Lowenstein on Wen, 'The Huawei Model: The Rise of China's Technology Giant (The Geopolitics of Information)'

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Huawei Technologies Company, Ltd. has come to symbolize China’s growing economic clout and technological capabilities. It booked over $3 billion in profits last year. It dominates global telecom equipment sales, with nearly a quarter of the market—roughly as much as Western competitors Nokia and Ericsson combined.[1] At the same time, Huawei more than any other Chinese firm has a knack for arousing Western suspicions. In 2018 Meng Wanzhou, the company’s chief financial officer and the daughter of its founder, was arrested by Canadian authorities on charges of fraud.[2] Less spectacularly, but of greater lasting importance, in 2019 Huawei was placed on a US Commerce Department blacklist that has restricted its access to key parts, including semiconductors.[3] Huawei is without a doubt, in the words of Yun Wen’s new monograph The Huawei Model: The Rise of China’s Technology Giant, “an important symbol of the globalization of corporate China” (p. 89).

The Huawei Model seeks to study Huawei “as a microcosm of China’s evolving digital economy” in order to “explore the ramifications of the global rise of that country’s corporate power” (p. 1). It does this over the course of five chapters. Chapter 1 traces the history of Huawei and the entire China tech sector. Huawei carved out a niche for itself in the late 1990s by selling low-cost switching and telecom equipment to rural and poorer areas of China. But the company’s big break came after Tiananmen Square, when China implemented protectionist wireless standards as a way to hamstring foreign competitors. Chapter 2 examines Huawei’s expansion into the “global South.” It charts the company’s international expansion to the early 2000s, “when Western telecom equipment giants experienced a sharp decline in revenue and profit margin” and withdrew from less profitable markets (p. 69). The chapter paints Huawei’s Africa expansion in moral terms, as liberating the continent from domination by the “white old boy club” (p. 71). At the same time, it is frank about Huawei’s advantage—lower prices derived from access to Chinese surplus equipment and squeezing downstream contractors. The third chapter moves from the South to the North, examining Huawei’s less successful attempts to penetrate Europe and the United States. It notes that European sales have grown robustly, while attempts to enter the US market have been stymied by more fierce competition and intellectual property disputes.

Chapter 4 is the book’s most important chapter, tackling the key question of how Huawei grew from a middling sales agent to a technology powerhouse. It dates Huawei’s technological prowess to the 1990s, when the company made the key decision to develop digital switches. In Wen’s words, “This decision was significant for Huawei, as it indicated the company’s advance in its R&D endeavor,
moving away from low-end exchange technology to innovations in core telecom technologies” (p. 123). Later, the implementation of the TD-SCDMA and 4G TD-LTE standards gave Chinese firms an advantage in domestic telecom infrastructure. Over time, this allowed Huawei to develop core competencies in telecommunications technology. The chapter also makes the case that Huawei achieved similar success in integrated circuits and semiconductors. It suggests that Huawei’s recent development of its own processor technology and operating system have “well prepared Huawei for any pressure or blockage” (p. 136). In light of the catastrophic effect the American backlist has had on Huawei sales, within China and abroad, this now seems unconvincing.[4]

The final chapter studies Huawei’s labor practices. It starts with a focus on Huawei’s unique ownership structure, in which the “Employee Shareholding Scheme” means the company is largely owned by its own employees rather than institutional investors. The book is more critical of its labor practices abroad. It finds that “in some countries, racial stereotypes were institutionalized in the management.” Chinese managers were especially critical about workers in Africa and Latin America, complaining about “local workers’ ‘backward’ work ethics and indolence” (p. 173).

Insofar as it offers an empirical argument, *The Huawei Model* is conventional. It views Chinese technology as benefiting from technology transfers from the West, protectionism and government support at home, and price competitiveness abroad (along with export subsidies). But the book is organized less around a thesis than a moral narrative in which Huawei represents a possible alternative—one inspired by a radical, Maoist egalitarianism—to the predatory capitalism of the West. In Wen’s words, “The involvement of Chinese firms in the global South … presents the potential model of South-South cooperation that is built on the legacies of international solidarity and mutual geopolitical-economic benefits” (p. 199). In short, the developing world would be better off relying on Huawei and other Chinese companies than on Western multinationals.

This is indeed an important story to tell. There is a principled argument to be made that Huawei, by bringing products, technology, and employment to parts of the world long ignored by Western firms, has made the world a better place. Unfortunately, the book suffers from a number of shortcomings. Most seriously, *The Huawei Model* suffers from a lack of analytical clarity. It is full of self-contradictory arguments, some of which are central to the narrative. For example, the author cannot decide what she thinks about Huawei’s relationship with the Chinese state. On one page, we are told that Huawei’s American travails derive from unfair treatment by the US government and media, which “took advantage of their discursive power to distort Huawei’s corporate image, linking the expansion of Chinese … capital … with the discourse of the ‘China threat’” (p. 105). But in another context, the book tells us that Huawei works with the PRC government specifically to erode American hegemony. Indeed, “Huawei’s assertion to align with the Chinese state’s foreign policy won the central government’s support” (pp. 67-68). Either Huawei carries water for the Communist Party in its attempts to weaken America internationally or the United States is overreacting. The book’s position seems to be that Huawei is an instrument of Chinese state power, but that it is impolite for the United States to notice.

Another core thesis of the book is that Huawei’s success derives from China’s Maoist legacy. It draws particular attention to Third Front construction, which saw electronics factories increase from 460 to 2,500. But the author does not flesh out why the number of factories in the 1960s is relevant to Huawei in the 1990s. One could argue, plausibly, that technological literacy increased during the
planned economy and that this better enabled China to absorb foreign know-how. But the author believes that Western technology was harmful and that Maoist China did well to isolate itself. Writes Wen, “The country’s self-reliant development, first and foremost, rested on the Chinese state’s rejection of the blind importation of Western technologies” (p. 23). How this self-reliance cashed out in terms of semiconductor fabrication plants and handsets or what its relationship might be to Huawei is left unclear. Moreover, if the goal of technology is to produce goods, not factories, the Maoist record is grim. In roughly three decades of Mao’s rule, the country produced enough phones for 0.38 percent of households; in the three decades after his death, this grew to 57.22 percent.[5] Similarly, The Huawei Model draws dubious links between Huawei’s international sales and Mao-era Third World internationalism. This is particularly incongruous since, according to Wen, Huawei’s earliest overseas market was Russia, one of the two countries that Maoist internationalism was organized against.

Equally problematic, the book suffers from thin sourcing. Its arguments are frequently supported by lists of only tangentially relevant facts that often sound like they came directly from the company itself—which they often do. For example, it praises Huawei’s efforts at “going green.” It claims, “By the end of 2007, Huawei had deployed more than one hundred thousand green base stations across the world, significantly benefiting local ecosystems” (p. 72). The only citation is a Huawei annual report. It may be true that Huawei has unique, green technologies that can meaningfully help the environment. But to demonstrate this requires research into what such base stations consist of and how they differ from competitor products. To simply repeat corporate boilerplate is publicity, not scholarship. The book also makes frequent claims supported by the author’s own interviews. These are rarely quoted verbatim and are often accepted uncritically. In one glaring example, the book cites an interview as evidence that Huawei does not have a close relationship to the Chinese military. Perhaps not, but should we really take Huawei personnel’s word for it?

Finally, the author displays a penchant for abstruse theory. Wooly sentences such as “the dialectic framework between territorial logic and capitalist logic is important to overcome the dualism between the state and capital. However, it is important to note that neither capital nor state is a ‘thing’; rather, they are both constitutive of capitalist social relations” make for laborious reading (p. 104). Ultimately, this book—particularly chapter 4—could be a useful addition to a graduate seminar. But teachers and scholars are advised to look elsewhere for cogent accounts of Huawei’s role as a global corporate citizen.

Notes


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