



How to negotiate with the Chinese?

Marjan Svetličič*

Abstract: The objective of this article is to enhance bargaining competences of managers negotiating with Chinese partners. It was achieved first by evaluating general characteristics of cross-cultural negotiations, followed by specifics of negotiating with the Chinese partners. Based on the mistakes managers do in negotiating with Chinese partners, special attention was directed to: prevailing values, communication specifics, dualism in negotiating with foreigners (ying-yang), the importance of keeping up one's respect, relationships (guanxi) and differences in terms of time, organization of the meetings, and finally, their view on contracts. Mastering such specifics and avoiding too frequently rooted stereotypes are preconditions for success on the Chinese market

Keywords: China, negotiations, culture, cultural differences, guanxi-relationships, competences, keeping up one's respect

JEL: M21, F 23, L20

Kako se pogajati s Kitajci?

Povzetek: Cilj tega članka je okrepiti pogajalske kompetence menedžerjev pri pogajanjih s kitajskimi partnerji. To je bilo doseženo najprej z ocenjevanjem splošnih značilnosti medkulturnih pogajanj, nato pa s posebnostmi pogajanj s kitajskimi partnerji. Glede na napake, ki jih menedžerji delajo pri pogajanjih s kitajskimi partnerji, je bila posebna pozornost namenjena prevladujočim vrednotam, komunikacijskim specifičnostim, dualizmu pri pogajanjih s tujci (ying-yang), pomenu ohranjanja ugleda, odnosih (guanxi) in razlikam v odnosu do časa, organizaciji sestankov in končno njihov odnos do pogodb. Obvladovanje takšnih posebnosti in izogibanje prepogostim globoko zakoreninjenim stereotipom sta predpogoja za uspeh na kitajskem trgu.

Ključne besede: Kitajska, pogajanja, kultura, kulturne razlike, quanxi-odnosi, kompetence, čuvanje ugleda

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10.32015/JIBM.2022.14.1.5

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Mednarodno inovativno poslovanje
=Journal of Innovative Business and Management

ISSN 1855-6175

1 Introduction¹²

In 1980s Deng Xiaoping arguably declared "It doesn't matter whether a cat is black or white, as long as it catches mice." And China "has undergone changes of breath-taking intensity and scale" (Freeman, 2005, p. 195). During the astonishing growth in the last decades, it caught a lot of mice, thus becoming the largest economy in the world. Parallel with the high growth, astonishing technological transformation has also been taking place, which is the base for Chinese firms to become important investor in the all across the world, in EU and even in Slovenia.

Very few people saw this coming in the right time. European Union (EU) was also slow in enhancing economic and political relations with China. EU countries have been too much inwardly oriented, seeking mainly to improve the internal market, thereby ignoring simultaneous the 10 per cent growth rate of China for decades, thus offering huge potential for cooperation according to the research of Arora and Vamvakidis (2005). Consequently, 1% growth rate of a partner country is correlated with 0.8% of your growth.

Ideological barriers are one of the important constraints for economic cooperation. Slovenia has not been an exception. It was initially very modest, although growing in the last decade, but lagging much behind its potential, in spite of rather good beginnings when Slovenia was still part of Yugoslavia. Iskra Avtomatika equipped all major transport hubs in Beijing with traffic lights, and micro motors for refrigerators (Rotomatika). The most interesting project was Iskra Delta's computer network for the Chinese police (more in Svetličič, 2021, p. 90). Growing contempt for Chinese model has increasingly become a barrier to bilateral cooperation which is still under strong political influence in general, also in the case of Slovenia. Reckless statements by leading politicians have become, particularly in the last two years, a serious problem for successful bilateral cooperation. They have direct repercussions on business cooperation. Chinese side immediately reacted, developing a plan B.

Alluding to the movie Russians are coming, the article was written in Slovenia referring to "Chinese are coming" in 2006, suggesting that relations with Asia, particularly China and other BRIC countries, should become a priority also for Slovenia. It was a kind of wake up call. Not many heard it, because China still accounts for less than 1% of total Slovenian export, while import is almost 7 times higher (2021). Slovenian policy has not put enough priority to cooperation with China in the past, and even not in the present. Therefore, it is highly important to know how to do business with Chinese in the future. In this case, the tradition is not on our side as opposed to the cooperation with European countries, for instance.

And yet, the statement by Geert Hofstede (1994) that »the business of international business is culture« perhaps most eloquently illustrates the importance of understanding culture in international business. A considerable share of Slovenian managers also indicated that overcoming cross-cultural obstacles is a major challenge in today's international business relations. Mistakes or misunderstandings have been singled out as the biggest problems they faced on the path of their internationalisation. Such experiences are confirmed by Cohen (1997) and Faure (1998), emphasising that misunderstandings in negotiating behaviour stem from cultural differences. Pfajfar et al. (2020) also noted that in the Slovenia-China negotiation context, cultural differences have been certainly the most common reason for misunderstandings. One reason for such an obvious position of cross-cultural mistakes is that they are not easily corrected, if at all. They are remembered for a long time; huge ones may persist even over generations. You can repair your product or service, but if you insult your foreign partner due to insufficient knowledge of their cultural background this can mean the end of the cooperation, or at least a lower price combined with the loss of some other element within the potential business transaction³.

This knowledge is important in international business in general, but particularly when one is faced with partners from other, less well-known, distant continents that are culturally and historically quite

¹ To some extent, the article refers to the chapters 8.1 and 8.2. of the book by Svetličič 2021.

² The author acknowledges the financial support from the Slovenian Research Agency research core funding No P5-0177 and very helpful comments on the first draft of this article by U. Lipušček, N. Pejič, J. Rošker, several managers operating in China and anonymous reviewers.

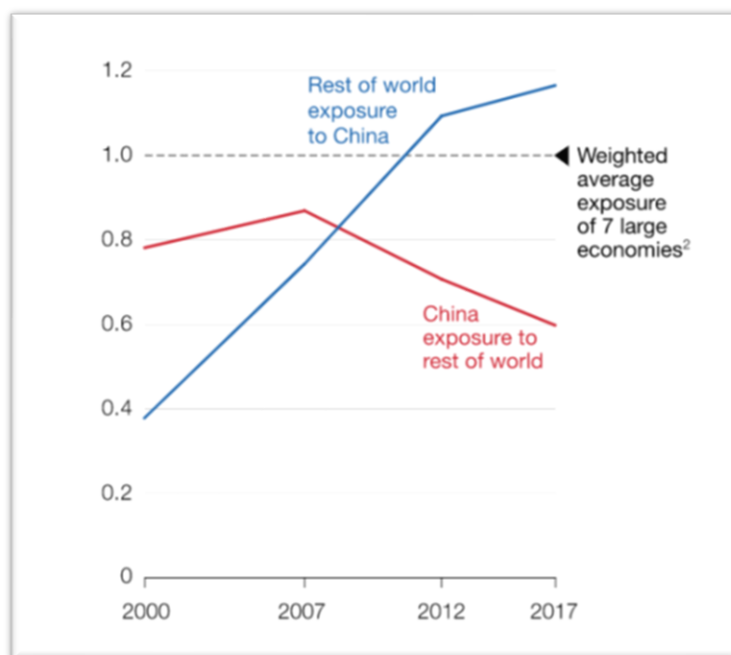
³ Whenever we talk about Chinese behaviour it should be understood as prevailing or dominant type of behaviour, Chinese tradition, their customs, or their way of thinking, which took shape in certain historical and conceptual background, not typical for each and every individual Chinese in every situation

different. This is especially the case if we cling to stereotypes about other cultures, which is a common mistake made by business people. Saying that Chinese are similar is therefore terribly wrong. Not mastering cross-cultural differences and their conceptual backgrounds often leads to misunderstandings and even to conflicts that result in failed business deals.

Another source of conflict is that foreign behaviour is interpreted through the prism of our culture (some sort of cultural imperialism or ethnocentric or Eurocentric view of the world). As Jana Rošker has stated for the philosophy: “most of the Western prejudices against Chinese philosophy can be seen as arising from such a truly remarkable ignorance and, simultaneously, as their result. As we have seen, the superficial understanding or, to put it more bluntly, the widespread misunderstanding of ancient Chinese texts, continues to hold sway in Western theories on China” (2021, p. 133). But it is certainly valid for cultural behaviour in general. It is also vital to understand foreign, in this case, Chinese culture, as well as our own or, in other words, how they see us. Intercultural negotiations can otherwise produce poorer results than ones within a single culture. Still, one must be aware that huge differences also exist between regions, cities and villages, big and small cities, in any foreign culture. This particularly applies to China, which is certainly such a distant country that is less known by Slovenians, although some similarities can be found. The goal of this article is analysis and comprehension of those differences, how to prepare for them and overcome them in business transactions⁴.

It is also important to be aware that interdependence between the countries can be quite asymmetric, not only in terms of the size. For instance, most countries depend on China much more than China depends on them (see figure 1). That enhances Chinese bargaining power tremendously and their negotiators are well aware of that.

Figure 1: China has reduced its exposure ⁵, to the world ⁶while the world has increased it (index)



Source: Woetzel et al., 2018.

Knowing how to negotiate in such unequal position is thus additional challenge.

⁵ Includes trade, technology and capital exposure metrics

⁶ The seven large economies include: China, France, Germany, India, Japan, the UK and the USA.

2 The general importance of mastering cultural differences for international negotiation

Before looking into specifics of how to negotiate with the Chinese it is important to look into some principles of cross-cultural or international negotiations in general. Differences among countries and cultures are so great that business people can really make big and irreparable mistakes, if they do not understand them. They include differences in national heritage, education, thinking patterns, religion, communication and behaviour, attitudes to time or risks, individual vs. collective behaviour, patterns of communication, and emphasis on personal relations. Some basic principles of intercultural negotiations may be divided into the following nine groups:

1. Prepare well. International, intercultural negotiations require additional, much more in-depth preparation beyond the object itself, but even more about the culture and the actual negotiators on the other side. Before the negotiations, examine the culture and history of the partner, not just the objectives in question. It is best to learn at least some basics of their language as well. Get acquainted with the history of bilateral relations. Managers must know how the other side (OS) is influenced by its history, economic, social, political and cultural circumstances.

2. Find out how your partner sees and perceives you. Good self-knowledge is the basis for successful negotiations. If you are seen as some kind of Martian by them, your ideas will also be Martian. A common mistake of negotiators is to think that they see yourself according to your self-image. Example: it is a common belief, that Slovenes are hardworking, diligent, disciplined, punctual and popular. But, according to the European Social Survey 2018, we are introverted, conformist, reluctant to attract attention, generous, submissive, follow the rules and stick to tradition. Udovič et al. (2017) also discovered that arrogance was quite high among the characteristics attributed to Slovenes, particularly by other nations from former Yugoslavia.

3. Know the stereotypes about other cultures, but avoid relying on them too much. They may be terribly misleading. Business people must be aware of the limits of stereotypes which refer to typical behaviour in certain cultures, and individuals from such cultures. However, there can be vast differences within cultures, meaning stereotypes should not be applied to every region of a given country, and even less so to every individual. Huge differences may exist among regions of the same country.

4. Try to establish a pleasant personal relationship with your partner before starting the formal negotiations and express respect and interest in foreign cultures. Ask questions about it, show that you are familiar with their history and that you are well prepared. If you do this, the mistakes you will almost certainly make in negotiations with unknown negotiators from other cultures will be forgiven. If one does not show respect and interest, mistakes will be dearly paid for.

5. Adapt your strategy to your partner's cultural habits. International negotiations are much less predictable than domestic ones. Therefore, it is necessary to constantly adapt, to be able to face ever new situations and problems. If you are selling (the buyer is king in general, and if negotiating at home), you must adjust to the OS' culture say 60/40 or even 70/30 in their favour), and vice versa if you are buying. In this case, relations between the two cultures could be more in your favour because now you are a king.

6. Don't think your partner will always understand your (verbal or non-verbal) message the way you do. Pay attention to indirect and nonverbal communication gestures. Traditional societies attach greater importance to them. Nonverbal communication is thus much more important in cross cultural negotiations compared to domestic ones. Be aware that the OS might attach a lot of importance to status and your appearance.

7. Treat partners as equals, respect them. Do not criticise publicly; follow good appearance principle. Do not surprise them with arrangements in advance. Appearance can be at least as important as the content. The agreement must be »presentable«. Prepare well for the presentation of the results after the negotiations ended. Poor presentation can be a source of problems, even regardless of implementation of results. Be aware that symbolic benefits can outweigh losses in content.

8. Be patient, keep calm, never overreact. In some cultures, speed is seen as the »devil's thing«, or creates mistrust. Rushing provokes unnecessary concessions. Allow time for the partner, in order to make

decisions as well. Long bureaucratic procedures are required in some cultures more than in others.

9. The attitude to how to finalise the agreement reached at the end of the negotiations varies considerably among cultures. For some, relationships are more important than a written contract. Some cultures prefer long and very detailed contracts, for others agreeing on the basic principles is enough. Even an oral agreement can be enough in certain cases. Therefore, we must know the OS' culture in this regard. Four types of culture can thus be identified:

a) Detailed contract cultures. For them (mostly Western cultures), the contract is the most important result of the negotiations. This means it must be very precise and specify even the smallest of details.

b) Detailed contracts are seen more as a formality, yet desirable. Such is the attitude of cultures that value relationships more (most Latin Americans, Koreans, and Singaporeans).

c) Similar weight is attributed to precise contracts and relationships. Here we find India, Russia, South Africa and Ukraine.

d) The Chinese are in the fourth group for which contracts are more of a formality, whereas relationships are more important. Contracts are concluded if legally necessary and can contain basic-guiding principles for the cooperation. Recently, however, for many Chinese partners the importance of detailed contracts has increased. Apart from China there are, in this group, cultures like Indonesia, Malaysia, Mexico, Saudi Arabia, Taiwan and Thailand (for more, see Katz, 2006, p. 57).

Still, managers must also know that signing of the contract might not be the end of negotiations. What really matters is its implementation. Therefore, negotiations in fact do not end by signing the agreement but with its implementation.

3 Negotiating with the Chinese

After having identified some general principles ⁷and cultural differences of cross-cultural negotiations, we should now outline the way to negotiate with the Chinese specifically, given that they are known to be masters of negotiation. Some say they are born to do business, doing it internationally for many thousand years.

Following the growing importance of China in the global economy, books and articles on how to do business with the Chinese have been flourishing in abundance, especially in the last decade. One problem, though, is that the majority of relevant literature originates in the West, looking at China through western culture lenses, written by Westernised academics. The books in consideration, particularly older ones, contain a lot of oversimplifications and stereotypes, not taking into account seismic changes China has gone through in the last 4 decades. They also have implications on Chinese culture and their negotiations strategy. The Chinese development model became more consumption oriented which also contributed to imitation of Western consumerism culture. Many younger businesspersons, and even politicians, have studied in the West, hence with good knowledge of English, so they've started to appropriate western behaviour. Consequently, misunderstanding on the basis of older, stereotyped cultural and language differences, became less of a problem. In the last decade, when China started to threaten US economic dominance, the importance of cultural differences was overshadowed by ideological ones, increasingly shaping the "outsider" attitude towards China.

Therefore, we should first look at the general literature on negotiations with the Chinese with their culture, but also refer to some bottom-up Slovenian experience in dealing with the Chinese. That way, we can avoid frequent over-simplistic or stereotyped approach by Westerners, particularly American businesspersons. Yet, Chinese culture is deeply rooted in its rich history and has seen profound changes after opening up and even assimilating some western cultural habits. These changes must be taken into account. Disregarding them may lead to terrible mistakes.

3.1 Some general characteristics of the Chinese negotiators

As a general rule, Chinese businesspersons are usually ambivalent about foreigners, a combination of the Maoist bureaucrat, Confucian gentlemen and Sun Tzu strategist. Confucian ethics is collectivistic,

⁷They are indicated only as a guide for negotiations and cannot be generalized for all or any negotiations. Context and time as well as negotiators themselves can make a big difference. 5

placing values and interests of the collective first. Individualism is seen as selfishness. “The mutual obligations that are an essential aspect of Confucian tradition envelop the individual in the web of relationships that limit his personal initiative” (Solomon, 2005, p. 31) and in a wider context. Holistic approach is dominant. “Chinese think (better; prevailing) think; added by SM) in terms of the whole, while Americans think sequentially and individualistically, breaking up complex negotiation tasks into a series of smaller issues” (Graham and Lam, 2003, p. 14).

“The world seems more complex to Asians than to Westerners. They pay attention to a wide range of events; they search for relationships between things; and they think you can’t understand the part without understanding the whole. Westerners live in a simpler, more deterministic world; they focus on salient objects or people instead of the larger picture; and they think they can control events because they know the rules that govern the behaviour of objects/.../ The collective or interdependent nature of Asian society is consistent with Asians’ broad, contextual view of the world and their belief that events are highly complex and determined by many factors. The individualistic or independent nature of Western society seems consistent with the Western focus on particular objects in isolation from their context and with Westerners’ belief that they can know the rules governing objects and therefore can control the objects’ behaviour “(Nisbett, 2003, p. XVI and XVII).

The most important values guiding Chinese negotiators are shown in the table 1 below:

Table1. The selection of the prevailing important values to the Chinese

loyalty	harmony	collectivism
consensus	family	humility
modesty	respect for elderly	respect for hierarchy (seniority principle)
trust	sense of duty	tolerance
patience	sympathy	tradition
tenacity	sincerity	moral cultivation
avoidance of conflict	patriotism	importance of interpersonal relationships
pride (keeping one’s appearance)	truth is a dangerous concept	friendships and strong wisdom

Source: based on Lewis, 2006, p. 486

These are some, say, common characteristics which do not demand much explanation. Yet considerable differences exist between regions, villages and towns, between big and small cities. Foreigners frequently forget that before starting a negotiation they must discuss the project also with regional authorities, even with representatives of the communist party. Keeping good relations with them is almost as important as with your business partners, particularly in the opening stages. Negotiations in China have therefore much more of a political dimension compared to those with other countries, particularly in recent president Xi years, when communist party is not any more considered as a parallel agent in negotiations but has become the main one. Before specific negotiations begin, one has to get permission by the party officials. After that, negotiations can proceed rather smoothly and rapidly. Meetings with businessmen and/or officials have to be formal, because informal guanxi with them may be considered as illegal, can be considered as bribing, and thus has to be avoided. Negotiations are more contextually, geographically and guanxi (i.e. personal contacts, trading favours, networks) based and may differ substantially in terms of the location within China, the industry, or business partner characteristics.

The Chinese self-perception is mostly based on general Confucianism culture, in which a combination of courtesy with firmness, and showing humility and respect for age and rank is obligatory. Very high in their values is the preservation of mentioned values, not only in their relations with foreign partners but also in the relations among themselves. The importance of keeping up appearance is thus on the top of their cultural values. This is one of the explanations for their attitude vs. lie. According to Lewis (2006) Chinese culture is reactive, accommodative one. The attitude towards truth is therefore affected by

courtesy, desire for harmony, loyalty to family and keeping appearance principle. Because trust is so important to them, it can happen that they test your sincerity by asking questions on the same topic in different ways and stages.

3.2 Communications characteristics

One of major differences between Western and dominant Chinese style of negotiation is a type of communication. While most Westerners prefer rather direct communication, including use of the first name, Chinese prefer indirect communication and not using first names; always address as president Xi, prof. Janez.... Their collective spirit reflects in the usage of we, never I. Their letters are usually very long, first expressing how committed they are to building good relationship with you as a partner, how important it is for them and both of you. Only later turn to specific proposal. It looks in a way more like diplomatic type of very polite and indirect communication compared to very short, direct, "let's get to the point" type of Westerners' communication style. Too polite communication with abundance of flattering is usually met in the West with suspicion: "there must be something behind". However, that's not the case in China, where such flattering is quite normal.

It is the Chinese tradition to rely less on words and to pay more attention to posture, expression and tone of voice. They prefer short and clear sentences. Loud speaking is not acceptable, because it can violate harmonious relations. They prefer speaking softly and are ambiguous in their expressions. Non-verbal communication is relatively more important in dealing with Chinese as in other cross-cultural communication, and in negotiations within cultures, although more implicit than overt in terms of style. "Chinese people often use body language that can be incomprehensible to unfamiliar Westerners, and some Western body language can be misunderstood" (Hong et. al., 2001, p. 352). Smiling may be a typical example.

Prevailingly Chinese "attempt to minimize confrontation or differences of view through subtle and indirect presentation of their positions" (Solomon, 2005, p. 6). Therefore, avoid getting angry or frustrated because it will not help you. Raising voice or getting angry is considered inappropriate, you lose respect and appreciation by others. It is important to be able "to read between the lines. Chinese arguments are often circular. Try to triangulate to get to fix on the real point" (Lewis, 2006, p. 497). It's "smart to be a little bit dumb." Ask the same questions more than once, as suggested in C. Karrass (in Graham and Lam, 2003, p. 17).

Following the principle of keeping one's appearance, the Chinese mostly avoid saying NO at all costs, because saying "no" is considered inappropriate, not only in relation to the another party, but also to yourself. In order to avoid saying "no", they can rather imply that it is not a sound argument, or that it is very difficult issue, that they will give it some thought on what all in fact can mean. One reason for that is also the fact that for the Chinese the truth is a dangerous concept because it can hurt, embarrass, put somebody in an unpleasant situation. In that case, they avoid revealing it in order to keep appearances of the other party and, in a way, also their own. So called white lies can also be a way out of such situation.

By not saying "no" the Chinese traditionally avoid revealing the unpleasant fact because it could insult the other party, or embarrass him or her. They would prefer saying "yes", but in fact it may not mean that they agree with you. It can simply mean that they heard you. Or it can signal that they have difficulties with your proposal, statement. Such Yes could in fact mean disagreeing. Simply put, for the Chinese, anything but clear Yes means NO.

Another rather frequent way of indirect disagreeing and avoiding to say NO directly is to disclose objections to your proposal which is a way to communicate disagreement. If you accommodate this objection they may start by explaining another one, and so on consequent objections. Saying NO could also be a way for delaying or seeking more concessions or just information.

Changing a topic can also be a way to avoid saying NO. "When bargaining in China, be prepared to discuss all issues simultaneously and in an apparently haphazard order. Nothing is settled until everything is" (Graham and Lam, 2003, p. 13).

For the Chinese, smiling is traditionally an important but ambiguous and confusing communication sign. When nervous or embarrassed, Chinese people will mostly smile or laugh nervously and cover their mouths with their hands. This can be in response to an inconvenient request, a sensitive issue that has been brought up, or a social faux pas committed by the "smiling person or another person nearby" (Hong

et. al., 2001, p. 352). It could mean denial, joy or anger, trust or distrust. The Chinese sayings, “A man without a smile should not open a shop” and “Sweet temper and friendliness produce money” speak volumes about the importance of smile (Graham and Lam, 2003, p.11). Smiling at each other is not only an instrument to keep harmonious relationship between business partners but can also be a sign that they feel uneasy with what you have just said or done. It can also be interpreted as disagreement.

The last instrument of avoiding saying NO is by being silent. Silence is a very powerful instrument in Asia, particularly in Japan. It is based on the philosophy that what is not said is as important as what is said. Silence can bear a lot of meanings. The first one manifests careful thinking, paying attention to what the OS is saying, simply showing them respect. Secondly, it can indicate disagreement by avoiding saying it directly. Depending on the context, if combined with closed eyes, it could also be a sign that something conflicting is on the table which deserves additional contemplation. For Westerners, silence is a sign of unease, of not knowing what to do, while for Chinese it is time for reflection. Since Western businesspersons are not used to this, they feel uncomfortable, they think that something is wrong with their proposal. So they frequently start to inflate their proposal, giving additional concessions in order to break the silence, but in such a way they weaken their bargaining position. The message therefore is to get used to silence and perhaps just respond with silence, too.

But be aware that there are differences between old and young negotiators, those educated abroad, with or without international experience. Internationally experienced managers may say No like the Westerners do. Politeness and harmonious relations are for new, younger managers in the modern part of China, who have traded with Westerners for the past decade, not so deeply imbedded in their collectivist culture, as in older ones. They may depart from traditional Confucianism culture values like collectivism, obedience, submissiveness, and can be cunning in doing business, persistent and inventive, wanting to lead the way. Today, we may also encounter vulgar individualism, like it is seen in many other capitalist economies and perhaps even more so in the transition economies so frequently “domesticating” the worst type of capitalist values and methods from the Dicken’s times.

As any negotiator, the Chinese prevalingly like to make the counterpart speak first, to reveal his/her position so that they can react accordingly. “Chinese negotiators carry this consideration to an extreme in their unabashedly contradictory statement that in China “the guest should speak first”, and abroad “the host should speak first” (Freeman, 2005, p. 186).

Knowing the language, the mandarin, either by negotiators themselves or the interpreters, is an important advantage in dealing with Chinese although most of young managers and diplomats are fluent in English. Why? As Graham and associates (2003, p. 8) nicely put: “Only a native Chinese speaker can read and explain the moods, intonations, facial expressions, and body language Chinese negotiators exhibit during a formal negotiation session”. The minimum standard for foreigners would be to learn at least some basic words so as to demonstrate that you are interested and that you appreciate their culture. This can be supported also by using chopsticks when eating together and ordering typical Chinese food, even if it is not your “cup of tea”.

Showing respect and interest for local cultures enhances your bargaining position. It is in a way your “insurance policy” against mistakes you are bound to make in such negotiations. Mistakes can always be made in cross-cultural negotiations because even long and thorough preparations cannot prepare you for everything. Particularly not, when negotiating with the Chinese who can boast with such a long, rich history and culture.

3.3. Paradoxical dualism in relations with foreigners and how to face it

The Chinese may have seen foreigners in the past (a strong Western stereotype exaggeration) as being “inferior, corrupt, decadent, disloyal, volatile, frequently hegemonic, barbaric and, in essence devils (Lewis, 2006, p. 485). Americans in their eyes may be aggressive, impersonal, and excitable. On the other hand, Americans, see Chinese negotiators as inefficient, indirect, and even dishonest” (Graham and Lam, 2003, p. 1), or even used to see them as second-class people ⁸. That has changed. Fang (2006)

⁸ The origin of such negative attitudes is deeply historically rooted in *The Century of Humiliation* that began with the Opium War in 1839 and is still alive in the minds of the Chinese. Their contemporary response is a reaction to the antinationalistic even racist, xenophobic fears, as expressed in the yellow peril that emerged at the end of 19th century as a fear of Chinese immigrants, when Chinese labourers were brought to the USA to replace emancipated black communities as a cheap source of labour (see Svetličič, 2020). Simply put, the Chinese have been and are still frequently seen as »non-Caucasian«.

emphasised that the Chinese prevailingly now perceive a foreign party as sincere; they reciprocate by being sincere as well and establish a trusting relationship to substantially facilitate business between the partners.

Another wide spread characteristic among the Chinese business people is their paradoxical nature of Yin-Yang dual attitudes (Fang, 2006) because they can be both sincere and deceptive depending on the situation, context and trust between the negotiating partners. This means that studies on negotiations with the Chinese that were published a couple of years, not to mention some decades ago, are already outdated. Their behaviour is mostly different when faced with younger or older negotiators. The negotiation strategies of the Chinese are changing over time and depend on the context, situation, issues, time and negotiators on both sides of the table. They may simultaneously appear positive and negative. Such Yin-Yang behaviour is known in Western business literature as cooptation, when two partners both compete and cooperate at the same time.

Preparing a long-term strategy to build one's relationship with Chinese partners is thus essential because the Chinese are long-term-oriented, stressing personal relations. In doing so, it is crucial to take into account the location within China, the industry, the partner's personal characteristics, hierarchy, age, and seniority. On this basis, three strategies can be conceptualised:

- win-win (Confucianism);
- win-lose (Chinese stratagems⁹) : Yin-Yang exists everywhere, therefore stratagems are relevant; and
- a Sun Tzu-like strategist approach, based on the principle that the marketplace is a battlefield (mostly in the case of younger negotiators).

When trust is high, the Chinese will tend to negotiate like a 'Confucian gentleman', adopt a cooperation strategy, and take a win-win approach to the negotiations. When they expect and seek long-term relationships (win-win negotiations), Confucian virtues of benevolence and compassion, honesty and righteousness and faithfulness will be amplified. In contrast, when trust is low, the Chinese, particularly younger ones, like to win following a competitive strategy, and adopt a win-lose approach. Such an approach may change after good guanxi has been established.

In case of high hierarchy and power distance, it is Chinese tradition that negotiators will resort to rites and rituals as a tactics of a more competitive or distributive (win-lose) Sun Tzu negotiation strategy. The research by Pfajfar and Matecka (2020) has proven that in the case of high hierarchy and power distance, Chinese negotiators will try to resort to more competitive and distributive (win-lose) negotiation strategy. It also confirms the importance of guanxi, depending on context, situation and time.

3.4 Guanxi; the importance of relationships

The above explained dualism is also based on the importance attributed to the network of relationships, or guanxi. It may be described as a Chinese system of doing business based on personal relationships. It literally means connections, relations or relationships, friendship. "In China, the intermediary—not the negotiator—first brings up the business issue to be discussed. And the intermediary often settles differences" (Graham and Lam, 2033, p. 8). Guanxi is based on reciprocity in exchanging concessions or favours. In China, it may take time to be materialized. There's no hurry but

"favours are almost always remembered and returned, though not right away. This long-term reciprocity is a cornerstone of enduring personal relationships. Ignoring reciprocity in China is not just bad manners; it's immoral. If someone is labelled wang' en fuyi (one who forgets favours and fails on righteousness and loyalty), it poisons the well for all future business" (ibid., 2003, p. 8).

Guanxi is established between individuals, not organizations. Therefore, the stability in terms of persons

The contemporary fear of "Chinese are coming" is partly based on psychology, best reflected in K. Skinner (Director of policy planning at the US Department of State; Trump administration) statement: »The first time we have a great power competitor that is not Caucasian, is from another civilization" (Ward, 2019).

⁹ There are 36 such stratagems based on winner to take all principle, being mostly attributed to Sun Tzu thoughts. Their goals are to confuse the enemy in order to vanquish him. They involve various kinds of deception.

involved in doing business with Chinese is important, because only they can establish and nurture guanxi. Yet it is not so rare that the Chinese side is changing the negotiating team. One reason, at least in early periods of opening up, was that they regarded negotiations as a scholarship, asking a lot of questions, and in such a way learning. Therefore, the team may be changing so that many people have the advantage of learning. It can also explain why negotiations usually take a very long time.

On the firm level, guanxi opens dialogues, builds trust and facilitates exchanges of favours, and dominates (business and personal) activities in China. A guanxi network basically consists of relatives, schoolmates, co-workers, long-term business partners, neighbours and new friends. It is not used only when needed but should be constantly maintained¹⁰ and developed (occasional friendly meetings, dinners, lunches, sport...). Chinese “seek to establish a positive mood through meticulous orchestration of hospitality (cuisine, sightseeing, etc.) media play, banquet toasts, and protocol” (Solomon, 2005, p. 6). Kissinger figuratively observed that “the most remarkable gift of the Chinese is /the ability/ to make the meticulously planned appear a spontaneous (1979, p. 709). Because “they expect a lot from their friends, one must resist the flattery of being an old friend or the sentimentality that Chinese hospitality really evokes” (ibid, 2005, p. 9). They believe that other party can be influenced best when a personal relationship has been established. But let us also be aware that Chinese traditionally do not put much importance on leisure which provides some idea as to the weight attributed to such activities if initiated by our side.

One should apply guanxi before the negotiations start in the phase of looking for partners. It is a gate opener. In this event, you first look for a partner that has a good relationship with your potential partner or the local authorities where the firm is located and then create a guanxi with them in order for them to introduce you to the prospective partner.

Relationships are best developed during informal meetings before the official, formal, negotiations begin. Empirical research confirms that such initial informal meetings with the Chinese are essential as they tend to develop relationship before actual negotiations take place. The “Chinese have traditionally considered form and ritual to be as important as substance/.../, and they are not considered to be separate from substance” (Solomon, 2005, 45). Managers must spend some quality time with their Chinese partners. This is frequently the occasion when some of the most difficult issues are resolved. However, guanxi can also be understood as negative since it may (especially in public tenders or while cooperating with a public company) increase the bureaucracy, limit any direct approach to the market and extend the supply chain (also additional costs).

Gift-giving plays a significant role in cultivating such relationships, showing respect and appreciation. Therefore, it is important to know some of the basic principles related to gifts in the Chinese culture. Giving gifts or exchanging them can be one way to enhance relationship. It is an important feature in business and social relationships. Choose appropriate rather than lavish gifts (see Lewis, 2006, p. 497). Official policy in Chinese business culture forbids giving gifts. It is regarded as bribery, as an illegal act. Gifts can only be given privately as a symbol of friendship. The gift need not be expensive or extravagant, but rather something that the recipient would appreciate, something practical. The most acceptable or neutral gift is a bouquet. Scissors, knives, or other sharp objects should be avoided because that could be understood as severing of a relationship, similarly as in many other cultures. Following the official policy and their modesty/culture the Chinese will nevertheless mostly decline a gift many times before finally accepting, so as not to appear greedy.

Colours are very important in cross-cultural negotiations in general and so they are in the Chinese culture. Therefore, be very careful. Preferably wrap your gifts in red paper, which is for them a lucky colour.

3.5 Perception of time

Chinese perception of time is, according to their more complex view of the world, completely different. They have all the time in the world. The Chinese believe in constant change, think in a circular way where the things are always moving back to some prior state. For them, everything is relative, not absolute. A very good illustration for this is the reaction of Li Ruogu, Deputy Governor, People’s Bank of China, Dalian, on May 2004, in the discussion of the Renminbi exchange rate (as paraphrased by

¹⁰ Meaning that enhancing relationship only when needed, before the important negotiations and not maintaining it permanently, would not be appreciated, and would not work

Frankel, 2006):

“I have listened to both sides of this debate. Here is what I think. I think those who call for a fixed exchange rate are right in the short run. And those who call for a floating exchange rate are right in the long run. How long is the short run, you ask? You must understand. China is 8000 years old. So when I say, short run, it could be 100 years.”

Chinese are long-term oriented. Speed can be seen not only as impolite but also as dangerous, cunning, it can create mistrust in the relationship which is supposed to be of long-term duration. Virtues are persistence and realistic approach; speed is chaos and creates a mess. “Agreements are usually reached at the very last moment of a negotiating encounter - or even just after a deadline has passed” (Solomon, 2005, p. 7). Although Confucian ideology emphasises the need to invest time and energy in relationship-building, time is becoming an increasingly rare commodity, even for traditional Chinese negotiators when faced with the pressures of globalisation and influence from the West.

Additional complication related to time issue is that Chinese negotiation style may change in the course of negotiations showing the dynamic nature of the culture and the need to permanently study it. Their approach to negotiations is an orderly, linear and sequential, step by step. First they work on establishing an appropriate framework, establishing trust and making friendships and then they proceed to specific issues. Their approach differs from standard negotiating approach to start high, in order to get more in the split the difference game.

“Chinese preferred not to negotiate by beginning with initially exaggerated position from which they moved only slowly in a salami-slicing fashion; Rather they preferred to determine as well as possible (at the outset) the nature of a reasonable solution, get there in one jump, and then stick to that position” concludes Kissinger (1979, p. 753).

Accordingly, they organize the negotiations emphasizing first common grounds on specific issues, using skilfully vague formulations, while deferring resolution of difficult issues, of differences for later stages in the negotiations. It is in a way their approach how to “allow common interests to gradually outweigh points in contention and foster the growth of mutual trust” (Freeman, 2005, p. 183).

3.6 Meetings

It is in the Chinese tradition that they prefer meetings to be formal, although they may nevertheless be seen as window dressing because decisions may be taken outside them. “In China for instance, negotiations tend to begin before the start of the first stage of the discussion and end after the parties have “sealed” the deal. Generally, it is easy to assume that most negotiations start on entry into the meeting room. However, this is not always the case as they might start well before this. For instance, it is not unusual for individuals arriving for business meetings to be the object of covert observations especially where face validity is “high” (Hong et. al., 2001, p. 351).

One should prepare well for formal meetings in detail since relations are more important than business (a meeting might be postponed because an old friend has arrived). Formality is desired also in terms of dressing; wearing a conservative suit is appreciated. The purpose of such meetings is frequently information gathering. Exchanging business cards before the meeting or encounters in general is very important. Foreigners’ business cards should be preferably dual-sided with English on one side and Chinese characters on the other. Foreigners should take such cards by both hands and carefully read it, not putting them immediately in the pocket. Always present your card with both hands with the Chinese translation facing up so that it can be easily read. Remember that a business card represents the person you are being introduced to, so study it carefully. You can put the card on the table in front of you in order to be able to quickly refer to it when necessary.

High respect should be shown to the senior negotiators because Chinese culture highly respects age and rank. Sitting arrangements can disclose who is in charge. Also be aware who is chairing the meeting and who is deciding. Often it is not chairperson but his deputy who functions as the main decision maker. The most important and toughest decisions are always made by the firm owner if the firm is private, or the highest-ranked business person in state-owned firms, sometimes even by politicians.

Therefore, be well prepared for the meetings not only about the issues on the table, but also on the history of bilateral relations and persons involved on the negotiations. Only in such a way one can counter traditionally extremely well prepared Chinese negotiators. Getting to know persons on the other side of

the table, their personal characteristics, character, education, status in the firm/ society, private life, or hobbies is therefore one among the top priorities in the preparations in order to negotiate with the Chinese. One reason for this is to avoid making mistakes by stereotyping partners because there may be huge differences between them and they might depart substantially from the learned national stereotypes. An extra problem with their personal characteristics is that the Chinese traditionally seldom show any emotions with facial gestures, have a poker face, hide their emotions and are slow in the negotiating process. This makes it especially difficult to comprehend what they are thinking about your proposals, for instance.

Accordingly, negotiations tend to progress slowly and may take a long time because the Chinese like to be repetitious, cautious, patient yet also thrifty. They negotiate step by step in an unhurried manner, looking beyond the deal, prioritising mutual trust over the long term. This makes it difficult for Westerners to keep calm, to not rush them, to make a decision, or speak in a loud voice to hasten the negotiations. Remember; speaking loudly, showing arrogance or lack of consideration to others are few of the taboos in dealing with the Chinese. Such behaviour could erode the trust and create mistrust between the partners and can, even unintentionally, embarrass the Chinese partners.

3.7 Contracts

The Chinese culture places values and principles above money and expediency. Therefore, putting too many eggs in the basket called logic or on formal contracts is a mistake. They value more relationship and mutual trust. Signing first memorandum of understanding is an important framework, a stepping stone, for later contracts. Without such memorandum it is almost impossible to cooperate successfully.

“The Chinese distrust impersonals or legalistic negotiations¹¹. Thus, in managing a negotiation, they attempt to identify a sympathetic counterpart/.../ and work and cultivate a personal relationship, a sense of friendship and obligation. Chinese negotiators therefore still place greater stress than most of their foreign counterparts on gaining shared commitments to certain principles (the strategic or basic understanding that will guide interaction on key issues over the long term)” (Freeman, 2005, p.183).

The best illustration of the greater importance of relationships compared to formal contracts is its comparison with the marriage as a long-term mutually beneficial arrangement as figuratively expressed by Freeman (ibid. p. 183):

“For many Chinese business persons, a contract resembles a prenuptial agreement. It defines who will get what if the marriage breaks down. It should not attempt to regulate daily interactions within the marriage. For contracts, as for marriage, in this Chinese view, both parties should understand that if it becomes necessary to refer to the details in documentation of their agreement in order to solve problems in their relationship, then their relationship is on the way to breaking down”.

Such an attitude is based on the beliefs that we cannot predict the future, that the future is unknown. Therefore, we cannot foresee all the details in the business contract for the unknown future. Contract is consequently just a beginning of the relationship. Keeping good relations is more significant than any piece of paper, any words, any articles of the contract. They are not seen as final in all its specific stipulations.

“Chinese will seek modifications of understanding when it serves their purposes; and the conclusion of an agreement is the occasion for pressing the counterpart for new concessions. If they are not able to implement an agreement themselves, however, they will ask the counterpart to understand their difficulties on the basis of friendship, or they will make excuses that put the burden of responsibility on the other party” (Solomon 2005, p. 7).

However, all these assumptions have undergone some changes recently. Climbing a technology ladder, Chinese partners started to appreciate detailed specifications. They like to go over the details several times in order to clarify unclear points and avoid misunderstandings. Additionally, negotiators should know that in China's courts only contracts or agreements written in Chinese/mandarin are valid. Therefore, one has to look carefully for the translation, and has got to have a good interpreter/translator.

¹¹ Bringing lawyers to negotiations is therefore not a very good idea. It is considered offensive, may insult them and erode the trust

4. Conclusions

Cross-cultural negotiations are just one more complicated, complex way of negotiating, taking more time and effort. Therefore, major rules for the negotiations apply. Negotiators have to prepare better than in the case of domestic negotiations where they know more about the context, place and time of negotiations. Preparations are thus more crucial not only regarding the issues but also with respect to the negotiators themselves, their culture and other individual characteristics.

In the case of negotiating with the Chinese we have to know, that:

“Chinese culture is part of reactive, more introverted cultures. Above all, they listen, they rarely speak, and when they speak you have to think about the context, not just what is said. They are very patient, flexible, polite. They prefer relationships (it takes a long time for them to let you into their circle). Maintaining their reputation means a lot, so they are stingy with words. They expect the other side to be the first to speak and make suggestions. Silence is an expression of disagreement and an indication that they have risen above you. They strictly separate private and professional and tend to compromise” (Hammerich and Lewis, 2013, pp. 57-63).

The prevailing Chinese culture could be summarised, according to Lewis (2010), as reactive one. His golden rules for dealing with the Chinese negotiators are:

- Listen carefully.
- Do not interrupt, confront or disagree openly (you can violate saving face principle).
- Respect seniority principle.
- Do not cause anyone to lose face.
- Suggestions must be indirect.
- Be ambiguous, so as to leave options open.
- Statements are promises.
- Prioritize diplomacy over truth.
- Follow rules but interpret them flexibly.
- Promote harmony.
- Utilize networks.
- Talk slowly, don't rush or pressure them.
- Observe fixed power distances and hierarchy.
- Show exaggerated respect for older people.
- Go over things several times.
- Face-to-face contact is important.
- Work hard at building trust.
- Long term profit is preferable.
- Be punctual.

To conclude; China is such an important business partner that enhancing cooperation has to become policy priority. The problem is, however, small size of Slovenia and its companies. One possible solution to address such a barrier is to concentrate cooperation more on specific regions/towns. By learning the rules of the game, by mastering cross-cultural differences, by developing the *guanxi* needed to grow your business, one can be efficient partner. Objective, not biased information and trust are prerequisites for successful business. Diversification of information sources would be a sounder basis for successful cooperation. Relying only on REUTERS or other Western sources is not enough. In such a way stereotypes can be avoided more easily. Long-term orientation, patience, not expecting the result overnight, friendships, harmonious relations, apart from high quality of goods and services, are the magic needed to succeed in China.

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