

Latin American Countries Must Not Allow Huawei to Develop Their 5G Networks

Ana Rosa Quintana

KEY TAKEAWAYS

Huawei and other Chinese state-sponsored telecommunication firms often function as an extension of the Chinese Communist Party's security enterprise.

If Huawei develops 5G networks in Latin America, China will essentially control the communications, infrastructure, and sensitive technology of the entire region.

Regional governments and the U.S. should work to develop 5G cybersecurity standards and legitimate alternatives to accepting nefarious Chinese technology.

Like in many regions of the world, countries in Latin America are considering foreign vendors to develop their fifth-generation (5G) wireless technology. Some countries, such as Uruguay, have already launched minor 5G projects and will begin auctioning off their 5G spectrums in 2021. Unlike previous modernizations, 5G represents a seismic technologic evolution. While the increased speeds will provide new opportunities for economic and social development, the interconnectedness and expedited data transfers also present fundamental vulnerabilities.

In 2021, a number of Latin America's leading economies, including Brazil, Colombia, and Mexico, are scheduled to auction off their 5G spectrums. Huawei—despite bans in various countries due to its work on behalf of the Chinese Communist Party (CCP)—remains a top contender. Allowing Huawei,

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and by extension the CCP, to develop Latin America's 5G infrastructure would leave the region subservient to a regime with a proven track record of weaponizing its relationships.

Huawei and other Chinese state-sponsored telecommunication firms often function as an extension of the CCP's security enterprise and operate to advance Beijing's national interest. Huawei's proponents in Latin America and elsewhere argue that the company's low technology costs and large penetration of the mobile market make it the ideal partner. Even so, these short-term cost savings must be balanced with the long-term need to maintain sovereign networks, a competitive advantage, and control over critical infrastructure.

Latin America has a unique opportunity to prevent the CCP from controlling its networks and, by extension, dominating the trajectory of its development. Latin American countries must seek responsible alternatives to Huawei, develop guidelines to prohibit other high-risk companies from developing their 5G technology, and facilitate private-sector investment for trustworthy companies. They should encourage regional partners to synchronize 5G cybersecurity standards and promote a market-driven approach that avoids nationalizing their industries as a means of offsetting vulnerabilities. U.S. policymakers should encourage dialogues between partner nations and countries that have banned high-risk Chinese companies from its 5G networks to share their experiences.

Huawei: An Extension of the Chinese Surveillance State

The Chinese government's distinct objectives of dominating data are clear, and the CCP has made no qualms about hiding that Huawei is a component of its strategy. Beijing's Made in China 2025 plan¹ outlines how it seeks to make China the world leader in 10 strategic industries, including information technology. Overlapped with its ambitions to dominate artificial intelligence by 2030, controlling, analyzing, and accessing vast troves of data is integral to the CCP's objectives. In this capacity, Chinese state-sponsored companies, like Huawei, are necessary to fulfilling these goals.

Huawei has long served as a subservient arm to the Chinese security enterprise. A 1996 statement declared Huawei one of China's "national champions," a prestige assigned only to companies who advance key national interests.² While the company purports to be independent of the state,³ its rise as a global telecommunications company is directly tied to its symbiotic relationship with the Chinese government.⁴ With its "national champions" designation, Huawei receives preferential access to Chinese

state subsidies, financing, policy support, and sizeable research and development grants, as well as access to stolen trade secrets to unfairly expand its market presence. Various telecommunications firms have sued the company for intellectual property right theft.⁵

Clearly by law and in practice, the government and Huawei work to advance the CCP's interest. Despite Huawei officials' claims of independence, China's national intelligence law clearly states that all companies, whether state-owned or privately run, are compelled to work for the CCP and must hand over information whenever demanded.⁶ Chinese law does not require third-party arbitration when the government declares that a matter is in the national interest.

Inseparably Linked: The Prosperity and Security of Latin America and the United States

China has capitalized on the pandemic by burnishing its reputation in strategic regions. It is no coincidence that Latin America has received an undue amount of medical diplomacy. This has not been for philanthropic reasons but to project a good partnership image as many countries prepare for their 5G bids. Prior to the pandemic, China's massive financing and economic engagement in the region cooled off from 2016 to 2019 mainly due to China scaling back financial support from Venezuela. While large-scale infrastructure projects are not on the horizon, other forms of engagement in the digital technology realm will increase.

Many countries and actors in the region have already suffered due to China's predatory economic behavior, reflecting the reality that Beijing's commercial engagement is focused on benefiting Chinese national policy. Leveraging its massive financial resources, Chinese investment enticed a region plagued by stagnant growth rates with sovereignty eroding investments. From 2002 to 2018, 62 percent of its commercial engagement was through mergers and acquisitions, obtaining companies in critical sectors like energy, telecommunications, and infrastructure.⁷

If Huawei succeeds in imposing and developing 5G networks in Latin America, it would essentially control the communications, infrastructure, and sensitive technology of the region's government, citizens, and businesses. It would have the power to dictate the region's economic development trajectory, as it could manipulate countries' and industries' most essential systems. Increased transfer speeds and penetration would amplify the CCP's espionage capabilities, leaving citizens vulnerable to authoritarian governments and industries open to stolen trade secrets.

Proponents of Huawei claim that vulnerabilities can be isolated or limited by blocking the company from providing components to the core of 5G networks and instead only supplying the periphery.⁸ With 5G networks, these plans are unrealistic, as there is no meaningful distinction between any part of the network and devices. Furthermore, isolation is impossible, as individuals and devices routinely transfer connections between networks.

China is undoubtedly the U.S.'s principal competitor in the Latin American and Caribbean region and has capitalized on the region's proximity to the U.S. to gain leverage. The U.S. has long-standing geopolitical interests in the region that derives from deep economic ties, shared security challenges, and long-standing diplomatic ties. While the U.S. remains the top trading and security partner to much of the region, China's increasing engagement is altering the strategic environment. In this case, China's expanding surveillance technology will undermine U.S. security and intelligence capabilities, if left unaddressed by the U.S. and like-minded regional partners. Huawei's advocates falsely claim that the U.S.'s criticisms are based solely on U.S.–China competition.⁹ In reality, the prosperity and security of the Western Hemisphere are inseparably linked. Moreover, U.S. objections are not commercial, as there is no American company with the capacity to compete with Huawei. The U.S. is also not the only country to ban the espionage telecom on the grounds of the cybersecurity risks. Australia, Japan, New Zealand, and the U.K. all independently assessed and prohibited the company from their 5G networks.¹⁰

There Is Still Time for Latin America to Consider Alternatives

Latin America's fourth-generation (4G) technology expansion during the late 2010s propelled region-wide economic and social growth. Countless tech hubs emerged, e-commerce transactions dramatically grew, and the new technology facilitated social engagement. Yet the 4G penetration remains less than 50 percent in Latin America, meaning there are still massive populations left out of the digital economy and space.¹¹

Proponents of rapid 5G adoption in Latin America view this technology as a mechanism to overcome serious regional challenges.¹² If implemented wisely, 5G has the potential to stimulate much-needed economic growth, support local safety programs, and increase government efficiency. To date, though, since much of the region still has insufficient spectrum for 4G, it cannot hope to meet the spectrum-heavy needs of 5G.

The available spectrum is still not cost-competitive, either. Investment environments for digital technology are not secure as lingering challenges remain with judicial effectiveness, rule of law concerns, and weak regulatory capacity. Meaning, there is still time for many countries in Latin America to consider alternatives. Countries attracted to Huawei's competitive pricing and off-the-shelf technology must not feel compelled to be the first in adopting its technology. Getting ahead of the curve is pointless if it means sacrificing the long-term security of networks critical to national and economic security. In order to get 5G right in Latin America, the regional governments and the U.S. should:

- **Reduce barriers for private-sector investments.** The region's poor investment environment remains stifled by government inefficiencies and weak rule of law practices. In turn, these unattractive investment environments stifle growth and often lead to noncompetitive and opaque deals with non-trustworthy companies. Governments should streamline burdensome administrative processes, remove obstacles to innovative activity, and expand access to competitive financing.
- **Facilitate dialogue between U.S. and regional private sectors on intellectual property rights issues.** In the U.S., nearly 80 percent of economic espionage cases brought by the Department of Justice are believed to benefit the Chinese government.¹³ U.S. industry should share its experiences with regional companies on the damages caused by theft of trade secrets.
- **Develop 5G cybersecurity standards.** Similar to Japan, governments in Latin America would benefit from developing and issuing guidelines for 5G services and technology to avoid high-risk companies. They should develop standards based on their own commercial and security priorities, and prevent one sole vendor from dominating their country's 5G market. Developing regional 5G standards would also have the benefit of making the region more of a single, vast market, with attendant economies of scale (and leverage).
- **Promote a market-driven approach to Latin America's 5G development.** Free-market-minded countries must reject a nationalized 5G network as a means to offset security vulnerabilities. In comparison to their private-sector counterparts, state-controlled industries in

Latin America are often financial failures, as they prohibit innovation and are all together inefficient. The private sector can best manage the complexities and security needs of this next-generation technology.

- **Address the needs of local government.** China has successfully manipulated and leveraged national leaders by supporting the needs of local officials and populations. For example, when China was poaching El Salvador away from Taiwan, getting it to change diplomatic recognition of Taiwan, it sent freshwater containers and laptops to impoverished Salvadoran communities and convinced local leaders to lobby on their behalf. Policymakers must stop leaving their citizens vulnerable and open to manipulation by foreign adversaries.
- **Work with regional counterparts to support their adaption of next-generation technology.** U.S. law enforcement, defense, and intelligence services operating in the region must meaningfully work with their counterparts to mitigate threats posed by Chinese networks. If partners develop their 5G technology from untrusted companies like Huawei, the U.S. should be prepared to operate in this “zero trust” environment.

Moving Forward

Latin American governments must carefully weigh their options as they pursue their 5G future. This next-generation technology is not solely about reaching faster Internet speeds; it is also about maintaining sovereignty over critical sectors and infrastructure. Protecting nations means restricting Huawei and, by extension, China’s intelligence services, from dominating the region’s wireless networks.

Ana Rosa Quintana is Senior Policy Analyst for Latin America and the Western Hemisphere in the Douglas and Sarah Allison Center for Foreign Policy, of the Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, at The Heritage Foundation.

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