

COMMANDING HEIGHTS

David Lee

1

In the early years of Silicon Valley, David Lee was one of the first successful Asian-American technology entrepreneurs. Lee currently serves as the CEO of three major communications companies in three different U.S. cities.

Lee and his wife, Cecilia, talk about the business side of being an entrepreneur in Silicon Valley, its impact on family life and personal development, the differences between communist and capitalist systems, and the specifics of doing business in China. This interview was conducted in Silicon Valley and Shanghai.

From Beijing to Bozeman

INTERVIEWER: Tell us about where you were born and the early years of your childhood in China.

DAVID LEE: Yes, I was born in Beijing, and actually right in Tiananmen Square. And we left there after the revolution, 1949, late '49. And my family moved to Korea and Hong Kong, Taiwan; then finally we went to South America. So I had my grade school in China, junior high in Taiwan, senior high in Argentina, and then came to America in 1956 for college.

INTERVIEWER: And what was China like when you were a boy?

DAVID LEE: It was very, very poor; it was different. For example, Beijing was a very small town, with the wall, you know, everyone inside the wall. And I know people that have never been outside the wall. And it was a very, very local type of city where people didn't travel much and you stayed where you were born until you died—that kind of mentality in those days.

INTERVIEWER: And what was your father's job? What did he do?

DAVID LEE: My father was working for the government, and [during] the time when the Communists took over, he was in charge of the city transportation, like the buses, the streetcars. Later, he worked for the railroad bureau; he was a government employee.

INTERVIEWER: And did your family have a long tradition of working for the government?

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2

DAVID LEE: No, my ancestors used to be village people. Because my father had a college degree, he was working for the government. I believe my grandfather never worked because we owned a lot of land in our old country. So being a landowner, you didn't have to work in those days.

INTERVIEWER: And do you remember when the Communists took power in Asia?

DAVID LEE: Oh, yes. Actually, I was there. My house [was] in Tiananmen Square, and I saw them come in. It was a peace talk, and therefore there was no fighting. So when they marched in, I was there, and I saw what they came in—in those days there were no tanks, you know—so basically they were all in trucks, and [they] stayed on the top of the truck they came in. I remember those days.

INTERVIEWER: Who were they, those who were coming in?

DAVID LEE: Basically, they were the Eighth Army, I guess, [that] came to Beijing in those days.

INTERVIEWER: What did that mean for your family? Were they scared?

DAVID LEE: Well, that's why we were very lucky that we were able to leave the country, because they were scared because we were working for the government. Actually, some of the people who were working for the government started to disappear. And one night, someone, my father's friend, came to tell us, "It's time for you to go." And so luckily at that time, [my father] was working for the railroad bureau. He was in the same office with the prime minister's brother, and so, just through luck, we got permission to go. So my grandpa, my parents, and the four of us—we were like the boat people, and on top of a cargo ship [we] went to Korea.

INTERVIEWER: Your family had been landowners. Did you leave with any assets?

DAVID LEE: We left everything, and the only things [we brought] were whatever we could carry. And I remember the time I had two silver dollars, one Chinese silver dollar, one American silver dollar, and my parents told me I could not carry them because we would be searched. And so for me, I couldn't go to sleep. I was trying to figure out a way to take those two silver dollars out. And actually, finally I found out I could put each one in one of my socks. So I was able to take them out, and I was fortunate. I should have saved those two.

INTERVIEWER: So then eventually you ended up in Bozeman, Montana?

DAVID LEE: Right.

INTERVIEWER: What was that like, and why were you there?

DAVID LEE: You know, my parents never knew the United States, but they wanted me to get the best education, being the oldest son. So they sent me to this country, and of course we didn't know the United States. You know, on a map of the United States, Bozeman is just as big as New York. So I applied to school, and that school's tuition was low, and so my parents were able to afford it. So I was given \$600, 20 kilos of clothes, and came to this country, and when I ended up in Bozeman, I found out how small the city was. [But] also, it was a beautiful city [with] very few people, and actually, when I was walking on the street, the kids followed me around because they had never seen an Asian before. I used to tell them, "I'm Blackfoot"—you know, American Indian.

INTERVIEWER: Did you suffer any discrimination there?

DAVID LEE: No. I think it was, you know, just a few Asians there. Therefore, we were limited. And if you really talk about discrimination, I think later on, actually, in the Bay Area you see some of [that, where] there are more Asians, and then they choose certain areas. We cannot buy property. But when you go to a place like a very small city, with a very limited number of Asians, then you don't see that.

INTERVIEWER: What brought you out to the Bay Area, and what you are doing now? Why did you come out here?

DAVID LEE: You know, after I got an advanced degree, I finally was working for a company called NCR [in Ohio]. And to be very frank, there aren't many Asians in Dayton, Ohio. I was trying, at my age, to find a wife, and I thought I would come to the Bay Area because I might have a better chance to find an Asian lady there. And so I came to the Bay Area.

INTERVIEWER: And did you find one?

DAVID LEE: No, but my wife was arranged by my parents because they were worried ... no one would ever marry me, so finally they arranged a marriage. And my wife is from China, from Taiwan. So my marriage was an arranged marriage.

The Early Days of High Tech: A Very Different Silicon Valley

INTERVIEWER: And how did you come out here and get a job? What were you doing, and what was the situation in high tech like then?

DAVID LEE: Back then ... if you look at Silicon Valley, there were very few companies. I was very lucky that I worked for a company called Frieden, [which was] the largest mechanical calculator company. So I was lucky that I worked on the last mechanical calculator. I also worked on the first electronic calculator. And of course, in those days, the calculator had only four functions. It was a huge machine and sold for \$1,995. Today, you can buy 20 more functions for \$199. So those days were very, very different. And the people were very limited, you know. [There were only] a few companies that you could work for. The technology was moving fast, but only a few large companies could do the technology game because it's so costly, and [there were] not too many opportunities back then.

INTERVIEWER: Were you happy within a big company like that?

DAVID LEE: Yes, and I worked there for a few years. And, you know, I was very lucky that I was able to be an engineer manager. Then one day someone said, "How about going out and starting a company?" So I thought, you know, if I stayed there for another 20 years I would be like my boss, and I wondered if that was good enough or not. And so in those days, being a Chinese American, there was very limited growth [opportunity] in a company. And so I

thought... "Why not go out and start something?" And so I left the company, and a few of us started a company, and that was my first venture outside big corporations.

INTERVIEWER: How much money did you have to start this company?

DAVID LEE: Very little money. [In] those days it was very limited, and that was my first venture, and I invested, like, \$1,000. And then, two years later, this company was sold to Xerox... for \$18 million, and so I made my first million dollars out of that.

INTERVIEWER: Good deal.

DAVID LEE: (laughs) That was very lucky.... We started [in] 1969, and we sold the company [in] 1972, yes.

INTERVIEWER: So what was the company? What were you making?

DAVID LEE: We were a company called Diablo Systems. We were doing printers and disk drives. In the early days in the Silicon Valley, when you started a company, usually you had two products, just in case one of the products was not successful. And so we started with the disk drive and the printer. I was in charge of the printer, and so that was back in the early, you know, the '70s. And so Xerox looked at our printer, because at that time Xerox [was trying] to compete with IBM. They liked the printer, so they bought the company. And so that was my first venture.

INTERVIEWER: Describe this printer. What did it look like? How big was it?

DAVID LEE: In those days, it was a very big printer. Basically, it's a daisy wheel. I was the first one ... to make the printer able to do 30 characters per second. Before that, it was the type bar. IBM had a ball, the IBM ball, and then AT&T had a cylinder. And my job was to design a 30-character-per-second printer, because at the time, the transmission speed for characters was 10 characters per second. So if we could get to 30 characters per second, we could triple the speed.... So I thought ... if you [use a] ball, you have to rotate it [and] turn it [to] print [with] it. And [with the] cylinder, again, you have to lift it up and down, rotating [it]

and then printing. So if I have a "daisy wheel," I called it, it's a paddle, and all you have to do is rotate [it in one plane], and then you have printing. So I limited the motions one by one.... I was able to do 30 characters per second.

INTERVIEWER: And you had this new idea? You had 1,000 bucks of your own money to invest in it?

DAVID LEE: Yes, yes.

INTERVIEWER: How did you get the rest of the money you needed to start the company?

DAVID LEE: In those days it was very difficult, and we had to go outside to get the venture people to put money in. We also got a company ... in those days [called] Sutter Hill, who put some money in, and also a company called Intel put money in.

INTERVIEWER: Who was at Sutter Hill?

DAVID LEE: They were a venture-capital company, one of the early ones in the Silicon Valley.... [W]hen I was ... a part of what was Xerox, and in those days, being a Chinese American, they didn't think I could manage an engineering group. So when Xerox bought us, they [went] out and hired someone to be my boss. And then I had to teach this person about what I know. So when that happened, I made a decision. I said, "I will teach this person all I know; then I want to leave the company to do it over again." So that's back in 1973. I left the company to start another company. In those days, because there was very limited venture capital in the Silicon Valley, I went to Sutter Hill the second time.

At that time, Bill Draper and Paul Wythes were the two partners in Sutter Hill. And so I went to see them, and I told them, "I am leaving Diablo, and I would like to start something." So in the first meeting, they said [we] will support you, but with one condition: They [would] find a president for the company so I would be in charge of the technical area. And so we [had] a handshake agreement, and that was my second venture. And back in those days, you know, we were limited in capital, and so we had to go out and find someone else. So we found a company called J.H. Whitney, ... one of the early venture-capital firms in New York. So with

J.H. Whitney and Sutter Hill and [with] some of my own money—because my first venture, I made my first million dollars—I took \$200,000, put it into the venture, [and] we started a company called Qume.

INTERVIEWER: Just talk about that first meeting [with Bill Draper]. What was that like? What was he like? How did he treat you? How did you convince him to back you?

DAVID LEE: They know me already, because Paul Wythes was on the board of Diablo. So I made a presentation to them about my capability in the design [of] products.... And that was, I think, a very easy meeting. And anyhow, I never had those kinds of meetings before, so I don't know how easy it was. But I thought it was very easy, because when I went there, they asked me what my ideas were. And I told them my two products, because, like I said, before you [had] to have two products.

So I told them the first product, and the second product, what I could do. And the first product actually was a small printer for a calculator, because I used to design calculator printers before. And then I also told them what I could do to... make a much better printer in the marketplace. And so they looked at the thing, and they said they didn't know the calculator side, but they knew ... the printer side. They knew that was a big market. So we had an understanding that we would make sure that we would do the printer first, [and] then we'd do the calculator printer. And the printer ... turned out to be so successful [that] we became the biggest printer company worldwide. And therefore we never did our second [calculator] printer.

Starting Qume and Taking Risks: When Venture Capitalism Was Less Adventurous

INTERVIEWER: Okay, and what happened with Qume? What was the idea behind that [company]?

DAVID LEE: ... In those [days], ... I left Xerox [because] there [was] a glass ceiling.... Xerox didn't think I could manage an engineer group.

INTERVIEWER: Why not?

DAVID LEE: Because being a Chinese American, there [were] not too many Asians in those days [working] as a technical person. In those days, the Chinese were supposed to be laundry and restaurant owners, you know. And when I was managing the small group of printer engineers that designed the printer, they always felt that they had to find someone else to manage us—to manage me, I guess. And so when I left Xerox and then started Qume ... I did that because I felt that I was able to do it myself, and able to manage a group of engineers. So that's why I left Xerox and started a new company.

INTERVIEWER: And you did pretty well with Qume?

DAVID LEE: Yes. It was very lucky, you know, and I was able to design one of the best quality printers. I was able to design the fastest printer—I was able to get the speed to 65 characters per second and make it compact, small, and cheaper. And so we became the leaders in the industry. In those days, all the IBM and some European companies like Olympia... everyone was buying our printer... and so we became the number one printer company in the world. And we invested, like, \$2 million, \$2.6 million. And so after five years, we merged with Xerox—IBM in those days. Actually, we built from a \$2.6 million total equity that we put into the company, and we built it [into a company with] over \$100 million [in] revenue. And we ran out of money, because in those days, you could not take a company public. You had to have five years' profitability before they would talk to you. [In those days] our company [was] only... four years old—how could we be profitable for five years? So we couldn't raise the money. The only way we could raise the money was to sell the company, merge the company into a large corporation, and luckily for us, [when] we were looking for partners, we found that ITT... was in telecom, trying to get in to the computer side. And then Texas Instruments tried to go from a chip company to a systems company, so we talked with them. Finally, ITT made an offer we [could] not refuse, because they offered us \$164 million. And so we merged with ITT.

INTERVIEWER: So hang on. You have this company that's enormously successful, and you're actually running out of money, and you can't take it public. That's completely different from the model that we see today. What's going on? Why couldn't you do that?

DAVID LEE: You see, in the early days, not too many people... were able to raise money [as a public company]. And so we were using the equity, like \$2.6 million ... [and] the first year we were losing money. The second year, we broke even; the third year, we became profitable; and then the fourth year, even more profitable. But you know, when you grow [to] over a \$100 million company, you need a lot of inventory; you need a lot of receivables. In those days, IBM, DEC... Digital Equipment even paid us ahead of time, but we still didn't have enough money to grow the size of the business. They wanted more product, but we [could] not deliver to them. So finally we figured... we have to go out and find some money. So my partner and I, we went to New York [and] talked to the investment bankers, and in those days you [could] not do it. ... Wall Street just [did] not, you know, have the stomach to gamble on a young company. And so we [had] no choice, so we merged with a large corporation, because we couldn't wait for another two years before we could take the company public.

INTERVIEWER: And Bill Draper did very well out of Qume? How much did he put in, and what was the return on his investment?

DAVID LEE: Well, the first round of people—like Bill Draper and Don Ackerman of J.H. Whitney—they gave me a dollar, and I gave them \$93 back. Then the second round in which they put money [was] in 1974, and the third one was [in] 1975, and they gave me a dollar, I gave them \$27 back.

INTERVIEWER: Why were they willing to take a risk on you?

DAVID LEE: Well, I think... that for Bill Draper ... they saw what I had done in Diablo. And therefore, even for them, it's a risk, but it's a less of a risk. So they put in, like, \$200,000, and then J.H. Whitney also put in \$200,000. I put in \$200,000 myself, so [in] the first [round] we had, you know, just a few hundred thousand dollars. Then ... a year later, we went out looking for more money, so in those days we... asked every venture-[capital fund] to put money in to our company. In those days, people only invested about \$25,000, \$30,000, \$50,000, or \$100,000. For you [to] invest anything over \$100,000, that's a big investment. And so, you know, in those days, every venture-[capital fund] in the Silicon Valley [and] in New York put money into our company.

INTERVIEWER: And why do you feel like they should take such risks with your business?

DAVID LEE: Well, you know, to me it was not risk. You have to realize that if you look back [at the risks], my family, okay, my father had to take... moving his house 13 times in China because of the war. And for me it was no risk. When we went to South America ... none of us spoke English or Spanish. So we [had] to go to a foreign country, restart over again with very little money, and we did it. So I got a good education in the United States, and I speak the language. So when I left a large corporation, I always [felt] that I could make myself successful. And so to me, there's no risk, you know, and this is why I left a good job with job security. I went and did the Diablo thing. Then I left Xerox, [where I had] good security..., and then started Qume. I was not looking for security; I was looking at demands from myself for the future.

INTERVIEWER: Were you afraid of failure?

DAVID LEE: No, I never thought I would fail. (laughs) So I never thought about it that way. And I thought I would be successful, and so I never paid any attention to failure, you know.

INTERVIEWER: So what kind of personality does it take to be an entrepreneur?

DAVID LEE: I personally believe that a person should take a very positive look at things. If you worry about the failure, then [you're] not a person that should do it. For me, you know, it's like finding another job. If you have to worry about finding a job, you should not start something. And also I think when I look at the things, it should be fun to do it. When it's fun, you forget the time, and sometimes you have to work long hours, and you forget you work long hours. And so some days, I was working so hard, I looked up, it's already dark, you know, and it's time to go home. And sometimes you work so hard you forget lunch, you forget dinner. You know, it's a fun thing to do. So if you have that kind of mentality, I think you can be a good entrepreneur. But if you worry about this, worry about that, [then] I think you are not going to be successful in this business.

The Silicon Valley Melting Pot

INTERVIEWER: You sort of pioneered Chinese entrepreneurship in Silicon Valley. But it's really exploded after that. Talk about your experience being one of the first and why you think there are so many others who have followed in your footsteps.

DAVID LEE: You see, because I came [to Silicon Valley] earlier, you know, I was one of the early Chinese who came to this country [who was] also... a technical person, and therefore I was able to take the step to start up something. And that generated a lot of interest [in] other Chinese people in the country. And also it created an opportunity for everyone. And in the early days, there were many meetings, many occasions [where] I was the only Asian there; I was the only Chinese, you know, in the meeting, and I look at that as a very positive thing. The reason is very simple: They notice me. You go to a meeting; they are all European Americans, and I'm the only one with a different colored face, and so they know who I am. So they pay a little bit of attention. So when I'm calling them, they know who I am. I don't have to introduce myself very much. Now with that kind of opportunity, people feel that we can do it, and then it's easier for other people to follow to do the same thing.

I remember that in the early days I [was] the only Chinese American able to get venture support. And I remember after I sold the company to ITT, I asked Sutter Hill and the other venture people to make a conference for the Asians to come in, to listen to them ... so they know that you can raise money from the venture people, but also for the venture people to see there are so many technical people in Silicon Valley with an Asian background. And that started a lot of companies from that meeting. And therefore I believe that [it was] very important for the venture people to understand that Asians can manage in companies. The Asians can do things just as well as any other people.

Actually, if you look at Silicon Valley, it's a melting pot, and each and every culture we bring in is something different. By taking the best from China, Japan, India, Korea—you name it—and what's best in the United States, what the Europeans have, ... [doing] this has [made it] very difficult for other people to compete with [Silicon Valley]. I really believe that it is the culture in Silicon Valley, a multi-nation culture, that made us a positive thing, and it's not a negative thing. And that's why you see so much success in Silicon Valley, because we took what was the best of everyone.

INTERVIEWER: Do you think it's possible to export the Silicon Valley idea as a model for other areas around the world?

DAVID LEE: Yes, [for] certain areas, yes. For example, we work hard; we look at technology, the way we do things, the venture investment, and... how to do it—that can [all] be exported. But the culture... cannot be exported. For example, in Japan they don't have foreigners. You go to Germany—they are only this year accepting people from other cultures to be part of their culture, and so it's very difficult for them to understand the other cultures. But in Silicon Valley, you go to any company, it's international. And we never look at what the people's color is; we only look at what can they do to make the company a better company.

Cecilia Lee Joins the Conversation

INTERVIEWER: Mrs. Lee, what do you think of Silicon Valley and your husband's business?

CECILIA LEE: Well, basically, he's a very practical guy and I'm an artist, so I learn from him, he learns from me. I hope we can balance our lives. And Silicon Valley, to me, is too much energy here. And that's why I'm going to Hawaii most of the time. But I think for young people, it's a good inspiration for them to learn while they're young. But the one thing... I caution my children [about is] not to focus too much on the material things. ... Achievement [here is] measured by the money, how much they make. And basically that's my comment about here.

INTERVIEWER: Do you think there's too much emphasis on money here?

CECILIA LEE: Yes, definitely, especially in this area. I remember my younger son when we first moved here, and he saw everybody has a Mercedes and have big house. So he went to his friend's house, very small. He said, "Mum, how come he [doesn't have] a car? [How come] his house is so small?" He didn't realize... He thinks everybody should live like us. And I from that moment on, I cautioned myself to really be careful, to watch myself how to teach my children. That's the way it goes here.

INTERVIEWER: David Lee, you were talking about the idea of making money, the American idea. Carry on about that and how you tried to achieve balance in your own life.

DAVID LEE: Well, you know, Americans judge you by [whether you] make money or not. Therefore, you have to make money. You know then the question is how much, and how much is too much. And for me ... you have [to have] a balance. You know, I have to make money, but [at the] same time, I don't need to be a billionaire. You know, it's just something which you have to have enough [of] so that you can keep up with the Joneses next door.

In the United States, you have to make money, [because] people judge you on what you do. On the other hand, you also have to give [back to] the society that we're in. You know, when we came over we [had] nothing: \$600, 20 kilos of clothes. And this society provided us opportunity and everything. Therefore, we do a lot of things to pay back to the society that we're in. So we are involved in a lot of charities and a lot of nonprofit organizations so that we can have a balanced life to pay back some of the things that we took from the society, or the society [gave] to us, and have a balanced life here.

INTERVIEWER: And just on a personal note, [Mrs. Lee], what's [it] like, seeing [your husband] go away [on business] every couple of weeks?

CECILIA LEE: (laughs) Being a wife of an entrepreneur, I think I am so used to his going off, actually I look at it as a positive thing now, because then I can have time to breathe and to do my own things. And of course he always makes a trip, like, two or three days no matter where he is. Two or three days he'll be back.

INTERVIEWER: And I just wanted to ask you when we filmed you leaving your house, there were a lot of cars there. Just tell us a bit about the number of cars you have, and why you have so many cars?

DAVID LEE: (laughs)

CECILIA LEE: Oh, you know, this is the one thing we don't agree [on] at this point, because I want to simplify, simplify my life nowadays, and he's adding more cars. But always people

laugh at me and say, "Hey, you know he buys more cars, and it's better than [having] more wives!" And I agree with that, and the one thing is—what's so frustrating—every time I go pump gas, I don't know which side the gas tank is [on], so I put a sticker on each car, [on] whichever... side [has] the gas tank, the pump. So now I know which side the tank is. That's the way I have to deal with this man.

INTERVIEWER: Mrs. Lee, you're very active. When did you decide to really become involved in the community and business? Was that late in life, and how did you make that decision?

CECILIA LEE: Yes, I think at the beginning of our marriage [I was] sort of very old-fashioned. And after we got married, I continued to have children every other year. So I was busy for my own family life, but I agree with David. This point I know: We like to give back to the community, [and] also teach my children to give back to the community. And so actually, when my father passed away [and] my son went to the college the first year, I started thinking about what shall I do with the rest of my life. I'm not too old, and I'm not too young. That's how I started making changes in my life.

INTERVIEWER: What were those changes?

CECILIA LEE: First of all, I [tried] to think why I was so unhappy—and I have everything! Everybody tells me, "You have everything that you want—why are you unhappy?" And I realized it's not the material things that make me happy. So I rediscovered myself in a different way. And before 50, 48, I [had] two stages. And [when] you grow up, you obey your family, [do] whatever your mother tells you to do. Even my marriage—I obeyed my mother who [told] me to marry this guy. And then, after you're married, [in] the second stage in your life, you raise family—you know, be a good wife. [Being an] entrepreneur sounds good, but being a spouse is very difficult, because most of the time he's traveling or he's not home. I raised my three children by myself. And he doesn't... Sometimes he doesn't remember how old they are. But I have to tell [the] children, "Your father really has to make a living." And they know their father is a very big achiever, so that's why my younger sons work the same ways as he does now. Maybe [it's] in the blood. But anyway, I [decided I would] like to try to balance my life later on, so I try to do different things, experience, experiment myself [to find

out] what is more interesting to me, and what really is more important to me. So that's why I started doing different things, too. ...

I think education is very important, because my mother told us if you don't have education, well, you lose like us, lose the war. We run away. If we don't have education, how we can make a living? So that's what I always have in my head, this is very important. So I started a school in China, and I started doing different things, joining the board of some charities, and helping them raise some money to do good things for children, [for] education, like the museum here. And also KQED [San Francisco's public television station]—you know, they try to build some good programs for children.

DAVID LEE: Also, she started a company.

CECILIA LEE: I started a... company. I start companies easy. I watch this man doing [it] all the time. I said, "Let me be independent; I don't want your guidance—nothing. I want to start on my own." Of course in seven years, I learned everything about how to make money. So I think in a way, for an artist like me, it's a good balance to learn about what is reality. You know, making money is not easy, but making money with integrity is very difficult. You have to follow the rules. And at that part I really respect this man, because he can make money, and also he has a lot of integrity. I respect him a lot.

INTERVIEWER: Mrs. Lee, what is your company?

CECILIA LEE: Oh, actually I picked a company which now is a kind of commodity now. I am making CDs, a replication company. [It] has a huge [amount of] equipment, but it's been seven years. [As] the times change, the pace goes faster, the price goes lower. And so I'm in the process of letting go [of] the company, ... selling it or merging with someone. [Then I'll] go on to do something else.

INTERVIEWER: We were talking before about identity, [how you] were born in China, raised in Taiwan.

CECILIA LEE: Yes.

INTERVIEWER: Here in America, where do you feel at home? And in this global world, a lot of people share your experience of moving around a lot. Talk about that, both of you.

CECILIA LEE: I consider that this is my home. And my mother, my sisters live around here, my children around here. But I feel most comfortable in Hawaii ... maybe because of the climate, maybe the people. And so I make everywhere... my home now. I really [got] over that stage of finding my home; now I think I can live anywhere, as my heart is peaceful.

INTERVIEWER: When you go to China, though, do people say... you have American attitudes?

CECILIA LEE: I try not to have an American attitude, but somehow the way we do things [is] different [from] theirs.... But, you know, that's the way it goes.

DAVID LEE: When we're in China, they think we are American. When we are here, they think we are Chinese. And that is what happens, you know. We have to accept that. That's a fact of life.... So we just have to do the best we can, and to show people that we really... are sincere [about] what we do. And also, we do it [in a] way so that it's acceptable in both societies. You know, sometimes it's tough. You have to make a judgment and all that.

CECILIA LEE: I think home is where you are, and if you find peace in yourself, you can live anywhere you want. And I have no problem to go to India or anywhere. I can be comfortable wherever I am.

Around the World with David Lee: Navigating the Global Economy

INTERVIEWER: [Can you] just go through a list of where your companies are?

DAVID LEE: I always believe America has to be a manufacturing country, because we cannot [just] serve each other hamburgers; we have to manufacture something. So we have manufacturing in California, in Mississippi, Atlanta, and Boston, Puerto Rico, Mexico, and China, and England, France, and even Thailand. And we have to be able to manufacture the product where we sell to our customers. And it is very important for us to be able to compete.

Today it is not an American company competing with an American company. Today it's an American company competing worldwide wherever they come from.

My biggest competitors are from Asia. Therefore, I have to be part of [things] there. If I am not, I am tying my hand [behind] my back. How can I compete? Therefore, I have to do some manufacturing over there, so that when they offer a lower-priced product I can offer the same thing. When I offer an American-made product, it is more... high-end. I give them better quality, I give them better service, and therefore, they're willing to pay a dollar or two more, because otherwise I cannot compete. My company has to make a profit. My profit usually is higher, has to be higher than the company in Asia. And therefore I have to work twice as hard in order for us to compete. And when they offer a low-priced product, I can offer the same thing. Sometimes I offer a better product. Therefore, I can survive. And I really believe that for any American company, you have to be able to compete worldwide.

I do most of my R&D in the United States. On other hand, the talent is limited in the United States because there is so much competition [for] limited talent. Therefore, I also do R&D in China. For example, in the optical area, the American trend [is for] a lot of computer engineers, software engineers. On the other hand, there are very few people majoring in physics. And then sometimes when we need someone in the physics area; then we have to go out [and] find people. And so in the area which I do, in the optical area, I do [R&D] in China in Shanghai.

Sometimes you have to go where the talents are. For example, I used to do a lot of tools in Europe. Because [they] have precision parts, you have got to do it over there. And then there are not too many American companies that give you very [exact] precision molding, very [accurate] precision parts. Now, when it comes to consumer-type products, then you have to do it in China, [because it's] much cheaper. For example, for a given tool, the same thing in the United States could be 40 times higher in cost than [in China]. And since my competition [is] from there, therefore, I have to do that kind of tooling over there and then bring [the product] back to the United States so that I can compete with those companies from there.

INTERVIEWER: It sounds like you really have to take a global view when you're making your strategic decisions. How do you get your information, and how do you make your decisions about what to do?

DAVID LEE: It becomes a daily thing. You have to look at the thing as a global [challenge]. Where can you get the best? Because we have factories in Europe, we have the factories in Asia, and we have the factories in United States, [so] whoever gives us the lowest price, gives us the best service, that's where we're going to do our buying. And whenever they can give us the best design, that is where we have to do our buying. We have to take what is the best from each continent, from each country, from each city, and then take all the best and make it in to a product. This is why it's very similar to Silicon Valley—we took all the best of people from different countries, and then we made the best in management. So this is the same thing—it's just one [case] is about people; the other is about product.

INTERVIEWER: So you're saying the way of thinking that came up here in Silicon Valley is actually the same way of thinking that you're going to have if you're going to succeed globally.

DAVID LEE: Right. You have to look at what is best [from] each area. You have to use the same way [of] dealing with people, dealing with the product, dealing with the resources—[it's] the same thing. For example, [if] you can get cheaper capital from Asia, then you get it. If you can get... cheaper capital from New York, you go there to get it. And that's what becomes very international. There's no border. There's... competition [coming] from [every] place. And therefore you as a company, you have to be thinking of the whole-world issue of market, the whole-world issue of support. ... [Wherever] you can get [what's needed], that's where you get [it].

INTERVIEWER: Is that fun?

DAVID LEE: I'm enjoying myself. It's one of the most exciting parts, you know. I am 64, but I'm still working, enjoying myself. It is fun dealing with different countries, different people. And of course, sometimes you don't like to travel, but if you can get used to it, it is fun to [be] able to visit different countries, different cultures, and [to be] dealing with different kinds of

people. And sometimes it's a lot of fun to understand their sense of humor, [rather] than the American sense of humor.

INTERVIEWER: I wanted to ask you about the style that you have for doing business abroad, where you only want to be in a place one or two days, because otherwise ... they sort of play games with you. Talk about [your] strategies for doing business.

DAVID LEE: Usually I go over to China just for one or two days, and I tell them my schedule so they know I'm going to stay there a very short time. They also know that my only interest [is] to go there for this meeting, and so that they know I don't want to extend it out. And if they want to do business with me in that period of time, we [can] come to an agreement. ... [Otherwise] they have to wait for ... the next time I'm going back there. And usually I do not try to wait until they make their decision. They can make their decision while I'm in the United States so that I do not have to worry about it and get stuck there for a period of time.

INTERVIEWER: And do you find that that works?

DAVID LEE: (laughs) The first time, you know, they [didn't] understand it, and they thought I would stay. But then, after I [returned to the United States] ... they called me again so I [could go back] again. And so I don't mind. I make the 10-hour trip each direction, but this way I can shorten the negotiating cycle.

INTERVIEWER: And so now you're on your way to China.... When you go there, what are you trying to do?

DAVID LEE: I tell them ahead of time what my goals are and what my interests are, and so they know why I'm there, and usually I go to see some of the joint ventures that I have in China, and I tell them I either wanted to show them some new product [or] that I want to see some of their product. And then I talk with them into [marketing] their product outside China or my product inside of China. Usually, when I talk to them [about doing things] inside of China, I talk with them about [their doing] the assembly. They will do the testing [and] therefore cut down the tariff. When it comes out of China, usually they have finished the

product. Then I shift to whichever country that I will be selling the product to. So far, it has been working very well, so they know exactly what my goals are.

INTERVIEWER: What do you think of the Bush administration's policies towards China? Do they help smooth the way for businesses like you [to] operate there?

DAVID LEE: Yes. You know, President Bush Jr., he really understands China, so when he came to talk to us about the China policy, he doesn't tell us what our opinions are.... He tells us what he wants to do. Then we can talk to him—we agree [or] we don't agree, and then usually we can tell him why we agree or why we don't agree. And then in the end, he... tells us what his policies are, and why he makes that decision.

With President Clinton [it was] somewhat different, because he always... sits [us] down at... a table and then [asks] us our opinion. We tell him about our opinion. He always tells us, "You are right," and he agrees, [but] then we are not sure at the end if he is going to do that or not. And as far as I'm concerned, I'd rather try to understand what the [president's] policy is going to be, and [whether I think it's] either right or wrong as far as I am concerned. [Knowing what it is about is better] than not knowing what their policy is going to be. So for my part, I rather prefer the Bush policy [over] the Clinton policy—and it makes life easier for me.

Doing Business with China: Professional and Personal Motives

INTERVIEWER: You've gone back to China now. Talk about when you made the decision to start going back to China.

DAVID LEE: Because of the way we left China, and [because I remember how] as a kid we were searched and so on ... I was always afraid to go back to a communist country. [But] during the Tiananmen Square incident in 1989, I saw that man stop a column of tanks, so I [felt] that [it was] time for me to go back to see what we [could] do. And so my wife and I, we went back to Beijing and looked... [at where] I was a kid, where I went to grade school, where I went to seventh grade, and where my house was. And so I feel that there's an opportunity for me to show them the American way of doing business. And so my wife and I, we visited some of the cities in China. And also afterwards, I was able to go back to my

ancestors' home and to understand how the old country was, and then I also did a few joint ventures in China.

INTERVIEWER: And what was going through your mind when you saw that famous image on TV of the man stopping the column of tanks? Why was that such an important image for you?

DAVID LEE: I feel that it's... You know, in [those] few days, I didn't go to work; I just watched television about China. When I saw those things, I [felt] that force is never going to achieve anything. Only by education can you achieve something. So when I looked at the place, I looked at what's happening there, I said, "If we can show them there's a better way of doing things, it's much easier to do it." So that's why I went back and tried to understand them, and to see what I can do to make life better for everyone.

INTERVIEWER: And do you think doing business in China, in other repressive countries... like China changes the politics and changes the people?

DAVID LEE: Yes. You see, it's very difficult for the Chinese to behave like the Americans, because most of them never have been to America. They only know Americans from television, or whatever the government wants to show them, and also from movies. As you know, movies do not show the typical American. And so that's why I feel the only way you can do it is by exchange, by commerce, and so I started doing that business. And we did try to bring some people from mainland China who stayed in the United States with American families, and show [them that] the American people [are] just as good as the Chinese people—and we want the peace just as they want the peace. And so I tried to do that. And also I believe that when the life, the living standard, is high, people don't want to have war. And if you can show people you can improve your life, [that] this way is much easier [than] if you have a war, because then you destroy everything and you've got to start over again—the better way is to build something and have a better life, and so I thought that would be the easiest way to do it.

INTERVIEWER: What do you think when you hear people in America, or some Chinese dissidents, say, "Look, we really shouldn't trade with China because of human rights issues", and also companies—American companies that go over there are actually exploiting the

workers by paying them low wages, and [possibly] employing people who are younger than we could legally employ in a factory here? What's your response to that kind of argument?

DAVID LEE: I was, you know, advisor to President Bush and President Clinton regarding trade. I talked with both of them and [said] we should open up trade, not control trading. The reason is very simple: If you isolate them, then you make them even more backward.

For people who complain about human rights, you know, sure, it's nice to behave like Americans, but they've never seen the American way. You have to show them, and when they have to fight for the next meal, the next dinner, the next bed so they have a bed to sleep in, you know, they cannot think about what is a human right. You have to improve their life, make them more comfortable. Then you can tell them how to even more improve things. And therefore you've got to educate them instead of just complain to them, because when you complain, they don't understand it. And you have to show them, and then they understand. If you can do it for them and show them how to achieve and have a better life, how to do things, I think they will do it.

Now, Americans [went through] the same thing, if you go back a few hundred years. If you go back and look at the American history as well, [you see that] every country has to go through that process. By helping them to go through that process faster is better than [to] just isolate them and then complain, because if you do that, you're not going to achieve your goal.

And American companies, for example, going back there, a lot of people complain that we pay them lower wages, but you have to realize the American company going there gives them jobs. Our pay is higher than the local pay. We show them the American way of doing things. And I have a joint venture over there—I pay much higher salary than the local people. I pay much better; I treat people much better than the local people treat them; I give them education opportunities; I give them the opportunity to travel, to understand worldwide. And I think it's much better than to complain, because if we have to pay American wages then we cannot compete. We have to be able to compete with the local companies as well as companies from other countries. I really believe that you cannot isolate people; you cannot have people behave like Americans [until] you go through education, and you go through the process.

Therefore, if I can go over there, offer them decent wages compared to what they have, if I do better than what they have, make their life better, I think it's a plus, not a negative. If I have to pay American wages, why should I go there? Better way I don't have to go there, [but] in the end I [have] competed with companies from there, so I have to bill things as cheap as they have to bill. Otherwise, I cannot compete, [and] then my companies go under. And, you know, I try to do manufacturing in United States. I have more manufacturing than most companies in the United States. And in the end, I also have to manufacture overseas so that I can compete with companies from overseas. And it is a tradeoff, and it takes time. It takes more education. We cannot achieve the goal for everyone to be like America. You have to take time. "American" was not [always] "American" like we have today; it took a lot of education, it took a lot of time [to make us] who we are. Therefore, we have to take the time and [provide] the education for other countries to be like America someday.

INTERVIEWER: I just want to ask you about your interests in China. When you were talking at lunch today about your own family history, I remembered a conversation that I had with an American-Russian banker that we interviewed in Moscow [Boris Jordan] who is now very influential there. And when he went back to Russia after the fall of communism, he said he was going back to reclaim his family's heritage [that had been expropriated by the Communists] as a kind of revenge. What is your feeling about trying to change the government and whether that's appropriate or not?

CECILIA LEE: Well, to me, maybe I'm a Buddhist; I never thought about revenge. We [went] back, and we did try to claim our property back, but... because it's a huge estate, and the Communists [were] not willing to give it back to us, we just let it go. I think the main thing is helping them to be the country we once were proud of, [that] we want to be proud of again. So we try to help them, and I never even think about getting revenge or getting our property back. That's my way of thinking.

INTERVIEWER: Do you think about trying to change China?

CECILIA LEE: Yes, China is constantly changing. Every time I go back, like two or three months, I go back again and again. Each time I'm very impressed. But of course, there [are]

shortcomings in this, things that we don't agree [on], but I think gradually there's a process [that] needs time to make a change. ...

INTERVIEWER: David, do you like going back to China?

DAVID LEE: Yes. ... Actually I enjoy going places, meeting with people. I'm the largest phone manufacturer in the United States, but I don't like phones. I like to talk with people face to face.

INTERVIEWER: When you go to China, does it feel like you're going home at all?

DAVID LEE: No.

CECILIA LEE: No.

DAVID LEE: I still think here is my home. But I don't mind going there.

The Pace of Development and the Entrepreneurial Spirit in China

INTERVIEWER: So we're here at the Grand Hyatt Shanghai. Talk about where we are now and what it tells you about the scale and pace of development here in China.

DAVID LEE: Shanghai is always on the west side of the river, and about 10 years ago they made a decision to build a bridge to expand to the east side. And in those days there was nothing here, and so in 10 years you see all of the tall buildings like where we're sitting. The Grand Hyatt Hotel is the tallest hotel in the world. You know, it's amazing [that] in a very short time they built this, which is almost a big city by itself.

INTERVIEWER: There's an enormous amount of energy that's been channeled in to here, isn't there?

DAVID LEE: Oh, yes. Not only that, there's a lot of investment here... from overseas—Chinese and also foreign investment here. And it now becomes a commercial center for China, and I

think in another few years it will be replace Hong Kong as a center for doing business in China.

INTERVIEWER: What about as a center for business, not just in China but all of Asia, this part of Northeast and Southeast Asia?

DAVID LEE: Yes, I think that will have to wait until... China opens the market and... joins the World Trade Organization [WTO]. Then it will be an important... center for Asia.... You know, you still have the exchange issue, [but] when the finance [opens] up, I think that will be the center of Asia.

INTERVIEWER: So you've been coming here a lot, doing business here. How much [further] does China have to go until it's fully integrated in to the global economy?

DAVID LEE: It is in there already. The only difference is that... foreign companies still have the know-how problems working in China. And that this is why a lot of American companies like my company ... are here, because we want to be part of the growth of Asia, be part of the growth of China, because it is a market that we just cannot [miss being] part of.... If you are not in China, you may miss this market, which is tremendous.

INTERVIEWER: Is it possible to make a lot of money here yet, or is it down the road?

DAVID LEE: Most people are not making money today, because it's still investment. You know, for example, I have a few joint ventures here, and you know, sure, if I wanted to, I [could] make some money. But for me ... all the money which we [make is being] put back in to growing the business here, and for me, I'm still looking five, 10 years [out] before it [will] bring the money back to the United States.

INTERVIEWER: You were talking... about differences between Japan and China and the entrepreneurial spirit here. ... You obviously have that. This country was under a different political system for a long time. Is that entrepreneurial spirit still alive?

DAVID LEE: Well, you know, where we're sitting over here ... you just take a look, and Shanghai is very different from Tokyo, and the location, the people, it's very entrepreneurial. ... I'll be very frank. Being in the Silicon Valley for [so] many years, ... I thought I was a very good entrepreneur for Silicon Valley. But when I [came] over here, they have more ideas, they have more projects than I can imagine. And so they may [have been] part of a communist country before, but it sure isn't now. (laughs)

INTERVIEWER: And what does it come down to, that entrepreneurial spirit? Is it a question of government? Is it a question of culture? What's your theory?

DAVID LEE: I think it's not the government. The government is only [entrepreneurial] if they step back, let the people develop themselves. But you have to realize China has 5,000 years. Through the years, the government always tells the people, "Don't get involved with politics; just watch your own things." So they have generated their own entrepreneurship just in business. ... I did not realize when I went to the United States, you know, [but] I find out [that] what I learned from my father was like an MBA—and a good MBA class.... And so I really learned a lot from my father doing business. It's just that [in China] you learn from the family. You learn from the people you know, and you see them every day. So it comes just very natural.

INTERVIEWER: So now you're here in your hotel. You've got some meetings tomorrow. What do we expect to see tomorrow? Where are you going to go? What are you going to do? What have you got planned for this trip?

DAVID LEE: For example, tomorrow we have a board meeting. ... [We've had] a joint venture [here] for... over six years [now]. Now is the time to ask them what they want to do. One of the things I would like to do is take... this company [and make it] become a public company in the United States. So tomorrow I'm going to ask them if they [will] sell the company to me or... [will] take the company public... [and] make it an IPO [Initial Public Offering] in the United States. And I will know that tomorrow. I don't know what they're going to say, but at least I have made a proposal to them, and [I'll] see what they want to do.

INTERVIEWER: Just a quick trip, and then you go back to the States?

DAVID LEE: Yes. And you know, I always come over here just one or two days, because I give them an idea and let them think about it, and then I come back for it. Otherwise, I [would] be staying here one week, two weeks, and they [would] still [be thinking] about it. By doing it this way... I force them to make a decision. They have to make a decision before I go, or I'm leaving. Then the day after they make [the] decision, then I come back and they get the things done.

INTERVIEWER: What time is it in San Francisco, and how are you so awake?

DAVID LEE: Right now it's about 6:00 in the morning in San Francisco. Fortunately for me, I travel very well, and I did not take a nap on the airplane, and so I read all the way coming over here. So I get myself very tired; then tonight I [will] have a very nice sleep, [and] tomorrow morning, I will be wide awake and ready to go again.

INTERVIEWER: No jet lag?

DAVID LEE: No jet lag.