New Tech Cold War - U.S.-China

What is the issue?

- Recently, the US Federal Communications Commission (US FCC) designated Chinese telecom vendors Huawei and ZTE as national security threats. Click here to know more.
- The issue has now evolved into a full-scale duel between the two global technology powerhouses (US and China) and hints at a tech cold war.

What happened?

- In February 2011, Huawei published an open letter to the US government.
- It denied the security concerns raised about the company or its equipments.
- It also requested a full investigation into its corporate operations.
- In response, the House Permanent Select Committee on Intelligence began an investigation in November 2011.
- It looked into the counterintelligence and security threat posed by Chinese telecommunications companies doing business in the US.
- The committee submitted its report in 2012.
- It noted that Huawei and ZTE could not be trusted to be free of foreign state influence and thus posed a security threat to the US.
- In June 2020, the US Federal Communications Commission designated the two companies as national security threats.

How is U.S-China tech relations?

- China has traditionally resisted allowing American big-data companies such as Facebook and Google to operate within its jurisdiction.
- But there have still been significant dealings between the two countries on the technology side until now.
- In 2019, Apple recorded $100 million of daily sales in China.
- Chinese Huawei Technologies reported record revenues primarily from its exposure in western markets, including the US.
- The latest US steps against Huawei mark the first real prohibitory action by a western government in nearly two decades.
- The current events mark an escalation of the Sino-American tech tussle to beyond just these two countries.

What are the possibilities of a tech cold war?

- Most observers see this as a 'technological cold war' that could extend beyond just the US and China.
- This could have a bearing on the growing competition to dominate next-generation technologies.
- Both countries would strive to limit the other's access to its advanced know-how.
- So, it could compel other countries, including India, to effectively choose between the two.
- The US has blockaded Huawei on the ground that its equipment is designed to aid snooping.
- There are fears that this would make American telecoms players dependent on subsidised Chinese technology.
- But the question is whether other countries think the risks are high enough to dump a cheaper, viable option.
- For China, the action has come at a time when 5G is set to be rolled out globally, with Huawei generally ahead in the race.
- Undeniably, for most countries, a viable 5G rollout will need Chinese firms.
- But, importantly, the 5G network in China relies on key components from the US.
- The new American restrictions on the use of chipmaking tools mean Huawei could face shortages in the supply of specialist chips.
- This is notably an area where the Chinese are trying to build expertise through their home-grown contender SMIC.
- [SMIC (Semiconductor Manufacturing International Corporation) is a publicly held semiconductor foundry company.]
- The conflict is thus being described as a geopolitical struggle over technology that threatens to divide the world into two distinct technological blocs.

How have India-China tech ties been?

- Much of India's telecom growth story has been supported by Chinese companies in both hardware and software.
- But after the standoff in Ladakh, India has asked state-owned telecom service providers to exclude Chinese companies from the scope of their network upgrade contracts.
- This was part of the wider decision to signal curbs on Chinese investments and tech companies in the country.
- India also banned 59 mobile apps with Chinese links on grounds of a threat to national security.

- Nevertheless, India’s has been hesitant in acting against Chinese equipment makers in the telecom industry.
- This is because the Chinese have brought in a reasonable competitiveness to this market.
- [It was earlier dominated by pricier European firms such as Nokia and Ericsson.]
- However, the border clashes and the US action could now force New Delhi into the anti-China camp.
- With the Chinese being increasingly blocked by governments in 5G networks, other global players could be at a competitive advantage.
- This could have a bearing on how the global 5G rollout takes place, especially in the countries outside of North America and Europe, including India.

Source: The Indian Express

