

Art. 4.1(b)

**From:** DIGIT.NOREPLY@ARES  
**To:** [REDACTED] (CNECT-BEIJING); [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE-BEIJING)  
**Cc:** [REDACTED] (TRADE-BEIJING); [REDACTED] (TRADE-BEIJING)  
**Subject:** Ares(2020)2910600 - China> Flash Report> Meeting with [REDACTED] Huawei Technologies Co., Ltd  
**Date:** 05 June 2020 10:45:04

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*Sent by [REDACTED] (DEL-CHINA) . All responses have to be sent to this email address.*

*Envoyé par [REDACTED] (DEL-CHINA) . Toutes les réponses doivent être effectuées à cette adresse électronique.*

**Meeting with [REDACTED] Huawei Technologies Co., Ltd**

Participants Huawei: [REDACTED]

Participants EU Delegation: [REDACTED]

This meeting was requested by Huawei as [REDACTED] was visiting Beijing and he would like to provide a business update and share with us their White Paper on “Trade & Investment: Accelerate Digital Economy Recovery”

From our side, we shared with them our disappointment on procurement developments in China and the limited market share for foreign companies, which is in contradiction with 2019 EU-CN summit commitments. We recalled the steps taken regarding the EU toolbox and insisted on the neutrality of the joint EU risk assessment. We mentioned the EU commitment to conclude the CAI negotiations, which should be ambitious agreement and for that there are three conditions that should be met by China in terms of market access, level playing field, disciplines on SOEs and subsidies, and also disciplines on sustainable trade. Huawei did however not demonstrate a particular interest in the investment agreement.

Points by Huawei:

- They have insisted in the fact that it is an independent and private enterprise and not subject to state funding nor state influence. According to them, Huawei has no influence at all in procurement processes in China, this is managed by the telecom operators like China Mobile, which is just a customer of Huawei.
- HW was described as a victim, a hostage, a pawn in a bigger political game. HW looks for a constructive dialogue. It was pointed that two countries are targeting HW.
- Huawei is very confident about the short-term due to the domestic market and confident that it will be able to roll out 5G in China. Huawei has an important reserve of chips that would help the company weather US export bans. Huawei is dedicating many resources to R&D. According to them, Huawei is the top 5 investor in R&D globally. It dedicates 15 billion sum that would equate to that invested by Qualcomm, Nokia and Ericsson. Huawei has a lot of confidence in their R&D funding.
- The number of base-stations for China 5G roll-out will be in the number of millions. For 2020, it is expected that there will be one million base stations covering 300 cities.
- EU and MS should not consider HW investment as a threat as HW strategy when investing in a country is integration with the local economy and adopt a cooperative, collaborative

approach. HW is not targeting assets at low valuations. HW has investment plans in France pending of confirmation by the FR government.

- Difficulties of decoupling – HW that decoupling is not possible. The electronics ecosystem is basically in Asia due to lower costs. It would be impossible to relocate certain manufacturing capabilities (i.e. US cannot build fabs. There were talks about Foxcom building a manufacturing facility in the US, but nothing happened as economically it is not possible). Supply chains will evolve and diversify instead of decoupling. Companies will look for CN+1 strategies. CN market is too important (he pointed AmCham and EUCCC surveys that a majority of companies do not have plans to leave the country) and many MNC are considering in increasing their investment in the country.
- HW pointed out that the risks of the US strategy could lead to a division of the world in two in terms of standards and cybersecurity. They feel this is a risk for HW, but also a for the EU and other countries. For this reason, HW call on the EU to lead on the internationalisation of 5G and cybersecurity standards. The US idea of decoupling is a bad idea and the EU would suffer.

Art. 4.2  
1st indent  
  
Art. 4.1(a)  
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Art. 4.1(b)  
  
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**Delegation of the European Union to China**  
  
Phone: [Redacted text block]