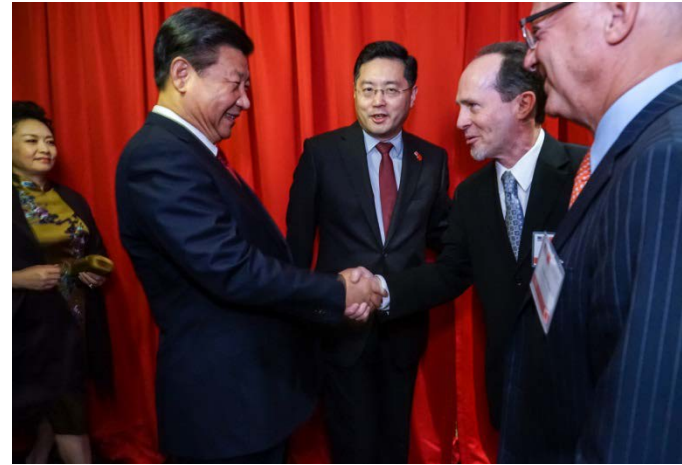


# Public Affairs in China: Structure, Challenges, & Best Practices

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**The US-China Business Council**  
**December, 2017**

## The US-China Business Council

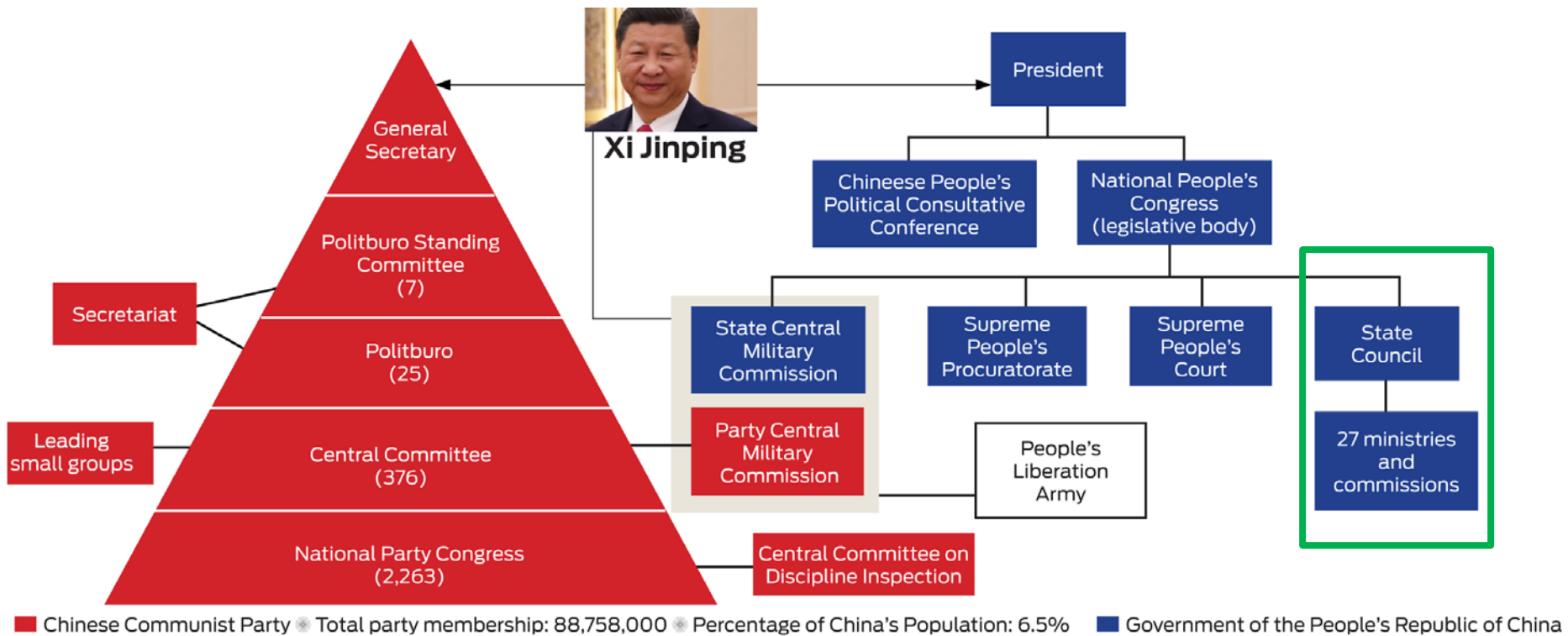
- Founded in 1973, 40+-year history
- Private, non-government, non-partisan
- 200 American member companies
- Global reach with headquarters in Washington, DC and regional offices in Beijing and Shanghai
- CEO-level board of directors
- Mission to build beneficial US-China commercial relationship



## Today's Agenda:

- *Structure of Public Affairs in China –*
  - *Government Structure*
  - *Company Structure & Methods*
- *Foreign Company Examples: Proactive & Reactive*

# People's Republic of China & Communist Party of China



# State Council

*27 Ministries,  
Commissions,  
Agencies,  
Offices, &  
Institutions*

National Development & Reform Commission (NDRC)

Ministry of Commerce (MOFCOM)

State Administration of Industry and Commerce (SAIC)

Ministry of Foreign Affairs (MOFA)

Ministry of Finance (MOF)

People's Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE)

General Administration of Quality, Supervision, Inspection & Quarantine (AQSIQ)

Ministry of Public Security (MPS)

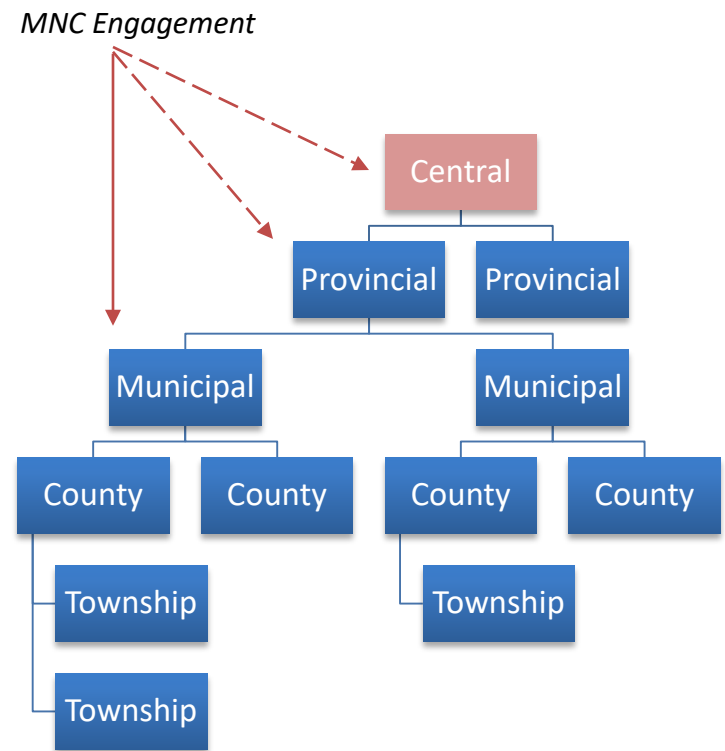
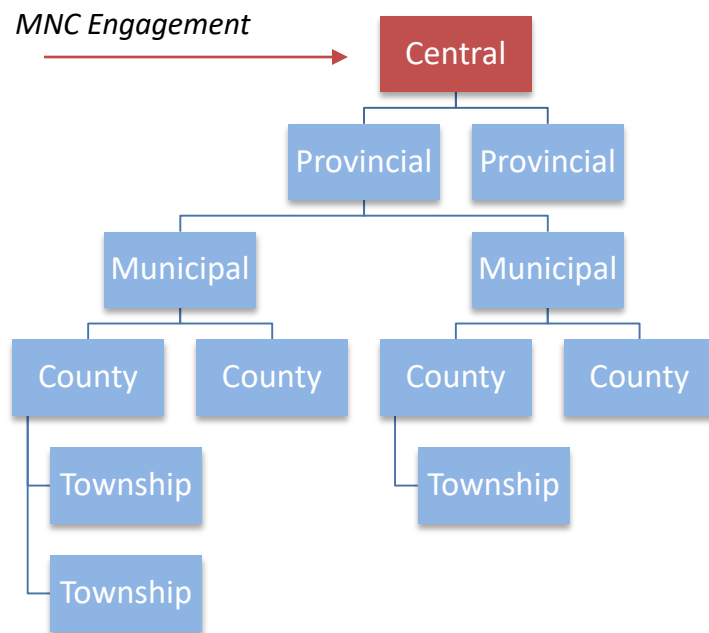
Cyberspace Administration of China (CAC)

State Administration of Taxation (SAT)

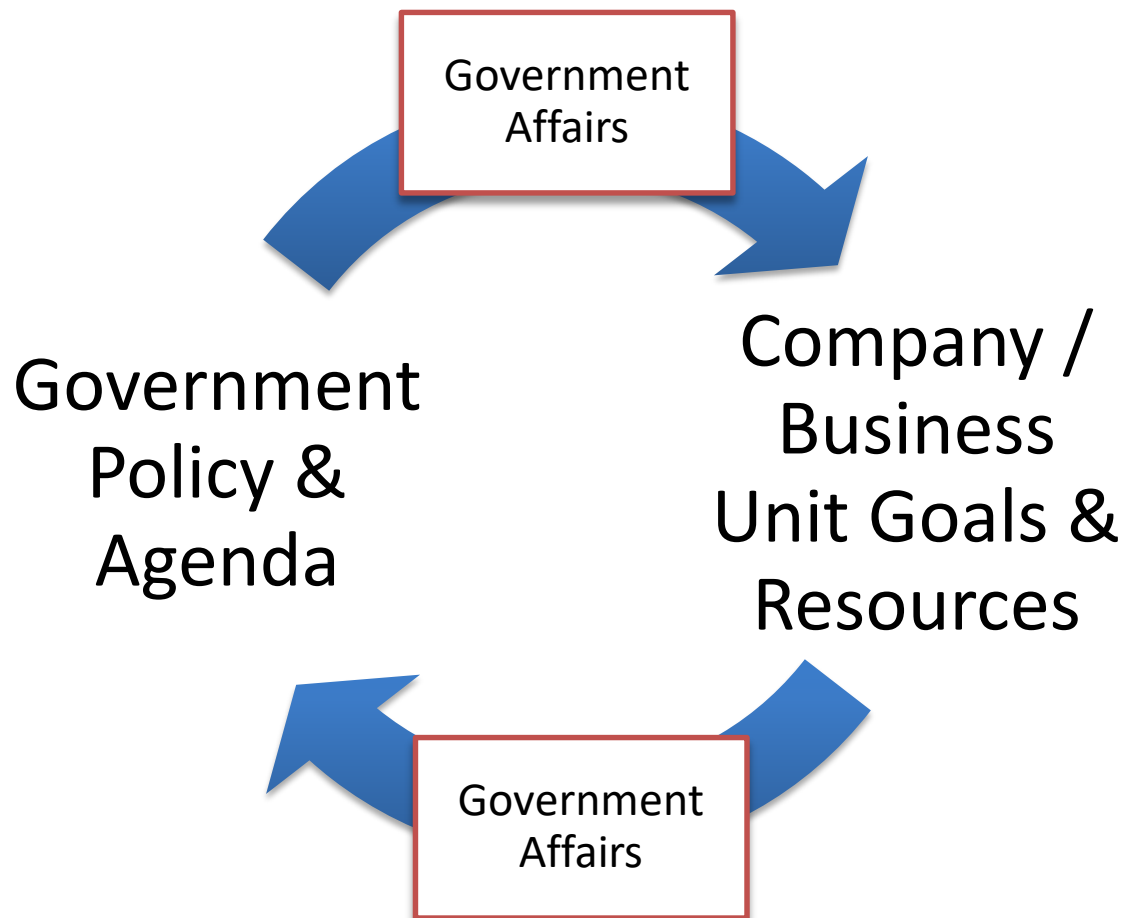
General Administration of Customs (GAC)

State-Owned Assets Supervisory & Administration Commission (SASAC)

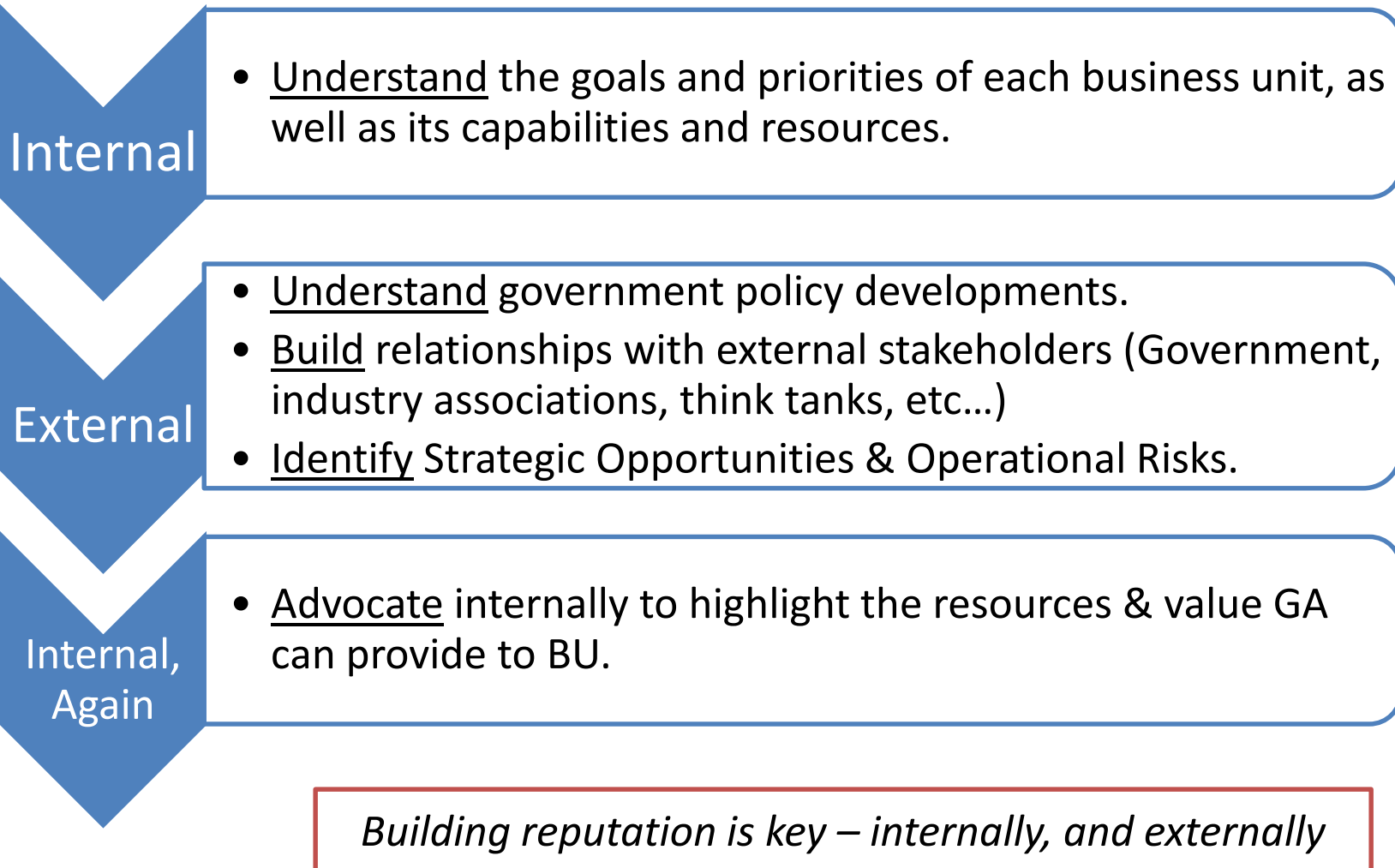
## Administrative Decentralization to the local level



*“The fundamental objective of government affairs in China is to support a company’s business units.”*



# How does GA support Business?





- Understand the goals and priorities of each business unit, as well as its capabilities and resources.
- Most GA teams report directly to a China head, and many have a dotted line to HQ.
- Most teams are small (4) and consist of **generalists** who assist a range of businesses. Constant communication with BUs is key.
- Some companies divide GA by **business** or **region**. Often regional specialists will work a particular plant or facility (*pharmaceuticals, for example*), though these also report to a senior GA person.

*“Companies with the most robust GA engagement hold frequent strategy sessions with senior company and business unit leadership.”*

- Understand the goals and priorities of each business unit, as well as its capabilities and resources.
- Even when teams are mostly comprised of generalists, they often focus as a “specialist” on one or two business units, when possible.
- Some teams will dedicate more GA resources to businesses with greater regulatory needs
- *Example:* Company A has 3 BU:
  - Rapidly-evolving BU throughout China: 3 staff
  - BU with regulatory hurdles: 2 staff
  - Established BU with few challenges: 1 staff

Internal  
Structure

- Understand the goals and priorities of each business unit, as well as its capabilities and resources.

### Corporate HQ

- Limited Role
- GA works more closely with the China head and parallel departments like PR or CSR.

### Central (Senior)

- Build strong relationships with central-level officials
- Policy advocacy @ central level
- “High-level” policy analysis

### Local

- Administrative decentralization
- Develop local relationships to understand local implementation
- Apply for licenses on behalf of facilities

*“GA is inherently local...” regardless of industry*



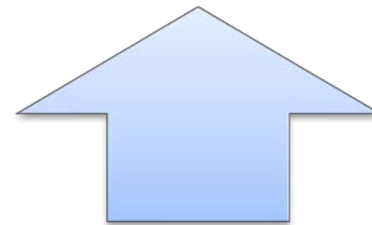
- Understand government policy developments.
- Identify Strategic Opportunities & Operational Risks.
- Build relationships with external stakeholders (Government, industry associations, think tanks, etc...)

### Top Down

- a corporate marketing team, covering multiple business units, monitors central government policy that might impact vertical business units and pass that info to business leaders

### Bottom Up

- Sales teams for individual business units pass up information about local policy.



## Domestic Industry Association Engagement

“...provide opportunities to participate – even indirectly – in government policy creation processes, and develop a good reputation as a knowledge source for government stakeholders.”

*But...*

““42% of companies noted that they were limited in their ability to fully participate because of their status as a foreign company.”

| Background   | Value of Engagement   | Methods of Participation  | Challenges  |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>• 70,000 legally-registered industry associations in China, most staffed by retired government officials</li> <li>• Heavily involved in providing input to government regulators on policy development</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Government Influence</b> – including insight into draft regulations, opportunity to comment on draft laws, and chance to build relationships with officials</li> <li>• <b>Industry Advocacy Coalitions</b> – Solve industry-wide problems</li> <li>• <b>Business Opportunities</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Events &amp; Workshops</b> – opportunities to comment on laws and hear directly from government officials</li> <li>• <b>Targeted Outreach</b> – proactively conduct research or invite speakers to address industry trends</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Direct Competitors</b> may have ability to exclude companies from commenting on regulations or standards-setting</li> <li>• <b>Limited Resources</b> – “industry associations are only as valuable as you make them, which is determined by the time and resources you’re willing to spend on them.”</li> </ul> |

## Think Tanks & Universities

“75% of companies use think tanks and universities to inform and participate in policy-making processes by creating content that will be referenced by decision makers.”

Background 426 Chinese think tanks – second in the world only to 1,828 in the U.S.

Chosen based on **credibility and popularity among key government officials** and agencies

**Direct communication** with think tank leaders helps companies **influence policy decisions** by publishing studies they are confident will be considered by government decision makers.

Research helps to **boost company's reputation** as an industry leader

| #  | Top 10 Most Influential Think Tanks               |
|----|---|
| 1  | Development Research Center of the State Council  |
| 2  | Chinese Academy of Social Sciences                |
| 3  | Peking University                                 |
| 4  | Tsinghua University                               |
| 5  | China Center for International Economic Exchanges |
| 6  | Party School of the Central Committee of CPC      |
| 7  | Academy of Macroeconomic Research, NDRC           |
| 8  | Fudan University                                  |
| 9  | Shanghai Academy of Social Sciences               |
| 10 | China Institute for Reform and Development        |

## Think Tanks & Universities

“75% of companies use think tanks and universities to inform and participate in policy-making processes by creating content that will be referenced by decision makers.”

### Research Projects

- Long-term strategic initiatives with no immediate impact
- Short-term specific efforts with tangible business results

### Events

- Attend or support events and conferences;
- Send speakers to boost company reputation
- China Development Forum (CDF)
- Fortune Global Forum
- Boao Forum

### Informal Meetings:

- Clarification on new laws and direction of policy
- “Guide the conversation” – arrange meetings between visiting experts and officials to ensure company priorities are integrated into policy research

### Challenges & Limitations

- Limited Budget & Qualified Personnel
- Poor Communication & Misaligned Priorities – thoroughly vet potential partners for quality and expertise to avoid wasted resources or poor quality research



- Understand government policy developments.
- Identify Strategic Opportunities & Operational Risks.
- Build relationships with external stakeholders (Government, industry associations, think tanks, etc...)

### **“Horizon Scanning”**

- Understand the goals of all relevant government ministries

### **Engagement Plan**

- Determine how to help government ministries accomplish their goals
- “stand in their shoes...even if you want to lobby them.”

### **Institutionalize relationships beyond any one person via:**

- Research Projects
- Training Programs
- Public Information Campaigns
- Event Sponsorships

### **Maintain Relationships via:**

- Internal Databases
- “Relationship Portfolios”
- “Double Up” on Relationships
- Broad networks within and among ministries

*“Guanxi remains important, but the most effective GA teams supplement them by sharing information and showing value to government officials, helping them achieve their policy goals.”*



- Advocate internally to highlight the resources & value GA can provide to BU.
- Regular Meetings:
  - Understand new BU needs;
  - Inform BU of regulatory developments;
  - Explain how GA can help manage difficulties;
  - Explain how GA can help pursue opportunities.
- Internal Websites & Newsletters:
  - Analysis to accompany quarterly briefings
  - GA accomplishments
- Relationship Maps: Institutionalize relationships for future use.

*"The challenge of making businesses aware of GA resources – an entirely internal challenge – was greater than external challenges."*

## Foreign Company Example: Horizon Scanning & Strategic Partnership

### Horizon Scanning

- Company B's GA team **analyzes government ministry policy goals** by researching five-year plans, work agendas, and other policy documents available on ministry websites.
- This information is compiled into a matrix that includes a list of Company B's strengths, capabilities, and priorities, highlighting **areas of potential cooperation with government agencies**.

### Engagement Plan

- Company B then **develops project proposals with the agency in areas with the most relevant overlapping goals**.
- This information is then turned into an internal five-year plan and budget that enables the China president and head of GA to conduct an extensive outreach campaigns to various ministries with ideas for potential long-term cooperative projects.
- This allows Company B to be "**proactive and systematic**" in its approach to GA.

### Institutionalize

- For one partnership, Company B signed a memorandum of understanding (MOU) with a government ministry that a goal of developing safety standards in the company's industry the ministry.
- Company B sent central and local officials to the US for several weeks to learn about safety and process training from American academic institutions, as well as best practices from the company's US facilities.
- Company B later received good feedback from the ministry about its program, thereby **strengthening its relationship, and putting the company in a better position to work with the ministry in the long-term**. This has led to opportunities for Company B to work on joint studies that government advisory boards will use to develop policies important to company goals.

# Recent Changes in China GA

## Changing government affairs landscape

- Government officials more difficult to access, with greater professional demands
- Decentralization has increased policy stakeholders
- Anti-Corruption leaves officials reluctant to act

## Broad trends in Chinese development

- Officials are busier, balancing foreign investment with many other priorities
- Wechat changes everything...