

A Practical Guide to Negotiating with the Chinese

By Xuefei Lu

A Western businessman arrives in China, confident. He has a well prepared business case, and has mastered a range of negotiation techniques. Before his departure, he read some books about the country. Despite the specific nature of the market that everyone is talking about, he does not see why he would not succeed. Everything is so perfectly organized.

For two weeks, apart from a few days of work, his Chinese hosts take him sight-seeing; he discovers the delicious local cuisine, sings karaoke and dances with pretty girls. The Chinese are friendly, modest and funny and the time passes quickly. The businessman is very happy. On the eve of his departure, he arrives at the office of his Chinese hosts, and shows them the contract for which he is waiting their signature. After several hours of discussion, the Chinese tell him: "Let us think it over."

Astounded, the businessman makes a quick playback in his head. It seems to him that the Chinese have said "yes" to the contract conditions on several occasions. He insists and the Chinese, with their eternal smile, reply: "We will talk about it later. We wish you a nice

trip back home."

The businessman travels home discouraged. His boss will not be happy and the accountant of the company will make him understand that he had better win the contract, given the cost of the trip! The businessman is perplexed: the Chinese gave him the impression that everything was going well, then why didn't they want to conclude the deal?

What the businessman has not understood is that negotiating with the Chinese is not a game that can be played in a closed room. It is a process with a before and an after. Westerners often have a tendency to overestimate their technical advantages, and find it difficult to admit that their efforts to promote a "quality" culture are not more successful in China. Quality and price will not necessarily lead to the closing of a contract there. Human factors play an important role. Success in China largely depends more upon "knowing-how-to-be" than "knowing-how-to-do".

1. What "YES" and "NO" mean in Chinese.

These two words are often the source of misunderstandings and frustrations during the negotiations with the Chinese. Their "YES", according to the tone of the voice or the smile which comes

with it, may well be a "NO" in disguise and their rare "NO" may end up in an unexpected "YES".

When a Chinese person says "YES", he doesn't necessarily mean "Yes, I accept." It may simply mean, "Yes, I have understood". Sometimes, he doesn't understand, but he says "YES" anyway, in order not to lose face. Saying "YES" doesn't always have the sense of engagement as it does in the West.

And when a Chinese person says "NO", he doesn't always mean "NO" either. Under certain circumstances, it is a simple matter of politeness.

Here is an example: Chinese businessmen often feel hungry while travelling in Europe. At the end of a meeting, when their European partners propose to them to have lunch, many Chinese will reply, "No, thank you. We would not trouble you with it." In China, it is only a form of politeness, and the hosts must insist. The Chinese therefore expect that their European partners will insist on lunch. However, more often than not, the Europeans would simply reply, "OK, as you like".



The Chinese leave frustrated and think that their European partners are really stingy people. Ignoring that it goes back to a cultural difference, they may carry on this resentment in the negotiations.

"YES" is not "YES", "NO" is not "NO". Easy to understand, isn't it?

2. Why the Chinese don't like to say "NO".

Westerners often get frustrated by their Chinese counterparts' ambiguous answers, a type of neither Yes nor No. On the contrary, having a culture of indirectness, Chinese are sometimes shocked by the unconcealed frankness of Westerners. To avoid a direct confrontation and to save the honor of everyone present, Chinese people prefer to give a diverted reply.

A little history on this subject: the emperor wanted to attack another country. Everyone thought it was a mistake. A counselor then told him the story of a married man who ran off with another woman and who had himself been rejected by his own wife. The emperor realized that he might lose his own country if he desired to conquer another one.

For Chinese, if it is not a "YES", it does not necessarily mean "NO". There is, between white and black, a grey space. Saying "NO" is rude and signifies the failure of communication. The Chinese have therefore found many ways to say no without using the actual word. While the Chinese think of saving face with their western counterparts by avoiding saying "NO", Westerners often interpret it as a ruse or hypocrisy.

Hence, at the negotiation table, definitive declarations like: "we will never accept these conditions", or "it is impossible", should be avoided. Such an attitude closes all routes. It is better to make the Chinese understand that the conditions are difficult to accept but not impossible to accept. You can play weak and try to gain their sympathy by referring to your problems, for example, the stress of travel, the hierarchy of your company; or you can play it indifferently by saying that you need time to think things over; or simply, play the silence card.

You must observe their reaction. If they are in a hurry to get an answer, the situation is already to your advantage. In this relationship of force, you must play it as the Chinese. It requires a lot of patience, but it is better to

keep all possibilities open until the last moment rather than closing the door too early.

Also bear in mind that even if the Chinese seem to give in, they often reserve a riposte which they will tend to use when their adversary would least expect it.

3. Another source of misunderstanding: the false modesty of the Chinese.

In China, discretion and modesty are considered as a sign of wisdom. An educated person is not supposed to boast about his achievements. In the West, this behavior is often interpreted as a sign of weakness or submission. This difference sometimes creates confusion.

Recently, I had lunch with the president of a French institute who was seeking to establish a partnership with a prestigious Chinese university. For this purpose, the president received a young Chinese minister, who spoke perfect French. During the meeting, the French president talked about the ENA, the famous administration school for the French elite. The young Chinese minister seemed to ignore what it was. The French president presented therefore in detail the ENA and the Chinese minister even took notes.

Later, the President learned by accident that the Chinese minister was himself a former student of ENA. Imagine his astonishment at this discovery. At lunch, he told me that if he saw the Chinese minister again, he would demand a clear explanation.

For the French president, it was hypocrisy on the part of the Chinese minister. But the Chinese man thought himself to have acted with good intentions. He wanted to be humble, leaving the French President to present the school of which he was so proud. It is a common game in China. By playing the false modesty card, we try to please others. It happened to me to tell a man who invited me to dinner that I had never been to the restaurant of his choice, but in reality, I had already gone twice. For me, it was to simplify things and please him, by making him think that it was him who would make me discover the place.

In this story, the Chinese minister would have the final word on the partnership. If the French President disclosed his false modesty,

the Chinese would be very embarrassed even irritated because his intention was not to be bad. The negotiations for the partnership would thus end in a fiasco.

So when a Chinese person says, "I do not know" or "I ignore it," it may be a false "NO" told by false modesty, to please you but also to observe you. The more you talk, the more you are exposed to show your weaknesses. If a Chinese person really ignores something, he will never tell you, in order not to lose face with you.

A Chinese saying goes: "Better to be smart and be taken for an idiot than to be an idiot who talks well". The preferred strategy is to pretend that you have discovered nothing, and play ignorant.

4. The misunderstandings created by the ambiguity of words are easier to dispel than another divergence. What is much more important is the respect for written contracts.

Westerners often have the impression that Chinese do not respect contracts. Sometimes, an agreement reached the day before does not have the same interpretation the next morning. The Chinese often change their minds and do not attach the same importance to written contracts as their western counterparts.

In the West, a contract is a legal obligation, or at least a moral engagement. The Chinese are much more pragmatic. The world is changing. For them, a written contract is only a formality, with terms laid down in a particular context. As soon as the context changes, it is natural to resort to another way to interpret the contract.

For Westerners, it is the concept which is important. For the Chinese, it is the context. It is a question of flexibility. In addition, the Chinese do not have the same perception of law, which has always been seen as a simple administrative tool allowing Mandarins to carry out their actions. Its editing is vague and it is applied unequally. A revolution in the hope of establishing a state of law in China will challenge the Chinese concept of "government of men", which constitutes the foundation and the originality of its culture.

Good human relationships are therefore crucial for successful negotiations. If absent, the Chinese will feel free of any real constraint.

In other words, the "bad hits" will be good not only during the negotiation but also in the execution of the contract afterwards.

A society that emphasizes social duties and interpersonal relationships at the expense of principles of law and legal frameworks, understandably gives Westerners an image of an unstable environment.

How to deal with it? From my personal experience, I would say that it is unproductive to tell the Chinese that they do not respect contracts, because they do not perceive it the same way. Moreover, such an opinion risks annoying them, causing a tense relationship. The best way is to transform the question into a matter of honor, the key word in Asia. Honor is closely tied to loss of face. For an Asian, being accused of not respecting a contract is merely a business dispute. But losing honor is an infringement of his personal dignity. Between the Chinese, it often happens that business is concluded upon simple words, because these words are based on everybody's honor.

Avoid upfront conflict, tactically address honor and demonstrate the hope that other projects will follow if you are satisfied with the performance of this contract...

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So far, I've spoken about the stranger sides of Chinese behavior. I will now show you the mistakes that Westerners are likely to commit when they deal with the Chinese, which can, in one way or another, hinder the smooth operation of business.

1. Arrogance.

Westerners often behave as if they are the most representative sample of universal humanity. This "sufficiency", particularly by the French, irritates the Chinese, even if they themselves are not short on national pride. But unlike Westerners, Chinese do not pretend to impose their ideas on others, and have a strong conscience of the relativity and the movement of things, the ups and downs through which a civilization can pass. This allows them to always keep in the deepest part of themselves an immense modesty.

In the past, in order to sell their products, the Chinese stretched themselves, often to

the detriment of their own pride. Today, China does not consider itself as a poor country anymore. It sees itself as a country in expansion, becoming a global power. The Chinese now doubt themselves less and have more confidence in themselves.

An arrogant person, feeling superior, has difficulty listening to others, and is therefore unable to analyze a situation correctly. In negotiations, this attitude is not only inappropriate but also unproductive. It makes people frown, and barely impresses. Chinese see it rather as a sign of ignorance that can be diverted as a weapon in their favor. "Paper tiger", as the Chinese say.

Condescension may also have long-term repercussions. The failure of a negotiation is not always due to current difficulties. It may well be the consequence of a previous dissatisfaction.

2. Controlling your emotions.

Another western reaction which often embarrasses the Chinese is the control of emotions. In China, an intelligent person is not supposed to allow others to guess his thoughts.

In the first stage of a negotiation, discussions focus on identifying the non-negotiable points of the other party. During this phase, the Chinese develop their skills in the art of cross-hatching the field and displacement. Questioning and cross-questioning from various angles with some provocative maneuvers or stubborn blocking points, are often employed to stir up your reaction. It is likely that over the course of days or weeks, several Chinese people, often in the form of successive well prepared monologues, will test the coherence of your comments or the force of your nerves. It is not rare for the Chinese to challenge what has been said before.

Knowing their techniques will help you avoid losing patience. You should stay away from improvisations and shocking answers which may offend. In case of a manifest conflict, try to stay calm and do not pronounce immediately. Declare that the situation calls for reflection. The reason is that if you lose your temper, the Chinese will insist on wearing you out. For example, if the Chinese person demands a discount of 10% and after the fourth rejection you get worked up, this demonstration of emotion will be perceived as a weakness.

Another undesirable consequence that provokes anger is that you may make your Chinese partners lose face, which is the most serious affront. In the West, people are used to "washing their dirty laundry in public". In China, it is "do not dry our dirty laundry outside." If you need to settle accounts with your partner, try to avoid any scandal or noisy scene in the presence of other Chinese. It is better to wait to resolve the issue privately, away from indiscreet eyes and ears.

For the Chinese, losing face is a punishment, and you get nothing from a humiliated person. Avoiding making others lose face is especially delicate in the business world, where it is difficult to contradict a Chinese person in public, even if it is crucial for the negotiations. So, you have to be tactful.

3. Lack of lucidity and determination.

Most western errors come from a certain lack of lucidity. A tactical mistake is to take care of the adversary's ground rather than working on one's own camp. To try to explain to your adversary where his interests lie and how he should redefine his position is not the best way to preserve one's own defenses, or to seem convincing for that matter.

The biggest problem for Westerners is saying too much about themselves. They often don't take seriously enough the initial stage of the exchange, overemphasizing "their" project, without giving sufficient attention to the needs and constraints of their counterparts. They are more concerned with whether the message they delivered was well received, than with discovering exactly who is in front of them and what they may have in mind. Oftentimes, the "real stakes" for Chinese counterparts differ from their announced objectives.

True learning about "the other" will only begin once they sit at the negotiation table. The dangers there are multiple: distorted assessment of situations, under-evaluation of risks, Westerners positioning themselves weakly by unveiling too much in order to develop a real strategy for the negotiations ... The Chinese are sources of signals to decrypt. It will therefore be useful to develop a real ability to listen: not just being sure of having "the good solution" or "the right way," but to know how to create necessary conditions where the Chinese can express their points of view.

Another weak point, common among Westerners, is a general lack of determination. They have permanent moods which barely mask the rigidity and the confidence of their position, all amounting to a strategic fog: no axis of defense, no impassable border ... What is very confusing to the Chinese side in the beginning quickly turns into a weapon that the Chinese can use against their adversary. The result: after harsh skirmishes and some drama, Westerners let go of everything, often much more than what the Chinese could expect.

4. Avoiding political subjects.

Some Westerners like to give lessons. China is criticized whatever it does. When it was closed, it was forced open by the Opium War; it opens, it is then blamed for invading Western markets. When it was communist, it was demonized; it becomes capitalist, its "savage" capitalism gets condemned. When it did not control its population growth, there was panic at the prospect of the Yellow Peril; it practices the one-child policy, it's accused of human rights violations. When it said nothing, it was criticized for lacking freedom of expression; the Chinese protest, it's said that it is the dangerous rise of nationalism...

A friend in Beijing recently told me that he had received a French person last April, who arrived in China right after the Tibetan riots, and who carried with him all the western enthusiasm on Tibetan independence.

Without consideration for the sensitivity of his Chinese hosts, without taking into account the political context of the moment, especially, ignorant of the complex history between China and Tibet, the Frenchman relentlessly expressed his disagreement on what was for him the Chinese oppression.

My friend felt compelled to defend his country, and the conversation quickly turned into a hot debate on other sensitive topics. A few days later, the Frenchman was informed that the head of the Chinese company he was to meet with had to make an unexpected trip and could no longer receive him.

The Chinese rarely show their feelings. But on some political subjects, they can react in a very emotional way. Chinese people are patriotic people, even nationalist.

Undeniably, there is discontent among the disadvantaged population, but you will not meet them. In front of you, your partners are the Chinese people who become rich thanks to the reforms of the country. They are the strong supporters of the Chinese government's policy because they have benefited from it.

Avoid political subjects, which in any case, will put your Chinese partners in an embarrassing situation. Either they agree with the government policy or they have reservations, but they may prefer not to express them in front of a foreigner, not wanting to tarnish the image of the country, or for fear of reprisals.

Thus, a greater sensitivity to the political context of the country and a discreet attitude will be useful to create a good atmosphere in the negotiations with the Chinese.

5. Adapting yourself to the country's economic practices

Moral conflicts that Westerners must sometimes confront concerning China's economic practices are a delicate matter.

In western mentality, a commission is almost always synonymous with corruption. In China, it is largely seen as the reward for work. It is acceptable if not to say normal. In the private sector, it is a rule. In the public sector, it is practiced in a diverted way.

I do not recommend here that anyone follow along with this practice, as there are corporate rules and federal laws prohibiting the practice. Simply keep it in mind and do not be surprised if the Chinese suggest it to you. It will be useful to know that if you are neck and neck with a rival, the payment of a commission could be decisive in the conclusion of a contract.

Each culture has its own moral principles, which are not necessarily compatible or comparable. Avoid making your Chinese counterparts lose face, or suggesting that their country is corrupt. Keep your mind open. Flexibility is the good solution.

Stopping short of caricaturing the West, we could say that business comes first, and friendship afterwards. In China, however, friendship comes first and business afterwards. The preliminary stage in negotiations is, therefore, a decisive stage where you carefully learn to know and appreciate each other. This stage will lead to the finding of common interests for both parties. If so, in the eyes of the Chinese, the closing of the contract should arrive naturally.

The "real" negotiation should be, therefore, only a secondary episode crowning a common understanding that has already grown during the previous stage. The essence is in the determination to respect the principle of equity: the win-win situation, that is, where both parties will have to make reasonable efforts to avoid damaging each other's interests. Westerners' perceptions of sluggish negotiations with Chinese often come from a poor identification of these stages.

The Chinese have an "emotional" practice of business. That's why a big firm may miss a market opportunity without understanding what happened, and a small enterprise may paradoxically have a better chance of success if, due to its size, it worships the "human grain".

The Chinese believed for a long time to be the **only** civilized people, and being the centre of the world: thus the name "the Middle Empire". Being Chinese means, first of all, to be civilized. In spite of the country's tormented history, the Chinese have a profound pride of their nation and culture. Even though China has progressed greatly in terms of modernity, one should not expect a sudden shift of mentalities. Mutual understanding and greater knowledge of each other therefore serve as the foundation of a successful negotiation. As an old Chinese quote states: *Where you do not find your interests, you will never find mine.*

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