

THE WALL STREET JOURNAL.

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RISK & COMPLIANCE JOURNAL.

Chinese Pressure About Taiwan, Tibet Puts Companies in Awkward Spot

By Ben DiPietro

May 31, 2018 11:39 am ET

Chinese President Xi Jinping and delegates attend the 19th National Congress of the Communist Party of China in Beijing on Oct. 24, 2017. PHOTO: JASON LEE/REUTERS

Companies doing business in China are confronting a new issue: How to categorize Taiwan, Hong Kong, Tibet and other places over which China claims sovereignty?

Costco Wholesale Corp. is the latest company to have to deal with this issue, after the retailer recently was called out on Chinese social media for a 2016 letter from a Costco executive that stated the company “very much consider it [Taiwan] a country.”

Beijing claims Taiwan as Chinese territory but the island split from the mainland in a civil war nearly seven decades ago. Control of Hong Kong reverted back to China in 1997, after an agreement allowing the U.K. to run the island expired. Tensions between Hong Kong and China rose in 2014 when police used pepper spray and tear gas to disperse pro-democracy protesters.

Companies including Delta Air Lines Inc. and Marriott International Inc. earlier this year were forced to change wording on their websites and apologize to China—Delta for not saying Taiwan and Tibet are part of China, Marriott for failing to acknowledge Tibet as part of the country. At least a dozen Western brands and companies this year have drawn Beijing’s ire for similar mistakes.

And China’s airline regulators warned international carriers last month to update their sites to acknowledge Taiwan’s status as part of China or face disruptions to their operations.

So what are companies to do?

There is “no magical messaging or purple pill that will make everyone happy,” especially with a contentious issue where political divides are unavoidable, said Jolie Balido, chief executive of public-relations firm Roar Media.

Staying neutral and keeping all messaging concise and focused on business objectives—while staying clear of any political commentary—are practical, common-sense best practices, she said.

The only safe approach is to combine speed of response with a big dose of humility because, at the end of the day, it is about cultural respect, said Hugh Braithwaite, chief executive of Braithwaite Communications.

“Our cultural beliefs and values run deep, so even unintentional offenses can create immediate and sharp emotional pain. Companies seem to recognize this and are moving quickly to immediately apologize,” said Mr. Braithwaite. “It’s the speed of their response and humble tone that helps the most.”

Companies can best thread this needle with a robust and integrated risk and crisis management program, having a cross-functional team in place, and getting clear direction from the CEO and board about what company policy should be, said Andrea Bonime-Blanc, chief executive of GEC Risk Advisory.

This would include proactively monitoring media and social media on key strategic risk issues, doing robust geopolitical and reputation risk analysis daily, and revising and reformulating on a regular basis as conditions change, said Ms. Bonime-Blanc, co-author of the new book, “The Artificial Intelligence Imperative.”

“Companies need to stick to their knitting by focusing on running their operations and commenting as little as possible about the most volatile or controversial issues,” said Ms. Bonime-Blanc.

So, how does a company properly communicate its stance on this subject?

Recruitment and smart use of cultural brand ambassadors should be a key component, said Mr. Braithwaite. Long before they enter a market, many brands hire local, on-the-ground agents to preview marketing and media efforts and soften the ground by building key pockets of community goodwill, he said.

“These brand agents can serve as an important ounce of prevention, but they can also be mobilized as a local pound of cure when things go wrong,” said Mr. Braithwaite. “The new battlefield is not the local street corner but the ‘tweet corners,’ and this calls for local brand agents that live in both real and social media communities.”

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