



By: *Tomorrow's Affairs Staff*

Few businesses can be at ease following the Chinese sanctions against Apple



Until now, Apple's business engagement in China has long been an example of successful global technological and economic connectivity that has generated success and growth.

The decision of the Chinese authorities to ban government officials from using Apple's iPhone and other devices of non-Chinese manufacturers for business purposes and while at work seems to be a new phase of the technological conflict with the US, to which Apple has fallen victim for the first time.

Apple shares declined as much as 4% last Wednesday and 3% last Thursday, making a loss of about \$200 billion, after a report (The Wall Street Journal) on widening the ban on iPhones in central Chinese government agencies.

Even though the extent of this restriction has yet to be determined, it would not be surprising if it included lower levels of the administration and employees of state-owned companies, which account for a significant portion of the Chinese economy.

Given that it is estimated that sales may decline by up to 5%, Apple need not be overly concerned about this particular circle of iPhone users impacted by the ban.

The Chinese market is Apple's biggest foreign market and the source of 19% of its total revenue. However, the ban on iPhone use in state institutions still raises many concerns for the manufacturer.

The ban will also extend beyond state institutions

Despite the fact that the ban on use only

applies to a relatively small number of users, it is a state decision that indirectly affects the majority of the population.

People might stop using and purchasing the iPhone out of fear if the government labels it as a device whose usage is questionable and might jeopardise national security interests even though no one has ordered them to do so.

That would be a severe setback for the company, whose fastest-growing market is China. It has had a 57% increase in revenue over the past year, mainly due to the iPhone.

China has a variety of reasons for restricting the usage of iPhones. One is definitely the reciprocity of recent decisions of a similar nature made in the US, where federal employees are forbidden from using phones made in China, primarily Huawei, for work purposes.

If the Beijing government ever decides to give more detail about its ban, this will probably be one of the main arguments.

Removing competition for Huawei

The iPhone ban speaks volumes about China's efforts to reduce reliance on foreign technology and open the market to domestic producers.

The ban coincides with the upcoming launch of Huawei's new smartphone model, which will use an innovative Chinese-made chip for which Beijing has high expectations in the global market.

Also, the sanctions against Apple are part of Beijing's desire to establish total control over data use and strengthen communications safety through state surveillance in the growing technological and security rivalry with the US.

Whichever motive prevails in this decision by the Chinese authorities, none of them is particularly plausible.

Given that 90% of these phones and their parts are manufactured in China, to consider the usage of the iPhone as a security risk is unsupported. The only thing left as a "threat" to security is that the company that designed this product is not Chinese.

The Chinese ban will have a negative impact on Apple's deep roots in the Chinese economy, which have been expanding since 2001, even though the company has not made any public statements regarding this.

It is estimated that around one million jobs in China are directly related to the production of Apple products and several million more indirectly. In recent decades, Apple has had a large share in overall Chinese exports, particularly in high technology transfer, training and capacity building.

A new step in the pressure on Western investors

Restrictive state measures, such as the ban in question, must also have consequences for Apple's overall business in China, which until now has not been burdened by technological and security "wars" between the US and China.

Sanctions against Apple come at a moment when the business of Western, particularly US

companies in China, face a strong wave of non-economic pressures.

US Secretary of Commerce Gina Raimondo, who visited Beijing last week, said that US companies complained that China has become "uninvestable".

One of the latest such pressures on Western investors is the recently passed anti-espionage law, which makes market research virtually impossible and imposes other restrictions on capital placement, putting investors at risk of being suspected of espionage and working against Chinese interests.

The blow to Apple's business is also a warning from the Chinese authorities to other Western hi-tech companies that they may face similar sanctions and restrictions.

After the ban on Apple, the largest international company with operations in China, few can remain calm about their business being exempt from new official restrictions.