

Do you know China?

## Chinese Nationalism and the boycott threat

**Few countries have ever been bullied like China during its 3 centuries of national decline. Similarly, few countries have risen from the ashes as dramatically as China.** From the Manchu's conquering in the 17<sup>th</sup> century to start the Qing Dynasty to the forced importation of opium to the concessions that allowed foreigners to control parts of China, foreigners played a huge role in bringing China to its knees. There was even a pattern to it. They'd pick a fight with China, demonstrate military superiority, then demand concessions. Conquest and occupation of countries had been common in history but this type of bullying—picking a country to pieces, slicing it up like a watermelon, keeping it alive so you could continue to feed off it—this was fairly unique. This helps explain why domination by foreigners is to China what race is to America—a historical reality that has become a political lightning rod. In China, no leader wants to be seen as weak in the face of foreign pressure.

### China's Tragic Fall (1700-1980)

#### 17<sup>th</sup>-18<sup>th</sup> Century: FOREIGNERS ON THE THRONE AND AT THE GATE

"Manchus," tribes from the north who were not Han Chinese, conquer and begin Qing Dynasty. Western nations push for access to China.

#### 19<sup>th</sup> Century: PUSHING (DRUGS) INTO CHINA

As trade with China grew, to stem the outflow of silver, Britain turned to exporting opium, which is illegal in China. Other countries join the trade.

#### 1840-60: CHINA SAYS NO. FOREIGNERS WON'T TAKE NO FOR AN ANSWER

China tries cracking down on drugs which leads to The First and Second Opium War. The Brits get Hong Kong. China levied huge indemnity.

#### 1850~1920: EXPLOITING QING WEAKNESS: FOREIGNERS BULLY CHINA

By force and threat, eight foreign countries gain control of part of China via concession territories. China is "carved up like a watermelon."

#### 1850~80: EXPLOITING QING WEAKNESS; REBELLION IN CHINA

A man claiming to be Jesus' brother, among others, rebel and take control of parts of China as the Qing are too weak and distracted.

#### 1900: THE BOXER REBELLION: DAVID ATTACKS GOLIATH AND LOSES.

The Qing can't get rid of foreigners so the people try via anti-foreigner rebellion. Qing join the fight. Foreigners win. Bullying continues.

#### 1908-15: QING DYNASTY FALLS APART, AS DOES DEMOCRACY

The Chinese finally force an end to the Qing Dynasty. The subsequent attempt at democracy is sloppy, chaotic, and short-lived.

#### 1915-28: CHINA SPLITS APART. THE RISE OF THE WARLORD

The power vacuum created by the fall of the Qing results in numerous military strongmen laying claim to regions and localities in China

#### 1931-45: THE LAST BULLY STANDING. JAPAN INVADES.

Japan nudges its way into China, then mounts full scale invasion. Battle becomes part of WWII. China finally wins, with the help of The Allies.

#### 1946-50: COMMUNISTS AND NATIONALISTS FIGHT TO THE FINISH

After more than 20 years of rivalry and many skirmishes, China's two leading parties square off in the long-delayed civil war. Communists win.

#### 1950-57: CCP TAKEOVER IS ROUGH ON SOME, OK FOR OTHERS

Landlords and intellectuals don't do so well under the new regime, but agricultural productivity improves. Soldiers have to fight the US in Korea.

#### 1958-61: THE GREAT LEAP FORWARD (INTO FAMINE):

Mao's ability to mobilize the masses helped win the war but, as applied to economics produces one of the worst economic disasters in history.

#### 1966-71: A SAD, TWISTED CLIMAX TO 200 YEARS OF PAIN

Mao attempts to regain power by turning the people against the people. The Cultural Revolution produces anarchy, chaos, and violence. Chinese society collapses.



### The Remarkable Rise (1980-Present)

This tragic fall into societal chaos makes China's rise via free market reform, which began in 1980, that much more remarkable.

## Nationalism and the Trade War





Nationalism is likely one of the main reason China has held to a hardline position in the trade war. Resisting foreign pressure is perceived as being more important than avoiding economic pain. Nationalism might also a play role in what could be the worst case scenario for the trade conflict—a boycott of US products in China. Nationalism has helped fuel boycotts in China in at least 4 cases recently which are outlined below.

### Common Aspects of China's Boycotts

- Relate to geopolitical issues
- Fairly enthusiastic public support
- Highly active social media support
- Government has lent tacit and/or overt support, followed by efforts to limit impact
- Short term business impact has been large and in some cases lingered; hasn't prevented future growth in China

### Is a boycott of US firms possible?

- US boycott would be much bigger
- Government has tried to contain boycotts and has so far tried to contain nationalism relative to US trade war
- US is SK's THAAD partner but was spared the boycott
- **A volatile issue like Hong Kong could lead the US to respond in a way that stokes resentment in China which could ignite a boycott movement.**

Japan 2012	S. Korea 2017	D&G 2019	NBA 2019
			
Circumstances			
Japanese government acquires disputed islands (Senkaku/Diaoyu) from a private landowner.	South Korea decides to install US-made THAAD missile defense system	Dolce & Gabbana ad considered offensive; founders insulting online comments added fuel to fire	Houston Rockets GM tweets support of HK protestors
Protests/Reaction			
Over 377 street demonstrations took place in 208 cities Japanese-branded cars, dealerships, retailers, and restaurants were vandalized. In some cases drivers were physically attacked.	Physical protests were fairly limited, Social media activity extremely high via internet militias. Gov put restriction on group travel to SK. SK auto and retail, and entertainment impacted.	Social media impact huge as D&G basically disappears from all platforms in China.	Social media reaction very strong. Broadcasts and sponsorships pulled. Products not available. So far slowly rebuilding as some fans find ways to view while public resentment remains high.
Business Impact			
Toyota sales fall 40%, Mazda 33%, during most intense months. Impact lingers but sales begin to rebuild in 2014.	Visitors from China fell 50%; Hyundai sales fell 65%; Lotte supermarkets fell 95%. Not back to old levels yet.	D&G Asia results decline dramatically (no China detail available).	Too early to tell financial impact but expected to be large based on sponsorships and lack of product availability.