Chapter 10

Huawei’s Battle: Cold War or Commercial War?

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ABSTRACT

The purpose of this chapter is to explore the causes and reasons for these actions and to ascertain what key strategic approaches and positioning lie behind the high-level political tension. This is a conceptual chapter that looks at Huawei, the giant Chinese telecommunications company that has become the focus of contract exclusion and finger pointing by certain Western governments. The finding of this chapter suggests that the argument of “national security” used by the US and Australia in refusing Huawei’s NBN contract is controversial. The chapter provides the causes behind this argument. This chapter makes valuable contribution whether it be due to Cold War legacies or business competition; the exclusions do not sit well in this globalised economy.

INTRODUCTION

In late 2012 the Australian government launched its blueprint approach towards Asia and China in the 21st century in its White Paper known as “Australia in the Asian Century”. This document was also followed by much chatter about Australia’s greater levels of engagement with China and Asia and the critical role China played in Australia avoiding serious consequences from the global financial crisis. Yet only days before the release of these important papers, John Lord, Australia’s Chairman the Chinese telecom giant Huawei fronted up to the Canberra National Press Club to “set the record straight, to dispel the myths and the misinformation” about Huawei (Lord 2012, p. 1). Only some months before, Huawei, the largest telecommunications equipment maker in the world with sales revenue in 2011 of $16 billion (Mei 2012), was declared by the US and Australian governments as a “security threat”.

In the case of the United States, in October 2012 the Intelligence Committee of the House of Representatives of the US Congress said...
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Huawei and another Chinese telecommunications company, ZTE, “cannot be trusted” to be free of influence from the Beijing government and could be used to undermine US security. The US declared that the Chinese telecommunications company Huawei should be barred from US contracts and capital acquisitions. This was the conclusion the US Congress reached stemming from a yearlong US congressional investigation. The exclusion of Huawei (and to a lesser extent ZTE) from telecommunication government projects in both the US and Australia has unleashed the vast array of pent up prejudices against some Chinese global companies. Is this a consequence of the growing economic power asserted by China or are there still legacies of the past Cold War positioning? Whichever of these options is the case, Huawei is in the firing line.

AIM OF THE CHAPTER

The case of the Chinese private telecommunications company Huawei and its exclusion from sensitive telecommunication projects in the US (and Australia) on security grounds over the last few years has highlighted a significant development in the growing importance of China as a global economic power. Allegations by US and Australian government sources have stated explicitly the “security threat” which Huawei could pose to national tendering projects in both countries. Added to these allegations are new assertions of cyber warfare against western agencies conducted supposedly conducted by Chinese government authorities. It may also mask a series of other underlying developments.

“Security threat” allegations are uppermost in the conclusions from the US and Australian authorities due to Huawei’s supposed close relations to the Chinese government and the potential to become an espionage conduit. In effect this would confirm that Cold War legacies which remain between certain western countries and China. It may also be a case of not so discreet measures to hinder telecommunications competition in what is a ruthlessly competitive industry, with strong US players and a low cost sector. This chapter will explore this dichotomy between the growing superpower position that China is slowly acquiring. It will also investigate whether this standoff over Huawei is the renewal high level political tension of a Cold War nature, or discreet forms of uncompetitive behaviour.

THE MEANING OF AN EMERGING POWER

There are few cases in history in which a nation has grown as quickly as China has and certainly not in modern industrial times has one single country come from such a low economic base to be declared as the next superpower alongside the United States. Many look to the last decade as being the most significant in this economic advance. China’s average growth of 7-8 per cent each year has been a constant over the last three decades. Chang (2001, p.9) observes that “In the extraordinary era from 1978 through the middle of the 1990s, China had the fastest growing economy in the world, perhaps the fastest in world history”. Much of this advance is claimed to be the responsibility of Deng Xiaoping’s open door policy. Certainly in the opening of the stock markets in Shanghai and Shenzhen was a declaration that exploitation of capital would be tolerated and that certain Chinese could enrich themselves (Chang 2001, p. 9). The hard economic data of China’s growth was little short of astonishing. Between