

## PERMANENT SELECT COMMITTEE ON INTELLIGENCE U.S. HOUSE OF REPRESENTATIVES

September 13, 2012

Chairman Rogers, Ranking Member Ruppersberger, Members of the Committee, my name is Charles Ding. I have been with Huawei since 1995, holding a range of executive positions, including President of Global Sales. I came to the United States in August of 2010 as President of Huawei North America. I am also a Corporate Senior Vice President. I very much appreciate the opportunity to appear before you today and hope that Huawei's participation can assist your important mission of addressing cyber security issues.

I will focus my opening remarks in three areas:

- Huawei's global history and growth;
- Huawei's solution to cyber-security;
- and, Huawei's contribution in the United States.
- 

Over my 17 years career with the company, I have had the privilege to witness Huawei's growth from a start-up company to a global technology leader.

Our success is attributable to four key factors.

The first is the explosive growth in telecommunications market in China, and globally. For example, from 1990 to 2010, number of mobile subscribers grew 500 times worldwide, grew 50,000 times in China.

The second is our consistent and significant investment in R&D. Indeed, over the past decade, Huawei has invested more than \$15 billion in R&D and has filed more than 50,000 patent applications. Huawei has 65,000 dedicated R&D engineers which is the most in the industry.

The third is our commitment to management transformation. Since 1997, we have relied on advice received from Western consulting firms like IBM and Accenture to design all of our business processes. Over the last five years we have invested over \$400 million in this area. The combination of the highly efficient Western management system with abundant R&D resource enabled Huawei's leadership position in technology innovation.

Finally, and most importantly, Huawei Employee Stock Ownership Program (ESOP) has allowed us to not only attract, motivate and retain talented and dedicated employees, but also to provide the company with \$4.6 billion in capital funding.

# Prepared Opening Statement for Charles Ding



These factors have allowed Huawei to become a \$32 billion company today.

Nevertheless, over the last 25 years of Huawei's rapid growth, a number of misunderstandings about our company have developed. I am here today in an effort to continue to set the record straight about Huawei.

First and foremost, as I have just described, Huawei's success has been based on entrepreneurship, innovation, and dedication. It has not been based on favoritism by any government.

Here are the facts about Huawei. Huawei is an independent, private, employee-owned company. Neither the Chinese government nor the PLA has any ownership interest in our company or influence on our daily operations, investment decisions, profit distributions, or staffing.

Huawei is a Fortune global 500 company, operating in more than 140 countries. Huawei has established business relationships with the majority of the world's top 50 telecom carriers, including Vodafone, British Telecom, France Telecom, Deutsche Telekom, and Telefónica. Indeed, about 70% of Huawei revenues come from outside of China.

These are facts.

Now, I would like to move on to my second topic: cyber-security.

Huawei recognizes the vital importance of cyber security, which is a complex, global issue. The focus cannot be just on companies headquartered in China. Other companies -- Alcatel-Lucent, Nokia Siemens, Ericsson and Cisco -- they all have substantial operations in China.

Since cyber security is a global issue that the whole industry has to face, governments and the whole industry should work together to improve cyber security.

As a global company serving almost 500 operators across the world, we know that any improper behavior would blemish our reputation, and would strike a fatal blow to the company's business operations. Our customers throughout the world trust Huawei. We will never do anything that undermines that trust. It would be immensely foolish for Huawei to risk involvement in national security or economic espionage.

Let me be clear -- Huawei has not and will not jeopardize our global commercial success nor the integrity of our customers' networks for any third party or government. Ever.

Huawei has taken substantial steps to improve cyber security. As a crucial company strategy, it has created and implemented a respected end to end global cyber security assurance system. It has hired as its Global Cyber Security Officer John Suffolk, the former Chief Information Officer of the United Kingdom (U.K.) government, who is in

# Prepared Opening Statement for Charles Ding



charge of Huawei's cyber security strategy and manages and supervises its implementation.

In addressing the requirements of cyber security, we have built best practices into all of our policies and processes. In this way, cyber security is not an afterthought. Instead, it is built into our daily business - it is part of our DNA.

At Huawei, we adopt "many eyes many hands" approach to ensure transparency and security. We positively encourage audits, reviews and inspections of all technology vendors, including Huawei, in a fair and non-discriminatory manner. Each audit and review enables each company to challenge its thinking, policies, and procedures, which in turn will enhance its capability, product quality, and product security. At Huawei, we have already gone the extra mile in this respect.

Huawei proposes that governments and industry leaders come together to develop a global framework for cyber security assurance. Huawei would welcome the opportunity to develop a program in coordination with the U.S. government to address cyber security issues.

Huawei has been in the U.S. for more than 10 years. We have 1700 employees here. In 2011 alone, Huawei invested \$300M in the U.S. and procured \$6.6 billion in goods and services from U.S. companies. Our purchase from U.S.- based companies over the last ten years have exceeded \$30 billion.

Over the last decade, Huawei has been committed to bringing the world leading products and services to U.S. customers.

However, our U.S. business has been damaged by unsubstantiated, non-specific concerns suggesting that Huawei poses a security threat.

In response to those misconceptions, Huawei has been providing information and cooperating with the Committee over the last ten months. And that is why I am here today to answer your questions.

Again, I would like to express my appreciation for the opportunity to be here today and I welcome your questions. Please understand that while I do speak and understand English, I want to make sure that my answers to the Committee's questions are complete and accurate. For that reason, I will use my native language of Chinese to answer your questions.

Thank you.