

Five Themes Impacting the Chinese TMT industry in 2021

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Today, leaders of global TMT companies face complex business and geopolitical challenges, as well as an evolving regulatory environment that is impacting everything from corporate strategy, technology innovation, to customer and supply chain management.

Looking ahead in 2021, we identify five themes impacting the Chinese TMT industry: the rise of U.S. China techno-nationalism, increased regulatory pressure on Big Tech around anti-monopoly and data privacy issues, "The New Normal," focus on digital transformation and technology infrastructure buildout, and ESG as an urgent business imperative.

Five Themes Impacting the Chinese TMT industry

THEME ONE:

U.S.-China techno-nationalism and the decoupling of innovation

THEME TWO:

Tightening scrutiny of big tech around anti-monopoly & data practices

THEME THREE:

"The New Normal"

THEME FOUR:

Digital transformation and technology infrastructure buildout

THEME FIVE:

ESG as an urgent business imperative



THEME ONE

U.S.-China techno-nationalism and the decoupling of innovation

The rise of U.S.-China techno-nationalism presents a growing set of complex risks to TMT companies seeking to operate across the world's two largest markets, and is set to further escalate in the years to come.

For TMT companies, the risks are especially acute – in addition to the entity list and others, the U.S. Department of Commerce put new rules into effect in March, 2021, empowering the Secretary of Commerce to prohibit virtually any technology industry transaction that involves “foreign adversaries” or poses an undue risk to U.S. national security. TMT companies are especially vulnerable given the complexity of their supply chains, as well as the wide range of applications for their products – any computer hardware, software or components may easily fall afoul of restrictions.

Technonationalist restrictions also create separate spheres of innovation, increasing the cost of bringing new products to market. At the macro level, this includes restrictions on access to funding and R&D resources, restrictions on mobility, challenges to protecting intellectual property, forced technology transfers and more, exerting a chilling effect on international collaboration. At the micro level there are growing restrictions on cross-border data flow. Diverging regulations are ‘balkanizing’ data, forcing companies to firewall their operations in different locales.

Both the U.S. and China are increasingly scrutinizing foreign investment, with particular focus on the TMT sector. Some U.S. executive orders of 2020 and 2021 focus on Chinese apps (e.g. Alipay, WeChat and TikTok) and the U.S. Trade Representative's 301 reports are skeptical of Chinese companies taking VC investment to participate in the U.S. tech sector.

China has also revamped its national security review of foreign investment, with a new CFIUS-style mechanism to assess cross-border technology transactions. The reform significantly expands the number of sectors subject to review and lowers the thresholds for triggering one, requiring it for any investment that could be deemed to expose critical technology to foreign hands. The definitions of “foreign controlled” and “critical” remain ambiguous, allowing authorities wide discretion in enforcement.

Addressing these risks effectively, will be critical in determining the success of TMT companies in the years to come. Maintaining a keen awareness of the rapidly shifting landscape and enhancing strategic communications and engagement with key stakeholders should be a pillar of any firm's response.

THE AUTHORS



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Cynthia is the Asia lead for the firm's global technology, media, and telecoms (TMT) group, investor engagement and ESG practices, helping corporate leaders navigate stakeholder communications amid significant geopolitical change. Her razor-sharp strategic communications skills have been honed over two decades in the global TMT industry as an investment advisor, senior publishing equity research analyst on Wall Street and strategic management consultant. She has experience advising clients throughout Asia and has also served as a lead sell side research analyst on multiple IPOs for Chinese technology and internet companies in the US and Hong Kong. Cynthia has significant insight and understanding of most Asian equity institutional investors. Cynthia joined Brunswick from Credence Investment Holding, a firm she founded to advise high-potential technology entrepreneurs.



Hua Li
Partner, Beijing

Li Hua joined Brunswick in 2021 with a focus on M&A, anti-monopoly and competition, outbound investment, export control and sanctions, and public affairs.

Prior to joining Brunswick, she was a partner at two international law firms. She started her career in government at the Ministry of Foreign Trade and Economic Cooperation (now the Ministry of Commerce) in Beijing before becoming Deputy Director of Foreign Trade at the former State Commission for Economy and Trade (SETC).

Li Hua has experience in handling complex international issues and investment disputes, including WTO-related affairs and international trade remedies and has advised well-known multinational companies in their investments in China across consumer, telecoms, oil & gas, industrial and car manufacturing sectors. She has also assisted Chinese state-owned enterprises and private companies in their outbound investments.

She acted as legal advisor in the first WTO dispute with the United States in the WTO Panel and has advised more than 3,000 European companies in the anti-dumping and anti-subsidy procedures initiated by MOFCOM against wine originating from the European Union (EU).

Li Hua is an arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC) and a board member of the International Board on Economic Regulations (IBER) initiated by the Foundation for Civil Law.



Fiona Wright
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Fiona has more than 15 years' experience in government and public affairs with a particular focus on financial services, trade, and economic affairs.

Prior to joining Brunswick in 2016, she spent four years at another Brussels consultancy covering EU financial services for a range of buy-side and payment services clients. Between 2004 and 2012, Fiona worked in a range of roles at the UK Treasury, latterly as a seconded national expert at the European Commission's Economic and Financial Affairs DG. Fiona has a Ph.D. in Political Science from the University of Florida where she won a Research Fellowship at the Brookings Institution in Washington, DC (1998-99). Fiona started her career as an Assistant Professor of Political Science at the University of Wisconsin (Milwaukee) in 2000 including a year-long secondment in Washington, DC as a legislative assistant in the office of a U.S. Senator (2001-02).



Robert Moran
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Robert leads Brunswick Insight, our global public opinion, market research and analytics function with research teams in New York,

London, Washington, Dubai, Beijing, Hong Kong, San Francisco, Munich and Dallas.

Brunswick Insight provides intelligence for market-moving decisions by combining experienced, data-driven counsel with an emphasis on rapid research and analysis. Brunswick Insight converts research into strategic advice for communications programmes and campaigns.

Robert was previously President of StrategyOne's US operations, Edelman's strategic research consultancy. Prior to that, Robert was Vice President at Fabrizio, McLaughlin & Associates. He began his career at political polling giant Public Opinion Strategies.

Robert is a Partner in the Washington office. He is a published thought leader and frequent speaker on trends in public opinion and market research and

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Nick Howard
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Nick leads Brunswick's employee engagement offer in Europe. He advises clients on the people implications of transactions, transformational changes,

and other significant business challenges and opportunities.

He helps organizations create an employee experience that attracts and retains great people, creating the conditions for them to deliver the best work of their lives. He also advises on new ways of communicating with employees, connecting them with each other and customers; and how to create world-class communications functions.

Nick joined Brunswick from Edelman where he led the European employee engagement business and organization design offer. Before Edelman he was retail communication director for Lloyds Banking Group where he led communication for the successful integration of Lloyds TSB and HBOS. Before that he led the EMEA workforce engagement and change business of Mercer HR Consulting where he specialized in helping clients drive people performance during significant change. Nick's background is in financial services and management consulting.



Pru Bennett
Partner, Sydney

Pru Bennett joined Brunswick Group in April 2019 following a career at BlackRock where she was a Managing Director and Head of Investment Stewardship

for the APAC region. At BlackRock Pru led a team that responsible for engagement and proxy voting activities in relation to the companies in which BlackRock invests on behalf of clients.

Pru is an active participant in the public debate on corporate governance, stewardship and responsible investment and as such regularly speaks and writes on the importance of these issues for company performance and investment decisions. In 2018 Pru received the Asia Industry Leadership Award from 100 Women in Finance. In 2013, Pru was named as one of Australia's top 10 Women of Influence in Corporate Governance.

Pru is a director of Global Compact Network Australia and a member of a number of industry and regulatory bodies including Public Shareholder Group of Hong Kong's Securities and Futures Commission, the Monetary Authority of Singapore's Corporate Governance Advisory Committee, a council member of the Asian Corporate Governance Association, director of the International Integrated Reporting Council and a member of the Deakin University Integrated Reporting Centre Advisory Board.

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