

# China wields power with boycott diplomacy



An employee, fourth left, helps Chinese tourists at a Hotel Lotte Duty Free store in Seogwipo, Jeju

By Ben Bland, Tom Hancock and Bryan Harris

Jeju used to bristle with Chinese tourists who flocked to the South Korean island to enjoy its beach resorts and rugged landscape. But an industry set up to serve Chinese consumers shriveled up almost overnight in March after Beijing stopped travel agencies from sending groups to South Korea in retaliation at Seoul's decision to deploy a US missile defence system to protect itself against unpredictable North Korea.

The number of daily visitors from China dropped to 1,000 from more than 7,500 days earlier, according to official figures. The situation is similar in Seoul, where shopping areas once popular with Chinese tourists are deserted.

"Since March 15, I haven't seen a single Chinese person come to our shop," says one salesperson. Another adds: "The company is forcing us to take unpaid leave simply because of the declining number of Chinese tourists."

The impact has not just been

**“ The company is forcing us to take unpaid leave simply because of the declining number of Chinese tourists.**

SALESPERSON

felt by retailers and hotels. Korean carmakers have also been badly hit. Hyundai reported that sales in China, the world's biggest automobile market, were down 14 per cent year on year in the first quarter, while Kia's sales slid 36 per cent, even as the overall market in the country grew 4 per cent over the same period.

China has been implementing such boycotts against its foes

for more than 100 years and it knows how to make them hurt economically and politically.

Controlling access to China's vast market gives President Xi Jinping and the ruling Communist party tremendous leverage over trading partners and allows them to signal their nationalist credentials to the domestic audience. But Beijing must play a delicate balancing act to ensure that its embargoes neither damage the Chinese economy nor unleash forces of jingoism and protest that could threaten one-party rule.

Japanese carmakers, Philippine banana farmers and Taiwanese tourism workers have all previously been on the wrong end of hostile campaigns instigated to varying degrees by Beijing and the Communist party-controlled media.

Foreign diplomats and executives dread the accusation of having "upset the feelings of the Chinese people", the Communist rhetoric often used to trigger an embargo. Their fears are heightened by China's growing economic might, the strident nationalist tone adopted by Mr

Xi and the fact that consumers are easily marshalled on social media sites such as Weibo and WeChat.

The results can be devastating, with cars smashed up, factories attacked and years of effort to crack one of the world's biggest markets undone overnight. "For foreign companies, there's very little they can do to protect against this kind of politicised action, except lobbying domestically for maintaining strong relations with China," says Duncan Innes-Ker, a China analyst at the Economist Intelligence Unit.

The history of the Chinese boycott predates the word itself, which came from 1880s Ireland, and it is a story that encompasses patriotism, anti-colonialism, economic rivalry and occasional outbreaks of violence.

In 1905, US President Theodore Roosevelt called for reform of a discriminatory law restricting Chinese immigration after an "especially injurious" boycott of US cotton. "It is short-sighted indeed for us to permit foreign competitors to drive us from the great markets

of China," he warned.

China's role in the global economy as a manufacturer and end-market is now far more significant. And Beijing's grip on the economy, through state-owned enterprises and leverage over private sector businesses, is powerful. So for many countries and companies, Roosevelt's warning about the risk of upsetting China resonates more than ever.

Yet China's economic integration also acts as a restraint. South Korea is the biggest supplier of imports to China and its fourth-biggest export market. Like Japan, which has often suffered from Beijing's embargoes, South Korea provides many high-technology components and machines to drive the Chinese manufacturing industry.

"This economic retaliation will also harm Beijing's interests as China imports intermediate Korean goods to finish manufacturing and sell on to other markets," warns Kim Tae-hwan, an official at the Korea Federation of Small and Medium-Sized Enterprises. "Korean companies also employ many Chinese workers."

While Japan earned Chinese ire in recent years for opposing Beijing over disputed islands in the East China Sea, South Korea seemed to have pulled off a delicate balancing act by deepening its investments in China even while hosting a large contingent of US troops. But that all changed with the decision last year to deploy the Terminal High Altitude Area Defence platform, a US missile defense system, to shoot down North Korean missiles.

Beijing was deeply angered by the move, which it fears could enhance US security architecture in the region and lead to greater surveillance of its own activities. US forces said on Tuesday that Thaad had gone into operation.

China's response to Thaad evolved gradually. Initially Beijing targeted specific South Korean companies over health and safety issues. But its position hardened as it became clear that Seoul would push ahead with the deployment.

Goods were held up at customs. Employees at Kore-▶▶

**36%**

**First-quarter year-on-year fall in Chinese car sales for South Korean carmaker Kia**

## China wields power with boycott diplomacy (continued)

an companies were harassed. Lotte, the South Korean retail group, was particularly hard hit, with 87 of its 99 Chinese stores closed because it had handed over a golf course to Seoul to assist the Thaad deployment.

The retaliation became blatant only when the US began installing the first parts of the missile battery in March. Wang Yi, China's foreign minister, warned that South Koreans "will only end up hurting themselves".

South Korea complained to the World Trade Organization that China "may be in violation of some trade agreements". But Seoul is caught between its military and ideological alliance with the US and its commercial and economic ties with China, its largest trading partner. The situation has been complicated by the ousting in March of president Park Geun-hye.

Moon Jae-in, the leading contender in next week's presidential election, is more sympathetic to China and has long expressed reservations about the missile shield. In a debate, he called on Beijing to "immediately stop" its boycott but added that Seoul should "make diplomatic efforts to persuade China".

The campaign against South Korea has been driven by Beijing with the help of state media, which have unleashed a barrage of stories condemning the missile system and suggesting it is part of a US plot to contain China's rise.

But, as with previous boycotts, local authorities fear protests may get out of hand. After demonstrators outside a Lotte store in the southern province of Hunan smashed up a South Korean car in March, local police told residents that vandalism was illegal and called for "rational patriotism".

"The tensions between the state and popular nationalism are at least 100 years old," says Robert Bickers, author of *Out*



South Koreans hold cardboard letters reading "No Thaad" during a rally to oppose a plan to deploy an advanced U.S. missile defense system

of China, a book on Chinese nationalism. "Sometimes the government is trying to agitate, sometimes it is trying to keep people in check and at other times it is taken completely by surprise."

Kaiser Kuo, a Chinese-American cultural commentator and former executive at technology group Baidu, has suggested that the country's leaders are standing "over the fire pit of nationalism with a fan in one hand and a hose in the other".

"They can whip up the flames to intimidate, or to point to during a negotiation so their choices appear constrained by a loud domestic constituency," he wrote in a recent essay. "But with the hose they can also keep that fire from leaping out and burning down the valuable surrounding countryside."

Economists and investors have long debated the effectiveness of boycotts. In his 1933 *Study of Chinese Boycotts*, CF Remer, a professor of economics at the University of Michigan, argued

they had a strong "psychological" impact on the target nation, even if China also suffered economic blowback. "Boycotting by a single nation is like the labor strike," he wrote. "The threat to strike is powerful; the strike itself is likely to be costly and inefficient."

More recent research points to a significant initial impact, followed by a later recovery in trade, suggesting that orders are delayed rather than cancelled for good. In some cases, the embargoes fizzle out as the news agenda moves on. In others, lengthy negotiations are necessary to mend ties.

Andreas Fuchs, an economics researcher at Heidelberg University, has found that countries tend to experience a temporary drop in exports to China if their governments meet the Dalai Lama, the Tibetan Buddhist leader seen by Beijing as a dangerous separatist.

The pattern was similar for the 2012 boycott of Japanese products. Kilian Heilmann, a

researcher at the University of California, San Diego, found that Japanese car exports to China tumbled 32 per cent, or \$1.9bn, in the 12 months after the boycott launched in September 2012 in response to Tokyo's purchase of disputed islands known as the Diaoyu in China and Senkaku in Japan. But trade returned to normal levels the next year.

Such recoveries beg the question of whether these boycotts are successful in changing the policy of foreign governments. There have certainly been some big victories for China in recent years.

British investors successfully lobbied the UK government not to receive the Dalai Lama again after they were cold-shouldered by Chinese officials when David Cameron, then prime minister, met the spiritual leader in 2012. Beijing had cancelled numerous meetings with UK ministers and investment deals were put on hold until it was clear that the meeting would not be repeated.

Norway had to go through years of talks and pledge to attach "high importance to China's core interests and major concerns" last year in order to re-establish ties, after Beijing had punished Oslo over the 2010 decision by an independent group appointed by Norwegian politicians to award the Nobel Peace Prize to dissident Liu Xiaobo.

"The Chinese government can effectively use economic sanctions to affect the foreign policy positions of democratic governments, with potentially chilling effects for international progress on human rights," argued Ivar Kolstad, the economist, in a paper for Norwegian think-tank CMI. He calculated that the dispute cost Norway \$780m to \$1.3bn in exports and concluded that China had become "too big to fault".

Philippines President Rodrigo Duterte took a similar view, reversing the confrontational stance of his predecessor over the South China Sea disputes in the hope of winning economic concessions from Beijing.

Rory Medcalf, head of the National Security College at Australian National University, is urging countries to fight back against Beijing's attempts to push the narrative of Chinese economic power with a more nuanced analysis of its actual influence. "China has done extremely well at exploiting the shadow of its growth," he says. "There's a myth in Australia that our economy is completely dependent on China's demand for our mining exports."

## A researcher has found that countries tend to experience a temporary drop in exports to China if their governments meet the Dalai Lama

China is the biggest market for Australian products, accounting for 27.5 per cent of exports, much of that iron ore and coal. Yet unlike other developed economies, including South Korea and Singapore, trade is less important to Australia, so those exports add up to just over 5 per cent of gross domestic product.

Japan, the most frequent target of Chinese boycotts, is adapting to offset potential damage. "After the 2012 protests, many Japanese companies realised that our position in China would remain precarious, which has accelerated our move into other, friendlier markets like Southeast Asia," says an executive from a Japanese manufacturer in Indonesia.

While different countries have varying degrees of exposure to Chinese economic pressure, Prof Bickers says the threat for all will continue to grow in line with Beijing's increasing projection of its political and military might and the Communist party's fears of losing power.

"We are entering a new phase with a successfully assertive China in the South China Sea," he adds. "When Xi's line on the rejuvenation of China comes together with China's insecurity, I do worry very much."

## Action and reaction

**1843** Shanghai landlords refuse to rent properties to foreigners in opposition to the Nanking Treaty which ended the first opium war the previous year and forcibly opened China to more international trade

**1884** Chinese dock workers in Hong Kong refuse to service French ships, in opposition to the Sino-French war, leading to a general strike and violent clashes with police

**1905** Worldwide boycott of US products by Chinese merchants in opposition to discriminatory laws in the US. Action was taken by Chinese communities from Shanghai to Singapore and San Francisco

**1925-26** Strikes and boycotts in Hong Kong cripple British trade as part of the anti-imperialist May Thirtieth Movement, after colonial police in Shanghai open fire on protesters

**1930-32** The Kuomintang government leads boycotts of Japanese goods, as tension rises ahead of Japan's invasion of Manchuria in 1931

**1946** Huge rallies and anti-US boycotts are staged after the alleged rape of a Peking University student by two US marines. The communists use the incident

to rally opposition to the US-backed Kuomintang, which it defeats in 1949

**1999** Protests break out after the US bombs the Chinese embassy in Belgrade, killing three Chinese journalists. Washington's ambassador to Beijing is trapped for several days as mobs attack US diplomatic facilities

**2010** China blocks exports of rare earths, vital for the electronics industry, to Japan after clash between a Chinese fishing boat and a Japanese coast guard in the East China Sea

**2010** China punishes Norway over the award of the Nobel Peace Prize to dissident Liu Xiaobo. The dispute is estimated to have cost Norway \$780m-\$1.3bn in exports

**2012** Demonstrations break out after an escalation of the Senkaku/Diaoyu islands dispute. Protesters smash up Japanese cars and attack Japanese factories and shops selling Japanese goods

**2016-17** China takes action against South Korean businesses because of its opposition to Seoul's US missile defence shield

## TOURISM

# Hotels plan lobbying push over priceline-Expedia 'monopoly'



FIFA President Gianni Infantino speaks to reporters

By Gerrit De Vynck &amp; Olivia Zaleski

**T**HE U.S. hotel industry plans to step up a lobbying and public relations attack on Expedia Inc. and Priceline Group Inc., hoping to convince consumers and members of the Trump administration that the travel-booking giants are monopolistic.

The American Hotel & Lodging Association, an industry group whose membership includes Marriott International Inc., Hyatt Hotels Corp. and Hilton Worldwide Holdings Inc., devised plans for a campaign saying the online travel companies use unfair practices in their search businesses, according to board meeting documents seen by Bloomberg. The trade group intends to lobby Federal Trade Commission officials on the issue and try to ensure that new members picked by President Donald Trump are friendly to hotels, according to the documents prepared for a January meeting of the group's

board.

A proposed marketing campaign aims to portray online travel companies as monopolistic by highlighting that different booking sites like Booking.com, Hotwire.com, Kayak.com and Travelocity all fall within the empires of Priceline and Expedia. "The rollout will play off the Monopoly board game to better underscore that the individual companies are really owned only by two major players," the documents said.

"There is nothing surprising about AHLA's efforts to educate government officials and consumers about the negative consequences of increased consolidation within the online travel agency marketplace," Rosanna Maietta, senior vice president of communications for the AHLA, said in an email.

"The Expedia and Priceline duopoly hurts consumer choice and the small businesses in our industry, which represent some 60 percent of all hotels in the U.S., who are struggling to compete as a result of the gou-

## Commissions charged to hotels can range from 10 percent to 20 percent, more than airlines pay for flights booked through these sites

ging commission rates" charged by the online travel agencies, she said.

A spokeswoman for Expedia said travel is a competitive industry and that the company plays a small part. A spokeswoman for Priceline said listing on the company's sites is optional, and millions of properties do so to increase their business. Commissions charged to hotels can range from 10 percent to 20 percent, more than airlines pay for flights booked through these sites.

Expedia shares fell 1.3 percent to \$139.24 at 1:24 p.m. in New York. Priceline fell less than 1 percent to \$1,905.97. Hyatt rose 1.3 percent to \$58.13, while Marriott and Hilton both gained less than 1 percent. Accor rose as much as 1 percent to

42.43 euros.

Hotels may be feeling some jealousy toward tech-enabled travel companies. Priceline and Expedia have grown into behemoths during their 20-year histories, with Priceline's \$94 billion market cap far outstripping Marriott, the world's largest hotel operator, at \$37 billion. Even Airbnb Inc., which doesn't own its own properties, has a private valuation of about \$31 billion.

"Priceline and Expedia, they just have so much scale," said Douglas Quinby, vice president of research at travel analyst firm Phocuswright. "What they're investing in technology on an annual basis dwarfs the valuations of most hotel companies."

The documents also outline

plans to re-brand the hotel industry as tech-savvy and innovative. The group wants to get more hotel executives speaking at technology conferences and is planning "field trips" for political staff to visit hotel "innovation labs," according to the documents. "We want to create an environment where the hotel industry is thought of inside the Beltway as an innovator with an important voice in technology policy discussions."

Hotels are making an effort to catch up with the times by adopting, for example, smartphone apps that let customers get into their rooms without a key card, Quinby said. They're also spending money on acquiring stakes in tech startups, though at a much slower pace than Priceline and Expedia. Accor SA, Europe's largest hotel operator, spent \$168 million last year to acquire Onefinestay, an alternative to Airbnb.

The hotel industry is also trying to thwart Airbnb. Last month, The New York Times reported the trade group's plans to stifle the home-booking startup by lobbying politicians and funding studies to show Airbnb hosts harm local neighborhoods by dodging taxes and ignoring safety regulations required of hotels. Bloomberg verified the documents. Chris Lehane, Airbnb's head of global policy, told reporters this week that the hotel association has been struggling to slow the upstart's growth for years and called the industry a "cartel."

Whereas hotel chiefs insist publicly that they're not worried about Airbnb, they have grouched openly for years about how online booking platforms display search results and how much hotels should pay for access to customers booking through these sites. Hotel giants need Expedia and Priceline to help fill their rooms every night, and the online bookers rely on lodging for the bulk of their revenue.

Their disputes peaked last year as the major hotel chains stepped up their efforts to get customers to book directly on their websites by offering special deals and expanding loyalty programs. Hilton even ran an advertising campaign called "Stop Clicking Around" that called on consumers to book directly on its website instead of trolling through online booking sites.

Part of the rationale behind Marriott's roughly \$14 billion takeover of Starwood Hotels and Resorts is that the combined group could have a larger loyalty program and more leeway when it comes to negotiating fees with Expedia and Priceline. Starwood hotels now command lower commissions from Expedia and Priceline, Marriott Chief Executive Officer Arne Sorenson said at an investor meeting in March. **Bloomberg**

# US still in climate talks with no decision on Paris pullout



By Josh Lederman & Catherine Lucy

**T**HE United States says it will continue attending United Nations climate change meetings, even as President Donald Trump considers pulling the U.S. out of a global emissions-cutting deal.

While U.S. representatives are in Bonn, Germany, next week for the U.N. talks, Trump's advisers will meet Tuesday to discuss what to do about the global pact known as the Paris agreement, officials said. The conflicting signals suggested the ad-

ministration was trying to keep its options open while Trump decides whether to withdraw, a move the international community would strongly oppose.

Though Trump's inclination has been to leave the agreement, he's allowed his daughter, White House adviser Ivanka Trump, to set up an extensive review process, a senior administration official said. The goal is to ensure Trump receives information from both government experts and the private sector before a making a decision.

To that end, Ivanka Trump will hold a separate meeting tomor-

row with Environmental Protection Agency Administrator Scott Pruitt, the official said. Pruitt is a chief proponent of leaving the deal and has questioned the science that says humans are contributing to global warming.

And the decision to participate in next week's U.N. climate talks shouldn't be construed as a sign that Trump has decided to stay in the Paris pact, a State Department official added. To the contrary, the U.S. will be sending a "much smaller" delegation than it has in years past, the official said. The officials weren't authorized to discuss internal delibe-

rations publicly and requested anonymity.

Under the Paris deal, brokered by former President Barack Obama and world leaders in 2015, nations agreed to non-binding pledges to cap or reduce emissions of heat-trapping greenhouse gases. The pact helped solidify a global consensus about addressing climate change that environmental groups worry may be undermined if the world's largest economy withdraws.

"If the U.S. pulls out, it will be a pariah," said Andrew Light, a climate adviser at the World Resources Institute. "It will be on the sidelines, and that's going to hurt American businesses."

Trump, as a candidate, threatened to "cancel" the deal, but since taking office has said he's studying it and plans a final decision soon. U.S. officials say the timeline is being driven by the Group of 7 summit, which Trump will attend late this month in Italy. Trump needs to announce a decision before that summit so that leaders can determine whether and how to address climate change issues during the G-7.

The State Department official said that the U.S. was focused on ensuring that no decisions

are made in Bonn next week "that would prejudice our future policy," undermine competitiveness for American businesses or restrict U.S. economic growth.

The U.S. delegation will be led by Trigg Talley, the U.S. deputy special envoy for climate change. The Trump administration has left the special envoy role vacant after the official who held the position in the Obama administration departed.

Under the Paris deal, the U.S. committed to cut its emissions 26 percent to 28 percent by 2025, compared to 2005 levels. Since Trump took office, the U.S. has started deconstructing the set of regulations and climate policies that Obama put in place to help achieve the U.S. target.

But former Obama administration officials argue that because the targets are non-binding and can be updated, the Trump administration could remain in the Paris deal even if it acknowledges it will not achieve the 2025 target that Obama set. Though the agreement envisioned updated targets being more ambitious — not less — there's nothing prohibiting a country from downgrading its targets, the Obama officials have said.

Even if Trump announces his intention to withdraw, the lengthy divorce process and other stipulations in the deal mean that the U.S. would remain in the pact at least until November 2020 — around the same date as the next U.S. presidential election. **AP**

## ASK THE VET

by Dr Ruan Du Toit Bester



### 3 COMMON DOG PROSTATE PROBLEMS

**C**anines that have not been neutered are at the highest risk to have dog prostate gland problems as they get older. Neutered dogs are at a lower risk because the prostate either never develops or shrinks to a much smaller size depending on the dog's age at castration. However, it is not outside the realm of possibility for a neutered dog to develop prostate problems.

If at all, they usually will start to appear around the age of 6, but younger dogs that are intact but not sexually active can also show symptoms. Listed are three common dog prostate problems: enlargement, inflammation and cancer. They should be taken seriously for they, especially cancer, could lead to further problems, such as kidney failure in dogs. The longer it takes for any problems to be detected, the more unlikely that the prognosis will be good, so it's important to pay attention to warning signs.

#### Prostate Enlargement

Known as benign prostatic hyperplasia or BPH, this is the most common prostate ailment for non-neutered dogs. It is part of the normal aging process of dogs, usually occurring when 4 or 5 years old, and it is not

cancerous. The prostate swells and presses against the rectum which causes discomfort for the animal. Untreated, enlargement can affect the dog's ability to both urinate and defecate.

#### Inflammation of the Prostate

A dog urinary infection can be caused by bacteria getting into the urinary tract which in turn can cause inflammation. Bacterial infections may cause blood to be present in the urine which leads to discomfort during urination. The blood is likely to come after the urine.

#### Dog Prostate Cancer

Although relatively uncommon, dog prostate cancer can affect older dogs. It can strike neutered dogs as well, but it is not as likely. Prostate cancer in dogs can be life threatening due to the difficulty of removing the affected region by surgery. Radiation and chemotherapy can treat the disease, but on average, dogs only live six weeks after the treatment. It is difficult to treat, as well, because by the time of diagnosis it is usually advanced, possibly to other regions. The best ways to prevent this from happening to



your dog are to neuter him early and to watch for warning signs.

#### Warning Signs of Prostate Problems

As can be the case, the visible symptoms of prostate problems in dogs may be similar to those of other ailments, but in general, watch out for these signs:

- Frequent urination, blood following urination, or straining to urinate
- Bloody or pus-like discharge from the penis
- Lethargy
- Fever
- Constipation
- Arched back, stiff hind legs with shortened steps

Not all prostate problems in dogs are termi-

nal, and if you detect any symptoms early, they can be treated. Depending on the age of the dog and the extent of their problem, treatment might not prevent a shortened lifespan, so do your best to prevent any prostate problems by neutering your dog, maintaining a healthy diet and active lifestyle and watching for any warning signs.

Hope this help  
Till next week  
Dr Ruan

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