Huawei ban is just the start of the great decoupling

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Australian Financial Review, 28 July 2020

https://www.afr.com/policy/economy/huawei-ban-is-just-the-start-of-the-great-decoupling-20200728-p55g2u

Australia now faces uncomfortable decisions as the world rushes toward substantial decoupling of technology. After years of inching toward a partial separation of the tech systems in China and the US, both sides hastened the tempo in the last few months.

The Chinese government and Chinese companies know that developed markets are becoming increasingly difficult because of security concerns around their tech products.

As Simon Lacey, the former vice-president of trade facilitation and market access at Huawei, writes, "In China, it [Huawei] had to demonstrate unwavering loyalty to the goals of the Communist Party leadership. Outside China, it had to argue that it had little or nothing to do with the Chinese state." This is proving untenable in developed democracies.

For many emerging economies, the quality and price of Chinese technology to enhance economic development often outweighs security concerns. Thus, the global battle for tech standards, systems and ethics is going to be decided in Asia, which is home to most of the world's large emerging economies.

In the short-term, if the US follows India in attempting to block TikTok (India also blocked 58 other apps owned by Chinese firms), then Washington's attention will naturally turn all other apps owned by Chinese parent companies such as WeChat and Didi.

The security concerns are the same for all apps made by Chinese-owned firms – the Chinese government will be able to access user data. It is more difficult to block apps in a democracy than in China but the US does have tools to severely limit access to Chinese apps.

Australia and other Asian countries will come under pressure to follow suit. Beijing will apply bluster and threats of coercion in attempts to stop this. Canberra will need to make a call about data security versus the consumer appeal and benefits of many Chinese apps. Didi, for example, offers a lower commission than Uber, which benefits both drivers and passengers.

Beyond this, every collaboration between China and foreign tech organisations could potentially be impacted by ever-expanding US export controls.

Any Chinese entity that publicly claims to be involved with civil-military fusion (CMF) could be blocked from US tech exports. For political reasons, almost every university and large tech company in China feel obliged to publicly say that they support CMF. Numerous Australian (and Asian) universities have large deals with organisations that publicly state they support CMF. If their collaboration relies on equipment from the US, as it often does, they are vulnerable to supply disruption.

Export Controls

In response to expanding US export controls, China is developing its own exports controls to be applied internationally. Already in May 2019, Beijing announced the establishment of an unreliable entity list and national security management list. A Ministry of Commerce official said that companies are to be placed on the unreliable entity list if they take "discriminatory actions taken against Chinese companies, such as boycotting or cutting off supplies."

It has still not been made clear how the lists will work in practice. But they will be implemented in some way as part of a suite of new measures designed to counter US efforts. The Communist Party's Central Committee and State Council published a document in May 2020 which calls for the establishment and improvement of both lists as part of a system of technology controls. It may be impossible for international companies to comply with both sets of requirements.

A Biden presidency will likely bring more predictability to US actions. But it does not guarantee a rollback of already significant restrictions. Many in the US recognise their capacity to pressure China and other tech companies will only reduce over time. This leads to a view that if the US wants to maintain its tech lead, it is now or never in terms of punishing China.

Observers point out that much tech collaboration still exists between China and the US. Research conducted by Andrew Kennedy of the Australian National University shows that Chinese research organisations concluded 144 R&D alliances with foreign partners between 2017 and 2019, which is a large jump compared to the years up to 2016. The US is the lead partner of choice.

Much of the R&D collaboration growth has been driven by foreign organisations investing in biotechnology R&D in China. Many of the new controls under Trump so far have focused on information and communications technology. Biotech is just one of many fields in the sights of the US government for future controls. Australia has a strong biotech sector with deep linkages to both China and the US.

Australian universities such as UNSW and Monash have recently signed deals with Chinese entities worth of hundreds of millions of dollars to commercialise their research. These provide obvious benefits for Australia's innovation economy and thus national wellbeing (and resilience).

Even these collaborations will find it increasingly difficult to walk the tightrope between China and the US, let alone multilateral collaboration between China, the US and third countries.

For years, the costs for Australia of Sino-US tensions have been limited. Australia has been able to successfully take funding and technology from both as well as collaborate with both as part of bigger projects. Those days are over. The only really hard decision so far on tech for the government was Huawei's involvement in Australia's 5G network. Decisions of equal difficulty will be regular now.

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