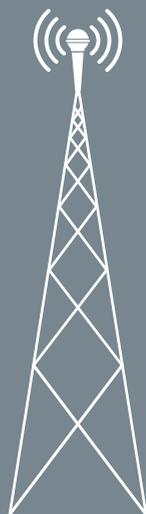


IN HIS OWN WORDS

DIALOGUES WITH REN

2019.05

VOLUME III





Commitment at 6,500 meters above sea level

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



Conquering Valley of the Kings

In 2008, Huawei delivered a turnkey project in Egypt. Huawei's logistics manager was not intimidated by a steep 280-meter-high slope. He led the team in carrying 320 kilograms of equipment up the slope with their bare hands. Through this project, Huawei deployed thousands of base stations in Egypt, significantly improved the connection in local areas.



Heroes are forged, not born.

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

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Ren Zhengfei's Interview with Chinese Media

May 21, 2019 Shenzhen, China

01

CCTV: I am a reporter for live broadcast. You have a military background, so one thing we have in common should be that we are both punctual. How time flies! Four months ago, in this same place, we had an interview. At that time, the public all felt that Huawei had hit its lowest point. Everyone was so concerned about Huawei, so you started taking many interviews from journalists inside and outside of China. We didn't expect today's situation to be even more complicated, or even more difficult, than four months ago. Just now, another media representative took out a photo of a bullet-ridden aircraft. I was also given this same photo. I heard that you like this photo very much, the photo of the badly damaged fighter aircraft.

Ren: I first saw this photo on wukong.com, feeling that the aircraft was quite like our company. So I sent it to my colleagues. The Carrier BG thought the aircraft in this photo is akin to its situation and started using it for communications.

Later, we found that there were not many problems with the Carrier BG, since it has been getting fully prepared over these past 10-plus years. So our current situation is that we are repairing our "aircraft" during its flight so that it can make its way back home.

CCTV: But this aircraft was able to fly back, because its vital parts, such as its fuel tanks and engines, were not

damaged. Only the non-vital parts of its wings were damaged. But if its vital parts were attacked during a flight, how was it possible for it to make its way back?

Ren: I want to tell you two stories about Germany and Japan during World War II. Germany refused to surrender, so its cities were flattened by air-strikes. Japan was also attacked by intensive bombardments. The US army threatened that if Japan did not give up, intense bombing would also flatten the country. At the end of the day, Japan decided upon a compromise, which was to announce the country's surrender but keep their Emperor. By the time the surrender came, the majority of Japan's industrial infrastructure was destroyed, but the country did not suffer the fate of being leveled like Germany.

Back then, there was a famous slogan: "Even if everything else is lost, as long as people remain, they will revitalize the nation." The truth is, Germany was able to revitalize its economy and restore all its houses to the extent before the war in just a few years. The Japanese economy also recovered very quickly. This was attributable to their talent, education systems, and foundation. This is what matters most. So even if we lose everything else, we can't lose our talent. This includes their qualities, skills, and confidence. This is very important.

***CCTV:* Yesterday (US time), the US issued a temporary license to Huawei. In other words, its restrictions on Huawei can be lifted in the following 90 days. What's your view on this license? What could you do in these 90 days? If the news is true and the US cancelled the imposed restrictions after 90 days, how would you comment on such a reversal?**

Ren: First of all, 90 days doesn't mean much to us, and we have prepared. To us, the most important thing is to do our job well. What the US will do is out of our control. I would like to take this opportunity to express my gratitude to the US companies that we work with. Over these 30 years, they have helped us to grow into what we are today. They have made many contributions to us. They have taught us how to get on the right track and run the company. As you know, most of the companies that provide consulting services to Huawei are based in the US, including dozens of companies like IBM and Accenture.

Second, we also have been receiving support from a large number of US component and part manufacturers over all these years. In the face of the recent crisis, I can feel these companies' sense of justice and sympathy towards us. Two days ago, at around two or three a.m., Eric Xu (one of Huawei's rotating chairs) called me, telling me how hard our US suppliers had been working

to prepare goods for us. I was in tears. As a Chinese saying goes, a just cause attracts much support, while an unjust one finds little. Today, some US companies are communicating with the US government about the approval.

The US has added Huawei to the Entity List. That is to say if a US company wants to sell something to Huawei, it needs to obtain approval from the US government.

The US is a country that follows the rule of law. US companies must abide by the laws, and so must the real economy. So you guys from the media should not always blame US companies. Instead, you should speak for them. The blame should rest with some US politicians. I don't think we should throw blame indiscriminately without knowing whether it will fall on the right persons. We may end up targeting the wrong persons if we do so. The media should understand that these US companies and Huawei share the same fate. We are both players in the market economy.

US politicians might have underestimated our strengths. I don't want to say too much about this, because Ms. He Tingbo, President of HiSilicon, made all these issues very clear in her letter to employees. And all mainstream newspapers inside and outside of China have reported on this letter.

You touched upon the damaged aircraft just now. We have some non-core products for which we haven't prepared "spare tires", or Plan Bs, so to speak. These products will be phased out sooner or later. So the US move will have some impact on these products. But in sectors where we have the most advanced technologies, at least in the 5G sector, there won't be much impact. Not just that, our competitors won't be able to catch up with us within two to three years.

02

***People's Daily:* I want to ask a question about chips. I noticed that you said in an interview with Japanese media on May 18 that "Huawei does not need chips from the US. There is no problem with Huawei." In a letter to your employees, you mentioned that Huawei has strengths and has made preparations. Can I ask where your strengths come from and what you have done to prepare?**

Ren: First, we are always in need of US chips. Our US partners are fulfilling their responsibilities and asking for approval from Washington. If this approval is granted, we will still buy chips from these suppliers. We may even sell chips to US companies (to help the US make more advanced products). We won't exclude our US partners or seek to grow entirely on our own. Instead, we will grow together.

Even if there is an insufficient supply from our partners, we will face no problems. This is because we can manufacture all the high-end chips we need ourselves. In the "peaceful period", we adopted a "1+1" policy – half of our chips come from US companies and half from Huawei. Despite the much lower costs of our own chips, I would still buy higher-priced chips from the US. We cannot be isolated from the world. Instead, we should become part of it.

Our close relationships with US companies are the result of several decades of effort on both sides. These relationships won't be destroyed by a piece of paper from the US government. As long as these companies can obtain approval from Washington, we will continue to buy in large volumes from them. It may be the case that they cannot obtain approval quickly. We have ways to go through this transition period. Once approval is granted, we will maintain our normal trade with these US companies and work together to build an information society for humanity. We don't want to work alone.

We can make chips that are as good as those made by US companies, but this does not mean that we will not buy chips from the US.

03

***Xinhua News Agency:* You once said that Huawei wouldn't be working behind closed doors and would**

cooperate with others. Now you are saying that Huawei will be doing both things. Does this mean that US trade protectionism and the US ban on Huawei are essentially disrupting global supply chains and causing chaos in the market? The US has been accusing Huawei in many aspects, such as corporate governance and finance. What do you think are the focus areas of the criticisms? Why are they targeting Huawei?

Ren: I'm not a mind reader, so I don't know exactly what [those US] politicians are thinking. I think we should not be the target of US-led campaigns just because we are ahead of the US. 5G is not an atomic bomb; it's something that benefits society.

In terms of network capacity, 5G is 20 times larger than 4G and 10,000 times larger than 2G. The power consumption per bit of our 5G base station is ten times lower than 4G, and the size is 70% smaller. Our 5G base station is very small indeed, about the same size as a briefcase. It's also light – about 20 kilograms. You don't have to build a cell phone tower for 5G base stations, because they can be installed anywhere – on poles or walls. They can work for decades because they are made of anti-corrosion materials. This means that our 5G equipment can be installed even in underground sewage systems. It is especially suitable for European markets, where there are many areas with historical buildings and

it's impossible to build giant cell phone towers like those in China. Of course, the existing towers in China won't lay idle, because our 5G base stations can be installed on them too – it's just that we don't need to build new towers.

With our 5G base stations, our customers in Europe can reduce their engineering costs by 10,000 euros per site. They won't need to use cranes for installation, and they won't need to build cell phone towers. In the past, our customers had to use cranes to install huge pieces of base station equipment, and the surrounding roads had to be blocked off during the installation process. Now, they can easily install our 5G base stations by hand. It's super easy.

The bandwidth of 5G is very high – so high that it can support a huge amount of high-definition content and easily transmit 8K video. They're saying that 5G will reduce costs tenfold; in fact it's more like 100-fold. This means that ordinary people can watch high-definition TV programs, and they can learn a lot from these programs. To develop further, every country needs to rely on culture, philosophy, and education. These form the foundation of national development. Therefore, 5G will change our society for the better. Latency on 5G networks is extremely low, so 5G will be rapidly adopted in many industries for all sorts of purposes.

[Regarding the image referred to earlier] The CCTV reporter was concerned about whether the engine of the aircraft was broken. While there might be "holes" in our aircraft wings, we will continue to focus on developing our core and to lead the world in these areas. The more advanced a product is, the more comprehensive its Plan B will be.

***Xinhua News Agency:* Do you think the international market has been disrupted?**

Ren: I don't think so. Europe will not follow in the footsteps of the US, and the majority of US companies are communicating closely with us.

04 ***Global Times:* You mentioned the impacts on Huawei. The letter from HiSilicon President has created a lot of excitement in the media. People in the chipset industry take an objective approach to the gaps between companies in China, the US, and other countries in terms of chips and other core components. What do you think is the position of Huawei's in-house products and R&D? The letter also gave an assurance that Huawei can ensure supply continuity. Is that assurance true? Is there any critical point? Where is it?**

Ren: I think that if you feel worked up about something, you should start by taking a cold shower. In my opinion,

what's most important is to be calm and level-headed. Getting over-excited and shouting slogans is of no use if our capabilities are not strong. The important thing is to work hard towards success.

It's worth learning from US companies in terms of their depth and breadth in science and technology. We lag far behind in many aspects. Some small US companies are providing super advanced products. We have only focused on our business and become a leader, but we haven't attempted to compare ourselves to the US as a nation. On a business level, I think the gap is quite small between Huawei and certain US companies. On the national level, however, there are huge gaps between China and the US.

The gaps on the national level have much to do with economic bubbles in China. There are bubbles in many sectors, including peer-to-peer (P2P) lending, the Internet, finance, and real estate. There are copycat products, which are also bubbles. As a result, bubbles are appearing in academia, too. Developing a new fundamental theory takes several decades. If academics focus more on shouting slogans than on developing solid theories, then our country will not become stronger in the decades to come. We should keep our feet on the ground and concentrate on our work.

05

The Paper: My question is about chips. The letter from Ms. He Tingbo, HiSilicon President, was very inspiring. Records show that HiSilicon was established in 2004. After so many years of efforts, you can produce your own chips for many purposes. How did you make the chip plan in the first place? How did you or Huawei decide to make your own chips? Ms. He said that Huawei began planning for the most extreme conditions many years ago. During an interview two days ago, you said that Huawei no longer needs US chips. Can you tell us more about the planning process? Is the planning result in line with your current situation? How well can you serve customers if the US companies stop supplying chips to you?

Ren: We have made a lot of sacrifices – we have paid very little attention to ourselves and our families, especially our parents. We have done all this because our goal is to make it to the very top. Nowadays, we cannot help but shouting our goal out loud: We want to be the global leader. We want to be No. 1 in the world. In the past, we didn't let our employees say it out loud, because we thought it might cause conflicts with the US.

In early 2000, we were hesitant, and we wondered if it would be possible for Huawei to wear an "American cowboy hat". So we decided to sell Huawei to a US company for about 10 billion US dollars. A contract was

signed with this company, and all relevant procedures were completed. The deal was ready to be completed once it received the approval of the US company's Board of Directors. While we were waiting for approval, the negotiation team, including me, all put on floral-print clothes, running and playing ping pong on the beach.

While we were waiting, the Board of Directors of the US company was reelected. Their new board chair was somewhat short-sighted and rejected the acquisition deal. If we had been sold to this company, we would have been able to get our American cowboy hat and try to take the world by storm. After this deal failed, our senior executives were deciding whether to sell Huawei to someone else. All of our younger executives unanimously said no. I could not reject this, so I replied, "We will have to square off against the US when we reach the top. We need to get prepared." Since then, we have been considering the question of what happens when we meet the US at the top, and have begun to make preparations for this. That said, we will ultimately embrace each other because we want to work together with them to make contributions to society.

***The Paper:* Other Huawei executives have stated that Huawei is able to continue serving customers. Will the US ban affect your major customers and business? How will you respond?**

Ren: We will certainly be able to continue serving our customers. Our mass production capacity is huge, and adding Huawei to the Entity List won't have a huge impact on us. We are making progress in bidding worldwide.

Our growth will slow down, though not by as much as everyone imagines. In the first quarter of this year, our revenue grew 39% over the same period last year. This rate decreased to 25% in April, and may continue decreasing towards the end of this year. But the US ban will not lead to negative growth or harm the development of our industry.

06

Science and Technology Daily: If the US cuts off the supply chain, how will the industry be impacted?

Two days ago, I saw that Fang Zhouzi (an Internet celebrity) tweeted "If the spare tire is good, why not use it before a blowout?" What's your opinion on it?

Ren: If we use spare tires in all our products, that means we are seeking the so-called "independent innovation". The main purpose of independent innovation is to become a dominant player. But we want to have partners all over the world. For that reason, his idea of using the spare tire before a blowout is not on our minds. He doesn't understand our strategic thinking. We don't want to hurt our partners. We want to help them have robust financial statements, even if it means we

have to make adjustments.

As I mentioned, we don't intend to stop using the components of US companies, but we haven't told them about this. We hope US companies can continue to be our suppliers, so that we can serve humanity together. Previously, we've shared information about our chip development with our suppliers. We've even shared our research results with them. We outsource production to our suppliers. That's why the suppliers are so kind to us. Again, to answer the question "If the spare tire is good, why not use it before a blowout?", spare tires are backups. Why should we use them before our current tires burst?

***Science and Technology Daily:* How will the industry be impacted if the US does cut off the supply chain?**

Ren: Our company will not end up with an extreme supply shortage. We have got well prepared. At the beginning of this year, I predicted that something like this would occur two years later, and that the US would not take action before the US lawsuit against us was settled in court. We were quite sure that they would take action against us whatever the result was. We thought we would have two years to make preparations. But when Meng Wanzhou was arrested, it sparked everything off.

You may know that we were also working during

the last Spring Festival holiday, and I paid visits to our employees working during the holiday. In China alone, 5,000 service personnel, such as security guards, cleaners, and canteen workers, stayed to serve our "fighters". They received salaries several times higher than normal. The company paid double for food from suppliers, and paid service personnel extra. Many of our staff didn't even go home during the Spring Festival. In order to save time for work, they made makeshift beds on the floor to take an afternoon nap. Also during the May Day holiday, many of our staff chose to stay here.

07 ***NetEase:* Speaking of Plan B, how much has Huawei invested in this plan over the years? If Plan B is not put into use, will Huawei continue to invest in the plan?**

Ren: We have invested so much that I cannot give a concrete figure. For both Plan A and Plan B, the budget and headcount were allocated together. Previously, Plan A received most of the budget, but now most of the budget will be allocated to Plan B. I don't know exactly how much the budget is. Every report I receive is several pages long. And instead of asking questions about every single component, I just do a general review. Making a plan is just one step. We have to identify the key phases for each component. So we are preparing little by little. Otherwise,

we would not have hired 80,000 to 90,000 R&D engineers.

08 *Financial Weekly:* After the US export control goes into effect, Huawei's suppliers in Japan, Europe, and Taiwan are expected to help Huawei a lot. If this export control fails, do you think the US government will put pressure on companies like TSMC? Huawei can produce its own chips, but it does not have the capabilities of the entire value chain.

Ren: If more companies refuse to succumb to the pressure, then even more will follow. Don't worry too much about this. After all, this is not happening.

Financial Weekly: Considering Google's recent action, users in Europe are very worried that Huawei phones will not be able to use the latest Android system in the future. What's your opinion on this?

Ren: Google is a good company – a highly responsible company. They are also trying to persuade the US government to solve this problem. We're now discussing viable solutions for this, and our experts are still working on this. So I can't give you a detailed answer today.

09 *qq.com:* How long will this tough situation last? Will this be a turning point in Huawei's development?

Ren: You are asking the wrong person; you should ask President Trump this question. I think there are two sides to this. Of course, we will be affected, but it will also inspire China to develop its electronics industry in a systematic and pragmatic manner. In the past, China threw a lot of money at developing the industry, but it turned out that this approach didn't work. To build bridges, roads, and houses, maybe it's true that we just need to invest money, but to develop chips, money alone is not enough. We need scientists, physicists, and chemists as well. How many of our people are truly studying hard? How many doctorate papers bring true insights? Under such conditions, it is very difficult for China to succeed by relying on its own innovation, so why not take a cross-border approach to innovation? We can establish innovation centers in many countries. We can establish research centers in any locations that have the capabilities we need.

A lot of talent has returned to China, which is very important. But China's personal income taxes are relatively high. If talented people returned to China from abroad, they would have to pay a lot of taxes. We cannot expect them to act like Lei Feng forever – Lei Feng gave everything he had to the country and to the party. Although they are all top experts, there are no incentives for them, and they even have to pay higher taxes. Recently, I heard that the personal income tax

rate will be cut to 15% in the Guangdong-Hong Kong-Macao Greater Bay Area, but how exactly will this policy be enforced? Will people entitled to this policy need to get a hukou, or a job in this region? If yes, what's the point of this policy? There should be a flow of scientists. If they work eight hours every day at the same place, are they true scientists? We need to create opportunities for scientists to come back to China.

The first major shift of talent in the world occurred with the move of three million Jews from the Soviet Union to Israel. Israel then became a scientific and technological hub. The second shift is underway. The US is not open to foreign countries and lots of talent cannot engage in classified research. A well-known US media outlet wrote an article, asking the US one question: "If China invented a cancer drug, would it pose a threat to US national security?" A US cancer center dismissed three Chinese scientists, which is the reason the journalist asked this question.

As a result, many scientists have lost confidence in working in the US. Why not take this opportunity to welcome them back to China? But they might ask, "How? In China, it is difficult for our children to enroll in schools; we cannot buy cars because we have no hukou; and we have to pay high taxes." We need to adjust our policies to attract talent from around the world.

200 years ago, the US was just a barren land of Native Americans. It was the right policies that turned the US into the global leader it is today. China's civilization is 5,000-years old. With such a solid foundation, we need to create favorable policies to attract talent from around the world to start businesses in China.

East European countries are relatively underdeveloped, but a large number of leaders, scientists, and financiers in the US are East Europeans. Why don't we welcome talent from these countries to China, or establish research centers in those countries? We can establish theoretical research facilities with China as the center to fight against US restrictions. If we stick to our current approach, it will be difficult to succeed. China is weak in basic theories, though it has seen some progress over the past few years.

I have emphasized the importance of mathematics at the national science conference, and I heard that graduates majoring in mathematics can now more easily find jobs than in the past. How many of us are willing to study mathematics? I didn't major in math. I once said I wanted to find a good university to study math after I retired. The president of a university asked me why. I replied I wanted to study the Second Law of Thermodynamics. He then asked why again. I said I wanted to study the origin of the universe. He said he

would welcome me as a student. I still haven't retired yet, so it looks like I won't be able to go. When I was an engineering student, I studied higher mathematics, which is about the very basics of mathematics. China must remain pragmatic and work harder to make changes in mathematics, physics, chemistry, neurology, brain science, and many other disciplines. Only by doing so can we secure a foothold in this world.

China's philosophy to date is mostly about metaphysics. Although some have adopted Buddhism, all the texts are in Sanskrit, and they have not been translated into Chinese. The West has promoted metaphysics and mechanical materialism, giving birth to disciplines like physics, chemistry, mathematics, and geometry. That's why they have advanced industry. Based upon their strong industry, they have built industrialized nations and led the whole world.

I don't mean that metaphysics is useless, though it focuses on virtual things that don't exist in the real world. The gaming industry is developing rapidly in China. Many of our modes of production may be virtualized. About 50% of AI scientists are Chinese, and if they are not welcome in other countries, we should welcome them here in China. They can then work on platforms at the bottom layer, providing us with a solid foundation.

I believe that if we can bring in outstanding talent, it will be good for our reform. If we keep emphasizing independent innovation, I think we are wasting our precious time.

10 ***National Business Daily:* Has the Hongmeng OS been used on a small scale within Huawei?**

Ren: Sorry, I can't answer this question today. We can make our own operating system, but it doesn't necessarily mean that it will replace other operating systems. We need to use operating systems for our work in artificial intelligence and the Internet of Everything, but I'm not clear on which are used and which are not. So I can't really answer your question yet.

***National Business Daily:* Many articles these days are reporting on "Huawei shocks" – that is, how Huawei has been shocking the whole world.**

Ren: Our staff are not sensitive to such reports. None of us has been shocked, because they are nothing special to us. The articles online often exaggerate a lot. For example, it was reported online that Infineon stopped their supply to us. No such thing has happened. It was a made-up story. If you really want to know what's going on with us, you can visit our *Xinsheng Community*. We don't ban accounts, even if people criticize the

company there. In fact, the HR department reviews how people are criticizing us. If anyone provides especially constructive criticism, the department will look into their performance over the past three years. If they are high performers, they will be transferred to the Secretariat to help with some specific issues. After being trained at our "Headquarters of the General Staff" for half a year, they will be sent to other departments. These people have a lot of potential to eventually become leaders. On the contrary, blindly singing our praises online may make us complacent, because it's no more than empty talk. When people post specific criticisms on our *Xinsheng Community*, we will analyze the situation accordingly. Without self-criticism, we wouldn't be surviving today.

11

Caijing: I want to ask you a question about Huawei's Plan B, which many people are concerned about. Ten years ago, you began to show a sense of crisis and talk about how international situations would affect Huawei.

Ren: All my speeches regarding Plan B published by Huawei's Executive Office are publicly available. I don't remember exactly when I began to talk about it, but I have repeatedly mentioned our Plan B. People just didn't pay much attention to it until the recent attack that the US launched against Huawei.

***Caijing:* Over the past several years, you have shown a great sense of crisis, made preparations at both the macro and micro levels, i.e. in both strategy and how to ensure business continuity. When what you have envisioned becomes a reality and the attacks against Huawei become more serious than what you previously thought, do you have any new ideas? We have seen too many articles talking about how trade frictions between China and the US affect Huawei. When the challenge truly comes, do you have any new ideas?**

Ren: Business continuity is all about our Plan B, or our "spare tire" plan. Spare tires ensure that when cars break down, they can continue running after tires are replaced. We have ensured our business continuity step by step. In fact, many parts we use in our products have been put into production. Despite this, we are open to parts from outside the company. Half of our parts are produced by other companies. I once said in an article that we should buy at least 50 million chipsets from Qualcomm every year. So we have never excluded or resisted foreign companies.

The world's largest spare tires are atomic bombs. What can they be used for? Since World War II, they have never been used again. Senior government officials in China have often worked on atomic and hydrogen

bombs. And their loyalty to the country also counts. Those who are both capable and excel at technology can be promoted to a minister or provincial governor. Some can even become governors by age 40. I really envy them. When I was 40, I was still finding a job.

Spare tire is now a buzz word. In fact, it's quite normal practice in our company. He Tingbo has become well known because of her letter regarding Plan B. She published the letter just during the night when the US issued the ban on Huawei. She just couldn't bear it anymore. She has been through a lot these years. She felt bad. Her team has been working so hard, but they just couldn't keep their chins up.

***Caijing:* So you mean that spare tires are always available at Huawei and you don't know whether they will be used.**

Ren: Spare tires are certainly useful. They are part of our solutions, instead of being independent of them. We will use them on a rolling basis when necessary.

12 *Caijing:* Now people have two completely different sentiments towards Huawei. Some have shown great patriotism and escalated their support of Huawei as a patriotic act. Some think that support toward Huawei has become entwined with patriotism toward

the whole country; in other words, people will not be considered patriotic unless they support Huawei. This situation is now becoming more serious.

Ren: My children prefer Apple products over Huawei's. Does it mean that they don't love Huawei? Of course not. I have mentioned this quite a lot, and Richard Yu (CEO of Huawei's Consumer BG) was mad about me – he saw it as me promoting other companies' products over Huawei's. But this is the reality: We cannot simply say that one is patriotic if they use Huawei products and they are not if they don't use Huawei products. Huawei's products are ultimately commodities. People use them if they like them. Politics should be left out of it. Huawei is just a company. We have never said anything about contributing to Chinese national pride in our advertising. At our latest oath-taking ceremony, someone might have shouted something along those lines, but we immediately issued a file to discourage shouting out such slogans. They can hold celebration parties and give out medals. It's okay to say things like this privately in their spare time, sure, but we must never stir populism.

I often use a lot of examples just to throw some cold water on Huawei. We should not promote populism; populism is detrimental to the country. To have a promising future, China must be more open. Following the recent China-US negotiations, CCTV said China

should further reform and open up. I was very happy to hear that. In fact, we should have reformed and opened up earlier. China has made a commitment to the WTO and we need to honor this commitment after we benefit from it. We should make some contributions so that we can unite more friends around us. China has too much money. Why are we only putting it in the US? Why not lend some to Europe, Russia, and Africa? One might worry about their ability to repay it. These countries use their national credit as collateral. Well, maybe they can't repay it this year, but what about in 100 years? We don't have an urgent need for the money anyway. Doing this would help disperse our risks. Why does China only buy agricultural products from certain countries? It could also buy from Ukraine. That would contribute to their economy.

13 *Science and Technology Daily:* You've mentioned that developing chips requires not only money but also physicists and mathematicians. As a company, Huawei, as well as you personally, have repeatedly talked about basic education and basic research, and we also know that Huawei focuses on this area from some of your advertisements. What specific actions is Huawei taking in basic education and basic research? What kind of support will this provide to Huawei's future

development?

Ren: First, we have 26 centers of expertise for R&D globally. We currently have over 700 mathematicians, 800 physicists, and 120 chemists working at Huawei. We have an Institute of Strategic Research, which provides a large amount of funding to well-known professors at top universities around the world. We don't expect return on this investment. The way we sponsor research is similar to how investment works according to the US *Bayh-Dole Act*. It's the universities that benefit from the investment. By doing so, we will work with more scientists researching technologies at different stages.

5G standards are widely considered to have a huge impact on society. Few people would imagine that they originated from a mathematics paper written by Turkish professor Erdal Arikan over a decade ago. We discovered this paper two months after its publication. Then we started to do research, perform analysis, and apply for patents based on this paper. Thousands of Huawei employees have been involved in this research. It took us a decade to convert the math paper into technologies and standards. We have the most 5G standard-essential patents in the world – about 27% of the total.

Professor Arikan is not a Huawei employee, but we sponsor his lab so that he can take on more PhD students, whom we also support. We also sponsor a university

professor in Japan. He once had four PhD students, all four of whom later joined Huawei but continued to work at his office. Then he recruited four more PhD students to work for him, with all eight working for him at the same time. All those papers belong to them, not us. If we need to use their academic outcomes, we need to pay them. This approach is similar to the US *Bayh-Dole Act*. We use such approach to work with more scientists.

We held a global scientist conference last week, and I attended the conference remotely through video. Several brilliant young scientists, all doctorate degree holders, attended the conference and introduced the technology to me. They explained to me what each of those papers would mean to society in the future. We constantly have this kind of communication around the world. This enables us to absorb new ideas, and also helps them understand our requirements. This way, we are able to constantly inform each other.

When it comes to winning talent, Western companies are more far-sighted than we are. They identify talent and then recruit them to work as interns, providing dedicated training to them during their internship. This is different from the traditional job seeking method graduates follow in China.

Now we have more opportunities to compete with US companies in terms of recruitment, but we are not

strong enough to attract the talent. We give job offers to some excellent, very talented students as early as their second year of university. For example, students from the Novosibirsk State University have been the champions or runners-up in the International Collegiate Programming Contest for six consecutive years. Google paid salaries five or six times higher than normal to employ them. Starting this year, we will pay even more than Google to attract such talent to work on innovation in Russia. We will join the competition for talent.

We don't require scientists to always be successful. Failures are also a form of success, because they develop talent. In this way, we are able to constantly move forward.

14 *jiemian.com*: I visited Huawei's lab and saw many inventions, such as anti-corrosion equipment and heat conduction. They seem to be based on chemical theories we learn in high school. These applications are magical. Is this a reflection of what you call basic science and basic education? What support will such basic science bring to Huawei at this critical moment?

Ren: Actually, even junior high school students learn the general equations for a nuclear chain reaction, but it's not an easy task to build an atomic bomb. Basic science seems to be simple, but it's difficult to apply

it in practice. Therefore, some foreign inventions may look simple, but they are based on numerous other inventions. A small component may be developed based on thousands or even tens of thousands of patents.

15 Sina: You are talking about enhanced investment in mathematics and basic disciplines. What about Huawei's level of investment in the world? What made you recognize the importance of basic disciplines? What are your goals and expectations for future investment?

Ren: Let's look at an example. The camera of the HUAWEI P30 smartphone is a reflection of how mathematics can be applied in practice. Photos are not simply captured but calculated through mathematics. Human eyes are equivalent to about 100 million lenses, but a camera only has one lens. Our smartphone is able to use calculations to divide the image captured by the light sensors in a single lens into tens of millions of visual lenses, and then reproduce the image.

Mathematicians in our company have a slogan – Making smartphones that outperform human eyes. I once criticized this idea in an internal speech. I think it's unnecessary. However, they are stubborn and I can't change their minds. They say our smartphones can

capture an image of the moon and views a thousand kilometers away. This may be true, because mathematics can help restore weak light signals.

When I visited our mathematicians in our research center in Nice, France, I said, "The sea and sky of Nice are blue. Why are the formations developed by our mathematicians also based on a blue color?" Previously, the images captured by our smartphones were bluish, but now this seems to have been corrected.

Our strategic "spare tires" have contributed to the fast development of our smartphones. Some strategic "spare tires" developed for our network business were not used in that area, and were transferred to the consumer business. The consumer business has benefited a lot from these resources, and is able to upgrade its products every three months. Most contributions come from mathematicians. Physicists have also contributed to the development of trichromatic sensors.

Therefore, business in the electronics industry is impossible to develop if we are still relying on components manufactured by others. There are also mathematical achievements in other vendors' components, but you need to pay more money to gain access to what they developed. I think we should strive to be the world leader in this area.

16 *Huanqiu.com:* For a period the US has been attacking Huawei, and also urging its European allies to put pressure on or even block Huawei. If the US continues to push its European allies to close their markets to Huawei, will you visit 10 Downing Street or the Élysée Palace in person to persuade them to open their doors to Huawei through more direct and effective methods?

Ren: I used to have afternoon tea at 10 Downing Street. They asked me how I learned to catch up with the rest of the world, and I said it was the afternoon tea. Therefore, they received me with afternoon tea at Downing Street. We've been communicating with leaders of different countries. Every country has their own interests. The campaign of the US will not be powerful enough to call on everyone to follow them.

17 *ifeng.com:* I've been closely following what phone manufacturers can do to support accessibility for people with disabilities since last year, because technological progress plays a very important role in helping these people. Huawei is a company with lofty aspirations. This year's Global Accessibility Awareness Day fell on May 16 last week. As a leading tech company, what has Huawei done to promote accessibility and inclusion for people with disabilities?

What plan do you have in this area?

Ren: During one of my trips to Japan, I tried a pair of special glasses made by our company that allowed me to clearly see employees working thousands of miles away, and I could provide guidance and instructions to them. With these glasses, I could see all drawings, and know immediately whether something I was looking at was correct or not. This is something we are doing now, but I don't know whether these devices have been launched in the market.

Theoretically, I think we will be able to support people with disabilities in future. I don't know exactly what progress we have made on this front. I'll ask someone to check, but I do believe that theoretically speaking we can stimulate people's senses through the cranial nerves.

The wireless glasses I mentioned just now allowed me to see the engineering work our employees were doing thousands of miles away. Our scientists showed this new product to me. But it has not been launched in the market.

18

***ifeng.com:* Apple has been paying a lot of attention to basic education, and they have done a very good job in this area. iPads and iPhones are very useful to help children learn. Huawei also takes basic education,**

including basic disciplines, very seriously. Actions speak louder than words. Specifically, what has Huawei done in this area? Can you share your ideas about education?

Ren: The basic responsibility for improving people's competences and qualifications lies with the government. No company can assume the responsibility for improving the capabilities of our nation. We talk about education, but that does not mean we should get involved in this domain.

The only way for China to achieve a positive outcome in future competition with the US is to improve the quality of education. As for commodities that can be used to help improve education, that is a separate matter.

To improve the quality of education, I believe the most important thing is to show respect for teachers. If teachers are well respected across society, more people will want to become teachers. Teachers are highly respected and well-paid in Shenzhen. That's why we have seen news reports about 253 candidates applying for a single vacancy in some schools in Shenzhen.

Huawei has helped Tsinghua University High School establish a school called Tsinglan School. The president of that school said it will become the best school in

China, because the tuition fees there are extremely high. The school only enrolls around 2,000 students, and the admission pool is open to all of society. Many Huawei employees want to send their children to the school, and some asked me to help them get their children enrolled. I told them that there was nothing I could do about that.

What I'm trying to say is that we can significantly improve the quality of education only when the social and economic status of teachers improves. Why do I have so much to say about this? Both of my parents were rural school teachers working in a remote mountainous town in Guizhou Province, but they didn't allow their children to become teachers. If even teachers discourage their own children from becoming teachers, how can our country have a bright future?

I saw and experienced the many hardships my parents faced as a result of being teachers at that time in history – low social ranking, discrimination, and poor pay, so I never considered becoming a teacher myself.

19 ***China Business Journal:* I have two questions. First, the consumer business now accounts for the largest part of Huawei's revenue, followed by the carrier and enterprise businesses. What proportions do you think these three businesses will take in Huawei's revenue in five or ten years' time? Second, in the current**

situation, how would you define the future role of HiSilicon in Huawei?

Ren: The role of HiSilicon is a support team to Huawei, one that moves forward in tandem with the operating team of the company. It can be likened to a fuel truck, a crane, or a field medic that moves forward together with the core operation.

As for our three business groups, we don't take the view that the most profitable one is the most important. Only the department that is responsible for building network connections will be able to become number one in the world. It is the very department that has come under attacks from the US. I have compared it to a badly damaged aircraft. Actually, we have realized that this department does not face as many difficulties as others because it has been preparing for a long time. Our 5G, optical transmission, and core network technologies are free from the pressure that is being put on this department, and these technologies will be the world leaders for many years to come.

20 ***China Business News:* The assembly order from HiSilicon has gone viral online recently. This unit has been hiring talent from around the world. When will it become an independent unit in the future?**

Ren: The answer is never. HiSilicon is a support team to Huawei's operating team, and will never become an independent unit. As I just described, to our core operation, it is like a fuel truck, crane, or field medic. Our operating team is the department responsible for building network connections. It may not necessarily generate the highest revenue for our company in the future, but it is the strategic high ground. The US has taken administrative measures against Huawei because it could not seize the strategic high ground. We will never give up this strategic high ground just for the sake of making more money. HiSilicon will never become part of our operating team and steal the thunder at Huawei.

21 *China Business News:* We know Huawei has made preparations in terms of business continuity management, but a server or base station involves too many parts and components. Why are you so optimistic?

Ren: We will make a list of the problems we face and solve them one by one.

22 *People's Daily:* I have a question about R&D. Huawei has invested heavily in R&D. In which areas will you focus your future investments? What technological

preparations will you make?

Ren: We have been working on a single point for three decades. At first, we had several dozen and several hundred employees focusing on this point, then we had tens of thousands, and now we have over a hundred thousand. We have been focusing all of our energy on this same single point, which inevitably results in breakthroughs. Every year we invest 20 billion US dollars in R&D, and no listed company has ever had the courage to invest so much money into a single area like we do.

We have been working on the information transmission domain. Our Consumer BG works on the "water taps", while our Carrier BG works on the "pipes". The harder we work on this domain, the more likely it will be for us to lead the world and maintain our position. In addition, we will continue to increase our investment in R&D.

I do not think that some downward pressure on our financial performance will affect our investment in R&D. Our employees are not greedy; they have enough money to make ends meet. I have even made comments about the partners of many of our R&D employees for being frugal. Some people asked me how I could identify our dedicated employees. I said if we talked to those people who purchased several items at luxury stores, and found out that their partners worked at Huawei, then those

Huawei employees are our dedicated employees. After they make money at Huawei, their partners should be able to spend it, so that they are motivated to make more money.

Huawei will continue working in the ICT domain, and will not enter other domains. Rumor has it that Huawei will engage in automobile manufacturing, but that's not true. Our connected vehicle products serve world-leading carmakers, and mainly include vehicle-mounted computing and electronics products. This may develop into a huge industry. We work with companies in the automotive industry to achieve autonomous driving. However, putting Huawei's logo on a car sent by our partner does not mean that we will manufacture cars. We will not randomly enter other domains.

23

***Sohu:* You take basic education very seriously. Is it possible for you to become involved in basic education in one way or another in the future?**

Ren: Basic education is the responsibility of the government. Companies should focus on their own business. We don't want to be distracted during our business operations by becoming involved in basic education.

Building massive networks for humanity is Huawei's

biggest social responsibility. We have connected three billion people around the world, including people in some African regions where Western companies don't want to do business because they cannot make money. If Huawei collapsed, it would have a huge impact on the world.

Huawei will not engage in education. We are even going to downsize our operating team, and get rid of some less important departments. Employees working in these departments can continue to move forward alongside us as our partners.

During the last Chinese Spring Festival vacation, when Huawei employees worked overtime, more than 5,000 people provided services. During this period, we doubled the prices we paid for the services we received and promptly provided extra rewards to these people.

24 *21st Century Business Herald:* In our eyes, Huawei's management philosophy is Mr. Ren's management philosophy. What do you think is the essence of Huawei's management philosophy? International management theories have long been dominated by the West. Do you think now is the time for China's management philosophy to be exported to the outside world? There are now many books about Huawei's success formula. Is there really such a formula for

success? Can others copy Huawei's model?

Ren: Huawei has no philosophy. Personally, I have never studied philosophy or carefully read any philosophy book. I've never met the authors of those books you mentioned. It's possible that they just made them up. The so-called Huawei philosophy is casually written, and has nothing special. If there really is such a thing as Huawei philosophy, I would say it is to "stay customer-centric and create value for customers".

This is because our money comes from our customers' pockets. There are three ways to obtain customers' money. The first is to rob, which violates the law. The second is stealing, which is not the right way, either. If you stole money, you would be detained in the police station. The third is to have our customers willingly give us their money. To make that happen, we must provide them with quality goods and services that they need. That's our one and only secret of success.

I'll take our company's cafés as an example. They are doing very well. Why? They do business carefully and sincerely, and don't play tricks. At first, five or six Huawei employees managed these cafés and lost money. They had high salaries and company shares, but lost money in the cafés businesses.

Then I told them to start up their own cafés. This way,

they ended up earning 700,000–800,000 yuan every year. Some people at headquarters said they wanted to investigate these cafés, as they were suspicious of the reason why these cafés had started making a profit. I told them that every time they investigated, I would dismiss one of them. Why? Because their teams were overstaffed and couldn't focus on the right things.

As long as the cafés pay their rental, water, and electricity expenses, meet sanitary requirements, and maintain an appeal to our employees, why do you bother minding something that is none of your business? That's also why Huawei has a very small logistic team. It only has 703 employees but provides support for over 180,000 Huawei people across 170 countries and regions around the world.

25

Xinhua News Agency: I've recently read a speech you delivered at a Representatives' Commission meeting. In the speech, you described Huawei's approval of the *Charter of Corporate Governance* as an institutional development milestone. The document also described Huawei's corporate governance structure. What is the direction of Huawei's governance?

Ren: Actually, our governance structure and *Charter of Corporate Governance* have been published on our Intranet. The election of the new Board of Directors

took more than a year, and more than 90,000 people were engaged in the process. They keep learning about and communicating these documents, but the media is not very interested. As to your question, I cannot fully explain this to you today. It is a comprehensive system.

***Xinhua News Agency:* What kind of company does Huawei want to become in the future? Or which direction does Huawei want to move along?**

Ren: We will not allow capital injection. Besides that, we are open to discuss anything.

26 ***CCTV:* We have a deep impression that Mr. Ren has a very strong sense of crisis, even in times of peace. For example, Huawei began to have a Plan B for chips more than a decade ago. I'm very curious about how you got this sense of crisis at first?**

Ren: You would build a sense of crisis if you had been beaten by others many times.

27 ***36kr:* In your answers to many questions, you said Huawei has a Plan B and you are optimistic about the current situation. What is your biggest concern at the moment? This event has affected your family members. Have your daily exchanges with your family**

influenced your decision-making?

Ren: They detained my daughter, trying to shake my will, but my family's encouragement has solidified my will. In her letter to me, my daughter said she would be mentally prepared for the long run. She is very optimistic. That has greatly reassured me and eased my pressure. I need to go beyond myself, my family, and Huawei to think about the world's issues. Otherwise, I cannot stay objective.

International journalists were very candid when they talked with me. Our public relations department has published full transcripts of these interviews. I will give them to you today. Why are we speaking out so frequently? If we took a narrow view, we would be on the opposite side to the Western media, and even to you. However, I should avoid the influence of personal opinions, so that we could discuss issues on an equal footing.

Most of Huawei's executives do not consider issues based on their personal interests or our corporate interests. We are a global company, and we have many friends that accept and support us around the world.

28

***CCTV:* I am very interested in proprietary intellectual property rights and independent innovation. Many**

people think that proprietary intellectual property rights and independent innovation are the only way to ensure survival. You mentioned just now that HiSilicon has created some "spare tires" to support Huawei's long-term survival, and this is built on your independent innovation. But you also said that you would give up non-critical parts of an "aircraft" if that's the right thing to do, because you don't want to waste your time and energy. Why is there such a big difference?

Ren: If you mean the spirit of independent innovation, then I would encourage it. Innovation should build on human civilizations. This is the right approach. All scientists are independent innovators. Why? They crack some mysterious questions that no one can understand.

But we must understand that we need to stand on the shoulders of our predecessors to promote scientific and technological innovation. HiSilicon does not innovate independently out of nothing. They have paid a huge amount of royalties to obtain licenses for the use of others' intellectual property rights. They have signed cross-licensing agreements, some of which are permanent licenses. Our innovations are intertwined with others, and we have produced our own innovations building on those of others.

We agree that we need to encourage the spirit of

independent innovation. But we must clearly define it. If you make something that others have already produced, you cannot use it. If you want to use it, you have to pay for their original ideas. This is what the law says. Patents are granted to those who filed for them first.

Alexander Stepanovich Popov first discovered radio waves, but the Soviet Union suspended the announcement of this news for the sake of confidentiality. Instead, Guglielmo Marconi in Italy filed the first application, so he was granted a patent for the invention of radio waves. Many people thought airplanes were invented by the Wright brothers, but actually, the Wright brothers were not the inventors. They were just the first to fly the airplanes. Nikolay Zhukovsky was considered the real inventor of airplanes. His work on fluid-mechanic equations helped lay the foundation for aerodynamics and lift the wings.

Why are our jet engines still not good enough today? Who invented jet engines? The Chinese.

When Deng Xiaoping visited the UK to buy Spey engines, Spey agreed to sell their engines to China. When Deng asked further whether they would sell their engines for military use, they also said they would. At that time, what China wanted was to buy civil engines and use them to make civil aircrafts.

Later on, the British also sold engines for military use. The engines in China's Xian H-6 bombers were also bought from the UK.

When Deng stood up and saluted the British scientists on-site, the British scientists stood up to return a salute. They said, "We have to thank the great inventions from Chinese scientists."

When Deng returned to China, he managed to find out who invented this engine. It was Wu Zhonghua. Where was this guy? He was breeding pigs in Hubei Province. So Deng decided to assign the inventor to serve as the Director of the Institute of Engineering Thermophysics in Beijing. Why couldn't we build on Wu's work and delve deeper into it? Why couldn't we make theoretical breakthroughs in jet engines?

Now, aircraft engine design is an experimental science, not a theoretical science. But aircraft design must be a theoretical science. You can have a look at a speech about aircrafts by Sergey Kuzhugetovich Shoygu in Russia.

According to him, US aircrafts are very sophisticated and they can fly for 4,000 to 5,000 hours. But Russian aircrafts are not that advanced and can only fly for 1,000 hours.

Shoygu asked, can an aircraft fly for 1,000 hours

during wartime? Actually, most of them are destroyed before they get the chance to fly for 1,000 hours. So why bother creating an aircraft that can fly for 4,000 or 5,000 hours? What's more, they are very expensive. So the Russians have determined their aircraft design principles according to their actual needs.

He said that an aircraft was not flying very fast because it lacked a flat metal surface. So the Russians added layers of laminar film to the wings of the aircraft. This helped solve the lubrication issue at high-velocities. This way, Russian aircrafts could fly very fast as well.

The stealth principle of the F-22 stealth fighter was invented by mathematicians from the Soviet Union in the 1950s. They said that the diamond cut surface had stealth functionality. But after a long period of research, the Soviet Union concluded that this function was useless. Why? Because they couldn't make it happen.

They approved the publication of the paper on this principle. When the Americans read the paper, they thought they had found a treasure. It took the US 20 years to produce the F-22 stealth fighter. But now, our meter-wave radars can detect F-22 fighters.

In fact, there were many scientists doing original research in China in the 1950s, but now there are bubbles everywhere. How can this research environment

help make our country more competitive in basic research? We need to change the environment for research.

***Caijing:* You made a very important point just now – we must be clear about what independent innovation is truly about. So are you against closed, and repetitive independent innovation?**

Ren: If you mean the spirit of independent innovation, then I support it. But if you are talking about doing innovation independently, then I object it.

***Caijing:* If you define independent innovation this way, others would refute your point by referring to HiSilicon.**

Ren: When it comes to innovation, HiSilicon also stands on the shoulders of others.

Zhu Guangping: Independent innovation does not mean innovating all by yourself. The key to innovation is to grasp the core part of a system, rather than reinventing the wheel. This would be meaningless.

Mr. Ren places great emphasis on mathematics. At its core, mathematics answers both the whys and hows. Say, you can easily make a hoe, does that mean you understand the principles behind it? What is the best shape, for example?

We know we can verify these things through experiments. But what are the theories behind these experiments? How can we identify the gaps between our theories and experiments? What are the limits? We have to verify these with theories.

***CCTV:* I don't agree with you. When it comes to automotive manufacturing, some say that Li Shufu is an important figure in China's automotive industry, because he was able to lever Volvo with capital. But people also call him "a giant with short legs", because he does not possess the technology to produce engines. Most automotive companies in the world possess the technology to produce engines, but Chinese companies don't. In this case, isn't independent innovation critical?**

Ren: I'm not against Li Shufu, but can we say things like shock absorbers, steel shims, and tires are the products of independent innovation?

Let me tell you a story about how Germans make cars. When I visited Stuttgart in Germany, the dean of the University of Stuttgart's faculty of engineering took me to observe their first-year students' class during their first few weeks. Each student was given a piece of iron and a drawing of a wheel gear. They then had to make a gear with just a knife. After they made the gear, they would not be graded. They could only receive a grade when they fitted the gear into the gearbox, and the car

had driven away and back safely. This is what underpins the German automotive industry.

What are the differences between European cars and Chinese cars? Why are European cars more expensive? Because they are more reliable. Many companies can make cars, but that doesn't necessarily mean they can all make best cars. To make good cars, you need extensive technological achievements of human civilizations. So I don't think it can be called independent innovation.

Zhu Guangping: Independent innovation doesn't mean you do everything yourself. It means you need to find out what you are good at. We all know that weaknesses are usually what lead to failures. So the key is to identify your strengths.

Ren: We can buy things that we are not good at making ourselves. Why bother making things we are not good at?

***CCTV:* If you can't buy things you don't have, then are you doomed?**

Ren: The situation we are in is an extreme one, and not everyone has to go through this. We should move forward based on the achievements of human civilizations. If it is independent innovation like you said, where are you going to get the material for steel plates? If you have to source them from others, then it cannot be called independent innovation.

29

***CCTV:* Do you think the situation you are in is accidental or will it be the new norm for Chinese companies in the future?**

Ren: I've never spent time studying specific social issues in China. I'm speaking to you today because our public relations department is pushing me to do so. They treat me a bit like a shield that can block "bullets" coming towards us, and that's how I have come to be here. I'm old, and I can make some sacrifices because I don't have many things to worry about.

I spend most of my time researching the company's internal problems. I'm also interested in the technologies relevant to our businesses worldwide. This helps me identify what strategic mistakes we might have made. I don't really get along with my own family. I spend such little time with my children and my wife as well. She once accused me of only caring about my company, not them. If I also cared about social issues, I would probably end up losing my family. So I'm not in a position to comment on social issues and I don't have extra energy to study other Chinese companies.

30

***Financial Weekly:* Is there a way to address the spectrum concerns raised by the US Department of Defense?**

Ren: I suppose I am addressing it?

31

Huxiu.com: I was given a brochure about your previous interview transcripts with foreign media outlets. I read it carefully and found some strange questions asked by foreign media. In fact, I noticed that there are some misunderstanding and ideological issues between countries. In your opinion, how can these issues be addressed? Have you ever considered changing the way Huawei will position and promote itself outside China in the future, or what you will do to improve your approach to globalization?

Ren: We do not seek to solve our reputation issues outside of China through media campaigns. I think we will ultimately need to solve these issues by providing excellent services to our customers. We are very advanced, and our customers will realize this if they start using our services.

Let me give you an example. The Chairman of the South Korean LG Group once reached out to me and said he wanted a 300Mbps LTE network. I even objected to him at first. I told him 100Mbps would be enough and 300Mbps would not be necessary. He came to persuade me with the help of two interpreters. He insisted on 300Mbps. So we sold him equipment that could deliver

300Mbps. Soon after that, Pope John Paul II visited South Korea, and 300,000 people gathered in an area of 1.3 square miles. Everybody was taking photos and sending them out through our 300Mbps network, and the network did not crash.

The second example is about how we helped to ensure smooth communications during the Hajj. Before we took over the network, all carriers had suffered from network breakdowns during the event. However, this has not happened once since we started providing the services. The very moment before four to five million Muslims started praying, everyone would turn off their phones. When the praying was over, everyone would turn their phones back on and get authentication at the same time. But our network still did not crash and all communications went smoothly. This is a good example of how we shape our reputation in the world. We do not seek to change our reputation simply through media campaigns.

As for investments outside China, this is because we need to do this. For example, we have invested in an optical chip factory in the UK, aiming to make the UK the hub for the exports of these chips in the future. We also have factories in Germany and Japan. We build factories as needed, not for the purpose of boosting our reputation. We don't need a better reputation; we need purchase orders.

32

Guancha.cn: Yesterday we visited your Exhibition Hall for Virtual Restricted Shares. I had two feelings which lead to my two questions for you:

First, regarding the ownership structure, Huawei has taken a totally different path compared to other major technology companies in East Asia, such as Samsung Electronics and TSMC. In these companies, foreign entities or individuals hold at least 50% of company shares. This type of ownership structure means Western capital can obtain capital gains from leading Eastern Asian companies like Samsung Electronics and TSMC. What's your view on the differences here and the topic of capital gains?

Second, Huawei's ownership structure is a model that Huawei has been exploring and finds fitting. Huawei has communicated with Western media about this over the past few years. But I learned yesterday that there are still some misunderstandings among Western media outlets. They don't believe Huawei's shares are fully owned by its employees. Rather, they think Huawei's ownership structure is more of an employee rewarding scheme. This tells me two things about the West. First, Western technology companies value talent and technology, which I admire. On the other hand, they tend to misunderstand or simply do not understand things that do not work the Western

way. What do you think is the root cause of Western misunderstandings?

Ren: I'm not interested in capital, so I haven't done any research about that. If Western media outlets are interested in it, they can do the research themselves. But no matter what, I will not let external capital enter our company. The problem for our company now is that we earn too much money. This is partly because we cannot lower prices. If we lowered our prices, the market of other companies would be squeezed and Huawei would share the fate of Xiang Yu, the Hegemon-King of Western Chu, eventually failing. So we cannot do this as an industry player.

In this regard, Apple is a role model. It's like an umbrella beneath which many small companies shelter and survive. If Apple charged low prices, there would be no other mobile phones in the world. With the excessive money that we earn, we use some of it for strategic investments, but we don't seek horizontal expansion. Instead, we use it to fund universities and scientists. At Huawei, we have scientist conferences which bring together numerous leading scientists from around the world, which I think is a miracle.

So we don't let external capital into our company. Capital investors are inherently greedy, which would stand in the way of the realization of our ideals.

***Guancha.cn:* What do you think is the root cause of Western misunderstandings of Huawei's ownership structure?**

Ren: Such misunderstandings do not appear just today. Western misunderstandings about China have existed for decades. It's okay as long as our ownership structure complies with Chinese laws and regulations.

33 *Financial Weekly:* The US government detained Ms. Meng in Canada, and then imposed an export ban on Huawei, citing the Department of Justice's sanctions against Iran as the reason. In order to find a way out, would you be willing to talk with the US government, the Department of Commerce, and the Department of Justice?

Ren: We have sued the US government, haven't we? We would rather talk with them in court through lawyers, where the US has to provide evidence against us.

***Financial Weekly:* That means you won't talk with them in private?**

Ren: I don't have private access to them. Can anyone give me Trump's phone number?

34 ***NetEase:*** I'd like to ask a more relaxed question. Last year, you took a family photo with your youngest daughter Annabel Yao and her mother Yao Ling in Paris. As a snapshot of one of your then-rare public appearances, this photo fascinated the outside world. How would you describe yourself as a father and a husband? How much time do you spend with your family? Since Annabel is now studying at Harvard, what kind of job do you want her to pursue in the future?

Ren: I feel I owe my children a lot. I was serving in the army when my first two children were still young, and went back home every 11 months. When I was at home, my children had to go to school during the day, do homework in the evening, and then go to sleep. Life went on like this every day, so we barely had any communication. Life wasn't very easy for my young daughter either. The company was struggling to survive at that time, so I had to spend over 10 hours at the company every day or go on business trips for months. To enter the international market and prove that Huawei's success was not built on corruption, I stayed overseas for a few months in a row and had little contact with my children. They have become who they are through their own efforts, and they demand a lot of themselves.

My little daughter danced 15 hours a week during her middle school and high school. She did homework

every night after dancing, and didn't get to sleep until one o'clock in the morning. At her university, she works until two o'clock in the morning, or even until 4 or 5 a.m. to do algorithms. She loves art, and every time she was invited to a debutante ball, she would ask me and her mother whether she could attend. I was always very supportive of her. Because if I threw cold water on her even once and forced her to choose another way, she could easily blame me and her mother for any problems she ran into in the future. We felt it would be much better to support her in doing whatever she wants to. When she brought up the idea of taking a family photo, I was the first to support her and allowed her to post it online. Her mother had thought that I would decline this request, but I didn't. I owe my children, and the least I can do is support them, so that my daughter can focus on her studies and take control of her own destiny.

***NetEase:* Could you please tell us a bit about your wife?**

Ren: I have been married twice and have three children. My ex-wife is very tough. She used to be a political commissar of 300,000 Red Guards in Chongqing. She was a big shot back then and I was not even one of the Red Guards. I didn't have a girlfriend after graduating from university, and someone introduced her to me. I don't know what she saw in me, because she was

already somebody and I was nobody. I had nothing but good academic performance. My family was poor and my father was locked up in a "cow shed". But she just fell in love with me. After 20 years, our marriage came to an end. My current wife, Yao Ling, is very gentle and capable. She has dedicated over 20 years of her life to educating and cultivating our daughter. She has been successful in this regard. My ex-wife gets along with Yao quite well, and even my marriage certificate with Yao and my little daughter's household registration record (hukou) were taken care of by her.

35 *People's Daily:* Google has suspended some business with Huawei. To respond to this, Huawei has made a media statement. I'd like to know how Huawei will be impacted in terms of the Android operating system.

Ren: There would be some impact. Google is a great company, and we are both finding solutions and discussing possible remedies.

36 *Global Times:* I see many job ads by HiSilicon these days, including on its WeChat account. Chinese companies, including Alibaba and Tencent, are facing the common challenge of attracting more high-end talent and international talent. What is Huawei's plan

for building a high-end talent resource pool? Have you set any specific standards in terms of compensation and benefits for high-end talent?

Ren: The answer is a sense of mission. We will certainly set specific standards for compensation and benefits, but more importantly, I believe we need to give our employees a sense of mission and opportunities to fulfill their missions. We also need to allow our scientists to do research freely.

Global Times: **I toured Huawei's offices in Europe a few months ago, and I found that many non-Chinese employees have a good understanding of Huawei's culture. I myself am reading some books about Huawei, and I'm curious what drives you, as a private company with strong Chinese characteristics, to become an international company with a generally-accepted corporate culture.**

Ren: What you read about Huawei in books written by people outside of Huawei is by and large untrue. Most of the information in such books comes from online documents, but we don't oppose this kind of writing because they live on this. I suggest you go to the *Xinsheng Community* and get access to real Huawei stories. Non-Chinese employees are basically the same as us, in that we both are committed to serving our customers. That means we share the same value.

***Global Times:* China's work culture, including the recently discussed "996" working hour system, has conflicted with Western working cultures. I'm wondering how Huawei manages and coordinates these conflicts.**

Ren: We respect the labor laws in every country where we operate and make sure the working hours are reasonable. But our employees have a strong sense of mission, which drives them to continuously make accomplishments. Our non-Chinese scientists actually work harder than our Chinese scientists, and many of them still aren't married despite being in their 30s or even 40s.

37 *Science and Technology Daily:* As you mentioned above, Huawei's key operating teams are becoming more capable and stronger. While layoffs are a sensitive talking point in the Chinese market, many ICT companies are going to or have cut jobs. Since Huawei was established in 1987, there haven't been any massive layoffs. What's your opinion about layoffs?

Ren: The number of former Huawei employees exceeds the number of current employees. How did they end up leaving Huawei? Some of them left of their own will. If some business fails, it is the commander's liability, not

the employee's. When we remove a department, we should find a way for its employees who have developed many skills as they grow.

For example, the company recently commended the application & software department. I approved the department's request to invite 10,000 employees to walk the red carpet, which ended up with several thousand employees. In 2017, we held a strategy retreat in Shanghai and decided to scale down the application & software department which had made no major achievements. When we decided to remove this department, I was afraid that its employees would suffer in their new departments because they might not have good performance or their personal grades were low. So I privately told the HR department to raise their salaries before they left. Two years later when I visited them, I found many of them had set out to a new journey even before their salaries were raised, and contributed a lot to the success the Consumer BG and the Cloud BU. They went for strategic opportunities, and got promotions while finding the opportunities to make contributions. During this process of scaling down, most of the redundant personnel were transferred to key strategic operating teams. Only a few mediocre employees were advised to leave. While restructuring our organization, we remove departments, but don't dismiss employees.

38

***The Paper:* Richard Yu said that you used iPhone in the past, but now you use Huawei's own high-end phones. Are you using a P30?**

Ren: The P30 is too advanced. My phones are not the latest. If I use advanced phones, I have to study the new functions, which is a waste of time for me. I don't need new functions.

***The Paper:* Have you always favored the CNBG (carrier network business)?**

Ren: No. I often scold those who I favor. Otherwise, why do I scold them? I also scold Richard Yu a lot.

***The Paper:* How do you see the growth of the CBG (consumer business)?**

Ren: After all, it is a support business. It aims to make money and give it to the CNBG to help it become a global leader. The CNBG uses the money the CBG gives it to charge ahead and capture "Mount Everest". Even if we can't grow crops there, it is still right we capture it. This is the principle we follow. It's not that I favor the CNBG.

***The Paper:* I think Richard Yu is very capable.**

Ren: I didn't say that he is not capable. You media people are all saying good things about Richard Yu. Please call Richard right now.

***The Paper:* Can you summarize the development of the CBG over the past several years?**

Ren: When we recognize a department, we must not just praise it. We need to correct its mistakes and drive it to move in the right direction. We have a lot of reflection internally. Sometimes, members of the Board of Directors Executive Committee quarrel, but they will often reach a consensus eventually.

Richard Yu: I hope that we can gain more of your support, boss. Some of your words might be misinterpreted or misunderstood, and some people even used these words to attack us relentlessly.

Ren: Richard, you don't walk tall today.

***Financial Weekly:* You set a 150-billion-dollar goal for the CBG?**

Ren: They set it themselves, and I am sure they will not attain it.

***Financial Weekly:* You place hope in them, aren't you?**

Ren: Market demand has approached the saturation curve. When you move forward along the saturation curve, you may put in a lot of effort, but cannot widen the gap between you and the followers. The gap will only gradually narrow. For example, it is very difficult to download two movies within a second. It doesn't

actually matter much to users if they can download one movie or two movies within a second. Even if we invest heavily in technology for this, we won't see any big difference in its application. This will easily cause losses to the company. It is easy to take the lead while an industry is rising. However, it is hard to do so when we begin to approach the saturation curve. Therefore, I am not sure what will happen in the future.

39

***Caijing:* Regarding the shareholding structure. I previously interviewed some Huawei employees. They are very concerned about one issue: In the past, Huawei's shares grew along the way, and they bought many shares in Huawei, which benefited them tremendously. However, they have one question now. Uncertainty about the future is increasing. If Huawei encounters problems, will dividends and earnings per share be impacted?**

Ren: Naturally. Whether to buy or sell company shares is up to the employees themselves. The mechanism is open and our employees are not bundled with the company. Dividends from Huawei shares are expected to drop. Our Blue Team has criticized the company for "distributing dividends at a rate of more than 30% for 30 years in a row." They asked, "How long will this continue?" Therefore, I criticize the Board of Directors

Executive Committee every year, saying that profits are increasing so much, and our strategic investment is not sufficient. Their self-reflection minutes for the previous year are still on my desk, and I haven't approved them yet. This year, Donald Trump approved the sanctions on Huawei, which may cause our profits to drop slightly.

***Caijing:* This means they need to take the good with the bad?**

Ren: We understand what some employees think, and they can take back their money if they want.

***Caijing:* You just mentioned that as long as you don't allow capital into Huawei, you can adopt any path for your future development. Capital is a very sensitive topic and we've already heard all kinds of rumors.**

Ren: Rumors are just rumors. We will never allow capital into Huawei. This is a consensus shared by all our executives. We work for ideals, not money.

40

***36kr:* Regarding the operating system, which department is responsible for it? Will you open up the source code to attract some developers?**

Ren: I can't say for sure which department is responsible for this. We will try our hand at this. It is not technically difficult to develop an operating system. What is difficult

is building an ecosystem. This is a big issue, and we should take it easy.

41

***jjemian.com:* Yesterday, I went to visit your Exhibition Hall for Virtual Restricted Shares and I was shocked. Huawei is highly bundled with the rights and interests of its employees. You hold only 1.4% of company shares and you only have the power of veto. In many companies today, the founder often has rights that align with their shares or demands more rights than their shares can provide. Your influence in Huawei is incredible. What is the essence of this?**

Ren: At the beginning of the year, we completed the election for representatives of our shareholding employees, who become members of our new Representatives' Commission. This was a result of more than one year of preparations. These members were elected on a one-share-one-vote basis. Why didn't people outside Huawei know about this? I don't know why our employees have voluntarily kept this a secret. These representatives of shareholding employees do not represent shares. Instead, they represent shareholding employees and vote company decisions on a one-person-one-vote basis. The company's Board of Directors makes decisions through voting, which also follows the one-person-one-vote principle. As authorized by the

Board of Directors, its Executive Committee manages the company's daily operations.

42

***Pear Video:* You have never used your power of veto, Mr. Ren. Have you ever wanted to use it at a specific moment? Or, what would be likely to prompt you to use your veto in the future?**

Ren: "Brexit." There was a date that my power of veto would expire. I had planned to give it up when that date arrived. However, when we passed the new *Charter of Corporate Governance*, the UK happened to vote on Brexit. If we allowed voting as they did, the fate of Huawei might be ruined as a company. That would be a regret, so we retained the power of veto, which is temporarily in my hands. When some members of our Executive Management Team exit to form a Core Elite Group, I will give up this power and hand it over to the Core Elite Group, which will be made up of seven people. Then the Core Elite Group will be able to veto decisions on critical issues. Normally there is no need to use the power of veto on business matters.



Ren Zhengfei's Interview with Bloomberg TV

May 24, 2019 Shenzhen, China

01

Tom Mackenzie: Mr. Ren, thank you very much for the time to talk to us. President Trump has described Huawei as a dangerous company. He said, and I'm quoting, "From a security standpoint and from a military standpoint, this is a dangerous company." How do you respond to that?

Ren: I have no idea why he considers us to be a danger. We provide information and communications services to three billion people around the world, including those in underdeveloped African countries and other hardship regions. Like missionaries in the past, we try hard to bring culture (communications services) to the depths of the thickest forests. We have been serving humanity with religious devotion. How is it possible that he considers us to be a danger?

5G is not an atomic bomb. It is a tool for communicating information. The content of communications has nothing to do with the tool. Take a microphone as an example. We cannot say that this microphone is a dangerous tool, because it can transmit and amplify voices. But those who speak with a microphone may say something that poses a threat. How can a tool itself be dangerous?

His accusation is unsubstantiated. Does he have the confidence to analyze the accusation for the public?

02 Tom Mackenzie: The US decision to blacklist Huawei is being framed by some US lawmakers as a death sentence for the company. Do you see this as a question of life and death for Huawei?

Ren: First of all, the US has decided not to purchase our equipment. This is their freedom in a market economy. They can choose not to buy or sell a product. This is not an issue. But the US believes that we pose a threat to security. We have virtually no presence in its market. How does its security have anything to do with us? It has nothing to do with us.

The US is a country that follows the rule of law. In such a country, what's most important is evidence. But the US has failed to present any evidence to prove that we are a security threat and instead has directly added us to this blacklist. A journalist once asked Mike Pompeo where the evidence was. See what his reply was. He said that they asked the wrong question. So I think it may be wrong to add us to the Entity List.

The US is acting with too much anxiety. This is irrational. The country has dominant advantages all over the world and this has been so for quite a long time. Even if some countries manage to catch up in the future, the US still has its relative strengths. Certain companies make some breakthroughs in certain areas. They should be happy about this, because other players can work

with them to provide better services to humanity. How can they consider this a threat?

Is it possible that Huawei will collapse after being put on the list? No, we won't. But our aircraft is bullet-riddled. As you can see in this photo, this is an Il-2 bomber made by the former Soviet Union during World War II. It is actually a portrayal of Huawei. Despite being badly damaged, we don't want to crash and just want to make our way back home. Our current situation is difficult, but it won't cause us to collapse. Adding Huawei to the Entity List may cause us some trouble. But we are repairing our aircraft while adjusting our route back. We will definitely survive.

We will still be a global leader in 5G, as well as some other areas. And our competitors won't be able to catch up with us within one or two years.

03

Tom Mackenzie: You talk about the aircraft analysis and it's an interesting one. The list of companies that supply Huawei with components, as well as software, and are now cutting off the supply of both is growing. This includes Qualcomm, Intel, and Google. So I guess the question is, how long can you survive without these supplies, in terms of both components and software?

Ren: The US is not the world's police and should not seek to manage the whole world. Other countries can decide whether to do business with us based on their own interests and positions. If a company decides not to trade with us, we'll patch that hole in our aircraft with sheet metal or cardboard. We will keep flying and do the repairs at the same time, so that the aircraft continues to fly. How long can it fly? How should I know? We hope to make it to the top of Mount Everest. That's our ideal. The US shares this same ideal. The difference might be that they climb up from the south, with a backpack full of canned beef and coffee. We are moving up from the north with field rations. Without bottled water, we need to melt snow to drink.

Why does the US go to such extremes when dealing with Huawei? What makes them so scared? The US is so powerful. Why does such a small company as ours deserve so much attention from them? I'm thrilled about this, as we are valued and our role has been exaggerated. What the US has done is publicity, good publicity actually, for us. I'm very grateful for what they have done.

04

Tom Mackenzie: You talked about reaching Everest. What does that mean? What does Everest look like for you? What is the company's ultimate goal once

you reach it?

Ren: I think Huawei's goal is to work hard to develop advanced technologies and provide cutting-edge services to humanity. The US also wants to achieve this goal. What's wrong with us sharing this same goal and providing services to humanity?

05 Tom Mackenzie: Do you think the recent actions by the US will be more painful for Huawei or for your US suppliers?

Ren: It hurts both.

06 Tom Mackenzie: In terms of 5G, because there has been a lot of focus on 5G technologies, can you continue to offer the same quality, in terms of 5G technology, without US components?

Ren: We don't have problems with 5G. We can maintain the quality of our most advanced products.

Tom Mackenzie: In terms of the services of core networks, have you developed your own chips that can replace US supplies?

Ren: Yes.

Tom Mackenzie: Do we have a timeframe when those

in-house chips developed may be able to be used as a substitute for some of those US supplies?

Ren: Actually, we have been using our in-house chips for a long time. We used to have a "1+1" policy – half of the chips we used came from Huawei, and half from US companies. This could protect the interests of our US suppliers as well. We could also verify that our products worked in real-world scenarios this way. If the US imposes more restrictions on Huawei, we may have to use more of our in-house chips than those from the US. If Washington allows US companies to continue selling chips to Huawei, we will continue buying US chips in large quantities. US companies and Huawei have a symbiotic relationship. We will not discard our partners just because we are able to make chips on our own; otherwise, no one would be willing to cooperate with us in the long term.

Our goal in making our own chips is not to substitute other companies and create a closed system. Our goal is to better understand future technologies. We don't intend to completely substitute the chips of US companies. We hope to maintain long-term, amicable relationships with US companies. The point is not that we will replace the chips from the US when ours are already. We've been using our own chips all along.

07 Tom Mackenzie: Are you looking to change your supply chains at all to ensure that you have the components that you need? Is that a process that you're looking at now?

Ren: No. We will keep our existing supply chains unchanged, and will continue placing purchase orders with US companies. If they can no longer provide supplies to us, then the proportion of our in-house products will increase. It is up to us to find ways to solve our own problems.

08 Tom Mackenzie: As it stands, Huawei is the leader in 5G technology. Can the actions of the US be an advantage to your competitors like Nokia and Ericsson?

Ren: Yes, it will be good for these companies. When they can make more money, they can better serve humanity. Both Nokia and Ericsson are great companies. Many years ago, when the EU wanted to sanction Huawei for dumping practices, Sweden and Finland were the first to object. I would say this was due to prompting from Ericsson and Nokia. We have treated each other well, and we have never seen each other as an adversary. Isn't it a good thing if they can secure more market share and assume more responsibility for serving humanity in

place of us?

09 Tom Mackenzie: You talked about having two-year lead in terms of 5G on your competitors. Does that lead get eroded?

Ren: Of course. If we fly slower because our aircraft wings are riddled with bullet holes, our peers can certainly catch up because they can fly faster. But we are fixing these holes, and when this work is done, we will fly faster.

10 Tom Mackenzie: How much damage do you expect to be felt in the consumer division of your business – smartphones and laptops, which depend on US chips and US software?

Ren: Huawei is definitely impacted. The precise extent of impact will be assessed by the respective product line or department. They will find alternatives, or remedies, so to speak. We will pursue reasonable progress. Our growth rate may not be as high as predicted, but we will still see growth. The fact that we can continue growing in the most challenging environment shows that we are a great company. Of course, I have never bragged about myself in my whole life; I'm just praising myself this time because we are facing the biggest difficulty so far.

11 Tom Mackenzie: And you have bragging rights because earlier this year you overtook Apple as the No. 2 smartphone maker as your smartphone sales in the first quarter jumped by 50%. And because you do have the goal of becoming the No. 1 smartphone maker in the world, does that goal now have to be shelved?

Ren: Apple is huge. Two years ago, we became a bit bigger than them – like a peach. In the next two years, we may have become smaller than them, like a plum. But a plum is still fit for consumption, even though it may taste bitter.

Tom Mackenzie: So you still want to be the No. 1 smartphone maker?

Ren: No. We can scale either up or down. Huawei is not a public company, so we don't aim for big numbers or high profits. Survival is the best thing we can hope for.

12 Tom Mackenzie: I want to ask about your operating system. We've been told that you want to develop your own in-house operating system. Can you tell us what that's going to look like and when we can expect to see that?

Ren: When it comes to the operating system, the difficulty is not the technology. Building an ecosystem

is the most difficult thing. Apple and Google have built robust ecosystems. Huawei has always supported the ecosystems of Apple, Google, and Microsoft. We have followed their lead. There will be new operating systems, for the Internet of Things and the like. Can we develop some simple operating systems? I can't say for sure that we will be doing very well in this, but we will make effort. Just as how we produce other components, chips, and products – we put effort into it.

Tom Mackenzie: So the key challenge is building an ecosystem, because Apple and Google spent years building their ecosystems. Will that be a key challenge around OS?

Ren: Yes, you'd be right.

13 Tom Mackenzie: There are calls by some in China for Beijing to retaliate against Apple. Is that an option that China should be looking at taking?

Ren: Definitely not! If it were, I'd be the first to oppose such actions. Why should we act against Apple? Apple is a great leader in the world. Without Apple, there would have been no mobile Internet, and the world would not have been as colorful as it is today. Apple is like a teacher to us, leading our way forward, and a student would never act against his teacher. If Beijing does so,

you can come interview me and I will be the first to voice my opposition to blocking Apple.

Some people say that since the US has blocked Huawei, China might as well block Apple. I've always been against this idea. Apple is a great company that serves humanity. Why shouldn't we use Apple products? Some of my family members are using iPhones, and Huawei phones as well, of course.

Tom Mackenzie: Does that nationalism and populism concern you?

Ren: No. We strongly oppose populism and petty nationalism. In a global economy, we must work together to achieve shared success. We live in a big world, and it's impossible for a single company to support the world alone. Again, we strongly oppose populism and nationalism. Even if we can rise to become the world's No. 1, we will partner with others to serve humanity, not just by ourselves.

14 Tom Mackenzie: President Trump has repeatedly suggested that Huawei could be a factor in any trade deal between the US and China. How likely is that, do you think, from your perspective?

Ren: The US has sued us and we have filed our

counterclaim. Now that the cases are undergoing legal proceedings, what do we need to negotiate? We will leave them to the court. We don't have anything to do with China-US trade talks. The US has bought almost nothing from Huawei, and even if they want to in the future, we would not necessarily sell to them. It's better that we wait for the court's ruling. I believe the US justice system is open and transparent.

Tom Mackenzie: I just had to bring it up because it's the President saying, Huawei could be a part of these trade negotiations, which is why I brought it up.

Ren: If he called me, I might not pick up. He doesn't have my phone number though, of course.

15 Tom Mackenzie: Trump says he is master of the art of the deal. You're a deal maker as well. Do you think you could make a deal with Trump if that was a possibility?

Ren: How can we negotiate with Trump after the US sued Huawei? The US is a country that follows the rule of law. We should leave the case to the court.

16 Tom Mackenzie: You have said in the past that you think President Trump is a great president. Do you

still think he is a great president?

Ren: Trump is a great president. He tells the whole world that Huawei is a great company and not to sell us components. As a result, we are winning more contracts and can hardly keep up with the increasing orders. He is a great president because he tells the world how great Huawei is.

17 Tom Mackenzie: Many people see parallels between ZTE and Huawei. ZTE last year accepted a deal with the US that involved changing their board and paying a significant fine. It involved quite significant oversight as well. Are there any conditions that would be possible to Huawei if that meant lifting the yoke of these restrictions?

Ren: I don't know about ZTE and haven't engaged with them before. The US sued us at the District Court for the Eastern District of New York, where we will defend ourselves. We will see them in court.

18 Tom Mackenzie: Your daughter is being held in Canada and faces extradition to the US from Canada, and she's facing charges in the US of fraud and breaking sanctions against Iran. Those are the

allegations from the US side. President Trump has suggested that he could intervene to help your daughter, presumably you welcome that kind of intervention?

Ren: Canada is a country that follows the rule of law. We will clarify in court how the Canadian government acted illegally during its law enforcement. Meng has not committed any fraudulent activities. We have made this clear in court. Both the US and Huawei should provide evidence in court in the future, and we have our evidence. Meng was treated unfairly, which may have been politically motivated. Since Trump himself is a politician, how could he intervene? He just wants China to offer some benefits to the US. We didn't commit any crime, so why should we ask our country to offer benefits to the US?

Tom Mackenzie: Have you spoken with Meng lately?

Ren: Yes.

Tom Mackenzie: How is she?

Ren: She is studying while under house arrest.

19

Tom Mackenzie: Do you think the legal action against Canada and the US is helping your cause, or is there a risk that it inflames tensions?

Ren: The US and Canada took action against us first; we then countersued. Why are we considered to be the one disrupting the social order, when we are merely responding to the call of the US? Why did the US sue us even though they knew that it would disrupt the social order? Why shouldn't we file a counterclaim after they sued us? The US is a fair, open, and transparent country. It has the right to sue us and we have the right to defend ourselves.

20 Tom Mackenzie: What do you think America's long-term strategy is, when it comes to China? Do you think it is about trying to, as some would argue, contain China's rise?

Ren: I'm not a politician and I don't know about politics. You need to ask President Trump these questions because he is a politician.

Tom Mackenzie: You have rich experience and you've built up a phenomenally successful business. You've traveled to many countries and you're very well versed in what happens internationally. There are some who have said that this is the point when we are facing, essentially, a new cold war. Is that a risk?

Ren: I don't think I'm a very capable person. My capabilities are limited to managing this company. I turn

a deaf ear to things irrelevant to Huawei and I don't comment on them, including things relating to China. This is because I don't know about the practices of other Chinese companies.

My travels to many countries have been for fun only. I could talk at length if you were to ask me about which places have good coffee, or which places have beautiful scenery, but I am not the right person to ask when it comes to politics.

21 Tom Mackenzie: OK, let me ask you about technology. Because there are those who say that if we keep going down the path we're going down, we'll have a situation where we, essentially, have two technology ecosystems: one driven by China, one driven by the US. Is that a risk?

Ren: The world has always walked a bumpy road. In the industrialized age, we had different standards for railways: narrow track, standard track, and wide track, which hindered the development of international trade. Back then, everything moved slowly, so the different standards of railways didn't create much trouble. When it comes to communications standards, we had multiple standards before 5G appeared. Different standards drove up costs for users and made it difficult to access communications services.

Since 5G appeared, bandwidth costs have been greatly reduced. In terms of network capacity, 5G is 20 times larger than 4G and 10,000 times larger than 2G, but the size of 5G equipment is much smaller and its power consumption is only a tenth of what 4G equipment consumes.

In this new age, even those without much money can afford broadband services, giving them more opportunities to receive cultural education. In the information society, children even in remote regions can see what the world looks like. Then they will develop faster, grow more harvests, and create more wealth. More people will be lifted out of poverty. All this will benefit society.

I'm not sure whether there will be two systems of technical standards. If yes, when the two sides meet at the top of the mountain, with one climbing from the north and the other from the south, we will not fight with each other; instead, we will embrace each other to celebrate our success in driving the digitization of humanity. We will toast to each other. Since there is only snow at the top of the mountain, we will use melted snow instead of champagne for the toast. Ultimately, we are jointly serving humanity. It doesn't really matter whether there is one standard, two standards, or more standards. What really matters is reducing service costs.

22

Tom Mackenzie: As you sit here today, what is your assessment of how long this trade war could go on? We've heard a former Chinese senior official say it could continue till 2035. We've heard Jack Ma say it could go on for two decades.

Ren: I don't know how to predict this. I'm only responsible for managing our company. Our business can be scaled up or down. When under attack, our business could be scaled down to the size of a table tennis ball. Then it could be scaled up to the size of a volleyball, and then to a basketball. We can adjust the size of our business anytime.

23

Tom Mackenzie: The critics of Huawei would say that you've got to where you are through intellectual property theft and government support. What is your response to that?

Ren: We have developed technologies that the US hasn't developed yet. How could we steal technologies that do not even exist? We would need to wait for the US to invent them first. Regarding whether we are supported by the government, we have been audited by KPMG, and KPMG can provide you with our audit report. Jumping to conclusions could result in a wrong judgment. If we were behind the US in terms of

technology, would US politicians step up efforts to attack us? We are attacked because we are ahead of them.

24 Tom Mackenzie: In the past, you faced legal challenges from Cisco, from Motorola, and from T-Mobile. What does that say about the culture of the company, and what steps have you taken to address those issues that came up as a result of those legal cases?

Ren: First, all of these cases have been heard in court in the US. We must respect the courts' judgments. We require all of our employees to never violate any regulations or laws. We have a huge amount of technology. If someone asks what contributions we've made to humanity, I would say we have over 90,000 patents, many of which are patents we have recently obtained for the information society. We have made huge contributions to the information foundation of the digital society. Among our patents, over 11,500 core patents were filed in the US, and the US government has approved these patents. They should come to understand Huawei's contributions to humanity, and the disputes between us may be gradually resolved.

25 Tom Mackenzie: How did you manage to go from behind your competitors, like Ericsson, like Nokia, to

**being the leader in 5G? What steps were implemented?
How did you manage to make that leap?**

Ren: First, we work while others are having coffee. In general, we work much harder than others. Second, individually, we are not that wealthy. We distribute our profits to employees, and this helps attract excellent scientists and talent to join us. I am not super wealthy, although I suppose I am rather rich. It is true that I was poor in the past, but I have been forced to become rich over the past 20 years. As a Chinese saying goes, people gather around you when you share money with them. When we share our money, scientists around the world come to join us or work with us. That explains our fast pace of growth. Perhaps scientists come to join us because in the US, more money is going to Wall Street, not to scientists.

26

Tom Mackenzie: If at a moment of national crisis, the government came to you and said, "We need your help, we need your cyber skills, and we need access to your network because it's for the good of the country, for the government, for the good of Chinese people," how would you respond?

Ren: We would definitely not install backdoors. We won't ever do such a thing. We are serving humanity, not intelligence agencies. Why would we install backdoors?

Tom Mackenzie: You are a member of the Communist Party. You've taken an oath of allegiance to the Communist Party. If the Communist Party leadership came to you at the moment of conflicts between the US and China, do you say no to that oath? Do you break that oath and stand by the company? How do you make that decision?

Ren: According to its oath, the Communist Party of China is loyal to the people. The oath does not include anything against the US.

Tom Mackenzie: Just help us understand, what are the practical steps for denying a request like that in China?

Ren: The Chinese government has never made any such requests. According to an article published by a German newspaper, no backdoors have ever been found in Huawei's systems. The UK said it has the toughest and most rigorous oversight regime in the world for Huawei; that's why they trust us and continue to use our equipment. Huawei has a proven track record in security, and we will never accept any request to implant backdoors or collect intelligence for anyone in the future.

27

Tom Mackenzie: You mentioned the UK. They published a report through your cyber security center

there last year, saying that they were very concerned that Huawei hasn't addressed some of the issues that they brought up with Huawei, that those issues posed a risk to Britain's telecom companies?

Ren: This report criticized Huawei in a well-intentioned way. Indeed, Huawei is not without its flaws. If there are issues that need to be addressed, we will make improvements.

You can also ask some US companies whether they would comply with any request to install backdoors, and see what their answer is.

28

Tom Mackenzie: How would you characterize your relationship with the Chinese government?

Ren: I pay taxes to the Chinese government and abide by Chinese law.

Tom Mackenzie: Have you spoken to the government since the blacklisting?

Ren: There is no need for me to do that. Regarding our issues with the US government, we will leave everything to the court to decide. Why would I need to talk to the Chinese government?

Tom Mackenzie: There have been reports that they

might be looking at offering financial assistance to your company. Is that something you'll consider?

Ren: There has been no such thing. You will be able to see that in our financial statements. If Western banks reduce loans to Huawei, we may apply for more loans from Chinese banks. In the past, we borrowed a considerable amount from Western banks because of their lower interest rates. However, if Western banks refuse to offer loans to Huawei, we will get loans from Chinese banks even though the interest rates are higher. This is only about business. It has nothing to do with the government.

Tom Mackenzie: Does the Chinese government, or any of its entities, own any stake, any part of Huawei?

Ren: No, absolutely none at all.

29

Tom Mackenzie: A lot of this, maybe all of this, comes down to a question of trust and, from the US side, mistrust of Huawei and of China. Do you think there are additional steps, beyond the steps you've already taken, that you could take to improve that trust, whether that is restructuring the company or listing the company? Is there anything you can do to build on that trust?

Ren: We have worked with our customers for 30 years, and we are serving three billion people. The trust our customers and users have in us will not simply disappear because of something someone says to them.

Huawei will not go public in order to earn some people's trust. We are clean, so we don't need to worry about what others have to say about us.

30

Tom Mackenzie: Are you winning the argument in Europe?

Ren: We definitely do not have the upper hand. The US is very good at influencing public opinion around the world. Huawei's voice is too soft; it's like the sound of the wind blowing against the grass, which is overwhelmed by the sound of the waves at sea. Nevertheless, we need to speak out and make our voice heard. In the past, we believed that silence does not mean cowardice and tolerance does not mean apathy, and we kept stepping back, but they just didn't want to give us a break. So we want to say something. However, ultimately not many people would be able to hear what we say, because the US is very good at influencing public opinion.

31

Tom Mackenzie: Your business success certainly speaks to the trust that you have clearly built up with many

of your clients. But the question of trust applies to the government, and I wonder if there is anything that you feel, personally as CEO and founder, you could have done to improve that trust, or to build that trust?

Ren: In fact, most governments trust Huawei very much. When disasters happen anywhere in the world, Huawei is often among the first to stand up and respond to the disaster. When a devastating earthquake hit Japan and caused a serious nuclear disaster on March 11, 2011, all other companies evacuated at this critical moment. But Huawei employees stayed and headed in the opposite direction towards the disaster-stricken area to restore communications equipment, which supported the repair of the nuclear power plants. When Meng Wanzhou flew from Hong Kong to Tokyo at that time, there were only two people on that flight. One was Meng Wanzhou and the other was a Japanese person.

We are a responsible company that works for the destiny of humanity. After Indonesia was hit by the devastating tsunami, Huawei immediately donated plenty of cash and equipment, and several hundred Huawei employees promptly set out to the coastal area to restore communications equipment, which greatly facilitated the disaster relief effort.

During the magnitude-9 earthquake in Chile, three of our employees were trapped at the seismic center

and lost contact with us. The rep office called me, asking whether they should send people to find them. I said that since there might be aftershocks, we should wait patiently; otherwise, the rescue team could also be trapped by the earthquake. After waiting a few days, the three missing employees finally called us and said they were safe and sound.

However, the local director didn't know that Huawei had decided to put lives above all. He asked these three employees to go to repair the broken microwave devices. So they just got their backpacks and headed straight to the center of the disaster area to support the relief effort. We have made a short, three-minute video based on their story, with these three employees playing themselves.

Later, when I went to Chile, the country's richest man gave me a box of fine wine. I then went to see one of the three employees and gave the box of wine to him. He happily accepted and didn't bother to share a bottle with the senior executives sitting next to him. He is such a straightforward, great person.

In addition, Huawei has been working hard in many areas of Africa stricken by infectious diseases, such as plague, Ebola, AIDS, and malaria; many Huawei employees there even contracted malaria themselves. Therefore, Huawei applies a famous rule of the US army

for promotion, which says that only people who have been on the battlefield, engaged in battle, and gotten scars can be promoted. At Huawei, people who have never worked in hardship areas will not be promoted to senior leadership positions.

32 Tom Mackenzie: Let me go back a little bit to your history. I want to paint a picture for our audience of who you are and what motivated you. How did you go from being an engineer in the People's Liberation Army to building and setting up Huawei as a company in 1987?

Ren: My personal experience can be divided into two parts:

The first was when I worked within the system of a planned economy. I had served in the army before the large-scale disarmament, when China adopted a planned economy system. Within that system, I served as an engineer up to the level of Deputy Regimental Chief. But all of a sudden, the army carried out a large-scale disarmament, and many of us had to leave. We were directly thrown into the vast ocean of the market economy.

Thus, the second part of my life was spent working in the market economy. At first, I had no idea what the market economy was about. For example, I didn't

understand why people sold something at the price of 12 yuan when it was bought with only 10 yuan. Wasn't that cheating? My thinking was still restricted by past experience. Naturally, I choked many times in that ocean of the market. I also trusted everyone too much. When I worked in a small company, some people cheated me out of money. I tried to get the money back, but I couldn't afford to hire lawyers. So I studied the law on my own to defend myself. After I read the laws of many countries, I realized that the market economy was in fact about two things: the goods and the customer; and the law governs what's in between – the transaction. I can never control customers, but I could get hold of goods and follow the law. That's what motivated our R&D efforts. We must do research on goods and sell them to our customers through legal transactions, if we want to earn money from our customers.

In that situation, I was dismissed by my previous employer, so I had to find another job. It was right after China had adopted the reform and opening-up policy, and begun allowing educated young people to return to cities. The government also allowed these young people to do business, such as selling tea or steamed buns, since they could not arrange jobs for all of them. In Shenzhen, starting tech companies was allowed. So I decided to give it a try and started Huawei. Actually, I set up Huawei because I had no other way to make a

living. Ever since founding the company, I have stuck to my original idea, which is to make quality goods and sell them to customers at reasonable prices to earn money. That's the very simple reason why I set up Huawei, and how it has managed to get where it is today.

33 Tom Mackenzie: What were your ambitions for the company back in 1987?

Ren: At that time, we didn't even have enough food. My only wish was to survive. My daughter was still very little. Her mother often told me that she needed to buy stale fish and shrimp in the market at 5 o'clock in the afternoon and cook them for our daughter to make sure she got enough protein, as children cannot grow healthily without enough protein. Back then, we were only able to maintain the minimum standard of living. It was impossible for us to have any ambitions, because we didn't even know if we could survive. My most famous slogan at Huawei is "survive, survive, and survive". Even today, the story of the damaged aircraft that I talked about is still about survival. I don't have great ambitions.

34 Tom Mackenzie: Did you ever imagine that you will be sitting here today in this position?

Ren: People who do not have much desire often turn out to be more capable. I have never imagined myself here, nor have I wanted to earn a lot of money. So I hold only a small portion of company shares. I did not even own an apartment back in 2000. My wife and I rented only 30 square meters, or half the size of this meeting room. It faced west and there was no air-conditioner.

There was no turning back for us. If we did, there would be nothing but poverty. But if we moved forward, there would be some hope. There was certainly no hope if we turned back. So we had to bite the bullet and forge ahead. Suddenly, we are seeing the light at the end of the tunnel, and finding ourselves at the top of the mountain.

If the US had not attacked us, we wouldn't have known that we are somebody in the world. Thanks to them, we're now aware of where we stand and we are very proud. Even if Huawei collapsed today, we would still be proud. Because it was Trump, not a nobody, that defeated us.

35

Tom Mackenzie: To what extent does your military experience influence the way that you run the business?

Ren: There is no turning back. All we can do is to put one foot in front of the other. We have to plod on,

powering the grain mill like a donkey. It's the flour we grind that gives us the drive to charge forward. Step by step, we have somehow managed to overtake others and stay ahead. The nature of the military involves facing up to difficulties and challenges and moving forward one step at a time.

36 Tom Mackenzie: You had another difficult period for the company in 2000. You talked about the year 2000, when Cisco sued Huawei over intellectual property infringement. Compared to that period, is now a more difficult period for the company than 2000, or was that still one of the most challenging periods for Huawei?

Ren: For us, there has been no period without difficulties. Every period is the most difficult.

37 Tom Mackenzie: It's also being reported that you considered selling the business to Motorola in 2000. I think it's 2000. Is that a happy twist of fate that you didn't end up selling the company?

Ren: I think Motorola was silly in this case. That week, Christopher Galvin was replaced by Ed Zander. Mike Zafirovski, Motorola's second chair, had negotiated with us on all transaction contracts and signed off on all the

paperwork.

While waiting for final approval, we all put on floral-print clothes, ran around, and played ping pong on the beach. We then learned that Ed rejected this acquisition.

Years later, when I met the CEO of Ericsson, he said Mike had cried when talking about what had happened. He wondered why this great acquisition had been vetoed.

At that time, we at Huawei were afraid of the US. We knew that we were going to have to square off against the US as we continued to develop. We knew who we were then, so we planned to sell Huawei and go into the tourist and tractor sectors. But the deal failed, so we were engaged in new discussions over whether to continue with technology or sell Huawei to someone else. I was ready to compromise. That's my style. I always compromise if that's the right thing to do.

However, all of our younger executives said they wanted to continue with our business. They all had a technical background. If they gave up technology and went into tourism, they didn't think they'd be good at flying tourist flags. So they decided to stick with technology.

I replied, "We might be in conflict with the US ten years from now. So we need to move forward, and work hard to improve." They unanimously said yes. Now,

we're in a hard fight, like an aircraft riddled with bullet holes. But we are not divided. We are even more united – this might have something to do with our forecasts back then.

But can we? We don't know the answer yet. Someone asked me what if the engines and fuel tanks are hit. Don't ask me whether our aircraft can still fly if no one sells engines, fuel tanks, or fuel to us.

These will all be new challenges. We will meet these challenges head-on. We have to play it by ear when exploring the way forward.

As for your question of whether our aircraft can land, I can't say it for sure, because what really matters is that we land safely. Now, this damaged aircraft is still flying in the air. It might not withstand fierce winds and might drop to the ground.

Tom Mackenzie: Does this make Huawei stronger, automatically?

Ren: Not necessarily. I would say it's a trial by fire. It helps us reinvent ourselves.

38

Tom Mackenzie: Where do you think Huawei's greatest opportunities lie in the future?

Ren: As we haven't yet solved the problem with our survival, how can we talk about the future? There is still a question mark over whether the US will give us the license to survive. It's too early to talk about the future.

39

Tom Mackenzie: Speaking of survival, the company is famous for spending heavily on R&D, 10% of revenue every year, and that in some respect has been a major catalyst of driving Huawei to the forefront of the 5G technology era. Given the actions that the US has taken, does that mean that you're going to have to ramp up that R&D spending even more to develop your own in-house products and components?

Ren: We used to set our prices relatively low based on our costs. This gave some Western companies a hard time; some even went bankrupt. I was not proud of that. But now our prices are set relatively high, higher than those of Ericsson and Nokia, and we have earned a lot of money because of this. Now our salary standards are higher when compared to the West. If we continued to distribute more money to our employees, they would become complacent. To avoid this, we are spending more money on funding scientific research and investing into the future. This is what we call "increasing the fertility of our soil" at Huawei. Apple is the greatest company in the world. Selling at high prices, Apple is like

a big umbrella, beneath which many other companies sell products at lower prices and survive. Inspired by Apple, we have also opened an umbrella of our own; only ours is lower. We don't charge low prices, either. This is because we have many measures in place to bring the costs down. With extra money made, we will invest more into scientific research and the future.

As long as we have enough to subsist on, we will continue to ramp up investments. Even in the hardest times, we will still invest into the future. Otherwise, there would be no future at all. If the company suffered losses to the point where we couldn't pay employee salaries, that would be another story. We don't have such a problem at the moment. Moving forward, we will save money that could be saved, but we will not cut funds for R&D investments. Otherwise, the company would collapse.

40

Tom Mackenzie: When it comes to the fight for talent, we have seen many Chinese students having their visas in the US denied, and some Chinese academics being denied access to the US. Is that a potential opportunity for Huawei to attract Chinese talent to the company?

Ren: It depends on whether our departments in different

domains are short of such talent. If yes, of course we are happy to bring them in.

41

Tom Mackenzie: What do you think will be the most significant technological changes in the future?

Ren: Artificial intelligence.

Tom Mackenzie: AI? Is that going to be an increasing focus for the company and for you?

Ren: At the moment, AI chips and AI systems are widely used at Huawei. Without AI supporting our product lines and management systems, our management costs would be enormous and there would be no extra money for R&D. In addition, AI has been widely used in our products.

42

Tom Mackenzie: How long do you plan to be the CEO of the company?

Ren: I'm not sure. Perhaps I will stay in this position for some time.

Tom Mackenzie: Do you have any succession plans in place?

Ren: We've always had a succession plan. My successor is not a single person, but a group of people under which

there is another group of people and then another. It's like a chain that underpins a huge succession plan. Our succession plan is not about a single person. What if there was only one successor and that successor became ill? And we are a damaged aircraft. So our succession plan is not about a single person, but about a group of people.

43 Tom Mackenzie: I just want to bring it back to some of the original topics we talked about at the beginning around the supplies. We talked about how some of the major suppliers, like Intel, Qualcomm, Arm, Panasonic, and Google, are restricting their supply of components and software to Huawei. Just explain to us how you weather that storm. What exactly have you put in place in terms of contingency? Can you just give us a few more details around the contingency plans that have been put in place?

Ren: US companies must assess their own interests and their own situation before making decisions. We support suppliers making their own assessments. There has been a lot of media coverage about this, but what's really going on remains unclear at the moment.

Tom Mackenzie: But you started to put contingency plans in place over a year ago. We have been told. What made you take that decision? How did you

know? What underpins that decision to start planning for this eventual reality?

Ren: Our contingency plans were not only meant to deal with emergencies, but also to help us become an industry leader. If the industry cannot provide advanced technologies such as more advanced chips and components, we will have to develop them ourselves. But we only develop some of them. We wouldn't be able to afford the costs of doing everything ourselves. We have prepared the core parts of the aircraft, including engines and fuel tanks. But we don't have many components to create the wings. We still need to examine which parts have been damaged and then fix them. Two or three years down the road, you will see whether we have survived or not when you come to interview us.

44 Tom Mackenzie: You talked about survival. What issue could be a cause that would kill the company?

Ren: The biggest potential killer of Huawei would be a lack of confidence, of willpower, and of unremitting effort.

45 Tom Mackenzie: One way to look at what happened to Huawei is to look at what China has done to US companies in the past, blocking some of America's top

technology companies. So some would argue that, in some respect, the US is just playing catch up in terms of putting in restrictions around Chinese technology companies.

Ren: They are not just limiting our access to the US market; they are closing in on us all around the world. If they just limited our access to the US market, I would be willing to accept that, because I had no particular desire to enter the US market to begin with.

Tom Mackenzie: China has restricted many of America's top technology companies from operating here. So some would argue that it's only fair that it's leveling the playing field.

Ren: They are lobbying all around the world against us. It is not an issue of limiting our access to the US market. It is preventing us from buying parts and components. The US is even enacting laws to limit us, but they need to tell us what we have done wrong. The US is a country that exercises the separation of powers, but they reached a verdict on us simply following a vote by legislature. That was unconstitutional, so we filed a lawsuit against them.

46

Tom Mackenzie: You did talk to the Chinese press and you talked then that China could have reformed and opened up more quickly. I wonder if you think if some

of those steps had been put into place around reform, around opening up the market here at an earlier stage, we wouldn't be in the position that we're now in.

Ren: We must not link our matter to the issue of whether China should accelerate its reform and opening-up. They are two different things. I have always been a supporter of China's reform and opening-up, because this initiative has already contributed towards China's wealth, strength, and prosperity, and will continue to do so. China must no longer close its door. It had closed its door for at least 5,000 years, during which China was poor. In 30 years of its reform and opening-up, China has become prosperous. Opening-up is good for China. This has nothing to do with Huawei's fate. I support China's continued efforts to open up.

However, it is necessary to open up step by step. The US is the most open country; but it still doesn't allow Huawei to enter its market, does it? If the US can open up step by step, why can't China?

47

Tom Mackenzie: As you sit here today, where do you see Huawei in five years' time? What is your vision for the company? What are your expectations for what this company looks like within that time frame?

Ren: I can't imagine what things will be like in five years' time. We'd better first imagine what things will be like in three years. When you come to visit us in three years' time, please bring a rose and lay it before our tomb if Huawei is gone. If Huawei is still here, I will give you a big cake. I hope that when you visit us in three years, you won't bring a rose, but instead, I will be baking a big cake for you. This is what I wish for, but I don't know what will happen in future.

Tom Mackenzie: Still survival?

Ren: Survival is always our top priority. Without survival, development won't be possible. I don't have any dreams. I think we still need to be practical and address the problems facing us today.

48

Tom Mackenzie: Just returning to the question of Cisco and the legal action it took in early 2003. Is there more that you could have done in your position between that period and now to address some of these concerns, whether it is concern about trust or examples of some Huawei employees infringing on intellectual property?

Ren: Even before the Cisco case, we had already attached great importance to intellectual property management. That was why we could settle such a big case with Cisco

out of court. However, that case made us more alert. After that, we paid more attention to intellectual property management. Our intellectual property is a great contribution to humanity. We have many constraints inside Huawei in this regard.

49

Tom Mackenzie: In terms of culture, Huawei's culture is famous for driving its employees very hard to make those wings drive forward and push the company ahead of its rivals. Is that drive, that ambition, that relentless drive to be better, that culture in some ways to blame for some of these examples, whether it's the example of T-Mobile's Tappy robot when you had Huawei employees trying to get intelligence on that piece of equipment. Is that a statement, to some extent, of the culture of Huawei driving employees so hard?

Ren: For specific cases that are still undergoing legal proceedings, we will wait for the court to decide. In general, our management at Huawei is effective.

Tom Mackenzie: Has the company ever set up any systems at all or schemes to reward employees for stealing intellectual property?

Ren: Absolutely not.

Tom Mackenzie: The US Department of Justice said that there was a bonus scheme that was put in place to encourage Huawei employees to steal intellectual property?

Ren: The US Department of Justice has filed a lawsuit, and we need to wait for court decisions.

Tom Mackenzie: And you wouldn't condone such a system?

Ren: Absolutely not.



Ren Zhengfei's Interview with German Broadcaster ARD

May 20, 2019 Shenzhen, China

01

Hubert Seipel: Mr. Ren, you are seen as the kind of Chinese Steve Jobs, and Huawei is seen as the kind of Chinese Silicon Valley. How did you do that?

Ren: First, I am not Steve Jobs. He was instrumental in the development of the mobile Internet, making significant contributions to humanity. Philosophically, he sought perfection. I myself do not have exquisite skills. All I do is take a bucket of "glue" and stick our 180,000 employees together to ensure collective dedication. The honorary titles that have been bestowed on me are actually the achievements made by our dedicated employees. In philosophy, I believe in *huidu* and compromise. I think there is *huidu*, or a shade of greyness, between black and white. In contrast, Jobs pursued perfection. There are many differences in our character. I am not as great as he was, so I could never be named the Steve Jobs of China. This is not because I am humble, but because I don't think I am a great man.

Hubert Seipel: We could probably come to the conclusion that Huawei is a global giant and you manufacture equipment that makes up the backbone of the Internet.

Ren: Yes, you are right.

02

Hubert Seipel: Born in 1944, you were the eldest of seven children in South China in a rather poor province.

What did your parents do?

Ren: They were both teachers working in a very remote and poor region in Guizhou. This region is mainly populated by minorities. My mother was an elementary school principal, and my father was a middle school principal.

03

Hubert Seipel: You grew up in quite difficult times. There was a great famine at the end of the 1950s and there was a Cultural Revolution. What do you remember most about those times? How did it affect you?

Ren: Throughout my childhood and youth, what I remember the most was not having enough food. During the Three Years of Great Famine, my biggest dream each day was to have just one steamed bun. When I went to bed at night, I would dream about how I could get one bun. It was not about pursuing studies for future career opportunities. Also, I had no idea of what pocket money was during my childhood. In the third year of my high school, my mother approached me, telling me that she would start giving me five cents as pocket money each day. I felt I could do so much with this pocket money.

04

Hubert Seipel: About 20 years ago, you wrote a little piece about your memories of your parents and one of the main phrases I remember, one of the main words was "hunger". Let me quote from there: "We somewhat got used to being hungry and we managed to find several ways to stave off hunger." Hunger was obviously the most impressive thing at that time for you.

Ren: From 1959 to 1962, what haunted us was hunger. Since 1963 and 1964, when the Chinese economy started recovering, hunger stopped being a keyword. Since then, the political environment in China was turning leftist. The Socialist Education Movement and Cultural Revolution were on the rise, but I was not really into the Cultural Revolution. I wanted to dig into technologies with one heart and one mind, and I knew nothing about politics. The sudden political fanaticism I saw back then really made me uncomfortable, and I had no idea what I could do.

During the Cultural Revolution, I also wanted to join others in protests and demonstrations. But my father was labeled a "capitalist roader". For this, he was actually locked up in a "cow shed" at one point in time. In China, this approach of depriving liberty was called the confinement of monsters and demons. The house that locked them up was named a "cow shed". Because of my family connections, there was no possibility I could

become a part of the activities at the time.

In 2001, when I wrote the *Reminiscences of My Parents*, I suddenly realized that I was not one of the millions of Red Guards that had existed in the proletarian Cultural Revolution. Why? On one hand, the big organizations did not want to take me in due to my family connections. On the other hand, I myself did not want to join any of the small organizations. I was sort of drifting away.

Hubert Seipel: Why did the revolutionary guards choose to target your family?

Ren: Because my father was the principal of a teachers' college. The Cultural Revolution targeted school principals and teachers first. My father, though as an intellectual of the Communist Party back then, had a very different political identity from the officials for farmers and workers. These officials came out of remote mountain villages and had no chance to connect with other people from the outside world. They had a very clean background. However, intellectuals had roots in the old society and inextricable links to that society. Therefore, they became the first targets.

05

Hubert Seipel: You could obviously finish your studies; you studied architecture and engineering. How did you end up in the army?

Ren: Premier Zhou Enlai sought to mobilize regional engineering teams to build a synthetic fiber factory with equipment from French companies called Technip and Speichim. China was in complete chaos due to the Cultural Revolution, and no regional team answered the call due to the harsh living conditions in the region where the factory was to be located. Premier Zhou Enlai had no option but to mobilize military forces. But the military lacked technological strength, and couldn't temporarily bring in engineers from regional engineering corps. As a result, the military sent students like me, who had a little technical know-how, to build the factory.

I was fortunate to be able to work in a modern engineering project and join the military.

06 **Hubert Seipel: In October 1976, if I remember correctly, the Cultural Revolution was done, and the Gang of Four disappeared. What happened to you at that time?**

Ren: In 1976 when Chairman Mao passed away, I was helping to build the synthetic fiber factory in Liaoyang. The building work had just started at the time.

07 **Hubert Seipel: You were not allowed until 1978 to join the Communist Party because of the background of your father, but your father had been cleared then and**

that's how you joined the Communist Party, is that correct?

Ren: After Chairman Mao passed away in 1976, Hua Guofeng, then Chairman of the Communist Party, brought down the "Gang of Four". This shook up China's politics and changed the course of history. China began to stress the importance of science and technology and the contributions of labor.

When I was working on building the factory in Liaoyang, I invented an instrument through mathematical inference. It was the first of its type in China and many other countries. During that historical period, my little invention was hyped up into something really big, and I was chosen to attend the National Science Conference.

During the conference, I was strolling in the garden while a party meeting was being held to elect party committee members for the delegation to the conference. The meeting organizer saw me and criticized me for not attending the party meeting. I replied, "I'm not a party member." The organizer was taken aback by my answer. At that time, you could not even become the head of a cooking squad in the military if you were not a party member. How could a non-party member possibly attend a national event like the National Science Conference? But the government didn't think I was unqualified; if not qualified, I would not have been able to overcome a host

of difficulties and attend the National Science Conference. The government called my military commander, saying that the organization took the wrong line and that my matter should be reconsidered.

After the National Science Conference, the military force discussed my application for joining the party again. There was a huge pile of documents about the allegations against my father. The military decided that it would be too slow if the approval of my application had to wait until the local government reached a conclusion on my father's case. Thus, the military launched a new investigation into my father. They later told me about the things that my father had done wrong as well as the things that he had not done wrong, and reminded me of the few key issues that would be put in my personal file. Through this investigation, my family background was finally cleared, and there was no big issue with it, so my application for joining the party was discussed again. There were still obstacles at the party branch level, because people tended to be very conservative. But the upper levels wanted me to join the party, so I was able to join the party.

Before I joined the party, the military designated a journalist named Xu Guotai to investigate me, and he told the political commissar of my division about the details of the investigation. One day, he asked me out

for a walk, and I said I needed to change my clothes first. He followed me to my bedroom. I grabbed some socks and clothes from under my bed, gave them a sniff, and put on the ones that didn't stink. I was a lazy man and tended to throw my socks and clothes on the floor when I took them off. Xu told the political commissar, "Ren is very dedicated to in-depth technological research. I would like to be his referee for his party application." The political commissar also showed a willingness to be my referee. That's how the obstacles at the party branch level were overcome. About 30 years later, when I met Xu again, he told me that back then he was representing the central government in investigating my history and performance. I wouldn't have known this secret if he had not told me. This is how I managed to overcome the obstacles, join the party, and keep pace with the times.

08 **Hubert Seipel: It was in December 1978 that Deng Xiaoping introduced the reforms for China, which led to 40 years of reforms and economic growth. How did this affect you?**

Ren: During the National Science Conference in March 1978, we listened to reports from our seniors, including Chen Jingrun. We were moved to tears because we were finally recognized as the "sons" of this country. During his speech, Deng Xiaoping said that we were "part of

the working class", to thunderous applause. We were overjoyed to be part of the working class rather than the capitalist or intellectual class. Deng Xiaoping also said that we should "work four days and study one day every week". We were delighted to hear that. There had been too much focus on political study before, and now we needed to reduce this.

At the Third Plenary Session of the 11th Central Committee of the Communist Party of China in December 1978, the Chinese government decided to initiate the reform and opening-up policy. We didn't understand this very well at that time. We didn't realize that this would be an epoch-making reform. Instead, we just felt that the tone was different. We were excited because the government had decided to develop the country's economy and we would have opportunities to work hard. Previously, it was important to "have a 'red' background and be specialized", but I didn't have a 'red' background. We were young at that time and were not sensitive to politics, so we didn't have a deep understanding of the decision made during the third CPC plenary session. As we saw changes day after day, we began to realize that a theory or a change to the social structure would have a huge impact on a country. We didn't understand the meaning of this: "The flap of a butterfly's wings over the Amazon can set off a tornado in Texas." We just felt that changes would take place in China.

09

Hubert Seipel: But as a consequence of this, actually the army got recused and you lost your job.

Ren: The most important thing that was happening during 1978 and 1982 was "bringing an end to chaos and restoring justice". The situation gradually became stable. After that, Deng Xiaoping decided to disband large parts of the military. From the central government down to local governments, people didn't understand why he had made this move. I heard Luo Ruiqing's report in 1978, which he delivered at the National Science Conference three months before he passed away. He said, "We are going to enter a hard-won period of peace for more than a decade." He said that there would be no wars in the next 10-plus years, so we should focus on economic development. He reflected on his mistake of dividing China's scientific research system for national defense into the Second, Third, Fourth, and Seventh Ministries of Machinery Industry in 1965, which actually weakened China. But he was quickly removed from office and had no chance to correct this mistake. Ten years later, he regained his position and reflected on this mistake he had made before the Cultural Revolution. He thought that China was going to embrace a period of peaceful development, and that the military should stop expanding. At that time, we didn't understand what he meant.

During the 12th National Congress of the Communist Party of China in 1982, China started to disband large parts of its army, mainly the Railway and Civil Engineering Corps. At that time, we were considered a "miscellaneous corps", and one that would be disbanded first. We thought that the regular armed forces wouldn't be disbanded. However, after the "miscellaneous corps" were disbanded, the financial statements of the military didn't change for the better. Instead, military expenses increased. That was because "the disbanded Railway and Civil Engineering Corps were the ones making money for the military". Then the government continued disbanding military personnel, and dismissed one million soldiers from the field armies. The military shrank from 5 million to 4 million, and then to 3 million soldiers. Even today, the military is still being downsized to support the country's economic development. I now understand the logic behind all this, but I didn't at that time. I had become familiar with the military and my work there, so I was reluctant to change my job at that time.

10

Hubert Seipel: You founded Huawei in 1987, but what were the conditions? Because to have a political reform is one thing, but the reality is different. At that time, the market economy was more or less unknown in China. So, what kind of experience did you have in the beginning?

Ren: First, when I came to Shenzhen in 1984, I found it difficult to adapt to the market economy system. As I jumped straight from the army to the market economy, I still had a very traditional mindset, but society had shifted to a market economy. There was a question I kept wondering about: In the army, we talked about serving people. But here, we could make money from others. Why? I felt that all companies were cheating for money. Why should a product bought at 10 yuan be sold at 12 yuan? This is the first thing that made me uncomfortable. Second, when I worked in Liao Yang Chemical Fiber Factory, I focused on its automatic control system, a proportional-integral-differential analog control system. But when I came to Shenzhen, a city at the forefront of the reform and opening-up, I found that the world had started to enter a computer age. These two worlds were completely different. How could we keep up with the young people? This is the second thing that I couldn't adapt to. Third, I trusted people too much. In the army, the command itself was based on trust, so I thought it would be the same in other places.

I used to be a deputy manager in a small state-owned company with over 20 employees. I had no power to make decisions. I didn't know when an office director came or who would change to which position. They didn't necessarily report to me, but I had to be

accountable for their mistakes. I also made a lot of mistakes at that time. For example, I gave money to others out of trust but I didn't receive goods in the end. I was cheated out of two million yuan, and later I spent a whole year trying to get the money back. Most of the money was recovered, but there was still some left to be paid. When I made some money after I set up a small company, I paid some of the debts of the company I previously worked for.

What was the biggest lesson I learned from that incident? I didn't have money to hire a lawyer or ask for help by offering gifts. I read almost all the law books that were available to me. Then I came to understand that a market economy is composed of the supply of goods, customers, and transactions, and that the law plays a role in the process of delivering goods to customers.

Hubert Seipel: So, you were basically broke and then you founded a firm?

Ren: It's not because I was broke, but because I was dismissed. I had to look for another job. I happened to find out that Shenzhen was encouraging people to start tech companies. I thought I might as well try it out. Under the old system, I couldn't do what I wanted, and then someone suggested that I start a company. With my own company, I could do whatever I wanted in my

own name. So I took the suggestion and set up a private tech company.

At that time, 20,000 yuan was needed to register a company, but my entire military severance pay was only 3,000 yuan, so I had to raise funds from others. Some people joined me without investing any money. So the capital we used to start the business was actually less than 20,000 yuan – something like 16,000 yuan. In reality, I was forced to take this path. If the government had appointed me as a junior official at that time, maybe I wouldn't have started a business. Instead, I would have worked as a government official, ended up as a division head, retired, and then spent the rest of my days fishing. However, the fact is that I had no choice but to found Huawei with this little money.

At the very start, we had only one or two people. As I couldn't afford to rent a truck to ship goods, I had to carry sacks of goods onto the bus myself. I first had to carry one sack at a time and put it by the road 20 meters away, then go back to get another one. This same process continued 20 meters again and again until all the sacks were by the road. Then, I loaded them onto the bus. At that time, I was a promising man in China. Young, revolutionized, knowledgeable, and specialized, I had almost all the characteristics of that age, so I was undoubtedly supposed to be on the list of

future provincial and ministerial-level officials. Having suddenly become self-employed, I faced a lot of ridicule. Fortunately, the bus conductor was nice enough to allow me to load the sacks onto the bus one after another. When the bus arrived at Shekou, Nanshan District in Shenzhen, the conductor allowed me to unload the sacks and carry them 20 meters away one by one. Then I had to carry the sacks upstairs one after another. If the sacks were ever out of sight, there was a chance they might have been stolen. This is how Huawei has gradually developed.

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Hubert Seipel: What was your breakthrough, so to speak, in the early years? When did you think, "Okay, I'm going to make it"?

Ren: In the early years, we acted as an agent. We helped other companies sell equipment and took a little commission. Gradually our staff grew to 20. We often unloaded goods from trucks by ourselves. Like dockers, we unloaded wooden boxes and carried them to the warehouse. Whenever customers asked for goods, we would go to load them up and deliver them. Three decades ago, we mainly worked as an agent.

Later, when a company in Hong Kong called Hung Nien came to us, they asked many people to investigate my personal history. I was so angry at the time. What

was the point of doing that? After hearing what people said about me, they came to the conclusion that I was a trustworthy person. They authorized me to distribute their products, saying "We have 100 million yuan worth of goods in our Guangzhou warehouse, you can collect them. When the goods are sold, you don't need to give us the money immediately. You can use it for a while." And they offered me a reasonable base price, so we could make money if the goods were sold out. China was developing fast at that time, so there was a high demand for those goods. Hung Nien trusted us a lot. The owner, Liang Kunwu, was a very well-educated scholar. Thanks to their trust and support, we began to develop gradually and accumulated some funds for future development.

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Hubert Seipel: At that time, the US was an up-and-coming country for this kind of technology and for the industry that you were trying to enter. When did you go to the US for the first time?

Ren: In 1992.

Hubert Seipel: I read the report you wrote at the time and it's fascinating to revisit it now in 2019. It is called *Impressions of America*. And what you basically described is that you admired the US. You admired the whole country, to a certain extent. You admired the

technology, you looked up to it, and you saw yourself, in comparison, as a rather weak person, especially your management. You concluded simply in this report, "Actually, we are not experienced enough." So, the US was the country of promise for you at the time.

Ren: Yes. I did some reading about the US during the Cultural Revolution in China. Back then, a delegation from the People's Liberation Army of China visited West Point and there were a series of articles about West Point in *PLA Daily*. I was deeply impressed by the academy's management style. So in Huawei's early years, I drew on some of West Point's ideas in managing the company. Of course, as a manufacturer, it's impossible for us to be as strict as a military organization.

After I arrived in the US, I saw in person what the US was like. Before that, I had never been abroad. Before China's reform and opening-up, I had thought two-thirds of the world's population were living a hard life and suffering from hunger; only we had enough to eat and they were relying on us to save them. That's what we thought of the world. When we were abroad, we found that we were the poor ones and came to understand what the outside world was really like, which broadened our minds.

I was also deeply impressed by the US spirit of and mechanisms for innovation. There was an article

titled *Sleepless in Silicon Valley*. It talked about how hard companies in Silicon Valley were working. Their employees worked sleeplessly under harsh conditions – even in garages. This spirit is still alive today in Silicon Valley. We learned a lesson from their spirit: We also needed to work hard and remain dedicated if we were to grow from a company that provided simple products to a mid-to-high-end brand.

Even today, I still admire the US as I did when I was young. Despite the fact that they are attacking us at the moment, I still believe that at some point in the future we will meet at the top of the Himalayas – that is, the peaks of science and technology. The US will be climbing from the south bringing coffee and canned food, while Huawei will be climbing from the north, carrying dry food. When we meet at the top, we will not fight with each other; instead, we will embrace each other to celebrate our joint contributions to the digitization of society.

We should contribute more to society. We shouldn't be narrow-minded. It is open-mindedness that has earned us the trust of so many customers. Today's attack will not spell the end of Huawei. Hopefully when we have an opportunity to meet again several years from now, we will toast to our success.

13 **Hubert Seipel: The first crisis for your industry in the West was in around 2001, and many US companies suffered heavily. How did you get through this crisis?**

Ren: When the IT bubble burst, we also faced a huge crisis, and we were on the brink of collapse. We faced trouble both internally and externally. Externally, we lacked the capabilities necessary to serve our customers. During the IT bubble, high-quality parts were all purchased by large companies; we could only buy poor-quality parts to make our products and sell them to customers. Internally, we also faced a huge crisis. In 2002, many employees stole the company's intellectual property and took people away with them to start their own companies.

We just couldn't bear this anymore, so we held a meeting attended by 400 senior managers, where we studied *On War* – a book by Carl von Clausewitz from Germany. There was one line in the book: What makes a leader? A leader is someone who lights up their own heart in times of darkness and leads their team to victory with a glimmer of light. What is the role of a leader when their team is suffering during a war? To use their glimmer of light to lead their team forward. Now was the time for us to light up the road ahead with our hearts and boost the confidence of our team.

The first decision we made was to take back our

poor-quality equipment from customers, which cost over 1 billion yuan. Back then, we were running out of money, but we took this action in order to earn customer trust. The second thing was that we chose the right strategy: the "chicken rib" strategy. During that economic bubble, Nortel was heavily investing in optical transmission. When the prices of this equipment fell sharply, the equipment was like chicken ribs with hardly any meat on them. We then chose to work on the worthless "chicken ribs" that no other company wanted to focus on.

After working hard for 10 to 20 years, we have become the absolute global leader in optical transmission and optical switching. Other companies will find it very hard to catch up with us in this domain in the short term. That's why we have recently said that we will develop photonic computers.

We held a management meeting at the right time to ensure that everyone was aligned in terms of their thoughts. That way, we ensured that those who stayed would continue to keep up their good work. We chose the least profitable segment but managed to survive this huge crisis.

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Hubert Seipel: Despite your love for the US, since Huawei is successful, there is obviously a never-ending war going on between Huawei and the US. Obviously,

it had already started some time in 2005. You were considered a kind of danger for the US, or for US politicians. Can you explain that?

Ren: I don't think US politicians are representative of the US. My aspirations for the US remain unchanged, and I don't hate US politicians. Why? Because they are "whipping" Huawei – propelling us to work harder. If we don't work hard, they will beat us. Actually, this is good for us. Without external pressure, there would be a lack of motivation to move forward internally.

15

Hubert Seipel: But as early as 2007, the NSA was getting into your network, and was even going directly into your communications. You certainly know the name of the NSA operation at the time – it was called "Shotgiant". The whistleblower, Edward Snowden, told us about this. Why was it about Huawei so early?

Ren: First, when we build internal networks, we have a principle of only preventing the malicious competitor from accessing our internal networks. Our internal networks were not designed to block Western competitors or any governments, including the US and Chinese governments. We don't have enough money to build such thick walls against all external parties. We only target the malicious competitor who intends to steal our technologies.

Second, few companies in the world perform as well as we do in terms of internal and external compliance. That's why you see international media reports talking about how Huawei subjects itself to "the toughest and most rigorous oversight regime in the world". In the UK, for example, even if there is some criticism of Huawei, they still have trust in us.

Therefore, the US move to access our networks may not have been due to our strengths, but may have instead been triggered by curiosity. They seemed to have thought I was rich, but just found out I was not. Fortunately, I didn't have much money at that time. That was my biggest advantage back then. Today, many people say I am a capitalist, but I really didn't have much money in the past. China has been ramping up its efforts to fight against corruption in recent years, but we've never been involved in any incidents of corruption. We have also been very careful when doing business outside China. Moving forward, we will focus more on internal and external compliance and meet even higher standards.

For the first three decades, we were like a farmer wearing overalls that was entering a grand palace. We needed time to adapt to internal and external compliance regulations that we were unfamiliar with. Therefore, we decided that we would only prevent the

malicious competitor from accessing our information networks and stealing our core technologies, but we would not guard against any governments.

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Hubert Seipel: We are living in the very moment, a very heated period. Nevertheless, the accusations of the United States have been going on for years and it was always the same thing – that Huawei is a spy tool for the Chinese government, and that Huawei gets direct orders from the Communist Party. President Trump even issued an Executive Order to ban US technology companies from doing business with you because, let me quote him, "Huawei is engaged in activities that are contrary to US national security or foreign policy interests." What is this? Speculation? A trade war? A political objection? What do you think?

Ren: I don't quite understand the decision made by Trump. We have hardly any networks or any kind of presence in the US, so how could we threaten its security? The decision made by the US does not follow the rule of law. The US District Court for the Eastern District of New York has sued us, and we maintain that we are not guilty. If the US were to penalize us after reaching a verdict in the court following due process, we would be able to understand that, because we have respect for legal procedures. However, the US isn't playing

by the rules. I don't know how to understand this.

Our company won't collapse because of this. Some Congressmen have said that Huawei is dead, and on the Internet some people have said that Huawei is ruined. Huawei won't be ruined, but our business will be scaled down. If the size of our business was currently the size of a goose egg, then it will be scaled down to the size of a chicken egg, but never to the size of a pigeon egg. I think our business will shrink, but there will be no major issues. We won't be beaten by the US in the highest-end domains. We may choose to abandon some lowest-end domains. We never develop any components ourselves in low-end domains, because products in low-end domains will be phased out sooner or later. Our sales growth may slow down, but we won't see negative growth. We will still see positive growth.

When making this decision, US politicians may not have considered the interests of US companies. US companies also need markets. They need to supply chips and components to China, a market with a population of 1.3 billion. If the US doesn't supply anything to China, China will be forced to manufacture everything by itself. As a result, the US won't be able to remain the world leader. The world leader should be serving all 7.5 billion people around the world, and the 1.3 billion Chinese people account for roughly a sixth of this. High-

end components are already controlled through the *Wassenaar Arrangement*, and the US can just stick to this arrangement. Is it necessary to impose restrictions at the level of nuts and bolts? It's possible that the US politicians do not know much about technology.

17

Hubert Seipel: China is not a cheap workshop any more. In the last 40 years it has developed into a leading economic power – presently, number two behind the United States, and probably, rather soon, replacing the United States as number one. Is this the fear behind this kind of action, or is it a kind of tradition that in China, the Communist Party is still responsible for the government, and anti-Communist policies have long been a tradition in the United States?

Ren: I don't know the answer to that question. I'm not a politician, so I'm not very sensitive to political issues. In spite of the attacks launched by the US, Huawei is still the world number one in our industry. I have confidence that this will not change. In a few years, let's meet again and celebrate this together.

I think that the world should accept China's rise. Only after China rises up in the world will more and more Chinese people buy goods from outside China.

When you visited our production lines, you may

have noticed that a lot of the equipment we use is from Germany. Our production systems use software from Siemens, Bosch, and Dassault. Most of our production equipment was made in Germany. China's development will bring a lot of trade from Europe to China.

China used to be a very poor country. The clothes I wore when I was a university student were full of patches. When my pants had holes on the back, they would be mended on the sewing machine using another piece of cloth. I don't remember wearing any decent clothes back then.

However, we can all see that Chinese people are buying a lot of luxury goods from Europe. They are hugely popular in China now. The growing demand in China will create a huge market for Europe and the US.

During a speech in Australia, former US president Barack Obama said that if Chinese people lived the same life as Americans and Australians, it would be disastrous for the world. However, Google Maps show that there are many "small houses" in the coastal areas in China. They are used to breed marine animals for food in floating net pens. A lot of the seafood in China is manually bred rather than being caught from the sea. We do not harm the sustainable development of the world. Of course, Chinese people should be more frugal, as many are squandering too much money.

What I'm saying is that the world should embrace China's peaceful rise, and we really want to see China rise peacefully. The US is the strongest military power in the world. If the US does not start a war with anyone, no one in the world will go to war with them. I don't think the world needs to worry about China's rise.

You are welcome to visit our company anytime and talk with anyone you like. Our Chinese employees think similarly to Westerners – especially the younger employees; they identify more with Western concepts and approaches. I believe these concepts and approaches will become generally accepted around the world and become common values shared by all humanity.

The world we live in should move towards peace rather than war. If there is even a single individual that doesn't want war, I believe they can influence the rest of the world, who may then follow suit. We need to eliminate the sources of war to ensure a peaceful rise. We want to do business in a peaceful world. Creating a sense of fear does not benefit anyone. If everyone is scared of one another, the whole world will be a really scary place.

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Hubert Seipel: Now, the tensions between these two countries, as far as the trade war and Huawei are concerned, have become a bit personal. Your daughter

was arrested on December 1 last year in Vancouver. What was your first reaction when you heard that she had been arrested because she was the CFO of Huawei?

Ren: My first reaction was shock. My daughter is full of integrity. It would be impossible for her to have engaged in any criminal conduct. I had no idea what the reason behind the arrest was. She sent me a note through her husband the day after she was arrested. She told me, "Dad, they are coming after you. Please be careful."

I had to fly to Argentina to attend a meeting on the third day, which was actually organized by Meng Wanzhou. I believe that meeting was very important to our company's transformation, stability, and development, so I still decided to take the risk and attend the meeting.

Back then, we didn't know the US would impose such severe sanctions against us. My wife was extremely worried about me taking the trip. She stayed up all night, and kept asking me these questions: "Have you crossed out of China yet? Have you boarded the plane?" She went to sleep only after I told her the plane was taxiing.

I took a plane and returned to China right after the meeting. My family stopped worrying about me only after I returned home safe and sound.

Actually, I really don't care much about my own safety, and I don't think my life is that important. I believe the most important thing is our company's transformation. Our transformation in the Argentina Representative Office has been very successful, and has driven a company-wide transformation. In the context of the trade war, we have realized the huge role the seven documents we released about the transformation in Argentina played in helping our company build our fortresses. The heads of our three business groups have all told me that these documents are critical, and things would have become chaotic if we had not made sufficient preparations over the preceding six months. I risked my life to attend the meeting in Argentina.

I think I will still continue to travel around the world. What would be the value and meaning of my life if I were put in a cage? Some people have told me, "You are a thinker. We only need your ideas. You don't have to travel in person." But how can I have any brilliant ideas if I don't go into the trenches?

A journalist once asked me, "What would you do if you had been arrested in Canada with your daughter?" I said I would spend time with my daughter and talk to her every day. Another question was, "What if you had been sent to the US?" I told them that I would take the opportunity to study the US's 200-year history and write a book about how China should learn from the US and

rise up in the world over the next 200 years.

Another journalist asked me, "What if the Chinese government locked you up in prison for rejecting an order to install backdoors?" I said that prisons in China are well managed; some prisoners even have their own rooms, and there are decent bathrooms. They can read books and watch TV. That is pretty nice and it's totally free! I think that's kind of a nice thing.

If that was the case, I would stop thinking so much. I might no longer need sleeping pills, and my diabetes and high blood pressure might be cured. I might even be able to live for an extra two or three years. So what should I be worried about?

I'm having a relaxed life right now. Our company is on the right track, and can develop well without me. It is having a tough time now, but I still don't have much work to do. The reason for this is that we manage the company with rules and regulations, which we have learned from countries like the UK and Germany. This company is not managed by one or two particular individuals. I'm pretty confident about everything after 30 years of hard work.

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Hubert Seipel: She's charged with violating the US sanctions against Iran, and the US is demanding her

extradition. According to the *Washington Post*, the stand over Meng, and I'm quoting, "came at exactly the moment the Trump administration was engaged in high stakes negotiations, so there seems to be a relation to that". I mean, Europe is not following America's way, not Trump's way, like Germany, Denmark, or France. We checked France's decrees. But can you survive without the US? Can the US crush your company?

Ren: As for your first question, regarding Meng Wanzhou, I will not comment much on the case, as it is undergoing legal proceedings. We don't think she is guilty. We have evidence for the defense. US prosecutors also need to present evidence.

For your second question, if we were technologically severed from the US, could Huawei continue to survive? I believe that the world should collaborate for shared success, because in a globalized economy, all are interdependent and no one can exist in isolation.

But now we can say that, even without supplies from the US, we can survive and maintain sound operations. We may continue to be the world's number one. However, we always admire US companies. Many US companies want to collaborate with us. They are different from US politicians. We will always be a long-term strategic partner of US companies. They are now

seeking to ask the US government to approve their supplies, and we are determined to buy their products.

For example, we have components that can replace Qualcomm's, but we still buy 50% of our components from Qualcomm, and we are not solely using our own components. I've made it clear that we will always use American components, and will never take all the benefits for ourselves. We will always embrace US companies. Historical setbacks will test our friendship with US companies. But only through collaboration can we drive human civilization forward.

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Hubert Seipel: According to the UN, the last 40 years were a blessing for China. If you look at the figures, 700 million Chinese people are now above the poverty line. China's life expectancy used to be 60 years in 1978. Then Deng Xiaoping started the reforms, and it's now 76 years. How does or did this change the Chinese society?

Ren: First, in the 1960s and 1970s, China had a population of more than 600 million. At that time, the sky above us and the land beneath our feet were the same as today, but people didn't have enough food. Then the reform and opening-up policy was adopted. Today, China has 1.3 billion people and produces more food than its people could possibly eat. This is

attributable to several factors. One is the significant development of production technology. Another is that China's agriculture production has shifted from a contract responsibility system to a system that allows farmers to transfer their land-usage rights, and will gradually transform to farm-based production like what we see in Western countries. Additionally, advanced agricultural tools have become much more widely used. These factors have drastically increased China's grain output.

Western countries enjoyed a prosperous economy thanks to the benign cycle of high prices, high consumption, and high salaries in the 1960s, 1970s, and 1980s, while China used to have low commodity prices. Later, when China's commodity prices began to rise, economic circulation within China was accelerated, which benefited Chinese farmers.

Second, China introduced very low taxes to attract foreign investment to set up factories in China. Because of that, 200 million farmers now work in cities. A decade ago, a migrant worker in China could earn 100 US dollars a month – an amount that they could not make in a year if they stayed in the countryside. In the late 1970s, I once worked in the countryside to help with the rural transformation. When we assessed farmers, a very strong farmer could only earn 0.08 yuan a day, equivalent to 0.01 US dollars a day. Their income was

extremely low at that time. Even now, the average monthly income in China's rural areas is only 2,000 to 3,000 yuan.

However, more and more counties in China's rural areas have been lifted out of poverty through large-scale production of agricultural products, instead of the previous small-scale farming approach. One example is Hezhang County in Guizhou Province, where it is suitable to plant a kind of thin and fragrant bunching onion. The county plants this onion across its thousands of acres of farmland. Meanwhile, an intensive industry chain has formed, including bunching onion packaging, logistics, and transportation, which is connected to the consumption systems in Beijing, Shanghai, Guangzhou, and other large cities. This has generated much higher income for local farmers. The party secretary of Guizhou's another county, Zhenning, once visited me and told me that his county planted over 2,000 acres of ginger and plums, which had lifted the county out of poverty.

Other regions, such as impoverished parts of Africa, can learn a lot from China's efforts to alleviate poverty, although the income of Chinese farmers is still very low according to Western standards. China still has a large population below the poverty line based on the UN's poverty standards. China's poverty line used to be 1.2 US dollars a day and has now been lifted to 1.9 US

dollars, while the line set by the UN is 2.5 US dollars. Our poverty line is relatively low because it matches our overall living standards.

The reform and opening-up policy has played a tremendous role in lifting China out of poverty. The efforts of government officials at all levels are also important. The Communist Party upholds the slogan "Serve the People". A government, whether it genuinely aims for this or not, must serve its people. Objectively, this can drive social progress.

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Hubert Seipel: You went through a very difficult time within the last 70 years in China. There was the famine, there was the Cultural Revolution, and there was the change of the system to a certain extent. What word would you find if you looked back to your own life? Was it pressure which formed you the way you are?

Ren: I would say it was a hard journey. China took many detours before it found its own way out. I believe that China will ultimately find new drivers of development. The drivers of today are to build a well-off society, where the underprivileged can be lifted out of poverty, most children can access quality education, and people can enjoy happy lives. This is key to ensuring a better future for China.

This goal will keep the entire nation motivated and well-organized. The Chinese government needs to take measures to avoid anarchy and chaos, and ensure the country continues to reform and develop in an orderly fashion.

22 **Hubert Seipel: If you look at people who are 40 years younger, who do not have your experience, and who have not been through this kind of hardship, what is the difference? What do you realize as far as they are concerned?**

Ren: I don't think hardship is something everyone must go through. If we all have to go through it, what is our nation pursuing? I think the younger generation should increase their knowledge, aim for greater creativity, and enhance their capability to contribute to the country and its people.

Top US universities have two standards when admitting excellent students: Have you ever taken care of the elderly? Have you ever volunteered to help orphans?

If a student fails to meet either of these two standards, their scores for entering these universities will be reduced by 20%. Even if they score full marks in the exams, they will find it difficult to enroll in these top

universities.

What is the purpose of the US's top universities? To cultivate leaders, be they national leaders or business leaders. Leaders cannot be self-interested and only focus on putting money into their own pockets. Otherwise, they would destroy society. Leaders always need to have society on their minds.

Then you may come to understand why graduates from famous US universities, such as Harvard, work in Africa and earn very little money. They do this for an ideal. This ideal was known as the Puritan spirit.

I don't think there is much difference between Huawei's spirit and this Puritan spirit. Huawei's spirit is driven by our ideal to contribute to humanity. If Huawei were a capital-driven company, we would prioritize profits. This would mean we would only go to places where we could earn huge profits and refuse to go to places where we couldn't make money.

Some regions in Africa are challenging, but we still go and work there. If we were doing this just for money, we would never have been there. Mount Everest is very high, but we have built base stations on both the North Face and the South Face. If we hadn't built base stations there, climbers in danger would find it much more difficult to reach the outside world and get rescue. Without timely rescue, some of them could even die.

Can we make money in these places? No, but we fight for our ideal, and we are dedicated like Puritans.

This ideal has helped shape our corporate culture. Employees at Huawei do not haggle over personal gains with the company. But that does not mean we don't pay attention to their rewards and benefits. So, our culture is similar to US culture in many ways.

23 **Hubert Seipel: How many Huaweis do we have in China?**

Ren: I have no idea. I think China is very receptive to German culture. Reformation originated in Germany. Germany has abundant philosophers, musicians, and artists. How can an industrial society create such a splendid culture?

Several days ago, China's Industry and Information Technology Minister visited Huawei. I took him to visit our production lines in particular. I told him how great the software products from Siemens, Bosch, and Dassault are. Why did I do this?

The industrial Internet is about digitizing the industrial experience that people have accumulated over the past decades, rather than turning Internet companies into an industrial Internet. We help promote Germany's automatic control software across China, as this can help

improve productivity and efficiency.

We believe that China and Germany are highly complementary in their economies. China needs to develop, and Germany boasts many advantages that are valuable to China. In turn, Germany needs the Chinese market, which has a population of 1.3 billion.

When I visited Stuttgart in Germany, the dean of the University of Stuttgart's faculty of engineering took me to see their first-year students. Each student was given a piece of iron and a drawing of a wheel gear or shaft. They then had to make a gear or shaft with just a knife. Even if they made a gear or shaft, they would not be graded. They could only receive a grade when they fitted the gear or shaft into the gearbox, and the car had driven away and back safely.

I think that German machinery is unparalleled around the world. German cars are still much more expensive than other cars, even though they do not require more steel.

Germany has many good things and needs a large market to maximize the value of these things. This will require trade facilitation and liberalization. China may have been a little slow in its reforms, but since last year, it has begun to lower the threshold for investments in machinery manufacturing and industrial products and bring down tariffs. All these measures are

conducive to further growth. China and Germany should avoid confrontation and further enhance economic cooperation. We strongly agree with Europe's viewpoints. The EU is an economic community that does not seek to pursue too many political goals. Similarly, China has no intention of seeking hegemony. China still makes low-end and mid-range products. There should be some exchanges between low-end and mid-range markets and high-end markets.

Second, China still lags behind many other countries in the service sector. When a friend of mine got sick, I recommended two countries for the surgery: Germany and the US. Germany's medical system is very advanced. If they could set up some hospitals in China, they would very quickly earn back the money that China has earned from Germany, without sending too many people here.

When it comes to education, you have to work extremely hard to get a PhD in Germany. This shows that German PhDs are really of high quality. Our factories in the UK and Germany have hired many German PhDs because they are excellent. Germany has a very strict education system. Why don't we introduce Germany's primary and middle school education approaches to China? China is also opening up its service sector, which is a "smokeless" sector. Germany can earn money from China through this sector to hedge against trade deficits.

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Hubert Seipel: So, your conclusion is a strong China and that after 40 years of development, China shares a common future with Europe?

Ren: I think so. I think Europe and China complement each other in many ways. The European Union is a community comprised of 28 countries. Its goal is to pursue economic interests instead of political hegemony. China does not seek political hegemony, either. China and Europe should collaborate and reinforce each other's strengths. And this collaboration can be linked by the "Belt and Road" initiative, through which China can pool the energy resources it does not have from the Middle East and Central Asia to fuel its engine of growth and ultimately drive faster common growth.

A couple of days ago, when I was talking to Japanese media, I said I would like to see a free trade zone established between China, Japan, and South Korea. We should also push for the establishment of a China-Europe free trade zone. If European goods became tariff-free, a huge number of European goods would flow to China, including services. Chinese products would also be exported to Europe. There wouldn't be the same large trade deficit that exists today. I think this would create a new form of balance. I hope that both Europe and China will work to make this happen.

I have made contributions to Europe. I've been

persuading the Chinese government to align with Europe and establish a Chinese-European standards system. This has already been done. Now, Chinese and European standards bodies are on the same wavelength. Next, I hope American standards bodies can join them, creating a truly global standards system.

25 **Hubert Seipel: What might be the biggest obstacle to China-EU cooperation in the future?**

Ren: I think two things are critical to China-EU cooperation. The first is intellectual property protection. In the past, China didn't pay enough attention to intellectual property protection. But now, if you watch Chinese TV programs or read media reports, you'll see China is paying a lot of attention to intellectual property protection.

The second is allowing wholly foreign-owned enterprises to be established in China. Intellectual property protection for these enterprises should be more stringent. If things work this way, I don't think there will be any obstacles to the development of European companies in China.

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

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