

# ON THE RECORD

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HUAWEI EXECUTIVES  
SPEAK TO THE PUBLIC

VOLUME II

Mar. 2019 – Apr. 2019



## **Heroes are forged, not born.**

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

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# Huawei Sues the US Government

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March 7, 2019  
Shenzhen, China



## Glen D. Nager



Good Morning, everyone, I am Glen Nager, the Lead Counsel of this action, Partner at Jones Day.

The lawsuit that Huawei Technologies Co., Ltd., and its subsidiary, Huawei Technologies USA, Inc., have filed in the Eastern District of Texas challenges the constitutionality of aspects of Section 889 of the 2019 National Defense Authorization Act (NDAA). Specifically, the lawsuit is based on three distinct—but highly related—aspects of the US Constitution: the Bill of Attainder Clause, the Due Process Clause, and the separation of powers embodied in the Vesting Clauses.

The Bill of Attainder Clause prohibits legislation that is both selective and imposes punishment. The Complaint argues that Section 889 violates this constitutional proscription, because among other things it selectively bars only Huawei (and one other entity) from providing certain products to the Federal Government, its

contractors, and federal loan and grant recipients.

The Due Process Clause requires "due process of law" before anyone is deprived of life, liberty, or property. Under this Clause, a legislative deprivation of liberty is thus constitutional only if it is imposed in accordance with generally applicable rules. Our Complaint argues that Section 889 violates this generality requirement by singling out Huawei (and one other entity) and precluding it from selling covered equipment; indeed, it argues that Section 889 stigmatizes Huawei by selectively insinuating that Huawei is subject to Chinese government influence and is a security risk.

Finally, the Constitution's Vesting Clauses separate the legislative, executive, and judicial powers of the United States and repose them in distinct branches of government. Under the Vesting Clauses, Congress has only the power to make rules, not the power to apply those rules to individuals. Instead, the power to apply rules to specific individuals belongs to the executive and the judiciary. The Complaint argues that Section 889 violates the Vesting Clauses and the separation of powers embodied in them by effectively adjudicating Huawei's supposed connection to the Chinese government, instead of allowing the Executive and the courts to make that judgment—as the statute allows for

other Chinese companies.

In signing the 2019 NDAA, the President of the United States objected that provisions of the NDAA raise significant separation of powers concerns and reflect congressional overreach. The lawsuit that we have filed raises similar objections about Section 889 and asks the courts to declare Section 889 unconstitutional and enjoin it insofar as it applies to Huawei. We look forward to pursuing these claims in the courts.

Thank you!

## John Suffolk



Good Morning, everyone. I'm John Suffolk, the Global Cyber Security & Privacy Officer (GSPO) for Huawei.

We applaud any government or company that sets itself the objectives of having high levels of cyber security protection and at the same time high levels of personal data protection.

In the 170 countries in which we operate, we have an unblemished track record over 30 years in supporting our customers in achieving these objectives.

The name on the box does not detail who made the components in the box. Let me start by saying it is wrong to assume that the label on a vendor's box conveys that the contents are solely from that named vendor. The product may have Huawei's name on it but typically only around 30% of the components are from Huawei.

In March 2012, a report published by the US GAO

examined risks in the supply chain. The report identified that a simple laptop might contain components from 18 separate companies. Other reports on supply chain components have confirmed the global nature of the insides of technology products and services.

This is true for other companies such as European telecommunications vendors where some of its equipment is made in China, through joint ventures with Chinese government-owned entities, with components purchased from Chinese companies, and this so-called European technology is pervasive across the US.

Many of the world's well known social media companies use technology built in Asia and China.

Indeed in 2016, Apple had 766 global suppliers, among which 346 were on the Chinese mainland. In summary, around half of iPhones are manufactured in China.

The global supply chain generates thousands of security vulnerabilities every year.

- The number of vulnerabilities or faults published by some vendors totalled over 30,000 in 2017 & 2018. All but one of the top 10 vendors by volume publishing vulnerabilities were US technology companies. All of these products are potentially a national security risk.

- 2017 saw major issues being generated through malware such as Wannacry, Petya, Locky, and many more, as well as major hardware issues such as the Intel, AMD, and ARM design issues.

All of these issues impacted America, but none of them were to do with Huawei.

All governments and companies can do more to protect themselves by just adopting basic cyber hygiene.

We are not short of knowing what to do to protect ourselves from all but the most determined of attackers. There are many international standards such as the ISO range as well as cloud computing assessments.

What we need though, is a concerted, collaborative international effort to define globally accepted security standards, certifications, and best practice.

There is substantial evidence that shows the basics of cyber security hygiene are not executed – even within the US Federal Government and even in classified areas.

One report identified that a sample of 1,200 US Federal Government contractors fell well short of security expectations across US published standards including in aerospace and defense.

The results of poor cyber hygiene can be seen in

major data breaches such as Yahoo, Office for Personnel Management, Target Stores, eBay, Equifax, and many more.

None of these attacks, breaches or weaknesses are down to Huawei. Huawei's approach to security by design development and deployment sets a high standards bar that few can match.

At Huawei, we are proud that we are the most open, transparent, and scrutinized company in the world. We are proud that governments, customers, and their professional teams verify everything we do. And as one government put it, "we are probably the toughest regime that Huawei deals with."

We are proud that we provide access to our most coveted and precious intellectual property to enable them to fully satisfy themselves.

That is not to say that we are perfect, or that we produce perfect code all of the time or that we execute every process right first time – no company in the world can say that. We will continue to make multi-billion dollar investments in our R&D, and where we find issues we will fix them, where we find we can improve we will improve.

Our mission of providing the safest, most brilliant, environmentally friendly products and services for our customers will never cease. Our focus on securing our products for our customers will never cease. Our focus on protecting personal data will never cease. We do not sell data, we protect it.

The solution to cyber security will come from openness, agreed international standards and certification schemes, and transparency. It will not come through political posturing.

Thank you!



## Guo Ping



Good morning, ladies and gentlemen, thank you for being here.

Today Huawei announced it has filed a lawsuit against the US government, to challenge the constitutionality of Section 889 of the 2019 NDAA. Huawei seeks remedies including a declaratory judgment that the restrictions targeting Huawei are unconstitutional, and a permanent injunction against these restrictions.

The US Congress has repeatedly failed to produce any evidence to support its restrictions on Huawei products. After exhausting all other means to allay the doubts of some US lawmakers, we are left with no choice but to challenge the law in court. This ban not only is unlawful, but also harms both Huawei and US consumers.

Huawei operates in more than 170 countries and regions. As a leading global technology provider, Huawei

has always taken its responsibilities seriously, specifically, the responsibility to make secure equipment that meets industry standards. For three decades, we have maintained a solid track record in cyber security. Huawei has not and will never implant backdoors. We will never allow others to install any in our equipment.

The US government has long branded Huawei a threat. It has hacked our servers and stolen our emails and source code. Despite this, the US government has never provided any evidence supporting their accusations that Huawei poses a cyber security threat. Still, the US government is sparing no effort to smear the company and mislead the public about Huawei. Even worse, the US government is trying to block us from the 5G markets in other countries.

Huawei has invested significantly to become the global leader of 5G. Given that the United States has never presented any evidence to substantiate its security allegations, we question its intent of not wanting other countries to use Huawei: Is it afraid that other countries may catch up to and overtake it using our advanced 5G technologies?

Maybe the US government incorrectly believes it would benefit from the suppression of Huawei. But the

truth is, restricting Huawei's contributions to American and other nations' 5G networks will only harm their national interests. Faster 5G network deployment can benefit all countries.

Regrettably, the NDAA was enacted to restrict Huawei without giving us an opportunity to defend ourselves.

Section 889 of the 2019 NDAA prevents us from serving our US customers, damages our reputation, and deprives us of opportunities to serve customers outside the United States. It is an abuse of the US lawmaking process. This section strips Huawei of its due process, violates the separation-of-power principle, breaks US legal traditions, and goes against the very nature of the Constitution. Section 889 infringes upon our rights and harms US consumers. In enacting the NDAA, Congress acted unconstitutionally as judge, jury, and executioner.

Other countries are rightly resisting the US government's campaign against Huawei, and the US President himself has recently questioned using artificial security reasons to block Huawei. If this law is set aside, as it should be, Huawei can bring more advanced technologies to the United States and help it build the best 5G networks. Huawei is willing to address the US government's security concerns. Lifting the NDAA ban

will give the US government the flexibility it needs to work with Huawei and solve real security issues.

We are compelled to take this legal action as a proper and last resort. We look forward to the court's verdict, and trust that it will benefit both Huawei and the American people.

Thank you!

## Dr. Song Liuping



Good morning, ladies and gentlemen. I am Song Liuping, the Chief Legal Officer of Huawei.

This morning, Huawei Technologies Co., Ltd., and Huawei Technologies USA, Inc., filed a lawsuit in the US District Court for the Eastern District of Texas, located in Plano to defend ourselves and our customers from a US statute that improperly targets and punishes Huawei. That law, Section 889 of the 2019 NDAA, singles out Huawei by name and not only bars US government agencies from buying Huawei equipment and services, but also bars them from contracting with or awarding grants or loans to third parties who buy Huawei equipment or services—even if there is no impact or connection to the US government. Our suit tries to prevent the US Congress from unconstitutionally impeding Huawei from bringing our advanced technologies to America—technologies that it so

desperately needs for building world class 5G networks.

Section 889 is unconstitutional in its singling out of Huawei by name, blacklisting it, damaging its reputation, and denying it any way to clear its name and escape sanction. Its attack on Huawei is purposeful and punitive. When the law was being passed, Senator Tom Cotton said that Huawei deserved "the death penalty" and that it should be put "out of business in the United States". And Senator Marco Rubio smeared Huawei as a "Trojan horse" that "shouldn't be in business in the United States in any capacity".

Section 889 causes injury to Huawei but, even more importantly, to Huawei's customers. It prevents Huawei from providing its world-leading technologies to any company that does business with the US government—regardless whether Huawei's products are used in service of the government. In doing so, the statute is punitive pure and simple; and, in doing so, the statute denies American consumers access to the best technologies, particularly those in poor and rural communities, where Huawei's competitors choose not to do business.

Congress's targeting of Huawei is also overbroad as well as ineffective. It is overbroad because the statutory prohibitions apply to every single agency of the Federal

Government—even agencies that have no connection to foreign affairs, defense, or national security, like the Bureau of Indian Affairs or the US Fish and Wildlife Service. Even worse, the statute covers vast numbers of private companies that in turn contract with federal agencies—restricting Huawei's ability to work with such companies even on entirely private projects unrelated to their government contracts. Section 889 is also ineffective in addressing cyber security risks: The supply chain is global; numerous other companies manufacture products in or use components from China; and some major telecommunications companies operate joint ventures with the Chinese government. But the NDAA singles out a few like Huawei and ignores the bulk of the supply chain.

Sadly, Section 889 is based on numerous false, unproven, and untested propositions. Contrary to the statute's premise, Huawei is not owned, controlled, or influenced by the Chinese government. Moreover, Huawei has an excellent security record and program. No contrary evidence has been offered, and Huawei has never had a fair chance to confront or cross-examine its accusers. Nor has it been allowed an impartial adjudicator. The US Congress has simply acted as law-maker, prosecutor, and jury at the same time, contrary to

the American Constitution.

As a result, we have now sued the US government and several of the many agency secretaries who are bound by Section 889. These include the Secretary of Agriculture, the Acting Secretary of the Interior, and a few others. Section 889 applies to these agencies even though they have absolutely nothing to do with national security or related areas. Our suit asks the court to declare Section 889 unconstitutional as it is applied to Huawei. We hope that the court will remove this unconstitutional infringement on federal agencies and Huawei, so that we can work with the President and his Administration to find a solution where Huawei's products are available to the American people and the national security of the United States is fully protected.

Thank you!



## Yang Chaobin



Distinguished guests, good morning!

I am Yang Chaobin, President of Huawei's 5G Product Line. Thank you all for being here today.

Over three decades ago, President Ronald Reagan said that every new day begins with possibilities. 5G technology is great evidence of how true these words are today. Compared with 4G, 5G will deliver faster speeds, lower latency, and more secure connections. This will mean much better network experiences.

The Chief Architect of BT recently said: "Huawei is the only true 5G supplier right now." However, the 2019 NDAA still imposes undue restrictions on Huawei based solely on unfounded security concerns. We have an unblemished track record over 30 years in the 170 countries in which we operate.

Excluding Huawei and blocking fair competition will

lead to higher-than-necessary network construction costs for American carriers, lower the speed of 5G deployment, and hurt the economy, ultimately preventing US citizens from enjoying advanced 5G networks and forcing them to bear extra communications expenses.

According to the Chief Technical Officer of Telus, Huawei's presence in the market could "drop prices by 15% at least". The GSMA estimates carrier capital expenditures in North America for 2017 to 2020 to reach around \$136 billion. Even a 15% savings on that total from allowing Huawei to compete freely would amount to 20 billion US dollars.

In 2019, T-Mobile postponed the commercial use of its 5G network. AT&T announced that the speed of its so-called 5G network was less than 200Mbps, while South Korea's LG U+ can provide download speeds exceeding 1.3Gbps – facilitated by the deployment of Huawei 5G technology.

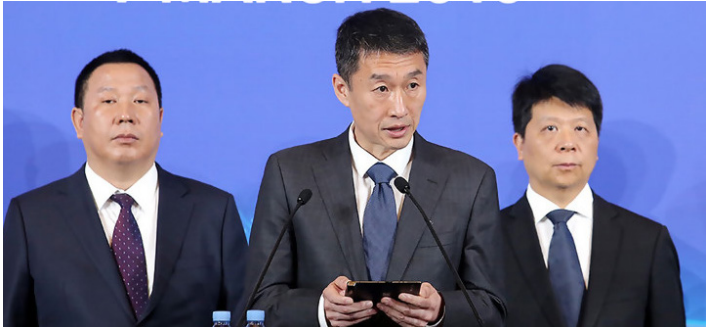
After researching in 5G for over a decade, we are at least 12 to 18 months ahead of our industry peers. We have more than 2,570 essential patents, signed over 30 commercial contracts for 5G, and deployed 40,000 5G base stations, making us the No. 1 5G vendor in the world.

Time and tide wait for no man. It took 10 years for 3G to reach 500 million users worldwide, 5 years for 4G, and we estimate it will be 3 years for 5G. Over 50 countries may allocate 5G spectrum resources this year. And Huawei has developed the most powerful, simple, and intelligent 5G networks.

I quoted President Reagan at the beginning but the full sentence is "Every new day begins with possibilities. It's up to us to fill it with the things that move us toward progress and peace." Technology for the benefit of humanity is one such thing. It should not have any boundaries. Now it is up to the American people to decide whether to move forward.

Thank you!

## Li Dafeng



Good morning, everyone, thank you for being here today.

I'm Li Dafeng, Executive Member of the Supervisory Board, and Director of the ICT Infrastructure Managing Board Office.

I'd worked in Africa for nearly 10 years. In 2011, mobile payment had not started in China, but when I travelled to Kenya, I was surprised to find that many Kenyan people made payments and transfer via Safaricom's M-PESA, a mobile banking service. A mobile phone is not only for communications, but a part of life. Now 90% of Kenyan adults use M-PESA, which reduces the use of cash. Crime also falls.

From then on, I have been a strong believer that everyone in the world should be connected, and entitled to enjoy the benefits of technology.

Today, as many countries are on the cusp of

implementing 5G, what we need is open and fair competition. Instead, the US government is using legislative overreach to interfere with the market. As it stands, it can't deploy the most advanced 5G technologies on behalf of market players. Politicizing 5G will only cause damage to industry and businesses. And it will inevitably inhibit US consumers from reaping the potential economic and social benefits of 5G.

Though we don't have many customers in the US, we have always striven to serve them with the best products and technologies. We believe even those living in rural, mountainous, and far-flung areas deserve a chance to be included in the digital world. Every satisfied customer means that 20,000 or 30,000 residents in Kentucky or Tennessee can also enjoy high-speed Internet as a result of our efforts.

Moreover, a market lacking in competition drives up the costs of network deployment. These costs are ultimately shouldered by consumers. As Mr. Yang Chaobin stated earlier, Huawei's participation could save the North American market capital expenditure a minimum of 20 billion US dollars in four years.

Currently, Huawei has over 1,000 employees working across seven offices in the US. We have also invested

substantially in the American telecommunications industry, including by establishing partnerships with hundreds of US companies. We purchase billions of dollars' worth of components, equipment, and software from these companies every year. The NDAA can only impair Huawei's long-term commitment to invest more and hire more here.

Though the world has made great progress in building an interconnected world, we should never forget that there are still more than 3.8 billion people who are offline—many of whom are Americans—and over one billion people without mobile broadband coverage. To be better connected is a relentless pursuit of humankind; no one should put more obstacles in the way.

Thank you!

# Ren Zhengfei's Interview with CNN

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March 13, 2019  
Shenzhen, China

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

**01**

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

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



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

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

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

and providing better products and services, so that customers will understand and accept us.

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

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

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

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

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

**04 Right. Do you feel like you have very little left to lose by filing this lawsuit now, given your standing**

**currently with the United States government?**

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

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

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

**Ren:** The timing of the lawsuit and the case in Canada

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

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

**Ren:** This may have been a coincidence. We didn't want to spark a huge reaction in China, so we didn't invite any Chinese media outlets to attend our press conference. We didn't want any media coverage in China. However, media coverage outside China ended up reaching China, and had some impact. We are aware that the Chinese government has been making some important decisions during a recent session of the National People's Congress.

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

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

This is also the message implied by the Chinese government to us that we can sign a no-backdoor and no-spy agreement if a country requires us to do so. If a country wants to sign such an agreement with the Chinese government to ensure that Chinese companies never install backdoors or collect intelligence, we would like to push for the signing of such agreements. As a company, we already made it clear to the world that we can sign no-spy agreements, and that we have not and will never implant backdoors.

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

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

The public announcement made by one of China's senior officials at the Munich Security Conference I mentioned just now is a clear indication of the Chinese government's stance. We already told foreign governments and companies that Huawei would never do things like that. But the backdoor issue has become pretty serious now. Foreign companies will not believe us if we just tell them our stance and the Chinese government does not clarify its stance. Since the Chinese government made its stance very clear at the Munich Security Conference, it is very important for us to clarify that Huawei is a secure company.

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

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

China's Internet is chaotic, and there are no clear boundaries regarding what we can and cannot talk about on the Internet. However, that is not the case in other countries, where there are effective mechanisms in place to manage the Internet. If such companies and China can reach an agreement on the legal front, I firmly support their entry into the Chinese market.

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



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

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

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

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

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

**Ren:** I have never thought of going to the US, so there

is nothing to be nervous about.

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

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

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

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

environmental barriers.

11

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

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

President Trump set a good example for the Chinese government, and the Chinese government has now cut taxes by three percent. I think with his tax cuts, President Trump is pushing all governments to cut taxes. When taxes are cut, governments will need to downsize their scale. This will ease the burden on public finance, and drive economic development.

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

But, I think the US might have taken the wrong approach. If they continue intimidating other countries and companies, and randomly detaining people, it's

going to scare off investors. And then how are they going to make up for lost tax revenue?

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

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

From the very outset, foreign-funded enterprises didn't believe the Chinese government would implement this policy. When they did, foreign investments flooded into China. This contributed to China's current prosperity.

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

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

a trustworthy country, and they will invest in the US. This will bring prosperity to the US.

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

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

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

It's unclear what issues we may face because of what

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

**13**

**Yeah. And I understand your argument there. And I understand that you consistently deny the US claims that you allow the Chinese government to have access to your products. But clearly, that's not convincing the United States. You're in a climate right now where you've got the Vice President and the US Secretary of State all going around the world basically saying to these countries, "If you work with Huawei, your relationship with the United States will get worse." If they continue that, does that not threaten the existence of your company?**

**Ren:** Again putting aside my personal interests, family crisis, and company interests, I have always believed that the US is a great nation. Its advanced institutions, innovation mechanisms, and innovation powerhouses

will lead to its long-term prosperity as a nation. The US has remained the absolute leader in technology over the past several decades, and will remain so in the coming decades. Our commitment to learning from the US will not change. It will not change just because of the hardships I am personally facing.

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

I don't think my personal interests are that important. When I consider the relationship between China and the US, and between Huawei and the US, I'm actually thinking about my aspiration, rather than about sales. If money were important to me, then why would I have such a low portion of company shares in Huawei? Money isn't important to me. I am more focused on my aspiration, which is to contribute to humanity. How? Imagine if Huawei were a public company, we would not go to do business in underdeveloped and war-torn countries, in malaria-infected regions, or in the Himalayas. Doing business in these places isn't profitable

at all. But we are still doing it, because this is how we can serve humanity. This is our aspiration. We are not going to harbor anti-American sentiments just because the US government has conflicts of interest with us.

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

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

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

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



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

Huawei is actually the poorest tech company in the world. However, we reinvest more than any other company in order to realize our ideals and create a better future. Huawei ranks among the top five companies worldwide in terms of R&D investment. In the past, our investment in R&D focused more on innovations in engineering technology, and we are now a leader in engineering technology. Now we place more emphasis on theoretical innovation, making large-scale strategic investments for a better future 10 or even 20 years from now. We are investing in many domains including mathematics, physics, chemistry, cranial nerves, and brain science. We will become even more competitive over the next 10 to 20 years.

We want to enhance collaboration with the US and achieve shared success in the world. We aren't trying to edge out US companies. For example, our ARM-based

CPUs are more advanced than Intel's x86 CPU, but we have decided not to sell our CPUs on the open market to ensure x86's market share. We don't want to cause US companies to collapse. We mainly use our ARM-based CPUs on our own equipment.

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

Disrupting the natural flow of technology from the US to China will only cause losses to US companies. It will be a huge loss for US companies if they miss out on the Chinese market, which serves 1.3 billion people. This would very quickly be reflected in their financial statements. Huawei does not care too much about our financial statements, because we are not a public company, and we don't have to worry about what the outside world says about us. If there is a time when our financial statements don't look good, our employees will know that's because we have invested a lot into our "soil", which will help us grow a larger harvest in a few years. So they are not worried about our financial statements.

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

**Ren:** A top government official has already stated, at the Munich Security Conference, that the Chinese government does not require companies to install backdoors. I have also just mentioned that our company can sign no-backdoor and no-spy agreements. We can also invite the Chinese government to express their stance during the signing of these agreements. If we still receive such requests after all of this, I would rather shut the company down and I, personally, would no longer want this company. I don't want to make gains from doing such things. The most important thing is to maintain peace and stability in the world, not create trouble. I would never accept any requests to install backdoors.

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

16

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

**Ren:** Our global sales are worth hundreds of billions of US dollars, so we would never do anything, for example, installing backdoors, to jeopardize this in the first place, as this would cause more than 170 countries and regions to lose trust in us. If we took such orders, we would lose our business and our 180,000 employees would lose their livelihoods. So whether you believe it or not, we promise that we will never do such things as this would prove that we couldn't be trusted. Our customers would then stop buying our products and our company and our 180,000 employees would be unable to survive. Our employees can only survive if we don't do these things.

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

17

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

**Ren:** Yes, we can assure you that. Huawei has immense respect for intellectual property, and isn't out to steal it from others. Regarding the pending lawsuit, we need to have faith in the court, which I believe will come to a just conclusion. I'm not the person who can give you any more insight on this.

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

**18** If the United States government was open to the possibility, would you negotiate for greater access to the United States? And if you would be willing to negotiate with the US government, what would you be willing to put on the table and offer from your side?

**Ren:** If the US government is willing to talk, it's already a positive sign of progress. For years, we have been struggling to find an opening to communicate with the US government. Unlike some companies that have tons of people lobbying the US congress or government in their favor, we can only rely on our own actions to prove ourselves. If the US is open to talking, we would be very happy to accept the offer. However, we won't consider entering the US market in the near future.

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

**Ren:** No, it doesn't make me angry. The US government has to think it over. We have tens of thousands of patents, which have contributed significantly to the information society. These patents also have tremendous value for US companies. US industries have been using

our patents without even knowing it. If the law grants us more rights, we'll be in a stronger position in the US. We have only established patent cross-licensing agreements with Apple, Qualcomm, Ericsson, Nokia, and Samsung within a certain scope. Other large companies have not obtained a license to use our intellectual property.

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

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

21

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

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

22

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



**Ren:** Parents definitely have an impact on their children. Our situation growing up wasn't great, so as much as we could, we tried to do more and talk less. After my wife and I had been married for a long time, someone asked her who was the more talkative one, me or her? She said that she's the one that talks more. She doesn't think I'm talkative. Why do I keep to myself so much? That's because when I was a kid I witnessed all the hardships my parents went through. So in school I buried myself in my books, doing math and physics problems. When I entered the workforce, I devoted myself to learning different systems and management models. I paid little attention to social and political issues. This has shaped my character, and also because of my character, I wasn't the type to play around with my children, play hide-and-seek and things like that. My wife scolded me just the other day. She said my daughter wanted a top when she was a kid. Just a two-euro thing. But I didn't get her one. Now that I'm able to buy one, she doesn't want it anymore.

**23**

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

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

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

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

**Ren:** Today what makes me the most excited is the pressure we're getting from the US. After 30 years of development, we see laziness among the team, a

tendency to decline. Many middle and senior managers have made enough money and aren't willing to work hard anymore.

A famous person once said that the easiest way to bring down a fortress is from within and the easiest way to reinforce it is from outside. Our fortress has let its guard down, and complacency has kicked in. But pressure from the US has forced us to be united and stick together. We're united as one now, and we're determined to make better products. This has eased the burden on me personally, because our people are working harder than ever before. They're out there clamoring louder than I am, so I can relax a bit and have more time to speak highly of the US.

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

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

**Ren:** Yes.

# Ren Zhengfei's Interview with CTV National News

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March 13, 2019,  
Shenzhen, China

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

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

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

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

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

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

### **03 So you look to the future of 5G, but through the buildings of the past.**

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

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

**Ren:** I tend to forget things. Once I have passed a road,

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

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

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

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

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

**06** That's a good thing. Did you parent your children that way?

**Ren:** Their mothers get all the credit for raising them,



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

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

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

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

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

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

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

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

## **08 So you didn't see this as a personal attack when your own daughter was arrested?**

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

and the truth will eventually come out at court.

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

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

**10 How often do you have a chance to speak to your daughter?**

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

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

**Ren:** Yes. She had actually planned to resign from Huawei

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

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

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

**13** **What about Prime Minister Trudeau? Prime Minister Trudeau has said he has no role in this process. Do**

**you accept that? Do you accept the Prime Minister's reaction to the arrest of your daughter in Canada on a US extradition treaty?**

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

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

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

**15** **So the Chinese government seems to have a different reaction; they said that there will be retaliation as a**

**result of the arrest of Meng Wanzhou. In fact, we've seen Canadians detained, and I would like to get your thoughts on the fact that the Chinese government, on some level, is taking this further than you are as a reaction, retaliation to the arrest of your daughter. Is that undermining your own argument?**

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

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

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

**17 What do you think of how Prime Minister Justin Trudeau has reacted to this? I'm sure you've been**

**following it just as closely.**

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

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

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

**19** **A lot of people in Canada are questioning the fact that your daughter is suing Canada as a result of her detention. And she has the right to sue. And you know there are Canadians in detention here in China. And I wonder if you think that they would be given the same right, those Canadians who have been detained after your daughter's arrest. Could they sue**



**their Chinese captors over the allegations, or is there a double standard?**

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

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

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

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

**21 It must be disturbing to know that there is a 30-year prison sentence, if found guilty. If the extradition**

**takes place, and she does go to the United States. However, Donald Trump has said he may intervene in your daughter's behalf. He said this twice now. Do you trust him?**

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

**22**

**So do you trust Donald Trump?**

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

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

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

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

**24** But there are countries including Canada right now who are debating this issue in parliament and in private back offices, whether or not they should follow the American advice and example and ban Huawei.

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

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

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

dedicated himself to politics. He is a great politician, and has dedicated himself to serving US politics.

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

**25**

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

**Ren:** Canada is a country with abundant natural resources and terrific geographic conditions. It's also in

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

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

**26**

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

**Ren:** No. I'm not particularly concerned about this. I believe we will only grow better, not worse. In fact, what has happened lately has helped get our name out there. Huawei was just a company that was unknown to many

people until we faced off with this powerful rival. This has made our company look powerful. People are more willing to buy our products now.

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

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

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

**Ren:** It's an interesting question. I also wonder why a country as powerful as the US is really afraid of a small company like us. The US is the global leader in terms of technological innovation. They draw from technologies and talent from all over the world. How could it possibly be afraid of Huawei? Maybe they are severely overestimating us. We are not as strong as they think we are.

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

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

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

The top Chinese government official also said at the Munich Security Conference that if foreign governments want to sign no-backdoor agreements with the Chinese



government, they might be willing to do so. All these concerns really are for nothing. The Chinese government does not need to infringe upon the interests of other nations. So today I can assure you that this will never be a problem. And I understand the Chinese government's approach to this kind of issue and I believe that they will never require companies to do such things.

**30**

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

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

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

31

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

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

32

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

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

33

**But they both converge in the United States. The United States wants your daughter. You are now**

**suing the United States government. And I just wonder if you are concerned that there could be retaliation as a result of this.**

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

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

**Ren:** No, I don't.

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

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

Huawei is now the third largest buyer of US chips. If the US doesn't sell us chips, many US companies would see a decline in their business. This would influence their

stock value, but wouldn't really impact our production. The US does have more advanced chips than we do, but without US chips, we can still develop world-leading products.

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

**36**

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

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

But this has had a positive impact on our company. This is really a good thing for us. Why? Because after 30 years of development, we have started seeing our teams become slack and complacent. Many employees have made enough money, and don't want to work hard anymore. They are reluctant to work in hardship positions. If this trend continues, we will fall like some Western companies.

But pressure from the US has forced us to be stronger, to stand united, and to stick together. Under this pressure, those who have already fallen behind are

forced to work hard to improve; otherwise they will be edged out of the company.

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

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

**37**

**And you said earlier that you thought this would actually strengthen her. And I've read in the past that when you were asked if she would be one of your successors or if you were grooming her to be your successor, you didn't think she had the maturity. Do you think this experience changes that and that she may now be someone you would consider as a possible successor?**

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

She has a strong background in management, and

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

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

**38**

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

**Ren:** No, she's not.

**39**

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

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

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

I don't know whether you have visited our production lines. We can assemble a premium phone in about 20 seconds, and very few staff works on our production lines. Maybe we will only need five or six people for a

line in the future. This means AI will play an increasingly important role in improving production efficiency.

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

Some people asked me what Huawei would look like in three years. My answer was: "It may go bankrupt." To prevent this, we must race against time and keep pace with the rapid changes that are taking place around the world. We are not scared of the US's campaign against Huawei, but we are scared that we might be unable to keep up with the developments in the world and be unable to meet people's needs.

We are now slightly ahead of others, and it might be an issue for us, because our employees may become complacent and stop working hard. As a result, we may be cast away from the world. About 140 years ago, the



center of the world was Pittsburgh, as it was the heart of the iron and steel industry. About 70 years ago, the center of the world was Detroit, as it was the heart of the auto industry. Where is the center of the world today? I don't know. I think it is constantly shifting. Countries with better systems and more open policies will stand out regardless of their populations, because our future production models will need very few people or no people at all. We have started incorporating AI into our production.

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

Therefore, countries rich with highly-educated talent resources will enjoy an increasing edge in the future, and a large population will no longer be an advantage. Issues that cannot currently be resolved in Western countries, including social welfare, unions, and strikes, will no longer be issues. As AI technology becomes more advanced, robots will be widely adopted. They will only need electricity, and will never go on strike. By then,

the serious issues Western countries face today will be resolved. After real AI becomes a reality, large-scale industrial production will shift to the West. Production activities for which AI cannot be adopted may move to countries in Southeast Asia, where labor costs are low.

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

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

**Ren:** This is an inevitable trend, and I can give you one example. Microsoft has AI software for phones. While two people talk, this software could have real-time translation in 50 languages, and also transcribe the audio into text. In the past, this work would have required many people.

AI will gradually be adopted in many production activities. Another example is smartphones. They are becoming more advanced than ever, and the level of precision required for manufacturing is 10 micrometers.

People simply cannot do this. We must rely on machines, and it's not just about ordinary digital processing; we must rely on image recognition.

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

**41**

**So we hope we survive, yes. Does it worry you? There's a lot of trust that goes into the fact that technology can go in any direction, we trust the people that are creating the software for that. Do you trust that this is taking society in the right direction?**

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

against each other. Where will this take humanity?

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

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

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

**42**

**It is a fascination to me that, as the founder of the world's largest networking technology, you come from a country that actually restricts information, no**

**Twitter, no Facebook, no Google; and we talk about the future. And I wonder if you ever lobby your own government to open the doors more on the flow of information.**

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

43

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

**Ren:** Everyone in my family is a big fan of Steve Jobs. And aside from me, all of them use Jobs's products. When he died, my youngest daughter even organized

a memorial and held a moment of silence for him. So my family really admires him. He improved mobile Internet for mankind, helped the Internet become more developed, and changed society. He was a great man.

Why did I come forward? Talk to our public relations team. They're totally using me. They realized they might not be able to win over the media, so they're taking advantage of me. I never really showed my face in the past. They said if I come forward now, people will pay more attention. So they tricked me to come out and speak. First, they tricked me to Davos, saying it was a small closed-door meeting. When I got there, the closed-door meeting turned out to be a global live stream. All of a sudden, I was out in the spotlight. I know today's communication will also be broadcast worldwide, but I feel free to talk frankly. Both of us, and the whole world, all we want is to create a happy and prosperous future for everybody. We all should work together for shared success. No company can prop up the information society alone. So we fully support our competitors. I have never attacked any one of them.

**44****And so do you like the attention?**

**Ren:** Of course not. It makes me lose all my freedom. Once I had 200 yuan in my pocket. And it just sat there

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

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

**You are an Internet celebrity, it's true. And now they're going to see this palace and they're all going to want to come here to Shenzhen, you threw the doors open to the public.**

**45**

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

**Ren:** These black swans have nothing to do with me. I don't like black swans. I'd rather give them away. They

always eat up the flowers and grass, and mess up the environment.

46

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

**Ren:** People make up so many stories. There are all these online stories about me. I'd say 98% is fake or exaggerated. So if you want to really understand us, go meet our PR people. They can explain things, and it's probably going to be a lot more accurate. Our company is not all good. If you visit our online forum *Xinsheng Community*, you'll find a lot of criticism about Huawei. Many of the critics are some of our best employees. When they complain about Huawei's management, we usually try to reflect on ourselves and make improvements. That's how we've survived till now. If we stopped improving and closed ourselves up, we would die off in no time. We are not a listed company, so we don't need to go out and sing our own praises all the time to boost our stock price. Or shoulder any losses if we say anything wrong. We aren't a public company, so can say all the bad stuff we want about ourselves. Now that we're used to it, it's a daily opportunity for us to fill



gaps and put things straight.

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

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

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

**Ren:** I know black swans and grey rhinos. But the black swans in our company have nothing to do with me.

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

**Ren:** When we just started the company, we didn't have a single penny left by the day we got our business license. At the time we thought the name Huawei wasn't

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

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

From that time on, we started investing more and more of the money we earned in R&D. I didn't buy my

own house until 2000. I lived in a rented flat that was only about 30 square meters large. The flat faced the west, right into the sun. At that time I was investing all I earned back into R&D, so I didn't buy a house until 2000.

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

**50**

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

**Ren:** Actually my daily life is quite relaxing. I usually get up early – I'm at my best from about eight to nine in the morning. So I come to my office to revise documents. Then I attend meetings because I'm more energetic in the morning. I get a bit tired in the afternoon, so I

have some casual talks with different people and listen to their thoughts. After I finish my supper, I go for a walk, and then have a bath. Then I check emails and write replies. Then I surf the Internet and read news. Sometimes, I play Douyin, like TikTok in the West. At around one o'clock in the morning, I go to bed. That's a normal day for me. Sometimes I have trouble sleeping. And when that happens, I just surf the Internet again.

**51 And you also now, phone your daughter in Vancouver more often?**

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

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

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

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

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

**54 Have you been to Vancouver? Have you been to Canada?**

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

**55 Very beautiful. Would you be concerned if you arrived in Canada, you also would end up being arrested?**

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

**56 Do you have a message for your daughter? She'll be able to watch this interview.**

**Ren:** She's studying right now. She takes several online courses every day. She doesn't want to waste her time

there. It's good for her to put her mind at rest, and take some courses while waiting for the court's proceedings. I'd say take it easy. Take things as they come.

**57 If you could predict the future, when do you believe Meng Wanzhou will be back here in Shenzhen?**

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

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

# Ren Zhengfei's Interview with LA Times

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March 14, 2019  
Shenzhen, China

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

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

**Well, that is very generous of you and we will try not to abuse your hospitality and your generous offer.**

**Ren:** Feel free to ask whatever question you might have, no matter how hard they are. I'll be honest. More often



than not, the trickiest questions are the ones that help create understanding.

**01**

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

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

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

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

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

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

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

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

**02**

**If you had to predict, one year from now, five years from now, will Huawei have a business presence in the**

**United States and is it important to have a business presence in the United States? I was looking at your financial performance for the first two months of this year compared to a year ago and it seems that you are doing very well without being in the United States. I recognize, of course, that being blacklisted could have implications outside of the United States as well as in it.**

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

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

**Ren:** For Huawei as a company, we tend to remain silent. Show patience. It's not easy to show who we truly are, not just in the United States but here in China as well. China for the most part is a socialist country, but the way we organize ourselves within Huawei is capitalist in nature, with our employees investing in the company. The majority of our employees earn more than average

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

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

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

**04**

**We have a saying in the United States that people sometimes mistake kindness for softness. So if I**

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

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

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

In light of the overwhelming campaign of the United States, it's necessary for the Chinese government to make its voice heard. I can see how this may have negative consequences regarding our global reputation. But whether it's in the United States or

Canada, we choose to take legal actions. We believe both the American and Canadian courts are open and transparent. Once all evidence is presented to the courts and to the media, the facts will be clear.

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

**05 So I don't know about these other cases that you mentioned. But it does seem to me, I cannot recall any case in recent decades where the United States government has been so persistent in its efforts to attack a foreign corporation. I know that especially in the world of telecommunications, the national interest maybe, and business interest can collide, but do you think that the United States is really**

## **trying to damage Huawei or is the United States trying to damage China?**

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

## **So all publicity is good publicity?**

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

## **It's surprising because if it is so positive, why bring the lawsuit?**

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

After 30 years of dedication, a large number of people within Huawei are pretty rich. But their spirit of hard work and dedication is dying out. Even the people



you see sitting here with us are very rich. They may not be willing to go on assignment in Africa or go install base stations on Mount Everest. They don't want to go to the places that are stricken by AIDS or Ebola. I think our organization is slacking off.

### **Is it because it has got so big?**

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

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

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

This pressure has pushed Huawei to be more united. It has nurtured a new spirit of hard work and dedication in our employees. That has provided us with an opportunity to remove surplus managers. Some of our "generals"

might be sent back to the front lines to act as "soldiers" again; we won't keep them as "company commanders". Our current front line "commanders" have worked extremely hard for many years to earn their positions. How could we send someone from headquarters to take their positions?

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

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

Of course, this kind of change can't happen overnight. We think it's going to take three to five years for us to finish this transformation. If that can be done successfully, we can reduce management costs at headquarters by several billion dollars. Our expected sales revenue five

years down the road will be between 260 billion and 300 billion US dollars. The US government has provided us with the catalyst for this change. If you had the opportunity to meet with Mike Pompeo or Mike Pence, do bring my thanks to them. I'm serious.

**I promise to do that.**

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

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

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

06

**Many thoughts as I was listening to you. We have a saying in adversity, "that which does not kill**

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

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

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

even considered raising their salaries.

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

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

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

07

Listening to you talk, I wish, I wonder if you could spend a few minutes just comparing Huawei today and you personally today, from when you started in 1987 in a small apartment with so few employees. We have taken a tour of Huawei these last couple of days and seen spectacular architecture. We have seen so many employees doing such cutting-edge technology work involving the latest technology. As you reflect upon your own history and career, how did you go from being an unemployed soldier, reliant on Hong Kong PBX with no real technical experience? If I understand, you were an architect in terms of your education. How did you make that switch? Especially you started this company in your mid-forties. In America I can only think of one executive who started a new company at that age, Mr. Ralph Roberts from the Comcast company. He used to make belts for pets and then he built a big technology company. But I would love to know what it was that pushed you forward and made you successful.

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

It has been extremely difficult to get where we are

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

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

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

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

**08**

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



**to them. Is that a true story?**

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

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

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

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

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

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

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

### **Is this the most recent one?**

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

**10 We talked a lot about the US. We talked a little bit about Canada. My wife is Canadian and we bought an apartment in Vancouver a couple of years ago**

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

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

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

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

**Ren:** It should be fine for you to meet with our lawyers in Canada.

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

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

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

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

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

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

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

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

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

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

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

**Ren:** First, we have already made our position clear to

the European Union that we are willing to sign a no-spy agreement.

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

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

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

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

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

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

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

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

Maybe it would be worth US companies trying to apply to establish wholly-owned entities. They can make their cases to the Chinese government, and explain that



they only want to establish wholly-owned companies, rather than joint ventures. This would eliminate issues such as those surrounding technology transfers.

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

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

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

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

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

16

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

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

17

**I was just saying that this is not for transcript.**

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

**But I was very interested about what you were saying that we need go back to, go back to home and starting over when you get too much into being in the corporate position, and which is why once a year, I try to do a recording trip like this, to remind myself how hard it is to be a young journalist.**

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

**We can do that. Yes, I look forward to that.**

**18** **Personally, I hope that you and your daughter are able to talk to each other and give each other support.**

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

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

**Ren:** It was the outcome of our tender process. The Songshan Lake Campus was designed by a Japanese architect named Okamoto from Nikken Sekkei Ltd. We had an expert panel review different design options for this campus. The panel liked his design very much and chose it.

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

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

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

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

**Ren:** Yes.

# Catherine Chen's Interview with the CBC

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March 5, 2019  
Shenzhen, China

01

**I want to ask you about something that is on the minds of a lot of Canadians, the situation with Meng Wanzhou. When she was arrested, were you surprised?**

**Catherine Chen:** Yes, I was shocked. I could not believe it. I have been working with Meng Wanzhou at Huawei for around 25 years. We are friends, not just co-workers. I know her very well.

When we first joined the company, we were still young women in our 20s. She is extremely hard working and reads a lot. When we attend meetings together, I often see her taking advantage of any available time or short breaks to draft documents or even memorize some English vocabulary.

After the arrest, my son told me about something – last year, he was applying to a university and had a question about finance, so he texted Ms. Meng. Much to his surprise, she replied right away. Wanzhou is a very kind and warm-hearted woman. She is always willing to help, even if it is just something minor.

I also respect her professionalism. She has led Huawei's financial management transformation. Through that program, she helped to improve resource allocation efficiency, operational efficiency, and internal controls. She easily ranks as one of the best CFOs of any Fortune Global 100 company.

I was heartbroken when I heard about what she has been through and how her rights were so seriously infringed upon when she was detained in the Vancouver International Airport. Wanzhou is strong and optimistic, and that motivates me and others at Huawei not to be too consumed by emotion. We have to face the situation head-on. We are opposed to the actions taken by the US government. It is just so rare to see a company executive being arrested just based on charges against her company.

At the same time, we need to take an objective and rational approach, and we should count on the law to address this issue. We are against the actions taken by the US government. I see it as an abuse of the judicial process. We believe that the Canadian government is fair, competent, and independent. Huawei believes that the justice system in Canada can make a just, fair, and transparent decision.

**02 You seem to have more confidence in it than the Chinese government does. Why is that? In the Canadian justice system, you were talking about how fair it is. It sounds like you have more confidence in the Canadian justice system than the Chinese government has. Why is that?**

**Catherine Chen:** Sorry, I haven't made that comparison. Do you think I seem to be more confident?

**Yes, because the Chinese government has basically said that all of this is being politically influenced. They've said it in so many words that the justice system is not being allowed to operate independently in Canada. You seem to have faith in it. I'm just curious, why do you have so much more faith in it?**

**Catherine Chen:** Well, I agree with the point that this case is politically motivated. President Trump has commented on this issue. So have some Canadian diplomats. Their comments have proven that this case is politically motivated. What's more, in Canada, who can we count on except the justice system? We believe that the court will ultimately reach a fair and just conclusion.

**03 Maybe we can go back to Meng Wanzhou. You said you're trying to look at this and what will happen and how it needs to be done in a rational and objective manner. Can you do that? It's also obviously something that is very emotional for you.**

**Catherine Chen:** As a woman, of course I am very emotional about this sometimes, and sympathize deeply with what she has been through. As a professional woman, she has suddenly had to face this difficult situation, so it



must be very hard for her. She has four children – three sons and one daughter, the youngest. I can only imagine how much she is missing her family.

So yes, this topic touches me emotionally, but I can still think rationally.

**Have you had a chance to speak to her since she was arrested?**

**Catherine Chen:** We have talked, but not very frequently. When we spoke, I could feel her strength and optimism. I have never asked her just how she made it as far as she has, but I do admire her.

**And do you think she will pull through this? I mean, do you think she has the strength to pull through this, from what you know of her?**

**Catherine Chen:** We must have that confidence.

**04 Do you think she's being used as a scapegoat? Do you think that people are using her not because she did something wrong but because she's being used as a symbol of something?**

**Catherine Chen:** Well, I know what kind of person she is, and so I firmly believe that she didn't do anything wrong. I don't know whether she is being used as a scapegoat or

not. But President Trump had said something similar.

You must have seen the news on March 3 that Meng Wanzhou, through her lawyer, filed a civil suit against members of the Royal Canadian Mounted Police, the Canada Border Services Agency, and the Canadian government. I admire her courage and the legal action she is taking to defend her legitimate rights and interests.

**05 Okay. So, what would you say to the Canadian government about how she needs to be treated?**

**Catherine Chen:** I hope that the Canadian government will remain open and transparent during the process, and we are confident of this. As this case proceeds, we also hope the Canadian government will ensure its law enforcement process remains public and disclose more details related to the case as they become available.

**06 I wanted to ask about 5G. What is Huawei's special expertise in 5G? It has become not only because of what it has said but what others have said. It seems to have identified itself in some ways with 5G networks. Why is that? Why is 5G and Huawei so special together?**

**Catherine Chen:** Huawei began 5G research in 2009, and has since invested a total of two billion US dollars in this area. To date, Huawei holds more than 2,500 5G patents, has secured over 30 5G commercial contracts, and has shipped more than 40,000 5G base stations.

These numbers may sound a bit boring, but let me use one example to illustrate my point. Many carriers say they choose Huawei's 5G equipment because it is cost-effective. Why? Because we have better technology innovations. Huawei's 5G base stations are compact and light. It only takes one person to install a 5G base station, so you don't need cranes or extra human resources or to shut down a road to install a base station. According to our estimation, the installation of one Huawei 5G base station in Canada can save around 10,000 US dollars.

Why do we say 5G technology is more secure? Back with 3G and 4G, we identified many scenarios that carried potential risk. So when we began our 5G research, we put a lot of effort into developing standards and technologies that mitigate these risks. For example, we encrypt data during transmission, so that it can resist attacks even from quantum computers. We also encrypt personal identity information, which fends off rogue base stations and prevents user location data from being intercepted.

Some consumers might ask why they need these new technologies. The answer is because new technologies deliver better experiences. For example, they will be able to download higher-definition pictures faster and enjoy VR without feeling dizzy. Under extreme work conditions, they could use remote controlled devices instead of risking their lives.

Huawei's 5G has strong ties to Canada. Though our 5G R&D team is spread across many countries, including Germany, the UK, and Canada, our two team leaders are Canadians – one gentleman, and one lady, both holding PhDs. That's why our Canadian colleagues often say that Huawei's 5G is actually Canada's homegrown technology.

Our 5G R&D efforts started in Canada. In addition, we have developed customized solutions for Canada. For example, in northern Canada, if we use satellites to cover the region, network quality and signals can be very poor. If we use fiber, the cost would be very high, so we came up with the solution we call 5G Air Fiber. It can provide superior, high-quality home broadband service, known as WTTx, at one-third of the cost of other solutions. Of course, this solution is not only applicable to Canada; it can also be used in other remote areas, as well as developed regions that are vast and sparsely populated.

**07** Huawei has put a lot of effort into these technologies and has been working on things before some other people were even thinking about 5G. What happens? What is the risk if, as we have heard around the world, there is pressure on countries and networks not to adopt or not to use Huawei? What happens if that actually comes about? What happens if people, countries decide, other countries like some of the ones that have talked about it, that they don't want to use Huawei? What happens then to your business?

**Catherine Chen:** The US government has taken a series of actions that have interfered with Huawei's normal business operations. It is rare to see this kind of action anywhere around the world. But Huawei has the most 5G commercial contracts, the most 5G rollouts, and the highest level of technological maturity worldwide. I believe people are hoping to deploy and use the most advanced technology as soon as possible.

I'm not very concerned because I believe every country, government, company, and consumer will make the choices that are in their best interests.

**08** But some countries have made choices and they've decided to exclude Huawei. Australia and the US are examples of this. Perhaps there is a question mark in some other places. Surely that's a risk, no?

**Catherine Chen:** Actually, only two countries, the United States and Australia, have decided against using Huawei. However, things are different in Canada and many other countries. Our products and services serve three billion people around the world, and we have maintained a strong track record in security over the past 30 years.

The carriers who have been working with Huawei have decades of expertise, which allows them to select the equipment vendor that provides the most secure and advanced products, and suits them best. I believe they will continue to use Huawei. So I'm not too concerned about the issue you have mentioned.

**09 We know that this question is not entirely a technical one. It's not just a question of the engineers making these decisions. In many cases, it's the politicians making these decisions. Does that not make you afraid at all? The US is and has been putting a lot of pressure on its allies not to adopt Huawei technology. Canada, for instance, has not made a final decision about whether Huawei will have the contracts for 5G. Are you afraid at all that this becomes political and it doesn't matter what the engineers say?**

**Catherine Chen:** I'm not afraid about this, but it is very

rare to see such actions taken by the US government. My view is that the US may have underestimated the unity and strong will of Huawei. In addition, the US government may have underestimated the fact that governments, companies, and people worldwide would make their own judgments. The US has presented no facts. They only have speculations. They try to use them to influence public opinion, and I think they may have overestimated the level of influence they have.

Speaking of Canada, Huawei has 1,100 employees there, and we plan to create another 200 jobs in 2019. In addition to providing network products and services, we also invest heavily in R&D in Canada. We have invested a total of 500 million US dollars in R&D in Canada over the past 10 years and invested 137 million US dollars in 2018 alone. We also sponsor research programs of Canadian universities.

We have worked with Telus and Bell for more than 10 years, and we have adopted a government-led Security Review Program (SRP) to ensure the security of wireless networks used by Canadians. This program is intended to ensure that people in Canada can enjoy secure network services and products. This is a promise we have made and to which we will remain committed.

You raised an excellent point about this question not being an entirely technical one. If we purely treat cyber

security as a technical issue, then it becomes a simple question and is easy to solve.

## 10 **So why are they so afraid of you?**

**Catherine Chen:** I have no idea why a government as big as the US is afraid of a company as small as Huawei. Should a company be feared just because they have great technology? I don't think that kind of reason stands very strongly. It's like how in the NBA, there are mainly American basketball teams, but Canada's Toronto Raptors also play very well. In terms of tech companies, there are American companies, European companies, Canadian companies, and so on. Why can't there be a Chinese company?

## 11 **One of the specific things that are raised by the US government and by others has been the question of Huawei's relationship with the Chinese government. They feel that it's too close. They feel that there's too much influence by the government and by the Communist Party on Huawei. And in particular, they point to the *National Intelligence Act*, which they say would compel Huawei to hand over information that passes through its networks. What do you say to that?**



**Catherine Chen:** I have read about those concerns. I understand those concerns. I also felt shocked and concerned when I first read about the *CLOUD Act* from the US and Australia's *Assistance and Access Bill*. These laws require companies to install backdoors and collect data from foreign countries.

Under the circumstances, what we can do is have every employee, including our founder Mr. Ren, make a legally binding promise that we will refuse any request from any government to install backdoors or collect information. This is our pledge.

**12** **Let me just ask on that, how can you do that? Because you're in China, you're operating under Chinese law. One of your commitments, when we toured the cyber security lab yesterday, was that you always follow the laws of the countries that you operate in. So if the Chinese government says this is the law and it comes to you and says you have to provide this information, how can you refuse?**

**Catherine Chen:** I've talked about our stance on this. Now I would like to talk about our actions. The first action we will take is to bolster our cyber security capabilities. Last month, we announced that we would make an initial investment of 2 billion US dollars in improving

our software engineering capability and the security and trustworthiness of our products.

In addition, cyber security capabilities should be subject to high standards and transparent third-party scrutiny. Our cyber security capabilities have passed stringent tests from the SRP in Canada, the HCSEC Oversight Board in the UK, and our testing center in Bonn, Germany. Those are government-led tests and verifications. Huawei has also undergone evaluations by independent third parties, such as Cigital from the US. Among all participating companies, Huawei's performance was found to be above average across all 12 key cyber security indicators, and ranked the highest in 9 out of the 12 indicators.

Next, I would like to address the Chinese law you brought up. Huawei has consulted legal experts to carefully assess that law. Furthermore, the Chinese government has made statements clarifying it on many occasions. For example, Yang Jiechi, the Director of the Office of the Foreign Affairs Commission of the Communist Party of China Central Committee, explained this issue very clearly at the Munich Security Conference. On two occasions, spokespersons of the Ministry of Foreign Affairs of China clarified this. And a couple of days ago, a spokesperson for the National People's Congress made it very clear that there is no law in China

requiring companies to install backdoors or collect data or intelligence from other countries.

We have never received any such requests from the Chinese government. In the future, even if we do receive such a request, we will reject it, whether it's from the Chinese government or another country's government. There is no reason we can't do this.

**13 But it's not out of the question. I mean that I have spoken to experts as well that says that the law at best is ambiguous and it's not clear whether in fact, companies or individuals would have to pass over information. It seems to read like it would regardless of what other people have said in terms of interpretation. How can you be so sure that you would be able to resist the Chinese government? Other corporations, other CEOs have not been able to, on other issues. Why would Huawei be able to?**

**Catherine Chen:** We have consulted with legal experts on this. China's *Criminal Law* stipulates that "any act that no explicit stipulation of law deems a crime is not to be convicted or given punishment". Since it is not a requirement explicitly stipulated in the law, we can reject such requests.

Moreover, I would like to make it clear that Huawei is

only an equipment vendor. It is carriers, not Huawei, that are responsible for networks and customer data.

Let me give you an analogy. Ensuring cyber security is like playing hockey. On a hockey team, the centermen, wingers, defensemen, and goalie must all work closely together to win a game. It's not a one-man show, and everyone must follow the same rules. No matter how good one player is, he cannot be the whole team. It's the same when it comes to cyber security.

The idea that ensuring cyber security is the responsibility of one single company or one single role is absolutely wrong. All players in the ecosystem, including governments, equipment providers, carriers, and users, have their own role to play and must work closely together to ensure cyber security. We should not overestimate the role or the threat of a single player in the ecosystem.

## **14 You're using hockey analogies. You must be Canadian.**

**Catherine Chen:** My son has a lot of hobbies, he likes the NBA, hockey, and rap music, so I've picked up quite a bit from him. He introduced me to the music of Canadian rapper Drake. I like Drake a lot. I particularly like one of his songs, the one that says "Started from the bottom, now we're here". This line really speaks to what

Huawei has been through all these years. Huawei was built from scratch, with only a few founding members. Now, we have around 97,000 shareholding employees. They are like the partners of the company. They invest money in the company.

Last year, Huawei invested around 15 billion US dollars in R&D, which makes Huawei the fifth largest R&D investor in the world. Our goal is to connect the entire world. We have achieved this in many ways. I think what we've done is terrific.

We pride ourselves on our willingness to do what others are unwilling to do. We are committed to building networks and ensuring stable network operations in the most challenging environments and at the most critical moments. Every employee is making every effort to work for their ideal and for a better life.

**15 Right. You talk about Huawei's way of doing things. One of the legal accusations from the US is that Huawei's employees were stealing secrets from other companies. What do you say to that?**

**Catherine Chen:** Huawei has already released an official statement regarding this. We deny these allegations, and we believe that the US courts will eventually conclude that these allegations are unfounded.

Because the legal proceedings for this case are already underway, I'm not in a position to talk about the details of the case. However, what the US government did has greatly damaged Huawei's reputation, so we will definitely take actions to defend our reputation, including legal action if necessary.

For example, last week, I wrote an open letter to the US media, inviting them to come and see what Huawei is truly like. All of our executives will be willing to answer any questions from them. We will host technology launches and open our R&D labs to demonstrate our technologies. In doing this, we want everyone, including the media, technology specialists, viewers, readers, and listeners, to come and see the real Huawei with their own eyes, and make their own judgments about who has the most advanced technology.

**16 If certain employees did do something like this or have been involved in this, either in this case or in other cases, what would Huawei's reaction to that be? For instance, since this case came to light and since these charges were laid, have you reiterated to employees what the company policy is on stealing technology secrets from other companies? Have you cracked down on them?**

**Catherine Chen:** Huawei has very clear corporate policies and processes in this regard. We have many education programs in place. But more importantly, if any employee goes against these rules, we would not hesitate to take appropriate action. We have done so in the past, and will continue to do so in the future.

**17** **And has it reiterated the message, though? Obviously, this has been in all of the headlines. Have you reiterated the message to employees that, "It is just in case you don't understand, you are not allowed to steal things from other companies", since those charges were filed?**

**Catherine Chen:** This has nothing to do with the cases or allegations. With or without them, we have been reiterating the message, and we also have a clear policy for regularly improving employee awareness in this regard.

**Thank you!**

# William Xu's Interview with the UK Media

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March 22, 2019  
Shenzhen, China



**William Xu:** Welcome to Huawei. I'm delighted to talk about the collaboration between Huawei and universities. In the past, our innovation focused on providing innovative products, technologies, and solutions that meet customer needs. This meant we helped our customers increase revenue and reduce costs. We also helped our customers and partners become more competitive and achieve greater business success. We call this Innovation 1.0. I'd like to share some typical examples in Europe of how we innovated based on customer needs.

The first example is from 2006, when we deployed an innovative distributed base station for Vodafone, a European carrier. With this base station, we helped the carrier reduce their total cost of ownership (TCO) by more than 30% and greatly improve their network performance.

The second example is the SingleRAN solution, which we developed together with European carrier Telefónica Germany in 2007. This was the first solution in the world to combine 2G, 3G, and 4G base stations, which had previously been separated, into a single piece of equipment. That was more than ten years ago. Now this solution can support 2G, 3G, 4G and 5G at the same time.

As I just said, during Innovation 1.0, we focused on developing innovative products and solutions to address customer needs.

Now we have begun Innovation 2.0. We are facing a bottleneck in ICT development. This is because no major breakthroughs have been made in key theoretical innovation. Our current innovations are mainly technological innovations. It is about turning the theoretical innovations that were made decades ago into technologies.

For example, Shannon's law was proposed 70 years ago in 1948, and we have now almost reached the Shannon limit. Another example is CDMA, which was invented by actress Hedy Lamarr in 1941. Without innovation in theories and basic technologies, further ICT development will be limited.

Let me give you another example. Developments in ICT follow Moore's Law. In the past, performance was improved by a factor of 1.5 every year. But now it's only 1.1. So what's next for Moore's Law? This is the bottleneck we are facing in the development of ICT.

How do we address the bottlenecks in both the innovation of theories and basic technologies? Universities will play a critical role in theoretical innovation, being responsible for innovating basic theories, while engineering innovations and technological innovations are jointly led by universities and businesses. Businesses develop innovative products, technologies, and solutions that meet customer needs, and provide equipment to

carriers. Those carriers provide services to consumers.

So successful theoretical innovations will ultimately serve and benefit consumers. Businesses can gain profits from these innovations. These profits will be invested back into universities to further support their innovation in basic theories and basic technologies.

So, we have gone from Innovation 1.0 to Innovation 2.0 in our collaboration with universities. We currently provide more support than ever to universities on their innovations in basic technologies and basic theories. We offer a large amount of gift money and funding money to support these research programs. We don't seek any returns. The results from universities' basic research and innovation will light the way forward for Huawei, the industry, and the world at large.

The research shows us which paths lead to success and which to failure. In scientific research, there is no such thing as failure. If a path is wrong, it only implies that this path leads to nowhere and we'll find another one. To us, finding the paths to failure is also an achievement of scientific research.

Many universities have maintained solid partnerships with Huawei. They know Huawei very well, and they trust and support Huawei. This is because both parties can benefit from the partnerships.

These are not one-way partnerships where businesses get technologies from universities. Instead, such collaboration is a two-way process where both parties exchange ideas and mutually benefit. Businesses can provide universities with inputs about pressing business challenges, technical challenges, and real-world scenarios. Businesses can also offer universities suggestions on the direction, especially their needs for and direction of future development. Generally, it takes a long time, sometimes even decades, to commercialize the results of universities' theoretical research and innovation. The role of businesses is to help universities speed up this process. Patents themselves are only valuable when they are translated into commercial results.

Collaboration between businesses and universities is a two-way process that will benefit both parties. Therefore, Huawei will continue to increase our investment into collaboration with universities and support their research of basic technologies and basic theories.

**01** **You were just speaking about Innovation 1.0 and how it had developed into Innovation 2.0. What is the scale of investment during these two phases and has the scale of investment been increasing? Can you share the scale of your investment in universities in the US and the UK? I read a figure issued by a US government**

**agency indicating that from 2012 to 2018, Huawei had invested 10.6 million US dollars into the universities in the US. What about in the UK? Can you share more information about this?**

**William Xu:** Huawei makes substantial investment in R&D every year, amounting to about 15% of our annual revenue. About 20% to 30% of this investment goes to research into basic technologies and cutting-edge technologies. The existing theories used in the ICT industry were discovered several decades ago. For years, innovation has focused on engineering and technology. We believe theoretical innovation is vital to the future of the ICT industry. We have huge respect for companies that have invested heavily into basic technologies and cutting-edge technologies and contributed greatly to the industry and society at large.

Huawei is now the world's largest ICT solutions provider. Like other companies, it's our responsibility to sponsor universities in their exploration into cutting-edge theories and technologies. Such exploration into the future is beneficial to the industry and society at large. Every year, we gradually increase our investment in universities, including gift funding.

You asked about the figure issued by the US government. I don't know the exact figure. But I do know that about 70% to 80% of our funding for US

universities is gift money and funding money that supports professors and experts in basic research and innovation. We have never and will never seek to claim any of their rights or benefits.

### **What about the overall investment?**

**William Xu:** Annually, we spend more than 300 million US dollars on partnerships with universities, and this figure grows rapidly every year.

02

### **What's the most important technological innovation that came out of the university collaboration that you have heard about?**

**William Xu:** We've seen many cases of joint innovation.

In November 2018, we announced a partnership with BT and the University of Cambridge. As part of this partnership, Huawei will invest 5 million pounds every year, a total of 25 million pounds over five years. This will support research into future communications network technology. The University of Cambridge has strong capabilities in research and innovation, and BT has real-world requirements and scenarios for future network development. To complement this, Huawei has extensive industry experience, insights, and engineering capabilities. Through this collaboration, the University of

Cambridge and BT can stay ahead in the communications industry and better serve UK consumers. Together, the three parties will play constructive roles in driving the communications industry forward.

Another good example is the collaboration on 5G between Huawei and the University of Surrey. This university has become the first and only university in the world to offer 5G experiences on campus. More importantly, this partnership has led to shared success for both Huawei and the university, taking the university and the UK to the forefront of 5G research.

Huawei and the University of Surrey have also opened the 5G Innovation Centre (5GIC). At the initial phase of this project, we provided an investment of 5 million pounds. So far, this centre has brought together over 20 partners, attracting more than 70 million pounds of investment for the university's 5G research projects. Currently, we are working with the university to explore the next generation of advanced mobile communications technology.

**03** Recently, some universities, including the University of California in the US and the University of Oxford in the UK, have stopped collaborating with Huawei. These universities have said that they didn't have any

**problems collaborating with Huawei, but some have reported they were being pressured by outside parties, like the US government. What is your take on this?**

**William Xu:** Collaboration between universities and businesses is a two-way process that benefits both parties, not just businesses. Businesses can provide important inputs to universities during the collaboration process. For example, they can help universities figure out viable directions for their research, provide real-world application scenarios, and describe the actual challenges they face. This can help professors set the right directions for their research.

Results from basic scientific research should be shared by our society as a whole. Geography and politics should have no bearing on this. I totally agree with what the President of Harvard University said two days ago during a public speech about the pursuit of truth and the university's mission. He said great universities stand for truth, and transformational thought and action often take root on university campuses. He believes that universities fulfill this role precisely by embodying and defending academic values that transcend the boundaries of any one country.

As the presidents of many universities in charge of scientific research state, collaboration between universities and businesses can help universities



commercialize the results of their research more quickly and increase their contribution to society as a whole. More importantly, businesses help universities better understand the direction they should be heading in and provide them with real-world application scenarios.

Huawei will not stop collaborating with universities, especially on basic technological research. In fact, we will continue to increase our investment in these partnerships. I believe all universities that have worked with Huawei understand our sincerity, openness, and contributions.

#### **04 As well as research and innovation, do you see universities as important for your skills and talent pipeline?**

**William Xu:** The most important value universities deliver lies in theoretical innovation and the exploration into future uncertainties. Universities utilize multiple paths and methods when conducting research. A lot of research may not be able to generate commercial value in five or ten years, or even longer, but it can still be of great value to the future of humanity. As I said just now, theories of many technologies we currently use in communications networks were developed 50 or 60 years ago.

Right now, we are facing bottlenecks in theoretical innovation that need to be addressed. Collaboration

between Huawei and universities and the funding money and gift money Huawei provides to universities will be focused on innovation in theories and basic technologies that will only be needed five to ten years from now, or even farther into the future.

When sponsoring universities' basic and theoretical research, Huawei doesn't try to own their results or put our name on the results, and we don't require the research students to join Huawei after they graduate. We are completely open. Recruitment is a two-way selection process. Huawei also helps students better understand business before they enter the workforce.

Our Seeds for the Future program, for example, is a global campaign. In the UK alone, 50 university students from around the country are given the opportunity to visit Huawei every year. We talk about communications technology and its future trends with these students, helping them better understand the ICT industry.

**05 You mentioned that Huawei is very open, and does not seek to take research results, including patents, from universities that you fund. Patents are an important part of protecting inventors though. How do you decide who gets the patent when collaborating with universities? Do you have standard rules for that? How**

## **does Huawei work with all universities? Does Huawei have multiple collaboration models?**

**William Xu:** Huawei works with universities in a couple of different ways.

First, we provide funding money and gift money for universities. We sponsor professors in their innovations, with no strings attached. We do not claim any rights or interests from the results of their innovation. The results may be papers published by the professors or exploratory findings.

Second, Huawei and some university professors will partner to research specific innovative technologies that we are both interested in. Before these programs begin, we agree upon whether any resulting intellectual property rights and interests will be shared by one or both parties.

As the presidents of many universities in charge of scientific research have said, patents generated by universities have no real market value unless they are put into commercial use. Therefore, to some extent, Huawei and universities work together to translate patents and technologies into commercial assets that contribute to society.

For example, industry standards, like 4G or 5G standards, are based on leading technological research,

as well as patents held by businesses, universities, or other parties. They are created by combining the intellectual property of multiple businesses, universities, and standards organizations.

According to statistics released by the World Intellectual Property Organization (WIPO), Huawei applied for 5,405 patents last year. These patents only create value and contribute to society when Huawei and other industry partners work together to translate them into standards and when they see large-scale commercial application.

## **06 How many of these 5,000-plus patents are based on the research of universities or other parties?**

**William Xu:** These 5,000-plus patents are mainly based on the results of our own research.

## **07 Do you differentiate between technologies for civilian and military purposes when collaborating with universities?**

**William Xu:** As a company, Huawei creates products for civilian use. All of our research programs, including those we partner with universities on, focus on commercial products for civilian use.

08

**I'm just interested in the future of Huawei investment in the UK universities. Do you think this is something that's going to increase in the coming years?**

**William Xu:** It will definitely increase. We will increase our investment in research in the UK, including research into basic technology and more extensive basic research. For example, since 2015, we have been funding the University of Manchester's research into graphene. This is a basic technology that needs long-term research.

Even so, we have helped define the direction of commercial use for this technology. Graphene improves heat dissipation, so we have applied it to our latest Mate 20 series. With better heat dissipation, the Mate 20 delivers an improved performance without reducing the speed of the CPU. This is one example of how graphene is applied. This is how we drive research of a basic technology – graphene – forward and help identify the areas of focus for industry research and investment in the heat dissipation domain.

According to our assumptions, we will enter an intelligent world, where all things can sense, all things are connected, and all things are intelligent.

When collaborating with universities, we must first determine the direction of innovation.

First, our innovation is driven by vision – what the

future world will be like.

Second, the challenges facing businesses can provide a major direction for university research.

Third, Huawei's deep insight into the ICT industry is an important input that universities can use to determine their direction for research and innovation.

Our collaboration with UK universities is driven by vision. We assume that the future will bring an intelligent world, a wireless world, and an all-optical world.

If we assume that the future brings an all-optical world, then will we go back to analog after transitioning from analog to digital, since optical computing is all about analog? We are now investing heavily into optical computing. And we will sponsor UK universities in their research into optical computing.

What are the benefits of an optical network? It offers super high bandwidth and uses less electricity, saving a lot of energy.

We hope to invest in universities that share our interest in optical networks. As for the question of how long we will need to wait to see the results, the answer could be 10 years, 20 years, or perhaps never. We don't know the answer right now. However, exploring the optical domain will help us gain a better understanding

of infrastructure for the future and figure out where we will be heading.

Mr. Ren said, "Without correct assumptions, there will be no correct direction. Without a correct direction, there will be no correct thoughts. Without correct thoughts, there will be no correct theories." We assume that the future will be an intelligent, wireless, all-optical world. Of course, we cannot guarantee that our assumptions about the future are 100% correct, but we want to work with experts and professors from universities and explore the future together.

**09 Concerning the universities that have stopped their collaboration with Huawei, we wondered whether they made their intentions clear to Huawei before announcing their decisions. What is your strategy for now? Will you just give up on collaboration with these universities or are you still trying to maintain the cooperation by communicating with them?**

**William Xu:** That information is not entirely accurate. You cannot say that they have stopped their collaboration with us; some of the programs are currently on hold.

It's true that we are facing some interference. Although some universities are aware that working with Huawei is mutually beneficial, they have decided to

temporarily suspend cooperation. Also, all those who have collaborated with Huawei will find that Huawei is a reliable, open, and respectful partner.

I believe there will be even more extensive and enhanced collaboration between Huawei and universities. Collaboration between universities and businesses is a two-way process that benefits both parties, not just businesses. Any universities that collaborate with businesses will see the value of doing so, as well as contributions from the business side.



# Eric Xu's Interview with Reuters

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March 25, 2019  
Shenzhen, China

**Eric Xu:** It's a great pleasure to meet you. I read the stories and reports from Reuters very often, but this is my first time to talk to Reuters reporters.

**01** **Mr. Ren recently said your first two months already saw revenue grew 35% year-on-year. Can you tell us more what's that about? Is that from new 5G contracts?**

**Eric Xu:** The size of our revenue from 5G contracts is still quite small. This year and next year, there would not be very significant revenue from 5G in markets outside of China, because right now it's only at the starting phase for 5G rollout. For the first two months of this year, our major growth drivers were smart devices and the ICT solutions that we provide to governments and enterprises. I think the United States should take quite a lot of credit for advertising Huawei. As you know, enterprise customers didn't know much about Huawei, so did consumers. That's why Mr. Ren said we should pay the US government for advertising Huawei.

**02** **So do you see that as a long-term shift in the revenue mix, with smart devices and enterprise ICT solutions playing a more important role in the company versus telecom networks?**

**Eric Xu:** I think it's not about these two businesses becoming more important. Rather, our future growth will primarily come from these two businesses. If you look at the entire telecom industry, the growth potential for telecom service providers is pretty small, and the growth potential for all equipment providers is small, too. The entire telecom industry is in the phase of horizontal growth. What does it mean by horizontal growth? It's not that there is no growth at all. Rather, the growth rate would be similar to the growth rate of GDP. In that context, it won't be possible for us to continue to see 20% or even 30% growth in our carrier business as we did in the past. It would be good enough for us to maintain single-digit growth for the carrier business.

In other words, given the growth rate of more than 30% in the first two months of this year, while we maintained probably single-digit growth for the carrier business, it means the other two businesses had to grow much greater than 30% for the entire company to grow by more than 30%.

**03 And how much has already or in the near future do you expect political problems to damage the growth in the network business? In other words, there have been some countries that have already said we are not going to buy Huawei equipment for the next**

**round. So what does that mean from a financial point of view for Huawei?**

**Eric Xu:** How many of those countries are out there? The US has maintained the position that we are seeing today. Only Australia has followed in the footsteps of the US. And Australian carriers are not likely to build a significant number of 5G sites this year.

More recently, we are seeing a large number of countries that are making their own thinking or decisions based on facts and their own national interests. I believe they will continue to follow this position in the future, basing their decisions on facts and national interests, instead of simply following what the US has to say.

**04 So to follow up on and clarify on that, you think the danger of other countries banning Huawei is kind of going away?**

**Eric Xu:** I would not put it that way, but I think that is quite consistent with what we are seeing today. I would say everything is still ongoing. I believe countries around the world will consider facts and national interests when they deal with this issue, instead of simply following what the US has to say.

I think that's the case for any decision to be made.

Decisions should be based on facts, instead of on assumptions, doubts or suspicions. Huawei is a global company operating in many countries and regions. In almost all countries, we have been working together with our local partners and customers for 10 years or even longer. It is very well known to those stakeholders what kind of company we truly are, what we do, and whether there are real problems in our products. These are facts.

For so many years, we have been actively communicating and engaging with governments around the world. They know who Huawei is. Huawei is not a monster that suddenly appears on the stage. So it's not the case that they have never seen Huawei. We have maintained our presence in a lot of countries for more than 10 years. We have had extensive communications and cooperation with those countries.

**05 Have you personally had conversations with political leaders in some of the European countries in particular, and could you tell us a little bit about those conversations?**

**Eric Xu:** We certainly have had conversations at different levels. The core of these conversations is to address mutual concerns, no matter where such engagements

take place. The concern of governments, at its very core, is about the security and privacy of the networks that Huawei helps build and the equipment that Huawei provides. Therefore, in the conversations and engagements that we have had with governments, it's about discussing and setting up the right management and oversight mechanisms to ensure government concerns could be well addressed.

We have quite a number of examples here. We have the Oversight Board (OB) mechanism in the UK together with the National Cyber Security Centre (NCSC). We have the arrangement with BSI in Germany. The most recent example is the cyber security transparency center that we opened in Belgium. Those are all examples of the solutions we have put in place after communicating with government stakeholders to figure out how to address their concerns.

These are facts. These stakeholders know the kind of products that Huawei offers. They are clear about the presence of Huawei in their country. They know how Huawei equipment is being overseen and managed.

**06**

**Is there an example that you can give? Was there a specific meeting that was particularly important in overcoming some of these concerns or hurdles?**

**Eric Xu:** I'm not sure whether this is the right occasion to share information about those meetings, because they involved not only Huawei, but also other parties. Therefore, I think I'm not in a position to share anything about those conversations here.

**07 Why did it take so long to agree to their concerns (UK), and is the plan now to rewrite all of your source code?**

**Eric Xu:** When it comes to your question, I made it very clear in a previous interview with UK media outlets. I spent quite a lot of time to make this fully understood. Everything I said during that interview with the UK media outlets is something that we as a company are going to do.

**08 You said then that you will have a high-level working plan ready by the end of March, for example, with how much costs would be and how much source code to rewrite. Can you share a little bit more now, any updates?**

**Eric Xu:** Maybe it's better not to discuss it now. I think now is not the right timing to make this information public.

**09** I have a few questions about Huawei's relationship with the Chinese government, which I think is of interest to everyone at present. First, just historically, Huawei and ZTE have both been under pressure from the American government. I'm curious if in the past Huawei has felt, ZTE, as a state-owned corporation, has received extra support from the central government at the expense of Huawei's commercial interest?

**Eric Xu:** I don't know. I have never been a member of ZTE's management team. I think maybe even an ordinary member of ZTE's management team would not know the answer to your question.

**10** In terms of support at present, some journalists and others have noticed that invitations to Huawei events have been distributed by the Chinese embassy. There has been distribution of press releases by Chinese government officials from Huawei, and also state media appears to be supporting Huawei. The *Global Times* had a video of children singing about Huawei. How should we understand the nature of this apparent government support for Huawei, and is this something that the company has requested?

**Eric Xu:** Mr. Guo Fulin will answer your question.

**Guo Fulin:** We have never asked them to send an



invitation to journalists. We haven't done this. This is my first point.

Second, the song's writer had made a very clear clarification that the song is planned and arranged by themselves, not by others. They took the liberty to write and share that song.

## **11 Has Huawei requested the central government give them support in anyway, or help them in this political struggle?**

**Eric Xu:** I would say my answer may be kind of surprising to you. We have repeatedly told the government that, when it comes to what's happening in the US surrounding Huawei, we want to address it through legal means. We believe in the fairness and justice of the legal system of the United States. And we have clearly said that we hope the single case of Huawei would not become part of the trade negotiation between China and the United States. I think that's probably the observation you may have. Huawei's case has not become part of the China-US trade negotiation.

We believe the legal system of the United States is just and fair. We are using this just and fair legal system to address the issues we face. We think that's the most effective way. And I think that is also the

most fundamental principle for any global company to address similar situations.

**You said you repeatedly said this to the Chinese government. Whether it's because some people in the government did not follow your suggestion that you had to do that again?**

**Eric Xu:** You should ask the government about it.

**Is there any difference of opinion between you and the government?**

**Eric Xu:** You should ask the government, too. In any engagement between a company and a government, the company is not the one who makes the decision. The decision, at the end of the day, is made by the government, while the company can only express its position.

**12 Can I ask just one question about the internal structure of Huawei? Do you have a party committee? If so, what is its function and what roles does it perform in terms of working with management?**

**Eric Xu:** We have a party committee within Huawei. Chinese law requires that all companies operating in China must establish a party committee. There are two major responsibilities for the party committee within Huawei.

First, the party committee does not get involved in any way into business decision making. Our business decisions are made by the Board of Directors and the management team. The responsibility of the party committee, first and foremost, is to establish a positive atmosphere or environment that encourages employees to follow ethics and integrity requirements. Within Huawei, we have the *Business Conduct Guidelines*. One of the major jobs for the party committee is to ensure that all Huawei employees abide by our *Business Conduct Guidelines*.

The other responsibility of the party committee is about granting honorary titles and awards to employees who deserve them in China. One thing to add here: Those individuals are selected by their peers for their own merits.

These are the two main responsibilities of the party committee within Huawei.

**13 We are appreciative for the sudden push for greater communication and transparency with the foreign media. And I just wondered, from your perspective, how do you feel this is going? And what should we expect going forward in terms of Huawei being more open and more communicative with people like us in terms of your strategy?**

**Eric Xu:** Indeed, Huawei, especially our CEO Mr. Ren, is having more media engagements now than in the past. Mr. Ren was not very willing to take media interviews in the past. With both "carrots and sticks" from our PR department, Mr. Ren is on the stage to accept more interviews. We once joked with him that he did what he has been supposed to do in the past several decades within a short period of several months.

For me personally, it's not different compared to media engagements that I had in the past. Not so many media engagements still. From our point of view, we still hope that stakeholders around the world will better understand Huawei through our communications and dialogues with the media. We know that this cannot happen overnight. Through our long-term efforts, we believe people everywhere will gradually know who we truly are and what set us apart as a company that started from China and now operates around the world.

Huawei is a company based in China. We know what it will take to gain the understanding and recognition from people in the West, because gaining the understanding and recognition of people in China has already taken us a lot of time and effort.

I told Mr. Ren that Huawei's history over the past 30 years is like climbing the north side of Mount Everest. Over the past several decades, Huawei has not taken on

any business that can make easy money rapidly. There are several examples of businesses that have turned out to be very profitable for investors.

One is real estate. Many Chinese companies have a real estate business, and they are very profitable. Given Huawei's industry presence and scale in China, if we were to step into the real estate business, it would be very easy for us to get a lot of support in almost every city in China. And we could have made a lot of money. Just look at our buildings in our campuses. If we were a real estate company, we would be the top of the notch in China. Mr. Ren himself graduated from an architecture college, the Chongqing Institute of Civil Engineering and Architecture, which is now part of Chongqing University.

Second, for so many years Huawei has not sought to go public or make any equity investments. Many other companies in China have done this, and they have made a fortune out of it. If we follow the same approach as the Internet companies investing in hundreds of companies along their ecosystem or supply chain, then such investments would have generated dramatically higher returns than our traditional business.

Huawei has a very strong brand and strong capabilities in a lot of areas. But we have chosen to focus on one single area: ICT. We have invested continuously in this area, seeking to realize our ideals by focusing on this

narrow area without diversifying our business portfolio. If we had chosen to diversify our business, we could have become a very relevant player in many industries. In China's leading cities – Beijing, Shanghai, Shenzhen, and Guangzhou – there is no Huawei building or land that belongs to Huawei in downtown areas.

Over the past three decades, Huawei has given up on all opportunities to make easy money in China. Instead, we have focused all our time, effort, and money on a single area. That's one of the important reasons why Huawei has become what we are today. It is also part of the reason that some people do not quite understand Huawei.

Why didn't Huawei take on other businesses? We have a consensus internally: If money comes in too easily or too quickly, it might diminish or even destroy the shared values of the senior management team. If money comes in too easily, it might dilute our focus on the ICT business, and we might find this business valueless or we might not spend much time or effort on this business. When that happens, we might not be able to excel in this business of focus.

In China, we have seen many such examples, where a company makes easy money from its real estate business and fails in its core business. There are so many such examples in China.

**14** **If I could follow up, you are kind of expanding your portfolio in a couple of different areas, including the semiconductor business and the cloud computing business, and I'm interested in those two areas. And in particular, can you say how big is your HiSilicon business at this stage in revenue? And do you see that as a major growth driver going forward?**

**Eric Xu:** We have never positioned semiconductor as a business within Huawei. Even though there are several chips that we sell to the market, the position of HiSilicon is to provide chipsets and components for Huawei's own products and solutions. Therefore, the chipsets that you typically see are not offered as a standalone product in the market, but as a part of the overall products and solutions that we provide to our customers.

Why do we take this approach? It is because chipsets are the foundation on which we can build our own hardware architecture, our differentiation, our cost structure, and our competitiveness. Chipsets are the key to differentiate Huawei products from competitors' offerings. Because of our long-term commitment to chipset investment and development, our products have become global leaders with differentiated strengths and cost advantages.

5G is one example. If you want to buy a chipset for 5G commercial base stations in the market, there is nowhere

you can buy it. If you want to use the commercial off-the-shelf chipsets for 5G base station development, such chipsets are not available yet. Even if they are available, the cost of those chipsets would be very high. In other words, your 5G roadmap, your pace of commercialization, and your 5G costs are not decided by yourself, but by the providers of commercial 5G chipsets.

**15****Are you referring to handsets or equipment?**

**Eric Xu:** Both. Huawei has invested in and developed 5G base station chipsets and 5G mobile phone chipsets, so we have the ability to launch 5G base stations and 5G mobile phones ahead of the industry. More importantly, we can control the pace in terms of how fast Huawei will go. When we say this is the time we are going to launch our 5G products and solutions, we can deliver without relying on third parties.

Of course, we don't have the capacity to work on all of the chipsets on our own. We only work on the chipsets that the industry would find it hard to deliver, or chipsets that are important for Huawei to make our products stand out in the market. We make several key chipsets and also use the commercial off-the-shelf chipsets available in the market to launch our 5G products according to our own timeline.



## **16 You said you sell several chipsets in the market. What are they?**

**Eric Xu:** Essentially, there are three chipset series that we make available to third parties. One is the chipset for set-top boxes. The other is the chipset for cameras. The third one is a chipset for narrowband-IoT.

### **Are they purely chipsets?**

**Eric Xu:** We once thought of either cutting off or selling these businesses, but it didn't happen. Now those three chipset series become the primary offerings that we make available to third parties in the market.

The NB-IoT chipset was developed by a small British company called Nuel. Back then, Nuel could not sustain the business by themselves. That was also when the industry was working on NB-IoT standards. Vodafone came to Huawei, suggesting that Huawei buy Nuel and help them develop the product, so that the industry standards of NB-IoT can come true. In other words, Huawei's investment in NB-IoT chipsets is to promote the development of the IoT ecosystem.

## **17 Is part of the strategy with HiSilicon, is it also partly to kind of reduce dependence on American technology, and then also to kind of improve your position from**

**a standards setting point of view, and those would be two sides of the same coin in a way?**

**Eric Xu:** At the time when we made our decision, we did not think that far, but now it seems it has become a reality. It does have such value. We began to invest in chipsets in 1993. That is 26 years ago. At that time, our goal was to bring down the cost. Over time, we have realized that making in-house chipsets is a very important way to build Huawei's differentiation and leadership in the market. So, chipsets and products have become interdependent. In other words, for any product we work on, we will choose to develop a core chipset for it, so that the product will ultimately stand out in the market. It has become a way of doing things within Huawei.

Even if we invest in chipsets, we do not position HiSilicon as the sole supplier for any product within Huawei, because if we do that, we are going to lose our flexibility or competitiveness in the long term. We only position HiSilicon as one of our suppliers. It won't get 100% market share. Because what matters most is how competitive our products are and how fast we can bring products to the market to satisfy customer needs. Therefore, it doesn't matter whether a product uses a HiSilicon chipset or any other third party's chipset. Because products are our competitiveness. Not the chipset.

**18** According to statistics, the revenue of HiSilicon in 2018 grew more than 30% to exceed 50 billion RMB. What are the reasons for such a rapid growth? Is the revenue data accurate?

**Eric Xu:** The data is accurate. That said, the actual number is much bigger, given that the calculation is based on our internal prices, which are much lower than market prices and thus cannot accurately reflect the actual revenue. The revenue will be much higher if we use market prices for calculation. HiSilicon chipsets are involved in internal transactions only, and revenue from those chipsets is not listed in our annual report. Our annual report only shows the revenue of the several chipsets that we sell to the market.

**19** Are you concerned about losing access to US technology? There could be some move like the move made against ZTE, to prevent US companies from selling to Huawei, and are you making contingency plans for that kind of scenario? And there have been some press reports about stockpiling of chips and also about creating your own operating system as an alternative to Android, and those were cast as a kind of contingency plans in the event of a cutoff of US technology.

**Eric Xu:** Many of our customers have similar concerns. That's true. If the US does not sell chipsets to Huawei, will this impact Huawei's business? Certainly there will be impact, but I think it will not be fatal.

Over the past 10-plus years, we have been working on business continuity management (BCM). With our BCM mechanism, we have successfully dealt with a range of natural disasters, be it an earthquake or a tsunami, to ensure supply continuity. We have always adhered to a supply diversity strategy. In other words, for any product, any component, or any chipset, we don't rely on one single company or one single country as the sole source of supply. Considering the scale of our business, I think BCM is vital to Huawei.

Of course, for so many years, HiSilicon has fulfilled its responsibility in ensuring supply continuity, as you mentioned just now.

**20 And particularly on the operating system side, so is that correct that you have developed an alternative to Android, in case you need it, or perhaps you have other plans for your own handset operating system?**

**Eric Xu:** First of all, I'd like to talk from a legal point of view. We analyzed the open-source policy of Android. No matter what happens, the Android Community does

not have any legal right to block any company from accessing its open-source license.

This is true for almost all open-source communities. There must be some commitments out there so that people will come in to support you and to use your code. In case of unforeseen events, I think Richard Yu has given a good answer to this question. We definitely have our contingency plan. What we have prepared has already been used in some of our products in the Chinese market.

### **Which products?**

**Eric Xu:** I could not comment on that for now.

21

**If I could ask a question about Huawei's financial performance, related to its cost of capital, do you publish – and I apologize if this is in public already – but do you publish your cost of capital in terms of your ability to raise funds from the bond and bank lending markets, and what is it, and if you can explain what that's a source of competitive advantage, vis-à-vis rivals?**

**Eric Xu:** Even though Huawei is not a public company, we keep publishing our annual reports in accordance with the basic requirements for a public company. These

annual reports are audited by KPMG and have obtained its unqualified opinion.

Our annual reports over the past 10-plus years are available on our website.

The sources of capital and use of funding have been made very clear in the annual reports, including the amount of land and real estate that we have and their prices at the time of purchase. The annual reports also list the annual R&D grants that we get from the EU and the Chinese government. This is part of our efforts to demonstrate our transparency.

So this goes back to what I mentioned at the outset. Our customers know what kind of company we are through so many years of extensive collaboration. Each year, we will send a copy of our annual report to them once it's published. And the annual report is also attached to our bidding documents for projects that we participate in.

The government authorities that regularly oversee our operations or care about us a lot know these situations as well, because we also provide copies of our annual reports to them.

Our partners, suppliers, and our competitors know even more about us.

In a nutshell, the annual report is positioned as a key step to demonstrate our transparency to all stakeholders worldwide, and we have been very serious in formulating those annual reports. If you delve deep into our annual reports, you will see that the loans that we get from Chinese banks are pretty limited. The majority of bank loans that we get are from outside of China.

**You mean loans from Chinese banks or loans from banks operating in China?**

**Eric Xu:** Loans in RMB from Chinese banks. Since 2008, the interest rates for US dollar, Japanese yen, and euro have been quite low, while the interest rate for RMB has remained high. For this reason, we don't have many RMB loans. Instead, we get almost all our loans in US dollars, Japanese yens, and euros. This is true for our bonds as well.

If you take a deeper look at our annual reports, you will find that the bank loans and bonds constitute quite low percentages of the total liability of our company. The major part of our liability is payables to our employees.

22

**Do you believe that you have an advantage over rivals like Nokia and Ericsson in terms of the ability to borrow funds at competitive rates from the market? And if I could just elaborate on that because there goes a question, one thing that a lot**

**of people in business say that Huawei provides very favorable financing terms, much more favorable than what other vendors can provide, and that's one of the reasons why the company has been very successful in network equipment.**

**Eric Xu:** First of all, Huawei does not provide financing to our customers. Second, as a company, we have no advantages in terms of the cost for getting bank loans in and outside of China compared to others. The cost is the same as other companies, if not higher, because we are a private company. Third, Huawei is a company adopting a light-asset model. We don't have money to provide as financing to our customers. Every penny that we invest comes from our employees, and every penny we earn belongs to our employees.

**23 But is there state-backed funding or other kinds of government funding that help you provide financially attractive terms to customers?**

**Eric Xu:** It's true that some banks in China provide bank loans to some of our customers. But terms and conditions in those deals are negotiated directly between the Chinese banks and our customers. I'm not in a position to judge whether those terms and conditions are good or not. We don't even know what kind of terms and conditions



they've arrived at in the end.

**But they are doing it in order to assist in the sale, assist in the closing of Huawei contracts, right?**

**Eric Xu:** The situation was like this: We got a contract from a customer, and then we introduced the relevant Chinese banks to the customer. Otherwise, these banks may not even find the right customers who can borrow money from them. In the history of communications boom over the past two or three decades, state banks of Japan and Europe have the same mechanism to grant loans to Chinese telecom service providers, either in Japanese yen or euro. These loans were granted in support of their telecom equipment vendors as they sold equipment to China's telecom service providers.

The development of China's communications industry should be partly attributed to the bank loans in Japanese yen and euro.

Some loans provided by Japan and European countries such as Germany and Sweden to support Ericsson, Fujitsu, and Siemens have really facilitated the development of the communications industry in China.

24

**I would like to return to the US issue. You just said that you've got well prepared for this. Could you please elaborate on what you can do on the supply side, like**

**HiSilicon?**

**Eric Xu:** I don't think it is proper to elaborate on this.

**We would like to hear more details. For example, you have one-third of...**

**Eric Xu:** Too much detail would constitute a leakage of our trade secrets.

**Let me try to finish my question. For example, you have one-third of components coming from the US. Have you come up with any alternative to deal with the worst situation? You also said that you have given up many opportunities to seek easy money from investment in real estate. However, if you do encounter a major crisis, will you consider seizing these opportunities to overcome the difficulty?**

**Eric Xu:** What major crisis?

**The situation in the US continues to deteriorate and you face the same sanction as ZTE.**

**Eric Xu:** I've said earlier that there won't be any fatal risk.

**Is there a reason for this? Why do you think it is not fatal to you?**

**Eric Xu:** We have made preparations. I've made it quite clear just now.

For the situation that you assumed, we think it is possible that it could happen, but we also think the probability is very slim. Huawei is the world's third largest buyer of semiconductors, ranking only behind Samsung and Apple. Huawei is among the top clients of almost all major semiconductor companies in the world. If the assumption becomes a reality, there is going to be a dramatic disruption to the global supply chain.

The assumption is not a reality, so I would not talk in much detail. When the assumption becomes a reality, I will tell you all the details that you want to know. By then, I will have to share with my customers and partners about how Huawei would deal with the situation. I will then need to ask a favor from you to spread out that information. One-on-one conversations would seem much less efficient.

**25 Huawei does a lot of business in developing economies, not all of which are in great shape. In terms of your assessment of risk of loan backed investments or business in countries like, say, Venezuela, Africa, or Sri Lanka, just to throw out – Africa is not a country. Can you give us an assessment of your view of what risks Huawei faces in terms of doing business in these countries given their relatively weaker financial position?**

**Eric Xu:** Our major customers are telecom service providers. And their financial position is pretty okay. Right now in those developing markets, telecom carriers may be one of the most profitable businesses. So we are lucky, from that point of view, that our customers are pretty financially well off.

There is another thing that we feel quite fortunate as well. Even if some of our customers have some problems with their business, they would be consolidated either through merger or acquisition, because they have very precious assets at hand – spectrum resources.

**26 Do you think, generally, the US campaign against Huawei, do you think it's been successful in terms of pushing back your global ambition, and to the extent it has, you know what would be the effect of that on global 5G rollout?**

**Eric Xu:** I think from the US perspective, the current progress may not be very satisfactory. For the development of 5G, I think the impact is only limited to a very few countries. The biggest impact would be in the United States and Australia. In Australia, for example, telecom service providers have already announced the delay of some of their 5G rollout projects. And for the US, they cannot roll out 5G on a large scale now.

However, China is well positioned to deploy 5G networks on a large scale, as much as telcos want. The majority of countries in Europe can go for large-scale deployment of 5G as long as they want to.

For example, Switzerland and South Korea are going for 5G on a large scale. The UK and Italy are deploying 5G as well. Spain has already deployed a 5G network in Barcelona. I think these countries know what is really going on, and they put their own national interests in front of those of the United States as they make their own decisions.

**27 So you think you have kind of turned the corner, as it were, on the US campaign?**

**Eric Xu:** I would not go that far to say that.

**28 Can Huawei equipment, 5G equipment, be used to spy on people?**

**Eric Xu:** From the technology and standardization points of view, 5G is more secure than 2G, 3G, and 4G. There could be 256-bit encryption for all of the information that is transmitted between 5G smartphones and 5G base stations. If you want to crack the 256-bit encryption, you would need to have a hyper-quantum

computer, which will not be a reality over the next 10 years. As 5G is more secure than previous generations of mobile technologies both in technology and standards, I think 5G will make it less convenient for the United States to do what they have been doing.

I would like to repeat what my colleague Guo Ping said: "Huawei has not and will never plant backdoors. And we will never allow anyone else to do so in our equipment."

Our founder has put it even more bluntly when he said, "If we were forced to do so, I would shut down the company." As Guo Ping put it, "For best technology and greater security, choose Huawei." Using Huawei equipment means higher levels of security.

**When you said "make it less convenient for the United States to do what they have been doing", what were you referring to? US spying on networks?**

**Eric Xu:** The PRISM program disclosed by Edward Snowden is the fact. Everyone in the world knows that.

**29 A recent issue seems to be that following the American distrust of the Chinese government, the Chinese Communist Party's behavior is driving a lot of business resistance and Huawei has become a victim to a certain extent. Issues that foreigners have**

**with the behavior of the Chinese government are out of Huawei's control. Would you agree with the assessment that the geopolitical tensions between Beijing and other governments are causing commercial problems for Huawei.**

**Eric Xu:** I think all of the allegations that the US has made against Huawei are due to certain laws in China. The legislation of the United States emphasizes long-arm jurisdiction. For example, the CLOUD Act makes it clear that US companies can collect user data around the world and transmit it back to the United States.

China has been playing catch-up in the last 100 years or even longer. No legislation in China has ever considered having jurisdiction across the world. Chinese laws apply only to China. The applicability even to Hong Kong or Macau is quite limited, according to the *Basic Law*. Almost every Chinese law has a preamble section, where the scope of application is made clear.

The US and some other countries or individuals just focus on certain clauses, and try to interpret what those clauses mean based on the long-arm jurisdiction principle that the US has. I think that is where misunderstandings came up. The US government has mobilized all the powers at its disposal and has caused a lot of misunderstandings. But I think, over time, people will understand the truth. Mr. Yang Jiechi, the

Director of the Office of the Foreign Affairs Commission of the Communist Party of China Central Committee and Premier Li Keqiang have stated the position of the Chinese government very clearly on various occasions.

Huawei is based in China. We grew up in China. We will not complain about our home country.

**30 The US government has accused Huawei of having a formal program encouraging employees to acquire the intellectual property of foreign companies by means legal or illegal. Do you have any comments on that?**

**Eric Xu:** Show us the evidence. I made certain remarks in my previous interview with UK media outlets. Here, I would like to repeat that. One might say, "Peter, you will certainly kill someone before you die". Whether you will kill someone will only be proven until the day you die. I think Huawei is in a similar situation now.



# Eric Xu's Canadian Media Roundtable

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March 26, 2019  
Shenzhen, China

**Eric Xu:** To prepare for today's meeting, I recalled in the last couple of days my personal connections to Canada.

My first visit to Canada was in 2009. It was 10 years ago. That was the year when Huawei started our collaboration with TELUS and Bell. And that was also the time when our research center in Ottawa was established and it was me who approved the establishment of that research center.

That was my first visit to Canada. During that trip, I went to Toronto and Montreal. These two cities had good universities, a good environment, and a huge number of talented people. I felt it was necessary for Huawei to set up a research center in each of the two cities.

Over a period of 10 years since 2009, I have visited quite a number of cities in Canada, including Vancouver, Calgary, Edmonton, and Huntsville in Ontario, which is the host city of the G8 Summit in 2010.

We have set up research centers in Vancouver and Edmonton. Right now, we have an extensive network of R&D facilities in Canada. I would say that Canada is home to one of our largest networks of R&D facilities around the world.

In 2017, I took my family on a leisure trip to Canada. We appreciated the natural beauty of the country. After I saw off my family in Toronto, I visited Gravenhurst, the

hometown of Norman Bethune. He is an iconic figure who represents friendship between China and Canada. I visited the Bethune Memorial House as well.

In China, an article titled *In Memory of Dr. Bethune*, written by Chairman Mao Zedong, was included in the Chinese textbook of my school age. Due to this article, almost all Chinese people have a sense of friendship towards Canadian people. Many Chinese want to go to Canada and take a look. I think maybe Chinese people know more about Canadian people, rather than the other way round. This article is one of the sources that Chinese people have had very good feelings and a friendly attitude towards the Canadians for so many years.

Yet, it is much to our regret to see what has happened to Meng Wanzhou. As a result, we have seen some misunderstanding between the two countries. As I see it, both countries and peoples are victims of this.

Therefore, I think today is a very good opportunity for me to clarify some of the misunderstanding, to reinforce mutual understanding, and to help Canadian people in particular to know more about China and about Huawei.

I look forward to any questions you may have. I think it's going to be a very challenging job for me personally, because our founder Mr. Ren Zhengfei, Chairman Liang Hua, and Madam Chen Lifang have already taken

several media interviews with the Canadian press. It seems very difficult for me to say something new. Maybe I have one advantage here: Over the past 10 years, I have been to Canada many times. I have visited many cities in Canada. I have engaged with many Canadian universities and government agencies. Therefore, it might be one of my strengths in the sense that I know Canada pretty well.

**01 Why did Huawei decide to invest in a number of universities in Canada, which is a fairly small market for Huawei equipment? Two of our big providers of telecom services do use your equipment, but why the big investment there as opposed to somewhere with a bigger market?**

**Eric Xu:** I think that has something to do with what I have personally seen and heard during my many visits to Canada over the years.

Around the year of 2008, we started to see very significant changes going on in the communications industry. An example is Nortel. Canadian people definitely took a lot of pride in this company. Nortel was acquired because of its financial difficulties. Nortel used to provide a lot of funds to many Canadian universities to advance their fundamental research. Then all of

a sudden, Nortel was gone and there was no more funding for those fundamental research projects.

I've talked to many professors from those Canadian universities. They all hoped that Huawei could provide support, including research funding, so they could continue with their future-oriented research programs. That was the expectation expressed by the leadership and professors of almost every university I visited. They knew that Huawei at the time was still a fast-growing company, and they wanted Huawei to support their ongoing future-oriented research. For example, during a meeting with government officials of Ontario, they introduced their policies for attracting investment, especially investment in research and development. They also expressed a strong desire to have Huawei present in Ontario.

Canada has a vast pool of ICT professionals. At every university I visited, they would tell me a unique feature of their education system: They value hands-on practice, and this starts even from middle and high schools.

I think that's a very good education system. Before going college, students can work in their desired profession for several months, to see if the job is what they really want. I think that's a very good education system.

Canada has favorable policies for R&D investment. Professors and universities have a strong desire to work with Huawei. The Canadian education system can continuously nurture talented people. Because of these factors, we have a strong desire to set up research centers in Canada, and partner with Canadian universities. This lays the foundation for Huawei's future development and also contributes to talent development and fundamental research in Canada.

After nearly 10 years of ongoing investment, we have built research centers in a number of Canadian cities: Montreal, Ottawa, Toronto, Waterloo, Edmonton, and Vancouver. We have built partnerships with almost all science and engineering universities in Canada.

With such extensive R&D investment, Huawei ranked 22nd in 2017 and possibly we can become a top 20 R&D investor in Canada in 2018. Today, we have over 750 R&D people working in Canada and we expect that number to continue to increase this year.

On a global basis, Canada is our third largest destination for R&D investment, only behind China and the United States. 5G is one example. Our Ottawa team plays a leading role in Huawei's 5G research and innovation. This team organizes Huawei's global team and coordinates with the entire industry to jointly define what 5G is. Our research centers in Canada

have contributed enormously to the 5G standards, to 5G industry development, and also to the leadership position of Huawei's own 5G products.

Mr. Tong Wen, one of our Fellows, received the Distinguished Industry Leader Award from IEEE in 2018 in recognition of his outstanding contributions in 5G. TELUS and Bell have collaborated closely with Huawei's 5G research team in Canada to drive 5G standardization, industrialization, and deployment.

Through close collaboration between Huawei's Canadian team and telcos like TELUS and Bell, we have built one of the world's best 4G networks in Canada. You can check it out and you will find that the average speed of 4G services in Canada is about twice as much as that in the United States. Canadian people are enjoying one of the best 4G network services in the world.

**02 So, part of the reason why we're here is because Huawei is trying to be more open to an extent to improve its reputation in Canada. So what do you want Canadians to understand about Huawei?**

**Eric Xu:** In the past, we didn't spend much time communicating with Canadian people and explaining what kind of company we truly are, and what is different for Huawei as a company based in China compared to

other Chinese companies.

Today, we are kind of being forced to be in the focal point in the media. The image of Huawei in the minds of Canadian people is not clear. To a certain extent, they often equate Huawei to China on the ground that we are a company based in China.

Based on what you have seen these two days, what you have experienced here, and the dialog we are having today, I hope you can help to communicate to Canadian people what kind of company that Huawei truly is.

It's true that we are a company based in China. But we are also a global company with a presence in more than 170 countries and regions. Huawei is the only company of this type over the several hundred years in China's history. No other Chinese companies are like Huawei – we go global, following local laws and regulations, increasing our investments in local countries, providing products and services, and partnering with universities. From that perspective, there is no difference between Huawei and other Western global companies.

Huawei is a company that brings together the wisdom of the East and the professional management systems of the West. We have built our processes and management systems with the help of IBM and



Accenture. We are no different from Western companies in terms of professionalism and process-based operations.

For example, IBM helped us establish the R&D process and management system. Accenture helped with our CRM process and management system. IBM and Accenture helped us build our supply chain process and management system.

Now we have been working closely with leading global telcos like British Telecom and Vodafone. We have been engaging and doing business with them, and we have won their recognition. Much of the credit should be given to the professional management systems that have been built with the support of Western companies.

Yet the way we incentivize our employees is very different from Western companies. I would say we bring together a lot of Oriental wisdom in the way we design our incentive system. A large portion of Huawei's workforce is Chinese staff, and they are influenced by Chinese culture. We have put in place an employee stock ownership program or a value sharing mechanism. Huawei is owned by more than 90,000 shareholding employees. No third party or individual outside of Huawei owns a share of Huawei. The largest shareholder of Huawei is our founder. His stake in our company is around 1.14%. This system ensures that the company's

interests and employees' interests are fully aligned. It has been the most critical factor of Huawei's growth and success over the past 30 plus years.

Throughout my career with Huawei, thousands of people have asked me why Huawei has been successful. I told them: The most fundamental reason is this employee stock ownership program and value sharing mechanism. If Huawei was born in the West, our story would be no different from the growth stories of Microsoft, Google, and Facebook.

Huawei is a company with ideals. And of course, our vision and our ideals are evolving with the times. In the past, our vision was to enrich life through communications by bridging the digital divide and connecting the unconnected. When I was in Canada in 2017, the general manager of Huawei Canada told me that Canada had a national strategy, which was to provide broadband access for all Canadians.

Honestly, I had some doubts when I first heard that strategy, because I thought broadband infrastructure in Canada should be very good already. Then I was told that I had only seen a small part of Canada. There's a vast territory of Canada, especially in the north and other remote areas, with no broadband access. These regions are very sparsely populated, and deploying networks there would be very costly. People used

satellites for voice communications and there was no infrastructure for data and broadband connectivity. He explained that situation to me and asked me whether Huawei should participate in this national strategy. And I said yes, without any hesitation.

Because that strategy resonates with the voice within us: We aspire as a company to connect all the unconnected. I told the general manager of Huawei Canada that we should not only look at the financial returns for that program; rather, we should be working with our customers using our innovative technologies to bring broadband access to northern Canada, because that's part of our social responsibility and it aligns very well with Huawei's vision and ideals.

I'm very pleased to see that, through our cooperation with partners over the past two years, our efforts have paid off. Our innovative solutions have connected people living in northern Canada to broadband networks. We will continue to work with our partners to push forward this program and help deliver on the national strategy of providing broadband access for all Canadians.

Last year, we updated our corporate vision and mission. The new vision and mission statement is to bring digital to every person, home and organization for a fully connected, intelligent world. We hope to deliver ubiquitous connectivity and pervasive intelligence.

We aspire to work with the industry to envision this fully connected, intelligent world, and build this world, step by step. Once this fully connected, intelligent world becomes a reality, there could be enormous possibilities out there. Through our efforts, we hope to bring benefits to humanity instead of pursuing our own commercial interests.

I would say that no other company goes as far as Huawei does: We go to the most underdeveloped and most difficult places around the world, to help build mobile communications infrastructure and provide connectivity services together with our partners. Huawei has a presence in almost every underdeveloped country and region that you can think of.

Our founder often travels to the least developed regions. He doesn't visit developed countries very often. He has been to Mali, Bolivia, etc. I once asked him why he went to those places. He said he went there to see our employees, to take a look at the local living and working environments, and to motivate our employees to stay there and work to attain our goal of connecting the unconnected, rather than just pursuing commercial interests.

I'm not as great as him. I often travel to countries and regions with bigger markets, as I need to take care of our commercial objectives as well. We have reached

a consensus that our founder motivates our employees, especially those working in difficult regions, while I work to attain our annual business objectives. That is a nice collaboration. Therefore, what I truly want to see is that you know what a real Huawei is like, and convey these messages to Canadians.

**03 Last October, Huawei Canada really made a push for lobbying the federal government. It was at the same time that the United States wanted to ban Huawei. There were some concerns around cyber security, 5G, all of that. So when that story came out, a lot of the federal MPs made their opinions. They said, this is what we feel, etc. and then a review began of 5G and Huawei.**

**I recently interviewed some of those federal MPs, and they said that they're more than happy to have you guys lobby them, but it might not necessarily change their viewpoints. So what exactly are you going to be lobbying the federal government and how do you hope to change the impression that the federal government has right now with Huawei?**

**Eric Xu:** With regard to lobbying, I don't know the specifics because that is done by our local office, but I would say there has been very good collaboration

between Huawei and the federal government of Canada.

Huawei started our collaboration with TELUS and Bell in 2009. Over the last 10 years, together with TELUS, Bell, and federal government agencies including the Communications Security Establishment (CSE) and the Canadian Centre for Cyber Security (CCCS), we have put in place a well-functioning mechanism. Through this mechanism, we work together to effectively manage security issues surrounding mobile communications networks and provide secure communications services to Canadian people.

CSE has already published a high-level description of this collaboration mechanism on its website and because of the NDA, I could not disclose more than what CSE already published. The Canadian government has a mechanism in place to manage cyber security. I'd like to emphasize the following points:

First, a network consists of a lot of equipment provided by multiple vendors, no matter if it's for mobile communications or home broadband access. Huawei only offers base stations or home access equipment, which is at the very end of the network or the last-mile access of the whole network. Huawei is not providing the equipment that connects these last-mile base stations and home broadband access equipment. And we don't provide the infrastructure that connects Canada

with other countries.

Second, the networks are not owned by Huawei. They are owned by TELUS, Bell, and Rogers. It is the telecom service providers who are taking care of all of the data as well as network operations and management. I also heard that only our Canadian employees could get access to the equipment rooms of telecom carriers.

Third, the Canadian government has not made its final decision yet, but I believe Canada will make the right decision based on facts, based on the understanding they have had about Huawei after working with us for so many years, and based on the security collaboration and oversight mechanisms that have been put in place.

**04** You have been describing Huawei as a company that is very similar to Western companies, but Huawei operates in a country that is ruled by a single party and where the communist party has final authority. If the Chinese government was to ask Huawei to use the equipment it manufactures for espionage outside of Chinese borders, on what grounds could Huawei refuse a request from the leader of the communist party? And can you point to any examples of Chinese companies that have successfully refused a request of

**that nature from Chinese security agencies?**

**Eric Xu:** Our founder has made Huawei's position clear on a number of occasions. We definitely won't accept such requests. As he put it, if Huawei were compelled to do so, he would rather shut the company down.

On what grounds could we refuse such requests? For me, the reasons are simple – that would violate the laws and regulations of the countries where we operate. China's intelligence law is applicable only to China, not the world. China's Premier Li Keqiang and State Councilor Yang Jiechi have firmly stated China's position, because all of those relevant laws are only applicable to China. Outside China, we must abide by local laws and regulations.

**05**

**So you say that Huawei follows the local laws and regulations of the places it does business in. However, there have been some recent lawsuits of the charge that Meng Wanzhou is facing from the United States, which has led to Meng's arrest in Vancouver. There has also been a case that Huawei's employee in Poland is accused of spying as well. If you can comment on the lawsuits and also perhaps answer the question why you think people around the world should trust Huawei despite everything that is going on?**



**Eric Xu:** You may be aware that I cannot comment on the ongoing legal cases. But I can talk a bit more on why Huawei should be trusted. I think that we are living in a world where people should build mutual trust and mutual understanding based on facts. Any company is made up of many employees, and it encounters different types of challenges as it grows. Similarly, a country is made up of many individuals. People may ask, "Why should I trust Huawei?" If we take a step back, we can also ask, "Why should I trust Canada or Canadian companies?" If you look at any Canadian company's development path, I think they definitely would have encountered one challenge or another. It's the same logic.

In China, there are airplanes made by Bombardier. Can Boeing be trusted? We used to trust Boeing, but people may not have as much trust today. But maybe two years later, people would trust them again. I think that is the same case for Huawei. A lot of suspicions and accusations around Huawei are not built on evidence; a lot of them are based on assumptions or Huawei's identity as a Chinese company.

Jeffrey Sachs, an economics professor of Columbia University, wrote an article entitled *The War on Huawei*. In this article, he listed many companies, especially financial institutions, that have been punished for their wrongdoing. But still people are still using their services.

The United States has never arrested any executives of those companies or caused any of those companies to collapse. I think his article could answer a lot of questions of this nature.

Trust is something that develops and evolves as our society and world develop, and trust must be based on evidence and facts. It must not be based on suspicions, assumptions or a company's country of origin. If it is only based on suspicions or assumptions, then everything that people are talking about Huawei, I could say the same about Canadian companies. For example, Emily, I would say, you probably will kill someone. Do you believe it? I would say I have a suspicion that you might commit a crime or kill someone someday. That is a suspicion that you could never prove negative.

**06 In the case of Huawei, it's hard to prove negative. Obviously the European Union today said it would not ban Huawei, but the US is trying to encourage a ban on Huawei, and I think the difficulty is you can't disprove it negative, right? So whether you're suspicious that I might kill someone or some Western countries are suspicious that Huawei might spy, I'm wondering if you can just address that. How do you go forward when it's difficult to convince people to trust you?**

**Eric Xu:** I will still use your example. It's like you can only explain I haven't killed anyone in the past and I can guarantee that I would never kill anyone in the future, because of my heritage, because of my legacy, etc. That's also true for Huawei. That's also what we can do moving forward.

We appreciate Germany's approach. We understand the concerns around cyber security and we think these are legitimate concerns. It is the responsibility of any government to ensure cyber security. And then what matters is to set standards. The bar can be set higher and all of the players should work to meet these standards.

As we all know, a network is composed of equipment from multiple suppliers. If one supplier can satisfy all the requirements while others cannot, the whole network will still be vulnerable. It's necessary to provide a level playing field for all players. If you can satisfy the requirements, then you are qualified to compete.

We always say that singling out Huawei will not address cyber security concerns. We have almost no presence in the United States, but would you say the networks in the United States are secure?

If all the networks in the world would be secure without Huawei, then perhaps it would be better for

Huawei to disappear, as that would be good for our society. In that case, people will no longer need to discuss about cyber security. But that is not possible from a technical or professional point of view. Cyber security will remain an issue that people should be working on for a long time. It requires collective efforts from all stakeholders to address it from the legal, regulatory, and technical perspectives.

The US has been pointing fingers at Huawei in a lot of countries which happened to have suffered from what Edward Snowden had revealed. I believe these countries know exactly what indeed has been going on.

**07**

**The US has not backed down with some recent comments from Mike Pompeo, still insisting that it will be difficult for the US to work with countries that do use your technology. So why do you think they are still insisting on that? And what can you do to ensure that, earn their trust back I guess, earn their trust at all and then earn access to that market?**

**Eric Xu:** What the US is doing is not based on facts or evidence at all. They are simply using politics to attack Huawei. Thus, it's impossible for us to gain their trust back, and we do not have this expectation on our part.

It would be a waste of our resources if we spend time

and efforts working on that. We need to spend our time and efforts working with those who are willing to discuss with Huawei. Once things are clarified, they would possibly put their trust in Huawei.

If stakeholders can sit down together with us to have discussions based on facts and explore the right solutions to legitimate concerns, then it's possible for us to find the right solution and build trust. This is what the federal government of Canada has been doing since 2009. It's the model that we have been working on over the past 10-plus years together with the Canadian federal government, TELUS, and Bell. When we look at the cyber security concerns of the Canadian government, we explore solutions from a technical and professional perspective and build models for oversight, management, and verification. As a result, there has never been any cyber security incident in Canada over the last 10 plus years. And we have provided excellent network services in Canada.

The UK also cares a lot about cyber security. We sit down together with the UK's National Cyber Security Centre, putting in place a mechanism for management, oversight, and verification to address the cyber security concerns that UK stakeholders may have.

We also have similar collaboration and engagement with the BSI in Germany. We have been discussing how

to address the cyber security concerns that Germany has had. We're also working together to define unified security standards that will be applicable to all players.

We recently opened a cyber security transparency center in Belgium to address the cyber security concerns of EU stakeholders.

All of those efforts are valuable. These models and arrangements are based on professional insight, technical expertise, and facts. They represent efforts to try to find mechanisms for ensuring cyber security.

It seems impossible for us to find a solution with the US, given the nature of what they have been doing. I wonder if the US politicians who are lobbying around the world about cyber security threats even know what "cyber security" is. I think it's pretty difficult to understand what "cyber security" truly means. You have to have extensive technical knowledge to truly understand it.

**08** **So why do you think they are saying this stuff and kind of if it's not based on fact, they're still insisting that with various partners, but they're not changing their message at all, why is that the case?**

**Eric Xu:** I would suggest you take another media

interview with them, because whatever I say it would be simply my guess and that would not address the real question. They have been talking about what their suspicions are or what their guess is. If I really answer your question here, that would be my best guess.

**09** **Just in the past couple of months, a lot of things have happened. Two Canadians have been arrested and detained for national security threat issues. Another Canadian has been arrested and actually has been sentenced to death. These were all done by the Chinese government as a retaliation because of Meng Wanzhou's arrest, so there seems to be a lot of political conversation that is happening. And it's taking away from Huawei's efforts to try and fix its reputation or fix its image that currently Canada has. So do you think that Huawei should talk with the government, so they don't mess up this situation or speak on behalf of Huawei? What do you think a solution here would be?**

**Eric Xu:** Huawei is a company. There's no way that a company can help the government make decisions. Of course, we can express our viewpoints, but the government will have their own considerations. They will not take action depending on what companies have to say. This is something that will never happen.

For example, it's like Canadian companies approaching

Prime Minister Trudeau, requesting him to release Meng Wanzhou, and then all the issues will be resolved. Do you think that's possible?

**10 The government is making a decision and as such is basically deteriorating your image in Canada. Shouldn't there been some sort of conversation there?**

**Eric Xu:** I think it's the same story in the sense that the decisions that the Canadian government is making also have implications on the reputation and image of Canadian businesses in China.

In this case, it's not just about Huawei and Canada. The United States also plays a role in this case and that is probably the key. That's why I said at the outset that Huawei, Canadian businesses, and the peoples of both China and Canada are all victims. We know where and how this whole thing got started.

And there is another question we may want to ask: There are so many other countries out there that people like us travel to, but why was this happening in Canada?

**11 Sorry, I don't understand what your meaning is with that question, why is this happening in Canada?**



**Eric Xu:** I don't know, maybe you can think about it. I'm thinking about it myself. On the same day when Meng Wanzhou was traveling to Canada, I was travelling to the UK.

**I don't know the rest of Meng Wanzhou's travel plans. I don't know how many other countries have extradition treaties with the US that she has been to or she has been avoiding travel to, so I can't answer that question.**

**Eric Xu:** There are 110 countries that have entered into an extradition agreement with the United States, including almost all of the countries that you can possibly think of.

**Your colleague has said Huawei now spends just over 300 million US dollars per year on university funding and partnerships. How much of that is spent in Canada?**

**Eric Xu:** Our partnerships with Canadian universities account for 10% of our total spending on university funding and partnerships. And 70% is funding for basic research.

**And then a bit of a corollary to that is that there have been warnings to Australia. If Australia chooses the technology from other companies, not Huawei, for 5G, the additional cost could be several billions of dollars. What is the Huawei estimate for the additional cost**

**to Canadian communications providers of not using Huawei's 5G technology?**

**Eric Xu:** I had not done the math myself. Maybe you can ask TELUS or Bell about that. They can definitely do the math. I don't have time to do this math for every country.

**That's fair enough. I think the estimate on Australia was that the cost would rise by 15% to 40% or so. It would cost 15% to 40% extra to use the 5G technology of competitors relative to Huawei. Does that math stand? Is that math also applicable to Canada?**

**Eric Xu:** That depends, because the deployment cost for different countries would be different.

**Can Ericsson's 5G technology be used on top of Huawei 4G networks in Canada or are there technical limitations? Would such a decision require tearing out existing 4G technology?**

**Eric Xu:** If interoperability between different technologies is written into the 4G and 5G standards, then interoperability will be possible. But if it's not in the standards, maybe interoperability would be a challenge.

Even though it's written into the standards, there should also be testing and verification between different vendors before we ensure interoperability between different technologies in a multi-vendor environment.

Without prior testing and verification, it would be very difficult to ensure interoperability. This is because engineers working at different companies cannot have the exact same understanding of the standards. That's why we need to have testing, verification, and necessary tuning to ensure equipment from different vendors works well with each other.

So I would still like to say: Do not dwell on assumptions. We should trust the wisdom of the Canadian government and its decision makers. Canada always advocates open policies, free trade, and diversity. And Canada is a sovereign nation. They can definitely make decisions on their own matters.

We faced similar challenges in the 3G and 4G eras. I appreciate the approach that the federal government of Canada has taken. It was not a simple yes or no. And the decisions were not made based on politics or the suppliers' country of origin. The approach is based on professional and technical merits. Through this approach, Huawei, carriers, and related government departments have come together and developed the right solution. The solution not only addresses the cyber security concerns of the government, but also ensures that both Huawei and carriers have the ability to deliver what are required of them. This cooperation model has ensured the security of both 3G and 4G networks in Canada,

and this model has delivered solid management results over the last 10-plus years. There is no reason for us to believe that there will be only one choice in the future.

We also believe that the legal system of Canada is open, transparent, just, and fair. We have been very firm in our position to use the legal system of Canada to address the case of Meng Wanzhou.

# Ryan Ding's Interview with BBC Panorama

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March 28, 2019  
Shenzhen, China

**01** **May I start by asking you what do you think about the tone of some of the recent reports there have been of Huawei?**

**Ryan Ding:** Regarding the recent media reports on Huawei, there are mainly two types. One type of voices came from our 400 plus customers around the world. The other type of voices came from the United States.

If we look at the 400 plus customers we have around the world, we have worked with them for 10, 15, or 20 years. Take BT and Vodafone for example. We have been working with them for almost 10 years. They have been trusting and supporting Huawei.

The other type of voices came from the United States. They have never used Huawei's 5G equipment, but they kept voicing skepticism around Huawei's 5G equipment, which, to me, is kind of interesting.

**02** **You mentioned BT and Vodafone. I believe with the history of the company. Your deals with those two companies were some of the first big international deals that occurred to your company and helped you open up to the world. With that in mind, how important is it now that the UK allows Huawei to be part of this 5G network?**

**Ryan Ding:** Let me put it this way. Our collaboration with a lot of UK customers goes beyond a typical commercial relationship. We conduct a lot of joint innovation for the future. We have established joint innovation centres with a lot of our customers in the UK. We work together to discuss what products are needed for the future telecom market. Together with our customers, we created SingleRAN. We launched one of the world's first 600 Gbps transmission networks. We launched the world's first home broadband access network of speeds up to 1 Gbps. Therefore, to me, this is much more than a pure commercial relationship. I believe this is more of a strategic partnership that we will always value.

**03 But if the UK government comes out and says yes, we're happy for your company to be part of the 5G network, I'm wondering what message do you think that will put out to the rest of the world?**

**Ryan Ding:** The UK is a market that advocates openness and freedom. Huawei's collaboration on cyber security with the UK started in 2011. Over the past seven years, we have put in place a very comprehensive and mature mechanism for cyber security and associated risks. I think the cooperation between Huawei and UK stakeholders has conveyed a clear message to the industry that cyber security should be based on technology, not based

on politics. Any risks associated with cyber security should be addressed based on expert discussions and technological evaluations, instead of based on suspicions or assumptions.

**04** **And just in the past couple of hours, there's been a report that's come out of the UK from Huawei Cyber Security Evaluation Centre, which is quite a critical report. It talks about only having limited assurances about the current equipment from your company and raises concerns about whether you can make the required changes to your transformation programme for it to be able to manage the future kit that we would need for 5G. In reading it, it sounded quite a negative report. I'm just wondering what your response to it is.**

**Ryan Ding:** Let me start by correcting one piece of information. The report comes from the Oversight Board. It's not coming from the Cyber Security Evaluation Centre. The report clearly says that over the last seven to eight years, the oversight over Huawei is arguably the toughest and most rigorous in the world. We think this is both a challenge and an opportunity to Huawei. In November last year, Huawei's Board of Directors passed a resolution and decided that the company was going to launch a massive transformation programme for enhancing



software engineering capabilities, with an initial budget of 2 billion US dollars. We hope we can turn this challenge into an opportunity moving forward. I believe if we can carry out this programme as planned, Huawei will become the strongest player in the telecom industry when it comes to security and trustworthiness.

**05 I think it's fair to say that there was, in the report, a sense of frustration about what was a lack of a credible plan to address some of the problems that have been raised in the past, despite the commitment to spending a lot of money from your company. What do you say to that feeling of frustration?**

**Ryan Ding:** First, over the last 10-plus years, Huawei's telecommunications equipment has maintained the best performance across our industry in terms of quality, stability, and reliability.

Second, in November last year, Huawei's Board of Directors approved our transformation programme. The high-level plan for that programme is going to be finalized this month. In the next two or three months, we're going to communicate with all stakeholders, including those in the UK. Then we will publish the plan. It will be a better timing for us to discuss then about whether the potential risks around cyber security can be well addressed with our programme.

06

**May I ask, I know your company said it is spending \$2 billion on this. I know you've said that we'll get more details very soon, but is there any information that you would be able to share at this moment about how you plan to spend that money that might reassure people?**

**Ryan Ding:** First, the 2 billion US dollars is only the initial budget. We will allocate more funds when needed. Second, the transformation programme is not just about addressing the existing areas for improvement that have been identified. We will go beyond that. As intelligence and software-defined everything are becoming more prevalent in the ICT industry, we are also thinking about the other possible new risks that we should keep our eyes on.

Assessment and anticipation of those potential risks in the future provide important inputs when we plan this transformation programme. So I think the investment for completing this transformation programme might be more than 2 billion US dollars.

We also notice that telecom equipment used to sit in what we call a walled garden. Now, the scope of the telecom industry is expanding, not just connecting people, but also connecting more things. There will be greater risks and challenges ahead.

This transformation programme is designed in part to

refactor all of our legacy code and legacy software that Huawei has written and developed over the last 20 or even 30 years.

So it is not just about ensuring the security of new products and new software that we're going to produce for the future, but also about making our legacy code more secure and more reliable. That's why Huawei's Board of Directors decided to invest such a large amount in this programme.

We will share more detailed information about this programme according to our communication plan once we make progress in the communication with our stakeholders.

## **07 Thank you. You're the only company that has to be scrutinised in this way. Do you think that's fair?**

**Ryan Ding:** In February this year, Ciaran Martin, CEO of NCSC, delivered a speech at CyberSec in Brussels. He made one point which I very much agree on. He said, we must have higher standards of cyber security across the entire telecommunications sector.

Also in February this year, GSMA, our industry association, announced the initiative of driving more efforts around security standardization and security

certification. Huawei very much welcomes such initiatives, because we think security is never the business of one single vendor. It involves security of standards, products, networks, and applications.

The suggestions from the NCSC and GSMA are very constructive. They are future-oriented, and Huawei stands ready to respond to and support such initiatives.

**08 The timing of this, though, comes what we expect to be shortly before the UK government publishes its telecoms supply review and later a wide decision about Huawei's involvement in 5G. The report is critical, and some of the commentary already is saying that this could be used as a weapon against your firm just right at the time that the government is going to make this incredibly important decision about whether to include you in the 5G network. Are you concerned by it?**

**Ryan Ding:** First, I always believe that the UK is a country that advocates openness and freedom. It is a country that always encourages competition and innovation.

Second, Huawei is an equipment vendor. What we can do is to invest more into R&D, so that we can make the best products and provide the best services for our customers.

I believe that as long as we can provide good products and services, our customers and the UK government will make the right choice.

**09** **The other thing that's happened over the past couple of days is Australia's cyber spy chief, Mike Burgess, did a question and answer session. I don't know if you heard this. But he was asked to give a more detailed explanation that he had done before about why Huawei had been blocked from Australia. And the answer he gave talked about Huawei and other high-risk vendors. He said the issue wasn't about cyber espionage. The fear was that you could end up with a situation where power networks, water supplies, sewage, these types of things could be compromised because they're all going to be connected to 5G. What do you think about that?**

**Ryan Ding:** From the very beginning when the whole industry came together to define 5G standards around the year 2009, the industry already started to think about how to build security into 5G standards. In other words, there were discussions about standards for the security of connections between people and between things. For 5G connectivity, we have 256-bit encryption. What does this mean? That means it will take millions of years for the best mainframe computer that our world

has today to possibly crack that encryption. So, security has been built into standards.

The next level is product security. In the UK, Huawei has put in place a security evaluation and assurance mechanism at the source code level. I think that's also a very important reason why NCSC has said that this was probably the toughest and most rigorous oversight regime in the world for Huawei.

The fact that Huawei has delivered source code to the UK for evaluation fully testifies Huawei's confidence in the security of our products.

The other two levels around security are network security and application security. That's where we work together with our customers and partners to address challenges.

**10**

**There has been repeated accusation that if the Chinese government comes knocking at your door and tells you to install a backdoor or create some other kind of vulnerability that could compromise your client's networks, your company would have to do it. How do you answer them?**

**Ryan Ding:** About two weeks ago, Chinese Premier Li Keqiang was asked a similar question during an interview.

He expressed two clear messages.

First, the Chinese government requires that all Chinese companies strictly follow local laws and regulations in every country where they do business.

Second, the Chinese government has never and will never ask any Chinese company to install backdoors.

Chinese laws do not have long-arm jurisdiction. China has been pretty much in the catch-up mode in the last 100 to 200 years, so there is no law in China that has long-arm jurisdiction.

At this year's Mobile World Congress in Barcelona, Huawei's Rotating Chairman Guo Ping clearly told the industry and the press that "Huawei has not and will never implant backdoors".

Here I want to stress again that Huawei has never installed any backdoor in our equipment, and we will never do so in the future.

**11**

**I guess the concern some people have in particular is that the US and China are destined for war at some point in the future. The concern is that everything that we know from the past gets thrown out, and at that point your company could be compelled to undermine other countries via their 5G networks. Isn't that a real concern?**

**Ryan Ding:** I think there is a very interesting phenomenon: The customers and countries that have used Huawei's equipment believe Huawei is a trustworthy company. There are countries that virtually have no Huawei equipment and even don't know whether our 5G equipment is square or round, but they have been expressing security concerns over Huawei's equipment. I don't want to waste time suspecting the reason behind what those countries have been doing. Rather, I will focus my time on making better products and services.

**12**

**When I heard this point, to me, there's no evidence of you having done anything untrustworthy. Your founder has kept promising that he wanted to shut down the company if he was compelled to do this. All that would happen would be that the company could be nationalized and still used as a weapon. What do you say to people making those arguments?**

**Ryan Ding:** I think people of my generation are quite lucky in the sense we have witnessed how China, once a closed and conservative country, has reformed and opened up since 1978. I believe China's political system and legal system will only become better, and China will further promote the rule of law.

So I'm not concerned about what you said at all.



When countries that do have such concerns make judgments on the matters of another country, they do so based on evidence. However, when it comes to Huawei in this specific case, these countries have always based their judgments on assumptions and suspicions. I still think this is something quite interesting to me.

**13** **You talked about why the assumptions and suspicions. One of these phrases that I've noticed that keeps coming up is the talk of close links between Huawei and the Chinese government. Is there any truth that there are particularly close links between the two of you?**

**Ryan Ding:** Our founder, Mr. Ren Zhengfei, has repeatedly answered similar questions during previous media interviews. The relationship between Huawei and the Chinese government is no different compared to the relationship between the government and other commercial organizations.

**14** **Why do you think the US is so opposed to your company in particular?**

**Ryan Ding:** I think you should not ask me this question. You should ask the US government.

15

**But I know your company published an essay in one of the newspapers talking about what the NSA might be able to do with other companies that it wouldn't be able to do with yours. I wonder if you could tell me a little bit about that.**

**Ryan Ding:** Huawei's main viewpoints have been clearly laid out in Guo Ping's byline published in the *Financial Times*. For Huawei, what we can do is first making 5G more secure, and then focusing on providing better services to our customers. I can't think of other things we can do beyond that.

16

**I just want to pick up my point because most of the audience haven't read the *Financial Time* article. I believe you were saying that actually there's less risk of being hacked with Huawei, than other companies. I just wonder if you're happy to explain that.**

**Ryan Ding:** From the very beginning, as the industry came together to define 5G standards, the industry already realized the fact that 5G use cases would be more complex compared to 2G, 3G, and 4G. So there have been higher and more rigorous security standards for 5G. For example, as I've just mentioned, it will take a mainframe computer millions of years to possibly crack the 256-bit encryption. Based on my personal understanding of

today's technologies, the transmission channels of 5G are almost impossible to be hacked. Therefore, I believe with 5G, you can only have more secure communications and more secure connectivity.

**17 Okay. Let's move on. One of the other accusations that's sometimes made is about intellectual property. And I think the US recently claimed Huawei was offering their employees bonuses if they were able to steal confidential information through your rivals. Is there any truth to that?**

**Ryan Ding:** I think this is just like the other claims they have made. These are based on suspicions or imaginations, not on facts. When it comes to IPR, whenever there are disagreements, we'd welcome going through the legal process, whether it being the US courts or the UK courts. We hope and we are willing to address IPR disputes through the legal process. In the last couple of years, we have quite a number of IPR cases that have been concluded in US courts.

I'm very curious about why the US said so. As far as I know, there is no 5G equipment vendor coming from the US.

18

**Okay. So let's move on. The UK is taking longer than expected to come to its decision over whether to include your company in the 5G network. What would you say to UK policy makers who are watching this about why they should say yes?**

**Ryan Ding:** I noticed that earlier this week, senior executives of both Vodafone and BT mentioned, when they talked to the media, that if Huawei were not allowed to compete in the UK market, the rollout of 5G in the UK would be delayed by 18 to 24 months. Then, what exactly can 5G bring?

Take football for example. People will no longer watch the football game on a small five or six-inch screen. With 5G, they can enjoy an immersive experience with a mobile VR gadget.

Home broadband access is another example. People living in big cities could enjoy 100Mbps or even 1Gbps, which would allow them to enjoy 4K or 8K TV experiences. Similar bandwidth with a similar experience can also be made available to people living in rural areas.

Medical service is also an example. People in big cities will be able to get access to the best medical services, so are people living in rural or remote areas. They could also enjoy the best medical services remotely because with 5G networks, telemedicine and telesurgery will be possible.

**19** **Your company employs, I believe, over 1,500 people in the UK. You have plans to invest billions of pounds in research and development. If the UK puts restrictions on your company, or even blocks your company, presumably there are implications for all that.**

**Ryan Ding:** It is a consensus of all Huawei board members that the UK is a country that is open and transparent, and encourages innovation and competition. So it is our strategy to continue investing in the UK. And I believe such investments are in the interests of not only Huawei, but also the UK and the entire industry.

**20** **There's a lot of pressure from Washington being put on the United Kingdom. Even in some of the interviews I did, people were talking about changing the way they shared intelligence with the UK. We spoke to one expert. He said the US might punish us somehow through trade if we didn't do what Washington wants. To what extent is there a risk of the UK, do you think, maybe being bullied into a decision here?**

**Ryan Ding:** Huawei is only a small telecommunications equipment supplier. There's no way we can manage everything. In the current circumstances, what we can do is work to build the best products, ensure we continue to stay 18 to 24 months head of competition, and provide

the best services to our customers. I believe as long as we continue to provide the most advanced products and the best services to our customers, the market will be more open to Huawei.

21

**The OB report sort of sounds, to my ears, it sounds a bit like a very strongly worded report. Will you give a strong message back? Let me ask, the report is going to be seen as being highly critical of your company. What do you say in response?**

**Ryan Ding:** In Chinese, crisis consists of two words. One is "Wei", meaning risk, and the other is "Ji", meaning opportunity. There have been a lot of risks and challenges for Huawei in our 30-plus years of history. So we would rather turn critical comments or suggestions coming from any third party into opportunities for the future.

There are critical comments in this year's OB report, to which Huawei has responded very rapidly. So for us, we'd rather turn this into an opportunity to enhance Huawei's security and trustworthiness. That's also the intent and the very reason why Huawei's Board of Directors decided to earmark at least 2 billion US dollars for the software engineering capability transformation programme.

22

**Because it's going to be very short bits at the beginning, and it's going to be the first time people see you on the television programme. Are there two sentences, or something short of reassurance that you can give people about your company, with all the negative things that your critics have said, why should people trust our company?**

**Ryan Ding:** 5G has the highest security standards. Huawei has the most advanced 5G technology. I believe Huawei can bring the best and most secure 5G networks to the UK.

# Ken Hu's Speech at the HCSTC (Brussels) Opening Ceremony

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March 5, 2019  
Brussels, Belgium



Good morning, ladies and gentlemen. Thank you for joining us today.

I am very pleased to be back in Brussels.

This city is leading the efforts to address major challenges from global warming to education, from economic development to changes in the workplace – the policymakers here in Brussels are looking for solutions to challenges that we all share. This includes cyber security.

Last year at the European Business Summit, I announced our plans to open this Cyber Security Transparency Center here in Brussels. Looking at the events from the past few months, it's clear that this facility is now more critical than ever.

## **Cyber security challenges**

We are getting into a digital world very fast, and we all agree that trust is the foundation for a healthy digital environment. But as technology evolves, it's more difficult to build that trust.

Right now, we see four main challenges to building trust.

First, fast developing digital technology has brought

many new security challenges. For example, traditional telco networks have evolved from closed networks to Internet-based networks. More and more digital content and services are migrating to cloud data centers.

As more devices go online, and our smartphones become more powerful, networks have much greater attack surfaces than ever before.

Second, as a global community, we lack a common and unified understanding of cyber security. Governments, business communities all talk about the importance of cyber security.

However, the fact is that both the public and private sectors lack a basic common understanding of this issue. As a result, different stakeholders have different expectations, and there is no alignment of responsibilities.

Third, as a whole, the industry lacks a unified set of technical standards for security, as well as systems for verification. This is complicated by globalization of the value chain. Digital products include components from many different countries, with many different standards, or no standards at all.

There is an urgent need to invest in security standards and verification systems at the national level, as well as professional resources and skills.

The fourth challenge is governance. In some countries, cyber security management lacks legislative support, and cyber security enforcement is not mature.

These are all real challenges, and we fully understand the cyber security concerns that people have in an increasingly digital world. Cyber security is a challenge we all share. To address these challenges, I believe that mutual understanding is the starting point.

To build a trustworthy environment, we need to work together.

### **Laying the foundation for trust with unified standards and verification**

At Huawei, we have the ABC principle for security: "Assume nothing. Believe nobody. Check everything."

Both trust and distrust should be based on facts, not feelings, not speculation, and not baseless rumor. We believe that facts must be verifiable, and verification must be based on standards.

So, to start, we need to work together on unified standards. Based on a common set of standards, technical verification and legal verification can lay the foundation for building trust.

This must be a collaborative effort, because no single vendor, government, or telecom carrier can do it alone.

Second, we need to work together to clarify and align our responsibilities. This includes all stakeholders: regulators, standards organizations, telcos, and technology providers.

For technology providers like Huawei, our responsibility is to fully comply with standards. But that is not enough. Security must be embraced as a greater social responsibility.

That means embedding trust in all end-to-end processes, and enhancing security through innovation and corporate culture.

For telco carriers, their responsibility is to ensure the cyber resilience of their own networks. Following industry standards, telco carriers need to build robust processes to identify cyber security risks. They need to develop risk mitigation plans, and protect customer data.

Finally, government and standards bodies need to work with all stakeholders on standards development. This is our shared responsibility. These efforts should focus on a holistic approach, including security standards, security verification mechanisms, and enforcement.

Europe has strong experience in driving unified

standards and regulation. GDPR is a shining example of this. It sets clear standards, defines responsibilities for all parties, and applies equally to all companies operating in Europe.

As a result, GDPR has become the golden standard for privacy protection around the world. We believe that European regulators can also lead the way on similar mechanisms for cyber security.

Right now, for example, the GSMA is making great progress with their NESAS security assurance scheme. We believe that all stakeholders should get behind this framework. Ultimately, the standards we adopt must be verifiable for all technology providers and all carriers.

An open, digital, and prosperous Europe requires secure and trustworthy digital environment that meets the challenges of today and tomorrow. To lay the foundation for a trustworthy digital environment, both now and in the future, transparency, integrity, and accountability are essential.

### **Huawei's Cyber Security Transparency Center**

Today, we are opening the Huawei Cyber Security Transparency Center to help build that environment.

This center will provide a platform to enhance

communication and joint innovation with all stakeholders. It will also provide a technical verification and evaluation platform for our customers.

Huawei strongly advocates independent and neutral third-party certification. Our Cyber Security Transparency Center will support that.

It will also give us a dedicated platform for constructive discussion, sharing best practices, and jointly addressing risks and challenges with our customers and partners.

We welcome all regulators, standards organizations, and Huawei customers to use this platform to collaborate more closely on security standards, verification, and secure innovation.

Together, we can improve security across the entire value chain and help build mutual, verifiable trust.

## **Security or nothing**

Over the past 30 years, Huawei has served more than three billion people around the world. We support the stable operations of more than 1,500 carrier networks in over 170 countries and regions. In this time, we have maintained a solid track record in cyber security.

At Huawei, our promise is "Security or nothing." We

take this responsibility very seriously. Cyber security is our top priority across product design, development, and lifecycle management, and it is embedded in all business processes.

Looking to the future, we want to do more. We will keep investing in our cyber security and technical capabilities. This center is an important milestone in that commitment.

We also commit to working more closely with all stakeholders in Europe to build a system of trust based on objective facts and verification. This is the cornerstone of a secure digital environment for all.

As a city, and as an institution, Brussels reminds us of what collective effort and a clear vision can achieve. As people, as organisations, as companies, I strongly believe that we are always more effective when we work together.

Thank you.

# Ren Zhengfei's Interview with Handelsblatt and Wirtschaftswoche

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April 11, 2019  
Shenzhen, China



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

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

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

**02 You praised Donald Trump, your worst enemy, recently, as a great president for his economic policy.**

## Which principle of leadership is that in this instance?

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

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

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

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

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

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

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

Chinese companies grow better.

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

#### **04 Has the US boycott against Huawei already affected your business?**

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

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

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

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

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

### **So you think the action of the US was politically motivated?**

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

## 05 **Is Huawei probably the most prominent victim of the US-China trade war?**

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

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

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

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

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

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

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

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

**06**

**I want to go back to the trade war aspect. From the bigger picture, it's a new Cold War because Huawei as a company and China is fast becoming a superpower and threatening the number one position of the USA? So**

## **Huawei is the perfect target in this super power battle?**

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

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

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

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

**07**

**But if it comes to a new Cold War, it would be very bad for the world economy, for companies like Huawei,**



## **Daimler, *Siemens*, and so on. Do you fear a new era of protectionism around the world?**

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

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

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

**08** **It's typically a Cold War. The US accuses a company like you for spying for China by deploying your technology. They accuse you very heavily. Did you see any proof? Did you see any documents that are the basis of these accusations against you?**

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

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

**Ren:** Certainly.

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

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

Huawei has contributed about 90,000 patents worldwide. Those are all new patents. We know there are some established companies that have hundreds of thousands of patents, but they have not contributed as much as we do to new networks. No matter whether

the US admits it or not, their information networks cannot bypass Huawei's patents.

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

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

## **10 When it comes to data security, do you trust US tech companies like Google, Amazon, and Facebook? Do you trust them?**

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

Our networks only guard against hostile competitors and malicious attacks. We have no hostile competitors amongst Western companies, so we don't guard against

Western companies. We also don't guard against the US government, the German government, the Chinese government, or any other government. They will not forward information about us to our competitors.

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

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

**12 Right. You mentioned the good and deep relationship between Huawei and Germany. Chancellor Merkel just refused to boycott Huawei. Have there been any discussions between Huawei or Beijing and Germany in that case?**

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

**Are you happy with the German government handling**

**the matter?**

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

**And you do not fear their objection?**

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

**13****Do you have any new investment plans in Germany?**

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

5G base stations may be located in Europe. Germany is one of our preferred locations.

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

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

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

## Chinese government?

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

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

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

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

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

We have focused on a single point, from several dozen employees, to several hundred employees, to

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

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

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

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

**Ren:** Never.

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



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

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

**20** **At the beginning of the US attacks against Huawei, your daughter was arrested in Canada. What is your view and what is your comment on that case?**

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

**How often do you contact your daughter?**

**Ren:** We call each other all the time when we want to talk. The Americans who are eavesdropping on our calls

must be working really hard. They don't know when we might make a call. I might not make a call for days, and they just have to wait around for it. They are working really hard.

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

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

**22** **Do you think there have been any chance with you, you have sued the US government, do you think you have a chance there before the court?**

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

## **23 What are you doing now to improve your image in the US?**

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

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

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

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

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

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

**26 How important will AI be in the future for Huawei?**

**Ren:** Very important, and even more important to Germany, because production in Germany is already highly automated and supported by information technologies. I think Germany is well positioned to make Industry 4.0 a reality.

**So German companies should invest more in AI?**

**Ren:** Yes. Using AI does not necessarily mean AI has to be manufactured in Germany. No matter where the technology comes from, as long as it can create wealth for Germany, German companies should embrace it. Currently, the US is the strongest in AI. Germany needs to overcome its labor shortage if it wants to achieve leapfrog development in its industry. That's part of why Germany has used buses to carry millions of workers from Turkey. Once Industry 4.0 is realized and

AI is widely deployed, Germany will become a greater industrialized nation, with an equivalent of 800 million people. By then, Germany will have enough capacity to produce goods that are more than sufficient for the whole world.

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

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

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

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

**29** **You were very impressive when talking about global politics, the trade war, the Cold War, European**

**politics, and Chinese politics. Could you ever imagine moving into politics for the last years of your career?**

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

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

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

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

expressed in mathematical equations.

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

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

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

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

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

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

better idea, I would like to give you an example.

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

32

**When you were giving an interview with CCTV, you said you reject the invitation to attend a ceremony celebrating the anniversary of China's 40 years of reform, because you have more important things to do.**

**Ren:** No, I don't have more important things to do. What I want to do is to focus entirely on running Huawei.

**Is this a privilege to say no to this invitation?**

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



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

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

### **Wrap-up:**

**Ren:** We human beings captured the first-ever image of a black hole yesterday. This is the result of mankind's joint effort. The same will be true for 5G. Don't ever think that 5G is a proprietary product or patent of Huawei. To make 5G a reality, the whole world needs to work together and help each other. Let's cheer yesterday's breakthrough and astronomers' decades of perseverance!

# Ren Zhengfei's Interview with Time

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April 12, 2019  
Shenzhen, China

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

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

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

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

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

**Ren:** It is not the size of the business that we are after. We aspire to provide good services to all. We're just concerned that technological advancement cannot

keep pace with people's ever-evolving needs. The communications world is migrating to the cloud step by step. Now, there are many small clouds spreading all over the world. In the future, all these small clouds will be connected to form a huge, global cloud. What matters most to Huawei is whether we have the ability to serve that global market. Therefore, we invest a lot into future-oriented scientific research. We're trying to explore some of the new scientific discoveries and technological inventions, and preparing to invent products that can better adapt to future needs.

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

02

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

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

For that reason, I think it's unlikely that China can catch up with the West within a short period of time in every regard of science and technology. That's why we've been calling for the Chinese government to pay more attention to education, and to change its status as an underdeveloped country and a follower. Children should

think independently. We also hope China can make technological contributions to the world in the future.

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

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

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

Second, Huawei has done a lot to drive IPR protection in China. Our annual R&D investment is between 15 billion and 20 billion US dollars. Our R&D competence centers are scattered around the world, and we have around 80,000 R&D employees. We are already a leading player. That is not something you can achieve by stealing from others. Individual employees will be punished for their wrongdoings, and they do not represent Huawei.

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

**Ren:** Maybe.

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

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

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

**Ren:** All charges must be based on fact and substantiated with evidence. Then, with open, transparent, fair, and just legal proceedings, we will know whether or not we actually have a problem. We don't think there will be any problem as long as everything is made public. We still place our faith in the courts.

**06** Do you believe the charges against her are politically motivated?

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

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

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

**What about her children, your grandchildren? How are they coping with the estrangement?**

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

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

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



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

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

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

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

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

**08**

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

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

Openness is conducive to economic development, and globalization is in the interest of the US. If the US government comes up with policies that ban the sale of

certain things to certain countries, American companies will make less money, which will affect the US economy.

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

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

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

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

Now, we're having this face-to-face interview, and

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

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

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

**So the government would take your phone call if you want to contact them?**

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

**09 The American government accuses Huawei technology of having backdoors which can be exploited by the Chinese government. You said before that you'd rather disband the company than betray your customers.**

**But would you be willing to go to jail to challenge the Chinese government if they made a demand?**

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

When I first expressed this position, I had not heard anything in response from the Chinese government. At the Munich Security Conference, Yang Jiechi, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, made it very clear that the Chinese government always requires Chinese firms to abide by international rules and the laws and regulations of the countries where they operate. He also pointed out that China has no law requiring companies to install "backdoors" or collect foreign intelligence. Premier Li Keqiang then further reiterated that position at a press conference held after a recent session of the National

People's Congress. I believe that they, as top government leaders, accurately represent China's position. Recently, when Premier Li Keqiang visited our booth in the "16+1 Summit" in Dubrovnik, he repeatedly told us not to install backdoors.

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

10

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

**Ren:** The information would not be coming from

Huawei. It would come from the networks owned by the public security authorities. This has nothing to do with us.

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

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

11

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

**Ren:** No, not even once. The networks are owned by telecom carriers and the states. Huawei is just an equipment provider. We don't have any authority or ability to do anything on the networks.

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

12

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

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

13

**You come from a military background. How does that influence the way that you run your company?**

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



learned to Huawei.

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

14

**No. Oh. TikTok. So, some of Huawei's earliest contracts were with the Chinese military and the Chinese government. I mean, how important were they to the success of Huawei during the early days?**

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

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

15

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

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

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

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

16

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

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

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

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

The US is the most advanced nation when it comes to science and technology. The country has enjoyed absolute leadership over the last several decades in this

area. And in the next several decades to come, the US will continue to enjoy relative leadership. I think the US should be more confident in the fact that Huawei is like a small rabbit, without the capacity to disrupt any industry. Therefore, they should be friendlier to Huawei and treat us fairly.

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

**17****Do you consider yourself a socialist?**

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

get more. Capitalism is about distributing wealth based on the size of your investment.

For example, if we were dockhands and I could only carry one bag while you could carry three, then your income should be three times of mine. There would be a 200% gap. But, in capitalism, if you invested 10 billion dollars while I invested 500,000 dollars, and our profit margin was both 10%, then you would earn 1 billion dollars and I'll only earn 50,000 dollars. This gap exists because capital has no life and can grow exponentially. That's how the income gap has widened.

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

Deng Xiaoping also proposed that China had only achieved the initial stage of socialism. What did he mean by the initial stage? He meant that we acknowledged the existence of income disparity. Deng was also famous

for saying, "Let some people get rich first and they need to help those who are left behind get rich as well."

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

**18 The Chinese government recently gave you an award to remark the 40 Years of opening and reform, and I believe you turned it down. Can you let us know why?**

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

I'm a person who doesn't care so much about the past. I have won some honorary titles, but I have lost almost all of them. I haven't even kept a single

memento. I just keep pressing forward. I don't want to stop and accept an award. If I were the kind of person that liked to accept awards, I would have accepted a lot. If I had a lot of medals to show off, would that mean I'm a capable person? Would that mean I could make better 5G technologies?

**Are you a member of the Communist Party?**

**Ren:** Yes, I am.

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

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

**19**

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

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

**20 Your campus here is really magnificent. There are all kinds of architectural styles. Did you plan all of this? Where does the impetus and inspiration for Huawei's amazing campus come from?**

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

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

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

**Ren:** Yes, indeed. I think he is here at Songshan Lake



today. If you want to talk with him, I can arrange for that. You guys can talk and have a dinner together.

**That's very kind. Thank you.**

**21 At the moment, America has a President who says quite aggressive things about China, accuses China of stealing American jobs and this kind of thing. What is your opinion about President Trump?**

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

**It sounds like you're siding with President Trump over the Chinese government.**

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

**22 At the moment, there seems to be a split between America and Australia and Japan which don't allow Huawei technology and most countries who still allow Huawei technology. Do you fear that, with 5G, technologies across the world might be split, bifurcated,**

**and then there'll be two separate systems which might have trouble communicating and dealing with each other?**

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

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

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

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

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

**Ren:** I think AI is going to play an extremely important

role, not only in the telecom industry, but in society as a whole. Production will become highly intelligent, which could substantially increase productivity. For example, if tractors were powered by AI, they could work 24/7. AI can work even in harsh or tough environments.

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

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

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

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

Western countries face some social problems, including high salaries, high social welfare, and union

strikes, which have caused some setbacks in the West in regard to industrialization over the past 20 to 30 years. Some industries have even been relocated to countries where workers are not so overprotected.

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

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

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

25

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

**Ren:** Changing tax law is the job of the government. I don't know how. The Chinese government takes Huawei seriously because we pay nearly 20 billion US dollars in taxes around the world every year. Tax payment used to be in the charge of Meng Wanzhou. The US authorities might have thought that we wouldn't be able to pay our taxes without her. But that is not the case. We are a company that runs according to rules and processes. Even though she is not here, our company is still running quite well.

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

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

**No, certainly not.**

26

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

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

**So, you admit that this employee was doing**

**something untoward on behalf of another power?**

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

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

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

# Ren Zhengfei's Interview with CNBC

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April 13, 2019  
Shenzhen, China



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

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

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

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

I felt very uncomfortable with the transition from the military to Shenzhen which was at forefront of the

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

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

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

realized that the communications industry was so cruel.

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

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

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

I lived through the great famine that hit China, and the economic recovery that followed. I also participated in a large project that brought equipment in from France. These experiences taught me to endure hardships. Because I had faced too many hardships, I wasn't troubled at all by the hardships we faced in

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

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

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

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

Back then, we couldn't test instruments from

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

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

**Ren:** When I was a kid, I didn't have many hobbies mainly because my family was poor. I liked reading books, doing homework, and solving math equations on scrap newspaper. During China's Cultural Revolution, I designed a small instrument using my math skills, and actually received recognition from the government for this device. Small projects like this ignited my passion for scientific research.

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

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

**04**

**I want to talk a bit about your management style. You often use military imagery and images of battles**

**in your speeches and communications with the employees at the company. Is this a battle for you?**

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

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

Western companies are no different. Microsoft focuses on Windows and its Office Suite. Intel only

makes chipsets. Both Amazon and Google have their own focus areas. Unlike Chinese companies that set up many businesses but most cannot be called successful, US companies know how to narrow their focus and then charge forward. We are actually learning from US companies.

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

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

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

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



speak. So I don't think they are intimidated.

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

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

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

Our annual R&D investment is around 15 billion US dollars. We have more than 60,000 R&D employees who are turning knowledge into products and then into money. We have really invested a lot in this process. We are already a world-leading company. That is not something you can achieve by stealing from others.

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

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

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

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

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

**Ren:** Huawei is based in China. So firstly, we must abide by Chinese laws and regulations. Secondly, we need to pay taxes to the Chinese government. Our relationship with the Chinese government is primarily defined by these two points. Our subsidiaries in other countries also have this relationship with local governments. They also need to follow local laws and regulations and pay local taxes. If we didn't pay taxes or follow the laws and regulations in the over 170 countries where we operate, we wouldn't have survived in those countries.

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

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

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

Second, Premier Li Keqiang reiterated this point at a press conference following a recent session of the

National People's Congress.

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

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

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

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

**10 What guarantees can you give to customers that their data is safe?**

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

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

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

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

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

Right now, the support of the Chinese government

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

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

### **So would you say the US is scared of Huawei?**

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

**12**

**Let's talk a little bit about the US for a moment. I want to use a case analogy here. Do you see that Huawei is**

## **a pawn in the broader US-China trade war that's going on at the moment?**

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

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

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

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



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

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

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

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

European countries want to think over all their options a bit. I think it's the right thing for them to do.

Germany proposed the establishment of a unified global convention that would bar all equipment vendors from installing backdoors, and require them to sign a no-spy agreement. We firmly support this. We endorse unified global standards that make installing backdoors a crime.

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

No backdoors. This message has been reiterated by many senior officials of the Chinese government, including Yang Jiechi, who stated his position at the Munich Security Conference, and Premier Li Keqiang, who made a similar statement at a press conference shortly after a recent session of the National People's Congress. When attending a summit in Croatia, Premier Li also told our employees not to install backdoors. So we believe our engagement with the German government will be endorsed by the Chinese government. We are also willing to push the Chinese government to sign a cyber security agreement with the German government. We will comply with European cyber security standards and the GDPR.

Over the next five years, we will invest more than 100 billion US dollars in R&D to restructure our networks. In

particular, we will build the simplest networks, ensure cyber security, and protect user privacy. We will also increase our sales revenue, which is now more than 100 billion US dollars, to around 250 billion US dollars. We are going to make this happen.

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

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

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

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

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

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

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

**16**

**But what was the personal effect of her arrest on you as a father?**

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

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

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

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

**Ren:** I don't know. I had thought that this was an Internet rumor initially, so I said that without much thought. I was later told that she sent me a letter, where she mentioned that she wanted to leave the company. After all these upheavals, she has changed her mind and doesn't want to leave. She has understood the difficulties that the company is facing and wants to help us see this through.

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

**19 So that's a metaphor for your daughter? So you said she doesn't want to leave anymore. So what is her**

**role at this company if she is eventually released?**

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

**20**

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

**Ren:** Maybe.

**21**

**You said Huawei should not be used as leverage between the US and China, and Donald Trump, President of the United States, said that he could intervene in the Meng Wanzhou case as part of a bigger trade deal between the US and China. Is that something you would welcome?**

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

**Have you tried to reach out to the president to speak to him about it?**

**Ren:** I don't have his phone number.

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

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

So we will leave these issues up to the courts. The negotiations between China and the US have nothing to do with Huawei. Huawei was not mentioned in any of the negotiation meeting minutes published by the US and China. Therefore, we will count on the law to address these issues. We believe US laws are open, transparent, fair, and just.

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

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

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

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

Let's look at an example. If the US opens its telecom industry and its carriers say they are going to purchase tens of billions of dollars in equipment from us, I



wouldn't believe it and wouldn't be willing to make billions of investments. I would be afraid that they would pull out suddenly and stop doing business with us. In that case, our tens of billions of dollars would be stuck in the US. That is not what I want to see. After he reduced taxes, he should have been friendlier to other countries and try to convince everyone that the US is a great place to invest. If everyone went to invest in the US, the US economy would grow dramatically. The US doesn't need to conquer the world through violence. They have great technologies, skilled labor, and economic strength. Any one of these things could help them conquer the world. They don't need a warship to conquer the world. The cost of using a warship is high. If they attack a country, that country will fight back. If a country is poor and they have nothing to lose, they aren't afraid of being attacked. But the US is in a different situation. It's a wealthy country, so it has a lot to lose.

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

**24**

**In terms of the way he's negotiated with China, some people would say that actually he's managed to get concessions for the US. Does China feel under pressure**

## from President Trump's tactics in the negotiations?

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

25

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

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

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

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

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

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

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

**28** **I want to switch focus a bit to a big bright spot in the company, and that's the consumer business; it's a multi-billion-dollar business now. And you've said that you want to be number one in smartphones. You've**

**often looked up to Apple as a role model. Steve Jobs and Tim Cook have managed to turn Apple to an iconic brand. Do you think Huawei is at that point yet?**

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

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

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

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

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

5G standards of today. So the standards the US finds so compelling are actually all built on a single mathematics paper.

Moving forward, we will invest more in this direction. This can help us address the problem of how we distribute our increasing profit. We will not distribute any extra profit to our employees. Otherwise, they will become overweight and won't be able to move fast. We will not distribute the extra profit to shareholders, either. If they have too much money, they would be obsessed with capital gains. So we won't do that. We need to make our value distribution reasonable. We will put more money into research in new frontiers.

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

**Ren:** We are open to Apple in this regard.

**30** **And in terms of innovation in smartphones, Huawei was one of a handful of companies to come out**

**with foldable phones. Are you convinced this is the future or is this just a gimmick in the smartphone market?**

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

31

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

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

**But you created the world's largest telecom company.**

**Ren:** I don't know about technology, management, or finance. I am just taking a bucket of "glue". I stuck our 180,000 employees together, and encouraged them to forge ahead. Huawei's achievements were not created by me alone, but by our 180,000 employees. So it's impossible for me to enjoy the same prestige as Jobs.

When the state wanted to give me some awards for all of this, I felt ashamed. I'm not the one responsible for these achievements, and I shouldn't be the one receiving honors.

**32 Mr. Ren, I want to move onto a bigger picture of the world of technology. Technology has moved on so rapidly in the past few years that a lot of people are talking about the impact of technology on society. We live in a very connected world. Do you feel that technology has been a force for good or a force for evil?**

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

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



AI has emerged because of several key advancements: First, massive computing power. Second, ultra-broadband connections, and ultra-large storage systems, as well as micro-computing storage and edge computing. As society moved forward, AI was made possible. AI is also developing faster than what we can imagine. It will greatly increase productivity.

For example, if AI is applied to tractors, they will be able to work 24 hours a day. They wouldn't need to rest, just to refuel. So productivity will be greatly improved. A great increase in material wealth would also help to significantly enrich culture. So AI should be a force for good.

Many scientists also proposed that genetic technology should be gradually integrated with electronic technology to create "new people". It's now just a scientific fantasy, and wouldn't necessarily ever happen. But even if it did happen, it would be at least 30 years from now. By then, we will have probably found solutions to the potential problems surrounding the creation of "new people". I think currently AI has greatly improved productivity. It is good for society and can greatly increase social wealth.

The US has highly developed technology, but it also has a shortage in labor. With AI, workers will be 10 times more efficient, so the US will be a major technological powerhouse with an output equal to that of 3 billion people. They will be able to produce more quality

products than the whole world can consume.

So AI will make the world better, not worse. Even if AI poses other threats, we can manage them with laws and rules. So there is no need to worry too much about some comments posted on the Internet.

**33**

**But some of the major figures in the technological world have warned about the dangers of artificial intelligence. Elon Musk, for example, has continuously warned about the impacts on jobs and actually, artificial intelligence getting more intelligent than humans. He said recently that could potentially wipe out humanity. What do you make of his views?**

**Ren:** The first time I heard warnings about the societal impact of AI was from Bill Gates and Stephen Hawking. Bill Gates changed his mind though during his later speeches, suggesting that AI could greatly boost social progress. Of course, we can still be concerned about this, but we believe we will have the ability to harness AI and create benefit. Take machine translation as an example. AI can help translate text into 70 different languages simultaneously. This hurts no one. It helps reduce many people's workloads. This does mean though that many translators and stock analysts and the like will lose their jobs. They can transfer to other industries though, and

take on new roles. I don't think we need to worry too much about the adverse impact of this technology. Otherwise, we will be hindering scientific advancement.

**34 One of the concerns is that these powerful technologies like artificial intelligence are being developed by a small group of very, very big technology companies. And there is concern that some of these large technology companies just have too much power. Do you think that companies like yours are too powerful and need to be regulated?**

**Ren:** As technology develops, the future world will become "winner-takes-all". What company can outperform Microsoft in Office and Windows? None. So Microsoft is the winner and it dominates the market. More and more companies are harnessing new technologies more quickly. This is because technology is lifeless and can be widely applied. It is likely that monopolies you just mentioned will naturally appear. We support transparent regulation over companies with new technologies, and we are willing to be subject to such regulation. That's why we told the German government that we are willing to accept their regulation. However, monopolies in these kinds of technologies will benefit the world, rather than harm it. What we have is not some kind of nuclear bomb or weapon. What is the

problem with translation software that has faster computing? Is only slower computing good for us?

AI will benefit our society. We should not worry that it will hinder social progress. Genetic inheritance was discovered by Gregor Mendel during his experiments on pea hybridization. People back then thought his discovery was useless and ignored it for 100 years. Then scientists realized the value of genes and DNA. At that time, China didn't accept Mendel's theories; instead, we followed Ivan Michurin's theories. This meant we were left behind for many years in this area.

Now we talk a lot about genetic modification, or gene editing. People don't object to the editing of plant genes. Why cannot we edit human genes? When there is no cure to a disease, maybe we can look into gene editing. Of course, several decades from now, that would potentially cause other side effects that we can't predict, but mitigating the side effects is better than immediate death. It at least might give us time to find real cures. Being born blind and deaf is caused by missing genes. What if we could identify and change the genes that cause the condition? Google is now helping blind people see the world with nerve sensors, although they are not as good as human eyes. Technologies are advancing. 20 or 30 years from now, outstanding talent may be able to combine genes with electronics technology to create

new "people". This is an idea that scares people, but right now, it is not yet anywhere near reality.

**35 Mr. Ren, as we come to the end of the conversation, I want to focus on your future. You've grown the company over 30 years to the size of it now. Have you thought of retiring any time soon?**

**Ren:** It depends on my mental agility as I get older. I think Google might one day come up with a medicine that helps people live forever, but I may not be able to see it coming.

**36 Do you have a succession plan in place when you eventually do retire?**

**Ren:** Huawei's future iterative succession system is clearly defined in our *Charter of Corporate Governance*. We can give you a copy if you want. Iterative succession must take place in an orderly fashion. It's not up to me to designate a successor. Don't worry that Huawei would end up having no successor. In fact, we have too many. But Meng Wanzhou will definitely not be the successor.

**37 You mentioned in our conversation that people ask you about your vision for 20 to 30 years, but you don't**

**even know what's going to happen in the next two to three years. Just tell me what you think are going to be some of the significant technological developments over the next two years that you see coming.**

**Ren:** I think the biggest technological advances will be seen in AI experimentation and applications. At Huawei, we have two major areas that we are focusing on for the future.

First, we want to provide the best connectivity in the world, and 5G is part of connectivity.

Second, we strive to become the world's best in edge computing. We will not work on supercomputing and intermediate computing. We only focus on edge computing.

We are also collaborating with many vendors in the storage domain, trying to do better, because in edge computing, we will see either CPUs embedded into storage devices or the other way around. This will change the architecture proposed by John Von Neumann. Combining storage and computing will enable devices to run faster. Of course, large equipment still relies on an architecture that has separate computing and storage devices. So we will also work hard to contribute to a cloud world.

# **Q&A Session at Huawei Global Analyst Summit 2019**

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April 16, 2019  
Shenzhen, China

**01 Huawei has secured 40 5G contracts globally. You just posted your annual report. From the report, we can see the group slipped just over 1% after a pretty flat year in 2017, so it would be good to have some insight into your carrier and infrastructure business.**

**Ken Hu:** In 2019, there will be a new driving force boosting investment in the carrier market, 5G network deployment. The 5G industry is developing faster than we expected. Over the past three years, we have noticed several changes in how carriers view 5G.

Three years ago, carriers did not have a very clear picture of how 5G would be deployed or how they could use 5G to generate business value. Everyone shared the same general vision that 5G would bring about many industry applications, but that vision wasn't very clear. Two years passed, but it still looked like they couldn't find a business case for 5G in autonomous driving cars, intelligent manufacturing, or any other industries. During this period, they felt lost when it came to 5G.

However, starting in the second half of last year, we have seen an obvious change in the industry's understanding of 5G: They were clearer and more practical about 5G. They realized they don't need to rack their brains to discover novel business cases across different industries. Even enhanced mobile broadband (eMBB) services based on the recently completed



Release-15 5G standard can help service providers find very appealing business cases targeting individuals and industries.

As I just shared in my keynote, we have seen how 5G is changing the media industry. This is a real-world application of 5G. So from a business value perspective, we see strong cases for 5G. This provides strong support for the further growth of 5G.

From an industry maturity perspective, 5G has developed rapidly when it comes to chips, networks, and devices. In the second half of this year, when more 5G-ready phones go to market, the industry will be more confident in 5G's business value.

By then, we believe investment in 5G will no longer be an area for blind development. Investment will instead revolve around business value, making it more reliable and rational. For the industry, 5G will be a new driving force for investment. And for our carrier business, we expect 5G to further drive growth in this sector.

In 2019, we expect to hit double-digit growth for our carrier business.

**02**

**The question is for Mr. Ken Hu. I thought your presentation was very interesting and you made some comments about cyber security. What do you see is the**

**biggest business risk for Huawei? Is it the politically motivated sanctions that might potentially emerge? Or is it the lack of cyber security that you are now investing in and trying to correct?**

**Ken Hu:** When running our business, we always identify risks, both internally and externally. When managing these risks, we don't just focus on one specific area; instead, we take a systematic approach.

Huawei is only 30 years old, but we feel like we are surfing when running this business. There can be ups and downs at any time. Despite this, we need to keep an eye on the long term and effectively manage these ups and downs.

When it comes to challenges, we have already developed a long-term strategy for Huawei's next stage of research and innovation. This is an important move that we have made to address our future strategic challenges. In the face of the huge opportunities that will come with the future intelligent world, we must ask: How can we build stronger leadership in innovation? Our answer is we want to go one step further: moving from innovation in products and technologies to innovation in theories.

When it comes to external challenges, geopolitical conflicts and changes in international relations are, of

course, the factors that we must consider.

We believe that cyber security is essentially a technical issue. Our position on cyber security is very clear: We need a more systematic and generally accepted framework to identify cyber security risks and manage these risks through collaboration. At Huawei, we are well prepared to actively engage in global collaboration on cyber security while continuing with our own work. We are ready to drive this process.

When we discuss cyber security, the technical should remain technical, and the political should remain political. If we look at cyber security as a technical issue, it will represent both a challenge and an opportunity. We all hope that as technologies become more widely adopted, networks will become more secure and privacy can be better protected.

However, if the cyber security issue is politicized, it will become a huge challenge. And this will not be a challenge for Huawei alone; it will be a challenge for the entire tech industry, or even global trade relations.

When you politicize the cyber security issue, you are discussing it based on your feelings, not on facts. This will cause fragmented technological development. Fragmentation will hinder the development of the tech industry, because it will slow down and raise the cost

of technological innovation, and society as a whole will eventually have to pay for this. If such fragmentation occurs, it will not just be a challenge for Huawei; it will also be a huge challenge for the entire industry and society at large.

**03 The Indian government has so far not invited Huawei to participate in its 5G trials, which will set a benchmark for every carrier in India. Are you engaging with the Indian government regarding 5G deployment? Have you secured any deals with Indian private carriers so far on 5G?**

**David Wang:** 5G trials in India are led by both the government and carriers. As far as I know, we were invited by the Indian government to participate in 5G trials last year, and we are also participating in 5G testing and planning with almost all major carriers in India. In this sense, we are deeply engaged in India's 5G testing and planning.

Huawei attaches great importance to the Indian market. We have been a major vendor for India's mobile telecom market over the past 10 years or so. I think India is in a similar position as China and many other Asian countries. The country has a large population, but insufficient spectrum and site resources.

To address these challenges, Huawei has developed a range of innovative solutions to improve spectrum efficiency, network efficiency, and rollout speed.

Huawei will use these innovative solutions to help our customers build world-leading 5G networks and benefit India as a whole.

**Ken Hu:** I fully agree that Huawei attaches great importance to the Indian market, as the market has a large, and in particular, young population. This would make it an attractive market for any digital business.

As a technology provider, Huawei would like to make the Indian market more attractive in terms of 5G. Therefore, we hope to see the following changes in the Indian market.

First is in the supply of spectrum resources. In the 4G era, carrier spectrum resources were insufficient, and spectrum distribution was fragmented. If that old approach towards spectrum supply is not changed for 5G, we are worried 5G won't have a very strong impact in India.

The second change we would like to see in the Indian market is a healthier carrier business model, because the current competition between Indian carriers is a bit vicious.

Personally, I think long after 5G rollout, eMBB will

remain the major use case in India. If carriers are already struggling to earn a profit from MBB in the 4G era, I don't know how they will build an effective business model for 5G.

**04** **In the past, I've heard Huawei repeatedly say that you have no intention of becoming an independent chip vendor. But just this week, Mr. Ren said in an interview that you are open to selling your 5G chipsets to Apple. Is this a fundamental shift in your stance in that regard or is it just a publicity stunt? And if you are serious about it, why the change of heart at this point in time? And have you started talking to anyone at Apple about this? Also, how do you expect to make this happen in the current political climate?**

**Ken Hu:** There has been no change to our chip strategy. Our chip strategy has always been to have independent and manageable resources on the Huawei side, and we stick to open collaboration. It is already very challenging for us to manage such a variety of businesses, so we have no intention or plan to make chips an independent business at the moment.

We have not had any communication with Apple in regard to this. We believe Apple is a great company that has made great contributions to the development of

the mobile industry. If it weren't for the efforts of Apple, we wouldn't have embraced the mobile Internet era this early.

5G is in an exciting era, ready to come into full bloom. We believe that all great companies like Apple should play a pivotal role in this era.

From an industry development perspective, when such a great company participates in competition, it will also improve the strengths and capabilities of all other players in the race.

Therefore, we strongly look forward to Apple's participation in the race to drive the development of 5G smartphones.

**05 A couple of quick questions. So you mentioned previously that Huawei is looking for double-digit growth in its carrier business this year. There are only a few countries deploying 5G around the world this year and early next year. The US, Japan, and Australia have mentioned that they are not using Huawei equipment, so most of your growth should be coming from China or Europe. Can you comment on where this growth is actually coming from for your carrier business in 2019? The second question is in the 4G era, Huawei's main positioning was to provide the best products at**

**the most affordable prices. In the 5G era, Huawei has already become a leader, so do you have any changes in terms of the pricing strategy?**

**David Wang:** The pace of 5G development differs by region and country. Some countries have started large-scale deployment, while others are still at the trial stage.

If we look at the evolution from 2G to 3G, and then to 4G over the past 30 years, we can clearly see a pattern in the development of the mobile communications industry. One generation of mobile technology emerges every 10 years. Now we are entering the fourth decade.

In each previous generation of mobile technology, some countries were part of the first wave to adopt the tech, others were part of the second wave, and the rest were in the third wave. That being said, the development of the mobile communications industry is a continuous process. Though some countries are still trialing in 5G and have not yet started commercial deployment, carriers need to expand and adjust their 4G networks to set the stage for 5G rollout.

It will also take an incredibly long time for 5G voice over NR (VoNR) to take shape, so early 5G networks will not provide voice services. We will still need 4G to provide quality voice services, meaning we need to further improve 4G coverage. Many countries will not



deploy 5G on a large scale in 2019, but 4G coverage improvement and VoLTE deployment will still be a priority for them this year.

In addition, 5G delivers 10 times, or even 100 times, the bandwidth that 4G delivers, which means capacity demands for mobile backhaul and transport networks will be much higher. As a result, carriers need to deploy backhaul and transport networks before they roll out 5G and Huawei is a global leader in this area. So in 2019, we have already seen clear signs of growth in our carrier business compared with 2018 in China, Europe, the Middle East, and Latin America.

You also mentioned that we were banned in some countries. I'd say some of the media reports on this are somewhat incorrect. In fact, we chose not to enter the US market. In Australia, we are still providing 4G network expansion.

In other countries, more and more governments and carriers have realized that Huawei is the most reliable 5G partner. So the geographical situation we are in has not changed much or worsened compared with last year.

Regarding your question about the pricing strategy of our 5G products, my answer is this: Huawei's strategy has always been to provide the most innovative products we can to help our customers achieve business success. We

believe as we introduce a new generation of technology, we must also benefit carriers and improve end user experiences in a real sense while significantly improving cost effectiveness.

4G was about ten times more cost effective than 3G while providing the same amount of mobile data traffic. Our goal is to make 5G services 10 times more cost effective than 4G by working with the whole industry. To make this happen, we will need governments to allocate 100 MHz of spectrum and formulate supportive laws and regulations for network construction. High-speed, convenient mobile networks benefit society as a whole. We need to work together as an industry to make 5G networks 10 times more cost effective than 4G networks. This will allow the mobile communications industry to truly thrive.

**06**

**Mr. Xu, you mentioned that Huawei is going from Innovation 1.0 to Innovation 2.0, and that Huawei will shift its focus to basic research, rather than just on product research and development. I think that is exciting news for the industry. I have three questions for you.**

**The first is that we all know that basic research requires huge investment and takes a long time before**

**yielding results. It also involves huge risks. So I wonder how much Huawei plans to invest in basic research. For example, do you plan to start a fund for investing in basic research? Could you please give us an estimate of your investment in basic research over the next five to ten years? What proportion of your investment will go to basic research and product R&D?**

**My second question is: Will this initiative mainly be led by your own Institute of Strategic Research or through collaboration with universities? If you go for collaboration, what is your scheme for intellectual property rights?**

**My third question is: You mentioned open collaboration and inclusive development. I personally agree with these ideas, but some people don't. I also heard the news that MIT decided to terminate its partnerships with some companies. How do you respond to this?**

**William Xu:** Thank you for your question. The title of my keynote is "From innovation to invention: With the world, for the world". As you can guess from this title, we are now seeing bottlenecks in theoretical innovation and basic research. In order to ensure sustainable and healthy development in Huawei, and the industry as a whole, we must invest more in theoretical research and basic invention.

Future-proof research involves great uncertainties, and universities are taking the lead in exploring these uncertainties. So we will prioritize collaboration with universities. Our annual spending on university collaboration will exceed 300 million US dollars. Most of this investment will be made in the following areas:

First, we provide gift money and funding money to support scientists' exploration into the future and basic research. We have noticed that some scientists have short-term intentions. For example, they are eager to publish papers on famed journals, and unlike their predecessors, they do not have the patience to conduct research that may take more than 10 years.

So by sponsoring the research efforts of scientists, we hope they can focus their efforts on contributing to humanity's progress, rather than on short-term goals like publishing papers on journals. We also provide funds to help scientists recruit Master students and PhD students to work on long-term research.

Second, we establish joint innovation centers and labs with universities to focus on basic research and invention.

Third, we collaborate with universities as it leads to shared success. We can have a look at the cycle of innovation. Universities mainly focus on theoretical

breakthroughs, including the invention of some key basic technologies, and businesses also participate in this process to help commercialize or transform inventions into products. Businesses like Huawei develop related products and provide them to carriers, who will then provide services to consumers. Businesses can gain profits from this process, and then invest their profits back in universities to further support their basic research and theoretical innovation. This will create a virtuous cycle.

Many professors who have worked with Huawei have said that businesses can create immense value for universities, because businesses share their challenges and insights into future trends with them.

Another point I would like to make is that patents generated by universities and professors will be valuable only when they are commercialized or transformed into products that can create value for society. Otherwise, patents will only ever be pieces of paper.

Businesses and universities should adopt an open approach when collaborating with each other. Open collaboration means sharing capabilities worldwide to drive inclusive development. In other words, such collaboration needs to serve companies, the industry, and humanity as a whole. And I hope technological discussions can revolve around technology.

**07** In order to make zero search and super sight work across several apps, devices, services, and platforms, you have to take into account that many of them are not based on open standards. How do you plan to agree with those companies, the owners of those services and platforms, on having them share their technology and know-how, and if they do not, how will you make it happen anyway?

**Ken Hu:** This is an excellent question. For the zero search and super sight, some technologies are standardized, while others are not. From a long-term perspective, non-standardization will only be a part of our transition towards standardization.

Multiple factors will affect the standardization process. These include the role played by the market, the progress of innovation, and the willingness of technology owners to make their technology available to others.

Huawei's strategy is to work in the following two areas:

First, we will actively support global standards that have already been established, such as 5G standards, and proactively make contributions. Second, for business scenarios where standards haven't yet been established, like IoT, Huawei will actively innovate and drive standardization.

Take HiLink as an example. We will fully leverage the market and the power of technology to evolve this platform into an open and widely accepted public standard. HiLink is a significant effort that we have made to drive IoT standardization in the consumer sector. So far, we have seen excellent progress.

**David Wang:** Over the past several years, many new technologies have emerged, and innovation has been faster than ever. Traditional innovation systems that are based on standards are finding it difficult to adapt to new technologies.

This year, we will invest heavily in growing the ecosystem. As I mentioned in my keynote, we pursue not just the business success of Huawei. We also pursue shared success across the entire industry. To achieve this, we must have an open ecosystem in which more partners can participate. Together, we can achieve greater success for the industry.

Ken Hu just mentioned the HiLink platform. This is an ecosystem platform that Huawei's Consumer BG has developed, which targets households. We have several similar platforms. For example, we have the ARM64 ecosystem and the ecosystem around our Ascend series of AI chips. Our goal is to accelerate the commercial deployment of ARM64 and AI in the industry and address two major challenges the industry faces in

computing power: scarcity and high costs.

While investing heavily in building ecosystems, Huawei's cloud strategy aims to foster a fertile business environment that enables our industry partners to rapidly develop solutions that target real-world application scenarios on open platforms and quickly monetize their innovation. In this way, industries will be able to go digital faster.



# **Guo Ping's Roundtable with Austrian, Polish and Turkish Media**

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April 17, 2019  
Shenzhen, China

**Guo Ping:** Dear media representatives, good morning and welcome. I'm very glad to meet with you here. This is the first time that we have arranged a roundtable with media outlets from three countries of the CEE & Nordic regions. Here with us today are representatives from Poland, Austria, and Turkey. First of all, I want to share some of my personal impression regarding your countries. I've visited all of your countries many times over these past years. Just last year, I met with the state leaders of Turkey and Austria.

First, Poland. Chinese textbooks introduced three heroes from Poland: Nicolaus Copernicus, Marie Curie, and Frederic Chopin. As a Chinese kid, I learned that Poland was a country not afraid of great powers, whether they were from the East or West. It fought for its own beliefs until the last, time and again. Therefore, I believe that the Polish people are courageous enough to make their own judgments, even while being pressured by some of the strongest powers in the world. We would like the Polish people to understand us. My colleagues and I are more than happy to answer any questions from you about Huawei. I joined Huawei almost at its beginning. I really hope that Huawei can be as courageous as Poland.

Next, Austria. Austria is known as the musical capital of the world. Performances from Austrian artists are

quite popular in China, and there are many Austrian musicians well-known in China, too. Personally, I'm particularly interested in Austria's psychology studies, especially the book *Man's Search for Meaning*, by Viktor Emil Frankl, the representative of the Third Viennese School of Psychotherapy. Huawei wants to make a difference in Austria and contribute to the development of the local ICT industry and digitization across the country. We look forward to more opportunities from Austria.

Last but not least, Turkey. Turkey has a long and gloried history, but I want to stress that Professor Erdal Arikan, the inventor of polar code, is a Turkish, from Bilkent University in Ankara. We've worked very closely with Professor Arikan over the last 10 years, and together, we have established the channel coding standard for 5G. 5G will use Turkish technology, and this technology has been extended to other parts of the world. The Turkish people will be proud of this.

At the end of last month, we released our 2018 Annual Report. At the release's press conference, I said that US companies have been leading the world for many areas. But, in this Internet era, there are also opportunities for other countries to take the lead in certain areas. This is true for all of us, whether we are from Poland, Austria, Turkey, or China. In 5G coding,

Turkey has already taken the lead.

These are my opening remarks. Now the floor is open for questions.

**01 In your annual outlook forecast, you mentioned that you would like to cut back on products that don't perform too well. Could you specify or clarify which products or technologies are most likely to be discontinued because you would like to concentrate more on those that perform well?**

**Guo Ping:** At Huawei, we have a team called the Investment Review Board, or IRB, which looks at whether we continue with a product or not. They assess projects based on product competitiveness and market presence. This is a decision-making process. Huawei hopes to further focus on major technologies and solutions where Huawei has a competitive edge. We will gradually give up certain domains where we are not well ahead of competition. Of course, we will remain customer-centric. We will continue to provide support to our existing customers and properly handle the contracts we have already signed with our customers.

So this is a decision made by the IRB. It is not a sudden change. It is about specific decisions based on specific products.

**02 I would like to ask you about investment in Europe. There is a lot of discussion about Chinese investment in Europe. On one side, there's a fear of Chinese companies owning critical infrastructure in Europe. On the other side, some European companies feel that the Chinese market is not opening up enough for them. How do you view this discussion? Could you talk a little about how Huawei's investing in Europe?**

**Guo Ping:** First of all, I'm not in a position to comment on the Chinese market on behalf of the Chinese government, or on the performance of other Chinese companies in the European market.

At Huawei, we believe that in an era of digitization and intelligence, all countries should avoid solely relying on themselves. Instead, they need to pursue extensive global collaboration so that they can leverage the strengths of others and make their products and solutions more competitive.

Let me give you an example. Dr. Erdal Arikan, a professor from Bilkent University in Ankara, wrote a paper about 5G. Huawei realized the value of this paper, and began to work with Professor Arikan and apply his research result in communications technology. Later, we turned it into a 5G standard. I think this is beneficial to the reputation of Bilkent University, the professor himself, and also Turkey. It has also greatly contributed to the

progress of 5G around the world. Such partnerships reinforce each other and benefit all parties involved.

Last year, during a visit to Northeast Europe, I learned that Austria, Turkey, and Poland all expected Huawei to invest more in their countries. I think this investment will drive technological progress, boost employment, and increase tax revenue in local communities.

In terms of the Chinese market, I cannot say whether it is open or not. What I can say is that my family has four cars and all of them are from European manufacturers. Many of my colleagues also drive European cars. So we can see that European cars are very successful in the Chinese market. I don't see many Chinese cars in Europe. That may indicate that Chinese cars are not good enough. Huawei makes excellent telecom equipment. We hope they can sell well in the European market, just as European cars do in China.

**03 I would like to ask about cyber security because last time the United Kingdom government negatively raised concerns about the cyber security of Huawei products and the same concerns are shared by some European governments. I would like to ask what Huawei intends to do to change this attitude and improve cyber security.**

**Guo Ping:** Thank you for your question. We understand that cyber security has attracted the attention of the whole society and Huawei is very willing to continuously improve cyber security. I will address this question from four aspects.

First, over the past three decades, Huawei has kept the industry's best cyber security track record. The world has seen many network attacks, and in December last year, there was a network outage that impacted over a dozen countries. But none of them were caused by or related to Huawei.

Second, according to the cyber security evaluations conducted by third-party organizations from countries like the US, the UK, and Finland, Huawei is number one for nine of the 12 assessed indicators and is above the industry average for the remaining three.

Third, Ciaran Martin, CEO of the UK NCSC, said, "Our regime is arguably the toughest and most rigorous oversight regime in the world for Huawei." Huawei understood their concerns, embraced these challenges, and became the first company committed to ensuring both results and processes are trustworthy. To this end, Huawei's Board of Directors has decided to invest 2 billion US dollars to build trustworthy cyber security processes over the next five years. We have already completed the high-level plan for this endeavor.

Everything is progressing well.

Fourth, I highly appreciate the non-discriminatory policies adopted by the EU and by certain European countries like Germany. They are paying attention to cyber security and asking all stakeholders to pay attention to cybersecurity and privacy protection. At Huawei, we hope that industry players will proactively participate in cyber security work to ensure that both results and processes are trustworthy.

**04 Which market from the CEE & Nordic European region is the most important for you? I mean which country?**

**Guo Ping:** I think you may have heard of Huawei's policy regarding this: We focus on providing quality services to the customers who have chosen us and will do everything we can to help them fulfill their business aspirations and achieve business success.

**05 As you probably know, the Polish government is going to start deploying 5G networks very soon. They even said that they wanted to be a leader in this area, for example, in the European race for 5G networks. But how do you see this? Is it possible? Or are we at**



## the tail of the race?

**Guo Ping:** Huawei started business in Poland in 2004. In 2008, we moved our regional headquarters to Warsaw. Over the past 15 years, Huawei products and services have benefited 38 million Polish people. We have also helped Poland achieve leadership in the 4G era. In terms of mobile communications, Poland ranked second among all EU member states, while its costs of communications services are 50% lower than the EU average. Over the past 15 years, we have also cultivated a large number of communications experts for Poland, and contributed to future-oriented innovation in this country.

With Huawei's help, Poland has made significant progress. But it is still lagging behind some of the bigger countries like Germany, the UK, and France. In terms of 5G, there aren't many vendors, and there is only one that excels in both 5G and microwave. That is Huawei. In the digital era, gaps between countries will widen further due to adoption of advanced technologies. We hope Poland will use the most advanced equipment without hesitation, in order to lead the EU in the race for digitization and intelligence.

06

**Have you estimated, perhaps for your own purposes, the cost of establishing 5G networks in Poland?**

**Guo Ping:** If Poland were to exclude Huawei from its 5G networks, we estimate they would have to pay an extra cost of nearly 10 billion euros, and would find itself two years behind countries that choose Huawei. The Polish people may even end up paying a lot more for communications services. It will not be a small sum.

As I said earlier, many Polish heroes are featured in the textbooks of Chinese students. I hope that Poland will resist the pressure of the world's biggest powers and make decisions in the interests of the country and its people.

**07** **In Ken Hu's keynote yesterday, he talked about the cyber security center in Brussels. What is the goal of the center? When do you say it will achieve its purpose? Are there any benchmarks you want to meet? You also talked about how you appreciate the German attitude and its non-discriminatory policy towards China. Do you also expect stronger statements from other countries?**

**Guo Ping:** The cyber security center was opened last month in Brussels. By establishing this center, we hope to build a transparent security mechanism for the EU and Europe as a whole. Together with stakeholders, we are pressing ahead with relevant work, and we believe this center will play a very positive role.

We appreciate the non-discriminatory policy of Germany and the EU as a whole towards both countries and companies. I hope this policy can be adopted in all EU countries. When countries complain that the Chinese market is not open enough, have they considered how Huawei is feeling?

Yesterday morning, President Trump said that US companies must take the lead in 5G. Why can't Chinese or Austrian companies take the lead? Why should US companies be the only leaders? If the leaders are not from the US, then the US government will attack them and find some sort of faults with them. This will no longer be a level playing field.

**08 Turkey has a strategic geographical position between Asia and Europe. So would you think that building a manufacturing company in Turkey would make your connection and distribution easier to the East and West? Do you have any special investment plans in Turkey? And my second question is, it's really good to hear that you're developing your 5G technology with a Turkish professor. Can you give a bit more details about your cooperation?**

**Guo Ping:** I've discussed this kind of manufacturing with many Turkish officials. In Turkey, we have a research

center that employs 450 people. Many of them are Turkish engineers. Running a research center in Turkey is not easy because Turkey has compulsory military service requirements. But we have managed to address this challenge. Through this center, we have contributed greatly to ICT development in Turkey. I personally believe that for Turkey, research is more important than manufacturing.

I talked with some Turkish ministers about local manufacturing in February. As you may know, like US companies, Huawei mainly focuses on R&D, sales, and service, and outsources manufacturing to Electronic Manufacturing Services (EMS) partners. Our major EMS partners include Foxconn and Flex. We are very willing to introduce them to Turkey.

I told the Turkish ministers that Huawei would be willing to introduce them to our EMS partners. Because of the rising manufacturing costs in China, many of these companies have relocated their manufacturing lines to Vietnam, Thailand, Bangladesh, Myanmar, Cambodia, and other countries, but not to Turkey. I think Turkey needs to talk with them about why "Made in China" has become "Made in Vietnam" and "Made in Thailand", but not "Made in Turkey". On Huawei's part, we are very open. We don't particularly care where our manufacturing takes place.

Regarding our cooperation with Turkish professor Erdal Arikan, things went like this. Professor Arikan published a paper on polar code. So we decided to work with him to identify the commercial potential of the technology. We helped promote his work around the world and turned his research into a global 5G standard. Professor Arikan is a great man. He is not only a hero for Turkey, but also a hero for the communications industry. He has made communications much more efficient. After you go back, I hope you can visit and interview him. I believe he can give you more information about his cooperation with Huawei.

**09**

**I've got three questions. The first is that yesterday you said that you have signed commercial contracts for 5G networks in 23 European countries. Can you tell us which countries these are, and, of course, I would like to know if Austria is one of them? My second question is that Huawei obviously has a problem in markets in some countries, like the United States, Japan, and Australia. Will you now focus on the European market, or do you see a chance to get back in these aforementioned markets? My third question is about future products or services. Huawei yesterday announced "zero search". I would like to know more about the platform and the device for such a service**

**and where Huawei plans to get all of the data to deliver such a digital product that could compete with Google, Baidu, or even Tencent.**

**Huawei spokespersons:** (Kevin Li) Based on the agreements we have reached with our customers, we can't disclose specific information regarding the countries or carriers with which we have signed contracts. We only disclose the total number of 5G contracts. (Joanna Ma) Some journalists asked whether the 40 contracts that we have announced include 5G contracts that are for trial deployments. The answer is no. All of these 40 contracts are confirmed commercial contracts for 5G.

**Guo Ping:** As for your second question, our policy is to provide the most competitive products and solutions to our customers. We will do everything we can to help our customers succeed in their markets. As for certain countries that have decided not to work with Huawei for certain reasons, we are fine with that.

Cyber security and privacy protection are and will remain Huawei's top priorities. We will never do anything that infringes upon personal privacy. In the EU, we strictly follow the GDPR.

10

**What will the cyber security challenges be for Huawei over the next five, maybe 10 years?**

**Guo Ping:** First of all, I want to ask you a question. Do you think cyber security is a technical issue or a political issue?

**It's both a technical issue and a political issue. What is the main challenge for you? What do you think?**

**Guo Ping:** Huawei has extensive experience and expertise in ICT technology. We will use all the technologies available to address any technical issues and ensure that networks are secure and trustworthy. To make secure and trustworthy networks possible, equipment providers, network carriers, consumers, and regulators must work together.

Huawei does not own networks. The networks are owned by telecom carriers. And Huawei does not own data. The data also belongs to telecom carriers. As an equipment provider, our responsibility is to deliver trustworthy products. This means that we must ensure there are no backdoors in our equipment.

From a technical perspective, Huawei needs to further enhance its technologies in order to defend against attacks on our equipment and build more resilient networks. In terms of the political part of the issue, I'm not in a position to address it. All countries are sovereign states. They can make rational decisions based on their national interests as well as the interests of their

businesses. This will enable them to achieve leadership in the coming digital, intelligent world. I'm very proud to say that over the past 30 years, Huawei has made extraordinary contributions to the widespread adoption of telecom equipment around the world, which used to be a privilege for only a few developed countries. I'm also very proud that Huawei has contributed significantly to technological breakthroughs from 0 to 1, including those in key technologies like 5G.

Our contributions from 0 to 1 and from 1 to N have helped build better network infrastructure around the world, thus benefiting all the countries and regions where we operate. We have never been the cause of any negative impacts or harm.

## **11 There's a trade war between China and the US. What in your opinion are the US's intentions? How does this benefit the US? Are there any disadvantages for Huawei, being a Chinese company?**

**Guo Ping:** It's really unfortunate that there's a trade war between China and the US. I'm not sure whether Huawei has become a bargaining chip in this trade war or not. Donald Trump has mentioned Huawei twice in his tweets, but I do not know how trade talks between China and the US are going. I hope that when the trade



war is settled, the challenges facing Huawei can also be addressed.

**12** **You've basically answered a little bit of it, but probably we all have it in mind. So, how will Huawei directly respond to this international scandal that Huawei is a part of? And how would you like to regain trust of your customers all over the world? If a customer would actually ask a straight question to you: Is Huawei trustworthy? Can I use those devices without concern of being recorded or my data being sold away?**

**Guo Ping:** Huawei is an equipment provider. Our responsibility is to make sure that there are no backdoors in our equipment. We do not implant backdoors, and we do not allow anyone else to do so in our equipment. We do not own networks. It's up to telecom carriers to decide whether they assist governments with lawful interception or not. Huawei does not own data, either. Data is owned by carriers and government intelligence agencies.

I think you all know that Huawei does not operate any networks anywhere in the world. We just sell equipment, and our equipment is secure and trustworthy. That is our responsibility as an equipment provider.

**13** **Technology companies are diversifying their services. Apple newly released news streaming services and Apple Card, and we all know Huawei is not a company that only depends on device selling. Do you have any investments planned in this kind of field, streaming services or payment methods? What is your priority when it comes to growing in the digital era?**

**Guo Ping:** Huawei will continue to focus on ICT technologies and monetize technologies rather than data.

**14** **I'd also like to ask more about your education programs. And are you planning to build them up a little bit more? And are there any certification programs directed at Poland, especially? Because that's our concern, of course.**

**Guo Ping:** In Poland, we are implementing our Seeds for the Future program, helping develop ICT talent for the country.

**15** **What is the role of rotating chairman? When you are the rotating chairman at the moment, are you in full charge? How often do you rotate?**

**Guo Ping:** Let me share some background information with you. In 2004, Huawei hired a US consulting

firm to create a high-level organizational design for the company. That consulting firm proposed the establishment of an Executive Management Team (EMT) at Huawei. They suggested that our founder, Mr. Ren, be the chair of the EMT. But Mr. Ren said he did not want to chair the EMT given his advancing age. He wanted someone else to be the EMT chair. That's how we started this rotation mechanism.

Huawei has three rotating chairs that rotate every six months. When a rotating chair is not in office, they are still included in a seven-member Executive Committee. When a rotating chair is in office, they take on a personal responsibility. They are the primary owner for making decisions on certain contracts and crises. However, company management policies, as well as the deployment, appointment, and assessment of major senior executives, require the seven-member Executive Committee to make decisions collectively.

# Catherine Chen's UK Media Roundtable

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April 17, 2019  
Shenzhen, China

**Catherine Chen:** Thank you for taking the time to come here. This is my 25th year at Huawei. When I first joined Huawei, I started with the sales team and then I was in charge of sales and marketing. In 2010, for the first time, I was elected as a board member by representatives of the company's shareholding employees. Last year, I was elected to the board again. Since 2010, I have been in charge of public communications, including communication with the media and different governments.

**01 I wondered if you could tell us about your interactions with America, about the America having concerns about the Chinese state's influence and Huawei networks,**

**Catherine Chen:** Well, simply put, we have spent more than a decade trying hard to communicate with the US government and to prove what kind of company Huawei really is, what kind of technology we work on, and how we are managing security risks. However, it seems that things have not gone all that well. The US has made multiple allegations against us, so we are resorting to legal means in response. We hope that the US government will present evidence and facts that support their case.

Now, the measures Huawei is taking in response are

not very complex:

First, we are pursuing legal action to respond to the allegations that have been leveled against us, as we believe they have infringed upon our rights and interests.

Second, over the last three to four months, we have increased our external communication efforts. This includes inviting more media to Huawei to talk to our executives, and to show them our labs as well. Through the media, we hope to present the real Huawei to the world so they can judge for themselves what kind of company Huawei really is and what kind of technology we provide.

02

**America's campaign is to go to all of its allies and say, if you work with Huawei, we won't share intelligence with you any longer. Are you going direct to the allies to explain America is wrong and you are right?**

**Catherine Chen:** The US government is using a lot of their resources, and resorting to political and diplomatic means to speak ill of us. They have interfered in our business operations. This is quite uncommon. Although many companies from around the world have been around longer than us, they have seldom been treated like this.

We don't have as many resources at our disposal as the US government does, so we can only depend on our own efforts to talk to customers and governments around the world and show them the real Huawei.

I read in the media that in the US government, there are senior officials, and even a few members of Congress, who have said that since Huawei is a Chinese company, there can be no doubt that we are controlled by the Chinese government and that we are definitely not secure. Some of them are even saying that our offer to have our equipment tested to see if it is secure is pointless, because it's obviously not.

Really, if the US doesn't think that technology or third-party testing can solve this issue, then they should propose their own way to resolve this. Are political attacks their only resort?

I don't think their approach works. The US has been the target of multiple cyber security incidents, major ones in fact, as well as multiple malware attacks over the past two years. Their networks also have confirmed vulnerabilities. These problems exist in the US even though Huawei has virtually no presence in their networks. Clearly these problems have nothing to do with Huawei. Why can't they address their own problems?

We should consider cyber security as a technical issue and resolve this issue by addressing the technical risks and challenges. Solving these issues requires the joint efforts of governments, carriers, and equipment providers like Huawei.

**03 Do you think it's racist? The American approach in thinking that Huawei, as a Chinese company, must follow requirements from the Chinese government?**

**Catherine Chen:** I'm not sure what their motives are, but I know that it is wrong to look at a company with prejudice and bias, and with these kinds of stereotypes.

There are lot of senior US officials who have been making remarks about this. Still, I'm not sure what exactly their motivation really is. I cannot even tell whether they actually want to effectively address their cyber security issues or not.

On April 12, President Trump said, "We cannot allow any other country to outcompete the United States in this powerful industry of the future. We are leading by so much in so many different industries of that type, that we just can't let that happen." I'm sure you, as journalists, must have heard of this.

The US should really allow other countries to invent



and develop new technology, and allow them equal access to those new technologies.

**04** **So you have been with Huawei since pretty much the beginning, really. How much of a surprise is this American attack to you compared with, say, the years of Obama, Clinton, or Bush? In your experience, is this a completely novel thing that has taken you by surprise? And then related to that, what would you expect would happen to make those change, to make the American policy change?**

**Catherine Chen:** Well, I have been working at Huawei for many years, but not exactly since the time when it was founded. My husband, though, joined the company pretty much in the beginning. But after we got married, he transferred to another company. Now he has retired and spends most of his time painting.

When I joined Huawei, the company had just established its presence in the rural market and was doing quite well there, but we hadn't started selling our equipment in cities yet. At that time, we were trying to sell our 10,000-line switches in cities.

I've seen Huawei go through many different kinds of difficulties, including those from outside the company. We have faced different problems and difficulties during

different phases of development. Over the last 10-plus years, Huawei has faced criticism and suspicions from different governments, but it seems that things became a bit radical last year.

When it comes to resolving all of this, we believe that the US judicial system is independent, and will transparently and openly work through these matters.

**05** **Following on from the discussion about America, I just wonder how important the American market is, given China's growing influence in areas such as the African continent which is a huge emerging market, where 5G, in particular, can have an enormous impact on African economies. Since the US is a very mature economy in an aging marketplace, how important is it to Huawei? Surely other areas are now much more important.**

**Catherine Chen:** Well, the US market is indeed very big and mature, but to Huawei, this market is just not that important, because over the past 10-plus years, we have hardly been allowed to do any business there. That's not important to us anymore. Last year, things went to a new extreme when we weren't even allowed to sell our phones there. I think the people who suffer most are US consumers, not us.

Huawei enjoyed rapid revenue growth in 2018 and Q1 2019. US consumers have lost an option. According to third-party reports, compared with Asian and European markets, consumers in the US have to pay higher prices for their communications services.

**06 I know you are the only woman, the only female executive that I have met in Huawei. I know you're involved with lots of programmes around some STEM subjects and graduates and encouraging them to come and work for Huawei. I just wonder, is there any kind of initiatives around that, about encouraging more women in STEM subjects and also, are there any internal programmes within Huawei for promoting more women in leadership and executive roles?**

**Catherine Chen:** Well, actually, I'm not the only female executive at Huawei. There are several others. One of them is Meng Wanzhou, who is now in Canada. And also the head of our 2012 Labs – one of Huawei's key R&D departments – is a woman named He Tingbo. She is a scientist and a board member.

Actually there were more female executives when the company was smaller. Last year we changed our chair. Our former chair was a woman. Many of our outstanding sales and marketing directors are also women.

One reason for the fewer number of female executives is that technology is becoming increasingly complex, and as a result, we are seeing fewer women signing up for STEM majors at universities. As a result, tech companies like Huawei are seeing more men join them.

As you may have noticed, we have taken measures to encourage women to develop their careers in our internship programmes. In doing so, we hope to encourage more women to choose STEM majors. At high schools, for example, we hold software competitions among girls. We also give priority to women in our internship programmes. We have made many efforts in this regard, but Huawei, or just a few companies alone, cannot change the external environment.

In our Seeds for the Future programme, we have done a lot of work to encourage women to apply. However, I have to say that in the dozen or so countries where we run this programme, only in the UK do we see the same number of men and women participating. In the other countries, we don't really see that happening.

At Huawei, we have a female leadership development programme. Since 2009, I have been in charge of this programme. Maybe because I might be called a role model myself in this regard. I believe that people outside Huawei think women at Huawei are doing quite well in terms of both leadership and technology management,

although it's true that Huawei has more male leaders.

In the area of 5G research, we have two leaders: One is Dr. Tong Wen, who is a man. The other one is Dr. Zhu Peiying, who is a woman. I'm just using this as an example because 5G is such a buzz word right now.

**07 I am just wondering if you can give an insight into how much of a distraction it's been for Huawei to deal with the US issues, as well as other countries that have followed the US line. Also, at what point or what would the criteria be for you to consider pulling out completely on trying to sell to those markets?**

**Catherine Chen:** The action the US is taking against us is definitely impacting us, and these impacts are both positive and negative. In terms of the negative impacts, I think they are evident and you probably understand what they are, so I won't focus on them now. But there are indeed good things that have resulted from this. Throughout 2G, 3G, and 4G, we had never really seen so much attention given to communications technology. But 5G, as a technology, has become such a buzz word overnight. People used to make phone calls without knowing which generation of technology they were using, and they didn't really care, but now 5G is famous.

What are the positive impacts in particular? 5G is

indeed different from the previous generations. The difference is that 5G needs more investment and the participation of more companies to support its development in applications and the ecosystem. The US, by "publicizing" this 5G technology, has actually raised the public's awareness of it. So people now see it and say, "Oh, this is really important." That's why more companies are motivated to invest more in 5G. They can help to increase the size of the 5G market and also increase the number of applications that are supported by 5G.

And there have also been some positive impacts on Huawei. If you ask our colleagues at the Consumer Business Group why our smartphone sales has grown so much recently, they would say, "It must be because our phones are good." But personally, I think it's also the result of an advertising effect that has been given to us.

As for our attitude towards the market, we always respect the choices of the market. Just like any other company, we certainly always hope to participate in the market. It's only when we are not permitted to do business there anymore that we will exit the market. Otherwise, we will always strive to maintain our presence there. Actually, the current situation is not so bad. We are only excluded from the US market and Australia's 5G market. Generally speaking, we are fine.

**08 Will Huawei always be known as a communications company or do you see yourself or your brand extending into other industries over the next 5 to 10 years?**

**Catherine Chen:** We'll still be focusing on the "connectivity" industry, which was previously called the "communications" industry. These two technical terms have some small differences now. We are also in the business of devices, including mobile phones, and cloud services. We will not step into the realm of other industries, but we might collaborate with others.

**09 Last year, Huawei established itself as the second biggest producer of smartphone handsets in the world. My first question is, do you have any plans to overhaul Samsung and become the world's biggest? And the second question is, with the launch of the Mate X, do you expect 5G to be a catalyst for achieving that?**

**Catherine Chen:** The ranking in the market that you mentioned is actually the result of consumers' choice. It's not something you can achieve by simply voicing your ambition. Even if we try our best, the consumers may still not actually choose us. However, we will do our best to offer better experiences to consumers, make them

feel good when using our products and services, and ensure they appreciate our brand. That is the direction in which we will increase our efforts. Therefore, the ranking is just a result of consumers' choice.

5G has just begun to take off. We still need many more companies to come onboard and invest in it. If we were in a situation where Huawei was the only good provider of 5G equipment and 5G smartphones, then the 5G industry would never take off properly. So we need more effort and investment from more participants to ensure that 5G can be widely applied to people's lives, company's operations, and so on.

This morning I was delighted to hear the news that Apple and Qualcomm had settled their litigation.

## **10 Did Huawei sell telecoms equipment to Iran, which is what America says for the detention of Meng in Canada? And if you didn't, what do you think about the continuing detention?**

**Catherine Chen:** We have released an official statement on this, stating that all of Huawei's business activities comply with US export control rules. We have never said that we do not do business in a particular country. Everything we do complies with applicable laws and regulations. If the US thinks that we have not



complied with the laws or regulations, they must provide evidence to prove that. On the topic of Meng Wanzhou, we believe that she is not guilty of any wrongdoing and that the court will eventually reach the same conclusion.

**11****Could you talk about the working conditions in Huawei with the 996 allegations from workers?**

**Catherine Chen:** I'm not aware of any allegation about the 996 overtime schedule from any Huawei employee. Huawei does not observe the 996 overtime rule, either.

**So no one is forced to work overtime at Huawei?**

**Catherine Chen:** Of course not. How can one be forced to work overtime? I guess you may have seen some remarks made by Jack Ma, head of Alibaba. He mentioned this 996 schedule, which is why there has been quite a lot of buzz recently in China.

If you are really interested in this topic, you can come to our offices and talk to our engineers, to learn about our work philosophy and get a feel for our work environment. I'm the head of a team at Huawei, and I personally have never asked my team members to observe a 996 overtime schedule.

If our HR department finds anyone who works very long hours, they will tell me about it, asking me to

check in with the employee and look into the situation: Is it because of improper assignment of work, or is it because the employee is in over their head and needs help? That's what I have heard from my HR colleagues. None of them has reported any "996 violation" to me, because there is no such thing as 996 at Huawei.

## **12 Do you think Jack Ma treats his workers badly?**

**Catherine Chen:** I don't know whether Alibaba follows the 996 overtime schedule or not. All I'm saying is that Jack Ma is discussing this topic. I don't know the context of it, so I'm not in a position to comment. Personally, I think it is wrong to force people to work overtime with rules like 996. But please do not interpret this as me opposing Jack Ma.

I know very well what it's like to be on the receiving end of unfounded accusations, so I'm not saying this to accuse Jack Ma. They probably don't have such kind of overtime schedule at all.

## **13 You said there's a lot excitement around 5G but in many ways, 5G has been a tech that has almost been here for a long time. How do you combat 5G fatigue and also avoid, say, disappointment when the tech doesn't quite perform the way it's been hyped or**

**buzzed about. There's been 100,000 base stations, so I wonder if you can give an insight into where exactly they are around the world.**

**Catherine Chen:** Huawei has signed 40 contracts for 5G and shipped about 70,000 5G base stations. They may not necessarily have been deployed for the time being. As for when they can be deployed, Huawei is not in a position to announce an exact timeline. Huawei is just a provider of 5G equipment, and it is up to carriers to decide when to put the equipment into commercial use.

As for your question about 5G fatigue caused by extensive discussion of the viability of this technology, this is a technical question. I am also surprised by the immense interest in this technology, which has been encouraged by the US government and President Trump. They should answer to people who are interested in this technology.

I'm quite excited about 5G. Have you seen a 5G base station? I have a photo of base stations here on my phone. The bigger one is a 4G base station, and the smaller one is a 5G base station. The 5G base station is 50% smaller than 4G, but its capacity is 60 times larger. That means a 5G base station can support 60 times more users than a 4G base station. The unit cost of 5G base stations is substantially lower, which is a good thing for consumers.

Size and weight are also important factors. A 5G base station weighs only about 20 kilograms, which means one worker can easily finish the installation. You don't need to have a whole team of people working together to install it. You don't need cranes. You don't need to close the road when installing it. We estimate that deploying a base station like this costs 10,000 US dollars less than a 4G base station in countries like the UK.

I also have a short video showing how a 5G base station is installed. It's super easy. You just move it to the right place and secure it with your hands. That's it. As a technology company, we are excited about this way of work, and we don't have to make applications overly complicated. What we care most is the tangible benefits we can bring to consumers, giving them access to affordable, advanced technologies.

For the average consumers, 5G is great. It's more advanced, cheaper, and more secure.

**14** You mentioned telcos and their current investments and deployment rates. I was just wondering, with 5G now arriving, what do you see as the future for the telcos because they invest for the long haul, 10 years, whereas, with 5G, the sort of applications and services that will be required may only last 10 months rather

**than 10 years. I'm just wondering whether you see telcos being able to adapt quickly enough to work with 5G and fully exploit it, or whether there should be some changes to the traditional structure of telcos.**

**Catherine Chen:** Whether carriers are prepared depends on the policies in the countries where they operate. It's up to the governments in these countries to decide when 5G will be available and which block of spectrum band is used. For now, it seems Asian countries are the most active in this regard, especially Japan and South Korea. Both are proclaiming that they will build the world's first real 5G network.

The UK is one of the most active countries in Europe in terms of 5G deployment. This can be seen in the full-fibre and 5G strategies released by the UK government, which state that the UK needs to stay ahead of the competition in the future digital world. You are absolutely right that carriers will have to make some changes and adjustments as we move to 5G. This is because 5G services are different from previous communications networks, which mainly serve to meet the communications and Internet access needs of people. 5G features higher bandwidth, higher density, and much lower latency, and thus can find applications in industrial settings, for example enhancing the efficiency of machines. This will require adjustments to

organizations, services, and network architectures.

Personally, I firmly believe that 5G will play a pivotal role in the future growth of national economies, as well as carriers and enterprises. Moving forward, you either become very competitive, or you get left behind.

The UK government has prioritized 5G and fibre, which are the two most important technologies for the future.

## **15 Outside of certain markets, which we won't name, what's the biggest difficulty that Huawei faces today?**

**Catherine Chen:** We strive to build the best and most advanced networks for markets and customers that choose to work with us. This is a challenging goal and it takes determination and hard work to achieve it.

It's impossible that all customers or markets will choose to work with Huawei. In the UK, for example, if one company chooses to work with Huawei, and another company chooses another vendor, then the competition will be about who builds better networks and creates more profit and business value for their customers.

**16** Obviously there's a lot of controversy at the moment surrounding Huawei. Regardless of what happens with 5G networks, do you think the reputation of your company will ever recover from what has happened? Do you think the company will be able to restore its reputation in the West or do you think that the accusation that has been leveled against it, whether that's true or not, will always linger?

**Catherine Chen:** We will deal with the issue with the US government through legal means. We have faith in the fairness of the judicial system in the US, and the final ruling will explain everything. We are very confident. On the Huawei side, there are some implications of this accusation, including positive ones for our 5G development.

**17** Given Huawei's current situation, I wonder how it makes you feel when Huawei is facing questions from all over the world. Has it been difficult?

**Catherine Chen:** Eventually, it's the truth that matters. We may be misunderstood in the short term, but eventually the truth will speak for itself. It doesn't matter how loud your voice is. Huawei's 30 years of history can tell you the truth about our company. Over the past three decades, Huawei has maintained a solid track

record in security and we have never been involved in any major incidents. I think this track record tells you everything you need to know.

Is the US the biggest challenge we are facing? Actually, no! As Huawei grew from a small company to become what it is today over the past 30 years, we encountered many difficulties at different stages, which all seemed insurmountable at the time. But we still overcame them all. I think humanity evolves by solving problems, and all problems will be solved, eventually. I believe we make huge progress every time we overcome a challenge.

Many people are curious about what kind of company Huawei truly is. The fact that Huawei is owned by its 97,000 shareholding employees will not change simply because some people say some things. These shareholding employees own the company's shares at different times, and invest their money into the company. We are a group of people who stick to our ideals – providing ubiquitous connectivity around the world. This is something we have achieved together. In addition, we have done a lot of hard work which Western companies may be reluctant to do. For example, we built networks in many hardship regions and restored communications during hard times against all odds. We think what we do is incredibly valuable, and we will never change our minds regarding this.



Everyone knows that Huawei's innovation and technology are excellent. Last year, we spent 15 billion US dollars in R&D, which made us one of the world's top R&D investors. Moving forward, we will invest more heavily in this regard. As a shareholding employee myself, I feel very proud. Although the money I contribute is small, I'm proud to be a part of it.

**18**

**Why are you persevering with the legal action in the US? From a carrier perspective, that cannot be a massive opportunity, because all the 5G contracts have been relaxed and there is no prospect from 4G.**

**Catherine Chen:** The US government has infringed upon Huawei's rights and interests, and we have a very strong legal basis for this claim. We want to defend our rights and interests.

**So is it more of a publicity stunt at the moment?**

**Catherine Chen:** We're not doing this for publicity. The US government has enacted this law without going through due process. That is against the US Constitution, which prohibits selective and punitive laws.

In addition, the US follows the principle of separation of powers. According to this principle, Congress has the power to enact laws but not to execute them. However, in this case, they have both enacted and executed the

law, aiming to exclude Huawei from the US market. To defend our rights and interests, we have taken legal action to revoke this clause that targets Huawei.

**But what's the point? Because as far as I can see, there's no commercial benefit for you guys to persevere with this legal case in fighting the clauses and the security bill which ban Chinese-based companies. So what is the point because you don't have any commercial heritage in the US and that doesn't look like it's going to change? So is there any point in persevering with this legal case?**

**Catherine Chen:** Over the past decade or so, the US government has been working to exclude Huawei from the US market. Nevertheless, we have been operating in the US market. This clause in the National Defense Authorization Act (NDAA) effectively bans Huawei from the US market. We believe that is wrong, and we want to have it invalidated through legal means. If the US judicial system reaches a just and fair verdict, we will win the case and get this clause removed from the NDAA.

**19 Just before that, you said you had a very small amount of equity. How much equity do you or other board directors have?**

**Catherine Chen:** We have not disclosed the exact

figures of how many shares employees hold to the public, but we do have an exhibition hall that showcases shareholding information. If you are interested in this, you can visit the exhibition hall, and request information about the shares I hold. That's how we disclose information about shares at the moment. We have no plans to disclose the information about shares held by all employees on the Internet.

**But it might help with the allegations that it's part of the Chinese state if you were to say exactly where all of the shareholdings were, then the allegation from America would be void.**

**Catherine Chen:** I don't think what you're saying is entirely true. During previous engagements with the US government, we said we were a company wholly owned by employees, and we showed them the list of our shareholding employees. But they told us it didn't matter who the shareholding employees were. They said that all that mattered was that all Chinese companies were controlled by the Chinese government.

If the US government shared the same perspective as you, I think things would be so much easier. I hope you can understand that the reason we have not disclosed the number of shares held by every employee is that our employees may not be comfortable letting others know how many shares they hold. So we have chosen

to disclose the shareholding information within a certain scope. The information can be made available; we just don't disclose all the numbers online.

As far as I know, many journalists have already seen the shareholding information. Most of them are interested in seeing the number of shares held by senior executives; they are not actually so interested in finding out the number of shares held by ordinary employees they don't even know. If you're interested, you are welcome to visit our exhibition hall for information about our shareholding employees and take a look for yourself.

**20**

**We went to the R&D campus in Songshan Lake, Dongguan, which is kind of crazy, in a good way. Could you tell us why it's designed as it is, based on European cities? Is it designed to help inspire innovation? It seems that Mr. Ren is a big fan of Europe. Do you know why he chose those specific places? And because he is such a big fan of Europe, do you see Huawei or Mr. Ren making a donation to the restoration of Notre Dame?**

**Catherine Chen:** We built this beautiful campus because we want people to be happy while working there. As for the European style, we asked our founder the same

question. We asked him whether it is because he likes Europe.

Actually, we ran a tender process for this construction project, and the winner of the bid was the design proposal submitted by a Japanese designer. He got his Bachelor's, Master's, and PhD degrees in the US, and was the one who designed the campus that way.

Mr. Ren doesn't just like Europe; he is also a fan of the US. He often speaks highly of enterprise management mechanisms in the US, because he thinks those mechanisms can inspire passion in both people and organizations. That's why we hire US consulting firms to help with our HR, manufacturing, R&D, and financial management.

Mr. Ren really likes the UK as well. I think he likes anything that he believes to be outstanding. We have designed our new *Charter of Corporate Governance* by drawing inspiration from the political regime of the UK. He said that his takeaway from the UK framework is that monarchs are placed under the law, and the law is in the hands of parliament. We followed this principle when designing our governance structure.

**Sorry, why the specific places, why Hindenburg, Paris, and some other cities? And the question about Notre Dame?**

**Catherine Chen:** It's the designer who chose those places in his design scheme. We didn't ask him why. I will ask him about that the next time I see him, unless you have a chance to interview him before then.

With regards to the Notre Dame Cathedral, I think it's not just me, but netizens in China in general who are really sorry for what has happened. Although this cathedral is situated in Paris, the emotional response it provokes actually resonates with the entire world. The first time I knew Notre Dame was in Victor Hugo's novel. As for what Huawei can do, we haven't had time to discuss it yet because this incident just happened. But if presented with the opportunity, I'm sure Huawei will be very willing to do its part.

**21 If you could describe your mission in one sentence, what would it be?**

**Catherine Chen:** It's printed on the badge that you are now wearing: To bring digital to every person, home and organization for a fully connected, intelligent world.

**22 I just wanted to be clear on Notre Dame, because I think it's interesting. So when you say that Huawei will do its part, do you mean the company or yourself,**

**personally, will consider giving money towards the restoration of Notre Dame?**

**Catherine Chen:** Yes of course, both individually and as a company.

**Wrap-up**

**Catherine Chen:** I think many of the questions have revolved around the US and particularly around whether Huawei can provide cyber security assurances. I'd like to summarize Huawei's stance on this topic.

First, our values do not allow us to implant backdoors in our products or collect intelligence from other companies using our products. This is never going to happen. Our values are about creating value for our customers, and we never do anything that harms their interests.

Second, we do not just talk the talk; we also walk the walk. We are aware that cyber security is paramount to building a digital world. If individual privacy could not be protected and networks were not secure, people wouldn't be willing to embrace this digital world. So, we have made heavy investments in enhancing cyber security and technical expertise, and we will continue to do so in the future. The UK highlighted some issues in

the fifth Oversight Board (OB) report released recently. These issues will provide important inputs for us to further enhance our security assurance capabilities.

Third, cyber security cannot be ensured by Huawei alone. It requires the joint efforts of governments, carriers, equipment providers, and users. We need to work together to establish more rigorous standards for cyber security. In addition, we call for third-party verification and testing mechanisms to check whether companies have delivered on their promises.

Thank you once again for coming to Huawei. And I'd like to reiterate my point here: Huawei has not and will never implant backdoors, but our front door is always open.



# Jiang Xisheng's Interview with International Media

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April 25, 2019  
Shenzhen, China

### **Opening remarks by Jiang Xisheng:**

Dear members of the media, good morning. We also have some attendees online. Welcome to you all. Before moving to the Q&A session, I would like to give you a brief introduction to Huawei's ownership structure.

First of all, I would like to thank the two American professors who wrote the paper about our ownership structure. Actually, we are having today's interview because of this paper. We want to take this opportunity to clarify our ownership structure.

#### **1. Huawei is wholly owned by its employees. This has been the foundation of our continuous growth over the past 30 years.**

This photo may look familiar to you. It was from our annual report. At Huawei, we have more than 90,000 employees holding shares in the company through the Union. Huawei is wholly owned by its employees. No outside organizations or government agencies hold any shares in Huawei.

Because of this Employee Stock Ownership Plan, what we call ESOP, Huawei is owned and controlled by its shareholding employees. This is how we have maintained our independence over the past three decades, allowing us to stick to our strategies.

Real estate has been the most profitable industry in China over the past 10 to 20 years, so many companies decided to get into it. However, Huawei never entered that industry. Several years ago, there was a popular saying in the Internet and ICT industries that everyone has a chance to fly when there is favorable wind blowing from behind. Many companies do whatever they can to seize these chances, like autonomous driving. However, we did not follow suit.

In the ICT industry, the Personal Handy-phone System (PHS) was extremely popular in China around 2000, and China had its own 3G standard several years ago. However, Huawei remained unaffected by these trends. We stay focused on our core business strategies.

In addition to that, all of Huawei's share capital comes from our employees' own money. Our employees will not allow external influences to compromise their own interests or damage the company's long-term development.

Huawei has no external backing or resources to rely on. The only way we can achieve growth is through our own hard work and dedication. Our employees are highly motivated to perform well, and they push their colleagues and even their managers to work hard, too. They do not tolerate complacency or corruption. Shareholding employees feel obligated to oversee the

company's operational compliance.

## **2. The two independent functions of Huawei's Union: A platform for implementing the ESOP and a trade union as defined by China's *Trade Union Law***

Now I'd like to talk about Huawei's Union. The Union was established in accordance with China's *Trade Union Law*. However, our Union also operates independently as a platform through which our ESOP is implemented. I would like to clarify three terms.

First is the Union; second, the Trade Union Committee; third, the Representatives' Commission. Huawei's Union is an organization registered under the Shenzhen Federation of Trade Unions. The Trade Union Committee is a management organization elected by the members of the Union in accordance with China's *Trade Union Law*. The committee members are not appointed by the upper-level trade union. Currently, Huawei's Trade Union Committee has seven members. The Representatives' Commission was established to manage the Union as a platform for implementing our ESOP and exercise shareholder rights on behalf of shareholding employees. Representatives are elected by shareholding employees on a one-vote-per-share basis. The Commission currently has 115 Representatives.

Why are these two functions independent? First,

there are different management organizations. Second, they have different responsibilities. According to China's *Trade Union Law*, a trade union is charged with protecting the lawful rights and interests of employees and coordinating labor relations. In addition, the Union will care about employees and address some of the difficulties they encounter in their lives. This is a requirement stipulated in China's *Trade Union Law*. When Huawei's Union functions as a trade union, it is funded by a proportion of the company's total compensation package. These funds are used to carry out Union activities and activities for employees. If the Union was to be liquidated, the residual funds would go to the upper-level trade union.

When Huawei's Union serves as a platform through which the ESOP is implemented, the Representatives' Commission is the organization that manages the Union, and fulfills shareholder responsibilities and obligations on behalf of all shareholding employees. This function complies with China's *Company Law*, and other provisions set by government agencies concerning employee shareholding, including the *Provisions of Shenzhen City on Employee Stock Ownership Plans*.

The capital for the Union through which the ESOP is implemented is the employees' own money which they contribute. The Union invests the money acquired

from employees into Huawei Holding & Investment Co., Ltd. as share capital, to fund the company's long-term growth.

After investing in the Union, shareholding employees are entitled to the company's annual profits. That means the company's profits are distributed to shareholding employees. If the company suffered a financial loss, shares held by the employees would depreciate. If the company went bankrupt or was liquidated or if the Union was liquidated, employee share assets would go to the registered shareholding employees at the time of liquidation, in proportion to the number of shares that they hold.

### **3. Why are some of the recent online remarks about Huawei's ownership structure simply untrue?**

Recently, there have been stories and comments online about Huawei's ownership structure, including the paper written by two professors. Most of these comments are not true or factual. I would like to give some examples.

First, there is a belief that employee shares in Huawei are in fact at most contractual interests in a profit sharing scheme. As a matter of fact, Huawei employees invest in the company with their own money. They are entitled to profit sharing, but also bear the risk of

depreciation. At the same time, shareholding employees elect Representatives to exercise shareholder rights on their behalf. So what Huawei is implementing is a stock ownership plan, rather than a profit sharing scheme.

Another misconception is that Huawei's Union is state-owned, and that Huawei is a state-owned enterprise. This is a misunderstanding. Huawei's Union was established in accordance with China's *Trade Union Law* while the ESOP is managed through the Union in accordance with China's *Company Law* and the *Provisions of Shenzhen City on Employee Stock Ownership Plans*. These two functions are separate and independent from each other, in terms of funding, operations, and liquidation arrangements.

There are also comments out there saying that if the Union is liquidated, its residual assets would go to the upper-level trade union, rather than shareholding employees. This is also not true. As I said earlier, if the company or Union went bankrupt, employee share assets would go to the registered shareholding employees at the time of liquidation.

Some also claim that Mr. Ren Zhengfei has an ultimate veto right, and he exercises this right to manage and control the company. This is also a misunderstanding. It is true that Mr. Ren has a veto right. But he only has the veto right on certain major matters,

rather than on all things. He does not have the right to make decisions on certain major matters. Mr. Ren influences the company by communicating his ideas and sharing his management philosophies. Every few days there is an article explaining Mr. Ren's ideas or speeches. That is his way of managing the company.

I'd also like to share a story with you. A few years ago, Mr. Ren had this white enameled cup that became famous at Huawei. Wherever Mr. Ren visited, this cup would be right there with him, because he gave so many speeches and he just needed water. You won't see that white enameled cup anymore, because our campus is now full of coffee shops and break rooms. That is why I say Mr. Ren influences the company by giving speeches and communicating his ideas.

This is all the information I wanted to share with you before we move on to the Q&A session.

**01** **There are three questions. On TianYancha.com, we can see that Huawei Technologies Co., Ltd. is fully owned by Huawei Investment & Holding Co., Ltd. and a little bit over 1% of the latter's shares is owned by Mr. Ren and the remaining 99% is owned by the Trade Union Committee.**

**So my first question is, what are the differences between**



**the Union and the Trade Union Committee? Why is it not the Union, but the Trade Union Committee, that holds the shares of Huawei Investment & Holding Co., Ltd.?**

**The second question is, as required by Chinese law, a company cannot have tens of thousands of registered shareholders, but for Huawei's Trade Union Committee, who is the owner of this committee?**

**And third, who are the employees of Huawei Investment & Holding Co., Ltd.?**

**Jiang Xisheng:** Very good questions.

First, regarding the difference between the Union and Trade Union Committee, the Union is a legal entity and a ground-level organization established and registered according to China's *Trade Union Law* while the Trade Union Committee is a management organization in the Union. Sometimes these two names are used interchangeably in Chinese documents regarding trade union management. To put it simply, generally speaking, the Union is a legal entity and the Trade Union Committee is a management organization.

Second, about the limitation on shareholder numbers. In China, a limited liability company can have up to 50 registered shareholders. An unlisted joint stock limited company can have up to 200 registered shareholders. At

Huawei, we have way more than 50 or 200 shareholding employees, so they cannot be registered as Huawei's shareholders. This is true for Huawei as a limited liability company. Even if we make our company a joint stock limited company, it would still be impossible to register all our shareholding employees as shareholders. Because of this, the Union acts as a platform through which our employees can hold shares.

This practice has a legal basis in China. In 2001, the Shenzhen Municipal Government released the *Provisions of Shenzhen City on Employee Stock Ownership Plans*. In addition to Huawei, many companies in China had adopted this model early on. As you know, Ping An, Vanke, and Lenovo had all used unions as a platform for implementing their employee stock ownership plans. Even today, many other companies still implement employee stock ownership plans with their unions as registered shareholders.

Third, Huawei Investment & Holding Co., Ltd. is a holding company that has subsidiaries like Huawei Technologies Co., Ltd., which mainly focuses on our ICT business, and Huawei Device Co., Ltd, which mainly focuses on our consumer business. Employees of Huawei Investment & Holding Co., Ltd. mainly perform some general management functions. I myself is an employee of this holding company.

02

The previous question was more about the relationship between the Union and the Trade Union Committee. My question is about the relationship between the Trade Union Committee and the Representatives' Commission. The 115 members of the Representatives' Commission are elected by shareholding employees on a one-vote-per-share basis. The governing laws are China's *Company Law* and the *Provisions of Shenzhen City on Employee Stock Ownership Plans*. What is the role of the Trade Union Committee? What is the relationship between the seven-member Trade Union Committee and the Representatives' Commission?

**Jiang Xisheng:** There is no relationship between these two.

03

One of the claims made by the academics is that the actual stock shares the employees have, which they call virtual stock, are essentially a profit sharing scheme. Can you explain the nature of exactly what Huawei employees get and how the pricing of the stock works? Can they trade it? Is it more than just profit sharing?

**Jiang Xisheng:** I want to make three points. First, why do we call them virtual shares? It is because shareholding

employees are not registered as shareholders. They don't directly hold the shares of the company. That's why we call the shares virtual shares. The shares held by the Union actually belong to all shareholding employees.

Second, the company's profits are completely owned by shareholding employees. We can choose not to distribute profits, or choose to distribute some. We can also reserve some profits for future development.

Third, if Huawei suffers losses, the value of its shares will decrease.

The Representatives, who are elected by shareholding employees on a one-vote-per-share basis, exercise shareholder rights on behalf of the shareholding employees.

Under a profit sharing scheme, it would be impossible for employees to exercise such rights. Employees don't have to spend money to buy the shares. They wouldn't suffer losses. And employees would have no right to share in the remaining assets if the company was liquidated. So virtual shares are not a profit sharing scheme.

Regarding the pricing of our virtual shares, the net asset value per share is calculated every year based on our KPMG-audited financial reports, with dividend payout being deducted.

## Can the shares be traded?

**Jiang Xisheng:** Shareholding employees cannot transfer their shares to others. They can apply to have part of their shares repurchased every year though. If an employee leaves the company, the company purchases their shares back. If certain conditions are met, they can keep their shares even if they leave the company.

**04 From what you described then, it sounds like the Trade Union is established and registered according to the law, as you said. Meanwhile, the trading committee is the governance body. So they're linked and yet distinct. If we know the Trade Union is ultimately answerable to the state, why should we believe that the trading committee is not? How could they be distinct?**

**Jiang Xisheng:** Huawei's Trade Union Committee is a ground-level trade union organization and is operated and managed based on China's *Trade Union Law*.

As a ground-level union, its basic responsibilities are similar to those of its counterparts found in foreign companies. However, Huawei has also used the Union as a platform to implement its ESOP. This function is managed by the Representatives' Commission, and is totally separate and independent from the Trade Union Committee.

So what activities does Huawei's Trade Union Committee engage in? It mainly organizes activities that employees can do in their spare time. For example, there are all kinds of clubs at Huawei for employees who enjoy basketball, badminton, ping pong, jogging, and photography. The Trade Union Committee is mainly responsible for organizing such kind of activities.

05

**You said that Mr. Ren has the power of veto for certain important matters but he does not have decision making power on the matters. Can you clarify which kind of matters Mr. Ren can veto? Do you have specific regulations on those?**

**Jiang Xisheng:** At Huawei, we have regulations for this, which are our *Charter of Corporate Governance*. They clearly define the matters where Mr. Ren can exercise his veto right, for example, increase in capital, adjustments of capital structure, and amendments to the *Charter of Corporate Governance* and key governance documents, as well as the nomination of candidates for the Board of Directors and the Supervisory Board.

Mr. Ren would not use his veto right unless he has to. The *Charter of Corporate Governance* clearly defines the responsibilities, authority, and also the "checks and balances" relationships between the different governance

bodies of Huawei, including the Representatives' Commission, the Board of Directors, and the Supervisory Board.

I want to say a few more things regarding this. We spent a lot of effort drafting the *Charter of Corporate Governance* and they have been discussed for almost three years. We've learned from many present and past practices as well as from Chinese and foreign practices. We have referred to the practices of the industry, companies, and family businesses, as well as the development processes of some state and political systems. More importantly, the *Charter of Corporate Governance* has been based upon Huawei's own experiences and thoughts over the past three decades, including the management thoughts and philosophies of Mr. Ren.

We also studied carefully the development process and the stability of the US Constitution. We were impressed to see that the US Constitution has remained so stable. There have only been 27 amendments to the US Constitution over the past 200-plus years, which is excellent. I think the stability of the US Constitution over the past 200-plus years may be exactly one of the reasons for the rapid growth of the US.

**06** Three questions. First, you said that the Trade Union Committee and Representatives' Commission are organizationally separate structures. Then why is the Trade Union Committee a registered shareholder of Huawei, rather than the Representatives' Commission?

Second, you said that the Trade Union Committee and the Representatives' Commission serve different functions. But since the title of the Trade Union Committee includes "trade union", the differences between their functions and relationships are confusing. Why doesn't Huawei choose another solution to avoid such confusion?

Third, you mentioned that Huawei's virtual shares cannot be transferred among Huawei employees and that generally the shares will be bought back by the company if an employee leaves. But when certain conditions are met, employees can continue to hold their shares after leaving the company. Can you clarify under what conditions an employee can continue to hold the shares after leaving the company? Is there any specific regulation or laws that we can refer to for this?

**Jiang Xisheng:** These are very good questions. Actually, we also want to know why the Representatives' Commission is not allowed to be directly registered as the shareholder of the company.



Currently, China's industry and commerce authorities do not allow our Representatives' Commission to be registered as a shareholder. It used to be allowed early on, and back then, there were several options for an ESOP.

First, employee shareholding committees could be directly registered as a shareholder of a company.

Second, a trade union could be registered as a shareholder.

Third, you could also set up independent holding companies, or the like and register them as shareholders.

Later on though, employee shareholding committees were no longer allowed to be registered as a shareholder in the civil affairs system. Even if they had been registered in the civil affairs system, they were still not allowed to be registered as a shareholder with the industry and commerce authorities. Trade unions though, have always been allowed to be registered as a shareholder. We are also not satisfied with this situation, and wonder why we cannot have other solutions. But nobody has told us the answer.

As for whether we can adopt some other solutions instead of the Union, we could establish many companies. But it would be very complicated, because a limited liability company can have at most 50

shareholders, and a joint stock limited company can only have 200.

To factor 200 into 90,000, we would need to establish several hundred companies. However, the law also has a restriction over the total number of subsidiaries a group company can have, no more than 200. So this solution is not feasible, either.

Are there any other solutions? We've looked into them, but those approaches are too complex and very costly. They may also have other legal issues. Therefore, Huawei has chosen to use the Union as the registered shareholder of Huawei. It may be a little difficult to understand, but it is feasible, and we have maintained this structure over the years.

You also asked a question regarding how employees can continue to hold company shares after they leave the company. According to our regulations, they must have worked at Huawei for at least eight years and be at least 45 years old. We have a regulation for this kind of situation. We can show it to you when you visit the Exhibition Hall for Virtual Restricted Shares in the afternoon.

**07**

**There are three questions. The first one is that Huawei's Trade Union Committee was established**

according to China's *Trade Union Law*, and is part of the All-China Federation of Trade Unions. Huawei needs to pay about 2% of its compensation package to the Trade Union Committee, which may submit part of that fund to the upper-level trade union and in the end, to the All-China Federation of Trade Unions. Is this correct? And my question is, does the All-China Federation of Trade Unions have any control or influence over Huawei's Trade Union Committee? Are there any annual audits? Or does the All-China Federation of Trade Unions oversee Huawei's Trade Union Committee?

The second question is, the Trade Union Committee belongs to Huawei Investment & Holding, rather than Huawei Technologies. And most employees of Huawei Investment & Holding, as you mentioned earlier, are managers of Huawei, rather than ordinary employees. Does it mean that the Trade Union Committee is owned by Huawei's management? And there are seven members in the Trade Union Committee. Can you tell us who are they and how were they elected?

The third question is, recently some foreign politicians raised questions about Huawei's ownership structure. Is Huawei planning to make its ownership and capital structure more transparent? Will you release the audits from KPMG or ask KPMG to receive some media

## **interviews in order to enhance the trust in Huawei?**

**Jiang Xisheng:** The company accrues a certain portion of funds from its compensation package and submits it to the Union. The Union uses part of that fund to organize activities and submits another part of it to its upper-level trade union, the Shenzhen Federation of Trade Unions. I'm not clear about the relationship between the Shenzhen Federation of Trade Unions and the upper-level trade unions.

Regarding the relationship between the Shenzhen Federation of Trade Unions and Huawei's Union, there are several aspects.

First, as I mentioned, Huawei pays a portion of its compensation package to the Shenzhen Federation of Trade Unions via Huawei's own Union. Huawei's Union is registered under the Shenzhen Federation of Trade Unions, which issues a qualification certificate to Huawei's Union and performs annual audits.

There are not many other connections between these two organizations. We do not need to report our business operations to the Shenzhen Federation of Trade Unions, and there is no need for it to check anything else at Huawei.

There's only one union within Huawei – the Union of Huawei Investment & Holding Co., Ltd. How are

the members of the Trade Union Committee selected? They are recommended by our departments. The Trade Union Committee is made up of seven members: Yin Xuquan, Li Jingge, Lv Ke, Shi Yanli, Wu Qinming, Tian Feng, and Cao Yi. These names may sound new to you because none of them are members of the Board of Directors. Yin Xuquan is the Chairman of the Trade Union Committee and Li Jingge is the Deputy Chairman of the Committee. These two are also members of the Supervisory Board. Cao Yi is the head of the Employee Social Club, which is responsible for organizing activities for employees. The rest of the members are managers from different business departments.

Regarding transparency, I think what you've suggested is a very good idea that we can consider. Over the past few years, Huawei has made a lot of effort to increase transparency. Although Huawei is not a public company, we want to disclose more information to allow our customers, suppliers, and consumers to know more about us.

There has been a lot going on recently and we do face some pressure from both the media and governments who need to know more about Huawei. Mr. Ren has given many media interviews recently and even people like me who are shy and responsible for internal management are also taking interviews, because we want to be more

transparent and let others know more about us.

There is a saying that you can never wake someone up if they only pretend to be asleep. Whatever we say, some will always argue their own points. However, we still want to be more transparent to our customers and partners and to the media. We will make our ownership structure more transparent so that others understand our operating mechanism. We welcome you all to visit the Exhibition Hall for Virtual Restricted Shares this afternoon if you haven't visited it yet.

**08**

**On the issue of transparency, I think what would really help us would be if we could see the Articles on Huawei's Trade Union Committee. Is there any plan to make it public or available? The other question is, if this virtual shareholding scheme is as systemic and organized as it sounds, what would be the trouble in converting it to a public shareholding scheme? I understand that Huawei doesn't want to go public, but is there any legal or technical reason why it would be difficult to convert the virtual shares into proper shares?**

**Jiang Xisheng:** Huawei's Trade Union Committee doesn't have its own Articles, because there is no such requirement by law. But you have raised a good

recommendation for us to consider. Regarding the ESOP, we do have regulations on this.

We have reiterated that Huawei has no intention to go public. Even if Huawei wanted to go public, we would have to first address the restrictions that, according to law, set the maximum number of shareholders at 200. Without addressing that first, it would be impossible for us to go public.

I want to use China's Ping An Group as an example. When Ping An went public, its trade union was not registered as a shareholder due to the restrictions on the number of shareholders. The capital held by the shareholding employees through the trade union was not transferred to the upper-level trade union. It was still held by the employees.

**09 You described earlier Huawei shareholding scheme as virtual shares, and the holder of virtual shares, the right includes the ability to vote on the Representatives' Commission, my understanding is that it is the only right of the profit share that those shareholders have. So do the true beneficial owner of Huawei Holding company and the Trade Union Committee in any way answer to the Representatives' Commission? Is there any influence at all that the**

## **Representatives' Commission has on the Trade Union Committee?**

**My second question is, you mentioned 7 people on the Trade Union Committee, and I was just wondering, do those 7 people observe any kind of operational control over either Huawei Holding or any of the universe of the Huawei companies? And does Mr. Ren have any veto power over that particular body?**

**And my last question, you mentioned earlier the Trade Union Committee reports upwards to the Shenzhen Union Committee, and I was wondering does that body influence in any way the deliberation of the Trade Union Committee in Huawei at all?**

**Jiang Xisheng:** Regarding your first question, the shareholding employees elect the Representatives on a one-vote-per-share basis, and Representatives exercise shareholder rights on their behalf. As there are over 90,000 shareholding employees, it would not be feasible to have regular meetings for all these employees; the costs would be very high. Because of this, we elect Representatives. More than 110 Representatives have been elected to exercise shareholder rights on their behalf. Besides the right to vote, the shareholding employees have a claim to the company's residual property, and also they bear the risk of share depreciation. So in this sense, the shareholding



employees are entitled to shareholder rights and interests, not just the right to profit sharing.

Regarding your second question, the Trade Union Committee and the Representatives' Commission don't influence each other. In addition, members of the Trade Union Committee have no impact on either Huawei Investment & Holding Co., Ltd. or Huawei Technologies Co., Ltd, because the Trade Union Committee does not engage in any business activities or routine operations.

Regarding the connection between the Shenzhen Federation of Trade Unions and Huawei's Union, Huawei's Union is registered under the Shenzhen Federation of Trade Unions as a legal entity and is subject to an annual audit by the Shenzhen Federation of Trade Unions. Huawei does not need to report anything about its operations to the Shenzhen Federation of Trade Unions.

**10 The first question is about the Trade Union Committee being Huawei's largest shareholder. Can you elaborate more on this organization? It is just responsible for organizing some entertainment activities, rather than being involved in any governance or operational activities of the company. Is this correct? Also, are all of Huawei's 180,000 employees members of the**

**trade union? The Trade Union Committee has seven members. Have there always been seven people in the Trade Union Committee? How are they elected? How often are elections held? Are all of Huawei's 180,000 employees involved in electing the seven members of the Trade Union Committee? Also, are there any Trade Union Committee members who are also Representatives or members of the Board of Directors?**

**Another question is, according to some media from the UK, the CIA said that Huawei received some funds from the government. But in your presentation, you said there is no national organization that holds any shares in Huawei. Huawei also issued bonds. Are there any national organizations or bodies that hold bonds in Huawei?**

**Jiang Xisheng:** Not all of Huawei's 180,000 employees are members of the Union, because one needs to apply to become a member.

Second, members of the Trade Union Committee are not directly elected by all of Huawei's employees. They are recommended by our departments and elected every three years.

The Trade Union Committee does not just organize entertainment activities. They organize activities to improve employees' health and ensure they can work

and live better.

There's no restriction on whether the Trade Union Committee members can also serve as Representatives. According to China's *Trade Union Law*, a company's main leadership cannot serve as members of the Trade Union Committee.

If you look at the members of Huawei's Trade Union Committee, none of them are members of the Board of Directors. Three of them are members of the Supervisory Board. All but one of them are Representatives.

You mentioned that the US said that there was some government capital in Huawei. That's not true. Most of what the US government says, as we all know, is not true. Regarding this point, we have responded many times. I can confirm again that there is no government capital in Huawei.

Huawei issued some bonds, many in the capital markets in Hong Kong and in countries outside of China. So far, we have not issued bonds on the Chinese mainland.

In addition, the majority of our bank loans come from overseas, around 70%.

11

**So just back to the point on the Trade Union Committee paying the Shenzhen Trade Union Committee and then the Shenzhen Trade Union Committee reports to a higher power. You said you're not quite sure of that relationship, but then you also just said that the Trade Union Committee members can be directors of the Supervisory Board and most of them are also shareholding representatives, so to me it doesn't seem like there is much separation between the shareholding representatives, the Trade Union Committee, and ultimately Huawei's business. So how can you assure, I guess, customers, governments, and people that there is that separation when what it seems that you described is quite a close relationship between all of those different parties.**

**Jiang Xisheng:** First, it's true that I don't know the relationship between the trade union organization and its upper-level organizations. It is not something that we should concern ourselves with, and I don't need to know that.

Second, the Trade Union Committee and Representatives' Commission actually run separately and are completely independent from each other in terms of responsibilities, funding, and operations. What you said just now is about different things at Huawei. The Trade Union Committee organizes leisure activities for employees,

to improve their health and ensure they can work and live better, but it has nothing to do with Huawei's daily business operations.

If you ask the members of the Trade Union Committee, they may mention they don't meet regularly or have much work to do. The Trade Union Committee exists because of the country's legal requirements, and they are just responsible for organizing the employee engagement activities mentioned earlier. The Trade Union Committee members do not need to execute these activities themselves.

The Representatives' Commission is Huawei's highest authoritative body. It makes decisions on Huawei's key business activities.

**12 Trade unions in China play a very small role, and is this also the case for Huawei? Huawei's Trade Union Committee is solely established to meet legal requirements and is responsible for organizing leisure activities for employees?**

**Jiang Xisheng:** Partially true.

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