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Does doing business with Chinese firms mean doing business with the Chinese government?

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Abstract:

The Peoples Republic of China (PRC) is increasingly assertive internationally. Their international agenda is uncertain and unsettling in the West. PRC non-SOE's (state-owned enterprises) abroad are increasingly viewed as Chinese government tools, subject to government interference and possibly spreading "Chinese malign influence," (McGregor, 2019). It is crucial to investigate whether the suspicions and barriers Western states place on outbound Chinese M&A and non-SOE's abroad is justified, necessary, and why. Chinese Telecoms giant and non-SOE, Huawei, will be analysed especially. A Constructivist (IR) International Relations viewpoint will go beyond material reasons to consider other factors like history, ideology, and identity.

Keywords: Strategy, International Business, Business-government Relationships, Chinese Government Interference, Chinese non-SOE's, National Security Threats, Political Ideologies, State Identity, Foreign Direct Investment, Outbound M&A, Huawei, I.P. theft, Critical Infrastructure Threats, Cybersecurity

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Introduction

After the fall of Mao Zedong, in the early 2000s under Chinese president Hu, "State Capitalism" became the bridging link between socialism and neo-liberal capitalism to create the best structure for the rapid growth of private and capital wealth (Petras, 2006, p. 430). Since 2009, Chinese firms have embarked on massive investment and M&A activity in Europe and North America (Choudhury, 2017). PRC non-SOE foreign investment expanded fast, with direct investments in new businesses, commonly via joint ventures, or buying shares in existing firms. In all cases, Chinese MNCs extended their reach and investments, eventually controlling management positions of strategic importance (Petras, 2007, p.437).

However, the 'myth of convergence' of the 2000s – that China would inevitably become socialised into the Western economic and commercial world stage and transition to a law-abiding, market economy – is now unravelling as a fallacy (Godement, Vasselier, 2017, p.9). This is apparent from the increasingly authoritarian, all-encompassing, and potentially revisionist rule of President Xi Jinping, who abolished term limits in 2018 to become permanent ruler of the Chinese Communist Party (CCP) and of the PRC. Moreover, Xi is determined to tighten control on supposedly Chinese non-SOE's at home and abroad (Ruwitch, 2018).

The massive expansion of Chinese non-SOE's abroad - subject to a growing amount of government control - began to raise concerns about national security. In 2006, host country regulatory changes less favourable towards FDI were the highest ever recorded by UNCTAD (Malawer, 2006). By 2015, annual international interest in China fell by 42% (Tan, 2019). One Chinese non-SOE, telecoms giant Huawei, and their global contributions to 5G network building, has been at the forefront of Western worries about ties to the CCP. In early 2019, the

U.S. accused the company of spying on them and their allies. At the time, Donald Trump's envoy to the European Union, Gordon Sondland, made the following remark:

"We want to keep critical infrastructure in the western world out of Chinese malign influence. Someone from the politburo in Beijing picks up the phone and says, 'I wanna listen in on the following conversation, I wanna run a certain car off the road that's on the 5G network and kill the person that's in it' – there's nothing that company legally can do today in China to prevent the Chinese government from making that request successfully" (McGregor, 2019).

The level of risk that the PRC could pose to the West is intrinsically linked to international business. This is apparent in Sondland's seemingly interchangeable use of the terms "Huawei," "politburo in Beijing," and "the Chinese government." The U.S. under Trump, plus Australia, have been at the forefront of a campaign to diminish the presence of Chinese businesses (especially Huawei) in their countries and the West (McGregor, 2019). Yet, the PRC has become an essential part of the international economy and global commerce. Chinese economic and environmental actions will profoundly shape the world far into the future (Rudd, 2021). Restricting Chinese FDI will have many negative consequences for international commerce and relations and provokes Chinese retaliatory action.

Huawei is one of the world's largest telecommunications and smartphone companies and is consistently innovating to offer an even wider range of quality products. Worldwide, Huawei has supported the operation of over 1500 carrier networks, 3000 innovation projects and more than 1000 5GtoB projects, in over 170 countries. In terms of 5G, the market is dominated by the company, alongside Ericsson and Nokia (Oxford Economics, 2019, p.6). The Radio Access Network (RAN) is the essential telecoms infrastructure building block for 5G. Huawei has the largest market share of this RAN market (31%), followed by Ericsson (29%), and Nokia (23%) (p.10). 5G technology has enormous potential to reduce costs and "unlock new income streams

across all sectors of industry, improving productivity levels throughout the global economy” (See exhibits A and b for summaries of the key benefits that 5G technology can provide). Pushing out Huawei could mean settling for an inferior quality of service and create a less competitive market. Globally, USD\$160 billion is invested annually in building 5G networks. British research body, Oxford Economics, compiled an extensive report on the costs of banning Huawei 5G technology. Restrictions have been estimated to cost a country increased 5G investment costs of between 8-29%. For the US, this translates to an average of USD\$1billion in extra costs per year (Oxford Economics, 2019, p.6) (See exhibits a-d for more). Reuters has also estimated that banning telecoms equipment from Chinese firms, in general, could delay the 5G rollout by around 18 months and cost an extra USD\$62 billion in Europe ([Barzic](#), 2019).

It is essential to determine if Western restrictive measures on Huawei are justified by looking at how much interference presides inside Chinese non-SOE's abroad, why, and the potential consequences. Is Sondland's statement simply linked to American rivalry and fear in the face of the rapidly rising and unpredictable Socialist state that could compete with them for their spot as the current hegemonic power? (Rudd, 2021, p.30). Or are there tangible national security threats involved?

This paper seeks to examine this conundrum considering the case of Huawei significantly. It will conclude that Western restrictions of Chinese non-SOE's and Huawei in particular, especially in critical infrastructure fields such as 5G, are understandable on the grounds of national security. However, collisions also arise due to an ideological and power struggle between the West and the PRC that goes way beyond international business and into geopolitics and differing identities.

Methodology

This thesis will collect and use research such as charts, scholarly articles, CCP and Western legislation and government statements, and history to analyse information about CCP involvement in non-SOE's, and Huawei. The literature review will reflect on China's path on the international stage and if it could be malicious or revisionist by gathering information about its history and analysing government statements and scholarly articles. Plus, just how embedded and interfering the CCP is into non-SOE's abroad like Huawei will be analysed by looking into Chinese laws and the characteristics of the CCP. This section will also collect and consider research and articles about broader current national security threats to determine what kind of threats Chinese or foreign non-SOE's, influenced by national governments, could pose abroad, and which of them could be posed by Huawei.

Differing from other analyses on this topic, the Analysis Section will use International Relations (I.R.) theories, principally Constructivism, to help as a framework for investigation. I believe that Huawei and governmental interference into non-SOE's abroad surpass simple commercial interests, and also span to geopolitical ones that IR theories can be very helpful in identifying. Under Constructivism, China's identity and other non-material factors can be analysed to determine whether they could threaten the West via Chinese non-SOE's and Huawei abroad. This is especially useful because whether or not Huawei may be a threat is slightly speculative, but it could become one in the future. Thus, less concrete evidence and Constructivist theories on identity, nationalism, norms and ideology help shed some light on what the future may entail.

Constructivism as a framework to analyse the PRC'S actions and non-SOE interference

Constructivism in International Relations (I.R.) contrasts to a previously mainstream I.R. theory, Realism. Realism (broadly) assumes that states will always act rationally (Crawford, 2000, p.117) and operate within an anarchical system where non-material factors such as identity and nationalism hold little importance (Wendt, 1992, p. 394). Within an anarchical international system, power is vital, survival is the primary goal, and it motivates foreign policy (Slaughter, 2011, p.1). Foreign policy is a set of objectives, strategies, and actions "chosen by the national government to achieve its goals in relations with external entities" (Smith, Hadfield, and Dunne, 2012, p. 14). Understanding PRC foreign policy can help determine its goals concerning their interference into Chinese non-SOE's abroad and within Huawei. There is a standard view that foreign policy, which extends to investment policy, is always prioritised with national security in mind (Kissinger, 1977, p. 204). I believe this is not wholly useful in analysing China's potential goals and non-SOE interference, as I do not think that states act on simple Realist rationality. The I.R. theory of Liberalism offers more potential as it acknowledges that commercial and ideological beliefs can also sway state behaviour, as can international institutions. However, in my view, Liberalism does not allow enough consideration for how customs and history can also determine state motivations (Slaughter, 2011, p.2).

Constructivism, however, is an ontology that makes assumptions about motivation and agency, especially concerning state behaviour and foreign policy actions (Slaughter, 2011, p.4). The analysis section will explore China's global intentions and interference into non-SOE's such as Huawei in a more profound way and help to explain Western state reactions to such behaviour. In Constructivism, concepts such as security, commerce and power are not universal, intrinsic determinants of behaviour. Instead, "meaning is constructed from a complex and specific mix of history, ideas, norms, and beliefs" (Slaughter, 2011, p.4). Iain Johnston believes

that China has acted in a certain realist mindset about power and survival but is also influenced by their unique and historical actions (Slaughter, 2011, p.4). This mindset is also what is going to shape their involvement in Chinese non-SOEs such as Huawei

Literature review

China's foreign policy behaviour today; is China a threat to the West?

According to IR scholar Ogden, China has a "security identity." One of the three guidelines of this identity is China's desire to become a great power once again (Ogden, 2013). Indeed, militarily, and economically, they are now a close competitor with the U.S. and have become increasingly assertive on the world stage (Rudd, 2021). The second aspect of China's security identity is to regain territorial integrity (Ogden, 2013). This is evident in PRC increasing efforts to push their authority in the disputed borders of the South China Sea. There are American and Chinese naval vessels in the region, and fears of a new kind of cold war have been sparked, especially in the U.S. Then, there is the increasing fear that China will take back Taiwan, which they long claimed to belong to them. Chinese nationalism is also on the rise, as seen with several clashes with the U.S. and Japan. Plus, the PRC is pushing further into Japanese maritime territory - an old historical rival, and other countries in the pacific region such as Vietnam (French, 2014). The third component of China's security identity rises from the CCP's deep-rooted fear of domestic instability and losing control at home (Ogden, 2013). With the rapid rise of the private sector in China, private outbound deals topped USD\$200 billion in 2016 (Choudhury, 2017). The power of the private sector grew exponentially. When Xi Jinping took office in China in 2012, there was a massive reappearance of the state's role in the economy to quash this competition. As a result, private company growth began to be overshadowed by CCP interference and control, (Malawer, 2006) much to the distaste of the West.

Evidently, tensions have been rising between the West, and China in many spheres of global interaction and influence, which, according to some scholars, could lead to world conflict and thus, there is an "urgent need to find a new framework to manage these dangers" (Godement, Vasselier, 2017, p.9). Bearing this and other factors that will be covered in the analysis section in mind, China, could be a potential threat to Western countries. By extension, this risk spans out to Chinese non-SOEs such as Huawei.

What exactly is a Chinese non-SOE?

Chinese "non-state enterprises" are hard to understand from a Western perspective. Indeed, the system in China is such that it favours this lack of transparency so that the state and the private sector become even more ambiguous. "The mixing of revolutionary and marketist language in Reform China today" (p.9) is testimony to this. Many Chinese firms that are registered as private are actually state-owned, and there is a "high degree of porosity between the public and the non-public sectors" (Guiheux, 2008, p.225).

In relation to Huawei, it is (I believe) intentionally hard to get a clear picture of its ownership structure. Huawei is controlled via its Representatives' Commission, which is elected by shareholders. The company is said to be 99% owned by employees, but there is no way to look at its exact ownership structure. Chinese laws state that shares must be registered through a trade union committee. This trade union must report to the All-China Federation of Trade Unions, which is controlled by the CCP (Baker, 2019). Furthermore, regardless of the concrete ownership structure, the company has always been cosied with the government. CEO and founder of Huawei, Ren Zhengfei, held technician posts in China's military and worked for Shenzhen South Sea Oil before establishing Huawei in 1987 (Forbes, 2021a). By the early 90s, the non-SOE, won a government contract to provide telecoms equipment for the PLA (Peoples

Liberation Army). By 1995, Huawei was celebrating sales of US\$220m (See exhibits K and I for more on revenues) and was given the status of a Chinese "national champion." With Ren's links to the Chinese military, suspicions arose that Huawei's rise was so significant because of powerful political connections (Vaswani, 2019). From 2017 to 2021, Huawei's sales growth has tripled to \$109 billion in annual sales and the company has 180,000 employees in over 170 countries (Forbes, 2021) (See the appendix for more on Huawei's revenues and market share). I believe that Huawei's huge sales growth is almost certainly backed by the government and government officials have made it clear that the company is a crucial element in growing China's innovation network (Eleanor, Kathrin, James, 2021). More worryingly, the "Chinese Intelligence Law" of 2017 states that "any organisation or citizen shall support, assist and cooperate with the state intelligence work in accordance with the law" (Kharpal, 2019). It adds that the Chinese state would protect any entity that helps them (McGregor, 2019).

One of the earlier clues of a Huawei connection to the CCP can be found in Africa. In 2006, the PRC spent USD\$200m to build the African Union headquarters in Addis Ababa, where "everything was custom-built by the Chinese - including a state-of-the-art computer system" (Vaswani, 2019, p.1). It was finished in 2012, and trade has grown by around 20% a year. However, French newspaper Le Monde, citing multiple other sources, said that "data from the A.U.'s servers was transferred more than 8,000km away - to servers in Shanghai for five years." The building was scanned for bugs, and it was claimed that listening devices and bugging instruments were found in the walls and on the desks. The leading supplier of the communication and technology systems to this A.U. headquarter was none other than Huawei (p.3).

The national security dangers that Chinese non-SOE's could pose abroad

With the interconnected nature of the global economy and new modern-day threats, an up-to-date description of national security could be seen as protecting a state's general "security and wellbeing" from threats such as "cyber espionage, terrorism, trade wars, and soft power malign influence" (MI5 - The Security Service, 2014). Since 2006, the OECD created the Freedom of Investment (FOI) project, which recognises new and concrete threats to a state's national security. The FOI reveals that critical infrastructure is of particular concern (p.3). Critical infrastructure includes the 5G networks that Huawei has been installing all around the globe. Huawei is still the world's leading 5G telecoms provider (Businesswire, 2020) and had the greatest amount of 5G patents by the company in 2021 (See Exhibit J).

Australia was actually the first country to ban Huawei 5G network infrastructure. This shows that it is not simply U.S. rivalry as the current hegemonic power fuelling restrictive actions. When Australia took decisive action against Huawei from building their 5G network, they stated that "the offensive potential of 5G was so great that if Australia were on the receiving end of such attacks, the country could be seriously exposed." 5G technology would be at the heart of a country's infrastructure, "everything from electric power to water supplies to sewage." In the case of a military conflict, the nature of war could be completely changed, "inflicting economic harm and disrupting civilian life far from the conflict without bullets, bombs or blockades" (Bryan-Low, Packham, 2019). After Australia, the American government made a Federal Communications Commission ruling stating that Huawei could be a national security threat because of suspected "ties to the Chinese military and intelligence services" (Gupta, 2020). In 2019, President Trump announced a national emergency concerning the "telecom supply chain," claiming that foreign challengers were ramping up efforts to create and exploit

vulnerabilities in information communications technology. This is undoubtedly aimed at Huawei and fears that the company is not independent of the Chinese government (Buchholz, 2019).

The US ban on Huawei equipment saw their revenues decrease by almost 30% in the first half of 2021 (BBC, 2019). Then, in 2020, the United States said that Huawei has been spying on people via "back doors," (Hamilton, 2020) although they have not disclosed any official evidence. A backdoor is an "undocumented portal built into the system to allow an administrator to enter and troubleshoot the software or to do general upkeep." Hackers can often use it to gain unsolicited access to protected networks (Nunns, 2017). Consequently, the U.S. has begun to place Chinese companies on an "entity list," which necessitates that U.S. companies get a license to sell technology to those on the list and their affiliates (McGregor, 2020). There are now 143 PRC mainland companies on this trade blacklist (Chen, 2019). Under Trump, the U.S., leveraged sanctions against Huawei and other Chinese companies and severed Huawei's access to international technology suppliers (McMorrow, 2020). By September 2021, the UK decided to ban the further installation of Huawei software and remove existing technology (Payne, Fildes, 2020) (See Exhibit K for more on state bans of Huawei). Moreover, it is not only Huawei; the OECD details many cases of FDI blocked by countries because of suspected links to the CCP in one investment policy report (OECD, 2008).

Another current national security threat that raises concerns about non-SOE's are cyberattacks such as Maleware. Chinese based hacking groups have been implemented in many cases, such as "Gothic Panda," and "Stone Panda" attacks on Indian finance and banking companies in 2020. These groups share similar interests with the government (E Hacking News, 2020). Stone Panda is suspected of links to a "specific Ministry of Security Services compound in Tianjin, China" (Johnson, 2018). A Chinese-based hacking group known as APT10 was

"almost certainly" behind what a report described as "one of the largest ever sustained global cyber espionage campaigns" (Churchill, 2017). They targeted companies in advanced military or emerging technologies. Another case is the attack on important private sector actors involved in U.S. foreign trade policy lobbying. The name of this attack says it all; "Operation Trade Secret." The group has gained impressive logistical resources and staff from 2017 onwards. It is hard to believe that this organisation does not have support from the Chinese government (O'Donnell, 2018). Concern over a growing number of cyber-attacks is shared by U.S. allies such as Japan, the U.K., the E.U., New Zealand, and NATO (Gertz, 2021). Whilst Huawei has not been implicated directly in these attacks, there still exists the possibility that they could be and they would be well placed to do so if they were embedded into countries critical infrastructure.

China also has a massive AI surveillance and facial recognition apparatus in place that allows them to keep an alarming amount of control over its citizens (Buchholz, 2018). Besides 5G, Huawei is well ahead of all other companies at providing these surveillance services in over 50 countries (See Exhibit H). According to a report from the Carnegie Endowment International Peace, many countries are mixing U.S. and Chinese made surveillance technology (Buchholz, 2018). This is not something that sounds conducive to national security. Huawei has also been making significant leads in the field of the IoT (Internet of things) (See Exhibit J). The IoT goes hand in hand with 5G to offer connectivity and communication between devices and appliances, all of which could be used to cause damage to infrastructure.

One more concrete case against Huawei comes from supply chain threats. Supply chain security issues - where many parts originate from China - also threaten national and corporate security. In 2015, the world saw what was described as "the most significant supply chain attack known to have been carried out against American companies" (Bloomberg, 2021). This hardware

attack by Chinese spies reached just under 30 of the top U.S. companies, Amazon and Apple included. It was most likely carried out via interdiction, which involves manipulating products while they are transported from the manufacturer to the consumer (Bloomberg, 2021). According to U.S. intelligence, malicious chips had been inserted in the manufacturing stage by a team from the PLA. Apple discovered these chips in their motherboards, which their partner, Supermicro, made. The aim is believed to have been gaining long term access to sensitive government networks and the stealing of corporate secrets. Supermicro is based in California, but the majority of its workforce are Chinese or Taiwanese, with dual English and Mandarin being spoken. This overseas connection and shared culture would have made it easier for spies to understand and infiltrate the company. However, it is still unsure whether the interdiction was carried out by local staff or by outside spies planted inside (Bloomberg, 2021). In relation to such issues, the USA wants to "decouple," its economy from China and separate its firms and technologies from Chinese supply chains (McGregor, 2019). Huawei could also be capable of such attacks, and they maintain relations with their suppliers via advanced technology and advanced logistics management systems (Akshay, Moaz, Deepsa, Kaustub, Danping, 2019).

In addition, I.P. protection, linked to the above threats, has been a contemptuous issue between the West and China for years and a significant driver of the US-Sino trade war. This year, a senior Chinese official was arrested in Belgium and extradited to the U.S. for charges of systematically stealing trade secrets from U.S. aviation companies. Meanwhile, Chinese companies like Huawei, ZTE and Fujian Jinhua, faced disciplinary actions by U.S. regulators, aiming to block their access to the U.S. market (Johnson, 2018). Cybersecurity analysts believe that most Chinese cyberoperations, such as Microsoft Exchange Server attacks, "involve theft of data that is used as part of the Chinese government's database collection for both secrets and

proprietary economic data" (Bill Gertz, 2021).

Analysis

Clearly then, there are many risks associated with dealing with Chinese SOE's abroad like Huawei. The company is suspicious and controversial, but allegations are often murky and inconclusive. For example, experts working on the U.S. government review at the time suggested that, while no singular "smoking gun" could be found proving that Huawei equipment had been compromised, its systems were "riddled with holes" (Bryan-Low, Packham, 2019). Regardless, there are undoubtedly many justifications for states to curb Chinese non-SOE's abroad, especially in critical infrastructure. This section hopes to delve deeper into how great the risks could really be, by taking a look deconstructed look at the CCP and considering I.R. theories.

Before Xi took power, and especially after China joined the WTO, it was predicted that:

"The range of influence over the economy by the Chinese state declines. Even more important, given the close relationship between strategic growth sectors and the state, the increasing presence of the MNCs is likely to change the nature of the state, making it less "Chinese" and more attuned and responsive to the policies of the foreign owned MNCs (Petras, 2006) p.493)."

This prediction, however, was flawed. The popular Realist I.R. view posits that states are strictly rational and shape their actions based on material needs (Crawford, 2000, p.116). However, this does not consider the importance of other, non-systematic, or material factors. Under a constructivist mindset, I believe that there will continue to be clashes and threats from Chinese enterprises abroad like Huawei, which filter down to them through the CPP and the PRC itself. Many of these clashes come from differing identities, beliefs, and perceptions that form policy and separate Western and Chinese viewpoints.

Identity is simply how an actor understands themselves. This identity will shape "motivational and behavioural dispositions" (Wendt, 1999, p. 224). For example, China's

previously mentioned security identity states that the PRC foreign policy desire to become a great power again has been influenced by identity-forming elements such as "interaction, history, culture and memory," which have become a normalised identity (Ogden, 2013). China's actions stated in the Introduction also suggest that they are following the three components mentioned in this identity. This infers that China is, and will be, biased to act a certain way.

In 1953, Mao Zedong desired the socialist transformation of the entire privately-owned system and commerce in ten to fifteen years. However, with the enormous amount of power and prestige in his hands, and he completed this in just three (Cao Siyuan, 2007). Emboldened by this achievement, the Anti-Rightist Movement of 1957 quashed all opposition. Mao became "truly convinced in the invincibility of Mao Zedong Thought" (Cao Siyuan, 2007). After the fall of Mao, under President Hu, tight labour control allowed the CCP to privatise and "engage in massive pillage of resources and the creation of a new class of rich millionaires" in ten years. However, this was all orchestrated by the state itself, and "state capitalism" became the breeding ground for private capitalism." In many cases, state official corruption played a large part in speeding up the process (Petras, 2006, p.432). "Actor's interests, motives, ideas and identities are not exogenously given but socially constructed" (Hettne, Söderbaum, 2000, p.6), and the CCP has always been good at reframing ideologies to suit its ends. A new "ideology" created by the party praising individual fortune-seeking gave justification and legitimacy to a new wave of capitalism (p.434). Nevertheless, the CCP's historical path of remaining in tight socialist control never truly left since Mao, even it appeared as such. Historically, PRC state enterprises have always played a dominant role in the economy. Today, under Xi, the President has called his mixing private and public ownership structures as being "purely pragmatic" because it would "improve the socialist market economic structure" (McGregor, 2019). Once the private sector

raised the economy, the CPP security identity fear of tight control came into play. Suddenly Xi took permanent power over the PRC. Understanding a state's true identity is immensely complex and influenced by many variations and differing factors, changing throughout time (Wendt, 1999, p.224). However, this issue is slightly simplified now because China's direction in every sphere is "influenced by the worldview of one man: Xi Jinping" (Rudd, 2021, p.30). His tightening grip is uncannily similar to that of Mao Zedong and official CCP goals state his aims:

"Control in non-SOEs, establish a high-level national innovation policymaking consultation mechanism, regularly report to the CPC Central Committee and the State Council on foreign and domestic developments in technological innovation, and propose significant policy recommendations (Central Committee (中央) of the Communist Party of China (中共; CPC) and the PRC State Council (国务院), 2016, p.15).

This means that, unfortunately, whilst Chinese nationals or Chinese non-SOE's cannot all be labelled direct threats, there still exists a threat from Chinese non-SOE's abroad, whether they believe in the CCP ideology or not. This comes down to several reasons.

First is the immense degree of control that the CCP has over the state and the quantity of regulations, laws and pressure put on private companies to involve them in their processes, such as the previously National Security Law. The Central Committee of the CCP released a statement saying that "Chinese private companies will be increasingly called upon to conduct their operations in tight coordination with governmental policy objectives and ideologies" (Olson, 2020). Considering Huawei's immense importance to China and their old governmental ties, I do not believe that they will not, or have not already, been called upon by the CCP to perform certain functions abroad.

A second reason for Huawei to be threatening is that the state rewards those that obey and punishes those that do not. This can be seen with Huawei's status as "national champion."

“The reality is that Chinese companies cooperate heavily with the government. And in addition, the Chinese government is widely thought to exercise considerable influence over Huawei.” (Baker, 2019)

In the early 2000s, the primary beneficiaries of privatisation were often former Party-State officials and aspiring private businesspeople, such as Huawei’s CEO, with close "ties to the local, provincial or state authorities" (Petras, 2006, p.434). China's big state-owned companies have always had preferential treatment, with more access to funding and benefits (Olsen, 2018).

On the other hand, private Chinese companies that desire more autonomy increasingly fear forceful intervention from the government, with some either being forced out of business by state rivals or seeking investment from them to stay in business (Olsen, 2018). Private companies that became huge and admired, such as Tencent, Alibaba, Didi and New Oriental, have also been attacked with a tirade of regulations "that strike at the heart of their business models" (McGregor, 2021). Chinese private giants Baidu, Alibaba, and Tencent (known as BAT collectively) have been hit by governmental discipline and regulations, affecting revenues immensely. Their political value of the BAT trinity is immense, and they have become essential for China's surveillance state (McGregor, 2019).

What some states may deem as threatening involvement of the CCP in companies abroad is also tied to the CCP's insecurity at home, whose modern legitimacy has "always rested on the narrow twin pillars of strong economic performance and nationalism." There has been rising inequality in China, leading to a mounting class struggle and friction between super-rich Chinese bourgeois intertwined with foreign capital and "national statist' units of the governing class (Petras, 2006, p.425). Michael Collins, one of the CIA's most senior officials for Asia, has also argued that the underlying goal of the CCP under Xi Jinping is to "all the more control that society politically and economically," with the private sector being manipulated for political ends and to ensure that it cannot threaten the state (McGregor, 2019). Considering Huawei’s immense

importance internationally and in the PRC, it is would not be surprising if the CCP were increasing their presence there to make sure that it does not get too powerful to challenge them and for political ends. This is a third reason to be cautious of non-SOE's abroad and Huawei.

A fourth reason to be suspicious comes down to nationalism, and that not all Chinese non-SOE's abroad are opposed to working with the government, as can be seen in the suspected hacking cases. Nationalism can be a hugely influential force, with intense love and hate playing a role (Crawford, 2000). Chinese nationalism can be fiery and proud and often an inwardly uniting force against outsiders. One can see the CCP stoking nationalism over the Taiwan issue in CPP controlled press, The People's Daily (China Daily, 2016) by saying that the USA has been illegally "messaging up in the South China Sea," and that they will "fight for every inch of its territory within its sovereignty." Many Chinese nationals vehemently agreed and supported these statements (Xinhuanet, 2016b). XI's address in 2021 (marking the CCP's 100th anniversary) stated the following:

"We are now marching in confident strides toward the second centenary goal of building China into a great modern socialist country in all respects [by 2049...]. This is a great and glorious accomplishment for the Chinese nation, for the Chinese people, and for the Communist Party of China!" (MEMRI, 2021).

This is a system that "demands loyalty," where there is "no separation from the party and the state" (Vaswani, 2019). A local government official in Shenzhen said:

"Many have viewed Huawei as the only possibility for China to make a breakthrough in semiconductors and telecoms...So Huawei must survive. It is a national mission" (Eleanor, Kathrin, James, 2021).

Besides nationalism, a fifth reason to fear Chinese enterprises is the CCP's immense propaganda machine and censorship of foreign journalism and internet sources to instil loyalty. This year, the CCP published guidelines to "educate private businesspeople to weaponise their

minds with [Xi's] socialism ideology" (CNN, 2020).

It has been argued, and I believe, that China's behaviour and goals are also non-material, and are especially identity-related (Shepperd, 2013, p. 4). Considering this, a sixth reason to fear CPP interference into Chinese non-SOE's considers China's security identity desire to become a great power again. This stems from China's inability to let go of its "century of humiliation," where it lost its status as a great empire and the "Middle Kingdom," plus its refusal to grant Taiwan autonomy (French, 2021). This could increasingly bring suspicion and conflict with the West, where Chinese non-SOE's would be even less advised. On territorial matters, China has a strong sense of pride, which they have faced before in the Pacific (French, 2021). For example, a failure to rein in the Philippines would result in embarrassment and potentially destabilise the CCP (French, 2021). It could stoke more conflict than Westerns may expect.

Besides the Chinese dream of rejuvenation, a seventh reason that Chinese non-SOE's abroad could be a threat is that China and the West often have clashing beliefs and ideologies. Negative views about China and how it is "dodging its international responsibility" are shared by policymakers and worldwide mass publics, especially in the U.S. (Li, Ye, p.1). According to the West, private companies functioning in a free market are there to make a profit, per marketplace signals and the limitations of economic realities (Olson, 2020). U.S. Undersecretary of State for Economic Affairs Keith Krach, when urging Germany to support NATO in ridding Huawei from its 5G network, said:

"The Chinese Communist Party presents a real and urgent threat to democracies and companies here in Europe, and all around the world... We're free traders, but when someone comes into the market and doesn't play by the rules, the market is no longer free. And all along, we thought capitalism would equal democracy" (Sethurupan, 2020).

Belonging to a region such as E.U. or North America can create a sense of belonging and identities, which are emphasised through "shared values, norms and institutions" (Hettne, Söderbaum, 2000, p.6) and can create feelings of connectedness as a common entity with shared goals (Riggirozzi, Tussie, 2012, p.5). It is also a reason however, that could mean companies like Huawei are unfairly treated simply because of ideational clashes. The clash also damages current international business practices and can be seen when China joined the General Agreement on Tariffs and Trade (GATT) and then World Trade Organisation (WTO), where existing trade rules are inadequate. WTO functioning depends on a "clear and immutable dividing line between government and business." However, China has blended government and private and public businesses even more closely and Huawei is at the forefront of this problem (Olson, 2020). Ideologies help guide foreign and trade policy by setting out a viewpoint about "why the world is as it is, how it came to be so, and what the goals of political action should be" (Halliday and Alavi, 1988, p.5). As such, Chinese non-SOE's abroad like Huawei likely have differing views about what is right and wrong and the norms of international business. This shows that states do not always act simply for survival in themselves. It is also about ideological survival, and it can spark colossal conflict, such as during the Cold War (Cameron, 2005, p.7).

Identities centre on boundaries separating us from them (Chilly, Tarrow, 2015, p.126). These can become political identities when authorities connect with them (p.127). It is not surprising that China's push into Western economies is strengthening a feeling of a Chinese versus Western identity. It is an eighth reason to watch over Chinese non-SOE's, and also another reason that could mean Huawei is treated with caution even if there are no concrete cases against them. Chinese companies are now strongly competitive against American rival firms. The Fortune Magazine 2019 Global 500 list now has more Chinese firms than American ones ranked

by world revenue (Strauss, 2019). In contentious politics, it is not surprising that the current power holder, i.e., the U.S., will "cling to proven performances, including repression of challengers" (Chilly, Tarrow, 2015, p.60).

For example, the U.S. has typically used sanctions and regulations as punishment, and battles against Huawei now go beyond business to cover scientific research. The Institute of Electrical and Electronics Engineers (IEEE) is the largest technical professional organisation, and it banned Huawei staff from peer review of research papers and from being editors in its journals. In China, this stoked outrage from some of their leading scientists who described it "as anti-science" and "violating academic freedom" (Jing, 2019).

Meanwhile, in contentious politics, the challengers, i.e., the PRC, will look for new ways to outsmart competitors (Chilly, Tarrow, 2015, p.60). China is extending its economic and investment presence all around the world. For instance, its One Belt One Road (OBOR) initiative (Cheru and Obi, 2010, p. xi) seeks to develop, according to U.S. Congress research, Chinese "controlled global infrastructure, transportation, trade and production networks." It focuses on over 100 countries in Africa, Europe and Asia and includes the U.S. (Sutter, Schwarzenberg, Sutherland, 2021, p.1). The PRC is now the largest economic power in Africa, investing heavily and gaining valuable resources and raw materials. This OBOR initiative allows the PRC to increase soft and hard power influence internationally and has left many countries heavily indebted to them, causing concern in the West (Cheru, Obi, 2010, p.1). Considering Huawei's immense contribution to the OBOR, this can be worrying for Western states, as the Chinese gain more and more control and ideological influence over the world under the apparent guise of economic investment.

Technology and I.P., and I.P. theft, is a significant driver of rivalry between the West and China

and a ninth reason to be wary of Chinese non-SOE's. Huawei may be blocked simply as a means to stop them from becoming too competitive and stealing I.P. China's 2016 national strategy for "innovation-driven development," is one of the country's most important goals (Central Committee (中央) of the Communist Party of China (中共; CPC) and the PRC State Council (国务院), 2016, p.1) states that foreign talent and technology transfer is crucial for emerging technology sectors (Xinhua, 2016). It is no surprise that Huawei could be instrumental here.

All of these issues can mean that political issues spill over into the commercial world; Meng Wanzhou, the assumed heir of Huawei and Ren's daughter, was accused by the U.S. of fraud and violating sections in relation to selling equipment to sanctioned Iran. She was finally released from Canada after three years in 2021, to a huge cheer of national support. She said:

"I have finally returned to the warm embrace of the motherland," Meng said. "As an ordinary Chinese citizen going through this difficult time, I always felt the warmth and concern of the party, the nation and the people" (Mitchell, White, Sevastopulo, Fedor, Sun Yu, 2021).

This illustrates a clear connection between Chinese politics and their private enterprises.

What is so significant, however, is that upon the very same day her release was announced, China released two detained Canadian citizens believed to have been detained as a reaction to Meng's detention (Mitchell, White, Sevastopulo, Fedor, Sun Yu, 2021). It is very hard to believe that this simultaneous release does not have anything to do with Meng's arrest. Therefore, one could expect more political spillovers if Western countries are dealing with Huawei.

Western governmental involvement in private business.

However, Western governments are not free of using private enterprises abroad to serve foreign policy. A profound example can be found in the Middle East. In the 1970s, Western oil companies had direct control over oil in the Middle East, with the cooperation of their home

governments. Companies such as Aramco had close ties to the American government, and even often employed members from American political bodies and intelligence services (Jones, 2012).

Furthermore, in response to federal pressure for governmental agencies to reduce their budgets, many are turning to public-private partnerships, also known as “P3’s,” Sometimes this relationship can blend dangerously, with former private-sector employees leaving to join the government, only to return to the industry. This has been termed as some kind of “revolving door.” For example, Mario Draghi, a previously high up executive at Goldman Sachs, is now President of the European Central Bank. Another former Goldman Sachs employee, Mark Carney, is now the governor of the Bank of England (M. Byars, Stanberry, 2020).

The USA has also been accused of meddling in private telecoms companies. Leaked information from former CIA systems analyst, Edward Snowden, revealed a secret U.S. court order for telecoms company Verizon, stating that it must hand over telephone data to the NSA (National Security Agency) on a daily basis. This controversy then expanded farther to a surveillance program known as Prism, where the NSA entered the servers of nine big tech giants, including Google, Microsoft, and Facebook. These could be compared to the BAT trinity. Snowden also went on to detail that GCHQ, an intelligence agency in the UK, was also collecting information from online firms via Prism. GCHQ was then later accused of tapping fiber optic cables carrying global communications data and sharing enormous amounts of information with the NSA. This bares similarities to U.S. suspicions over Huawei. Apparently, GCHQ had the ability to monitor up to 600 million communications every day (BBC, 2014). Snowden also accused the NSA of more than 61,000 international hacking operations, including various in the PRC and Hong Kong, including Chinese universities, businesses and public officials. The NSA was accused even of spying on EU offices (BBC, 2014).

Another case of the US meddling in private companies can be seen in a Swiss company called Crypto AG. This company was trusted, since the Cold War, to safeguard secret messages with encrypted communications devices in more than 120 countries. However, a leaked report to the Washington Post in 2020 revealed that Crypto Ag was owned by the CIA and its German counterpart. Both intelligence agencies apparently rigged the devices, enabling them to eavesdrop on private companies, other spies, and political and military figures (Sonnemaker, 2020). These cases raised anger in the West but saw no widespread bans of American technology or companies. This confirms that some of the alarm over Huawei is also linked to their perception as a national security threat in the West, whereas other Western countries spying is not deemed as alarming, because they share a certain shared identity and understanding. Whilst they are meddlesome, there are not perceived as too dangerous.

Conclusion

Considering the cases of CCP interference into Huawei and other Chinese non-SOE's in the literature review and the ideological and ideational factors covered in the analysis sector, which reveal why China is not likely to change course, I believe that there is no such thing as an authentic Chinese non-SOE. The rise of China is still being reconstructed through its relations with the global economy and its domestic one. There is always going to be doubt about the level of involvement. Whether or not a Huawei is in the control of the government is impossible to tell, but I believe that it is highly likely. With this and the ideational and ideological differences, many countries are unwilling to give Chinese non-SOEs the benefit of the doubt. Plus, China's system is causing problems in international trade. Furthermore, considering the global material risks and damages that Huawei could provoke mentioned in the literature review section, I would

argue that cases of Western blockages of Chinese non-SOE's are indeed justified. In particular, those related to critical infrastructure and Huawei.

Alexander Wendt, one of the forefathers of Realism in I.R., stated that, in the international system, "anarchy is what states make of it" (Wendt, 1992, p.398). The Chinese identity and viewpoint of this system do not match those of the West. Plus, states can have many changing identities and interests (pp. 230-233). Thus, even if China may not have malign intentions just yet, they may develop them in the future. Xi has made clear that he expects private companies to serve the government, and the CCP views Huawei as an essential piece. Xi's powerful propaganda machine and determination to extend a feeling of pride and nationalism to unite the rest of the Chinese people could also translate to less resistance to government interference from Chinese non-SOE's abroad such as Huawei. Even if they do not relate, Xi's immense power means that there would be little that Huawei could do but to comply with his desires. He is a cunning strategist, expert at statecraft and, with his authoritarian rule, can push policy actions forward at a speed that democracies cannot.

However, the complete separation of the West from China cannot be the solution either. It is damaging to the international economy and business, as is apparent in the costs to Western states for denying Huawei technologies. Some sort of framework needs to be put in place. This is a topic that merits much further investigation.

The West failed to truly understand that one size shoe does not fit all. Hundreds of years of Chinese identity and history could not be squeezed out to fit into international norms, at least not now that China has so much economic power, and especially now that Xi Jinping is at the helm. His beliefs and ideologies, plus China's identity, direct the country and the companies operating within it. This is important to remember.

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Appendix

Exhibit a (Oxford Economics, 2019, p.6)

Fig. 2: Summary of 5G's key benefits to businesses and consumers

Faster connection speeds	5G, characterised as Enhanced Mobile Broadband (eMBB), is expected to improve mobile internet use with higher speeds and seamless user experience in dense or high-mobility environments. It will support high-bandwidth services such as Augmented Reality (AR) and Virtual Reality (VR) apps.
Greater bandwidth for more devices	5G will enable Massive Machine-type Communications (mMTC). Put simply, it will enable the connection of a very large number of connected devices, which together comprise the Internet of Things.
Quicker response times	5G will also provide Ultra-reliable and Low Latency Communications (URLLC). Low latency means the response times for 5G will be much quicker than for previous generations of mobile technology, and that access to 5G will be far more reliable. This will allow the development of "mission critical" applications—for example, in transport (vehicle-to-vehicle communications), healthcare (remote monitoring), and logistics (drone delivery).

Source: Ofcom, Oxford Economics

Exhibit b (Oxford Economics, 2019, p.7)

Fig. 3: Examples of 5G and IoT applications by sector

Sector	Examples of applications
Health and social care	IoT enables remote health monitoring, creating timely alerts for patients, nurses, or carers.
Smart cities	Optimisation of street lighting, monitoring of parking, rubbish collection timing, and environmental monitoring.
Utilities	Smart meters and smart thermostats allowing for more accurate billing and better control of energy consumption.
Automotive	Connected smart cars for tracking mechanical diagnostics, autonomous vehicles (e.g., driverless cars), locations, and media streaming.
Manufacturing	Digitisation and automation of production lines, and remote control of industrial processes.
Logistics	Connected containers to record and share the item's location and temperature to streamline production and reduce the risk of damage to temperature-sensitive produce.

Source: Ofcom, Oxford Economics

Exhibit c. (Oxford Economics, 2019, p.2-3)

THE IMPACTS OF 5G INFRASTRUCTURE RESTRICTION*

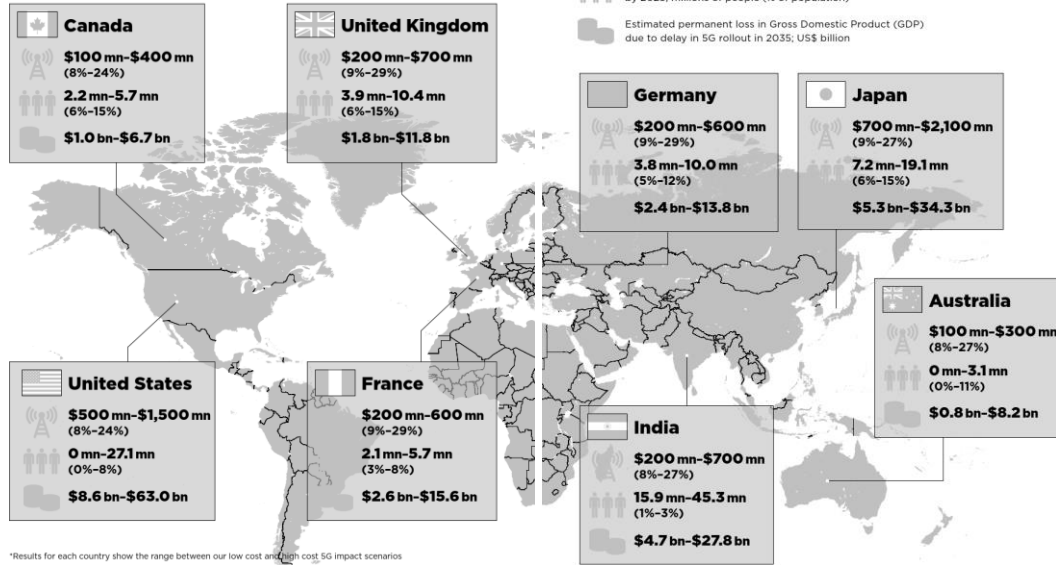


Exhibit d. (Oxford Economics, 2019, p.5)

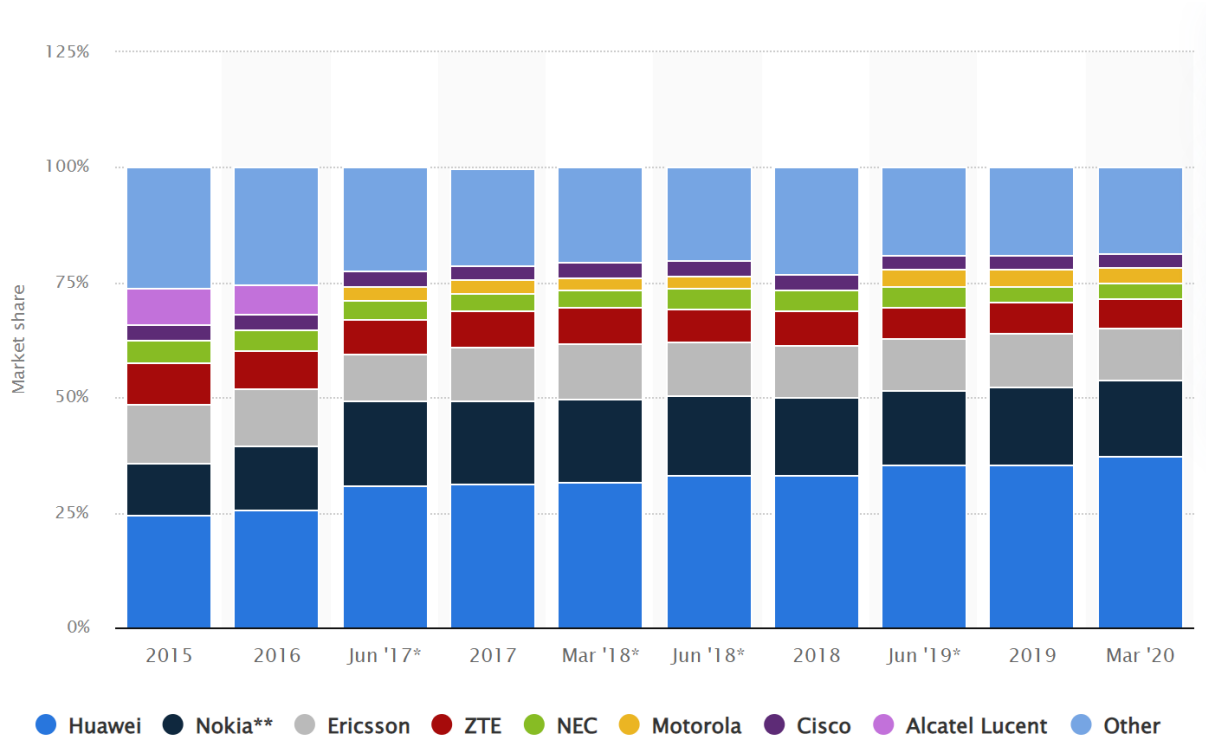
Fig. 1: Economic impacts of restricting a player of Huawei's size from competing in the 5G infrastructure market

Market	Price impact (% increase in investment costs)	Reduction in number of people with access to 5G by 2023 (millions)	Reduction in GDP in 2035 (US\$ billions, 2019 prices)
Australia	8% to 27%	0 to 3.1	0.8 to 8.2
Canada	8% to 24%	2.2 to 5.7	1.0 to 6.7
France	9% to 29%	2.1 to 5.7	2.6 to 15.6
Germany	9% to 29%	3.8 to 10.0	2.4 to 13.8
Japan	9% to 27%	7.2 to 19.1	5.3 to 34.3
India	8% to 27%	15.9 to 45.3	4.7 to 27.8
United Kingdom	9% to 29%	3.9 to 10.4	1.8 to 11.8
United States	8% to 24%	0 to 27.1	8.6 to 63.0

Note: In Australia and the US, 5G rollout is expected to cover a vast majority of the population over the next 2-3 years with almost no increase in coverage in the following years. In our low cost scenario, the increase in investment costs leads to delays in rollout of a few months, despite which a vast majority of the population receives access by 2023.

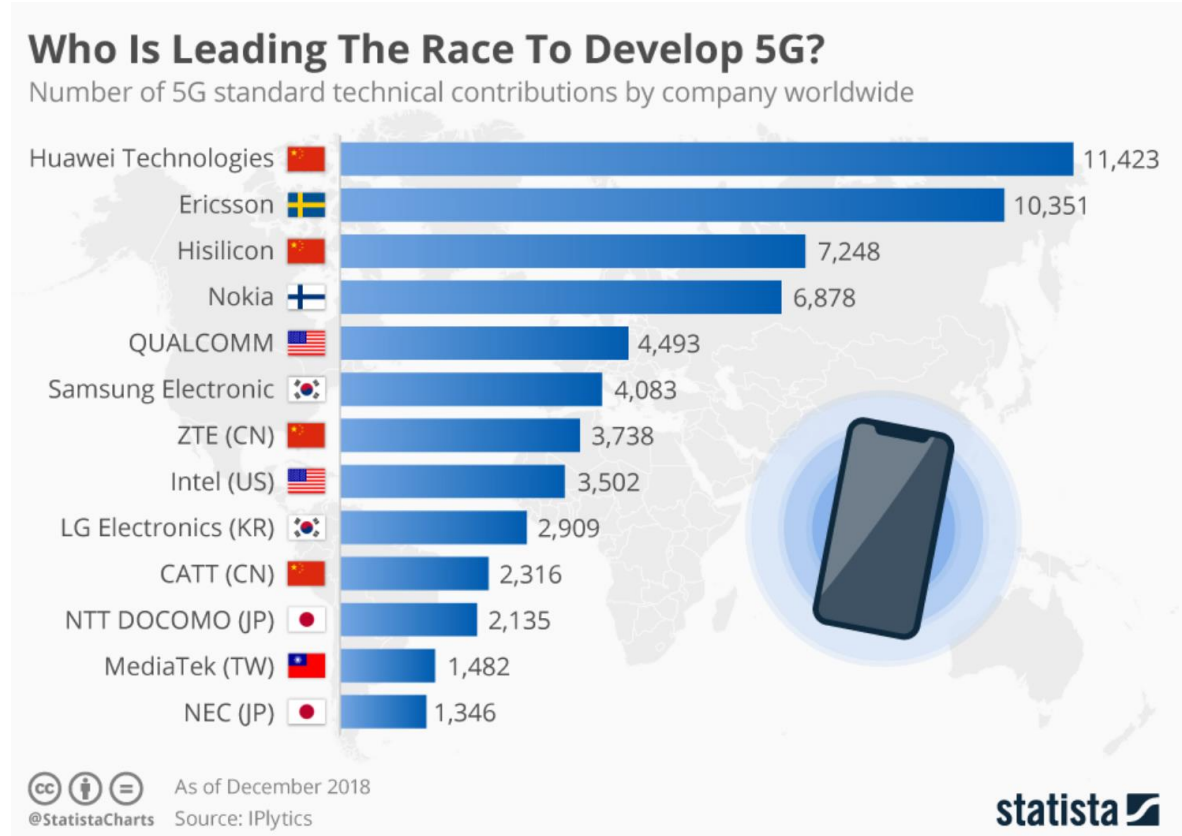
Source: Oxford Economics

Exhibit e. Network service providers' market share worldwide from 2015 to 2020



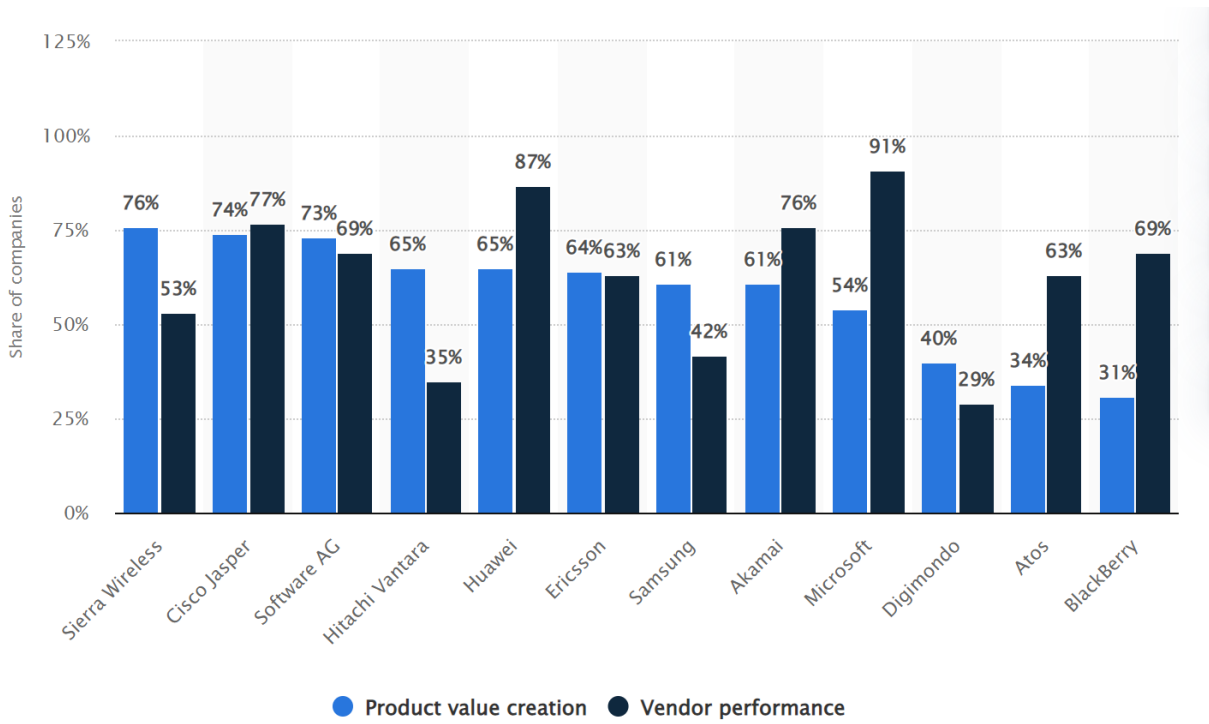
<https://www.statista.com/statistics/540788/service-provider-network-market-share-by-vendor/>

Exhibit f.



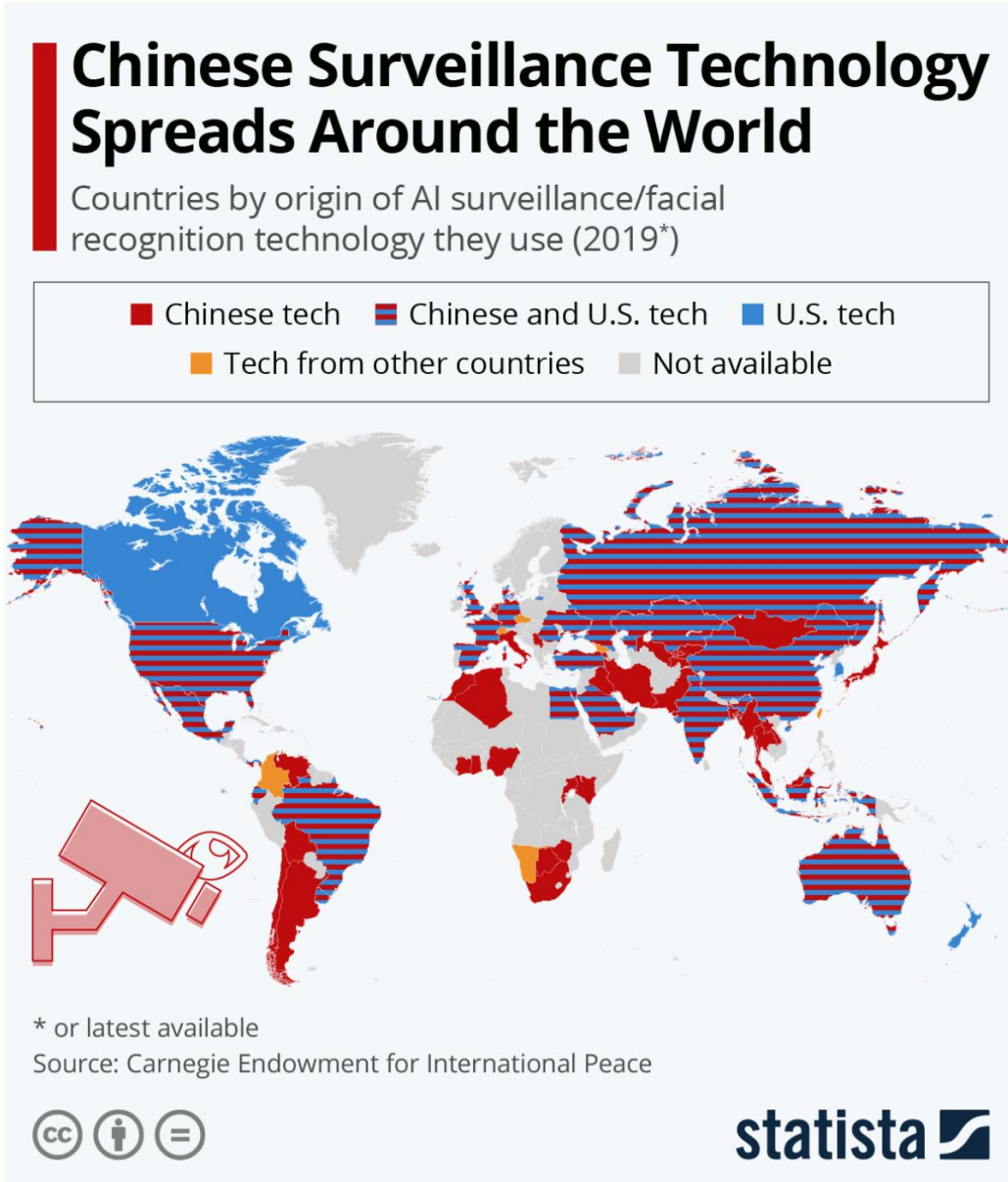
<https://www.statista.com/chart/17536/mobile-network-standards/>

Exhibit g: Comparisons of Internet of Things (IoT) telecommunication companies worldwide as of 2018, by category



<https://www.statista.com/statistics/1102349/company-comparisons-iot-telco-worldwide/>

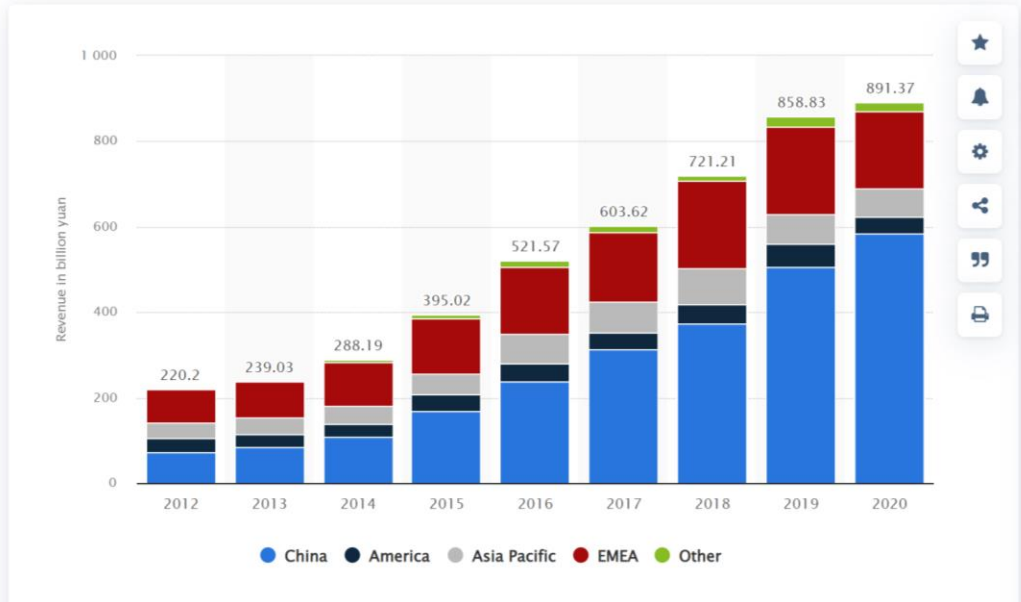
Exhibit h.



([Buchholz](#), 2018)

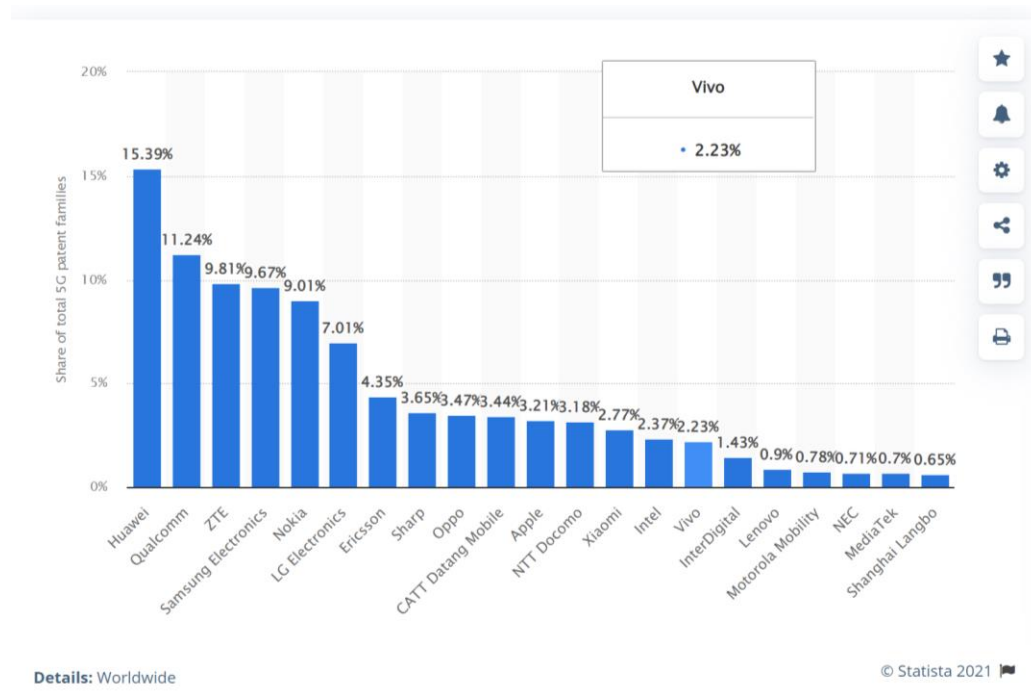
Exhibit i.

Huawei's revenue from 2012 to 2020, by geographical region
(in billion yuan)



<https://www.statista.com/statistics/368509/revenue-of-huawei-by-region/>

Exhibit j. Percentage of 5G patent families ownership by leading company in 2021

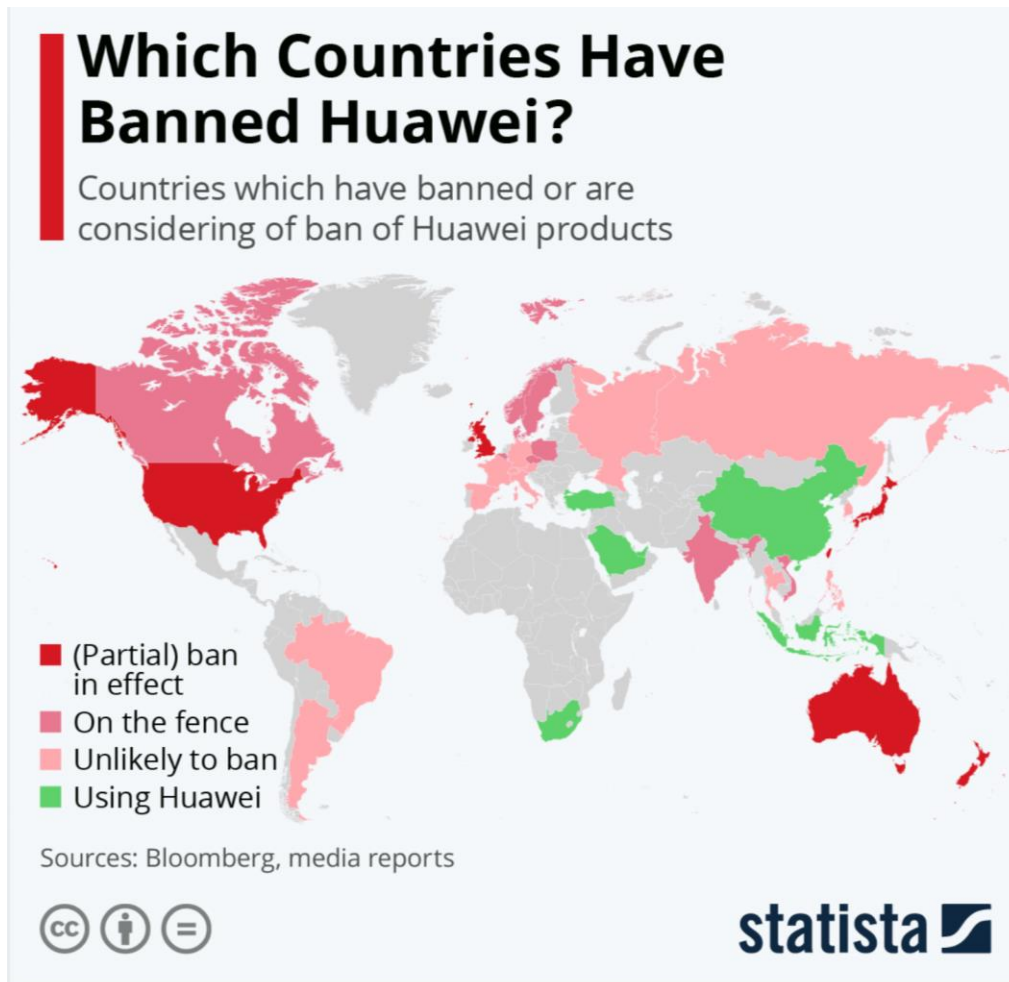


Details: Worldwide

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<https://www.statista.com/statistics/1230594/share-of-5g-patent-families-ownership-by-company/>

Exhibit k.

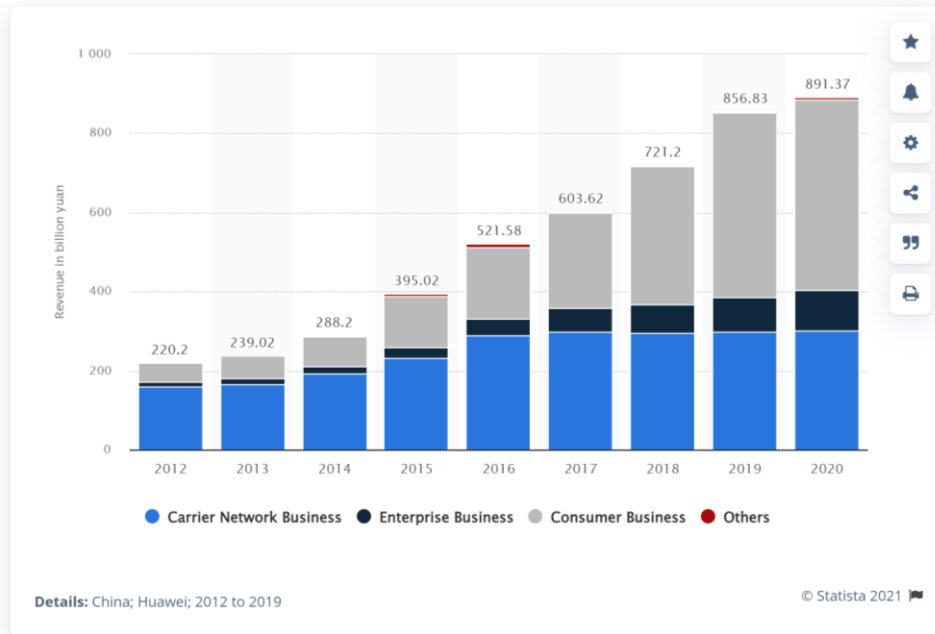


(as of 2020)

<https://www.statista.com/chart/17528/countries-which-have-banned-huawei-products/>

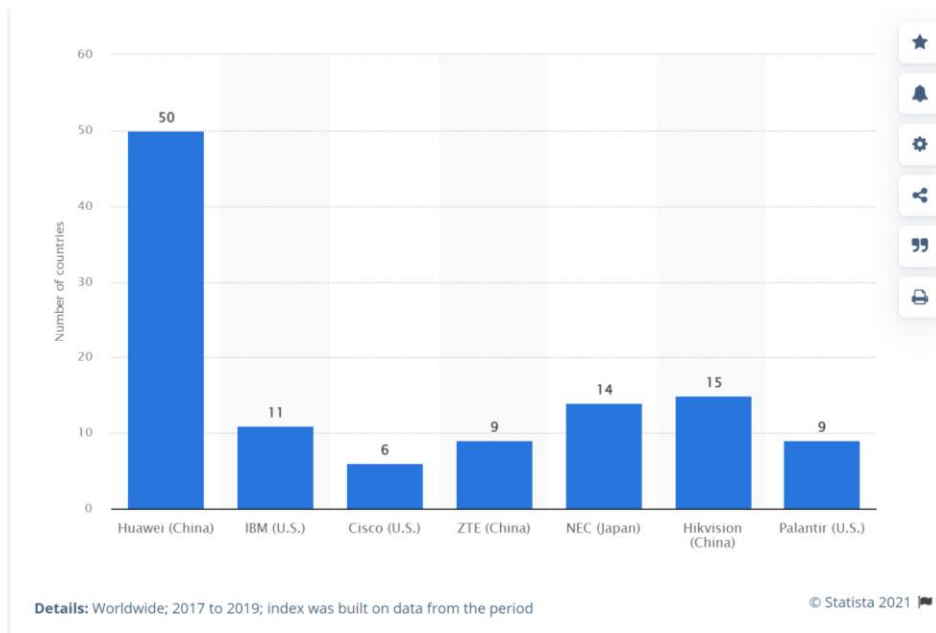
Exhibit k.

Huawei's revenue by business segment from 2012 to 2020 (in billion yuan)



<https://www.statista.com/statistics/368519/revenue-of-huawei-by-business-segment/>

Exhibit 1. The number of countries adopting artificial intelligence (AI) surveillance worldwide between 2017 and 2019, by company



<https://www.statista.com/statistics/1110676/number-of-countries-adopting-ai-surveillance-by-company-worldwide/>.