

Security Level: Public

# Optimal Investment Conditions for ICT and Technology

*TFMA: Seizing Global Trade Opportunities and  
Minimizing Global Trade Threats*

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HUAWEI TECHNOLOGIES CO., LTD.



# Outline

**1**

**What Factors Attract and Repel?**

**2**

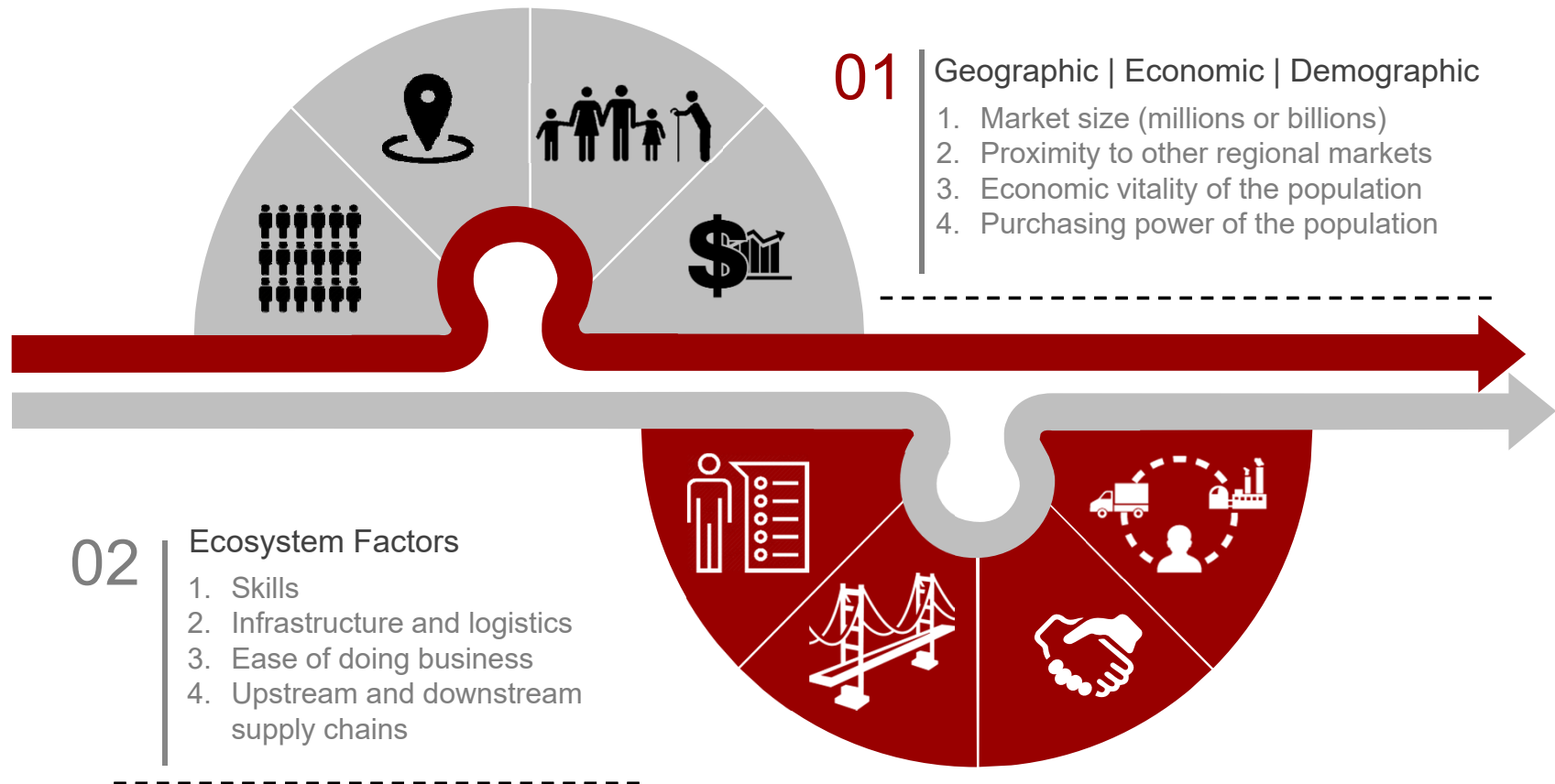
**When Huawei Invests**

**3**

**Conclusions**





# What Factors Attract?

Some factors are within and some beyond the control of policymakers



# What Factors Attract?

## Ecosystem factors and amenable policy interventions

Skills	Infrastructure	Business Climate	Up/downstream
			
Policy interventions	Policy interventions	Policy interventions	Policy interventions
Mandatory primary and secondary education for all	Infrastructure strategic vision with project pipeline	Reduce regulatory and compliance burden to the minimum necessary	Strategic medium to long term industrial policy vision for targeted clusters
Technical education with focus on STEM	Governance and contract mechanisms to reduce renegotiation risk	Independent, well-trained, and adequately-resourced judiciary	Tax breaks and incentives to foster specific sectoral value chains
Vocational colleges and apprenticeship programs	Transparent and predictable procurement, permitting and tax regimes	Highest-level political commitment to reduce corruption across the public service	Targeted interventions to develop and foster talent pools with local tertiary institutions
Immigration policies to attract the right skills from abroad	Contract mechanisms to hedge against currency risks	Commitment to open and contestable markets for all goods and services	Special economic zones with lower regulatory burdens and more open labor markets
Open education services markets	Possibility to resolve any disputes through international arbitration	Commitment to improving ranking on WB's Ease of Doing Business survey	Ease trade restrictions and lower trade costs (logistics) for importers and exporters in targeted sectors

# What Factors Repel?

Anything that raises the cost of doing business or increases investment risk

## Disruptive import procedures, discriminatory procurement and tax policies

These can massively tilt the playing field against foreign firms.

## Capital Controls

These and similar instruments raise the risk profile of a country for foreign investors.

## Local content requirements

These can have a huge impact on investors' freedom of action.

## Forced technology transfer

These requirements will force investors to consider very carefully whether or not to invest in a country.

## Foreign equity limits

These deprive investors of full control.

## Restrictions on forms of incorporation

These limit the options of investors and put them on an unequal footing with domestic firms.

## Restrictions on appointing executives

Investors want to appoint people they trust with proven track records.

## Immigration restrictions

A very strict immigration regime with harsh enforcement will deter investors.



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# When Huawei Invests

## Huawei at a Glance



**180,000**  
Employees



**80,000**  
R&D  
employees



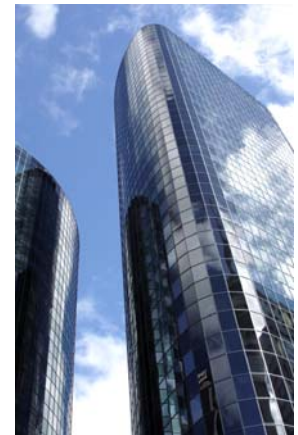
**170+**  
Countries



**15**  
R&D institute  
and centers



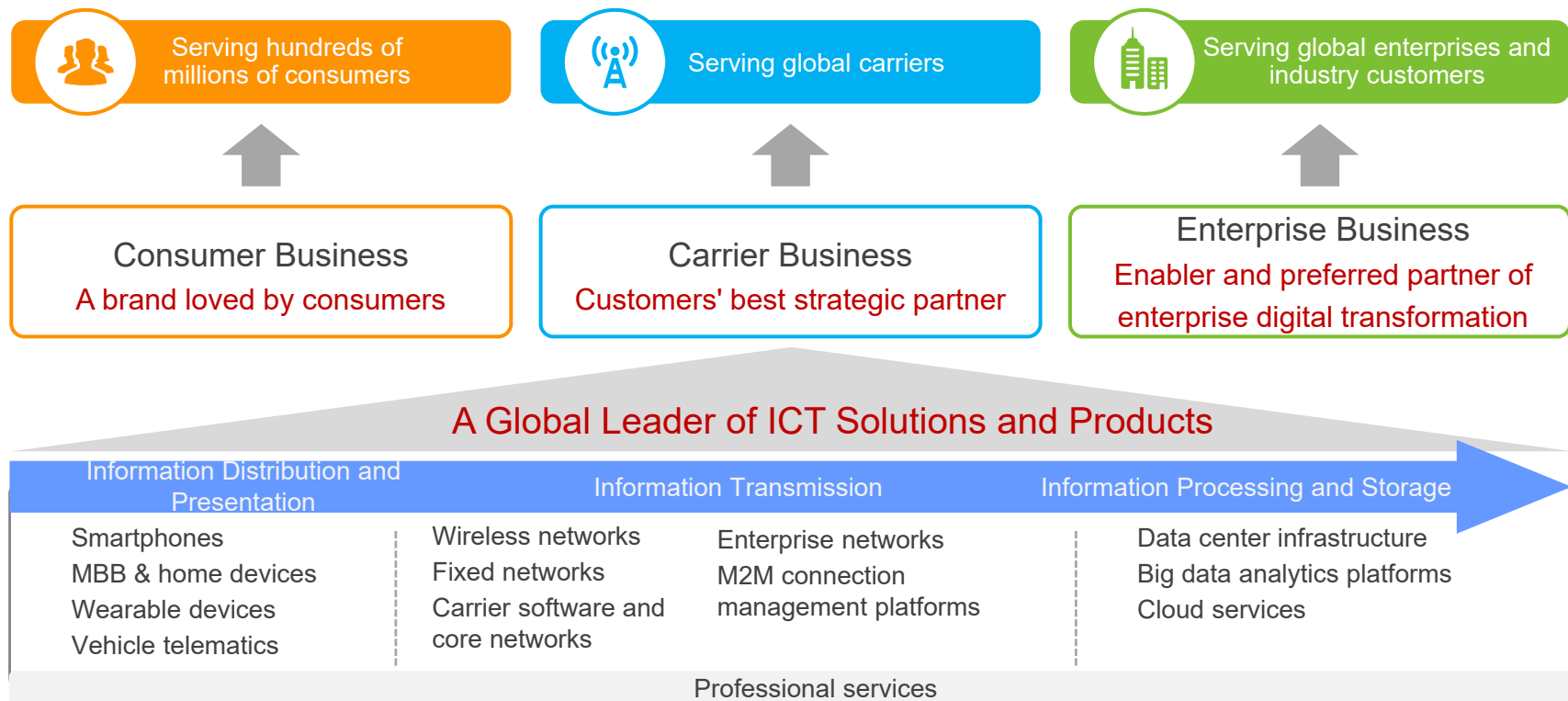
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Interbrand's Top  
100 Best Global  
Brands



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Fortune Global  
500

## When Huawei Invests

Focusing on Information Transmission, Storage, and Distribution to Provide ICT Solutions and Services for Three Customer Groups





# When Huawei Invests

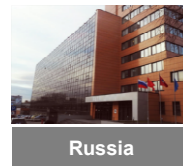
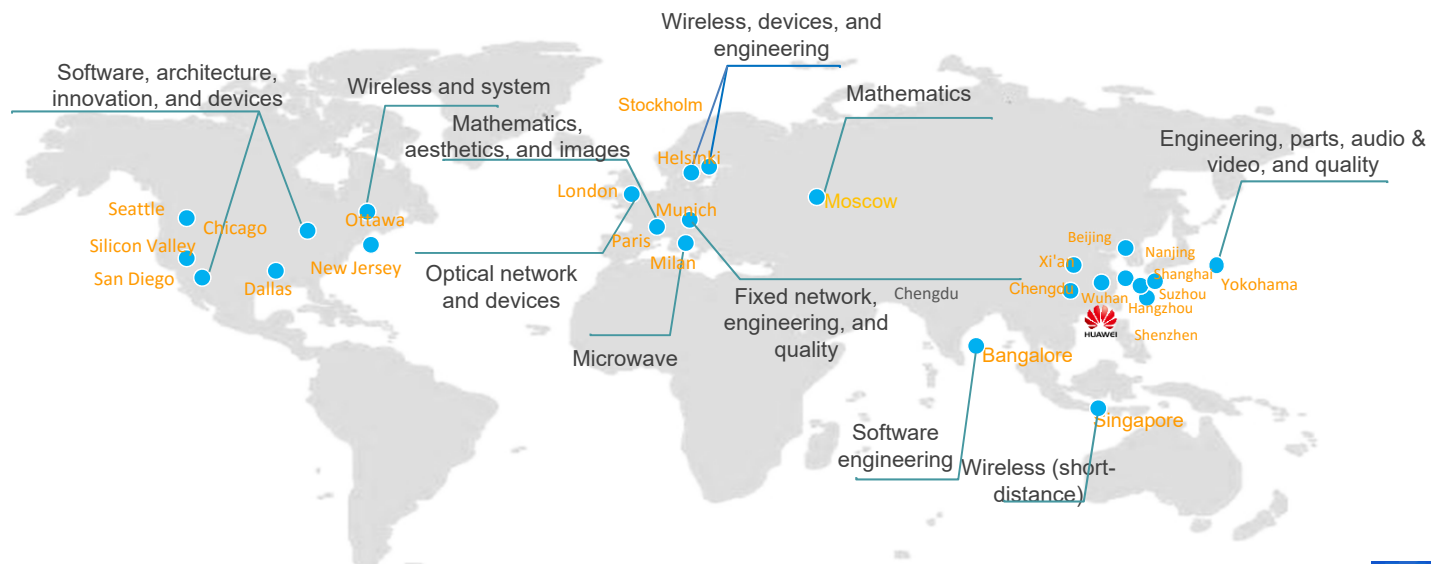
## Globalized Resource Deployment, Localized Operations



- Operations in 170+ countries; approximately 180,000+ employees comprising 160+ nationalities worldwide; 71% localization rate
- Huawei's global value chain allows the smooth transfer of capabilities around the world, develops and retains talent in local countries, and creates jobs and economic opportunities.
- Strengthen globalized operations and ensure that local management teams shoulder operating responsibilities from end to end and have corresponding decision-making authority.
- Ensure that the global industry chain is grounded in win-win approaches and reciprocal obligations; be a responsible corporate citizen in the local community.

# When Huawei Invests

## R&D Centers Worldwide



# When Huawei Invests

## Typical market entry, engagement and investment pathway



- 01** | Enter a new market as a pure seller of equipment  
Usually Huawei will send “scouts” to prospect for new market opportunities, or partner with a local and established distribution channel



- 02** | Establish local office  
If medium to long term market prospects are promising, Huawei will typically open a local office or open a technical support center, as well as investing resources in systematically bidding on tender opportunities.



- 03** | Begin systematic stakeholder engagement efforts  
Particularly with
- Operators who buy most of it's equipment and enter into multi-year management service contracts with Huawei;
  - Governments, who often own equity in one or more operators and who issue licenses.
  - Broader society groups with CSR activities, etc.



- 04** | Launch institutionalized engagement efforts  
These often take the form of establishing joint research facilities with operators or sponsoring technical curricular or research local institutions.



- 05** | Ramp up local presence  
This can happen in a number of ways:
- Open a supply center;
  - Establish R&D facilities;
  - Establish production or assembly facilities.
  - Training centers and specialized services centers.

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## Four things to bear in mind about the global ICT industry

**1 ICT is not necessarily labor intensive**  
Manufacturing in ICT has largely been outsourced to contract suppliers like FoxConn or Flextronics with extremely tight margins, crushing work conditions and limited technology transfer.

**2 ICT is an R&D intensive industry**  
You need a highly-developed pool of skilled professionals in order to attract the most capital-intensive investment (e.g. R&D centers).

**3 ICT is multi-faceted**  
The ICT industry is hardware, software, services, it's logistics, marketing, engineering, distribution, etc. Each segment of the industry can become an investment for host countries with the right conditions and sound policies.

**4 Trade and investment policies matter**  
Participation to the WTO Information Technology Agreement is a basic pre-requisite for success. All major ICT hubs and players at the innovation frontline have localized most of their investment in ITA members. And it's very easy to do.

# Conclusions

## Some Characteristics of an Optimal Investment Regime

### Market Access

- Have an open and non-discriminatory investment regime.
- Limit investment reviews to only the most clearly strategic assets.
- Limit the use of the nation security exception to the most clear-cut cases.



### Cross-cutting issues

- Skills
- Infrastructure and logistics
- Predictability of the investment climate | Ease of doing business | Rule of law

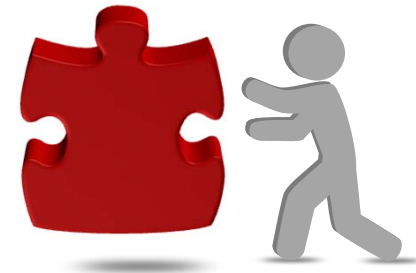
### National Treatment

- Treat foreign investors the same as domestic investors in all areas of policy, regulation and legislation.
- Allow foreign investors to join local business associations



### Partnership

- When contemplating far-reaching changes to the investment or business climate consult first with business and the private sector
- Work together with the private sector in enacting and implementing policy and regulatory reforms



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