

The US and China must avoid dropping a 'Silicon Curtain'

Marina Yue Zhang

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I began my career in the technology sector at the American computing giant IBM in Greater China when the 'Big Blue' was seamlessly operating across mainland China, Hong Kong and Taiwan. As one of the first tech companies to enter the Chinese market, IBM played a pioneering role in bridging East and West.

Many of IBM's early executives in Greater China hailed from diverse backgrounds, bringing with them advanced technology and management practices that bridged both the tech and cultural divides.

IBM's influence also extended beyond its own operations. The company played a key role in helping its customers and partners improve their IT systems and internal processes. For instance, IBM consulted Huawei on its Integrated Product Development project, significantly boosting Huawei's product development efficiency.

However, China's tech landscape has changed dramatically. IBM's recent closure of its China Development Lab and China Systems Lab, following the 2021 shutdown of its China Research Lab, is evidence of this shifting landscape. These changes reflect not just operational adjustments but also the broader challenges that foreign tech firms now face in China.

The challenges IBM encountered go beyond shifting market dynamics; they reflect the growing tech decoupling between China and the United States, fuelled by escalating geopolitical tensions and Beijing's increasing preference for home-grown technology.

The environment for foreign tech companies in China has become increasingly hostile, a trend that can be traced back to 2010 when Google withdrew its search services from the mainland. In 2014, China launched its 'de-IOE' campaign, aimed at reducing reliance on IBM, Oracle and EMC (since merged with Dell), particularly in government and critical infrastructure.

The tech divide between China and the West has deepened in recent years, driven by a geopolitical tug of war. US export restrictions and technology sanctions have accelerated this split. In response, China has fast-tracked efforts to build a tech sector independent of Western control.

An article published on China's Ministry of Justice website stated that US sanctions would only strengthen China's resolve to achieve technological sovereignty. This nationalist rhetoric also mirrors broader public sentiment driving China's push for self-reliance in technology.

China's growing capabilities in internet platforms, cloud services and artificial intelligence (AI) are also eroding the competitive edge of foreign firms like IBM. US companies operating in China now face not only increased

scrutiny and restrictions but also stiffer competition from domestic firms, making it harder to sustain operations.

At the core of this tech decoupling is a deeper ideological divide between the US and China. The US, grounded in liberal democratic values, champions an open internet and the rule of law. In contrast, China's system prioritises state control and the use of technology for governance.

This ideological rift is not just about different approaches to technology; it reflects fundamentally divergent visions of tech governance. The erosion of trust between the two nations is accelerating, creating significant uncertainties for multinational companies operating in China.

This decoupling may mark the beginning of a Cold War-style divide in technology. Just as the Iron Curtain once split the world into ideological blocs, a 'Silicon Curtain' could now divide the global tech landscape into two spheres: one led by the US and its Western allies, and the other by China.

The US is building supply chains independent of China, reshaping global value networks. The US may collaborate with its allies to set tech standards that further disadvantage China, which can accelerate the separation of the global tech ecosystems. Conversely, China is expanding its influence by developing new supply chains and increasing foreign direct investment abroad. For example, in 2023, Chinese foreign direct investment abroad reached above US\$160 billion, largely through greenfield investments in the Global South.

In essence, the competition to dominate emerging technologies could escalate tensions further, leading to a race for technological supremacy similar to the arms race of the Cold War. This relentless pursuit of supremacy comes with significant downsides: fragmented global supply chains, rising techno-nationalism and intensified trade restrictions.

Cooperation gives way to competition, and technological progress risks becoming a zero-sum game. All of these have significant consequences for global innovation, as well as security, stability and economic prosperity.

IBM's retreat from China signals a broader severance of data exchanges, personnel transfers, capital flows and knowledge sharing, posing challenges not only for China and the US but for the entire global tech ecosystem. As the US-China tech rivalry intensifies, nations must rethink their approach to technology governance.

For the US, reducing interventionist policies could help maintain its leadership in entrepreneurship-driven innovation. Washington should also reconsider protectionist trade policies to address global challenges such as climate change and public health. The US should treat China as a collaborator, not a competitor.

For China, creating an open environment that attracts foreign investors and talent is vital. While developing indigenous technologies is critical for reducing reliance on foreign systems, these efforts should be paired with lowered trade and regulatory barriers, higher transparency in governance and stronger intellectual property protections to build trust with Western tech firms.

An open market will not only attract foreign investment but also foster deeper technological integration, positioning Chinese firms as key players in global innovation ecosystems. The technological decoupling between the US and China is one of the defining issues of our time, with far-reaching implications for global security and technology governance.

Policymakers around the world must find new ways to balance concerns for technology sovereignty, national security and global collaboration in research and innovation. Both nations must work together to establish new frameworks for tech governance, addressing critical issues like data security and ethical AI standards.

Dr Marina Zhang is Associate Professor – Research at the Australia-China Relations Institute, University of Technology Sydney.