

Understanding Global Opinion of Chinese Businesses

A Growing Divide Between Developed and Emerging Markets

BRUNSWICK
博然思维



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Introduction

The novel coronavirus, COVID-19, will go down in history as one of the most disruptive events the world has experienced in modern history. At the time this report is published, its economic impact is yet to be fully realized as efforts to contain the spread of the virus have resulted in substantial disruptions to business operations across the world.

While COVID-19 poses new challenges to Chinese companies operating in international markets, it certainly will not diminish the appetite of these businesses to go global. In 2019, the Chinese economy grew at a rate of 6.1% - the lowest rate of growth in 29 years and in the first quarter of 2020, it shrank 6.8%. Barring a miraculous rebound of the domestic economy in the second half of this year, growth will be even lower in 2020. This will put more pressure on Chinese companies to find growth wherever they can, including beyond the domestic market.

At Brunswick, we advise Chinese companies that are growing into new markets, as well as international companies expanding their business in China. Since 2016, we have conducted three large-scale global surveys to understand how Chinese companies are perceived around the world. This report presents the findings of our latest survey of 9,700 individuals among the general population of 23 countries where Chinese firms have significant investments and ambitions for growth. We also surveyed 300 senior leaders at Chinese companies that have either already expanded internationally or plan to do so soon.

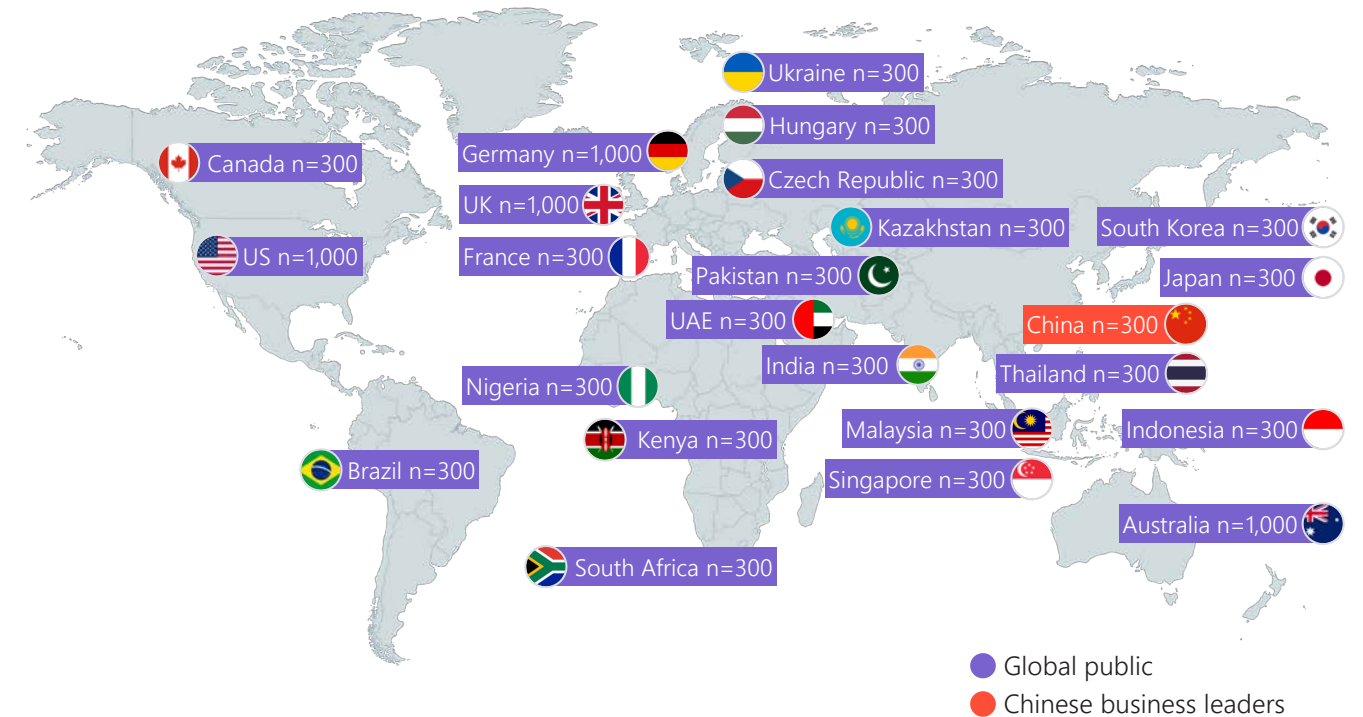
Our research was conducted in the fall of 2019, before the outbreak of COVID-19, and we delayed the launch of this report as we focused our attention on helping our clients manage the impact of the virus on their operations, workforces, and financial markets.

The findings in this report still hold true in this new operating context for Chinese companies. If anything, COVID-19 will accelerate many of the trends we have been tracking across three waves of global research since 2016. Some of these trends include:

- Chinese companies have become more likely to pursue exports, M&A, and investment opportunities outside of China. Slower growth within China will fuel greater need for expansion.
- Emerging markets are overwhelmingly welcoming to Chinese businesses, while trust is declining in developed markets. With criticism toward China sharpening in countries like the US and UK, while China offers aid to emerging countries, particularly in Africa and Southeast Asia, Chinese companies should be prepared for this gap between developed and emerging markets to widen further.
- Across emerging and developed markets, Chinese businesses are believed to underperform in critical areas such as transparency, employee treatment, and community engagement. However, our research shows a positive connection between exposure to more information about Chinese companies and greater trust. After the world gets COVID-19 under control, the need to continue to build trust will be great and transparent communications and engagement will be the key to achieving that.

We hope you find this report useful and informative. If you would like to speak about any of the findings, or how Brunswick can help you, please contact us.

Methodology



This report draws on survey research conducted among:

- n=300 Chinese Business Leaders: Executives and senior managers at Chinese businesses in China (private, public and state-owned) that have already or are planning on expanding internationally.
- n=9,700 Global Adults: Representative national samples were surveyed in 23 countries where Chinese companies have significant investments, operations, or ambitions to enter. See above for the list of countries that were surveyed.

When the global sample is analyzed in aggregate, the margin of error is ±1.00%. When analyzed at the country level, the margin of error is ±3.10% for the US, UK, Germany and Australia, and ±5.66% for all other countries. The margin of error for the Chinese business leader sample is ±5.66%.

All survey research was conducted online between October 31 – November 16, 2019.

About Brunswick

Brunswick is an advisory firm specializing in business-critical issues.

We help clients navigate the interconnected financial, political and social worlds to build trusted relationships with all their stakeholders.

A global partnership, with 23 offices in 14 countries, we operate as a single profit center - allowing us to respond seamlessly to our clients' needs, wherever they are in the world.

Our Experience

Brunswick has been working with Chinese companies to help them fulfill their global ambitions since some of the earliest waves of their international expansion. We have 17 years of experience on the ground in China and have worked side-by-side with many of the biggest and most prominent businesses. We have worked with all types of companies in China - from state-owned enterprises to private companies.

Brunswick has helped Chinese companies to:

- Complete mergers and acquisitions abroad.
- List shares on international stock exchanges.
- Navigate crises and respond to critical issues.
- Develop research-driven strategies for expansion into new markets.

From financial situations through to capital markets, crisis, cyber, employee engagement and litigation, clients rely on Brunswick for insight, advice, planning, preparedness, and campaigns.

Our purpose is to help the great value creating organizations of the world play a more successful role in society.

- Respond to the concerns of politicians and government officials.
- Communicate complex stories using award-winning video content.
- Use international social media and digital platforms to deliver messages in targeted ways.
- Drive positive coverage in top-tier international media.
- Create engaging thought leadership platforms for convening discussion and debate.
- Communicate environmental, social and governance commitments to external audiences.





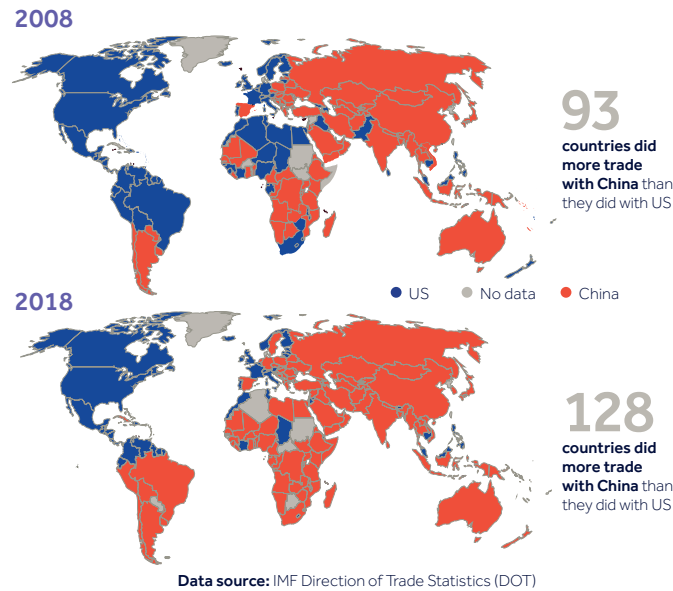
Key Insights and
Recommended
Actions

2020's Eight Insights into Understanding Global Opinion of Chinese Businesses

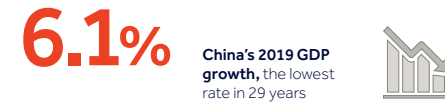
Brunswick Group's survey of 9,700 global general public in 23 countries and 300 Chinese business leaders

1 China's global trade footprint will continue to expand

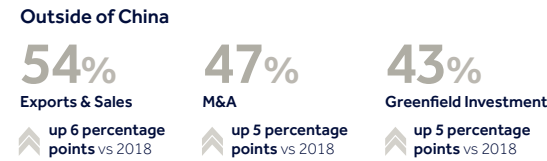
Global trade with China has exploded over the past two decades, particularly into **emerging markets**. **128 out of 190 countries globally** now do more trade with China than they do with the United States.



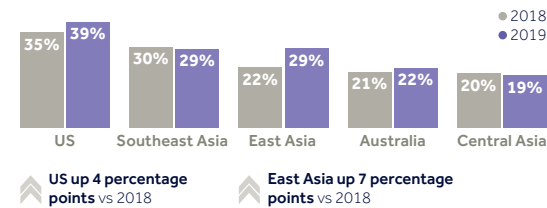
Slow economic growth in China creates more desire for their **companies to grow internationally**:



Chinese business leaders are increasingly calling international sales and investment an **"extremely important priority"** for their business:



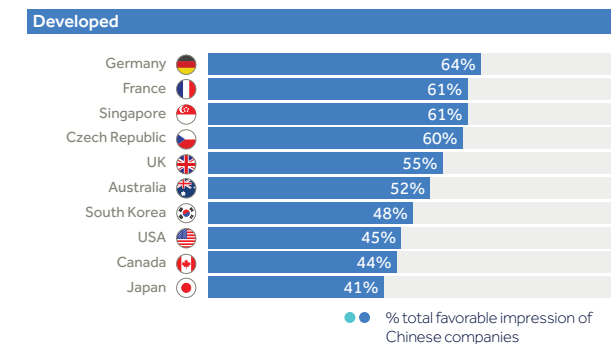
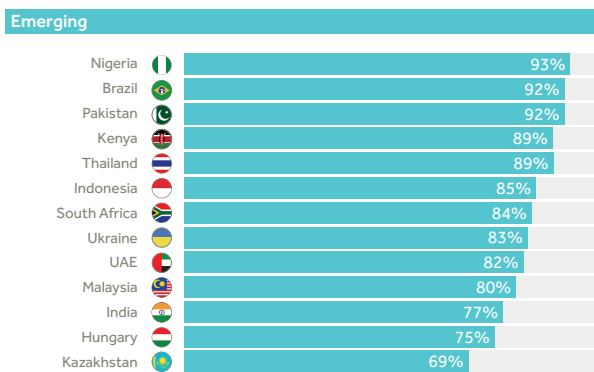
Despite trade tensions, more Chinese business leaders are looking at the **United States as their top target** for international growth. Asian markets and Australia also rank highly:



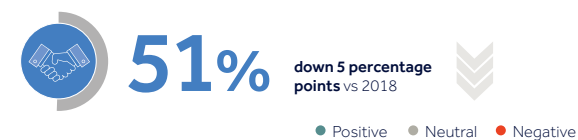
2 How welcoming is the world to Chinese companies? It depends

A divide exists between **emerging** and **developed** markets in their opinion of Chinese businesses and is only likely to be intensified by COVID-19 sentiment:

Favorable opinion of Chinese businesses:



Trust in Chinese companies:



In their own words

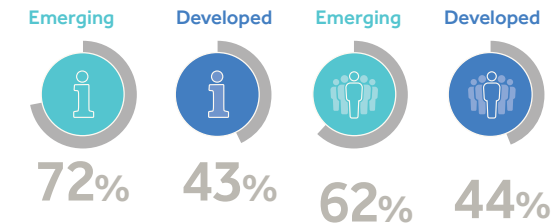
How Chinese companies are most often described:



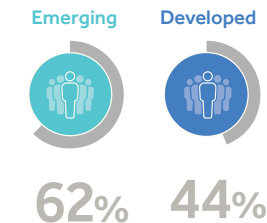
Top two drivers of these differing opinions in emerging and developed markets are:

3 Varied exposure to Chinese companies

Emerging markets receive more information about Chinese companies in the past 12 months:



They are more able to cite the company name of Chinese businesses that are leaders in their global industries:



Impact

Less exposure leads to:

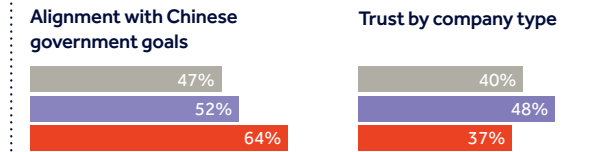
- Generalized view of "Chinese companies".
- Behavior of one to two firms shapes image of the rest.
- Higher risk of misperceptions or "fake news".

More exposure leads to:

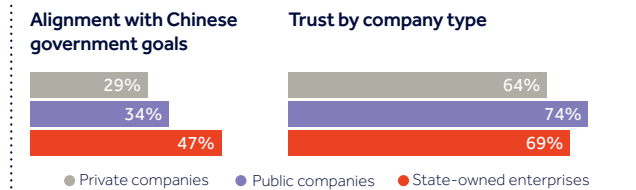
- Understanding of differences between firms.
- Firms held accountable for their actions, not actions of others.
- Informed opinion of businesses and their actions.

4 Differing belief in extent and impact of collaboration between Chinese government & companies

Developed markets believe that Chinese companies support government goals, which negatively impacts trust in them:



Emerging markets believe only SOEs are supporting government priorities – but this does not harm their trust toward those businesses:



Impact

Alignment with Chinese government priorities increases skepticism in developed markets, presenting an obstacle in gaining public trust.

5 Global agreement on ESG as improvement areas

Rising importance of environmental, social, and governance (ESG) company behaviors to global stakeholders:

- More than \$30 trillion globally invested in ESG funds in 2018, up from \$23 trillion in 2016 and could reach \$50 trillion over the next two decades.¹
- 1/4 of total global Assets Under Management (AUM) invested in ESG funds.²
- 50% of total shareholder resolutions are focused on environmental and social conduct – up from 33% in 2010.³

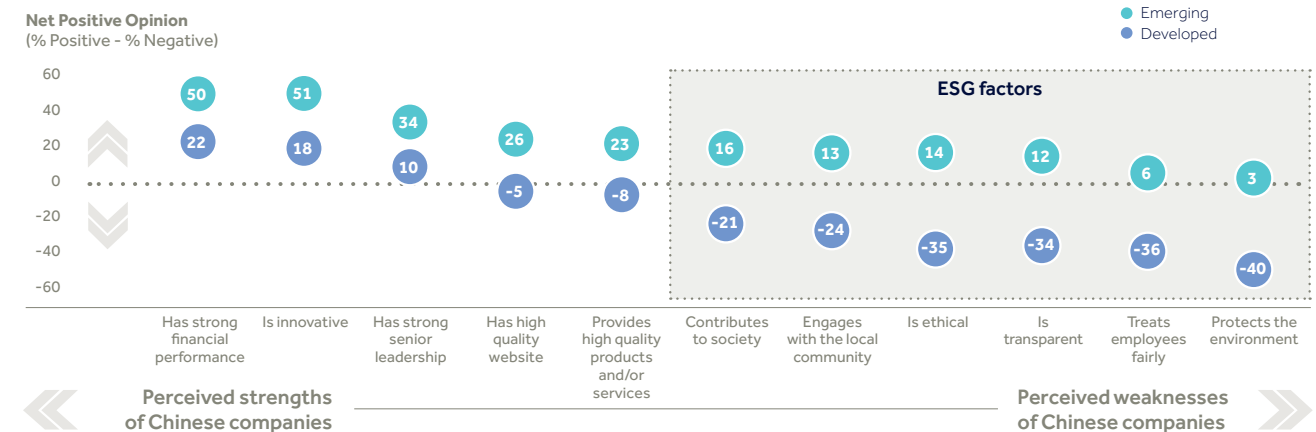


Sources:

- Global Sustainable Investment Alliance. 2018.
- Forbes, November 2018.
- Harvard Business Review, May-June 2019 issue.
- Fortune/NP Strategy group poll, July 2019.

Across **emerging** and **developed** markets, Chinese companies are believed to deliver the **weakest business performance in ESG areas**. The need to better demonstrate their commitment in these areas is likely to become even more pressing in a post COVID-19 world:

Perception of Chinese Companies' Performance



6 Rising expectations for employee and community engagement

Businesses today are expected to **deliver value to a variety of stakeholders** – not just their investors:

Business Roundtable today announced the release of a new Statement on the Purpose of a Corporation signed by 181 CEOs who commit to lead their companies for the **benefit of all stakeholders – customers, employees, suppliers, communities and shareholders**. Each version of the document issued since 1997 has endorsed principles of shareholder primacy – that corporations exist principally to serve shareholders. With today's announcement, **the new Statement supersedes previous statements and outlines a modern standard for corporate responsibility**.

Business Roundtable
August 19, 2019

Chinese companies need to understand their international stakeholders and demonstrate their value to each group. **Employees, communities, and suppliers are at risk of being overlooked.**

Agreement that Chinese businesses meet stakeholder needs:



Businesses need to create value for **all their key stakeholders** – customers, employees, suppliers, communities & investors:



73% vs 51%
Global general public vs Chinese business leaders

The primary purpose of business is to make **money and maximize value** for shareholders, investors, and owners:

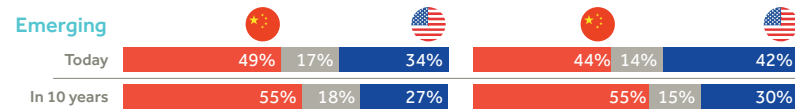


27% vs 49%
Global general public vs Chinese business leaders

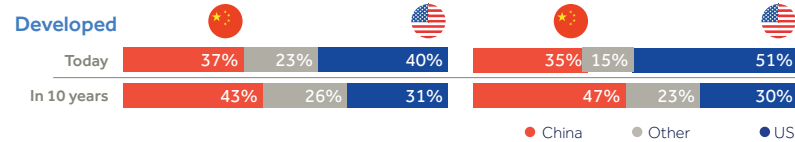
7 The defining decade of "The Chinese Century"

Over the course of the 2020's, China is expected to **surpass the United States** in terms of **economic and technological power**:

The leading **technology** power

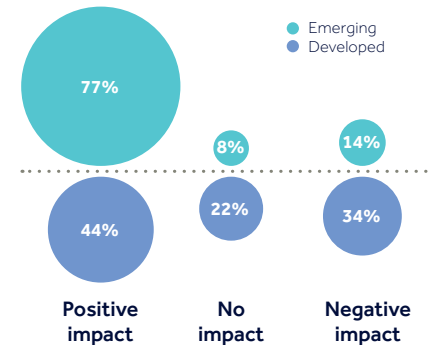


The leading **economic** power



Mixed global outlook on the impact of further globalization of Chinese companies

Expected impact of Chinese companies outside of China in 10 years:

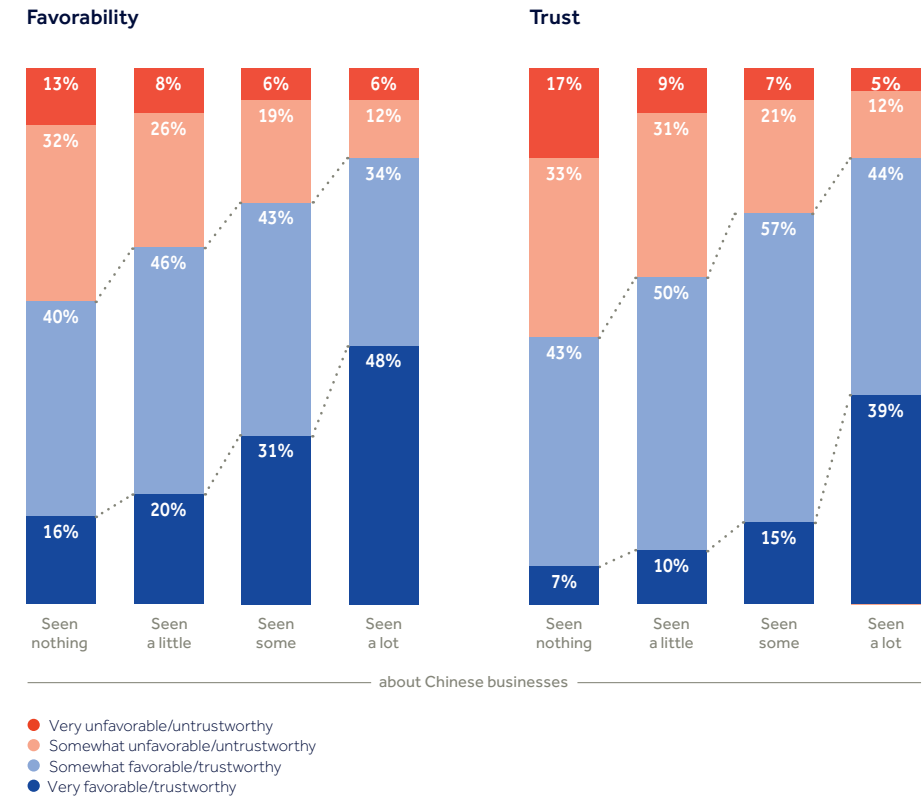


The rising profile of Chinese businesses globally will attract sustained attention from international audiences. **These companies will need to be able to clearly explain their corporate story to the world.**

62% expect Chinese companies to lead most or many industries in 10 years

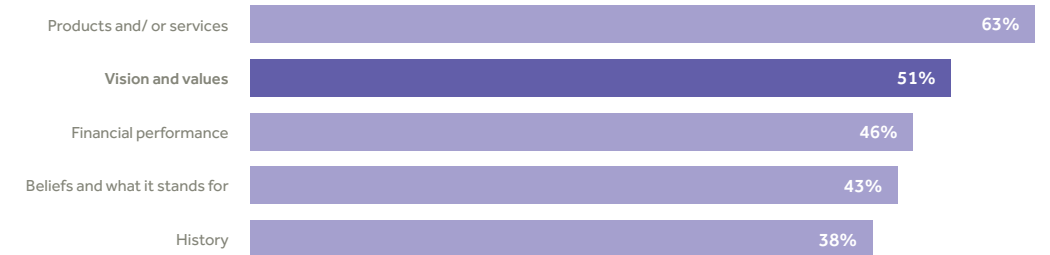
8 Meeting the new stakeholders – demonstrate transparency & build trust

More information leads to stronger favorability and trust. Misperceptions resulting from an information deficit affects how Chinese companies are viewed globally:



Communicating company vision and values is second only to explaining products and services:

Most Desired Information about Chinese Companies:



Most trusted source of information about Chinese companies:

53% of global public say **media reports** are the most trusted sources of information about Chinese companies

Recommended actions to be taken by Chinese companies:

1 Be cognizant of local markets

- **Understand the market status quo**
Identify and understand the issues that impact your business in the local market. Anticipate concerns and develop a mitigation plan. Research can help to prioritize the issues by understanding perceptions and concerns that need to be addressed.
- **Identify your target audience**
Understand key stakeholders and influencers and their perceptions of your business. Mapping their goals and concerns can help prevent an issue from becoming politicized and problematic.
- **Improve deficiencies**
Chinese firms are perceived to perform poorly on environmental, social, and governance (ESG behaviors). Demonstrating your company's leadership and garnering trust in these areas will enhance your reputation. Companies need to ensure they have strong operations in these areas, and then communicate about how their business is meeting and exceeding stakeholder expectations.

2 Communicate and engage

- **Tell your own corporate stories**
Craft a clear story which demonstrates your value and track record, highlighting the benefits you bring to the local economy, employees, and society. Monitor sentiment carefully to strike the right tone and level of visibility.
- **Develop a communications plan**
Develop an engagement plan detailing when and how to engage with your stakeholders. Staying quiet will not keep you out of the news, while transparency will build trust. Scenario planning and crisis preparedness help if your business encounters difficulty.
- **Design communications materials**
Create compelling communications materials and websites, designed to appeal to local and global audiences. Collateral about business operations should be translated into the local language and be of the same quality as leading global businesses.
- **Build & sustain engagement with the right stakeholders**
Build support for your business objectives in the local market by regularly engaging, via in-person meetings, with relevant stakeholders: government, regulators, media, etc., who can influence perceptions and reputation of the company and shape the discussion.

3 Educate and train

- **Prepare and train**
Prepare your company spokespeople to understand nuances of the local media, political and business landscape, and ready yourself for successful engagement with key stakeholders.
- **Educate political decision makers**
Ensure politicians have the proper understanding of your business and critical issues. Any delay to engage will increase the risk that the communications vacuum is filled by other, more critical voices.

4 Evaluate and evolve

- **Evaluate**
Conduct regular perception audits to assess stakeholders' opinion of your company and evaluate the impact of communications. Findings should be used to establish future communications objectives.



Detailed Findings

1. A 'Tale of Two Worlds' View of Chinese Companies

For companies expanding internationally, trust is an essential, yet fragile, resource. It requires focused and considered engagement to ensure stakeholders in host markets understand the role that companies play in their communities. In a post-COVID-19 world, building trust will be more important for Chinese companies than ever.

Despite relatively high aggregate trust (68 percent of global audiences), Chinese companies are facing a widening trust gap between developed and emerging countries. While trust is high and growing in emerging countries, it is lower and eroding in developed countries.

In developed countries, trust in Chinese companies has decreased from 56 percent to 51 percent over the past year. In emerging countries, by contrast, trust in Chinese businesses has increased slightly from 77 percent to 80 percent over the past year.

When asked how much they trust Chinese companies operating in their country to do what is right, Pakistan leads emerging markets, with 45 percent completely trusting firms and 48 percent somewhat trusting them – while the UAE, Brazil, and multiple African and South East Asian countries report similar levels of total trust.

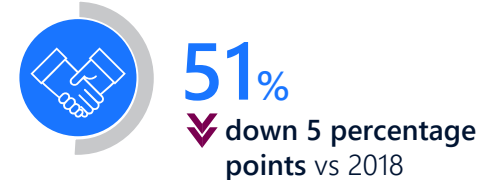
Trust in Chinese companies

FIGURE 1
(Global public)

EMERGING MARKETS



DEVELOPED MARKETS

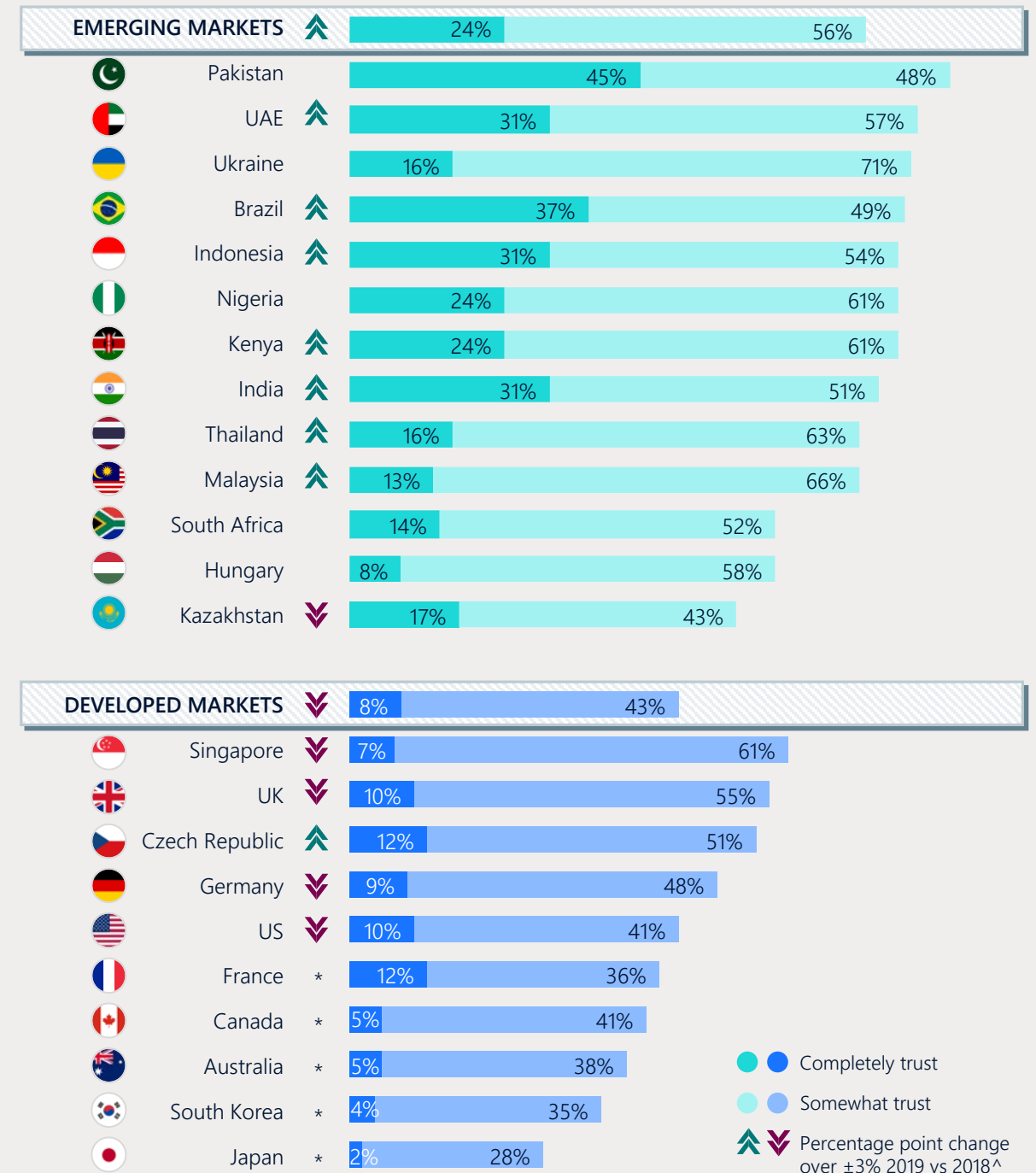


Among developed markets, Singapore shows the highest levels of trust, with 7 percent completely trusting Chinese companies and 61 percent somewhat trusting them. South Korea and Japan have the lowest trust levels, which may be connected to those populations' views of China as a geopolitical entity.

Chinese businesses face a widening trust gap between emerging and developed countries.

While trust in Chinese companies is strong and growing among emerging markets, it is lower and eroding among developed markets.

FIGURE 2
How much do you trust Chinese companies operating in your country to do what is right?
(Global public)



* Newly added country in this year's survey

^ Y-to-Y change is compared to global public from trackable countries included in the 2018 Survey

Looking in detail across the key trust drivers, audiences in emerging markets are more likely to evaluate Chinese firms positively, linking them to qualities of innovation, financial performance, high quality products or services, and strong leadership.

Developed market audiences also rate firms well by these standards, but to a lesser degree than in emerging markets.

Yet there is global agreement on environmental, social and governance (ESG) as improvement areas for Chinese companies. Audiences in both emerging and developed markets rate the performance of Chinese firms consistently lower on these metrics, especially when it comes to how they treat local employees and protect the environment.

Moreover, among developed markets, these ESG concerns surrounding Chinese companies have increased since the 2018 survey, along with uneasiness around their transparency, ethics and weak engagement with the local community.

In sharp contrast with this global public view, Chinese business leaders show high and growing confidence in the performance of their companies across these business areas. Chinese business leaders are eight percent more positive than in 2018's survey when it comes to self-evaluation of the performance of Chinese companies compared to most companies globally.

This suggests that business leaders continue to under-estimate some of their vulnerabilities in how Chinese companies are globally perceived, especially when it comes to how they treat local employees and protect the environment.

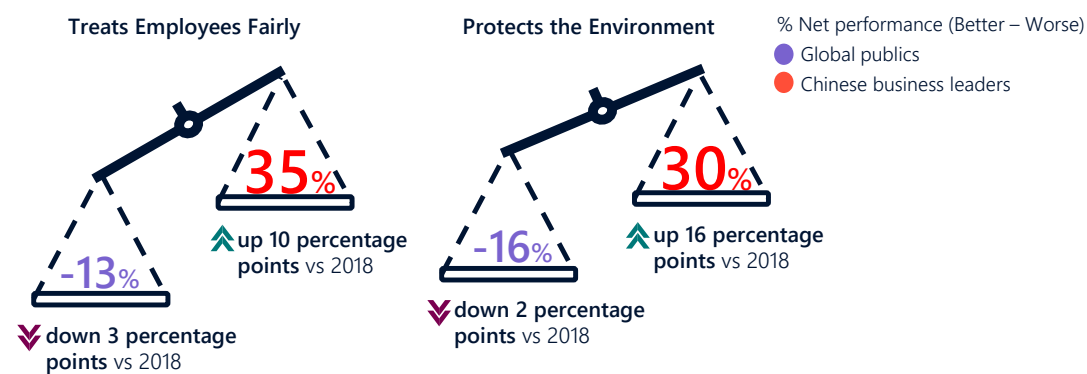
This growing gap between how Chinese firms are perceived abroad and how they see themselves can negatively impact the long-term prospects of their success overseas. It is important for Chinese companies to ensure they have strong ESG practices in their international operations. Then they should communicate about this to help local stakeholders understand how they are living up to their expectations.

To drive greater trust, it's essential for Chinese companies to address developed markets' increasing demand for sound environmental, ethical, societal and transparent practices.

The growing gap, between how Chinese firms are perceived abroad and how they see themselves, could negatively impact their long-term growth prospects overseas.

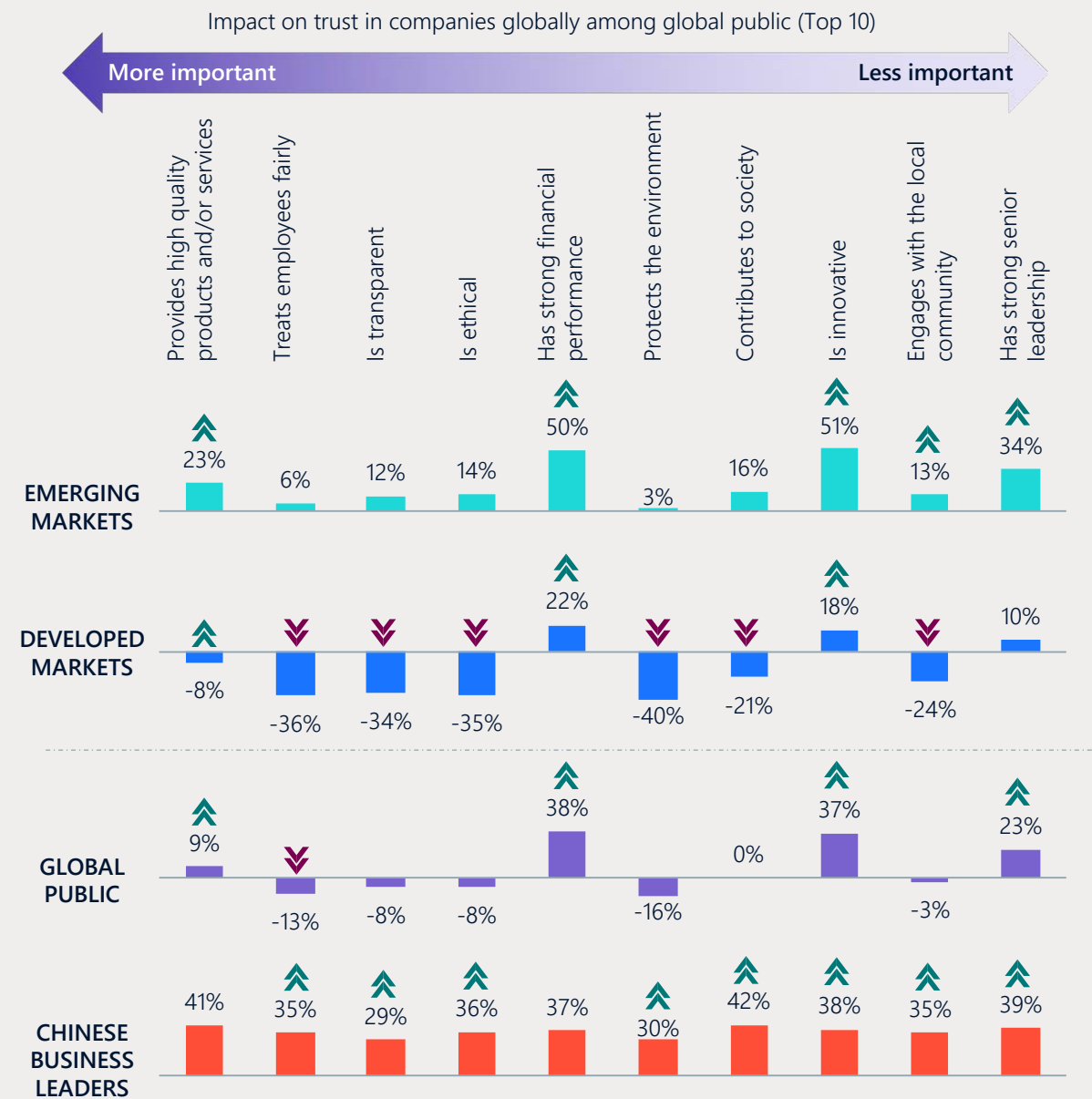
Perception of Chinese companies' performance

FIGURE 3
(Global public vs. Chinese business leaders)



Developed markets have high and growing environmental, ethical, societal and transparency concerns.

FIGURE 4
How much do each of the attributes below affect how much you trust companies globally?
Please assess how you believe Chinese companies perform compared to most companies globally in each of the areas below.
(Global public vs. Chinese business leaders)



^ Y-to-Y change is compared to Chinese business leaders and global public from trackable countries included in the 2018 survey.

% Net performance (Better - Worse)
▲ Percentage point change over ±3% 2019 vs 2018 ^

Chinese business leaders show growing confidence in their company performance, suggesting misalignment between their perceptions and local expectations.

China's Continued US Challenges

Chinese business leaders report that the United States is their top target for international expansion. Successfully entering and growing in this market has become more difficult for Chinese businesses as the US environment has become more unfavorable and the trade dispute escalated. Although a phase one trade deal was reached, the US-China relationship remains tense with substantive disagreements between the two sides remaining.

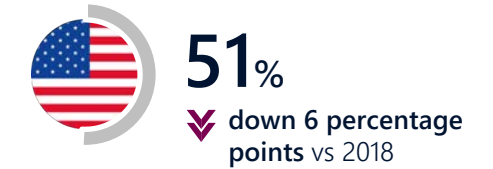
Given last year's ramp up of the trade dispute, it should come as no surprise that perceptions of Chinese businesses in the US have turned more negative, with trust in Chinese companies declining from 57 percent in 2018 to 51 percent in our most recent survey.

Across key business areas, American audiences evaluate the performance of Chinese companies with concern. Asked how well Chinese firms serve the interests of different stakeholder groups, 59 percent believe they serve their employees poorly, 56 percent respond local communities are served poorly, 57 percent for suppliers, and 51 percent for customers.

These low evaluations may in part be attributed to the media environment in the US, with a sharp increase in negative news concerning China over the past year. Forty three percent report seeing media reports on China (up from 35 percent last year); 26 percent have heard politicians talk about China (up from 17 percent, and expected to rise higher in this election year); and 25 percent have read social media on China, up from 20 percent

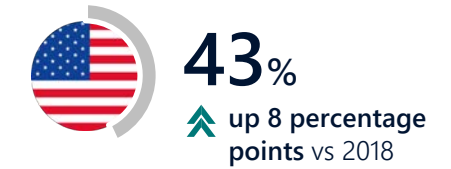
Trust in Chinese companies

FIGURE 5
(US public)



Exposure to media reports on China

FIGURE 6
(US public)



Despite seeing this information, American audiences do not say they know more about Chinese businesses. In a saturated media environment, Chinese firms can do better to communicate directly with the public to address their concerns.

Chinese firms need to do better at communicating directly with publics to address their concerns.

Viral Social Media: Understanding COVID-19's Impact on Sentiment Towards China

In an analysis of Twitter posts related to China, it is clear that COVID-19 is driving substantially higher levels of anti-China sentiment in online discussions.

Our analysis explored Twitter mentions of China over the past year (March 1, 2019 – March 29, 2020) and found that social media discussion around China is heavily shaped by major international events.

Before the COVID-19 outbreak, spikes in online discussion were driven by news about US-China trade tensions and the Hong Kong unrest issue. But COVID-19 is attracting substantially more attention than any of these other issues, with mentions of China during the peak of COVID-19 discussions four times higher than any other peak in online discussions about China over the past year.

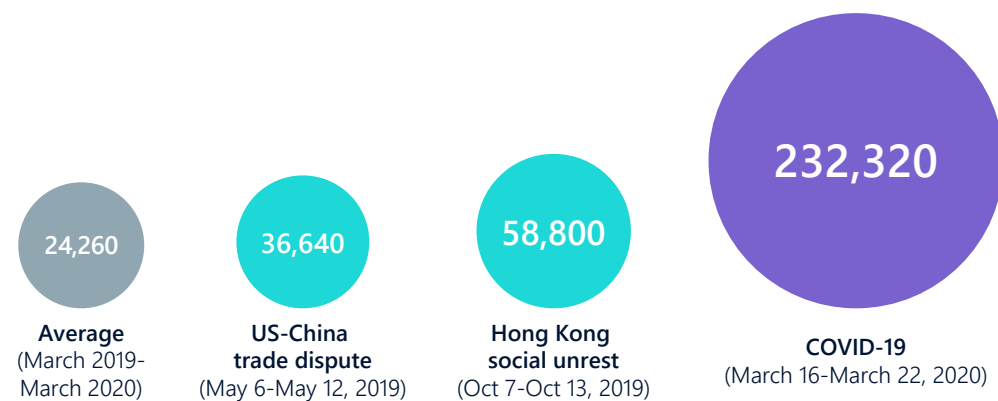
Looking further into these spikes in Twitter discussions, most of the attention China receives as a result of COVID-19 is negative.

Sixty-four percent of social media posts about China during the current peak of COVID-19 discussion were negative. This is twice as high as the peak in negativity seen during the trade dispute (32 percent) and higher than the proportion of negative comments made related to the Hong Kong unrest issue (42 percent). This suggests that COVID-19 is creating reputational damage to China, and Chinese companies by extension, among global populations.

COVID-19 thrusts China into the spotlight. It's important to understand the sentiment in these online conversations around China.

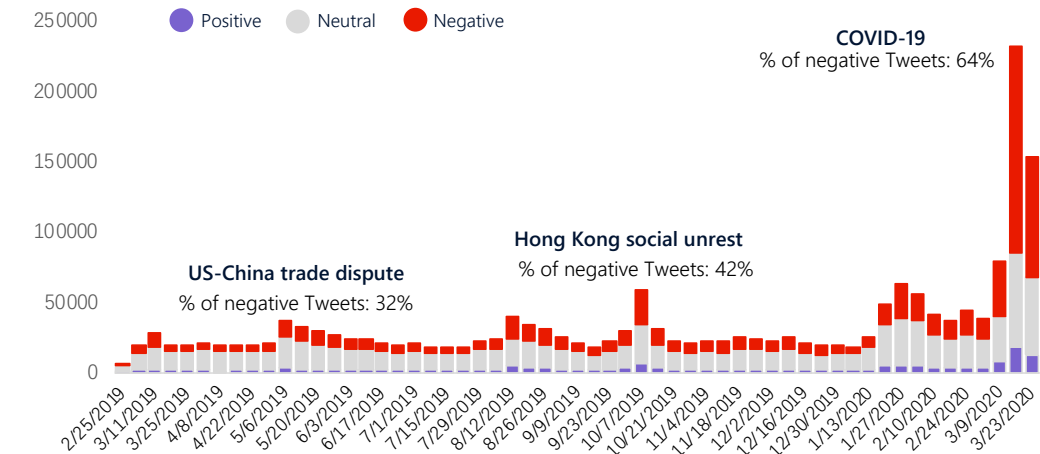
China has received a substantial uplift in attention during the COVID-19 outbreak.

FIGURE 7
Number of Twitter mentions on China



Most social media mentions regarding China since COVID-19 are negative, and negativity is twice as high as it was during the peak of discussions related to the US-China trade dispute.

FIGURE 8
Sentiment Breakdown of Tweets Related to China



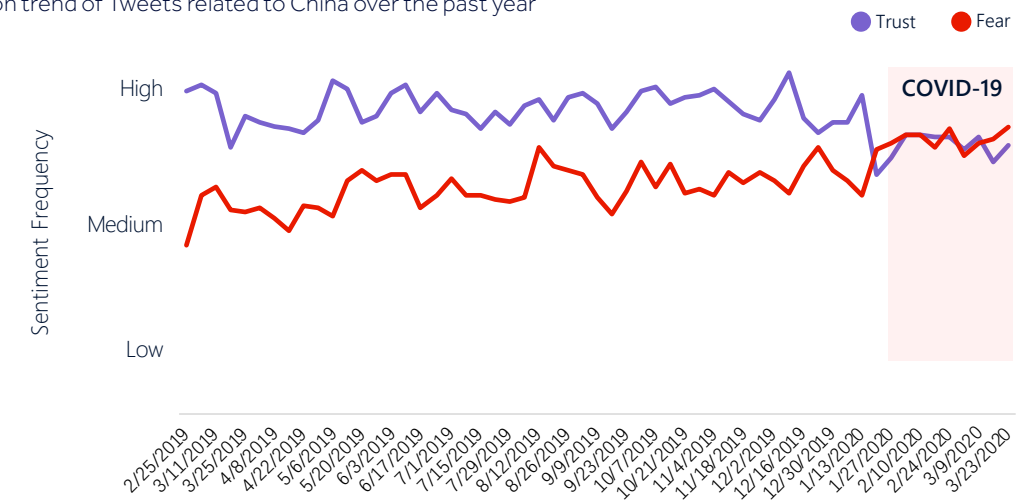
Digging deeper into the content of social media posts during the outbreak, we found that negative emotions, like fear, are on the rise, while positive emotions, like trust, are declining. Emotions are powerful drivers in how we make decisions, and this data signals that the road to recovery will not be an easy one for China's reputation in many countries.

COVID-19 is increasing the spotlight on China and is sparking new concerns. In an environment of increased negativity, engaging with stakeholders and communicating about your operations, vision, and values is more important than ever.

Increased negativity brought by COVID-19 on social media outside of China creates a tougher global environment for Chinese companies.

Rising negative emotion towards China, following COVID-19, centers on fear, while trust has declined.

FIGURE 9
Emotion trend of Tweets related to China over the past year



2. Unabated Appetite for Expansion

Global trade with China has exploded over the past two decades, particularly into emerging markets. One hundred and twenty-eight countries globally now do more trade with China than they do with the United States.

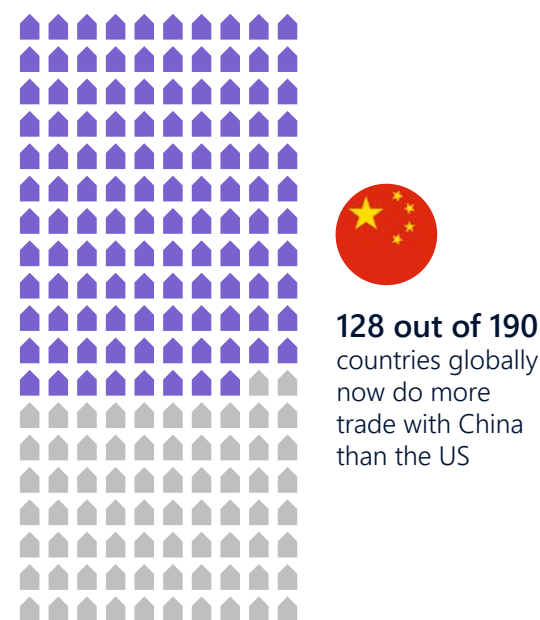
Despite trade frictions and other uncertainties, particularly surrounding the longer-term impact of COVID-19 global outbreak, Chinese business continues to look internationally this year, seeking to expand its interests abroad at pace, in large part to offset slowing domestic economic growth.

This continued ambition is borne out by our survey of Chinese business leaders, who demonstrate a deepening appetite for international expansion. Fifty four percent of Chinese business leaders rate sales outside of China as "extremely important for my business", up from 48 percent in 2018. Forty seven percent say the same of M&A outside of China (up from 42 percent), and 43 percent of greenfield investment out of China (up from 38 percent in 2018).

Chinese business leaders still rank the US as their top potential growth market. Thirty nine percent rank the US first among growth markets, up from 35 percent in 2018. East Asia has also risen in their ranking from 22 percent to 29 percent, with ASEAN countries, Australia and Central Asia remaining stable at 29 percent, 22 percent and 19 percent respectively.

China's global trade footprint

FIGURE 10



Source: IMF Direction of Trade Statistics

These widening horizons of opportunity offers scope for growth for Chinese firms, but they also face the hurdles of public opinion when it comes to the impact of their expansion overseas.

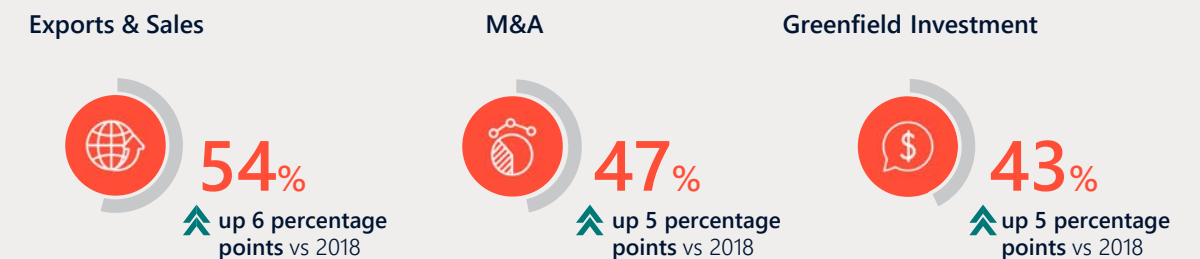
Chinese companies' growing international footprint exposes them to the scrutiny of public opinion on the impact of this expansion.

There is a deepening appetite for international expansion among Chinese business leaders who are targeting a mix of developed and emerging markets.

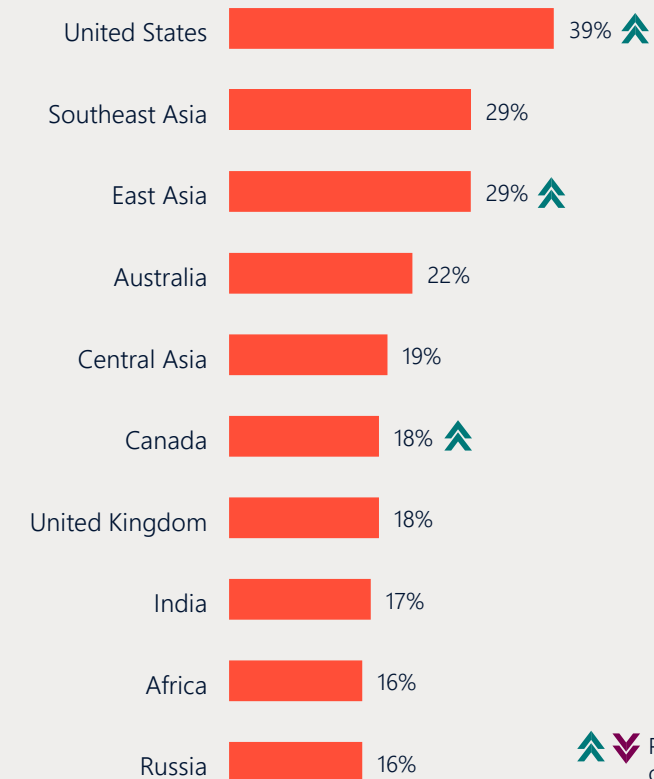
FIGURE 11

How important would you say each of the following are as opportunities for growth and expansion for your company? Thinking about overseas expansion, which of the following regions are the biggest growth opportunities for your company? (Chinese business leaders)

"Extremely Important Priority" for Growth Outside China



Priority Markets for International Expansion



Percentage point change over ±3% 2019 vs 2018^

^ Y-to-Y change is compared to Chinese business leaders in the 2018 Survey

3. Chinese Investment: Welcomed or Worrisome?

As investment opportunities diminish in China, owing to excess capacity and declining profitability, the commercial outflow of capital from China is likely to continue at a high level. The Belt and Road Initiative is a significant driver of this trend. China is outdoing the West as a source of funding for infrastructure projects in emerging markets.

Our survey shows mixed views from the global public about Chinese companies entering their economies, with global audiences showing both general positivity and specific concerns.

The general public, especially in emerging markets, has broadly positive perceptions of the economic benefits that Chinese business brings. The top perceived benefits related to China include investment from Chinese companies (34 percent believe this to have very positive impact), selling products to China (40 percent) and tourism from China (48 percent).

Chinese acquisitions are evaluated less favorably, with just 18 percent regarding this as positive. Emerging markets are more favorable than developed, with a range of 15 to 30 percentage point higher positivity, in terms of a Chinese company buying a company in their country.

Both emerging and developed nations are slightly more comfortable with China's outbound M&A than in 2018, but emerging markets show greater levels of comfort in Chinese acquisitions.

The technology sector is the most widely accepted outbound M&A sector among a global audience (averaging 70 percent), as it was in 2018. Yet there are marked divides over which sectors Chinese M&A activity is the most welcomed among developed and emerging markets.

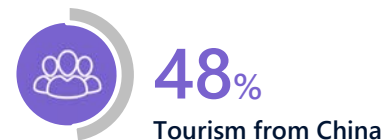
Developed markets are less receptive than emerging ones in general, yet still show solid support for Chinese business, with more than half of audiences comfortable with Chinese acquisitions in entertainment (55 percent), hotels and hospitality (54 percent), technology (53 percent), manufacturing (51 percent) and the automotive industry (51 percent).

This data shows that the world is not closed to Chinese investment. Rather that successful investment is conditional on a sound investment case, engagement with local stakeholders, and the approval of local governments.

China's perceived impact on foreign markets

FIGURE 12
(Global public)

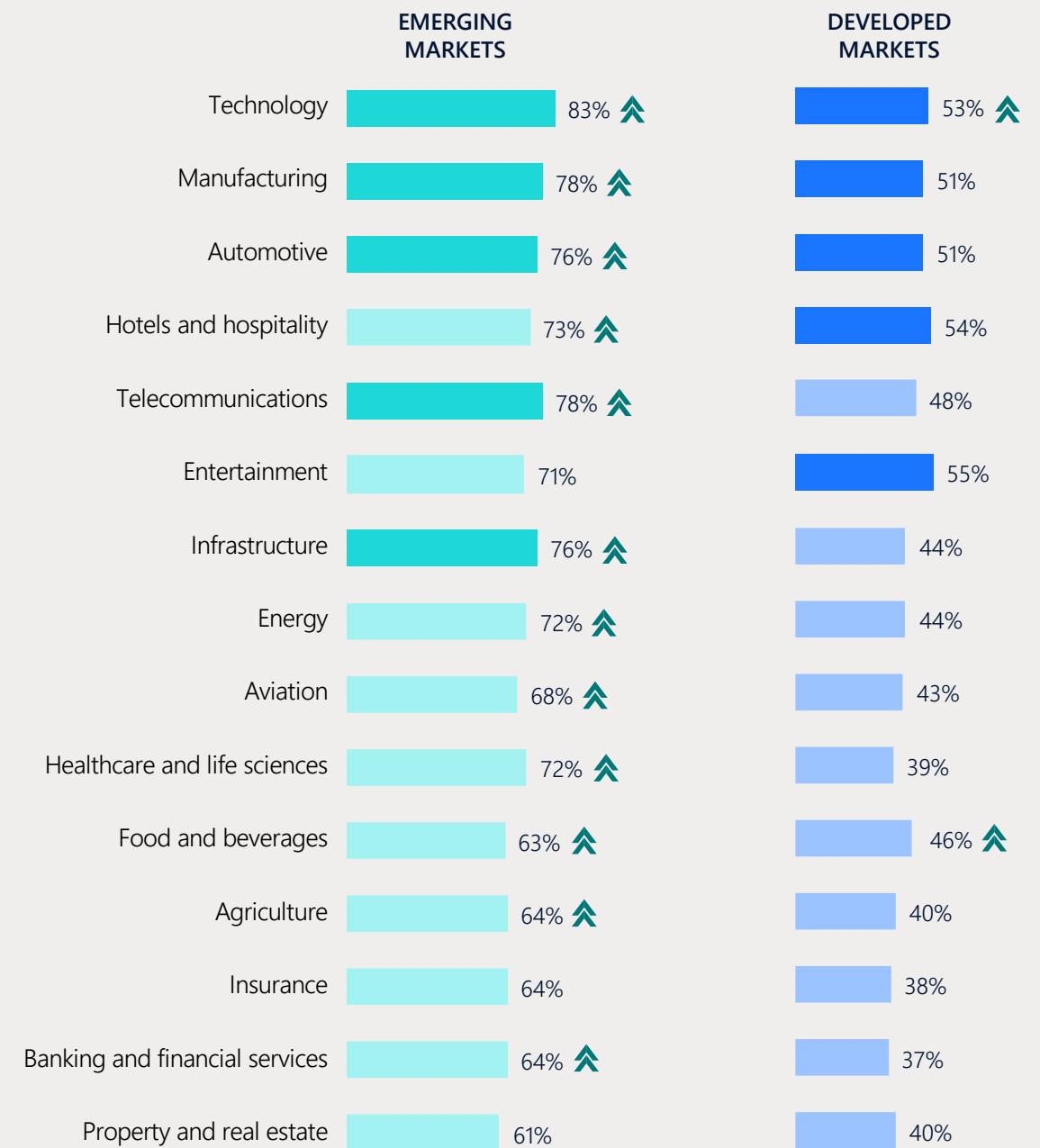
"Very positive" impact in my country



Emerging markets are more welcoming to Chinese M&A than developed markets.

FIGURE 13

Please indicate how comfortable you would be with a company headquartered in China buying a company from your country in the following industries. Would you be comfortable or uncomfortable? (% of "comfortable")
(Global public)



↑ ↓ Percentage point change over ±3% 2019 vs 2018^

^ Y-to-Y change is compared to global public from trackable countries included in the 2018 Survey

The divide between emerging and developed markets is most evident in how populations predict the impact of Chinese business in their country in ten years' time. Seventy-seven percent of respondents in emerging markets expect the impacts to be positive, whereas only 44 percent in developed nations say the same.

A further 14 percent in emerging nations and 34 percent in developed nations expect the impacts of Chinese business in their country to be negative, with concern most acute in Japan (47 percent), Canada (43 percent) and Australia (41 percent). This suggests, particularly in developed markets, Chinese companies may face resistance that they will need to overcome through transparency on their intentions in the host market.

When it comes to the expectations for increased Chinese business leadership globally, 73 percent

of populations in emerging nations agree that Chinese companies will be leaders in most or many global industries in ten years, while only 49 percent of developed populations agree. This is in line with views of China as a future technology and economic leader, where audiences in emerging are more likely to hold this view than those in developed markets.

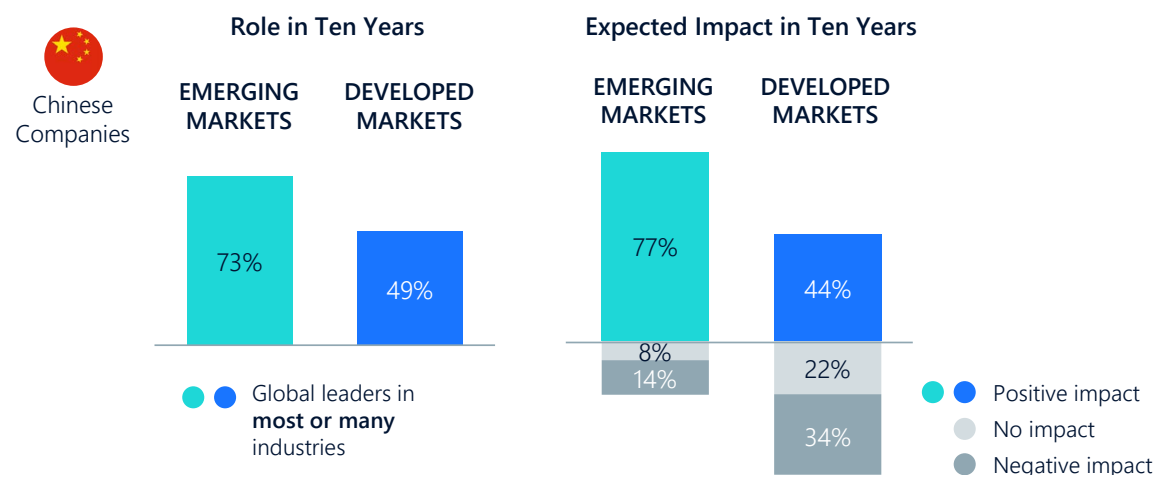
While emerging markets are more likely to believe there are benefits to reap from Chinese investment, they are just as likely as developed markets to be concerned by the amount of investment in their home country.

While most audiences say their government is allowing the right amount of Chinese investment, almost two-in-five, in both emerging and developed markets believe there is too much Chinese investment coming into their markets.

The anticipated future impact of China companies in emerging markets is positive, reflecting the economic benefits already seen. Developed markets' opinions are more divided.

While the future impact of China companies in emerging markets is expected to be positive, one-in-three in developed markets anticipate a negative effect.

FIGURE 14
Thinking ten years in the future, what overall impact will Chinese companies have on the lives of people in markets outside of China?
Thinking ten years in the future, what role do you expect Chinese businesses to play globally?
(Global public)



Nearly half of those surveyed across emerging nations (47 percent) and developed nations (49 percent) responded that their country is allowing the "right amount" of Chinese investment, whereas 37 percent and 41 percent respectively believe there is "too much" investment, with just 16 percent / 9 percent responding there is too little. The publics most concerned about too much Chinese investments are in Kenya (64 percent), Australia (63 percent), South Africa (50 percent), Canada (47 percent) and the US (47 percent).

Government is allowing "too much" Chinese investment in their country

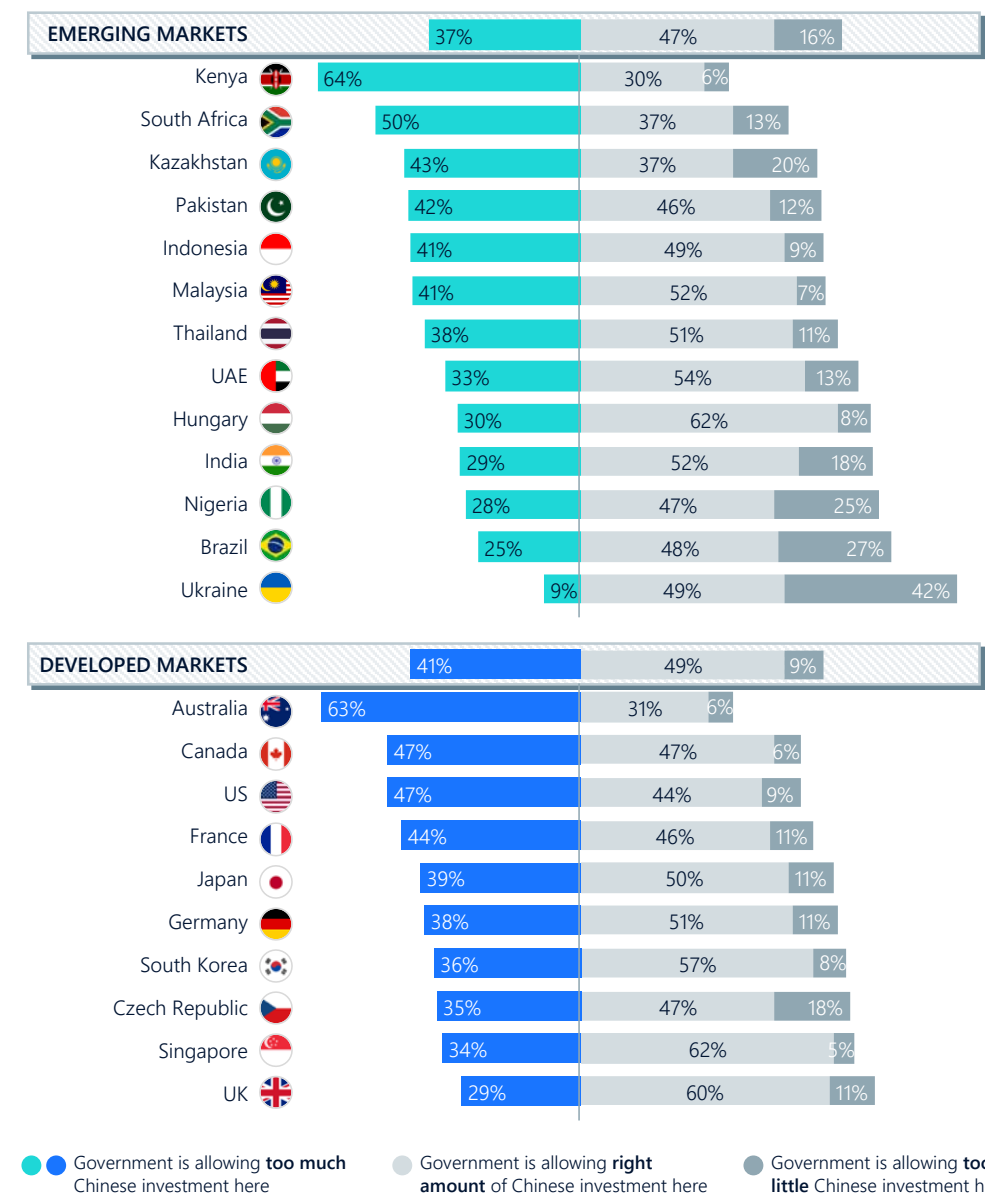
FIGURE 15
(Global public)



These findings reinforce the need for early engagement by Chinese companies across the full spectrum of stakeholders in order to demonstrate why this investment is also in the national interest of the host country.

In both emerging and developed markets, around two-in-five believe there is too much Chinese investment coming into their markets.

FIGURE 16
Which of the following best describes how you feel about Chinese investment in your country?
(Global public)



4. Unlocking Opportunities with Trust

In our survey, we wanted to understand if there was a divide in perceptions toward Chinese companies, and China more broadly, when we compared the views of the general public with a more educated, informed and civically active sub-population of opinion elites.

Our hypothesis was that elite opinion would be more negative toward Chinese companies as a result of negative news stories appearing in international media over the past year. We expected this to especially be the case in the US, Europe and other developed markets.

We found that opinion elites are getting more information about Chinese business than the rest of the population. Thirty-five percent of opinion elites responded they could speak about Chinese companies in great detail, while only 15 percent of the general public said they know a lot about Chinese businesses.

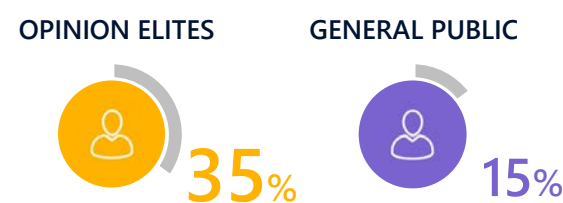
This is true in both emerging and developed markets, with 53 percent and 19 percent of opinion elites respectively saying they know Chinese companies well – more than twice the level of familiarity among the general public (21 percent & 7 percent respectively).

Yet when we looked at their perceptions of Chinese companies, what we learned belied our expectation that greater familiarity would lead to suspicion, as the media narrative suggests.

In general, the perceptions of opinion elites toward Chinese companies do not differ significantly from those of the rest of the population. This includes elites in the US. And in some countries, especially

Know "a lot" about Chinese companies

FIGURE 17
(Global public)



when evaluating the performance of Chinese companies across different business attributes, Chinese firms are evaluated more favorably by opinion elites.

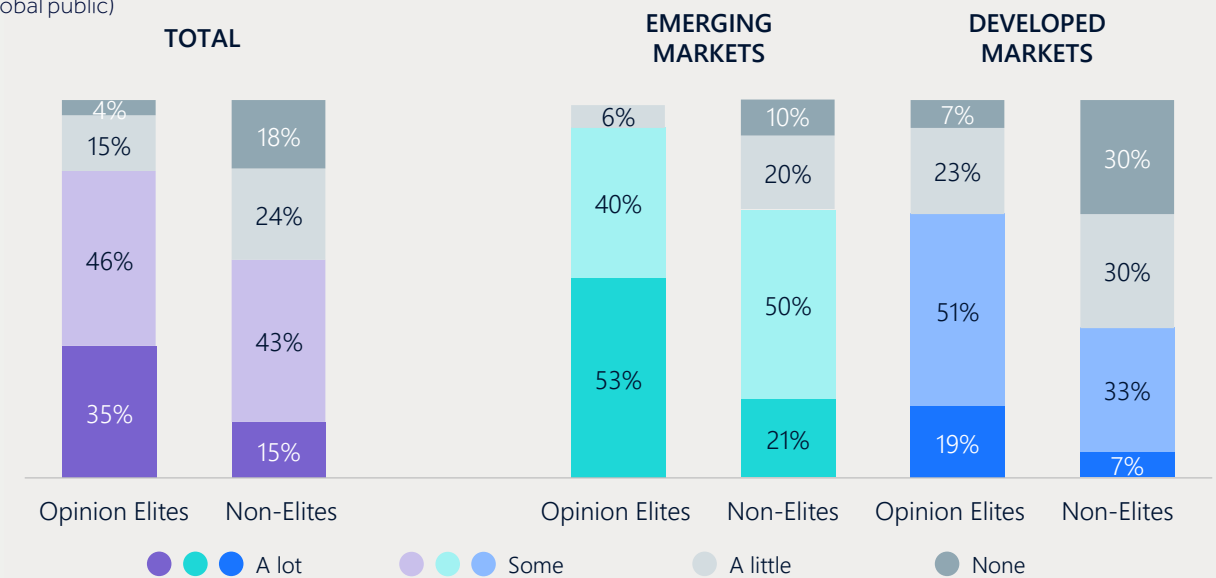
If higher social status is not a significant driver of opinion towards Chinese businesses, then what is?

Our research finds a strong correlation between the amount of information one receives about Chinese companies and their attitudes toward those businesses. Those with more understanding are more positive (with 48 percent of them being "very favourable" towards them and 34 percent are somewhat favorable). In contrast, those with little to no understanding are more negative (with only 16 percent having "very favorable" attitudes, and 45 percent unfavorable attitudes). This suggests that distrust stems more from a lack of understanding than anything else.

In order to build trust, Chinese companies need to tell their story to build awareness and understanding of their businesses. In turn this story needs to be localized, guided by informed understanding and appreciation of the factors that drive trust and the variations that exist across different markets.

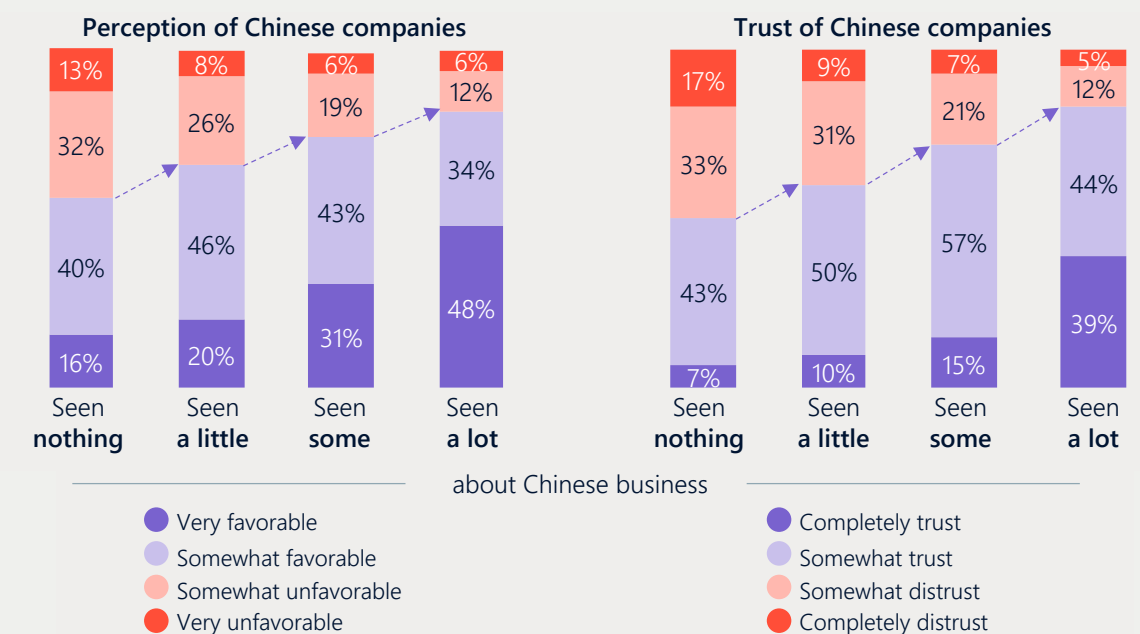
Opinion elites seek out more information about Chinese business compared to the general public.

FIGURE 18
How much have you seen, read, or heard about Chinese businesses in the past 12 months?
(Global public)



Knowledge leads to greater trust of Chinese companies.

FIGURE 19
How would you describe your perception of companies headquartered in China (Chinese Mainland)?
How much do you trust Chinese companies operating in your country to do what is right?
(Global public)



Rising profile of Chinese businesses globally will attract sustained attention from international audiences. To build trust, these companies will need to be able to clearly explain who they are to the world.

Communicating with Global Markets About COVID-19

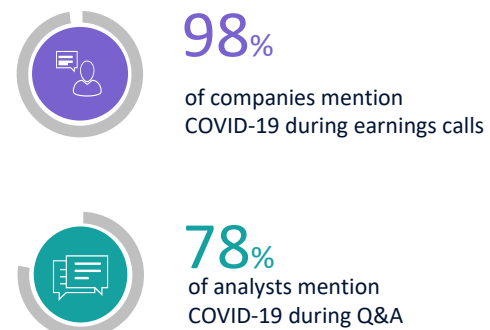
As the COVID-19 pandemic continues to disrupt business operations across the world, the global investment community are preparing for the impact that this outbreak will have on the financial results of businesses.

To help Chinese companies better prepare for earnings calls and manage market expectations, Brunswick analyzed earnings call materials* of Chinese companies publicly listed on international stock exchanges between January 1 through March 31, 2020.

COVID-19 is having a noticeable impact on how Chinese companies communicate with investors. Of the Chinese companies that have reported results, almost all (98 percent) mentioned the pandemic during their earnings calls, with an average of 24 COVID-19 mentions per call. As COVID-19 continues to spread across the world, companies will increasingly need to address its impact when speaking with investors.

COVID-19 mentions during publicly listed Chinese companies' earnings calls

FIGURE 20
(Publicly listed Chinese companies)



* Data sourced from Sentieo.

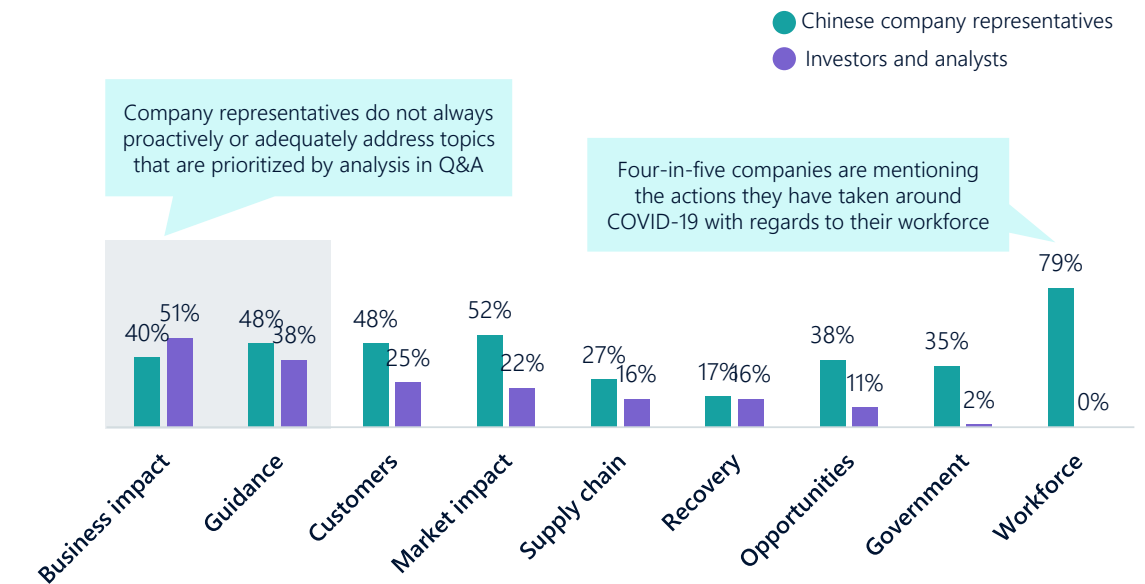
It is now more important than ever for publicly listed Chinese companies to understand what the global investment community wants to hear.

Based on the volume of questions about COVID-19 from analysts, our analysis also made it clear that investors and analysts are hungry for details over and above those currently being proactively shared, with 78 percent of Chinese companies, publicly listed on international stock exchanges, handling questions around COVID-19. Analysts are most interested in the business impact of the outbreak, highlighting the need for companies to communicate as openly as possible about the expected impact on operations and financials. Thirty-eight percent of Chinese companies have faced COVID-19 related questions on guidance, indicating that investors want further color and extensive detail on this topic. As market uncertainty mounts, investors will continue to probe for clarity around business impact and financial outlook, and companies must provide them with an honest view.

Business leaders must be prepared to face difficult questions on their short- and long-term guidance assumptions.

Chinese companies must be prepared to talk about the impact of COVID-19 in a variety of different contexts, particularly around business impact and guidance.

FIGURE 21
Mentions of COVID-19 in earnings calls: By topic + By context
(Publicly listed Chinese companies)



We also wanted to understand the international investment community's confidence in the China market. By analyzing the earnings call of companies listed on US stock exchanges between 1 January through 31 March 2020, we found that, while companies generally acknowledge the near-term challenges associated with COVID-19, only 16 percent of US-listed companies overtly mention their confidence in the long-term strategic potential of the China market. Chinese companies must continue to build investor confidence by discussing growth strategies to deliver solid results post- COVID-19, opportunities emerging from the situation, and reinforce the long-term potential of the China market.

Currently, US-listed companies are not expressing their confidence in the long-term opportunities in China. It's essential then for Chinese companies to build investor confidence.

Confidence in China's growth potential

FIGURE 22
(Companies listed on US stock exchanges)



How well a company responds to COVID-19 and how openly they communicate business impact and growth strategies to investors and broader stakeholder groups will be regarded as a test of management. Earnings calls should be leveraged to showcase leadership and governance capabilities, and ultimately build trust with global investors.

5. Overseas Expansion is More Difficult than it Seems

Due to concerns over the level and nature of Chinese investment into international markets, some, mainly developed countries, have tightened their protocols for the review and approval of foreign investment. Chinese investment faces more scrutiny today than it did in past years.

However, as was the case in the 2018 survey, most Chinese business leaders believe foreign markets are open to Chinese investment. This view is widespread when it comes to both emerging and developed markets, and fails to fully appreciate many of the challenges they face, especially in developed countries

This over-optimism of Chinese business is most evident when it comes to their interests in the US. Seventy percent of Chinese business leaders believe the US is open to Chinese investment, and 30 percent say it is completely open to any type of investment. This does not align with US perceptions and how the CFIUS review process has been strengthened in recent years, which present greater scrutiny of Chinese investment.

Yet this is a global misperception among Chinese business leaders, rather than just being limited to expansion into the US. Eighty percent of Chinese business leaders believe it is becoming easier to invest in international markets, with only 12 percent saying it is becoming more difficult. The majority (55

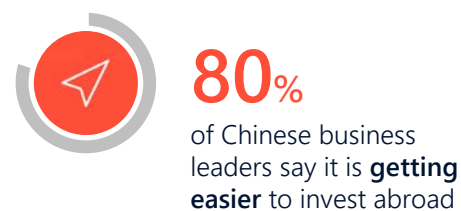
percent) think Chinese companies are treated equally to local companies in most international markets, with only 26 percent saying they are treated unfairly.

When asked to evaluate the factors which affect how open a market is to Chinese investment, Chinese business leaders put most weight on diplomatic relations between China and the country in question, with 33 percent ranking this highest (up from 29 percent in 2018) and 31 percent placing the country's economic outlook at the top of the list.

Other factors that Chinese business leaders identify as being important, when it comes to the openness with which Chinese investment is received overseas, are a host country's perceptions of China (24 percent), and the political rhetoric of that nation toward China (22 percent). Tellingly, the perceived importance of trade agreements has fallen from 27 percent to 22 percent, possibly due to fatigue when it comes to the US-China trade disputes, ongoing at the time of our survey.

Ease of investing in international markets

FIGURE 23
(Chinese business leaders)



There is a high level of optimism around foreign investment among Chinese businesses. This misconception suggests misalignment between investment priorities and the realities in global markets.

These views of Chinese business leaders may not fully appreciate the obstacles they face abroad. One crucial oversight is the process for reviewing and approving foreign investment by host governments, with only 20 percent of business leaders attaching importance to it – one of the lowest ranking among the factors they identify, and down from 24 percent in 2018.

Yet the misidentification of factors resulting in the difficulties they face – such as the low importance attached to the foreign investment review processes – suggests a need for more education about, and preparation for, the business environments they are engaging in, and a greater need to communicate their mission and core values.

Greatest impact on openness to Chinese investment

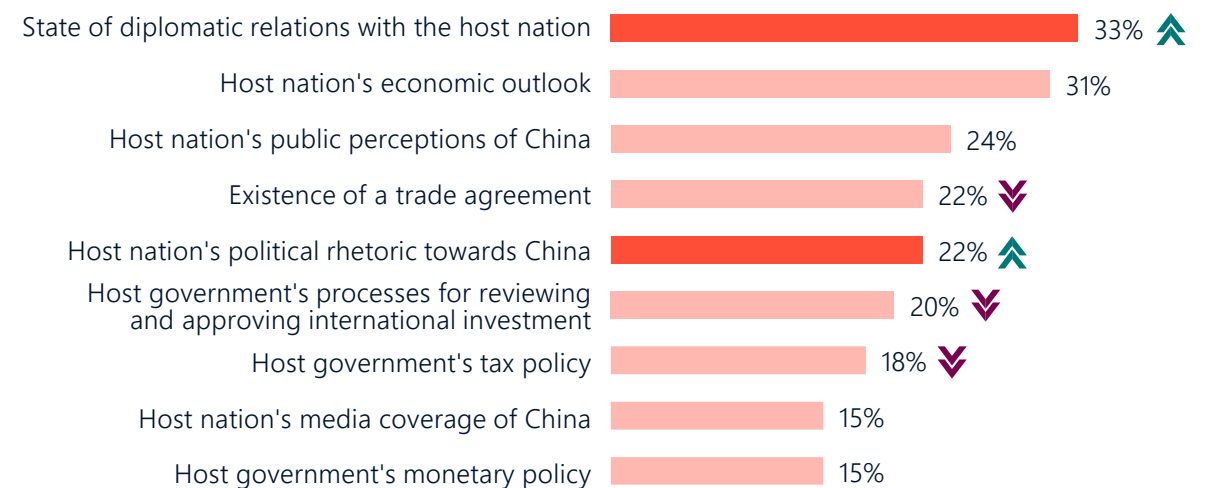
FIGURE 24
(Chinese business leaders)



Open dialogue with foreign policy elites, and a better understanding of the foreign policies of host nations, is critical to Chinese companies' success.

Chinese businesses may not fully appreciate the challenges of global expansion. Diplomatic relations with and political rhetoric towards China play a greater role.

FIGURE 25
Which of these have the greatest impact on openness to Chinese investment?
(Chinese business leaders)



▲ ▼ Percentage point change over ±3% 2019 vs 2018[^]

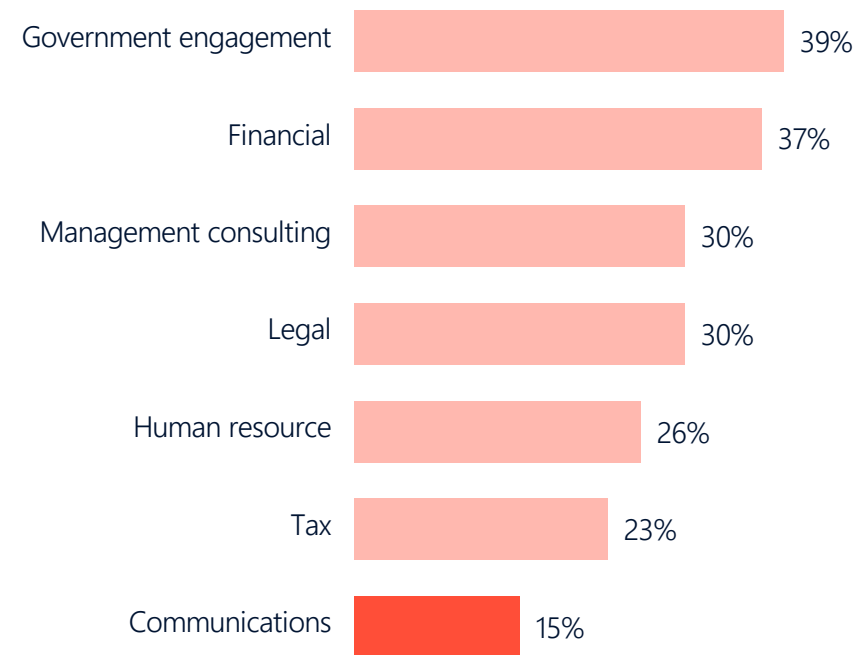
[^] Y-to-Y change is compared to Chinese business leaders in the 2018 Survey

Despite growing recognition of the power of perception in international markets, business leaders in China rank communications advisors as least important among seven branches of consultancy when expanding into new markets. Instead, advisory services related to government engagement is ranked highest (39 percent), followed by financial advisory services (37 percent), with only 15 percent attaching importance to communications.

Given the link between greater knowledge and increased positivity when it comes to views of Chinese companies abroad, this is a missed communications opportunity to ensure China's global expansion meets with a welcome reception overseas.

Chinese businesses underestimate the importance of communications advisory when investing into new markets.

FIGURE 26
What professional advisory services would you say you need for successful growth and expansion outside of China?
(Chinese business leaders)



6. Developed Markets are Wary of Chinese Government Ties

A major consideration for Chinese companies is the perceived alignment between their business and the Chinese government agenda abroad. The impacts of this perception differ according to the market in question. In emerging markets, close alignment with government does not erode their trust towards these companies. Yet in developed markets it is seen as a negative influence, and is a perception challenge that needs to be overcome.

Unsurprisingly, state-owned enterprises (SOEs) are seen to have the highest alignment between business and state, especially in developed nations, where many also believe there is alignment between government and business goals for public and private Chinese companies. This presents an obstacle for these companies to gain public trust in these developed markets.

Yet populations of emerging nations are less likely to believe Chinese companies are acting to support government goals. Whereas 64 percent in developed countries believe this of SOEs (an increase of 5 percent from last year), 47 percent share the opinion in emerging nations – a decline of 5 percent from 2018.

This trend is also borne out when it comes to private and public Chinese companies. Fifty-two percent in developed nations believe public

companies act in state interests, while the same is true for only 34 percent in emerging nations. Private companies are viewed as the most independent, with 53 percent in developed and 71 percent in emerging markets saying they act independently of government goals.

These views also impact trust in Chinese companies. Global publics who perceive government alignment with a Chinese company report lower trust levels. Yet this lower trust is more pronounced in developed markets than it is in emerging nations.

This trend is especially true of SOEs, which suffer from declining trust in developed nations, with only 37 percent trusting them compared to 43 percent in 2018, although 69 percent trust them in emerging nations.

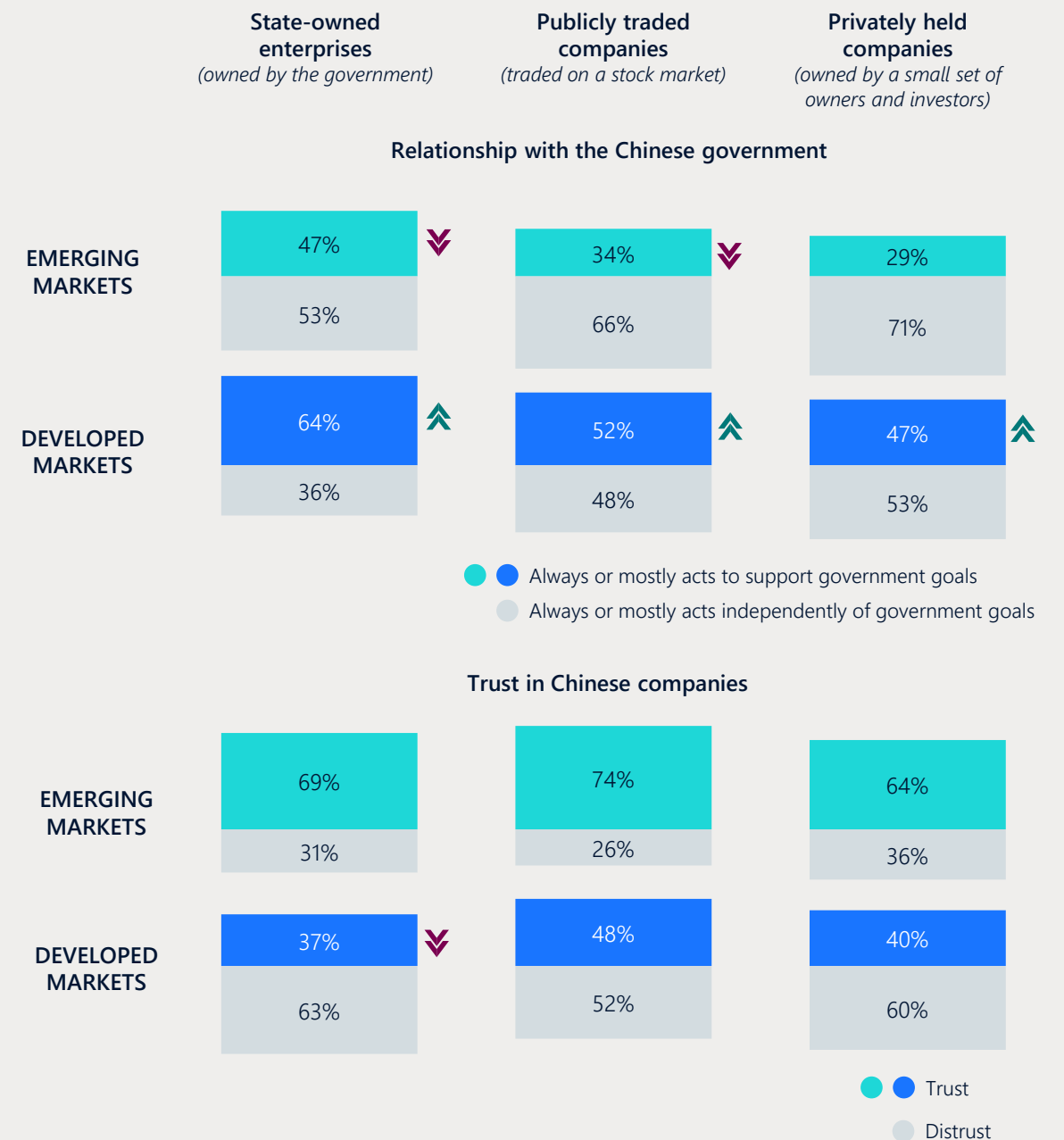
Private companies are trusted more, with 40 percent expressing trust in developed markets and 64 percent in emerging markets. Public companies are trusted the most, by 48 percent of developed audiences and 74 percent of emerging audiences.

It is essential for Chinese companies to understand this perception exists and how it is likely to influence opinion of their business activities.

The stronger the perceived alignment with the Chinese government, the lower the trust level for Chinese companies within developed markets.

Perceived alignment of Chinese companies with its government harms trust in developed markets.

FIGURE 27
Which of these best describes how you think of the relationship between each of these types of Chinese companies and the Chinese government?
How much do you trust the following types of Chinese companies?
(Global public)

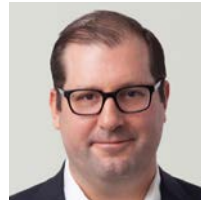


▲ ▼ Percentage point change over ±3% 2019 vs 2018[^]

[^] Y-to-Y change is compared to global public from trackable countries included in the 2018 Survey

Brunswick Perspectives on International Expansion

Bumpy Road Ahead for Chinese Companies Pursuing Expansion in the US



Bob Christie
Partner, Head of Shanghai

Develops business critical strategies for some of the most respected brands in media and technology, including dealing with their US-China issues and international exposure.

The US market remains fraught for China-based companies pursuing their global aspirations. Economic and political tensions caused by the COVID-19 pandemic has further polarized the China-US relationship, which remain fractured over trade tensions.

The facts can't be disputed: consumer angst over lost jobs to China is real. Anti-China protectionist organizations, trade groups, regulators, policymakers and the media are demanding that the US re-shore overseas supply chains to preserve national security. In addition, they believe China-based companies act as Chinese government agents aiming to steal opportunities from American workers, create technologies that violate personal privacy, engage in corporate espionage that undermines the competitiveness of the US economy, flagrantly disregards IPR laws and dismisses the health and well-being of the American consumer.

Despite this bleak analysis, our research is clear that the market isn't impenetrable.

With the right intelligence coupled with experienced counsel and evidence-based strategies, China-based companies can achieve success if properly guided through these complex political and economic issues.

Opportunities and Pitfalls Lie Ahead



Yan Mei
Senior Partner, Chair of China, Beijing

Oversees Brunswick's China business counselling major corporations on public affairs, government engagement mergers and acquisitions, and corporate reputation management as well as crisis and issues management.

Chinese companies looking to internationalize their businesses right now are in a tight spot.

On the horizon are plenty of opportunities but equally as many landmines to navigate: ever-shifting geopolitics and the uncertainty of rollercoaster-like US-China bilateral relations, deeply intertwined and reliant supply chains and skepticism on technology and data. With the outbreak in China just barely in the rearview mirror, China is being backed into a corner by the prejudices that come with increasing nationalism around the world.

Although, in theory, the virus proves how globalized our society truly is, the line in the sand between China supporters and detractors has only gotten deeper and graver.

To succeed on the global stage, Chinese businesses must be staunch defenders of their reputation from day one, show willingness to differentiate themselves from the pack, and aim to earn and build long-term trust.

Thinking Beyond a Financial Strategy



Cynthia Meng
Partner, Hong Kong

An experienced analyst and corporate advisor in the areas of capital markets advice and investor engagement. Cynthia supports clients in navigating key stakeholder issues.

Investors recognize that the impact of COVID-19 on the economy and the markets show that non-financial factors, particularly **social and environmental issues, are critical risk factors they need to manage beyond financial risks.**

More than ever, Chinese companies either operate or are supplying to customers in multiple countries globally. They are evaluated and benchmarked against global peers. Even as Chinese corporates start to recover from COVID-19 related lockdown and get back to work, **management should take leadership to demonstrate that they are adapting to changes and trends** in the society, community, and their respective markets with appropriate actions quickly and decisively in dealing with the current situation.

In addition to addressing financial questions, **CFOs and investor relations teams should proactively communicate and engage** with investors on their strategies and actions in handling demand and supply chain challenges, staying close to customers and partners, be forward looking with crisis and risk preparedness, business continuity planning, and manage human capital with appropriate employee messaging, measures and benefits in motivating the work force.

Challenges Can be Overcome with Proactive Engagement



St. John Moore
Partner, Head of Beijing

Extensive experience over more than 20-years in Beijing counselling Chinese and foreign companies on matters related to public affairs, issue and crisis management, cross-border mergers and acquisitions, and long-term corporate reputation management. St. John works with Chinese companies building their global businesses.

Over the past four years we have tracked the changing sentiment towards Chinese inbound investment in key markets around the globe. The picture is complex and changing.

Markets are not closed but there is a growing chasm between developed and emerging markets and among communities in each market. Even in markets demonstrating greater levels of openness to investment there are concerns and obstacles that must be embraced to achieve long-term success. It requires proactive early engagement ahead of investments and continued engagement once in the local market.

The latest chapter in the COVID-19 story has added new complexities—and these are unlikely to reduce anytime soon. Some audiences are pushing for elevated levels of scrutiny over Chinese investment. Some are calling for supply chains to be diversified. Others questioning the foundation of globalization.

To succeed in this climate, it is critical companies and business leaders understand these perceptions and the root cause. Not all can be solved but many can be mitigated by proactively talking with critical audiences in the local community—from politicians to local consumers.

This proactivity will build trust. As we see each year in our global survey, **trust is a vital commodity that is earned over time by consistent authentic action.** This must be done at the local level. But even better, building authenticity must ultimately start at the center of the company—at headquarters. This includes, for example, making developing environmental, social and governance policies that become part of the corporate DNA and values.

Emerging Markets Place their Bets on China



Tim Payne
Senior Partner, Head of Asia, Hong Kong

With Brunswick for more than 25 years, Tim is integral to helping clients navigate risks, build and protect their reputations, and cultivate resilience.

There is a clear and growing divide between the positive perception of China in emerging countries and the negative take from much of the West. **COVID-19 is sadly likely to put China's relationship with the West under greater pressure**, with political blame seeking getting in the way of necessary collaboration.

However, for **emerging markets the long-term realignment to China is deep and sustained**. Eighty-four percent are positive on China compared with only 58 percent in the developed world. Emerging economies are strongly supportive of China's diplomatic engagement, its trade policy, even its position on national security and human rights. They see it already as the technological leader in the world and they value its economic contribution to their countries.

One may have scepticism about how China has built this increasing position of trust with emerging economies; you may even think it has been bought. But even if you are someone who believes that some level of decoupling is important for the world, the evidence is cautionary, showing that these **rising countries have nailed their colors to a new flagpoll and it will be hard to pull them back**.

Emerging Markets will Continue to Embrace China



George Yeo
Senior Advisor, Singapore

Former senior Singapore Cabinet Minister, current Senior Advisor to the Kuok Group and Board member of AIA Group and Pinduoduo. A member of Brunswick's Geopolitical offer.

China's economy is recovering rapidly despite tight border controls to prevent a return of the pandemic. Being the world's most vertically-integrated economy helps. Before the pandemic, China's exposure to the world had been reducing while the world's exposure to China had been increasing. But, still, China needs the world for resources, markets and knowledge.

As it will be many months before the pandemic is fully behind us, we can expect China to reopen its borders in a careful way. **With the US and European economies under partial lock-down, many emerging countries are looking to the Chinese market for immediate relief**. Bilateral agreements ensuring adequate health safeguards will be negotiated in the coming months to open up trade and human movement. China will give priority to strategic partners and countries along the Belt and Road.

However, it is in China's overwhelming interest to keep the global system going. At the recent G-20 leaders video meeting, **President Xi said: "I want to call on all G20 members to take collective actions — cutting tariffs, removing barriers, and facilitating the unfettered flow of trade**. The G20 needs to draw up an action plan and promptly set up communication mechanisms and institutional arrangements for anti-epidemic macro policy coordination." China wants to work with the US on this agenda. If the US is reluctant, China's Plan B is to work with Europe, Japan and the emerging world. Either way, we can expect emerging markets to move closer to China.

Adjusting to Changing Global Sensitivity and Needs



Bob Zoellick
Senior Counselor, Washington, D.C.

Former President of the World Bank, US Trade Representative, US Deputy Secretary of State, and current Board member of Temasek Holdings, and Twitter, Inc. A member of Brunswick's Geopolitical offer.

The gulf between the US and China is deepening, even though both countries, and the world, need the two giants to cooperate.

I expect that China will pursue "globalization with Chinese characteristics," with increased reliance on existing multilateral networks and institutions, while nudging these toward Chinese preferences and norms.

Many Chinese companies doing business abroad will seek to adapt to foreign sensitivities.

Although some will blunder, Chinese companies' adaptation will be smoother and quicker if other countries clarify expectations, encourage reciprocity, boost transparency, and support systems of fair rules.

The US Administration has ignored the past US practice of offering leadership during international crises - although many public institutions (ranging from the Federal Reserve to the US military) continue to play vital roles around the world.

Moreover, US private institutions—from the Gates Foundation to innovative companies and researchers—will offer dynamism, support, and opportunities to others globally.

Fortunately, many Americans and Chinese keep up ties, even amidst frictions in official relations, acrimonious charges, and breakdowns in media and information networks.

These complex crosscurrents will require business leaders to be even more alert to domestic and international political tensions, disruptions across markets, and business and reputational risks—but also to recognize changing investment, trade, financial, social, and cultural patterns and needs.

Trustworthy companies will be premium partners.

7. Implications of a Risen China

The Chinese century is well underway. The country's exceptional economic and technological rise has exerted a gravitational pull on the world's economic output, and this pull is attracting emerging markets closer to China.

Our data highlights an important divide in how the world sees China's emergence as a significant global power. In general, we find that emerging markets are more positive towards China than developed markets. Eighty four percent of emerging nations indicate positive attitudes about China (up from 78 percent in 2018), where in developed nations 58 percent are positive (up 9 percent versus 2018).

Bridging the divide is a widespread and rising recognition of Chinese leadership in the spheres of technology, economics and finance. This belief in China's rise, and America's relative decline, is also more marked among emerging nations than in developed countries.

Globally, China is perceived by the public as a dominant technological power that already leads the US, and that will continue to rise over the next decade. An average of 44 percent rank China as the leading technology power today, compared to 37 percent for the US. Forty-nine percent of respondents from emerging nations hold this belief, compared to 37 percent in developed markets.

This gap is also expected to grow. Projecting ten years ahead, 50 percent believe China will be the dominant technology power, with just 29 percent thinking it will be the US – again with a greater percentage of emerging countries (55 percent) believing this, compared to 43 percent in developed nations. US audiences are the exception, with only 33 percent believing China will overtake them in 10 years' time.

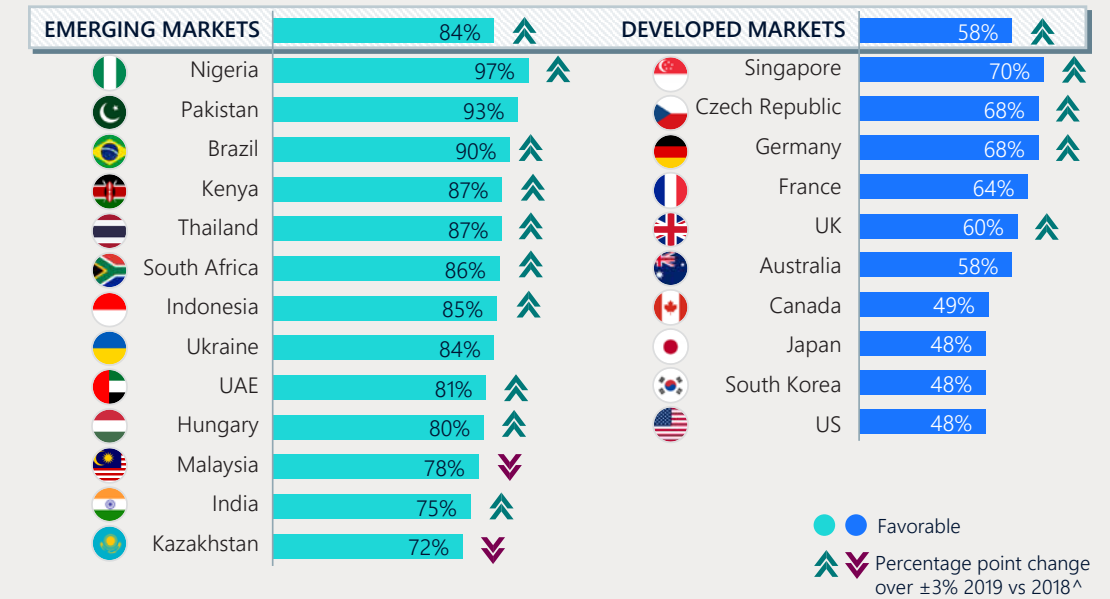
When it comes to the economy, the US still holds a slim margin as the perceived leading economic power over China, with an average of 46 percent believing in US economic leadership compared to 40 percent for China. This margin is more pronounced among developed audiences (51 percent for the US, 35 percent for China).

Yet in emerging nations, China is already seen as the leading economic power, with 44 percent believing this to be the case, and 42 percent believing the US still has the lead. This again indicates the critical perception gap between the emerging and developed markets.

What is clear is that the trend of rising Chinese economic leadership is projected into the future. Within the decade, 52 percent believe China will be the leading economic power (55 percent in emerging nations, 47 percent in developed nations), compared to 30 percent expecting it will still be the US.

Emerging markets generally have a more favorable view of China compared to developed markets.

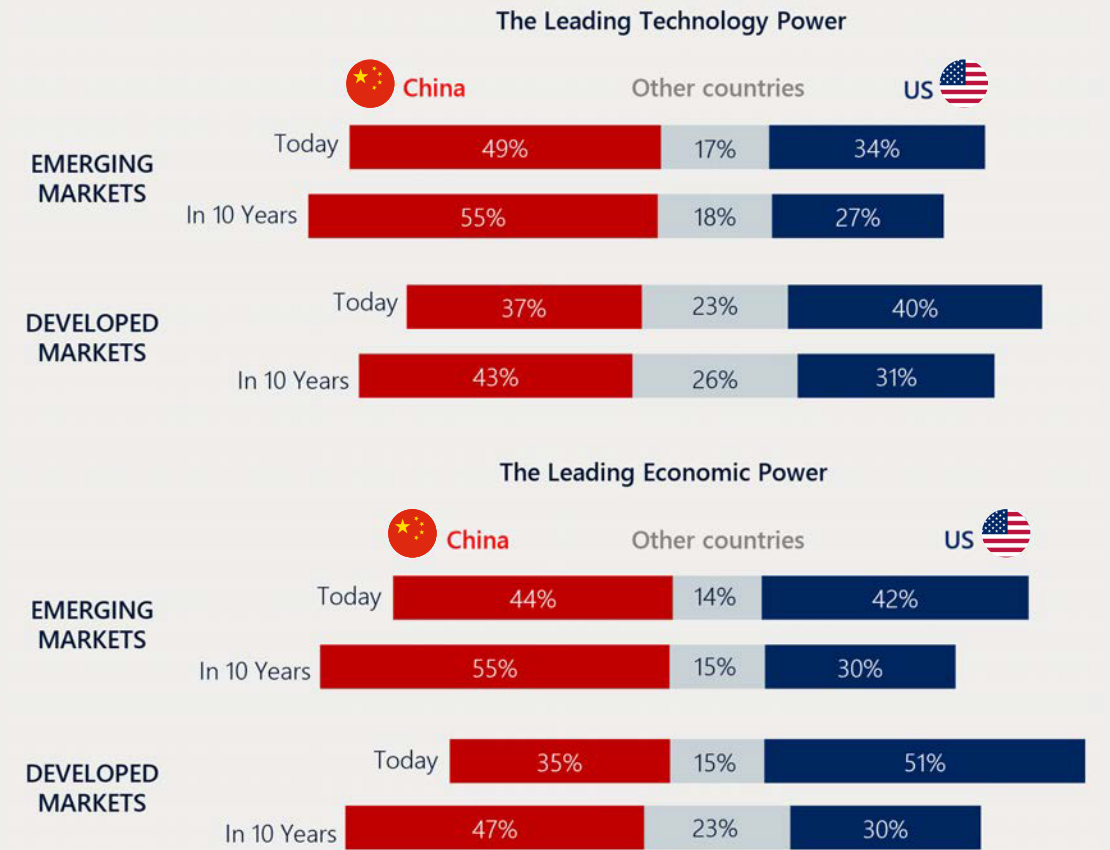
FIGURE 28
How would you describe your perception of China (Chinese Mainland)?
(Global public)



^ Y-to-Y change is compared to global public from trackable countries included in the 2018 Survey

China's technological and economic leadership is only expected to grow, which is likely to create an even greater draw for emerging countries.

FIGURE 29
Please select the country that is best described by each of the statements below.
(Global public)



Emerging nations in fact see China as the preferred economic power, with 50 percent reporting that China offers the most economic benefits to their country, compared to 30 percent who see the most benefits coming from the US. In developed markets, the trend is reversed, with 29 percent ranking China first, and 40 percent seeing more economic promise in the US.

Emerging economies furthermore are optimistic about China's rise, whereas developed nations have more concerns. Emerging markets are much more likely to view China's national positions and policies through a positive lens, seeing promise in China's prominence.

Averaged across emerging markets, 69 percent of audiences are net positive about diplomatic relations between China and their country. China's economic and trade policies are likewise viewed positively (63 percent net positivity for economic policies; 61 percent for trade policies), as are its role in global politics (53 percent net positive) and its national security policy (50 percent), with negative views ranging from 12-14 percent. Even China's intellectual property laws (44 percent net positive), and its position on human rights (33 percent), were rated more positively than negatively among audiences in these nations.

Views are more divided in developed markets, which are uncertain over China's rise. Developed market audiences also hold more positive than negative views about diplomatic relations with China, but this is only 12 percent net positive.

When it comes to China's economic and trade policies, positivity is roughly the same as negativity (5 percent net positivity for economic policy; neutral for trade), while the view of China's role in global politics is -3 percent net negative.

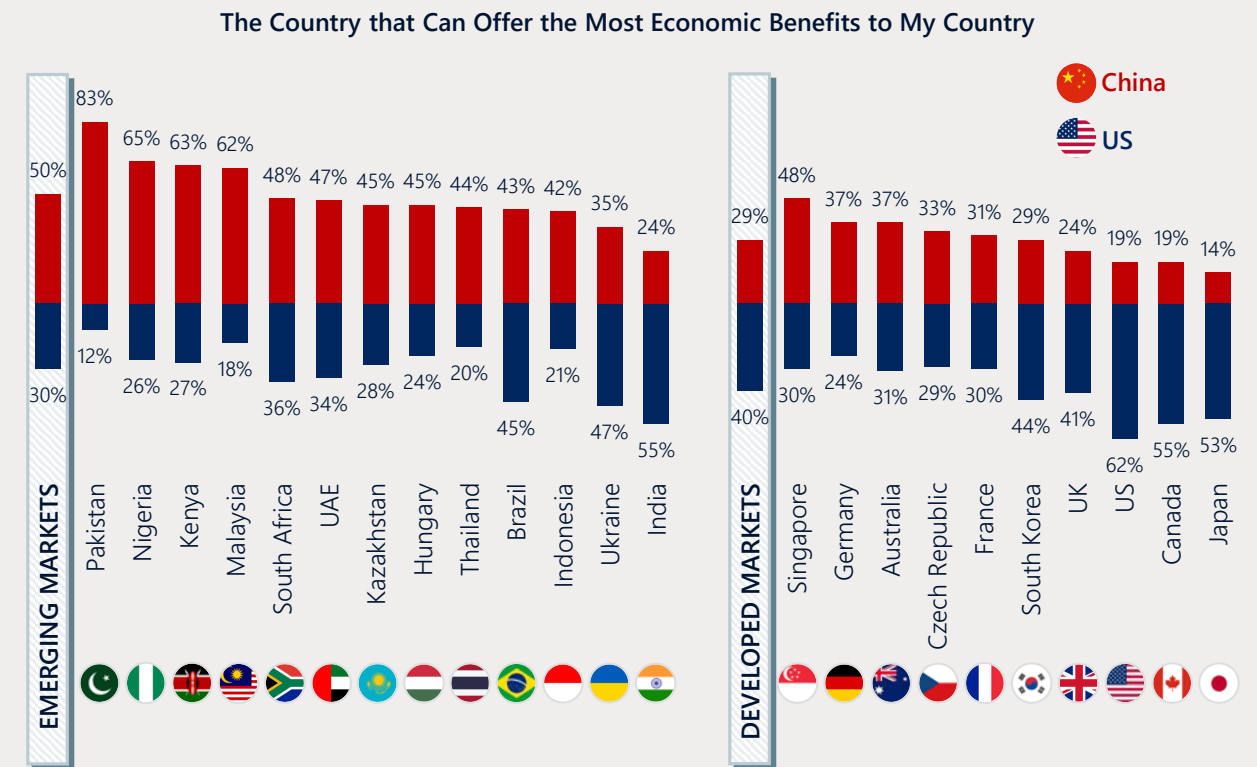
Among these developed audiences, negativity further outweighs positivity when it comes to China's national security policy (-9 percent net negative) and intellectual property laws (-16 percent net negative), while a large majority is pessimistic about China's human rights positions, with just 21 percent positive and a net negativity of 31 percent.

These metrics indicate that emerging markets approve of China's global leadership, or at least see it as beneficial in advancing their own interests. While developed markets are much more uncertain or have concerns over Chinese policies, politics and ethics.

Emerging markets see China's economic rise as bringing local benefits, which is likely to create an even greater draw to China for these markets.

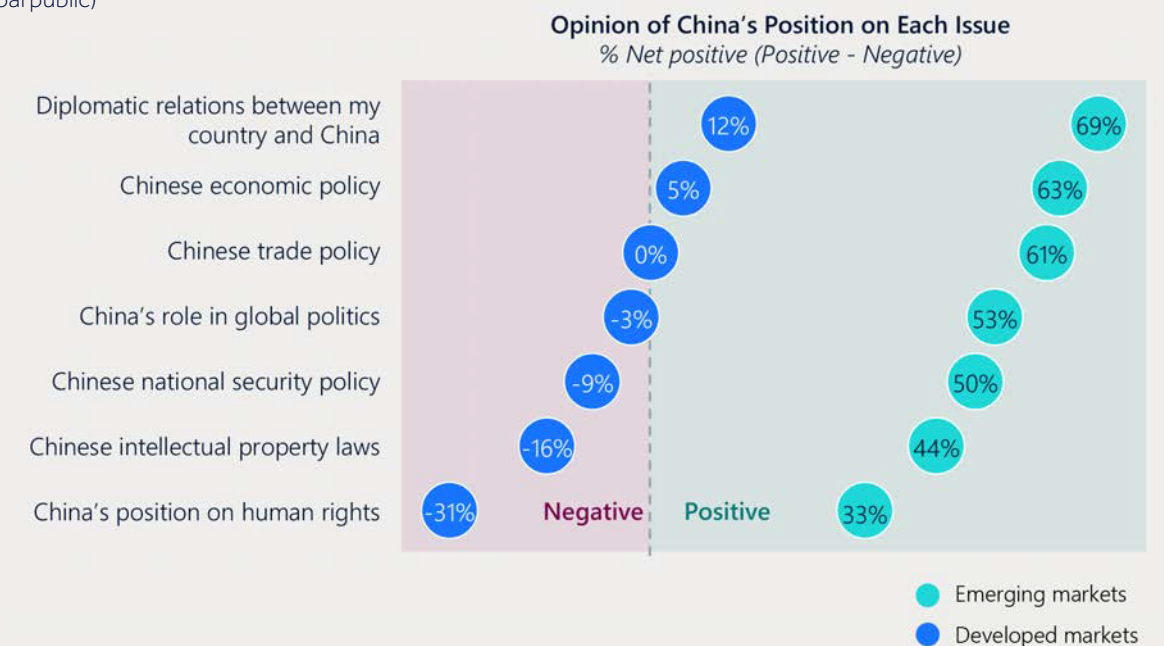
Most emerging countries anticipate that China will bring them greater economic benefits than the US.

FIGURE 30
Please select the country that is best described by the statement below.
(Global public)



Developed markets have a more cautious view of Chinese policy positions, especially when it comes to human rights and intellectual property laws.

FIGURE 31
What is your opinion today about each of the following?
(Global public)



8. The Multipolar World Order

China may be seen as rising, while the US declines, when it comes to technology and economic leadership, but the US is still perceived as the dominant political power in the world – and is expected to remain so, but with the balance of power changing.

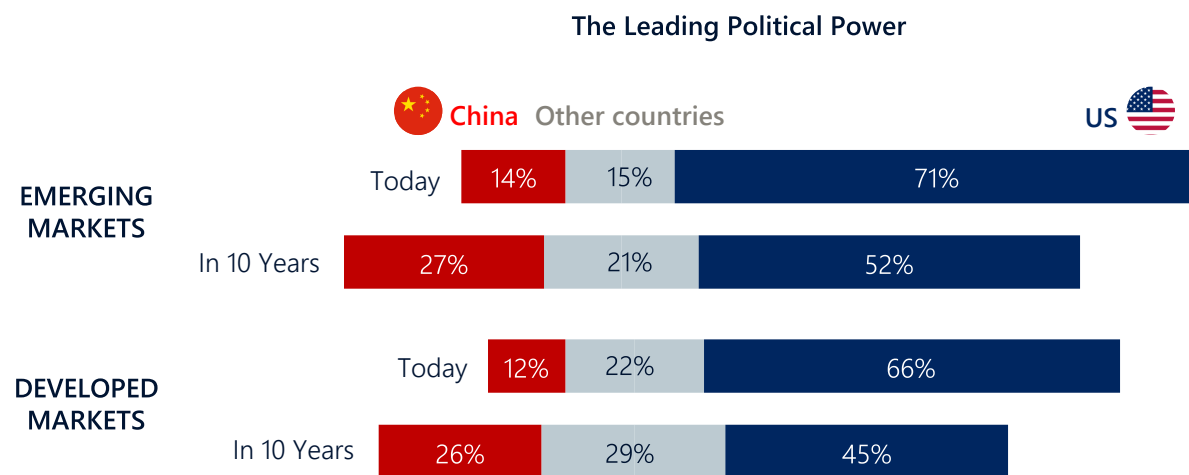
An average of 69 percent of surveyed audiences see the US as the leading political power today, with just 13 percent believing it to be China. When asked who will dominate politics ten years from now, the numbers shift to 49 percent and 26 percent, but still in the US's favor.

Yet when asked which country shares the values closest to their own nation, 34 percent of audiences from emerging nations responded China and 37 percent said America – compared to just 14 percent in developed nations picking China, and 45 percent choosing the US.

It is unclear if expectations for continued US political leadership is based on an assessment of future geopolitics, or because an international order without the US at the head is difficult for current generations to imagine.

US is still perceived as the dominant political power in the world – and is expected to remain so.

FIGURE 32
Please select the country that is best described by each of the statements below.
(Global public)



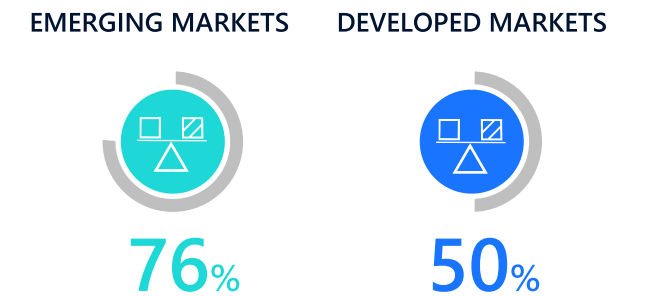
Meanwhile, views on China's trade practices are divided, despite the tensions over China's trading relationship with America which dominated the news. Seventy-six percent in emerging nations believe their trading relationship with China is fair, while developed nations average 50 percent saying the same (a 3 percent drop from 2018).

Chinese business leaders acknowledge the tension in balancing what domestic and international audiences want to see from them. Forty-nine percent say it is more important to demonstrate support for China's national goals, whereas 51 percent respond it is more important to be positioned as a global business with no state allegiances.

Thinking ahead to ten years in the future, 63 percent of Chinese business leaders say Chinese companies will adopt international best practices as their modus operandi, in line with multinational corporations, while 37 percent believe Chinese firms will create new best practices that are more suitable for their business, developing a new set of norms.

Trade relationship with China is "fair"

FIGURE 33
(Global public)



These trends indicate that the future shape of the international order is still uncertain, but likely to follow a multipolar model, with power bases in both East and West, and greater receptivity to China's political and economic strength in emerging markets. While this is likely to present opportunities for Chinese companies to grow in emerging nations, it is also a signal that ongoing tension with the US is likely to continue for years to come.

The international order is likely to follow a multipolar model, presenting opportunities for Chinese companies to grow, especially in emerging nations.

Chinese businesses acknowledge the tension in balancing domestic and international priorities.

FIGURE 34
Which of these is more important for your business? Which of the following best describes how you think Chinese companies will operate globally 10 years from now?
(Chinese business leaders)



9. The Belt and Road: Opportunity and Caution

The Belt and Road Initiative (BRI) continues to be the flagship of China's global push.

Indeed, 97 percent of Chinese companies report that the BRI is important to their current business planning, and 49 percent say it is very important (up from 44 percent in 2018). This level of commitment is long-term, with 98 percent affirming that the BRI will remain crucial to their company's development five years on.

While there is also broad support by the global public for the project, there are also questions over whether it truly benefits the interests of host nations.

There is certainly more awareness of the initiative among emerging nations, with 46 percent of the population reporting that they have seen some or a lot of information about it, compared to 28 percent in developed countries. There is also greater optimism within emerging nations, where 63 percent have a positive view, not surprising given that they are experiencing, first hand, the resulting benefits from BRI projects. Among the global public in developed markets 40 percent are positive. A further 39 percent have a neutral view, with only 21 percent holding a negative view, indicating that developed markets waver between positivity and undecided when it comes to BRI.

Despite some caution, there is rising support for China as a partner on financing development

projects. Sixty-seven percent of audiences in emerging markets support this, up from 59 percent in 2018, while 38 percent in developed nations show support, up from 33 percent.

But concerns remain over whether the investment and development brought by development financing projects such as the Belt and Road Initiative benefits or harms the host country. Fifty-five percent of emerging market audiences say that borrowing money to pay for infrastructure and development projects helps countries build important projects that otherwise would not have been built – comparable to 54 percent in developed nations.

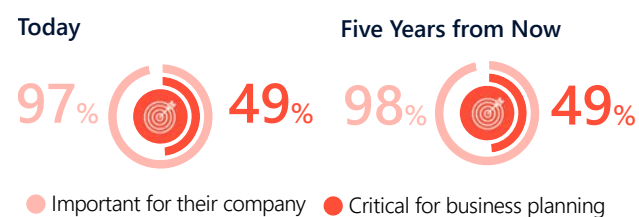
Yet 45 percent in emerging countries responded that borrowing this money hurts countries by exposing them to political influence by the lender country, with 46 percent of respondents in developed markets saying the same.

All in all, the Belt and Road Initiative is broadly viewed as a positive opportunity, especially for audiences in its partner nations, where favorable views of Chinese companies can be linked to optimism over the Belt and Road.

However, rising caution among both emerging and developed markets over whether local communities truly benefit from the initiative must be addressed in the communications strategy of Chinese firms.

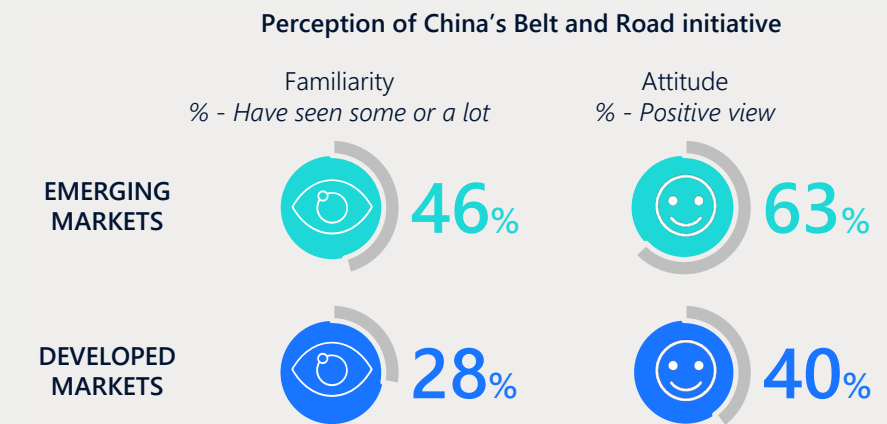
Importance of the Belt and Road Initiative

FIGURE 35
(Chinese business leaders)



Emerging markets' first hand exposure to the Belt and Road Initiative results in higher familiarity and a more positive opinion of its impact.

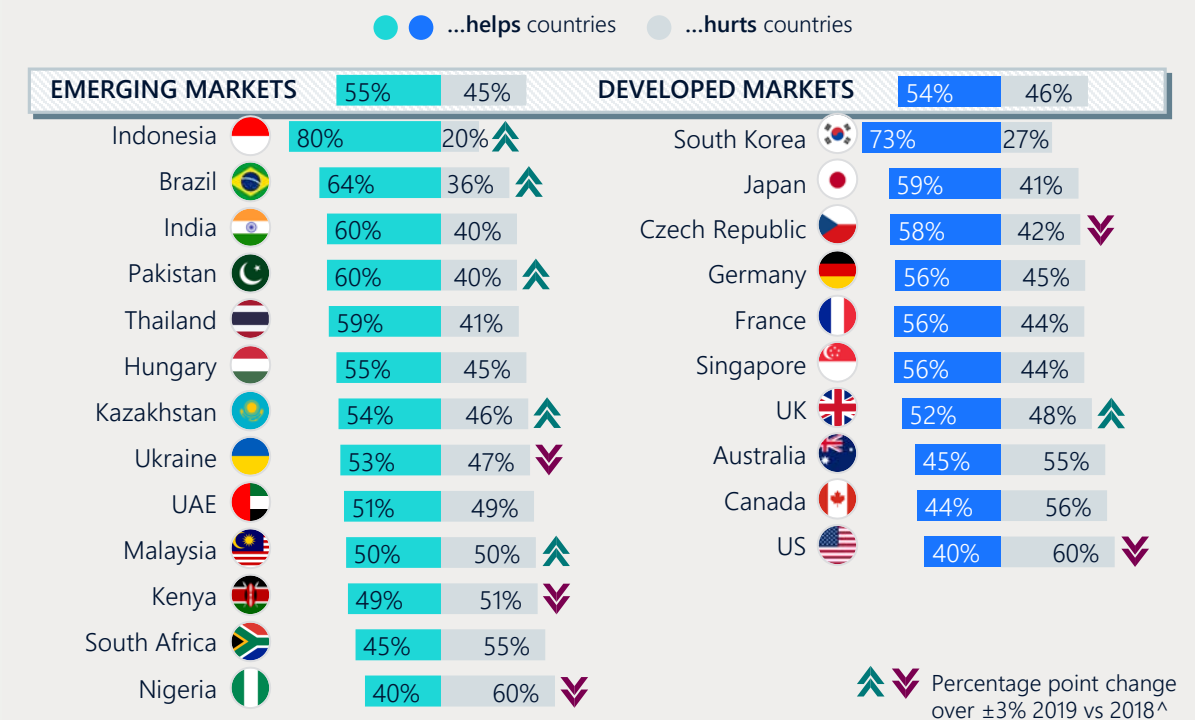
FIGURE 36
How much have you seen, read, or heard about China's Belt and Road initiative?
Do you have a positive, negative, or neutral opinion of China's Belt and Road Initiative?
(Global public)



Concerns remain, in both emerging and developed markets, over whether development loans benefits or harms the recipient country.

FIGURE 37
Which of the statements below comes closest to your views?
(Global public)

Borrowing Money from Other Countries to Pay for Infrastructure and Development Projects...



▲ ▼ Percentage point change over ±3% 2019 vs 2018[^]

[^] Y-to-Y change is compared to global public from trackable countries included in the 2018 Survey

10. Engagement with Vision and Values

The rising profile of Chinese businesses globally will attract sustained attention from international audiences. These companies will need to be able to clearly explain their corporate story to the world. Our research indicates various measures that Chinese companies need to take to engage with the realities uncovered in this survey, in order to thrive as China goes global.

While the survey shows how Chinese companies are seen around the world varies substantially – especially between developed and emerging markets – we found that there is a global trend in what effective engagement looks like.

More information and knowledge of Chinese firms is shown in our survey to result in higher trust and more favorable opinions of them. Therefore, better communications will create a more favorable environment for Chinese companies abroad.

There remains plenty of room for international audiences to get more information about Chinese companies – especially in developed markets, where there is a surplus of news about China’s politics but a deficit of balanced information about its businesses.

Only 8 percent of audiences in developed nations said they had heard a lot about Chinese firms, while 35 percent had heard some, 30 percent had heard a little, and 27 percent none at all. In emerging nations, there is slightly better communications engagement, with 23 percent hearing a lot, 49 percent hearing some, 19 percent hearing a little, and just 9 percent hearing none at all.

Have not heard about Chinese companies

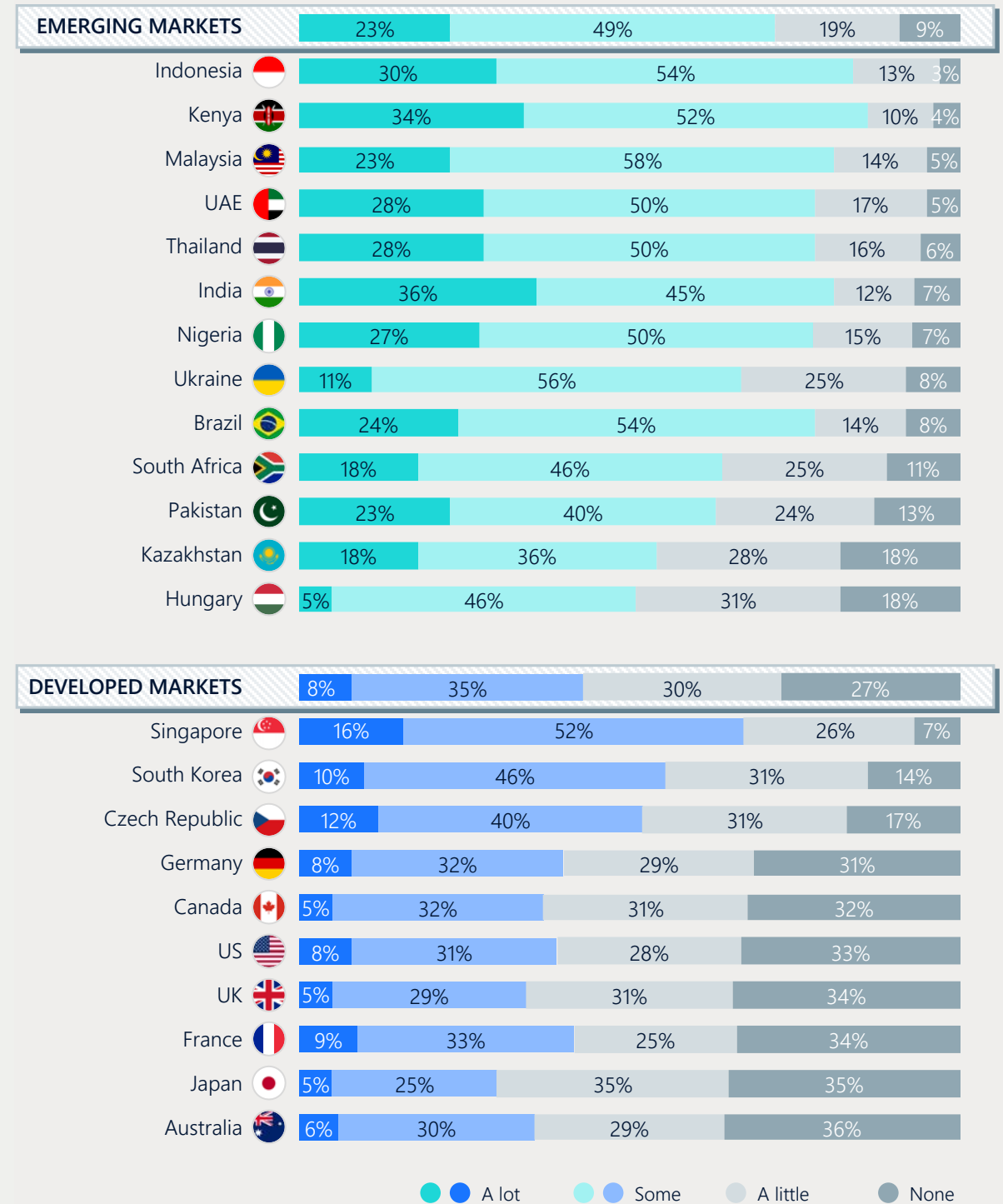
FIGURE 38
(Global Public)



With the rising global profile of Chinese companies, the need to tell their corporate story becomes increasingly imperative.

There remains plenty of room for international audiences to receive more information about Chinese companies, especially in developed markets.

FIGURE 39
How much have you seen, read, or heard about Chinese businesses in the past 12 months?
(Global public)



Chinese companies should use trusted information sources to deliver messages about who they are as a company, and what their vision for the future is.

Emerging and developed markets both say information on these areas are as important as delivering quality products and services, and more important than receiving information about financial returns to shareholders.

Chinese companies need to leverage engagement with the media, which is the top-ranked global source for information about Chinese business. Media is also the most trusted source, with academic research coming second and information direct from Chinese companies ranked third.

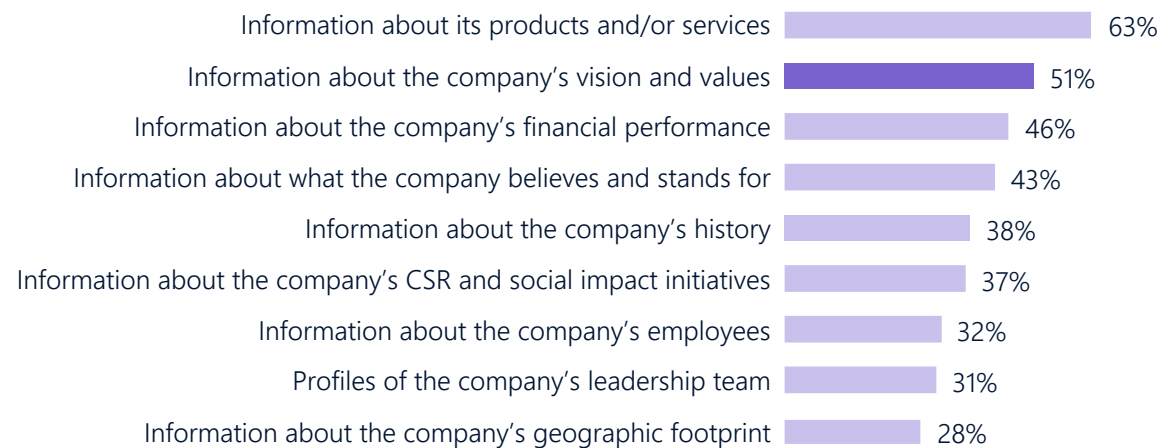
Above all, Chinese business needs to raise its voice. Few audiences are consuming information directly from Chinese firms, which leaves the messages of these companies to be mediated by other voices, with whom there has been minimal engagement by Chinese companies.

The perception gap must also be addressed between how Chinese companies assess their performance and how global audiences evaluate them. By telling their own story, businesses avoid the risks of uninformed or biased opinions of them, often conflated with views of a rising China as a whole.

Chinese companies should use trusted media to better engage with publics on their vision, values and history.

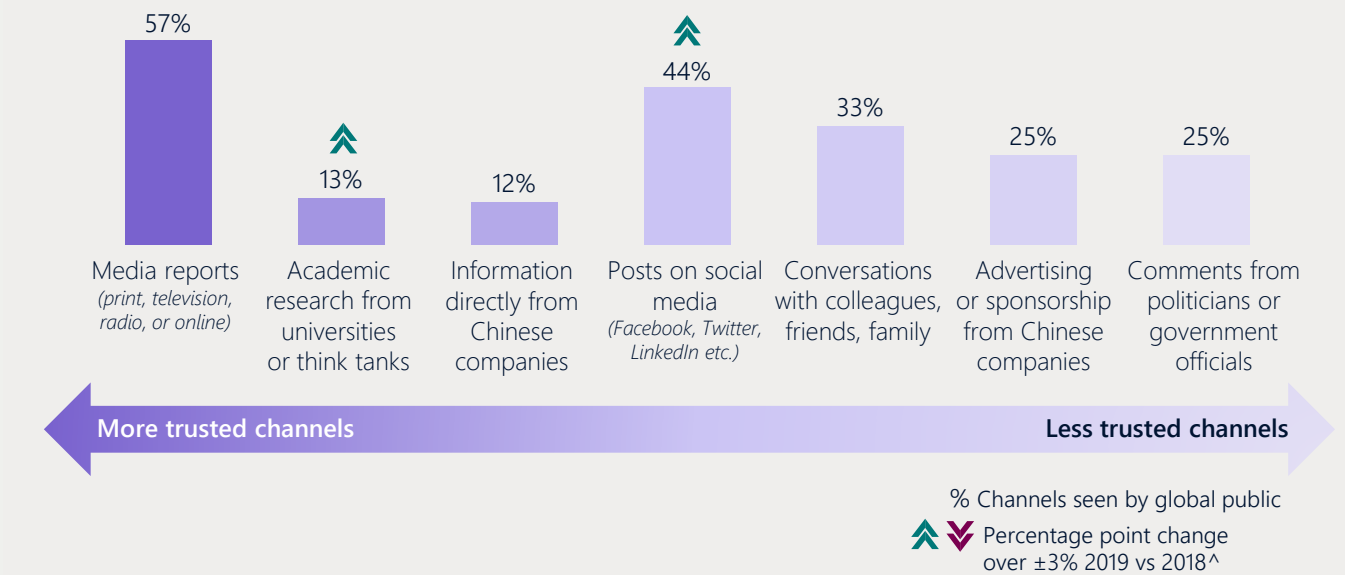
Global audience want more information about Chinese companies' vision and values – this is more important than messages about financial performance.

FIGURE 40
What information would be the most useful to have about Chinese companies operating in your country?
(Global public)



Chinese companies have the opportunity to leverage engagement with the media and speak with global publics directly.

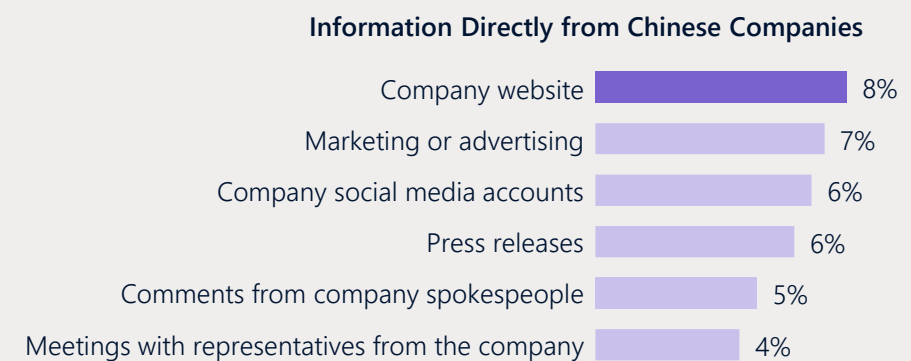
FIGURE 41
Which information sources would you trust most for information about Chinese companies?
Where have you received information about Chinese companies during the past 12 months?
(Global public)



[^] Y-to-Y change is compared to global public from trackable countries included in the 2018 Survey

Chinese companies' websites are the primary source of information for global audiences.

FIGURE 42
You indicated that you have received information directly from Chinese companies. Which information sources did you receive information from Chinese companies?
(Global public)



There is a strong desire for Chinese companies to provide more information around their vision and values.

11. Demonstrate Value to All Stakeholders

In 2019, the Business Roundtable released a new statement on the purpose of a corporation, shifting from a shareholder to a multi-stakeholder, focus, representing a new modern standard for corporate responsibility.

We therefore tested if stakeholders expect companies to focus primarily on investors, or if a multi-stakeholder model is more appropriate. Seventy-three percent agree with the multi-stakeholder view with similar enthusiasm in both emerging (75 percent) and developed markets (71 percent).

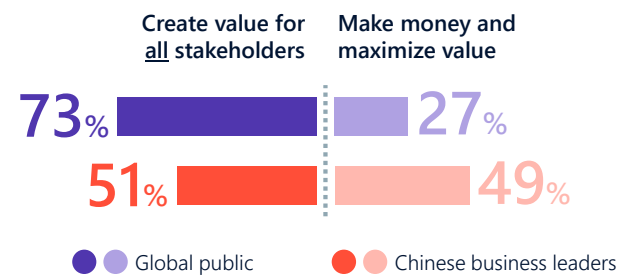
Chinese business leaders, however, are more divided in their views: 51 percent choose multi-stakeholders as the correct model, while 49 percent pick shareholder primacy. This suggests that their priorities are not in line with global audiences'.

When breaking down these multiple stakeholders into sub-categories, respondents around the globe rank the importance of each stakeholder into four tiers. Customers top the list (69 percent); followed by suppliers (63 percent) and employees (60 percent); investors (52 percent) and communities (51 percent) are third; and government (32 percent) falls last.

Chinese companies, by contrast, are perceived by global audiences to support government priorities above other factors (60 percent agree), followed closely by profits for investors (59 percent agree), with value for customers a little lower (47 percent), while fair treatment of suppliers (37 percent), investing in employees (33 percent) and supporting communities (33 percent) show the lowest levels of belief.

Primary focus for Chinese companies

FIGURE 43
(Global public vs. Chinese business leaders)



This is inverted from the order of priorities that the global public ranked by importance, indicating a crucial gap between how the performance of Chinese companies is ranked and what global markets want and need from them.

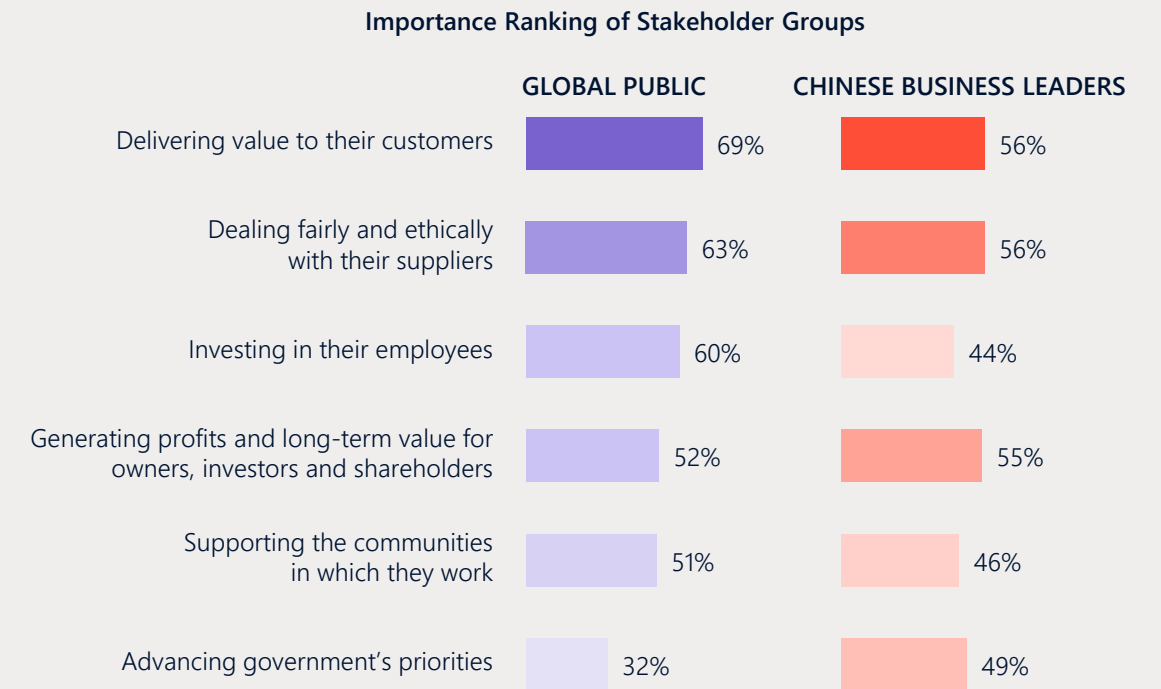
Yet Chinese business leaders, when asked to assess their own performance are more optimistic than the perception of the global public across all factors. Ninety percent believe their company performs very well for their customers, with 89 percent believing this for their suppliers, 82 percent for employees and 79 percent for the communities in which they work.

These results show just how critical it is for Chinese companies to communicate the impact they have on all stakeholders, including local communities, employees, suppliers and customers.

Chinese companies are expected to deliver value to all stakeholders – currently employees, communities and suppliers are at risk of being overlooked.

There is a gap between global public and Chinese business leaders when prioritizing investment in their employees.

FIGURE 44
How important is it for companies to do each of the following? (% of "very important")
(Global public vs. Chinese business leaders)



Chinese businesses are seen to have stronger performance on prioritizing government goals above other factors - especially employees, communities and suppliers.

FIGURE 45
How well do Chinese companies currently perform at each of the following? (% of "overperforming or strong performance")
(Global public vs. Chinese business leaders)





Conclusions

Perceptions drive markets, and information drives perceptions. The challenge for Chinese firms as they go global has, from its beginnings, been a communications one as much as a business one. The need for early engagement remains crucial, and ever more so, given the global economic climate following the COVID-19 outbreak. Understanding the expectations of host countries, being transparent and demonstrating a wide range of benefits for all stakeholders, will help overcome remaining negativity.

A perceptions gap is widening between the developed and emerging world. Emerging economies, most notably among those countries in the Belt and Road initiative, are more receptive to Chinese investment and engagement than developed markets, especially in the US and Europe.

The path forward for Chinese companies is a narrow one, that cultivates the openness to expansion evidenced in emerging markets, while also assuaging concerns over the extent to which all local stakeholders benefit, and other worries such as government ties, a view which is especially prevalent in the developed West.

In this changing international order, there is both caution and excitement over the pace of China's global push. A multipolar world makes for more complicated, sometimes conflicting, interests and opinions. Yet the price of opportunity is risk, and the horizons for well-informed Chinese business, with vision, are only widening.

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