

#### ***4.2.6 Basic Characteristics and Approaches***

Chinese negotiators are very patriotic. They are convinced of the importance and size of their country and proud of its rapid ascent. Linked to these factors is a self-confidence, sometimes extending as far as a feeling of superiority towards other cultures. A high level of self-confidence generally prevails in the context of negotiations, too, which serves to strengthen the resolve of Chinese negotiators against the demands of a non-Chinese negotiation partner. Negotiators from the PRC are often strongly influenced in their behaviour by the prevalent rules and traditions, which particularly include honouring the other party. Special honour is accorded to older

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people. Inasmuch, Chinese people speak of the so-called *Shehui Dengji* (social hierarchy/social status). According to a study by *Geert Hofstede*,<sup>5</sup> the social distance between superiors and subordinates ranks among the highest worldwide. From the Chinese point of view, respecting the social hierarchy starts with the choice of negotiators. However, the hierarchical organisation is essential during the negotiation, too. Since the Chinese also attach great importance to punctuality, it can often be advantageous to arrive slightly earlier than one's appointment. In China, ceremonies are highly valued, which is why foreign negotiators are expected to behave appropriately in those situations.

In addition, the Chinese place great importance on keeping face for both sides. The concept of face saving is very prominent in China. The key term *Mianzi* stands for both "face" and "social capital". Social capital can be lost by indulging in behaviour that does not conform to the rules, e.g. displaying excessive self-centredness; disrespecting the hierarchy; loud or aggressive behaviour. Chinese negotiators very rarely express → *emotions* and, if they do, these might not be entirely sincere. Their → *body language* is characterised by self-discipline, thus indicating very little to the opposing party. Since Western negotiators are perceived to be very insensitive towards gradual behaviour patterns, Chinese negotiators sometimes tend to speak more openly with Western negotiators than they would in exclusively Chinese negotiations.

Demanding to formally concede an earlier breach of obligations by one side is marginally acceptable to the Chinese, which is why this concession is rarely given—even in cases with an obvious breach of duties. If this concession is needed due to legal requirements, e.g. for settling a damage claim through the insurance company, it is advisable to employ a neutral third party to allow the concession to be granted with minimal loss of face.

For Chinese negotiators, listening (*tinghua*) is much more important than in Western negotiation cultures (see corresponding topic list). Yet, the number of actively conversation-oriented Chinese negotiators seems to increase. Chinese negotiators are known to be very patient. However, this does not mean that Chinese negotiators relinquish the opportunity to use fake time pressure (→ *false deadline*). Chinese negotiators want to win (*kiasuness*), provided that the competition is the reference point. On the other hand, the important influence of Confucianism supports the emphasis on maintaining face and harmony. As a result, this generally leads to a → *win-lose approach*, although, in comparison to e.g. the US, the win is not expressed clearly either during the negotiation or in the contract text. A content-related competitive negotiation is deemed appropriate if the parties are striving for a cooperative relationship, e.g. a joint venture. In this regard, Chinese negotiators specifically distinguish the negotiation process from the future party relationship.

Despite the prevailing turbo-capitalism, the PRC is deeply influenced by collective thinking. Thus, negotiators always say "we" instead of "I". If foreigners consequently disregard this rule, it is felt to be negative. Compared to negotiators from other countries, despite definitely viewing the deal individually, the emphasis of

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<sup>5</sup>Cf. [www.hofstede-insights.com](http://www.hofstede-insights.com).

Chinese negotiators lies on viewing the long-term perspectives. This includes considering the overall context of relationships with other companies; i.e. orientation towards the overall picture. Chinese negotiators are said to not negotiate in a linear manner, i.e. one point after another and can thus be described as polychron. One element of this, i.e. various parallel communication processes with different people, are not at issue for Western companies. However, it can be observed that several negotiation points are discussed simultaneously. Accordingly, a negotiation point is not discussed under the condition that a different point has been finalised. This “holistic” way of negotiating is not as aimless as it might seem: It allows, Chinese negotiators to follow the concept of negotiating a general framework of conforming points and then continue with the negotiation of problematic points. Even if several single points are discussed in parallel, the recapitulation of those points is based on conceptual thoughts. Hence, the big picture (→ *missing the big picture*) is always on the Chinese negotiator’s mind. In contrast to the majority of the Western negotiating cultures, in China, proposals are often first justified and then put forward in concrete terms. Reactions to the reasons given can be used in this way to modify the proposal in a way that is not recognisable to the other side. Framework agreements, which should be applied in the long-term, are valued as being strategically important. The suggestions often include rules and rule mechanisms which are beneficial to the other party in the short-term but which profit the own party in the long-term.

Traditionally in the whole of Asia, China is famous for its traders. Thus, it is usually common to leave room for negotiation in the course of the first offer. The active negotiator is the preferred negotiation character and is notorious for making an ambitious first offer. This also accords with the high importance of reciprocity as the prevalent principle of justice in China. Regarding other content-related questions and additional conditions the Chinese do, however, wait for the other party’s initiative in the hope that at least some proposals are acceptable without further negotiation and e.g. without granting any demands in return. Chinese negotiators ask considerably more questions than negotiators from other cultures. Due to the emphasis placed on building trust, many questions relate to personal details. In addition to the culture of asking questions, comparing as well as presenting available parallel offers from other suppliers to the other side in China play a significantly more important role than in other negotiation cultures. Not only is there an attempt to use the → *framing effect* here, but likewise a well-founded rejection of the several proposals is more difficult. Regularly, the reasoning also reveals more information about the other side.

Despite their strong orientation towards hierarchical order, Chinese negotiators do not refrain from tactical deception concerning their authority to make decisions. Thus, it is quite possible that the highest-ranking person is formally the chief negotiator, but the actual → *decision-maker* (often called teamleader) making the final decision is another member of the negotiation team. As it might be difficult for the opposing party to discover who it the actual decision-maker, this tactic can prove advantageous. If, however, the “secret” decision-maker were ranked significantly higher than the (ostensible) chief negotiator, detection is likely in situations if, for example, Chinese negotiators react to a joke in line with the higher-ranking decision

maker, thus giving him away. The authors of this book were able to see for themselves how a Chinese purported chief-negotiator held a conversation out of sight of the delegation, even though in the actual negotiation the gestures, body language and question and answer types implied that he was the final decision-maker. Based on the fact that, in China, many decisions are finalised at the highest company level, it will occur quite often that the final decision-maker is not present at the negotiation, despite there being a delegation of high ranking negotiators present.

Only very rarely do Chinese negotiators utter a direct “no”. Essentially, the many forms of “maybe”, or soft disapproval, can be a major problem for their western counterparts. In this regard, not even signing the contract means clear agreement with all the negotiated clauses of the contract. Indeed, the other party may well intend to adapt certain clauses during the implementation phase of the contract. Yet, even in China there are cases where disapproval is expressed openly. If negotiators on the Chinese side remain silent and lower their heads, i.e. look down, this points to direct disapproval. In the Chinese negotiation culture, → *silence* and the use of → *negotiation pauses* is highly developed.<sup>6</sup> Even without the aim of tactically creating silence, Chinese negotiators hesitate for a longer period of time before giving their answer. Oftentimes a direct response is given eight seconds or longer after the question has been asked. This delay before answering buys deliberation time (→ *considered response*).

This reasoning also explains why Chinese negotiators always wait for the interpreter to translate, even if the other party’s language is sufficiently understood. Intentional silence is often used tactically, since it is presumed that people often cannot stand a longer period of silence. Particularly due to the discomfort caused by silence, but also because it becomes increasingly difficult to break a silence without losing face, Chinese negotiators are skilled in breaking silence. As a rule, the first words to break the silence do not pertain to the negotiation subject but rather offer the guests a cup of tea, for example; or when attending the negotiation as a guest, asking for a drink.

Chinese negotiators are considered to have well-developed communication behaviour, the focus of which lies on indirect statements. As stated above, their ability for ambiguity as well as their tolerance for ambiguity are even more developed. Vague or ambiguous statements are thus used deliberately and are not perceived to be negative. Furthermore, if the other party also makes unclear statements, Chinese negotiators tend not to find this irritating. Pressure is applied indirectly and deceit is also oblique. Chinese negotiators only apply more explicit measures if they feel that their Western negotiation partner is not sufficiently sensitive to their indirect communication signals. If the negotiations require interpreters, this often makes communication considerably more difficult. A dependency on only one interpreter can equip the interpreter with a life of their own, either regarding deliberations on changes in the context of the translation, or by way of independent negotiation contributions.

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<sup>6</sup>Cf. Mehring (2017), p. 221 et seqq.

In China, the art of negotiation is often compared with the art of war.<sup>7</sup> Therefore the “Thirty-Six Stratagems” and Sun Tsu “The Art of War” are very popular literature among Chinese negotiators. This facilitates also a → *win-lose* perspective, even though Chinese negotiation literature also covers the *win-win* aspect of negotiations. This approach is moreover linked to the attempt to utilise the 36 stratagems and other classical recommendations, and to develop effective tactics for the own side. For example, the famous stratagem No. 6 “make noise in the east and attack from the west” is used in negotiations by deceiving about priorities and switching the own concessions in seemingly important questions with concessions of the other party in the questions that are actually essential for pursuing the own interests (→ *padding*).<sup>8</sup>

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<sup>7</sup>Cf. Mehring (2017) with further references (translated and commented edition of the book (with the same title) by *Liu Birong*, one of China’s leading negotiation experts).

<sup>8</sup>Cf. Mehring (2017), p. 287 footnote 416.

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# The Essentials of Contract Negotiation

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