Written by Angeline Tan on June 20, 2023

Google, ZTE, and Huawei Face Off With Legislators at EU Commission

The Pancake of Heaven!/Wikimedia Commons

On June 15, the European Commission declared that it would stop using services dependent on Chinese telecommunications companies Huawei and ZTE, giving reasons such as the "strong concerns about the risks posed by certain suppliers of mobile network communication equipment to the security of the Union":

> Suffice it to say that the Commission deems that decisions enforced by EU member states to limit or exclude Huawei and ZTE from 5G networks altogether are understandable and in sync with the EU's 5G Toolbox, a package of far-reaching measures for an EU-coordinated approach to secure 5G networks. In line with such decisions, and relying on various available information, the EU Commission has arrived at the conclusion that Huawei and ZTE pose considerably higher risks than other 5G suppliers.

Notably, the Commission unveiled its statement together with its second report on the adoption of the EU Toolbox on 5G Cybersecurity. It refers to "strategic measures and … restrictions on high-risk suppliers," and highlights that "24 Member States have adopted or are preparing legislative measures giving national authorities the powers to perform an assessment of suppliers and issue restrictions."

Moreover, the Commission explained what "strategic measures" and "technical measures" entail:

> Strategic Measures include measures concerning increased regulatory powers for authorities to scrutinize network procurement and deployment, specific measures to address risks related to non-technical vulnerabilities, as well as possible initiatives to promote a sustainable and diverse 5G supply and value chain in order to avoid systemic, long-term dependency risks. Technical Measures include measures to strengthen the security of 5G networks and equipment by addressing the risks arising from technologies, processes, human and physical factors.

Margrethe Vestrager, executive vice-president for "Europe Fit for the Digital Age," asserted that one of the Commission's policy priorities is "to adopt the necessary restrictions for high-risk suppliers, in order to ensure the security of the Union's critical infrastructure."

Likewise, Margaritis Schinas, vice-president for Promoting our European Way of Life, agreed with the notion that "identifying and restricting access to high-risk 5G suppliers" is "vital for sealing the Security Union's infrastructure."

Similarly, Commissioner for Internal Market Thierry Breton lauded the EU for its alleged ability to "reduce or eliminate our dependencies in other sectors such as energy in record time, when many thought it was impossible." Breton elaborated:

> The situation with 5G should be no different: we can't afford to maintain critical dependencies that could become a "weapon" against our interests. That would be too critical a vulnerability and a serious risk to our common security. I therefore call on all Member States and telecom operators to take the necessary measures without further delay.

China's 5G suppliers have not been the only ones feeling the heat from EU legislators. Google is facing an "EU break-up order over supposed anti-competitive" practices. Just last week, EU regulators announced that Google may have to sell part of its profitable ad tech business to tackle worries about its alleged anti-competitive practices. The regulators also threatened the tech giant with its strictest regulatory penalty thus far, namely, a possible fine of as much as 10 percent of Google's yearly global turnover. Furthermore, the Commission laid out its charges in a statement of objections to Google after a two-year study into Google's behaviors, including preferring its own advertising services.

Vestrager said that Google may have to sell part of its advertising business instead of simply amending its practices. "For instance, Google could divest its sell-side tools, DFP and AdX. By doing so, we would put an end to the conflicts of interest," she said at a news conference.

"Of course I know this is a strong statement but it is a reflection of the nature of the markets, how they function and also why a behavioral commitment seemed to be out of the question. We have here a series of moves within the legitimate ambit of the Commission, rolling back both US and Chinese corporate power, albeit these should be pursued in tandem with the development of local, European competitiveness," she continued.

Vestager also mentioned that probes would continue into Google's privacy sandbox set of tools to block third party cookies on its Chrome browser as well as the tech firm's plan to stop making the advertising identifier available to third parties on Android smartphones.

She elaborated that the EU had worked closely alongside competition authorities in the United States and the U.K.

Welcoming the EU's latest charge against Google has been the European Publishers Council, the latter which filed a complaint to the Commission last year.

The Commission accused Google of performing its own online display advertising technology services at the expense of rival advertising technology service providers, advertisers and online publishers. It claimed that Google has abused its dominance since 2014 by preferring its own ad exchange AdX in the ad selection auction by its dominant publisher ad server DFP,as well as favoring AdX in the way its ad buying tools Google Ads and DV360 place bids on ad exchanges.

Google's latest face-off with EU regulators involves its advertising business, the firm's largest lucrative business, contributing up to 79 percent of total revenue last year.

In 2022, Google's advertising revenue, including from search services, Gmail, Google Play, Google Maps, YouTube adverts, Google Ad Manager, AdMob, and AdSense, totalled a whopping $224.5 billion.

On its end, Google has a few months to craft a response to the EU's charge. The firm can request for a closed hearing in front of senior Commission antitrust officials and their national counterparts prior to an official EU decision. Alternatively, Google could potentially arrive at a settlement by providing stronger remedies than hitherto suggested.

For its part, Google challenged the Commission's charge. "The Commission's investigation focuses on a narrow aspect of our advertising business and is not new. We disagree with the EC's view," Dan Taylor, Google's vice president of global ads, declared in a statement.

According to Reuters, while Google had tried to settle the case three months following the start of the EU probe, regulators were not satisfied with the slow pace of investigations as well as the paucity of significant concessions.