

# Strategies Available to Companies in Political Disputes: A Study of Boeing's Problems in the U.S.-China Political Confrontation

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**Abstract.** Since the disintegration of the Soviet Union, the world's second largest economy at the time, the ever-growing China has begun to attract the attention of the United States. The United States has used various methods such as trade wars and wooing China's neighboring countries to contain China's development, and at the same time, the geopolitical conflict between China and the United States has become increasingly fierce. While the U.S. approach has curbed China's economic growth, it has also adversely affected U.S. companies such as Boeing that have cooperated with China. This paper analyzes the impact of geopolitical tensions on Boeing and what Boeing can do to reduce the impact of geopolitics on the Boeing commercial aircraft market. To answer this question, this paper conducted a market position analysis of Boeing, studied official Boeing reports and other papers, and analyzed Boeing in terms of market and non-market aspects. The results show that U.S.-China geopolitical conflict has reduced Boeing's trade with China. The results also suggest that there is hope for a improve of Boeing's relationship with China if Boeing uses appropriate market strategies as well as non-market strategies.

**Keywords:** Politics; Boeing; Market strategy; Non-market Strategy.

## 1. Introduction

Different companies have different approaches when it comes to issues arising from political issues. As China continues to improve economically and technologically, The United States' world supremacy is being challenged. The United States has used import and export restrictions and technological blockades against China to stop or slow China's progress, while Boeing is also facing new challenges in the Chinese market because of this. Boeing is One of the world's largest aerospace companies and it is the world's leading manufacturer of commercial and military aircraft. Boeing is headquartered in Chicago, with corporate offices near Washington, D.C. Boeing have more than 140,000 employees across The US and more than 65 countries, Boeing is also the biggest exporter in the US by dollar value [1] (The Boeing Company: General Information, n.d.). Boeing has a long tradition of technological innovation, and it continues to improve its aircraft manufacture ability and provide new services to meet the needs of newcomer customers. Boeing's technological innovation capabilities include creating new, more efficient models of commercial aircraft; designing and building more effective military defense systems and equipment; finding advanced technology solutions; and provide personalized financing and service options for different customers [1]. Market strategy and non-market strategy are measures to solve or reduce the impact on the company when it faces issues, it can change the passive position of the company and help the company to survive the crisis smoothly. This paper first analysis Boeing's market position, then state issues Boeing is facing, analysis factors involved, state use of market strategies and non-market strategies and summaries Boeing's recommended strategies.

## **2. Market Position Analysis**

In this part, Porter's five forces will be used to assist the market position analysis, which include the competition in the industry, potential of new entrants into the industry, power of suppliers, power of customers, and threat of substitute products.

### **2.1 Competition in the industry**

Competition in the industry is moderate. In the current commercial aircraft market, Airbus is the biggest rival opponent. Use data from Statista: Number of jets added to the global aircraft fleet from 1999 to 2021, by manufacturer (in units) \*, it can be seen that Boeing and Airbus are the two most important companies in the delivers of commercial aircraft, and the remaining companies such as Embraer and Bombardier have very small percentage in the overall aircraft sales market [2]. This becomes an oligopoly market structure led by Boeing and Airbus. There are not many companies can compete with Boeing, in other word, it is safe to say airbus is the only company that competing with Boeing. In conclusion, Boeing's competition inside the industry is moderate, because of lack of rivalry opponent and no absolute advantage over the only rivalry opponent Airbus.

### **2.2 The potential of new entrants**

Potential of new entrants is low. Aircraft manufacturing industry need high cost on budget and time, and the technology needed to be able to design and build an aircraft is high as well. Roughly, to be able to build a plane, development, supply requirements, transportation, connection of various departments, safety testing, service of selling, regular maintenance and repairs are all need to be considered. New entered commercial aircraft like Comac C919, Sukhoi SuperJet100 are all delayed compared to the original plan and the order are few [3]. Company like Comac and Sukhoi are huge company with budget support of Chinese/Russian government, and yet model C919 and SuperJet100 are delayed by reasons of technical problem, obviously the difficulty of research and build a plane is high. In the short term, new entrants will not affect the oligopoly led by Boeing and Airbus.

### **2.3 Power of customer**

The power of customer over Boeing is low. Boeing have customer all over the world, taking the model 737-MAX as an example, there are over 630 aircraft 45 airlines in use worldwide [4]. There are only two main commercial aircraft manufactures which is Boeing and Airbus, but there are over 5000 airlines in record [5]. Airlines around the world have limited choice, therefore Boeing have strong negotiating power over customer.

### **2.4 Power of supplier**

The power of supplier is moderate. A Boeing model 737 made by more than 367,000 parts, those parts are from more than 11,000 of suppliers [6, 7]. Without powerful supplier and global supply chain, Boeing will not be able to manufacture and deliver aircrafts. For example, aircraft core parts like engine for model 787 are from GE and Rolls-Royce and other manufacturer suppliers, transportation for parts built all around the world are from GXO Logistics, Inc and other logistics suppliers, energy and natural resources are from Delaware Resource Group and other resource supplier [7]. Boeing have demand for all kinds of suppliers, and most Boeing supplier are high tech leaded. It is not easy for Boeing to find alternatives for suppliers, but with oligopoly in aircraft manufacturing industry led by Boeing and Airbus, it is even harder for supplier to find new partner. Therefore, power of supplier is moderate, Boeing still have greater power against suppliers.

### **2.5 Threat of substitutes**

The threat of Substitutes is moderate, trains, cars, ships, and other transportation method all have some advantages compare to airplanes. In short distance, especially within a city, people are not able to choose plane. Except for airports, most cities have not established traffic systems for private jet

transportation, such as take-off and landing runways and air command systems. And as of today, civil aircraft that can take off and land vertically have not been put into use on a large scale. For middle distance, people may choose railway transportation for better price and less waiting time to departure. Furthermore, railway transportation is less likely to be affected by weather, train travel gives you more leg room and able to provide a travel center to center [8]. For long distance, air freight is faster but also costly. According to World Bank, air freight are 12-16 times more expensive than sea freight [9]. People will choose sea freight in which the cargo is not time sensitive.

### 3. Non-market Problem of Boeing

US-China relationships are affecting Boeing's Chinese business. US-China Economic Trade Friction Increased China is the biggest developing country in the world, while the United States is the world's biggest economy. Trade traffic between the two countries is frequent, and since China joins WTO, the trade relationship between Central America is closely close to the day. The traffic trade between the two countries is closely close to the day, and the trade amount is constantly rising, increasing from \$ 804.8 billion in 2001 to \$ 5836.9 billion in 2017 The year combined growth rate reached 13.2%, especially between 2000-2008, maintained a two-digit growth In the United States. Looking at the overall proportion of the trade pattern, Central America is the largest trade partner, and the total share of the Central American Trade Structure is higher than other trade partners. The specific gravity of the trade in China was over 12%, and the specific gravity of export and import was also maintained, and 2017 was 18.99% and 8.36%, respectively. Economic trade cooperation is dense [10]. However, the Central American relationship is not a plentiful sail. In recent years, world trade protectionism has risen, the non-tariff barrier rises, and the medium-term trade friction has escalated. However, since the new Coronavirus explodes in 2022, this crisis has been amplified by the contradiction between China and the United States, and both sides open the trade match, and in general, the US-China relationship affects one another and is mutually constrained. Trade friction between China and the United States has affected Boeing's market share and business expansion in China. Five actors: passengers, US and Chinese government, Airbus and other aircraft manufacturers are generally involved in.

Passengers want to be offered with services of high quality and it's certainly better to have more adorable airfares. Anyhow, what they do care most is still the safety of their transportation. To the passengers, social medias are the one and only sources for them to acquire information. Though much more ill-informed they may seem than the insiders, the power of consumer groups is actually very strong for they largely determine the reputation of Boeing Company. Considering the tension between US and China which brings about inevitable effects to passengers' travels and a surge in airfares, also the scandal about the frequent accidents of Boeing 737 in recent years, "there's much necessity for the company to properly and carefully respond to the passengers' needs and pay attention to the public opinions [11].

US government wants Boeing Company to export as many planes as possible in order to gain revenue of the largest amount, however, at the same time avoid technology leaks to China in particular. US government knows well how much China has known about the technology of the Boeing Company since the close relationship between it and the corporation. By taking into account the growing conflicts and frictions between US and China, US government will not give China any opportunity to get high technology and therefore it is difficult for Chinese industry to develop and innovate because of this form of blockade.

Chinese government obviously wants to learn as much as possible about Boeing's technology to accelerate the process of domestic scientific research. With the protection on the growing quantities of high-tech products that are manufactured in China [12] may held by the Chinese government, US supply chain may be potentially disrupted.

To Boeing's biggest competitor Airbus, all surroundings seem to provide it with a good chance to expand more market share in China. Airbus, as an aircraft manufacturer just like Boeing, knows how

political issues like this can affect the company. In view of what Boeing cannot do in terms of services, Airbus can make relevant better services like offering a lower price to replace the former's place in China. In addition, as a European firm, it will not get much limitation from the government, allowing it to have more freedom in trade.

Other aircraft manufacturers such as Antonov State Company and ATR want to enter Chinese market for this market has, in fact, long been monopolized by Boeing and Airbus [13]. What these corporations do own is relative clean and empty political backgrounds. If Chinese government doesn't want more forces to be involved in, they are likely to have the opportunity to gain market share in China.

Boeing needs to cope with America's hostile attitude to China, but not worsening its own relationship with it as there is a big market. For Boeing, this issue may be resolved on social media and official diplomacy between the two countries. Our relationship with China began in 1916, even before Washington and Beijing established official diplomatic relations. With the cooperation between the company and China progress, Chinese manufacturers gradually gained competitiveness and disrupting the duopoly between Boeing and Airbus. US – China trade war provoke the long-lasting critics of forced technology leaks and tariffs increases costs of production. Boeing needs to cope with America's hostile attitude to China, but not worsening its own relationship with it as there is a big market and its competitor Airbus is also investing there. A precarious balance is required. For Boeing, this issue may be solved on social media and official diplomacy between the two countries since the boycotts derived from political tension can be hardly alleviated by further competitiveness.

#### 4. Range of Outcomes

Ihssane Mounir, Boeing's senior vice president for commercial sales and marketing once illustrates in an interview that Boeing has confidence in the Chinese government and the Chinese market. He believes that the business relationship between China and Boeing exceeds the constraints brought by geopolitics, and the urgent problem Boeing facing in Chinese market is government restrictions on travel due to Covid-19 [14]. However, on September 16, 2022, China's foreign ministry spokesman said it would impose sanctions on Boeing due to the US arms sale of 60 anti-ship missiles to Taiwan. According to Reuters, the main contractor for the sale of the sixty anti-ship missiles is a division of Boeing - Boeing Defense [15]. The Chinese Ministry of Foreign Affairs has not directly stated what sanctions will be imposed on Boeing, but the Chinese government has informed the public about the sanctions imposed on Boeing, which will reduce Boeing's trust among Chinese people and make Chinese airlines more likely to turn to Airbus when purchasing commercial aircraft. Contrary to what Boeing's senior vice president for commercial sales said, in July 2022, China and Airbus announced a \$37 billion deal. Boeing expressed its disappointment and issued a statement at the same time, saying that due to geopolitical reasons, the export of commercial aircraft to China has been restricted. Boeing hopes that the two governments can solve the geopolitical problem through dialogue. It also mentioned that Boeing's aircraft exports to China support more than ten thousand Americans employment, Boeing hope aircraft exports to China will resume [16]. To sum up, if Boeing does not take measures, the outcomes of exports to China can be increased, unchanged, decreased. But the reality shows that the geopolitical tension between China and the United States will reduce Boeing's commercial aircraft exports to China.

##### --The context of bargaining

Potential Allies: Boeing's potential ally includes the US government, speeches, and social media. If Boeing faces the U.S.-China trade war and the deteriorating U.S.-China relations, each of them will be responsible for helping Boeing overcome the crisis. For example, the U.S. government can increase its investment in Boeing, Boeing can immediately seek help from the US government when it encounters fraudulent competition from Airbus, and Boeing should immediately ask learners of Washington to take quick, effective, and concrete actions, and Boeing is the EU government any wrongdoing. If there is evidence that he is helping Airbus in such a way [17]. The lobby is a

communication process, and the impact of the lobbying process on the government is mainly due to the impact and pressure on decision-makers. [18]. Therefore, Boeing can extend the US government through lobbyists to ease tensions between Central America and help Boeing not lose its market share in China in the Central American trade war. Social media can advertise Boeing's voice, helping Boeing get out of the woes of U.S.-China relations and to get out of Boeing's credit crisis. Boeing's reluctant attitude ahead of the 747 Max's two serious accidents has shown the importance of vigilance for organizations ahead of the crisis to take on emergency measures [19]. Ahead of the crisis, the organization must immediately react to so-called crisis responsibilities, and people cannot underestimate the potential long-term and negative effects of defamation [20]. So Boeing can help you hear and seek social media to boost your company's reputation.

Rivals: Boeing's rivals include Airbus and Chinese Civil Airlines. According to Carl and Lee, "Boeing was one of the world's leading aircraft manufacturers, but in the late 1990's Airbus Industries, Europe competed fiercely with Boeing and accounted for almost 50% of commercial aircraft. It accounted for almost 50% of the aircraft market with more than 100 seats" [21]. This indicates that the competition between Boeing and Airbus is booming, and Airbus is currently a competitor that Boeing cannot ignore. Andersen points out that Airbus' entry into China is unprecedented [22]. If successful, China's aircraft manufacturing levels and technologies will be raised, affecting China's future LAC market, and to some extent, China could replace foreign LAC markets in the future. In the short term, the development of Chinese civil aviation does not pose a threat to Airbus and Boeing, but Chinese Civil Aviation should be considered Boeing's potential competitor.

## **5. Strategies in the Face of US-China Relationships**

### **5.1 Market Strategy-expand market share in China**

The tactics about the threat of substitution: Aircraft Manufacturing Industry belongs to the high-tech industry, belonging to system engineering, advanced technology, precision instruments, and mature production. Since the lines need a line, relatively speaking of the aircraft manufacturing industry, the Airbus and Boeing's oligopoly in the aircraft manufacturing industry is formed. Currently, the Airbus is the biggest rival of Boeing [23]. In the face of Airbus threats, Boeing must take a certain action: first, price is lowered, new technology, and new materials are adopted, and production cost and cost of use can be lowered. For example, when a high-performance composite material can be adopted, the structural strength can be enhanced, the weight of the aircraft can be reduced, and the latter maintenance cost can be effectively reduced, and then the fuel efficiency is lowered, and the fuel efficiency is lowered, and pollution emissions are small and efficient [24]. The quality of the service is enhanced and after-sales service and the sexual price ratio of its product must be enhanced to form a constant competitive advantage. Second, we gradually promote the development of new products such as new substitute vehicle models. Currently, 737 MAX is considered to overcome the crisis temporarily, but the future is an unavoidable change, and Boeing is new as soon as possible so that the future does not fall into passive. It should start developing products. Third, Boeing can also find the position of your own company, as Shandong Airlines in China are known for "rapid, safety", and you can spread their corporate position and spread their corporate culture. Boeing has an efficient and skilled maintenance team, and Boeing's mechanic is the fastest from Seattle to all parts of the world, to faster from Seattle to the needs of customers. Corporate positioning culture can be focused on high-level after-sales service.

The tactics about the suppliers of bargaining: Boeing is good in the long run with Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Ishi Kawasaki-Harima Heavy Industries, Fuji Heavy Industries, and 4 Japan Aircraft Manufacturing Company. I have built a supplier relationship. To understand the relationship between Boeing and these Japanese suppliers, it is necessary to return to several decades ago, when Boeing tests the product in Japan for the first time and sells products to airlines to succeed, Boeing has to provide a manufacturing contract for some related parts to a Japanese company, and Boeing accepted these conditions to open and occupy the Japanese market.

Both of them have a significant interdependence. In the face of such a strong dependence, Boeing needs to improve its system design and integration techniques so that no supplier or group of suppliers can combine to dominate the industry [25].

The tactics about the Customers: On the consumer side, Boeing can do one is to improve their cost performance and service level, as mentioned in the previous article and the competition between Airbus, the second is, to solve their reputation crisis, improve their safety, Boeing market share decline one of the very important reason is because of the Boeing 747MAX two major accidents occurred, passengers choose the airline's biggest The biggest consideration for passengers choosing an airline is safety, for the aircraft manufacturing industry, product quality is not only related to the reputation of the company but also related to the lives and safety of countless passengers, so Boeing must first attach great importance to product quality, every factory, every department to establish a strict quality management system. Secondly, the airline must carry out strict regular overhauls and maintenance of the aircraft, and the crew must operate strictly to the regulations. Thirdly, the company must study the attributes and characteristics of the consumer market and develop distinctive sales strategies.

## 5.2 Non-market strategy-improve relationship with China

Tactics: Firstly, it is undeniable that geopolitics does affect Boeing's interests. Boeing can express its hope for a friendly dialogue between China and the U.S. and correct its attitude to firm up its position. Secondly, Boeing can cooperate more extensively and deeply with Chinese civil aviation and other airline manufacturers. Secondly, the U.S. government could inject capital into Boeing to expand its share capital. Thirdly, Boeing could use social media and lobbyists to conduct crisis communications to help it overcome its credibility crisis. Crisis PR is a set of tactics to gain the public's trust when a corporation is in trouble, trust, or personnel failure, so as to maintain the company's image [26]. The two air crashes of the 747 not only caused a bad impact worldwide but also a great impact on Boeing's corporate image. Apart from the negative publicity, the incident has also caused several subsequent effects, including lawsuits filed by some of the families of the crashes, and several airlines around the world demanding refunds, among others. In the face of these circumstances, Boeing should first of all not try to divert the focus of public opinion but should take a positive and sincere attitude, lower its posture, stand in the perspective of the victims' families to communicate, and sincerely apologize through social media and other channels to eliminate public misunderstanding and anxiety. And Boeing should give the public an account of the accident and the solution through social media lobbyists, for example, by holding an official conference open to the media and making a systematic explanation in the face of public questions. Besides, Boeing could seek social media, lobbyists, or authorities to speak out for itself and restore its corporate image.

## 6. Conclusion

Boeing from the United States is one of the largest commercial aircraft manufacturers and it forms an oligopoly led with its European rival opponent Airbus. They have been competing for Chinese market for a long time. The intense geopolitical relationship between China and US makes it hard for Boeing to expanding Chinese market share. And this becomes an opportunity for Airbus to occupy Chinese commercial aircraft market. Market position analysis shows Boeing maintain high or moderate negotiation power against market, hence if Boeing takes corresponding countermeasures, the effect should be very significant. Actor involved in this situation suggest Boeing could consider taking actions on consumer by safety measure, on both countries' government by reduce sanctions on both sides, and if this is not feasible, find a way for dialogue and consultation, on Airbus by develop more competitive models. After analysis of feasible strategies, Boeing is recommended to provide more cost-effective products in the short run and continue develop new models to differentiate from Airbus in the long run. For non-market response, it is suggested Boeing to try to set up ways of communication with China, expand its share capital and utilize both social media and

its official diplomacy to try to promote more cooperation and lower tariff imposed on Boeing's commercial aircrafts.

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