

# Offending China

How cultural and historical misunderstandings  
can impact business.

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# Offending China – its government or its people – can have terrible consequences

- Loss of government contracts
- Consumer boycotts
- Official and unofficial blockades
- Costly rebranding



## There are many ways to run into trouble through “offending China”

- It can be your fault.
- It can be your government’s fault.
- It can be your government’s fault that you got caught doing something you shouldn’t.
- Or you can just get taken out of context.



# There are historical factors behind China's sensitivity

If you don't understand China, you will say the wrong thing at some point.

**Socially, that can be OK. Professionally, it isn't.**

- **The Opium Wars** (1839-1842 and 1856-1860) were the first major modern interactions between China and the Western Powers. They were a humiliation for China. China was forced to cede Hong Kong, and later open Treaty Ports, and to open its markets – particularly to opium – under unfavourable terms.
- China was then wracked by civil unrest and economic disaster. The Empire fell in 1911, and the Republic of China was proclaimed. The next 38 years saw civil war, exploitation by foreign powers, and occupation of large parts of China by Japan.
- Even after the 1949 proclamation of the People's Republic of China, the very existence of Hong Kong and Macau was a humiliation – 0until 1997 and 1999 respectively – and the continuation of the Republic of China on Taiwan is still an embarrassment to the Communist Party.
- Before the Opium Wars, China had the biggest economy in the world. It then endured more than 150 years of poverty, and of humiliation on the world stage, and is only now regaining its position.
- **These are issues that we need to tiptoe around.** Comments that might be seen as OK, or as perhaps mildly offensive, when dealing with any other country can be disastrous in China.
- There are other examples, relating to other issues. But this one is relevant later in the presentation.





# Offensive ad campaigns

## Dolce & Gabbana chopsticks ad

- In 2018, Dolce & Gabbana ran a “comedy” advert in which a Chinese model attempted to eat western foods with chopsticks, and a narrator mispronounced the Dolce & Gabbana name in a Chinese way.
- Subsequent allegations of racism against Stefano Gabbana made things worse.
- The backlash was entirely predictable, and D&G had to cancel its fashion show and cancel its ad campaign.
- It lost its China brand ambassador, and lost significant sales.



- This was obviously going to offend people. But there are cases where it's far less obvious.

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### D&G是如何把自己“作死”的？背后的真相原来是这样.....

2016-11-21 18:26 环球网微信公众号 820 参与

今天，相信大家都被西方国际服装品牌Dolce&Gabbana（中文名为“杜嘉班纳”，本文以下简称DG）“辱华门”的事情给刷屏了，而圈内众多原本将参加该品牌活动的明星纷纷站出来抵制该品牌的举动，更让事情进一步升温。

可查阅发现很多报道并没有说清楚为什么这个跟我们中国人扯的国际知名时装品牌，在他们马上就要在上海举办时装周的时候，会突然干出这种蠢事。

所以，查阅这篇文章主要是给大家更详细地讲讲前因后果。

一组引起争议的广告

这个事情的火药，其实是DG为了推广他们即将在上海举办的一场大型时装周活动发布的一组名为“起筷吃饭”的广告。

而这组总共三期的广告描述的是一个华裔美女用筷子吃意大利美食，却发现筷子和意大利美食并不怎么搭配的过程。DG曾表示这组广告是一个名为“DG爱中国”的系列活动的一部分。

# Offensive ad campaigns

Philips Genie mobile phones.

- The Philips Genie mobile phone was launched in 1999.
- Philips launched a global advertising campaign, with big people next to little monuments.
- A giant woman leant on the Eiffel Tower, while making a phone call. No problem.
- A giant man leant on the Leaning Tower of Pisa, while making a phone call. No problem.
- But a giant – white – man sat on the Great Wall, like it was a bench, and made a phone call. This was, apparently, a national humiliation.
- There were demonstrations outside Philips' China offices. There was a massive consumer boycott – and this was in the days before social media.
- Philips had to apologise, withdraw the adverts, and launch a whole new global campaign for the phone.
- I can't find any pictures of those adverts. That's how much effort Philips have put into eradicating this.

# Whisper it..... Taiwan

**Never say – or even suggest – that Taiwan is not part of China.**

- Through much of the 1930s and 1940s – even when they were both fighting the Japanese – the Nationalist Kuomintang (KMT) and the Communist Party CCP were fighting each other in a civil war.
- Fighting ended in 1949. The KMT withdrew to Taiwan.
- **Both the KMT and the CCP say there is one China, and that Taiwan is part of that country.**
- The KMT says that one China is the Republic of China (“ROC”). The CCP says that one China is the People’s Republic of China (“PRC”).
- Don’t get the two confused.
- Don’t ever say that Taiwan is not part of China. Mainland China will always see that as an insult. Beijing sees Taiwan as a renegade province.
- Never leave Taiwan off of a map of China. This is an insult to China, and it will get you into trouble.
- And while we’re at it... Be careful about the 11-dash line.





# When you suggest that Taiwan is not part of China

## Qantas

- In 2018, Qantas was one of 36 airlines told to stop calling Taiwan a country.
- Qantas agreed, and was given an extension to its deadline. But it still had to spend time and money to change its website.

## Marriott

- In Marriott referred to not only Taiwan, but to Hong Kong, Macau and even Tibet as separate countries in a questionnaire.
- China's Cyberspace Administration said Marriott had "seriously violated national laws and hurt the feelings of the Chinese people".
- Marriott had to apologise, shut down its website in China for a week – missing out on many bookings – and publicly condemn "separatists", which caused problems in other markets.

# Media beat-ups are a common “grass-roots” method of attack

**KFC tainted chicken scandals.**

**Danone’s hospital formula bribery scandal**

- Neither of these started with official government action against the company.
- Both started as media investigations or highly-subjective media reports.
- These led to consumer boycotts or consumer avoidance.
- But most of China’s media is State-owned and State-controlled.
- In an environment where traditional media and social media are separated from their international counterparts, it’s easy to build up a wave of outrage.



# Media beat-ups

## KFC

- During times of strained US-China relations, a series of “investigative journalist” reports found problems with KFC in China. These have included:
  - Excessive antibiotic use in chickens.
  - Rotten meat and meat from the floor being thrown back into supplies.
  - Sick and dead chickens being bought from farms and sold as fresh meat.
- In all cases, KFC wasn't the problem – although it had messed up on supply-chain management. The problems were with Chinese suppliers.
- But KFC was demonised, and sales took a big hit – 14% store-on-store just from the 2014 rotten meat scandal.
- KFC is somehow seen as representing America in these issues in a way that other companies aren't. KFC is often the first company to take a hit when Sino-American relations decline.

## Danone

- In 2013, an “investigative” report on CCTV showed that Danone sales managers were bribing hospital staff in Tianjin to push new parents to use Dumex formula.
- This was common practice in the sector, but only Danone was hit by the scandal.
- A few months earlier, Danone was one of six formula-makers found guilty of price-fixing in China. Danone was the only one that hadn't self-flagellated enough.
- Sino-French relations were not great at the time, due to French arms sales to Taiwan (which is part of China!)

# Sometimes it isn't the company that fails to understand China, but its home government.

- Australia's exports to China are in freefall in many sectors.
  - Barley exports have fallen by almost 100%.
  - Wine exports have collapsed.
  - Cotton exports have fallen to almost zero.
  - Timber exports have almost stopped
  - Ships full of Australian coal have been sitting off the Chinese coast for months.
  - Post-covid, we'll see the impact on education and tourism.
  - If the situation doesn't improve, dairy and wheat could be the next victims.
  - China is even searching for alternative supplies of iron ore.
- Much of this has happened because the Australian government does not understand China.
  - A relationship that was already difficult was made worse by unwitting offence.



# When your government destroys your China business.

- These exports have fallen for a number of reasons.
  - A punitive “anti-dumping” duty was imposed on barley.
  - An anti-dumping investigation has been launched into wine, and pre-emptive provisional duties have been imposed – this is very unusual.
  - Chinese cotton importers have been informally told to stop buying Australian cotton..
  - Timber is supposedly infested with pests.
  - Coal was first subject to delayed “quality inspections”, and then Chinese coal importers were told to stop buying Australian cotton.
- In each case, the Chinese move came as a reaction to an Australian action or statement.
  - Blocking Chinese access to Australian markets.
  - Domestic political moves seen as “anti-China”.
  - Military manoeuvres
  - Other factors.

# When your government destroys your China business.

- But the single most important issue was one Australian government move that totally misunderstood China.
  - In April 2020, Australian PM Scott Morrison called for an investigation team with “weapons-inspector-style powers” to go to China to investigate the origins of Covid-19.
  - Everyone – even China – wanted an investigation of some sort. But only Australia called for the “weapons-inspector-style powers”.
  - This would have been crass and insensitive in dealings with any country. Australian and US leaders called for hostile investigations.
- But in China, the Australian move raised the spectre of the Opium Wars and extraterritoriality.
  - Extraterritoriality after the Opium Wars was a sign of Chinese weakness and humiliation.
  - It was seen as a major reason for the Qing Dynasty to lose the “Mandate of Heaven”.
  - Australia’s move was seen as a threat to Chinese sovereignty.
  - Australia’s move was seen as a threat to the legitimacy of CCP rule.
  - **Australia did not understand how it was causing offence, and did not understand the long-term consequences.**

# When your government destroys your China business.

- Other countries criticise China, but their companies don't suffer in the way Australian companies do.
  - This was not the case before April 2020.
  - The relationship was difficult, but trade continued to grow.
  - Australia is now in a different position to all other countries. Moves that other countries can get away with are disastrous for Australia. Japanese and Indian companies weren't punished the October 2020 Quad military exercises, but Australian companies were.
  - This is all a result of the call for extraterritorial powers for the Covid-19 investigation team.
- **Australia still doesn't understand the situation.**
  - We're treating anti-dumping duties and other barriers as a trade issue rather than a symptom of a geopolitical issue.
  - Our Trade Minister doesn't understand why his Chinese counterpart won't pick up the phone.
  - And this is because our government has made no effort to understand China.

## Misunderstanding goes both ways

- The mistrust is mutual, because many in the Chinese government don't understand Australia.
  - Many don't understand how democracy works: what an opposition politician is, or what a backbencher is. So a statement by a politician is seen as being a statement by the government.
  - They don't understand "core" and "non-core" political promises.
  - They don't understand how a free press works.
  - All of this creates massive scope for misunderstanding and mistrust.
- It is essential for governments to have experts in place who understand their major strategic partners and competitors. And for those governments to listen to those people.
  - In Australia and China, this is not the case.



## Other countries can learn from Australia's mistakes

- No-one is saying you can't criticise China.
- But governments and companies have to understand China, its culture and its history.
- They have to understand what works and what doesn't, and what the consequences of their actions will be.

Thank you.