

IN HIS OWN WORDS

DIALOGUES WITH REN

2019.07

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2019.08



VOLUME V



Huawei's AI Technology: Protecting Rainforests

Rainforests are called the "lungs of the Earth" since they are a great help in alleviating global warming. In Costa Rica, a group of rainforest guardians and biologists are no longer working alone; they are using Huawei's AI technology to help protect rainforests. This is how we help everyone benefit from technology and build a fully connected, intelligent world.



Communications in Albania Rapidly Restored

In January 2010, Albania was hit by an unusually heavy snowstorm, which interrupted communications. Shortly after the snow, a rainstorm flooded nearly a third of the country. On our way to the affected regions, we shoveled roads and towed or pushed cars to get them on their way. We even used a helicopter to deliver equipment. Ultimately, we managed to quickly get communications back up and running in the regions hit.



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.

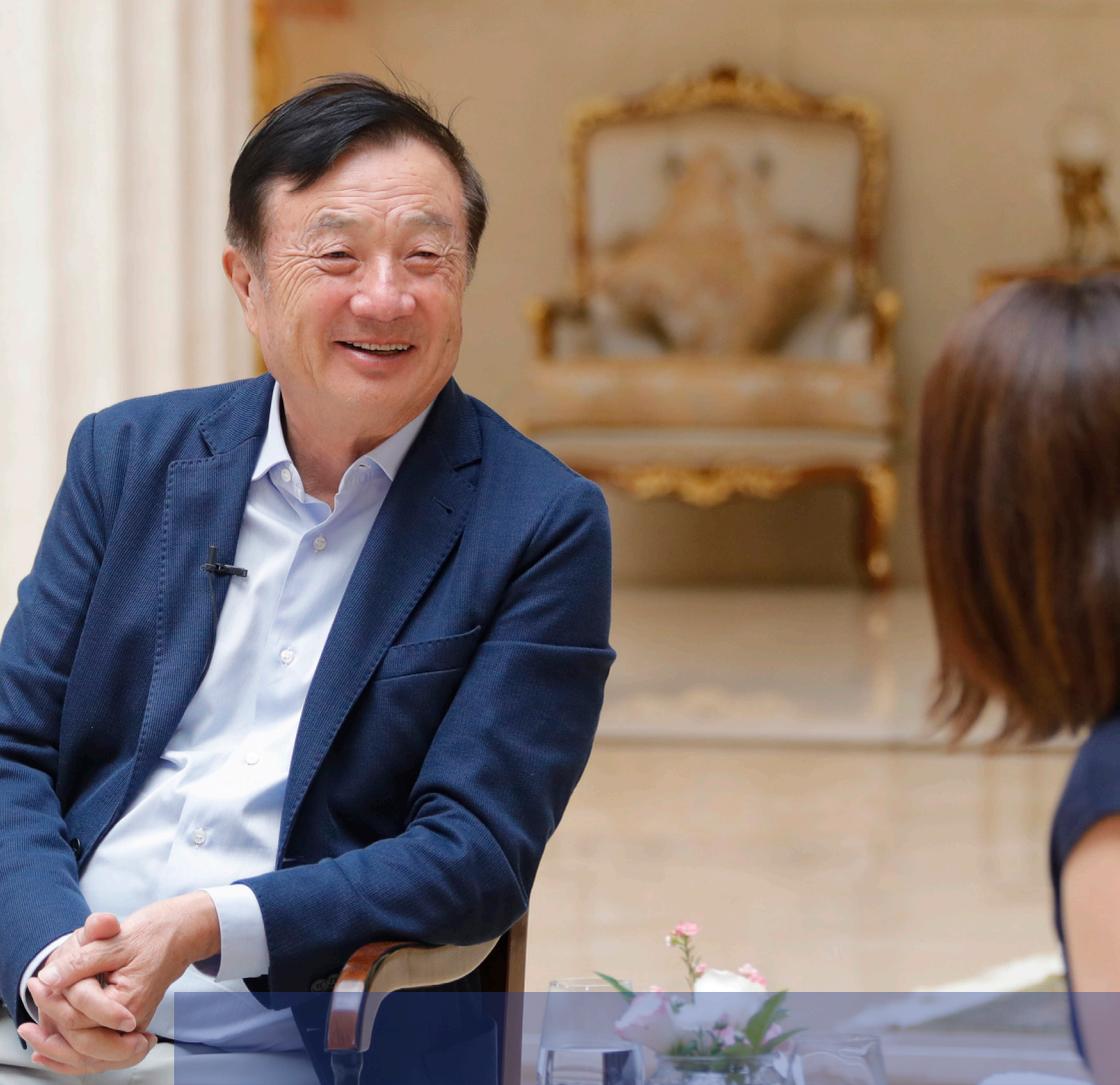
Contents

July 2019

- | | |
|--|-----------|
| 01. Ren Zhengfei's Interview with Yahoo Finance | 01 |
| 02. Ren Zhengfei's Italian Media Roundtable | 43 |
| 03. Ren Zhengfei's Interview with BBC StoryWorks | 65 |

August 2019

- | | |
|--|------------|
| 04. Ren Zhengfei's Interview with Sky News | 103 |
| 05. Ren Zhengfei's Interview with The Associated Press | 144 |



Ren Zhengfei's Interview with Yahoo Finance

July 17, 2019 Shenzhen, China

01

Akiko Fujita: Thank you very much for joining us today. I want to start with the base that we are in, quite a grand thing. We had a chance yesterday to go to the Dongguan campus and saw all the European villages. I'm just curious. You are one of the biggest tech companies here in China. You're a national champion. Why do the European aesthetic?

Ren: All our buildings were designed by the people who won the bids for the projects. Many world-renowned construction companies have participated in the bidding process. It was Nikken Sekkei, a company from Japan, that won the bid for the design of our Dongguan campus. Its chief designer envisioned a museum of the world's most beautiful buildings, so he designed the campus this way and won the bid. Nikken Sekkei also won the bid for constructing our Ji Jia Center. Many Greek, Russian, and Chinese companies also participated in the bidding for the interior design and decoration of our Dongguan campus. Their joint efforts have made the campus what it is today. So this was a decision made by these designers, not by Huawei.

Akiko Fujita: Could this be seen as symbolism about how Europe has dominated history and how China can be the dominant force moving forward?

Ren: No, it's all about beauty and magnificence. The architect proposed this design and our Shanghai

consultants decided to accept it. They invited some experts to vote on it. So Huawei actually had no vote on the architectural design. They thought the design was beautiful, and we accepted that. When the construction was completed, everyone felt it was beautiful and so we also felt we had achieved our goal of building a beautiful campus. All in all, the designer was the major decision-maker. There's no particular symbolism behind it.

02

Akiko Fujita: Let's talk about what played out between the US and China a few weeks ago at the G20 Summit, where President Trump and President Xi met. One of the points of discussion between them was to allow for some licenses so American suppliers could begin selling to Huawei again. What shipments have resumed since then?

Ren: I don't think we were fully prepared for being added to the Entity List. So we faced some pressure at the beginning. However, after we tried to sort out our internal problems, we found that we are fully capable of shaking off our reliance on the US for our core products and depending on ourselves to survive. But we also have some non-core products that cannot do without US components. So we cut some of these non-core products to reduce the pressure. Over 80,000 members of our technical staff are working hard to fix other

"holes" in this "bullet-riddled aircraft". We have seen very good results already.

The remarks made by Trump at the G20 Summit have had no substantial impact on Huawei yet. His remarks indicated the US is no longer trying to strike blindly at Huawei. When they added us to the Entity List, even McDonald's in Mexico stopped selling to us. This suggested that the US had no idea which products were actually not important and whether their supply to Huawei could be continued at that time. Trump's remarks have helped many small and medium-sized enterprises (SMEs) in the US. Resuming supply to us has boosted their sales. Of course, his remarks also allowed us to resume the production of a small proportion of our products. Overall, as long as the US is being friendly, we will continue to buy components from this country. We believe the world will ultimately collaborate for shared success.

Akiko Fujita: You mentioned some SMEs have resumed shipments, can you tell us which specific companies?

Ren: I am not that clear about the details. To my knowledge, the supply of the vast majority of less critical components has resumed. This is a good thing. It can help some US companies change their business performance. But the US has not made any decisions on the supply of critical components yet. I estimate that

they need around two more weeks to make a decision. If they don't make a decision, we will.

03

Akiko Fujita: What the US Commerce Department has said is if these are components that are readily available, they will grant licenses to supply Huawei, but those that have national security will not. I'm wondering if there's a lot of confusion in the US. What is your understanding? What constitutes national security in terms of the components that you take in? Which component is considered a national security risk, therefore not being able to be sold to Huawei?

Ren: There's not one individual component that can threaten the national security of the US.

5G is just a tool that helps networks operate faster. It's good for the world. 5G is not an atomic bomb. How has it become a "threat"?

We basically don't have any networks in the US, nor do we intend to sell our 5G products there anyway, so there's no way we can pose a threat to the US. I think the US is too apprehensive. At the end of the day, collaborating for shared success is the only way forward. The US is the most powerful and the most technologically capable nation in the world. It should have more confidence in its ability to address cyber security issues.

04

Akiko Fujita: I recently heard you say, "The US has helped us in a great way by giving us these difficulties", the implication being that you have been able to accelerate your efforts for increasing self-reliance. I'm wondering if that's the case. What do you see is your future with some of these partners that you have, like Intel, Qualcomm, and Micron in the US?

Ren: If the US government allows US companies to supply to us, we will continue to buy from them, even in areas where we have developed our own alternatives. We adopted this approach in the past. Last year, we bought 50 million chipsets from Qualcomm even though we have our own complete chipset portfolio. We can live without Qualcomm, but we are still committed to working with them.

Intel is a provider of x86 servers. We also have our TaiShan servers powered by our Kunpeng CPUs. We will redouble our efforts to make our products even better over time. If Intel can continue supplying Huawei to help us maintain our leading position, then we will still buy in huge volumes from them. We hope that Intel's x86 servers will be able to secure a huge market share in the data communications area. We're only looking to obtain a tiny slice of the market, so that we will not squeeze Intel out. As long as the US is open to Huawei, we will keep purchasing huge amounts of US components, even

in areas where we have developed our own alternatives.

Our procurement department adheres to the principle of not sourcing from only one supplier but from two or three at the same time. If there is only one supplier for a certain component, we will research and develop our own product as a backup. The fact that we have capabilities in certain areas doesn't mean we will back off from our US partners. We will continue to welcome US tech companies with open arms. We won't change our stance on this.

05 Akiko Fujita: And as it stands right now, you are still in the wait-and-see mode because some of these American companies are still waiting for licenses before being able to sell to you. How long can you last without anything from the US?

Ren: I don't think we are in a wait-and-see mode. Instead, we are making every effort to ensure supply continuity. Since the US ban was announced, we have not experienced any shipment discontinuity for a single day. If US companies were to stop supplying to us altogether, our production would not stop for a single day. Rather, we would ramp up production. We will face some difficulties because we need to switch product versions. To do that, we need more staff. This year, we have recruited over 6,000 new employees thus far to optimize

or replace existing versions. During a version switch, all teams – including R&D, marketing and sales, and delivery – need to deliver products to customers in new ways. This means a bigger workforce and more costs.

There's no lethal risk that threatens Huawei's survival. The more advanced a product is, the fewer risks we face. We have our own "Plan B". For example, in 5G, Huawei is the sole provider of many cutting-edge chips. Our optical chips are the most advanced in the world. We can live without US suppliers in many areas, but this is not what we want. We want to work with US partners to jointly fulfill the responsibilities we have of building an information society. Huawei is not ambitious. We don't want to dominate the world. We only want to work with our partners to build an information society.

If Huawei were ambitious, we would have already dominated the most profitable markets. Why are we working in Africa, in remote regions in the Himalayas, and in deserts? We are doing this to serve humanity. Commercial interest is not our sole objective.

06 Akiko Fujita: So, when you say you have hired additional staff to work hard so that you can continue to move forward, is this to do with the idea of becoming increasingly self-reliant? What is your goal you have in terms of how much of products and

components that you want to produce in-house in the future?

Ren: We still have to depend on the rest of the world, because no one will succeed on their own in the information society. We have to depend on the world, including the US, so we hope the US will become more open. US government officials don't know much about Huawei, and if they come and visit our company, they may change their perceptions of us. There are rumors that we are struggling to survive, but you can see how many people eating in our canteens every day. That means our business is going on as usual.

We advocate for openness, and have no intention of working alone or isolating ourselves from others. Even if we do develop all the components we need on our own, we will continue buying components from others. That means half of our components will come from ourselves and the other half from others. We absolutely won't allow ourselves to become the sole supplier of certain components by squeezing others out of the market. When others stop supplying to us, we will use more of our own components. When others resume their supply, we will buy more from them. We maintain some supply flexibility, and we will never take the path of working alone or isolating ourselves from others.

We hope the world will be more open. But first we

ourselves must be strong enough so that we will be able to survive if others don't open to us. Otherwise, we wouldn't be having this interview here today. The fact that I'm giving this interview means we are strong enough to survive and we will continue to be so. If you come by three years later, you will see us still alive and you may see more new buildings on our campus.

Akiko Fujita: I want to pick up on that point that you just made. You said that if the US could come closer and see your company, they would realize what this company is all about. Why not just invite administration in?

Ren: We always welcome US authorities to visit us. Some US politicians drove by but didn't come in, and some would rather wait outside while others are meeting us. We can do nothing about that. I suggest they change the color of their glasses, so that they may accept the reality.

People in US industry and academia know more about us than these politicians. They should listen more to these people, so that they may change their misperceptions of us.

Akiko Fujita: Have you extended an invitation to the administration? If there are senators and administrative officials coming into China, have you extended a hand to say, "Come take a look at our

company and we can show you that we're not exactly as you perceive it to be"?

Ren: Many US senators and members from the House of Representatives have visited us, including Rick Perry, the Governor of Texas. He once led a delegation consisting of a dozen of Republican senators to our company, with whom I met and exchanged views. Many people from the US have visited us, but it seemed that no one was willing to speak for us. I hope more people would understand us and speak for us.

Akiko Fujita: Which lawmakers have you met with? Just to clarify?

Ren: I can't remember their names, but many senators and members from the House of Representatives have visited us.

07 Akiko Fujita: Okay. I want to talk about what is at the heart of this. Why has the US said it targeted Huawei due to concerns over national security? You look at American companies, Cisco, Nortel, T-Mobile, and Motorola, they have all accused your company of stealing trade secrets and gone to court with documentation to back up the accusations. Why should those companies or the US government trust you now?

Ren: New technologies are highly complicated. Although

the US is very strong, it hasn't developed all these technologies yet, so they have decided to pick on us by focusing on some insignificant issues. We still trust the US courts for their rulings. They have made rulings on some of our lawsuits and made the right decision on behalf of the US government.

We are far ahead of US companies in terms of new technologies. Huawei has over 11,500 patents granted by the US government, and has over 90,000 patents that support the foundation of the information society. The US should look more at Huawei's contributions to society, instead of finding faults with our weaknesses. If that happened, our collaboration with the US would become much better.

Akiko Fujita: I guess what I'm trying to get at is, if you look at from the US side, there's been a lot of litigation against Huawei and there have been multiple companies that have come forward with these accusations. Can you understand where the distrust on the American side is coming from? Whether you agree with it or not, given what has transpired over the past 10 years, can you understand why there's so much distrust in the US?

Ren: This is because Huawei is far ahead of the competition. The US has been used to being the world's No. 1. They will never believe that anyone is better than

them. That's why they have this mindset.

Akiko Fujita: And this is my last point on this, but the accusation is not based on where you are right now, which is the leader in 5G, yes, but that you got here by stealing from American companies.

Ren: From the very first day Huawei was founded, we have valued intellectual property (IP) and opposed the theft of IP. This is because Huawei is a victim of IP theft and many individuals in China have stolen our IP. None of our litigation related to the US has found that Huawei has maliciously stolen anyone else's IP.

Our past success was created by our own hard work. Our R&D investment ranks No. 5 around the world and we are a non-public company. We don't have the problem that the US is imagining.

08 Akiko Fujita: There are reports that have come out over the last few days that suggest you are planning significant layoffs over Futurewei R&D in the US. What is the future of Huawei's presence in the US?

Ren: First, Futurewei is a US company. According to the US Entity List regulations, they cannot send any of their R&D results to Huawei and no employees of Futurewei are allowed to have any contact with Huawei employees. This makes it difficult for us to manage this

company and collaborate with them. We'd better wait for the US's interpretation of the Entity List, or the US's removal of Huawei from the list.

The US is home to the world's most advanced science and technology. If they are willing to work with us, we will increase our investment in technical partnerships. Before Huawei was added to the Entity List, we invested 500 million US dollars into Futurewei in 2018 and planned to invest 600 million US dollars in 2019. Now we cannot make further investment because we are not allowed to engage with Futurewei employees. What is our next step? This depends on the US government's direction.

Akiko Fujita: Just to confirm, there are layoffs now at Futurewei and your R&D center in the US is essentially on hold right now because of Huawei being on the Entity List?

Ren: Yes. This is all because we cannot engage with Futurewei employees. If we cannot even discuss their work arrangements, how can they do their work?

09 Akiko Fujita: Let me ask you about something that has been a consistent part of your narrative. I know you've heard this over and over, but let's talk about your military past as an engineer in the PLA. I know

historically you talked about how insignificant that was when you think about when this all played out. But the US administration, which has put you on the Entity List, has continuously raised this. How far do you think you need to go to convince the administration, you know, that there's no tie there right now? I'm wondering if you've thought about what more you can do and what more Huawei needs to do to get that message out.

Ren: First, I've never considered needing to convince the US administration of my identity. I believe survival is success. In the future, I also won't attempt to clarify who I am to the US government. I am a clean man, and I don't think it's necessary to ask people to check whether I am clean or not.

There are also many veterans working in US companies. But do we say that these companies are all backed by the US military? I think the US should put themselves in our shoes. China has had over 50 million veterans since 1970s, and these veterans need to work and make a living. The employment of a veteran does not suggest a company's relationship with the military. What's more, I was just a low-ranking member of the army.

I've never considered trying to convince the US of who I am and will not in the future. I don't care what they think about me. What matters is that we win

markets. No one can rely on others to fight their battles and win markets. I don't believe in any gods. I believe that we can only rely on ourselves, not anyone else.

10

Akiko Fujita: I know you've gone back and forth. You've been asked this question on whether in fact you would be willing to take a call from President Trump. I've heard you say before that, you know, "Why would he call me?", "He has other things to do", and "We don't speak the same language". But I've also heard you say recently in an interview that yes, you are willing to take that call. Where do you stand on that right now? If he calls tomorrow, would you have a conversation with the president? In addition to that, I think you would get along with the president.

Ren: I think it could be possible. My family has said that we seem to have similar personalities, and we both sometimes act a little bit high-handed.

We have been communicating with the US government, for example, through its District Courts in New York and Texas. The US government can communicate with us through our lawyers. Is it really necessary to ask their big president to make a phone call to me? In addition, communication over the phone may not be clear enough. They can communicate with us through the lawyers.

11

Akiko Fujita: Huawei is part of the trade conversation. Whether you like it or not, President Trump has made it a part of that. Since the G20 Summit, there has been a back and forth, with the reports suggesting that the Chinese government is really pushing the US to reduce its pressure, back off on your company as part of the concessions from the US side. Are you willing to take that role? If the Chinese government asked you to be involved in the discussions, would you be willing to take part?

Ren: First, the US has filed criminal charges against us, instead of attempting to negotiate. The US is a country ruled by law, and issues related to law should be solved in the courts. I hope the relevant lawsuits will reach their conclusions quickly. The procedures are too long and slow. I hope our problems with the US will be solved quickly through the law. If they need to talk, talk through the lawyers with evidence.

Second, we barely sell anything in the US, so the trade between China and the US has nothing to do with us, and we won't ask the Chinese government to negotiate for us.

Trump wants to use Huawei as a bargaining chip in his negotiations. If we got involved, the Chinese government would have to make concessions for us. Why should China make concessions for Huawei? Some

people comment that the Chinese government could trade off something for Huawei. But Huawei didn't commit any crimes, so why should they have to save us? In addition, negotiations won't help. The US House of Representatives has passed a proposal that says Huawei may not be removed from the Entity List for at least five years. Should we just wait five years? Impossible.

12

Akiko Fujita: I want to talk about where Huawei's business is going. You have a presence in 170 countries. I know outside China, Europe has been a big growth area. But as a result of the pressure that comes from Washington, you faced a lot of headwinds in some of the markets. The US is, as you point out, virtually zero. Australia has banned Huawei, Japan is now onboard, and Europe is still a bit of a mixed picture. Where do you see your growth coming from in the next few years?

Ren: First of all, Huawei has stayed customer-centric over the past 30-plus years. Our priority has been to create value for our customers, and we always put their interests first. During this period, we won the trust of the majority of our customers. They have been continuing to sign contracts with us despite all of the pressure from the US, which means they place a great deal of trust in us. Huawei is continuing to grow. This just goes to show that our customers are not breaking ties with us.

Second, Huawei is leading the world in 5G and also in many other areas, so we have full confidence that our customers will continue buying from us. The direction we are moving in and the pace of our development have not changed. We will need to make some temporary adjustments over the next two years though, as we switch the versions being used for many of our components, and it will take time to adjust and replace the existing versions. During this transition period, our growth may slow down, but from what we've seen, it won't be very much. We are continuing to move in the direction we have set, and this direction will not change.

Akiko Fujita: What do you mean when you say it takes time to switch versions?

Ren: For example, if a company refuses to sell a certain component to Huawei, we will have to replace it with one of our own. This means that its version must be replaced, which will take time. During this transition period, we will face some pressure in terms of production capacity and volume. All that to say, while our growth may decrease over the next two years, it will rebound in two or three years.

13

Akiko Fujita: The operating system is one of the big challenges that you see. You recently made some comments about the internal, the alternate operating

system that you've been developing not necessarily being made to run on smartphones. If you can't use Android, do you have a plan B?

Ren: First of all, I'd like to say a few words about our in-house OS Hongmeng. This operating system is developed to adapt to future scenarios like the Internet of Things, artificial intelligence, industrial control, and autonomous driving. The latency of this system is no more than 5 milliseconds and sometimes even less than one millisecond.

We plan to apply this operating system to IoT applications like smart watches, smart TVs, and connected vehicles, but for right now, we really don't have plans to apply it to smartphones. Huawei has an agreement with Google, and we respect their work and the achievements they have made. We will only look into developing our own smartphone OS when Android is no longer an option, but as for now, we don't plan on it. IoT is actually a part of the AI industry, which will be a huge industry in the near future. 5G will simply provide support for it.

Akiko Fujita: It sounds like you are operating under the assumption that Google will get the waiver and be granted a license to be able to supply Android to Huawei. Are you in touch with Google executives at all?

Ren: No, I have not met with executives from Google,

but I believe both of our companies are working hard to resolve this issue. We are working to develop a backup operating system while they are working on communicating with the US government. I hope our efforts will pay off.

14

Akiko Fujita: What about your 5G ambitions? Do you have to change the expectation a bit as a result of these very headwinds that you've talked about?

Ren: No, we have not adjusted our goals for 5G. This year, we are expected to ship 600,000 5G base stations, which will grow to around 1.5 million next year. Our 5G business will not be affected by the US ban in any way. None of our 5G components will be affected, either. We have already developed all of the high-end components we need.

Akiko Fujita: So the base stations, the routers, you can continue to make those without any US components?

Ren: That's correct. According to our estimations, revenue from our network connection business will drop by 2% as a result of the ban, and our consumer business will be affected a bit more severely. Of course, the drop is the result of comparisons with our goals for this year set at the beginning of 2019; our sales revenue will still be higher than last year.

Akiko Fujita: Just to clarify, the 2% decline is on the 5G equipment? The smartphones? What specifically were you referring to?

Ren: This decline will be from the impact of cutting out some minor parts of our business. The 5G part of our business will not be negatively affected. In fact, it will see substantial growth.

Akiko Fujita: Do you see other areas when you look at your business and the portfolio Huawei has right now? Will you think that you may need to cut? I've heard you say on many occasions that maybe some of the minor businesses, you need to shed the fat a little?

Ren: First of all, we have not considered any specific areas we will cut. We have just considered the specific products we will cut in each area.

In Huawei's early years, we had many products. Now we have combined our products and have used new products to replace and remove many older ones. In general, the US ban has had no impact on our business continuity or on how advanced the products we use to serve our customers are. If the US becomes more open and collaborative, Huawei will develop faster and be able to contribute more to humanity.

Akiko Fujita: When you say some of the products that you may not need, what are you referring to?

Ren: I was referring to low-end and outdated products. We have many such products. We have reviewed these products. Now one new product can replace dozens of outdated products. After these older products are replaced, we will only provide spare parts for these products to our customers.

15

Akiko Fujita: I want to ask you about something that I think is quite personal for you, which is your daughter, arrested back in December. You are a father. You've seen your daughter going through this legal ordeal for several months now. She's in Canada. 24-hour surveillance and ankle bracelet. What do you think as a father, as you see what has been playing out over in Canada?

Ren: First of all, we have faith in the law. Under the law, we believe the case will be addressed based on facts and evidence. Emotions cannot resolve anything. The case must be addressed by law. As the legal procedure takes a relatively long time, we have to wait. There is no better alternative.

Akiko Fujita: Do you talk to her often?

Ren: When I call her, she sometimes says they are eating hotpot, or making dumplings or noodles. She said she was busy with work for decades, and rarely had the

chance to relax that she has had in recent months.

Akiko Fujita: What did you tell her about, amid all those uncertainties, how she approaches all these? What advice did you give to your daughter as a father?

Ren: The only solution is to resolve the case through legal procedures. Such a big international issue cannot be solved through individual efforts. We believe the law is fair, just, open, and transparent, and our defense is based on facts and evidence.

Akiko Fujita: How hopeful are you that it will be resolved and your daughter will not be extradited to the US?

Ren: It's not just that my daughter should not be extradited to the US, but that she should be freed and acquitted of all charges. She is completely innocent and it was a mistake to arrest her. But we need to wait for the court's verdict.

16

Akiko Fujita: I want to go back a bit from talking about Huawei to what has been playing out in China. Over the last several years, we have seen big growth in tech here in China. You know all the big names, Alibaba, Baidu, obviously Huawei in the mix. Despite that success, though, there are all those skeptics who say that those companies grew because they had no

competition, and that Western companies could not operate here without a joint venture in place. Is it time to open up the markets for the likes of Google or Facebook, so that you can actually come forward and say, "Look, we competed against the best and became the best"?

Ren: We have very good partnerships with Google, Facebook, and many other tech companies, and we are growing together in the world. Personally, I would like to see a more open market, but this is decided by the governments. For example, the US government has the sovereign right to close its doors to Huawei. We will try to persuade them to be more open and less conservative, but the decision is still made by the government. It's the same here. You can also try to persuade the Chinese government.

Akiko Fujita: Do you think that this cloud will still hover over these companies until the Chinese government opens its doors to some of these companies? Yes, these companies have grown in their own ways and yet you continue to face skeptics who say you are only this great because the market is not open. Is it time for the Chinese government to change its stance, and open up the market more to Western companies, especially tech companies?

Ren: The premise behind these questions is wrong.

Huawei has been facing fierce global competition ever since it was founded. In the 1980s, 100% of China's communications equipment was supplied by foreign vendors, mainly eight vendors from seven countries. These included NEC and Fujitsu from Japan, Lucent from the US, Alcatel from France, Nortel from Canada, BTM from Belgium, Siemens from Germany, and Ericsson from Sweden. We grew up in the small crevices between these Western giants. How could you say we didn't experience full competition? The story is similar in the enterprise communications market, where Cisco used to dominate the world and we started from scratch. But this year, we surpassed Cisco. This is not because Cisco yielded to us, but because we have grown strong by ourselves, tempered through full competition. No one has ever protected us, and we don't expect anyone to protect us in the future.

17

Akiko Fujita: Can I get two more questions? What time is it? Can I just ask one more question though? Yesterday, we had a chance to walk around the campus and talk to some of your employees, and one of the conversations really struck me because there was a researcher who said, "Look, I came to Huawei because it is committed to cutting-edge technology, but I worry that the technology that I'm developing

here could be misconstrued as a national security concern", that essentially, he feels the weight of the pressure that's coming from the US. What do you say to your employees who are wondering what this means for the future of the company and how they should push forward under all this pressure?

Ren: In fact, our employees have become more confident. I think this employee said that because he feels his work results are too advanced and too good. He may be proud of himself, and is indicating he has made great achievements in an understated way. I think this employee should be praised, as he is proud of himself. He believes that the US sees us as a threat only because we are too advanced. Of course, this is my personal interpretation. I don't know him.

We are very open at Huawei, and allow all kinds of ideas and voices. Huawei has an online forum called Xinsheng Community, where many people criticize me. Huawei's Blue Team, an adversarial wargame team within the company, once published an article called The Ten Sins of Ren Zhengfei; ten sins, not ten mistakes. And we responded by asking the whole company to study this article. We are not afraid of mistakes. We just correct them and make progress. We are open and free at Huawei.

It's the same for you here. You can interview anyone

on our campus. If you have doubts, you can randomly pull someone aside in the canteens and ask them to take you to the Huawei employee apartment buildings. If their key can open the door, it will prove they are a Huawei employee, not pretending. By interviewing them, you will get a lot of genuine information.

I would like you to talk with all our employees. Our company allows employees to make some mistakes when communicating with the media. It's fine as long as 60% of what they say is right, and by "right", I mean what they really think. Currently, 70% of the international media coverage towards Huawei is negative, and the remaining 30% seems to be neutral. These media outlets do not view us positively, but at least they are friendly to us. Even if 40% of what our employees say is wrong, as long as they keep communicating, they will help turn these negative media reports into neutral ones. So it's a good thing. It doesn't matter if they make some mistakes. We encourage them to speak out about their real experiences and thoughts.

18 Krystal Hu: It seems like Huawei has been making preparations for the crackdown from the US government and to some extent, you have foreseen the tension between the two largest economies in the world. Do you think you will stay in this condition for a

while? What's your judgment of the situation?

Ren: Actually, we are not making preparations for the pressures coming from the US. Instead, we need to push for continuity and stability across the entire industry. We want to ensure that none of our products come from a single supplier; otherwise, a fire or some other disaster could cause us to collapse. That's why we have backups. These backups are not intended to cope with the US pressure.

Despite the attacks from the US, we are not hostile towards them. Instead, we think we should learn from US tech companies, and remain on friendly terms. Right now the US is not acting friendly towards us, but we are putting up with it. The US has a strong mechanism for self-correction, and they will soon get back on track. We will continue to remain friendly towards the US.

We have nothing to do with the trade frictions between the US and China. I haven't personally looked into these frictions. I only pay attention to advanced technologies from the US, not politics or anything else like that. Nor do I care much about what conflicts they have. What I do care about is focusing our efforts on researching and resolving customer issues. That's why now we have won great recognition from our customers. Sometimes, the US puts a great deal of pressure on us, but our customers have stuck with us and continued

buying our products. That means they understand and trust us.

As for how long the conflict between the US and China will last, I think that all depends on the level of mutual understanding between the two countries. If the two countries could understand each other and come to a compromise, this problem might be easily resolved. If either of them tries to put the other at a disadvantage, this situation that we're in will just continue to exist for a long time.

We can tolerate the unfriendly international environment. So big changes to the external environment will have no impact on our internal operations. Over the past 30-plus years, we have gone through wars, epidemics, economic collapses, financial crises, and many other difficulties. We have been through many ups and downs. The world is unbalanced, and I think these challenges were tests for us. This time, it is the biggest test we have undertaken yet. Will we survive? Definitely.

We will remain friendly to the US. We will not hate the US just because several of its politicians are attacking us. The US is a great country. It has transformed from largely wilderness into such a developed country within just 200 years. This is really a great accomplishment.

I hope that China will also contribute to the world. The progress of humanity won't be a zero-sum game.

If we run out of food, we don't have to catch all the fish in the sea, and we just have to learn to farm them sustainably.

AI will help increase, not reduce, the wealth of human beings. No countries will be plunged into war just because of lack of food or uneven distribution of wealth. The possibility of war will be slimmer. People will become increasingly reluctant to fight over a lunch box. Or at least I don't want to have a lunch box.

19

Akiko Fujita: We're trying to get to the material impact to the company as a result of Huawei being added to the Entity List. You said before that 30 billion US dollars is the number you've put on the company in terms of the impact from this designation. Does that number still hold?

Ren: I think the Entity List is actually a good thing for our company. It's not a bad thing. In the past, our employees turned a deaf ear to our training. Many employees enjoyed their life in their comfort zone. They earned a lot, and often spent extravagantly. More and more employees were not fully committed to their work.

The Entity List has injected a sense of crisis in our employees, and inspired passion across the company. This has provided an opportunity for us to reposition

underperforming managers and replace them with outstanding young employees. This has helped increase our vitality. In this sense, the Entity List is not a negative, but a positive thing. It has motivated our team.

Of course, it would be better if Huawei were removed from the Entity List. But even if that doesn't happen, we will not face too much pressure. Some say that removal may not happen for five years, but will we even need the removal by that point? I don't think so. The US delayed the ban on Huawei by 90 days, but this has done nothing good for us. Originally, the Entity List stated that many spare parts and components are not allowed to be sold to Huawei. After the 90-day delay, the Entity List covers a wider scope, and it even intends to include academic organizations, standards bodies, and universities. We must get mentally prepared. If the ban were delayed by five years, there might be even greater attacks against us.

Despite their attacks, we will not hate the US. If we keep chomping away at the grass like sheep, we will just get fat. The US is now chasing us like a wolf, so we have to start running. This will help us get fit again and become more effective.

Akiko Fujita: I want to try to put a number on this though. The material impact, is it still 30 billion US dollars?

Ren: In Q1 of next year, we will release our 2019 financial report. At the end of July, we will announce our H1 business results. But they do not represent our annual financial report. In H1 of this year, we enjoyed high-speed growth for about four months. Following the May 16 ban, we continued growing due to the momentum we'd built up previously. Our H1 business results should be very good, but we will see real material impact in the second half of the year.

We will release our new financial report in Q1 next year. I believe the results will be quite good.

20

Krystal Hu: We have seen many US technology companies like Amazon and Microsoft working directly with the US government and the military. They sign contracts with the US military. Why is Huawei so sensitive and unwilling to work with the Chinese government and the military?

Ren: First of all, the nature of our work is totally different from that of the military. We develop communications products for civilian use, not for military use. So we don't work with the military. The military tends to invest in R&D regardless of costs. They can put all their money in a single thing. Reaching targets is their top priority. We cannot spend money recklessly on something unwanted by the market; otherwise, our mobile phones

will sell poorly. We value totally different things from the military, so we don't need to work with them. Some US companies can work with the military, because the US is so powerful. They can cooperate with each other as long as they want.

Second, there is a big gap between military and civilian industries. Military components are generally developed regardless of costs. Who can afford to install these components? Mobile phone technologies are actually very complex, but they are still cheap. The ways the military and civilian industries work are totally different. The military will spare no expense to develop a product, even if they just need a couple of them. At a country level, they may need only a few hundred or a few thousand of the product. Taking the atomic bomb for example. The US just has a few thousand of them. Generally speaking, civilian and military industries are totally different in terms of R&D, operating methods, and objectives. Military research is not suitable for civilian products.

21

Akiko Fujita: Given the environment that we're in right now, I've heard a lot of people refer to this as a new Cold War, saying that there's a digital iron curtain going up as a result of what the US has done moving forward on pressuring the Chinese in trying to sort of

constrain the technology. Is that where we're headed right now?

Ren: We've never wanted to curb the development of foreign companies. We communicate with companies, universities, and competitors in a friendly and transparent manner. We even keep open lines of communication with companies like Ericsson and Nokia.

We prefer to collaborate with the rest of the world in an open and friendly manner. Although the US is giving us a hard time now, if they stop doing so, we can still be friends. We will continue to buy components from US companies. However, we have to be more cautious. In the past, we were comfortable with signing 10-year contracts with US companies, buying large quantities of goods from them. But now, we have to sign smaller contracts on a rolling basis. In case they no longer sell us certain components, all the other components will become useless. By signing smaller contracts on a rolling basis, we will be able to more easily bear the losses caused by a supply problem.

22

Akiko Fujita: One of the legal cases that I didn't ask you about is the one involving our parent company, Verizon. I know that you filed a lawsuit or sent some letter demanding one billion US dollars in licensing for your patents. I'm wondering why you decided to do

that now. Can you help us understand the timing of it?

Ren: The timing wasn't taken into account when we made that move. Charging IP royalties is a standard international practice. We aren't even charging Verizon that much in licensing. People are saying the rates we chose are quite low. Verizon has never bought anything from us, but they are using many of our patents, so they should pay us royalties. Paying royalties could even galvanize them to solve some of their own development problems, so why are they choosing to delay the payment? Moreover, the US is a country governed by the rule of law. If a US company refuses to pay IP royalties, the US's reputation around the world will be negatively affected. Moreover, many non-US companies use US patents. If other countries follow suit and start to refuse to pay royalties, then it will be the US that will suffer the most, not China.

23 Akiko Fujita: One of the things that I have noticed walking around campus was the image of the aircraft. You've talked a lot about this aircraft being able to fly despite having holes in it. Why have you chosen that aircraft to represent Huawei? Why this symbolism?

Ren: I stumbled upon this image on wukong.com. I saw it on the Internet shortly after the US put us on the Entity List. I had the feeling that it resembled us so

much, seriously injured with wounds all over our bodies and with only our hearts beating. The aircraft was able to fly home. I believe we will also be able to fly home and land safe and sound. That's why I picked this photo. When I posted it on Xincheng Community, many people had the same feeling, and it began circulating widely.

24

Akiko Fujita: I know from conversations this morning that you had identified US-China tensions as a risk more than 10 years ago. I'm wondering what the catalyst was.

Ren: This narrative was made up by some employees trying to explain what we did in the past based on what is happening today. When we decided to make our own chips, we didn't do it to address possible conflicts between China and the US or between Huawei and the US. Huawei has always been learning from US companies and personally I am a fan of the US. I admire US culture, management practices, and technologies. When we started to make chips, our purpose was not to guard against the US.

It was because we believed it was essential to engage in some research if we wanted to develop and stay at the forefront of society. We invest heavily in basic research and we have many scientists. People may wonder why Huawei needs so many scientists and why

Huawei spends so much money funding university research.

This is because the world is developing so fast, and it takes less time to translate theories into products. By staying ahead, we can earn more money. With this extra money, we can continue to invest. That's how we have developed into what we are today. Our technologies are a lot more advanced than the rest. In fact, they are too advanced for customers to resist even if our prices are higher.

25 Akiko Fujita: Is there a particular company or a business leader that you really admire in the US?

Ren: I admire a lot of them. There are many great business leaders in the US. I admire the leaders of Google, Amazon, and the like. I'm also a big fan of Bill Gates and Steve Jobs. My younger daughter is a huge fan of Mr. Jobs. On the day he passed away, she was still a little girl and proposed that we have a moment of silence to mourn him, and we did.

Why do we have so much admiration for the US? Just think about how the US has become so powerful. All the US giants used to be small companies. They became what they are today by adjusting their structures and changing managers along the way, step by step. When

I first heard about Microsoft and Apple, they were still very small. Huawei was of course even smaller, maybe smaller than half a sesame seed.

When a company is small, it must ensure that its internal structure is extremely fine-grained and stable. By doing so, it can remain stable as it grows bigger. We also started out as a small company, and became what we are today by optimizing and overlaying our structure time and time again. Today it may seem that Huawei is a "fortress" that cannot be demolished. This is because the path we took as we grew from a small company is similar to the way small companies in the US grow. We are able to fight huge battles. We can get used to the pressure even if the sanctions become the norm for us. In this sense, we are similar to US companies.

Second, I was once an army man. From watching movies about D-Day, I learned that 78,000 soldiers from the Allied forces died during their attempt to seize the beach. I once went to Normandy to visit the American cemetery. I have also visited the American cemetery in Manila of the Philippines. I learned how the US treated soldiers who had made contributions. These are both good examples to follow. We should also learn from US companies. Based on what we've learned, we can reinvent ourselves. We adopt a completely open model.

When you are here, you might notice that Huawei

is not like a Chinese company at all. Except for our canteens and all the Chinese faces, it's more like a Western company. We have absorbed the good, advanced elements of the Western culture. Isn't our corporate culture like Protestant culture? We have actually learned a lot from US companies, so the US is our teacher and we should thank it.

Nevertheless, American IT companies have made several major mistakes during their development.

First, during the 1990s, after digital circuits and wireless technology emerged, the US thought it was very powerful and tried to force the adoption of CDMA. Qualcomm was a leader in CDMA and raised the threshold too much, so the world didn't support it. The US also tried to force the adoption of WiMAX (Worldwide Interoperability of Microwave Access), aiming to turn computer technology into communications technology. They didn't realize that computers are about local area networks and communications are about global networks. The development of the standards for the global communications system is attributable to dozens of years of efforts made by tens of thousands of engineers who worked together in the ITU (International Telecommunication Union). When trying to challenge the world, American communications vendors took the wrong path. That gave rise to 3GPP, which resulted

in the collective decline of these US companies. Their decline was not because of Huawei's rise, but because they were moving in the opposite direction of the world's development.

Second, the x86 CPU developed by the US was originally in a dominant position. However, due to Arm's breakthroughs in architecture, a new competitive environment formed for CPUs.

Third, the Internet developed too fast, and the US has established the world's largest and most competitive ecosystem. However, this doesn't mean ecosystems in other countries and regions cannot grow.

Following the emergence of these three "tracks", humanity started moving toward AI. The Internet of Things is a part of AI, which needs low latency. Today, in edge computing, people may object to the Von Neumann architecture. However, in AI and the big clouds of the future, this architecture will continue to be used. It involves supercomputers, including super-large-scale storage and super-fast connections. The US is abandoning 5G. Even if they have supercomputers and super-large-scale storage, the US might still fall behind because they don't have super-fast connections. All three of these things are indispensable. For that reason, a new breaking point will appear. These breaking points will leave the US behind. 5G boasts high bandwidth

and high uplink speeds. Previous generations like 4G mainly connect individual users, so that is B2C business. In contrast, 5G connects enterprise operations, so that is B2C and B2B. The high uplink speed of 5G is conducive to the realization of industrial automation, AI, and connected vehicles.



Ren Zhengfei's Italian Media Roundtable

July 18, 2019 Shenzhen, China

Welcome to our company, everyone. I am very glad to be here with all of you today. I have always found Italy to be a beautiful country. I like Italy very much. Feel free to throw your hardest questions over to me, I will be honest in my responses. Thank you!

01

***Agenzia Nazionale Stampa Associata (ANSA):* Before last December, you seldom talked to the media, including the Chinese media. You had taken only two or three interviews in the previous 10 or more years. But after your daughter Meng Wanzhou was detained by Canada, you communicated with the media more often. Could you please tell us the reason? In addition, from your perspective, how will your daughter's case end?**

Ren: First of all, I am not a man who doesn't like to talk. I give a lot of speeches internally at our company. How could I lead the company as a leader? I give a lot of speeches. I just didn't talk with the media that much in the past.

Following the Vancouver incident, the US filed a lawsuit against us in the United States District Court for the Eastern District of New York and then added us to its Entity List. After that, almost all international coverage about Huawei was negative. We felt like we were facing quite a bit of prejudice.

So I feel that I had the responsibility to stand up and talk more to the public during times of crisis, to remove some of the dark clouds hovering over the company and bring back some light and hope. Today, our skies are brighter and things don't seem as dark as they did. 30% of media reports on us are now positive even if the remaining 70% are still relatively negative.

Second, the US is very powerful and its voice resonates around the world. People tend to believe whatever it says. Because of this, we have faced a lot of pressure. I have the responsibility to stand up and speak out. By doing so, I can:

First, boost customer confidence in us, helping reassure them that we won't collapse and we will be able to continue serving them.

Second, strengthen supplier confidence, letting them know we can survive and will be able to pay them back if they sell components to us.

Third, strengthen employee confidence, so that they will continue working hard, knowing the company will survive. Even though the US is cracking down hard on us, we are still quite strong.

Last but not least, by speaking out, I help convey the truth about Huawei so that the world as a whole can better understand us. In the past, no one made accusations this severe against us, so we didn't have an

opportunity to spread our message as widely. Today, the US's sharp accusations are giving us this opportunity to explain ourselves and show the public who Huawei really is.

In terms of public opinion, we can see that about 30% of people understand us while the remaining 70% still don't. So we must keep on talking.

Everything I have done over the past few months has not simply aimed to save my daughter, but also to save my company. That's why I feel the need to stand up.

02

***Corriere della Sera:* Are you still the CEO and leader when your company is in a critical situation now? Regarding 5G rollout and network infrastructure in Europe, Huawei has not supplied much equipment for core networks there. Do you think this will change in the next several months or even years? If Huawei is still excluded from core networks, will this delay 5G rollout in Europe?**

Ren: First, in such a critical situation, I am still the most fit to serve as CEO. I have the ability to lead our company out of darkness and move towards a bright future. Huawei will keep growing even without the support of the US. We have what it takes to stand on our own and thrive as a global leader.

Second, in Europe, which 5G vendors to choose is up to the individual countries and carriers in the region, based on their own interests. We can't make that decision for them.

Let me explain a little bit about 5G first. Then I will talk about how 5G will benefit Europe.

5G is not simply an extension of 4G. 2G, 3G, and 4G are, in essence, B2C businesses that connect people to networks. At present, network upload speeds are quite low, even though download speeds are high. On existing networks, uploading images is very slow. In autonomous driving, for example, the only way to ensure people's safety is if the network can transmit tons of images every second. Existing networks simply cannot support this type of industrial automated control.

5G bandwidth is 10 to 100 times larger than that of 4G, so uplink bandwidths can be ultra-high. 5G is also different from 4G in terms of data transmission architecture. 5G will support both B2C and B2B. The second B in B2B refers to high-speed trains, cars, aircrafts, and the automated production of Industry 4.0.

There are two types of architecture for 5G.

The first is the non-standalone (NSA) architecture, where 5G coexists with 4G. For example, a 4G smartphone can run on this kind of 5G network. The

NSA architecture only provides higher bandwidth than 4G, but it cannot support industrial automated control. A 5G core network supporting both 4G and 5G systems can continue using 4G architecture.

The other architecture is the standalone (SA) architecture, where only 5G exists. This model doesn't have to support many 4G systems, so its terminals and system equipment are very simple. This means uplink speeds will be superfast, with a millisecond-level latency. Equipped with this kind of 5G network, a doctor in Italy can remotely guide a heart surgery in a rural hospital in China. What the Italian doctor sees, for example, how fast the scalpel is moving, must be in sync with what's really happening on site. The Italian doctor wouldn't be able to operate if the network failed to transmit images in real time.

All of you work in the media sector, so you must have seen the trails left behind fast-moving objects on your screen before. This is caused by high network latency, and it can be solved by the 5G SA model. 5G SA networks require our new type of core network equipment.

In a 5G network, information packages that are transmitted through base stations or transport networks will not be opened, so these two layers do not cause any information security issues. Information packages aren't

opened until they reach the core layer of the network.

The UK's Prime Minister Theresa May has said that the UK can buy Huawei products for non-core parts of their networks. This makes sense. After recent debate though, some members of UK Parliament concluded that the UK may only be able to stay far ahead if the country chooses to deploy Huawei's core technology. Ultimately, the decision is in the hands of individual European countries and carriers.

In China, the 5G licenses that have been issued as well as the 5G networks that are being built by carriers use the NSA model, where 4G and 5G coexist. Huawei is right now the only company in the world that can provide 5G SA solutions. According to China's Bidding Law, bidding for these kinds of products can only begin when there are three qualified vendors who can compete, so China won't start deploying 5G SA networks until next year. We are still waiting for Qualcomm to catch up.

03 ***La Repubblica:* The US may stop its supply of key components to Huawei anytime, including chips, servers, and software. That is like sentencing a tech company to death. Is Huawei strong enough to be independent from these US suppliers? How can you achieve independence? And how long will it take?**

Ren: We can stand on our own right now. We don't need to depend on the US to continue serving our customers. The more advanced a system is, the more capable we are of standing on our own. Of course, we haven't continued developing components for some of our old, outdated products. There might be some impact on them. But we can use new products and new technologies to replace these old products and continue serving our customers.

04 *La Stampa:* **We visited Huawei's Exhibition Hall for Virtual Restricted Shares today, and got to know that you have veto power. If the Communist Party of China or the Chinese government requests Huawei to implant backdoors in your network equipment or devices, can you exercise that power?**

Ren: Of course I can, and I will certainly veto against this. As you might have seen, 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 never requires companies to implant backdoors. Premier Li Keqiang then reiterated this position at a press conference following a recent session of the National People's

Congress. Recently, when Premier Li visited our booth at this year's 16+1 Summit in Croatia, he even directly told our staff not to implant backdoors. This is testament to their support for us when it comes to never implanting backdoors in our equipment. We have confidence in this, and please be assured that we can sign "no-backdoor" agreements with any country.

Second, if we implanted backdoors, then no one around the world would buy our equipment. If that happened, our company would go bankrupt and who would pay our debts? Our employees could leave Huawei to start their own businesses, and I would have to stay to pay the debts by myself. Do you think that is what I want? No!

05

***Il Sole 24 Ore:* My first question is about your daughter Meng Wanzhou. Are you still worried about her? How do you think this case will end? The second question is about information security. There are many allegations around the world that relate Huawei to information security, security issues, and backdoors. What's your response to these allegations?**

Ren: First, my daughter's case should be handled by courts, because courts make rulings based on facts and evidence. I believe the courts will make fair, just, open, and transparent rulings on her case.

Second, Italy and Germany have proposed establishing unified cyber security standards across Europe. I think every vendor should receive the same kind of security checks. Huawei has been subject to the most stringent checks in the world, but not a single security problem has been found so far. I think other vendors should be subject to the same checks. That is the only way to ensure security in Europe.

06 *Agenzia Giornalistica Italia:* In a recent interview, I heard you mentioned that due to US export controls, Huawei's revenue may decrease by 30 billion US dollars. How do you think Huawei should adjust itself under this circumstance? Do you have a Plan B?

Ren: We won't have any problem surviving due to the US attacks against us. But we have to replace some versions of our products, and it will take some time for the new versions to fit in. I once said our expected revenue may decrease by 30 billion US dollars from 135 billion to around 100 billion, but this is the worst case scenario. Our revenue may decrease less than that because of the efforts of our staff. You have come and seen in person that our company is very healthy, and all departments at Huawei are functioning properly.

07

***EURACTIV:* Thank you for receiving our interview. I don't know whether you have heard about Ursula von der Leyen, the newly elected president of the European Commission. What's your view on the future of relations between the EU and China?**

Ren: I'm not very familiar with the newly elected president of the European Commission, but I have seen her on TV. She has a strong presence. And I believe Europe will make strong strides as well.

Europe must simplify its trading process. China is a huge market. Starting last year, China has begun to cut tariffs on many commodities like luxuries and clothing. Europe, including Italy, needs to seize this market more rapidly. Consider automobiles, for example. China is a large consumer of automobiles and the tariffs on them are dropping. To seize more of the Chinese automobile market, Europe should not simply bind themselves with the US.

As we all know, the world's best cars are European cars and the most affordable cars are Japanese cars. US cars don't have any advantages in either quality or cost. If you can hold the Chinese market for the next few years, US automobiles will find it more difficult to enter the Chinese market.

China has applied technologies from Germany, France, and Japan, as well as some of its own when

building its high-speed railways. This means huge opportunities. China also has a huge demand for aircrafts. Europe should invest more in aircrafts to enter the Chinese market.

Chinese and European economies are complementary in many aspects. We can leverage this short window of opportunity to drive the rapid development of trade between the two sides. After the fight between the US and China is over, the US will find that the Chinese market is fully occupied by its allies. Europe should not follow in the footsteps of the US; instead, it should impose fewer economic sanctions and strive to expand room for its economic and trade development. Social stability depends on whether people's living standards are improved. Europe doesn't need an ideology; what it needs is to improve people's lives, especially those at the lowest rungs of society. This will help prevent social unrest and revolts. With a solid foundation for growth, Europe will surely continue to prosper.

08 ***La Repubblica:* European telecom carriers are being pressured by the US government to ban the use of Huawei equipment, but according to the information available so far, the Italian government is still willing to continue working with Huawei. In your view, is the European market, including the Italian market,**

important to Huawei's business? Do you think that you will ultimately succeed in the European market?

Ren: First, Europe is very important to us. That's why we have invested heavily in this market. We view Europe as our second home market. Second, many carriers have been working with Huawei for more than 20 years. Despite huge pressure from the US, many carriers still choose to buy our equipment. This shows that they place great trust in Huawei. We are confident that we can build excellent networks for Europe.

09 ANSA: Many people say that Huawei is not transparent in its ownership structure or management. We didn't know that you hold only 1.14% of Huawei's shares until you voluntarily disclosed the figure. To improve this situation, will you consider going public in Hong Kong? My second question is: From a management perspective, have you planned for succession?

Ren: We remain fully transparent. Our financial reports are audited by KPMG, an independent third party. This means we are actually as transparent as listed companies. I really don't know what else is needed to prove our transparency. I think it is unnecessary to go public in Hong Kong just to appear more transparent.

Huawei has been moving forward in an iterative

manner. Later I can share with you my speech to the Representatives' Commission, where I explained our corporate governance structure and succession. I believe that Huawei will continue to grow steadily. We welcome you to visit us regularly so you can see how we grow. We will not collapse; we will grow even stronger.

10

***Agenzia Giornalistica Italia:* You recently met with Prime Minister Conte at the Second Belt and Road Forum for International Cooperation in Beijing. How did that meeting go? How do you view the skeptics of Huawei's 5G products in the Italian government? Does Prime Minister Conte believe that Italy should keep Italian data in its own hands?**

Ren: I had a very friendly meeting with Prime Minister Conte, and he places great trust in Huawei. A small group of people in Italy may be skeptical of Huawei. We totally understand that. Actually, there are people in China who also have their doubts about Huawei. It's perfectly normal that people have different opinions. For Huawei, what matters most is that we do our own job well.

11

***Corriere della Sera:* First, don't you think you should negotiate with the US government regarding its attacks against Huawei, such as the arrest of your**

daughter and the Entity List? Or can you make your source code more transparent? My second question is, will you withdraw your investment from Italy if the Italian government exercises its veto power given by the Golden Power Law or imposes more political restrictions on Huawei's business in Italy?

Ren: First of all, we do communicate with the US government. The US government already sued Huawei at its District Court for the Eastern District of New York, and we also sued the US government in a district court in Texas. These lawsuits are how we are communicating with each other using legal means. The US is a country ruled by law. I believe the best form of communication with the US is through legal channels.

Second, the adoption of the Golden Power Law will make doing business in Italy complex. Huawei doesn't have any of this kind of problems, so it's unlikely that we would be found problematic when the Golden Power Law is adopted. We have full confidence that the Italian government will not exercise its veto power against Huawei.

12

***Il Sole 24 Ore:* According to Italy's Golden Power Law, only non-EU telecom equipment vendors will be subject to stricter reviews. Nokia and Ericsson can be exempted. Do you think Huawei is a victim of discrimination?**

Ren: No, I don't think this is discrimination against Huawei. We don't have any problems, so we actually look forward to more reviews of our equipment; it will only show that we don't have any problems. Huawei is already subject to the strictest reviews in the world. We are not afraid of one more.

13

La Stampa: First, Huawei has been operating in the telecom market for many years. Nobody talked about security when 4G appeared. Why has 5G caused so many concerns about cyber security? Second, personally, I believe in addition to the technology itself, the discussion around 5G should be about trusting Huawei. President Trump has portrayed Huawei or you as the "Prince of the Devils". Why should we trust Huawei?

Ren: Why has 5G caused so many concerns? The US is a global leader in 3G and 4G. However, Huawei is leading in 5G; this is hard to accept for some people.

The Chinese government has made it very clear that it does not require Chinese companies to install backdoors. Huawei equipment does not contain any backdoors and can pass strict reviews by governments. We basically don't have any networks in the US, nor do we intend to sell our 5G products there anyway. How could we possibly threaten its national security? We

don't understand why they are so concerned.

As for the "Prince of the Devils" you talked about, you can clearly see me now. Do you think I'm like the devil? You can see for yourself.

***La Stampa:* I don't think you look like a devil, but I still feel a little scared of you.**

Ren: Not all countries in the world will exclude Huawei. The countries that embrace Huawei will achieve great success. History will show that Huawei will make great contributions to the countries that trust us. Therefore, I don't think we should be worried that Huawei has been called a devil. I've always believed that President Trump is a great leader. He is not a devil. Neither am I.

14 ***EURACTIV:* Wang Weijing, a former Huawei employee in Poland, was accused of conducting espionage and detained last December. He has not gone on trial yet. Do you think he will get a fair trial?**

Ren: We don't know what he did. We require our employees to stick to business-related activities. If this employee engaged in other activities in this country, and if there's evidence to prove it, the country can exercise its sovereignty. We will only know what really happened after the trial, then we can go from there.

We don't know much about this, so we are not in a

position to comment on it. You're better off interviewing someone from the Polish judicial system if you want to know what really happened.

15 ***ANSA:* We visited your campus at Dongguan's Songshan Lake, and I found that the buildings are of European style. Among them, there are two buildings resembling Verona and Bologna in Italy. So what is your personal relationship with Italy? Have you ever visited Italy?**

Ren: I have been to Italy many times, and my wife and daughters also visit there frequently. Much of the art and furniture at the company is from Italy.

The buildings at our Songshan Lake campus were designed by a Japanese architect. He chose a European style and won the bid. This was all totally orchestrated by the architect. The building that we are now in was designed by a French architect.

16 ***La Stampa:* You often compare Huawei to an Il-2 aircraft that has many holes to patch. How is it going with the hole patching? Which holes do you patch first? Will you transfer your investment in certain areas to other areas? My second question is about your new operating system – Hongmeng. In what domains**

will the Hongmeng OS be applied? We thought it would be used for mobile phones. But you said it was designed for the Internet of Things (IoT). Do you have an alternative for the Android operating system?

Ren: First of all, I came across a picture of this airplane online, and I felt that it was a lot like us – we are riddled with bullets, but our hearts are still beating. At that time, we didn't know how many holes we had in us, nor did we know which were the most important. All we knew was that we needed to patch the holes in 5G, optical transmission, core networks, and other related systems. Now, we have patched all the major ones.

After making some calculations, we now know that there were about 4,300 to 4,400 holes in total, and we have patched 70 to 80% of them. By the end of this year, we may be able to patch 93%. We keep patching holes while replacing our old, outdated products. All this will have some impact on our business results this year.

Next year, we will continue to patch the rest of the holes, which might be more difficult. Our business results may also be affected next year, but we estimate that our growth will recover by 2021.

For your second question, what's unique about our Hongmeng OS is its low latency. It's a different operating system from Android and iOS. Hongmeng OS was designed for IoT, such as industrial control, autonomous

driving, and other related scenarios. Now we are mainly using it in smartwatches, 8K smart screens, and connected cars.

As for the Android OS, we will wait for Google to get approval from the US government. We still respect and advocate Google's rights to its ecosystem and technologies.

17 ***La Repubblica:*** I have two questions. First, you mentioned that the UK was aware that if they wanted a 5G network, they would need to use Huawei's equipment in the core network as well. Does it mean that if Europe wants a pure 5G network, they must use Huawei to deploy both the core and the edge networks? Personally, I'm doubtful about the idea of putting all our eggs in one basket, that is, Huawei. Second, you also mentioned that when it comes to 5G technology, Huawei and China have pulled ahead of the US. Do you think China will surpass the US in more technologies? And are US actions aimed at containing China's growth?

Ren: First, I can't speak for China. I don't know whether China will pull ahead. I don't have the energy to pay attention to society as a whole. I can only represent Huawei and I only know Huawei.

Second, the core network is essentially software. I believe Nokia, Ericsson, and Cisco can do well in this area too. If you have concerns, you can wait and they will also provide such software eventually. The two baskets will not exist in parallel. You can put your eggs in these two baskets, but they will still be linked. If eggs in one basket are broken, the other basket will be affected.

***La Repubblica:* Are US current attacks against Huawei aimed at preventing Chinese technologies from outshining the US?**

Ren: I have no idea. You should ask the US. Maybe the US has some misunderstandings about Huawei. That's why they are placing sanctions and restrictions on us. US government officials are welcome to come and see Huawei, and then the misunderstandings will probably be dispelled. I think the US will remain the largest technology power for decades to come.

18

***Corriere della Sera:* Two questions: First, we know that Facebook recently announced plans to launch a digital currency called Libra. The technology behind it is blockchain. Do you think this signals that US tech giants and the US government are working to maintain their dominant position in the world? Second, do you think they will consider Chinese companies when launching digital currencies, and put RMB into**

their currency basket?

Ren: China can also launch its own digital currency. Why wait for others to launch such a currency? Anyway, a country would be more powerful than an Internet company.

19 *La Stampa:* **If we look around the world, inequality and polarized distribution of wealth are still prevalent in many countries. Freedom of speech cannot be guaranteed in some countries as well. In this context, what's the biggest technological challenge we might face as we move forward? Or what role will technology play?**

Ren: I think technology will create more wealth for humanity. With technology, everyone will be able to share in and benefit from social developments. Society needs to eliminate poverty through development and avoid social instability. When society is stable, it will develop faster, which will in turn bring more stability. The tendency for the rich to get richer and the poor to get poorer needs to change. Investments in new technologies will increase the total wealth of society.



Ren Zhengfei's Interview with BBC StoryWorks

July 23, 2019 Shenzhen, China

01

Nicola Eliot: The BBC is here today not to just find out about what's going on with Huawei in this present moment, but to really understand who is Huawei, where does Huawei come from, and what are the things that made Huawei what it is today, so we're gonna start all the way back into your period of history. I would like to start by asking about your time in the Liao Yang factory as an engineer for the PLA, can you tell me about some of the working conditions and experiences you had there?

Ren: The Liao Yang Chemical Fiber Factory was a key national construction project during the Cultural Revolution. The factory introduced a whole set of synthetic fiber equipment for processing crude oil and derived chemicals from French companies named Technip and Speichim. The Chinese economy was really rough back then. The government built this factory in the hopes that every Chinese could have a set of synthetic fiber clothes. Leaders from the central government paid a lot of attention to the project.

It was a chaotic time in China, and no local engineering team wanted to run the project in such a tough environment. So the central government had no choice but to assign the army to run the project. At that time, the army didn't really have enough talent trained in the required techniques. Fresh graduates like me were

treated like this kind of talent because we knew a little bit more than others.

We lived in tough conditions. First, we didn't have enough to eat in Northeast China at the time. We basically only ate cheap cereal crops throughout the year and pickled cabbage and radishes during winters that would last six months. The biggest problem was that we rarely had any meat to eat or enough oil to cook with. Each month, people normally would be rationed 150 grams of oil. Since we were in the military though, we could get 500 grams.

Second, our unit was part of the tens of thousands of troops that were sent into the northern wilderness with very little preparation, so there weren't any houses for us to live in. We built our simple houses on our own. It wasn't as easy to do back then as it is now. It was way harder. The houses were built during the winter, so the foundations weren't solid. The walls sank and cracked, so cold winds would blow through. Despite these difficult living conditions, our engineering work was actually pretty advanced and highly automated. It threw everything into very sharp contrast.

China didn't really value culture or education at that time. During the Cultural Revolution, the education system was a mess. Leaders from central and municipal governments only pushed those of us in the factory to

read and learn. And that was only because if we didn't keep learning, we wouldn't be able to figure out how to install the advanced equipment and how to test and adjust the instruments. We also wouldn't be able to manage actual production.

During those times, we had a rare opportunity to learn. So despite the difficult living conditions, we were very happy. The factory was like an oasis in the desert. It was really difficult to find a place in China at the time where reading technical books wouldn't be treated as a political mistake.

02

Nicola Eliot: So you got all your knowledge to create the pressure balance that you invented from the books you read while in Liao Yang or did you get the knowledge from somewhere else?

Ren: There were actually already devices like this in France at that time. A Chinese expert saw it there and he was able to roughly describe what it looked like to me. I used my knowledge of mathematics, like partial differential equations, to figure out the overall structure of the device. I also consulted Li Shijiu, a math professor from China's Northeastern University, asking him whether my inferences were correct and whether he believed I could actually achieve what I was attempting. He assured me that I could do it. So I came back and

continued designing this system. The device was made mainly to test instruments imported from France. China didn't have this kind of test equipment at that time, so I succeeded in inventing one.

I succeeded around the time the Gang of Four was overthrown. After that, China started to care a lot more about science, technology, and production. To me, my invention was just a little thing and it didn't matter that much. But since no one invented anything at that time, the country was very proud and touted my little gizmo as a big invention and called me a big hero.

03

Nicola Eliot: And was it this experience in Liao Yang that inspired you to start Huawei at the age of 44?

Ren: I had no experience when I started Huawei at the age of 44, and I took the plunge blindly. After leaving the military, retired soldiers like us had quite a hard time adapting to the market economy, much harder than Western soldiers did. Though Western militaries at that time were not market-oriented, their countries were. So their soldiers knew what the market economy was, and were more adaptive to working in companies after retiring from the military. But we were not adaptive at all. We had got so used to a planned economy, under which we couldn't even think of making a penny.

We couldn't understand why people were selling things they bought with 10 yuan for 12 yuan under the market economy. That must be cheating because they were asking for two extra yuan. We didn't realize there were other expenses involved, including operating costs, financial costs, and taxes. We didn't know about this stuff and found it quite difficult to fit in. We didn't even know what a supermarket was.

If I had any experience before founding Huawei, it would just have been my age. I had more experience with tough times than people in their 20s. I suffered huge setbacks and difficulties during the Cultural Revolution. So when it came to the market economy, I found the difficulties were much easier to bear. I didn't have any skills that could support the founding of Huawei.

04 Nicola Eliot: And given that this was such a risky enterprise for you, why did you decide to start a company anyway without this knowledge?

Ren: Honestly, I had no other choice at that time. I wasn't able to do my job well and got fired. The Shenzhen science and technology bureau suggested that I start a technology company because I had previously worked on technology. I thought it was possible for me to deal with some technology, so I chose this path we are on right now. Looking back, I think I was very naive

to choose this path, but there was no turning back for me. If I were to give up, I would have to get by on manual labor, because I had already used up all the compensation I got when leaving the military.

05 Nicola Eliot: And some reports say that your experience with the PLA proves that Huawei, in turn, has ties with the PLA. Can you talk to me about this?

Ren: Over the last 70 years, over 50 million people have been demobilized from the Chinese military, and I was one of them. These people need to get employed after being demobilized, just as people do in the US. We are no longer tied to the military after leaving it, because we take up civilian professions. Therefore, this inference is unreasonable.

06 Nicola Eliot: And you mentioned the funding for Huawei and that, if you failed, you would have to lose that funding and start from scratch. How much funding did you start with for Huawei and where did that funding come from if not from PLA?

Ren: Huawei's registered capital was roughly 21,000 yuan, but the compensation I received upon leaving the military was only about 3,000 yuan. So I pooled funds from different individuals and founded Huawei.

When the company grew a little bigger, they wanted to cash out their shares for a lot of money. So they filed a lawsuit and won a large sum of compensation. After that, they all pulled out and the company was owned by me alone. I gradually distributed the company's shares to our employees. The court rulings with regard to their cashing out their shares are all archived at Huawei, and you can have a look at them if you like. We didn't receive a single penny from the government, and our funds were pooled from individuals. I didn't have 21,000 yuan of my own to start a business.

07

Nicola Eliot: There were several hundred companies selling switches back then, but most of them did not survive. What was the secret to Huawei's survival when selling these switches for the Hong Kong company?

Ren: First, Huawei has been customer-centric from day one. To protect the interests of our customers, we'd rather take on more difficulties ourselves. That's how we have earned our customers' recognition.

The statement that there were several hundred companies selling switches may be an underestimate. These companies survived for a while because China was such a huge market where undersupply was a serious issue, and any product, even ones that weren't very good, could sell. Huawei was a reseller of the switches

made by Hung Nien Electronics Limited, a company based in Hong Kong. Their analog switches were relatively advanced at the time. We worked hard and made some money during those early years. We didn't spend the money ourselves; we invested it in our service system to create even more value for our customers.

I didn't even have my own house until 2000. Before that, my family rented a 30-square-meter apartment. I couldn't understand why Forbes called me a rich man when I didn't even own a house just about two decades ago.

I wasn't able to take good care of my parents. My father died from food poisoning after drinking something he bought from a street vendor. My mother was constantly worried about the political implications of being called rich so publicly by Forbes. She asked me where the money came from. Given the environment at the time, she was haunted by these fears, and eventually died in a car accident on her way back home from the local market.

At that time, we invested all the money we'd earned during our early years into our future development. This sets us apart from other companies that spend their money elsewhere or invest in other businesses.

Second, we dealt in good faith with our suppliers. As soon as we got paid by our customers, we immediately

paid our suppliers. Some suppliers trusted us so much that sometimes they sent us supplies first. That's how we managed to buy products from suppliers and then resell them even though we didn't have any money. This model gave us some opportunities for development. The support we received from Hung Nien cannot be overstated.

08 Nicola Eliot: When you moved on to develop your own technology, there was a massive risk for Huawei. Can you explain to me why it was such a big risk and why you decided to take the risk to go into developing your own technology?

Ren: I was cheated out of a big sum of money when working for a state-owned company. This was a major setback in my life. As I didn't have money to hire a lawyer for my lawsuit, I read a lot of law books, including those about common law and civil law, as I wanted to serve as my own lawyer. From this experience, I learned that a market economy is mainly about two things – the customer and the goods – and the law governs what's in between: the transaction. I knew that we could never control customers, so we had to get hold of the goods. The only way to get hold of the goods was to do R&D on our own.

In the earliest days, we were a reseller of BH01

switches made by a small company in Zhuhai. This company refused to continue supplying to us when our resale business started booming. Things were similar when we were added to the US's Entity List. We later became a reseller of the HAX products from Hung Nien. Again, the Hong Kong company stopped supplying to us when our business started doing too well. This forced us to develop our own communications products. It was the external environment and our inner drive to serve customers well that compelled us to make our own products.

When Huawei was up and running, I paid some of the debts of my former employer.

Nicola Eliot: And what potential downside could there have been to developing this product? What would have been the result for Huawei if this investment into your own product went wrong?

Ren: At that time, we had no other options. We didn't think about what would happen if we failed; we were quite confident that we could succeed. Analog communications equipment was not as complicated back then, and we were confident in our own abilities.

We started out by making 40-line switches for hotels, and we succeeded. This success gave us the confidence to develop 100-line and then 200-line switches. We moved ahead one step at a time. We didn't start by

making something really big.

09 Nicola Eliot: Where did you get the knowledge to invent these switches to go from selling someone else's product to understanding how to create your own product?

Ren: All of our knowledge came from a textbook written by Professor Chen Xisheng which was published by China's Nanjing University of Posts & Telecommunications. All of us studied this textbook to figure out how to make a switch.

10 Nicola Eliot: And at the time, the Chinese market was dominated by Western products. How did you break through that Western dominance to have your products being bought in China?

Ren: Back then, there was no way we could compete with Western companies. We started out by making small analog switches for small hotels. Later we gradually worked to make larger analog switches. We didn't begin to make digital switches until we already had many years of experience.

11 Nicola Eliot: And at the time, Huawei lost many opportunities because you chose not to invest in the

CDMA technology, which then became the prevalent technology in China. Looking back on this lost opportunity, would you have done that differently? Would you have invested in CDMA?

Ren: There is a long story behind this. Starting in 2000, China was indecisive about which wireless communications technology to choose, whether it be CDMA, GSM, or something else. As the government didn't grant a mobile license to China Telecom, the carrier brought the Personal Handy-phone System (PHS), a technology that had been phased out in Japan, to the Chinese market. We guessed that PHS might be profitable, but it had no prospects, so we didn't invest in it. We actually invested in CDMA, but we chose to invest in 1X rather than IS-95, an outdated technology. In the end, China only went for IS-95 rather than 1X, so it turned out that we had made the wrong choice and were not selected by the Chinese market. Both of these were frustrations we faced back then.

From 2000 to 2008, China was making a decision on 3G and we were deciding how to develop our wireless technology. During the eight years, I went through a lot and was on the brink of collapse. I insisted on investing in 3GPP's GSM and UMTS, instead of the other two technologies. I faced tremendous pressure. I was not afraid of external pressure, because no matter how

tough it was, I could just keep moving forward. But I was afraid of internal pressure. Company executives kept writing emails and giving me reports saying, "If you made the wrong choice, Huawei would collapse."

During those eight years, every day felt like a year. No one but me could take responsibility for this decision. At that time, many companies made big money but we didn't. We were having a much harder time than others. Many articles talked about Huawei in a very ironic and cynical way. What if I really made a mistake? About eight years later, the Chinese government finally issued 3G licenses. Suddenly, we were able to unleash our potential, but we didn't feel like we succeeded. We just felt like a huge burden had been lifted since our equipment could finally be used.

When we had no more opportunities at that time in the Chinese market, we put most of our efforts in markets overseas. But during our first years in overseas markets, we had no opportunity to meet with customers, let alone secure a contract or make any money. Back then, China was selling knock-offs like down jackets to Russia. Because of that, Russia's Minister of Communications and Informatics said, "What high-tech products could China have? All you have are fake ones." We brought along our own products and tried to win their recognition, all the while being lumped together

with those who were selling fakes. It was really a difficult time for us then. Despite all this, we had to get into overseas markets. If we failed to do so, we would just end up facing more difficult situations down the road since we didn't have any opportunities in China.

Back then, I spent most of my time in Africa and Latin America. I seldom connected with my family. Looking back I feel very sorry because my younger daughter was growing up. She wanted me to play games and spend more time with her, but I didn't. When I came back home from overseas, I was so tired that I would just lie on the bed. I didn't talk much with her, because I had to focus on how to make sure Huawei could survive.

Around 2000, we began selling some equipment and getting contracts overseas, giving us the opportunity to show our commitment to serving our customers. Customers gradually accepted us. Actually, our products were not even that good, and we were not on par with our Western competitors. But why did the African market accept us? Because they were in the middle of a war and the Western companies all ran away. As Africa had a demand for our equipment, we could sell it to them. We were also able to sell in a few other countries stricken by epidemics and under extreme conditions, helping us gain some successful overseas experience.

Today at Huawei, we require our managers to have

experience working in Africa and other challenging regions overseas. When we decide whether to promote employees to managerial positions, we follow similar criteria to what the US military uses to appraise their officers. In the US military when they decide whether to promote a person, they ask: Has this person been in combat? Has this person been in a live firefight? Has this person been wounded? Successful overseas experience is a must for those up for promotion; otherwise, high-quality employees who've only worked away from the frontlines will end up becoming managers. This is not how our value assessment system works. Although this system may not help us make the best use of some very talented people, our first-string team comprises of our toughest. That's why today we have such a strong team. Although the US has kept attacking Huawei, we haven't collapsed; instead, our team has even better morale than before.

While we were losing opportunities in the Chinese market, we sought opportunities abroad. After we returned to the Chinese market, we found the country was experiencing a new phase of development. Since we have developed an excellent team of managers overseas, we are bringing some of them back to China to regain ground here.

12

Nicola Eliot: It's reported that you spent nearly half your annual profit in 1998 bringing in advice from Western companies. Can you talk to me about what advice you sought, and why that was so important to you?

Ren: When Huawei started out, it was only me. Then people started joining the company. We didn't have any rules back then. For example, I had the final say about everyone's salary raises. That practice benefited some people, but also hurt some others. As the company grew bigger and bigger, we needed to draft many documents to standardize corporate management. But I wasn't really experienced in this. I had only worked in technical areas when I was in the military and had no clue how to manage a company. To drive the company forward, we drafted a lot of documents. But I still thought that they weren't standardized and would prevent the company from growing into a large one.

At that time, I saw the potential of Huawei to become a large company, so we hired many consulting firms like IBM and Accenture. The hourly salary for each consultant was 680 US dollars, almost equal to the average monthly salary of our employees, which was about 5,000 yuan. But to prepare for the future, we had to learn from others. We recognized the value of these consultants and sent many people to learn from them. There were some among the team who didn't cherish

the opportunity to learn. When they saw others getting promoted, they became impatient and left halfway through their training. Because of this, we didn't end up seeing many of the consulting programs through to the end. This is a pity.

But we did see one program through. When IBM started to advise us on financial management and auditing, Meng Wanzhou was still a low-ranking employee. She became the project manager and then worked with IBM consultants for the next 20 years, making Huawei's financial management really stand out. In addition, she moved beyond the guidelines of the consultants, set even higher standards, and greatly improved Huawei's financial management. Now the quality of our financial management systems is much better than that of many Western companies. Many consultants from large consulting firms have offered to become our consultants for free. We have politely declined because if they come to us, we will have to teach them our ways now. This is time-consuming. We don't want them to come because they are not up to our level.

As we learned from Western companies along the way, we kept optimizing what we had learned. That's why the current US attacks on us don't really affect us that much. We have understood, internalized, and

accepted many kinds of systems. In hindsight, we were right to learn extensively from the West.

13 Nicola Eliot: You talked about your strategy for targeting countries and regions outside of China that were less developed, like Africa and India. With your success in that, why did you consider selling to Motorola in 2003?

Ren: Because we had already anticipated that our growth would eventually lead us to the top where we would have to confront the US. Then US attacks against us would be inevitable. So we wanted to sell our company to Motorola, just to wear an "American cowboy hat". The company would still be run by tens of thousands of Chinese people. That would be a success for Chinese people. With capital from the US and labor from China, it was better for the company to expand into international markets. We agreed to sell the company to Motorola at 10 billion US dollars and all the contracts were signed.

We had two plans back then. Some of us were thinking about entering the tractor business after the Motorola acquisition. China's tractor business at that time was on the brink of collapse. We thought about buying all the tractor factories in China, including the Luoyang Tractor Factory. The average price of a tractor

in the market at that time was 1,000 US dollars. But the tractors were susceptible to oil leaks and overheated engines. With the Integrated Product Development (IPD) process we had learned from IBM, we could solve these problems, and then increase the unit price to 2,000 US dollars. Though we might not be able to disrupt the automotive industry, we could possibly create the largest tractor empire in the world. The majority of people, however, wanted to stay in the communications industry. Either way could work and lead to glory. However, the deal with Motorola fell through.

Our prediction about confrontation with the US was unfortunately correct. As you can see, we are now under fire. By adding Huawei to the Entity List, the US is trying to stop everyone from selling to Huawei. Even McDonald's outlets in Mexico were not allowed to sell to us for a while. The US is taking an extreme action by prohibiting all kinds of sales to Huawei. We can't even use things from our own subsidiary in the US. Our staff in the subsidiary are not allowed to communicate with us in China; otherwise, they would be violating US law as per the Entity List. We anticipated the kind of extreme situations that have become reality recently. We anticipated this years ago and we prepared ourselves, so we are not panicking. We can weather this storm.

14

Nicola Eliot: Despite the difficulties that you had in the European market, Huawei was able to break through by using cost-cutting measures. Some people have said that these cost-cutting measures, these price-cutting measures, were so extreme that the company must have had help from the Chinese government to be able to give such low prices for their equipment to the European market. Can you tell me about that?

Ren: This is a total misconception. The prices of our products were not that low; actually, they were pretty high. We can send you an electronic copy of our financial statements over the past 10 or 20 years, and you will see that we made a lot of profits. Otherwise, how could we have become such a large company?

Our breakthrough in the European market was attributed to our SingleRAN solution, which was developed by a mathematician who was in his twenties back then. He successfully integrated the algorithms for 2G and 3G. Thanks to his invention, a single piece of equipment could support 2G and 3G at the same time. The volume, weight, and cost of the equipment were all halved.

In Europe, the biggest problem was that it was often very difficult to find the right place for a tower where we needed to install heavy equipment. Europe has many old houses, so equipment could only be installed on

rooftops and thus needed to be pretty light. After our SingleRAN solution was developed, our distributed base stations immediately became very popular in Europe, and many carriers started buying our products.

Thanks to the SingleRAN solution, our costs dropped by at least 30% to 40%, so our profits were quite high. Our employees are much better paid than their counterparts in Western companies. That's why many talented individuals, including mathematicians and other scientists, have joined us.

Huawei became the world leader in the wireless domain because of one of our breakthroughs with algorithms, which was made by a young Russian man. He is now a Huawei Fellow. After that breakthrough, we tested and verified it in Shanghai and used the algorithms to get rid of many things in our equipment.

So why were those algorithms so important for our company? Back then, 3G and 4G equipment had three standards: CDMA, UMTS, and China's TD-SCDMA. With those algorithms, we only needed to produce a single piece of equipment to support these three standards at the same time. This significantly reduced our production costs. With the new algorithms, our vertical systems supported multiple frequencies. Why was this necessary? Many carriers had been around for 70 to 80 years, and the majority of them had been allocated more than a

dozen wireless frequency bands, which initially required more than a dozen antennas to receive all of the radio signals. Our algorithms integrated these multiple frequency bands, allowing one antenna to receive signals from all of these frequencies. You can take a tour of our antennas. They are extremely advanced. You can imagine how we saved in costs by reducing a dozen antennas down to one, so our profits were a little too good. These algorithms adapted our base stations to multimode and multi-frequency technologies, so they were high-quality and highly cost-effective.

Our financial statements cannot look too good anymore, because that will not be conducive to our development. We can only consume our profits by increasing our strategic investment in R&D. That's why we have been investing at least 15 to 20 billion US dollars in R&D every year, which includes increased funding for universities. By doing this, we are investing into the future. We cannot distribute too much money back to our employees; otherwise, they will become too well off and stop working hard. We also cannot distribute too much back to our shareholders, or they will also become complacent.

I often say that Apple is our teacher. They always sell their products at very high prices, which allows companies that charge low prices to survive. Huawei

actually also does this. If we sold our products at the lowest prices we could afford, all of our peers would have been put out of business. We have won the European market through scientific and technological innovation rather than low prices.

15 Nicola Eliot: And so this investment into R&D, which you are so well-known for, you have actually invested into R&D centers outside of China as well, such as India. What is your global strategy for R&D outside of China?

Ren: We build R&D centers in places rich with talent. This allows our talented employees to work for Huawei in their hometowns without needing to come to China.

16 Nicola Eliot: And so, from 2011 to 2012 Huawei made a big shift in its business. So, as I understand it, the core of your business has always been connecting people. But the move from being the inside components and things that people don't see, to being a consumer-facing brand, why did you choose to make that decision?

Ren: Our primary goal of that move was to simplify management. We wanted to keep businesses that were not closely related separate. If these businesses were managed as one, they would be linked horizontally,

and would create a lot of problems. So we separated these businesses and treated them like independent "trees". These "trees" all grow from the same "soil", where they share corporate systems for finance, HR, and performance appraisal, but their actual business management is kept separate from each other. This makes our management much simpler.

17 Nicola Eliot: So, Huawei has been recently facing a lot of pressure from the US, who is claiming that Huawei is a security threat. Can you talk to me about your thoughts on Huawei's security?

Ren: I think cyber security will be an increasingly important issue for humanity. In the past, communications were conducted through physical connections. They had few security problems because external attacks could hardly break into them. Once they evolved into Internet Protocol (IP) networks, they became more vulnerable to security attacks. Now that communications networks are undergoing cloud transformation, more parts of the networks will be exposed to attacks, bringing greater security challenges than ever before.

Europe is doing right by establishing the General Data Protection Regulation (GDPR) and cyber security standards. These standards will push all companies to

work hard on cyber security and user privacy protection. But it will be very difficult to go forward, as this is a whole new area. For example, the river may end up flooding before we have finished building the dam. So it is a challenge for all equipment vendors, carriers, and humanity to figure out how to develop sufficiently robust cyber security and privacy protection systems amidst a rapid surge of information.

18

Nicola Eliot: So, how have Huawei's operations been affected by this pressure that is coming down from the US? Can you tell me about that?

Ren: I think being added to the Entity List basically has no impact on Huawei's operations. Our cutting-edge equipment, such as 5G equipment, can be produced independently of the US. The US is quite far behind when it comes to 5G. We can ensure a sufficient supply of chips and systems without the US. We have also long been a world leader in network connection equipment, including equipment for transmission, access, and core networks, and barely rely on the US at all in this regard. As for consumer devices, there will be some impact, as our ecosystem has not been fully developed. But this impact will not be very significant or essential to our survival.

19

Nicola Eliot: And specifically with Google not allowing you to utilize Android, can you talk to me about the development of your new operating system?

Ren: We have already talked about our Hongmeng Operating System (OS). Its main feature is low latency, which mainly applies to industrial control, automatic control, autonomous driving, and connected vehicles. This OS will likely be applied first to Huawei's watches, 8K smart TVs, and industrial control systems.

As we know, 5G is actually a quite "simple" technology. 5G will support AI through its advantage in low latency. In addition, 5G provides high uplink bandwidth, which makes it convenient for companies to upload their data to the cloud. Previously, 4G and earlier technologies only supported communications between people. Now with 5G, communications between things as well as between companies can also be realized. This includes massive-scale automatic control. We haven't yet considered how to evolve the Hongmeng OS into a system that also supports mobile phones. Even if we decide to do so, it will take several years to develop a sound ecosystem. It cannot be established in a short time.

Today, the US should not blame Huawei's rise for its failures in the communications industry. The real reason was that the US picked the wrong path. When wireless communications emerged around the world

in the 1990s, the US was the most powerful country in science and technology, so they forcibly pushed the CDMA and WiMAX standards on other countries, just like how it is now urging many countries not to use Huawei's 5G equipment. However, the US was wrong. The global trend led by 3GPP was the right path. The US's poor decision has led to its current failures in the communications industry. Another example is that the US used to lead the world with x86 CPUs, and had a big opportunity to dominate the global market. They should be more open and collaborative. We can add our AI to their plate to help them seize more opportunities in data centers. But unexpectedly, several new types of CPUs have emerged in other countries. We have also launched our Kunpeng CPU ecosystem, which will compete with our US counterparts.

Ultra-fast connections will be realized in the 5G era. In the future, AI will rely on the von Neumann architecture that includes supercomputers, ultra-large storage capacity, and ultra-fast connections. The US has supercomputers and ultra-large storage capacity. If the US also has ultra-fast connections, it could become a world leader in AI; but without these, it will lag behind. In addition to 5G, fiber technology is also critical to delivering ultra-fast connections.

China also has supercomputing centers and ultra-

large storage capacity. If China deploys 5G and optical networks on a large scale, it may be able to take the lead also in AI. In a word, 5G technology is "simple". The US's ignorance of 5G may be a result of a bad decision long ago. I believe AI will present the biggest opportunity for the future of society.

20 Nicola Eliot: So when you're talking to your employees about your overall strategy for combating the difficulties of being put on the US Entity List, what do you say to them?

Ren: We are telling them that we're an aircraft riddled with bullets shot by the US, and everyone needs to work hard to patch the holes. All employees know that patching these holes is their responsibility, and that if we can patch them up, we will survive.

21 Nicola Eliot: So we also heard that Huawei has built up stations on Mount Everest and that you've been to the camp 5,200 meters above sea level. Why is Huawei always looking to build networks in such dangerous areas that nobody else wants to go?

Ren: If customers make such a request, we will honor our commitment to them. China needed to build a base station on that 6,500-meter peak as a requirement for

the live broadcast of the 2008 Beijing Olympics' torch bearing relay. To make it possible, a broadband base station was a necessity, so we built a base station on that 6,500-meter peak.

The same is true for Nepal. We are also building base stations there. And near Nepal, there is a Chinese county called Medog. Even though it had been part of modern China for decades, it still had no communication network. The government had specially deployed a satellite network for them, but it didn't work. The county had been constantly experiencing earthquakes and landslides; the roads could hardly be repaired before being destroyed again. Medog was in a very difficult situation. Back then, we were using outdated CDMA 450 equipment. When we went to build a base station there, Huawei employees and over 200 rural workers had to carry a complete set of such equipment, and climb over four snow-capped mountains. They spent four nights in the snow before they reached Medog, and then they installed the first base station there. Since then, people in Medog have been able to make phone calls. Are we making money there? Absolutely not.

Huawei's ideal is to serve humanity, not just to earn money. We are different from Wall Street. We also do not exist to serve our employees, so we are different from European companies, which tend to

distribute almost all their money to their employees. Their employees are often happy and feel free to have a leisurely cup of coffee on the street, but some lack a strong force driving development. When we make money, we don't prioritize giving it to our shareholders or employees, but invest it in our customers. In specific, we invest the money in future-oriented scientific research, and in fully fulfilling the spirit of serving customers.

Our total sales in Africa add up to less than half of our total sales in Guangdong Province. However, employees' income in Africa triples that of our employees in Guangdong. Due to the low sales and high expenditures in Africa, we can hardly make a profit there. But still, we encourage our employees to go to the front line. Specifically, we set this as a prerequisite for their future promotion, and give them more money as compensation. All of this shows our aspirations of serving humanity.

As you can see today, carriers are suffering more than we are from the US's ban on Huawei. But they are still buying equipment from us. This shows their trust in us. Under Theresa May, even UK Parliament adopted the proposal of continuing buying Huawei's equipment for their non-core networks. This shows their great support for us. Now UK Parliament and its Intelligence

and Security Committee are concerned that if they don't buy Huawei's core technology, they may fall behind. So maybe they will also buy our core network products. Although the US and the UK are close allies and the US is exerting a great amount of pressure on the UK, the UK is still buying from Huawei. This shows that our dedication to customers all these years has really started to pay off.

22

That relationship with the UK goes back many years with certification from BT and Vodafone. And can you talk to me about how the UK has been in that long relationship with Huawei a bit more?

Ren: We place great trust in the UK government. The UK is a country ruled by law, and we believe their decision-making process is rational and deliberate. We do have received a lot of criticism from the UK, but we always consider such criticism as a sign of caring. It's impossible for any company to make any equipment perfectly. We are working to correct any mistakes that have been identified.

That's why we are making strategic investments in the UK.

First, we are supporting Arm. One or two decades ago, when I met officials from the European Union, they

thought the information industry in Europe was being left behind, because the US took advantage of so many opportunities. I said we still could work together.

We decided to support Arm more than 10 years ago. Arm has grown fast, and has been sold at around 32 billion US dollars. With more money, Arm is expanding even faster. Now, Europe has its own CPUs. That's a contribution we have made to Europe.

Second, we have purchased more than 500 acres of land in the UK, and have plans to build an optical chip factory there. This factory will export chips to the rest of world. Why? Because we place great trust in the UK. What's more, the UK is a great hub for scientific and technological talent.

We have also made breakthroughs in optics. Now, we are able to make optical chips that support 800G. No other company in the world can do this, and the US is being left far behind in this regard. This is also a contribution we have made to Europe.

Third, we are leading the world in microwave. We have plans to build our microwave plants in Italy.

We are making contributions to Europe, and we will continue to do more in the future. Strategically, we regard Europe as our second largest home market. When I talk about Europe, I also include the UK. We are making huge investments in these European countries.

23

Nicola Eliot: And you mentioned that the 5G era is going to be all about connectivity. Can you talk to me about what you see happening in the 5G era? What the future will look like in a 5G era?

Ren: 5G is just a tool. Like a screwdriver, it cannot create value on its own. However, a screwdriver can be used to help assemble cars. I think the value of 5G lies in its ability to support the development of AI.

The concept of AI was proposed by British scientist Alan Turing in the 1940s. During World War II, he used these basic theories to crack the Germans' Enigma code. This allowed the UK to track German movements. But the UK decided they couldn't reveal they had cracked the code. When German fighters bombed factories and industrial bases in the UK, Winston Churchill kept this secret instead of intercepting the German fighters. He was worried that revealing they had cracked the code would ruin the Normandy landings.

Even though Alan Turing first proposed AI as early as the 1940s, and many other people around the world have also pondered similar ideas, AI hasn't really been taken seriously until today. Why?

AI relies on supercomputing, ultra-large storage capacity, and super-fast connections. It's only recently that we have been able to get all the things ready for AI. 5G itself will not bring many disruptive changes. But it

will help make AI a reality around the world.

On a more positive note, AI will create massive wealth for humanity. For example, an AI-powered tractor can work 24x7 ploughing land without any human intervention. This way, we can grow more crops. In rougher parts of the world where people don't want to go, AI-powered tractors can plough the land instead of people.

24 Nicola Eliot: Can you tell me about Huawei's vision of the future? What does the world, according to Huawei, look like in 5 years time? 10 years time?

Ren: I can't foresee what will happen in 5 to 10 years. I can't even foresee what will happen in 3 years, because this world is developing so rapidly. A number of years ago, it was difficult to even make phone calls. Then, all of a sudden, Steve Jobs's iPhones gave rise to the mobile Internet. How could we have possibly known this would happen in the years leading up to it? So it's impossible for me to envision what will happen 3 to 5 years from now. We will just act like a chameleon and adapt to the changing world a little bit more rapidly so that we are not left behind.

Nicola Eliot: Just maybe in a shorter time frame, given what Huawei is working on now, what are the things

that you would like to achieve in the near future with Huawei?

Ren: Huawei is committed to making networks faster, with much lower latency, so that people can fully enjoy the value created by information services. The bandwidth of 5G is around 10 to 100 times that of 4G. 5G equipment is 70% smaller and consumes one-tenth of the power that 4G equipment consumes per bit. In the 5G era, people will surely enjoy higher bandwidth and faster information services, with higher quality and lower prices. Of course, this is still not possible today. When 5G is deployed all over the world, the prices of information services will drop, enabling underprivileged kids and kids living in rural areas to gain access to the outside world via the Internet. This will improve their education, which will then enhance their ability to create wealth for humanity.

25

Nicola Eliot: And speaking of children everywhere, I was given some fantastic pictures yesterday of you with your family. And, as a person growing up in the UK, I have no idea what this was like. Can you tell me a little bit about what it was like to grow up in China at this time?

Ren: I grew up in a very small town where people were very poor. We were a bit better off than our neighbors,

because my parents were both teachers. By better off, I mean we could add salt when we cooked vegetables. And that was also how local people understood being rich. At that time, there was only rock salt, not granulated salt. Poor people tied the salt together with some string, and when the vegetables were done, they put the salt in for a bit just to add some flavor. That was what I saw personally when I was a child. Even that was not available to the poorest. When we were young, we lived in such an environment. I knew nothing about the outside world. I had no idea that people in the UK had an abundance of bread. At that time, we just didn't have enough to eat. As we lived in rural areas, we didn't know anything about the outside world – not even cities in China. If kids in rural areas can broaden their horizons via the Internet, think of how much progress they will help China make!

26

Nicola Eliot: And so, this need to survive, how has that fed into Huawei's philosophy of success through survival, success through struggle?

Ren: There is no logical connection between these two things. Although I lived in a remote, mountainous region, I had a strong sense of curiosity about the world. I learned about the outside world through story books and science books like One Hundred Thousand Whys.

When I eventually went to university, I borrowed books from the library there. By reading books, I was able to broaden my horizons constantly. This was all driven by my curiosity. This curiosity is also driving Huawei forward. We adopted the concept of lowering our center of gravity for development because we believe that we need to maintain stability. If we develop too rapidly, we might not be able to keep it up. This would be a huge disaster for any company. We must remain stable, so we use the concept of survival to denote stability. We must not be rash. This has nothing to do with what I experienced when I was young.



Ren Zhengfei's Interview with Sky News

August 15, 2019 Shenzhen, China

01

Tom Cheshire: Mr. Ren, thank you very much for speaking with us. Right now, Huawei is probably the most controversial company in the world. Did you ever anticipate being in this situation?

Ren: Maybe I would have anticipated this, maybe not. I could never have expected this controversy to be so intense though. We knew that if there were two teams climbing up the same mountain from opposing sides, we would eventually meet on the peak and we may clash. We just didn't expect this clash to be so intense and lead to this kind of conflict between the state apparatus of a country and a company. We could not have foreseen the intensity of this clash. We haven't yet patched up all holes in our aircraft, in our business. It will take us two or three years to patch all of them up, and we will need three to five years to fully revitalize the company. Of course, during this process, we will still grow gradually.

02

Tom Cheshire: I read that, 10 years ago, you started preparing. Sounds like you did anticipate conflicts. Why did you anticipate conflicts specifically for Huawei back then?

Ren: Our company has no desire for anything other than delivering better products and getting our work done. We have only one goal and always stay focused. We believed that decades of heavy investment in one

area would ultimately make us a leader. When we had hundreds of people, we charged at an opening in the city gate. When we had several thousand people, we still charged at the same opening. When we had tens of thousands, and now hundreds of thousands of people, we are still charging at the same opening together. We spend 15 to 20 billion US dollars a year on R&D, so we believe we may lead the world in this area. This will lead to conflicts with other leading international companies as well as some countries. Given all this, we knew we had to prepare, since that conflict was inevitable.

My personality is the kind that tends to compromise and give in. I am not that good at fighting. Over a dozen years ago, we planned to sell Huawei to Motorola for 10 billion US dollars. We had signed all contracts, but their Board of Directors didn't approve the deal. So we discussed whether we would continue with this business or sell the company. Our younger executives then all had electronics backgrounds and wanted to continue in this sector. I said we could easily sell the company and move onto other sectors, but they insisted that we continue working in the electronics sector. We voted and reached a consensus. When this decision was made, I told them, if we continued to work in this sector, we would definitely be in a race against the US in 10 years. We had to prepare. That's the process. That's also why we are not divided when we meet with such huge

difficulties. Instead, we are more united than ever before.

03

Tom Cheshire: You talked about the intensity of the assault. I think the most important thing maybe was being placed on the Entity List by the US. What was the effect of being placed on that list? What's been the effect on your company, on your business?

Ren: First of all, please note that adding us to the Entity List was not fair. Huawei has not done anything wrong, but was still placed on this list. This list didn't have that much impact on us. As you saw in our exhibition hall yesterday, most of our more advanced equipment does not contain US components, despite the fact that we used their components in the past. These newest versions of our equipment even function 30% more efficiently than before. In August and September, we will undergo a run-in period before we can mass produce these new versions. So we can only produce around 5,000 base stations each month during that period. Following that, we will be able to produce 600,000 5G base stations this year and at least 1.5 million next year. That means we don't need to rely on US companies for our survival in this area.

Despite this, we will always embrace US companies. As long as they can continue to supply to us, we will continue to buy their components in bulk. Actually,

some companies have already restarted their sales to us to the extent permitted by law and the size of our orders to them never shrinks. We believe globalization benefits everyone, so we won't adopt a closed approach even if we can make some components ourselves.

04 Tom Cheshire: On the consumer side of things away from 5G, if there is a British customer using a Huawei phone in a town in Basingstoke, say, they might be worried that the Android software is not going to update. They are not going to get a better experience. Will they get the same experience from their Huawei phone without the Android software, if there is no longer supply?

Ren: Google is a great company. We have a sound relationship with Google. We have signed many agreements with Google over the years. We still want to use Google's system in our devices and develop within its ecosystem. Because of this, we hope that the US government will approve the sale of Google's system to us. There are billions of Android system users and billions of Windows system users around the world. Banning one or two companies from using these systems won't help ensure the security of the US as a country, so they should keep their doors open.

If the US doesn't want to sell the Android system

to us, we will have no choice but to develop our own ecosystem. This isn't something that can be achieved overnight. We estimate that it will take us two or three years to build this ecosystem. In light of all this, we don't believe we will be able to become the No. 1 player in the device sector any time soon.

Tom Cheshire: Is that a way of saying that HarmonyOS, your new operating system, isn't ready yet to compete with Android and Windows?

Ren: We started designing and developing HarmonyOS seven years ago in order to address IoT issues as well as AI's potential contributions to society. Low latency is the biggest feature of our OS. There are numerous edge computing models around the world. The computing models used by different industries, like the electricity, automotive, agriculture, and tractor industries, are all different, so a different OS is needed to support these different models.

It would take us some time to adapt HarmonyOS to mobile phones. We are waiting to see whether the US government will allow Google to continue serving more people. We don't want to see another OS entry to the market because Apple and Google are still dominating the global market in terms of software systems. But if the US bars Google from keeping Android open, then a third OS will have to appear, and it may threaten

the US's global dominance. It's possible that a small newcomer might have a stronger drive than the reigning champion, and if this newcomer comes out on top, the US may be in a tight spot.

Tom Cheshire: Is that why you made it open source, so that it might actually outrun them, and the whole world might adopt HarmonyOS?

Ren: Yes. You may wonder why we have opted to go open source. There are numerous small companies around the world, especially in Europe. Since the Industrial Revolution, Europe, especially the UK, has produced a lot of talent. These people shine as bright as pearls, yet the value of such pearls is only fully realized by being strung together into a necklace. Open source is the string that connects the pearls in our ecosystem. This way, the value of these pearls from the UK can be shared with other parts of the world. This open source approach amplifies business value and gives a boost to the UK, Europe, and other parts of the world.

The problem with China, the UK, and Europe is that they don't have their own platforms. Without a platform, they can only innovate sporadically. Our HarmonyOS is open-source and thus will be helpful for innovation in China, the UK, and across Europe. It could also be helpful for small companies around the world. Low latency is a big feature of our OS, which can deliver superior experiences.

05

Tom Cheshire: So Huawei is the string that runs through all these companies. I want to talk a bit wide about the conflict with the US. Your daughter was arrested in Canada, because of the extradition requested by the US. Can you take us through your reaction when you had that news?

Ren: The Meng Wanzhou case may not be a small case, and it can't be addressed just through small talks. We need to rely on the law and the Canadian legal system to resolve this case. Our lawyers have been working on this case, and we are waiting for their updates.

There is one trait my family members share, which is fussing over little matters but staying calm in times of crisis. We believe that when there is already a huge problem, it's no use trying to rush a solution.

Tom Cheshire: Did you speak to her? How is she now?

Ren: She is doing very well. She often goes out for coffee and eats Chinese hotpot, and she talks with others in the restaurants. She isn't the kind of person who comes across as indifferent or keeps her distance from other people. When she's at a restaurant, she often chats with other people just like anyone else would.

Tom Cheshire: After she was arrested, two Canadian citizens were arrested in China. They have been held. They are not allowed to have coffee. They don't see

anyone. This happened straight after she was arrested. Do you feel in any way implicated or responsible in the arrest of those two Canadians?

Ren: I don't know. Your question is about international relationships, which have nothing to do with us. The US has made groundless allegations to have my daughter detained. This is unfair. Canada isn't at fault. The US is using Huawei as a pawn for the China-US trade talks. Their plan is to detain my daughter, destroy my willpower, and benefit from all of this during the trade talks. Sadly, Canada has suffered because of this. I feel sympathetic to Canada. I have never and will never hate the Canadian government or the Canadian legal system for this. We will have this case settled according to laws. As to other issues, I don't know what the people you mentioned have or have not done, so how could I possibly judge whether there is any link between their arrests and my daughter's case? I'm not a government official.

Tom Cheshire: It does sound like that you think that your daughter's arrest and the extradition request are politically motivated rather than a purely legal process.

Ren: That's true. The US has sued us, which means they believe that we are legally at fault for something. So why are they including us in their trade negotiations with China? Isn't it true that in law, there is no room

for political negotiation? Legal issues must be resolved through legal means. If an issue can be resolved through negotiation, then it's not a legal issue. If that was the case, then they shouldn't have sued us. They are contradicting their own claim to be a country governed by the rule of law.

Tom Cheshire: Why do you think the US has been so aggressive in targeting Huawei and your family?

Ren: Over the past few decades, people within Huawei tend to think of me as a person who easily compromises. This is because I'm not that aggressive and easily compromise within the company. In reality, I'm more of a figurehead instead of a demanding leader. The Executive Committee of our Board of Directors is the demanding leader. We established this management system by learning from the UK's constitutional monarchy. In the UK, a monarch's power is limited by the law, and the law lies in the hands of Parliament. In such a system, the monarch serves a primarily ceremonial role and does not intervene in politics. At Huawei, I have the right to veto certain things, but I don't actually have much power. Because of this, the US may think it's easy to attack me. However, I'm much stronger than I had thought when backed into a corner. Right now, we would have no way out if we compromised. The only thing we need to do is ensure that Huawei can survive and thrive, so that we

can better serve people around the world and create more value. This may mean that my family and I will need to make some sacrifices.

06

Tom Cheshire: I want to talk about some of the US concerns, the perceived relationship between Huawei and the Chinese state. The first thing, I know you have talked about it before, but the National Intelligence Law in 2017, this law states that any organization shall support and cooperate in national intelligence work with the Chinese state. On an equivalent state, Chinese companies, public or private, must work with and be directed by intelligence agencies. That has been caveated, but why should we not just take this law as it stands in black and white?

Ren: I totally understand the concerns about whether a Chinese company would fully comply with this law.

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 never requires companies to install backdoors. Premier Li Keqiang then reiterated that position at the press conference held after the second session of the 13th National People's Congress in March

2019. When Premier Li visited our booth at this year's 16+1 Summit in Croatia, he directly told our staff not to install backdoors. They have made this commitment on behalf of the Chinese government. By doing this they have publicly announced how this law will be interpreted by courts in China. So we will follow their requirements not to install backdoors or engage in intelligence gathering activities.

Moreover, if we did something like what the US implies, our customers around the world would stop buying our equipment. This would be a huge financial hit to us. So we will never do something like that.

Tom Cheshire: I know Mr. Yang and Mr. Li have said these things, these politicians saying things. The law is there though in black and white. Why does this law exist, if it's not for the purpose of compelling Chinese companies to assist in national intelligence?

Ren: I don't know. I didn't participate in the legislative process.

Tom Cheshire: You have said that you'd shut the company down and go to jail rather than follow this law. At that point, can the Chinese government, even if you go to jail, still be in control of Huawei, as you say, your constitutional monarch, if the Chinese government wants to take over, sure they can take over?

Ren: It couldn't happen. We wouldn't do this kind of thing. If we did that, it would mean the end of our company, again, because our customers wouldn't buy our equipment and we would go bankrupt and cease to exist.

Europe has established its own cyber security law. Germany and the UK have also proposed laws that would bar all network equipment providers and carriers from installing backdoors. All will be treated equally. I totally agree with this proposal. As long as carriers and network equipment providers around the world promise that they don't install backdoors, then cyber security management will be made much easier. Right now it is only a proposal and hasn't yet become a law that applies globally.

We will continue to work more closely with the UK's National Cyber Security Centre, strictly follow the UK government's cyber security requirements, and make ongoing improvements. We will also follow the EU's cyber security law and the General Data Protection Regulation (GDPR). We will meet these standards and restructure our networks to make them fully adaptive to the future society.

Information is managed by sovereign states, not by equipment vendors. In 5G networks, information packages are not opened when they are transmitted

across base stations and access networks. They are directly transmitted to the core networks and are only opened there. Networks in the UK are managed and operated by UK carriers, not Huawei. Huawei only provides these carriers with a screwdriver, or a pipe. There are so many vendors around the world. Why is Huawei the only company that is being targeted? The UK's management and testing regime for Huawei is the world's most stringent, so they should have confidence in our products and services. Since everyone is looking at us, we will improve faster. We don't have the kind of problems you mentioned.

Tom Cheshire: I slightly disagree, because the UK government recently said, they do want a way to view encrypted messages, for instance, on Facebook. So there is this political move to weaken security, I think. If we think back the Snowden revelations, it was revealed that many Western companies were spying at the request of governments on users around the world. In many cases, they had been forced to spy without users' knowledge. That has been made secret as a result of the law. Isn't it very naive to assume that China wouldn't ask the same thing as Western governments in terms of spying?

Ren: I can assure you that I won't allow backdoors on our equipment.

07

Tom Cheshire: The Chinese government often has quite opaque relationships with private businesses. How would you describe Huawei's relationships with the Chinese Communist Party?

Ren: First, we are obliged to obey Chinese law. Second, we are obliged to pay taxes. These are the only connections we have to the Chinese government.

Tom Cheshire: President Xi Jinping said at the 2017 National People's Congress that the Party is the leader of everything. Does that not include Huawei?

Ren: I may interpret this in a different way. An enterprise is an economic organization which needs to undertake its due responsibilities. If the Party is capable of managing all economic organizations, then there's no need to develop private enterprises. In that case, party committees will be enough to manage them, and even manager offices won't be needed. However, China's experience over the past decades showed that this model does not work. That's why Deng Xiaoping proposed reforms and opening-up. This was a new model. Under the new model, party committees in enterprises are there just for educational purposes. They educate employees to work hard and refrain from immoral or illicit behaviour. They do not take responsibility for business management, though different enterprises may take different approaches.

Tom Cheshire: I understand that interpretation, and I'm not saying that when the Party leads everything, they are making business decisions, even if there are committees. I'm saying ultimately when it comes down to national security risks, the Party will intervene at that point. Do you agree with that? Or do you have a different interpretation?

Ren: That would be impossible.

08

Tom Cheshire: Since the conflicts between the US and Huawei began, what conversations have you had with the Chinese leadership?

Ren: None. I don't think it necessary to have such conversations. Otherwise, we would be falling into Trump's trap. Trump wants China to give up some interests in exchange for Huawei's survival. Why would the Chinese government do that? We can survive on our own. The US cannot crush us, though we may be going through a tougher time than we have expected. China doesn't have to make concessions in China-US trade talks on behalf of Huawei. I don't want to cause Chinese people to get hurt by this. I'm much richer than most of them. How can I ask people with less than me to trade with Trump at their own expense, just for our benefit? I don't want us to be tied with China-US trade talks. We have made up our mind to overcome this difficulty on

our own. We won't complain or ask for help, and we believe we will succeed.

You are the first foreign journalist to have visited the exhibition hall in our Ji Jia Center. Our technical departments used to stick to the strategy of keeping our exhibition halls closed to journalists, let alone taking pictures or filming them. They're afraid of our trade secrets being disclosed to our competitors. I don't think there is anything to hide if we stand strong. I think we should be open-minded. So now you are the first journalist in the world to visit our 5G exhibition hall, and you were allowed to not only photograph, but also film while touring around. We just want to show the world that we can still survive without the US's support.

We are confident that we will still be leading the world over the next three to five years. Whether we will decline after that remains a question. If the US cuts us off from its science and technology, will we gradually decline just as the Qing Dynasty waxed and waned, if we fall behind the times in terms of scientific technology and theoretical innovation? Probably. Given the current situation, I hope Chinese scientists and research institutes can look past the academic bubble, because if the bubble continues to grow, it will stop people from doing serious learning.

To overcome our difficulties, we won't turn to the

Chinese government for help. If we did that, it would benefit the US. Why would we do that? We can solve our problems by ourselves. Why would we ask the Chinese government to make any concessions for us?

Tom Cheshire: So they haven't been helping, but there have been a lot of interventions by the Chinese government, you know, a little bit of pressure on states everywhere to accept Huawei. Is that sort of pressure from the Chinese government helpful or unhelpful to Huawei?

Ren: It's not necessary. Seeing that Huawei is strong enough to make the US scared, some countries have concluded that Huawei's products are the most advanced in the world. They immediately bought large quantities of our equipment even without doing tests. This has resulted in a rapid increase in our contracts, which is beyond my expectations. Now many people say my previous prediction that "we would see a drop of 30 billion US dollars in revenue" was wrong. Our revenue is actually growing very fast. So I don't want the Chinese government to try and help sell our equipment. If some customers don't want to buy from us, we won't try to sell to them for a while. First, Huawei is not worried about sales at all, and second, our component supply has become completely independent of the US. Next, we will work to replace complacent employees with new,

hardworking talent.

Tom Cheshire: Just to get it straight, to sum up, the US government is actually being helpful to Huawei, while the Chinese government is being unhelpful to Huawei?

Ren: Without Trump's publicity, many people around the world would not have realized that Huawei's products are so advanced. So it is Trump that has created more market opportunities for us. After Trump said that Huawei's products were very good and posed a threat to their national security, some countries not allied with the US felt they should buy our equipment as soon as possible in case we sold out. Recently, visits by carriers to Huawei facilities have increased by 49%. They wanted to check whether we would be able to continue supplying to them. When they found out that our products don't need to contain US components, they became reassured and placed large orders. But we need some time to complete this transition. We can only produce 600,000 5G base stations this year, and 1.5 million next year. After that, we will be able to ensure sufficient global supply.

09

Tom Cheshire: A last question related to this topic, am I right to think you are a member of the Communist Party here in China?

Ren: Yes.

Tom Cheshire: So that involves taking an oath. Some of that says you promise to be loyal to the party; work enthusiastically, and fight for communism all your life; you are ready at all times to sacrifice everything for the party and people; and never betray the party. Do you still abide by the oath?

Ren: Of course. But the oath aims to serve not only the Chinese people, but all humanity. In fact, the manifesto of any political party must aim to serve the people; otherwise, the party won't last. It is the same in the UK. Either the Conservative Party or the Labour Party has to claim that it serves the British people, or even all humanity. This is the foundation of any political party.

Huawei's ideal and mission is also to serve all the people of the world. For example, we operate under harsh and desolate environments in Africa to serve the people there. These efforts are not to turn a profit, but to strive for the well-being of humanity. We are different from people on Wall Street who work for money. We work for ideals and this has yielded positive results. This means we have honoured our oath to the Party.

Tom Cheshire: I don't think the Conservative Party or the Labour Party makes their members take an oath. I think that's a very sunny interpretation. It says "never betray the party". It's about the party. Ultimately the party must come first. You have to choose between,

the party, that oath, and Huawei. The oath must come first, surely?

Ren: Yes, the party's mission is to serve the people, and also all of humanity. How could we ever betray such a mission?

Later, I'll show you an article called A Man, A Cook, and A Dog which was written by a Huawei employee. It tells his story on the islands of Comoros which used to be extremely impoverished. Electricity there used to be available only for an hour every day. At first, he was our only permanent employee there, and only had a dog to keep him company. We later sent a cook to help improve his living standards. By reading this article, or talking with our employees in remote areas by video calls, you'll get to understand how Huawei employees have been striving to work for our ideals and serve people all around the world.

10

Tom Cheshire: Huawei has been in Shenzhen for 30 years. It's where you started; it's the home of Huawei. Just across the water in Hong Kong, we are seeing a very different situation from what we have ever seen in Hong Kong. What do you make of what's happening in Hong Kong right now?

Ren: I don't know anything about what is happening in

Hong Kong. I focus everything I do on improving product quality and ensuring the continuity of our supply chain in order to overcome the US campaign against Huawei.

The UK is a very friendly country, and the UK government has been very open-minded, whether being led by David Cameron, Teresa May, or Boris Johnson. That's why Huawei has made huge investments there, and we have made contributions to the UK in at least two things.

The first was that we decided to support Arm more than 10 years ago when it was still a really small company. It was sold to SoftBank for 33 billion US dollars a few years ago, and thanks to Arm, the UK and Europe have their own CPUs.

The second thing was that we bought hundreds of acres of land in Cambridge to build an optical chip factory. It will be the most cutting-edge factory in the world. We believe the UK has a very favourable investment environment. In addition, it has cut taxes and is also a very open-minded country. The UK should not follow in the footsteps of a few other countries by trying to intimidate investors. If that happened, we would run away and stop investing there. They should welcome investors from around the world, as this will help the country become even more prosperous. I've always had a lot of confidence in the UK.

Tom Cheshire: I do want to talk about the UK; we will get to that very shortly. I know you've been busy, but there has been the news still about Hong Kong. Even not in the business capacity, but as a Shenzhen resident, as a Chinese citizen, just over the water, do you have any view about what's happening in Hong Kong?

Ren: I don't have any opinions on Hong Kong. I just hope that the airport will remain open, as people need to take a plane to go to school. I don't have other views regarding what's happening in Hong Kong.

China is a very stable country. The most important foundation for stability is an improved life for the poor. President Xi Jinping has been working hard to reduce poverty since he took office. He requires the party secretaries of counties and government officials at all levels to take responsibility for poverty relief.

I have visited some poor places myself in my years. For example, Guizhou used to be the second poorest province in China, and Hezhang County was the poorest county in Guizhou. Things are completely different now. Hezhang runs large-scale production of a kind of thin, bunching onion. The onions are shipped out by air and so on to big cities like Beijing, Shanghai, Guangzhou, and Shenzhen. Farmers rent their land to cooperatives and are also hired by these cooperatives. I saw an interview with a farmer on TV, who said that he rented his land

to a cooperative at a price of about 3,000 yuan per acre per year, and he was also hired to plant and process onions, through which he earned a monthly salary of another several thousand yuan. This way, farmers in poor counties have been lifted out of poverty.

I went to school in Zhenning County. Residents there were mostly members of ethnic minorities, and it was a very poor area. The party secretary of Zhenning once came to see me and told me that his county planted over 2,000 acres of ginger and a lot of plums, and had been lifted out of poverty. I once drove there to see it for myself, and I really felt that those poor regions had completely changed.

Tibet used to be the poorest province in China. However, after traveling there, I almost feel like the infrastructure in Tibet is better than Shenzhen's now. I even joked in Shanghai once that even their infrastructure is not as good as Tibet's. The roads in Tibet are also very good now. I recently travelled to Xinjiang, and it seems to be a very tranquil place. I drove along the Duku Highway, which was both quiet and beautiful. Travelling there was very safe.

China has lifted many people out of poverty. As people's lives improve, so do their levels of satisfaction. Why did the Colour Revolution never impact China? I think the reason is that the lives of the poor have

improved, and people are more content. Their living standards may still not be high compared with those in some Western countries, but have improved significantly in recent years.

Of course, China is still working to lift more people out of poverty. China's 900 million farmers are increasingly happy about their lives. Urban citizens may face some difficulties because of high inflation and slowing income growth, but overall China is pretty stable.

Tom Cheshire: So when you mentioned the improvement of people's lives, people may be feeling their lives aren't improving. Is that why you think there is that turmoil in Hong Kong, because people want more and they are not getting it, they are not seeing that improvement, and that's where the political unrest comes from?

Ren: I don't know what has caused the unrest in Hong Kong. What other countries say about China may not be correct. The Shenzhen municipal government has recently taken a lot of measures to cut taxes for small- and medium-sized enterprises. Taxes on low-income taxi drivers have also been cut significantly. That is really amazing, because it will prevent social instability caused by the widening gap between the rich and the poor. I saw the news about tax cuts in Shenzhen on the

evening news, but I don't have a full picture of relevant policies.

The growing income gap between the rich and the poor is a fundamental reason for social instability. Capital monopolies, as they develop, may cause instability. In China, we need to guard against the widening income gap between the rich and the poor, and ensure that it doesn't become excessive.

11

Tom Cheshire: What's your view of Boris Johnson as the UK's new prime minister?

Ren: He is very capable and good at making decisions.

Tom Cheshire: Have you spoken with Boris Johnson about the coming decision on whether to let Huawei into the UK's critical infrastructure?

Ren: I think he is too busy at the moment. If he has the time and invites me to talk, I'll be willing to go.

Tom Cheshire: How important is that decision for Huawei as a company?

Ren: I think it's very important. I noticed that the third day after Mr. Johnson took office, he said that the UK should deploy 5G nationwide as soon as possible. I think this is a wise decision, because speed determines a country's economic development. Of course, Huawei

is not the only vendor of 5G equipment, and other companies can also provide good 5G equipment, although Huawei's is better still.

Let me share a story. China used to be an agricultural country, and its army was generally made up of infantry. This meant they were unable to defeat the mounted warriors of their tribal neighbours. Over 2,000 years ago, when Emperor Wu of the Western Han Dynasty went on expeditions to the west, his tactic was to arm his forces with strong horses, because cavalries had a greater advantage in battle. China was conquered twice by the cavalries of its tribal neighbours. In the 18th century, the Industrial Revolution began in the UK, resulting in the inventions of trains and steamships. This greatly advanced industrial civilization. At that time, however, China was still an agricultural civilization that mainly relied on carriages as its major means of transportation. Therefore, speed determines national strength and economic development. If the UK increases information transmission speed through 5G, they will be able to seize the high ground of AI.

The UK must attach great importance to the development of 5G networks. According to what the new PM said, the UK will strengthen its rollout of optical networks. They should widely deploy optical networks in large cities. However, optical networks are not necessary

for small- and medium-sized cities in the UK. That's because 5G can replace optical networks in these cities.

Tom Cheshire: So, from what you said, 5G is a good thing. In regards to the UK's decision about allowing Huawei into critical national infrastructure, are you hopeful that the UK government, under this new Prime Minister, will allow Huawei into critical national infrastructure?

Ren: I am not speaking on behalf of Huawei. I don't think there will be any issues, no matter which vendor the UK chooses for its 5G. The Prime Minister has proposed to speed up the rollout of optical networks and 5G networks. This is an important decision for the UK, which will help it seize the strategic high ground of this information revolution. The UK must widely deploy optical networks in big cities, because the radio frequencies in big cities are not currently enough. However, in small- and medium-sized cities, 5G can be used to replace optical networks and function as wireless telecom equipment. We can provide the equipment they need, and so can other vendors. Other vendors can also provide very good equipment. The UK government and carriers can make comparisons and choose whichever vendors they believe to be the best. Objectively speaking, I think 5G is critical to the UK.

Currently, South Korea is the most advanced country

in terms of 5G deployment. So far, Korean carriers have secured over two million 5G users within just four months.

12 Tom Cheshire: Okay, so do you think Huawei should be involved and should be allowed in every part of the network?

Ren: Of course. The UK has conducted the most rigorous reviews on Huawei's products. Our products have been "dissected" by many carriers around the world, and the UK's "dissection" has been the most thorough of all. Therefore, they should have confidence in Huawei. However, I think the UK can still compare our products with those of other vendors, so that they can identify which ones are the best.

Tom Cheshire: Isn't that telling us that Huawei has, for a long time, had this rigorous testing, had these labs in the UK, as well as all these reports. But there are still doubts, there are still delays with decisions, and senior politicians, senior members, the premium administrations still didn't trust Huawei?

Ren: It is impossible to make everything perfect, without any defects. The more we innovate, the more defects there will be. As long as we comply with the UK's requirements and continue to address any issues

or defects that have been identified, we can become a qualified UK supplier. That's why we are willing to work hard and step up our investments.

The Industrial Revolution was first started in the UK, and has become a key part of the UK's DNA. In the future, AI will be in dire need of 5G networks. When AI becomes a reality, even a small workforce will be able to produce a large number of quality products.

The UK doesn't have a large population, but it will be able to shine again. An important reason for this is that tax rates in the UK have become much lower. When it comes to digitization, the UK should remain unaffected by ideology and politics, and work to advance its digitization agenda. If the UK government does not trust others, they could strengthen their oversight. This is the only way for the UK to stay on the fast-track to economic growth.

Tom Cheshire: If the UK does say no to Huawei in this decision after all this testing, it's pretty damning for Huawei?

Ren: We are confident that they will not say no if they really take the tests seriously. They might say no, but I don't think it would be to us.

Tom Cheshire: If you were talking about the strict testing, then we talk again about the political pressure from the US. Mike Pompeo, the US Secretary of State,

met with our new foreign secretary in Washington, and John Bolton, the US national security adviser, came to the UK to speak to Boris Johnson, the most senior US official to do so. Afterwards he said, the UK government is going to look at Huawei from square one – they are going to start from the beginning. Do you think the US is putting pressure on the UK government? Is the US interfering in UK affairs?

Ren: The US is putting a lot of pressure on many countries around the world, but how many countries have they convinced?

We are not particularly concerned with which countries buy our products. Our main concern now is that our supply will be unable to meet demand.

We have spoken with our carrier customers in China and hope they can understand that we need to ship equipment to overseas customers first at this critical time. This is because it takes time for a new product to enter mass production, and we can't produce such large amounts of equipment at the moment.

We told Chinese carriers that we would ship more equipment to them next year, because there are currently many customers buying from us, contrary to what many currently believe. We are not afraid because some important people keep advertising Huawei all over the world.

13

Tom Cheshire: Part of Boris Johnson's new government signature policy is Brexit. Is Brexit a good idea or is no-deal Brexit a good idea?

Ren: I am not a politician, so I don't know much about Brexit.

Tom Cheshire: You said in an interview in May with Chinese media, talking about your veto on the board, and talking about democracy within Huawei. You said, "If we allow voting as the British did, the fate of Huawei might be ruined as a company." You're saying that Brexit would ruin Huawei, so you do have a view on this?

Ren: My right to veto was supposed to expire at the end of 2018 when our transition to new leadership was completed. I had planned to give it up when that date arrived. However, in 2018, the UK had a referendum on its EU membership. They voted to leave the EU. That's it.

Huawei's leadership in governance, including the Representatives' Committee, the Board of Directors, and the Supervisory Board, are elected by shareholding employees in a democratic way from bottom up. We were afraid that if our employees had a sudden vote one day, the company would face great twists and turns. Therefore, I retained my right to veto, which can be conferrable. However, this right will not be passed to my family members, but to the seven elite members who

will be selected among our senior management.

They will be partially retired by then, so they will be fair while exercising the right to veto. A tenure system will then be adopted for these members. Their terms of office, which may be iterated, can be four or eight years.

These members, as a group, will be conferred with the right to veto on major matters. They are the most senior leadership who have left the Board of Directors and the Supervisory Board, and they will exercise the right to veto as major shareholders. This will prevent the company from making wrong decisions on major matters by simply acting on the wishes of employees. We should not allow major changes to the company to be based purely on what employees desire.

Tom Cheshire: As an example, you saw the referendum we had about leaving the European Union. And you decided not to enable full democracy to stop big mistakes on major matters. Does this sound like you think that the Brexit was a big mistake on a major matter?

Ren: No, that's not what I meant. What I said just now is that we should extract lessons from the UK's decision-making process when establishing our own systems. I didn't comment on whether the UK should leave the EU or not.

14

Tom Cheshire: Beyond the UK, there are other issues alongside the relationship with Chinese state. One of the things that keeps coming up is about the theft of the intellectual property. Has Huawei ever engaged in an IP theft?

Ren: No. The company has strict rules, and we've never stolen any intellectual property. We have a large amount of cutting-edge intellectual property, and we are an industry leader in this regard. We have respected IP protection since we started the company. Even when this interview is finished and you release the video in the UK, we will pay all copyright fees required for any rebroadcasting we want to do. We obviously can't rebroadcast your video without paying for the copyright. So in addition to IP related to technologies, we also pay a lot of attention to IP protection in other aspects. We proactively observe all related laws and regulations.

Tom Cheshire: You are very welcome to use our video. But with things like the Motorola case in 2007, Cisco in 2003, and Tappy, the T-Mobile robot, these are all pure inventions. A lot of these cases have been settled. But I believe Huawei admitted to copying some source code for routers. These things do keep happening, so it does seem like there's a small problem here?

Ren: First, these kinds of judgments are made by the courts. Recently Cisco has also used our code. A lot of

code is publically available and can be accessed online. When programmers downloaded a bit of code online, it does not create problems.

15

Tom Cheshire: You mentioned Xinjiang earlier. You mentioned that it had become stabilized. A lot of people are worried about what's happening in Xinjiang. The first question is that is Huawei supplying equipment, software, or expertise to authorities in Xinjiang?

Ren: As a communications equipment provider, we sell equipment to carriers and relevant companies. However, it's the carriers who decide how to use the equipment. Similarly, carmakers sell cars to anyone, and so the cars they've sold may be used for different purposes. I suggest that you also visit Guizhou, Yunnan, Tibet, and other regions in China inhabited by ethnic minorities, and take a look at the situations for yourself. You should visit these places in person. I may not be able to explain everything clearly to you.

Tom Cheshire: We've been to Xinjiang. We've seen it with our eyes and felt it. Do you approve of the government's policies in that region?

Ren: I am not familiar with government policies in Xinjiang. I only know the overall living standards there are improving. The only way to guarantee social stability is to eliminate poverty. In regards to specific policies, I

am not very familiar with them. I am not a politician, and I don't study policies. My knowledge about Xinjiang is based on what I experienced on vacation there. I visited farm houses and listened to the farmers' stories.

16

Tom Cheshire: You talked about cars, like supplying cars to people, and this is a more general question. Do you worry that when you supply technology, it might be misused by governments, especially by authoritarian governments, wherever they are around the world, especially when it comes to things like big data and AI? Are you concerned about how governments will use your technologies, all the types of technologies you have?

Ren: We don't sell equipment based on what countries the carriers come from. Governments hold sovereignty over their country. There are lots of different types of governments around the world: monarchies, democracies, republics, and so on. We won't interfere with other countries' internal affairs. If we decide to sell equipment to some countries and reject some others, that essentially means we are taking a political stance. Sovereign states have the right to decide how to use the equipment.

17 Tom Cheshire: Your experience as an entrepreneur growing up in China, during an era that experienced the great leap forward, the Cultural Revolution, reform and opening up, how did those shape you as an entrepreneur? And how did they shape Huawei as well?

Ren: I matured and such experiences made me less naïve.

Tom Cheshire: And in terms of Huawei's culture, how does that reflect, that maturity and lack of naivety?

Ren: Huawei is now full of vigour everywhere. Employees are free to criticize me and the company in our Xinsheng Community, and we do not consider those who criticize us to be bad people. Our Human Resource Mgmt Dept will check whether these employees' criticisms of us are valid. If they are valid, the department will further check whether these employees have been high performers during the latest three years. If they have, these employees will be transferred to work at HQ for six months and then be assigned back to operating teams. This has made our corporate culture flexible. People outside Huawei might think that there is chaos at Huawei when we are attacked. However, as you can see here on our campus, there's no chaos. Instead, you only see our employees working diligently. Such a relaxed environment enables employees to speak out when they

see things unpleasant and then become relieved.

Tom Cheshire: It feels like one word to describe Huawei, one noun, would be toughness. That analogy of the plane, you talk about this conflict, getting to the top of the mountain, being tough seems to be, maybe the most prized attribute of Huawei.

Ren: You're right. Before Trump's attacks against us, Huawei was like a plate of loose sand. That was because many employees were very rich and didn't want to go to work in hardship regions. They just wanted to stay where they were. The company was too big to manage as well, so it was in a shaky and unsteady state. However, the US's attacks against us activated this organization. If employees work hard, they are likely to grow in the company. Otherwise, they might have to leave. I would like to thank Trump for activating our company.

18

Tom Cheshire: Is there anything else you'd like to add? Anything you'd like to say to the people that are watching at UK, including Boris Johnson, but also around the world?

Ren: First, I have high respect for the UK. The country has made outstanding contributions to the world over the past several hundred years, especially during the Industrial Revolution. The British are known for

global expansion, through which they brought their advanced culture and industry to different parts of the world. Today, two-thirds of the world's population are using English in one form or another. This shows the tremendous contributions that the UK has made to the world. Without a unified language, it would be impossible to modernize the world. Today, English is the world's most universal language. The UK has spread the elements of its modern civilization like industry and culture across the world, so I think the contributions the UK has made to the world are really great.

Second, the key characteristics of the UK lie in its institutional development, which has made significant contributions to the world history. The Glorious Revolution in the UK was a peaceful revolution, which was also known as "The Bloodless Revolution". In the 350 years that followed, there were no major internal conflicts within the country. The UK has adopted a constitutional monarchy. Under this system, the monarch serves a primarily ceremonial role and doesn't intervene in politics, thus allowing Parliament to leverage its collective wisdom. The development of the UK provides a new model for the world. Revolutions often cause much damage to society. It is not just about casualties. The damage can be so severe that it cannot be repaired, even over several hundred years. I think the path that the UK chose has been very successful. The UK pays

a lot of attention to standardisation, but it lacks one thing, innovation. The US has inherited the attribute of standardisation from the UK, because a great many Protestants migrated to the US. The US had been expanding too rapidly, so it couldn't control its end points; however, this left room for innovation. As a result, the rise of the US has been even faster than the rise of the UK.

Third, the UK should become a role model in the information era, as it has some of the greatest educational and cultural systems in the world, despite a small population. Looking ahead, the UK should focus on developing AI. Super-fast computing and super-large storage, which you can buy, are important for AI's development. But super-fast connections are more important. Fibre and 5G can provide super-fast connections. The US doesn't have super-fast connections, because it is still using cables for most of its networks, which provide low-speed connections. If the US wants advanced fibre networks, it would have to invest another 500 billion US dollars. The US also needs to invest heavily in 5G. The US is rejecting advanced 5G, so it has encountered big obstacles for AI development.

The UK must seize the opportunity to develop AI. At Huawei, we have a lab called the Turing Lab. Turing was a British mathematician, and the father of AI, over 80 years ago. The UK is also a world leader in genetic

engineering. If electronics technology is combined with genetic engineering, will that create an even bigger industry for humanity? What if genetic, electronic, photon, quantum, and AI technologies are all combined? Then we will see a world that we can hardly imagine.

The UK must seize this historical opportunity and leverage AI to amplify the effects of its small population. This will allow it to once again become a major industrial power. The British people are polite and well-educated, and they have everything that is necessary to make this happen. In the traditional industrial era, large-scale industrial manufacturing couldn't be achieved through automation and informationization. As a result, industries had to be moved east to countries with larger populations. You have visited our production lines, where we use a little bit of AI, but our reliance on manual labour has significantly reduced.

The UK should develop vigorously and become a role model for the world, encouraging people to focus on increasing productivity. The best goal for a country is to make its people rich and prosperous. I would like to convey my best wishes to the UK and I have complete confidence in our investments there.



Ren Zhengfei's Interview with The Associated Press

August 20, 2019 Shenzhen, China

Joe McDonald: Thank you, Mr. Ren, for seeing us. We understand you're very busy, so thank you for giving us this time.

Ren: I'm also very glad to see you, because you are giving us an opportunity to share our situation with a wider audience.

01 Joe McDonald: Last night in Washington, the US government announced it's going to postpone this Entity List by 90 days. May we ask your reaction to this? What difference will this 90-day extension mean to Huawei? You know, how much does the company still need the American products and components that will be affected by this Entity List?

Ren: This is a good thing. Both sides need to think it over cool-headedly though.

First of all, the US should weigh in on which party stands to lose more: Huawei or the US companies. They really need to do their research and then consider whether to keep us on the Entity List.

I am always an advocate of globalization. This is because globalization enables optimal allocation of resources and stands a better chance of delivering high quality services to customers around the world. The globalization we have achieved today was hard won

through decades of collaborative efforts. A further divided market is not in the best interests of the US, because the US is currently the world's most powerful country and has the biggest vested interest in the global tech sector.

Second, whether the temporary license is extended will not have too significant an impact on Huawei. From 5G products to core networks, we can do well without relying on the US. Yesterday, you must have seen our whole series of products that no longer contain US components. We need a short period of time to switch over and ensure run-in of these newly designed circuit boards. Following that run-in period, our production capacity will soar.

The biggest impact of the Entity List would be on our consumer business. There are billions of Android system users around the world. Banning Huawei from using this system will not ensure the US's national security. If the US still wants to ban us from Android, we may need to work on our own backup plan. Google is a great company and we have signed many agreements with them in good faith over the years. We want to continue using their products. If we are allowed to do so, we are more than willing to help extend the use of this US technology around the world. But if Google or Microsoft cannot continue to provide their systems to Huawei, then it is possible that there will have to be a third

system to replace theirs. No one can be certain that this third system will fail. If this system does succeed, it will pose a big threat to the US.

What's happened over the last few months has proven that the Entity List won't crush us. Huawei can definitely survive and thrive. Is this what they wanted when they added us to this Entity List? They might not get what they wanted. China and other countries will produce alternatives. In the future, US products may not be able to enter markets using these alternatives. If this happens, their market size will shrink, which will weaken their financial performance. We don't want to provoke confrontation. We still want to buy US components, despite the fact that we can mass produce alternatives ourselves. We want to reduce our own production and buy from the US, because we want to contribute to the prosperity of humanity together with the US companies.

02

Joe McDonald: You've been talking to foreign reporters a lot this year. For a long time you did not talk to reporters. I assume that your goal in talking to reporters this year is to repair Huawei's reputation abroad and to improve operating conditions in the face of this pressure from the United States. Do you think it's working? Do you think conditions are improving for Huawei? Do you think you're repairing your

reputation?

Ren: Your analysis is pretty much correct. I came forward to show who we really are during this time of crisis. When the US added Huawei to the Entity List in May, most people, including those from the media and other companies, thought Huawei was doomed. Some believed that Huawei would survive for more than two or three months, and that when our current inventory was used up, Huawei would collapse. As I met with more and more media outlets, many believed I was just trying to conceal how poorly prepared we were. Over the past six months, roughly 2,000 journalists have visited our campuses. When they saw how Huawei was actually doing, they came to realize that Huawei is still alive and its productivity is increasing. In the beginning, media coverage of Huawei was very negative, but then it started to improve slowly, and now it is almost good. This shows that what we have been doing has worked. If I were to only speak with the media, and not allow you guys to see firsthand how we are doing, I don't think our credibility would be very high.

03

Ken Moritsugu: I want to ask going back to your daughter's detention in Canada in December and then coming through the six or seven months of this year and the tensions with the US on trade and the Entity

List. In your time running Huawei, is this the biggest crisis you've felt as a company? Or have there been other crises in the past that you would say similar?

Ren: Actually, there have often been crises over the last 30 years. If it's not this crisis, then it's that crisis. Sometimes a particular crisis would be big enough to endanger our very survival. The crisis created by the US was a big blow to us, but its impact has not been too significant. In the past, we had no talent, technology, capital, or market share, and we had no clue whether we could survive the next day. Those crises might have been more severe than the one we are facing today. Regarding this current crisis, we are likely to overcome it, because our business has grown to a certain scale and we have developed our capabilities. Therefore, I don't think this is too scary.

04 Joe McDonald: President Trump has suggested that he might go easy on Huawei or drop the Entity List and also that he might improve conditions for your daughter Meng Wanzhou, if the Chinese government agrees to make some trade agreement with the United States. What's your reaction to this? Do you think Huawei is just a pawn or bargaining chip in this? How do you feel about the American President talking about your company this way?

Ren: It sounds like a good idea if this pawn can help solve the problem between the two countries. However, I will not push the Chinese government to make concessions for the benefit of Huawei, because trade is something governments should handle, not businesses. Despite the current US campaign against Huawei, we still have sufficient funds to help us get through the difficulty. Many people in China are still very poor. So as a matter of conscience, I could not accept it if the government had to sacrifice the interests of those poor people for the benefit of Huawei. I would rather withstand attacks for a couple more years and my daughter to suffer more, than let China concede something to the US for Huawei's benefit. In fact, the US should realize the standard of living for many people in China is still very low.

So I will never ask the Chinese government to make concessions so that the US would go easier on us. If the US does not ease up, Huawei might grow slower and Meng Wanzhou might have to stay longer in Canada and suffer more. But I would rather accept this because it is in the interests of China and the Chinese people. If the Chinese government makes many sacrifices for Huawei's survival, I would feel indebted to the country.

If some people in the US say, "Ren Zhengfei can spend some money to improve the situation for Huawei", they

are right. That is something I might consider. If some people in the US say our 5G technology poses a threat to the US's national security, then I'm open to discussing the possibility of transferring our 5G technologies and production techniques to US companies. Then they can develop their 6G based on our 5G and speed up the process of their technological development. I'm open to all of these possibilities because we will sacrifice our own interests instead of the interests of the Chinese people. Otherwise, people will curse at me on the street.

05

Joe McDonald: You mentioned people who say that Huawei or 5G might be a security threat. What additional things can Huawei do? Or what additional things is Huawei planning to do to reassure the United States and Australia and other governments that its technology is safe, is not a threat in order to gain access to their 5G markets?

Ren: I think if the US and Australia haven't been convinced that 5G is nothing more than an advanced tool and if they still have security concerns, maybe it's best for them not to buy Huawei's 5G technologies or products. They can decide whether to buy from us after all the other countries have proven our products pose no threats. By doing this, they will not feel as worried. I personally see 5G as just a tool to support the future

adoption of artificial intelligence. So the tool itself is not a security concern.

If you look into this tool further, data in 5G networks will be aggregated in core networks. These networks are owned by the telecom carriers of sovereign states. These carriers are subject to the laws of those states in which they operate, and their data is governed by local laws. There are no security issues there with 5G.

Although we currently think that we don't have any security issues, we are still working hard in that area. Huawei has grown from a small company to what we are today. Our software may not be perfect, but we will continue to improve it. This of course involves ensuring cyber security and privacy protection across entire networks. With privacy protection, for example, we are fully compliant with the EU's General Data Protection Regulation.

06

Joe McDonald: We've seen over the last three months protests in Hong Kong. We're wondering how these protests affect Huawei. I mean it's the next city over, adjacent to your HQ city, and Hong Kong is an important business center for you. What effects are these protests having on Huawei and what effects are they having on US-China relations and tensions in a way that might affect Huawei?

Ren: China operates based on a "one country, two systems" principle in Hong Kong. The problem as we see it is not as simple as a next-door-neighbor problem. Unlike two adjacent cities in the mainland, there's still a border and customs between Hong Kong and Shenzhen.

In terms of the "one country, two systems" policy, Hong Kong works under a free capitalist system while China's mainland works under a socialist system. These are two completely incompatible systems. For Hong Kong, the legal system gives people the freedom to demonstrate. That's understandable. There has been some violence recently, which is in nobody's best interest.

The protests in Hong Kong haven't had any impact on our business. We are still focusing on our production and are patching up the holes in our bullet-riddled plane so that it can return home safely. Right now, we are primarily concerned about whether we will continue to survive under the current US sanctions against Huawei. We are not concerned about what is happening in Hong Kong, nor will we analyze it. We are working to find out more about how the US's Entity List affects us and how to improve our production.

07

Joe McDonald: We're also wondering about Huawei's technological future. What do you see as the most important emerging technologies that have not been

developed yet? What do you see as the priority areas for Huawei to develop?

Ren: I think the future of emerging technologies is about intelligent computing and evolution from intelligent computing to artificial intelligence. 5G is just a supporting platform that lets artificial intelligence deliver low latency and high bandwidth. It is a tool rather than a result.

08

Joe McDonald: How is Huawei changing its research and development in response to US pressure? Are you acting as if the Entity List and restrictions will become permanent and you will have to produce your own components? In what areas does Huawei think that it has to become self-reliant or ensure it is no longer dependent on American suppliers? And how is it trying to accomplish that?

Ren: It's unlikely that the US will ever remove Huawei from the Entity List, because no one in the US will take a stand to get us removed from it. It seems that attacking Huawei in the US is politically correct and that the US has every reason to give Huawei a hard time. Any American who voices their support of Huawei, even once, would probably find themselves under attack by many. So we are mentally prepared for staying on the Entity List for a long time to come.

In the short term, we will work to fix the areas that need to be fixed. In the long term, we will set our sights on future-proof, emerging technologies such as artificial intelligence and cloud. If we aren't successful in these areas, we might become sidelined or just die out. If the US cuts its tech sector off from China, it may be difficult for us to access some advanced US elements. In that situation, will Huawei start to fall from the top? Probably. This is where Chinese scientists and research institutes will come into play.

09

Ken Moritsugu: I'm wondering how much this Entity List and the pressure on Huawei from the US have changed Huawei's strategy. Last year, before this happened, I think most people were talking about 5G rollout. That was the big Huawei story and here's what's coming next. Now, we're talking about the Entity List, the need for Huawei to reduce its dependence on US suppliers. How much have you or Huawei had to change the strategy of the company? And how is that affecting the company and its future?

Ren: The Entity List has not impacted our strategy; rather it has helped it. It has led us to give up on some marginal, unimportant products so that we can focus our resources on core products. In the past, we couldn't control budget allocation among entry-level teams, and

as a result, we worked on peripheral products, but now we've made up our mind to axe them. To do this, we implemented a transformation across our R&D functions, during which 46% of R&D departments were removed. The outstanding employees from these departments were relocated to our core product lines. This way, we will only become more competitive in our core products. You visited our exhibition hall yesterday and saw our products with your own eyes. If you have an opportunity to visit other companies and make a comparison, you will come to understand why we are so confident in our global leadership.

The Entity List will not crush us as the US hopes. By adding Huawei to the Entity List, the US wanted to kill off Huawei. But we are not dead; in fact, we are doing even better than before. This is not what they were hoping for, and the Entity List has not affected us as much as it has affected our US partners. They used to supply us with several hundred million or even several billion dollars' worth of components and were suddenly not allowed to do so. Their short-term financial results will surely be significantly impacted and their losses will be felt. After all, stock prices matter a lot to Wall Street.

I think the Entity List hurts the US a lot more than it hurts us. While it should be revoked, I don't think it is likely. So we are prepared for a situation where we will be on the Entity List for a long time.

10 **Joe McDonald:** You mentioned 5G earlier. How much does Huawei depend on American components or technology for 5G and how will the Entity List affect that and Huawei's ability to sell 5G products? Just products, any 5G technology?

Ren: Huawei's 5G products and core networks don't depend on US components or technology.

Joe McDonald: So either Huawei makes everything itself, or it has non-American suppliers?

Ren: We basically make everything ourselves.

11 **Joe McDonald:** I would like to ask about the foreign workforce at Huawei. Huawei is unusual among Chinese companies in that it has a large number of very advanced technicians and specialists who are not Chinese. What advantage does Huawei get by having foreign employees instead of an entire Chinese workforce? And what difficulty or what burden does that place on the company?

Ren: When different countries, nationalities, and cultures come together, collisions happen, but these collisions can be mutually beneficial and generate a lot of vitality. Our foreign employees have helped create a diversified culture within our company, giving our products a leading edge around the world. Today, the

US is the world's most advanced and most developed country as well as the most powerful country in terms of technology. A critical reason behind this is that the US is an immigrant society, which has attracted countless brilliant minds from around the world. Of course, Huawei is far less diversified than the US, but our foreign employees can serve as "gamma globulins" to inspire changes to the mindset of our current employees. So there are many advantages to hiring foreign workforce.

We are also working to increase the percentage of local hires in our overseas offices. Since it may not be easy for Chinese employees to adapt to overseas work environments, we now prefer hiring local employees to sending more Chinese staff overseas. This is more cost-effective, and more importantly, this creates jobs and cultivates talent for local communities.

Joe McDonald: Some people abroad are uneasy about Huawei and they say there are some questions about who controls the company or who makes decisions. For now, in the very top layer of people who make decisions, the board and the CEO level, all are Chinese citizens. Would Huawei consider adding non-Chinese members to the board of directors or appointing a non-Chinese chief executive as a way of increasing the trust of foreign countries? And if you don't think that's possible, why do you think it's not possible?

Ren: I think our foreign employees must first have the right skillset before being placed in a top management position. Besides, such foreign employees must have worked at Huawei for at least 25 years. This is because I believe a senior executive should start from the very bottom of the company and climb their way up the career ladder step-by-step to gain a comprehensive understanding of how the company works. Some Western companies change their CEOs frequently, but after several rounds of changes, these companies may be totally ruined. This is because new CEOs from other companies may not really understand how these companies run, especially not on the ground floor. Some might even think they can just drink a little wine, talk a little philosophy, and then they're good to run a company.

Non-Chinese employees have taken up positions at Huawei as country-level CEOs and directors of product lines, as well as senior experts like Huawei Fellows, which is the highest technical position at Huawei. Of course, please feel free to recommend qualified candidates for CEO, chairman, or other senior management positions. We will first assign these candidates to work in hardship regions, like in Africa and even way out on the Comoros Islands where we only have one permanent employee with only a cook and a dog to keep him company. We will then send them to other places to get more hands-

on experience and technological expertise. After they have developed a comprehensive understanding of Huawei's business, they may have opportunities to be promoted to top management positions.

Why are some Western companies not doing very well? Because their board of directors is focused on finding an excellent chief executive officer. After new executives come on board, they often leverage just about anything to expand capacity, but then have to drop prices when there is an oversupply of products. This might eventually lead to the collapse of these companies.

Therefore, at Huawei, we emphasize that our business leaders must come from within, and this includes our pool of 30,000-plus foreign employees.

Joe McDonald: If you appointed a non-Chinese board member or a non-Chinese chief executive-level person, could you see that causing any trouble with the Communist Party? Would it change the personality of the company from a political point of view? Do you think that's an obstacle?

Ren: No, absolutely not. We have established boards of directors in some countries outside of China, and in those cases, the majority of the members are renowned figures in the local communities.

12 Ken Moritsugu: We learned yesterday that you like to talk to your employees and you like to have tea or coffee, or you encourage them to have tea or coffee. Even as the company has gotten very big, you continue this. I'm wondering, when you speak to your employees now, is anybody worried about the future of Huawei because of the pressure from the US? Or are they comfortable? And why? How are you able to give the employees such confidence despite everything that is happening, if that's the case?

Ren: First, it's not me giving our employees the confidence they need to face our current situation. They get their confidence from the clear path to future success they can see on their own. We wouldn't be able to constantly preach to our employees and force them to believe in the stories we tell. Rather, they can see how their own hard work is contributing to the company. This fills our employees with hope. The Entity List incident has inspired our employees, and they have improved their abilities to solve problems. That further adds to their confidence in our company.

13 Joe McDonald: We want to ask about your life and how your life experiences influence the development of Huawei. Could I ask your background? You came from Guizhou, one of the poorest places in China and

you grew up in a poor town. How did someone from your background, a poor kid from Guizhou, become one of the most successful business people in China?

Ren: I personally don't know how I managed to get to where I am today. I once said, even if I had not gone to university and instead worked on raising pigs, I could have become a leading expert in pig farming. I focus relentlessly on whatever I choose to do, so I believe I could be good at anything.

Recently, I traveled to a place called Beidahuang in Northeast China. During that trip, I said if I had worked there when I was young, I would have transformed an entire village in Beidahuang into a noodle processing factory. This plant would have been able to process all the wheat in Beidahuang into various types of noodles and other wheat products. All the farmers would have become members of the business and shared in our success. That is not a hi-tech industry, and we just would have been turning wheat into noodles, so I don't think that business would have easily failed.

There is a village like this called Nanjie in Henan Province that focuses on making noodles. That village continues to adopt a model of collective dedication, and is very successful. There's yet another village in China called Huaxi that focuses on steel. That's a faster-paced tech industry, so it has been impossible for simple

farmers to keep pace with the times. That's why Huaxi village has declined slowly over time.

Even if I had not gone to university and instead raised pigs or worked on noodle processing or something else, I believe I would have still become the best in whichever area I chose, because I have this relentless focus. I established Huawei by accident.

When I was young, I did not have very big dreams. I always just wanted to have some fresh steamed buns because that was something that I was rarely able to have. The second dream I had when I was young was to go to university, so I could get some distance from my parents. I had never left the province where I grew up, so I really wanted to go to another province to broaden my horizons.

I didn't have big dreams when I was young. I just had this relentless focus on whatever I chose to do. With this kind of almost obsessive focus, the likelihood of success becomes much higher. I don't see any connection between my poor background and the success I have today.

Ken Moritsugu: Can I ask about the relentless focus that started when you were very young, when you were still a child? What gave you this relentless focus on whatever you are doing?

Ren: The place where I grew up was very poor. There was pretty much nothing that we could do to entertain ourselves. I played with mud and stones, and shot things at birds. These were the simple things that I could do. Maybe this was how my personality started to take shape. I don't have a background in psychology, so I'm not sure how my personality was formed. I think it may be attributable to my curiosity.

Joe McDonald: We met your author Tian Tao the other day, who wrote a book about Huawei. He said that he asked 50 people what the most important factor in your development was and he said that all 50 people said it was your mother. Is that true? Do you think that your mother influenced your life? And if so, can you tell us how? In what ways?

Ren: Back then, my behavior towards my parents was similar to the way today's young people act towards their parents. The youth of today tend to be cold towards their parents. For example, when they return home from abroad, they may not even bother to call their dad or mom. Instead of talking to their own parents, they will talk with others here and there. This was also true to me. I only came to understand the greatness of my parents' personality and integrity after they passed away. When they were alive, I couldn't understand them, and I often became fed up with what they said to me. So it's

hard to say what kind of influence my parents had on my personality.

My father was the principal of a middle school. My mother was responsible for a class of third-year high school students and also taught mathematics. At the same time, she had to take care of seven kids. We had no housekeeper, so my mother had to cook for all of us on her own. She generally spent the 10 minutes between her classes rushing back home to cook rice. Then after a class, she would rush back again to cook, possibly, two simple dishes. Actually, the dishes could hardly be called dishes. That was the life she had.

My father was denounced as a "capitalist roader". He was detained in a so-called cow shed, which was used to hold intellectuals at that time. Because of that, his salary was slashed. My mother was not a college graduate. Therefore, despite her hard work, she only earned 40 yuan per month, around 7 to 8 US dollars, to feed the entire family. We had grown up then, but we boys still had to wear patched and rugged clothes. It was too embarrassing for my sisters, especially those at college, though. So my mother gave the unpatched old clothes to my sisters, and she herself wore the clothes that had been patched up again and again. I was told by my younger brother that her colleagues didn't want to sit close to her during a meeting, because of what

she was wearing and the fact that she was the wife of a "capitalist roader". So it's hard to say what influence she had on our personalities. What I do remember was the pitiful experience she went through. By the time I came to understand my parents and I wanted to take good care of them, they had passed away. That was the biggest regret in my life: I missed the opportunity to take good care of my parents.

As I mentioned, my mother only graduated from a junior high school. But she continued studying on her own to better teach her students. Out of her students, more than 90% went to college. So you can imagine the great efforts she had to make. When she was 15 or 16, she joined a choir that sang songs opposing the Japanese invasion during the Second Sino-Japanese War. Because of the absence of the Communist Party there, the choir was probably organized by unofficial teams from the Nationalist Party. After the Chinese Civil War, this experience caused political pressure for her, and she mentally suffered severely for decades afterwards. On top of this, she had to feed and take care of seven kids. Although my father was a principal, the school was far away from where we lived. So he had no time for us, and it was my mother alone who took care of us. In such a difficult situation, how could my mother have time to talk with us? As far as I can recall, she only talked with us once or twice after cooking in the kitchen.

After my parents passed away, I came to reflect and regret how little I understood them. That's why I don't criticize my own kids for not being close to us. After all, I was just like that when I was a kid. So again, it's really hard to say what kind of influence my parents had on me. I believe that what society has taught us and what we learn by ourselves have a greater influence on us. We cannot attribute our personality entirely to our parents. Otherwise, we would be misled to the theory that your parents' genes define everything about you.

14

Joe McDonald: We were wondering whether there's an example of a problem you encountered and you solved in a way that you think illustrates the Huawei strategy. Someone suggested to us the story of Xiaolingtong and Huawei's decision on whether to develop Xiaolingtong or not. That's one possibility of the Huawei strategy, and how you think about the business.

Ren: I would say Xiaolingtong or the Personal Handy-phone System (PHS) in China was a strange occurrence. It was not born out of market demand; instead, it was a byproduct from the systems at the time. Back then, 55 MHz spectrum was still available at the 1,800 MHz frequency band in China, which could have been allocated to China Telecom to support GSM services. If

that had been the case, there would have been no reason for China Telecom to launch the PHS. However, that 55 MHz spectrum was not allocated to China Telecom and as a result, China Telecom had to find an alternative that could work on spectrums that were not strictly regulated. It happened that the PHS acted as cordless home telephones, and didn't require strong signals.

Therefore, China Telecom enhanced its mobility, and introduced it to the market. The PHS was just a temporary product. China Telecom did not have wireless products at the time, so they used the PHS in wireless scenarios.

I think our strategy is to take a long-term view and think about what the actual needs are. That's very important.

The PHS did not have a bright future, and consumed huge amounts of effort and energy. If we expanded into this market, how would we have focused our strategic forces on our promising core business?

Joe McDonald: We have read that that situation was very contentious within Huawei and that the company almost split apart because of it. Can you tell us about that?

Ren: We were not particularly concerned with the external pressure, and we insisted that we not go with

the PHS. But there was still pressure from within the company. What if Huawei had tumbled and even died because of my misjudgment?

At the time, Huawei was under great pressure to survive. We were focused on developing products that were in line with 3GPP standards. The whole process to achieve this lasted about eight years. During that period, there were many employees within Huawei who wrote reports asking the company to work on the PHS, because they wanted to make more money. They thought the PHS was very simple, and that Huawei was well positioned to work on it.

Every time I read a report, it was a struggle and an extremely painful experience for me. That's probably also when my depression got worse. Our concerns were not put to rest until China decided to issue 3G licenses eight years later.

15 Joe McDonald: You mentioned depression. We have heard that you have told employees that in about 2000 you felt great pressure and you would wake up in the night and worry about how you would pay employees, and that you even considered suicide. Is that true? And if it is true, can you tell us about that situation? What happened?

Ren: I don't want to talk about this painful experience any further. All I can tell you is that what they have said is true.

Ken Moritsugu: Can you talk about what you learned from that experience, maybe? And did it change you? And how did you overcome this kind of challenge?

Ren: I would say I learned nothing from it. It's like a journey that contains only pain, with no gain. All I can say is that if we spread things too thin and don't stay focused, we are doomed to fail. But if we choose the correct direction and stay the course, success is very likely. We have summarized this goal as the generally correct direction. It's impossible to choose a direction that is 100% correct. So all we need is a generally correct direction.

We also need to inspire passion across our organization, and ensure we all work towards the same goal. Looking back, I would say that's the bet we made on science and technology. It could have been wrong, but luckily, it turned out right. This relieved my pressure, and I never thought about suicide again.

Joe McDonald: How do you think of the situation now, the crisis facing Huawei with the United States, compared with the difficulties with Xiaolingtong in 2000 and so on? If you compare the two, what does this situation feel like?

Ren: The pressure we are facing now is probably only 1% or maybe 10% of what we faced back then, because now we are confident that we will weather this crisis. Back then, we knew nothing for sure and we feared the unknown. Now though, I don't have that fear. At that time, I was so tormented by my fear that I fell into depression. Now we are patching our holes step by step. The holes in our 5G and core networks have been fixed, and we only have a couple of holes remaining in our consumer business. We believe we can fix them over the next two to three years. Therefore, we have confidence that we didn't have back then. In addition, unlike those days, we now have more financial resources, and the company stands united as a whole.

Moreover, back then we had yet to define our own identity. We are a private company and in those days, private companies in China had very little social or political status. However, we were earning a profit, and people just couldn't understand why. The pain points that we feel today are the attacks from the US. They attack our business and our market, but this won't crush us. Only in China could my social standing be impacted; nothing the US does could hurt me because I wouldn't go there. I am more relaxed now.

I could have retired earlier, so why am I still working? Because I see I am still helpful in this current crisis. I will

continue working for a few more years, so it is likely we will meet again in the future. You can ask whatever questions you want; I will give you the honest answers.

The last 30 years has been a painful experience for me, with little joy. Every step of the way had its own difficulties and pains. You are the first journalist to ask me to compare the current crisis with the painful situation we experienced in 2000. This has given me an opportunity to refresh my memory. Thank you.

16 Joe McDonald: You're in your 70s now. Most Chinese business leaders at your age have already retired, and most people at your age would be enjoying being praised for having been very successful. Instead, you're now in the middle of this trade and technology war between Washington and Beijing. How does that feel? You had so much success and now you are in this conflict. How will you get through this?

Ren: Probably I'm too healthy to want to retire at this point in time. I would be bored if I retired, so I would rather do something for our PR department. This is also a way to entertain myself.

I'll share a few funny stories with you. AIG's former chairman, Allen Greenberg, once invited me to the US for a routine physical with his private doctor. Later on,

I did two other physicals at the 301 Hospital and the Peking Union Medical College Hospital back in China. The results of all of these showed that my heart and stomach are both very young and there are no areas of any concern regarding my heart or blood vessels.

I am still very healthy all around. It's probably because I don't have any really bad habits. I don't smoke or drink, and I eat healthy and follow my doctor's advice. What's more, I don't have any hobbies like singing or dancing, and I don't take care of children. If I retired, I would have nothing to do at all. I would rather stay at Huawei and do something helpful.

In the last couple of years, I followed my wife on trips to Bolivia. I did not feel uncomfortable at an altitude of more than 4,000 meters in Bolivia. One Huawei employee there told me that the oxygen level at that height was only 0.5 points lower than that in Shenzhen. I was unsure whether he was telling the truth. Recently I also went to Nepal for site visits. A helicopter took me to some level ground near our sites, and then I walked the rest of the way up to see our base stations at an altitude of 5,200 meters. I didn't feel that it was a burden for my heart. Of course, it was unlike walking fast at sea level, but I was able to handle it well. In these last two years, I have not been walking so much. During the years before that, I walked a lot, and young people walking with me

might have got blisters on their feet and been unable to carry on.

Why haven't I retired? The reason is that if I don't retire, I can often come to the company to have some coffee. It's inconvenient for me to drink coffee outside, because I am an Internet celebrity.

I told these funny stories to relax the atmosphere. Now let's return to our conversation.

17

Joe McDonald: One question from the news about current events. We saw a news report from the *Wall Street Journal* that said Huawei employees in two African countries had helped authorities there find or harass their political opponents. What is Huawei's position on this? What is your personal policy on helping other governments do political things? Do you agree to help governments do this sort of thing? Did Huawei agree to help these governments in Africa to do this?

Ren: No such thing happened at all. And this information was totally unsupported. We have issued a legal letter to the *Wall Street Journal*.

Joe McDonald: What sort of letter is that? A legal demand for retraction or something else?

Ren: It's about asking the media outlet to investigate

and clarify. They shouldn't circulate rumors. Instead, they must investigate thoroughly and correct their mistakes.

18 Ken Moritsugu: One more follow-up question. I want to ask about technology because technology is very powerful; it can be used for good or bad in many ways. And I believe Google and Facebook had some of these debates going on about whether they had responsibility for how their technology is used. Do you have any thoughts on technology? Or do you just provide it and people use it? Or do you feel you have a responsibility for how technology is used?

Ren: Huawei provides technology and ensures that our technology complies with cyber security and privacy protection laws, like GDPR. At the end of the day, networks are controlled and managed by sovereign states through carriers, so this is not something that Huawei can or cannot do. After our equipment is installed, carriers observe and track you at all times. Otherwise, how can you dial and make phone calls? The whole process must comply with international laws as well as laws of different countries. This is not something Huawei employees can control. Therefore, the international community has to come up with a unified set of rules on this.

Content in this publication is based on excerpts of Huawei founder and CEO Mr. Ren's interviews with the media.

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