

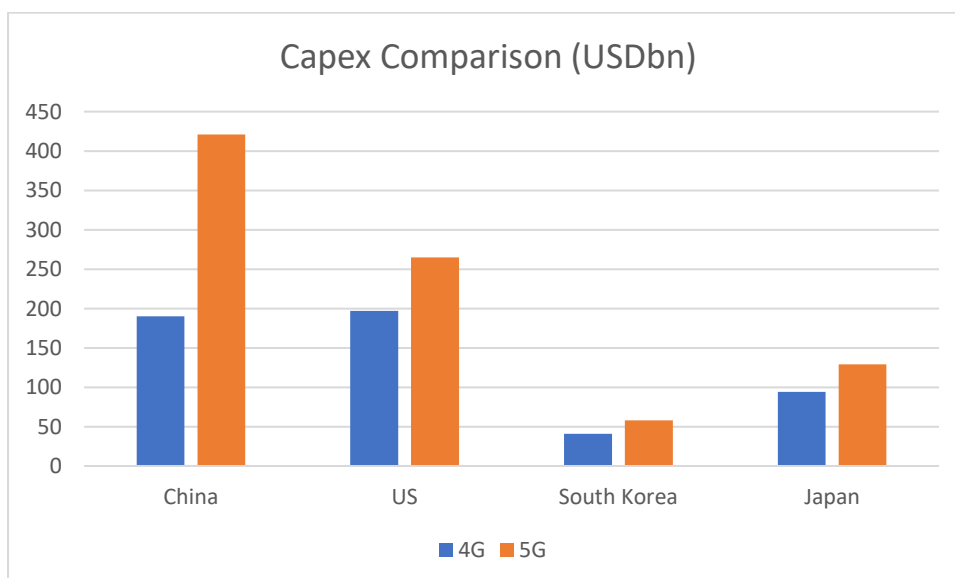
Why banning Huawei could be worse for the rest of the world than for China.

15/02/18 | Josh Best, KIS Capital Partners

The internet is fast becoming split between US control or sponsored and China controlled or sponsored. This article will in no way comment on the security concerns that have been raised by many countries. There is no doubt that the intelligence community has found serious concerns. It is about the **unintended consequences** of the decision. Slowing down Huawei in the west will in no way slow down their work within China and other countries such as Pakistan, Thailand and the Philippines.

TPG's 5G back pedal shows the cost increase the rest of the world will experience rolling out 5G. More cost will most likely mean slower roll outs. Indeed, Deutsche Telekom has recently warned that Europe would fall behind China and the US in the race to install 5G networks if their governments were to ban Huawei over security fears.

China is most likely in front on 5G so this will exacerbate it. China Mobile says it expects the world's largest 5G trial network across 5 cities in 2019. Three of the largest Chinese telecommunication providers expect to offer commercial 5G in 2020. China last week pledged to fast-track the issuance of 5G commercial licences as part of an effort to boost domestic use on the back of international bans of Huawei technologies.



Source: Company Data, Morgan Stanley Research estimates

But what does it mean to be the first to build 5G? China's edge isn't the building of 5G itself, it's the applications that can be built on top of the infrastructure. In the way 4G infrastructure gave rise to the smart phone and applications such as, Uber and Instagram. 5G will give rise to Augmented and Virtual Reality, the Internet of Things and autonomous vehicles. It will enable Artificial Intelligence in the cloud and many more applications we don't and can't really know yet.

China racing to full scale 5G first will be compounded by the ferocious rate of innovation now taking place there. You can bet the Chinese will develop new technologies and business models before the rest of the world. In a potential paradigm shift, will the West become a fast follower of Chinese innovation?

5G Related Names*...



Source: Bloomberg, as at 13/02/19

*Represents an equal weighted basket of Yangtze Optical Fibre and Cable, China Communication Services Corporation, China Tower & ZTE

Insights by Australian Fund Monitors Pty Ltd (AFM) provides investors and advisors with commentary and articles originated and provided by fund managers and other contributors. The views and opinions contained within each Insights article are those of the contributor and do not necessarily reflect those of AFM. www.fundmonitors.com.

Disclaimer: Australian Fund Monitors Pty Ltd, holds AFS Licence number 324476. The information contained herein is general in its nature only and does not and cannot take into account an investor's financial position or requirements. Investors should therefore seek appropriate advice prior to making any decisions to invest in any product contained herein. Australian Fund Monitors Pty Ltd is not, and will not be held responsible for investment decisions made by investors, and is not responsible for the performance of any investment made by any investor, notwithstanding that it may be providing information and or monitoring services to that investor. This information is collated from a variety of sources and we cannot be held responsible for any errors or omissions. Australian Fund Monitors Pty Ltd, A.C.N. 122 226 724