

WATCH LIVE President Obama makes a statement on the situation in Iraq

CBSNews.com / CBS Evening News / CBS This Morning / 48 Hours / 60 Minutes / Sunday Morning / Face The Nation

Log In Search

Markets Money Work Small Business Retirement Tech Trending Video

Quote



By ERIK SHERMAN / MONEYWATCH / August 7, 2014, 12:00 PM

Is China using U.S. companies to influence policy?

1 Comment / 5 Shares / 6 Tweets / Stumble / Email More +

Apple (AAPL) just received some bad news from China: The government has reportedly **excluded the company's products** from the official procurement list, according to Bloomberg.

That would mean public money couldn't be used to buy iPhones, iPads, or Macs, which could put a dent into sales in an important market for Apple. Last quarter, China represented nearly 16 percent of the company's sales and it offers the biggest chance for the high growth that investors demand.

The reason given for the exclusion were security concerns. China has said that **iPhone location tracking is a "national security threat,"** a charge that the company denies. But Apple devices typically score relatively well in security. The real issue may be that companies have become tools that the Chinese government uses to further its global economic and political interests.

Economic pressure becomes political levers

"Their goal is to use economic resources to gain political control," said George Haley, director of the Center for International Industry Competitiveness at the University of New Haven, in an interview with CBS MoneyWatch. "You can twist people's arms, take advantage of monopolistic prices, and subordinate [countries'] government policies to the Chinese will through the other government's corporate management. The U.S. is highly susceptible to this strategy because it's one of the few countries to allow foreign companies and governments to lobby the government."

Put differently, the government of China will use economic and legal findings and sanctions to put pressure on large corporations. Top managers of those companies go to their home governments to push for the changes that China wants.

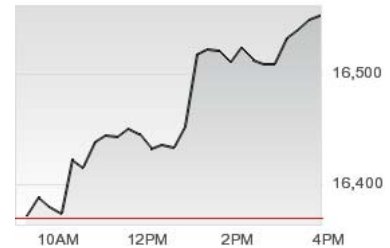
An example is the global dominance of China's photovoltaic (PVC) solar cell manufacturers. Low prices have forced out many competitors in other countries. The infamous case of U.S. solar cell company **Solyndra going bankrupt** when it had a \$528 million federally-guaranteed loan was largely due to the drop in PVC prices due to China's influence. But "the bulk of their [solar] companies are technically bankrupt," Haley said. They are only competitive because China enables the losses they face.

The political pressure showed in a recent standoff with the European Union, which planned sanctions for solar panel dumping, an economic term that refers to one country selling products at a loss in a second country to undermine the latter's

Market Data

Enter Ticker Symbol or Company Name

NASDAQ: Aug 09, 2014



| Symbol | Last | Change | % Change |
|---------|-----------|---------|----------|
| DOW | 16,553.93 | +185.66 | +1.13% |
| NASDAQ | 4,370.90 | +35.93 | +0.83% |
| S&P 500 | 1,931.59 | +22.02 | +1.15% |

THE NEW SHORELINE MEDICAL CENTER IS NOW OPEN IN WESTBROOK

24/7 Emergency Care
Lab & Radiology Services
I-95 to Exit 65, near the Tanger Outlets

[LEARN MORE](#)

The Smarter Choice for Care
MIDDLESEX HOSPITAL

Moneywatch Spotlight

What you're forgetting about retirement

10 things getting more expensive this fall

8 signs you need to revise your budget

Which brands will P&G dump?

industry. "[China] put pressure on the German government by threatening German exports to China," Haley said. Germany, in turn, put pressure on the EU to moderate its stance. And then **China also threatened wine imports**, which would have affected Italy, France, and Spain but left Germany unscathed, because of its support.

In China's current round of actions, the expressed concerns over Apple security are likely the response to U.S. charges that China has used computer hacking to break into government and corporate systems for government and economic espionage. Apple also isn't the only target.

Other companies targeted

Microsoft (**MSFT**) found itself under an **antitrust probe** last month. Chip maker Qualcomm (**QCOM**), which has been extremely successful in the mobile and wireless markets, has been **declared as having a monopoly** in the country.

"Qualcomm has a really interesting history in China and because of China," Haley said. "Qualcomm has for well over a decade gone through a period of being harassed and then being supported and then being harassed again." Haley claims there's a strong correlation between periods of harassment and drops in the company's stock price. "That's one way they can affect company management, by affecting corporate share price."

China is likely to be pursuing a double agenda: Political pressure and an interest in supporting the domestic electronics industry. Both Qualcomm and Apple are major players in the mobile industry. China wants to promote its own smartphone industry and a state-owned company **just purchased RDA Microelectronics**, a semiconductor company that makes chips for the cellular industry.

The trade wars also extend beyond high tech. "Chrysler has also been charged with being a monopoly," said Haley, even though it is far from being a dominant force in China's automobile industry. "[The regulations are] designed in such a way that if they decide they don't like your management or want to punish a company for its government's actions, then they can. Their activities demonstrate to the companies that if they don't get the American government to change its policies, then they're going to suffer for it."

© 2014 CBS Interactive Inc.. All Rights Reserved.

1 Comment / 5 Shares / 6 Tweets / Stumble / Email More +

Erik Sherman
ON TWITTER »

Erik Sherman is a widely published writer and editor who also does select ghosting and corporate work. The views expressed in this column belong to Sherman and do not represent the views of CBS Interactive. Follow him on Twitter at @ErikSherman or on Facebook.

Around the web

Recommended by



U.S. is inching closer to energy independence as...
Fortune



Five Apps To Track Time At Work
GetApp.com



How To Invest \$100, \$1,000, Or \$10,000
Business Insider



8 Celebs Who Have Severe Illnesses
PressroomVIP

Featured in Moneywatch

Popular on CBS News



Photos of the week
34 PHOTOS



What can you buy for around \$300,000?

Market News

- 10:25 AM Connecticut seeks training for manufacturing jobs
- 10:16 AM Bridges key piece to toting big soybean harvest
- 9:44 AM Ebola starting to take an economic toll in region
- 8:47 AM Etihad, Gulf Air re-route Iraq flights
- 8:13 AM Pilot strike in Portugal prompts canceled flights
- 5:20 AM Hagel: US, India must improve defense cooperation
- 2:42 AM Things to know about NCAA antitrust ruling
- 1:01 AM China's inflation stays at 2.3 percent in July
- 12:51 AM Nevada complaint seeks to require condoms in porn
- 11:06 PM Judge rules against NCAA in O'Bannon case

[MORE HEADLINES](#)

Stock Watchlist

Aug 09, 2014

Enter Ticker Symbol or Company Name

| Symbol | Last | Change | % Change |
|--------|-------|--------|----------|
| AAPL | 94.74 | +0.26 | +0.28% |
| GE | 25.66 | +0.16 | +0.63% |
| KO | 39.45 | +0.10 | +0.25% |
| WMT | 74.67 | +0.72 | +0.97% |
| XOM | 99.74 | +1.47 | +1.50% |

[VIEW/EDIT YOUR FULL WATCHLIST](#)

Flirty Plus-Size Outfits



Shop Flirty Plus-Size Outfits on Sale up to 70% Off. Shop Now!

Super New Welding Machine

Poll: You've been chosen



12 things about Costco that may surprise you

The warehouse retailer is a tightly run operation that knows exactly how to make money in good times and bad



10 things not to buy at the grocery store

Save money and live healthier by skipping these items completely



What am I seeing?
16 PHOTOS



Cops: Va. family shot dead in apparent murder-suicide
23 COMMENTS



U.S. adamant it can stop ISIS in its tracks
657 COMMENTS



J.K. Rowling writes to Texas shooting survivor



Which U.S. state has the fastest Internet speed?
20 COMMENTS



U.S. launches more airstrikes in Iraq; ISIS casualties reported
431 COMMENTS



"Game of Thrones" reminds man of baby in hot car
35 COMMENTS



1 Comments

1 Comment / 4 people listening

SIGN IN

Empty comment box with '+ FOLLOW', 'Share', and 'POST COMMENT AS...' buttons.

NEWEST | OLDEST | TOP COMMENTS

August 7, 2014 11:11PM

So glad you wrote this article! China is so blatantly using it's large market which has huge growth opportunities for any company with an amazing product. Qualcomm has been working with the Chinese government for over a decade to support their "TDS" version of CDMA and LTE. The only reason China's government wanted their own "TDS" version was to have control over licensing rights and negotiating power. Now that Qualcomm is the only company that support all 5 wireless protocols required by the Chinese government (including TDS flavors), they are claimed to be a monopoly by China's government! BS big time. Now Apple and many other high techs will be challenged.

I have one big message for you CHINA; stop stealing all of our intellectual property, hacking into our systems, creating fake Apple stores, and accusing our companies with falsehoods like monopoly or security risk. You can't have your cake and eat it too. Stop trying to get everything for free; because in the end, you will be left with nothing when everyone abandons you.

👍 LIKE / 🗨️ REPLY

Quotes delayed at least 15 minutes. Market data provided by Interactive Data. Terms & Conditions.
Powered and implemented by Interactive Data Managed Solutions News provided by The Associated Press.
Company fundamental data provided by Zacks.

CBSNews.com

[Site Map](#)
[Help](#)
[Contact Us](#)
[CBS Bios](#)
[Careers](#)
[Internships](#)
[Development Programs](#)

CBS Interactive

[Privacy Policy](#)
[Terms of Use](#)
[Mobile User Agreement](#)
[About CBS](#)
[Advertise](#)
[Closed Captioning](#)

Follow Us

[Facebook](#)
[Twitter](#)
[RSS](#)
[Email Newsletters](#)
[YouTube](#)
[CBS Radio News](#)
[CBS Local](#)

Copyright © 2014 CBS Interactive Inc.
All rights reserved.

Search...