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Huawei has a unique background as a Chinese company arising from humble beginnings less than 30 years ago, and now operating in over 170 countries. It has a global workforce over 150,000, with more than 30,000 non-Chinese employees working around the world, 45 R&D centres around the world, and a highly global supply chain. Huawei operates and benefits from a free and open trade and investment system, and globalization is part of its strategy. From the perspective of a major multinational company from a developing country, Huawei would like to submit the following observations related to international investment agreements:

Key Areas and Pressing Issues in IIA

International Investment Agreements (IIAs) have long played an important role in the development of international investment. Multiple economic and business trends affect the environment in which IIAs function.

Recent years have witnessed the globalisation of production, services, research and development, with industries seeking greater efficiency and new market opportunities through international investment. In many industries, products have parts and materials from multiple countries as part of their supply chains, and businesses offer products for sale from multiple countries with multiple supply chains.

Internationalization is a reality, particularly in the ICT sector. R&D runs 24/7 in markets globally, and coding, sub-assembly, assembly, packaging, shipping and deployment of solutions are transnational exercises. At the same time, services industries are a growing part of modern economic life, with many of them located in a cloud and delivered across borders. In this context, Global Value Chains (GVCs), because of their proven large-scale positive impact, are becoming increasingly more attractive to companies such as Huawei.

As a result of globalisation, conventional bilateral and merchandise-centric IIAs are becoming less applicable to some corporate investment strategies. GVCs are inherently service and sales based and in order to be cost-competitive they require the cooperation of developing countries. New players are gaining importance, with China ranking the world’s third-largest offshore investor for the second year in a row. This is evident, for example, through Huawei becoming increasingly “glocal”, investing in businesses in over 170 countries. Therefore, IIAs must be adapted to suit these new economic environments.

However, there is evidence that much of current high levels of FDI benefit those countries that already have adequate levels of education, technology, infrastructure and health. ICT is a key element to improve economic fundamentals of any country and it serves as an enabling factor to enjoy the benefits of FDI.
Key Ways and Means to Address These Issues

Commercial and developmental needs are pivotal when devising the reform of IIAs. There is a call for greater clarity of the IIA regulatory framework, which ought to be more transparent and less subject to arbitrariness. These regulations should concur with the WTO rules concerning national treatment and non-discrimination.

Against this background, ensuring compliance with WTO TRIMS obligations is fundamental to granting national treatment to foreign investors. However, the TRIMS Agreement’s limited scope leaves room to make investment negotiations meaningful on most-favoured nation treatment, other investment barriers not covered by the TRIMS Agreement, and dispute settlement mechanisms.

A prolonged lack of Foreign Direct Investment (FDI) in many developing economies has a pronounced negative impact on infrastructure, technology and long-term economic growth. The Sustainable Development Goals (SDGs) aim to mitigate underdevelopment caused by this absence of international investment. From a technological perspective, there is a positive correlation between FDI and innovation. This indicates that investment in innovation is vital when tackling underdevelopment. Investment agreements should advocate for investment in ICT, a key element to improve critical health, education and infrastructure.

On its part, Huawei advocates for increased investment in R&D. Huawei helps bridging the digital divide by building a sound technological infrastructure and nurturing local expertise also thanks to its training centres network in 45 countries. Through knowledge transfers, economic growth can be stimulated in these local communities, also generating profit for the company and local jobs and economic stimulus.

Types of Mechanisms and Platforms Needed to Facilitate the Reform

The absence of a multi-lateral agreement on the governance of FDI has created a complex and confusing overlay of BITs and other IIAs. Therefore, many have advocated for countries to discuss certain features of the IIAs with the view to establishing an overarching legal framework. This would allow for a more holistic and coordinated approach that takes into account the interest of all parties.

Huawei recognises the benefit of implementing a flexible framework that builds upon existing bodies, where all meaningful parties are included in both the private and public sectors. It hopes that FDI governance will be instrumental in facilitating cross-border movement of key personnel, especially technical and support staff.

In the absence of a multilateral agreement, the endorsement of broader BITs, such as the China-EU BIT and the China-US BIT both of which advocate negative list approaches, allows for the countries to benefit from existing model structures as well as specific requirements to suit both parties’ needs. Many new generation FTAs also contain investment chapters. Therefore the distinction between FTAs and BITs is becoming increasingly blurred.

Huawei understands the value of education in procuring long-term sustainable growth. Initiatives such as those pursued by UNCTAD’s Virtual Institute on Trade and Development are examples of educational investments aiming to secure prolonged societal and economic benefits. Huawei itself has launched a successful educational programme, Telecom Seeds for the Future, which aims to transfer knowledge, cultivate talent and create opportunities for students world-wide and launched successfully already in around 20 countries.

It is essential that reforms are assessed more broadly, especially when looking at the intricate details of BITs and FTA investment chapters. In order to avoid overlapping of FTAs and BITs, further clarification is needed. How this may be achieved remains a question for the future. UNCTAD’s technical expertise on IIAs, including as laid out in its World Investment Report (WIR) as well as its convening power in forums like the World Investment Forum (WIF) can be of great value in this regard.