

## The US, China, and the Race for 5G in the South Caucasus

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As the US-China geopolitical divide looms ever larger and competing visions for global order are yet to crystallize, the technological realm and the spread of 5G is one area where both Beijing and Washington are pursuing different scenarios. As the signaling for potential decoupling grows stronger, the South Caucasus presents one example of how this growing divide plays out.

The competition from China ranges from winning masses to Chinese-made handsets, to sovereign digital platforms and network infrastructure. Certain spheres of influence are already emerging where countries (for example, in Central Asia) excessively dependent on China are more likely to fall in line with Beijing's technological standards. Growing use of Chinese facial recognition technology and other tools of surveillance present questions whether it is not also China's digital authoritarianism that is being exported abroad.

In contrast to 3G and 4G (LTE), where China was largely relegated to the sidelines in the standards-setting process, it has been heavily involved in the standards process for 5G—a sign of Beijing's growing ambitions and global influence. 5G will be both quantitatively and qualitatively different from what has come before. For instance, as opposed to the hardware that drives traditional data networks, 5G networks' primary functions will

be software-based. 5G is also groundbreaking as it will usher in extensive use of artificial intelligence (AI) to manage the network, a technological leap that will have broad ramifications from military to civil spheres. China has gained a significant advantage in the field as it successfully moves toward commercial-scale deployment of its domestic 5G network.

According to some calculations, a full-scale introduction of 5G networks will take more than a decade. The process will be a complex one and the pace of its deployment across Eurasia and specifically in the South Caucasus. This is specifically due to the range of interweaving issues in regulatory policies, national security concerns, general geopolitical alignment, and the host of associated issues these topics typically find themselves entangled in.

### **5G Geopolitics in the South Caucasus**

The South Caucasus has gradually transformed into another region of technological competition between the US and China. In comparison to other regions, the South Caucasus has lagged behind with the actual 5G deployment plans. However, recently there has been a growing push in Armenia, Azerbaijan, and Georgia to adopt 5G. The three states need to boost their economic performance and relative technological backwardness – lagging behind the 5G deployment will further undermine their international position. The question is which source of this modern technology will the three countries use.

In Armenia's case, with its promising IT sector, China's low cost 5G infrastructure provides a good opportunity to keep apace in the technologically developing world. Viva-MTS, a leading mobile operator in Armenia, belongs to the Russian MTS, which makes Armenia well placed to deploy Chinese technologies. The reasons behind this is the 2019 agreement between China's Huawei and Russian telecoms on development on 5G networks in Russia with Chinese help/infrastructure. The cooperation does not stop there. In 2017, Huawei signed an agreement to develop a "Smart City" project in Yerevan, Armenia. Negotiations were supposedly still ongoing in early 2019, but no more recent information is available.

Georgia and Azerbaijan do not have similar Russian (by extension Chinese) presence in telecommunications – major local mobile carriers are not owned by Russian companies, though Russian companies such as Beeline are present, for instance, in Georgia. Moreover, though Huawei has been looking at developing a technology park in the country with ambitions to expand its 5G infrastructure, Georgia is nevertheless expected to eventually stand with Western standards in the security realm related to the 5G technologies. Ideally this would mean more robust alliances and public-private partnerships as insisted upon in the West to adopt standards promoting market diversity and reliable technology to develop 5G infrastructure.

### **Western versus Chinese Security Norms**

As the US-China divide grows and Washington is increasingly worried that Beijing will instrumentalize its dominant position in some countries' 5G infrastructure, US pressure on South Caucasus states is likely to ramp up. Georgia will be under particular scrutiny as it sees itself as an ally to the US, but simultaneously seeks closer economic relations with China. In the long run Tbilisi may face the dilemma of having to choose between Washington's support and making use of cheap Chinese technology.

The tilt towards the Western security norms is already apparent in Georgia's foreign policy. In January Washington and Tbilisi signed a memorandum of understanding on using technologies based on Western standards. Implications are clear – the US wants to keep China at bay. Though China was not mentioned in the

document, Beijing is implicitly targeted. On January 14, in an interview the US Under Secretary of State for Economic Growth, Energy, and the Environment Keith Krach said that the document is a comprehensive approach to data protection, human rights and security that builds cooperation against threats posed by China, Russia, and “other abusive countries”.

The Georgian National Communications Commission previously announced that the introduction of 5G internet in Georgia will begin in 2020, but the pandemic and a general economic downturn slowed down the deployment schedule. Presently the telecom company Magti is arguably best poised to become a leader in the emerging industry.

Georgia hopes that 5G technologies will be applied to boost the country’s defense and security capabilities, especially in the light of the ongoing military tensions with Russia. Faster information flow will be crucial for developing more efficient defense capabilities and information gathering along occupation lines near Abkhazia and the Tskhinvali region, where Tbilisi faces Russian occupation.

However, the deployment of 5G might also bear risks as more technologically capable states will be better positioned to use the 5G technologies to collect sensitive security and defense information from Georgia’s vital state sectors. On that front, deeper cooperation with US security services and the military sector will be crucial and the above-mentioned memorandum signed with the US could pave the way for this sort of cooperation.

In the case of Azerbaijan, the future course of development is not clear-cut. In 2016, Huawei inaugurated its “seed for the future” program in Azerbaijan, which involved sending a group of Azerbaijani university students to China for computer science studies. In 2017, a Huawei representative also announced plans to establish a “Smart City” project and public Wi-Fi system in Baku. Huawei also announced its intention to develop Azerbaijan’s 5G network in 2019. At the same time, Baku made an interesting move in December 2019 when Ericsson and Azerbaijani communications service provider Azercell signed a three-year 5G Memorandum of Understanding (MoU) for the joint deployment of 5G projects.

In the end, external factors will play a crucial role in the countries’ decisions on their 5G development. Security-wise Armenia is more interlinked with Russia and its telecoms, which is not the case with Azerbaijan to the same extent. Moreover, as both are not openly aspiring to join Western political or military organizations, harsh US pressure on Yerevan and Baku might be less expected than in the case of Georgia. Still, a certain push from the US for a China-free 5G alternative is to be expected.

### **Competition Could Spell Postponement**

The South Caucasus is being increasingly pulled in as part of the US-China chess game. This shows how serious Chinese challenge to the US positions is especially as it aligns neatly with the Russian perspective – sidelining of the collective West. These competing visions for 5G’s deployment, however, could be harmful too.

As the great power competition returns to the South Caucasus it could result in postponement of 5G deployment in the region as the three states would try to avoid making clear-cut decisions, lest they provoke the ire of either the US or China. Economic considerations would play a pivotal role. The region is gradually transitioning to the post-pandemic period and reinvigoration of national economies is high on the agenda. China is among top trading partners for Armenia, Azerbaijan and Georgia. Losing this source of investment and bilateral trade could have a high cost for the three fragile economies. This would explain political hesitance to criticize Beijing or explicitly refuse participation of Chinese 5G vendors in 5G infrastructure.

Taking stock of the overall picture, Georgia is gradually siding with the West and Armenia chooses the Russia-China tandem. Meanwhile, Azerbaijan seems to be navigating between the two extremes and instead of refusing or openly endorsing Chinese 5G deployment it could follow the path of its closest ally – Turkey, which partners with the West, while not refusing the opportunities presented by China. Overall, it seems that a great divide in the South Caucasus is surely shaping up.

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