Government Affairs Report:
Best Practices in Stakeholder Engagement
October 2014

Executive Summary

- In recent years China has seen a changing government affairs landscape, influenced by factors such as regulatory changes, a maturing domestic economy, and government officials who have become more integrated into global norms. This shifting environment has motivated US companies to re-evaluate their government affairs (GA) strategies in China.

- Companies report that supporting business units should be the fundamental objective of an effective GA team. This can be done by engaging with a diverse group of stakeholders in policy-related fields, and finding creative ways to align company and government interests to support sales, as well as by highlighting how companies help China grow sustainably.

- Specific functions of GA teams vary according to company and industry, from administrative duties to more strategic goals. Despite differences in specific functions, companies with the most robust GA engagement hold frequent strategy sessions with senior company and business unit leadership. These executives also report a higher level of value added to company goals.

- The importance foreign companies place on establishing *guanxi*, or personal relationships, with government officials has evolved in recent years. While having well-developed working relationships with government officials still matters, effective GA teams supplement these relationships by sharing information and showing value to government officials, contributing to their stated policy goals.

- Over one-third of companies interviewed focus on creating long-term strategic partnerships with government agencies to help bolster their voice in policy debates, build their reputations with regulators, and institutionalize relationships beyond the tenure of any one official or employee. Forms of cooperation often include research partnerships, training programs, and annual event sponsorships.

- Though most companies are uncertain about the direct impact of administrative decentralization trends on their business, nearly 70 percent report that decentralization had not yet seriously affected their GA strategies. Other companies indicate they already have local level GA strategies in place, or that decentralization has been accounted for in their GA strategies. Only two companies noted decentralization had severely impacted their business.

- Domestic industry associations play an important role in the GA strategies of 96 percent of companies interviewed. Companies choose an association they may join primarily by evaluating its relevance to company sector and its relationship with government agencies. Industry associations can be useful vehicles for learning about policies, building advocacy coalitions, and at times finding business partnerships. Some industry associations, however, hold compliance risks or limit the range of activities foreign companies may participate in.

- Seventy-five percent of companies say that think tanks and academic institutions help them to inform and participate in policy-making processes. Companies often work with think tanks to create content that will be referenced by decision makers. This type of engagement occurs through research projects, policy forums, or informal meetings. Though company budgets may limit participation, most interviewees view work with academics and think tanks as a useful way to enhance their credibility with senior leaders.

- Forty-six percent of companies interviewed indicate that relationships with state-owned enterprises (SOEs) play a role in their overall GA strategy. Companies generally agree that SOEs are influential in policy decisions, but disagree on the benefits of engaging via GA functions. Some companies prefer to work with SOEs through company sales or business development departments. Companies that are engaged with SOEs advocate on policy directly via meetings with senior SOE management, or indirectly by using SOE partnerships as a means to build a positive reputation with regulators.

Introduction

Despite recent policy announcements calling for the market to play a larger role in the economy, the Chinese government continues to significantly influence how domestic and foreign businesses operate in China. In the wake of China's leadership transition in March 2013 and amid efforts to promote comprehensive economic reform, US companies conducting government affairs in China face an evolving operating environment. Government officials are more difficult to access and government affairs professionals have a widening range of responsibilities. For example, administrative decentralization has pushed more approvals to the local level and increased the number of policy stakeholders with which companies must engage. In addition, China's anti-corruption campaign has targeted officials at all levels of government, leaving some officials reluctant to meet with businesses. This shifting environment has forced American companies to re-evaluate their government affairs strategies.

Several broader trends have also complicated the government affairs environment in China. China's growing economy and increasingly prominent role in global affairs have increased the demands on Chinese government officials. As a result, companies are finding it difficult to engage with busy senior government officials. While foreign investment is still a priority for China's leadership, officials are now balancing it with other priorities, from managing growing inequality to controlling environmental degradation. The days when foreign companies could pay courtesy calls on government officials are over.

Given these changes, companies are developing more thorough understandings of stakeholder goals and priorities, and strategically reaching out to provide regulators with information relevant to their work agendas.

In 2008, the US-China Business Council (USCBC) published a best practices report on conducting government affairs in China, with a follow-up report in 2011 on conducting local government affairs. Much of the information from those reports remains relevant today. This report adds additional perspective on conducting government affairs in China, providing background on a variety of policy-related stakeholders, and detailing specific strategies companies use to maximize value from this engagement.

USCBC interviewed senior government affairs (GA) practitioners from 26 different companies in 2014 to gain insight into their experiences and best practices for engaging with stakeholders in China. The scope of conversation covered government agencies at the central and local levels, industry associations, think tanks, academic institutions, and state-owned enterprises (SOEs). This report is based on those interviews, as well as additional research and analysis conducted by USCBC staff.

This report is structured into five sections:
- **Government Affairs Team Structure;**
- **Government Agency Engagement;**
- **Domestic Industry Association Engagement;**
- **Think Tank and University Engagement; and**
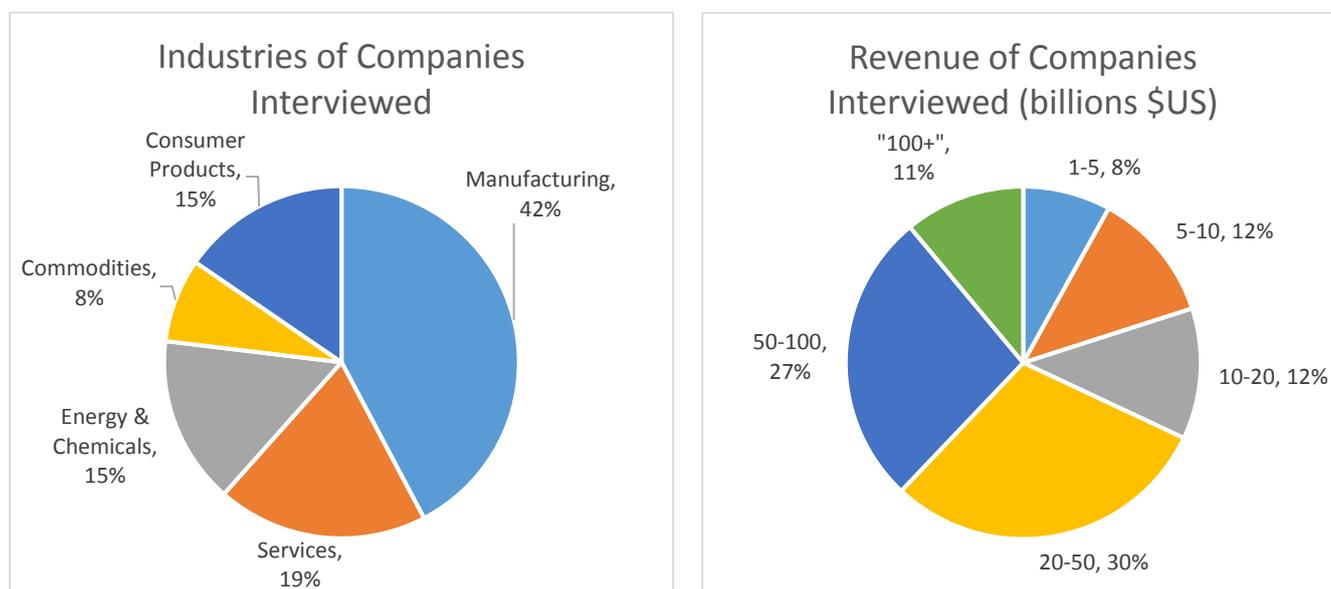- **State-Owned Enterprise Engagement.**

Government Affairs Team Structure

Team Structure and Location

The most basic element of having a successful government affairs department is creating a structure and team that is right for the company. Individual companies have their own values, business models, and cultures that make it impossible to speak in absolutes in how to build an effective team. Throughout our interviews, the following points were consistently emphasized by executives regarding team structure:
- **Beijing is the central location for most GA staff, with Shanghai close behind**   Ninety-two percent of companies interviewed have GA staff in Beijing, and 50 percent also maintain at least one GA staff in Shanghai. Other cities where companies maintain a GA presence include Shenzhen, Guangzhou, Tianjin, Wuhan, and Chongqing. A majority of companies with GA staff in more than one location had the greatest number of staff in Beijing, with smaller teams in Shanghai or other locations.
- **Size of GA staff varies**   GA teams range in size from one individual up to 45, although companies with large GA teams are unusual. The average GA team size was around four.
- **Third-party GA firms often play a role**   While companies prefer to cultivate their own relationships with government stakeholders, 42 percent of interviewees use external consulting firms as part of their GA strategy, mostly in conducting policy research and monitoring.

- **Functions vary across companies** GA teams are responsible for a wide range of functions including policy research, sales support, crisis management, administrative licensing, and corporate social responsibility (CSR) projects. Some companies focus their GA functions on assisting with administrative duties (e.g. setting up meetings, obtaining licenses, organizing events) while others take a more active role in company strategy.

Industries of Companies Interviewed

- Manufacturing, 42%
- Services, 19%
- Energy & Chemicals, 15%
- Commodities, 8%
- Consumer Products, 15%

Revenue of Companies Interviewed (billions $US)

- 1-5, 8%
- 5-10, 12%
- 10-20, 12%
- 20-50, 30%
- 50-100, 27%
- "100+", 11%

Setting Goals and Measuring Progress

The fundamental objective of government affairs in China is to support a company's business units. Strategic, effective stakeholder engagement requires both a thorough understanding of the goals and priorities of each business unit and a nuanced perspective on the company's capabilities and resources. GA teams with robust stakeholder engagement hold regular goal-setting meetings and strategy sessions with senior-level management and business unit heads, which help align the long-term strategic nature of government affairs in China with the short-term goals of the company's business units.

Due to the broad scope of GA work, some companies said it is difficult to set quantifiable goals and key performance indicators (KPIs) for their GA teams. GA functions are typically less quantifiable than those of other business units. The number of government meetings a department holds each year may or may not be a good indication of the quality of that engagement – or how well that engagement matches up with company needs. As a result, many interviewees report that other departments in the company misunderstand or underappreciate GA's role in helping the company meet its commercial and financial targets.

USCBC executives reported a variety of methods their companies use to improve internal communication and interaction between a company's GA team and its business units, including:

- **Increasing internal communication and planning** Challenges in identifying quantifiable GA goals often make it difficult for GA teams to advocate internally for resources, particularly compared with sales or technical teams. To demonstrate their value, GA staff initiate conversations with business units and functional departments, to learn about the department goals and introduce the GA function. They work to find specific areas where their interests align, such as government interaction or advocacy tactics that might help the business unit achieve its goals.
- **Linking with management** Open support from senior country management can help GA departments to build trust inside the company on the role that they can play in advancing business unit and corporate goals. This is best done through regular meetings with senior management personnel and integrating them in setting GA strategy goals and objectives.
- **Connect GA function to other departments** Several company GA teams have had success increasing GA department profile internally by using their skills to support other internal functions. These efforts include facilitating introductions for heads of business units to key researchers at influential think tanks to discuss particular technologies; working to develop specific talking points to support a business unit priority; helping to manage local officials who attend a marketing or promotional event the business unit has

organized; or aiding human resources staff in troubleshooting employee registration or taxation issues.

Many companies noted the importance of working closely with senior leadership and business unit leaders in setting comprehensive, achievable goals for GA activities. These goals may include finding methods to measure the quantity and quality of government interaction, including a focus on *substantive* participation rather than *passive* participation in events or large group discussions; tracking policies that the company was able to proactively influence in a year; keeping a database of company relationships with ministries; and conducting stakeholder mapping and targeted outreach to priority agencies.

While the benefits of developing new relationships or pushing for regulatory changes are not easily measured, frequent and thorough review processes allow companies to evaluate long-term progress in these areas. Overall, the GA professionals with the greatest support from senior executives and best goal-setting practices also report the strongest sense of value added to company goals.

> **Company Example 1: GA Team as an Internal Consultant and Team Assessment**
> Company A detailed the importance of open and regular communication with its business units, and stated that these units view their GA team as internal consultants. Company A's GA team maintains daily contact with its counterparts in the business units to stay abreast of current and future company goals and priorities, which in turn inform GA goals and priorities. The GA team tracks all of its initiatives and activities over the course of a year, constantly evaluating its progress to calculate where the greatest benefit may have been for its partner business units. At a yearly review session, business units analyze this data to provide feedback on whether real value was created for the company, focusing on the GA team's value-added services. These processes help other business units within the company better understand the value of a GA department, and also help to make the GA team better understand their role within the company.

Government Engagement

Stakeholder Identification

For most companies, identifying key regulators and agencies most relevant to the company's industry and issues is not difficult. Managing the quantity and quality of their interactions with them, however, occupies most of a GA team's time. Companies in the food or cosmetics sectors, for example, know how to reach relevant departments at the China Food and Drug Administration (CFDA)—but spend large amounts of time ensuring that they have the right types of interaction with the right individuals within those departments.

In instances where it was not immediately clear who the relevant agencies are to engage, companies indicate two different approaches to identify the proper stakeholder:

- **Brainstorming Approach**   When a company has a regulatory issue that does not clearly fall under a known agency or department, its GA team will often organize brainstorming sessions with industry experts from both inside and outside the company to determine which government agencies are most appropriate to reach out to for cooperation. That outreach includes researchers, trade associations, or business unit leaders in various sectors related to its operations. Companies also may contact an agency's international cooperation office directly, or communicate with working-level staff.
- **"Shotgun" Approach**   Some companies choose to set up meetings with a series of regulators that may have a role in their sector. Speaking directly with a wider group of regulators holds potential to "discover" synergies between the company's business and the regulator's responsibilities that may not at first glance been apparent. In one example, a company was tasked with promoting a new technology it had developed to government stakeholders, but it was unclear exactly which ministry would take up the project. This company set up meetings with three different ministries that it determined may have some interest in helping promote the new technology. One of the three ministries expressed interest in the project and ultimately became the technology's primary regulator.

"Horizon Scanning" and Assessing Government Priorities

Before a company can develop goals for its GA team, it must fully analyze and assess the regulatory environment for its sector. Companies with particularly effective GA engagement plans devote substantial time and resources to understanding the goals of all relevant government ministries with which the company hopes to engage—a process one company referred to as "horizon scanning." Forty-six percent of companies interviewed indicated that they

gather information related to government goals by attending meetings or events with government officials. However, a majority of companies also note that ministry work agendas and five-year plans—often available online or via trade associations—are important sources to help identify government objectives and align internal GA strategy.

Engagement Plans

Though companies almost unanimously agreed that working productively with government officials requires a trust-based relationship (*guanxi*), very few companies rely solely on *guanxi* to build strong government relationships. Only two of the 26 companies interviewed said they depend on GA employees' personal networks as their primary approach to interfacing with the government. Most companies construct strong professional relationships by sharing concrete and practical policy information as well as developing long-term strategic partnerships that establish the company as a helpful resource for regulators.

Having a trustworthy and reliable reputation can help foster a better relationship with regulators as well, and facilitate more effective communication. In order to build that trust, companies noted that GA practitioners should provide regulators with information useful for their work, such as input on regulatory practices in other jurisdictions or global best practices in industry. When meeting with government officials, it is useful to "stand in their shoes and understand their position, even if you want to lobby them," as one company representative put it. Identifying where company interests align with those of regulators makes it easier to engage with officials in the long run.

These approaches can also position companies to serve as a resource for government regulators. Multiple companies noted that their reputation as a global industry leader spurred policymakers to proactively seek them out to better understand technical issues or international best practices. Such an outcome is the result of companies' investment of time and resources in developing those relationships.

Companies also emphasized the importance of approaching government officials with constructive recommendations, as opposed to only complaints. An excessive focus on company complaints without providing broader context may ultimately damage the relationship. One company noted that reputation-building measures drive its GA strategies, and remain throughout the engagement process with different stakeholders.

Nearly all companies are interested in developing strong working relationships with officials. Thirty-seven percent of companies interviewed see information sharing as the first step toward developing long-term partnerships with government agencies. Companies valued long-term strategic partnerships—such as research projects, training programs, public information campaigns, or event sponsorships—as a way to institutionalize relationships with important government stakeholders beyond the tenure of any one employee or official.

Company Example 2: Horizon Scanning & Strategic Partnerships

The GA staff at Company B spends time analyzing government ministry policy goals by researching five-year plans, work agendas, and other policy documents available on ministry websites. GA staff compiled this information into a matrix that included a list of Company B's strengths, capabilities, and priorities, which allowed them to see areas of potential cooperation with government agencies. These opportunities were scored according to Company B's priorities and their target government agency's priorities. The company proposed projects with the agency in areas in which they shared clear, common goals. This information was developed into an internal five-year plan and budget which enabled the China president and head of GA to conduct an extensive outreach campaign to various ministries with ideas for potential long-term cooperative projects. This allowed Company B to be "proactive and systematic" in its approach to GA.

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

While most companies view sharing information and building *guanxi* as a step towards long-term partnerships, a sizable minority of firms have a more ad hoc approach based on issue-specific engagement. *Guanxi* and information sharing are still important tools used by these companies, but they use their working relationships to approach government officials to clarify certain regulations mostly when business issues arise – not necessarily seeking long-term cooperative projects, or to influence broader government planning or directives.

Methods & Challenges of Institutionalizing Government Relationships

Chinese government agencies have consistent turnover in personnel. To ensure that their government partnerships remain strong in spite of personnel turnover, companies have adopted a variety of strategies to institutionalize relationships with government agencies:

- Ensuring that key contacts are well known within a company by maintaining an internal database with contact information and communication history for GA team use;
- Creating "relationship portfolios," whereby GA team members are assigned to maintain relationships with certain officials or officials in certain areas;
- "Doubling up" on relationships, where more than one company employee is assigned to maintaining relationships with government officials from ministries or agencies central to that company's business;
- Building relationships broadly within government agencies and maintaining multiple contacts within an agency, thereby creating larger network that might facilitate introductions to new officials when necessary; and

Though companies said strategic partnerships with government agencies are particularly effective at institutionalizing relationships with government agencies, these forms of cooperation are resource-intensive. A company must ensure that it has the requisite time, personnel, and financial resources to conduct research, training, or other programs if they are interested in using such activities to promote company interests. They also must continuously evaluate the benefit such programs produce for business.

Despite a number of different mechanisms in place to institutionalize relationships, companies acknowledged that no framework can replace a good, personal working relationship. One company noted that "effective relationships go beyond a phone number on a spreadsheet. Understanding another's work style, and developing a good working chemistry with them takes time." On that point, companies noted that it is important for GA professionals to have the soft skills to build strong relationships quickly and efficiently with a wide variety of stakeholders.

While most companies discussed ways in which they sought to institutionalize relationships with government agencies, a small group of companies' primary GA strategy is hiring and training a GA team with extensive knowledge of government working practices, either via years working in government, industry associations, or on other multi-national company GA teams. These employees were described as better positioned to understand how to approach government regulators, according these interviewees.

Tracking Official Position Changes

Nearly 60 percent of interviewees mentioned that they track government officials as they change posts to monitor key positions related to core business, as well as to keep track of officials with whom the company has had positive interactions in the past. Companies gather information about job changes through a variety of means, including courtesy calls to officials, direct inquiries at networking events, information sharing among the GA community, and direct contact with working level staff at relevant ministries. Other companies also use in-depth tracking matrices to monitor government officials' job movement, relying on online staff postings, public announcements, and communications with government staff. One company said that GA managers at each of their local facilities are tasked with tracking turnover in positions that may have an impact on their business.

While companies often keep track of official's movements, many stated that these changes were too random to attempt to predict the next post. However, some interviewees identified factors they watch for in trying to identify a potential "rising star." These include items like age (future leaders may be promoted to positions of influence at a relatively young age) and experience (future leaders have experience in more than two units, and usually one to two years of experience in local government), as well as more abstract factors like integrity, vision, and passion.

As part of USCBC's ongoing work to aid companies in these tracking and analysis efforts, this report also includes a more detailed analysis of the career paths of several senior Chinese officials in Appendix I.

Key Trends Influencing Government Engagement Efforts

Administrative Decentralization
While decentralization of administrative approval authority to local and provincial governments has been an important aspect of economic reform, the majority of companies interviewed have not made major adjustments to their GA strategies in response to this change. Nearly 70 percent of companies interviewed said their overall GA strategy has not been drastically affected by the latest round of decentralization, and most indicated that they have not added or restructured staffing. This is mainly due to two factors: narrow applicability of economic reforms to foreign company concerns and limited implementation of these reforms to date; and longstanding relationships with key local officials. One company representative noted that administrative decentralization had been discussed for a long time, but that he had yet to see any significant change in local administrative practices.

Of the companies that have altered their approach to local government relations, they have done so either by adding headcount in local facilities or training local facility managers to deal more effectively with local regulators and take ownership of new GA responsibilities. This is the continuation of a trend noted in previous USCBC reports on government affairs, and continues to be the method of choice for the few companies that are adjusting internally to manage administrative decentralization. Some companies have noted concerns their concern that changes in company structure related to dealing with the effects of decentralization could add strain to already tight budgets.

Generally, companies have mixed opinions about the impact of administrative decentralization on GA practices:
- **Optimistic**   Some companies said they might benefit from decentralization, as certain local governments are more open to foreign investment, especially in sectors local regulators have marked as "key for development," and in which there is little local competition. Other companies mentioned that decentralization would allow them to better organize their engagement with central and local governments. For example, companies can work with central government regulators to share regulatory expertise from international jurisdictions to improve macro policy development, while focusing more on developmental strategies and implementation with local governments, which are more concerned with job creation and tax revenue. Several companies noted that, in their experience, local officials are generally more interested in talking to international companies than their central-level counterparts.
- **Pessimistic**   Company concerns regarding decentralization generally derive from the perception that local governments are more likely to protect local companies. This can lead to uneven enforcement of policies that usually would take intervention from central level officials to correct. One company noted that removing MOFCOM from the investment approval process would eliminate one avenue companies have for challenging decisions made by the local government. Another company said they have struggled to deal with the massive increase in government approvals at the local level, citing frequent and disruptive investigations by a newly-empowered local regulator.

It should be noted that company views on this issue may be influenced by the specific locality or the sector that the company operates in. For example, a company that operates in a sector that has a strong local competitor is more likely to be pessimistic towards decentralization. Similarly, companies in sectors that have been marked as sensitive for environment reasons might also be pessimistic about increased decentralization. Companies that produce a product that is key for the development of a region with little domestic competition, however, are likely to feel more optimistic on working with local authorities.

Anti-Corruption Campaigns
Interviewees also mentioned that China's recent anti-corruption campaign has affected GA strategies in a variety of ways, with positive and negative impact. One company representative said that before the campaign, "corruption was the only real competitive advantage held by SOEs." In the wake of the campaign, international companies can feel more confident in the process of contacting the government and securing meetings, without encountering requests that would violate the US Foreign Corrupt Practices Act (FCPA). At the same time, companies have also found that anti-corruption campaigns have in some cases made it more difficult to secure meetings with central and local officials. These officials have become more risk averse in the face of changing and uncertain rules, and can interpret any attention as potentially negative. This could even include what most would consider positive news of signing a major new investment deal. One company representative stated that central-level officials now avoid international companies, "as they don't want to make trouble for themselves," and meeting with a multi-national company can attract attention, no matter what the intention of the meeting may be.

While companies have noted they have little concern about how the anti-corruption campaigns directly affect their

company, there are indirect effects on the economy that do raise company concerns. The current political environment leads in which many officials avoid any activity that might attract negative attention not only hurts company access to key regulators, but can also slow down licensing procedures and investment approval processes. Even simple procedures that would benefit the local economy need to be vetted thoroughly before getting approval, at times increasing cost and resource input for the company.

Domestic Industry Association Engagement

Background
China has roughly 70,000 legally registered industry associations at all levels, around 700 of which are national-level associations. Industry associations remain influential because of their affiliation with government ministries, often a sub-division of a State Council ministry or commission. Many of these associations are staffed by retired government officials and are heavily involved in providing input to government regulators on policy development, standards setting, and other advisory functions important to government ministries' intent of building consensus. These organizations are frequently intermediaries between business and the government that provide advice to the government, often soliciting comments from companies—including foreign enterprises.

Most industry associations are organized by sector, as well as by their parent ministry. Some, like the MOFCOM-affiliated Chinese Association for Enterprises with Foreign Investment (CAEFI) and the China Association of Trade in Services, are cross-sector. Others are relevant only to companies in a given industry, like the China Petroleum and Chemical Industry Federation (CPCIF) affiliated under the State-Owned Assets Supervision and Administration Commission of the State Council. Some industry associations, like those under the China Council for the Promotion of International Trade (CCPIT), are hybrid groups made up of individuals, enterprises, and organizations. Companies tend to join the industry associations most relevant to their business and GA needs. See Appendix II for more information on industry associations in China.

USCBC members regularly participate in domestic industry associations, with 96 percent of companies interviewed integrating them into their GA strategies. However, their motives for participation vary and company internal structure often plays a role in how industry associations were utilized. In some companies, GA teams serve as the main interaction points with associations; in others, other departments engage with industry associations for sales or technical reasons, though their GA departments also have some interaction with such organizations.

Perceived Value of Engagement
Many companies review trade association memberships frequently, as often as every quarter, according to a number of different criteria. Beyond choosing associations for their direct relevance to business concerns, companies most frequently view influence with government as a reason for joining an industry association. This includes the ability to provide insight into regulations being formulated, the chance to comment on upcoming laws, and the opportunity to build relationships more directly with government officials. One company said that participation in industry associations is an easy way for smaller companies to build relationships with government officials they could not otherwise access.

Companies whose GA departments work closely with their business units also cite opportunities to engage with and market to potential clients as important criteria for evaluating trade association membership. Business units value the network and potential business opportunities industry associations can provide. Companies also find value in joining associations to work with other industry players to advocate regulators and solve industry-wide problems.

Companies also evaluate the quality and effectiveness of an industry association's events in determining whether membership would help strengthen GA functions. This is done through attempts to quantitatively evaluate outcomes that are achieved at events (e.g. – productive follow-up meetings with government officials or researchers, contribution to standards formulation, or some example of policy action), and whether or not the outcomes provide sufficient value to merit membership fees.

Methods of Participation
Companies most frequently participate in domestic industry associations through events and workshops. Such workshops give companies the opportunity to provide input on forthcoming laws and regulations and hear directly from regulators, who frequently participate in association events due to the associations' quasi-governmental status. Companies explained that if an industry association is truly effective, the right stakeholders in the

government will listen to their comments and concerns. Several company representatives who frequently participate in policy workshops hosted by domestic industry associations stated that the outcomes of these discussions are later communicated to government officials. One company also mentioned that these collaborative events make "industry associations easier to deal with than government officials," since events are a core function of the association and they provide access to policy influencers.

Other companies work with domestic industry associations beyond the pre-arranged events to address business and operational issues, particularly when there may be issues important to the entire sector. For example, one company was facing challenges related to customer complaints about their products, a problem shared by other companies in this sector. The company found the industry association to be an effective platform to form a collective framework to deal with the issue. The association provided the opportunity for industry leaders to discuss concerns with regulators on behalf of all industry players, hedging a risk of being singled out on an issue.

Domestic industry associations also provide a platform for companies to potentially shape the direction of an industry. For example, one company said that they try to predict which issues will affect the entire association and then work through the association to come up with solutions. Other companies have conducted research programs and invited experts or senior executives to speak on industry issues. These efforts to proactively create programming for an association can help to improve the company's reputation among other industry players and regulators and to ensure that the company's views are heard. Some companies also mentioned the value of working with industry associations to provide either research or training for government ministries. These cooperative efforts were valuable in the long-term, by creating opportunities to participate – even indirectly – in government policy creation processes, and developing a good reputation as a knowledge source for government stakeholders.

> ### Company Example 3: Administrative Licensing Support via Industry Association
> Company C was applying for an administrative license through NDRC. Though NDRC is the only official regulator in Company C's industry, it requested a letter of support from a particular industry association with which Company C was an active and respected member. After obtaining the letter of support, NDRC issued Company C its license.

Engagement Challenges and Limitations

Barriers to Full Participation

Companies have a range of opinions about their ability to fully participate in Chinese industry associations. Several companies said that paying the membership fee was sufficient to participate, and one reported that foreign companies were more active than domestic companies in its industry association. However, 42 percent of companies interviewed said they are limited in their ability to fully participate in all industry association activities because of their status as a foreign company.

Some companies noted their access challenges were a result of a direct competitor's key role within the association. That competitor would then have greater control over meeting agendas and association priorities, enabling them to limit the voice of other companies. In discussing ways direct ways in which their participation in limited companies noted the following three areas:
- Exclusion or limited opportunities compared to domestic firms to either comment on forthcoming regulations or participate in standard-setting discussions;
- Exclusion or limited opportunities to participate in meetings with regulators and domestic companies;
- Lack of voting rights in meetings that they are allowed to participate in.

Companies cited a number of different strategies to overcome these obstacles. Active and vocal participation in industry association events can ensure that, even if a company is unable to formally participate in drafting comments, their concerns are at least being heard by those companies who would participate and may help shape the debate. One company also cited the importance of banding together with other foreign companies to seek greater influence, though other companies cautioned that this cooperation should be done in a balanced way that does not draw unwanted negative attention to foreign companies.

Even with these mitigation strategies, companies still have concerns about their access to all industry association activities, and how representative the leadership of these associations might be of their industry. Some companies

questioned the ability of domestic industry associations to represent their companies in China. One company stated that, "no industry association in China is an industry association in its truest sense. They all have quasi-governmental functions, and are not truly representative of their members." Another company representative was "very disappointed" in a particular industry association that he believed was only exercising its clout as a quasi-governmental body and not interested in representing companies. The representative said that the association was "only interested in collecting membership fees from members, not in providing anything in return." These criticisms reinforce the need to conduct thorough due diligence before joining an industry association, and frequent reviews after becoming a member.

Limited Resources to Engage

Companies also face resource limitations that restrict engagement with industry associations. Twenty percent of companies stated that they had limited staff to attend events, funds for membership fees, or resources for cooperative projects to devote to industry associations. One company representative stated that industry associations "are only as valuable as you make them, which is determined by the time and resources you're willing to throw at them. Membership fees, staff attending meetings, and research resources all can be a big drain on budgets." Companies said these limited resources prompt frequent reviews of the outcomes of association participation to ensure that budgets were being utilized efficiently.

Think Tank & University Engagement

Background

Whereas many think tanks and academic institutions outside of China gain credibility through their independence from government institutions, for member companies in China, a close connection with the government can be seen as valuable. According to the [Think Tanks and Civil Societies Program](#) at the University of Pennsylvania, China has 426 think tanks—second only to 1,828 in the United States. Chinese think tanks and academic institutions are often headed by former government officials, as well as public intellectuals who have received degrees in the West. Financial contributions from SOEs and other private domestic companies also play a vital role in supporting think tank research projects. These organizations have become important government stakeholders, especially as China becomes more integrated into the world economy and in need of international expertise. Though some privately owned and operated think tanks do exist, the most influential think tanks remain state-sponsored. A more comprehensive list of top Chinese think tanks and universities can be found in Appendix III.

Relationships with think tanks, universities, and other academic institutions play an important and varied role in policy stakeholder engagement for USCBC member companies. More than 75 percent of companies indicate that academic institutions play some role in their GA strategy. Fifteen percent stated that while they do not have any current relationships with academic institutions via their GA department, they are actively seeking to better understand potential avenues for cooperation with such institutions.

Nearly all companies involved in some kind of partnership with think tanks and academic institutions said that a primary criterion for choosing a partner institution is its credibility and popularity among key government officials and agencies. Companies found it valuable to have direct communication with think tank leaders because it helps them to participate in and influence the policy-making process by publishing studies that they are confident will be considered by government decision makers. In addition, think tanks and academic institutions by nature tend to be more open to learning and working with foreign actors. More direct connections with these actors, many of which give recommendations relevant to legislation, allow companies to better understand content regulations, the legislative process, and how new regulations might impact their operations.

Given these criteria, a majority of companies indicated they have partnerships with a few major domestic institutions, most prominently the Development Research Center of the State Council (DRC, 41 percent), or Tsinghua University (32 percent). The Chinese Academy for the Social Sciences (CASS) was another common partner, as well as institutions that are tailored to specific industries, such as the Research Center for the Rural Economy or the Chinese Research Academy of Environmental Sciences. Relationships with these institutions promote cooperation in three principal ways: research projects, events, and informal meetings.

Forms of Engagement

Research Projects

Forty-one percent of companies that work with academic institutions indicated that conducting research projects is a main type of engagement. While many indicated that they hoped the research outcomes would ultimately inform policy debates, research projects also serve to strengthen a company's reputation as an industry leader. For example, one company made a substantial investment with an American university to partner with a Chinese think tank to conduct a large-scale survey of an issue that was important to the company and their industry. By leveraging its resources to connect experts in China with experts in the United States, this company was able to contribute to the policymaking process while boosting its reputation as a helpful resource for regulators.

Some companies engage in research projects as an opportunity to influence the broad direction of thought on a macro-level issue like intellectual property rights (IPR) enforcement, agricultural output, industrial efficiency, or environmental impact. These kinds of research projects offer long-term strategic value, but may have no immediate impact on the regulatory environment or company business goals. Other companies tend to focus their efforts on specific issues important to company goals, or on events that might yield tangible results in the near-term. These kinds of research projects may focus on the value of an investment in a particular region, or the benefit of the adoption of a specific standard.

Company Example 4: Research Projects on Macro-Level Issues

Company D has worked with a university since the early 1980s to better understand trends in IPR enforcement. By examining the social impact and changes in the legal environment or judicial capabilities of IPR enforcement in all industries, Company D is able to contribute positively toward better IPR enforcement and awareness—even if only in an indirect way. They have also developed a reputation for their expertise in IPR protection. A representative from this company explained that one cannot always know the exact value of this kind of research while it is being conducted, but that long-term strategy will ultimately benefit a company's business goals and the overall regulatory environment.

Events

Attending or supporting events and conferences organized by academic institutions also plays a primary role in companies' GA strategies. It is an effective way to not only contribute to policy debates, but to interface directly with regulators and policymakers. Many company representatives cited the China Development Forum (CDF), organized in part by the DRC, as an example. CDF is an annual high-level dialogue that attracts a high concentration of government officials, domestic and international academics, and corporate senior management. The dialogue is viewed as a unique opportunity for companies to engage high-ranking policy officials and influential stakeholders. Companies said the most effective way to take advantage of the CDF is to send their CEO or other senior management to present on a topic affecting their industry broadly, not just their individual company. Other well-known large events include the Fortune Global Forum in Chengdu, Sichuan and the Boao Forum for Asia in Hainan.

While high-level events serve an important purpose, companies also noted that smaller, more industry-specific conferences and roundtables with relevant regulators were an equally useful and, in fact, more focused means to engage working level regulators. These types of events and roundtables let companies interface directly with regulators and academics to get a sense of future policy trends and better understand what direction regulations or reforms will go in the coming months. Participating in events can also lead to productive follow-up conversations, potential collaborative projects, and "all-around better engagement with stakeholders."

Company Example 5: Forum Participation

Company E worked with an influential think tank on a three-year cooperative project to co-sponsor a policy forum on an issue closely related to its industry. Speakers from different sectors and backgrounds presented research on the topic, and Company E's China president spoke about his company's perspective. Because Company E was the only company participating—domestic or foreign— it was an opportunity to highlight it as an industry leader, as well as meet with officials and scholars who influence policy. Being in the room for this event also allowed Company E's representatives to identify trends for the year and engage with officials to better understand what direction policy will move in the coming months.

<u>Informal Meetings</u>
Informal meetings are another way to build good working relationships with academics. One company, facing new regulations in its industry, was able to approach a think tank official with whom it had a working relationship for clarification on how new laws would affect their business. Because the official was involved in formulating the legislation with regulators, he was able to help the company better understand the regulations.

Companies underscored the importance of these working relationships in ensuring their voice is heard in the policy debate. Multiple companies, despite having no formal relationship or research projects with think tanks, stated that they arrange meetings between visiting company experts and think tank officials or academics to ensure that company priorities are integrated into policy research. Overall, companies valued these individual meetings, reporting that they helped "guide the conversation" about regulatory development.

Engagement Challenges and Limitations
Even companies that maintain strong relationships with academic institutions noted that limited budgets and personnel severely restrict their ability to leverage these relationships. One interviewee advised that companies consider whether they have the proper internal resources to carry out academic projects before pursuing such relationships. This includes the appropriate personnel to evaluate scholarly papers, conduct research, and make effective use of the information. The resources and skills required to conduct this type of work may sometimes be quite different from standard GA responsibilities, though are necessary to ensure a company maximizes value from engagement.

Companies must also thoroughly vet their potential partners for quality and expertise, and continue effective communication throughout the duration of the project. Multiple companies cited instances of academic institutions conducting poor quality research, or concerns about institutions handing important research to underqualified researchers, or even students. Such problems, however, may be the result of poor communication and misaligned priorities. Multiple respondents stated that some companies may be more interested in working with researchers to build up a relationship with an influential institution, hoping eventually to get access to government regulators, rather than considering implementation of a project at hand. If a company is serious about producing high-quality research, it will invest time and energy to properly communicate research methodologies and goals to researchers. As with many business partnerships in China, the exercise should be highly interactive to maintain the relationship and ensure the quality of the work being done. For example, one company engaged in technical research stated that when working with a research institution, it brings in experts from the US to begin the project with domestic researchers in order ensure the quality of its investment.

Other less frequently cited examples of limitations on cooperation with academic institutions included concerns related to complying with FCPA. One company cited that participation in an event related to global industry pricing issues that it planned to attend as an observer was forbidden by its legal department out of concerns about the optics of participating. Interaction with individual academics may also be subject to FCPA scrutiny as well, as Chinese universities are state-run and researchers or professors can be considered government employees. One company representative said that it provides FCPA training for staff engaged in research partnerships, as they may not otherwise realize how interaction with a professor or research partner might have consequences. For further information on company compliance procedures, see USCBC's Best Practices for Managing Compliance in China.

> **Company Example 6: Research Partnership Challenges**
> Company F worked with a locally-based think tank in southern China to publish a study on the anticipated economic impact of a potential investment in hopes of gaining local government support. The research institute Company F partnered with produced poor-quality work, causing Company F to hire a third-party consultant to finish the research before the think tank could approve the project. Though the process was difficult, Company F still found it valuable to have research supported by the think tank because they are confident it will "be read by the right people, right up to the vice minister level."

State-Owned Enterprise Engagement

Background
Though subject to reform and, in some cases, privatization since the 1980s, SOEs continue to play an important role in the Chinese economy. International companies often encounter these firms as partners, competitors, and even regulators—sometimes simultaneously. There are currently 117 SOEs directly managed by the State-Owned Assets

Supervision and Administration Commission (SASAC); these firms control 53 percent of overall SOE assets, totaling over $5.8 trillion.[1] These SOEs are dominant in sectors like energy, telecommunications, finance, and logistics. The other 47 percent of SOE assets are controlled by nearly a hundred thousand companies owned by local governments around China.

Forty-six percent of companies interviewed indicated that relationships with SOEs play a role in their overall GA strategy. While this number is low relative to other stakeholder groups covered in this report, companies generally agree that SOEs are influential in policy decisions—though they disagree on the benefits of engaging via the company GA function.

Some companies find it beneficial to educate SOE leadership on company policy positions including how a policy might impact SOE operations. These companies note that SOE executives can have close relationships with policy-makers, thus increasing the clout of suggestions should they choose advocate on an issue.

Other companies are hesitant to engage with SOE counterparts on policy issues because of uncertainties on how the association will be interpreted in China and internationally. One company representative noted "we are quite particular about whom we allow to go to the government for us," indicating concern that an SOE might stray from their message in conversations with the government. Some companies seek to avoid association with certain SOEs, because of the impact it may have on their branding internationally.

Based on USCBC's research, there was no relationship between companies that have existing joint venture (JV) partnerships with SOEs and companies that include SOEs in their GA strategy. Though some companies with SOE JV partners indicated that their partners play a role in GA strategy, not all companies currently involved in JVs used their partners to access policy makers or influence policy.

Companies that choose to engage with their SOE counterparts do so in two main ways. First, companies leverage relationships with SOEs to achieve direct policy advocacy, often through meetings between company and SOE senior level management. Second, companies that have strong working relationships with their SOE partners use these arrangements for indirect advocacy as a means to build companies' reputation among regulators.

Direct Engagement

Companies that rely heavily on their JV partner to influence government policy maintain strong working relationships with the SOE's leadership. These companies maintain frequent engagement with SOEs throughout the year, such as when senior executives visit from overseas. Some companies that do not currently have formal partnerships with SOEs still engage them directly. Executives noted engaging with SOE leaders was an effective way for them to better understand government policy and build cohesion with domestic actors around policy issue important to the company. "No one can speak for international companies in China," a company representative said, "so we have to try and get domestic companies aligned with our goals and international best practices."

Companies also said that direct engagement with SOEs can be useful for solving licensing issues, contacting local government officials, and crisis management, especially when company and SOE interests were aligned.

Company Example 7: Crisis Management Via Engagement with SOEs

The Chinese government brought an anti-dumping case against Company G. This company reached out to an SOE in the same industry with whom they had a working relationship and communicated that pursuing the case would have hurt Chinese consumers – the SOE's customers. With direct and open communication channels, Company G was able to successfully gain the SOE's support. The two worked together to convey the problems that would be caused by the advancement of the case to the government. In the end, the Chinese government chose not to pursue the case. The company believes that support from the SOE was important in achieving this positive result.

Indirect Engagement

Twenty percent of companies indicated that they interact with SOEs through other parts of their business, either as clients or as competitors, in a way that holds some GA value. Though these kinds of interactions are not directly

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[1] http://qys.mof.gov.cn/zhengwuxinxi/gongzuodongtai/201407/t20140728_1118640.html

related to company GA functions, they are still useful in advocacy strategies. Indirect engagement would include relationships via sales teams or executive leadership that might build up company reputation in industry and position it as a potential source of input on regulations. Some executives also mentioned that just having a local SOE partner may improve company reputation and visibility with local governments.

> ### Company Example 8: Indirect Engagement with SOEs
> Company H is a wholly foreign-owned enterprise (WFOE), but has a number of SOE customers that purchase its products. As a part of the sales relationship that Company H has with its clients, they provide training on how best to use its products, which Company H's business units consider pre- and post-sales servicing. The company's business units will often approach its GA department requesting help for setting up these kinds of training programs. If the clients are known to have particular influence with regulators in a relevant industry, Company H's GA department will assist in organizing these training programs. Though representatives from Company H mentioned that resources are often scarce for these kinds of initiatives, they are a valuable way to build up the company's reputation as an industry leader among regulators.

Engagement Challenges and Limitations

Companies that have more formal relationships with SOEs mentioned that red tape and excessively bureaucratic processes often limit their ability to engage on any issue—business-related, GA-related, or otherwise. Beyond traditional concerns like IP infringement or leakage in JV partnerships, companies also mentioned that stakeholder engagement via SOEs can be complicated when their counterparts have conflicting interests, making long-term strategies such as reputation building or continuous policy advocacy difficult to achieve.

> ### Company Example 9: Challenges of Engaging SOEs
> Company I operates in a heavily regulated industry in China, and had to work closely in the domestic market with a state-owned competitor that lacked overseas expertise. As a show of goodwill, Company I worked to share its experience gained in overseas markets to improve their relationship with the SOE. However, the state-owned competitor used the knowledge it gained from its relationship with Company I to expand beyond the scope of the agreement, ultimately becoming a competitor to Company I in a third market, and providing little support to Company I's operations in China.

Appendix I:
Career Trajectories of Government Officials

A major political reshuffle is expected in 2017 when the 19th Party Congress opens, as nearly two-thirds of the current members of the Politburo will meet the 65-year age limit and retire. Though many companies interviewed stated that it was quite difficult to predict who will be promoted into the upper tiers of government or the Communist Party, USCBC has analyzed the work experience of current Politburo members, as well as the ministers and vice ministers of five different commerce-related government ministries with an aim to better understand trends that may exist in leaders' work histories.

Politburo
Current Politburo members began their careers in differing agencies, and have diverse career trajectories. However, their commonalities include:

- **Provincial and local government experience as a prerequisite**
  - All Politburo members have spent significant time as a senior official (above vice governor level) in provincial governments, with an average duration of 14 years. Local government experience is also important, with 71 percent spending an average of six years in local posts. Provincial posts may be viewed as good experience in dealing with a wide array of policy issues, rather than the more focused positions within central ministries.
  - More than 80 percent of current Politburo members have worked as provincial party secretaries. No other senior position—including ministerial-level leader or senior executive in SOE—was nearly as consistent on Politburo members' resumes.
  - Seventy-eight percent of Politburo members have spent an average of 5.8 years in local government. Local experience must be gained in early- or mid-career; no Politburo member has been at the local level since 2002.
- **Central government service is not essential to Politburo membership**   Although 74 percent of Politburo members have worked in the central government, such experience is not positively correlated with a Politburo position. Most members have never worked as lower staff members, nor served in the central government for more than 10 years in a row. Most did not work in the central government until they rose to very senior positions.
- **Most positions have general age requirements**   The average age of Politburo members is 62 and in the Standing Committee, the average is 64. Most Standing Committee members were appointed a full 20 years after they first rose to a vice minister-level positions.
- **Officials are well-educated, with experience in economic management**
  - Past generations of leaders that grew up in an era of political instability in China had more modest educational backgrounds. Thirty-nine percent of current Politburo members have a master's or graduate degree, and 21 percent have a Ph.D.
  - Though past studies have shown that high-ranking Chinese politicians tended to have more background in science and engineering, current Politburo members are more grounded in social sciences and the humanities. Fifty-six percent have a social science degree, 17 percent have a humanities degree, and 26 percent have a degree in science and engineering.
  - Eight Politburo members have strong academic backgrounds in economics; six majored in economics during college, while Chinese Premier Li Keqiang and Chinese Vice President Li Yuanchao received PhDs in economics under the same thesis advisor.

Table 1: Work Experience and Career Paths of Politburo Members

Work experience of Politburo Members						
	Central Government	Provincial Government	Local Government	China Youth League	SOEs	University, Media, or other
Politburo Members	85.7%	100.0%	71.4%	28.6%	42.9%	28.6%
Standing Committee Members	73.9%	95.7%	78.3%	43.5%	43.5%	34.8%

Average time spent in each type of organization, in years*						
	Central Government	Provincial Government	Local Government	China Youth League	SOEs	University, Media, or other
Politburo Members	10.4	14.2	5.8	7.6	10.8	7.3
Standing Committee Members	9.7	11.3	6.8	9	10	10.5

*This only includes those who have experience in those organizations. For example, if a person has never worked in SOE, then he is eliminated from the sample when calculating average SOE experience.

Ministers and Vice Ministers

USCBC examined the career histories of 56 total ministers, vice ministers, and assistant ministers from five central ministries relevant to our members—the National Reform Development Commission (NDRC), State Administration for Industry and Commerce (SAIC), Ministry of Commerce (MOFCOM), Ministry of Finance (MOF), and Ministry of Foreign Affairs (MOFA). For some of the below statistics, inspection team leaders have been excluded.

- **Central government agencies trend towards specialized backgrounds and often hire internally** Three-quarters of officials spent more than 15 years in the central government, with the average spending around 22 years. More than half have been promoted from the ministry where they began their careers.
- **Preferred experience varies between agencies**
    o Agencies that require more specific professional experience, such as region specific knowledge, language ability, or technical expertise, are more likely to promote internally. For example, over 90 percent of senior MOFA officials are promoted internally, a figure significantly higher than those seen in most other PRCG agencies.
    o Other agencies value more experience at the local level. Seventy-one percent of ministers and vice ministers in MOFCOM, MOF, and SAIC worked in provincial positions after they rose to director general (DG) or vice minister levels.
    o SAIC is a particularly clear example, with only 14 percent of their senior leadership having been promoted internally from central level SAIC. This is likely associated with the structure of SAIC, which is relatively small at the central level, with many local AICs positioned around the country.
- **Officials are well-educated with strong backgrounds in social science** Every official has earned an undergraduate degree, and nearly 30 percent have Ph.Ds. More than half of all officials also studied social science in college.

Table 2: Work Experience and Career Paths of Ministers and Vice Ministers

	Average Central Government Experience (in years)	Promoted from within the same agency		Percentage with Provincial or Local Experience	Average Provincial Government Experience (in years)	Average Local Government Experience (in years)
NDRC	23.8	41.2%	7 / 17	52.9%	6.3	6.4
MOFCOM	21.4	55.6%	5 / 9	77.8%	5.6	4.5
MOF	20.4	54.5%	6 / 11	45.5%	14.8	1
MOFA	27.8	91.7%	11 / 12	33.3%	0	2
SAIC	10.4	14.3%	1 / 7	85.7%	10	11
Average	22.8	53.6%		48.2%	8.6	5.5

Population Makeup		
	Total	Personnel
NDRC	17	1 Chairman, 11 Vice Chairmen (including 4 with ministerial level), 1 Secretary General (VM level), 4 Deputy Secretary General (VM level)
MOFCOM	9	1 Minister, 7 Vice Ministers, 1 Deputy Delegate of International Trade Talk (VM level)
MOF	11	1 Minister, 6 Vice Ministers, 4 Assistant Ministers
MOFA	12	1 Minister, 6 Vice Ministers, 5 Assistant Ministers
SAIC	7	1 Director, 6 Deputy Directors

Appendix II: Domestic Industry Associations

Overview of PRC Industry Associations

- More than 70,000 legally registered industry associations are active in China, approximately 700 of which operate on the national level.[2]
- Nearly all of the 700 national-level industry associations in China are affiliated with a State Council ministry or commission:[3]
    - Forty-three percent are affiliated with the State-owned Assets Supervision and Administration Commission (SASAC);
    - Thirty-seven percent are affiliated with other ministries or commissions under the State Council;
    - Four percent are affiliated with the All-China Federation of Industry and Commerce (ACFIC);
    - Three percent are affiliated with the China Council for the Promotion of International Trade (CCPIT); and
    - Thirteen percent include private, provincial-, or local-level associations.

Domestic Industry Associations
by affiliation

- Private, Provincial, or Local, 13%
- CCPIT, 3%
- ACFIC, 4%
- SASAC, 43%
- Other Ministries, 37%
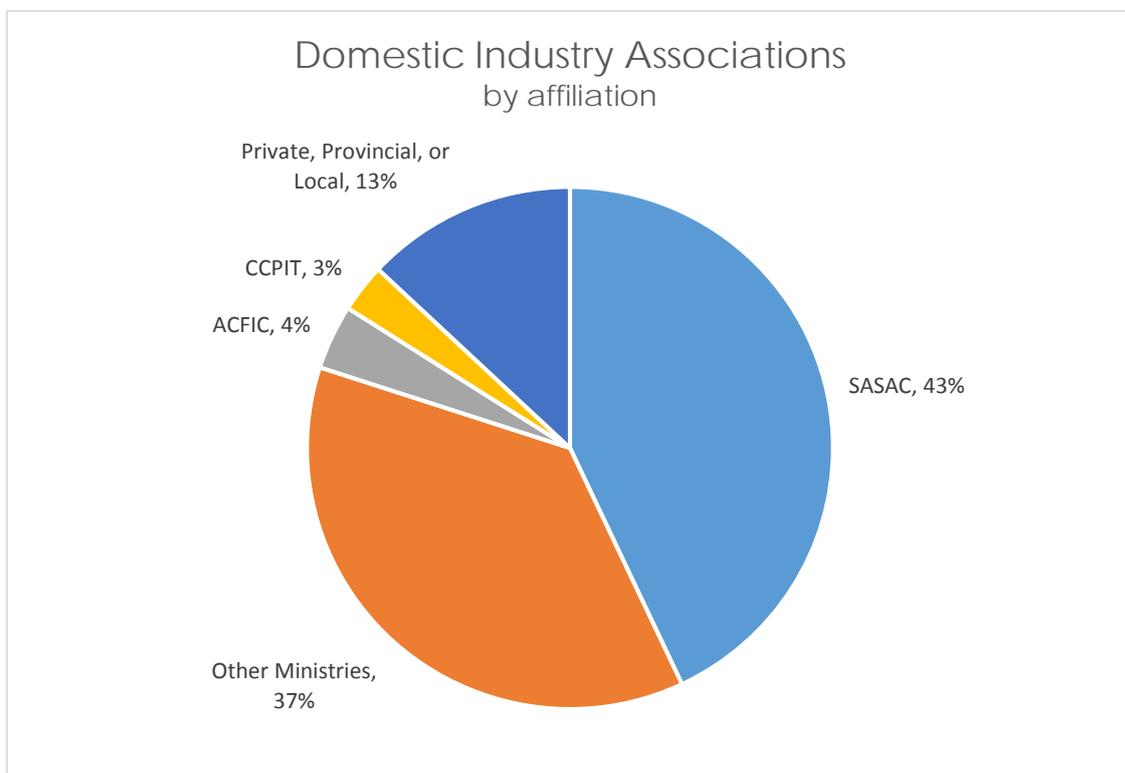
Examples of Industry Associations Under the Supervision of SASAC

16 Industry Associations Under Direct SASAC Management
• China Federation of Industrial Economics
• China Enterprise Confederation/ China Enterprise Directors Association
• China Association for Quality
• China Packaging Federation

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[2] http://gb.cri.cn/44571/2013/07/24/421s4193789.htm

[3] Big Business and Industry Association Lobbying in China: The Paradox of Contrasting Styles; By Deng, Guosheng; Kennedy, Scott; *The China Journal*, No. 63 , January 2010

• China International Cooperation Association of Small and Medium Enterprises
• China General Chamber of Commerce
• China Federation of Logistics & Purchasing
• China Coal Industry Association
• China Machine Industry Federation
• China Steel Industry Association
• China Petroleum and Chemical Industry Federation
• China Light Industry Federation
• China National Textile and Apparel Council
• China Building Materials Federation
• China Nonferrous Metals Industry Association
• China State-Owned Property Exchange Association

Source: http://www.sasaca.gov.cn/xhview.jsp?beginindex=0&xhlx=0

Other Ministries & Commissions

Examples of Industry Associations Under the Supervision of the Ministry of Commerce

MOFCOM includes 22 Industry Associations comprised of seven "chambers of commerce" (商会), eight "associations" (协会) and seven "academies" (学会).

MOFCOM Chambers of Commerce
• China Chamber of Commerce for Import and Export of Textile and Apparel
• China Chamber of Commerce for Import and Export of Machinery and Electronic Products
• China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
• China Chamber of Commerce for Import and Export for Light Industrial Products & Arts-Crafts
• China Chamber of Commerce for Foodstuffs and Native Produce
• China Chamber of Commerce for Import & Export of Medicines & Health Products
• China International Contractors Association

Source: http://www.mofcom.gov.cn/mofcom/shanghui.shtml

MOFCOM Associations
• China Association of Enterprise with Foreign Investment
• China Association of International Engineering Consultants
• China Association of Straits Trade Exchange
• China Shippers' Association
• China International Freight Forwarders Association
• China Association of Trade in Services
• China-Europe Association for Technical and Economic Cooperation
• China Council for International Investment Promotion

Source: http://www.mofcom.gov.cn/mofcom/shanghui.shtml

MOFCOM Academies
• China International Trade Academy
• China International Economic Cooperation Academy
• China WTO Study Academy
• China Convention Exhibition Event Society Academy

China International Council for the Promotion of Multinational Corporations
• China International Business & Accounting Academy
• China International Business & Statistics Academy

Source: http://www.mofcom.gov.cn/mofcom/shanghui.shtml

Examples of major industry associations under the supervision of the Ministry of Finance (MOF)
• China Association of Chief Financial Officers
• China Association of Assets Assessment
• The Chinese Institute of Certified Public Accountants
• National Debt Association of China
• Accounting Society of China
• China Association of Budget Accounting
• China Association of Abacus Mental Arithmetic
• China Academy of Finance
• China Academy of Rural Finance
• China Academy of State-Owned Assets Management

Source: http://www.mof.gov.cn/zhengwuxinxi/benbugaikuang/jgsz/bssydw/

Examples of major industry associations under the supervision of the Ministry of Industry and Information Technology (MIIT)
• China Electronic Components Association
• China Semiconductor Industry Association
• China Optics & Optoelectronics Manufacturers Association
• China Vacuum Electronic Association
• China Industrial Association of Power Sources
• China Electronic Production Equipment Industry Association
• China Electronic Instrument Industry Association
• China Electronic Materials Industry Association
• China Printed Circuit Association
• The Chinese Institute of Electronics
• China Vacuum Society

Source: http://www.ec.hc360.com/daquan2006/web/gljg/gljg.htm

Examples of major industry associations under the supervision of the Ministry of Environmental Protection (MEP)
• Chinese Society for Environmental Sciences
• Chinese Association of Environmental Protection Industry
• Chinese Environmental Protection Foundation
• China Environmental Culture Promotion Association
• China Forum of Environmental Journalists
• All-China Environment Federation

Source: http://www.zhb.gov.cn/dept/jgzn/znjs/

Examples of major industry associations under the supervision of the Ministry of Agriculture (MOA)
• China Association for the promotion of International Agricultural Cooperation
• China Society of Cooperative Economics
• China Agricultural Association for International Exchange
• China Association of Pesticide Development and Application
• China Dairy Association

Source: http://www.moa.gov.cn/homeinfo/201010/t20101019_1684008.htm

MOA's website lists 56 industry associations total.

Examples of major industry associations affiliated with the China Council for the Promotion of International Trade (CCPIT)
• China Chamber of International Commerce
• China Arbitration Law Research Association
• China Association of Foreign Service Industries

Source: http://www.ccpit.org/

Examples of major industry associations affiliated with the All-China Federation of Industry and Commerce (ACFIC)
• Membership Chamber of All-China Federation of Industry & Commerce
• All-China Federation of Industry and Commerce, Hardware and Electromechanical Chamber
• China Real Estate Chamber of Commerce
• Auto & Motorbike Parts Chamber of Commerce
• Chamber of Tourism All-China Federation of Industry and Commerce
• China Mergers & Acquisitions Association
• Medical & Pharmaceutical Commercial Association
• China Chamber of Metallurgy Industry
• China New Energy Chamber of Commerce
• China Science Technology Equipment Industry Chamber of Commerce
• Chamber of Urban Infrastructure

Source: http://www.acfic.org.cn/publicfiles/business/htmlfiles/qggsl/s141/200909/12205.html

ACFIC includes 32 industry associations in total.

Appendix III: Influential Think Tanks & Universities[4]

According to the Think Tanks and Civil Societies Program (TTCSP) at the University of Pennsylvania, China has 426 think tanks—second only to 1,828 in the United States. Many of these organizations hold influential voices in policy debates in China, especially as the nation continues to become more integrated into the world economy and needs more academic and international expertise. Though some privately owned and operated think tanks do exist, the most influential think tanks are state-sponsored.

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

#	Top Five Economic Policy Think Tanks
1	Development Research Center of the State Council
2	Chinese Academy of Social Sciences
3	China Center for International Economic Exchanges
4	Academy of Macroeconomic Research, NDRC
5	National School of Development at Peking University

#	Top Five Policy Development Think Tanks
1	Development Research Center of the State Council
2	Party School of the Central Committee of CPC
3	Chinese Academy of Social Sciences
4	National School of Development at Peking University
5	Center for China Studies at Tsinghua University

#	Top Five Cultural Development Think Tanks
1	Chinese Academy of Social Sciences
2	Development Research Center of the State Council
3	National School of Development at Peking University
4	Center for Historical Geographical Studies, Fudan University
5	Chinese Academy of Arts

#	Top Five Ecological Research Think Tanks
1	Development Research Center of the State Council
2	National School of Development at Peking University
3	China Institute of Energy Economics Research
4	Chinese Academy of Social Sciences
5	Shanghai Academy of Social Sciences

#	Top Five Influential Urbanization Think Tanks
1	Development Research Center of the State Council
2	Chinese Academy of Social Sciences
3	China Institute for Reform and Development
4	National School of Development, Peking University
5	Institute for Contemporary China Studies, Tsinghua University

#	Top Five Influential University Think Tanks
1	Peking University
2	Tsinghua University
3	Fudan University
4	Renmin University of China
5	Nanjing University

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[4] Source: Shanghai Academy of Social Sciences, 2013 China Think Tank Report

Appendix IV: State-Owned Enterprises

There are currently 117 SOEs directly managed by the State-Owned Assets Supervision and Administration Commission (SASAC); these firms control 53 percent of overall SOE assets, totaling over $5.8 trillion.[5] SOEs are dominant in sectors that have been traditionally considered strategic by the central government, including energy, Telecom, finance, and logistics sectors. Senior executives in these organizations are also appointed by the Communist Party of China (CPC) and hold the equivalent of a vice minister position, meaning these companies can hold the political weight of Chinese ministerial agencies.

In addition, there are thousands of locally owned SOEs formulated by municipal and provincial governments around China. Many of these SOEs traditionally were under the control of relevant sector regulators, though following a State Council decree in 2009, governments have been attempting to organize local SOEs under their local SASAC branches. For example, Beijing municipality now has 95 percent of its state-owned assets under the regulation of Beijing municipal SASAC. Other provincial regions like Guangzhou, Hubei, and Shanghai issued their own versions of reform framework. Some local governments (e.g. Shandong, Shenzhen) did not solely focus on consolidating SOEs under SASAC, but also had experiments on managing SOEs via state-owned investment holding companies.

Organizational Structure of SOE Governance		
	Regulatory Body	**SOEs governed**
Central-level SOEs	SASAC of the State Council	113 large non-financial SOE groups
	Non-SASAC Central ministries[6]	94 logistics/service/cultural business units of the central ministries
	MOF	5 national SOEs with significant non-market roles: • China Railway • China Post • China Tobacco • China Publishing Group Corp. • China Arts and Entertainment Group
Local-level SOEs	Local SASACs	Majority of the local SOEs through the integration of SOE management
	Industry Administration	Mainly SOEs in agriculture, financial industry, transportation, public services, etc. Examples include: • The Hainan Bureau of State Farms governs several local agricultural companies; • The Fujian Department of Finance is the largest shareholder of Industrial Bank Co. Ltd., a major bank based in Fujian; and • The Shanxi Bureau of Civil Aviation manages all the provincial airports in Shanxi.
Investment Holding Companies	Central Huijin Investment Ltd.	18 major financial SOEs. By the end of 2013, Central Huijin held stakes in six major state-owned banks including China Development Bank, the "Big Four" (ICBC, ABC, BOC, CCB), three insurance SOEs, four securities companies, two fund management companies, and three investment companies. It is not governed by SASAC.

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[5] http://qys.mof.gov.cn/zhengwuxinxi/gongzuodongtai/201407/t20140728_1118640.html

[6] SOEs managed by administrative or cultural institutions under central ministries will also be supervised by MOF. For example, China Culture Media Group (CCMG) is governed by Ministry of Culture as a central cultural SOE supervised by MOF. Some SOEs affiliated with central financial/social insurance/aviation/military authorities are still governed by relevant administration bodies.

	Provincial/City Investment Holding Companies	An alternative method of local SOE governance, especially for publicly listed companies and key industries. For example, the Shenzhen state-owned Asset Investment Holding Company controls Ping'an Group—one of the largest financial groups in China. Shanxi Investment Group manages Shanxi SOEs in its most important industry: coal.

Top 10 SASAC-managed SOEs[7]

SOE	China Ranking	World Ranking	Revenue (billion USD)
1. China National Petroleum Corporation	1	3	457.2
2. China Petrochemical Corporation	2	4	432.0
3. State Grid Corporation of China	3	7	333.3
4. China State Construction Engineering Corporation	8	52	110.8
5. China Mobile Limited	9	55	107.6
6. China National Offshore Oil Corporation	12	79	95.9
7. China Railway Construction Corporation Limited	13	80	95.7
8. China Railway Group Limited	15	86	91.1
9. Sinochem Group	17	107	75.9
10. FAW Group Corporation	18	111	75.0

Notable SOEs Managed by MOF and other Central Ministries

SOE	World Ranking	Managing Organization	Revenue (billion USD)
1. China Life Insurance Group[8]	98	MOF	80.9
2. Citic Group[9]	160	MOF	61.0
3. China Post	168	MOF	59.0
4. People's Insurance Company of China	208	MOF	49.6
5. Agricultural Development Bank of China	491	State Council	24.2

Notable SOEs Managed by Regional Government
(Provincial and Special Municipalities)

Name	World Ranking	City	Revenue (billion USD)
1. Saic Motor	85	Shanghai	92.0
2. Ping An Insurance Group of China	128	Shenzhen	68.5
3. Tewoo Group Co, Ltd	185	Tianjin	54.9
4. Baic Group	248	Beijing	43.3
5. Green Land Group	268	Shanghai	41.0

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[7] Data for these lists can be found at: http://www.sasac.gov.cn/n1180/n1226/n2410/n314259/n315134/15951889.html

[8] MOF does not exert significant influence on China Life and People's Insurance because it is the central organization department of CPC responsible for the appointment of executives of these companies.

[9] MOF is technically responsible for the supervision and administration of Citic group. However, Citic is relatively independent and was not described as one of the companies supervised by MOF in the 2013 SOE report.

6. Hebei Iron & Steel Group	271	Shijiazhuang	40.8
7. Shanxi Coking Coal Group Co, Ltd	290	Taiyuan	38.3
8. Jizhong Energy Group Co, Ltd	304	Xingtai	37.39
9. Shandong Energy Group Co, Ltd	305	Jinan	37.09
10. Shagang Group	308	Zhangjiagang	37.09

Notable SOEs managed by Central Huijin, a central Investment Holding Company

SOE	China Ranking	World Ranking	Revenue (billion USD)
1. Industrial and Commerce Bank of China Limited	4	25	148.8
2. China Construction Bank	6	38	125.3
3. Agricultural Bank of China	7	47	115.3
4. Bank of China Limited	10	59	105.6
5. China Development Bank	21	122	71.3