INWARD INVESTMENT: PRIORITIES FOR ECONOMIC RECOVERY

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The year 2020 will be marked by covid-19 and recession, but it will be remembered in history for how we act together to accelerate recovery and shape our future.

Our first thoughts are with our customers and all who are suffering during the pandemic. As health measures are taken globally, action is also required to prepare for the future recovery, to maintain the health of the business environment, trade & investment conditions and global value chains. These need to be in robust condition to channel the human energy from trade & commerce that will resurge as the crisis passes.

A sound recovery, requires inward investment conditions to be optimal, and the returns on telecoms infrastructure investment maximal. The ICT sector is particularly well placed to support recovery because it is a key enabler of economic activity, trade and prosperity.

At Huawei we all believe in strong multilateral trade and investment rules as they bring legal certainty to real world uncertainties. Implementing common rules for investment facilitation can also support sharing the gains of globalization more equitably.

It is encouraging to see Trade and Economy Ministers around the world making progress towards a “Multilateral Framework on Investment Facilitation for Development”. At Davos this year, Ministers from 99 economies re-affirmed their commitment to international cooperation to increase investment flows and develop the digital economy. The framework was on track for presentation at the June WTO Ministerial meeting in Astana. Although the Ministerial is now postponed, that June deadline can still be achieved with determination and by using the possibilities of remote working offered by ICT technology.

Another example of global cooperation for a common future is the “International Commentary Group” on the “Multilateral Framework on Investment Facilitation for Development” a project of the International Trade Centre (ITC), the German Development Institute, Deutsches Institut für Entwicklungspolitik (DIE) and the World Economic Forum. This group brings together leading experts from Asia, the Americas, Europe, Africa and the Gulf, to share real world experiences and shape conditions for economic prosperity. Huawei experts contribute to this initiative.

Huawei views investment as a win-win partnership leading to the creation of local jobs and mutual prosperity through integration in local ecosystems. It is a partnership for inclusive intelligent digital connectivity and this passion for our customers’ success continues as strongly as ever. This year, Huawei marks 20 years of collaboration, investment and contribution in European economies.

This Paper on “Inward Investment Priorities for Economic Recovery” is designed to contribute constructive ideas to this international debate. It aims to optimize the business environment and to prepare the path for recovery across all regions, all sectors and for all communities and businesses small, medium or large.

Shenzhen, May 1st, 2020

Catherine Chen
Recovery from the Covid-19 pandemic presents trade & investment policymakers with unprecedented challenges: avoid a depression; energize trade & commerce and unlock the potential of cross-border digital trade for new economic growth. The way we address these issues must change to accelerate recovery. New ways of working and greater global collaboration are vital to advance multilateralism, strengthen global value chains, reduce poverty and increase shared prosperity.

One of the greatest questions today is how to manage multilateral cooperation in the future which in the past several decades has produced tremendous gains in overall prosperity, well-being and poverty reduction. Is the next phase to be managed collectively for win-win outcomes, or in rivalry and sub-optimal outcomes for all but a few? Multilateral initiatives on trade & investment facilitation demonstrate a willingness to work collectively on these common challenges. It is to be encouraged.

Whilst policy responses to Covid-19 are currently in full evolution it is clear there is a growing call for multilateral cooperation and support for multilateral trade rules for global governance, health, well-being and prosperity. The leaders of the G20 and G7 leading economies have taken the lead by urging global support for investment and global value chains.

Multilateral trade rules have become more important than ever for health, well-being and prosperity. There is now a heightened awareness of shared global interdependence, of how much people’s jobs and prosperity are connected to exports and imports, high quality digital infrastructure and to global variations in supply & demand. For shared prosperity global interdependence and the multilateral system have to be managed in collaboration rather than confrontation.

This paper is designed to share ideas, experiences and insights. It has three sections

» Suggestions from experience to optimize the business environment for ICT investment in a globalized and digitalized world. ICT that delivers fast reliable internet access to large populations is a win-win way to boost the economy.

» Examples from Huawei’s 20 years of integration in Europe. These illustrate that Europe is a successful
location for technology innovation, with local skilled jobs, expertise and world-class research capacity. These are foundations for digital sovereignty and Europe has the values to be a leading voice in shaping our future on a Digital One-Planet.

» Insights from experts in multilateral cooperation on selected international initiatives to design common investment rules for trade and development.

Like all major multinationals, at Huawei we believe strongly in multilateral trade & investment rules because they bring legal certainty to real world uncertainties faced by business. This applies more so to micro, small & medium businesses. MSMEs in particular play a large role in so many economies and can thrive through the digital economy. Yet, they often have fewer resources to navigate different and changing rules. This places a special responsibility on governments to optimize and uphold international agreements and to tailor rules that benefit SMMEs and encourage economic activity. The commitment to global rules-based governance and stability is shared across the majority of countries in the world, and there is evidence at the WTO: the current interparty process to design common rules to facilitate investment has attracted enormous interest from governments and business in developed and developing countries alike.

It is a responsibility of good businesses to contribute experience and expertise to shape the business environment and to encourage open collaboration to improve the multilateral rules-based system. Specialists at Huawei are active in this endeavor and this paper on “Inward Investment Priorities for Economic Recovery” is designed to contribute constructive ideas to the debate on shaping the future.

Huawei has been pro-actively contributing to multilateral work on trade & investment since 2016. Huawei was invited by the United Nations Conference on Trade & Development to contribute to a chapter in the “2017 World Investment Report” produced annually by UNCTAD’s “Investment and Enterprise Division”. Since then, Huawei has been a regular contributor on trade & investment related issues at the World Trade Organization (“WTO”), the International Chamber of Commerce (“ICC”), the international “Trade Dialogues” initiative, the United Nations Conference on Trade & Development (“UNCTAD”), and at the Organization for Economic Cooperation and Development (“OECD”) through the “Roundtable on Investment and Sustainable Development”.

The World Association of Investment Promotion Agencies (“WAIPA”) is the global reference point for FDI and stands out for its commitment to better policies for better investment. WAIPA connects key front line actors world-wide and hosts the annual WAIPA World Investment Conference. December 2020 will see the 25th edition in Abu Dhabi, United Arab Emirates. “Let’s be united in supporting businesses that deliver on the promise of a sustainable and prosperous future for all” is the call to global action recently issued by WAIPA President and Dubai FDI CEO Fahad Al Gergawi.

In early 2020, Huawei was invited to the newly established “International Commentary Group” (“ICG”) on the WTO’s work stream to create a “Multilateral Framework on Investment Facilitation for Development”. The ICG is a joint project of the International Trade Centre (ITC), the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) and the World Economic Forum. Experts at Huawei participate in these initiatives and contribute willingly as a way to support the multilateral rules-based trading system.

There is a statistically significant link between imports of ICT goods, digitalization of the economy & exports of services. ICT enables exports of digitally delivered services and success in digital trade requires the faster & better connectivity provided by leading edge ICT infrastructure. According to the OECD;
A 10% increase in “bilateral digital connectivity” between two economies raises goods trade by around 2% & services trade by more than 3%.

Digitalization is important for all sectors, and it is most important for exports in more sophisticated manufactures and digitally deliverable services.

Digitalization increases benefits from regional trade agreements (RTAs). In an RTA, a 10% increase in digital connectivity increases exports by more than 2.3%.

Creating the right framework to deliver growth over the longer term requires viewing inward investment as the start of a relationship rather than as a transaction for short term gain. Regarding it simply as a transaction is to approach it as a zero-sum deal and the outcome is very likely to be sub-optimal for all concerned. Huawei believes investment is the start of a relationship and the beginnings of a road to mutual benefit and integration where an investor company becomes more and more an integral part of the national market and ecosystem; creating local jobs and new business opportunities for local enterprises. Collectively these stimulate growth in the provision of adjacent goods and services, and contribute to the well-being of the local community and the national economy.

It is important to remember that investment policy is not about choosing between foreign and domestic investment. The aim is to bring together new investment with local interests and ensure the outcome multiplies opportunities and connections to local, regional and global value chains so that all parties linked to the investment project benefit from the opportunities these synergies create. In practice this means regulatory reform should be pursued with a view to aligning domestic policy and regulation with international trade and investment agreements. Not only does this enable cost savings from using existing proven methods without the need to re-invent or re-design for the national market, but it takes advantage of the global multilateral system that is designed to boost trade, open market and build a level playing field.

To recap, the coming years will be shaped by important trends in trade & investment policy.

Firstly, a growing interest for renewed multilateral cooperation and multilateral trade rules for global governance, health, well-being and prosperity. The leaders of the G20 and G7 leading economies have given a good signal in this direction by urging global support for investment and global value chains.

Secondly, an increasing awareness of shared global interdependence is bringing a realization of how much people’s jobs and prosperity are connected to exports and imports, to high quality digital infrastructure and to global variations in supply & demand. This brings greater awareness of the need for global interdependence and the multilateral system to be managed in collaboration rather than confrontation.

Thirdly, outbound foreign investment is no longer flowing one way from industrialized countries to developing countries. Today, large middle income countries like China, India and Brazil are the source of significant outbound FDI, which benefits many more local ecosystems in less well served regions for sustainable growth and shared prosperity.

This paper on “Inward Investment Priorities for Economic Recovery” is a contribution to this hugely important multilateral discussion on how we create the future together, build sustainable growth and ensure prosperity and that technology bring benefits to all.

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SECTION ONE
HOW TO OPTIMIZE THE BUSINESS ENVIRONMENT

1. INTRODUCTION

The suggestions in this section aim to optimize the business environment for inward investment for the recovery. Investment policy responses to the coronavirus pandemic vary from country to country. Whilst reform-oriented provisions grow, there has also been an unwelcome increase in countries relying on the national security exception in circumstances which cause many experts to be concerned about inappropriate use.

Investment facilitation accounted for three-quarters of newly adopted policy measures during the pre-crisis period (November 2019 - February 2020) - a ratio broadly in line with the longer-term policy trend according to a review in UNCTAD’s Investment Policy Monitor (IPM).

In addition to reporting on pre-crisis investment policy developments, UNCTAD’s latest April Investment Policy Monitor documents policy responses to the economic fallout from the pandemic. The measures taken include broad measures to support investors and domestic economies and policies to protect critical infrastructure and industries, particularly the health sector. At international level, the G20 and G7 leading economies have urged global support of investment and global value chains.

Inward investment is best regarded as the start of a long-term sustainable relationship rather than a transaction for financial gain. If it is regarded as a transaction it becomes a zero-sum deal and all involved will have a sub-optimal outcome. The aim of investment should be inclusive growth and sustainable development.

Huawei believes investment is indeed the start of a relationship and the beginnings of a road to integration where an investor company becomes more and more integrated into the national market and business ecosystem, creating jobs and business opportunities for local enterprises. Collectively these stimulate growth in the provision of goods and services, and contributing to the well-being of local communities and national economy.
It is also important to remember that investment policy is not about choosing between foreign and domestic investment. The aim should be to bring together foreign and local investment and to ensure the outcome is multiple connections to external global value chains. Local and regional value chains provide the connections within the economy, and both foreign and local investors should benefit from the opportunities these synergies create. In practice this means regulatory reform should be pursued with a view to aligning domestic policy and regulation with international trade and investment agreements. Not only does this enable cost savings from using existing proven methods without the need to re-invent or re-design for the local market, but it takes full advantage of the global multilateral system that is designed to boost trade, open market and build a level playing field.

2. PARTNERSHIP

Historically, governments and private businesses have often positioned themselves as taking part in a transaction. This approach frequently leads a sub-optimal overall outcome. It is far better in our experience for parties to approach the subject with the aim of building trust and a long term cooperation designed from the outset to evolve over time. Adopting a long term view is a virtuous characteristic of planning in Huawei, and this has produced many successful local collaborations, some of which are presented in more detail later in this paper. With careful preparation, analysis, and good will, the interests of governments and the private sector can be brought more closely into alignment. Opening discussions with potential new investors should consider all aspects of the potential investment over a period of years. It is best done with an eye on the future aspirations of the economy and communities so as to serve environmental concerns and other considerations. Below are two examples of where the partnership approach is particularly useful.

2.1 PRIVATE-SECTOR CONSULTATION

Government policies benefit from being developed with a variety of stakeholders, public and private; this transparency not only enriches the discussions and reveals unforeseen consequences, but it creates goodwill and a shared sense of ownership leading to better outcomes. Open public consultation processes on new investment rules should include a penultimate phase for public comment on the final proposal.

The rule of law ensures predictable, efficient and transparent processes for investors. It follows that investment policies should be regularly reviewed to ensure their effectiveness and efficiency is maintained. When governments seek to make changes to existing regulatory frameworks or enact new rules in specific legislative areas, it is advisable for this to be done in close consultation with those companies who are likely to be the most heavily affected. In this way, the private sector can propose ways for governments to achieve their desired policy outcomes but in ways that are minimally disruptive or invasive to existing businesses models and that keep the costs of adjustment to a minimum. This is a general principle of sound economic governance, but it also applies in the context of investment regulation, because foreign companies that have invested in a country should likewise be afforded the chance to be part of the domestic private sector consultation process.

2.2 TECHNOLOGY FOR TRANSPARENCY

Digital technology can greatly improve investment facilitation. Moving all rules regulations and administrative processes on-line is the way to advance. Currently, rules and regulations are commonly located in different pieces of legislation. Technology platforms provide a very effective way of delivering quick and easy access to information and processes collected together in one place via on-line portals. Simplification and regular consolidation via a “one-stop-shop” type of portal will greatly increase speed and greatly
reduces costs. In addition to local and other languages, an English version on-line will attract international investors.

Complex provisions require complex analysis by third party advisors. Simplified common processes, aligned with international norms, and consistently applied through standard operating procedures greatly facilitate the arrival of inward investment. The cost and time involved in private sector compliance and of public sector verification are also reduced.

Increasing the number of E-government terminals that print official documents required for physical delivery is an efficient way to accelerate processes before going 100% on-line. E-government can cover many simple administrative processes such as visa, import export formalities, identity confirmation and are especially beneficial to SMEs. Blockchain is a promising technology for ensuring the global integrity of international information chains, although it is still expensive in relation to the value of the data secured, and it will take some time for its wide-spread adoption.

Digitalization and on-line portals also allow countries to benefit from applying international norms and standards generated in international organizations.

2.3 COLLABORATION BETWEEN PUBLIC AND PRIVATE SECTORS

This is essentially an extension of the consultation process described above. As mentioned, governments and private sector actors often share a set of common interests and desired outcomes. There should not be any barriers standing in the way of open collaboration to achieve these outcomes. The digital divide is one such example, and is something that governments all over the world have committed to eliminate, with private sector expertise and experience.

This is a general principle of sound economic governance, and it applies in the context of relations between host governments and foreign investors, where it dictates that host governments should view foreign investors as part of the solution to their growth challenges. This can be achieved through meaningful and constructive avenues for public-private sector dialogue, where governments state in a transparent manner what outcomes they seek to achieve in a specific policy area, and by inviting companies to submit proposals on how to achieve these objectives. One way of doing this is the Green Paper process used in the European Union, the Commonwealth countries, Hong Kong and the United States, but there are many other approaches that could be equally effective.

Investment promotion agencies (IPAs) play a key role to ensure efficient and effective collaboration between public and private sectors. They are usually set up by their respective governments to promote their countries or locations as destinations or sources for investment. They play a crucial role as an interface between the public and private sector. In addition, they are essential for advising their governments on successful policies to facilitate investments and for collecting valuable insights and examples from real world investment situations. The flow of information across and within IPAs from business and government takes place within a complex network that stretches to all corners of the world and the collected knowledge and experience is a valuable asset to governments and investors.

3. ATTRACTIVENESS OF THE DESTINATION MARKET

The attractiveness of a given market to foreign investment is an essential part of an optimal investment regime for the ICT industry and the digital economy more generally. Levels of education and skills, particularly digital skills are an important factor when considering inward investment locations. Issues such as the degree of the digital divide (which exist in all countries) can be addressed partly through
investment into communications infrastructure and partly by other local, state or federal initiatives. Education and skills are the starting points for any government, especially for attracting investment into sectors of the economy that are skill or knowledge intensive.

It is worth remembering that different types of investment will have different effects and of varying degrees on socio-economic development, and require a holistic approach to the development of policy.

3.1 SKILLS

The ICT industry and the digital economy are both skill-intensive. Any country, city or region that already has or can accelerate the attraction of sufficient pools of skilled labor will have an advantage. These locations are inevitably already well placed to attract ICT investment and growth. However an absence of an existing ICT business sector is not an obstacle to development and all economies can make plans to become skilled in the sector and attract the necessary workforce. There are numerous ways policymakers can ramp up the attractiveness of their skills base. Ambitious planning may be required, especially when it comes to enacting educational reforms, injecting more resources into STEM programs and creative arts, or opening the market to foreign education services providers.

3.2 INFRASTRUCTURE AND LOGISTICS

Infrastructure and logistics are important because they determine how connected a market is to the outside world, with the global ICT sector and the digital economy relying on global value chains that stretch increasingly into far corners of the world.

Fast and efficient digital communication infrastructure is vital for countries to achieve on their ambitions to connect to global value chains and empower their citizens to engage in trade with other regions. Good transport and communications infrastructure play an important role in positioning a country, city or region to receive more FDI in the ICT sector and the digital economy. Free and relatively unencumbered and efficient movement across borders and within countries is important not only for physical goods and components but also for ideas, information and people. Policies and investments that promote these factors and ease of connectivity in general will go a long way to making a city, region or country more attractive to foreign investors operating in these sectors.

3.3 EASE OF DOING BUSINESS

The predictability of the domestic business environment and the investment climate play an important role in making a country more or less attractive to FDI.

This area also includes fundamental issues such as the rule of law, effective contract law and other framework conditions. Although foreign investors, and country hosts should never enter into an arrangement with the idea that it will end by litigation, it is reassuring to foreign investors who are unfamiliar with local systems and business practices, to know that they can seek effective and timely redress before a court of law with the confidence that the outcome of the case will not be influenced by outside factors.

Whilst some of the areas above might require sustained investment of time and energy, sometimes over several years, they are ways of closing the gaps in comparative advantage which might exist due to factors like market size or geographical location. By concerted efforts, targeted interventions by governments and their respective IPAs can result in a much more attractive business and investment climate and much greater attractiveness of a country to FDI more generally. IPAs can and apply their considerable experience, knowledge and insights to identify the best strategies build a positive image for a region, city or country as a way to attract investment. The task of IPAs extends much further, in post-investment services
to maintain and develop existing investors, leading often to new investment and growth. Their aftercare and support extends through a variety of services. There is also the very valuable role of ensuring that feedback from investors reaches the right decision makers by way of their policy advocacy, which leads to optimal conditions and helps to align investment policies nationally and with international rules.

Opportunities increase daily for outlying and small communities far from centres of economic gravity to become globally trading SMEs with minimal investment. The golden key to growing global SMEs is government commitment to providing the best digital communications infrastructure that their resources can deliver which create a virtuous cycle when combined with sustainable foreign direct investment.

3.4 INDEPENDENT OMBUDSMAN

An ombudsman system is advisable for national investment ecosystems. It brings certainty, consistency and efficiency. Primarily it avoids recourse to judicial systems which in most countries are costly, slow and largely ineffective for investment issues. The ombudsman function is key to the confidence of investors and should therefore be implemented with the highest integrity.

The system provides for a high level public official to be responsible for enquiring into differences and in most cases enables resolution at an early stage. The function is not only for the resolution of disagreements. It proves an early warning system for difficulties with particular provisions and has an important liaison role between businesses and government which can build trust and confidence for long-term sustainable relationships. In this way it also contributes to repeat investment over time.

4. NATIONAL TREATMENT

National treatment is a trade term to denote non-discrimination. In other words it is to reassure that foreign investors will not be subject to any treatment less favorable than that enjoyed by domestic investors.

Communications networks are local networks; regardless of the country of origin of the equipment, technology or investor. Foreign investors in ICT infrastructure make long term commitments which may often extend for decades. These are commitments to a local market and the composition of the investor team with its management, employees, customers, local partners, suppliers and engineers are largely and in very many cases almost entirely local. These businesses become the local business ecosystem and evolve in synergy to develop and sharing skills within the communities hosting them. Two specific examples where this can be particularly meaningful in the ICT sector are outlined below.

4.1 REGULATORY EQUALITY

Regulatory equality means treating foreign and local investors equivalently in all areas of law and regulation. (Including enforcement actions, and any procedures that govern their ability to enter into and operate within a given economic sector or area of commercial activity. As discussed above under the heading on non-discrimination, this is a matter of both legal and procedural fairness as well as sound competition policy. This requirement extends to all areas of regulation, including taxation, labor laws, compliance with environment legislation, etc. It means that all economic operators in a given market are afforded the same opportunities and are governed by the same laws, to the same degree of leniency or rigor. It also means all investor firms in a given sector bear the same regulatory burden to the same degree, thereby providing a level playing field to engage in fair competition against one another.

4.2 ACCESS TO INDUSTRY ASSOCIATIONS

This is particularly important for foreign companies and investors because industry associations are often the most effective route to engage in more sophisticated policy advocacy to achieve regulatory outcomes that are conducive to the industry as a whole. They also allow this to be done with some degree of anonymity, so that the foreign investor (company) engaging in such policy advocacy does not itself have to enter into extensive and complex discussions with governments on specific policies or legislation on a bilateral basis (which can be perceived as overly political). Instead it can do this work within the much safer confines of the industry association, and in doing so align its interests more easily with those of its industry partners. In the regulatory sphere the interests of even directly competing firms will often coincide, since they all seek the same thing from the investment regime and business climate, namely predictability and a level playing field.
5. QUALIFIED PERSONNEL AND MARKET ACCESS

For many foreign investors the importance of having their own qualified personnel available in situ for the launch and early development of a new venture is a key factor. Market Access can be demonstrated in various ways to potential investors. One way to demonstrate openness is by inscribing liberal mode-3 market access commitments on their schedules of specific commitments under the WTO General Agreement on Trade in Services. Mode 3 allows foreign companies to come in and set up a commercial presence for the purpose of providing services to the domestic market.

Another way is to open specific sectors to foreign investment when they negotiate, sign and ratify free trade agreements or bilateral investment agreements. Countries can choose to engage in unilateral investment liberalization, opening up sectors to foreign investment as part of a process of domestic regulatory reform.

Investment screening procedures (which can represent costly administrative hurdles to market access) should be kept to a reasonable minimum. Also part of the discussion on market access is the need to exercise prudence in the use of the national security exception, which in recent years has started to be used in the trade and investment sphere with increasing regularity and some would argue, without proper consideration of the broader systemic implications of trivializing what should in practice be a measure of last resort.

5.1 NON DISCRIMINATION

It is key that market access be provided on a non-discriminatory basis. Once an investor is allowed into a market, it is essential that this takes place on the same terms as all other investors in the same line of business, both foreign and domestic. This means that to the greatest extent possible, regulatory equivalency will be applied between foreign and local investors or foreign and local businesses that operate in a given sector. This is important both from the perspective of fairness as well as competitiveness.

It is not acceptable to make regulatory requirements more onerous for foreign investors from one country than they are for foreign investors from another, or more onerous than they are for local investors. Doing so runs the risk of influencing competitive outcomes in favor of privileged investors from certain countries or local firms that may simply not be as efficient. Governments can achieve this by removing any reference to nationality in the laws and regulations that govern investment and by ensuring that these laws and regulations are implemented evenly without favoring the interests of one group of actors over those of another.

5.2 EFFICIENT & EFFECTIVE INVESTMENT REVIEWS

Every government has the right to exercise reasonable control over inbound FDI and there are many legitimate public policy reasons for doing so. Nevertheless, a high degree of market openness
in investment regimes almost inevitably involves exercising restraint with the use and extent of investment screening mechanisms, since they increase the cost of investing in a given host country.

Where countries opt for investment screening, it is important for these to be promulgated in a law, according to established procedures and deadlines, and with as much transparency as possible on both the public policy goals regulators seek to safeguard and the decision-making process itself. Often there is political influence on inward investment decision, but it is more beneficial in the long run to ensure that these decisions are not needlessly politicized and that they are decided in application of the relevant laws, with strict adherence to the applicable rules, procedures and deadlines. Foreign investors will also gauge the attractiveness of an investment destination by the availability of adequate due process rights to challenge any investment screening decisions they deem to be in violation of their fundamental rights, or to have been the result of an arbitrary application of the law or any other miscarriage of justice.

5.3 ABUSE OF THE NATIONAL SECURITY EXCEPTION

In recent years there has been recourse to the national security exemption to limit the ability of firms to sell in certain markets and to limit the proposed acquisition of one firm by another. National security is a solemn obligation of government to the state and its inhabitants. Use of the national security exemption with respect to inward investment or any other restrictions placed foreign companies’ ability should not be invoked frivolously. It should not be misused as a disguised restriction on international trade and investment. This is an important issues which plays a role in countries’ mutual economic relations with one another.

Most free trade agreements and bilateral investment treaties contain a national security exception, whereby only some of these provisions are accompanied by qualifying language to prevent them being applied in an abusive manner. These exceptions should be applied with the greatest degree of prudence, and where possible find the least trade restrictive method of mitigating the particular public policy risks that the proposed investment gives rise to. Usually these issues can be resolved by constructive dialogue and a willingness to find win-win solutions.

6. SUMMARY

1. Inward investment is best viewed as the start of a relationship to create long-term benefits of integration in the local business ecosystem, creating local jobs and business opportunities for local enterprises.
2. Investment policy does not have to choose between foreign and domestic investment. Optimal success brings together foreign and local partners to multiply connections to local, national and global value chains.
3. Communications networks are local, regardless of the country of origin of the equipment, technology or investor.
4. FDI Screening procedures should distinguish predatory acquisition investment from the win-win investments that lead to integration into the local ecosystem. The national security exception should not be abused.
5. The growth of local digital economies requires attention to many cross-cutting issues such as skills, intelligent connectivity, logistics, and a stable & predictable investment environment.
SECTION TWO
CASE STUDIES IN LOCALISATION

1. INTRODUCTION:

In 2020 Huawei celebrates 20 years of collaboration in Europe. Europe has long been Huawei’s second home characterized by longstanding relationships with customers and partners, a significant research and development footprint, and the creation of local jobs and growth in the local ecosystem.

Altogether, Huawei’s commitment to European research and innovation contributes to strengthening Europe’s position as a place to do cutting edge research and create added value. Huawei’s global activities and global R&D partnerships connect with local resources, talent, ideas and energy to produce their impact. This collaboration contributes to new advances in Europe that are shared across the world. This local ecosystem is part of the foundations of European digital sovereignty.

Europe is an attractive investment destination because of many positive factors, including an abundance of skills, a predictable regulatory environment and outstanding connectivity through inter-regional and international transport and communications networks.

This is a triple win: for the host country communities, for consumers globally who benefit from the technological breakthroughs made in Europe, and for Huawei having access to European talent and ideas. Below is a selection of win-win examples.
2. FRANCE

2.1 PARTNERING WITH FRANCE’S TOP TELECOMS OPERATORS

France is a major centre of technological expertise and industry globally, home to a number of the world’s leading firms in a variety of different sectors. Many companies in France trust Huawei as a partner for their digital transformation and many companies already rely on Huawei to accelerate this transformation. In partnership with a network of integrators and partners Huawei provides constant support to the competitiveness of the top telecom operators: Orange, SFR, Bouygues & Free.

Huawei makes a significant contribution to research and development in France. One hundred and fifty engineers are working on innovative themes related to the future of telecommunications networks in France, 5G and its use cases such as the Internet of Things (IoT), the autonomous car and artificial intelligence. Our 5 R&D centres in France work daily on mathematics, algorithms, design and microelectronics. The Sophia-Antipolis centre, dedicated to micro-electronics, has enabled the development of innovations for the group’s smartphones to improve the quality of photos, work on 5G and provide better user experiences.

Significant progress has been made in recent years in leading 5G algorithm research, optimizing smartphone power consumption and video processing fluidity. R&D in France has generated more than 60 registered patents.

In the Paris Research Centre, engineers work in the Algorithm Lab and Software Lab. In the Algorithm Lab, researchers work on wireless communications, optical transmission, AI, and fundamental research in mathematics.

Algorithms have many kinds of critical applications; calculating the most efficient way to move data across networks, and also in areas like big data, advanced pattern recognition and other AI-related applications. Advanced photographic solutions in Huawei’s award-winning smartphones use AI to optimize picture quality.

The Software Lab focuses on research for deep neural networks acceleration, which is currently widely used in many AI applications including computer vision, speech recognition, and robotics. In addition to this, researchers focus on achieving breakthrough innovations in the area of distributed and parallel computing. Distributed computing solutions support massive peer-to-peer applications as well as massive multiplayer online gaming.

Parallel computing is the simultaneous use of multiple computer resources to solve a computational problem. Parallel computing is well suited to tasks such as simulating and understanding complex, real world phenomena. For example, Huawei partners with a number of auto manufacturers to simulate crash testing, which allows these companies to save an enormous amount of time, money and resources, as well as being much more environmentally sustainable than running repeated crash-test simulations in

2.2 EUROPEAN CENTRES OF EXCELLENCE IN FRANCE

Huawei’s R&D in France has grown quickly and now counts five different centres, two of which are in Paris, with another two in Grenoble and one in Sophia Antipolis Technology Park, southwest of Nice.

Huawei chose to open its second European OpenLab in Paris after successfully establishing one in Munich, Germany. The Paris OpenLab is a space dedicated to innovation for partners and customers devoted to co-creation in four key sectors: retail, connected car, digital city and cloud. PSA, Thales, Orange Business Services, Econocom, Ansys and Timaxsoft, are partners with Huawei in launching this project. This centre of innovation supports digital transformation across a variety of sectors for French industries.
the real world, with real cars. Advances in parallel computing with Huawei data processing and storage solutions support this very important modeling work.

Huawei’s Grenoble Research Centre works on cutting edge areas including intelligent interaction, sensor application innovation and software innovation for devices, as well as embedded software. Advances in intelligent interaction are important in the area of customer experience management, since customer interactions can be enhanced with machine learning, AI, and data analytics. Innovations in sensor application technologies are absolutely crucial as we move to a world where everything is sensing and connected, i.e. the Internet of Everything.

In the next few years, as sensor technologies arrive in areas such as autonomous vehicles, this cutting edge research in sensor application technologies is expected to deliver the breakthroughs required to move these applications from the testing ground to the real world with widespread uptake. Software innovation for devices is an area where Huawei engineers are already leading the world. Our industry-leading smartphones are already equipped with a range of innovative futures that allows the software to perform above and beyond previous generations of smartphones as well as those of our competitors currently on the market, such as in the area of power consumption, digital photography and others. This is thanks to work going on in the Huawei Grenoble Research Centre.

2.3 PARIS - CAPITAL OF GLOBAL SMARTPHONE DESIGN

Huawei has chosen Paris to establish its research and development centre in aesthetics, bringing together designers under the direction of Mathieu Lehanneur to create magnificent designs. When Huawei launched its P30 series of smartphones in Paris in 2019, 2000 world journalists gathered at the Porte de Versailles to follow the event.

The Design Research Centre in Paris brings together experts from the Paris-based creative design and fashion industries. The centre focuses on color and style, attempting to predict the evolution of mainstream trends that consumers will favor in the short to medium term future. Our researchers here steer the design direction, colour, and style of Huawei’s products worldwide, with the objective of making them highly competitive and distinguishable from others. The centre was established in 2015, with Paris being the obvious choice given its central importance in the global design industry. The research centre includes designers skilled in branding strategies and designs in a variety of segments, including luxury goods, automobiles, and consumer electronics. Since the establishment of the centre, these high-end designers have been raising the bar for Huawei’s product designs, which have become some of the best-selling in the industry worldwide.

2.4 COLLABORATION WITH TOP PARIS DESIGN SCHOOLS

The Design Research Centre in Paris has formal and ongoing collaboration with four higher education institutions specialized in fashion and design trends. These are L’École Nationale Supérieure des Beaux-arts (National School of Fine Arts), L’École Nationale Supérieure des Arts Décoratifs (National School
for Decorative Art), L’École National Supérieure de Création Industrielle (National School for Industrial Design), and London’s Royal College of Art. It also works with local design communities, including Peclers Paris, a trend consulting agency founded in 1970 that advises multiple brands and creative individuals in trend analysis, consumer reports, and brand strategies. The mission of the Aesthetic Design Research Centre in Paris, is creating cutting-edge designs for consumer products and to become an integral part of France’s design ecosystem and contribute to further cementing Paris’ position as a global centre of excellence in this important industry segment.

2.5 BUILDING AN ECOSYSTEM - SUPPORTING LOCAL START-UPS

The Digital InPulse programme aims to support innovation and entrepreneurship in different regions of France. This project illustrates Huawei’s commitment to start-ups and SMEs to encourage them to become major players in tomorrow’s economy. Since 2013, Digital InPulse has accompanied 60 French start-ups with significant cash support allocated to award-winning start-ups. Winners can also take part in a trip to China supported by Business France through an initiative with French Tech and the Richelieu Committee. Digital Talents (Huawei’s global digital talent encouragement program) offers students a multicultural experience and technological immersion in China. Digital Talents was created in 2011 for students of telecommunications and more than 2,000 students have visited China through this program between 2015 and 2020. Digital Talents represents a real opportunity for French students in schools and the @cadémie Web project to receive a boost to their international experiences and learning in the ICT sector.

Huawei also opened a second R&D site in Weilheim, Upper Bavaria, with the Manufacturing Technology Centre. In addition, there are smaller operations in Nuremberg and Dresden.

Huawei participates via the MRC, in Europe-wide research projects under the European Union’s Horizon 2020 Research and Innovation Framework Programme and in the 5G Infrastructure Public Private Partnership (5G PPP).

Huawei R&D investments lead to numerous inventions and new technological solutions based on them. The large scale of the new knowledge generated by the company is also reflected in a large number of patent applications filed by the company. At the European Patent Office, Huawei features at the top of the list of the most active applicants worldwide in the patent-intensive fields of digital communications and computer technology (European Patent Office, 2019).

3. GERMANY

3.1 EUROPEAN CENTRES OF EXCELLENCE – RESEARCH & INNOVATION

Germany is an important research location for Huawei. The Munich Research Centre (MRC) has its headquarters in Munich, Bavaria, and leads research into numerous technologies. The MRC is Huawei’s largest research centre in Europe. MRC promotes research cooperation with German and European partners in science and business. In addition, Huawei’s mobile standardization activities are based in Munich, for the whole of Europe. In the summer of 2018, Huawei also opened a second R&D site in Weilheim, Upper Bavaria, with the Manufacturing Technology Centre. In addition, there are smaller operations in Nuremberg and Dresden.

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3.2 EUROPEAN EXCELLENCE IN NEW MATERIALS

From the Munich Research Centre, Huawei collaborates with a number of Germany’s leading academic institutions providing funding and other resources to help Germany achieve scientific breakthroughs in cutting-edge technologies. One example is Huawei’s cooperation with the University of Erlangen (a leader in the field of metalized plastics technology) to create high-performance radio frequency composite materials for use in 5G antenna solutions. Another example is cooperation with the Ruhr-University Bochum (a leader in the area of network and data
security) to develop new and market-leading efficient security solutions for use in Narrow-Band Internet of Things (NB-IoT). This includes applications such as smart metering (electricity, gas, and water) facility management services, intruder and fire alarms for homes and commercial properties, connected personal health monitors, and Smart City applications such as energy-efficient street lamps and common utilities made more efficient through sensor technology.

4. SPAIN

As part of the company’s digital inclusion initiative “TECH4ALL”, Huawei Spain announced in March 2020, the launch of the ICT Academy 2.0 Program, with €46 million through the “Huawei ICT Academy Development Incentive Fund” (ADIF). It aims to help 2 million professionals develop Information and Communication Technologies (ICTs), and popularize digital skills over the next five years, with a special focus on university collaboration.

Huawei Spain collaborates with the Digitalization Platform of the State Foundation for Employment Training (Fundae) and the State Public Employment Service (SEPE) with the aim of improving the digital capabilities of all Spanish citizens. With Huawei, the content now includes technologies such as Big Data, Artificial Intelligence, Virtual Reality and 5G, so that users of the platform can further enhance their knowledge and skills in the information and communication technologies environment.

Huawei Spain is a member of the prestigious COTEC Foundation for Innovation, founded in 1990 with the aim of boosting investment in innovation and technology for economic and social progress. Under the honorary Presidency of His Majesty the King, Philip VI, the COTEC foundation works on a large scale to promote innovation in Spain.

Huawei Spain has a cooperation agreement with the Technical University of Madrid (UPM). As part of the CSR strategic framework agreement signed by Huawei Spain and the Ministry of Industry, Energy, and Tourism of Spain, Huawei donates the use rights of interactive apps to Red.es. These interactive apps were used in the “SmartBus” and “Get on the Future Generation Program”. This is also supported by Telefónica and State Secretary for Telecommunications and Information Society. Huawei Spain successfully organized the ‘Leading the LTE Era’ postgraduate course program at UPM Telecom School, in Madrid, which includes study of the Network Operation Center and Joint Innovation Centers with Telefónica and Vodafone. The Director General of Telecommunications and Information Society praised Huawei’s contribution to Spanish ICT and society, and especially thanked Huawei for making possible a study on the challenges of LTE deployment in rural areas.

5. BELGIUM AT THE HEART OF EUROPEAN RESEARCH

5.1 EUROPEAN CENTRES OF EXCELLENCE – RESEARCH

Huawei’s European Research Institute (ERI) is located in Leuven, Belgium and was opened in 2025. All of Huawei’s European research activities are managed from the ERI. It is a central hub to coordinate and manage multiple initiatives across Europe to advance scientific progress. It focuses on Huawei’s mission to build an intelligent connected world.

At the time of writing, the ERI was responsible for overseeing over 200 research projects, with over 150 academic institutions, involving participation in more than 25 Horizon 2020 projects. In addition to this, the ERI employs over 2400 researchers, 80 percent of whom are recruited locally and who are employed across 26 different R&D sites.

The research activities that the ERI oversees and
manages cover many different areas, including 5G wireless; IoT and embedded systems (to build the factories of the future; Artificial Intelligence (to make data, systems, and devices work smarter so humans can focus on the most intellectually demanding tasks); IT Security (so that identity, credit card information, and browsing history remain safe); terminal, devices and wearables (for more powerful, functional and well-designed phones, laptops and smartwatches to improve efficiency and monitor health and fitness); The ERI works on many other technological breakthroughs to enhance quality of work, play and life in future.

5.2 EUROPEAN CENTRES OF EXCELLENCE – LIGHT & ENERGY

The Benelux countries are a significant place for Huawei’s research activities in specific technologies. Huawei’s R&D centre in Ghent is a spin-off from the successful collaboration with the University of Ghent and conducts state of the art research on optical transmission technologies, which move data through fibre optic cables at the speed of light. Huawei has another R&D centre in Leuven (in addition to the ERI) that works on radio frequency signals technologies which are important for moving data wirelessly across mobile telecommunication networks. Also in Leuven, is a giant and world renowned research firm called IMEC, where Huawei has a number of seconded researchers collaborating since 2013.

The Huawei R&D centre in Leuven is a spin-off from collaborative work with IMEC, a microchip and nanotechnology leader that develops solutions to promote healthcare, power smarter cities, produce cleaner energy and support more efficient mobility, logistics and manufacturing solutions.

In addition to this, Huawei has on-going research collaboration with a number of Benelux’s top academic institutions, including KU Leuven, TU Delft, TU Eindhoven, and U Ghent, across a range of research areas to power faster, more reliable, and more energy efficient digital products and solutions.

5.3 EUROPEAN CENTRES OF EXCELLENCE – CYBERSECURITY

The Huawei Cyber Security Transparency Centre (HCSTC), located in the heart of Europe in Brussels, Belgium, was opened in early 2019.

In a globalized and interconnected world security threats have no nationality. They can originate from anywhere and target anyone. The only effective approach to cybersecurity is a collective international approach to risk management.

To deal with risks effectively, it is necessary to have global standards, internationally agreed processes and shared best practices. Huawei has made a solemn commitment to work with partners in Europe and the world to create a safe and transparent cyber environment. The Cyber Security Transparency Centres in UK, Belgium and Germany demonstrate this commitment and provide a forum for sharing ideas on the common standards of cybersecurity we all want in the future.

Combining three functions, the HCSTC is a facility like no other in the Huawei network, open to all European stakeholders, public and private, in the telecom industry. At the Cyber Security Transparency Centre, security experts take visitors on a journey to explore all facets of the company’s security approach, which is that cyber security needs to be built into every single aspect of a company, end-to-end, from strategy and processes to human resources, product development and delivery, and dig deeply into Huawei’s products and solutions in areas such as 5G, the Internet of Things and the Cloud.

The HCSTC also offers a facility for customers and third-parties to perform source code verification and testing, offering a transparent view into its technologies. What is more, the HCSTC is also a hub for collaboration, whereby Huawei promotes
communication and exchanges between the members of the European ICT ecosystem, and works with industry partners and stakeholders on key issues, such as standardisation, certification and best practices for cyber security and privacy protection, in order to facilitate technological innovation in security across the industry; thus contributing to a safer digital Europe.

6. UNITED KINGDOM

6.1 LONG TERM PARTNER OF UK’S TELECOM OPERATORS

Since opening its first UK office in 2001, Huawei has played an important part in helping its partners to develop and roll out both fixed and mobile networks throughout the UK. Huawei’s presence in the UK has ensured enhanced competition in the market for telecoms, helping to deliver high quality and cost-effective solutions for carriers. In turn, this equipment forms key part of the UK’s digital infrastructure, improving business productivity and increasing the UK’s long-term growth potential. In addition, it has become a major provider of smartphones and tablets to UK consumers.

The world leading research company Oxford Economics has examined the presence of Huawei in the UK and concluded for 2018 that Huawei supported an overall contribution to UK GDP of £1.7 billion. The economic activity and employment that Huawei supports generate tax revenues for the UK government and for 2018, Oxford Economics estimated Huawei supports a £470 million contribution. Huawei expenditure was found to have sustained 26,200 jobs across the UK in 2018 and each Huawei employee delivered over three-and-a-half times more GDP than the average UK worker. A further 15,600 jobs were located within firms in the supply chain. In February 2018, Huawei made a commitment to spend another £3 billion in the UK between 2018 and 2022. This is on top of the £2.2 billion spent on investment and procurement over the five-year period between 2013 and 2017.

6.2 R&D FACILITIES

Huawei invests heavily in R&D around the world, and is ranked fifth on the 2018 EU Industrial Investment Scoreboard. In 2018, the company invested £112 million in UK-based R&D, including collaborations with 35 UK universities and research institutes, and employed more than 300 UK research staff.

Huawei’s staff training schemes also enhance the UK’s productive potential. In 2018, £1.3 million was spent on training its UK staff—nearly five times more than in 2014, with UK staff training hours growing six-fold in that period.

6.3 FROM UK RESEARCH TO GLOBAL APPLICATION

Huawei’s Research and development activities in the UK now takes place across six locations after a substantial expansion of the activities from 2014. In 2015, with support from Huawei engineers a research team working on connecting devices to develop the Internet of Things reached an industry-wide agreement (with several companies including Vodafone and Ericsson) to use technology developed in the UK as the basis to create a global standard for IoT devices, called “NB-IoT”.

These UK innovations enable the deployment of low-power sensors that can be detected over wide areas, allowing users such as local authorities to buy devices for smart systems in previously analogue areas; for example, water and parking systems. The technology is deployed for a decade now, meaning the provision of utilities can be much more efficient, and therefore cheaper, for local authorities and taxpayers. Today, more than 60 NB-IoT networks are deployed across the globe, with millions of new devices installed every month. From its origins in Cambridge, UK, this technology has become a global player in the Internet of Things (IoT)
7. HUAWEI’S EUROPEAN SUPPLY CENTRE

Huawei manufactures and ships billions of euro’s worth and many thousands of tons of equipment and devices all over the world. To make its European operations flow smoothly, Huawei established its European Supply Centre in Hungary, with the bulk of its activities located there, and a second significant presence in the Netherlands. By 2019 the ESC has grown to serve 47 countries in Europe, Central Asia, the Middle East and Africa, managing the delivery of a total of 390,000 cubic meters of goods every year.

Hungary, in the centre of Europe, provides connections to east and west and was an early mover as a location for the manufacturing of consumer electronics even before the country’s integration into the EU project. In Hungary, Huawei has two factory centres, both near Budapest. The Komarom factory centre, opened in 2013, with 12400m2 of space employs over 500 people. The Westlog factory centre has 33500m2 of space, and employs more than 350 staff. Both these centres are involved in the production, assembly and repair of wireless, network, and IT products as well as various spare parts and components. In addition to these facilities and staff, Huawei offices in Budapest host over 200 supply chain staff tasked with overseeing the smooth operations of the European supply centre network. It ensures delivery of all products and components to their respective final destinations in the 47 countries it services.

7.1 NETHERLANDS

In the Netherlands Huawei owns and operates another site that forms a significant part of the European Supply Centre. It is located in Eindhoven, a city at the heart of the Brabant hi-tech triangle which is full of tech innovation facilities spread across the geographical meeting point of Belgium, Netherlands and Germany. The great province of Brabant, a pinnacle of development in the middle ages, is a core centre of innovation in Europe. Eindhoven is the birthplace of Royal Philips Electronics which invented and pioneered global lighting innovation more than 100 years ago, and continues to innovate in Brabant and around the world. Huawei’s Eindhoven facility comprises some 11,000m2 of floor space and is owned and operated jointly together with a local service provider (LSP). The facility employs 70 local people. It also produces products, including enterprise IP, carrier equipment and solar inverters.

7.2 LOCAL PARTNERSHIPS FOR EFFICIENCY

In the spirit of focusing on core competencies and partnering with others to achieve win-win outcomes, Huawei works closely with suppliers to operate and run its operations in Hungary. Komarom in Hungary is staffed with local people and it by a local subsidiary Foxconn, a leading international contract manufacturing firm. At the Westlog factory centre, Huawei has a long and close partnership with DHL a global leader in logistics, bonded warehousing and processing services. This way, the Huawei supply chain staff focus on oversight rather than the minutiae of import/export. Foxconn and DHL are certified as an Authorized Economic Operator (AEO), which makes importing much faster and more efficient.

8. SUMMARY

1. Huawei investment is designed for the long term success of the local ecosystem, in local partnerships, and with local employees that creates innovation, jobs and centres of excellence.
2. Huawei Cyber Security Transparency Centre, Brussels is pioneering an open and collaborative approach to cyber security and European ICT and welcomes partners to collaborate in making ICT infrastructure as safe and secure as possible.
3. The Aesthetic Design Research Centre in Paris, has become a part of France’s aesthetics ecosystem recognizing Paris’ position as a global centre of design excellence.
4. Huawei’s European Research Institute in Leuven, Belgium manage all initiatives across Europe to advance scientific discovery.
5. Sustained high value investment in R&D has made Huawei one of the leading companies in the global ICT industry.
SECTION THREE
MULTILATERAL APPROACHES TO INWARD INVESTMENT

1. INTRODUCTION

Recent events have made it clearer than ever before that policy-makers have to take a globally integrated and coherent approach to governance of the multilateral system, to enable a fair sharing of the benefits of globalization. All experienced policy-makers are aware of the potential of cooperation in multilateral processes and what can be achieved by supporting existing organizations such as the WTO, WHO, UNCTAD, OECD and other multilateral initiatives. Globalization will continue provided attention is paid to the distribution of gains and with adjustments for the post-covid-19 imperatives.

Technology applied to tackle the Covid-19 pandemic has clearly shown that today’s interdependent world relies on high quality, fast, reliable connectivity, with larger bandwidths and lower latency to respond effectively to the critical challenges in hard times and in good times. Investing in mobile communication networks and providing widespread internet access creates new economic activity and boost trade and development. It also enables the work of international organisations to continue whilst physical meetings are cancelled. There is not time for pauses in the work to prepare the recovery and ICT infrastructure is the answer to accelerating international cooperative work.

In line with all major multinationals, Huawei strongly supports a level playing field, non-discrimination, fair competition and the principles embodied in multilateral trade and investment rules because they bring legal certainty to the real world uncertainties that businesses, governments and customers face today.

This commitment to rules-based international governance and stability is shared by most countries
around the world. One live example of particular relevance to recovery from the pandemic, is the work on a multilateral framework for investment rules for development. The current process at the WTO has attracted enormous interest from developed and developing countries alike. Many international organizations have mandates that include investment facilitation. Cooperation amongst these bodies greatly enhances efficiency and multiplies the impact of new approaches. A comprehensive analysis of all these is outside the scope for this paper. However, some merit special comment and insights.

It is the responsibility of businesses to make constructive contributions of experience and expertise to shape the business environment and to support rules-based multilateral approach. Huawei experts are pro-active contributors and were selected to contribute to the high level expert “International Commentary Group” on the “Multilateral Framework on Investment Facilitation for Development” a project of the International Trade Centre (ITC), the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) and the World Economic Forum.

Many international organizations offer technical assistance with resources and advice where economies have shortages of skills and experience. The International Trade Centre, Geneva has developed significant impact over the last decade through stewardship of projects in developing countries. OECD, UNCTAD and ILO have useful guidelines on investor performance. The work of the World Association of Investment Policy Advisors WAIPA is an engine to drive investment. WAIPA members lead valuable initiatives on investment attraction and promotion and is a key platform for global sharing of expertise, experiences and contacts relevant to investment.

Many regional initiatives are currently evolving and require contributions from business and governments for optimal success. The most outstanding example is the ambitious African Continental Free Trade Agreement currently under development within the African Union which has the potential to reshape global value chains dramatically as it liberalizes trade and investment across the continent. The AFCFTA has the potential to make a major contribution to multipolarity for global governance and stability.

The issue of how to align International Investment Agreements with the United Nations Sustainable Development Goals (“SDGs”) is becoming an urgent topic requiring multilateral cooperation to drive sustainability. It is worth noting that leading thinkers on this subject argue that FDI will play an important role in advancing the SDGs but to be successful this requires existing International Investment Agreements to be amended. In future these agreements will have to be redesigned from the conceptual and drafting stages to achieve the necessary degree of alignment with SDGs.

Countries signed at least three international investment agreements (IIAs) immediately before the pandemic took hold, bringing the total number of IIAs to 3,292. Newly concluded agreements continue to include reform-oriented provisions which is a good sign. However, the pandemic is certain to affect international investment agreements, because many investment-focused initiatives and events, including high level meetings and summits, have been cancelled or postponed. The solution is to adapt to the evolving situation and to continue progress by adopting remote working solutions via ICT networks.

This section gives a brief outlook on what can be expected in 2020 for investment rules through the processes of selected multinational organizations.

2. WTO INVESTMENT RULES - ADDING VALUE

WTO members have rightly directed the organization to focus on creating a more efficient system of agreed multilateral rules in areas of practical economic importance to governments, economies and businesses globally. Investment rules is one such area with immediate impact that members have seized on to create real added value. In fact it is critical to expanding development, driving innovation, generating jobs, and achieving the UN Sustainable Development Goals. The recent completion of work on an international Trade Facilitation Agreement was a precursor to work on an international investment Facilitation Agreement. The WTO is demonstrating added value by working relatively quickly toward delivering common investment facilitation rules.

2.1 ACCELERATING INTERGOVERNMENT RULE-MAKING

There has been a remarkable acceleration of activity in the last year with respect to multilateral rules on investment within the WTO due to a major shift in
focus. Earlier discussions became stuck in controversial circular arguments around investment protection for some of the world’s largest investors from large economies. However, a wise move away from this topic and towards a forward looking and positive agenda engaging broader interest has proven its worth and highlighted the value of the linkages between trade, investment and development. Now the focus is on how to facilitate investment so developing countries in particular can improve their connections to the multilateral trading system and benefit from being integrated into global value chains. The fact that many developing and least-developed members of the WTO decided to engage in the discussions is testimony to the level of interest, and a demonstration that the WTO is a place where multilateral agreements can be brokered in a way that is beneficial to a large number of economies.

2.2 A GENUINE FRAMEWORK TAKES SHAPE IN 2020.

Already in 2020 the talks have advanced significantly so that a genuine multilateral framework on investment facilitation is taking shape around the following areas:

1. Improving the transparency and predictability of investment measures.
2. Streamlining and accelerating administrative procedures.
3. Enhancing sharing of information, best practices and deeper cooperation.
4. Technical assistance and capacity building support.
5. Effects on other issues such as the challenges faced by smaller businesses.

Huawei will engage in these discussions as they progress, from the perspective of a large and globally active multinational technology company with ecosystem investments in many economies around the world.

2.3 RENEWED COMMITMENT OF TRADE MINISTERS AT DAVOS 2020

The proposals for a multilateral framework on investment have taken two years to build up momentum since December 2017 when 70 economies issued a Joint Ministerial Statement calling for discussions to develop the basic elements. Since then, governments engaged with business, trade experts and other stakeholders to advance discussions. In November 2019, based on this progress, 98 economies committed to intensify the work and in early 2020, business leaders, government officials, civil society and academics present in the World Economic Forum’s Annual Meeting in Davos, released the following statement:

“Attaining the Sustainable Development Goals (SDGs) is a commitment of business, civil society, and government. Investment flows can support the achievement of the SDGs by bringing capital, employment, export opportunities, greater consumer choice, advanced technologies, managerial know-how, and overall economic growth.

Important measures to facilitate investment include increased transparency on policies and regulations, streamlined administrative and procedural requirements, sharing of best practices, and coordination between actors to ensure policies and regulations are implemented efficiently and effectively. Facilitation measures can also provide firms with aftercare support so that investments are retained. Importantly, investment facilitation can help advance an economy’s development objectives.

There is growing momentum globally for cooperation to facilitate investment – particularly to drive growth in developing economies. Such cooperation would build on past international efforts to facilitate trade and seek to extend those benefits to investment, especially as trade and investment are increasingly two sides of the same coin.

We urge moving forward with the investment facilitation for development initiative at the WTO to increase both investment flows and their contribution to sustainable development.”

Governments see this framework as an important step to update and strengthen the multilateral rules-based system and make it respond to the present-day needs of business. Input from business and other stakeholders is seen as critical to ensure that the content is really useful to business and that it increases investment flows and promotes development. (Source: WEF Davos 2020).

3. UNCTAD AND THE D-8

UNCTAD and D-8 recognize the important role a dynamic private sector can play in strengthening the competitiveness of D-8 countries, facilitating their progressive integration into the global economy,
strengthening trade flows, raising revenues and incomes, and creating jobs. The D-8 Guiding Principles evolved during a time of mounting economic, social and environmental challenges, which highlights the critical need for and role of investment as a driver of equitable and inclusive socio-economic growth. The goals that the D-8 countries set for themselves, such as the diversification and creation of new opportunities in international trade, enhancing their participation in international decision making, providing a better standard of living for their citizens and the other development objectives, call for policies at the national and international levels that attract investment and harness it for sustainable development.

The Principles, jointly developed by UNCTAD and the D-8 Organization for Economic Cooperation, draw on UNCTAD’s Core Investment Principles which form an integral part of its Investment Policy Framework for Sustainable Development (2015). The Principles also build on UNCTAD’s ongoing technical assistance and capacity building Programmes to D-8 countries in collaboration with various institutions and on the basis of key D-8 policy documents, notably the Istanbul Declaration of Summit of Heads of State and the D-8 fifth Summit Declaration (Bali, 2006).

The Principles come at a time when sustainable development-oriented reform has entered the mainstream of investment policymaking, resulting in a large number of countries reforming their investment policies by adopting new approaches for national level action, developing new models for international treaty making, and concluding international investment agreements (IIAs) with provisions aimed at addressing sustainable development concerns. (source D-8 declaration)

4. G20 GUIDING PRINCIPLES FOR INVESTMENT POLICY

4.1 THE G20 DECLARATION FROM OSAKA 2019

The G20 Guiding Principles for Investment Policy were largely completed in the course of the Chinese presidency of the G20. From these foundations we have seen re-affirming statements such as this G20 Ministerial Statement on Trade and Digital Economy in Tsukuba, Japan in 2019

“FOSTERING ROBUST GLOBAL ECONOMIC GROWTH through Trade and Investment.

We strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open.

International trade and investment are important engines of growth, productivity, innovation, job creation and development.

We will work to ensure a level playing field to foster an enabling business environment.

We also reaffirm the importance of interface between trade and digital economy, and note the ongoing discussion under the Joint Statement 3 Initiative on electronic commerce, and reaffirm the importance of the Work Programme on electronic commerce at the WTO.
We reaffirm our support for the necessary reform of the World Trade Organization (WTO) to improve its functions. We will work constructively with other WTO members, including in the lead up to the 12th WTO Ministerial Conference.

We agree that action is necessary regarding the functioning of the dispute settlement system consistent with the rules as negotiated by WTO members. Furthermore, we recognize the complementary roles of bilateral and regional free trade agreements that are WTO-consistent.

4.2 FOUNDATIONS - THE CHINESE PRESIDENCY OF G20

China was a key player to make a decisive push towards adoption of a new consensus document on investment policy making; it resulted in the Guiding Principles adopted during its presidency of the G20.

In many ways, it was logical that China lead this initiative, since the years running up to its G20 presidency had seen unprecedented growth in FDI outflows from China. As Chinese companies began to turn outward, no longer simply looking for export markets but also for places to establish collaboration and develop global footprints in the form of manufacturing locations, R&D assets and strategic financial investments, it was time for Chinese policymakers to step up and work with other G20 countries in efforts to secure a more open and predictable policy environment in host countries to welcome such investments.

The principles represent a soft-law approach to international rule-making, since they are non-binding and as such constitute a set of best-effort obligations. Due to this approach it was possible to conclude the Guiding Principles within the short timespan of the presidency, one year. The Guiding Principles have contributed to identifying a baseline consensus from which more ambitious and ultimately binding commitments could be negotiated in other fora such as the WTO.

The G20 Guiding Principles are an emphatic statement against protectionism and for governments to maintain open, non-discriminatory investment environments that afford investors a minimum degree of predictability in terms of legal certainty and robust legal protections in place for both investors and their investments.

The G20 Guiding Principles also affirm the importance of transparent and consultative legislative and regulatory rule-making procedures so that investors can influence policy outcomes in areas of commercial and operational interest to them. As such, the Guiding Principles are an important signaling device for foreign investors that the governments who comprise the G20 are open for business and realize that they are competing against other nations to attract FDI.

5. THE OECD POLICY FRAMEWORK FOR INVESTMENT

The OECD is an established forum for regulatory best practices across a broad range of economic and social policymaking. In the area of investment, it has experienced setbacks and successes. The Policy Framework for Investment (PFI) is one of its success stories and provides a constructive process for investment policy introspection by governments and a method to measure investment policy reform efforts.

5.1 A SYSTEMATIC AND TECHNICAL APPROACH

The OECD Policy Framework for Investment (PFI), describes itself as “the most comprehensive and systematic approach for improving investment conditions ever developed”. This instrument provides a peer-review and technical (rather than political or commercial) approach to analyzing the strengths and shortcomings of a country’s investment policies and concludes with recommendations on how countries can reform their investment regime to make them more attractive to FDI.
The PFI was updated to reflect the importance of the Sustainable Development Goals in domestic investment policy regimes. The PFI examines twelve different policy areas that have a direct impact on how countries can position themselves to attract FDI: investment policy, investment promotion and facilitation, competition, trade, taxation, corporate governance, finance, infrastructure, developing human resources, policies to promote responsible business conduct and investment in support of green growth, and finally a number of broader issues of public governance.

As the OECD notes, the objective of this policy tool is to support governments in developing their own domestic legislative, regulatory and enforcement agendas to create an environment for domestic and foreign investment that is attractive, robust and competitive. Given its focus on governance, the PFI seeks to promote what the OECD refers to as “the fundamental principles of rule of law, transparency, non-discrimination and the protection of property rights”. It leaves governments enough regulatory autonomy to make policy choices based on their individual economic circumstances and institutional capabilities.

5.2 SUPPORTING MULTILATERAL REFORM EFFORTS

In the context of the OECD’s Investment Policy Review the PFI has been used by almost 30 countries, both developed and developing, from North and South, to provide policymakers guidance on assessing the strengths and weaknesses of their existing investment regimes and to support reform efforts. This can help governments seeking to push through reforms by reinforcing, from a credible and politically neutral source, the need to make changes in areas where vested interests may be stacked against institutional reform.

Investors face a range of issues in addition to sub-optimal conditions of general public governance. The OECD Investment Policy Reviews and the PFI, similar to the Trade Policy Review processes conducted at the WTO, give companies the opportunity to work together with their home governments signal opportunities they encounter to improve host country access to investment.

6. SUMMARY

1. Policy-makers have to take a globally integrated and coherent approach to governance of the multilateral system, to enable a fair sharing of the benefits of globalization.
2. It is the responsibility of all businesses large and small to make constructive contributions of experience and expertise in order to shape the business environment particularly for SMMEs and to support the rules-based multilateral trading system.
3. Huawei strongly supports global cooperation, a global level playing field, non-discrimination and effective multilateral trade and investment rules.
4. Huawei experts believe the WTO work on investment facilitation will bring many benefits to entrepreneurs, SMMEs and companies across the world, to support economic recovery.
6. In today’s globalized and interdependent economy large firms from middle-to-large income countries are increasingly the source of significant FDI outflows.
Bibliography and Further reading

Many sources were consulted for this report mainly from the international organizations supporting multilateral cooperation on Trade and Investment for global development.

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» German Development Institute / Deutsches Institut für EntwicklungsPolitik (DIE)
» UN Conference on Trade and Development UNCTAD
» World Association of Investment Promotion Agencies (WAIPA)
» International Trade Centre
» World Economic Forum (WEF) Switzerland
» World Trade Organisation
» The World Bank, Washington
» International Monetary Fund.
» European Commission, Brussels
» International Chamber of Commerce,
» Organisation for Economic Cooperation and Development, (OECD) Paris
» WTO General Agreement on Trade in Services. (GATS)
» “World Investment Reports” produced annually by UNCTAD
» The G20 & G20 declaration from Osaka 2019
» The B20
» D-8 Organization for Economic Cooperation
» The African Union
» UK Trade Policy Observatory
» Various Chambers of Commerce
» International Labour Organization (ILO)
» Cyber Security Transparency Centre
» The European Union’s Horizon 2020 Research and Innovation Framework Programme
» 5G Infrastructure Public Private Partnership (5G PPP).
» Trade Law Centre, South Africa.
» Oxford Economics
» European Centre for International Political Economy
Huawei’s Locations in Europe mentioned

» Brussels Cyber Security Transparency Centre,
» Paris European OpenLab
» Paris Aesthetics Design Research Centre
» France Digital InPulse programme, for entrepreneurship, 60 start-ups, in regions.
» France Digital Talents student programme, and the @cadémie Web project.
» Paris Algorithm Lab and Software Lab
» Huawei’s 5 R&D centres in France, Paris, Grenoble and Sophia Antipolis, Nice.
» Munich European OpenLab in, Germany.
» R&D site in Weilheim, Upper Bavaria,
» Manufacturing Technology Centre, Germany
» Operations in Nuremberg and Dresden.
» Cooperation with University of Erlangen (a leader in metalized plastics technology)
» Cooperation with Ruhr-University Bochum (a leader in network & data security)
» UK-R&D collaborations with 35 UK universities / research institutes, 300 UK research staff.
» UK based R&D activities across six locations.
» European Research Institute (ERI), Leuven, Belgium, a Hub to manage R&D across Europe
» R&D centre in Leuven,
» ERI manages 200 R&D projects, 150 academic institutions, 25 Horizon 2020 projects, employs 2400 researchers, 80% local, in 26 R&D sites.
» Huawei’s R&D centre in Ghent - optical transmission technologies for future fibre
» Formal collaboration of Paris Design Research Centre with top design schools:
» les Écoles Nationales Supérieures des Beaux-arts (Fine Arts), des Arts Décoratifs (Decorative Arts) de Création Industrielle (Industrial Design),
» London’s Royal College of Art,
» Peclers Paris, trend consulting
» R&D collaboration with Benelux top universities, KU Leuven, TU Delft, TU Eindhoven, U Ghent,
» Huawei European Supply Centre, Hungary & Netherlands services 47 countries in Europe, Central Asia, the Middle East and Africa.
» The Komarom factory centre, Budapest
» Westlog factory centre, nr Budapest Hungary

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