

Europe's 5G networks: is Huawei being excluded?

Blog post by Senior Associate Franck Thomas, 1 May 2019

“No equipment supplier, including Huawei, should, or may, be specifically excluded from 5G roll-out”. These words come from Jochen Homann, the president of the German telecom regulator. This statement was interpreted by many in the media as a concession to Huawei and evidence of Europe's more measured approach to 5G infrastructure than the US. However, the initiatives taken by authorities both at EU and national levels in Europe give much less comfort for Huawei and other non-European providers than these public statements suggest. Homann's declaration should be seen as an attempt to de-escalate the controversy and reassure telecoms operators, as they are bidding for 5G spectrum in Germany. This reaction is another episode in a long running debate over Huawei. How did the Chinese firm end up in the firing line?

Huawei has become the world's largest telecom equipment provider. This leading role in the global telecoms supply chain has increased Europe's dependency on its products, at a time when policymakers are concerned that Europe is set to fall behind the US and Asia on 5G. This growing dependency has in turn raised a number of concerns. First is a question of industrial policy and growing market share of Chinese providers over Ericsson and Nokia, at a time when Berlin and Paris have publicly called for a more assertive EU industrial policy.

Second is recurring concerns over security with the Chinese state that is suspected by some of using backdoors in Huawei's systems to gather intelligence. Third is geopolitical and the pressure from the US administration that argued for a complete ban of Huawei products from European markets. This has led to a rush of announcements, public statements and policy shifts which, while falling short of US calls for an outright ban, will significantly shape the competitive landscape for non-European providers in the EU. This has come at two levels - EU and national.

Earlier this month, the EU presented a recommendation that stops short of joining calls from the US government. The risk-based approach proposed by the European Commission focuses on certification and is likely to affect Huawei business in Europe. The EU will deliver by the end of the year a toolbox of risk management measures. What this toolbox includes will be mostly determined by the few national cybersecurity agencies with the highest level of technical expertise, such as German BSI, UK NCSC or French ANSSI. The latter will also play a prominent role in harmonising security certification for 5G networks. Ultimately, this will force Huawei to carry out more strict and in-depth conformity assessment procedure to obtain their EU security certificates and then access to European procurement markets. However, these EU measures will not be in the spotlight over the coming months. All eyes are turned toward national decisions that will have the most tangible impacts on the industry.

The immediate focus has been on national measures in Germany, France, Italy and elsewhere. The German regulator is likely to require operators to fulfil stricter security criteria and certify the critical core components they use. France is expected to grant authorisation to operators for using telecoms equipment, which implies greater scrutiny from its cybersecurity agency. In Italy, the government has the powers to step in and block contracts between operators and third-country suppliers. All these

measures raise the security bar for Huawei and mean limiting its access in parts of 5G network where security risks are higher, such as interconnection equipment to the core fibre network. However, Huawei could be less exposed in countries more dependent on Chinese investments, such as Portugal.

Despite his declaration, Jochen Homann and his EU counterparts are subtly leaning towards a tougher approach on the Chinese manufacturer. This would impede Huawei efforts to dominate 5G networks, but it is likely to come at a price for Europe. European operators have already raised concerns over higher costs and delay in 5G roll-outs caused by tighter scrutiny. That may simply be the unavoidable price for keeping Huawei in this sensitive market.

	Initiative	Measures	Status
UK	Telecoms supply chain security review	Possible ban of Huawei products and services from “core parts” of the 5G infrastructure	Ongoing
Germany	Amendment to the telecommunications law	Telcos to fulfil stricter security criteria and certify the critical core components they use	Ongoing
France	Legislative proposal to ensure national security when rolling out mobile networks	Telcos to obtain an authorisation (max 8 years) to use equipment in every region	Ongoing
Italy	Update of investment screening law	Greater scrutiny on contracts between telcos and third-country suppliers, with powers for government to block contracts	Adopted