

Europe's Manoeuvring on 5G Technology: The Case of Italy

by Francesca Ghiretti

Great power competition over 5G technology, the world's next generation wireless system, has been growing for some time. Both the US and China view 5G in geopolitical terms, increasingly concerned that their competitor may gain an upper hand in the development and roll-out of this technology, particularly in Europe.

Concern in the US is mostly linked to the security risks of 5G networks,¹ particularly if these are developed by a Chinese company, Huawei. The US, where Huawei has been banned from telecom development since 2014, has been pressuring its allies in Europe and beyond to exclude Huawei from the development of 5G networks in their home countries.² China, on the other

hand, is worried that such pressure may only be the first of other uphill battles against a more active and protectionist US when it comes to competition with China in Europe.

Concern over the penetration of 5G technology and the ownership of such networks in Europe is by no means new. Within the EU, Italy represents an interesting case for this growing competition between China and the US and its impact on the posturing and regulatory frameworks being developed by European member states to tackle these challenges. Both Washington and Beijing have long sought to influence European choices in this domain and both are seeking to make important inroads in the European market by exploiting perceived advantages.

While the US has tended to rely on deep transatlantic bonds to influence European allies, China has opted for a more legalistic approach. It has done so by leveraging the EU's own rules

¹ Lily Kuo and Julian Borger, "US Ban on Huawei a 'Cynically Timed' Blow in Escalating Trade War, Says Firm", in *The Guardian*, 21 May 2019, <https://gu.com/p/bgd7c>.

² Gabriele Carrer and Otto Lanzavecchia, "Italy Feels the Pressure of Trump's Ultimatum over Huawei Tech", in *Formiche*, 18 August 2020, <https://formiche.net/?p=1348702>.

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and regulations on open competition, free markets and international law to push back against US efforts to exclude the company from Europe, arguing that European public tenders should give fair opportunities to any bidding company.

Against this backdrop, and given the high stakes involved, it may seem puzzling that EU institutions published a guidelines toolbox on 5G for member states only in January 2020.³ At the time, most member states still had to outline official positions on the matter, but considering the long history of US–China animosities over 5G and the serious implications this technology will have on Europe's future, one might have expected EU institutions to act sooner.

In all fairness, EU reaction times have picked up since January. In July 2020, only five months after the toolbox's release, the EU published a report outlining progress by member states and making recommendations on issues that needed further improvement.⁴ Among these, were calls to further strengthen security requirements for mobile network operators, improve the risk assessment of suppliers and subsequent restrictions for high-risk vendors and provide for a better diversification.⁵

³ European Commission, *The EU Toolbox for 5G Security*, 29 January 2020, <https://europa.eu/!gb38xm>.

⁴ NIS Cooperation Group, *Report on Member States' Progress in Implementing the EU Toolbox on 5G Cybersecurity*, July 2020, <https://europa.eu/!uk68HH>.

⁵ European Commission, *5G Security: Member States Report on Progress on Implementing the EU Toolbox and Strengthening Safety Measures*,

These are all core elements for the safe development of 5G networks. While member states require improvements in these areas, their situation is not as desperate as one might think.

Let us take the example of Italy. In light of last year's Memorandum of Understanding with China and the pro-Beijing tendencies of its Foreign Minister, Luigi Di Maio, former leader of the Five Star Movement (*Movimento 5 Stelle* – M5S), Italy has become something of a controversial case in this mounting US–Chinese competition. The development of 5G technologies is obviously one of the main concerns and, like the great majority of EU countries, Italy has sought to avoid openly picking sides in the US–China battle for 5G.

Nonetheless, the European Commission report not only shows that Italy is in line with most European countries with regards to levels of protection for 5G, but also that it is well equipped to tackle these challenges. For example, the report explicitly mentions the example of Italy as well prepared in three domains: restriction of high-risk suppliers, diversity of suppliers and prohibition to outsource Network Operation Centres.

These elements are indeed already part of Italy's Golden Power rule, the new legislation passed by Italy in 2012 which provides special powers to the government to screen foreign direct investments, notably from China, in strategic sectors to safeguard

24 July 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1378.

ownership and protection. In 2019, this regulation was strengthened to include and regulate 5G telecommunications.⁶

Nevertheless, in the meantime, relevant national security bodies have also looked into the matter of the development of the Italian 5G network by Chinese companies such as Huawei and ZTE. The findings of such effort were published in December 2019 by the Parliamentary Committee for the Security of the Republic (COPASIR), in which concerns were expressed in relation to Huawei. This ultimately led to the advice to exclude Huawei from the development of 5G networks in Italy.⁷

Despite this warning, the government took no further action at the time. This was mostly due to a belief that Italy's Golden Power law already protects the country from the risks identified in the report. The reality, however, is that the Golden Power regulation, which can be activated by the government on a case-to-case basis, means that unless the government invokes it on the specific case of Huawei's development of 5G networks, Italy is not entirely protected from the threats identified by COPASIR's report.

⁶ See the website of the Italian Presidency of the Council of Ministers: *Golden Power* [in Italian], <http://www.governo.it/it/dipartimenti/dip-il-coordinamento-amministrativo/dica-att-goldenpower/9296>.

⁷ COPASIR, *Relazione sulle politiche e gli strumenti per la protezione cibernetica e la sicurezza informatica, a tutela dei cittadini, delle istituzioni, delle infrastrutture critiche e delle imprese di interesse strategico nazionale*, 12 December 2019, p. 17, <https://parlamento18.camera.it/228>.

In March 2020, COPASIR further requested that the Office of the Prime Minister adopt clearer regulations and plan to secure the development of 5G networks in Italy.⁸ In the meantime, several US delegations paid visits to the EU, including Italy, in an effort to convince European capitals to exclude Huawei from 5G networks on the continent.⁹

It was precisely at this time, between July and August, that many EU countries began to send signals on their respective stances in the 5G debate. Telecom Italia (TIM), the largest telecom operator in Italy, announced its decision to exclude Huawei from a public procurement call for the development of its 5G networks on 9 July.¹⁰

The decision was justified not on security grounds but according to the logic of diversification of suppliers, which was one of the elements contained in the EU's toolbox recommendations for members states which followed the first assessment.¹¹

⁸ Francesco Bechis, "Huawei e 5G, ecco come (e perché) Volpi richiama Conte in Copasir", in *Formiche*, 3 March 2020, <https://formiche.net/?p=1272495>.

⁹ Ugo Barbàra, "Di Maio ha davvero deciso di scaricare Huawei sul 5G?", in *Agi*, 8 July 2020, <https://www.agi.it/economia/news/2020-07-08/5g-di-maio-scarica-huawei-9102683>; Gabriele Carrer, "Dal gas al 5G, tutti i temi del tour europeo di Pompeo", in *Formiche*, 11 August 2020, <https://formiche.net/?p=1346143>.

¹⁰ "Tim esclude Huawei dalla gara per l'appalto 5G. Ma Tim Brasil: nulla è stato ancora deciso", in *Il Sole 24 Ore*, 9 July 2020, <https://www.ilsole24ore.com/art/tim-esclude-huawei-gara-l-appalto-5g-ADhXdXd>.

¹¹ James Mackenzie and Elvira Pollina, "Huawei Says It's Working with Telecom Italia Despite 5G Exclusion: Paper", in *Reuters*, 20 July 2020,

Nonetheless, on 7 August, the Italian government adopted a decree on 5G meant to increase the security of its roll-out. This outlines regulation to increase government information on where these apparatuses are and which modifications they undergo, help incentivise diversification and threaten fines for providers who do not comply with these rules.¹²

Such a decree, on paper, would allow Huawei to develop 5G networks, as long as it abides by the above regulations. It also entangles telecom operators who work with risky providers in a complex bureaucratic web, a dynamic that is not uncommon in Italy, but may lead to confusion as to responsibilities and oversight.

De facto, however, the decree leaves the decision to private operators, knowing full well that TIM had already announced its decision to exclude Huawei and that, as a former public company, the state still carries a certain degree of influence over its decisions.

The solution found by Italy is elegant. It provides plausible deniability that politics did not play a direct role in the decision. However, it presents two big issues: first, delegating power to private companies and secondly, it tends to be reactive rather than pre-emptive, given its overreliance on the deterrent power of fines. When it comes to 5G, this latter dimension may turn out to be a fatal

<https://reut.rs/2WEejOV>.

¹² "Dpcm su 5G e Tim, ecco il testo", in *Start Magazine*, 21 August 2020, <https://www.startmag.it/?p=117301>; Italian Senate, Atto n. 564, <http://www.senato.it/leg/18/BGT/Schede/docnonleg/40910.htm>.

error.

Leaving the decision to private companies is a smart move in the optics of skirting political and geopolitical sensitivities, but the decree could have inserted more constraining elements as, for example, was done in France.

Instead of imposing a blanket ban on Huawei, which is active in the country, Paris has encouraged its operators not to work with the Chinese telecom giant while at the same time deciding that new concessions will not last longer than 3–8 years without renewal, a decision that will *de facto* phase Huawei out of France by 2028 without explicitly saying so.¹³

Italy could have done something similar. Such action would reduce the manoeuvrability of private entities, thereby avoiding that a future change of heart by TIM could again open the doors to Chinese participation in 5G or that significant pressure from China could harm TIM's operations.

The problem with reactive measures such as fines and repercussions is that 5G networks are not something you can build one day and get rid of the next. Suffice to look at the problems facing countries that want to exclude Huawei from 5G given the high costs of such operations. These are even more severe for those countries that must dismantle previous equipment installed by Huawei.

¹³ Togo Shiraishi, "France Places De Facto 5G Ban on Huawei Gear by 2028", in *Nikkei Asian Review*, 24 July 2020, <https://asia.nikkei.com/Spotlight/Huawei-crackdown/France-places-de-facto-5G-ban-on-Huawei-gear-by-2028>.

Much like Italy, the rest of the EU is slowly implementing regulation to protect itself from the risks of both the development of 5G and the interests of great power competition which could see European countries stuck between a rock and a hard place.

Brussels could have been clearer and more prompt in publishing its guidelines on 5G development. However, given the sensitivity of the moment and the importance of the matter, the fast-paced developments of international politics and the changes that US elections in November might bring about, moving one step at a time and adopting more subtle regulation is probably the smartest choice for countries who are still seeking to preserve a degree of manoeuvrability between the US and China, in Europe and further afield.

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