

**HOW MULTINATIONAL  
CORPORATIONS ARE  
COOPTED INTO BECOMING  
CHINA'S AGENTS OF  
REPRESSION**

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Informal economic sanctions reinforced by state-sponsored consumer boycotts have made the Chinese market volatile for multinational corporations (MNCs) over the past decade. MNCs must be careful not to offend Beijing and nationalists in the People's Republic of China (PRC). Nonetheless, a definition of what it means to 'offend China' 辱华 is rather elusive. Examples range from refusing to procure cotton from Xinjiang,<sup>1</sup> and defending employees' freedom of speech in support of anti-government protesters in Hong Kong,<sup>2</sup> to failing to conceal the freckles of an East Asian-looking model in a fashion advertisement.<sup>3</sup> Chinese consumers even accused a Chinese condiment producer of offending China by including in its domestic products food additives not used in its exported products due to different food safety standards in the two markets.<sup>4</sup>

A recent example of 'offending China' involved alleged discrimination against mainlanders by the cabin crew of Hong Kong's flagship airline, Cathay Pacific. On a Cathay Pacific flight from Chengdu to Hong Kong on 21 May 2023, three flight attendants were accused of mocking a passenger who confused the English words 'carpet' and 'blanket'. 'If you can't say "blanket", you can't have it,' one flight attendant said. Another added, 'Carpet is on the floor.' The conversation was overheard and recorded by another Chinese passenger, who was sitting near the cabin crew's rest area. The clip was posted on Xiaohongshu 小红书 (an Instagram-like social media platform) the next day and went viral.

Making fun of the passenger's English was misconduct; however, it is not known whether the crew member treated the passenger less favourably when they requested a blanket. Within a day, Cathay Pacific issued three public apologies in simplified Chinese and Mandarin to the passengers involved and to mainland consumers. Chief Executive Officer (CEO) Ronald Lam 林紹波 declared that the airline 'had a zero-tolerance approach to any serious breach of the company's policies and code of conduct' and announced the three flight attendants had been dismissed.<sup>5</sup> He also stressed that passengers with diverse cultural backgrounds must be respected. To prevent similar incidents in the future, the airline would review its flight attendants' training.<sup>6</sup> As part of this reform, in July, the airline began to recruit flight attendants from mainland China.<sup>7</sup>

Despite prompt action by the airline, the scandal was elevated to a political controversy, unleashing a flood of mainland Chinese grievances against Hongkongers. Political actors and state media took turns condemning the airline. Hong Kong Chief Executive John Lee 李家超 reprimanded Cathay Pacific for the cabin crew's disrespectful words, claiming they had hurt the feelings of the people of both Hong Kong and mainland China<sup>8</sup> and tarnished Hong Kong's reputation as a courteous and hospitable place.<sup>9</sup> Other Hong Kong government officials and lawmakers lined up to express anger and disappointment at the airline to ensure that their stance on the incident was communicated to Beijing.



**Cathay Pacific's alleged discrimination against mainlanders was elevated to a political controversy**

Source: Issac Struna, Unsplash

Chinese state media characterised the incident as an exemplar of Hongkongers' weak national identity and Cathay Pacific's arrogance. Xinhua warned that consumers would vote with their feet. From a business perspective, the incident cost Cathay not only its reputation, but also one of its markets.<sup>10</sup> China Central Television (CCTV) claimed it was not an isolated incident and criticised Cathay Pacific for neglecting the root of the problem in their governance.<sup>11</sup> An online commentary published by the *People's Daily* condemned the airline for worshipping foreigners and looking down on mainland Chinese twenty-five years after the city had returned to the 'motherland' and the more recent imposition of the territory's National

Security Law. The commentary also attributed Hong Kong's prosperity to the Chinese state's support and Chinese tourists' spending. It demanded Cathay Pacific 'take heavy-handed measures to rectify the situation, establish rules and regulations, and fundamentally put an end to this iniquitous corporate culture'.<sup>12</sup> A *Global Times* commentary accused Hongkongers of having 'a colonial mentality in their hearts'. It urged the Hong Kong government to develop a strategic plan through education and public communication to achieve decolonialisation of its society.<sup>13</sup>

Cathay Pacific is a subsidiary of British conglomerate Swire Group, but 30 percent of its shares are held by Air China. The airline was one of the MNCs that faced tremendous pressure amid Hong Kong's political turmoil in 2019, which was sparked by a proposed extradition bill that would have destroyed the legal firewall between Hong Kong and mainland China.<sup>14</sup> A labour and market strike was called for 12 June 2019—the day the Bill was expected to pass. Working from home was rare before the COVID-19 pandemic, but HSBC, Standard Chartered, the 'Big Four' accounting firms, and other corporations permitted employees to have special work arrangements on the day of the strike, signalling their acquiescence to employees' participation in the protests.



**Cosmetic company Lancôme faced pressure following the 2014 Umbrella Movement**

Source: Wpcpey, Wikimedia

Political tensions escalated over the next few months and another strike was called for 5 August. Some 2,300 staff in the aviation sector, including 1,200 Cathay Pacific employees, joined the strike. At least 200 flights were cancelled.<sup>15</sup> Two days later, the Hong Kong and Macau Affairs Office of the State Council and the Liaison Office of the Central People's Government Office in Hong Kong jointly organised a closed-door meeting with 500 pro-Beijing members, including business elites, in Shenzhen.<sup>16</sup> In this united-front meeting, Chinese officials asserted the protests had developed 'colour revolution characteristics', which sent an unequivocal signal from Beijing that it would intervene in the political chaos in Hong Kong.<sup>17</sup> After attending the meeting, several leading conglomerates that had previously been silent about the protests swiftly displayed their loyalty to Beijing. Hong Kong's General Chamber of Commerce and the Real Estate Developers Association made statements denouncing the escalating violence in the movement.<sup>18</sup> In the same week, the Civil Aviation Administration of China demanded Cathay Pacific bar any cabin crew who participated in or supported the illegal protests from working on flights to the mainland. The aviation authorities also ordered the airline to submit crew members' identification information for their approval before the crew was rostered onto any flights entering China's airspace.<sup>19</sup> As well as the censure from state media, netizens called for a consumer boycott.<sup>20</sup>

John Slosar, then chairman of Cathay Pacific, initially defended the right to freedom of expression of his staff.<sup>21</sup> Faced with political pressure and financial jeopardy, both Slosar and Cathay Pacific's CEO Rupert Hogg handed in their resignations. More than thirty employees of Cathay Pacific and its subsidiary Dragon Airline were dismissed due to their political stance on the protests. Among them was union chairwoman Rebecca Sy, who had worked as a flight attendant for seventeen years and was immediately dismissed for lamenting the resignation of the CEO on her private Facebook account. Sy believed the private posts must have been passed on to management by her colleagues.<sup>22</sup> Similarly, several Cathay Pacific employees publicly stated they had been summoned by management and questioned about their private

social media posts on the protests before being dismissed.<sup>23</sup> Employees who breach company regulations can expect to be disciplined, but the extent of Cathay Pacific's intrusion into employees' private lives was alarming.

Cathay Pacific's travails in both 2019 and 2023 present one of many examples of Beijing pressuring companies that operate in China to act as its agents in sanctioning individuals' political views. The following cases—one of which dates back almost twenty years—indicate how economic coercion, fortified by consumer nationalism, has led MNCs to suppress freedom of expression on behalf of the Chinese state:

- Yahoo! (2004): Human rights organisations, including Amnesty International and Human Rights Watch, accused Yahoo! of providing the Chinese government with Hunan-based journalist Shi Tao's 师涛 email communications with Democracy Forum, a New York-based website. He had sent them censorship directives related to the Tiananmen Incident's fifteenth anniversary from an anonymous email account. Shi was sentenced to ten years in prison for leaking state secrets.<sup>24</sup>
- Lancôme (2016): The cosmetic company abruptly cancelled a promotional concert featuring Denise Ho 何韻詩, a Hong Kong singer who supported the 2014 Umbrella Movement, after pressure from the *Global Times* and threats by Chinese consumers on social media of a boycott.<sup>25</sup>
- Cambridge University Press (2017): The press temporarily blocked readers in mainland China from accessing more than 300 *China Quarterly* articles at the request of China's General Administration of Press and Publication. The publisher restored the articles after widespread criticism from academia worldwide.<sup>26</sup>
- US National Basketball Association (NBA) (2019): A tweet on 4 October in support of the Hong Kong protests by Houston Rockets executive Daryl Morey led to a broadcast blackout of matches in China. The Chinese Consulate in Houston issued an online statement to condemn Morey's tweet and demanded the Rockets clarify the team's stance.<sup>27</sup> Chinese netizens also called for the dismissal of Morey.<sup>28</sup> Morey apologised for his tweet. In NBA's initial statement on 6 October, it regretted that

Morey's views 'deeply offended many of our friends and fans in China'. Two days later, NBA Commissioner Adam Silver defended Morey's freedom of expression in the wake of pushback from US politicians.<sup>29</sup> CCTV stopped airing NBA games from October 2019 to March 2022, except for one match in October 2020.<sup>30</sup>

- BNP Paribas (2019): The *Global Times* denounced Hong Kong-based BNP Paribas lawyer Jason Ng for his Facebook posts supporting the protests in the city and denouncing the police's management of them. Chinese netizens accused Ng of being a 'secessionist' and demanded the bank sack him. The bank apologised for Ng's comments and emphasised that they 'did not reflect the view of BNP Paribas'. Ng subsequently resigned.<sup>31</sup>
- HSBC (2023): HSBC terminated the bank accounts of the League of Social Democrats (LSD) without explanation along with the personal accounts of several LSD members. The LSD is the only opposition party that has maintained small-scale street activities in Hong Kong since the introduction of the National Security Law. LSD leaders were approached by national security police about their protest plans for 'sensitive dates', such as the anniversaries of the Tiananmen Incident and Hong Kong's handover to China, and China's national day. The homes of some members were raided ahead of those sensitive dates.<sup>32</sup>

Companies must comply with domestic laws where they operate. Doing business in or with China, however, comes with an additional requirement: be careful not to offend the authoritarian state. The above cases show the Chinese state and its consumers not only effectively compel MNCs to play by authoritarian rules and norms while operating in the PRC itself, but also insist that MNCs operating abroad censor the political views of their employees. MNCs may believe that profit justifies their political compliance; however, the effects of such a compromise on the erosion of democratic values and freedom of expression are borne by the liberal world at large. The more dependent a company is on the Chinese market, the more susceptible it is to coercion. Not many MNCs are willing to do anything that will endanger their access to the Chinese market. Google is one of the few exceptions. The tech giant ultimately refused to be complicit in China's censorship requirements

and quit the lucrative market in 2010.<sup>33</sup> Despite an attempt to re-enter the Chinese market with a censored search engine, Dragonfly, the controversial project was dropped in 2019.<sup>34</sup>

China's spectacular economic growth and rising power have given it more resources to reshape norms and standards in the global order. Many studies have investigated the influence of China's foreign direct investment and foreign aid on target states.<sup>35</sup> Emerging research pinpoints how the Chinese government weaponises its domestic market to achieve political goals.<sup>36</sup> More work needs to be done to show how the Chinese government coopts and coerces MNCs to enforce its authoritarian values and policies—and the implications of this on the liberal world order. As consumer and shareholder activism for environmental and social justice expands to include human rights—by, for example, boycotting products produced by Myanmar junta-linked businesses—it will be interesting to see how companies negotiate the demands of their home markets and those of the world's largest one.





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