Foreign compliance risk, Part 1: Politics of business with China

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This is the first article of a three-part series on managing your company’s compliance risk with China.

It wasn’t so long ago—say 10 or 15 years—that an American compliance professional didn’t have to think very much about China. For much of the last three decades, China was where American companies went to make and buy stuff—cheaply. Although China calls itself a communist country (it actually isn’t), the “Red China” echoes of the Cold War began to fade with its “opening up” in the late 1970s, and with its World Trade Organization accession in the 2001. China compliance, therefore, largely involved the subspecialties of trade and product safety: getting Chinese-made products into the United States legally and making sure that they conform to US product safety laws.

Until quite recently, most Americans and their businesses didn’t see China as an adversary. Oh, how a decade can change everything.

These days China is letting the world know that there is a new kid on the block—a kid who demands respect and doesn’t necessarily want to play by the old rules. The affordable Chinese-made products that you snap up at Target have made China economically strong and its ruling elite fabulously rich. Along with that financial clout comes an increasingly assertive, one-party Chinese
government that owns or controls China’s largest companies, often doesn’t agree with your values, and demands compliance with its wishes. How powerful is China’s government? Influential China business lawyer Dan Harris recently put it this way, “President Xi and those at the highest echelon of China’s government can snap their fingers and thereby create a new business reality.”