The US-led campaign against the use of technology from the Chinese telecom giant Huawei — the world’s largest provider of telecom technology — in the rollout of 5G mobile networks around the world is shaping up to be a major battle between Washington and Beijing over the future of emerging technologies. Asian countries are struggling not to be sucked into that geopolitical rivalry as they decide who will build their networks.

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A Collision of Cybersecurity and Geopolitics: Why Southeast Asia Is Wary of a Huawei Ban

By Huong Le Thu

The US effort to discourage countries in Southeast Asia from using Huawei technology in their 5G networks has had mixed results, at best. The region has long been a receptive market for the Chinese company’s telecom equipment, largely because of its quality and affordability.

While views differ on the actual security risks that might be associated with Huawei’s 5G networks, what irks policymakers in Southeast Asia is a conviction that the US position is riddled with weak arguments, writes Huong Le Thu.

“The Race to 5G is a race America must win,” US President Donald Trump said on April 12 at the Federal Communications Commission (FCC). Just over a month later, on May 15, he issued an executive order banning Huawei equipment in US networks. That decision will likely ripple well beyond Sino-US relations — it will impact the digital future of many other countries.

The US ban on Huawei technologies has fueled the already lively debate about the world facing a possible “digital iron curtain.” The implications go beyond wireless providers and could lead to a division of countries between “Team America” and “Team China” in terms of technology. The fear of an unwanted digital bipolarity is already present in Southeast Asia, where some countries have military co-operation or intelligence sharing arrangements with the US, forcing them to make what some see as an impossible choice between Washington and Beijing. This is neither the best way for the US to compete nor to exert pre-eminence, and it could ultimately harm US interests in the region. If that were to become the case, the choice of a 5G provider would not be a matter of market competition, but rather political alignment, with the US seen to be politicizing technology competition and imposing its will on others.

A TECHNOLOGY WAR

Great-power competition is now about technology. Theories of power transition have raised the importance of the “innovation imperative,” in which technological progress determines either a continuous rise or imposes constraints on the rising power. Thus far, much of the US-China “trade war” or “decoupling” is actually a technology war. “Chinese-designed 5G networks will provide near-persistent data transfer back to China that the Chinese government could capture at will,” warned a statement from six former US military leaders issued in April.

The Trump administration’s reasoning behind the ban on Huawei and restrictions on access by Chinese companies to US technology is rooted in fear of a rising authoritarian China seeking to reshape the global order in a way that is anti-theoretical to US interests. The world is, according to the US National Security Strategy, divided between “those who favor repressive systems and those who favor free societies.” Beijing is seen as driving innovation for the purpose of social control, with high tech-enabled large-scale monitoring and data collection. As a result, the spread of technologies that allow greater control by the state could contribute to enhancing illiberal regimes.

US concerns about China on such issues as unequal market access, forced technology transfer, human and cyber-enabled state-supported theft of intellectual property, currency manipulation and state subsidies — as well as China’s expansive conception of state security and its belief that individuals and organizations should support state espionage — are all legitimate. But Trump’s ban on Huawei doesn’t address these concerns effectively, nor has it been communicated sufficiently to other countries, such as those in Southeast Asia.

US security concerns about Huawei, ZTE and other Chinese technology companies are shared by its closest allies in Asia — Australia and Japan. But while the debate has spread globally, the ban has also created a rift with other allies and partners, making the picture in the Indo-Pacific region, as well as Europe, more complicated.

A SPECTRUM OF VIEWS

Countries in Southeast Asia can be divided into three categories. First, allies and partners of the US with a strong sense of strategic convergence; second, countries that share some convergence in strategic interests; and finally, those that are distant from the US in the traditional sense of alignment. Put in the language of international relationships, there are those who bandwagon with a major power of their choice, those who hedge between two or more major powers, and those who balance against a major power that is seen as threatening.

In the controversy surrounding the 5G rollout and future digital technology, we see a similar pattern in how countries are reacting to US pressure over Huawei. It is a palpable dilemma in some Southeast Asian countries. Among those who embrace Huawei are two US treaty allies — Thailand and the Philippines, which seem to be among the most receptive to Chinese flagship technology.

In February, the Thai government launched a test of 5G and it is promoting 5G infrastructure investment within its planned Eastern Economic Corridor (EEC), which aims to adopt the technology by 2020. According to the report in The Diplomat, the Thai government’s Digital Economy and Society Ministry is rolling out 5G with 29 companies, both local and international, including Huawei. “Asian countries will not abandon Huawei and Chinese-made electronics,” the former Thai finance minister, Thirachai Phuvanatnaranubala, was quoted saying.

In the Philippines, market leader Globe Telecom has confirmed a partnership with Huawei to develop 5G. On top of improving relations between Manila and Beijing since Rodrigo Duterte became president, Huawei has also supported the Philippines’ controversial public safety campaign, which is related to Duterte’s so-called...
drug war, which the government claims is about cleaning up drug-related crime. A US$383 million deal was signed last year with China Telecom and Huawei to create a video surveillance system in Metro Manila and the city of Davao with a view to reducing crime rates.

Cambodia’s Smart Axiata announced in April it has partnered with Huawei to develop a 5G solution. Prime Minister Hun Sen has said he wants Cambodia to be the first ASEAN country to launch 5G — with the help of Huawei and ZTE, that is. While the state of Cambodia’s telecoms does not suggest it would be an early adopter of 5G, the political will of Phnom Penh — whose relations with Beijing are increasingly good — is behind the effort to leapfrog into the new technology.

In Myanmar, ZTE has signed a memorandum of understating with the country’s Ooredoo to launch a 5G mobile network, which is expected to be ready in 2020. In fact, all four mobile carriers in Myanmar are believed to use equipment made by ZTE or Huawei, mainly because of its accessibility and affordability. Huawei representatives, meanwhile, have confirmed they are supporting digital transformation in Laos. With a market share of 15 percent, the company is the country’s third-largest mobile vendor, after Samsung (37 percent) and Apple (22 percent). Among those who are more hesitant toward the adoption of Chinese technology are Indonesia, Malaysia, and Singapore, which have signed up for 5G trials with Huawei, but are still cautious about considering a 5G network involving the company.

**WELL ESTABLISHED**

Huawei has a long history and strong foundations in Southeast Asia. It entered the region some 20 years ago — relatively early on and with competitive financial assistance. Today, it has strategic partnerships with Malaysia, Singapore, Indonesia, Vietnam, Myanmar, Cambodia and Laos. Its presence goes beyond wireless communications. Huawei provides funds for disaster relief, for example. In Malaysia, it has collaborated with Telekom Malaysia and Celcom Axiata to provide US$121,000 in assistance for communities affected by floods. Few other telecom giants have offered that.

Malaysian Prime Minister Mahathir Mohamad said at an event in Tokyo in May this year: “Malaysia is too small to have an effect on a huge company like Huawei, whose research is far bigger than the whole of Malaysia’s research capability, so we try to make use of their technology as much as possible. Yes, there may be some spying, but what is there to spy on in Malaysia? We are an open book.”

Days later, Singaporean Prime Minister Lee Hsien Loong said in a keynote speech at the Shangri-la Dialogue that Singapore is carefully studying the impact of 5G technology. However, he downplayed the security challenges posed by Huawei, emphasizing that it is not a “black-white” issue, but rather a matter of degrees: “I would also say from the technical point of view, it is quite unrealistic to expect 100 percent security from any telecoms system you buy. Even the hand phone you buy is not 100 percent secure, much less the entire telephone network. It does not matter whom you buy it from; it can be a friendly country, it can be a hostile country, or you can design it yourself — every system will have vulnerabilities.”

Indonesia’s minister of communication, Rudiantara, has also seemed to defuse fears of Huawei-enabled espionage, telling Reuters in February that “Indonesia cannot ‘be paranoid’ about curbing Huawei.” There are some 300 base transceiver stations in Indonesia that use foreign technology already, so excluding one foreign company would be a political decision rather than a practical one, he said.

Another important factor is the drive for smart cities. Southeast Asia is urbanizing at one of the world’s fastest rates. Thailand and Malaysia are exploring the benefits of 5G broadband in building their Smart Cities Networks and Smart Government initiatives as well as disaster management preparedness. With Indonesian President Joko Widodo recently announcing a project for a new capital city, as well as ongoing efforts to upgrade Jakarta, there are likely to be plenty of new opportunities for infrastructure investments — both ‘hard’ and ‘soft’ infrastructure.

Southeast Asian leaders are clearly downplaying the US government’s security arguments as a reason why Huawei’s 5G network can’t be trusted. But given China’s ranking in the World Justice Project Rule of Law Index — number 82 out of 126 countries ranked — Southeast Asian countries, many of them ranking in similar brackets, are also less alarmed at the prospect of using technology from Western liberal democracies.

Vietnam is the only country in Southeast Asia that is avoiding Huawei technology based on security concerns, although without an explicit ban. Instead, Vietnam is among the very first in the world that is developing its own 5G technology. State-owned telecom Viettel, in cooperation with Sweden’s Ericsson, has developed a network that was successfully tested earlier this year in Hanoi. It is currently in the second phase of testing in Ho Chi Minh City. Planned to be launched by 2021, if successful, it may be a model for other countries.

It is worth noting that Chinese state companies have had access to Vietnamese telecoms before, ZTE partnered in the past with Viettel in developing 3G. But in developing 4G, Viettel already relied on its own self-produced base stations.
Vietnam's plans for wireless communications are not purely based on rejecting the Chinese Communist Party-linked Huawei. It is also an integral part of the country's national strategy for succeeding in the Fourth Industrial Revolution—an key focus of Prime Minister Nguyen Xuan Phuc. It also fits in with Vietnam's efforts to reform its economy and make the high-tech manufacturing sector a key pillar of economic development. It is worth noting that Hanoi’s decision has little to do with Trump’s ban, but rather comes from a long-term strategic awareness of security challenges coming from the big northern neighbor.

**A BOOMING MARKET**

There is no doubt that the young, vibrant population of Southeast Asia will remain one of the most dynamic markets in the internet economy, which was estimated at US$50 billion in 2017 and is expected to quadruple by 2025 to US$200 billion. According to Huawei estimates, Southeast Asia provides opportunities worth US$1.2 trillion, with a potential 80 million 5G service subscribers. This is an attractive region worth competing for. Moreover, the e-commerce potential in the region is a huge factor that some Chinese companies, such as Alibaba, Tencent and others, have already actively exploited.

If the estimates of the distribution of subscribers worldwide by 2023 are correct (see Figure 1), then the market will be shared, rather than dominated, by Huawei. The digital future of Southeast Asia will most likely be very competitive. But one thing is certain: a viable US alternative is missing from the picture. Unless countries are willing to invest in developing their own networks, either on their own or in cooperation with other global providers as Vietnam did, there are few options to consider. Currently, Huawei has an advantage because it is available now, offers competitive rates and is easily accessible.

**FIGURE 1 PROJECTED 5G SUBSCRIBER SHARE BY RADIO ACCESS NETWORK VENDOR, 2023**

Source: Strategy Analytics, at www.telecomvision.com/5g-ran-market-share-research-three-vendors-run-neck-and-neck/

The deciding factor for the future of 5G in Southeast Asia is not political alignment or even security concerns; it is about the practical needs of these economies.

The level of development, infrastructure and connectivity among Southeast Asia’s economies is very unequal — there is also a vast disparity between cities and remote areas. Given the region’s young population and large proportion of mobile networks, most capital cities boast good connectivity and network coverage. For many in the region, Huawei’s technology is more advanced than its Western competitors, but it also comes at a fraction of the cost. Huawei is certainly bearing the fruits of Chinese government subsidies, and the security argument is often dismissed not because of a lack of awareness, but because, as one analyst says: “Huawei is the most efficient and cost-effective platform available to us.”

**SHORTCOMINGS OF THE US ARGUMENT**

Part of the reason why the US-led campaign to ban Huawei is having a hard time succeeding in Southeast Asia is that it contains a number of flaws. Is the security concern about Huawei’s software or hardware? If it’s the hardware, then the market is already very much penetrated (and continues to be) by Huawei. In fact, despite the security scare, consumer online business in the region grew nearly 50 percent last year. And again, the US does not offer any comparable alternative technology.

The spying argument is not particularly convincing, given the fact that the US government itself has been exposed for engaging in widespread surveillance of its own citizens as well as other governments — including long-term and close allies. The security, or perhaps more precisely the securitization debate, misses an important point: Huawei is the world’s largest telecommunications equipment supplier and has already penetrated many markets. Even Australia — which was at the forefront of the Huawei 5G ban — has its 4G network supplied by Huawei. In 2012, however, Australia did exclude Huawei from participating in its national broadband network (NBN).

To this end, many see Trump’s ban on Huawei as speaking to his domestic audience, rather than to other countries. In fact, some see the US decision to put Chinese-state technology companies, including Huawei, on the US government trade blacklist as simply part of Trump’s trade war with China.

“To accelerate and incentivize these investments, my administration is freeing up as much wireless spectrum as needed,” Trump said in April. “[We’re] removing regulatory barriers to the buildout of networks. The FCC is taking very bold action, bolder than they’ve ever taken before, to make wireless spectrum available.” There is no doubt that the ban is driven by domestic motivations. Trump quoted estimates that the wireless industry’s investment plans would create “three million American jobs quickly and adding US$500 billion to our economy.”

This rationale is naturally less appreciated abroad, particularly in Southeast Asia. If the Trump administration is serious about competing in this realm, it needs to realize that it is not only about revenue. It is about presence in the market. The challenge is that the 5G race again reflects the same tension present in many other aspects of US foreign policy that seem to be mutually contradictory.

**GET A HORSE IN THE RACE**

Will the US pressure backfire? Even America’s long-term European allies and liberal democracies such as the UK and Germany have resisted the ban. Out of the 10 countries in the Association of Southeast Asian Nations, two of which are treaty allies of the US, no one is willing to blindly follow Washington’s ban on Huawei.

The implications of how Southeast Asia responds is beyond just 5G technology, or even Huawei’s services. It is ultimately about the technological dominance and the success of China’s digital Silk Road. While infrastructure is the main area of competition, the soft infrastructure is no less crucial.

One thing is certain — individual Southeast Asian countries will make their own decisions. But so far no country in the region, including US treaty allies, is willing to support the ban for political reasons. The hyper-focus on 5G is counterproductive. The security concerns are legitimate and need to be addressed in the same way that security concerns are raised about privacy protections related to internet applications. At the same time, Southeast Asian nations should also treat seriously the possibility that China-
linked technology that penetrates their critical infrastructure could be used for coercive purposes in the future.

The conversation about 5G choices in Southeast Asia is not divorced from the larger issue of Sino-US competition and the debate about choosing one side or the other. But, can the issue of high-speed internet connections be disconnected from the wider context of cyber norms and cyber laws in the region?

The current cybersecurity warnings coming from the US are too focused on Huawei. Online restrictions and recent cyber laws across a number of countries, including those in Southeast Asia, legitimize censorship, restrict data flows and certain content, or allow for the collection of personal information or constrain foreign companies from storing data offshore. These also should be part of the debate. Recent regulations and cyber laws in Malaysia, Thailand and Vietnam reflect this trend. Cyber-enabled authoritarianism, in fact, seems rather attractive to many Southeast Asian governments.

The political implications of the presence of US companies, or pressure from the US government, in the telecoms sector in Southeast Asia go much further than the ability to block Huawei. 5G is another key example of a standard-setting opportunity that was missed. As with the Trans-Pacific Partnership (TPP) — the trade deal that involved 12 Pacific Rim economies before Trump pulled the US out of the deal — the decision by the US to withdraw from the agreement has since become one of key anti-examples of American commitment to the region.

The TPP was not only about trade and economic benefits. It was also about the ability to set and enforce standards. An example is Vietnam, which had to go through a number of economic reforms — including workforce rules and regulations on specific industries — in order to join the TPP. But once the US pulled out of the TPP, it no longer had the ability to influence that sphere.

A similar logic applies to high-speed internet in Southeast Asia, or anywhere. If American technology providers are not offering an alternative to Huawei — the two other major players are Nokia and Ericsson — the US will not have a say in setting standards of cybersecurity. To avoid the repetition of the TPP lesson — where the US withdrew for the sake of domestic interests — the US 5G strategy needs to go beyond banning Huawei and asking partners and allies to do the same. It needs to have a horse in the race.

Most Southeast Asians are not comfortable choosing sides in the great power competition between China and the US. In sum, if this is a race where the US has to work harder to find partners in Southeast Asia, Washington needs to remind itself that much of its global primacy has been based on its technological advancement and that the innovation imperative is the only way to sustain its position.

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