-Pacific will become the largest 5G region in the coming years.

In June 2019, Philippines Globe Telecom Inc. started the region’s first fixed commercial wireless internet service using equipment supplied by Huawei.
The company’s engagement with Huawei goes back to 2011 when it collaborated as a technology partner to implement network modernization program worth US$700 million. In 2015, both companies signed a five-year contract for development of wireless networks. On the other hand, Huawei has played advisor to the government of Malaysia in developing local human resource for the communication sector. Later in 2016, it set up an ICT innovation hub and center of excellence for transformation of digital economy in the country. The prime minister of Malaysia stated that cybersecurity concerns of the US are not serious and should not stand in the way of business. Singapore, which has a good relationship with the US, has tried to balance the presence of Huawei in the country’s market.

A Singaporean official has said that Huawei’s 5G technology is the most cutting-edge and is ahead of any other corporations. Ericsson comes second to Huawei. Balancing its stance, Singaporean Prime Minister Lee Hsien Loong spoke about trust in context to Huawei and that any abuse of trust will lead to suspension of business with a company. Singaporean government also believes that there should be more than one vendor for 5G in the country so that there is no monopoly by one company.

In February 2019, Thailand launched a Huawei 5G test network in its Chonburi province. Cambodia’s Ministry of Posts and Telecommunications signed an agreement with Huawei, and later one of the Cambodian companies, Smart Axiata, announced its partnership with Huawei for the development of 5G network.

Apart from this region, the company has made inroads into Russia. It has opened the first test zone in Moscow in collaboration with the MTS in Russia. The authorities in Moscow have stated that the network will become part of the communication infrastructure of the region in the coming years. However, other corporate analysts have suggested that the government will buy from a number of 5G vendors which includes Huawei. Norway’s Minister of digitalization, Nikolai Astrup, has conveyed that Norway will not ban individual suppliers.

The country will assess the security status of any supplier for 5G, but will not single out Huawei in that regard. Telenor has already started the process of selecting suppliers for the network. In India, Huawei has sold its sub-brand honor in the phone market while it has the largest overseas Research and Development center in Bangalore employing about 4,000 engineers and technicians.

China’s Digital Silk Road

China has expanded its influence in a lot of ways. While China’s financial outreach for hard infrastructure projects is noticeable to most countries and is talked about very frequently in policy discourse, digital infrastructure has not received much attention. China’s push for digital supremacy has been spearheaded by its tech companies that have created a strong market in Southeast Asia. Companies such as Huawei, Alibaba, ZTE and Tencent have provided low-cost, high quality products, with the support of Chinese government. Chinese tech companies have invested heavily in the region, like the Lazada group in Singapore, which is an e-commerce firm operated by Alibaba. It has the highest number of monthly active users in several countries in the region. Tencent and Didi Chuxing have invested in the cab-ride industry firms like Grab and Gojek that have surpassed Uber in these countries. Jack Ma’s Alipay entered the markets in countries such as Myanmar, Cambodia, Laos and Philippines to support Chinese tourists but later grabbed significant share in their markets.

Huawei and ZTE are involved in creating infrastructure for much of the digital businesses. Huawei marine has completed more than a dozen undersea projects with 20 more under construction, more specifically in Indonesia and the Philippines. The fiber optics laid by these companies carry huge amount of data related to government, citizens and businesses. The fear of data theft is very legitimate since these companies are supported by China, and therefore, can be compromised. This has raised fears in ASEAN governments about the Chinese hardware but they still accept the Chinese software.[13]

Greater State Control and Cyber-Governance

The model of China’s cyber business is heavily controlled by the state. It is against free and open internet and cyber laws. China pushes for policies that allow governments to enforce how data is stored, processed and transferred. The policy of strict control which highly empowers the governments can seem lucrative to the relatively authoritarian states of Southeast Asia. Vietnam is an example, where according to its laws, Facebook
China and the Future

China has become a superpower not only in terms of military, trade and business but also in technology. The reluctance of US to let company such as Huawei operate freely also arises from the fear of Chinese domination over global information systems. The concerns of security, whether proven or not, will be at the hands of Chinese, once the fiber is laid and the systems are running. This will allow China to have undisputed control over information, which essentially is a commodity of one greatest interest in the modern world.

While Chinese tech companies will continue to grow, as they have and trends dictate, it will not be possible for governments to resist their entry into their domestic markets. More research into the development of counter-espionage measures in the field of cybersecurity will allow for greater technology acceptance with legitimate and acceptable controls. The developing countries have the right to easy and affordable technologies. Country like America which does not wish for her global influence to wane must bring in anti-espionage technology. It will go well with America’s long standing principle of freedom in all areas, be it territory, oceans or digital space.

The change is symbolic to the beginning of a major transition which will see the shift of technological expertise. It would be too dramatic to predict the decline of the US as a world power or its elimination from the power games, but definitely it has found a strong competitor for the top position. The difference in this case, from earlier times, is that now China has attained the technological edge that once remained the monopoly of bright American tech community, and has challenged the US openly without the use of military force. China, through Huawei, has already initiated a change in the already fluid global order. This change in digital and technological arena is much less intrusive, but too attractive to refuse; ultimately making it very difficult for states to prevent.

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Endnotes


