

**DG CNECT**  
**Video call between Commissioner Thierry Breton and Huawei new global CEO, Ken Hu and**  
**CEO Europe, Abraham Liu**  
**24 November 2020**

**BRIEFING NOTE** *(Commission Internal)*

**Scene setter/Context of the meeting:**

Huawei has requested high-level meetings from several members of the College, Commission services and EEAS over the last couple of months, to cover more or less the same issues. The latest high-level meeting was with CNECT DDG Khalil Rouhana who met Huawei CEO for Europe, Abraham Liu, on 28 October. DG CNECT met with Huawei (at their request) several times in the past months, [REDACTED]

[REDACTED]

[REDACTED]

**KEY messages**

***5G cybersecurity and certification***

- The EU Toolbox sets out an EU coordinated approach to 5G cybersecurity, an unprecedented step in an area of very strong national competence as it affects national security. It shows EU Member States' commitment to take decisions based solely on security and on a solid assessment of risks and to adopt measures, which do not necessarily imply the exclusion of any player, as long as the defined rules are respected, in a manner consistent with our values of openness and freedom.

- The Toolbox is a document agreed by all EU Member States but it does not have a binding effect. At the same time, as 5G networks are of fundamental importance for Europe's future, the Commission is strongly committed to promote coherence and convergence in national approaches and therefore we strongly encourage and expect Member States to deliver on their political commitment to use the Toolbox as a basis to develop national measures.
- From the Commission side, we will continue to follow closely the developments in Member States. We will also continue to support the full implementation of the Toolbox in all Member States and to work with national authorities within the NIS Cooperation group in order to exchange good practices and promote convergence. In addition, we will also mobilise relevant EU instruments (telecoms legislation, review of NIS Directive, cyber certification, etc.) to support the Toolbox objectives.
- Certification is one among many tools that will contribute to ensuring safe digital infrastructures across Europe. The European cybersecurity certification framework, established under the Cybersecurity Act Regulation (entered into force in June 2019), will provide European industry and digital service providers with tools they can use to demonstrate to the global market that their products and services provide state of the art cybersecurity features. A dedicated subgroup within the NIS Work Stream on 5G is currently working on issues related to 5G standardisation and certification.

#### ***Europe's digital sovereignty and strategic autonomy***

- Technological sovereignty is a positive agenda. It is about enabling the EU to develop technologies and put on the market European solutions that are competitive and to enrich the alternatives available globally and diversify the sources of supply. And, it is also about enabling the EU to develop technologies that are in line with its principles, values and requirements.
- We will invest in key projects (e.g. data & cloud, microelectronics, connectivity, batteries, clean hydrogen) to develop and deploy strategic digital and industrial capacities and infrastructure, which do not overly depend on non-EU supply and the risks this entails (e.g. supply chain disruption, penetration of compromised equipment, technologies that do not allow meeting European requirements and values).
- The EU will be assertive in defending its economic interests against partners that do not hesitate to discriminate against the EU and favour their national companies.
- This also implies protecting ourselves against unfair and abusive practices in trade, ensuring reciprocity in access to international procurement markets, addressing the distortive effects of foreign subsidies in the Single Market, and adapting the European competition framework to ensure that it meets the challenges of the green transition, digital transformation as well as the global context.
- The EU has shown that when we act together – as we did with the GDPR – we can set standards that the rest of the world follows.
- We will jointly define standards for this new generation of technologies that will become the global norm. We must have mastery and ownership of key technologies in Europe.

### ***Global standards/6G***

- The institutional partnership “Smart Networks and Services” (SNS) is one of our main tools to support the emergence of a strong industry in this field, in line with our objectives of technological sovereignty.
- As for 5G, we will support the emergence of a single comprehensive standard ensuring interoperability and the necessary economies of scale in an area where R&D investments are massive.
- International cooperation at pre-competitive level is an interesting tool for preparing global standards. Our R&D programmes are open and allow the establishment of industrial partnerships deemed necessary.
- However, it is not in our power to force cooperation or suggest the members of a consortium of R&I. This is left to the initiative of industry and research actors, and the final consortium must correspond to the objectives of the project.
- As regards the Horizon Europe clause to exclude entities controlled by third countries, this is an ad hoc clause depending on the type of work-programme, but not a blanket clause.

### ***Market access in the Chinese telecom sector / Huawei's future investments for Europe***

- All companies doing business in the European Union enjoy the benefits of the Single Market as long as they comply with the EU rules. What we expect is that EU companies have the same treatment in China.
- We urgently need to prepare tomorrow's growth by investing today in critical technologies such as 5G, as well as 6G and beyond. Mastering these technologies from end-to-end and investing in them will allow Europe to grow as a global industrial power.
- In this context, we note with interest the intention of Huawei to invest in Europe building new factory capacities to make 5G equipment.

#### **Line to take**

- Listen to Huawei's demands/complaints. Recall that DG CNECT met with Huawei representatives on several occasions and that we are aware of their concerns.
- The EU is not discriminating against any company. We operate according to rules and regulations and in full transparency.
- The 5G cybersecurity Toolbox is based on an objective, risk-based approach.
- The EU is committed to setting open global standards for emerging technologies and will remain the most open region for trade and investment in the world, provided that anyone who comes to do business here accepts and respects our rules.

## Defensives / Q&A

### ***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 Cybersecurity Act, and EU telecoms rules). Everyone who complies with these rules can access the European market.
- The EU toolbox is the result of a voluntary process, based on a strong commitment by the Member States and the Commission to use and fully implement the measures agreed by the members of the NIS Cooperation Group.
- The EU toolbox recommends a set of key measures that should be taken by all Member States and by the Commission. These measures will apply to everybody, without targeting any actor or country in particular. Everyone who complies with our rules can access the European market.
- That being said, EU Member States have the right to decide whether to exclude companies from their markets for national security reasons.



***What is the link between the data strategy and data sovereignty?***

- The data strategy presents a European way of data governance, which will make sure that individuals and companies stay in control of their data, thus ensuring an increased level of data sovereignty in Europe.
- Thanks to the strategy, more data will become available for the EU economy and society while individuals and companies stay in full control of the data they generate.

***How does the industrial ecosystem approach relate to the strategic value chain approach? What are the differences?***

- The industrial ecosystems concept is wider than strategic value chains, which focus mostly on areas of strategic importance, industrial competitiveness and technological sovereignty. Industrial ecosystems include both those that are the hardest hit ecosystems by COVID-19 (such as tourism, local businesses, distribution and heavy industry) and specific ecosystems crucial for the strategic autonomy (e.g. defence and space) or key for addressing the twin green and digital transformation (such as the digital ecosystems or the low carbon energy industries).
- The analysis of the needs of the industrial ecosystems in terms of financing but also other aspects such as regulatory measures, necessary for their recovery but also for their digital and green transformation, will allow for a targeted response. The partnership with industry, including through alliances like for batteries or hydrogen will remain important in delivering on solutions for the recovery and transformation.



## Background

**Polish and Romanian law.** In a letter sent to Vice-President Vestager on 11 September, Huawei sets out concerns of both political and legal nature concerning provisions included in recent draft legislative proposals on cybersecurity in Poland and in Romania, which they consider 'aim to exclude Huawei because of its geographic origin'. DG CNECT had a meeting on 15 September with representatives from Huawei and a law firm representing the company to express their concerns about the Polish and Romanian draft laws.

Both the Polish and the Romanian draft laws introduce a mechanism for the assessment of the risk profile of IT suppliers, based on a list of criteria -not mentioning any country of supplier by name-, which could lead to a classification as high-risk suppliers and corresponding restrictions (Polish law) or to a ban from supplying equipment and services for certain digital infrastructures (Romanian law).

**Swedish 5G license conditions.** Recently, the Swedish telecom authority (PTS) announced the license conditions for operators' participation in the 3.5 GHz and 2.3 GHz auctions, which stipulate that local telecom operators will not be allowed to use equipment from Huawei or ZTE in large parts of their 5G networks. [REDACTED]

The Swedish Administrative Court decided that certain parts of PTS's decisions are suspended. [REDACTED]

**6G/standards.** The Chinese government (MIIT) is working on a 6G programme [REDACTED]

[REDACTED]

[REDACTED]

**Reciprocity and market access.** The EU and China held several high-level meetings over the last months, which all had digital high on the agenda:

- EU-China Summit on 22 June;
- Digital Dialogue on 10 September (chaired by EVP Vestager and Vice Premier Liu He);
- Leaders' meeting on 14 September (chaired by President Michel and President Xi - President von der Leyen and Chancellor Merkel also participated).

From its part, the EU delivered a clear message on the digital economy in the bilateral relations at these meetings, namely:

- The development of new digital technologies must go hand in hand with the respect of fundamental rights and data protection;
- The outstanding issues on cybersecurity and disinformation remain a concern;
- More work is urgently needed from China on the issues of rebalancing market access -including in the digital sector- and on sustainable development; and
- The EU stands ready to cooperate with China based on principles of sustainability, reciprocity and level playing field.



## Huawei key financial figures and information

Huawei has more than 194 000 employees and operates in over 170 countries and regions. In Europe, Huawei currently employs over 13 300 employees and runs 2 regional offices and 23 R&D sites.

**Table: Huawei Financial Highlights 2015-2019**

	2019		2018	2017	2016	2015
	(USD Million)	(CNY Million)			(CNY Million)	
Revenue	122,972	858,833	721,202	603,621	521,574	395,009
Operating profit	11,145	77,835	73,287	56,384	47,515	45,786
Operating margin	9.1%	9.1%	10.2%	9.3%	9.1%	11.6%
Net profit	8,971	62,656	59,345	47,455	37,052	36,910
Cash flow from operating activities	13,085	91,384	74,659	96,336	49,218	52,300
Cash and short-term investments	53,127	371,040	265,857	199,943	145,653	125,208
Working capital	36,890	257,638	170,864	118,503	116,231	89,019
Total assets	122,947	858,661	665,792	505,225	443,634	372,155
Total borrowings	16,060	112,162	69,941	39,925	44,799	28,986
Equity	42,316	295,537	233,065	175,616	140,133	119,069
Liability ratio	65.6%	65.6%	65.0%	65.2%	68.4%	68.0%

Notes: 1. Converted into United States dollars ("USD") using the closing rate at the end of 2019 of USD1.00 = CNY6.9840

2. Starting from January 1, 2019, the Group has applied IFRS 16 in preparation of its financial statements. Details about the changes to related accounting policies can be found in note 4 to the consolidated financial statements summary. As permitted by the standard, the Group has used the modified retrospective approach for transition. Comparative information has not been

## **Huawei shareholder and management structure**

Huawei is a private company wholly owned by its employees. Through the Union of Huawei Investment & Holding Co., Ltd., they implement an Employee Shareholding Scheme involving 104,572 employees. Only Huawei employees are eligible to participate. No government agency or outside organization holds shares in Huawei.

The Shareholders' Meeting is the company's authoritative body, making decisions on major issues such as the company's capital increase, profit distribution, and selection of the members of the Board of Directors/Supervisory Board.



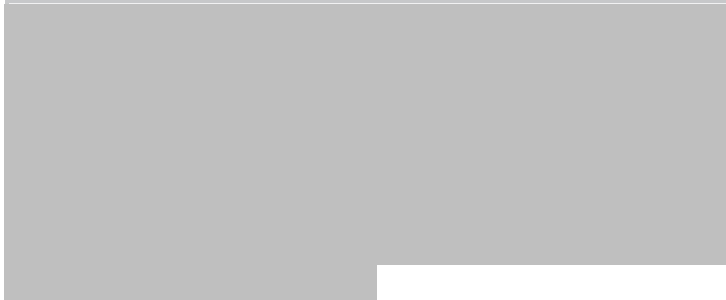
The Board of Directors (BOD) is the highest body responsible for corporate strategy, operations management, and customer satisfaction. The BOD's mission is to lead the company forward. It exercises decision-making authority for corporate strategy and operations management.

The BOD and its Executive Committee are led by rotating chairs. During their terms, the rotating chairs serve as the foremost leader of the company.

An independent auditor is responsible for auditing a company's annual financial statements. KPMG has been Huawei's independent auditor since 2000.




## CURRICULUM VITAE

### **Hu Houkun (Ken Hu), Deputy Chairman, Rotating Chairman, Huawei**

 Ken Hu is Deputy and Rotating Chairman of Huawei's Board of Directors.   


Source: <https://www.huawei.eu/profile/ken-hu>

### **Abraham Liu, Vice-President for the European Region, Huawei**

 Abraham Liu was appointed Vice-President for the European Region at Huawei in July 2018. At the same time, he is the Chief Representative of the company to the EU Institutions in Brussels.   


Source : <https://www.huawei.eu/profile/abraham-liu>

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