

President Donald Trump's Executive Order declaring a national emergency over threats from the unrestricted acquisition or use of ICT in the US on May 15, and the barring of US businesses from purchasing Huawei products and selling critical technology to the Chinese telecoms giant, are intended to protect the country and, arguably, Western democracies from foreign (China) adversaries who are creating and exploiting vulnerabilities in their ICT infrastructure. However, Trump's move should also be viewed within the broader context of the growing tensions between the US and China, with the specific measures taken against Huawei being part and parcel of their ongoing trade war.

## Huawei and China set to lead tech development in next industrial revolution

The targeting of Huawei – and Trump's threat to allies that they face a ban on intelligence sharing for using Chinese 5G equipment – is aimed at undermining the telecoms provider's advance towards 5G.

The global economy is on the edge of another major revolution and 5G will come to define the next economic phase of world history. As the biggest telecoms equipment manufacturer, with 28% of the market – far ahead of its EU competitors Ericsson and Nokia and now holding more contracts than all of its rivals – Huawei will play an instrumental role in transforming the global economy and helping China surpass the US as the dominant economic power.

Some experts argue 5G will change the way we live forever, powering a new data-driven industrial revolution. 5G networks will enable more Internet of Things (IoT) capabilities as well as connected cars and smart city applications. Accenture estimates that IoT could add \$14trn to the global economy by 2030 and be the biggest driver of productivity and growth, accelerating the reinvention of sectors that account for almost two-thirds of world output.

It is little wonder that the US wishes to frustrate the more advanced Chinese companies from capitalising upon their advantage by not only capturing new economic growth, but also leading its development. In essence, Huawei's dominance in 5G would allow China to leapfrog the US and accelerate its path towards economic primacy. However, the US administration does attribute a more malign motive to China's penetration of the 5G market and that is its bid to supplant the Western-led, rules-based, international order by stealth.

There remain important questions over Huawei's operational independence and its close ties to the Chinese Communist Party. A recent report by the London-based Henry Jackson Society<sup>[1]</sup> makes a

convincing case that the company is compelled to co-operate closely with China’s intelligence agencies. As such, the US administration and the Australian government, among others, believe that Beijing will expect its telecoms companies to build back doors, or hidden methods of accessing data, into its products that would enable it to spy on foreign competitors, steal intellectual property or even to shut down foreign infrastructure remotely. There are also fears that 5G networks have the potential to change how militaries operate in the future. For example, US allies in South-east Asian countries may find their ability to integrate with US-made weapons systems and platforms suddenly compromised, which would make them vulnerable.

## US allies differ on whether to roll back Chinese involvement in 5G networks

Although it carries the strong odour of a conspiracy theory, Washington’s claims that Huawei is a front for Chinese espionage has prompted its fellow members in the Five Eyes intelligence sharing community – Canada, the United Kingdom, Australia and New Zealand – to re-evaluate the wisdom of engaging Huawei. Nevertheless, the UK is at odds with its partners.

Prime Minister Theresa May in April gave provisional approval for the use of Huawei technology for non-core parts of the UK’s future 5G telecoms networks after a meeting of the National Security Council (NSC). The decision was informed by the UK’s Huawei Cyber Security Evaluation Centre (HCSEC), which argues that cyber threats from the equipment manufacturer can be mitigated, as long as they are confined to non-core functions such as antennas and other “dumb” components. (In networks, there are core or control planes, which handle sensitive data and manage traffic, and there are non-core planes, boxes and antennas that handle data without reading it.) Moreover, in its March report<sup>[2]</sup>, HCSEC states that it has found no direct evidence of state-backed espionage. However, it does criticise Huawei’s basic engineering competence and cyber security hygiene which, the report argues, could be exploited by cybersecurity attack. A leaked account of the NSC meeting said five cabinet ministers had raised concerns about the company. Vodafone will begin rolling out its 5G network – using Huawei technology – in July.

## What impact will Trump’s move have on Huawei and the advancement of 5G?

The issuance of Trump’s Executive Order, if sustained, will likely affect Huawei in several ways,

including delaying China’s 5G roll-out, disrupting the company’s supply chain and further undermining the success of trade talks between Washington and Beijing. It will also lead US allies, especially the Five Eyes and others, to reconsider engaging Chinese telecoms companies for the time being (a new British prime minister is likely to fall into line); and Huawei’s willingness to sign no-spying agreements will carry little sway. Nevertheless, China’s telecoms sector will continue to lead the charge to the new 5G era, and if its reach into Europe and North America is deferred for now, it will undoubtedly roll out into South-east Asia and the next industrial wave will begin as a tsunami from the East. The US will need to head to high land.

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[2] *Huawei Cyber Security Evaluation Centre (HCSEC) Oversight Board Annual Report 2019*, March 2019,

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