

From Debt Trap Diplomacy to Digital Dependency Trap, China Has Got a New Weapon in its Arsenal: A Strategic Analysis

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According to a WSJ investigation, between 1998 & 2019, Beijing supported Huawei with about \$75 billion via tax breaks, loans, credits. China also raised barriers to foreign telecom suppliers at home, protecting Huawei & other domestic providers, and lobbied foreign governments to help Huawei secure deals abroad.

Since Huawei/ZTE are required by law to cooperate with China's intelligence operations if asked, they will remain vulnerable to pressure from Beijing. Chinese businesses operates without ethics, morals or rules. In Serbia, recently leaked documents suggest that Huawei made shadowy payments to obtain contracts with a state-owned telecom company.

It's not just in the new democracies, authoritarian regimes or developing nations, the immoral and corrupt practices of Chinese companies (in collusion with the Chinese state), took place even right under the American nose.

In 2003, Afghanistan's government signed a contract with Huawei and ZTE, for a cellular network. The U.S.-led invasion of Iraq was a gift to Huawei. Among many contracts was a \$275 million deal to build a nationwide wireless network. Huawei even made inroads in the United States. Wireless carriers in a dozen states, many of them serving small towns, began turning to Huawei for cheaper telecom equipments.

But now the ongoing U.S.-Sino Cold War is hurting Huawei. Since U.S, put restrictions, the global telecom giant has been cut off from key components of the semiconductor supply chain. U.S. has also persuaded its allies & partners, to keep Huawei out of their 5G networks.

But Huawei is also adapting. The world's largest supplier of telecom equipments is already pivoting from network equipment & phones to *cloud computing, e-government services, & other products, less dependent on advanced semiconductors.*

Huawei is advancing its tentacles aggressively in the developing world. By deepening its presence in large emerging markets such as Brazil, Indonesia, and Nigeria, Huawei is on the verge of rising again.

Government servers in Ethiopia, surveillance cams in Pakistan, and a data center in Papua New Guinea—all provided by Huawei. Huawei's "safe city" might look like a solution to many of the problems of modern cities. The company offers temperature-sensing cameras to identify people with fevers, facial recognition software to find criminals, and analytics to alert the police to unusual behavior. Huawei claims that its technology will also help ease traffic congestions.

To sweeten the deal, China's state banks might also offer a loan. From document digitisation, national ID systems, tax services, crisis communications, and more, all on cheaper prices and maybe with Chinese bank support, are offered by Huawei. But all at the cost of privacy and trapping the host country.

These deals can create digital dependence, as future services and equipment upgrades, and the cost of switching to another vendor can be prohibitive. *This is leading to new phase of Chinese trap. From Debt Trap Diplomacy to Digital Dependency Trap.*

Solution

The G7+India must offer more affordable and competitive products in 5G. It may take several years for this approach to mature, but only about 15-20 % of the world's mobile users are expected to use 5G by 2025. It's time to act.