

IN HIS OWN WORDS

DIALOGUES WITH REN

2019.03

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2019.04

VOLUME II





Commitment at 6,500 meters above sea level

In August 2007, Huawei helped customers build sites at 5,200 and 6,500 meters of Mount Everest. The weather on the plateau changed constantly, and the sites were frequently buffeted by wind and snow. Huawei employees broke down the loads of goods and materials needed for the sites and carried them up the mountains on their shoulders or in their hands. After ten days of hard work, the team built a mobile network that provided coverage for all major mountaineering routes and camps.

Photo of a base station at 6,500 meters of Mount Everest



Network cutover on a windy and snowy Christmas night

During the 2010 Christmas holidays, Huawei spent months migrating wireless base stations for its customers in the Alps. During the winter, the mountain passes were sealed by heavy snow, dozens of centimeters thick. To ensure their progress, the project team and local employees gave up their holidays, battled the severe cold, and successfully completed delivery as planned.

Photo by Chen Yong, from a site in the Alps



Heroes are forged, not born.

During World War II, the famous IL-2 kept flying even after being riddled by anti-aircraft shells and machine-gun fire from other planes. Although badly damaged, it finally made its way back home.

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Ren Zhengfei's Interview with CNN

March 13, 2019 Shenzhen, China

Ren: Be straightforward and ask any questions you want. I will be very frank in my answers, including with any of your trickier questions. Don't worry. I like how frank Americans are. You aren't afraid to ask any question you want. I was a fan of the US when I was young. Today, I still believe the US is a great nation. Your advanced institutions, flexible innovation mechanisms, clearly-defined property rights, and respect and protection of individual rights have attracted the world's best talent to invest and innovate in the US. Billions of people have participated in this process. Without your openness, you wouldn't have been able to develop into the world's strongest power in just over 200 years.

01 Matt Rivers: Well, thank you so much, Mr. Ren, for sitting down with us. And the fact that you're sitting down with us, I think it's interesting. I'll be honest; I don't think six months ago maybe this interview would have happened. So why have you decided to speak more publicly now?

Ren: I've always been a pretty open person, actually, but I like to focus on internal management more than external publicity. I really get US culture, and many of our company's management systems were inspired by those in the US.

We engage with the media a lot these days. Our PR department feels this is a particularly important time for us, and because of my personal influence, they have asked me to take a more active role in communicating with the media, and maybe have some impact on global audiences. So it's understandable for me to interact more with the media these days.

02

Matt Rivers: Understood. This is the first time that you've spoken since Huawei sued the United States government for blocking Huawei's access, Huawei's products for use in federal agencies. But if the United States clearly feels that Huawei products are a national security threat, does the United States not have a legitimate right to protect its own interests?

Ren: Huawei has tried to keep a low profile, and we were always like a "silent lamb". No matter what others said, we always stayed silent and didn't refute what was said. When we expanded into overseas markets, some people said we were communists. Then, when we returned to China, other people said we were capitalists, because we were sharing our profits with our employees and many of our employees had high incomes. We don't know whether we are communists or capitalists, and we don't waste time trying to explain who we are. Instead,

we spend our time improving our internal management and providing better products and services, so that customers will understand and accept us.

The US began attacking us more than 10 years ago; they didn't just start doing this recently. This is because they are suspicious of us. As I have just mentioned, when we began to expand into overseas markets, they believed that we were communists. So they began attacking us, but we remained silent. Recently, however, they started resorting to legal means to attack us. We now think it is necessary for us to clarify some things. Otherwise, misperceptions about us would only grow. We have prepared for months, and we want to make our voice heard.

The US says we are a threat to its national security; they should provide evidence. The whole world is currently talking about cyber security. How has Huawei become the only target? Are Ericson, Cisco, and Nokia free of cyber security issues? There is virtually no Huawei equipment deployed in the US. Does this mean the US has no security issues? If it does, then the US can persuade other countries not to use Huawei equipment. However, the truth is that US networks are still unsecure without Huawei. We feel it is now time for us to clarify this issue, and that's why we have sued the US government. Our lawsuit challenges the US's law.

The US follows the principle of separation of powers, but they impose a ban on us without a trial. They are violating the very law they made. We don't know whether we will succeed or not, but we will challenge the US on a broader front. Let's see whether they have evidence or we have problems.

03 Matt Rivers: Right. And I want to get into your arguments on this a little bit later. But just speaking specifically about this lawsuit, why now? Because you are facing a series of legal challenges in the United States. Does it not put at risk or make more complicated your ability to perhaps influence getting your daughter back or hurt your standing to actually resolve your issues in the United States by filing this lawsuit?

Ren: We chose this timing because the act is scheduled to take effect in August. Now is the time for us to set the record straight. As for the legal challenges you mentioned, we have indeed seen many lawsuits involving Huawei in recent years. They happen from time to time. We believe our current legal action and the openness and transparency of the US legal system will help resolve these issues.

04 Matt Rivers: Right. Do you feel like you have very little left to lose by filing this lawsuit now, given your standing currently with the United States government?

Ren: No. We still hope to provide services to the American people. The US has the world's most advanced technologies, so we hope to work more closely with US companies to contribute even more to the information society and all humanity. It's not the case that Huawei has no opportunity to work with US companies. I still see a lot of opportunities out there. But there will always be setbacks. That said, these setbacks will not impact our consideration of the US market in the future.

We need to set the record straight on each issue one by one.

05 Matt Rivers: Right. I understand what you're saying about the timing of the lawsuit, but I can't help but notice the timing of the lawsuit being filed during the National People's Congress. We know this is an incredibly important time for the government. They don't like being upstaged during the National People's Congress. And yet, after your very public announcement, government officials were not only not upset, but they rushed to support it. So my

question is: was there any coordination in the rollout plan of this lawsuit with the Beijing government?

Ren: The timing of the lawsuit and the case in Canada was not planned. After we set the date for when the lawsuit would be filed, we decided not to invite any Chinese media outlets to the press conference, primarily to avoid diverting media attention from the session of the National People's Congress. This is a domestic event of utmost importance, far more important than ours. After foreign media reports on our press conference were massively reposted by Chinese media, government officials expressed their positions. We hadn't known this and hadn't discussed our plan with the government. We chose to resort to legal means to address our issues with the US.

06

Matt Rivers: Can you see or understand, though, why people might be suspicious? I mean, this is the most important time of the year for the Communist Party. Not only were they not upset, the government official, about your announcement, but they publically supported it. The timing of this just feels unusual to me.

Ren: This may have been a coincidence. We didn't want to spark a huge reaction in China, so we didn't invite any

Chinese media outlets to attend our press conference. We didn't want any media coverage in China. However, media coverage outside China ended up reaching China, and had some impact. We are aware that the Chinese government has been making some important decisions during a recent session of the National People's Congress.

We feel that the Chinese government has started to fully understand Huawei. We are telling Western countries that we can sign no-backdoor and no-spy agreements with them. The Chinese government has said that they can sign this type of agreement, too.

At the recent Munich Security Conference, Yang Jiechi, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, said that the Chinese government always requires Chinese firms to abide by international rules and the laws and regulations of the countries where they operate, and that China has no law requiring companies to install backdoors or collect foreign intelligence. This is an official announcement made by the Chinese government to the world.

This is also the message implied by the Chinese government to us that we can sign a no-backdoor and no-spy agreement if a country requires us to do so. If

a country wants to sign such an agreement with the Chinese government to ensure that Chinese companies never install backdoors or collect intelligence, we would like to push for the signing of such agreements. As a company, we already made it clear to the world that we can sign no-spy agreements, and that we have not and will never implant backdoors.

We think the Chinese government has gradually understood the difficult situations Huawei is in. The US has always been suspicious of Huawei, as they think we are communists, and they are scared that we would steal their data. We have never done that kind of thing, not even once, over our 30-year history.

Given the current delicate situation, the Chinese government has made it clear that it will never require companies to do things like this. Therefore, we can also confidently tell all countries in the world that we can sign no-backdoor agreements. If any countries have doubts, we can invite the Chinese government to be present at the signing ceremony, to endorse Huawei's position of not implanting backdoors.

The public announcement made by one of China's senior officials at the Munich Security Conference I mentioned just now is a clear indication of the Chinese government's stance. We already told foreign governments and companies that Huawei would never

do things like that. But the backdoor issue has become pretty serious now. Foreign companies will not believe us if we just tell them our stance and the Chinese government does not clarify its stance. Since the Chinese government made its stance very clear at the Munich Security Conference, it is very important for us to clarify that Huawei is a secure company.

07 Matt Rivers: The irony of you using the United States legal system to counterattack, if you will, the U.S. government to make your case and yet your counterparts, American counterparts, Google, Facebook, et cetera, all blocked in mainland China, do not have the same ability to use the Chinese legal system to make their case for access to China. What do you make of that?

Ren: Personally, I have been calling for our counterparts like Google and Amazon to enter the Chinese market, because I think this would benefit China. But that's just my personal opinion. When I talk about this with others, I always support the entry of these companies into the Chinese market. As I just mentioned, I think this would benefit China.

China's Internet is chaotic, and there are no clear boundaries regarding what we can and cannot talk

about on the Internet. However, that is not the case in other countries, where there are effective mechanisms in place to manage the Internet. If such companies and China can reach an agreement on the legal front, I firmly support their entry into the Chinese market.

Currently, China's manufacturing sector is open to the outside world. Perhaps in the future, when establishing wholly foreign-owned enterprises in China, approval from the Chinese government will not be required. But government approval will still be required for joint ventures.

In the past, if foreign companies wanted to operate in China, they had to establish joint ventures with Chinese companies. Now, foreign companies can set up their own business in China.

I hope that the Chinese government can open the Internet sector to the rest of the world, just like they did in the manufacturing sector. I am open to this idea and fully support it. However, I cannot speak on behalf of the Chinese government. These are just my own comments.

08

Matt Rivers: Right. Understood. Should the opportunity arise, would you ever go to the United States to support your case, or would you be afraid to go to the United States right now?

Ren: I am not an expert in law, so I don't think it would make much difference if I went to the US. We have little presence in the US market. I don't think there is any value for me to visit the US. It is more appropriate to leave the situation to our legal counsel.

09 Matt Rivers: Would you be nervous, though, to go to the United States? If you decided to go, would that make you nervous?

Ren: I have never thought of going to the US, so there is nothing to be nervous about.

10 Matt Rivers: Fair enough. I want to move to President Trump. He recently tweeted, as he often does, about 5G technology in this particular case. The president said in part, "I want the US to win through competition and not by blocking out currently more advanced technologies". He's talking about Huawei there, right?

Ren: I don't know who he was referring to. And I don't know if it's a good idea for the President to lead his country through tweets. Maybe that's an American style of doing things. Presidents should think carefully about what they say, and their words need to be reviewed by a certain institution.

But the US is a free country, and the US President has the freedom of speech like any other citizen. Does what he says represent the law? Does what he says really count? I don't know the answers to these questions.

He was talking about opening the 5G market to more advanced technologies. There are many companies around the world that can deploy 5G. Advanced technologies do not necessarily indicate Huawei. The US does not necessarily need to use Huawei's products. If the US does open its 5G market, we also need to consider many factors, such as the bidding costs and environmental barriers.

11

Matt Rivers: If President Trump was sitting in this chair instead of me, and you had five minutes with him, what would you tell him?

Ren: I would tell him that he is great. No other country in the world can cut taxes in such a short period of time. Lower tax rates help attract and boost investments, create economic prosperity, and build leaner governments.

President Trump set a good example for the Chinese government, and the Chinese government has now cut taxes by three percent. I think with his tax cuts, President Trump is pushing all governments to cut taxes. When

taxes are cut, governments will need to downsize their scale. This will ease the burden on public finance, and drive economic development.

Also, when a country moves towards rule of law, you can't manage it with bureaucracy. There's no need for so many administrative staff. That only creates a heavy burden for the general public. That's why I say he has set a good example.

But, I think the US might have taken the wrong approach. If they continue intimidating other countries and companies, and randomly detaining people, it's going to scare off investors. And then how are they going to make up for lost tax revenue?

If no one is willing to invest, and the US cannot fill the gap caused by tax cuts, the US government would have to cut their expenditures.

China began cutting its taxes three or four decades ago. Back then, the corporate tax rate was 55%, but the rate was much lower for foreign-funded companies, at only 15%. Foreign-funded companies were also offered other preferential policies. They were exempted from taxes during their first two years and only had to pay half tax from their third to fifth year in China.

From the very outset, foreign-funded enterprises didn't believe the Chinese government would implement

this policy. When they did, foreign investments flooded into China. This contributed to China's current prosperity.

So I think President Trump needs to be more open-minded to investments from all companies, and be more tolerant of the world. This will encourage more investments, and bring one hundred years of prosperity to the US.

I don't think the next US president will change the low tax laws. Instead, he or she may shake hands and make friends with all countries and companies around the world. These countries will then believe the US to be a trustworthy country, and they will invest in the US. This will bring prosperity to the US.

The US has a solid foundation. Tax cuts will very likely deliver more than 100 years of prosperity to the US. Heavy taxes are not conducive to industry development.

12

Matt Rivers: So, you're saying President Trump is a great president, at least in certain regards. However, his government clearly views your company as a security threat. It was just this week that the United States told Germany that if Germany would install Huawei products, the United States would limit intelligence sharing. So what do you say to that? What's your response?

Ren: Well, I was not commenting from the perspective of my personal feelings or company interests. I look beyond company interests, my personal feelings, and my family crisis when I say that the tax cut policy of President Trump will potentially give the US a hundred-year edge. But this might not happen while the Trump administration is in power. No one will dare to invest in the US if they just threaten other countries, companies, or individuals. This is because investing in the US would mean getting stuck there.

It's unclear what issues we may face because of what the US is saying to other countries. It doesn't matter much. If a country doesn't buy our products, we can still sell to other countries, and we might scale our business down a little bit. Huawei is not a public company, so we are not worried about the balance sheet. If a public company's balance sheet reports losses, their share prices might plummet, putting the company on the brink of collapse. Unlike a public company, Huawei can still survive by cutting our headcount and expenditure. That is the advantage of not taking Huawei public.

13

Matt Rivers: Yeah. And I understand your argument there. And I understand that you consistently deny the U.S. claims that you allow the Chinese government to have access to your products. But clearly, that's not

convincing the United States. You're in a climate right now where you've got the Vice President and the U.S. Secretary of State all going around the world basically saying to these countries, "If you work with Huawei, your relationship with the United States will get worse." If they continue that, does that not threaten the existence of your company?

Ren: Again putting aside my personal interests, family crisis, and company interests, I have always believed that the US is a great nation. Its advanced institutions, innovation mechanisms, and innovation powerhouses will lead to its long-term prosperity as a nation. The US has remained the absolute leader in technology over the past several decades, and will remain so in the coming decades. Our commitment to learning from the US will not change. It will not change just because of the hardships I am personally facing.

You might ask if this will happen to China. I think it's possible. Over the past 5,000 years, China's biggest weakness has been its closed-door policy. This explains why our country did not enjoy real prosperity until the 1980s. It began to prosper after Deng Xiaoping implemented the reform and opening-up policy [in the 1980s]. If the US government closes itself off, the country will be left behind and overtaken by others.

I don't think my personal interests are that important.

When I consider the relationship between China and the US, and between Huawei and the US, I'm actually thinking about my aspiration, rather than about sales. If money were important to me, then why would I have such a low portion of company shares in Huawei? Money isn't important to me. I am more focused on my aspiration, which is to contribute to humanity. How? Imagine if Huawei were a public company; we would not go to do business in underdeveloped and war-torn countries, in malaria-infected regions, or in the Himalayas. Doing business in these places isn't profitable at all. But we are still doing it, because this is how we can serve humanity. This is our aspiration. We are not going to harbor anti-American sentiments just because the US government has conflicts of interest with us.

14 Matt Rivers: Just to be clear, you're not worried about the solvency and the profitability of your company moving forward?

Ren: We are not worried about Huawei's survival. Our sales revenue grew by 35.8% year-on-year in January and February 2019. In fact, we think we will see very strong growth this year, and may even need to take steps to control that growth.

We must learn from Apple by setting higher prices

so that all of our competitors will be able to survive. We will not try to squeeze the market by lowering our prices. In spite of all the pressure we are currently under, we still sell our products and solutions at high prices to maintain good order in the market.

Huawei's survival as a company isn't a concern right now. We have become what we are today without expanding in the US market. We may become larger and stronger if the US realizes one day that Huawei is a friend and lets us enter their market.

We do not believe that our survival is at risk. If the US does not allow US companies to sell components to Huawei, it will only hurt those US companies. Huawei is the third largest buyer of chips in the world. Without us, the financial reports of many US companies will worsen, resulting in huge fluctuations in the stock market. On our end though, if these companies aren't selling components to Huawei, we still have other options. This also wouldn't affect Huawei's survival.

Huawei is actually the poorest tech company in the world. However, we reinvest more than any other company in order to realize our ideals and create a better future. Huawei ranks among the top five companies worldwide in terms of R&D investment. In the past, our investment in R&D focused more on innovations in engineering technology, and we are now

a leader in engineering technology. Now we place more emphasis on theoretical innovation, making large-scale strategic investments for a better future 10 or even 20 years from now. We are investing in many domains including mathematics, physics, chemistry, cranial nerves, and brain science. We will become even more competitive over the next 10 to 20 years.

We want to enhance collaboration with the US and achieve shared success in the world. We aren't trying to edge out US companies. For example, our ARM-based CPUs are more advanced than Intel's x86 CPU, but we have decided not to sell our CPUs on the open market to ensure x86's market share. We don't want to cause US companies to collapse. We mainly use our ARM-based CPUs on our own equipment.

Huawei is now a top three player in terms of AI chipsets, and could enter top two quite soon. But we don't sell AI chipsets on the open market. Instead, we only use them on our own equipment. We don't compete with US companies in this domain. Huawei's survival is not in question.

Disrupting the natural flow of technology from the US to China will only cause losses to US companies. It will be a huge loss for US companies if they miss out on the Chinese market, which serves 1.3 billion people. This would very quickly be reflected in their financial

statements. Huawei does not care too much about our financial statements, because we are not a public company, and we don't have to worry about what the outside world says about us. If there is a time when our financial statements don't look good, our employees will know that's because we have invested a lot into our "soil", which will help us grow a larger harvest in a few years. So they are not worried about our financial statements.

15 Matt Rivers: Sure. And I understand all of that. And I totally get that. I want to move on, though. You've said that you have never been told by the Chinese government to compromise your security in any way. But what if that changes? Because we know how strong and powerful the Communist Party is. And if they come to you and say you need to install a backdoor on your cell phones moving forward, how can you actually say no to that?

Ren: A top government official has already stated, at the Munich Security Conference, that the Chinese government does not require companies to install backdoors. I have also just mentioned that our company can sign no-backdoor and no-spy agreements. We can also invite the Chinese government to express their stance during the signing of these agreements. If we

still receive such requests after all of this, I would rather shut the company down and I, personally, would no longer want this company. I don't want to make gains from doing such things. The most important thing is to maintain peace and stability in the world, not create trouble. I would never accept any requests to install backdoors.

Over the past three decades, we have never received such requests. I can make it clear today that if we receive such requests in the future, we will categorically refuse them.

16 Matt Rivers: So, you say you would shut the company down, but Mr. Ren, with all due respect, how do I buy that? You would destroy the livelihoods of 180,000 employees. You could face personal legal jeopardy yourself. Would you do all that just to make a stand on principle?

Ren: Our global sales are worth hundreds of billions of US dollars, so we would never do anything, for example, installing backdoors, to jeopardize this in the first place, as this would cause more than 170 countries and regions to lose trust in us. If we took such orders, we would lose our business and our 180,000 employees would lose their livelihoods. So whether you believe it or

not, we promise that we will never do such things as this would prove that we couldn't be trusted. Our customers would then stop buying our products and our company and our 180,000 employees would be unable to survive. Our employees can only survive if we don't do these things.

Personally, I don't worry about my safety. I'm old and I don't have many years left. Chinese law is humane and guarantees adequate living conditions for senior officials and executives. And even if I went to jail, the conditions would not be as harsh as in some other cells. In addition, all dinners there are free, so this isn't a problem for me, and I'm not worried about it at all.

17

Matt Rivers: Right. Understood. A couple – just two more questions before we go have some tea. Beyond the security threat, the United States also accuses Huawei of stealing intellectual property including from companies like T-Mobile. Can you say, unequivocally here and now, that Huawei never steals intellectual property?

Ren: Yes, we can assure you that. Huawei has immense respect for intellectual property, and isn't out to steal it from others. Regarding the pending lawsuit, we need to have faith in the court, which I believe will come to a

just conclusion. I'm not the person who can give you any more insight on this.

Huawei holds more than 90,000 patents. This is a massive contribution to digital platforms around the world. More than 11,500 of our core patents were granted in the US, all of which are essential patents for information technologies. Our rights in the US are protected by the US law. We've put a lot of work into these technologies, and we've done so as a contribution to mankind. Of course, we've had some conflicts and setbacks along the way. We hope to solve these issues through the open, just, and fair judgment of the court. We will respect the court's final ruling.

18

Matt Rivers: If the United States government was open to the possibility, would you negotiate for greater access to the United States? And if you would be willing to negotiate with the U.S. government, what would you be willing to put on the table and offer from your side?

Ren: If the US government is willing to talk, it's already a positive sign of progress. For years, we have been struggling to find an opening to communicate with the US government. Unlike some companies that have tons of people lobbying the US congress or government in

their favor, we can only rely on our own actions to prove ourselves. If the US is open to talking, we would be very happy to accept the offer. However, we won't consider entering the US market in the near future.

19 Matt Rivers: Last question from me before we go downstairs for tea. You say that your company is not a security threat. The United States government says it is, and they're effectively calling you a liar. Does that not make you angry?

Ren: No, it doesn't make me angry. The US government has to think it over. We have tens of thousands of patents, which have contributed significantly to the information society. These patents also have tremendous value for US companies. US industries have been using our patents without even knowing it. If the law grants us more rights, we'll be in a stronger position in the US. We have only established patent cross-licensing agreements with Apple, Qualcomm, Ericsson, Nokia, and Samsung within a certain scope. Other large companies have not obtained a license to use our intellectual property.

20 Matt Rivers: Just to continue that conversation, as a father, I know that you believe that this is going to end well for your daughter, but...

Ren: I was really shocked by what happened with my daughter. How come it happened to her? But I've managed to stay calm. With her situation we can only take things as they come. We have to believe that the legal systems in the US and Canada are open and transparent. They need to put all the facts and evidence on the table, and that's the only way we can prove whether there's a problem or not. We believe that Meng Wanzhou won't have any big problems, so we aren't worried much about it. But it's a shame. She's a professional, and she won't be able to come to work for a long time. Since ancient times heroes have been born of hardship, cuts and bruises will toughen her up. This period of hardship isn't necessarily a bad thing for her. I think it will only make her stronger.

21 Matt Rivers: I understand, this must be tough time for you personally, but I know that you had difficult childhood, so how does the time that you're going through now compare to the hardship that you faced when you were young?

Ren: I think life has always been difficult. Things have never really gone smoothly. When I was young, we were poor and were in an adverse political situation. I had to work very hard to get any work opportunities. I worked so hard and didn't have time to take care of my

children. Later there were opportunities in front of me, but if I didn't keep working hard we wouldn't have seen any results. So I have never been able to take care of my children in the way I would have liked to. Technically my youngest daughter is in a better environment, but even so we don't have too much time to spend together, and we aren't very close. So things have always been hard. When I was young things were hard. They're hard now too. So I don't think the current situation stands out as particularly difficult for me.

22 Matt Rivers: Did you take any lesson from your childhood? I mean you spoke quite strongly about the influence of your family on your life, did you take any lesson that they taught you?

Ren: Parents definitely have an impact on their children. Our situation growing up wasn't great, so as much as we could, we tried to do more and talk less. After my wife and I had been married for a long time, someone asked her who was the more talkative one, me or her? She said that she's the one that talks more. She doesn't think I'm talkative. Why do I keep to myself so much? That's because when I was a kid I witnessed all the hardships my parents went through. So in school I buried myself in my books, doing math and physics problems. When I entered the workforce, I devoted myself to learning

different systems and management models. I paid little attention to social and political issues. This has shaped my character, and also because of my character, I wasn't the type to play around with my children, play hide-and-seek and things like that. My wife scolded me just the other day. She said my daughter wanted a top when she was a kid. Just a two-euro thing. But I didn't get her one. Now that I'm able to buy one, she doesn't want it anymore.

23 Matt Rivers: I'm struck by your positivity here, because I think most people if looking at your current situation, they'd expect you to be perhaps not so happy, and not as effusive in your praise for the United States. How are you able to separate the very real challenge that your company is facing right now while maintaining this kind of positive attitude?

Ren: We expect great growth in the future. To do that, we need to learn from the best of all things. If not, how can we do better ourselves? The US has a lot of great things, which we have to admit. When I visited the US back in 1992, I said that it didn't achieve its wealth and prosperity through plunder. The US made its money from advanced technology. It was an even trade. That was my position towards the US back in 1992, and today my attitude is not negative. If the US is willing to

work with us, we can make an even greater contribution to mankind.

They mentioned they want to develop 6G. It's good. We can work together with the US for better 6G. It's no problem. I'm not the type to quibble over little gains and losses. If I were a narrow-minded person, Huawei wouldn't be where it's at today. The philosophy that brought us here, I learned it from the US actually. The philosophy of how to be open.

24 Matt Rivers: What are you most excited about the future of Huawei? Of all these things that's going on, 5G and servers, all these different things, what aspect of your future that you're most excited about?

Ren: Today what makes me the most excited is the pressure we're getting from the US. After 30 years of development, we see laziness among the team, a tendency to decline. Many middle and senior managers have made enough money and aren't willing to work hard anymore.

A famous person once said that the easiest way to bring down a fortress is from within and the easiest way to reinforce it is from outside. Our fortress has let its guard down, and complacency has kicked in. But pressure from the US has forced us to be united and

stick together. We're united as one now, and we're determined to make better products. This has eased the burden on me personally, because our people are working harder than ever before. They're out there clamoring louder than I am, so I can relax a bit and have more time to speak highly of the US.

I hope they won't develop any anti-US sentiment. We don't want any of our employees to harbor negative or narrow-minded feelings against the US. And we're against populism too, because in the end that only makes you fall behind. We need to learn from US progress and openness. That way we can become more advanced too.

25 **So you're actually saying that what's happening to your company right now is a good thing.**

Ren: Yes.

Ren Zhengfei's Interview with CTV National News

March 13, 2019 Shenzhen, China

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Lisa LaFlamme: We have many things to discuss today. But I would like to start with this beautiful place that we are in. Congratulations! Was this a dream for you to create? You call it a customer welcome center. Was this a dream for you?

Ren: Actually, right behind this door is an exhibition hall where you can see our products and technologies. After a tour of our exhibition hall, we can sit here with customers to chat and learn more about each other. This was the idea behind our design. If customers want to stay here a little bit longer, this allows us to talk longer, which is our goal.

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Lisa LaFlamme: And you must be a student of history, because as I walk through here and also, your European village that we visited yesterday, I couldn't help but think of all of the history that you have created here in Shenzhen, what's the message you're sending?

Ren: Credit goes to the architect, not me. He envisioned a museum of the world's most beautiful buildings in Dongguan. So he brought the essence of these buildings to the village there, which can accommodate over 20,000 of our technical employees.

We have three exhibition halls like this one. This hall is for our carrier customers. They will soon be able to

experience our 5G technologies right here. We have a similar exhibition hall for enterprise products and another for consumer products. Each business group has their own exhibition hall.

03 Lisa LaFlamme: So you look to the future of 5G, but through the buildings of the past.

Ren: We set up this exhibition hall to give our customers a premium experience. Unlike at the Mobile World Congress (MWC) in Barcelona, this showcase is permanent, not dismantled right after four days of exhibition. Every six or twelve months, we update the exhibits on display. Customers who experience the latest technologies here firsthand trust us more.

04 Lisa LaFlamme: And I can't help but think when I read your story that you've written about your life and growing up as a very poor boy, and I look around here, and I wonder for you, if you remember those days clearly, growing up, a boy with very little food, very few clothes, and a family of seven children. What do you think sometimes, wandering through this opulence that you've been able to create?

Ren: I tend to forget things. Once I have passed a road, I don't look back. We need to look ahead. I don't like to

dwell on the past. The hardship we experienced when we were young is gone, and we don't need to care too much about that anymore.

Before China's reform and opening-up in the late 1970's, we had a different political and historical landscape. However, after Deng Xiaoping ushered in this new era of reform, China opened up to a new world that we need to embrace with courage. But that can't happen if we burden ourselves with the past.

To me, China's reform and opening-up is more about learning from the West – from its philosophy, history, and development. We Chinese people have our own culture and 5,000 years of civilization. We remained closed off over much of this long period. For this reason, we failed to prosper. In the past three decades, however, we've become more open and have witnessed tremendous changes. We believe China's reform and opening-up brought opportunities and hope to the country. Policies of China will continue to become even more favorable. Some people from the West may not fully understand our current situation, but living here lets us feel the change every day. Our laws and institutions are changing for the better every day. Developments towards the rule of law and the market economy have become more prominent features of our country. We have full confidence in our future development.

05 Lisa LaFlamme: I wanted to talk a little bit more about your history, because you're such a true rags-to-riches story and I'm deeply fascinated at what moments, perhaps, today, come back to you, what messages from your father do you think of today that make you yourself, surprised at how far you've been able to come.

Ren: I can remember that my parents were very busy back then. Due to the poor economic conditions of the time, they needed to work very hard at the expense of taking care of us. We were naughty kids and tended to get into trouble wherever we went. Without strict supervision from our parents, our personalities grew naturally, we developed the ability to think independently, and we had a lot of chances to be creative. This benefitted me a lot when I grew up. Today, parents impose a lot on their children. This parenting approach dictates how young minds develop. Their children might know a lot, but might lack the motivation to innovate when grown up. So, I think the most important thing my parents did was to leave us naughty kids alone and allow us to "horse around".

06 Lisa LaFlamme: That's a good thing, did you parent your children that way?

Ren: Their mothers get all the credit for raising them, and rightfully so. I barely took care of them. When I was young, I served in the military thousands of miles away and rarely had the chance to come home. Back then, phones were still scarce and we could not access them easily. I could only write letters to my family. I didn't write very often though, because I was busy with my work. I wanted to accomplish something, so that I could earn my position at work. I did have a short break to go home every year. But my children were at school in the day and busy with homework in the evening. When that was finished, it was time for bed. So we didn't really communicate much during those years. Their mothers took care of them and they tended to be quite strict. As a father, I didn't have much say in family matters. My youngest child loves ballet and sports, and is a top student. This should be attributed to her mother's diligent work as a "gardener".

Traditionally in China, fathers tend to be strict and mothers tend to be lenient. My children, in contrast, have their strict mothers and a lenient father. I am pretty relaxed with children and usually let them do what they want. If you want to act up, go ahead. If you want to read novels, do it. If you want to take a break from studying, go rest. If your teacher says you don't have to do your homework as long as your parents agree, I would ask where I should sign my consent. We should

be more flexible with our children and allow them to develop their own personalities. But in general, our generation's parenting tends to differ from our parents' in that we place more restrictions on our children.

07 Lisa LaFlamme: And now all of Canada knows your daughter. We all know Meng Wanzhou as a result of what happened to her in December in Vancouver. I want you to take me back to that day, when you first heard that your daughter had been taken under arrest.

Ren: Meng Wanzhou and I were going to attend a meeting in Argentina. It was about our transformation at representative offices, and she was supposed to be the facilitator of that meeting. After she was detained, I set off two days later to Argentina, and I didn't transfer flights in Canada. The meeting turned out to be a great success, and afterward I told her, "Even though you were not here, the meeting went very well."

First, Meng has no criminal record and has never committed a crime. Second, she has not committed any crime in Canada. Both China and Canada are victims in this case. People from both countries have been hurt emotionally and the relations between the two countries have suffered. Meng has filed a lawsuit against Canadian authorities, and I believe this is her own decision. I fully

support her on this.

I still believe that the US and Canadian legal systems are open and transparent and will ultimately come to a fair conclusion. So we should not allow this incident to affect the relations between Huawei and Canada, or our confidence in Canada. We will not cut our investments in Canada. The more closed-off the US is, the more favorable the situation is for the development of Canada. Let me give you an example. If our scientists cannot get visas to go to the US, we hold our international conferences in Canada. Of course, these scientists are not just from China, but from all over the world.

I think the Meng Wanzhou case is an independent and personal case. It should not affect the relations between Huawei and Canada, or the relations between China and Canada. Our investment in Canada will not change.

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Lisa LaFlamme: So you didn't see this as a personal attack when your own daughter was arrested?

Ren: As I have told other international media, I don't know whether this was done because she is my daughter. We will have to wait until the correspondence between Canadian and US judicial departments is made public. After that, we can find out whether this incident targets me, Meng Wanzhou, or Huawei. I believe that

the Canadian judicial system is open and transparent and the truth will eventually come out at court.

09 Lisa LaFlamme: If you had flown together, do you ever think about the fact that you, yourself, may have been arrested in Canada, had that day, you had taken the same flight?

Ren: Maybe. Then I could have been with her and she would not have been so lonely.

10 Lisa LaFlamme: How often do you have a chance to speak to your daughter?

Ren: Sometimes. In the past, we might not have even had one phone call in an entire year; we didn't even send greetings to each other on holidays. This is because we each have our own families. Recently, however, we call each other every few days, telling jokes and stories and talking about funny things on the Internet. But overall, we don't talk that much. This situation has actually brought us closer.

11 Lisa LaFlamme: That's fascinating, but your relationship, are you suggesting, is improving because of this experience? Because of this arrest?

Ren: Yes. She had actually planned to resign from Huawei about a month before she was detained in Canada. Someone else told me of her decision and asked me to persuade her to stay. She was unhappy about some things in the company. However, after she was detained, her relationship with us has improved a lot. She began to realize how hard we were working and the difficulties we were facing. Maybe it's because her own development had gone so smoothly, so when things weren't going right, she couldn't really stand it. After this incident, though, she has come to know how hard it has been for us to grow into what we are today.

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Lisa LaFlamme: So she's toughening up as a result of this you're saying. She certainly seems like a very strong and smart businesswoman, you know, someone who would know exactly what she's doing. The allegation is that she helped evade sanctions against Iran, and what's your reaction to that?

Ren: I think all evidence should be made public in the future. This case will be decided by the court, so I will not comment on this issue today. The case is now in legal proceedings, so the law will take care of it.

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Lisa LaFlamme: What about Prime Minister Trudeau? Prime Minister Trudeau has said he has no role in this

process. Do you accept that? Do you accept the Prime Minister's reaction to the arrest of your daughter in Canada on a U.S. extradition treaty?

Ren: The case is now in legal proceedings, and the law will make the appropriate decision. There's no point in me making a comment. We have to rely on the law to address this issue.

14 Lisa LaFlamme: So I know you say this is not going to affect your business relationship with Canada. And I wonder how it can not. The arrest of your daughter and your business relationship; are they not tied together?

Ren: We cannot let our personal emotions affect major company decisions. Canada only imposes limitations on our market access. There is no limitation on our investment in other areas, so we can continue to invest and grow unless the government imposes clear limitations in these areas. If such a thing were to happen, we would withdraw. However, without such restrictions, we will continue to invest. We might not sell 5G to Canada, because it is close to the US. This makes doing so too sensitive.

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Lisa LaFlamme: So the Chinese government seems to have a different reaction; they said that there will be retaliation as a result of the arrest of Meng Wanzhou. In fact, we've seen Canadians detained, and I would like to get your thoughts on the fact that the Chinese government, on some level, is taking this further than you are as a reaction, retaliation to the arrest of your daughter. Is that undermining your own argument?

Ren: We don't know what the specifics of the Chinese government's reaction. It's up to the government. They are obliged to protect the consular rights of Chinese citizens. As a company, we choose to resolve this issue through legal means, and use Canadian and US laws to protect our interests.

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Lisa LaFlamme: The Chinese ambassador to Canada, after the arrest of your daughter, basically accused Canada of being white supremacists. It was big headline news in Canada and I wonder what your reaction is, then, to inflammatory comments like that?

Ren: I think this is his personal opinion. Everyone has the right to express their opinion. I think his comments are understandable.

17 Lisa LaFlamme: What do you think of how Prime Minister Justin Trudeau has reacted to this? I'm sure you've been following it just as closely.

Ren: I have never met Prime Minister Trudeau and I don't know much about him. He is young and is of course different from people of my age, so I fully understand some of his decisions. We are relying on the legal system to protect our rights, including the personal rights of Meng Wanzhou. She is protecting her rights through the lawsuits.

18 Lisa LaFlamme: The Chinese government has called her arrest a human rights abuse, while the Canadian government says this is an open, transparent, fair, and unbiased legal proceeding. Which one do you think is true?

Ren: We won't know the answer until the court makes a final decision and all evidence and correspondence are made public.

19 Lisa LaFlamme: A lot of people in Canada are questioning the fact that your daughter is suing Canada as a result of her detention. And she has the right to sue. And you know there are Canadians in

detention here in China. And I wonder if you think that they would be given the same right, those Canadians who have been detained after your daughter's arrest. Could they sue their Chinese captors over the allegations, or is there a double standard?

Ren: Your question is about the relationships between China and Canada. I'm not a government official and I do not represent the government, so I'm not in a position to comment on this. Meng Wanzhou has not committed any crime. It's our right to sue Canada.

20 Lisa LaFlamme: So you stay out of the politics. Has politics dirtied this entire situation in your opinion?

Ren: In China, we must comply with Chinese laws and regulations. We must do the same in other countries around the world. And we must also follow the resolutions of the United Nations. We need to do everything in our power to ensure compliance in all countries where we operate. We adopt a rigorous approach to managing internal and external compliance.

When it comes to the lawsuits, I think we can give our comments after court decisions are made and evidence is made public. Legal proceedings in the West take a long time, but we are patient and we will wait.

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Lisa LaFlamme: It must be disturbing to know that there is a 30-year prison sentence, if found guilty. If the extradition takes place, and she does go to the United States. However, Donald Trump has said he may intervene in your daughter's behalf. He said this twice now. Do you trust him?

Ren: The decision on whether to extradite Meng Wanzhou must be based on fair legal proceedings. Even if she is extradited, the legal systems of the US and Canada must be open and transparent and provide evidence to substantiate their charges. I don't think the US or Canada will impose a sentence on Meng Wanzhou without providing evidence. The US and Canada are countries that follow the rule of law and put law above everything else. Therefore, it's necessary for the US and Canada to handle Meng Wanzhou's case based on facts and evidence through open and transparent legal proceedings. Then the case can be handled the way it should be.

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Lisa LaFlamme: So do you trust Donald Trump?

Ren: First, I've never had any contact with President Trump. Second, I know basically nothing about him. What Mr. Trump has said is his personal opinion, so I'm not going to comment on it.

23 Lisa LaFlamme: His opinion, though, revolves around your company, and we've heard Vice President Pence, we've heard his Secretary of State stand up on world stages and say to Western allies, "Do not do business with Huawei". And I wonder, first of all, your reaction to the fact that these top men in the Trump administration are threatening your company this way.

Ren: I think we should pay them for doing advertising for Huawei. Huawei has never been more famous than we are today. With so many senior US politicians advertising our company around the world, people everywhere are becoming aware of Huawei. They may not know for sure if Huawei is a good or bad company, but they start to learn about Huawei. When they visit our website and see the facts, they know that Huawei is a good company.

In January and February, our sales revenue grew 35.8% year-on-year, which is much higher than expected. Thanks to those US politicians, carriers and consumers have come to know Huawei better. I'd like to thank them for advertising Huawei.

24 Lisa LaFlamme: But there are countries including Canada right now who are debating this issue in parliament and in private back offices, whether or not

they should follow the American advice and example and ban Huawei.

Ren: There is basically no Huawei equipment in the US networks. If networks are secure without Huawei, then I think it's worthwhile to ban Huawei to keep these networks secure. But are US networks really secure without Huawei? Is their information secure? The answer is No. The US isn't secure even if it keeps Huawei out. Will Canadian networks be secure without Huawei?

The US has not produced any evidence that Huawei is the only company with security issues. Are other companies free of security issues? With technology developing at such a fast pace, issues are bound to occur. Issues are what drive our society forward: Once an issue appears, people need to rapidly work out a solution, and that's how our society has evolved into what it is today, by addressing issues over the past several millennia.

I don't think the US has made a convincing case for a Huawei ban. That's why the remarks made by its Vice President Mike Pence and Secretary of State Michael Pompeo in other countries have failed to produce positive results. That said, I think they are great politicians. The bank account of Mr. Pence is worth no more than 15,000 US dollars, and each of his education savings plans for his children is worth no more than

15,000 US dollars. For someone who is vice president, he doesn't have much personal property. He has indeed dedicated himself to politics. He is a great politician, and has dedicated himself to serving US politics.

I am not being sarcastic when I say this. I respect them. They are using their prestige to tell the world how important Huawei is. The fact is, Huawei is not that important. 5G is not that powerful. It's just an ordinary technology. These politicians have exaggerated its role, only to call people's attention to this technology. 5G is well-known now, but this was not the case for earlier generations of communication technology. I'm not worried about their lobbying against Huawei around the world, because every country will make its own decision. Carriers have worked with Huawei for more than 20 years, and we have served 3 billion people worldwide who have trusted us for more than 20 years. These customers will make their own judgments. They have the right to decide and choose whether to work with Huawei. We are not worried about this.

25 Lisa LaFlamme: So what is your message to the Canadian government as they weigh this decision? What do you want them to know about your business practices and these allegations?

Ren: Canada is a country with abundant natural resources and terrific geographic conditions. It's also in North America and is culturally quite similar to the United States. At a time when the US is closing its doors and shutting foreign investment out, I believe Canada should be more open and attract more foreign investment to boost its economy. I think Canada should choose an open approach rather than follow in the US's footsteps, because a closed approach will do no good at all.

The US has developed into a major power in just 200 years. How has it achieved this? I think it is its openness, which attracted the world's bright minds. And the inventions they created have been protected by the US through intellectual property laws. That's how the US has grown to be such a big power today. Canada should also open its doors. This is the right path forward, a path that will lead Canada into a world power. China also needs to stay open and implement reforms.

26 Lisa LaFlamme: I know that you say 5G is not so important. Everybody has made it so important. But it is your future. You've created it. I wonder if you concern right now that your empire is at risk as a result of all of this.

Ren: No. I'm not particularly concerned about this. I

believe we will only grow better, not worse. In fact, what has happened lately has helped get our name out there. Huawei was just a company that was unknown to many people until we faced off with this powerful rival. This has made our company look powerful. People are more willing to buy our products now.

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Lisa LaFlamme: So why has 5G become kryptonite? Superman had kryptonite. How do you call it? It seems like the new Cold War on technology is 5G. Why?

Ren: I have no idea. I think 5G is just another technology, like an information "water tap", and it is only bigger and carrying more "water". Why are people considering it to be a nuclear weapon? I don't know why this connection was even made in the first place.

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Lisa LaFlamme: I'm sure you've analyzed this deeply. Why does the world, the United States in particular, seem so afraid of Huawei?

Ren: It's an interesting question. I also wonder why a country as powerful as the US is really afraid of a small company like us. The US is the global leader in terms of technological innovation. They draw from technologies and talent from all over the world. How could it possibly be

afraid of Huawei? Maybe they are severely overestimating us. We are not as strong as they think we are.

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Lisa LaFlamme: There are assumptions that somehow you're linked to the Chinese government. That would be the concern they say publicly – a security risk. Do you believe that?

Ren: We comply with Chinese laws and we pay taxes to the Chinese government. That's all about our relationship with the Chinese government. Nothing else. We have no ties with the Chinese military. The US should stop fixating on my experience in the military. I was a very low-ranking officer back then, without any titles. The US government has exaggerated the impact of this experience on my life. Let's not overthink it.

As to the concerns that we may install backdoors for the Chinese government, a top Chinese government official just stated at the Munich Security Conference that the Chinese government would never require Chinese companies to install backdoors. We have also promised that we would sign no-backdoor agreements with carriers all over the world. The Chinese government has agreed that we can do this. If necessary, perhaps we can invite the Chinese government to witness the signing of such agreements. This shows that the Chinese

government endorses our signing of such agreements.

The top Chinese government official also said at the Munich Security Conference that if foreign governments want to sign no-backdoor agreements with the Chinese government, they might be willing to do so. All these concerns really are for nothing. The Chinese government does not need to infringe upon the interests of other nations. So today I can assure you that this will never be a problem. And I understand the Chinese government's approach to this kind of issue and I believe that they will never require companies to do such things.

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Lisa LaFlamme: So this is the compromise you would present to sort of calm the suspicions of countries that may have a trust issue with your country as a result of what they perceive the relationship is with the Chinese government?

Ren: We have not and will never install backdoors. Our global sales are worth hundreds of billions of US dollars. If there were backdoors in our equipment and someone found them out, no customer would buy our equipment in any of the 170+ countries and regions where we operate. This would cause our company to collapse and our employees would all leave and start their own business.

Then how could I repay our bank loans? I don't have many shares and I wouldn't be able to pay the loans off on my own. So I won't take that risk, for my own sake. The Chinese government has made it clear that they don't require companies to install backdoors and I believe their words carry weight.

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Lisa LaFlamme: I think that it does come to trust. And I use that word intentionally. There are a lot of people who wonder if you have an option to say no. What are consequences of saying no to the Chinese government?

Ren: We would always say no to such requests. I don't think there would be any unbearable consequences, because Chinese leaders have already made their stance quite clear in international forums. We would be following their instruction by rejecting such unreasonable requests. What consequences could saying no possibly have?

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Lisa LaFlamme: So you've taken, now, the aggressive act of suing the U.S. government. And do you hear on any level that that lawsuit may actually hurt the case of your daughter?

Ren: That's possible. But we think Meng Wanzhou's

case has nothing to do with Huawei's case. These are two different things. Meng Wanzhou's case is a personal matter, so she should file a lawsuit separately. Her case has no connection with Huawei's case. These are different actions taken to protect different rights.

33 Lisa LaFlamme: But they both converge in the United States. The United States wants your daughter. You are now suing the United States government. And I just wonder if you are concerned that there could be retaliation as a result of this.

Ren: Are these two cases linked? I don't think so.

34 Lisa LaFlamme: Okay. If you don't. All right. She is being extradited to the United States and you are suing the United States government. But you don't see a relationship there?

Ren: No, I don't.

35 Lisa LaFlamme: You have always been a man who has been able to foresee the future. Obviously, even as a young man, you worked hard to build this enormous business, this successful business. I wonder if you were at some point able to predict that one day your

company would be under attack like this.

Ren: I think sooner or later we would have some kind of conflict with US companies in this industry. Now, we are in the 5G sector, but the US does not have a 5G industry. So the conflict isn't that intense.

Huawei is now the third largest buyer of US chips. If the US doesn't sell us chips, many US companies would see a decline in their business. This would influence their stock value, but wouldn't really impact our production. The US does have more advanced chips than we do, but without US chips, we can still develop world-leading products.

So I think only collaboration can lead to shared success. Conflict won't do anyone any good.

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Lisa LaFlamme: So you don't feel there is damage to your company as a result of all of this?

Ren: I think this has had some impact on Meng Wanzhou personally. She has always been positive and motivated to do better. But all of a sudden, she can't come to work. She may feel lonely now.

But this has had a positive impact on our company. This is really a good thing for us. Why? Because after 30 years of development, we have started seeing our

teams become slack and complacent. Many employees have made enough money, and don't want to work hard anymore. They are reluctant to work in hardship positions. If this trend continues, we will fall like some Western companies.

But pressure from the US has forced us to be stronger, to stand united, and to stick together. Under this pressure, those who have already fallen behind are forced to work hard to improve; otherwise they will be edged out of the company.

So the pressure has made us stronger, not weaker. It serves as an external force that drives us to change the status quo after 30 years of development.

We have failed to solve this issue internally. Just issuing a bunch of internal official directives doesn't help. But the sudden external force has already impacted us. That's why I say pressure from the US has a positive impact on us. But Meng Wanzhou has to suffer personally.

37 Lisa LaFlamme: And you said earlier that you thought this would actually strengthen her. And I've read in the past that when you were asked if she would be one of your successors or if you were grooming her to be your successor, you didn't think she had the maturity.

Do you think this experience changes that and that she may now be someone you would consider as a possible successor?

Ren: Throughout history, heroes have always been born from hardship. Cuts and bruises toughen you up. This period of hardship will make her stronger, and push her to accomplish even greater things.

She has a strong background in management, and she is very good at complex coordination horizontally across the company. But Huawei's leaders are expected to dive vertically for breakthroughs. They must have the ability to gain insights into the next 10 or 20 years. This can only be done by someone with a technical background.

Those without a technical background won't be able to predict what is coming over the next 10 or 20 years. If our company relied on management to improve, she would have a chance, but that's not how Huawei works. She doesn't have the technical background, so she could not be my successor.

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Lisa LaFlamme: So that hasn't changed, then; she's still not your successor?

Ren: No, she's not.

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Lisa LaFlamme: You talk about how – whoever it is – has to see the future. You are such a visionary on the future, but I wonder what surprises you most about the speed of change of technology. We've watched it in your own campus here, the extraordinary efficiency that exists in your plants, on your factory floors; what surprises you most about the speed of change?

Ren: I believe the world will experience tremendous changes over the next 20 to 30 years, which will be beyond our imaginations. 20 to 30 years ago, we could not have imagined the current information society. Similarly, it is impossible for us to picture how the world will look 20 to 30 years from now.

Technology is advancing at a speed faster than humanity has ever experienced. Can Huawei keep pace with these advancements? We don't believe we have a definite answer to this question. A Canadian professor put forward the concept of artificial intelligence more than 20 years ago. Actually, British scientist, Alan Turing, brought up the concept of artificial intelligence 70 to 80 years ago, but this was not widely recognized. As computers and transmission technology today are highly developed, people are recognizing the increasing importance of AI. I believe Canada is very well positioned in AI. The three fathers of AI are all in Canada. In the future, a small number of people are very likely to

generate huge amounts of wealth. Most people won't have to work. Instead, they can just enjoy life, and will have sufficient money to support themselves.

I don't know whether you have visited our production lines. We can produce a premium phone from scratch in about 20 seconds, but very few staff works on our production lines. Maybe we will only need five or six people for a line in the future. This means AI will play an increasingly important role in improving production efficiency.

When that happens, countries like Canada and Switzerland will become big industrial powers. Why is that? With the help of AI, one person will be able to do the work that is done by 10 people today. This means that Canada would be equivalent to an industrial nation with 300 million people, Switzerland to an industrial nation with 80 million people, and Germany to an industrial nation with 800 million people. They will have more production capacity in terms of industrial goods than the world will need. In the new era, as tremendous progress is being made in AI, new computers, and new research, we don't know if we will be left behind.

Some people asked me what Huawei would look like in three years. My answer was: "It may go bankrupt." To prevent this, we must race against time and keep pace with the rapid changes that are taking place around the

world. We are not scared of the US's campaign against Huawei, but we are scared that we might be unable to keep up with the developments in the world and be unable to meet people's needs.

We are now slightly ahead of others, and it might be an issue for us, because our employees may become complacent and stop working hard. As a result, we may be cast away from the world. About 140 years ago, the center of the world was Pittsburgh, as it was the heart of the iron and steel industry. About 70 years ago, the center of the world was Detroit, as it was the heart of the auto industry. Where is the center of the world today? I don't know. I think it is constantly shifting. Countries with better systems and more open policies will stand out regardless of their populations, because our future production models will need very few people or no people at all. We have started incorporating AI into our production.

I can give you one example. Huawei's laboratory has developed a simplified version of AI technology, which is currently used in Africa. It is not yet fully intelligent. In the past, one Huawei engineer could design four sites every day in Africa. With the help of this technology, each engineer can now design 1,200 sites a day. Two years ago, we reduced the number of engineers by more than 10,000, because we no longer need so many.

Therefore, countries rich with highly-educated talent resources will enjoy an increasing edge in the future, and a large population will no longer be an advantage. Issues that cannot currently be resolved in Western countries, including social welfare, unions, and strikes, will no longer be issues. As AI technology becomes more advanced, robots will be widely adopted. They will only need electricity, and will never go on strike. By then, the serious issues Western countries face today will be resolved. After real AI becomes a reality, large-scale industrial production will shift to the West. Production activities for which AI cannot be adopted may move to countries in Southeast Asia, where labor costs are low.

China is somewhere between these two types of countries, and faces a great challenge in determining the right direction. I don't think a large population alone can resolve China's future development issues. How can we survive? We have no answer for that, either.

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Lisa LaFlamme: Well, that's the question and the responsibility. Do you bear, do you feel the responsibility that comes with a future that includes fewer people, more automation, and a lot of people without jobs?

Ren: This is an inevitable trend, and I can give you one

example. Microsoft has AI software for phones. While two people talk, this software could have real-time translation in 50 languages, and also transcribe the audio to text. In the past, this work would have required many people.

AI will gradually be adopted in many production activities. Another example is smartphones. They are becoming more advanced than ever, and the level of precision required for manufacturing is 10 micrometers. People simply cannot do this. We must rely on machines, and it's not just about ordinary digital processing; we must rely on image recognition.

Production models have changed greatly. With these changes, the West has unique advantages, thanks to its solid cultural foundation. Issues like social welfare, unions, and strikes have slowed down its development. However, if these issues no longer exist, the West will continue to develop rapidly, and this will strengthen its culture and technology. We believe significant changes will take place over the next 20 to 30 years. Who will win? Who will lose? No one knows. We just hope that we will survive.

41

Lisa LaFlamme: So we hope we survive, yes. Does it worry you? There's a lot of trust that goes into the fact

that technology can go in any direction, we trust the people that are creating the software for that. Do you trust that this is taking society in the right direction?

Ren: This is not something about me being worried or not. Nobody can stop the development of humanity. If our company does not work on it, still other companies do and we may collapse. We don't want to collapse, so we work on these technologies as others do. I think this will be the situation in the future, companies racing against each other. Where will this take humanity?

I think our world should put an end to the arms race and turn to peaceful development. All countries want to maximize their own interests. Some may choose guns, cannons, and warships as their means of gaining interests. Why not focus all the attention on production activities to create more value and benefit the whole world?

For example, we can develop AI-powered tractors which can work in the field 24/7 without needing to worry about mosquitoes, the cold, or storms. The quality of operations will also improve. AI can also work in remote areas where people will not go. This will create more wealth for humanity. AI will drive more robust and civilized development of society. From the perspectives of management and technology, I believe AI is a good thing.

Of course, some hold negative views about AI from societal perspectives. They are worried that AI will replace people, but I don't think that will happen in the next 20 to 30 years. We don't really have to worry about that during this period. When AI has the ability to replace people, we can pass laws to prevent this.

42

Lisa LaFlamme: It is a fascination to me that, as the founder of the world's largest networking technology, you come from a country that actually restricts information, no Twitter, no Facebook, no Google; and we talk about the future. And I wonder if you ever lobby your own government to open the doors more on the flow of information.

Ren: I strongly support Google, Facebook, and Amazon to enter the Chinese market. My attitude towards this has never changed. I always speak out for Apple, even though we compete with them. Whenever we have the chance, our company will always speak out for Apple and other Western companies. We have always been open like that. Only through open competition can we grow stronger. Protectionism isn't good for companies. So we compete with our Western peers in international markets, and that's how we've grown strong like we are today. And that's probably why the US government has overestimated us. Actually, we are not as strong as they think.

43

Lisa LaFlamme: You just mentioned Apple and it makes me think, you know, the world knew Apple as Steve Jobs; you, however, have been a mystery man until very recently. Why have you decided to come forward, put your name to Huawei so that the world can get to know you?

Ren: Everyone in my family is a big fan of Steve Jobs. And aside from me, all of them use Jobs's products. When he died, my youngest daughter even organized a memorial and held a moment of silence for him. So my family really admires him. He improved mobile Internet for mankind, helped the Internet become more developed, and changed society. He was a great man.

Why did I come forward? Talk to our public relations team. They're totally using me. They realized they might not be able to win over the media, so they're taking advantage of me. I never really showed my face in the past. They said if I come forward now, people will pay more attention. So they tricked me to come out and speak. First, they tricked me to Davos, saying it was a small closed-door meeting. When I got there, the closed-door meeting turned out to be a global live stream. All of a sudden, I was out in the spotlight. I know today's communication will also be broadcast worldwide, but I feel free to talk frankly. Both of us, and the whole world, all we want is to create a happy and prosperous future

for everybody. We all should work together for shared success. No company can prop up information society alone. So we fully support our competitors. I have never attacked any one of them.

44

Lisa LaFlamme: And so do you like the attention?

Ren: Of course not. It makes me lose all my freedom. Once I had 200 yuan in my pocket. And it just sat there for half a month – I couldn't find anywhere to spend it. Until one day, I had a coffee somewhere and I insisted on giving them that money for the coffee. I was finally able to get rid of it. I get too much attention, so I'm not really free. When I go to the airport, people take photos of me. When I walk into a cafe, they also take photos of me. The photos are then posted online with made-up captions that come from nowhere. So I feel like a turtle. I just want to go and hide in my own dark corner. That corner is home. So my life isn't all that free and happy.

Some people say I am a public figure, so I must be responsible for the public. But it's not like I'm a listed company. Why do I have to take responsibility like that? I have no choice. I'm an Internet celebrity now. It's no good for me.

Correspondent: You are an Internet celebrity, it's true. And now they're going to see this palace and they're all

going to want to come here to Shenzhen, you threw the doors open to the public.

45 Lisa LaFlamme: I want to ask you about historic work ethic, and how it enters in today, and by that, I mean, the story behind the black swans that we have seen here on the property.

Ren: These black swans have nothing to do with me. I don't like black swans. I'd rather give them away. They always eat up the flowers and grass, and mess up the environment.

46 Lisa LaFlamme: So it's not true this story that's out there that you personally wanted black swans because you always wanted to be reminded yourself and you wanted all of your employees to be reminded, that disaster can come at any moment?

Ren: People make up so many stories. There are all these online stories about me. I'd say 98% is fake or exaggerated. So if you want to really understand us, go meet our PR people. They can explain things, and it's probably going to be a lot more accurate. Our company is not all good. If you visit our online forum *Xinsheng Community*, you'll find a lot of criticism about Huawei.

Many of the critics are some of our best employees. When they complain about Huawei's management, we usually try to reflect on ourselves and make improvements. That's how we've survived till now. If we stopped improving and closed ourselves up, we would die off in no time. We are not a listed company, so we don't need to go out and sing our own praises all the time to boost our stock price. Or shoulder any losses if we say anything wrong. We aren't a public company, so can say all the bad stuff we want about ourselves. Now that we're used to it, it's a daily opportunity for us to fill gaps and put things straight.

47

Lisa LaFlamme: You can do whatever you want. It's a private company; is that what you're saying? You owe nothing to anyone, including the Chinese government?

Ren: That's right. We paid \$20 billion dollars in taxes last year. I think they're more concerned about all the taxes we pay.

48

Lisa LaFlamme: But do you know about the story about black swans? It's been reported by the Economist, New York Times, and Time.

Ren: I know black swans and grey rhinos. But the black

swans in our company have nothing to do with me.

49

Lisa LaFlamme: So, now that we are getting to know you, the world, we are all very fascinated by you. As I say, this story that started with nothing. 3,400 U.S. dollars has grown to this. And I wonder if you can share with me, what your daily life is like.

Ren: When we just started the company, we didn't have a single penny left by the day we got our business license. At the time we thought the name Huawei wasn't catchy and wanted to change it. But the name was on the business license and we didn't have the money to change it. Back then, we didn't have many employees, and when we had to transport products, we did it on public buses. Without others' help, I had to carry them myself. These products were heavy, and it was difficult to carry them all at once. So I would take some of them, walk 20 meters, put them down, and then went back to carry more of them. I moved the products 20 meters at a time because they had to be kept within view in case of any losses. Bus conductors were nice back then and would allow me to bring our stuff on the bus. There's no way they'd let you do that these days, so if we were in the same situation now, we probably wouldn't have succeeded.

In short, when things were just starting out, we didn't have any technology, we didn't have any special background, and we didn't have capital. All we had was our credibility. We worked as an agent for a vendor and we earned a commission. That's how we grew. When we started growing too much, the vendor refused to provide us with their products anymore because they were afraid we would dominate the market. So we were forced to research and develop on our own.

From that time on, we started investing more and more of the money we earned in R&D. I didn't buy my own house until 2000. I lived in a rented flat that was only about 30 square meters large. The flat faced the West, right into the sun. At that time I was investing all I earned back into R&D, so I didn't buy a house until 2000.

We believe that our future depends on investment. Even today I don't have many personal assets. Why? Because my wealth is in the form of paper, that is, company shares. They will be worth nothing if the company shuts down. So we all invested our money in the company and put our faith in it. We believed the company could survive. In this way, we shared a common fate. That's how the company got where it's at today. Of course we faced many troubles along the way, but it's not a big deal. All problems are solvable. It's only

a matter of time.

50 Lisa LaFlamme: So this is such a fascinating history. So let's take it right to today. And what does your normal day look like?

Ren: Actually my daily life is quite relaxing. I usually get up early – I'm at my best from about eight to nine in the morning. So I come to my office to revise documents. Then I attend meetings because I'm more energetic in the morning. I get a bit tired in the afternoon, so I have some casual talks with different people and listen to their thoughts. After I finish my supper, I go for a walk, and then have a bath. Then I check emails and write replies. Then I surf the Internet and read news. Sometimes, I play Douyin, like TikTok in the West. At around one o'clock in the morning, I go to bed. That's a normal day for me. Sometimes I have trouble sleeping. And when that happens, I just surf the Internet again.

51 Lisa LaFlamme: And you also now, phone your daughter in Vancouver more often?

Ren: Yes, but not that often. I didn't phone her every day.

52 Lisa LaFlamme: Are those conversations you look forward to, to hear how her state of mind is?

Ren: They're mostly just normal conversations, checking in on each other. Because we can't really expect any miracles.

53 Lisa LaFlamme: Her children are not with her right now. Do you have a relationship with your grandchildren while she is in detention in Canada?

Ren: Her children are taken care of by their grandfather and grandmother on their father's side. When school lets out they will go to Vancouver to see her. I see them too, but not very often.

54 Lisa LaFlamme: Have you been to Vancouver? Have you been to Canada?

Ren: Yes. Canada is a beautiful country, and Vancouver is also very beautiful. I remember that when I took a train between Banff and Kamloops, the mountains, the snow, everything was so stunning. I took a train for a day, then I flew to Vancouver.

55 Lisa LaFlamme: Very beautiful. Would you be concerned if you arrived in Canada, you also would end

up being arrested?

Ren: I think Canada probably knows better this time around. They're nobody's fool, and wouldn't trigger another major event like this by detaining me.

56

Lisa LaFlamme: Do you have a message for your daughter? She'll be able to watch this interview.

Ren: She's studying right now. She takes several online courses every day. She doesn't want to waste her time there. It's good for her to put her mind at rest, and take some courses while waiting for the court's proceedings. I'd say take it easy. Take things as they come.

57

Lisa LaFlamme: If you could predict the future, when do you believe Meng Wanzhou will be back here in Shenzhen?

Ren: It's hard to say. I hope she keeps up with her exercise, though, and doesn't just stay indoors all day. Go out and jog, get a good workout. Keeping healthy is the most important.

Lisa LaFlamme: I want to thank you so much for taking the time to sit down with us today. It's fascinating to talk to you.



Ren Zhengfei's Interview with LA Times

March 14, 2019 Shenzhen, China

Norman Pearlstine: First of all, I want to thank you very much for taking the time to meet with us. I realize you have been, in these last two months, I think you may have spoken to more journalists than you have spoken to in many decades together. If it is okay with you, I would prefer not to repeat the questions that I have read in transcripts with the BBC, with other foreign correspondents. If you are comfortable with what you told them, those being your feelings, I would rather try to ask some different kinds of questions. So I would first like to ask about how you think about the future, and then some questions about how Huawei grew from 1987 until now, and then some questions about where the industry is likely to be going on as opposed to just Huawei.

Ren: I'm more than okay with those questions, we have plenty of time. Let's try doing this Q&A style so you can ask the questions one by one and I will answer them one by one. If we don't have enough time for all your questions this morning, I can reschedule my meeting in the afternoon and we can keep going after the lunch break.

Norman Pearlstine: Well, that is very generous of you and we will try not to abuse your hospitality and your

generous offer.

Ren: Feel free to ask whatever question you might have, no matter how hard they are. I'll be honest. More often than not, the trickiest questions are the ones that help create understanding.

01 Norman Pearlstine: Let's take a minute to talk about the most recent development with the decision to go to a federal court in Texas to try to compel the United States government to behave in a different way. I know you have spoken about wanting to leave discussion of the lawsuit itself to the courts and not to the press. But I would love to understand the motivation for the litigation. Why bring a lawsuit? Commentators have suggested this would be a difficult mitigation or lawsuit to be successful in the court of law, which made me wonder whether the motivation was to appeal to a court of public opinion, and or whether was to try to get a better understanding of why the United States government has been such a persistent critic of Huawei.

Ren: The United States has been attacking Huawei for over 10 years now. No matter how minor the issue they wanted to bring up was, they would rally multiple government departments and agencies to create an overwhelming campaign.

We have done everything that we can to remain silent and tolerant. But being tolerant does not mean we are numb. Being silent does not mean we are cowards.

In the past, we encountered multiple types of lawsuits and litigations, but with other US businesses, not with the US government.

The US government has passed a bill to single Huawei out without any executive or judicial process. If the law is likely to go into effect in August, we will face restrictions. So we have to make our voice heard now. We have a very strong legal base for this. We very deliberately and thoroughly considered all our options before we took this action.

If we win this case, it would prove the greatness of the US legal system. The whole world would be able to see the system's fairness and greatness. Even if we lose the case, the evidence that will be presented by the U.S. Government during the trial will prove Huawei doesn't have these alleged problems.

Maybe the United States won't actually be able to modify the law, but they won't be able to keep claiming that Huawei was a company with problems.

Whatever the result, I believe, this will put all the questions to an end.

02 **Norman Pearlstine:** If you had to predict, one year from now, five years from now, will Huawei have a business presence in the United States and is it important to have a business presence in the United States? I was looking at your financial performance for the first two months of this year compared to a year ago and it seems that you are doing very well without being in the United States. I recognize, of course, that being blacklisted could have implications outside of the United States as well as in it.

Ren: We are not necessarily seeking a business presence in the United States. But at the very least, we should tell the truth. The United States is a very powerful nation. When they speak, many people listen. If we do not speak up and tell the truth, there may be misconceptions about us.

03 **Norman Pearlstine:** Do you feel that you should have been speaking up years ago? Or have things changed so much in the West since this new administration has come in, that you now feel more need than say, 7 or 8 years ago?

Ren: For Huawei as a company, we tend to remain silent. Show patience. It's not easy to show who we truly are, not just in the United States but here in China as well. China for the most part is a socialist country, but

the way we organize ourselves within Huawei is capitalist in nature, with our employees investing in the company. The majority of our employees earn more than average for Chinese people. Yet in China, underprivileged people still account for two-thirds of the population. In that context, if we overly promote ourselves in China, it might have the opposite effect. That's why we have chosen to stay focused, pretty much entirely on our business, so that our customers are happier and give us more contracts. Employees who don't want to work hard but still want to make more money will be sifted out.

When we expanded our business outside of China, the outside world seemed to think that Huawei was a representative of China or some sort of communist company. So they grabbed a stick and beat us on the head. Here in China, we also get the switch, but this time on our butts. They called us capitalists back then. We were struggling to survive. Against this backdrop, we decided it's best to keep a low profile. We have bitten our tongues until our patience wore thin. The 2019 National Defense Authorization Act in the United States has compelled us to make our voice heard.

So back to your question, why didn't we step up or speak up in the past? Because we can't remain silent anymore. We need to speak up now.

04 Norman Pearlstine: We have a saying in the United States that sometimes people sometimes mistake kindness for softness. So if I understand, well, when I have been interested in Huawei for a very long time because I first worked in California in the 70s when companies like Intel were just beginning to grow. And so I read the Rand report from 2005. I read the house committee report from 2012 which seems to quote the Rand report from 2005. I now see what a government is saying in 2019, and it seems like it is the same information as I read 14 years ago. It at least tries to make a case that Huawei is an extension of the Chinese government. Yet, when I speak to some of the people who have worked with you for a very long time, and when I read about your earliest time, it seems like the government was not your friend when you began Huawei. That you were having to compete against government owned enterprises. Chinese government, you were competing against. Even as ZTE is a majority government owned, or very close to it. But today it seems like the Chinese government has embraced you, has talked about competencies and has been very public in criticizing US and Canadian governments. In some ways it seems like the Chinese government's embrace of Huawei may do more harm than good. And I wonder if that's a fair characterization. Because I do think of you as

a capitalist company just as I thought that Deng Xiaoping was encouraging enterprises when he was the head of state to behave the way Huawei behaves.

Ren: Silence does not mean cowardice and tolerance does not mean apathy. But this time, we're resorting to legal procedures to hopefully clear up the doubts or questions that people may have. If issues surrounding Huawei are addressed during negotiations between China and the United States, potential risks might arise. Because you never know if a new Member of Congress might bring up the old story and claim that it is not clearly explained yet. That would bring us back to the same situation we're in today, dealing with lawsuits one after another. And that's where we hope that a more thorough approach will clear up all of this misunderstanding and let the court decide, so that in the future we won't need to revisit the same old story.

Therefore, to sustain Huawei's development over the next twenty or thirty years, we have to resort to legal means to elucidate and then clarify any doubts that people have. The Chinese government takes action to protect the legitimate rights and interests of their people. In this context, those actions are understandable and reasonable.

In light of the overwhelming campaign of the United States, it's necessary for the Chinese government

to make its voice heard. I can see how this may have negative consequences regarding our global reputation. But whether it's in the United States or Canada, we choose to take legal actions. We believe both the American and Canadian courts are open and transparent. Once all evidence is presented to the courts and to the media, the facts will be clear.

So on the one hand, people are seeing what the Chinese government does. On the other, they see Huawei take the legal road. These two actions are not related. Last year, we paid 90.5 billion yuan in tax in China. If the Chinese government remains silent or does not express its support for its high-performing enterprises that pay taxes and are being unfairly treated, the United States might target other big Chinese companies. We have seen this happen with other countries, such as Alstom from France and Toshiba from Japan. So the US government does not have a one-hundred-percent clean reputation in this regard, and I think it is understandable that the Chinese government voices its opinions.

05 Norman Pearlstine: So I don't know about these other cases that you mentioned. But it does seem to me, I cannot recall any case in recent decades where the United States government has been so persistent in its efforts to attack a foreign corporation. I know that

especially in the world of telecommunications, the national interest maybe, and business interest can collide, but do you think that the United States is really trying to damage Huawei or is the United States trying to damage China?

Ren: I think the US right now is actually helping drive sales for Huawei, and increase our influence. As a private company, we didn't have this much influence before, and we do not have a high social status. Now, thanks to this massive campaign that the United States has started, more companies go online to check out what kind of company Huawei truly is. This helps drive up our sales.

Norman Pearlstine: So all publicity is good publicity?

Ren: That's what is happening externally. Those are very high-profile US officials that are essentially running a publicity campaign for Huawei. I also want people to know about how positively this has impacted Huawei internally.

Norman Pearlstine: It's surprising because if it is so positive, why bring the lawsuit?

Ren: A famous person once said that the easiest way to bring down a fortress is from within, and the easiest way to reinforce a fortress is from outside. How do we interpret this?

After 30 years of dedication, a large number of people within Huawei are pretty rich. But their spirit of hard work and dedication is dying out. Even the people you see sitting here with us are very rich. They may not be willing to go on assignment in Africa or go install base stations on Mount Everest. They don't want to go to the places that are stricken by AIDS or Ebola. I think our organization is slacking off.

Norman Pearlstine: Is it because it has got so big?

Ren: Not necessarily. It is because our employees are getting richer. Especially in our HQ here in Shenzhen, we see a large number of senior executives and highly-paid employees. As a matter of fact, many of those people may not be needed anymore because our business operations have matured.

The company has been calling for more streamlined business management and operations, yet it has not been successful. If this continues, Huawei will also probably start to decline after growing for another 30 years, like many other Western companies.

Yet, with this pressure from the United States, the majority of our people are in crisis-mode. If we do not change our organization or streamline our structure, there will be no other way out.

This pressure has pushed Huawei to be more

united. It has nurtured a new spirit of hard work and dedication in our employees. That has provided us with an opportunity to remove surplus managers. Some of our generals might be sent back to the front lines to act as soldiers again; we won't keep them as company commanders. Our current front line commanders have worked extremely hard for many years to earn their positions. How could we send someone from headquarters to take their positions?

This is just like if you and I tried to go back to elementary school right now. I guess it would only take 10 minutes to finish all the work we did in first grade, 20 minutes for second grade, and 30 minutes for third grade. It would maybe take less than a day to graduate from elementary school. It would only take two days, to graduate from middle and high school. Three days maybe for undergraduate. Maybe we would only need a month to get a PhD.

Executives have the experience and capabilities needed to fight for the opportunity to excel, even if they're assigned to an entry-level position on the front line. That would be much better than directly appointing them to a managerial position on the front line. This is good for everyone.

Of course, this kind of change can't happen overnight. We think it's going to take three to five

years for us to finish this transformation. If that can be done successfully, we can reduce management costs at headquarters by several billion dollars. Our expected sales revenue five years down the road will be between 260 billion and 300 billion US dollars. The US government has provided us with the catalyst for this change. If you had the opportunity to meet with Mike Pompeo or Mike Pence, do bring my thanks to them. I'm serious.

Norman Pearlstine: I promise to do that.

Ren: If they come to visit China, if they are willing to meet with me, I would be more than happy to host them. I'd roll out the whole welcome wagon.

If an egg cracks from the inside, you have a chicken. But we're not an egg, our shell is not that delicate. We are made of iron. If you apply enough external pressure to iron, you can forge even stronger alloys. Our business grew by 35.8% year-on-year in the first two months of this year.

Now why did we file this lawsuit? I hope the US government can provide evidence to show the world what kind of a company Huawei truly is. My primary concerns have been that the company is slacking off and our employees are getting complacent. Now, this external pressure makes me excited, because I can use it to change our company.

06 Norman Pearlstine: Many thoughts as I was listening to you. We have a saying in adversity, "that which does not kill me makes me stronger". But there's high risk, of course, when you take this course because you have to be sure that it will not kill you. I understand what you're saying about needing to strengthen a company that might be getting a little complacent with so much success, but it sounds almost like you are advocating a cultural revolution, almost the Gang of Four, for Huawei. I don't think that's really what you mean though, is it? In terms of going back to be re-educated?

Ren: Nobody can develop a thick skin without scars. Throughout history, heroes have come from hardship. This is not a cultural revolution. In any company, employees that are left behind will have to leave. There is something different at Huawei, though. Employees who meet certain criteria can choose to keep their company shares in order to support themselves.

Our employees are actually happy if we streamline our organization and transfer them to our major business teams. For example, two years ago, we disbanded one department that was working on software. It had 10,000 employees, and had spent around 10 billion US dollars on R&D without delivering any compelling products. Therefore, we decided to

restructure this department. At the time, we were concerned that some employees might be unhappy, and even considered raising their salaries.

However, before we did anything, all of these employees moved to our major business teams, including our device and cloud teams. I believe these employees should take some of the credit for our rapid growth in the consumer business over the past several years.

They left a product line that was performing poorly, and moved to a successful product line that offered them more development opportunities. Of course, they needed to be tested in these new positions. This month, we're going to hold an awards ceremony to commend these people. This team of 10,000 to 20,000 employees completed the transition process without any complaints. They said they wanted to choose 3,000 people from their team to walk on the red carpet. We have no problem with that. We just don't know whether our red carpet will be long enough.

Norman Pearlstine: We have the same problem in our business with so many people who grew up with a physical newspaper having to learn to convey information on a Mate X or an even smaller phone. It's very difficult to re-educate people who have grown up with one system and I admire your success.

07 **Norman Pearlstine:** Listening to you talk, I wish, I wonder if you could spend a few minutes just comparing Huawei today and you personally today, from when you started in 1988 in a small apartment with so few employees. We have taken a tour of Huawei these last couple of days and seen spectacular architecture. We have seen so many employees doing such cutting-edge technology work involving the latest technology. As you reflect upon your own history and career, how did you go from being an unemployed soldier, reliant on Hong Kong PBX with no real technical experience? If I understand, you were an architect in terms of your education. How did you make that switch? Especially you started this company in your mid-forties. In America I can only think of one executive who started a new company at that age, Mr. Ralph Roberts from the Comcast company. He used to make belts for pets and then he built a big technology company. But I would love to know what it was that pushed you forward and made you successful.

Ren: That was a time of transition for China. China's military was significantly downsized, and people like us were thrown back into society. At that time the country was also transitioning from a planned economy to a market economy.

It has been extremely difficult to get where we are

today. Just imagine how difficult it will be for North Korea to transition to a system like the United States. When we were demobilized and tried to participate in civilian life, it was like we were abandoned by society. The old days when we could get a fixed monthly pay were gone. We had no idea what the market economy was. I didn't even know what a supermarket was. Many of my good friends, they went to study abroad in the United States, in Canada back then. When they returned to China, they talked about supermarkets and how great they were. But I didn't even have the vaguest idea of what a supermarket was. And then of course, over time, I figured it out. I remember when my wife's nephew came to Shenzhen for a visit. He was in a supermarket, where he saw other people taking things off the shelf as they pleased. He said, "I should take some too. It's free, right?"

That's not an exaggeration. It really shows how shallow an understanding people like us had about the market economy 30 years ago. Yet we had already been thrown into the deep end. How were we supposed to survive? We had to raise our families. We had to feed them. Life was very difficult back then, especially at the very start when I founded Huawei. My family members often went to the vegetable market in the evening. Because that was when you could find dead fish and dead shrimp sold at a very cheap price. You know kids,

they had to have some protein, and otherwise they wouldn't grow up strong. Back then when we had chicken, we would first eat the meat off the bones. Then we would use the bones to make soup. That's the life of Chinese people more than 30 years ago. And Wanzhou was also brought up in that environment.

Compared to today, we can see the significant efforts that China has made to reform and open up. From the perspective of the West, maybe they would argue that China hasn't been bold enough with its reform agenda. But imagine back 30 or 40 years ago. Not the fact that we're sitting here and talking to each other. Even if we just shook hands I might have been put in prison. Today, we can talk freely, not just about the U.S., but also about our own issues. So China has gone to great lengths when it comes to political reform. Regarding culture and education, China has fallen behind the rest of the world for a long time. So this whole process for China has been slow to some. But for us, we understand how things are. That's why we have showed patience. When there weren't laws for something, we wouldn't do it. Once there were laws for it, then we would follow them.

08

Norman Pearlstine: You talked about the chicken with the bones. Some people have told me that in the early days you would make soup and take it to your

employees and serve it to them. Is that a true story?

Ren: That's exaggerated. What happened was we were on holiday one time and my employees wanted to try my famous braised cooking. So I made something for the trip and we brought it with us. It wasn't soup though.

Here's another true story. There was once I was on a business trip in Turkmenistan and the office there was pretty small. I spent a day and a half there with nothing to do, so we toured the local market. We bought a big pig's head. I made braised pig head for everyone. It was the head of an old female pig and it took six hours. We spent that time chatting and getting to know each other even better. But that wasn't soup either.

Some weekends, I stay at home and do the cooking. My wife likes to accuse me of cooking for the housekeepers.

09 Norman Pearlstine: In addition to Turkmenistan, I know you also visited the United States and when you made that trip or trips, were you influenced by anything that you saw, any management style, any lessons learned?

Ren: I have always been a big fan of the US, ever since I was young. This has not changed until today. Even in

the most difficult times, the Cultural Revolution in China, the People's Liberation Army General Staff Department still arranged for representatives to head for West Point. There was quite a bit of coverage about the visit on *Jiefangjun Bao* (PLA Daily). Those stories were very true because their descriptions echoed what we saw later with our own eyes. Our company has kept learning from the US military. For example, at Huawei, we use exams to improve training effectiveness. This is one of the areas where we learned from the US military.

We have been learning in a very serious way from the US. Over the last 20 to 30 years, we have invited 20 to 30 consulting firms from the US to teach us the American way of managing business. We have probably paid close to 10 billion US dollars in consulting fees. We also hired KPMG as our auditor. This is our annual report audited by KPMG.

Norman Pearlstine: Is this the most recent one?

Ren: No, it's the annual report for 2017. We're going to publish the latest version on March 29, and I'm going to send you a copy then.

10

Norman Pearlstine: We talked a lot about the U.S. We talked a little bit about Canada. My wife is Canadian and we bought an apartment in Vancouver a couple of

years ago so I will be there by March 22nd. I would like to, if possible, speak to your lawyers in Vancouver to try to understand what is going on with Canada, with the U.S. and with the CFO. Because to me, it's a part of this whole puzzle that is hardest for me to understand. I understand trade disputes. I understand sanctions and fines but this is the first time I am aware of where a case like this has been brought and I know that Canadians are very conflicted, so I would like to sort of understand that a little better.

Ren: Both Canada and China are victims in this case. As a saying goes, if a snipe and a clam are locked in fight, the only advantage goes to the fisherman.

The U.S. is benefitting a lot from its trade negotiations with China while Canada is suffering a lot. Meng Wanzhou has no criminal record, and she didn't commit any crimes in Canada. So, I don't think Canada took the wisest course of action. Meng has travelled to many countries. Why have those countries never taken action? Currently, there is an ongoing judicial process on this, so we'll leave it to legal procedures.

Norman Pearlstine: I understand. I was not suggesting otherwise, I was hoping to get better guidance from your legal representatives because it is a case that I quite frankly don't understand.

Ren: It should be fine for you to meet with our lawyers

in Canada.

Norman Pearlstine: I was trained as a lawyer but Canadian law is a little bit beyond my competence.

11 Norman Pearlstine: Can you talk a little bit about Shenzhen and the importance of Shenzhen as the place you came to and a place that has grown almost as fast as Huawei? And was Shenzhen important to you, being a new city? I would love to just get your understanding of that.

Ren: Shenzhen is an immigrant city. Several decades ago, many people, especially young and ambitious people, swarmed to Shenzhen, then the forefront of China's reform and opening up policy. You could say it is similar to the Mayflower arriving in the United States. Of course, in the United States, these Pilgrims signed a compact on the ship. However, Shenzhen doesn't have the power of legislation.

As a test of reform, Shenzhen has strived to make breakthroughs in terms of the reform agenda. One of its first reforms was to pay two cents RMB as an incentive for dump trucks. Two cents RMB is equal to about one-fifth of a US cent. Even with this small incentive, the efficiency at the time increased substantially. This reform caused a storm across China. It was seen as a capitalist

policy, and many believed that had to be removed. In spite of this, Shenzhen has been growing and making solid efforts to get rid of the old system. It has been a painstaking process. Many successful government officials at the time made mistakes, but they will not be forgotten. Any progress in history comes at a certain cost.

12 Norman Pearlstine: Well, thank you for having us. I think a part of the problem in the United States is the misunderstanding of the role of the government and the party here in China, that people in the United States feel that anything associated with the government and the party, therefore, is nefarious. Perhaps, Mr. Ren can help demystify this aspect, this relationship with Huawei. It's quite ordinary for a company to have a party committee. Maybe you could talk about the organs of the government that Huawei has to comply with or stay in touch with in order to do business overseas?

Ren: First of all, Chinese law stipulates that any companies operating in China must have a party committee. Before Huawei established one, the Chinese branches of Motorola, IBM, and Coca Cola already had one. What these party committees do is to ask employees to work hard. Actually, many foreign companies operating in China welcome a party committee.

Huawei's party committee isn't in any way involved in our business decisions. Their biggest responsibility is ensuring the integrity and business conduct of our employees. And committee members are elected by vote, not assigned from outside of Huawei.

As for Huawei's relationship with the Chinese government, we first and foremost obey Chinese laws. Secondly, we pay taxes. Thirdly, the Chinese government has for years subsidized enterprises that invest in basic research. We also receive such subsidies. And we also get similar subsidies from the European Union. But the total subsidies we receive are at less than 0.2 percent of our annual revenue.

By the way, the R&D subsidy programs I mentioned are open to all companies, including foreign companies. This kind of subsidy isn't for applied technology. It's for basic research, and findings need to be publicized to benefit all humanity. I think that is the extent of Huawei's relationship with the Chinese government.

13 Norman Pearlstine: Journalists often grapple with the question of whether we are Americans first or journalists first because of the information we usually have. In your job, what is your priority? To your country or to your company?

Ren: First, we have already made our position clear to the European Union that we are willing to sign a no-spy agreement.

If people argue that business-to-business no-spy agreements don't really guarantee anything, then the Chinese government can come out to witness or endorse the signing of such an agreement.

If a foreign government is willing to have their high-level government officials sign an agreement with the Chinese government to ensure that Chinese companies will never engage in spying activities or install backdoors, the Chinese government may also consider signing such an agreement.

I think the Chinese government understands Huawei's current situation regarding the backdoor issue with the world at large. At the recent Munich Security Conference, Yang Jiechi, a senior official in the Chinese government, made it very clear that China does not require Chinese companies to install backdoors or violate international laws or the laws of the countries in which they operate.

Currently, we are pushing for a no-spy agreement with European countries. This whole process is in limbo though, because US companies are not willing to sign such an agreement. If even just one country, like one in Europe, is willing to sign an agreement like this with the Chinese government, I think the impact would be

significant. This would help create an understanding between China and the United States.

14 Norman Pearlstine: Given your strategy of suing the United States, would you encourage Facebook to sue to gain access in China? Would you encourage the American automakers to sue to exit joint ventures? Would you encourage other companies not to have to share technology to China?

Ren: First, I support US manufacturing companies in being able to win the right to establish wholly-owned foreign companies here in China. They could try to do so and maybe their applications would get approved. If a local government in China wants automakers to establish joint ventures in order to gain a certain advantage, those automakers can present arguments to the central government. The arguments can clarify their stance regarding why they want to reject joint ventures and instead establish wholly-owned foreign companies.

Huawei also does not want to enter into any joint ventures outside China, because there would be so many things to consider and manage. This would be very time-consuming.

Maybe it would be worth US companies trying to apply to establish wholly-owned entities. They can make

their cases to the Chinese government, and explain that they only want to establish wholly-owned companies, rather than joint ventures. This would eliminate issues such as those surrounding technology transfers.

If US Internet companies want to enter the Chinese market, perhaps they should start with companies that are not politically sensitive, like Amazon. These companies can talk with the Chinese government to get permissions first. There is always a sequence of what comes first. Others can come later. Personally, I believe everyone should have equal rights.

Norman Pearlstine: So saying that the definition of a joint venture is "the same bed, different dreams"?

Ren: If you want to make things go belly up, go for a joint venture. "Hey, I really want to start a joint venture with you. You take 99% of the stake, and I'll take 1%. All you need to do is give me a credit card. I'll swipe the credit card like crazy, until the 99% is used up." So if you don't want to get things done, go for a joint venture.

15 Norman Pearlstine: And the executive who I was closest to in America was Mr. Andy Grove of Intel who wrote a book called, Only the Paranoid Survive, and listening to Mr. Ren, I am very much reminded of him and his philosophies.

Ren: I'm a fan too – I agree with what he says, and I'm a paranoiac like he is.

16 Norman Pearlstine: I think you have the best job I have ever heard because you have veto power. Will your successor have the same kind of power or is this just for founders?

Ren: We originally wanted to remove this veto power after a certain point of time. That might be this or next year. But after seeing what's happening with Brexit, we don't think we can leave the fate of the company solely to a democratic process. So we've decided to hold onto veto power for now. Our *Articles of Governance* state that veto power can be inherited, but that's not going to be by my family. Instead, veto power is going to be collectively exercised by an elite group made up of seven elected members. It is possible that none of them are my family members.

17 Norman Pearlstine: I was just saying that this is not for transcript.

Ren: It doesn't matter. You can include this in your transcript.

Norman Pearlstine: But I was very interested about what you were saying that we need go back to, go

back to home and starting over when you get too much into being in the corporate position, and which is why once a year, I try to do a recording trip like this, to remind myself how hard it is to be a young journalist.

Ren: I think you and I are both young fellows. So there's hope that Google will invent some sort of reverse-aging medicine in our lifetimes. If we can revert back to say, 18 years old, let's get together and celebrate.

Norman Pearlstine: We can do that. Yes, I look forward to that.

18

Norman Pearlstine: Personally, I hope that you and your daughter are able to talk to each other and give each other support.

Ren: I talk to my daughter quite often at the moment. Her mother is also currently in Canada to be with her.

19

Norman Pearlstine: So I just want to ask quickly about the architecture of Huawei campus, because this building yesterday when we took the train from the "Czech" to "France" to "Germany", what was in your mind when you were deciding on this very unusual campus?

Ren: It was the outcome of our tender process. The

Songshan Lake Campus was designed by a Japanese architect named Okamoto from Nikken Sekkei Ltd. We had an expert panel review different design options for this campus. The panel liked his design very much and chose it.

There is a story about this Japanese design master. He doesn't speak English, even though he received his bachelor's, master's, and PhD degrees in the US. He is a genius.

Norman Pearlstine: I worked in Japan for three years and don't speak any Japanese and I worked in Hong Kong for three years and don't speak any Cantonese, but I am not a genius.

Ren: You are a genius. Okamoto is an architectural genius. You are a media genius.

20 Norman Pearlstine: I read one comment where you said that your daughter would not succeed you because her background is in finance and you think Huawei is now so big that it needs someone whose background is technology. Is that correct?

Ren: Yes.



Ren Zhengfei's Interview with Handelsblatt and Wirtschaftswoche

April 11, 2019 Shenzhen, China

Ren: It's a great pleasure to meet with you. Please feel free to be really direct with your questions. You can ask whatever tough questions you may have. I will be very frank in answering them. I have a bit of a weakness, I am too truthful and it makes me misspeak sometimes.

01 Beat Balzli, Wirtschaftswoche: Mr. Ren, you attribute your success as an entrepreneur to three guiding principles of leadership: modesty, passion, and the willingness to keep on learning. Which one is the most important?

Ren: I've never said anything like that before. There must be some kind of misinterpretation online. To me, the most important thing for a company is direction, a direction that creates value for customers. There are many people in the world who are modest, and many who study hard, but they can't necessarily create wealth. Since the wealth belongs to our customers, forcing them to take it from their pockets and hand it over is called "robbery". If you just sneak around and steal their money, you are a thief. The only way a customer will happily give you their money is if you create value for them, an equivalent exchange.

02 Beat Balzli: You praised Donald Trump, your worst enemy, recently, as a great president for his economic

policy. Which principle of leadership is that in this instance?

Ren: Businesses worldwide are under a heavy burden. If this burden cannot be relieved, businesses will have no vitality. Germany is rolling out an initiative called Industry 4.0. It's not purely about technology. With this initiative, businesses will be less pressured by the needs to pay high wages and provide various benefits for employees. And there will be fewer strikes. If AI is widely adopted in Germany, one person will be able to do a job that currently requires 10 people. If that becomes a reality, Germany's population of 80 million will become equivalent to 800 million, making it a greater industrialized nation. That means Germany could contribute even more to the world.

President Donald Trump is great because he cut tax rates in such a short period of time in a democratic country. His purpose should be to attract foreign investment. But if he intimidates other countries and businesses, people around the world would have concerns about investing in the US, and the US's tax cut policy would be much less effective.

I think German Chancellor Angela Merkel is great. Launching the Industry 4.0 initiative will produce the same positive results as tax cuts. If Germany regards China as a business partner, that could bring Germany

huge market opportunities. According to China's new foreign investment law, fully foreign-owned enterprises can be established in China. It means that German enterprises, including machinery and car manufacturers, can start their fully-owned businesses in China. That could expand the potential market for German businesses while reducing their costs. And it would bring Germany even more economic prosperity.

The real message China wanted to get across to the world when President Xi Jinping and Premier Li Keqiang visited Europe was that China wants to open itself up to the world even more.

03 Sven Afhueppe, Handelsblatt: You praised Donald Trump, but Donald Trump is your worst enemy now. The US is trying to persuade its allies, Germany included, to no longer employ Huawei technology or to at least reintroduce security checks. What, in your view, is the principle of the leadership of Mr. Trump, considering the attacks against you?

Ren: I would not make my judgments about the world based on the interests of Huawei. I hope that the Chinese government will also note the possible positive outcomes from the tax reform policies that Donald Trump has initiated. I also hope that China

will substantially reduce the heavy tax burdens to help Chinese companies grow better.

The high tax rates in China were built on the relatively lower labor costs China had in the past. Now labor costs in China are very high. If the high tax rates continue, I think it would simply hurt China's own development as the country moves forward.

04**Sven Afhuppe: Has the US boycott against Huawei already affected your business?**

Ren: No. Our business grew by 30.6% year-on-year in 2019 Q1 and the profit grew by 35.4%. I would like to thank some of the US politicians who have been calling on others to block us around the world. This makes everyone start to think "Has the US ever been afraid of anyone? They have been afraid of no one. But why are they afraid of Huawei, a little rabbit? This 'little rabbit' must be making some really good products." Now some countries even buy our equipment without testing it. What the US has been doing is not actually helping them achieve their goals. It's doing the opposite.

Before the US started publicizing 5G, I personally was a bit concerned about its future. At the time, I thought the pace of 5G research was too fast and we weren't actually at a point where some commercial applications

must depend on 5G. Scientists always feel so proud of what they work on, so they talk up the technology when they see some achievements in 5G. As a result, customer requirements have been pushed too fast.

Unfortunately, the US sees 5G as a strategic weapon, which actually pushed its development. If you look at the access network, from 5G base stations to optical and microwave transmission, everything is really transparent. Data packages aren't opened; they are just transmitted. Edge computing is only performed on the core network.

5G is like a water tap and optical transmission is the pipe that carries water. 4G was a smaller tap, while with 5G, the tap is just bigger. That's it. The US has treated this water tap as if it were a "nuclear bomb", catching everyone's attention. So everyone keeps talking about 5G. In a sense, the 5G era is approaching faster because of the push from the US.

Sha Hua, Handelsblatt: So you think the action of the US was politically motivated?

Ren: I think so, because they do not want to see US companies overtaken by other companies in any industry. Even though the industry we are in is not that important, they still don't want to see us outperforming US companies, and want to suppress us. Unfortunately, this pressure from the US has become a catalyst for our growth in the 5G industry.

05 Beat Balzli: Is Huawei probably the most prominent victim of the US-China trade war?

Ren: I would not think so, because we have virtually no sales in the US market. The only impact we might be seeing is from other Western countries that have a good relationship with the US.

European countries certainly do not want to see their data being transmitted to China. They definitely don't want to see their data transmitted to the US, either. The reason German Chancellor Angela Merkel did not shake hands with President Trump was because she insisted on keeping European data in Europe.

Germany has proposed that networks should be built with equipment from multiple vendors, meaning some equipment would be from China, some from the US, and some from other countries. It's like building a wall surrounding data that no country can penetrate, using "bricks" supplied by all different countries. In that way, German data will be well protected. We support this proposal from Germany.

Mr. Yang Jiechi, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, made a statement at the Munich Security Conference that the

Chinese government always requires Chinese firms to abide by international rules and the laws and regulations of the countries where they operate, and that China has no law requiring companies to install "back doors" or collect foreign intelligence.

At the press conference held after the recent session of the National People's Congress, Premier Li Keqiang also made it clear that the Chinese government does not require Chinese businesses to eavesdrop on other countries.

Last month we talked with Germany's Federal Ministry of the Interior, expressing our willingness to sign a no-spy agreement with the German government, in which we promise that Huawei networks contain no backdoors. I'm also willing to push the Chinese government to sign a no-backdoor agreement and an agreement on complying with the GDPR with the German government.

It will be difficult for the US to collect intelligence from places in Europe where Huawei equipment is deployed.

06

Sven Afhueppe: I want to go back to the trade war aspect. From the bigger picture, it's a new Cold War because Huawei as a company and China is

fast becoming a superpower and threatening the number one position of the USA? So Huawei is the perfect target in this super power battle?

Ren: What you're saying makes a lot of sense, and I've had similar concerns. Some Western countries like to take sides on certain matters. If China and Russia decide to start doing the same thing, it may start another Cold War.

If the West doesn't want another Cold War, they need to be open, and put up with the development of other countries.

The US's trade war is making the world more radicalized and unbalanced. We should see that the world is maturing and the coming information society has played a big role in balancing things out.

We certainly don't want to see the world fall back into a Cold War. We've hoped China would open further, and it is already opening up more every day. If Europe trades more with other countries and increases its trade volume by over one trillion euros, there will be less conflict and more peace around the world. In addition, European countries will have more disposable money to help them resolve some internal problems. I think the whole world should focus back on economic development; we need to seek peace and shared economic development.

07 **Sven Afhueppe: But if it comes to a new Cold War, it would be very bad for the world economy, for companies like Huawei, Daimler, Siemens, and so on. Do you fear a new era of protectionism around the world?**

Ren: I don't think this new protectionism will last long. Large Western companies, not us, are the ones who are the most concerned about the protectionism. Their biggest concern would be an executive order from the White House saying, "You cannot sell your products to China." For those Western companies, if they can't sell their products to China's 1.3 billion people, their financial statements and stock prices will suffer, and their markets will be hit hard.

Some small innovative companies have developed cutting-edge products. If the US does not allow them to sell their products to China, what should they do? They might move to either China or Germany, because as a company, if they cannot sell their products, they will starve.

When the US tries to impose sanctions on others, hoping to see them go downhill, they are also on a decline.

08 **Beat Balzli: It's typically a Cold War. The US accuses a company like you for spying for China by deploying**

your technology. They accuse you very heavily. Did you see any proof? Did you see any documents that are the basis of these accusations against you?

Ren: We have been trying very hard to prove who we truly are, but the US government doesn't believe us. Now, they need to provide facts and evidence to support their accusations against Huawei.

Beat Balzli: So what the Americans are talking about is just a fairy tale? It's not true?

Ren: Certainly.

09 Sven Afhuppe: After the attacks by the US government, we've seen a global decline in trust in Huawei technology. What should you do to restore trust in Huawei technology?

Ren: I don't think we need to rebuild that trust. Our customers, including those from the West, have built their trust in us over the past 20 to 30 years. Our 30 years of history has proven this already. That trust isn't going to disappear just because a few authoritative people say something. While the whole world is paying attention to this topic, we should really take a step back and ask what contributions Huawei has made to society as a whole.

Huawei has contributed about 90,000 patents worldwide. Those are all new patents. We know there are some established companies that have hundreds of thousands of patents, but they have not contributed as much as we do to new networks. No matter whether the US admits it or not, their information networks cannot bypass Huawei's patents.

Second, not only have we connected three billion people around the world, we have also forged connections to all sorts of business sectors like finance. If Huawei disappeared, that would be a threat to the world.

Third, if Huawei ever acted maliciously in any one country, like implanting a backdoor in our equipment, then we would lose our markets in over 170 countries. If that happens, how could we repay our bank loans? Huawei's employees could leave the company, but I couldn't. This would be worse than death for me. How could I possibly agree to implant backdoors?

10

Sven Afhuppe: When it comes to data security, do you trust US tech companies like Google, Amazon, and Facebook? Do you trust them?

Ren: If we were trying to build an information network that guards against absolutely everyone, the cost would be enormous. There would be no way for us to sell our

products.

Our networks only guard against hostile competitors and malicious attacks. We have no hostile competitors amongst Western companies, so we don't guard against Western companies. We also don't guard against the US government, the German government, the Chinese government, or any other government. They will not forward information about us to our competitors.

11

Beat Balzli: The lack of trust in Huawei technology is also a cultural thing. Data protection is a central principle of digitalization for the people in Europe. In China, data protection is not so important. So do you understand the concerns of the European citizens and politicians?

Ren: Of course. Huawei firmly complies with the GDPR. However, Huawei's role is only to provide equipment. The networks are owned and run by telecom operators and Internet service providers. Huawei is just a vendor that provides network gear. We are like a provider of water taps.

12

Sven Afhuppe: Right. You mentioned the good and deep relationship between Huawei and Germany.

Chancellor Merkel just refused to boycott Huawei. Have there been any discussions between Huawei or Beijing and Germany in that case?

Ren: I don't know what the Chinese government is thinking. They don't tell me about it.

Sven Afhuppe: Are you happy with the German government handling the matter?

Ren: It was how these things should be handled. To ensure cyber security, we need to pass all market tests, including technological verifications, instead of just rushing to some unfounded conclusion. Isn't Germany establishing a common security standard? We also need to comply with this standard. Of course, regardless of where a company is located, it needs to protect privacy, follow the GDPR, and never install backdoors.

Sven Afhuppe: And you do not fear their objection?

Ren: I am not concerned about this. We don't have any problem with it at all, and we are willing to accept this type of oversight. The more stringent the oversight is, the better off we will be. Some are afraid of this type of oversight, but I won't say who they are. I think you can guess.

13

Sven Afhuppe: Do you have any new investment plans in Germany?

Ren: Yes, we do. We have established a lot of research centers in Germany and purchased a factory in Weilheim to produce high-performance equipment. We're going to move our manufacturing facilities for cutting-edge products to Europe step by step. Recently, we bought 513 acres of land in Cambridge for the production of optical chipsets. And some of our production facilities for 5G base stations may be located in Europe. Germany is one of our preferred locations.

In addition to our investment in Germany, many technologies and equipment used here in China are also from Germany. You have visited our intelligent production line. Much of our equipment there is from Germany. Our software primarily comes from Siemens and Bosch, and some are from Dassault of France. As Huawei grows rapidly, we will position Europe as a second strategic base for Huawei.

Huawei's collaboration with Leica is a perfect example of our investment in Germany. Leica's work is based on physics, and Huawei's work is based on mathematics, so the two companies reinforce each other by working together. The research center jointly established by the two companies is located in the same village where Leica is located. Over the past few years after beginning to work with Huawei, Leica's business has grown rapidly.

14 **Beat Balzli:** I want to go back to the boycott. Germany refused the boycott, also Great Britain. But there are still some doubts. China is not a democracy like Germany. And a lot of companies in China are very close to the government. How close is Huawei to the government? What is the relationship between Huawei and the Chinese government?

Ren: We follow the laws in China and pay taxes to the Chinese government.

15 **Beat Balzli:** You're one of the most famous business leaders in this country. Normally there's a close relationship between such business leaders and the government. When were you last received by President Xi?

Ren: That was in 2015 in the UK. President Xi was there visiting our UK office, so I accompanied him during that visit.

16 **Beat Balzli:** The success of Huawei is amazing. You built a small company into a really big company. Has that been possible without the help, direct or indirect, of the state?

Ren: From day one, when Huawei was founded, we

have focused entirely on just one thing: creating value for our customers. The business boundary we set for ourselves was the communications industry. In our early days, we had just two multi-meters and one oscilloscope for work. That's when we had just started out, and we made up our mind to serve our customers.

We have focused on a single point, from several dozen employees, to several hundred employees, to several thousand, to tens of thousands, and now 180,000. We have still remained focused on that point. And we invest very heavily in that point of focus. Currently, our R&D investment reaches US\$20 billion every year. We focus our efforts and resources on a very narrow area, which is how we have achieved breakthroughs.

17 Beat Balzli: You say you have no special relationship with the government, but if you take a concrete case like New Zealand, huh? New Zealand has a boycott against Huawei and after the boycott, China made big, big pressure on New Zealand. So, there's a connection?

Ren: We will no longer do 5G in New Zealand or Australia. The Chinese government didn't understand our intentions and their efforts might be in vain.

18 Sven Afhuppe: Have you ever been asked by the Chinese government to do any special things?

Ren: Never.

19 Beat Balzli: But in the Chinese law, there's a relationship between companies and the government to help in national security, no? It's enshrined in Chinese law?

Ren: At the Munich Security Conference, Yang Jiechi, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, made it very clear that the Chinese government always requires Chinese firms to abide by international rules and the laws and regulations of the countries where they operate, and that China has no law requiring companies to install "back doors" or collect foreign intelligence.

Premier Li Keqiang also reiterated this message at a press conference. Hasn't the Chinese government made their stance clear?

20 Sven Afhuppe: At the beginning of the US attacks against Huawei, your daughter was arrested in Canada. What is your view and what is your comment

on that case?

Ren: I think the US must present their evidence. If they fail to present sufficient evidence, I have reason to believe that she was held as a political hostage. I think what really matters in the court are facts and evidence.

Beat Balzli: How often do you contact your daughter?

Ren: We call each other all the time when we want to talk. The Americans who are eavesdropping on our calls must be working really hard. They don't know when we might make a call. I might not make a call for days, and they just have to wait around for it. They are working really hard.

21

Sven Afhuppe: The legal situation between Huawei and the US is pretty complicated. We have seen the boycott of the US, we have seen the arrest of your daughter, we have your legal accuses against the US government. Could you imagine an end of that legal affair?

Ren: It's not just the US filing lawsuits against Huawei. It can also happen the other way around.

22

Beat Balzli: Do you think there have been any chance with you, you have sued the US government, do you think you have a chance there before the court?

Ren: We still believe in the US's separation of powers, in the independence of the US judicial system, and in the strength of the US legal system. We believe that we will win. If Huawei wins the case, it will prove that the US has a great judicial system. If Huawei loses the case, but the US still presents no solid evidence to substantiate their charges against Huawei, it will also prove our innocence.

23 Beat Balzli: What are you doing now to improve your image in the US?

Ren: The US has been campaigning against Huawei, so we have no plans to go after a large share in the US market. We have no choice but to defend ourselves in court.

24 Beat Balzli: Some weeks ago, you sent an invitation for a Huawei event and the Chinese embassy sent the same invitation also to the journalists, at least that's not the right way to get the trust back, huh?

Catherine Chen: We published an open invitation letter to the media. Reports that the invitation was issued through the embassy are false.

Ren: We hope more journalists can come and see

the real Huawei. The Shenzhen campus is just one of our facilities around the world. We have facilities in other major cities in China, such as Beijing, Shanghai, Hangzhou, Nanjing, and Suzhou, as well as facilities in Munich, Bonn, and more. We have established research institutions in many places around the world. You can't really understand the big picture of Huawei without taking a look at all these places.

25 Sven Afhuppe: Huawei is a leading technology company regarding different products. And the philosophy is based on working hard, improving yourself every day. What is the next real big innovation Huawei is inventing?

Ren: I think our future innovation will still be oriented towards providing network connections to people around the world.

26 Sven Afhuppe: How important will AI be in the future for Huawei?

Ren: Very important, and even more important to Germany, because production in Germany is already highly automated and supported by information technologies. I think Germany is well positioned to make

Industry 4.0 a reality.

Sven Afhuppe: So German companies should invest more in AI?

Ren: Yes. Using AI does not necessarily mean AI has to be manufactured in Germany. No matter where the technology comes from, as long as it can create wealth for Germany, German companies should embrace it. Currently, the US is the strongest in AI. Germany needs to overcome its labor shortage if it wants to achieve leapfrog development in its industry. That's part of why Germany has used buses to carry millions of workers from Turkey. Once Industry 4.0 is realized and AI is widely deployed, Germany will become a greater industrialized nation, with an equivalent of 800 million people. By then, Germany will have enough capacity to produce goods that are more than sufficient for the whole world.

27 Sven Afhuppe: May I ask you a personal question? Right now you have reached the age of 75 years. How long are you planning running Huawei?

Ren: That depends on how soon Google can come out with a medicine that helps people live forever.

28 Beat Balzli: Why are you so fascinated by European architecture? Yesterday I was in your campus. Where comes this fascination for the architecture?

Ren: The design of these buildings actually had nothing to do with me. We had an open tender process and our expert panel chose the proposal of a Japanese designer. He received his bachelor's, master's, and PhD degrees in the US, but he doesn't speak English. He is a genius in architecture.

29 Sven Afhuppe: You were very impressive when talking about global politics, the trade war, the Cold War, European politics, and Chinese politics. Could you ever imagine moving into politics for the last years of your career?

Ren: I'm a businessman and will always remain a businessman. I would never go into something related to politics.

30 Sha Hua: You said that you know, you shouldn't steal from your clients because that would not be a good idea to rob people. But you have had employees who have been stealing technology, like Tappy. It's a very famous case.

Ren: Just as we take the protection of our own intellectual property rights seriously, we fully respect others' intellectual property rights. Our policy makes it clear that employees are prohibited from infringing on the intellectual property and trade secrets of other companies. There have been some isolated instances of individual employees failing to comply with the company's policy.

Huawei's technologies are very advanced and sophisticated. How could Huawei have become what it is today by stealing some small technologies? Our success is mainly attributable to our focus on mathematics in our early years. Now, we are also paying attention to some general domains like physics, chemistry, and biology. What is radio? It is electromagnetic waves expressed in mathematical equations.

A few isolated cases do not represent Huawei's corporate culture.

Chen Lifang: Our company is guided by principles. If individual employees have done something wrong, they are disciplined by the company.

31

Sha Hua: I mean, there's a saying that people follow their leader. And this may be part of the company culture that this sort of phenomenon occurred in the past?

Ren: Huawei is a company with more than 180,000 employees, including non-Chinese employees. Our company is growing very fast, and our education and training programs may not fully keep up with our fast growth.

Employees who make mistakes are disciplined by the company. If the bad things that happened were a result of our corporate culture, then how would we have become a global leader? We are ahead of our peers and not just by a small margin. That's why the US is coming after us.

Where are we getting all these things that our peers don't have? Of course, we have created them on our own. We are very strong in basic research. To give you a better idea, I would like to give you an example.

Our latest smartphone, the P30, offers 50x zoom. That means you can shoot photos of the stars and the moon in the sky with this phone. It can also be used as a night-vision device. You might wonder what the point of these functions is. These are fantasies of scientists, and we have to understand their thoughts.

32

Sha Hua: When you were giving an interview with CCTV, you said you reject the invitation to attend a ceremony celebrating the anniversary of China's 40

years of reform, because you have more important thing to do.

Ren: No. What I want to do is to focus entirely on running Huawei.

Sha Hua: Is this a privilege to say no to this invitation?

Chen Lifang: You might think it is a privilege. But for us, this represents the progress of the Chinese government, because the government understands and accepts that Mr. Ren said no to attend this ceremony. This has nothing to do with privilege. Simply put, others might think such things are an honor, but Mr. Ren does not think so.

33 Sven Afhueppe: Okay, wonderful. Right now, a lot of employees of Huawei own shares of the company. Do you have any plan to go public?

Ren: No, we have no plans for now, but maybe after 3,000 years. If you're patient enough, you are welcome to buy our shares then.

Wrap-up:

Ren: We human beings captured the first-ever image of a black hole yesterday. This is the result of mankind's

joint effort. The same will be true for 5G. Don't ever think that 5G is a proprietary product or patent of Huawei. To make 5G a reality, the whole world needs to work together and help each other. Let's cheer yesterday's breakthrough and astronomers' decades of perseverance!

Ren Zhengfei's Interview with Time

April 12, 2019 Shenzhen, China

Ren: It's a great pleasure for me to be with you here today.

Charlie Campbell: Fantastic. I know you've given a lot of interviews recently. I don't want to go over the same questions again, but unfortunately, we have to hear you in your own words answering some questions. I know it would be quite familiar to you. But please bear with us and we'll try to make it a bit more interesting this time.

Ren: You can be very direct or even very tough in bringing up your questions and I will be very honest in giving you my answers. I sometimes feel like the veil of mystery has been lifted from Huawei, but some people just refuse to believe us. I trust that if we continue to communicate like this, they will get to understand us eventually.

Charlie Campbell: I have spent last week touring your campus and meeting a lot of your colleagues. And this has been a great experience and it's very impressive.

01 **Charlie Campbell:** You just posted your annual revenue of 107 billion US dollars and Huawei has been growing every year since you founded the company. How big can Huawei get? What's your goal in mind?

Ren: It is not the size of the business that we are after. We aspire to provide good services to all. We're just concerned that technological advancement cannot keep pace with people's ever-evolving needs. The communications world is migrating to the cloud step by step. Now, there are many small clouds spreading all over the world. In the future, all these small clouds will be connected to form a huge, global cloud. What matters most to Huawei is whether we have the ability to serve that global market. Therefore, we invest a lot into future-oriented scientific research. We're trying to explore some of the new scientific discoveries and technological inventions, and preparing to invent products that can better adapt to future needs.

As you know, over the last 500 years or so, China has not made significant contributions to the world in terms of scientific and technological invention and discovery. We hope we can make a difference now as it migrates to the cloud. To achieve this, we have brought a large number of scientists onboard at Huawei. At the same time, we also support outside scientists and college professors from around the world, helping them explore the future. What we are doing now aims to address the needs of humanity. It's not all about the balance sheet. As we work with universities, we adopt principles similar to how investment works according to the US's *Bayh-Dole Act*. That means we provide funds, but the research

findings belong to the professors, not Huawei.

02 Charlie Campbell: At the moment, just as what you have said that China is lagging behind in technology and striving to catch up with the West. It seems that 5G is the moment where China has overtaken the West and is pioneering new technology. Do you think this is the new normal now that China will always be ahead of the West?

Ren: That's impossible. China has to learn from and catch up with the West when it comes to basic education, including education in elementary schools and middle schools, especially in rural areas. Higher education institutions should focus on academic research, like scientists do. Doctoral papers should be full of insight. We must lay a solid foundation in this aspect. So the better time for us to discuss the question you've just raised would probably be 50 to 60 years or even 100 years from now. The West has creative approaches to all different types of education, ranging from elementary education to higher education, but China still takes a unified approach: exams. With this approach, it's difficult for geniuses to emerge in China.

For that reason, I think it's unlikely that China can catch up with the West within a short period of time in every regard of science and technology. That's why we've

been calling for the Chinese government to pay more attention to education, and to change its status as an underdeveloped country and a follower. Children should think independently. We also hope China can make technological contributions to the world in the future.

5G is only a tool. Its value and role have been exaggerated. We don't think the contribution that 5G will make to society will be as enormous as some people have imagined.

03 Charlie Campbell: I learned that Huawei filed the largest number of patents last year worldwide. But the US still accuses Huawei of stealing intellectual property, and in fact, of having a bonus system for employees who steal intellectual property. Has Huawei ever stolen intellectual property?

Ren: First, Huawei highly respects intellectual property rights; otherwise, we would have disappeared because our intellectual property may have been stolen by others.

Second, Huawei has done a lot to drive IPR protection in China. Our annual R&D investment is between 15 billion and 20 billion US dollars. Our R&D competence centers are scattered around the world, and we have around 80,000 R&D employees. We are already a leading

player. That is not something you can achieve by stealing from others. Individual employees will be punished for their wrongdoings, and they do not represent Huawei.

04 Charlie Campbell: Regarding these allegations by the US, do you think they are doing this because they want to use Huawei as leverage to get a better trade deal with the Beijing government?

Ren: Maybe.

Charlie Campbell: Have you felt as though you are being used as a pawn? Do you think it's unfair?

Ren: I just wonder, is Huawei that valuable? I don't think the company is so valuable as to play a role in China-US negotiations. We are like a small tomato stuck between the two countries.

05 Charlie Campbell: Your daughter was arrested in Canada and is expected to be extradited to the US. There are very serious charges against her, do you fear for her safety?

Ren: All charges must be based on fact and substantiated with evidence. Then, with open, transparent, fair, and just legal proceedings, we will know

whether or not we actually have a problem. We don't think there will be any problem as long as everything is made public. We still place our faith in the courts.

06 Charlie Campbell: Do you believe the charges against her are politically motivated?

Ren: Maybe. I don't know for sure what those people who started this were thinking, so I can only guess.

Charlie Campbell: I imagine you are in constant contact with Meng Wanzhou and you speak to her a lot. How is she doing?

Ren: She has been busy these days, taking six online courses. She hopes to get a PhD in Canada. Her mother is with her right now and has often told me that Wanzhou is always busy and in good mood.

Charlie Campbell: What about her children, your grandchildren? How are they coping with the estrangement?

Ren: They are still young, so they don't necessarily understand what is really going on. They can definitely feel that their mother is going through something tough. Whenever they have a break from school, they fly to Canada to be with their mother.

07 Charlie Campbell: At the moment, the US government has banned Huawei from its infrastructure. Why do you think is this? What do you think lie behind?

Ren: I don't know their motives, but it doesn't matter much to Huawei that we aren't present in the US market. We haven't ever really been present in the US market.

Charlie Campbell: It seems at the moment you're speaking to a lot of American media, trying to convince America that Huawei products are safe and that Huawei is a legitimate company, so you must want to be present in America.

Ren: No, we don't want to enter or serve the US market. The US is taking us too seriously. So we hope that through these dialogues, we can reveal the truth and better understand each other. Whether we can establish our presence in the US market is not that important to us, because even without the US market, we have already become the world's number one. So, we are not in dire need of building our presence in the US market.

By having dialogues with the US media outlets, we want to dispel misconceptions about Huawei. For example, your understanding of Huawei must have changed after visiting us. You are welcome to visit our top labs. I think you'll see how our scientists lead the world.

Actually, scientists and entrepreneurs in the US know Huawei pretty well. I have spoken with them quite a lot recently, and we will further our cooperation with each other. But US politicians do not know much about Huawei. So, what we can do is give them a better idea of Huawei through media coverage. If they only rely on their imagination and don't come to visit Huawei, it will be hard for them to understand what Huawei is truly like.

As I said earlier, some US scientists and companies know Huawei pretty well. So I think maybe US politicians should talk to US scientists and companies more, so that they can have a better understanding of Huawei.

08 Charlie Campbell: You said it doesn't matter for Huawei if America doesn't buy Huawei products because you are already number one. But for America, Huawei's 5G is by far the most advanced in the world. Do you think that the American government is doing the American people a disservice by not investing in Huawei because of the benefits 5G could bring for the American economy? I mean, do you think that the American government is doing the American people a disservice because Huawei has the potential to aid the American economy and industry with this 5G?

Ren: I think collaboration for shared success is vital in

today's world. Working together to reinforce each other will lead to shared success. The US has remained open over the last 200-plus years, which is the fundamental reason the US has risen from a small country to the most powerful nation in the world.

Openness is conducive to economic development, and globalization is in the interest of the US. If the US government comes up with policies that ban the sale of certain things to certain countries, American companies will make less money, which will affect the US economy.

Therefore, openness is the best policy for the US, and China must learn from the US to become more open to the outside world. Otherwise, the Chinese economy will not be able to continue developing.

Deng Xiaoping is great primarily because he opened China's doors to the outside world – doors that had remained closed for roughly 5,000 years. Because of him, China has seen initial prosperity after just 40 years' efforts.

People of my generation experienced a period when China was closed off from the world. The ideal we had back then was not to wear fancy clothes. We just wanted enough food for ourselves. Things are totally different today. We are more than able to feed ourselves, and we even have a lot of meat to eat. This is the progress that

China has made, and we should take notice.

In addition, China has made substantial political progress. For example, 30 to 40 years ago, it was simply impossible to have face-to-face interviews like the one we are having now. If I ran into you on the street, I would immediately turn around and run away because talking with you would be a political risk.

Now, we're having this face-to-face interview, and I've talked to many other media outlets. Many of them are concerned that I may get a phone call from Beijing telling me I have said something wrong, but I haven't received such calls. That shows the political progress that China has made. I think this is progress that people should acknowledge.

I believe China and the US must enhance their collaboration in order to achieve shared success. China is a market of 1.3 billion people, while the US has advanced science and technology. If these two come together, it will form an engine that can drive the world economy forward and take the world out of its current difficult situation.

If I had an opportunity to talk to the leadership of the Chinese government, my only suggestion to them would be that China should become more open.

Charlie Campbell: So the government would take

your phone call if you want to contact them?

Ren: Perhaps, but I don't have their phone numbers.

09

Charlie Campbell: The American government accuses Huawei technology of having backdoors which can be exploited by the Chinese government. You said before that you'd rather disband the company than betray your customers. But would you be willing to go to jail to challenge the Chinese government if they made a demand?

Ren: I have said this in the past, and my position remains the same today. If any country identified a malicious backdoor in Huawei's devices, our business in over 170 countries would be severely impacted, and our revenue would decline sharply. By then, all our employees would have left Huawei. They could start their own businesses with their technical know-how and other capabilities. But I would have to stay. I think having to repay tens of billions in bank loans on my own would be more miserable than death. Comparatively, I think going to jail is a better option.

When I first expressed this position, I had not heard anything in response from the Chinese government. At the Munich Security Conference, Yang Jiechi, a member of the Political Bureau of the Communist Party of

China (CPC) Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, made it very clear that the Chinese government always requires Chinese firms to abide by international rules and the laws and regulations of the countriesc where they operate. He also pointed out that China has no law requiring companies to install "backdoors" or collect foreign intelligence. Premier Li Keqiang then further reiterated that position at a press conference held after a recent session of the National People's Congress. I believe that they, as top government leaders, accurately represent China's position. Recently, when Premier Li Keqiang visited our booth in the "16+1 Summit" in Dubrovnik, he repeatedly told us not to install backdoors.

Now, Huawei is pushing for the signing of a no-backdoor and no-spy agreement with multiple governments. It is also our suggestion that there should be a unified global rule or agreement barring all telecom operators and equipment vendors from installing backdoors. However, it might take a while for the whole world to agree on this. From Huawei's point of view, we're ready to push the Chinese government to sign a no-backdoor and no-spy agreement with any other willing government. In light of this, I'm sure you understand why I'm not concerned about going to jail.

10 **Charlie Campbell:** Yet, just last month, Huawei's Chief Legal Officer Song Liuping publicly acknowledged that Chinese laws may require companies to respond to government requests for assistance and help against terrorism and criminal activities. If such a request was made, would you feel obliged to hand over information even if you were not sure of the charges or the premises?

Ren: The information would not be coming from Huawei. It would come from the networks owned by the public security authorities. This has nothing to do with us.

Charlie Campbell: But how do the public security authorities have access to Huawei's technology, the data?

Ren: They wouldn't access Huawei's systems. They would get the data from their public security systems, the systems supported by telecom operators. All governments of sovereign states have the power of governance within their states.

11 **Charlie Campbell:** Has the Chinese government ever made a request to you for confidential customer information?

Ren: No, not even once. The networks are owned by

telecom operators and the states. Huawei is just an equipment provider. We don't have any authority or ability to do anything on the networks.

When something goes wrong with network equipment and a telecom operator's in-house engineers cannot deal with it, they ask Huawei for maintenance. However, we can only work on equipment after we have obtained approval from the telecom operator. And after the work is done, we need to return all of the data to the telecom operator.

12

Charlie Campbell: I understand that the UK government is working with Huawei to assess the security of Huawei's systems. Huawei handed over all source code to the UK government for examination. The UK government has not found any backdoors at all, but has found some bugs and glitches in Huawei's software. Does that concern you?

Ren: I think that technologies are always evolving. We are only human. We can never be perfect. Rather, we just keep getting better. It's normal for them to find areas that we need to improve. We are not saying that our equipment is perfect. We are just saying there is no malicious issue with our equipment.

13 Charlie Campbell: You come from a military background. How does that influence the way that you run your company?

Ren: I was a low-ranking engineer when I was with the military. And I had no managerial experience there. I started as a technician and was kind of promoted to engineer. If I know a thing or two about the military, I probably learned from the Internet. I studied West Point and biographies of American generals. I would compare the differences in the way that American generals and former Soviet Union generals managed their militaries, and try to take some inspiration and apply what I've learned to Huawei.

Because I was in such a low-level position when I was in the military and didn't gain much experience there, I learned most of what I know about the military from the Internet. I'm a person who does not have many hobbies. Besides coming to work and revising our corporate documents, I do some reading, I surf the Internet, and I even spend some time on a video app called Douyin, known as TikTok outside China.

14 Charlie Campbell: No. Oh. TikTok. So, some of Huawei's earliest contracts were with the Chinese military and the Chinese government. I mean, how important were

they to the success of Huawei during the early days?

Ren: First of all, we have never relied on contracts with the Chinese government or military for our development. Our contracts are signed with Chinese telecom operators. Those operators are not the government. What's worth noting is that in our early days, our equipment was not that advanced, so we could only sell it to rural areas. We couldn't even manage to make county-wide sales.

Through a dozen years of effort and despite tremendous difficulties since our founding, we managed to establish a presence in the telecom operator market. That's when we started to sell in China's county-level cities.

15

Charlie Campbell: Today, Huawei is number one in the world. I'm just wondering what is Huawei's role in the Chinese government's "Made in China 2025" strategy?

Ren: Huawei does not play a very big role in China's "Made in China 2025" strategy. We are just continuing to follow our own path. I think maybe the "Made in China 2025" initiative has a similar purpose to Germany's Industry 4.0 – to expedite the national industrialization process. However, there's a big gap between China and Germany in terms of industrialization.

In China, a significant portion of industry is still based on manual work, so the first step is to move from labor-intensive manual work to mechanization. The next step following that is automation, and then the adoption of information technology. Only after all these steps are completed can we talk about China being on the same track as Industry 4.0.

Currently, a lot of our industry is still not automated. "Made in China 2025" is just giving Chinese companies a new direction. Most of our equipment used in our production lines is from Germany and Japan. Our software is from Siemens, Bosch, and Dassault. Many master's and doctorate degree holders are working on our production lines, operating them, doing research, and improving the way our production lines work. We have basically achieved semi-AI-empowerment on our production lines.

16

Charlie Campbell: But it seems that the Chinese government seems to treat Huawei with great importance. And after your daughter Meng Wanzhou was arrested, about a dozen of Canadians were arrested in response, while China also banned Canadian imports of canola. This can be seen as a cooling of the relationship between the countries. Can you see why, from the outside, it might seem that the Chinese government and Huawei are closely linked?

Ren: I don't know why people have this association or what it means. What I do know is that Meng Wanzhou has not committed any crime in Canada or the US. Arresting Wanzhou isn't the right move. However, I think it is right for the Chinese government to provide consular protection to its citizen. She is an executive of a large company and was arrested for no reason.

Charlie Campbell: But don't you think that it is counterproductive for Huawei, because of the image it sets out, if people are extra-judicially detained, in response?

Ren: I don't know the specifics of the cases you mentioned. I only know what's going on with Huawei. I don't think I am able to explain.

The US is the most advanced nation when it comes to science and technology. The country has enjoyed absolute leadership over the last several decades in this area. And in the next several decades to come, the US will continue to enjoy relative leadership. I think the US should be more confident in the fact that Huawei is like a small rabbit, without the capacity to disrupt any industry. Therefore, they should be friendlier to Huawei and treat us fairly.

Since I was young, I have been a fan of the United States. Here today, I remain a fan of the United States.

If you carefully read through the corporate documents I have issued over the last several decades, you will find that they are full of American spirit. I think some US politicians may be wrong if they are trying to find leverage. The way Huawei has grown in China – a socialist country – is more to do with what I call "employee capitalism", because we distribute our capital to our employees. So we're kind of like a lubricant that facilitates the integration of different things and reduces confrontation. Why is this lubricant now becoming a target of the US?

17

Charlie Campbell: Do you consider yourself a socialist?

Ren: Let's not look at socialism and capitalism as purely political systems. To me, socialism and capitalism are just wealth distribution systems. Socialism is about distributing wealth based on how much labor one put in and their contributions. Those who contribute more will get more. Capitalism is about distributing wealth based on the size of your investment.

For example, if we were dockhands and I could only carry one bag while you could carry three, then your income should be three times of mine. There would be a 200% gap. But, in capitalism, if you invested 10 billion dollars while I invested 500,000 dollars, and our profit

margin was both 10%, then you would earn 1 billion dollars and I'll only earn 50,000 dollars. This gap exists because capital has no life and can grow exponentially. That's how the income gap has widened.

At Huawei, we believe that those who contribute more should get paid more. We have a hierarchical distribution curve. I believe that income disparity shouldn't be too significant. That's why Deng Xiaoping proposed that China develop a socialist market economy. Socialism emphasizes equity, while market economies allow for differences. Top contributors deserve to be rewarded more, but disparity should not be too significant as I just said. There should be a balance. Why didn't socialism work in the past? The answer is because many people understood equity as egalitarianism.

Deng Xiaoping also proposed that China had only achieved the initial stage of socialism. What did he mean by the initial stage? He meant that we acknowledged the existence of income disparity. Deng was also famous for saying, "Let some people get rich first and they need to help those who are left behind get rich as well."

Deng's theory is actually somewhat similar to Protestantism, don't you think? Catholicism was always focused on communal obligation, but Martin Luther's reform allowed individuals to stand on their own, leading to 500 years of prosperity in the West.

18 Charlie Campbell: The Chinese government recently gave you an award to remark the 40 Years of Opening and Reform, and I believe you turned it down. Can you let us know why?

Ren: Do you think becoming famous means anything to me? Do you think I'm the kind of person who wants to be famous? I'm a person dedicated to my work. If I had accepted the award, I would have had to attend a lot of events, socializing with different people outside Huawei. And I would have been given honors by governments at all levels. Then I would have no time to revise corporate documents. I would rather focus on how to turn Huawei into a better company. That's a more practical thing for me to do. What's wrong with letting someone else have the glory?

I'm a person who doesn't care so much about the past. I have won some honorary titles, but I have lost almost all of them. I haven't even kept a single memento. I just keep pressing forward. I don't want to stop and accept an award. If I were the kind of person that liked to accept awards, I would have accepted a lot. If I had a lot of medals to show off, would that mean I'm a capable person? Would that mean I could make better 5G technologies?

Charlie Campbell: Are you a member of the Communist Party?

Ren: Yes, I am.

Charlie Campbell: Do you think it's strange because you try to distance yourself from the government a lot. And you say that you turned down these awards and you want to concentrate on the company. So why are you a member of the Communist Party?

Ren: Being a Party member does not mean you have to accept those awards. As long as you have faith and attend some learning sessions, you can become a Party member. If being a Party member meant you had to accept some medals, how much metal would China need to produce enough medals for all the 80 million Party members?

19 Charlie Campbell: Do you not see that other countries or customers abroad might feel concerned that you have split loyalties to the party and also to your company?

Ren: I do have a sense of loyalty, but it is to my customers. As for the Communist Party of China, their loyalty is to the Chinese people. But again, my loyalty is to my customers. I don't think there is a conflict.

20 Charlie Campbell: Your campus here is really magnificent. There are all kinds of architectural styles.

Did you plan all of this? Where does the impetus and inspiration for Huawei's amazing campus come from?

Ren: We run an international open tender process for construction projects. Architects from around the world participate in the bidding process. Our Capital Construction Department reviews those tenders and selects a winner.

For example, the architect for our Songshan Lake campus is a Japanese man named Takashi Okamoto. He got his Bachelor's, Master's, and PhD degrees in the US, yet he does not speak English. But he's a genius. He's great at drawing, and he won the bid for the Songshan Lake project. That's how the campus came to look like what it is today.

Charlie Campbell: The Japanese was educated in America but made a campus recalling Europe. That is very interesting.

Ren: Yes, indeed. I think he is here at Songshan Lake today. If you want to talk with him, I can arrange for that. You guys can talk and have a dinner together.

Charlie Campbell: That's very kind. Thank you.

21

Charlie Campbell: At the moment, America has a President who says quite aggressive things about

China, accuses China of stealing American jobs and this kind of thing. What is your opinion about President Trump?

Ren: I think that by saying these things, President Trump is reminding the Chinese government that China needs to really deal with their own things. Otherwise, it might end up being defeated by others. We need to pay attention to our own development.

Charlie Campbell: It sounds like you're siding with President Trump over the Chinese government.

Ren: President Trump is pushing us to change. Isn't that good?

22 Charlie Campbell: At the moment, there seems to be a split between America and Australia and Japan which don't allow Huawei technology and most countries who still allow Huawei technology. Do you fear that, with 5G, technologies across the world might be split, bifurcated, and then there'll be two separate systems which might have trouble communicating and dealing with each other?

Ren: I think we have seen many twists and turns throughout human history. Look at the old rail system. We used to have wide tracks, standard tracks, and

narrow tracks. That significantly added to the challenges and difficulties for world trade. But, even if trains moved slowly, the impact on world trade was not that significant. And historically, we also had different standards for communications equipment. Even up to 4G, we are still using three different types of standards. That adds to the costs of telecom operators and also consumers. That's why we're seeing a greater desire across the world to have unified standards. They bring down cost, speed up connectivity, and provide better services to people around the world. We already have unified standards for 5G. This is not something as simple as politicians drawing a line through the middle and saying we have two different versions. If that's the case, I think the end result would be much higher costs.

Our current unified 5G standards are the result of 10 years of hard work from hundreds of thousands of scientists and engineers around the world. Because of this, I don't think these standards will be reversed so easily.

23 Charlie Campbell: You said earlier that you think the impact of 5G has been overblown. Given how much money and energy Huawei has invested in 5G, that seems a bit of a strange statement.

Ren: You know, we have too much money. If we don't

invest in the future, we could only distribute it to our employees. Then they will become overweight. In that case, how can they move fast? So we choose to invest in the future. If we priced our equipment too low, that would destroy society. It would cause disasters to Western companies. If we price our products relatively high, we leave space for other companies to survive. Once we make high profits, maybe higher than what we need, we take some to support university professors and scientists in better exploring the future. As we work with universities, we adopt principles similar to how investment works according to the US's *Bayh-Dole Act*. That means we provide funds, but the research findings belong to the professors, not Huawei.

24 Charlie Campbell: You mentioned you liked TikTok before. I was wondering how transformative you think artificial intelligence will be in the telecom industry and for society in general?

Ren: I think AI is going to play an extremely important role, not only in the telecom industry, but in society as a whole. Production will become highly intelligent, which could substantially increase productivity. For example, if tractors were powered by AI, they could work 24/7. AI can work even in harsh or tough environments.

AI will also greatly enrich the material and mental wealth of humanity. Therefore, I think all countries must take AI very seriously. Right now, the US is in the leading position in the AI domain.

Charlie Campbell: A lot of people worry that, you know, AI will come along and take human jobs and therefore it will cause social and political unrest. Do you have any of those fears?

Ren: I think this is just the imagination of sociologists, politicians, or writers who don't know that much about AI. Scientists strive to use AI to improve productivity, optimize the way people work, and enrich the material and mental wealth of humanity.

I don't know whether you have toured our production lines. There are not many people working there, but I would say that they are only partially powered by AI. In the future, efficiency will be significantly higher. We would only need five or six people to run one production line.

Western countries face some social problems, including high salaries, high social welfare, and union strikes, which have caused some setbacks in the West regarding industrialization over the past 20 to 30 years. Some industries have even been relocated to countries where workers are not so overprotected.

Future production models will require fewer people than we do today. I think the West will once again be able to fully utilize its strengths. If an AI-powered robot can do the work of 10 people, then the US will develop into an even greater industrial power, with a workforce equivalent to 3 billion people.

Charlie Campbell: So how do you foresee the society of the future in 50 or 100 years' time, people will not be working in industrialized manufacturing anymore and it will just be AI? How do you foresee the future?

Ren: Some people will continue to work, and those people will be extremely highly paid. Other people can live happily without having to go to work. Therefore, if people want to work in the future, they have to study hard and keep pace with the times. I think that would be better for society.

25 Charlie Campbell: Would we have to reform the tax system to provide those people that couldn't find work or didn't want to work?

Ren: Changing tax law is the job of the government. I don't know how. The Chinese government takes Huawei seriously because we pay nearly 20 billion US dollars in taxes around the world every year. Tax payment used to be in the charge of Meng Wanzhou. The US authorities

might have thought that we wouldn't be able to pay our taxes without her. But that is not the case. We are a company that runs according to rules and processes. Even though she is not here, our company is still running quite well.

Charlie Campbell: That's probably why you're allowed to say what you want and you don't get a phone call from Beijing?

Ren: Nothing I say is false! Why would they give me a phone call? Do you think anything I've said so far was not true?

Charlie Campbell: No, certainly not.

26 Charlie Campbell: There was one Huawei employee arrested in Poland and charged with spying. I was just wondering what your response is to these allegations.

Ren: It is our corporate policy that all of our employees must not violate local laws and regulations. If they do, we will not go easy on them.

Charlie Campbell: So, you admit that this employee was doing something untoward on behalf of another power?

Ren: We don't know what that person did. But we are supportive of what the government of Poland has done since it is their legitimate right.

We work to ensure compliance, both internally and externally. Internally, we have put effective oversight in place. We are also ready to be subject to external oversight.

We absolutely cannot allow our employees to do whatever they want. If we allowed that, Huawei would have fallen apart long ago.



Ren Zhengfei's Interview with CNBC

April 13, 2019 Shenzhen, China

01

Arjun Kharpal: Mr. Ren, you started Huawei over 30 years ago with 5,000 US dollars. What were you thinking at the time and what were your expectations for the company?

Ren: When I had just started Huawei, we still did not understand China's reform and opening-up policy. The country wanted to reform and open its doors. However, most of us didn't really understand how important this decision made by the CPC's Central Committee was.

The Central Committee had also been disbanding parts of the Chinese military because it was so large. Most of us also didn't understand that move. Some top military officers didn't understand it, either. They had thought that disbanding was to weed out unnecessary troops and strengthen the remaining units. The engineering troop I was in was among one of the first troops to be disbanded. The railway and engineering corps were let go along with us. This was because we were never intended to engage in military operations. After we were discharged, we were assigned to different places across China.

At the time, the market economy was beginning to take shape in China, at least in coastal cities. These cities were moving away from the previous planned economy.

I felt very uncomfortable with the transition from

the military to Shenzhen which was at forefront of the reform and opening-up. I couldn't really get what the market economy was about, so I ended up making a mistake while working for a state-owned company which got me let go. Where was I supposed to go from there? I had no idea.

I had a vague feeling at the time though, that the communications industry was about to explode and so I started looking for opportunities in this market with tremendous potential. We just wanted to produce some small things that could easily be sold. We did not know that communications is about an end-to-end network that aims to connect the whole world. So our products needed to be standardized. Otherwise, we wouldn't be able to sell our equipment. We chose a tough road. The industry had high requirements. Our company was very small then and almost had no capital or technology. It was hard times.

I majored in architecture back in school, but I studied electronics technology myself. It was analog technology, that is, analog automatic control. The major form of analog control was a proportional-integral-derivative control. By the time I left the military, 186, 286, and 386 had dominated the computer world. I could not keep up with the times. But I still had to find a job to feed my family. I was naive and took it for granted that I could

earn money playing with this huge industry. I hadn't realized that the communications industry was so cruel.

However, there was no way back. I raised a total of over 20,000 RMB to pay the variety of fees needed to start a company. By the time I got my business license, I didn't have a single penny left. There was no chance for us to step back and start another business. So we gritted our teeth and pushed ahead.

02 Arjun Kharpal: You were in the People's Liberation Army. You survived some hardships like famine. What did you learn at the time that helped you start Huawei and guide your philosophy?

Ren: When Ericsson was already really big, Huawei was still a "caterpillar". Twenty years ago, the then CEO of Ericsson asked me where I got the courage to enter the communications industry despite its high entry barriers. I told him that I didn't actually know that the barriers were so high, and once we had entered the industry, there was no turning back.

I lived through the great famine that hit China, and the economic recovery that followed. I also participated in a large project that brought equipment in from France. These experiences taught me to endure hardships. Because I had faced too many hardships,

I wasn't troubled at all by the hardships we faced in the early days of Huawei. When I was young, I had no ideals. Wearing nice clothes or seeking education in a better university was not what I wanted. I only wanted to keep my belly full. That's my only ideal.

After I joined the army, I was tasked to establish a chemical fiber factory in Liaoyang, a city in the northeast of China. The factory's equipment was from France, and at the time, it was some of the world's most advanced equipment with a high level of automated controls.

Back then, it would reach minus 20-something degrees Celsius in the winter. We were living in an adobe house that only provided us a little shelter from the wind. Every night, we took turns fueling the stove, because if it went out, we would have frozen. During the day, we were building a highly modernized factory. The contrasts were stark.

For me, it was an exciting experience. Back then, China was still going through the Cultural Revolution. The country paid little attention to technology and knowledge, but we were working on a project that required technology and knowledge. Living in such extremely harsh conditions and working on such a highly modernized project was really a good experience for me.

Back then, we couldn't test instruments from foreign countries. China also couldn't buy some testing instruments, so I invented one. Today, the instrument I made may not be an innovative technology, but at that time, it was a small but good invention. At that time, China was just beginning with its reform and open-up policy, and was paying more attention to technology, talent, and knowledge. I happened to have this invention, and the value of my invention was exaggerated by the country, which led to a promotion for me. Before I was able to settle into this new position though, China disbanded many of its military forces and everyone had to go find another job. As a result, I went back to where I started and jumped into the market economy.

03 Arjun Kharpal: You mentioned the Ericsson CEO at the time said it was a bold move to jump into this space. Huawei is now the world's largest telecoms equipment maker. What have been the driving forces behind that?

Ren: When I was a kid, I didn't have many hobbies mainly because my family was poor. I liked reading books, doing homework, and solving math equations on scrap newspaper. During China's Cultural Revolution, I designed a small instrument using my math skills, and

actually received recognition from the government for this device. Small projects like this ignited my passion for scientific research.

When we first entered the telecom industry, we started by reselling products from another company. We earned a bit of money this way. Later, that company stopped working with us. Drawing on this experience, we developed our own 40-line switch for rural markets that could support at most 40 users. This switch was used by hotels and small organizations. In our early days, we relied on only two multi-meters and one oscilloscope to develop the product. That's how we started out.

After I was discharged from the army, I ran into a big trouble at work. I didn't understand the market economy, and was even cheated once. Later, after I founded Huawei, I still had to pay off the debts I had from the company I had previously worked for. I had no money to hire a lawyer to defend me on the court, so I ended up reading a lot of books on law and learned that the market was about two things: the product and the customer. The law governs what's in between – the transaction. We obviously couldn't control our customers, so we had to get hold of the products. We also had to understand the law. By studying law on my own, I realized that only a focused approach to scientific research could lead to new products.

04 Arjun Kharpal: I want to talk a bit about your management style. You often use military imagery and images of battles in your speeches and communications with the employees at the company. Is this a battle for you?

Ren: I often talk about staying focused. Tanks can cross a soft swamp, but needles can pierce hard things through. We have limited resources and technologies. Everything is limited. If we spread things too thin, there is no way we will be successful. So instead, we choose to narrow our focus, like a needle point, on a specific area where we can make breakthroughs. We just focus on a single point. At first, we had several hundred employees focus on this point, then we had several thousand, tens of thousands, and now we have hundreds of thousands. We always focus all of our energy on this same single point. Every year we invest 15 to 20 billion US dollars in R&D.

At Huawei, we often talk about the term of "Van Fleet Load", which was invented by a general of the US army. We invest heavily in our focus area. At first, this focus approach let us start pulling ahead of our Western peers in a given area. And then, once we had established some market presence, we began to build up capital. But our strategy of focused investment never changed as our capital grew. We remained focused on this same

single point. Gradually, we have become a leader in this narrow, focused area.

Western companies are no different. Microsoft focuses on Windows and its Office Suite. Intel only makes chipsets. Both Amazon and Google have their own focus areas. Unlike Chinese companies that set up many businesses but most cannot be called successful, US companies know how to narrow their focus and then charge forward. We are actually learning from US companies.

Why do I like to use military terms? Because they are simple and easy to understand. When I can't find a better term to easily describe how business works, I use military terms.

05 Arjun Kharpal: Do you feel that your military-style speeches empower the employees here? Or do you feel sometimes they are intimidated by that style of leadership?

Ren: There are perhaps some employees who have been intimidated by my military-style speeches, because about 160,000 employees have left Huawei over our history. But there are still more than 180,000 employees working at Huawei.

In total, 300,000 to 400,000 people have joined Huawei. Why do Huawei employees today accept these things? Because we want to grow our harvest and produce actual results. Otherwise, how can we make ends meet? If we couldn't make ends meet, we wouldn't be able to survive. Our employees are used to the way I speak. So I don't think they are intimidated.

06

Arjun Kharpal: I want to move onto some of the criticisms of your company, some of the allegations towards Huawei. One of the accusations that critics have said towards Huawei over the years is that you have been stealing intellectual property in order to grow. That's an accusation that continues to hang over the company. What is your response to that?

Ren: Huawei always respects intellectual property rights. We have signed patent cross-licensing agreements with many companies.

We invest heavily in research every year. For example, we employ more than 700 mathematicians, 800 physicists, and 120 chemists. Around 15,000 Huawei employees are dedicated solely to basic research. Their job is to turn money into knowledge. We invest 3 to 5 billion US dollars in this area every year.

Our annual R&D investment is around 15 billion US

dollars. We have more than 60,000 R&D employees who are turning knowledge into products and then into money. We have really invested a lot in this process. We are already a world-leading company. That is not something you can achieve by stealing from others.

Within our 20-billion-dollar annual R&D budget, we set aside 3.4 billion US dollars for strategic investment. A part of this strategic investment is used to sponsor the research of university professors in a way similar to how investment works according to the US's *Bayh-Dole Act*. Under this act, the US government provides funding to university researchers, but any achievements they make belong to the universities, not the US government. Similarly, when we sponsor universities, any discoveries will belong to the universities, not Huawei. If we want to own the results of this research, we can buy it from the universities. We won't just claim them because of our sponsorships. This is how our technology remains ahead of others.

Of course, US companies are also sponsoring universities around the world. Companies like Google have done an excellent job doing this. When hiring talent, they sometimes pay six times a position's expected salary in order to win the top talent they want. I think Huawei is still a little conservative in this regard. In the future, we may also pay five or six times average salaries to win over the world's outstanding talent.

We are creating our own IPR. We are also pushing the Chinese government to increasingly respect IPR and strengthen its legal system for IPR protection. I myself have done a lot in this regard.

Some IPR lawsuits filed against Huawei are due to policy violations by individual employees. These are only the actions of individuals, and we will certainly hold these employees accountable.

07 Arjun Kharpal: I want to also address some of other criticisms towards your company. Some governments have criticized the relationship between Huawei and the Chinese government. There have also been questions about your past as a communist party member and what that means for Huawei. And also, some countries have also said that Huawei could be a risk because it could work for the Chinese government and carry out espionage on behalf of Beijing. How do you respond to some of these very, very strong criticisms from governments around the world?

Ren: Huawei is based in China. So firstly, we must abide by Chinese laws and regulations. Secondly, we need to pay taxes to the Chinese government. Our relationship with the Chinese government is primarily defined by these two points. Our subsidiaries in other countries

also have this relationship with local governments. They also need to follow local laws and regulations and pay local taxes. If we didn't pay taxes or follow the laws and regulations in the over 170 countries where we operate, we wouldn't have survived in those countries.

Our financial statements are audited by KPMG, which can clearly show whether or not we are supported by the Chinese government. KPMG wouldn't hide anything for us. We have become what we are today with our own strength.

08

Arjun Kharpal: You mentioned you abide by the local laws here in China. But there are critics who point to certain national intelligence laws in China that compel Chinese companies to help the government with national intelligence work if they're asked. If the Chinese government or any other government asks you to hand over data, how would you react?

Ren: First, Mr. Yang Jiechi, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, made a statement at the Munich Security Conference that the Chinese government always requires Chinese firms to abide by international rules and the laws and

regulations of the countries where they operate, and that China has no law requiring companies to install backdoors or collect foreign intelligence.

Second, Premier Li Keqiang reiterated this point at a press conference following a recent session of the National People's Congress.

On April 12, at the "16+1 Summit" in Croatia, Premier Li repeatedly told all our employees not to install backdoors on networks. This represents Chinese state leaders' position on backdoors, so it is impossible for us to install backdoors on our equipment.

Even if we were ordered to, Huawei would still not install backdoors. If a single backdoor was found in even one of the 170 countries where we operate, our sales would shrink in all of them. Then a large number of our employees would resign, but I cannot leave. I would have to repay tens of billions of dollars in debts. If I could not pay, I would be hounded by creditors every day. How can I live a life like that? So we would never follow anyone's instructions to install backdoors. It will never happen.

09

Arjun Kharpal: But if the government said, "it's a national security emergency, and you have to do it", what would your reaction be? To stand down from

the company?

Ren: Definitely. I won't give in just because they ask.

10 Arjun Kharpal: What guarantees can you give to customers that their data is safe?

Ren: We have worked closely with our customers for 30 years. This proves our products are secure. In the future, we will never do anything that harms customer interests and our products will remain secure.

Networks belong to our customers, not us. We just provide the equipment used to build these networks. We don't own customers' information. So it would be impossible for us to provide security assurance all on our own.

11 Arjun Kharpal: Mr. Ren, you talk a lot about the distance between Huawei and the Chinese government. But what we've seen publicly is senior officials in the government talking at times on Huawei's behalf. Is that useful to the company, or do you find that a distraction?

Ren: First, it's understandable that government leaders would take pride in the great companies of their country.

Second, Huawei is being stuck in an extremely difficult situation – the US is launching intense attacks against us. If the US government speaks ill of Huawei, why couldn't the Chinese government speak in our favor? That creates a kind of balance. In the past, no one spoke up for us.

Right now, the support of the Chinese government may not necessarily help our sales, but when the US government criticizes us, it tells the world how great Huawei is. Over the past century, which countries and companies have made the US scared? The US hasn't been scared of anyone or anything though. For such a powerful country to be scared of a small company like us, some other countries are saying, "Are your products really that good? If even the US government is scared, we don't need to test your products. We'll buy them directly." That's why some deep-pocketed countries with rich oil reserves are buying from us. They are buying our products in large quantities as the US government is advertising for us.

The US government is actually advertising for us in a good way. Some US politicians are criticizing Huawei everywhere they go. These great people are going to great lengths to find fault with a little rabbit or mouse like us. This shows that the little rabbit or mouse must have something great to offer.

Arjun Kharpal: So would you say the US is scared of Huawei?

Ren: If they aren't scared of us, why are they advertising for us everywhere they go?

12 Arjun Kharpal: Let's talk a little bit about the US for a moment. I want to use a case analogy here. Do you see that Huawei is a pawn in the broader US-China trade war that's going on at the moment?

Ren: First, I don't know what the US is after and have no idea how they are going to resolve the trade disputes. But I don't think Huawei can help solve the disputes between the US and China. If we get caught in the middle, we will be crushed like a watermelon when these two powers clash. We don't have much influence over China-US trade relations.

Second, we don't really sell in the US market, so we will not be affected by a sales ban. We will not be affected by increased tariffs, either. As I said, this is because we have no real presence in the US market.

If the US thinks we can be used as a pawn, I'd say they probably have the wrong person. We cannot help solve the China-US trade disputes, because we don't really sell in the US and have no influence on China-US

relations.

As far as I know, Huawei has never been mentioned in any of the China-US talks or in any official news releases. Neither side has mentioned Huawei, which means Huawei does not actually carry much weight. We are not that important in the bilateral relations between the two countries. We will need to sort out our problems with the US by ourselves.

13

Arjun Kharpal: But the US has put intense pressure on some of its allies in Europe, for example, Germany and the UK, to block Huawei from 5G networks. There's a lot of disagreement, of course, on what the right course of action is in Europe. Do you still feel Europe is open to Huawei, or could one country blocking Huawei mean that the whole union stops Huawei from participating in 5G?

Ren: First, I think our customers already know Huawei pretty well since we have worked with them for nearly 30 years.

Second, customers have the right to make their own choices. They don't choose certain goods just because a politician says so. So I don't think there will be a significant impact on Huawei's business.

In Europe, we will face some difficulties in the short term, but there will be no impact on our business. I can share some numbers with you. Sales of our consumer business increased by more than 70% in the first quarter of the year. Sales of our network equipment enjoyed a 15% increase in Q1 of this year. These figures show that we are still growing, not declining. So this won't impact us too much.

European countries want to think over all their options a bit. I think it's the right thing for them to do. Germany proposed the establishment of a unified global convention that would bar all equipment vendors from installing backdoors, and require them to sign a no-spy agreement. We firmly support this. We endorse unified global standards that make installing backdoors a crime.

When we were negotiating with the German government about such an agreement, we didn't know top officials from the Chinese government were also discussing the same thing. We began this negotiation because we think it's the right thing to do.

No backdoors. This message has been reiterated by many senior officials of the Chinese government, including Yang Jiechi, who stated his position at the Munich Security Conference, and Premier Li Keqiang, who made similar statement at a press conference shortly after a recent session of the National People's

Congress. When attending a summit in Croatia, Premier Li also told our employees not to install backdoors. So we believe our engagement with the German government will be endorsed by the Chinese government. We are also willing to push the Chinese government to sign a cyber security agreement with the German government. We will comply with European cyber security standards and the GDPR.

Over the next five years, we will invest more than 100 billion US dollars in R&D to restructure our networks. In particular, we will build the simplest networks, ensure cyber security, and protect user privacy. We will also increase our sales revenue, which is now more than 100 billion US dollars, to around 250 billion US dollars. We are going to make this happen.

Will Europe understand us when they see how much effort we are putting into this? If they do, they will buy some of our products. If they don't, they might not buy our products. If that happens, we will just sell our products to other countries that do accept us. We can scale down a little bit.

14

Arjun Kharpal: Would you support similar ideas about no-spy agreements in other countries, including the US? Is that the right way forward?

Ren: I can't speak for other countries or companies; I have no authority over them, but we support this agreement proposed by the German government, and will definitely be one of the first to observe it.

15

Arjun Kharpal: I want to switch topic a little bit to talk about your daughter, Meng Wanzhou. She's, of course, facing extradition to the U.S. How did you feel after her arrest in December?

Ren: I think the most essential factors to judge guilt are facts and evidence. Facts and evidence should be made public and transparent in the courts, which are the basis for fair and just judgment. This is fundamental to solving problems.

I believe they may not have the evidence or the facts to prove her guilt. Huawei has kept a low profile, ever since it was founded. Nothing we've achieved would give us the right to neglect any laws or overlook the technologies of any country. If we didn't abide by those laws and regulations, we wouldn't survive even a day.

This case is undergoing legal procedures, and we believe it will be solved in court. The US and Canadian legal systems are open, transparent, just, and fair. We will wait for the court to make its judgment.

16 Arjun Kharpal: But what was the personal effect of her arrest on you as a father?

Ren: I think my children have grown up without experiencing much hardship. Struggling a bit can be good for them. Cuts and bruises toughen her up, and even since ancient times, heroes were born of hardship. I think this challenge will be good for my daughter. These difficulties will make her stronger and prepare her for even greater things ahead.

17 Arjun Kharpal: Have you spoken to her recently? If so, what did she say to you? What did she speak about?

Ren: We have calls quite often, talking about family. We don't talk about anything else, because we know that our communication is being monitored. What else can we talk about? Nothing but life.

18 Arjun Kharpal: You've mentioned that she wanted to leave the company before she was arrested. What's next for Meng Wanzhou in her life, in her career?

Ren: I don't know. I had thought that this was an Internet rumor initially, so I said that without much thought. I was later told that she sent me a letter, where she mentioned that she wanted to leave the company. After all these

upheavals, she has changed her mind and doesn't want to leave. She has understood the difficulties that the company is facing and wants to help us see this through.

During World War II, there was a famous Il-2 aircraft that kept flying after being riddled with bullets from both other planes and anti-air defenses. Meng is now in a similar situation. She will be a hero if she makes it back to us. I think that is how this story is likely to end.

19 Arjun Kharpal: So that's a metaphor for your daughter? So you said she doesn't want to leave anymore. So what is her role at this company if she is eventually released?

Ren: She will continue to do what she has been doing.

20 Arjun Kharpal: I want to go back a little bit to talk about the US-China trade war because Meng Wanzhou was arrested in Canada on behalf of the US authorities. Do you think she's a hostage in this broader US-China trade battle?

Ren: Maybe.

21 Arjun Kharpal: You said Huawei should not be used as leverage between the US and China, and Donald

Trump, President of the United States, said that he could intervene in the Meng Wanzhou case as part of a bigger trade deal between the US and China. Is that something you would welcome?

Ren: I don't know. President Trump hasn't shared his thoughts with me.

Arjun Kharpal: Have you tried to reach out to the president to speak to him about it?

Ren: I don't have his phone number.

22 Arjun Kharpal: If you say that Meng Wanzhou is maybe a hostage in this US-China trade battle, does that mean some of the allegations, from a legal point of view, you don't believe in?

Ren: Regarding the allegations against Meng Wanzhou and Huawei, the US Department of Justice has sued Huawei, and Huawei has pleaded not guilty in the court. We also sued the US government in Dallas. The US government must present evidence to substantiate their charges against Huawei as this lawsuit proceeds.

So we will leave these issues up to the courts. The negotiations between China and the US have nothing to do with Huawei. Huawei was not mentioned in any of the negotiation meeting minutes published by the

US and China. Therefore, we will count on the law to address these issues. We believe US laws are open, transparent, fair, and just.

23 Arjun Kharpal: Mr. Ren, you said you haven't spoken to Mr. Trump, but what do you think of his leadership style and his tactics?

Ren: I would like to comment on President Trump without considering his administration's treatment of Huawei. I would like to express my own opinions instead of as a Huawei representative.

I would say he is a great president. He is the first president of a democracy to reduce taxes significantly within such a short period of time. His tax cuts are helping revitalize enterprises. Enterprises can now transfer their funds in other countries back to the US because of a low tax rate of 12%. This helps the US greatly improve their national reserve. Many companies' financial statements last year weren't great because they needed to pay income tax arrears. But this year, once the slate is wiped clean, the financial statements they will release in July will be much healthier. The US stock market may witness a significant rise this July. Investor and consumer confidence will increase, and the US economy may take a turn for the better. This is thanks

to Trump. That's why I said he is a great president.

But he also has his own shortcomings. If President Trump continues intimidating other countries and companies, and keeps randomly detaining people, who would risk investing in the US? If no one dares to invest in the US, then how can they make up for lost tax revenue? The government would find it hard to address its deficit. When he reduces taxes, he must be hoping to attract more investment. But if investors are scared that they won't get their money back, they won't dare to invest in the US.

Let's look at an example. If the US opens its telecom industry and its operators say they are going to purchase tens of billions of dollars in equipment from us, I wouldn't believe it and wouldn't be willing to make billions of investments. I would be afraid that they would pull out suddenly and stop doing business with us. In that case, our tens of billions of dollars would be stuck in the US. That is not what I want to see. After he reduced taxes, he should have been friendlier to other countries and try to convince everyone that the US is a great place to invest. If everyone went to invest in the US, the US economy would grow dramatically. The US doesn't need to conquer the world through violence. They have great technologies, skilled labor, and economic strength. Any one of these things could help them conquer the world.

They don't need a warship to conquer the world. The cost of using a warship is high. If they attack a country, that country will fight back. If a country is poor and they have nothing to lose, they aren't afraid of being attacked. But the US is in a different situation. It's a wealthy country, so it has a lot to lose.

So I think Trump is a great president, but he didn't consider all the angles when it came to attracting foreign investment. I said this as an outsider without considering his treatment of Huawei.

24

Arjun Kharpal: In terms of the way he's negotiated with China, some people would say that actually he's managed to get concessions for the US. Does China feel under pressure from President Trump's tactics in the negotiations?

Ren: I am not a government official, so I don't know what the governments have talked about. I only care about the growth of my company. I don't know what the government officials have said, what concessions they have made, or what opportunities or benefits they've received. And I don't really care about all that. I only hope that the policy of the Chinese government will be increasingly favorable to industry development. When China is strong, it will not be afraid of negotiations.

25 Arjun Kharpal: You said you've not had any communication with Donald Trump. But if you were in the room with the US President, what would be your message to him?

Ren: Collaboration and shared success. When two nations or companies meet, they must collaborate to achieve shared success. The US is a strong economy and offers many high-quality products. China has a population of 1.3 billion consumers. The US needs the Chinese market, and China needs technology from the US. The collaboration between these two countries would create two "trains" that can tow the global economy out of trouble.

I believe China and the US should stress collaboration and shared success. There is nothing else that I want to share with him.

26 Arjun Kharpal: Mr. Ren, you've said in the past that the US government hasn't seen Huawei's technology and source code. Would you invite Donald Trump and his administration to your campus here in Shenzhen to let them see the technology that you have, to put their fears at rest?

Ren: They are more than welcome to come visit us in Shenzhen.

27 Arjun Kharpal: A bit about the US market. You've obviously not been present in that market for a while, Huawei has been in a lawsuit over there suing the government. Is it your ultimate aim to get back to business in the US market or just clear your name there?

Ren: We want the US government to treat Huawei fairly and without prejudice. Whether or not we can get back to business in the US depends on whether our customers want to buy from us. It does not depend on what Donald Trump has to say.

28 Arjun Kharpal: I want to switch focus a bit to a big bright spot in the company, and that's the consumer business; it's a multi-billion-dollar business now. And you've said that you want to be number one in smartphones. You've often looked up to Apple as a role model. Steve Jobs and Tim Cook have managed to turn Apple to an iconic brand. Do you think Huawei is at that point yet?

Ren: I think Mr. Jobs was a great man. When he passed away, I was on a vacation in the mountains with my family. My younger daughter is a fan of Mr. Jobs, so she proposed that we stop for a moment of silence to mourn him, and we did. Mr. Jobs was great not because

he created Apple, but because he created an era, the mobile Internet era. Saying that he was great is an understatement. I think he was super great.

Apple is also a great company. It is great in that it has always pushed to make the market bigger, not smaller. With an "umbrella", Apple sells at high prices and maintains high quality. It has grown the market, enabling many other companies to survive. When I look back on how Huawei developed in the telecom market, we actually made some missteps. We set prices based on our costs, which were relatively low. Our costs were low for two reasons. First, as our technology advanced rapidly, we managed to bring down the costs of our products. Second, thanks to the Western management approaches we brought in, our operational costs were also kept low. As a result, we set our prices at a relatively low level, which made it hard for Western companies to compete with us. We have reflected on this a lot.

We have raised our prices and now many people think Huawei is expensive. With higher prices, we leave room for other companies' development. We also earn more, but we will not distribute this extra money to our employees or shareholders. Instead, we will use it to fund universities and scientists for their research and explorations into the future. That future may be closely related to our business, but it also may not be.

Our strategy for investment is like this: If a technology is still two billion light years away, we may invest just a little money, like a sesame seed. If a technology is 20,000 kilometers away, we can invest a little more, like an apple. If a technology is just several thousand kilometers away, we will invest a lot more, like a watermelon. If a technology is just five kilometers away, we will invest heavily (a business version of a Van Fleet Load). We will rush towards and focus all of our efforts on this technology. We will expand it, and dive deeper into it. This way, we will be able to make world-leading products.

To give you a simple example. The polar code technology used in 5G was not invented by Huawei. It is an invention of Erdal Arıkan, a Turkish professor in mathematics. Around 2008, Professor Arıkan published a mathematics paper. Our scientists spotted it two months later, and spent 10 years turning his theories into the 5G standards of today. So the standards the US finds so compelling are actually all built on a single mathematics paper.

Moving forward, we will invest more in this direction. This can help us address the problem of how we distribute our increasing profit. We will not distribute any extra profit to our employees. Otherwise, they will become overweight and won't be able to move fast. We will not distribute the extra profit to shareholders, either.

If they have too much money, they would be obsessed with capital gains. So we won't do that. We need to make our value distribution reasonable. We will put more money into research in new frontiers.

29 Arjun Kharpal: And part of that R&D budget has gone into 5G, into chips, you've got your own 5G chip. Typically, they've been used in Huawei's products. Are you starting to think about how your own intellectual property like chips could be used and sold to third parties like Apple?

Ren: We are open to Apple in this regard.

30 Arjun Kharpal: And in terms of innovation in smartphones, Huawei was one of a handful of companies to come out with foldable phones. Are you convinced this is the future or is this just a gimmick in the smartphone market?

Ren: Huawei's path has not been exactly straight forward. We are exploring what products customers may like. Foldable phones are just one of the products that we have explored. Whether they will gain mass popularity among consumers has yet to be determined by the market.

31

Arjun Kharpal: Mr. Ren, we spoke about Apple and Steve Jobs. You're seen as a visionary very much here in China in the technology world. Steve Jobs is known more internationally. You are less known internationally. Why do you think that is?

Ren: Because I don't actually know technology that well, and I didn't invent anything.

Arjun Kharpal: But you created the world's largest telecom company.

Ren: I don't know about technology, management, or finance. I am just taking a bucket of "glue". I stuck our 180,000 employees together, and encouraged them to forge ahead. Huawei's achievements were not created by me alone, but by our 180,000 employees. So it's impossible for me to enjoy the same prestige as Jobs. When the state wanted to give me some awards for all of this, I felt ashamed. I'm not the one responsible for these achievements, and I shouldn't be the one receiving honors.

32

Arjun Kharpal: Mr. Ren, I want to move onto a bigger picture of the world of technology. Technology has moved on so rapidly in the past few years that a lot of people are talking about the impact of technology on society. We live in a very connected world. Do you feel

that technology has been a force for good or a force for evil?

Ren: I think technology will advance even faster than we could ever imagine. Some people asked me what the world would be like in 20 or 30 years. I said I couldn't even imagine what it would look like in two or three years.

When Huawei was just founded, the world of communications was extremely under-developed. Today, only 30 years later, ultra-broadband has become accessible in most rural areas around the world. This is beyond what anyone had imagined. In the next two or three decades, technology will advance even faster. In particular, the emergence of AI has accelerated social progress.

AI has emerged because of several key advancements: First, massive computing power. Second, ultra-broadband connections, and ultra-large storage systems, as well as micro-computing storage and edge computing. As society moved forward, AI was made possible. AI is also developing faster than what we can imagine. It will greatly increase productivity.

For example, if AI is applied to tractors, they will be able to work 24 hours a day. They wouldn't need to rest, just to refuel. So productivity will be greatly improved.

A great increase in material wealth would also help to significantly enrich culture. So AI should be a force for good.

Many scientists also proposed that genetic technology should be gradually integrated with electronic technology to create "new people". It's now just a scientific fantasy, and wouldn't necessarily ever happen. But even if it did happen, it would be at least 30 years from now. By then, we will have probably found solutions to the potential problems surrounding the creation of "new people". I think currently AI has greatly improved productivity. It is good for society and can greatly increase social wealth.

The US has highly developed technology, but it also has a shortage in labor. With AI, workers will be 10 times more efficient, so the US will be a major technological powerhouse with an output equal to that of 3 billion people. They will be able to produce more quality products than the whole world can consume.

So AI will make the world better, not worse. Even if AI poses other threats, we can manage them with laws and rules. So there is no need to worry too much about some comments posted on the Internet.

33

Arjun Kharpal: But some of the major figures in the technological world have warned about the dangers

of artificial intelligence. Elon Musk, for example, has continuously warned about the impacts on jobs and actually, artificial intelligence getting more intelligent than humans. He said recently that could potentially wipe out humanity. What do you make of his views?

Ren: The first time I heard warnings about the societal impact of AI was from Bill Gates and Stephen Hawking. Bill Gates changed his mind though during his later speeches, suggesting that AI could greatly boost social progress. Of course, we can still be concerned about this, but we believe we will have the ability to harness AI and create benefit. Take machine translation as an example. AI can help translate text into 70 different languages simultaneously. This hurts no one. It helps reduce many people's workloads. This does mean though that many translators and stock analysts and the like will lose their jobs. They can transfer to other industries though, and take on new roles. I don't think we need to worry too much about the adverse impact of this technology. Otherwise, we will be hindering scientific advancement.

34 Arjun Kharpal: One of the concerns is that these powerful technologies like artificial intelligence are being developed by a small group of very, very big technology companies. And there is concern that some of these large technology companies just have too

much power. Do you think that companies like yours are too powerful and need to be regulated?

Ren: As technology develops, the future world will become "winner-takes-all". What company can outperform Microsoft in Office and Windows? None. So Microsoft is the winner and it dominates the market. More and more companies are harnessing new technologies more quickly. This is because technology is lifeless and can be widely applied. It is likely that monopolies you just mentioned will naturally appear. We support transparent regulation over companies with new technologies, and we are willing to be subject to such regulation. That's why we told the German government that we are willing to accept their regulation. However, monopolies in these kinds of technologies will benefit the world, rather than harm it. What we have is not some kind of nuclear bomb or weapon. What is the problem with translation software that has faster computing? Is only slower computing good for us?

AI will benefit our society. We should not worry that it will hinder social progress. Genetic inheritance was discovered by Gregor Mendel during his experiments on pea hybridization. People back then thought his discovery was useless and ignored it for 100 years. Then scientists realized the value of genes and DNA. At that time, China didn't accept Mendel's theories; instead, we

followed Ivan Michurin's theories. This meant we were left behind for many years in this area.

Now we talk a lot about genetic modification, or gene editing. People don't object to the editing of plant genes. Why cannot we edit human genes? When there is no cure to a disease, maybe we can look into gene editing. Of course, several decades from now, that would potentially cause other side effects that we can't predict, but mitigating the side effects is better than immediate death. It at least might give us time to find real cures. Being born blind and deaf is caused by missing genes. What if we could identify and change the genes that cause the condition? Google is now helping blind people see the world with nerve sensors, although they are not as good as human eyes. Technologies are advancing. 20 or 30 years from now, outstanding talent may be able to combine genes with electronics technology to create new "people". This is an idea that scares people, but right now, it is not yet anywhere near reality.

35 Arjun Kharpal: Mr. Ren, as we come to the end of the conversation, I want to focus on your future. You've grown the company over 30 years to the size of it now. Have you thought of retiring any time soon?

Ren: It depends on my mental agility as I get older. I

think Google might one day come up with a medicine that helps people live forever, but I may not be able to see it coming.

36 Arjun Kharpal: Do you have a succession plan in place when you eventually do retire?

Ren: Huawei's future iterative succession system is clearly defined in our *Articles of Governance*. We can give you a copy if you want. Iterative succession must take place in an orderly fashion. It's not up to me to designate a successor. Don't worry that Huawei would end up having no successor. In fact, we have too many. But Meng Wanzhou will definitely not be the successor.

37 Arjun Kharpal: You mentioned in our conversation that people ask you about your vision for 20 to 30 years, but you don't even know what's going to happen in the next two to three years. Just tell me what you think are going to be some of the significant technological developments over the next two years that you see coming.

Ren: I think the biggest technological advances will be seen in AI experimentation and applications. At Huawei, we have two major areas that we are focusing on for

the future.

First, we want to provide the best connectivity in the world, and 5G is part of connectivity.

Second, we strive to become the world's best in edge computing. We will not work on supercomputing and intermediate computing. We only focus on edge computing.

We are also collaborating with many vendors in the storage domain, trying to do better, because in edge computing, we will see either CPUs embedded into storage devices or the other way around. This will change the architecture proposed by John Von Neumann. Combining storage and computing will enable devices to run faster. Of course, large equipment still relies on an architecture that has separate computing and storage devices. So we will also work hard to contribute to a cloud world.

Content in this publication is based on excerpts of Huawei founder and CEO Mr. Ren's interviews with the media.

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