**Ren Zhengfei's Interview with Fortune**

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**01 Alan Murray, CEO, *Fortune*: Thank you very much for taking the time to meet with us. We really appreciate it. I think the main question I have, which relates to your picture here, is whether this reflects a kind of a short-term bump in the globalization of the global economy. Or do you think we are heading towards some kind of decoupling that's going to profoundly change the way the global technology economy works in the future?**

**Ren:** When we use this picture to symbolize our situation, there are not such profound implications. We just feel as though we've been riddled with bullet holes since the US added us to its Entity List. If we can't patch up these holes, our "aircraft" may not be able to land safely. Still, we remain an advocate of globalization. Patching up these holes won't stop us moving forward along the road of globalization. We are still waiting for the US Department of Commerce to approve requests from US companies, allowing them to continue supplying us.

The longer this process drags on, the more harm it will cause to the US. The US is the world's most powerful country in terms of science and technology, but US tech companies need a global market. If the US heads towards decoupling its tech from the rest of the world and creating a digital divide, that would be a blow to its leading companies. Take Microsoft as an example. This company has established its dominance in the global market through Windows and Office. But if the US government doesn't allow certain markets to access Microsoft's products, alternatives will appear in these markets. This will then eat into the shares of this leading company.

When you pull out of a market, you leave your market space to emerging companies. It's like grass. Without the weight of a stone, grass grows even more happily. Therefore, from this point of view, it makes sense if an underdeveloped country chooses to back away from globalization and gives up on certain markets. But if a developed economy does so, that's not a smart move.

I have always been a firm supporter of globalization. Once the US corrects some of their ideas, we may slow down the speed at which we are patching up the holes in our "aircraft" or simply stop flying even after we have fixed these holes. We will be willing to do so if it is in the best interests of our US partners.

**02 Alan Murray: And what about in the other case? What if Huawei remains on the Entity List, and then US companies can't sell to Huawei? Obviously, it hurts in the short term, but if you look five years, ten years down the road, what effect will it have on Huawei?**

**Ren:** In the short term, it won't have a substantial impact on us. We don't need US components at all in our 5G and core networks, which are what the US is most concerned about. It will only affect our consumer product ecosystem, but we believe that impact can be mitigated within the next two to three years.

**Alan Murray: By building your own ecosystem?**

**Ren:** Yes.

**Alan Murray: And is it possible that in the long run, you'd be better off to go that direction and have your own ecosystem?**

**Ren:** In the long run, it might be a good thing for us. As Huawei grows larger and larger, our fate will be increasingly not up to us. This makes us uneasy. We firmly embrace globalization, but how can we survive? To survive, we'd better build our own ecosystem. Meanwhile, we will not turn away from ecosystems built by others, and will instead support them. We have signed agreements with some companies, and we will continue to work with them if circumstances permit.

The US was among the first to propose globalization, but now it is also the US that breaches the rules of globalization. I have always been pro-US, and have tried to temper our employees' impulsiveness. Recently, I signed off something for our Business Process and IT Management Department. In that document, I encouraged them to use American, European, and Japanese bricks to build our Great Wall. I have done everything I can to make sure our employees don't try to go it on their own for our internal IT management platform. Doing that is not only costly but a huge burden to us.

**03 Alan Murray: You made an extraordinary offer the other day to license your technology, for the first time, I think, to someone in the US in order to allay security concerns. I'm curious about two things. One, has anyone suggested they will take you up on it yet? And two, do you think anyone will take you up on it?**

**Ren:** I would like to start by explaining why I made this offer. We think there should be a balanced technology ecosystem between the US, Europe, China, Japan, and Korea. This technology ecosystem is different from the Google ecosystem. We are entering an era of artificial intelligence, but the US has fallen behind in the rollout of Fiber To The Home (FTTH) networks. If the US also lags behind in 5G, it might lose its leading position in AI.

So first, we are willing to license our 5G patents to a US company following the fair, reasonable, and non-discriminatory (FRAND) principles. Second, we are open to licensing our proprietary 5G technologies, including the whole suite of 5G network technologies and solutions, such as software source code, hardware design, manufacturing techniques, network planning and optimization, and testing methods. We are willing to license all of these technologies without reserve to a US company. By doing this, American, European, and Chinese companies will be able to run from the same starting line and continue to compete on new technologies. Third, the US can either choose to use general-purpose chips that they make themselves or "American chips + Huawei chips" to power their 5G base stations. We are also open to licensing our 5G chipset technologies.

This is in the best interests of Huawei. By doing this, we can allay international concerns while simultaneously enhancing the strengths of our competitors. If our competitors were not strong enough to compete with us, we would begin to decline. Therefore, we are rather open in this regard. We think the information market will be huge in the future, and that there is a lot of room for further development. The market size will be large enough for several big companies and tens of thousands of small companies to compete and provide services. When Huawei takes a dominant position in too many fields, it may also be closer to collapse.

**Alan Murray: "When Huawei takes a dominant position in too many fields, it may also be closer to collapse." What do you mean by that? Could you elaborate on that?**

**Ren:** There are numerous examples of this in history. Dynasties waxed and waned. When a nation is at its prime, it becomes the target of others. Take the swimmer Michael Phelps for example. He won many world champion titles, but eventually stopped. Athletes around the world set him as a goal post and tried their best to beat him in terms of swimming techniques. How could Phelps continue to win gold medals in face of that? We had been on the brink of ending up like that before Trump launched his campaign against us.

**Alan Murray: So Trump did you a favor?**

**Ren:** Yes. He pushed Huawei to change. For one thing, our technology is advanced, so it is not that difficult for us to win contracts. Our employees in local offices might not have to work hard to get their work done, and they can slack off after winning contracts with customers. This can breed laziness and eventually undermine the whole company. In addition, our headquarters have been scaling up, and our office environment has been improving. Employees could easily get paid, even if they were just tapping away on a keyboard to handle some very simple processes. If it were that easy, we wouldn't have anyone willing to work in hardship countries and regions. The revenue of our regional HQ in Dusseldorf hasn't increased much, but the number of employees has increased several times over. When Trump launched his campaign against Huawei, we keenly felt a threat to our very survival. For our employees, that means if they don't work hard, they might get replaced. This applies to our senior managers as well. Over the last year, Huawei has been revitalized. Everyone is working hard.

**04 Alan Murray: So back to the offer, have you had discussions with American companies about this licensing idea?**

**Ren:** This is a major issue. It's not something that will be decided overnight. There are many big players in the US reaching out to us about this.

**Alan Murray: You must have had a company in mind when you made that offer. What company would it be?**

**Ren:** First of all, it should be a large company. If they bought the license for this technology but couldn't carve out a big market, it wouldn't be a good deal for them.

Second, there is no geographical limitation on which markets that company can sell. It can sell in the US market or any other market on this planet, including China. Maybe not on Mars, the moon, or the sun. Then we can fully compete with each other.

Third, that company needs to have some expertise in communications and come from an industry similar to Huawei's. It can modify the source program or the source code of the technology we offer, so that it becomes a totally independent system from ours. Then the technologies used in their system will be unknown to Huawei. Perhaps this approach could help alleviate the national security concerns of the US.

Before they've finished making the modification, we can share in real time Huawei's technological advancement with them in a very transparent way. This will ensure they can keep pace with our technological advancement.

After they've finished modifying our technology to the point that Huawei no longer knows what's in their system, Huawei will continue to work with that company for the next 10 years. We will be sharing the concepts of Huawei's own progress with them.

We are very sincere in our offer for this technical licensing arrangement and will do it in good faith. We will not hide anything or keep any trade secret to ourselves. We will be open and transparent to the potential licensee. This is not because we are stupid, but because we want to create a strong competitor for Huawei's 190,000 employees to stop them from becoming complacent.

**Alan Murray: I think this is unprecedented. I can't think of anything like this in my 40 years of covering business. I think some people would say it's crazy, and because it seems so crazy, they might question your sincerity.**

**Ren:** Now I have the whip in my hands to urge Huawei to move forward. In the future, I'll hand it over to a US company. When the US company becomes a strong competitor, it will push our 190,000 employees to always be on their toes.

**05 Clay Chandler: When you were asked whether you had a particular company in mind when you made this licensing offer, you listed a series of conditions. But it leaves me wondering: What are the subsets of companies that would meet those conditions? Can you name some companies or people who would be worthy partners for Huawei in this endeavor?**

**Ren:** I don't think it is appropriate for me to name specific companies because that would be an offense to them. But I believe there must be one US company out there that is ambitious enough to seize a dominant position in the global market. If there are speculations in the media, that's out of my control.

**Alan Murray: Who should they call if they're interested in this extraordinary one-time offer?**

**Ren:** They can call anyone at Huawei, because they will definitely get transferred to top management. They can get in touch with our PR department or send an email to me.

**Alan Murray: May we print your email address?**

**Ren:** Of course!

**Clay Chandler: OK, I will print this and see what comes in.**

**Ren:** You have my support.

**06 Clay Chandler: And what about the regulatory complications of this arrangement? Have you thought through whether there might be some government opposition or reservations about this arrangement? And have you heard anything from the US side?**

**Ren:** No, I don't think there will be any regulatory complications. Some people in the political community in the US will pay attention to this offer. This is purely a business transaction, so I don't think it's necessary for it to be approved by the Chinese government. We are not selling all of our technologies. We are just planning to license our 5G technology to a US company, but will continue to build our 6G on this technology. The US company to be licensed can also develop their 6G on the basis of this technology. Then we can compete with each other on equal footing.

I don't think it's necessary for the US government to approve the transfer, either. 5G base stations are a completely transparent system, where data packages are not opened and are just directly transmitted to other parts of the network. Security issues that people often talk about are about the core network, which is software-centric. Many US companies have the ability to develop core networks. If the US needs Huawei's core networks, we are also open to licensing related technology. As I just said, we're even open to licensing our chipset technology.

So this is a very transparent model. After a US company gets our technology, they can modify it as they see fit and build an independent security system that Huawei has no access to. We'd then have no idea what changes they make.

In the future, we will be entering a world of artificial intelligence. However, it will continue to be based on the architecture put forward by John von Neumann, a great US scientist. He put forward this brilliant architecture in 1946. This architecture is about supercomputing and mass storage, and the US leads the world in these two areas.

However, supercomputing and mass storage require super-fast connections. If the US does not use the best 5G technology, a lot of advanced AI technologies will not be widely adopted in the country. As a result, the US might fall behind in the future. When that happens, some people in the US will attack whoever is in the lead, and it's possible that Huawei will become targeted again.

To avoid this situation, we'd rather help the US address the issues they are currently facing regarding super-fast connections. By licensing our 5G technology to a US company, we'll be running from the same starting line. I would rather have that US company outpacing Huawei so that we can sustain our success.

**Clay Chandler: I just want to confirm that this is an offer that is extended only to American companies, and that it's not something you would consider if a European company would come forward, or Japanese company, or perhaps, even a South Korean company, saying, "Yeah, it sounds great, we're interested."**

**Ren:** Europe has its own companies, so they don't need this offer. On top of that, the US is a relatively large market.

**Alan Murray: Cisco? Are you okay with that?**

**Ren:** I'm okay with that. Why are we so sincere in making this offer? It's because the US is still moving in the wrong direction on many future technologies. I want to tell you a few stories.

At one time, the telecommunications standard that Germany chose was ISDN. With ISDN, the data rate was only 128 Kbit/s. When the German market was saturated and a German telecom vendor wanted to expand its business to the global market, they suddenly realized that the world had changed and ISDN was no longer needed. Today, the world has evolved further towards GPON. With this standard, homes can have data speeds of up to 1 Gbit/s or even 10 Gbit/s. This is one reason why this German company declined.

To prevent foreign telecom vendors from entering the Japanese market, Japan used the uplink frequency for downlink and the downlink frequency for uplink, which was the reverse of the global standard. Then when the Japanese market was saturated and Japanese vendors sought to expand in the global market, they found that their equipment could not be accepted. And as a result, Japanese telecom vendors also declined.

Now let's look at the then three major telecom equipment vendors in North America: Lucent, Nortel, and Motorola. They pushed the world to accept CDMA and then WiMAX, because they believed that WiMAX was a great technology. As WiMAX was designed by computer companies, this technology worked perfectly in local area networks but not in global networks. These companies started in home networks with WiFi and aimed to build a global network with WiFi as well. European and Chinese companies all chose WCDMA and worked on wider area networks before extending their reach to home networks.

As it turned out, US companies chose the wrong path, because WCDMA turned out to be the global communications network standard. And after that, US telecom vendors collapsed. Only European and Chinese companies are still standing. The collapse of US companies was not because of the rise of Huawei.

I'd like to tell you another story. Japan had the strongest expertise in the electronics industry in the 1970s and 80s.They made a lot of money and were purchasing many properties in the US. Then, in the 1990s, the US used digital circuits on a large scale, getting a higher yield rate than that of the analog circuits which used operational amplifiers in Japan. Operational amplifiers required very stringent linearity, resulting in a yield rate of only about 5%.

But the US was designing products with digital circuits, meaning the yield rate for their chipsets was over 33%. The US staged a comeback in the electronics industry. Of course, the yield for chip fabrication today is higher than 99%. The same is true for a company. If a company is too overwhelmed by their past, it's likely they will fail.

Now, let's get back to Huawei. Once Huawei becomes strong in every aspect, will our leadership also become stubborn and rigid? Is it possible that they could become like the US, jumping to conclusions without thorough consideration.

The US often attacks any country they want, and only tries to find evidence to justify these attacks afterwards. I'm concerned that our next generation of leadership might be overwhelmed by the success the company has achieved. So I would rather support the development of several strong competitors in the US so that our next generation of leadership will stay on their toes.

After my explanation, you may not find my idea mysterious. Actually, this is something that everyone in our top leadership agrees on. It's not simply nonsense that I am saying while taking an interview.

**Alan Murray: When you find your partner, will you tell us first?**

**Ren:** I cannot guarantee that. We may need to sign an NDA before we enter into serious negotiations. Once the negotiations are complete, we will inform the public. It's hard to say who will get the news first.

**07 Clay Chandler: Can I ask a quick question about something that's in the news today? It is that in Munich at 8:00 tonight you'll be unveiling the Mate 30 phone. There are a lot of speculations about whether you would actually put that on sale in Europe without permission to use the apps from Google, like Gmail, Google Maps, the play store, etc. Some people think you'll just go ahead and roll it out anyway even without the apps and see what happens. But other people have speculated that it would be sort of useless for European consumers to buy an expensive piece of hardware like that without those apps that they often use. What's going to happen? Are you going to sell it in Europe? Or not roll it out at all?**

**Ren:** For now, we cannot precisely predict the outlook of our consumer business in overseas markets. Our phones though have some unique features that do not necessarily depend on Google's ecosystem. Even if Google Maps cannot be used in our new phones, there are other map developers in different counties, so we can download their map apps.

No matter what happens, we remain committed to offering Huawei smartphones in overseas markets, even if the sales in these markets may slow down or decline. We will see how these markets react to this.

**08 Clay Chandler: It's fascinating. Can I ask a quick question about the Harmony operating system? How confident are you that you can develop this into being the equivalent of say, an Apple operating system over the next two or three years? Would it take longer than that?**

**Ren:** I think it will take less than two to three years. Since I'm part of the company's leadership, I need to be a bit more conservative when discussing timelines; otherwise, I may end up putting too much pressure on our staff. But in truth, I personally don't think they need a full two to three years.

**Alan Murray: But your strength has always been hardware, not software?**

**Ren:** That's true, and we need to further improve in terms of software. We're somewhat weak when it comes to big software architecture, but we are the world's strongest player in embedded software – software that is built into hardware systems. We need to improve our software capabilities. Working on a big operating system is difficult, but we are confident that we can do it. We are not just saying we are confident; we have already started preparing.

That said, we hope the world does not split into different camps. We still hope to continue to use Google's operating system, and we remain committed to friendly cooperation with Google. We hope that the US government will approve Google's request.

**Alan Murray: When do you think you'll know if you're going to get approval to use the full suite of Google's software?**

**Ren:** We don't know. It would be better if you asked the US government.

**09 Clay Chandler: The Huawei issue and the trade issue have become tangled up over last year. This is partly because of certain actions, deliberately at the choice of the US President, who has said we will settle all these deals together and Huawei might be part of the trade deal. What's your view on that? Is that something that's helpful for you? Or would you rather these things be kept on entirely separate tracks and in separate discussions?**

**Ren:** Huawei has virtually no business presence in the US, so the trade talks between China and the US have nothing to do with us.

The only connection between Huawei and the US is that we buy chips and electronic components from the US. If the US government doesn't allow US companies to sell to us, then those companies will suffer financially, but there has been no real impact on us. If you go and see our production lines, you'll find that everything is business as usual. But the impact on the US has been quite substantial, with many US companies losing orders worth billions of US dollars a year.

If the US government approves the requests of US companies currently affected by the Entity List, this will help those companies.

**Alan Murray: Who are the companies? Who are your larger suppliers? Obviously, Google and Qualcomm. Who are the main companies that sell equipment to Huawei?**

**Ren:** It is reported that the US Department of Commerce has received 130 applications. I hope that US companies can continue their supply to Huawei.

**10 Alan Murray: You said that it would not hurt even in the short term. Won't this hurt European sales if you can't use Google products?**

**Ren:** We are currently seeing a drop of 10 billion US dollars in our sales revenue. That's not a big impact on us.

**Alan Murray: Well, we look forward to reporting on your new partner.**

**Ren:** I look forward to welcoming you back to our campus, so you will know our company is surviving.

**Alan Murray: We have little doubt about your survival.**

**Ren:** We are also confident about our own survival. We definitely do not want to see a situation where globalization becomes fragmented because of the conflicts between Huawei and the US.