

Introduction

Recently, Chinese telecommunications MNC, Huawei, has been at the centre of controversial news and brewing geopolitical tension between China and the USA. Other nations from Europe to Asia, including Germany and the Philippines, have been pulled into the geopolitical drama. If the USA decides to push forward with an outright ban of Chinese technological products on the assumption of said security risks, allies will be pushed to respond. As a Filipino, I have a keen interest in the implications of Huawei's recent 5G network project in my country. The way in which Chinese multinational corporations like Huawei are portrayed as uncomfortably close to the Chinese government and thereby security risks, is an intriguing geopolitical issue. This report focuses on Huawei's operations in the USA, Germany and the Philippines in the context of the Sino-American Tech War, as it is impossible to not discuss this conflict while addressing Huawei's impact on host states. Finally, Huawei's relations with its home state, China, is naturally of significant interest.

Overview: Huawei's Emergence From Local Firm to Global Giant

Founded in 1987, Huawei is a Chinese-based telecommunications firm that began as a telephone switch producer (MarketLine, 2013). 2008 marked Huawei's entry into mobile network services and by 2013 the company had launched their own smartphone and tablet products (MarketLine 2013). Huawei initially focused international expansion into developing states in Southeast Asia, Central Asia, and Latin America (Low 2007). Today, it operates in over 170 countries and is a forerunner in 5G technology (Huawei 2021). China remains its biggest source of revenue, followed by the EMEA (Europe, Middle East, and

Africa) region and the Asia-Pacific region (Huawei, 2020). Alongside its expanding business operations, Huawei has also pursued a more humanitarian image of itself. Regarding sustainability, Huawei committed to cut resource consumption of its main products by 20% and power 3,000 of its sites using alternative energy (MarketLine, 2013).

In terms of formal agreements, it has signed the China Ministry of Industry and Information Technology's (MIIT) Voluntary Green Agreement (MarketLine, 2013) and is a recorded participant of the UN Global Compact since 2004 (UN Global Compact, 2020). However, it should be noted that "[t]he Compact is neither a legally binding set of regulations nor a regulatory body. The UN's one resort is a reputational sanction...[by labelling] a company "inactive"...[Therefore,] firms [may] use the Compact symbolically to enhance their public image, without doing more" (Bernhagen, 2010). In contrast, others argue that membership in the Global Compact positively influences firms' human rights policies (Bernhagen 2010). This could be seen in Huawei's main corporate social responsibility (CSR) projects of funding of a mobile education project for young refugees in Dadaab, Kenya (Hong & Shuai, 2020) and investment in Myanmar to bring 13 million people online (Hong & Shuai, 2020). However, Huawei still has certain humanitarian skeletons in the closet, most notably its "public security video surveillance" contract with the Xinjiang Public Security Bureau – the same bureau in charge of security for Xinjiang province, where roughly 1 million Uyghur Muslims are kept prisoner under forced labor (Alton, 2020). Similarly, the use of Huawei's 5G technology in helping suppress the Hong Kong freedom protests is also troubling (Nietsche & Rasser, 2020).

Home State Controversy: Huawei and the Government of China

As mentioned earlier, Huawei has made itself a forerunner in the 5G technology race, placing it at the centre of international geopolitical controversy. As of 2019, Huawei is noted to control 29% of the international telecommunications equipment market and 43% of the Asia-Pacific market (Johnson & Groll, 2019). Ericsson (2021) predicts that by 2026, there will be 3,468 million mobile 5G subscriptions globally, with the bulk of the subscriptions (1,472 million) coming from Northeast Asia. The USA (a notable Huawei host country) and many of its allies have been clearly concerned with the rising global dominance of Huawei as a Chinese telecommunications MNC and have even accused Huawei of espionage.

The truth of American accusations of Huawei espionage remain unproven as there is no solid evidence of Huawei using its network to spy on private citizens (Johnson & Groll 2019). But certainly, it is a possibility. Some Huawei critics point to the fact that according to law, Huawei executives cannot resist their government, no matter how publicly they might protest otherwise. For example, Article Seven of China's National Intelligence Law reportedly requires Chinese corporations and citizens alike to cooperate with "state intelligence work" – a requirement that companies are powerless to object to since China has no independent judicial mechanism for such objections to be heard (Frederick, 2019). Furthermore, Huawei receives plenty of state support that cuffs them to the Chinese government, such as US\$10billion in funding from the state-owned China Development to help Huawei's foreign expansion (Low, 2007). Finally, Huawei's founder, Ren Zhengfei, is a People's Liberation Army's engineering corps veteran (MarketLine, 2013) and the Chinese military was one of

the corporation's earliest and most important customers upon which it built its success (Johnson & Groll, 2019).

Critics argue that allowing Huawei to build such critical network infrastructure is like "handing the Chinese government a loaded gun" because future software updates can conceal security flaws called "bugdoor[s]" (Frederick 2019). However, it must be pointed out that this security risk is not unique to Huawei or even Chinese tech companies in general. Any company (regardless of national origin), with problematic characteristics such as historical bribery/corruption, poor transparency (in terms of ownership/funding), and connections to espionage/cybersecurity risks should be reviewed thoroughly (Kania 2019).

Huawei Abroad: The USA, Germany, and the Philippines

The perception of Huawei's close ties with the Government of China and allegations of espionage has had an impact on the company's operations in host countries. Whether or not Huawei is actually leaking private data to the Chinese government is beyond the point; trust and geopolitics are the crucial issues here. Some argue that the real crux of the matter is that the US feels threatened by the possibility of China replacing it as the global leader in intelligence power, enabling China to deny America access to crucial international commerce and military networks (Johnson & Groll 2019). This would be a reversal of historic power dynamics, where US intelligence agencies are said to have used the power of American telecommunication MNCs to spy on rivals (Johnson & Groll 2019). Furthermore, the balance of power regarding trade, internet norms, and political ideology are all arguably wider factors interwoven into the Sino-American tech competition (Brands, 2021a).

Regardless, it is clear that a China-US Tech War is inevitable and has been steadily brewing. Even if the 5G battle seems to be leaning in China's favour, the tech rivalry is far from over. For example there is still the 6G competition, estimated for 2025 to 2030, that is still undecided (Lo, 2021). Ultimately, all countries will be forced to take a side; because the competition "is a matter of national interest allocation rather than a matter of right or wrong. In the digital age...economies will prosper or wither depending on their capacity to adapt to the next ICT revolution against the complicated geo-political backdrop" (Lo, 2021).

Huawei's began operations in the USA in 2002, when it launched an entire US subsidiary called FutureWei (Low, 2007). But in 2011, Huawei's American business began to take a turn when the US House of Representatives' intelligence committee launched an investigation into Huawei and published a report warning that the integration of Huawei's equipment into critical communication networks could undermine US national security. During the hearing, Huawei "admitted that an internal Party Committee [exists] within the company, consistent with Chinese law, but refused to discuss or describe the role, membership, or impact of this group on corporate decision making" (Almond, 2019). Huawei also refused to "provide internal documentation or auditable financial records to evaluate its claims that any financing arrangements comply with standard practice and international trade agreements," asserting "both verbally and in writing that it could not provide internal documentation that was not first approved by the Chinese government" (Almond 2019). Despite this, Huawei continued to operate in the US (Grotto, 2020).

Then in 2019, Huawei was fully banned in the US on charges of espionage and breaching sanctions on Iran (Zámborský, 2020). This led to Google (among other US suppliers) blocking Huawei access to Android software, which was used in their products (Zámborský, 2020). With a hard ban in place, and Huawei CFO Meng Wanzhou arrested in Canada on American request, the USA pushed other Huawei host states to take similar action against the company. This has had mixed results. Several Eastern European states have endorsed the hard ban, and the United Kingdom issued a requirement for “all existing Huawei equipment to be ripped out by 2027” (Grotto 2020). Germany, on the other hand, seems ambivalent. Most notably, Chancellor Angela Merkel did not bar Huawei from Germany’s 5G networks and even pushed through an Europe-China investment deal in December 2020 (Brands 2021b). She also delayed a proposed IT security law that would restrict (not ban) Huawei (Grotto 2020).

The reason? Firstly, Huawei has run a successful lobbying campaign convincing Europe that it is a trustworthy vendor (Nietsche & Rasser, 2020). In contrast, the Trump administration has badly shaken European leaders’ confidence American leadership and partnership (Brands, 2021b). Secondly, is the so-called ‘carrot’: “Volkswagen AG and other companies driving Germany’s export-oriented economy are addicted to the Chinese market” (Brands, 2021b). Other notable German corporations such as Deutsche Telekom continue to lobby for the rollout of 5G technology supplied by Huawei (Grotto, 2020). Thirdly, the corresponding ‘stick’ emerged in December 2020, when the Chinese ambassador to Germany threatened to terminate German car sales in China (Nietsche &

Rasser, 2020). Germany's relatively mild approach to Huawei in the context of the US-China Tech War is concerning to America, since any American strategy to block China's international technological influence requires the cooperation of Europe, of which Germany is the power lynchpin (Brands, 2021b).

On the other side of the world, America is in similar trouble with its historic strategic partner in the Asia-Pacific: the Philippines, another notable Huawei host state. Like Germany, the Philippines is a crucial part of the US effort to resist Chinese dominance globally as the lynchpin of the American alliance system in Southeast Asia (Brands, 2021c). In 2019, despite warnings that allowing Huawei to enter the Filipino telecommunication industry may "impede future intelligence-sharing with the US," the Duterte administration approved Huawei's 5G network project in partnership with two of the country's largest telecommunication companies: Globe and Smart (Heydarian, 2019). Then in 2020, another national telecommunications giant, PLDT, announced the rollout of its 5G mobile services using Huawei equipment (Venzon, 2020).

Mirroring Europe's decreasing trust in American leadership, Asia-Pacific geopolitics has proven to the Philippines and other Southeast Asian powers that sticking with the US is not necessarily a better deal than China – loyalty to America did not stop China in 2012 from forcefully occupying Scarborough Shoal in the highly-contested South China Sea (Brands, 2021c). It is clear for both the Philippines and Germany that Huawei is the cheapest and most effective means of getting 5G services running and keeping up with the rapid technological revolution, Sino-American geopolitics notwithstanding.

Ultimately, it is apparent that Huawei has a key role to play in contemporary geopolitics. In today's extremely digital economy, it is almost impossible for a telecommunications MNC of Huawei's size to remain apolitical. Huawei's success is rooted in its constantly innovating and futuristic technology that is integral to the world economy. It has enacted powerful, positive socioeconomic advancement just by producing cutting-edge technology like 5G equipment. But as with everything, this advancement comes with a dark side that cannot and should not be ignored. From its concerning ties to human rights abuses in its home state, to political controversy regarding security in several of its host states, Huawei has a delicate line to balance. Much of its early success and growth has been attributed to support from the Chinese government, but at the same time, its ability to procure future revenue arguably lies in expansion in international markets. While Huawei has been having some luck in countries like the Philippines and Germany, as was discussed in this paper, it is not as lucky in others like the United States – whose power and influence is still not to be taken lightly.

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