

Apple, Inc.

US tech groups at risk of losing their global hegemony

Trump pulled country out of TPP whose ground rules favoured US industry

Inside Business



JANUARY 26, 2017 by: **Richard Waters**

The biggest American tech companies have long known how to find foreign battlefields where they can fight out their competitive rivalries.

Ever since complaints from Microsoft's domestic enemies contributed to the series of European antitrust actions that tied the software company in knots in the 1990s, Brussels has been a favoured venue for such battles. One effect has been to increase the influence of EU regulators in setting global digital norms.

China has been another matter. Often left on the outside, US tech companies have been far more likely to complain of a lack of protection for their intellectual property, or heavy-handed actions that block market access, than seek to use the mainland legal system to their own advantage.

Apple's decision to lodge an antitrust claim this week against its domestic rival Qualcomm in China marks a notable departure.

The case is a private suit filed in a Chinese court, and echoes the way private battles over IP between the leading tech concerns have spilled over into many different jurisdictions.

But the complaint also looks like a barely veiled invitation to Chinese regulators to weigh in again, two years after they forced the US chipmaker into a \$975m antitrust settlement.

The dispute also confirms China's growing influence over digital issues with global resonance. The sheer size of its domestic market, and a tough domestic anti-monopoly law that has been wielded aggressively, most notably against Qualcomm, have given it new power.

The Apple lawsuit was not the only sign this week that a path is opening up for China to become a more significant arbiter for the information economy. Half a world away, in Washington, President Donald Trump formally withdrew the US from the Trans-Pacific Partnership, a pact whose strategic intent was to cement American influence over trade policy in Asia and act as a counterweight to China.

Digital trade was a key part of the deal. The TPP would have been the first international trade agreement to enshrine formal rules for cross-border ecommerce — specifically, banning countries from insisting that data be held locally or putting up blocks to prevent data flows.

These ground rules have favoured the US tech industry, and have supported the emergence of the large-scale data storage and computing clouds that are coming to dominate the IT landscape.

Silicon Valley, wary of riling the new president, was silent about Trump's withdrawal from TPP, though the ITI, a trade group whose members are a who's-who of tech, including Apple, Google and Facebook, allowed itself an expression of regret.

Abandoning the US ground rules opens the door for China to have more influence over policy in the region — to the benefit of its own digital companies. At least, that is the theory. Whether China can effectively step into the vacuum is a different matter.

In reality, it has become increasingly unsuitable as a trading partner for digital services, according to Erik van der Marel, an economist at the European Center for International Political Economy in Brussels.

He tracked the “complementarity” between the US and China as a trading partner for other nations covered by the TPP when it comes to cross-border services that are delivered over the internet. In effect he was looking at whether Chinese companies could easily step into the shoes of American concerns and provide the same services.

According to this analysis, until 2008, the gap between the two countries was narrowing and China was becoming more digitally competitive. But since then it has widened sharply again.

There is no great mystery to this, according to Mr van der Marel. He says that China's restrictive stance on things like data flows and investment in digital services have made it poorly suited to act as a hub for emerging cross-border digital commerce.

For now, despite the collapse of TPP, the region will still do things the American way. But that isn't a guarantee for the long term.

It is no accident that the rise to global hegemony of the US tech giants followed the fall of the Berlin Wall, when there was little resistance to the spread of the liberal economic order they represented.

That era may be coming to an end. The next quarter of a century is not likely to offer the same opportunities for unbridled global expansion as the last.

richard.waters@ft.com

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others. © The Financial Times Ltd.

Read latest

fastFT

Intel plans \$178m R&D facility in India

Latest on Apple, Inc.

Capital Markets

Apple eyes environment with \$1bn 'green bond'

10-year issue comes weeks after Donald Trump withdraws US from Paris climate agreement