



The Global CEO Advisory Firm

# Foreign companies in China: Managing ethical and reputational risk

June 30, 2021

**Gabriel Wildau**  
Senior Vice President

**Teneo**  
280 Park Avenue, 4th Floor  
New York, NY 10017  
**M:** +1 (347) 714-4962  
**E:** [gabriel.wildau@teneo.com](mailto:gabriel.wildau@teneo.com)

Strictly Private and Confidential



# Outline

- 1. Western views of China have shifted dramatically since 2016**
- 2. Beijing is growing more assertive towards foreign companies**
- 3. A middle ground? Making the case for ethical engagement**

# Western views of China have shifted dramatically since 2016

- Negative perceptions of China have risen significantly, especially in the US, Europe, and Australia.
- Some politicians, opinion leaders, and consumers now view any commercial relations with China as *ipso facto* unethical.
  - Unclear boundaries between state and market (e.g., civil-military fusion)
  - “There’s no such thing as a private company in China.”
- Technology is a particularly sensitive area,
  - Digital privacy and surveillance
  - Intellectual property transfer
- Rebutting allegations like “forced labor” often requires proving a negative.
- Foreign companies are increasingly caught between the US and China. Satisfying one side means offending the other.
  - Example: H&M on Xinjiang cotton

# Beijing is growing more assertive towards foreign companies

- The Chinese government is increasingly willing to pressure foreign companies that make (even unintentional) political statements or acquiesce to Western sanctions.
  - Maps, t-shirts, website menus
  - Examples: John Cena on Taiwan, Daryl Morey/NBA China on Hong Kong
- Nationalist anger in China is not just government propaganda; grassroots public opinion is also nationalistic/patriotic.
- In some cases, staying neutral or staying silent can succeed, but in other cases, picking sides is unavoidable.
  - Be prepared for tough decisions BEFORE the moment of crisis arrives.
  - Which market is more important?
- But many controversies that appear catastrophic in the moment eventually blow over.
  - Example: H&M will probably be okay.

# A middle ground? Making the case for ethical engagement

- As US views of China turn negative, companies are cautious about speaking publicly in favor of commercial engagement.
- Operating through industry associations or sympathetic opinion leaders can be an effective alternative to statements by senior executives.
- But some corporate leaders may need to show courage in expressing views that are unpopular in the moment.
  - Engagement with China benefits the US (employment, exports, supply chains).
  - Engagement with China benefits Chinese people (employment, consumer choice, exposure to foreign ideas).
    - Example: Google's China search engine
  - Human rights problems are not unique to China.
- Ethical engagement: establish bottom-line principles and stick to them. Engagement should not be unconditional.

# Thank you

**Gabriel Wildau**  
Senior Vice President

**Teneo**  
280 Park Avenue, 4th Floor  
New York, NY 10017  
**M:** +1 (347) 714-4962  
**E:** [gabriel.wildau@teneo.com](mailto:gabriel.wildau@teneo.com)

[teneo.com](https://teneo.com)