

## CHINA'S PUBLIC DIPLOMACY

International companies face increasing reputational risks

By Kerstin Lohse-Friedrich

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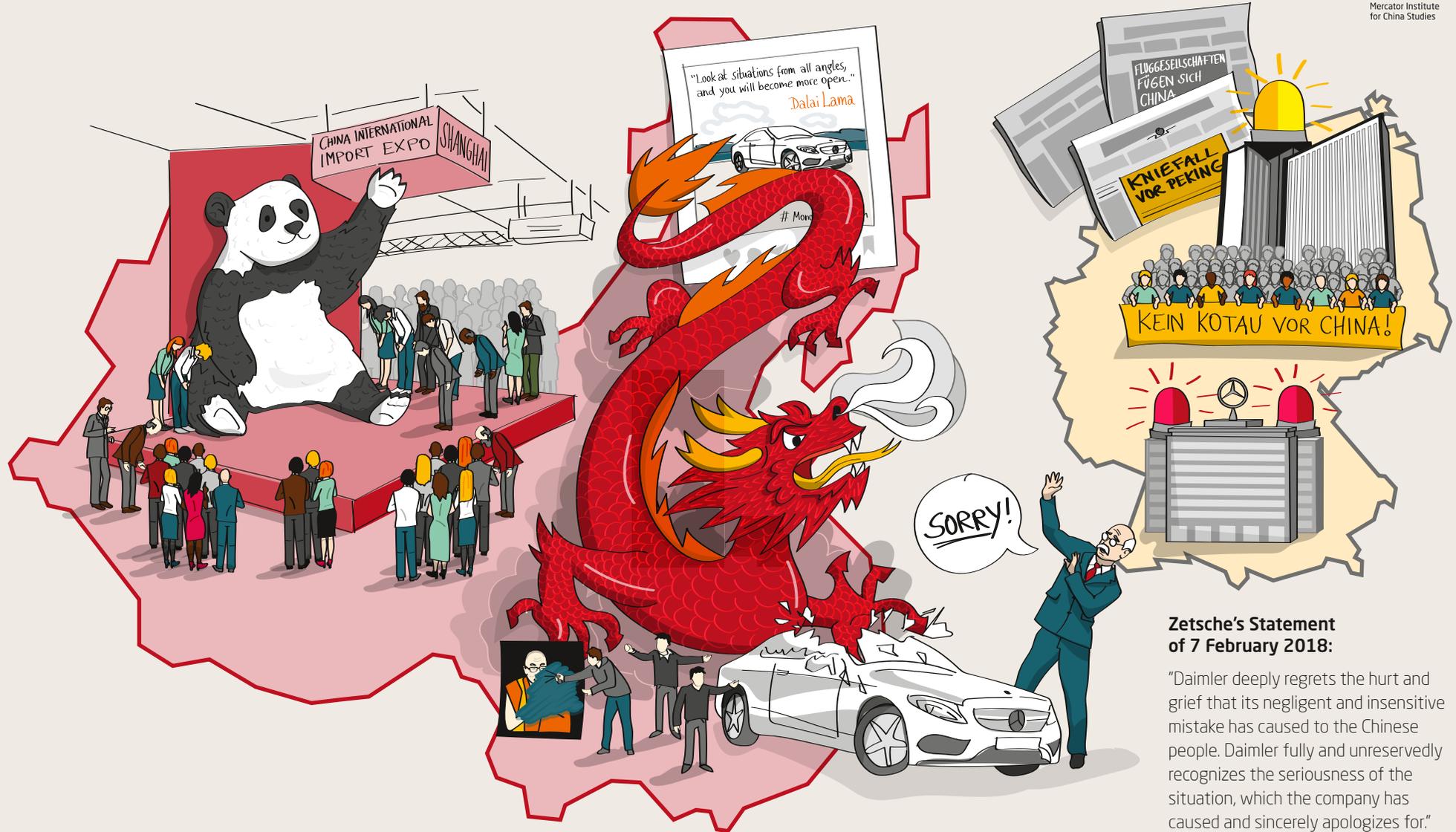
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## MAIN FINDINGS AND CONCLUSIONS

- **Since 2017, China has criticized ever more openly communication campaigns launched by international companies outside its borders** that directly or indirectly address Chinese issues.
- **Beijing is using its economic power** to assert its own geopolitical agenda or to promote its own initiatives, such as the Belt and Road Initiative (BRI).
- **The Chinese government has at its disposal a powerful tool with which it can target foreign companies.** It can engender and mute (social) media debate in a very targeted way. At the same time, state control over the media and the internet mean foreign companies have a hard time addressing Chinese stakeholders and the public, especially in crisis situations.
- **International companies face a dilemma in crisis management.** If they bow to pressure from the Chinese government, they can easily come under fire abroad - from the media and customers. But if these companies do not follow Beijing's suggestions, they risk being attacked in the Chinese media, boycotted by customers, or obstructed in their daily work.
- **These developments are creating uncertainty.** Foreign companies have to adapt contingency plans and crisis-prevention techniques, and factor into their communications campaigns Beijing's sensitivity to "misconduct" that it increasingly likes to instrumentalize.
- **At the same time, it is important to document instances of untoward criticism from Beijing, and to raise them with Chinese counterparts** through trade associations or government.

# The many faces of China's public diplomacy

Beijing's attempts to influence foreign companies confront them with global reputational risks



## Zetsche's Statement of 7 February 2018:

"Daimler deeply regrets the hurt and grief that its negligent and insensitive mistake has caused to the Chinese people. Daimler fully and unreservedly recognizes the seriousness of the situation, which the company has caused and sincerely apologizes for."

# 1. China's public diplomacy is increasingly taking aim at international companies

German camera manufacturer Leica wanted to pay tribute to heroic photographers with an advertising video. One of the featured photographers had taken a picture of a young Chinese man standing in front of a tank in the center of Beijing in June 1989. Soon after the video<sup>1</sup> became available in China via streaming services in April 2019, Weibo users reacted angrily: “#Leica insults China,”<sup>2</sup> they posted. In January 2018, the US hotel group Marriott sent its customers a questionnaire that treated China, Hong Kong, and Macao as distinct regions. The Chinese government blocked the website for a week.<sup>3</sup> German carmaker Mercedes-Benz in February 2018 published an Instagram post quoting the Dalai Lama. The text led to widespread indignation in China, even though the social media service is blocked there.

These three examples are by no means isolated cases. The list of companies with similar stories to tell can be extended - Audi, Delta Airlines, Dolce & Gabbana, Gap, Lotte, MAC, Medtronic, Skoda, Zara. Since 2017, communication campaigns launched by all of these international corporations were publicly criticized by China - often even sanctioned - even when the campaigns were not targeted at the Chinese market. Most of the companies had no choice but to apologize in Beijing so as not to jeopardize their market position.

Beijing's efforts to use China's economic power to enforce its standards internationally are a new challenge companies have to take seriously.<sup>4</sup> This reflects two trends: Firstly, China has become an important market for many companies, if not their largest single market in the world<sup>5</sup> - in other words, the Chinese government and public have become influential stakeholders for many companies; secondly, Beijing in recent years has greatly stepped up its efforts in the field of public diplomacy to convince foreign audiences of Chinese views - and the Chinese leadership has proved ever more willing to focus on international companies when it comes to asserting Beijing's geopolitical ideas or gaining support for its initiatives.

The Chinese Foreign Ministry in 2004 created a department for public diplomacy under the purview of the information department. An extensive network of state actors, state-financed media, and public-diplomacy instruments has appeared since then. This article looks at China's public diplomacy efforts and takes them to encompass the various activities of the Chinese party and state leadership that serve to propagate their ideas, values, and (geo) political ideals.

Public diplomacy includes instruments that can, on the one hand, coerce or incentivize cooperative behavior, and, on the other hand, sanction undesired behavior. It is essential to understand these instruments can have an effect on corporate communications activities outside China. Public diplomacy has to be treated as a corporate risk that continually has the potential to turn into a cross-border organizational and reputational crisis.<sup>6</sup>

**Most of the companies had no choice but to apologize in Beijing so as not to jeopardize their market position.**

## 2. China's diverse public diplomacy

Foreign companies have learned to deal with China's public diplomacy in various ways in recent years (see also Fig. 1). The author's sample of cases that have become public knowledge suggests that business-to-consumer (B2C) companies are more prone to outside influence than business-to-business companies. This, for one, is due to the greater prominence of B2C businesses and the resulting higher reputational risk (customer boycotts). Forms of Beijing exerting influence vary between public attacks via social media, in which alleged misconduct by companies is decried, and pressure or incentives to steer a company towards adopting the desired behavior and showing itself co-operative.

- **Criticism of alleged "misconduct":** Companies are being told more and more often that they should represent Taiwan, Hong Kong, Tibet, and Macao as part of China on maps, websites, or in customer surveys in order to align with China's geopolitical understanding of those regions. This is often done by means of a notice to local employees. More recently, however, such instructions have been handed down very publicly using social media. An entirely new degree is the care with which China since early 2018 has been systematically reviewing company websites to find out how companies are describing Taiwan.

"And [Chinese authorities] are doing this ever more strictly and consistently. Alone the fact that they are looking so meticulously is something quite new."<sup>7</sup>

- **Sanctions:** Marketing measures – like those by Daimler or Marriott – that Beijing deems to constitute "misconduct" were prominently featured in party-state media in order to raise the pressure on companies. The Chinese side pressed for public apologies – apologies that were meant to be heard not only in China, but also internationally.
- **Integration/pressure to cooperate:** Foreign companies are asked by the Chinese whether they would like to join Chinese initiatives and activities such as the Belt and Road Initiative (BRI) or the China International Import Exhibition (CIIE). China did this in the midst of the trade dispute with the US to present itself as a major importing nation with an open market. But the import fair, for one, was not particularly attractive for companies. Covering many sectors, the event did not attract specialist buyers that placed orders.

"[Chinese officials] then besieged us heavily – from the consulate in Frankfurt – and also my boss in Shanghai and myself: You have to take part."<sup>8</sup>

"My company was asked to take part in this fair, in order to give the event the right level of importance (...) If we hadn't been asked, we wouldn't necessarily have had this fair on our radar."<sup>9</sup>

In the past, China had already shown an interest in getting companies to encourage a pro-China atmosphere in their home countries. What is new is that companies are being given an active role as part of an over-arching concept.<sup>10</sup> Companies such as Siemens have been very willing to pick up the ball and run with it, for example as advocates for the BRI initiative.

### WHAT KINDS OF THINGS DRAW BEIJING'S CRITICISM?

- **Marketing campaigns** – for example, Mercedes-Benz's Instagram post with a Dalai Lama quotation; Marriott's customer questionnaire that treated Taiwan, Tibet, and Hong Kong as distinct countries; Leica's advert referring to civil unrest in 1989).
- **Company websites and presentations** – for example, by Audi, Delta Airlines, Zara, or Medtronic that do not depict Taiwan as integral to China).
- **Products with maps of China that Beijing deems "incorrect"** – even when they are sold only beyond China's borders, like, for example, a Gap T-shirt in Canada.
- **Perceived "political misconduct" by foreign governments** that leads to proxy conflicts – for example, South Korean supermarket chain Lotte was sanctioned after the government in Seoul installed US anti-missile systems on company property.

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Figure 1

## Hong Kong protests, the Dalai Lama and “incorrect” maps: Foreign companies and China’s public diplomacy

Select cases between March 2017 and October 2019



**Germany:** Audi is at the center of a firestorm on Chinese social media after the company used maps of China at a press conference that Beijing held incorrectly represented Taiwan and two Tibetan territories.



March 2017

**South Korea:** Supermarket chain Lotte faced sanctions and calls for a boycott after it allowed the government in Seoul to install US anti-missile systems on company property.



**UK/Germany:** Beijing calls on publishers (Springer Nature, Cambridge University Press) to stop readers in China accessing articles containing terms like human rights, Tiananmen, Cultural Revolution.



Oct./Nov. 2017

**USA:** Hotel chain Marriott is at the center of furor on Chinese social media after conducting a customer questionnaire that treated Taiwan, Tibet, and Hong Kong as countries distinct from China.



**Germany:** Carmaker Daimler is heavily criticized and has to apologize twice after subsidiary Mercedes-Benz published an Instagram post containing a Dalai Lama quotation.



January 2018

**Worldwide:** China’s civil aviation authority demands that 36 airlines worldwide amend their booking systems so that Taiwan is identified as a part of China. Before the deadline of 25 July 2018 set by the CAAC, many airlines stop using the stand-alone name Taiwan as a destination, instead referring to Taiwan, China or simply Taipei.



February 2018

April 2018

**USA:** US clothes retailer Gap is faced with a social media uproar and has to apologize after it sold a T-shirt in Canada that depicted China without Taiwan as integral to it.



May 2018

**Germany:** Camera manufacturer Leica wants to pay tribute to heroic photographers in an advertising video. One of the featured photographers had taken a picture of a young Chinese man standing in front of a tank in the center of Beijing in June 1989. After criticism from China, the company distances itself from the clip.



**USA:** Nike halts the sale of Undercover sports shoes in China after its Japanese designer shows support for the Hong Kong protests in an Instagram post: “No extradition to China”. Following a backlash from Chinese social media users, Undercover deletes the post, describing it as an “individual opinion” that was put up in error. Several Chinese retailers withdraw the shoes from sale without explanation.



April 2019

**Hong Kong:** Cathay Pacific CEO resigns amid Hong Kong protest row. The airline ran into trouble in early August when he told staff the airline would not stop them from joining the demonstrations sweeping Hong Kong. A week later he changed his stance following intense pressure from the Chinese government and a consumer boycott on the mainland.



August 2019

**USA:** Houston Rockets’ General Manager Daryl Morey tweets his support for the Hong Kong protests, triggering a huge backlash in China. CCTV halts live broadcasting of NBA games and Chinese sponsors withdraw their cooperation with the NBA. Chinese government officials are reported to have requested Morey’s dismissal. Meanwhile the NBA Chairman stresses the meaning of freedom of speech.



October 2019

**France:** French luxury brand Dior extends its ‘deep apology’ to China. The fashion house got into trouble when a video appeared on China’s Weibo social platform showing an employee in front of a map of China that didn’t include Taiwan.



Graphic was updated in November 2019.

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### 3. What impact can China's influence have on international companies?

Companies that all too publicly submit to Chinese pressure risk losses in their international reputation. But if they resist the pressure from Beijing, they risk economic losses and impediments to their operations in China – this at worst means customer boycotts or the kind of punitive measures experienced by South Korea's Lotte. The supermarket chain was weakened by a diplomatic conflict between China and South Korea that lasted for more than a year. The nature and duration of conflicts between China and foreign companies vary greatly – and they don't always lead to a corporate crisis. German companies saw most of their disputes with China settled within a few days. At the same time, Daimler in 2018 suffered Beijing's censure for "only" a week – demonstrating that it can take no time at all for China's criticism of a foreign company's behavior to become

a **cross-border crisis**. Any crisis can shift from host country China to the company's home country very quickly.<sup>11</sup>

#### 3.1 THE DAIMLER CASE: A DALAI LAMA QUOTATION TRIGGERS A CRISIS

Daimler's experience in February 2018 shows what it can mean for a company when its marketing and communication activities fall under the scrutiny of China's leadership. As far as the Chinese leadership was concerned, the company obviously crossed a red line when on 5 February 2018 it posted a quotation by the Dalai Lama, the 1989 Nobel Peace Prize winner, on Mercedes-Benz's global Instagram account.<sup>12</sup> Although the social media service is not available in China, the post caused indignation there. The ensuing public relations crisis had to be resolved in China – but affected the company's reputation across the globe.

Chinese criticism of a foreign company's behavior can turn into a cross-border crisis.

Figure 2

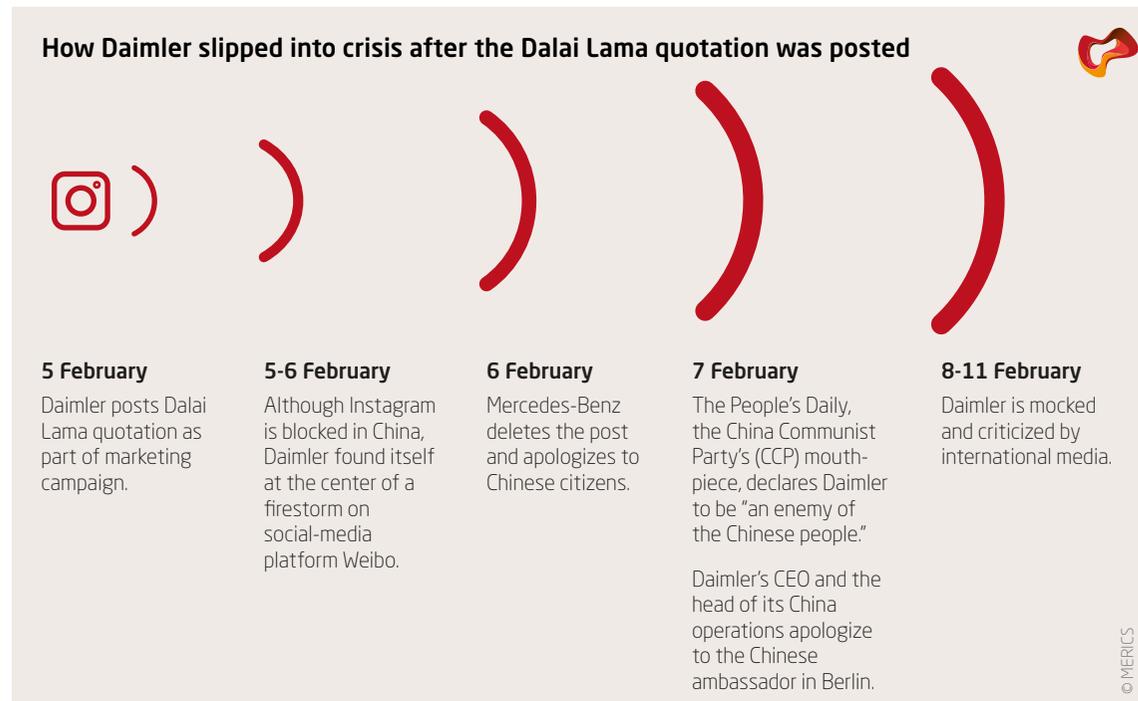
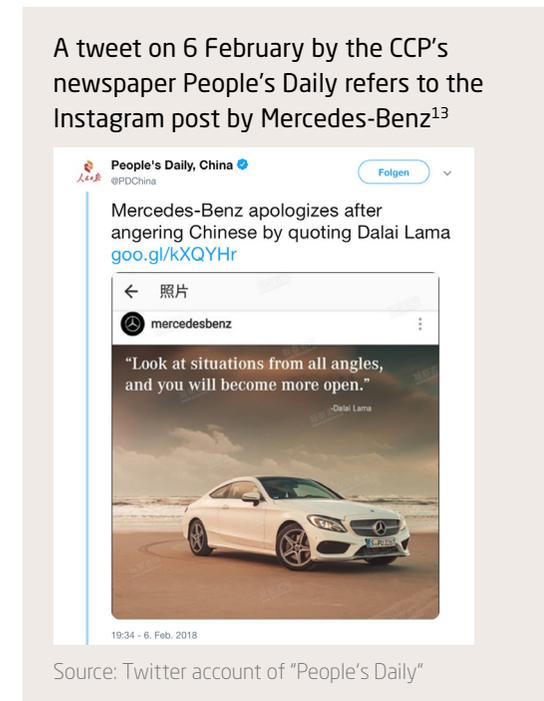


Figure 3



## TIMELINE: DAIMLER'S SLIDE INTO CRISIS

### Monday, 5 February 2018

- The agency Elbkind, working exclusively for Daimler, posts the Dalai Lama's quotation "Look at a situation from all sides, and you will become more open" under the hashtag #MondayMotivation on the Instagram channel of Daimler's core brand Mercedes-Benz. Although the photo-sharing service is blocked in China, the words cause great agitation there. It is no longer possible to reconstruct whether the entry was first noticed by private users or by Chinese officials who then deliberately distributed the post.

### Tuesday, 6 February 2018

- Daimler deletes the Instagram post and publishes a statement on China's state-controlled social media network Weibo. In the statement, the company apologizes for "the hurt and grief ... [it] has caused the Chinese people" with "a negligent and insensitive mistake".<sup>14</sup> The company promises to "promptly take steps to deepen our understanding of Chinese culture and values" and to ensure that such an incident will not happen again.
- Daimler later publishes another apology on Instagram.
- International media begin reporting the incident.
- The CCP's newspaper People's Daily tweets that Mercedes-Benz has apologized and publishes a screen shot of the original – and by then deleted – Instagram post (Figure 3).

### Wednesday, 7 February 2018

- The People's Daily publishes an editorial calling the carmaker "an enemy of the people."
- The English-language party newspaper Global Times quotes WeChat posts that complain that Mercedes-Benz China apologized, even though the mistake was made in Germany.

"That means: The Germans think that they did nothing wrong and it would be enough to just dispatch the Chinese unit to apologize and that you [Chinese] would continue to buy Mercedes-Benz cars."<sup>15</sup>

- CEO Dieter Zetsche and Daimler Greater China CEO Hubertus Troska send a letter of apology to the Chinese ambassador in Germany. In it, they emphasize that Daimler has no intention of questioning China's sovereignty and territorial integrity and would not support anyone interested in doing so. The Chinese Embassy in Berlin publishes the apology on its website, the first time anything becomes known about the letter.
- Critical comments begin to appear in foreign media - Daimler "sold its soul," says one.<sup>16</sup>

### Thursday, 8 February 2018

- China's state news agency Xinhua publishes a story about the letter of apology from Daimler managers Zetsche and Troska.<sup>17</sup>
- Daimler confirms the existence of the letter. The company tells foreign media:

"As a global company, we respect China as we respect all our markets with their different value systems."<sup>18</sup>

- International media react to Daimler's stance with ridicule and mockery and also criticize the way in which the company apologized to China.

### Sunday, 11 February 2018

- The German-language website of the Chinese government, German.China.org.cn, publishes an opinion piece with the headline "Daimler's missed quote should be a reminder to foreign companies". Among other things, the text notes:

"Daimler's mistake is just one of a string of incidents in recent weeks in which a foreign company used distorted facts to advertise its products and thereby seriously impinging on Chinese sovereignty."<sup>19</sup>

From 5 to 14 February, around 1600 articles about Daimler's troubles are published worldwide.

### 3.2 SOCIAL MEDIA SERVE CHINA AS CHANNELS FOR CAMPAIGNING

It is easy to pinpoint where alleged misconduct by foreign companies in China is first discussed – on social media. But it is not so easy to identify who flags such issues first – government officials or outraged citizens. In Daimler’s case, the Instagram post had to be deleted – and all the readers’ comments disappeared with it. But even if it were still possible to see the names and profiles behind the posts, it wouldn’t be clear who these people were.

“I don’t think we’ll ever be able to trace it back. That’s the thing with the lack of transparency. If they want to, the [party and government] can stop any topic from being discussed on the internet or in the *Global Times*. But they can also set off a debate about any issue if they want to. And right now, they usually want to.”<sup>20</sup>

China can also indirectly orchestrate campaigns on social media by simply letting the censorship authorities ignore statements they would usually react to:

“They simply agree to let people discuss something. Relatively unbridled nationalism is simply allowed to run its course – and it’s now very, very strong.”<sup>21</sup>

### 3.3 CHINESE OFFICIALS APPEAR TO HAVE ROADMAP TO DEAL WITH FOREIGN COMPANIES’ “SLIPS”

The Chinese government chose to expose Daimler both in the domestic public space of state-controlled Chinese (social) media, and in the global arena forged by Twitter and other social media blocked in China. Interestingly, the Chinese government itself never commented on Daimler. It was the state-controlled (social) media that turned the Instagram post into a crisis – and ended it. The party’s *People’s Daily* and English-language *Global Times* attacked the company particularly harshly on behalf of the Chinese government.

China appears to have a script for such public diplomacy cases. Usually, criticism of a foreign company starts on Chinese social media. The state’s daily newspapers and overseas TV channels report the accusations and fuel the social media discussion by repeating or escalating the charges. The media campaign abates only when the company’s top executives in China and abroad apologize and offer to make further concessions.

As the author learned from Daimler that the company and Chinese authorities were in contact on several occasions during the crisis – although timing, atmosphere and frequency remain unclear. A public affairs officer at another company that has been active in China for many years described the procedure in such instances as follows:<sup>22</sup> First, officials call a Chinese employee in the company’s government-relations department; then officials call the country manager in for a conversation and dressing down; lastly, the CEO in Germany receives a message from a middleman that the Chinese ambassador in Berlin is very angry.

But Daimler’s example also illustrates a problem the company shares with other international corporations. If they bow to Chinese demands so as not to jeopardize their market access and the good will of the Chinese leadership and public, the international media and public will criticize these companies. *Global Publications* lament the kowtowing to the Chinese leadership and the companies’ “betrayal of their own values”. Indeed, Daimler’s apology angered Western media more than anything and as a result further fanned the crisis.

The Daimler case study is exemplary for showing that China is not interested in preventing allegations that the feelings of the Chinese people have been insulted or injured, or in having them forgotten as quickly as possible. On the contrary, the accusation of “insulting the Chinese people” is instrumentalized to keep foreign companies on their toes and to extract the greatest possible benefit from the situation. Firstly, the Chinese side is interested in international publicity for the initial misstep and the subsequent apology – almost an act of submission – to China. Secondly, Chinese officials use the situation to force companies into making concessions, say by investing more, swapping personnel, or by strengthening Chinese operations (if usually only symbolically). The enormous dynamism and speed of Chinese state media and other players in the Daimler crisis suggests that China has some kind of roadmap. It is possible that it specifies how Chinese authorities and media can act in concert to turn the slips of a foreign company into a full-blown crisis. A slip is judged a reprehensible misstep and made public as a prelude to obtaining concessions.

Daimler’s PR crisis that started in China does not appear to have caused any economic damage up until now. In the second half of 2018, the company was able to increase year-on-year sales in China – a trend that bucked the country’s weak market environment.

China appears to have a script for such public diplomacy cases.

## 4. How companies react to China's public diplomacy and what they need to heed

As then-Chairman of the Asia-Pacific Committee of German Business (APA), Hubert Lienhard in 2018 warned the trade body's member companies that problems like those experienced by Daimler would become more common. Social media, in particular, follow very different rules in China, opening possibilities for Chinese authorities that worry the communication and government affairs officer interviewed by the author:

"It's already giving me sleepless nights to think about how you could do something about a situation like this if a nation's rage was already enveloping you."<sup>23</sup>

"Of course the Chinese government could use communications to damage us. In China, in particular, we ultimately have fewer communications channels and sounding boards at our disposal than the government does. And if things were to get really bad, our use of these channels usually at our disposal could still be restricted."<sup>24</sup>

No foreign company could prevent a public diplomacy crisis if China wanted one:

"If a decision has been made to publicly criticize foreign companies, then I don't think we have any power to prevent the process unfolding."<sup>25</sup>

### COMPANIES PRACTICE SELF-CENSORSHIP

Many foreign companies are trying to observe the red lines drawn by China so as not to provoke public diplomacy crises. Self-censorship is one way of avoiding certain topics in global corporate and marketing communication. Issues to avoid include Taiwan, Tibet, the Dalai Lama, and human rights. Chinese employees in China are especially aware of the red lines. They make a point of checking maps and other content used in external presentations to ensure they could in no way give rise to Chinese criticism. At the same time, many communicators and public affairs officers are relying on the China expertise of their corporate communications departments to flag pitfalls in communication with China early. Lufthansa is a good example of how cautious German companies have become.

### CASE STUDY LUFTHANSA

On 15 January 2018, the Chinese Civil Aviation Administration (CAAC) used its website to announce that all airlines serving China would no longer be able to designate Taiwan, Hong Kong, and Macao as separate countries in their booking systems as of 25 July.<sup>26</sup> Unlike US airlines, for example, Lufthansa took action even before CAAC in April sent the airlines official notifications. By February, Lufthansa had adapted the drop-down menu on its website to read "Taiwan/China" instead of simply "Taiwan." Asked by media about this step, the company said it wanted to respect the "customs of international customers."<sup>27</sup>

American Airlines and Hawaiian Airlines took a different approach. After the US government briefly intervened, these airlines gave in to the CAAC only shortly before the July 2018 deadline. However, these carriers avoided naming China in conjunction with Taiwan by instead naming the local airport: "Taipei, Taipei Taoyuan Airport, Taiwan".

### NATIONAL AND CULTURAL PECULIARITIES OF CRISIS MANAGEMENT IN CHINA

There are a number of cultural and national peculiarities that foreign companies' PR experts need to take into account when dealing with China – especially in times of crisis.

- **The all-powerful role of the state.** It strictly controls all media in the country and can orchestrate their reporting in the event of a crisis. This puts foreign companies in an asymmetrical communications situation – they are weak, Beijing is strong.
- **The great importance of apologies in China.** As a rule, the CEO should personally apologize, not simply the head of Chinese operations. The standing of the person who apologizes is a decisive factor in giving the offended party satisfaction.

Foreign companies find themselves in an asymmetrical communications situation – they are weak, Beijing is strong.

- **An apology is often no longer sufficient.** A sentence like “We will learn our lessons from this and act accordingly in the future” must be added – even at the risk of becoming a liability in the international media. The Daimler case showed that.
- Not all required actions are culturally rooted norms. Some are **newly created rituals that the Chinese leadership insists upon** – sometimes more, sometimes less – to put companies under pressure. Numerous recent cases demonstrate this.

## 5. Conclusion: China could become a reputational risk for companies more often

Since the start of 2018, China’s leadership has made a point of taking action against foreign companies. It has successfully enforced what it considers to be correct behavioral norms and (geo)political ideas. Many companies have complied with Beijing’s stipulations and now practice self-censorship. They are aware that in China they can quickly be on the defensive.

The Chinese economist Meng Zhao pointed out as early as 2013 that multinationals operating in China can be dragged into crises through no fault of their own (e.g. following a product recall or an accident at a manufacturing plant).<sup>28</sup> He said this was mainly because of:

- Increased stakeholder awareness,
- The globalization of corporate social responsibility (CSR) issues,
- Rising nationalism and deep feeling of cultural discrimination,
- The inconsistent regulatory framework and arbitrary behavior of the authorities,
- Public distrust of government and business that, for example, leads to consumers overreacting on social media

The author has also identified other factors that make it likely that global companies will be confronted by a crisis in or engendered by China.<sup>29</sup> The operating environment for foreign companies and their communications work has changed considerably in recent years:

- Political control and state intervention in the economy are increasing,
- Competition between Chinese and foreign companies has become more intense,

- Foreign companies are highly dependent on the Chinese market while at the same time being aware of competition between the economic and political systems,
- The growing rivalry between China and the USA and other developed countries is turning companies into instruments that can be activated to realize geopolitical goals,
- By being able to initiate and stop public debate in very a targeted manner, the Chinese government has immense power to deal with foreign organizations, whereas state control over the media and the internet makes it difficult for foreign companies to address Chinese stakeholders and the public – especially in crisis situations.

It is an open question whether China’s current economic slowdown will in the foreseeable future lead to a repeat of the Daimler controversy. European companies probably have less to worry about, as the Chinese leadership is currently intent on creating a business-friendly climate. But if the trade dispute between China and the U.S. continues, U.S. companies will likely come under special scrutiny and should be prepared to counter moves by Beijing to exert its influence. The tools China has developed can be deployed readily to achieve policy goals. At the same time, precedents set by the likes of Daimler and Marriott have had an effect. Many companies are actively trying to avoid situations that could annoy Beijing.

## 6. Recommendations: Companies must be prepared for communications crises

The author encountered great uncertainty when interviewing communications and government affairs managers. Many companies have not conducted systematic analyses of developments in China or adapted crisis scenarios and crisis-prevention training.

The following recommendations are meant to help corporate public relations and public affairs managers prepare for possible public diplomacy crises with China. They are based on experiences of company representatives and conclusions drawn by the author. The advice is divided into three phases: preventing, managing, and learning from a crisis.

The operating environment for foreign companies (...) has changed considerably in recent years.

## PREVENTING A CRISIS

- Analyze crises faced by peers and develop scenarios that could affect your company.
- Together with your company headquarters, decide how to proceed in such cases and identify what costs need to be weighed against one another.
- Adapt your company's crisis manual accordingly and include the possibility of a public diplomacy crisis in crisis-prevention training.
- Use Chinese employees or China experts at headquarters to gauge early possible reactions of Chinese stakeholders to communications and marketing initiatives.
- Also use mixed public relations and public-affairs teams in China to factor in possible international reactions to communications and marketing measures.
- Keep up to date about new red lines defined by China.
- Deepen social media monitoring in and outside China to help detect the emergence of social media firestorms as early as possible.
- Extend social media activities to Chinese channels like Weibo and WeChat to reach stakeholders and build a community. Communicate product and CSR issues closely.
- Maintain alliances with companies and trade bodies to find out in the event of a crisis who is managing the situation, how others reacted, and what Chinese authorities did.
- Stay on good terms with authorities and CCP representatives to ensure access in a crisis. To this end, take up Chinese offers for cooperation and CSR activities.

## MANAGING A CRISIS

- Under communications department aegis, assemble a cross-cultural team with China expertise and at least one member who champions the "international perspective."
- Immediately seek contact with Chinese business partners and/or authorities to quickly find out what reaction on the part of the company is expected in China.
- Clarify what is at stake if the company were to react in a manner considered inappropriate by China. Decide what course of action the company should take.
- Identify other "communicators" you might have to deal acutely or prospectively in the course of the crisis – even players hitherto ignored, in China and in other markets.
- Actively use social media to inform and mobilize your own community.
- Proactively inform the international media.
- Never deny your own values: Proper regard for Chinese stakeholders means they should never hear the wording demanded by China. Companies need to find the right tone towards the Chinese, but also towards the international media and public.

## LEARNING FROM A CRISIS

- Analyze how the crisis started and unfolded – document this for the entire company.
- Examine what caused the crisis: Was your company really responsible for "misconduct", or was it a pawn in a bigger geo-political game?
- Look at the social media debate: Who started it? What silenced it when?
- Adapt crisis scenarios and prevention training to factor in your findings.
- Stay in close touch with other companies, industry bodies, consultants, and experts.
- Encourage business associations, national and even European politicians to take an interest with a view to addressing China about public diplomacy crises.

Gauge early possible reactions of Chinese stakeholders to your worldwide communications and marketing initiatives.

- 1 | [https://www.youtube.com/watch?time\\_continue=1&v=5lvliPUalNc](https://www.youtube.com/watch?time_continue=1&v=5lvliPUalNc) (accessed on 21 May 2019).
- 2 | See Reuters (2019), <https://www.reuters.com/article/us-leica-china-tiananmen/tank-man-video-for-leica-sparks-outcry-in-china-ahead-of-tiananmen-anniversary-idUSKdCN1RVQJG> (accessed on 11 May 2019).
- 3 | See Haas, Benjamin (2018), <https://www.theguardian.com/world/2018/jan/12/marriott-apologizes-to-china-over-tibet-and-taiwan-error> (accessed on 11 May 2019).
- 4 | Some 15 percent of German companies already say China is their most important market in the world. See DIHK-Aktionsplan 2019+. Chinas neue Rolle in der Welt – die Chancen nutzen. 27 November 2018, Berlin.
- 5 | See Wang, Yiwei (2008): Public Diplomacy and the Rise of Chinese Soft Power. In: Annals of the American Academy of Political and Social Science, Vol. 616, Public Diplomacy in a Changing World (March, 2008), p 259f.
- 6 | This article is based on an MBA-dissertation submitted by the author in December 2018 as part of the Communication & Leadership course at the Quadriga University of Applied Sciences, Berlin. In addition to her Daimler case study, the author conducted 13 interviews, all based on similar guidelines. Ten of these interviews were with representatives of blue-chip corporations in the DAX30 share index, large companies, and family business. Three interviews were with China experts at industry bodies, foundations, and in the media. Due to the sensitivity of the topic, all statements were anonymized.
- 7 | Interview 4, with China expert on 19 October 2018.
- 8 | Interview 12, with a director of government relations in the chemicals industry on 15 November 2018.
- 9 | Interview 9, with a head of communications from engineering and construction industry on 26 October 2018.
- 10 | Here and below see interview 4, with expert on 19 October 2018 and interview 10, with correspondent on 29 October 2018.
- 11 | See Coombs, W. Timothy (2015): Ongoing Crisis Communication. Planning, Managing, and Responding, Fourth Edition, Los Angeles: Sage.
- 12 | The Instagram post was published by an agency on behalf of the Daimler brand Mercedes-Benz. Parent company Daimler took over crisis communications. The article in consequence will refer to Daimler from now on.
- 13 | Twitter is banned in China. But the state newspaper People's Daily has a Twitter account and uses it regularly.
- 14 | Here and below see "Mercedes-Benz owner Daimler apologizes again for Instagram post quoting Dalai Lama." In: Medium, 8 February 2018, URL: <https://medium.com/shanghaiist/mercedes-benz-apologizes-to-the-chinese-people-for-quoting-dalai-lama-on-its-instagram-page-7b15829211d> (accessed on 14 May 2019).
- 15 | "Outrage over Mercedes-Benz Dalai Lama blunder persists despite apology." In: Global Times, 7 February 2018.
- 16 | For example, see Strittmatter, Kai (2018): Daimler knickt vor chinesischer Propaganda ein, 7 February 2018, URL: <https://www.sueddeutsche.de/wirtschaft/social-media-daimler-china-und-der-dalai-lama-1.3856104> (accessed on 14 May 2019) und Strittmatter (2018): Daimler hat mit dem Kniefall vor Peking seine Seele verkauft, 7 February 2019, URL: <https://www.sueddeutsche.de/wirtschaft/zurueckgezogene-werbung-daimler-hat-mit-dem-kniefall-vor-pekings-seele-verkauft-1.3857651> (accessed on 14 May 2019).
- 17 | See "Germany's Daimler issues 'full apology' to China over Dalai Lama," URL: <https://www.bbc.com/news/world-asia-china-42986679> (accessed on 14 May 2019) and "Mercedes-Benz owner Daimler apologizes again for Instagram post quoting Dalai Lama." In: Medium, 8.02.2018, URL: <https://medium.com/shanghaiist/mercedes-benz-owner-daimler-apologizes-again-for-ins-tagram-post-quoting-dalai-lama-152037ce7a76> (accessed on 14 May 2019).
- 18 | <https://www.wsj.com/articles/mercedes-regrets-dalai-lama-posting-1517920479> (accessed on 14 May 2019).
- 19 | German.China.org.cn (2018): Kommentar: Daimlers verfehltes Zitat sollte ausländischen Unternehmen eine Mahnung sein, URL: [http://german.china.org.cn/txt/2018-02/11/content\\_50486601.htm](http://german.china.org.cn/txt/2018-02/11/content_50486601.htm) (accessed on 14 May 2019).
- 20 | Interview 4, with expert on 19 October 2018.
- 21 | Interview 10, with correspondent on 29 October 2018.
- 22 | See interview 12, with a director of government relations in the chemicals industry on 15 November 2018.
- 23 | Interview 13, with a head of communications from the engineering industry on 21 November 2018.
- 24 | Interview 2, with a director of government relations in the chemicals industry on 10 October 2018.
- 25 | Interview 6, with head of external relations, automobile industry on 22 October 2018.
- 26 | See Ankenbrand, Hendrik (2018): Fluggesellschaften fügen sich Peking, 25.07.2018, URL: <http://www.faz.net/aktuell/finan-zen/china-fluggesellschaften-fuegen-sich-peking-15706928.html> (accessed on 14 May 2019).
- 27 | The company told the author it was following the example of the Federal Foreign Office. However, Germany's Foreign Office does not officially refer to Taiwan as part of China. Its website contains the following footnote to Taiwan: "The country list contains states, provinces and territories. The term 'country' is used without prejudice to the German Government's position on the status of any given country or region." Cf. Federal Foreign Office: Taiwan\*, URL: <https://www.auswaertiges-amt.de/en/ausserpolitik/laenderinformationen/taiwan-node> (Accessed on 14 May 2019).
- 28 | See Zhao, Meng (2013): Beyond Cops and Robbers: The Contextual Challenge Driving the Multinational Corporation Public Crisis in China and Russia. In: Business Horizons, July Aug. 2013, Vol. 56, No. 4, pp 491-501.
- 29 | The author would also like to thank the participants of the MERICS workshop on China's Public Diplomacy in February 2019. They made many valuable suggestions for this China Monitor.

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