

Retreat or engage in a period of extraordinary suspicion?

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The United States and other western countries have steadily escalated long-simmering trade tensions between their economies and those of China. What began as complaints over trade surpluses, intellectual property theft, and improper subsidizations, is steadily growing into full-scale suspicion that trade with Chinese companies represents an existential threat to free economies. President Trump and members of the U.S. Congress from both political parties are seemingly bidding to out compete each other on who can sound the toughest against China.



Examples of this abound, but perhaps reached their highest level on 23 August 2019 when President Trump tweeted, "Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing....your companies HOME and making your products in the USA." (emphasis added by the Executive). As preposterous as that would be as an actual order, it exemplifies the rhetorical fever-pitched battle Chinese companies currently face.

This goes beyond recent high-profile measures proposed, or actually implemented, against Hikvision and Huawei, but includes approximately 150 Chinese companies that were placed on the U.S. Entity List, which practically speaking, prohibits access to U.S. technology that is essential to the products of many Chinese companies. Chinese companies affected by this ban include high-tech materials components, engineering, electronics, aviation, semiconductors, and telecommunications equipment.

When U.S. politicians speak of the national security threats and trade sanction violations associated with these two Chinese telecommunications giants, they speak interchangeably about companies and state government. To that end, Senators Shaheen, (D-NH), and Rubio, (R-FL), recently wrote a letter to the chairman of the U.S. government's main retirement fund saying it should reverse a decision that shifts investments into Chinese companies. Senator Rubio said "many Chinese companies included in MSCI indexes are not just involved in China's military, espionage, and human rights abuses, they are also state-owned or state-directed enterprises used as tools by the Communist Party to undermine American companies and workers."

This is just the latest example showing the lines between private Chinese enterprises and the government are virtually erased in the present-day language emanating from Washington, D.C. In this atmosphere it is all too easy for Southeast Asian companies to become defined by political language that bears little resemblance to their actual business conduct.

This may be the zeitgeist of the moment, but rational thought dictates that the world's two largest economies must and will find that it is in their own best interests to restore a cooperatively competitive posture. In the meantime, should global Chinese companies engage in the United States or keep a low-profile and wait for a more hospitable climate?

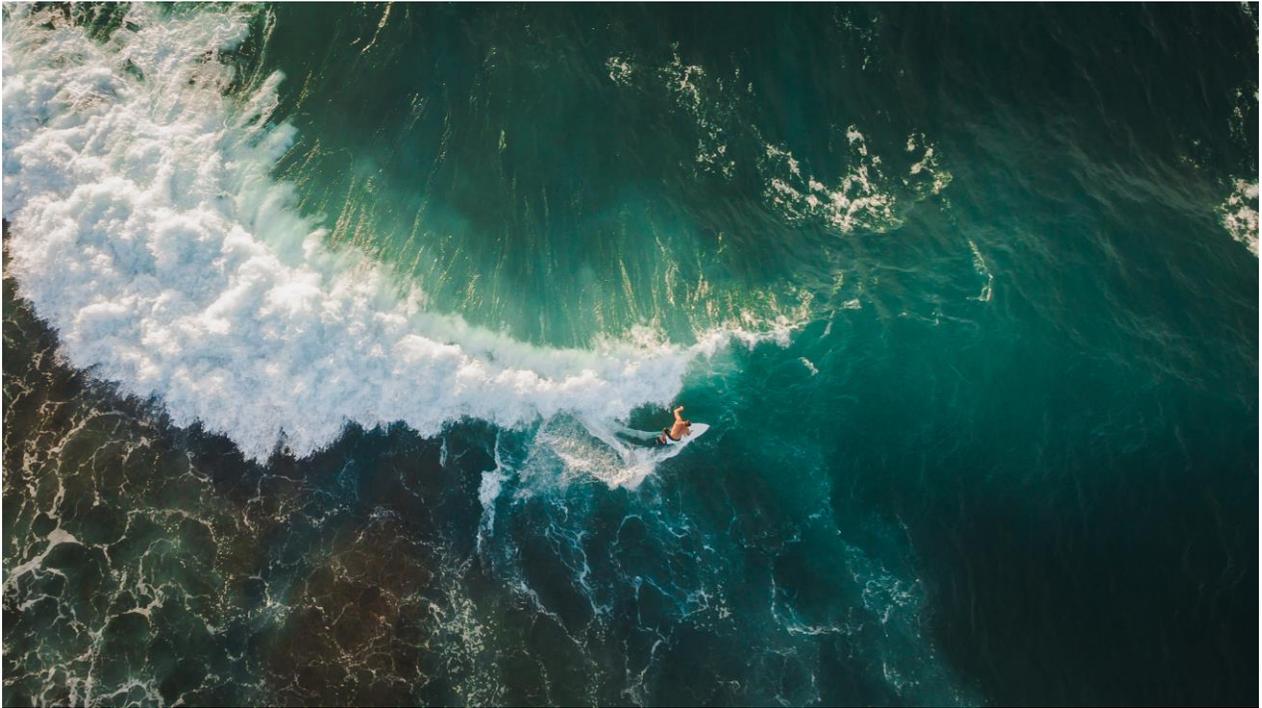
Perhaps because of the different natures of media in China and in the United States, many Chinese companies may have a proclivity to eschew media attention believing that relative anonymity is the best way to avoid negative publicity. However, in the United States it is the lack of familiarity that usually breeds mistrust. American political leaders and the general public expect engagement by the companies that want the social license to operate in the United States.

This is especially important for companies that provide telecommunications and critical infrastructure technology, or are part of those sectors' global supply chain. Just as these companies would have no hesitancy hiring legal counsel to help them navigate U.S. legal and regulatory matters, they cannot ignore the importance of articulating their values and brand purpose in order to inoculate against the generalized suspicions of foreign technology companies in the current atmosphere.

So when is the time to begin to engage in a strategic communications effort in the United States? If a company waits until it is involved in an acquisition subject to the Committee on Foreign Investment in the United States review, or after it has been identified for possible inclusion on the U.S. Entity list it will face a nearly impossible battle to redefine itself. The optimal time is when it has no issues and is not seeking to correct false impressions about whether it poses a

security or trade compliance threat. For many years Huawei very famously avoided public relations (PR) in the United States.

However, ever since the U.S. Department of Justice unsealed an indictment in January alleging that Huawei had conspired to provide prohibited financial services to Iran, the company has continuously and significantly added to its roster of PR, legal, and lobbying firms in order to assure governments and consumers alike that its products do not present national security and personal privacy concerns.



One might ask if there is evidence that becoming a generally known and understood brand in one's sector – even if only as a business-to-business supplier – helps a company weather these trying times? If Hikvision or Huawei had long-ago begun a campaign of educating U.S. audiences and becoming purpose-driven brands, would they have been better positioned to maintain or restore a positive perception today?

In a time when all technology manufactured in China is held in deep suspicion by Western governments' national security communities, it is interesting to note that brands such as Lenovo and even Apple products manufactured in China, are never mentioned in discussions of national security risk. While this is in part due to the lack of actual security threats these companies pose, it is also likely that their concerted and sustained efforts to become well-known brands in the United States has built up their reputational immunology.

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SEA View

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