

# Public Affairs in China

December 4, 2025



# China faces an increasingly complex external environment

## EU-China stalemate

- EU-China relations remain strained by **trade tensions**, with limited prospects for improvement.
- Progress has stalled on key issues, incl. EU tariffs on Chinese EVs and alleged procurement discrimination against EU firms in China.
- **Climate cooperation** stands out as one of the few areas for co-operation.

## Stabilized U.S.-China relations amid increasing competition

- **The trade deal** reached in October is holding for now.
- President Trump plans to visit China in April 2026 and has invited President Xi to come to the U.S. later in the year.
- At the same time, U.S.-China **strategic competition**, esp. in technology, is intensifying, with further decoupling expected.

## China's pivot to the Global South

- China is actively trying to increase its **political and economic weight in the Global South**.
- As a result, its trade with developing regions, esp. Africa, ASEAN and South America, increased much more rapidly than with developed markets in 2024-2025.



- U.S.-China tensions have been a **top concern** for U.S. businesses in China in the past five years.
- These tensions are **impacting** their **profitability, investment decisions, and supply chain structures**.
- In 2025, U.S. companies reported a record high level of planned **investment redirection**, with Southeast Asia remaining the top destination.

Sources: USCBC and AmCham business sentiment surveys

# Domestic priorities are focused on long-term growth

- The Five-Year Plan (FYP) serves as China's blueprint for longer-term economic and social development.
- The 15th FYP, currently in development, will be released in March 2026.

## Technological self-reliance



- Catching up in critical technologies (e.g. semiconductors) and becoming **a leader in more tech fields**
- Addressing **"involutionary" competition** to boost innovation

## Industrial upgrading



- Promoting **smart, digital and green** transformation of traditional industries
- Ensuring supply chain security through **localization**

## Domestic demand



- Vigorously boosting consumption by improving the **social safety net**
- Increasing **"inbound consumption"**

## Society and demographics



- Increasing **birth rates**
- Addressing aging population and promoting the **"silver economy"**

## Foreign investment



- Continuing to welcome **high-quality foreign investment** and open up more restricted sectors
- Prioritizing foreign investment in **tech industries**

## Foreign relations and trade



- Further **diversifying trade relationships** while boosting imports
- Maintaining **stable relations with the U.S.** and EU but retaliating against anti-China actions



- Within China, growing **competition from Chinese companies** is a leading concern for U.S. businesses, with a third reporting losses in market share in 2025.
- **Regulatory challenges** and **slowing economic growth** also rank among top concerns, straining profitability expectations.
- In 2025, China's **industrial overcapacity**, now affecting more sectors and contributing to deflation, also became a top-ten concern for U.S. companies for the first time.

Sources: USCBC and AmCham business sentiment surveys

*Why to engage the Chinese government?*

# In China, politics and business are closely interconnected

**The central government dictates landscape for foreign companies**

- The Communist Party of China sets the country's key national priorities, which are typically long-term goals.
- Central ministries then issue policies designed to achieve these core objectives.
- Local authorities are responsible for implementing these policies.

**Local governments often compete for foreign investment**

- Local governments are evaluated largely on their ability to deliver economic growth, thus often competing to attract foreign investment.
- Businesses can exploit this competition to gain leverage in negotiations with local authorities.

**Foreign companies Are expected to align with the domestic agenda**

**Examples include:**

- Transitioning towards a low-carbon, environmentally friendly model, with peak carbon emissions by 2030;
- Boosting domestic consumption and pushing forward high-quality development; and
- Bolstering innovation to ensure long-term economic sustainability



# Given this interdependence, government engagement is typically non-negotiable for MNCs

Engagement can help achieve the following objectives:



## Policy advocacy

- Influencing policy and participating in standard-setting, to shape a more favorable regulatory environment

*E.g.: Advocating for inclusion in Chinese government procurement*



## Resource & Market access

- Facilitating the launch and expansion of business operations
- Securing preferential treatment for licenses, approvals and access to incentives

*E.g.: Receiving tax breaks for a new manufacturing site*



## Risk mitigation & support

- In the event of a crisis, strong government relations can help mitigate its impact
- Good relations also mean less likelihood of being targeted by inspections and audits
- Ensuring compliance

*E.g.: Avoiding government attention in the event of a consumer backlash*



## Visibility & Reputation

- Government endorsement boosts business reputation and influence in the market
- It also improves visibility in state-owned and state-affiliated media outlets

*E.g.: Securing coverage in China's top media, such as Xinhua and People's Daily*



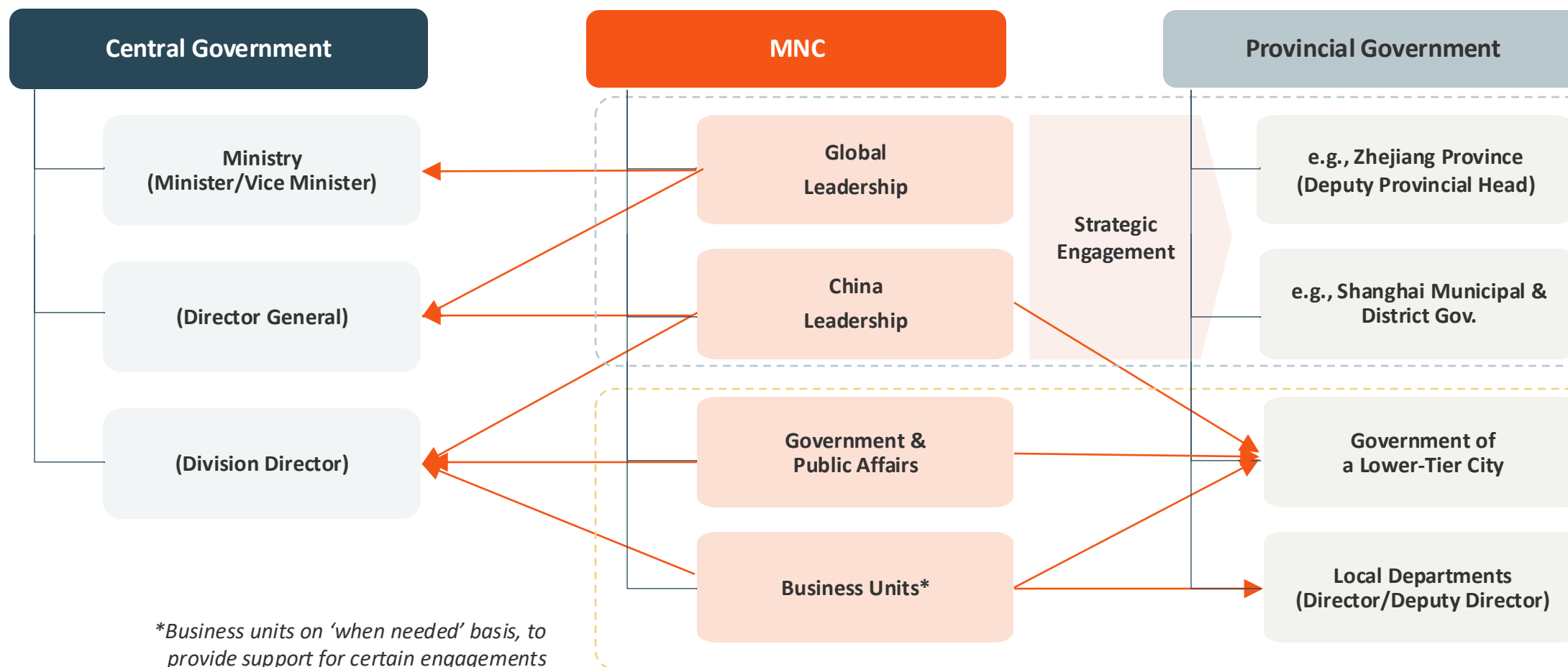
## Strategic insights

- Understanding policy priorities and how to benefit from them
- Discerning emerging government priorities to position your business at a strategic advantage

*E.g.: Understanding which consumer products will be included in the next round of government subsidies*



# There are strict rules for government engagement in China



# This includes avoiding “red lines” and other sensitivities

## Political Red Lines

### Territorial Sovereignty

- **Key regions:** Chinese Taipei, Hong Kong SAR, Tibet, South China Sea
- **Separatist figures:** such as Dalai Lama and leaders of Taiwan’s ruling Democratic Progressive Party

### Ethnic/Domestic Governance

- Allegations over forced labor and other human rights violations against Uyghur population in Xinjiang
- Domestic protests, especially in Hong Kong SAR

## Cultural Sensitivities

### Sensitive Dates

- Such as:
  - **July 7** (start of Second Sino-Japanese War)
  - **September 18** (Japanese invasion of Manchuria)
  - **December 13** (Nanjing Massacre Memorial Day)

### National Pride

- Traditional culture and historical achievements
- Racial discrimination

## Other Issues

### Double Standards

MNCs are expected to deliver the same quality of goods and services in China as in other markets

### Brand Ambassadors

Brand reputation risks regarding illegal activities or inappropriate remarks and/or misconduct by appointed ambassadors



- **Avoid any comments/actions/visualizations** that might challenge **China’s territorial integrity or governance**.
- **Avoid** launching new products, marketing campaigns, and posting on social media **on sensitive dates**.
- **Avoid stereotypes** or elements that may reflect negatively on Chinese people or Chinese traditional culture.
- In line with Chinese regulatory requirements, **ensure maximum equal treatment** and **prepare contingency plans** for potential PR issues.
- **Conduct stricter vetting** of brand ambassadors.



A renowned Canadian performance apparel brand

## Protecting reputation by strengthening government affairs capacity

### The Challenge

In 2021, a renowned Canadian performance apparel brand **faced several unexpected reputational challenges** among Chinese consumers and the government, including accusations of “discriminatory” return policies and misleading advertising. To safeguard and expand its business in China, the company engaged APCO to strengthen its government affairs (GA) capabilities.

### The Solution

APCO developed a **three-pronged strategy**: building internal GA capacity, facilitating external engagement, and providing continuous policy monitoring and analysis. As part of this approach, APCO helped the client strengthen relationships with key local government stakeholders in major cities, supported its participation in CIIE, offered insights into China’s evolving geopolitical and regulatory environment, and provided case-by-case advisory on various issues.

### The Result

As a result of these efforts, the company has **not faced further reputational issues** in China and has continued to grow rapidly, with Greater China now accounting for **over one fifth** of its total sales.





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