

US steps up war against Huawei

By Nick Beams
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The Trump administration has announced new bans on Huawei aimed at crippling the Chinese telecommunications giant and eliminating it from the rollout of 5G mobile phone technology around the world.

US Commerce Secretary Wilbur Ross announced on Monday that companies will have to obtain a license to sell Huawei any microchip that has been made using American equipment or software.

The latest move further tightens restrictions already introduced on Huawei. US companies had previously been allowed to sell microchips made by US companies so long as they had not been designed by Huawei.

The *Wall Street Journal* reported that under the new regulations, Huawei will now not be able to buy “even widely available, off-the-shelf chips made by overseas firms, placing severe new limits on Huawei’s ability to source parts.”

The significance of the latest move was underscored by Dan Wang, an analyst at Gavekal Research, who told the *Financial Times*: “The US government has passed a death sentence on Huawei.”

He said the company was “probably finished as a maker of 5G network equipment and smartphones once its inventories run out early next year.”

Huawei has built up stocks in anticipation of the US moves but it will not be able to replenish them once they run out.

The Commerce Department said the new rules were intended to counter Huawei’s efforts to obtain workarounds to previous restrictions, including finding foreign companies to supply it with chips.

Ross said that the administration had worked to restrict Huawei’s access to US technology. But the company had worked through third parties “in a manner that undermines US national security and foreign policy interests. This multipronged action

demonstrates our continuing commitment to impede Huawei’s ability to do so.”

The latest measures were again accompanied by unsubstantiated assertions that Huawei is engaged in spying operations on behalf of the Chinese government and its intelligence services.

In an interview on “Fox & Friends” on Monday, Trump said: “We don’t want their equipment in the United States because they spy on us. They know everything—they knew everything we were doing. Huawei is a way of—is really—I call it the spyway.”

US authorities have furnished no evidence that Huawei is spying on behalf of Beijing, in contrast to the details provided by whistleblower Edward Snowden and others that the NSA and US agencies conduct surveillance on an industrial scale.

Huawei officials have previously said that one of the reasons for the bans imposed on it is because US spy agencies find it easier to conduct their espionage through backdoors provided by American firms.

The latest measures go far beyond excluding Huawei from operating in the US—that had largely been achieved—but are aimed at eliminating it from the global market for 5G technology where it has become the market leader. Huawei is also the world’s largest maker of telecom equipment and has overtaken Samsung as the largest seller of smartphones.

The US semiconductor industry stands to lose billions of dollars from the latest move. As the *Wall Street Journal* noted, major companies, including Qualcomm, had been lobbying the Trump administration to ease earlier restrictions, not strengthen them.

The head of the Semiconductor Industry Association, John Neuffer, said the new regulations would bring “significant disruption to the US semiconductor industry.”

“We are surprised and concerned by the

administration's sudden shift from its prior support of a more narrow approach intended to achieve stated national security goals while limiting harm to US companies," he said.

Neuffer said sales to China provided US companies with the profits to innovate. However, one of the reasons the US has fallen behind in developing new technology is that past profits have not been put into research. Rather they have been used to finance share buybacks and other forms of "financial engineering" to boost stock prices.

The "shift" to which Neuffer referred has come about because the real concern is not the claim that Huawei is engaged in spying. It is the threat posed to US economic—and in the longer term military—dominance by the technological advances being made by China as the US economy and financial system is mired in ever-increasing parasitism.

These geo-economic and geo-strategic concerns are now the driving force of US policy, whatever the immediate consequences for the bottom line of US corporations.

Reflecting the orientation of his administration, and behind it the US military and intelligence establishment, Trump responded to the claim that bans imposed on the Chinese messaging app WeChat would hurt US sales in China with a dismissive "whatever."

The message delivered by Attorney-General William Barr in a major speech in July was that US corporations must get on board with the administration's anti-China objectives or risk being branded as agents of foreign interference.

The latest US moves against China, extend beyond Huawei and other tech giants. They are now reaching into finance, sparking concerns in sections of the media.

Sydney Morning Herald economics commentator, Stephen Bartholomeusz, noted that the recent financial sanctions imposed on 11 senior Hong Kong officials, taking advantage of the dollar's key role in the global financial system, had far reaching implications and could be extended to include Chinese banks and other financial institutions.

"China is fully aware," he wrote, "that if the US were to fully weaponise the dollar's dominance it could cause chaos within its financial system."

In a column published earlier this week, *Financial*

Times foreign affairs commentator Gideon Rachman pointed to what he called the "decoupling" of the world's two largest economies. It had much further to go and the hope of business that "things will soon get back to normal" was misplaced.

The "decoupling" was already spreading "beyond technology and into finance." For the past four decades, he wrote, business logic had prevailed over strategic rivalry. "But we are in a new world in which political rivalry overrides economic incentives.

"This is not just Trumpian folly. There is now bipartisan consensus in Washington to get tough on China, even if it hurts corporate profits."

He noted that finance had become a field of conflict and the sanctions deployed against Iran and Venezuela were beginning to be used by the US in its conflict with China.

The risks associated with the US sanctions against Chinese officials, effectively shutting them out of the US financial system, were manageable. "But what happens if and when financial sanctions are applied to major Chinese companies?"

"The past 40 years of world history," he concluded, "have been built around globalisation and the rapprochement between the US and China. But that world is fast disappearing."

Rachman did not spell out what is replacing it. But the evidence is clear—an economic, technology and financial war by the US against what it considers its main rival, the logic of which is military conflict.

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