Huawei is a Chinese company with global outreach. Over the past ten years, it has become the number one supplier of mobile communications equipment in the world and it is also the second largest smartphone manufacturer after Samsung.

In 2019, Huawei’s global revenue reached EUR 108.94 billion with 194,000 employees worldwide and an estimated brand value of more than USD 62 billion. Some market analysts explain this success to (i) privileged access to the Chinese market; (ii) different export credit lines compared to OECD countries’ equivalent; (iii) subsidised prices in China. In the EU, Huawei's market presence is around 50% in existing telecoms networks (non-5G), with strong variations between Member States (from 20% to 100% of the networks).

National security concerns

Several countries have raised concerns about the national security risks of contracting Huawei and blocked – or set strict conditions on – Huawei’s participation in public tenders. In May 2020, the United States restricted Huawei from accessing US semiconductor software or technology. This will prevent Huawei from acquiring semiconductor chips that are a direct product of US software and technology, through the obligation of obtaining a license to supply certain chips.

Main messages

EU-China relations

- The recent EU-China Summit [22 June 2020] and discussion between President von der Leyen and President Xi saw in depth discussions on a broad range of issues. On the economic front, President von der Leyen passed a message on the need to rebalance our relationship with China.

- We will continue negotiations on a Comprehensive Agreement on Investment, also in relations to levelling the playing field notably on subsidies, forced technology transfer, state-owned enterprises, and overall better market access for EU companies.

- European companies have expressed strong concerns about the Chinese market. In particular, the share of EU network equipment vendors has decreased dramatically.

- I would be interested in your views on the current state of play on the Chinese market regarding access of European companies to public procurement, Intellectual Property Rights protection, standardisation and access to Research & Innovation.

Global value chains

- The Commission is working to assess the vulnerabilities of the EU industrial ecosystem and value chains. Dependency from one supplier or one country in particular can put in jeopardy an entire EU ecosystem in case of disruptions in the supply of particular products.

- Disruptions can be caused by several factors – such as a pandemic crisis as we have just witnessed, or geopolitical tensions. The Commission is currently assessing how to address this issue in particular for sectors of critical importance for the EU.
Meeting with Brussels, 23 July 2020

Topics for discussion 2/7

• We aim at building more resilient supply chains in Europe, stockpiling where needed, strengthening our industrial base and diversifying our supply sources.

• Additional costs need to be balanced against the security of supply and possibly wider considerations of open strategic autonomy, public security and health. At the same time, the EU will remain an open, free trade economy.

• The Commission has been developing new tools and instruments to address challenges stemming from a fast-evolving technological and political environment. For example:
  – the 5G toolbox, which was welcomed by your company, makes it possible to restrict technology vendors considered to be of high-risk in order to preserve the long-term integrity of the 5G infrastructure;
  – the foreign direct investment screening mechanism will address cases where the acquisition of European companies by foreign investors could pose a risk to the EU's security and public order.

• These tools and instruments allow keeping the Single Market open while ensuring our core values and interests are respected in a challenging global economic environment. The EU remains indeed a competitive market economy, which protects high social and environmental standards.

**Huawei in the EU**

• Europe is open for business. Everyone who complies with our rules can access the European market.

• We welcome Huawei's contribution to the European economy. I understand from the Oxford Economics study that Huawei employs 13 300 persons in Europe [including UK, Iceland, Switzerland and Norway] with a direct contribution to Europe's GDP of EUR 2.8 billion. Your presence on the European market is very significant.

• We also appreciate Huawei's commitment to Europe and its wish to be a good 'corporate citizen' in the EU market.

**Huawei's contribution to the digital and green transition**

• The telecoms sector, and in particular 5G and 6G connectivity, are indispensable for the success of our digital transition, and are also crucial enablers of the green transition.

**5G and 6G**

• On 5G cybersecurity, EU Member States have committed to jointly move forward based on an objective assessment of risks and proportionate mitigating measures.

• The report on the implementation of the 5G toolbox measures [to be published prior to the meeting on 22 July] shows that good progress has been made.

• In parallel, the Commission is taking action in various areas to support the toolbox implementation, including standardisation and certification, the screening of foreign direct investment or the application of security conditions for EU-funded programmes.

• These measures will apply to everybody, without targeting any actor or country in particular. EU Member States have the right to decide whether to exclude companies from their markets for national security reasons.

• We have to be forward-looking, positioning ourselves for the upcoming 6G race. Short medium-term 5G deployment will greatly support the economic recovery, but moving into 6G will ensure a sustainable long-term growth.
• We are setting up a **new partnership on smart networks and services** fostering 5G deployment and building technology capacities for 6G. The conditions for participation will take into account the toolbox and security requirements as appropriate without excluding individual players.

**Green Deal and circular economy**

• The Commission sees the **European Green Deal** as one of the major part of the EU **growth strategy** and a path to a **green and lasting recovery** from the current health pandemic and the resulting economic recession.

• The **common European Green Deal data space** will use data to support actions on climate change, circular economy, zero-pollution, biodiversity deforestation and compliance assurance.

• The **circular economy action plan** [adopted on 11 March 2020] provides initiatives along the entire life cycle of products.

• We are now working on the **circular electronics initiative** to ensure that electronics are designed for durability, maintenance, repair, dismantling, reusing and recycling. This includes software repairs and updates.

• **We acknowledge Huawei's sustainability efforts:**
  - How do you see Huawei contributing to the Green Deal initiatives?
  - What are your perspectives particularly on the reduction of CO2 emissions and the recycling of older products?

**Defensives**

**Because of EU foreign direct investment screening, the Chinese investments in the EU are dropping (by 80%)**

• The drop of Chinese investment into the EU cannot be attributed to the Screening Regulation because
  - it will become applicable only as of October 2020;
  - screening on security grounds is not considered a restrictive, protectionist measure. It is not part of the OECD foreign direct investment restrictiveness index;
  - Chinese overseas investments have gone down globally, not just in Europe.

• We also understand that tighter capital outflows restrictions are being implemented in China.

**EU measures are ‘targeting’ China and its State owned enterprises**

• We do not develop discriminatory policies targeting any individual country. The EU’s goal is to seek fair conditions of competition and to preserve its own competitiveness by addressing the distortive effects of foreign State ownership and State financing in the EU’s internal market.

• The white paper on foreign subsidies [adopted on 17 June] proposes such a country-neutral approach.

**Huawei’s proposal for a dispute resolution mechanism on information security issues**

• We would need to better understand the objectives, the instruments and the format.

• As for the investment negotiations and beyond, market specific security considerations are not to be ‘negotiated’.
• For the investment agreement, the EU advocates ambitious and unambiguous disciplines and a narrow, well-defined set of exceptions consistent with our WTO and Free Trade Agreement practices. The rules will be accompanied by implementation and enforcement mechanisms, which would apply across sectors.

What are the complaints by European ICT companies about the difficult operating conditions in China?

• Areas of concern for EU companies include:
  − access to the Chinese standardisation bodies, in particular in decision-making;
  − the duplication of- or deviation from- work already undertaken in international standardisation bodies.

• EU companies are also challenged by the complexity and lack of transparency of product certification rules in China.

• Often ‘voluntary’ standards become compulsory requirements for product certification. Any such standards should first be notified to the WTO under the technical barriers to trade agreement, which is not the case in the majority of cases.

• Often Chinese public procurement excludes or limits the provision of equipment by non-Chinese companies, via the application of specific regulations, such as those concerning information security. Furthermore, many sectors where State-ownership is strong apply stringent rules in their own tenders.

What is the Commission proposing to limit the environmental impact of digital technologies?

• As part of the Green Deal, the Commission will consider measures to improve the energy efficiency and circular economy performance of the sector itself, from broadband networks to data centres and ICT devices.

• In the near future, the Commission will present measures to ensure that data centres are climate neutral, highly energy efficient and sustainable by 2030.

• This complements existing measures aiming to reduce electronic waste, to limit the use of hazardous material in the manufacturing of electronics, to eco-design servers, to help data centres becoming greener, and criteria to guide the public sector when procuring data centres and cloud services.

Are Huawei and China targeted by the 5G cybersecurity toolbox?

• The EU risk assessment and the toolbox do not target individual countries or suppliers. They have followed an objective approach and have identified a number of risks, including risks related to non-technical vulnerabilities (such as the risk of interference by non-EU state or state-backed actors through the 5G supply chain).

• As for each of the risks identified in the EU risk assessment, the toolbox includes an assessment of the most effective measures and a mitigation plan. As regards suppliers, it recommends that all Member States:
  − assess the risk profile of suppliers;
apply relevant restrictions for suppliers considered to be high risk for key assets defined as critical and sensitive in the EU coordinated risk assessment.

**Does the EU plan to exclude third country companies from EU funding programmes in the area of cybersecurity?**

- No. We plan to ensure that participation in EU funding programmes in relevant technology domains will be conditional on compliance with security requirements in the various relevant programmes.

**Is the EU still open for Chinese investment?**

- The EU is open to investment and will remain so. At the same time, the Commission is not blind to concerns that, in some specific cases, operations involving companies benefiting from third country subsidies or State support may have distortive effects in the European internal market.
- Foreign investors may try to acquire European companies in order to take control of key technologies, infrastructure or expertise. This could be detrimental to security or public order interests of the Union or its Member States.
- The joint communication by the Commission and High Representative of March 2019 on EU-China relations proposed ‘to fully address the distortive effects of foreign State ownership and State financing in the internal market the Commission will identify how to fill existing gaps in EU law.’ Our work on this action is ongoing and a white paper will be presented still in 2020.
- In March 2019, the EU adopted a Regulation setting up a framework for the screening of investments from non-EU countries in critical assets, technologies and infrastructure that may affect security or public order. The objective is to make sure that the EU is better equipped to identify, assess and mitigate potential risks for security or public order, while remaining among the world’s most open investment area.
- On public procurement, the EU has an open market. But EU businesses need to be able to bid for public contracts outside of the EU in a reciprocal manner.

**What is the EU’s position on Huawei rolling out 5G networks in Europe?**

- We have no position on individual companies. We have rules in place in the EU to mitigate security risks, including the NIS Directive (the first EU-wide legislation on cybersecurity), the Cybersecurity Act, and the telecoms rules. Everyone who complies with these rules can access the European market.
- Moreover, EU Member States have the right to decide whether to exclude companies from their markets for national security reasons.

**Background**

**Oxford Economics study: The economic impact of Huawei in Europe**

- The document drafted by the company Oxford Economics puts emphasis on the benefits that Huawei brings to Europe.
The geographical scope is Europe so it includes the EU, Switzerland, the United Kingdom, Iceland and Norway. According to this study, the United Kingdom is one of the main recipients in terms of jobs and investments. Overall, the report states that Huawei has 13,300 direct staff and that it contributed directly to Europe’s GDP in 2018 by EUR 2.8 billion. If you take the total including indirect and induced contributions, the report claims that Huawei is supporting 169,700 jobs in Europe and that it contributed to 12.8 billion to Europe’s economy.

The report takes an ‘impact assessment’ approach, however, this term is used differently from the commonly understood concept of an impact assessment. The study takes as counterfactual the ‘what if Huawei was not there’, namely a situation where Huawei’s employees would otherwise be unemployed, Huawei’s suppliers would not sell what they sell to someone else in the EU.

Cybersecurity of 5G networks

The 5G networks will provide the future backbone of our increasingly digitised societies and economies, underpinning billions of connected objects and...

On 26 March 2019, the Commission published a recommendation for Member States to take concrete actions to assess cybersecurity risks of 5G networks and to strengthen risk mitigation measures. At national level, each Member State completed a national risk assessment of 5G network infrastructures. At EU level, Member States completed a coordinated risk assessment which was published on 9 October 2019.

On 29 January 2020, the Cooperation Group agreed on a toolbox of mitigating measures to address the identified cybersecurity risks at national and Union level. The toolbox proposes a combination of 8 strategic measures (regulatory powers; third party suppliers; diversification of suppliers; sustainability and diversity of 5G supply and value chain) and 11 technical measures (baseline measures and 5G specific measures for network security; requirements related to suppliers’ processes and equipment; resilience and continuity). A set of supporting actions is proposed to complement and enhance the effectiveness of the strategic and technical measures. The toolbox conclusions gives a set a key measures for Member States and the Commission. In particular, Member States should:

- strengthen security requirements for mobile network operators;
- assess the risk profile of suppliers;
- apply relevant restrictions for suppliers considered as high risk, including necessary exclusions for key assets;
- ensure that each operator has an appropriate multi-vendor strategy.

The Commission together with Member States should take measure to maintain a diverse and sustainable 5G supply chain in order to avoid long-term dependency, including by:

- making full use of the existing EU tools and instruments (FDI screening, Trade defence instruments, competition);
- further strengthening EU capacities in the 5G and post-5G technologies, by using relevant EU programmes and funding;
- facilitating coordination between Member States regarding standardisation.
A progress report on the implementation of the Toolbox measures will be published on 22 July. By 1 October 2020, Member States should assess the effects of the recommendation in order to determine whether there is a need for further action.

**Huawei in the European 5G market**

- The deployment of 5G networks is currently ramping up.

**Circular electronics initiative**

- The sale of smartphones, expected to grow by 28% from 2020 to 2025, accounts for up to 80% of the devices lifecycle greenhouse gas emissions, not their actual use. Increasing the lifespan of all smartphones in the EU by just 1 year would reduce emissions equivalent to taking 1 million cars off the roads.

- Electronic waste is one of the fastest growing waste streams, with less than 40% of electronics currently being recycled in the EU. Currently, there is limited legislation in place to address e-waste and improve the circularity of ICT products.

- The circular electronics initiative will package several ongoing initiatives to promote longer lifetime for smartphones and small electronic equipment via measures in the different phases of circularity.

**Contacts – briefing coordination:**

**Contacts – briefing contribution:**