

Huawei Australia

Submission to the *Australia in the Asian Century* White Paper

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Huawei Australia Board of Directors

Foreword - Huawei Australia Chairman, John Lord AM



Huawei Technologies, as a leading global telecommunications provider, welcomes the opportunity to contribute to this important initiative that will frame Australia's future engagement with Asia.

Huawei is China's largest privately owned company and partners with 45 of the top 50 global telecom operators. As well as providing technology products globally, Huawei is one of the top five companies in the world for new patent applications, operating 23 research and development centres globally.

The coming Asian Century is accompanied by the advent of the digital and connected world that will see major changes in our society not seen since the industrial revolution. In fact, Huawei believes the social progress in the next 30 to 50 years, on the backbone of telecom and ICT advancement, will far outpace the progress mankind has made to date. This is an important time in our nation's history as we have two powerful changes occurring that will dramatically shape our future.

Huawei's global theme is 'enriching life through communication'. We strongly believe technology is for the benefit of all and a free flow of technology and knowledge between countries is vital to enrich and benefit populations of all countries in the twenty-first century.

Barriers, placed through restrictive market and trade regulations or practices, reduce opportunities to gain maximum advantage of technologies and their benefits. This is why we believe major global enterprises, like Huawei, must be allowed to work with governments to ensure benefits are realised.

We also believe policies are required that enable the Australian economy to fully benefit from the productivity improvements Chinese companies, such as Huawei, can deliver as they emerge as new innovators in technology and become major contributors to Australia's telecommunications and ICT sector.

Proactive engagement with companies like Huawei will reap enormous benefits for Australia's ICT and technology sectors – and for the broader economy. We would argue countries like the United Kingdom and New Zealand are in advance of Australia in this key area.

Australia's relationship with China must be an equal partnership – a two-way street. Policy settings based on historical bias or outdated perceptions will see Australia miss out on important economic benefits.

Australia is well positioned to take full advantage of the dramatic changes that are taking place in Asia and especially China. This will not happen by chance or by our geographic location.

John Lord AM



NSW Premier Barry O'Farrell witnesses Huawei signing a partnership agreement with Macquarie University via Telepresence in Shanghai

Introduction

In the eight years since Huawei opened its first office in Australia in 2004 with twenty staff, the company has grown to become a leading provider of next generation end-to-end solutions for mobile and fixed line telephony. It now employs 800 workers - 80 per cent of who are local - and has established itself as an Asia-Pacific hub distributing and delivering telecommunication technology and services to almost thirty operators across eight countries in the region.

In this short time, Huawei Australia has emerged as a major provider with a complete telecoms product and capability portfolio across mobile, broadband, core network, transmission network, data communications, value-added services, mobile phones and services and has built strong partnerships with major industry operators including Vodafone, Optus, Telstra, NZCL, Telkom PNG, SamoaTel, Solomon Telekom and others.

More than 50 per cent of Australians currently use some Huawei product for part of their telecommunications needs.

The Australian Government's decision to commission a White Paper on *Australia in the Asian Century* under the leadership of Dr Ken Henry AC comes at a fortuitous time as Australia defines and develops its role, identity and standing in the Asia Pacific and its relationship with China.

Huawei, China's largest private company, was established in 1988 and stands as an emblem of China's emergence as a major player in the Asian Century.

In Australia, and in the wider Pacific region, Huawei is already synonymous with new generation technological achievement and performance in telecommunications. It's also increasingly recognised as a conduit for growing contacts and exchange between countries in the region and the single largest generator of economic growth in the wider region – China.

Australia and China

This year marks 40 years since diplomatic relations were established between Australia and China. But the last decade has seen the bilateral relationship develop real momentum. China's demand for key raw materials and Australia's resource-rich supply capabilities have been the catalyst for a deeper relationship.

Today, at the start of the second decade of the Asian Century, and with Chinese investment in the Australian mineral and energy resource industries secure and growing, Australia and China stand at the threshold of a new phase in the bilateral relationship.

Huawei Australia is mindful of these fundamental and important dynamics supporting the growing relationship between the two nations. In addition to expanding its business operations, Huawei Australia aims to strengthen collaboration between the two countries through partnerships with education facilities, like RMIT University and Macquarie University.

Huawei believes there are growing opportunities for Australian companies to expand their own business globally by partnering with Asian companies doing business in Australia. Already Huawei has set up partnerships with Australian based companies that provide products and services to our global operations. Every year Huawei's global operations imports over \$20 million worth of highly specialised fibre equipment for its global networks from Australia. As Huawei expands its Australian business investment and partnerships in research and development, opportunities for further exports and jobs growth will continue.

Australia and Asia

While this submission focuses on Australia's relationship with China, we are also cognisant of the importance of other rapidly growing regional economies, including India, Japan, the Republic of Korea (ROK) and countries of the Association of South-East Asian Nations (ASEAN).

Huawei has transformed during the past twenty years, from its genesis in Shenzhen, China, to a global corporation with offices, operations and a presence in more than one hundred countries world-wide and with an annual turnover in excess of \$US33 billion. As part of this expansion, it has built a strong presence



Prime Minister Julia Gillard, Communications Minister Senator Stephen Conroy, and Professor Rod Tucker view Huawei equipment at use in the University of Melbourne's *Institute for a Broadband Enabled Society*

throughout Asia, in particular India, but also Japan, the ROK and throughout the ASEAN region. As a consequence, the company has developed a refined understanding of the characteristics and the drivers of the Asian Century.

Domestic factors in Asia – Opportunities for Australia

Today, China's population is approaching 1.4 billion people and, for the first time in history, the concentration of its population is predominantly urban. (China in 2011 had over 190 cities with population in excess of one million people each, and the part of China's national population described as 'urban' reached 50.3%). As a result, compelling new dimensions and dynamics with intense relevance to Australia are emerging in China. Examples include:

- Continuing nationwide infrastructure development driving massive demand for key raw materials including iron ore and metallurgical/coking coal;
- Extensive development in housing, including predominantly privately owned residential accommodation in China's burgeoning cities, driving soaring demand for construction raw materials and energy resources, including thermal/steaming coal and liquefied natural gas;
- Rising personal incomes, backed by accelerating institutional, legal and constitutional changes in China permitting private ownership of land and property (and the establishment and operation of privately-owned businesses), are feeding sustained increases in consumption of goods and services, including overseas travel and tourism and overseas education;
- Rapidly rising educational standards and accumulation of skills and knowledge in China and other key Asian region countries, feeding demand for goods and services not previously available and accessible to people in China; and
- Technological and industrial innovation and modernisation driving production of sophisticated consumer goods for markets in developed countries. (The ACBC/Allen Consulting Group 2011-12 Survey of How Australian Households Benefit from Trade with China revealed that the average value of Australia-China trade per Australian households in 2010-11 was \$A13,500 – an increase of 30 per cent since the previous year and of 93 per cent since 2006-07).

Australia is a nation which occupies an island continent with an area of some 7.8 million square kilometres and a total population of just under twenty-three million people - approximately the same population as China's Shanghai Municipality.

Successive Australian Governments have acknowledged a country of such mass geographical area and such a relatively small population must grow an economy reliant upon strong and substantial inflows of foreign investment to sustain growth.

The post-colonial and post-second World War era has brought a mounting momentum in the growth and emergence of the dynamic societies and economies of the Asian region - including Japan, the ROK, the countries of ASEAN, and most recently, India and China. How Australia is encountering this new and unprecedented phenomenon of rapid growth in investment from Asia is, in essence, the focus of this submission.

Huawei Australia believes Australia's policy settings are inadequate to embrace and fully capitalise on the exciting opportunities offered by the emerging and growing nations to our north. With funds from traditional investors dwindling, Australia must engage with Asia like never before. But this engagement must go beyond energy and resources. Australia must harness Chinese and Asian advances in technology, construction, urban design, manufacturing, education, health and security.

Huawei in Australia

When Huawei established its Australian office just eight years ago, the name 'Huawei' was as unfamiliar and alien to Australian ears as were other names of modern China such as Lenovo, Hai'er, Chery and Great Wall. Huawei will become a name of increasing familiarity to Australians, a name slowly but comfortably easing its way into Australian consciousness, not unlike other Asian icons Toyota, Sony, Hyundai and Samsung.

Huawei has quickly achieved a level of technical excellence, recognition and public standing equal to that enjoyed by the more familiar brands

2004

- Established representative office in Australia with 20 staff

2005

- Awarded 3-year contract with Optus

2006

- Established office in New Zealand
- Awarded frame contract with PNG Greencom

2007

- Became No 1 supplier of data cards for Optus, Vodafone and Hutchinson '3'
- Awarded contract with Powerlink
- Chosen by Optus to deliver its 3G network across regional and rural Australia

2008

- Deployed fixed network solutions for Optus, Vodafone and Hutchinson '3'
- Total contract sales exceeded \$US254m
- Named by BusinessWeek as one of the World's Most Influential Companies

2009

- Awarded WiMAX network equipment supply contract with vividwireless
- Vodafone's Global Supplier of the Year

2010

- Huawei wins contract to construct GSM-R network with UGL for NSW RailCorp
- Australia's first 4G network rollout completed with vividwireless
- Australia's first 1800MHz LTE trials with Telstra
- Telstra launches the T-Touch Tab, Huawei's first mobile tablet computer
- Agreement signed with the University of Melbourne's Institute for a Broadband-Enabled Society (IBES)
- Huawei announces \$250,000 Training Centre with RMIT University

2011

- Local Board of Directors is created (Huawei's first local board globally)
- Huawei staff numbers reach 800, 80% local
- Won the contract to rebuild Vodafone 2G and 3G mobile networks across Australia
- Australia's first LTE trials with Optus
- Huawei Devices brand launches in Australia
- Huawei Enterprise business group launches in Australia

of Alcatel Lucent, Ericsson or Motorola. Huawei has also built a solid base in the Australian market. In 2010-11 revenues topped \$171 million.



Director John Brumby speaks at Australia-China Business Week

Huawei's achievements in Australia have been impressive, it works with every major telecommunications company in Australia and created over 800 local jobs directly and many more indirectly.

In line with the growing digitalization of society, the telecom industry is primed to embark on new and exciting developments. Much of this innovation is born in the emerging markets of China and Asia.

Just as consumers are trading in their mouse for a touchscreen, so too, the digital era is taking the world by storm on the tail of the mobile era. Technological change through digitalization will be a driving force behind the ICT industry during the rest of this decade. In this digital era, 'digital citizens' will be empowered to go beyond national borders and create a new world.

The digital era is changing the way people live and work, creating more business opportunities and a new industry ecosystem. Most people in the world will have a Digital ID (Google/Facebook/LinkedIn/Twitter) and we will see the convergence of communication technology, information technology and the consumer electronic industries to form the ICT industry.

The digital world is turning into a reflection of the material world. It's borderless and changing, sometimes overthrowing, the rules we know. Boosting both digital infrastructure and skills is a prerequisite for growth and prosperity that Australia cannot afford to miss.

To reap the benefit Australia must clear the non-tariff trade barriers currently limiting Asian companies investing in Australia. It must be willing to set trade, security, foreign investment, visa and economic policy frameworks that encourage Asian investment and drive the Australian economy. In many of these areas Australia is already falling behind other countries who have been able to advance policy development enabling a fair and transparent framework for business opportunities. In the United Kingdom, Huawei has been delivering their NBN equivalent for the past six years. Over this period, Huawei has successfully

worked in partnership with government policy makers addressing the key issues surrounding such critical national infrastructure. More recently, Huawei has worked with the New Zealand government on similar issues for their NBN.

Australian engagement of the Asian Century - the Huawei view

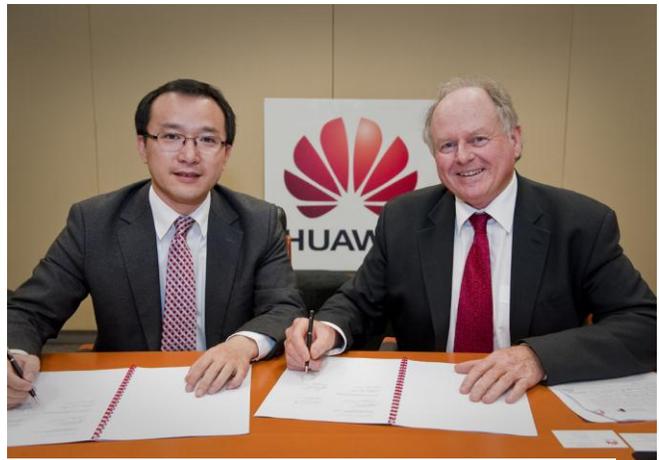
As a company with a Chinese heritage and parentage but with a sharp and concentrated focus on the growth and expansion in Australia and the wider Australia-Pacific region, Huawei Australia brings what it believes may be a unique as well as an acutely relevant perspective to Australia's engagement of the Asian Century.

In broad geo-strategic terms Huawei Australia predicts and anticipates a continuation in the process of change in the alignment of power, influence and alliance in the Asia-Pacific Region. As was sharply re-emphasised as recently as November-December 2011 during the visit to Australia by United States President Barack Obama, Australian geo-strategic alignment and alliance with the United States remains close and intense. It also remains rather specifically focused on China and on China's growing emergence as a major regional economic and strategic power.

At the same time, Huawei Australia foresees in the early decades of the Asian Century continuing growth in the bilateral trade and commercial relationships between Australia and China and Australia and India, and continuing steady growth

in Australia's relations with Japan, the ROK and with the countries of ASEAN. Australian engagement of relatively new economic opportunities in countries such as Mongolia and Kazakhstan will continue to grow into the early decade of the Asian Century.

Huawei Australia believes it to be of imperative importance that Australia does more at the policy level – principally in Canberra but also in the States and Territories – to improve understanding of the implications for Australia of the emergence of a better educated, middle class in major Asian region super-economies. It has been Huawei's experience in Australia that some of the state governments, especially Victoria and



Huawei signs partnership with Macquarie University, joining the *Electronic Engineering Partnership Program* and providing students with internships and work experience opportunities

New South Wales, have a far more positive and encouraging attitudes towards partnerships and opportunities with businesses from China.

These implications extend far beyond the simply measurable dimensions of increased demand for Australian educational services, for leisure and recreational travel to and in Australia, for Australian permanent residence visas, and for Australian wines.

At the turn of the twenty-first century, China's economy was around four times as big as the Australian economy and the US economy was three times bigger than China's. Today, China's economy is almost fourteen times as big as Australia's and the US economy is barely twenty per cent larger than China's. Put another way, China's economy has doubled in size since 2005 and will double again before 2020, by which time China will be the world's largest economy by a substantial margin.

Faced with such compelling realities, Australian governments and businesses need to think more deeply as Australia moves into the Asian Century about the terms of Australian engagement not only with the emergent Asian region super-economies but also with our traditional friends and allies. This deeper and more considered thinking should embrace not simply visible realities as size, demand and purchasing power, but also important considerations arising from the membership and the role of the regional super-economies in organisations such as the G20, the WTO and others. For today, China, India, Indonesia and the ROK stand alongside Australia and the USA and Canada and the UK in the G20 which increasingly is exerting itself as a wellspring of global economic policy.

Huawei Australia believes that Australian governments should adopt policies which more consciously and deliberately pursue significantly enhanced 'Asia-literacy' in government agencies and throughout the education system. For it is, Huawei believes, axiomatic that increased comprehension of societies, cultures, economies, languages and history will give rise to an increased level of success in positive engagement of the countries which these elements characterise.

Huawei Australia believes that the location of Australia, taken in combination with the composition and abundance of the resource base and the multi-cultural population, equips this country to become deeply knowledgeable about Asia and to engage Asia constructively in economic, educational, cultural, social and linguistic domains. Australia could become the envy of the more remote and more culturally alien power centres of Europe and the Americas.

Summary

This paper has devoted considerable space to describing the development of the Australia - China relationship, and the emerging dominance that China, with India, and the other populous Asian countries will have on the future of Australia's political, economic and social environment. At present there appears a reluctance to accept this change is happening at the pace it is, and that old strategies in international relationships and partnerships can remain unaltered. Huawei, as a totally involved corporate player in all major economies in the Asian region, considers it important Australia awake now, prepare its strategies and build its knowledge of the region, so it can be fully integrated in the booming Asian region and share in the opportunities that will come from a respectful, peaceful and cooperative region.

Huawei is in a unique position as a leading example of all that modern China has to offer. It's a truly global company, with 70% of its business coming from outside of China, privately owned, and a world leader in next generation technology innovation. Huawei presents the realisation of what is to come from China in the coming decades.

Huawei believes there is a unique opportunity for China and Australia to take the relationship to a new level of forward thinking. If governments can agree on a strategic framework for future growth both Chinese and Australian businesses will benefit.

As as part of this process and the development of stronger and more strategic links, the Australian and Chinese governments should examine the possibility of including telecommunications into the free trade agreement currently being negotiated. It would be an acknowledgment by the Australian Government that it understands and is aware of China's vast development of ICT ability and skills and a demonstration that it is ready to move the China-Australia relationship into a more forward looking and realistic evaluation of how the modern Chinese economy is developing.

Huawei is committed to its long term growth in Australia. Australia is the first country that it has set up a local board with full legal authority. It will continue to invest strongly in Australia's business, educational, and social growth. We offer our thoughts and recommendations to this review as a company that has significant investment and long term commitment to ensuring the full benefits of the digital age enables greater prosperity and opportunities for the Australian people.

Huawei Australia

March 2012