

Trump's Trade War Has Probably Permanently Damaged America's Tech Leadership Position

On May 15, US president Donald Trump issued an “Executive Order on Securing the Information and Communications Technology and Services Supply Chain.”

Pursuant to that order, a number of firms in the US (including Google, Qualcomm, and Intel) and abroad (including Panasonic and Arm) have reduced or even entirely cut their ties with Chinese firm Huawei.

Beneath the risible national security claims used to justify it, Trump's order is just another exercise in economic protectionism. He thinks he's securing America's position as the world's leader in the tech sector. In reality, he's demolishing that position.

Huawei is just one company, but it's a big one. It sells its products and services in more than 170 countries and to 45 of the world's 50 largest telecom operators. One third of the world's population uses its networks.

Trump isn't just cutting Huawei out of the US. He's also cutting American companies out of lucrative relationships with Huawei.

Huawei will soon lose access to Google's Android operating system. It's already been working on its own in-house replacement for some time. It probably also has contingency plans for replacing the Intel, Qualcomm, and Arm chips in its phones with chips produced in China — perhaps by Huawei itself.

Nothing Trump does can likely put Huawei out of business. He can temporarily hurt it, but he can't permanently kill it. The most momentous effect of his order is to put Huawei on notice that it must not, under any circumstances, ever again find itself at the mercy of US suppliers and of the US government's good will.

If Trump “wins” his trade wars, will Huawei go back to using the US suppliers it was just cut off from? That's very unlikely. Once bitten, twice shy.

Other global tech companies and other governments are watching, and unless they're stupid they're drawing the same conclusions. If it can happen to Huawei, it can happen to them. No matter the immediate outcome, Trump's stunt has done irreparable long-term damage to global trust in America's tech giants.

As for those American companies, if they're smart they're already looking into what it will take to move their executive functions, and as much of their operations as possible, offshore, for the same reasons. They're in business to make money, not to serve the whims

of economically illiterates like Donald Trump.

The Trump trade bubble is bursting. The fallout isn't pretty. And it's going to get worse.