Cultural Toolkit for Indians Desirous of Doing Business in China
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‘Study the past if you want to define the future”
- Confucius

China, by its sheer size, political influence, and economic and military might has already acquired the big-power status, joining the league of USA, Japan, and Germany. In fact, today, the Chinese economy is the second biggest in the world after USA. According to Keystone-India, China, with a Real GDP of US$ 50 trillion, is expected to overtake USA by the middle of the century (Lee, 2007). According to their projection, with their huge consuming masses, China and India will shape the global economy in terms of percentage of the world’s GDP, though the UN Population Division believes that India will outnumber China in population by 2050.

Both economies have thus become the focus of the world’s attention with their high rate of growth and a huge population. According to Das (2002), by 2025, India’s share of GDP would rise from 6 to 13 per cent, making it the third largest economy of the world. Sheth (2008) states that by that time China would have become the largest economy of the world. Sheth also estimates that together, both countries will account for about 39 per cent of the global output which would almost be equal to the combined present share of the US and Europe, and possibly also similar global impact.

With foreign exchange holdings of US $1 trillion at a time when the US economy was in the grip of a severe recession, China held the key as a major influencer of world trade and policies governing them (Sheth, 2008). According to the OECD Report (2005), export of Chinese goods is likely to rise from the current 6 per cent of the global trade to 10 per cent by 2010. Thus, it is just a matter of time before China emerges as the biggest trade partner for most countries in the world, including India. China’s GDP of US $3 trillion, according to 2002 prices, makes it a world powerhouse. The per capita income of China’s 1.3 billion consumers rose from US $340 to US $930 during 1991-

3 Official statistics from the State Development Planning Commission (SDPC) cited in ibid, p 23.
2001. About 320 million people live in urban areas. It is expected that by 2010, almost half of the 1.3 billion population of China with an average annual income of US $3,000 would get urbanized (Lee, 2007). It is also the declared goal of the Communist Party of China to become a superpower by 2050 through economic development and an era of peace.

Abundance of cheap labour and promotion of business clusters in the planned market-socialism adopted by the Government of China have been driving up the competitive advantage in several sectors. The ‘China price’ has had a far ranging effect on businesses across the world. In fact, there would not be any industry in the world that is not affected by it in some way.

So, whatever business you are in, in India or elsewhere, chances are that your bottomline will be affected by China in some way or the other. Many of the world’s largest companies have realized that China will remain the key to their long-term business plans and strategies. This gives China a valuable built-in cushion, thus enabling it to enjoy a solid baseline influx of capital, technology, and management expertise (Plafker, 2007).

Though both India and China are Asian giants, their economies have remained largely insulated from each other due to the geographic boundary of the Himalayas and the different economic policies based on the different political ideologies followed in the two countries. In the changing world order, as China speedily overtook Germany and Japan to become the world’s second largest economy in 2008, economic interests started driving political positions. There is no way that the business practitioners from India can overlook the opportunities and markets offered by China. With all these projections, there is little doubt that business relations between India and China are poised to grow. It is at such a juncture, that the cultural barriers between the two countries assume importance and it becomes necessary to examine the historical and cultural aspects of trade relations with the objective of facilitating business and communication pertaining to the practice of business.

According to Maddison (2002), in the 2nd century BC, India and China made the highest contribution to the world’s GDP by being actively engaged in trade (Figure 1). The situation is seemingly set for a revival. In the recent years, the value of trade has grown exponentially as shown in Table 1. The relationship has undergone a transformation from the ‘Hindi-Chini Bhai Bhai’ of the 1960s to ‘Bye Bye’ of the bamboo curtain days and finally, to the present day ‘Buy Buy.’

**Figure 1: Relative Growth of GDP**

![Share of World GDP (%)](image1.png)


Courtesy: Sunil Parekh
Table 1: Value of Trade between India and China

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume of Trade between India and China (in US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2.91</td>
</tr>
<tr>
<td>2001</td>
<td>3.60</td>
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<tr>
<td>2002</td>
<td>4.90</td>
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<tr>
<td>2003</td>
<td>7.60</td>
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<td>2004</td>
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<td>18.00</td>
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<td>2006</td>
<td>24.00</td>
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<tr>
<td>2007</td>
<td>40.00</td>
</tr>
<tr>
<td>2008</td>
<td>56.00*</td>
</tr>
</tbody>
</table>

* Trade value of 2008 is estimated figure based on the trade value of first four months of 2008 which was US $ 18.8 billion.

Source: EconomyWatch: India China Economy

As the business connections grow, the importance of effective communication between Indian and Chinese businessmen assumes increasing importance. Though neighbours in the Asian continent, Indians and Chinese business practitioners often find it difficult to carry on business with each other due to some definite cultural differences which gets reflected in paralanguage. They tend to judge each other by their own respective culturally coloured perspective, which has a detrimental effect on business communication, resulting in deeply impaired business communication. Culture affects communication which lies at the heart of any business exchange and has a strong bearing on the path a business association takes toward success or doom. Several efforts towards cooperation have failed to reach fruition due to lack of understanding of each other’s culture; the paralanguage which is the sub-text in business communication, therefore, needs to be examined carefully.

OBJECTIVE

The objective of this study has been to decode the paralanguage and facilitate business communication between Chinese and Indian business practitioners towards promoting business cooperation between the two countries, with special reference to attitude towards negotiating, price, time, social etiquettes, and the contextual meanings of ‘yes’ and ‘no’ and its impact on communication within a larger historical and cultural context.

METHODOLOGY

Observational and comparative study has been carried out during visits to both countries by the non-native authors. Interviews of a few people and organizations working with each other were taken and their experiences synthesized. The common historical threads between the two countries have been explored in the context of their effect on the cultures of both countries and their relationship with each other.

Commonalities and differences in the Chinese and Indian cultural contexts have been identified. Suggestions on how to minimize the cultural gaps and bolster business communication between Indian and Chinese business practitioners have also been offered.

LITERATURE SURVEY

According to Harper (2001), the word “Culture” stems from the Latin word ‘cultura’ meaning “to cultivate.” Hofstede (1980) defined culture as “the collective programming of the mind that distinguishes the members of one category of people from another.” Kroeber and Kluckhohn (1952) compiled a list of 164 definitions of “culture” and found it most commonly used in three basic senses: excellence of taste in the fine arts and humanities; an integrated pattern of human knowledge, belief, and behaviour that depends upon the capacity for symbolic thought and social learning; and the set of shared attitudes, values, goals, and practices that characterizes an institution, organization or group.

To sum up, ‘the behaviour or a set of responses that is generated by people living in an economic, social, and political environment over an extended period of time begins to be known as the ‘culture’ of that community/people.’ At times, people and their culture become synonymous with each other; in fact, monoculturism is very close to nationalism.

In the globalized world, when trade practices and technology are breaking down physical and geographic barriers at a mind-boggling pace, cultural barriers are
being identified as the newest boundaries. Being silent and deep, they are often like icebergs that cause collisions during business activities. According to Lewis (2006), deeply-rooted attitudes and beliefs resist sudden transformation of values when pressured by reformists, governments or multinational conglomerates. National psychology and characteristics frequently interfere at the executive level, where decisions tend to be more complex than the practical accord reached by accountants, engineers and other technical personnel, especially when the mind is cultured at an early age. We can achieve a good understanding of our foreign counterparts only if we realize that our ‘cultural spectacles’ are colouring our view of them (Lewis, 2006).

According to Hall (1980), “Culture is communication and communication is culture.” Usually five elements have been identified as the components distinguishing one culture from another – history, religion, values, social organizations, and language. This paper will compare and contrast the above elements in Indian and Chinese cultures, which have a bearing on business communication, and offer solutions.

History

As Asian neighbours, India and China have two strong threads of common history and culture that conjoin them, giving rise to certain strong similarities and dissimilarities, arising out of their individual fortunes in history.

The present boundaries of India have been inherited from the British who had brought the various regions and principalities of the sub-continent under their suzerainty at different times from the 16th century after their arrival as traders. The British consolidated, as per their own interests and convenience, the areas that had once formed the empires of great rulers as Kanishka, Ashoka, and Akbar. At other times, the region had a number of small independent and warring kingdoms, each with its independent trade and foreign policy.

In the 1st century CE, India and China were strong trading countries as demonstrated by the GDP calculations made by Maddison (2002) (Figure 1), and might have even been trading partners. Amartya Sen (2005), quoting Bagchi (1891) mentions that in the 2nd century BCE, Zhang Qian, an early Han emissary to Bactria, was surprised to find cotton and bamboo products of Chinese origin in the local markets, brought there by the Indian caravans. Quoting Prabodh Bagchi and Tansen Sen, he lists instances in ancient Indian literature having references to Chinese products. Kautilya’s Arthasastra, first written in the 4th century BCE, gives special place to ‘silk and silk cloth from the land of China’ among ‘precious articles’ and ‘objects of value.’ There are references to Chinese fabric or silk as cinamsuka in the ancient Indian epic Mahabhharata as also in Kalidas’s Shukuntala. In Bana’s Harsacarita, written in the 7th century, there is reference to the celebrated wedding of the beautiful Rajyasri made particularly resplendent by her decision to be clothed in elegant Chinese silk. There are also abundant references of the period in the Sanskrit literature about many Chinese products besides silk that made their way to India – camphor (cinaka), fennel (cinaka), vermillion (cinapista), high quality leather (cinasi), pear (cinarajaputra), and peach (cinani). Tales of riches in a country or region are typically carried by traders, which are then capitalized by invaders, usually to gain dominance in the trade revenues. The Kushans were no exception.

In the middle of the 2nd century CE, parts of modern day India and China formed the Kushan empire, which at its zenith in circa 105-250 CE, extended from what is now Afghanistan to Pakistan and down into the Ganges River valley in northern India. It further expanded into Central Asia and went as far as taking control of Kashgar, Khotan, and Yarkand, which were Chinese dependencies in the Tarim Basin, in modern Xinjiang province. Kanishka’s empire was large and extended from southern Uzbekistan and Tajikistan, north of the Amu Darya (Oxus) in the north-west of Northern India to as far as Mathura in the south-east. The Rabatak inscription even claims to have held Pataliputra and Sri Champa. His territory also included Kashmir where there was a town Kanishkapur, named after him not far from the Baramula Pass and which still contains the base of a large stupa. Mathura in the Indo-Gangetic plains was the winter capital. Kanishka’s successor and the last Kushan king, Vasudeva

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References:


8 Ibid, p 166-167.

I, is also mentioned in the Chinese sources as ‘Bodiao’. Named inscriptions dating from the year 64 to 98 of Kanishka’s era suggest that Vasudeva I reigned from at least 191 to 225 CE. The end of his rule coincides with the invasion of the Sassanids as far as North-Western India, and the establishment of the Indo-Sassanids or Kushanshahs from around 240 CE. In India, Vasudeva I is believed to be the father of the famous Indian deity, Krishna.

During the Kushan period, cultural exchanges greatly increased along with trade. The Central-Asian Buddhist missionaries became active shortly thereafter in the Chinese capital cities of Loyang and sometimes Xin’an, particularly distinguishing themselves as translation centres of Buddhist literature. The first documented transmission of Buddhist scriptures to China occurred in 148 CE, with the arrival of the Parthian missionary, An Shih Kao to China, who established the Buddhist temples in Loyoung and organized the translation of Buddhist scriptures into Chinese. Thus began a wave of Central Asian Buddhist proselytism that was to last several centuries.

In the 1st century BCE, the great Chinese Historian, Sima Qian, in his work, ‘Shiji’ talks about the travel experiences of the Chinese explorer, Zhang Qian to Central Asia around 130 BCE. The latter reports about a country named Shendu (India) whose peaceful Buddhist ways are mentioned in the Hanshu, a history of the Hans written in the 1st century CE. The Chinese sources also describe the Guishuang, i.e., the ‘Kushans,’ as one of the five aristocratic tribes of the Yuezhi (also known as Rouzhi in ancient times), who lived in the arid grasslands of the Eastern Central Asia, the modern-day Xinjiang and Gansu provinces, possibly speaking versions of the Tocharian language, until they were driven west by the Xiongnu in 176-160 BCE. The military expansion of China into Central Asia under the rule of Emperor Ming was very real, in particular, the campaign of General Ban Chao, who managed to repel the Xiongnu from the Tarim Basin and control most of the area by around 75 CE.

Religion

The expansion of territories necessarily prompted some level of cultural exchange. Sen (2005) notes that the first firm record of the arrival of Indian monks in China goes back to the 1st century CE, when Dharmaraksa and Kasyapa Matanga reached the Henan province in China at the invitation of Emperor Mingdi of the Han dynasty. Apparently they reached with their masses of texts and relics on a white horse and the place is preserved as the ‘White Horse Monastery’ or Baima Si. Dharmaraksa and Matanga rest within the monastery complex, apparently in a deviation from standard Buddhist practices of that age. The exception had been made to commemorate their immense contribution to Buddhism in China. Aiyar (2008) mentions about a proposal to build an Indian style stupa, funded by the Government of India that had been mooted during Prime Minister Vajpayee’s visit to Baima Si in 2003.

Kanishka’s reputation in Buddhist tradition is based mainly on the Buddhist literature suggesting that he convened the 4th Buddhist Council in Kashmir. From the 4th century onward, Chinese pilgrims also started travelling to India — travel records of Fa-Xian (395-414) and Xuan Zang (629-644) are well documented. One of the four Chinese epics, ‘The Journey of the Monkey King’ by Wu Cheng En (1500-1582) during the Ming Dynasty is believed to be composed during these times. The key character closely resembles Hanuman of the Indian pantheon. Xuan Zang (Hiuen Tsang to Indians) himself left a detailed account of his travels in Central Asia and India in ‘Da Tang Xiyu’ in Chinese. The Silk Road transmission of Buddhism essentially ended around the 7th century with the rise of Islam in Central Asia.

The rock-cut grottoes in Kizil and Kuqa in Xinjiang Autonomous Region (XAR) province of China are comparable in style and vintage to the Ajanta and Ellora caves in Western India. The White Horse Temple that houses the first Buddhist text from the 1st century CE and the 10 ft. tall clay Buddha at Dule Si, Jixian, built during the Tang period (618-907 CE) bear testimony to the faith’s durability. These grottoes, built in the 3rd century AD, are the oldest Buddhist grottoes in China. The early murals show Indian and Greco-Bactrian influence in its

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art. The Chinese influence is evident only after the 7th century, when the Tang-Dynasty Emperors conquered the Kuqa area. Another example of durable Buddhist influence in China is the Longmen Grottoes in Luoyang, Henan province. A UNESCO world heritage site, they are the largest and most impressive collection of Chinese art of the late Northern Wei and Tang Dynasties (316-907). Entirely devoted to the Buddhist religion, the Longmen Grottoes illustrate the perfection of a long-established art form which was to play a highly significant role in the cultural evolution of this region of Asia.\(^{15}\)

“India conquered and dominated China culturally for 20 centuries without ever having to send a single soldier across the border,” Hu Shih, the former ambassador of China to the US, had once remarked (Nobrega and Sinha, 2008). This profound statement underscores the effect that Buddhism had on Chinese cultural life, the remains of which can be found to this day. It also sets the tone for certain commonalities between the two cultures.

Sen (2005) also notes the movement of ideas in mathematics, astronomy, and sciences between India and China, besides Buddhism and philosophy. Several Indian astronomers and mathematicians were employed in high positions in the Astronomical Bureau at the Chinese capital in the 7th century. Yang Jingfeng, an 8th century Chinese astronomer, described the mixed background of official Chinese astronomy as “those who wish to know the positions of the five planets adopt Indian calendrical methods... So, we have three clans of Indian calendar experts, Chiayeb (Kasyapa), Chhuthan (Gautama), and Chumolo (Kumara), all of whom hold office at the Bureau of Astronomy. But now most use is made of the calendrical methods of Master Chhuthan, together with his ‘Great Art,’ in the work which is carried out for the government.”\(^{16}\)

Many practising Buddhists from China have a special respect for Indians, as belonging from the ‘Land of Sakya Muni.’ Buddhism has also been instrumental in nurturing cultural values as reverence for elders (including those in positions of superiority), complete obedience (maintenance of order and harmony), and responsible speech (not hurtful to the audience). Guanyin, the Goddess of Mercy, is found in many Chinese homes and is depicted sporting a red dot between the eyebrows, or ‘bindi/tika’ as known amongst women in India.

But the humiliation of the Opium Wars 150 years ago are deeply rooted in the Chinese mentality and still guides Chinese thinking in international relations.\(^{17}\)

China represented the last prize in the Far East for European countries. Direct maritime trade between Europe and China started in the 16th century, after the Portuguese conquered Goa in India in the middle of 16th century, and settled in Macau in southern China in 1557. Following the Battle of Plassey in 1757, in which Britain annexed Bengal to its empire, the British East India Company pursued a monopoly on production and export of Indian opium. British exports of opium to China grew from an estimated 15 tonnes in 1730 to 75 tonnes in 1773. By the 1820s, China was importing 900 tonnes of Bengali opium annually.\(^{19}\)

The Baghdadi Jewish community of Mumbai, Kolkata, and Cochin deserve special mention here as the conduits of opium trade. Fernandes (2008) quotes Issac describing the Ezras of the Baghdadi Jewish community from Kolkata as drug barons, exporting opium from Kolkata to South-East Asia. David Joseph Ezra not only exported opium to Hong Kong but also dealt in more innocuous cargo.20 The legacy of David Sassoon, another Baghdadi Jew, is almost indelible in Mumbai, Singapore, and Shanghai. A scion of the former treasurer to the Governor of Baghdad, he arrived in Mumbai as a trader in 1833.21 His trading empire spread across the Far East; and he left his footprints in the sands of time not only as a trader, but also as a philanthropist who built parks, synagogues, and schools in Mumbai, Shanghai, and Singapore. The Flora Fountain, Sassoon Docks, and Magen David Synagogue in Mumbai are attributed to the Sassoons, so are the Sassoon Park and the landmark Peace Hotel on the Bund in Shanghai. The trade of opium, silk, jute, and indigo was so lucrative that the Sassoons, Ezras, Abrahams, and Kadouries became the biggest employers

\(^{15}\) Ibid.


\(^{21}\) Ibid, p 102.
for their community. According to Fernandes, the Baghdadi Jewish population of Calcutta in the 19th century has been estimated at around 1,800 people. At the same time, remnants of the only three synagogues in China – Shanghai, Tianjin, and Harbin – and the beautiful handmade Chinese tiles laid in the Paradesi synagogue of the White Jews in Cochin bear testimony to the flourishing trade that existed between India and China, where the main beneficiaries were the Baghdadi Jews safeguarding the British interests in both countries.

When the Chinese monarchy tried to shut out opium trade, the Western countries retaliated, which took the form of Opium Wars, also known as the Anglo-Chinese War. The First Opium War (1840-1842) ended with China losing in shame. The Treaty of Nanjing (August, 1842) and subsequent treaties (July and October, 1843) signed between the British and the Chinese were the first of the humiliating “unequal treaties”. It radically increased the openings for trade in China and expanded the scope of British activities. The treaties opened five ports – Canton, Fuzhou, Xiamen, Linbou (Ningbo), and Shanghai – as treaty ports for conducting foreign trade. A war indemnity of US $21 million was to be paid by the Chinese Government. Hong Kong was surrendered to the British, giving the British a base for further military, political, and economic penetration in China. The surrender of Hong Kong adversely affected China’s territorial integrity. The Treaty stated that all custom duties must be negotiated with other countries. It therefore took away China’s control of its own customs. The import duties were lowered from 65 per cent to 5 per cent, which effectively shattered China’s home industries. The Nanjing Treaty abolished the system of Gong Hang or Chinese customs. This allowed British merchants free trade in China. The Treaty exempted British nationals from Chinese law, thus permitting the operation of extraterritorial law on Chinese soil. Furthermore, any Chinese who either dealt with the British, or lived with them or were employed by them were also exempted from the Chinese law. This made foreign concessions a haven for Chinese criminals. To Chinese officials, this clause also gave foreign invaders the legal right to set up and protect their spy and criminal networks. The treaties also allowed every treaty port to have one British military ship. Thus for the first time foreign warships were allowed free entrance to Chinese waters. The Nanjing Treaty allowed British merchants to bring families to live in the treaty ports. Furthermore, it also stated that Chinese local authorities must provide housing or other foundations which British merchants could own. The Chinese officials believed that such a system would eliminate disputes in the treaty ports, and were quite happy to agree to it. To their surprise, this system was used to establish concession areas by foreigners in the treaty ports. The Treaty of Nanjing included the so-called “most favoured nation” clause. This in effect gave the British all the privileges extorted from China by any other country. The “most favoured nation” clause was later extended to all the foreign countries that dealt with China, giving all the Western countries dealing with China the same rights as the British.

The Second Opium War (1856-1860) ended with the Treaty of Tientsin (Tianjin), which included provisions for the opening of additional ports to foreign trade, for fixed tariffs; for the recognition of both countries as equal in correspondence; and for the annexation of Hong Kong by Britain. The British also gained extraterritorial rights. Several countries followed Britain and sought similar agreements with China. Many Chinese found these agreements humiliating and these sentiments are considered to have contributed to the Taiping Rebellion (1850-1864), the Boxer Rebellion (1899-1901), and the downfall of the Qing Dynasty in 1911.

Opium was grown in Bengal and the wars were fought by conscripted Indian soldiers on the British side. The ‘China Medal’ was instituted and awarded for bravery shown by Indians, employed by the East India Company of Bombay, and involved in the defence of Tientsin and other treaty ports. Many Indian soldiers did not return from the expeditions to China and some others received decorations. On returning victorious after quashing the Boxer Rebellion, the 2nd company of Bombay Sappers and Miners led by Capt GH Boileau were awarded the ‘Battle Honour China, 1900’ (Babayya, et al, 2006). The Opium Wars forcefully and suddenly opened China to the world.

The deep and lasting distrust for foreigners amongst the Chinese people was reinforced during World War II when
China was attacked and overrun by Japan. Distrust for anything foreign became the bedrock of Chinese education during the Cultural Revolution of China in the 1960s and the years that followed till 1984, when it began to emerge from its self-imposed exile. Non-Chinese people have been referred to as ‘Wai Gwei’ or ‘foreign devils’ since time immemorial and are not trusted in the typical Chinese mental make-up. This mindset is, however, changing now.

The presence of the small Chinese community till date, in the Tangra suburb of Kolkata, formerly Calcutta, is a testimony of the existing trade. The farthest that anyone there can recall about its arrival is as traders during the British period. After the opium trade died out and these people could not return to China, they distinguished themselves as traders and craftsmen dealing in fine fabrics, embroidery, and fine hand-crafted footwear. The pedicab or the human drawn rickshaw in Calcutta used to be of the same design as used in Shanghai and Singapore till they were abolished in the early 1980s. The spicy versions of Chinese fried rice, noodles, and dumplings have become popular snacks all over the country. The original Chinese community has mixed with the Gorkhas and other mongoloid races from the north-east of India and has become Indianized.

The Indian and Chinese people have no common language or social organization. Value, as a derivative of the other four components of culture set in the present context, is a dynamic dimension and has been examined later.

Changing World Order

1984 was a watershed year for both India and China. It marked the beginning of China’s Reform and opening-up process. In the same year, India too shed its baggage of quasi-socialistic style of economy that it had followed since her independence from the British in 1947. By this time, Soviet Union, the champion of the socialistic pattern of economy, had cracked up. All East European countries that had been satellite states of the former USSR had begun to reassert their independence. The states of the former Soviet Union had also started demanding independence. The old order had crumbled and there was only one shining example of wealth – the capitalist economic model followed by USA. It was also well known that USA had helped the NATO countries to rebuild after 1945 with generous grants under the Marshall Plan for economic reconstruction. The glitzy capitalism of USA and all things American became the worldwide icons for everyone wanting to jettison the burden of poverty, including the Indian and Chinese people.

But beneath the layer of their acquired Americanism, Indian and Chinese people are natives of the regions of the world they belong to, carrying their own historical and cultural baggage. In both countries, the spoken English is coloured by the mother tongues making it Hinglish or Chinglish and needs to be deconstructed to communicate in the business environment.

Starting with Deng Xiaoping, successive leaders have taken the Chinese economy from a socialist command economy to a liberalized capitalistic one under a communist form of government. Private industry, considered illegal at one point, has now been opened up by the state. At the National People’s Congress in March 2004, the Constitution was amended to protect private property. The State started steadily loosening control over various sectors of the economy including retail, insurance, and healthcare to private sector and encouraging FDI in select sectors. The policy changes led to unprecedented growth in several industries including real estate, telecommunications, education, and finance among others. The same sectors have seen a boom in India too since the Doha Round of WTO.

According to Plafker (2007), China’s WTO-related commitments are seeing a mind-boggling change in the legal system. A flood of revisions and new laws are taking place at a breakneck speed. In October 2005, China amended its Securities Law, changing the terms of public offerings, revising the rules of corporate takeovers, and modifying the rules governing the operations of securities firms. In the same month, the China Insurance Regulatory Commission released new provisions broadly sifting the terms by which insurance and reinsurance companies could structure their business. In the same month, China also introduced changes in its Company Law, foreign exchange rules for multinational countries, and its taxation policies. That month was by no means unusual (Plafker, 2007).

As legal barriers are lowered, opportunities emerge. It is at such times that it becomes imperative for business practitioners to overcome cultural barriers swiftly and benefit from the environment and create wealth and value. A good grounding in the basics of Chinese etiquettes can
not only win you some minor points and help you charm your way about, but more importantly, provide valuable insights into the methods, motives, and meanings of the Chinese people you deal with.\textsuperscript{24} While minor lapses of etiquettes are usually overlooked, major failure to appreciate common norms and expectations can sour key relationships and cause breakdowns in business relationships.

Similarities between Indian and Chinese People

According to the LMR (linear/multi/reactive) method of testing developed by Lewis (2006), and the cultural profiling of nationalities, China rests close to ‘reactive’ while Indians are midway between ‘reactive’ and ‘multi-active,’ which places them within sympathetic zone of each other, meaning that there are many similarities between the Indians and the Chinese and the differences can be overcome easily.

Both China and India do not have a single culturally homogenous population. Both countries have a variety of sub-cultures emerging out of the regions they come from. There are 31 provinces in China as compared to the 29 in India, each with its own cultural distinctiveness. Thus a person from Beijing will be quite different from a person from Canton, just as a Delhite will be distinct in his/her mannerisms and style of speech from a Mumbaite. There are seven large language groups in China – Putonghua (Mandarin), Gan, Kejia (Hakka), Min, Wu, Xiang, and Yue (Cantonese), as the 12 major language groups in India. Mandarin is the national language of China, though people from different regions speak their own dialects with Putonghua or Mandarin as a uniform script across all linguistic regions. It is the official language and the script is common and comprehensible across the length and breadth of the country. While Hindi is the national language of India, it exists with 12 regional languages, each having its own distinctive script. The regional language forms a part of the school curriculum, sometimes even as the primary language of instruction. This has led to numerous socio-cultural regions and groups in India.

Connections

As old civilizations, there is a tremendous importance placed in family and connections in both countries. Termed ‘Guanxi’ in Chinese, connection is ‘jaan-peekhaan’ in India. The Chinese are unabashed about admitting the existence of guanxi since they have been a closed culture vis-à-vis the western influence, while the Indians are hesitant about admitting it. Yet at a core operative level, it is very much existent. Though the basic denominator for ‘jaan-peekhaan’ in India is caste, creed, and family connections, it has assimilated factors such as socio-economic strata, alumnus of premier educational institutions, and profession too. Essentially, it is ‘who you know’ especially in the government and who can open doors or speed up and reduce protracted processes for you.

The differing political system in the two countries has a bearing on guanxi and jaan-peekhaan. Guanxi, once established in China, is more durable than in India, where it is dynamic and slightly subdued due to the forces of the democratic system. Lee (2007) finds that Guanxi or relationship is so important that it is even taught at Harvard Business School.

Both the Indians and the Chinese people have a healthy dislike for their respective legal systems and rely heavily upon guanxi (in China) or jaan-peekhaan in India) to get their work done. They prefer to work with ‘trust.’ The Chinese people like to usually skirt around an issue doing ‘tai ichi’ seeking common grounds while preserving the differences. They value peace and harmony even if it is merely at the superficial level. Hence it often takes a long time to get to and deal with the real and core issues. Indians also have an attitude of procrastination. Given the labyrinthine nature of the judicial system, corruption is high in both the countries. Guanxi is an asset that can even be used for pecuniary gains for the smooth and profitable running of any business enterprise. They act as your reference, intermediary, and interpreter and navigate you through the bureaucracy, legal system, and local business networks.

The China Statistical Yearbook published by the National Bureau of Statistics is a good source of information for all economic and business-related data about China. The Yearbook, issued in the month of September every year, is bilingual (English and Chinese), comprehensive, well-organized, and well-indexed. It is also available as a CD-ROM in bookstores (Plafker, 2007). This source might address some early information needs but still does not make Guanxi dispensable. Foreigners are not expected to practise guanxi till proven otherwise.

\textsuperscript{24} Ibid, p 79.
Family

Since neither of the countries have a credible social security system in the western style, people’s dependence on each other to get on with the myriad aspects of life, is high. Hence the importance of a joint family is very high. In both the countries, often several generations live together in a mutually supportive relationship. Though the number of nuclear families is on the rise, yet it is not uncommon to see grandparents living with their children and caring for the grandchildren in both countries. The importance of family and collective well-being is high in both cultures. In the same vein, according a friend the status of a family member is a matter of great honour and respect for both, the recipient and the donor. Similarly, siblings and extended families help each other during times of need. Thus it is family that scores over any other aspect when it comes to the brass tacks in any situation, both, in India as well as China. Sometimes even merit may be disregarded in favour of family. This is in sharp contrast to the individual-centric Western social practices.

Reciprocity

In a continuation of the family system, zhi-en-tu-pao or reciprocity assumes great importance in both cultures. All favours, gifts, and hospitality must be reciprocated at comparable or appropriate occasions, in both cultures. Failure to do so tantamounts to disrespect to the other and can lead to a strained relationship. The value of the gifts is not as important as the gesture. An expensive gift at the beginning of a relationship might actually be a strain since the recipient will be constrained to reciprocate in equal or comparable value. That might become too much of an investment into an unknown relationship and send wrong signals about expectations from the venture.

While a small gift initially is considered a token of respect, it becomes a measure of the esteem in which you hold the recipient with the passage of time and is only expected to rise. Everything else remaining constant, a drop in the value of the gift signals a cooling off of the relationship. Usually a gift is declined thrice before it is accepted, so as not to appear greedy. Once a gift is accepted, gratitude is expressed. The same routine is expected to be followed when offered a gift.

A gift can be presented for the whole organization, rather than an individual. It is best presented to the leader, ideally wrapped in red paper. People of the same level of importance should be given equitable or similar gifts. Difference in perceived value of gift may lead to avoidable strains in the relationship.

Valuable gifts should be given to an individual only in private and strictly as a gesture of friendship. All business negotiations should be concluded before gifts are exchanged.

Respect

It is very important in both cultures to show respect and reverence to the superiors in age and position. In traditional Indian families, it is still commonplace for the younger members of the family to bow and/or touch the feet of the elders of the family.

The Chinese have a strongly hierarchical society and it is imperative to know everybody’s relative position and pay respect to those above you or your compatriot. A person’s place in the social hierarchy is a derivative of his position vis-à-vis the seat of power, i.e., the Government. Traditionally, the Gods commanded the highest respect in the Chinese society. Since all the powers rested with the King, as the representative of the King of Heaven on Earth, he was the most respected and venerated. In communist China, the mantle of ‘King of Heaven/Emperor has gone to the Government. Yet, the person with the most impressive title is not the one making the decisions. Usually, they are made by his/her deputy.

India is now a society in transition where everyone is not yet emancipated. It is never wrong to be respectful to people in or close to positions of power, but it is not imperative.

Saving Face and Giving Face

As a corollary to the aspects of guanxi, respect, and family, Mianzi or ‘giving’ and ‘saving face’ become critical. It may be likened to the Indian concept of ‘izzat.’ A public honourification of virtues is important. Regardless of whether the person is directly useful or not, a veil of honour is a must in Chinese and traditional Indian system. No public criticism is acceptable. Both also use many aphorisms and proverbs humourously that combine wisdom, moralizing, and a sense of perspective. The Indian equivalent of ‘Diu Lian’ or ‘loss of face’ is ‘nak katna’ in Hindi. It implies a disfigurement of one’s dignity.

‘Face’ in the Chinese context is akin to ‘honour’ or ‘dignity’ and is a rather fragile entity about people’s roles
in business relationships. Perhaps the nearest Hindi equivalent is ‘maan/izzat’. Here are four representations of face:

- Involvement or deed and its being exposed. Loss of face is not the result of any action, but the knowledge about it becoming public
- Respect
- Experience and age. Face increases when one shows wisdom in action by avoiding mistakes, especially costly ones
- Compliments made by others about you to a third party. This is a very peculiar concept in China that has little equivalence anywhere else in the world.

One way by which one can lose face is by being seen as vulnerable. For the Chinese, losing face in front of subordinates invites challenges, allegations of theft—founded or unfounded—and defections, while losing face amongst peers leads to ridicule. The matter is compounded several times over if the winning party is a foreigner.

Often the Chinese are more worried about the consequences of entering a potentially lucrative agreement than about losing face. In fact the lack of sophistication amongst most Chinese businessmen in Western style business strategy is often garbled up in ‘face’ issues. The Chinese who have not yet made money are benchmarking themselves against their wealthy peers, while those who have made huge profits in the past cannot be seen to be losing their edge.

In the past, the Chinese made money manufacturing highly commoditized products, wringing concessions out of suppliers, and selling for the highest possible price to customers. The guiding principle was a ‘zero-sum game,’ i.e., to make a yuan, someone had to lose a yuan. The concept of adding value is yet to catch up in China. Thus ‘face’ requires that the Chinese businesspeople wear you down in negotiations. They will usually focus on pricing and often not appreciate the peripheral values of a deal. Many opportunities have been known to be lost due to such protracted price negotiations.

It is advisable to try to ascertain the level of the ‘zero-sum’ mentality of your prospective business partner from China before scheduling a trip. Threaten to talk to a competitor and even walk away from a deal once you have reached your limit. It is always a good idea to be negotiating with several potential partners at the same time and let it be known. It instills a sense of competition and urgency in wrapping up the business negotiation which could otherwise become protracted and tedious.

“**Yes**” and “**No**”

The concept of time, traditionally, is cyclical with both, the Chinese and the Indians — what comes, goes and what goes back. This is in contrast with the linear concept of time in the western civilization where time has only a unidirectional movement.

Due to this underlying concept in both cultures, there is no definitive ‘Yes’ or ‘No’ like the Westerners. It is all relative in nature and depends on the prevailing circumstances. ‘Inshallah’ or ‘if God wills’ was often used by some Indians traditionally, signifying ‘if all goes well’ as ‘Yes’. Similarly, ‘it was not destined’ when things did not turn out right. Silence is not a failure of communication, but an integral part of the social interaction. What is *not* said is regarded as important, and lulls in the conversation as restful, appropriate, and friendly. Silence protects individualism and privacy and shows respect for the individualism of others (Lewis, 2006).

Often the term ‘*bu hao*’ meaning ‘not good’ is used to mean ‘not good enough’ or ‘bad’. Maintaining harmony at all costs is extremely important in the Chinese context. Nothing is said or done abruptly as maintaining harmony and balance of the *yin* and *yang* is imperative at all times and at all costs.

The cyclical concept of time, perhaps in its moorings in Buddhism, also makes most Asians ‘circle around problems’ for a few days, weeks or even months before committing themselves. It is only after a suitable period of reflection that some tasks may seem worthy of pursuing. It is here that the ‘*tai ichi*’ or ‘seeking common grounds while preserving the differences’ assumes importance once again.

With increasing Westernization, many Indians have internalized the linear concept of time and have started expecting the Western style ‘Yes’ or ‘No,’ while not
always giving it themselves. At times it may even help to say Wo-bu-dong or ‘I don’t understand’ or ‘I don’t know’ and play dumb to buy time and seek more information.

There is also an attitude of ‘We will cross the bridges when we come to them’ amongst the Chinese practitioners of business rather than getting into commitments during framing of hypothetical circumstances.

**Contracts**

The Orientals and the Occidentals usually approach a deal from the opposite ends. The Occidentals or Westerners start with a standard contract and alter it to fit different circumstances, since commercial laws have been around for a long time with them. Such laws scarcely existed in the Orient, both India and China, and recourse to law is considered as bad faith. The early appearance of a draft legal contract, though more acceptable now in India, is still seen as inappropriate and even irrelevant, in China, because it carries no commitment. For the Chinese, business obligations come from relationships, than from pieces of paper. The Chinese may indulge their guests out of respect and hospitality and it is merely a proof that both sides have started a trusting relationship. More concessions may be requested as one goes along. This is often a difficult proposition for Westerners and even Indians steeped in Western philosophy of doing business.

The solution may lie in finding a Chinese ally to work with you, who will be able to analyse the body language at meetings and negotiate with the true leader and smooth over the wrinkles. Many Western business persons have been marrying Chinese partners, who help decode the Chinese mindset and act as translators besides having a personal stake in the business negotiation. That might be a possibility for extremely fair skinned Indians or those with passports from native English speaking countries, but for the rest, answers lie in ingenuity.

**Contrasts between Indian and Chinese People**

**Assuming a Chinese Identity**

Long-term visitors or regular visitors to China are expected to take on a Chinese name, either derived from their existing name or a Chinese phonetic relative, unlike in India, where foreigners retain their names. The Chinese usually adopt anglicized names for use by their foreigner friends and acquaintances. McDonald’s is Mai Dang La, Coca Cola is Kula Kula, and the Olympics Ao Yun Hui. It is symbolic of the foreigners’ complete acceptance of the Chinese ways and culture.

Correspondingly, the Chinese people often make literal translations of their names as Melody Yu and Robin Tian or even Elegant Wang or Promise Xu (Aiyar, 2008). Aiyar (2008) in Smoke and Mirrors, also mentions names like ‘Anapple’ and ‘Better’ as first names including a boy calling himself ‘Victoria’ besides others calling themselves ‘Montgomery’ and ‘Byron.’

**Openness**

Indians on the western side of the country have had trade relations with the West for the last 5,000 years. Artefacts from the archaeological sites of the Harappan civilization have established that they had trade relations with Sumerian and Assyrian civilizations. The Bible has referred to the spice trade from India during King Solomon’s times. Arabs, Jews, Parsis, Sidis, and Europeans have come to the Indian coasts from time immemorial, settled and have been assimilated into the great Indian cultural mosaic. Thus traditionally, Indians have no fear in dealing with the foreigners. However, inter-dining and inter-marriage are not necessarily included and have been guided by the governing rules of one’s caste, creed, and community.

Indians are not hesitant about interacting with foreigners. In fact, in the liberalized economy, they are welcomed with open arms, especially with their new found confidence in the globally acknowledged software and English skills.

The Chinese people, however, tend to be more cautious when dealing with foreigners, especially the older generation, that grew up during the years of the Cultural Revolution and its aftermath. The younger generation is still grappling with English, which is an acquired tongue for them. Young people who are comfortable with English are more than happy to show any foreigner around the new China.

**Proliferation of English Language**

While most Indians speak some variant of English — Hinglish, Tamlish, Benglish, etc., the language has not proliferated to that extent in China. While the Chinese elite communicate in fluent English in the American style, others use the electronic Chinese-English dictionary to
make themselves understood. The older and senior executives are not necessarily English speaking. One is better advised to be accompanied by a personal interpreter while traveling for business negotiations. Since most educated Indians are capable of carrying out business communication in English, they often overlook the need for an English-Chinese interpreter.

One is better advised to have Chinese translation of all the key communications, including the business cards. Chinese translations are particularly important when negotiating at higher levels to ensure that communication is understood in the way one wants it to be. It also speeds up matters, since the Chinese side will not have to spend time on having it translated for understanding and evaluating the business propositions. One is also better advised to have numerous copies of the important proposals.

If one has acquired a Chinese name and has had his business card printed in Chinese on the reverse side, he must remember to present that side when meeting senior/important people. The business card is usually presented with both hands and a bow symbolizing humility towards the person he is meeting. It is an asset to have the business card printed in golden ink. In Chinese business culture, gold is the colour of wealth, prestige, and prosperity, which are the underlying objectives of any business venture.

The Indians, in their bid to seem professional or internationally evolved to the beholder, like to seal their business negotiations with a lengthy and detailed legal contract written in legal English. With a low grip on English, this frightens most Chinese and they renege on contracts since they barely comprehend what they are getting into. Many good deals have been broken when Indian business houses have sent thick contracts written in legalese.

**Argumentative vs. Listening**

Indians, especially Hindus, have had a long tradition of arguments. The culture has a strong foundation in logic. Freedom of speech for all adults has been enshrined in the Indian Constitution. The sheer number of people expressing their views collectively and singly bewilders any Chinese person visiting India, at least initially. It is in sharp contrast to their orderly, hierarchical society where the government, its policies, and actions are above reproach.

**Discussion vs “Feel the Stones and Cross the River”**

As a result of their argumentative nature, Indians have a point of view on everything, from the esoteric to the mundane, regardless of whether or not it concerns them directly, whereas the Chinese are like a deep waterbody, still on the surface but running very deep. They keep their feelings well-masked, while manoeuvering through the minefield of business relations. Often opportunities are lost while negotiations are on.

**Bargaining**

Bargaining or negotiation is the integral and most important part of any business negotiation with the Chinese. It is the beginning of a process and is usually extremely protracted. One should always be prepared for numerous, long, and protracted rounds of seemingly pointless rounds of discussions. The Chinese are in no hurry to arrive at a conclusion and like to wear their opposition thin. The assessment of the opponent/potential business partner, his needs, aspirations and levels of tolerance begins here. Bargaining/negotiation takes place over numerous rounds of discussion followed by drinking and dining.

It often plays the role of a few rounds of golf in the Western context. Bargaining in China is more frontal and direct, the objective being the same — to get a glimpse of the opponent’s psyche to decide whether he is a suitable business partner and what exactly his objectives are for the deal. A quick bargaining is seldom entered into and if ever done implies that sufficient effort and time has not been invested in the matter. It would often need exhaustive renegotiation.

The younger generation of Indians, schooled in the Western management and legal systems, often have difficulty with this aspect of doing business with the Chinese.
The slow circuitous approach or tai-ichi towards the core issue gives both sides a chance for the dissensions to emerge, which can then be taken advantage of. The Chinese are also fond of ‘decorating the tree with fake blossoms,’ which leaves a lasting impression on the uninitiated. It is only with time that anyone can discern between fake and genuine blossom.

One is advised to remain faithful to one’s position and not relent too much. In fact, asking for more information from the other side like ‘what made you arrive at that price’ has often been seen to prove effective in giving clues to what the Chinese side really seeks. Many deals have been known to be signed proverbially just before the aircraft takes off. At other times good face-saving deals have been worked out at the eleventh hour.

Hospitality

Hospitality, including inter-dining, is a fundamental aspect of Chinese life and doing business with the Chinese. They are usually extremely gracious hosts and expect the same from their business partners. The Chinese people are all non-vegetarians and have an exotic range of foods considered delicacies, e.g., fried scorpion, bear’s paw, etc. The meals are extremely generous in terms of the number of courses served and well-punctuated with numerous toasts of strong Chinese liquor. Drinking is an important part of the whole negotiation ‘courtship.’

This is a tricky aspect for Indians, since most business people are from communities that are essentially vegetarians and do not favour alcoholic drinks. While it is better to inform the host in advance about one’s meal and drink preferences, it is advisable to raise and join the toasts with one’s preferred drink with full enthusiasm and participation. Ganbei means ‘bottom-up’ in Chinese. A proper ganbei toast is preceded by a short speech about the importance of the ‘budding’ friendship and cooperation. One should make sure that everybody at the table is mentioned with honorific references. This is then followed by showing everyone present the empty cup/glass as an evidence of the fact that the contents have been consumed, thereby consecrating the subject of the speech, especially when dining with the power elites (Brahm, 2003). Many Westerners have tried tricking their way with drinks by switching them or throwing in over the shoulder with poor results and more importantly offending their host seriously.

While hosting the Chinese guests, one should get someone from the Chinese side to help order the right dishes, if one is not able to do his own homework. The number of dishes, their quality, and the accompanying drinks during a meal are a measure of the host’s generosity. The rule of thumb for the number of dishes to be ordered are the number of people plus one for a small group and plus two for a larger group. The variety should extend to the drinks and beverages too.

In China, all the food is kept in the middle of the table and everybody eats from there directly using their chopsticks. The individual plate and bowl is small and meant only to put the bones and other inedible parts of the food. They are not meant to be eaten from. It is a major departure from the Indian system of eating from individual plates after serving into them from the commonly placed food. It is a matter of personal preference whether one chooses to eat in the Chinese way, or use the small plate to serve oneself. The Chinese are usually very well-disposed towards Indian traditions and culture. Indians exhibiting traditional Indian manners and customs are better received than those exhibiting Western styles. The underlying feeling is ‘if you could adopt Western norms, then why not ours while doing business with us.’

Quite similar to Indian customs, the last morsel in the plate is never eaten, as it suggests an inadequate amount of food served. The drinking cup has to be closed with a lid and set aside when one has had enough to drink. It will be continuously refilled as long as it is open. Soup and rice are served last and marks the last course of a meal. The host should not be embarrassed by asking for rice to be served as it symbolizes closure of the dinner meeting. A meal is considered concluded when the host stands up and thanks the guest for coming. The Chinese are quite tolerant over matters of etiquettes for foreigners, because they feel ‘they do not know’.

While inviting the Chinese to a restaurant, care should be exercised to ensure that they do not order. The senior-most person is most likely to choose the least expensive of the dishes and the others will follow suit, to convey that they are not extravagant on their host’s money. The appropriate style would be to recommend the most expensive dish on the menu saying, ‘I’m going to have it (name of the dish). I hear it is particularly good here, and I insist that you try it with me.’ Chances are that most of the times they will agree on a little persuasion, after which
the others will follow suit. It is usually customary to pay on one’s home ground. Guests are usually seated facing the door. One should never try to pay in that position.

While dining in restaurants, who is going to pay is quite clear before the evening commences, but it is not unusual to find the bill already paid surreptitiously by a junior colleague of the guest who had excused himself from the table before the conclusion of the session. It is better to give some money in advance at the payment counter and instruct them clearly about whom to accept payment from. There is no tipping in restaurants and hotels in China. Visitors from overseas are advised not to initiate the practice in the interest of everyone concerned. On the face of it, it is considered demeaning to the establishment staff in an equitable society.

An invitation to a massage parlour or any other form of entertainment before or after dinner is not out of place and is expected to be reciprocated. The concept is comparable to the traditional ‘atithee devo bhava’ in India where the guest is treated as God and the best of everything is laid out at his/her disposal. Exercise caution while accepting such invitations as it might be a ploy.

The popular Western style of each paying his own way or going dutch, by junior executives dining together is not yet popular in China. It should not even be suggested, as it might imply casting a doubt on their generosity and thus offend the Chinese host.

Business should never be discussed during mealtime. It is considered the worst form of impolite behaviour in the Chinese context. Care should be taken to educate oneself on Chinese culture, history, and geography, which would be appreciated by the host. The history given in the earlier section may well be used as a conversation point. Small talk is also very important before and after business meetings, besides during mealtime.

**Individual Interest vs. Collective Interest**

The Communist Party of China has formed the government since 1949. It is supreme and all-powerful. Broad policy directives are framed centrally, which are then implemented with a few permitted modifications. The district governments compete to generate profits while executing the directives of the provincial government. People’s grievances against the Government are dealt with according to the Administrative Procedure Law.

Everyone, from the highest government official to the common man in the street, is a cog in the giant wheel of the system, expected to play his/her part to perfection. Usually, individual interest is subservient to collective interest. It is a liberalized economy which allows private enterprise. The legal system is still nascent and has a long way to go. It is the last bastion of the Communist form of government and the systems are markedly different from a democratic system. According to the tenets of Mao Zedong, ‘the individual is subordinate to the organization. The minority is subordinate to the majority. The lower level is subordinate to the higher level.’ This is the way China was governed for 20 years and is still deeply embedded in the Chinese collective psyche. It also explains the highly ordered and hierarchical society, where the people are group-oriented rather than individualistic and often do not like to take singular responsibility. They also do not like to give opinions, lest it be different from their peers and cause a loss of face for someone.

Older Indians reminiscent of the socialistic economy days, or those who have had exposure to the communist system of governance within India, will find it easier to navigate in the Chinese system compared to people without the relevant experience and exposure.

In case one is visiting a gathering like a workplace, plant, school, or even a theatre and is greeted with applause from the hosts, he should applaud back in response. It symbolizes reciprocal delight in meeting people.

**Punctuality**

The Chinese start their day early, usually at 7.30 am. All their timings are earlier than Europe and the USA. Working hours for business and government are from 8.00 am - 5.00 pm, Monday through Saturday. Bigger cities often follow a five-day week regimen. The best time for scheduling appointments is April-June and September-October.

Week-long national holidays on the occasion of May Day, National Day (in October), and Chinese New Year (in February) are better avoided for travel to China. The holidays are usually strictly followed. The dates vary slightly in accordance with official advisory.

Meetings are usually scheduled at 9.00 am to give two clear hours for discussion before breaking for lunch at
11.30 a.m. The second half of the day begins at about 2.00 pm after a siesta and carries on till about 6.00 pm when it is dinner time. With these timings, the main meal is expected to be served around 1.00 pm for lunch and 7.30 pm for dinner. It is important to be punctual and observe these timings, else the Chinese side gets deeply distracted and negotiations can collapse. It is considered gross misdemeanor to delay the Chinese people for their meals. Though the nuts and bolts of business are not to be discussed, it is a good idea to carry the meeting into the forthcoming meal to enable the participants to relax. More business deals have been concluded after a few good meals and singing together in karaoke bars, generously moistened with alcohol, than in smoke-filled negotiation rooms.

It is not unusual for the Chinese to arrive 15-30 minutes early ‘to finish the business before the time appointed for its discussions’ and also to announce shortly after the commencement of the meeting that they will soon have to be going. It is not meant to be rude, but merely a mark of respect to the other person’s time and suggesting an economic use of the time earmarked for discussions. Time thus saved from discussing business can then be put to a better use of enjoying each other’s company by wining and dining!

**Some Sensitive Issues**

Chinese officials meet those foreigners who are their equivalent in stature and rank. One’s counterpart should be addressed directly in formal discussions as it is a mark of respect and sign of an educated person. Though China is officially a classless society under Communism, observers have noted it to be one of the most hierarchical societies in the world today. It is also now one of the most capitalistic countries (Brahm, 2003). Present day China follows ‘market socialism’ with ‘Chinese’ characteristics. Large parts of major cities or the new areas are full of high priced yet inferior constructions that have remained unoccupied as they are priced way higher than people’s paying capacity. Large areas were cleared to make way for ‘tofu’ constructions, nicknamed so because of their fragility. Several of them came under attack after the May 2008 earthquake when many new buildings collapsed. At the edges of most cities, one sees an odd resident in the ghost buildings that are being prepared for demolition and reconstruction. The pace of reconstruction is so fast in China that even taxi drivers lose their way if they have not visited a neighbourhood for about two months, especially around the edge of the city.

Indian visitors to China are better advised not to attempt drawing their Chinese compatriots into discussing politics — their own or that of others. The Chinese media is state-controlled and several websites are blocked out. People have limited access to news other than the state-controlled media and in keeping with the communist culture, they are not wont to having an opinion on the government and least of all expressing it, especially in front of foreigners. It could invite severe repression. Visitors should not discuss Tiananammen Square incident, Tibet, and Dalai Lama. Even discussions about Muslim separatists of Xinjiang province should be approached with extreme caution. In fact, it is better to avoid any political discussion.

The Chinese prefer discussions about Chinese arts and culture with foreigners, especially if the visitor is appreciative of all things Chinese. The historical linkages between India and China mentioned in the earlier section make good meal time or post-meal light conversation. It should be used judiciously.

It is bad manners to ask how many children people have, especially because many people are bristling with the effects of the strictly implemented one-child policy.

Lastly, the concept of national honour is very strong in China. Parody of its culture or national symbols are not taken lightly. The following advertisements by some multinational companies caused uproar and had to be pulled out with an apology (Plafker, 2007).

a) Stone lions, a traditional symbol of Chinese power, bowing to the Prada Land Cruiser;
b) A Toyota Land Cruiser shown towing away a Chinese military jeep;
c) Nippon Paint portraying a dragon that could not keep its grip on a pillar painted by a Nippon Paint product;
d) Nike’s advertisement of the NBA star, LeBron James, running rings around a cartoon version of a wizened old Chinese martial arts master;
e) James, shown vanquishing a pair of Chinese dragons and outmanoeuvering a pair of Chinese women in traditional dress.
CONCLUSION

Amartya Sen (2005), in his seminal work, ‘The Argumentative Indian,’ notes that in spite of the respect and royal patronage accorded to Buddhism in China, there existed a definite resistance towards it through various periods of Chinese history. There was a strong sense of intellectual invulnerability and a belief that ideas generated outside China could not really be very important. Han Yu, an anti-Buddhist intellectual of the 9th century, has been advocated later on by the Confucians. The Taoist opposition to Buddhism also had a strong element of Chinese intellectual nationalism and a sense of superiority of the Chinese ways. Lao Tzu, the founder of Taoism is normally placed in the 3rd century BCE. In the early 4th century, Taoist activist, Wang Fu, placed Lao Tzu on an imagined civilizing mission to India, to influence Gautam Buddha, who, as it happens, had died a few centuries before Lao Tzu’s alleged arrival to India (Sen, 2005). Cultural residues of Taoism remains to this day in China and the central position of China in the order of things in the world is a primary concern for the Chinese people. There was monolithic self-centredness and insularity amongst the Chinese that was challenged by the advent of Buddhism in the early centuries. A comparably insular and self-centred culture is presentlyexistent, peppered by the razzmatazz of the materialistic American pop culture. It can only be expected that trade with several countries in the world, including India, will open up the Chinese mind to the best practices of trade and communication across the world.

In conclusion, it can be said that modern times are not the first occasion when Indian and Chinese people are engaging in business activities. They have a long history of trade together, that has left both countries culturally enriched. On the political front, India has initiated a ‘South-South Dialogue’ of developing countries and a ‘Look East Policy’ within the framework of Non-Aligned Movement and ASEAN to engage in trade with its eastern neighbours. It is also in the interest of the two most populous and consuming countries in the world, China and India, to step forward and take the centrestage in shaping policies on world trade practices based on their rich ethical and cultural heritage. It is up to the Chinese people to engage with Indians and let best practices in both countries in the sphere of business permeate. Lastly, as an Indian business consultant quipped, “It is easier to learn Chinese via Hindi/Devanagari than via English.”

So, Indians in touch with their traditions and roots will find it comparatively easier to decode the Chinese culture and etiquettes than those who have moved away from them and vice versa for the Chinese people.

APPENDIX

Caselet 1: Culture and its Influence on China-India Business: the Perspective of a Young Chinese Salesman

Li*, a young salesman, has been working in a big state-owned trading company in Tianjin, China since 2004. He had his first experience of doing business with a Chennai-based Indian trading company, dealing in chemicals, which had cordial business relations with several Indian companies.

Li felt that Indians like to bargain while doing business. They believe that the same product might be available at different prices, and so, they need to ask for the lowest price, whereas in Chinese business culture, you get what you pay for. According to Li, Indians are somehow afraid that the Chinese will not give them the same quality product if the price quoted is too low.

Li thought that earlier cultural difference played an important role while doing business with China, but in recent years, this influence has become lesser and lesser due to globalization. Earlier in China, only a few state-owned trading companies were allowed to do business with foreigners. In other words, if the foreigners wanted to buy from or sell products to China, they had to go through those qualified trading companies. Today, any company – trading or manufacturing – can import or export. Competition has increased for the Chinese companies and thus the cultural differences do not play as important a role as before. The Chinese businessmen have learnt to adapt to foreign cultures. As an example, Indians are not usually punctual, whereas the Chinese believe that keeping time is a way of showing respect, and without having mutual respect, it is difficult to do business together. Earlier punctuality might have been a very important decisive factor for doing business with

* Name changed to protect identity

27 Harpreet Puri, MD Businesslinks, Tianjin, in a personal interview to first author, April/May 2008.
China, but not anymore. The Chinese have now learnt that after all business is carried out to earn money. By getting too fixed with matters such as timeliness and respectability, one may lose business opportunities; instead of getting stuck, the Indians would rather go to other Chinese companies that are more flexible.

Just before the Olympic Games, Chinese businessmen sent out a false message to foreign businessmen including Indians that it might be difficult to export due to the Games. Foreigners bought a lot of stock in advance that resulted in extra warehousing. But after the Games, the prices went down to some extent. The Indians thought that the Chinese businessmen had misled them on purpose; but the Chinese see it as ‘a decision made by their own misjudgement.’ Because of such cultural differences, neither the Chinese nor the Indians are much interested in doing business with each other; however, they have to carry on due to the huge markets on both sides.

According to Li, 2008 has been a watershed year. The business behaviour of Indians has changed a lot bringing them closer to the Chinese businessmen. They have now become more flexible and practical and those doing business with Chinese have started adopting the Chinese thinking modes.

**Caselet 2: Greenergy**

Greenergy is a vertically integrated wind power company, manufacturing blades, generators, panels, and towers in-house, as well as gearboxes through its partial ownership of the state-of-the-art large multinational or offshore companies. It is a multinational company with offices, R&D and technology centres, manufacturing facilities and service support centres spread across the globe.

China’s Renewable Energy Law, which came into effect in PRC from January 1, 2006, is one of the largest state-sponsored commitments toward renewable energy in the world. The National Development & Reform Council of the PRC, sets targets to be achieved in two phases – 5,000 MW by 2010, and 30,000 MW by 2020. China is consistently making aggressive efforts to promote renewable energy sources, and the significant growth experienced by the Wind Industry in the last two years is a testament of the good market conditions in China, fuelled by the government policies.

To become effective in 2006, the law required power grid operators to purchase resources from registered renewable energy producers and offered financial incentives, such as a national fund to foster renewable energy development, and discounted lending and tax preferences for renewable energy projects. It was a unique business opportunity. The law was formulated to invite global technology, while ensuring that it generated at least 70 per cent local employment. The 2006 Q4 results of the company set the pace for the dream to be realized. It had become eligible to issue ADRs and raise the funds to finance a wholly-owned foreign manufacturing enterprise (WFOME), a qualifying requirement to become eligible to participate in this sunrise sector at China.

Keeping the provisions of the Act in mind and other strategic business interests, the WFOME at China had to be a manufacturing unit and procurement hub in addition to the business development and business delivery arms. An investment of US $100 million within a period of 12-18 months was planned for the two-stage development of the WFOME.

All such units were to be located in special Hi-tech Industrial parks (HTIPs) being set up at various places in China. The HTIPs were designed to be single window agencies empowered to deal with all matters related to the location, infrastructure, manpower, licensing and approval and tax benefits to be offered for all WFOMEs to be set up in China.

An international consulting major was to steer the company through negotiations. The company had posted two director level officers to Beijing and Shanghai a few years earlier to identify procurement bases and suitable Hi-tech parks for the proposed project.

By 2006, six hi-tech parks were identified and negotiations with three suitably advanced, of which one emerged as the front runner. It was located in one of the few Chinese cities that had an empowered municipal government functioning like a provincial government and thus had one level less of government authority and body than the standard three in the rest of China.

Mr. P C*, the ED, an alumnus of IIT Bombay and IIMA and a veteran of the renewable energy sector with vast international experience in setting up projects, was leading the Indian delegation. Four rounds of discussions

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28 Name withheld to protect identity.

29 The total capital expenditure in the China subsidiary was expected to be $55 million.

* Name withheld on request to protect identity.
negotiating the incentives under the existing schemes were held amongst the CEO/GM of HTIP, PC and other company executives in the presence of the team from the consulting company. The members of the international consulting company were of Chinese origin and fully geared to interpret and guide the Indian power major through the cultural nuances of the deliberations. The meetings were held in English, but substantial amounts of discussions amongst the HTIP delegation were held in Chinese. At each of the meetings, the Chairman of the HTIP, city mayor, party chief, and other political heavy weights attended in some combination.

According to PC, all the meetings were very professionally conducted in keeping with the global standards. The minutes were noted diligently, a draft of the Minutes were prepared first and the final document signed after both, the Indian power company and HTIP, had ratified it. Consequent to the meetings, the conclusions drawn in the meeting were vigorously followed up and developed into the objectives and schedule of the next meeting. The procedure was thoroughly professional.

During the negotiations, the complete Chinese team including secretaries, junior assistants, interpreters, and department heads would form a part of the contingent and were thus privy to all discussions, formal and informal, while the corresponding people on the Indian side read only the Minutes of the meetings. According to P C, this system of involving everyone, not only reduced their internal communication needs, but also ensured that the proposal was being simultaneously evaluated and whetted by a number of people, most of who were otherwise not even noticed, the focus being on the chief negotiator.

Besides being highly professional, they were also very hospitable. At the end of every meeting, there would be a banquet thrown by HTIP in honour of the guests and the entire Indian team would be invited, unlike the Western approach of inviting only the decision makers. P C recalls that on one occasion when a senior functionary of the company, who was a strict vegetarian, was attending one of the penultimate meetings, the banquet thrown in his honour consisted of 36 exotic vegetarian courses, while there were an equal number of identical looking exotic sea food dishes for P C at an adjacent table, since the food preferences of both were known to the hosts.

All the concerned people in India were suitably impressed by the rapid pace and style of negotiations and the bonhomie and were raring to operationlize the project at the very earliest. The legal document whetted by both parties was drawn out and was ready for signing between the company and the HTIP.

In the meeting prior to the signing ceremony, scheduled for the following day, P C and his team found that three of the one dozen parameters of the agreement that had long-term financial implications had been modified by the HTIP unilaterally, without reference to the Indian power company. The Chairman of the HTIP was conspicuous by his absence and on enquiry the GM informed that the alterations had been carried out by the HTIP Executive Committee, on the instructions of the Party. The Indian power company was further informed that the Party did not meet any representatives of industrial houses for negotiations.

In one master stroke, the Indian delegation was left to make a choice between terms and conditions imposed by the HTIP or writing off years of work and investment. Months of negotiations were nullified. The professional credibility of PC and several senior executives of the Indian power company, who had burnt midnight oil in designing and whetting this project stood on a precipice. On contacting the Indian headquarters, PC was told that the choice of the path ahead rested solely with him.

Once aware that the changes had been carried out at the behest of the Party, P C understood that there would be little recourse in legal action in spite of having the full set of Minutes and other documentation signed by both, the HTIP and the Indian power major. “My decades of global exposure had taught me to be diligent towards the fine print and I had never come across a similar or comparable situation anywhere in the world, where agreed, minuted, and signed clauses were overturned with such impunity. It was even more shocking that it was ostensibly at the behest of the local government,” remarked P C.

Drawing on his innate orientalism, P C refused to accept the changes, called off the signing ceremony, and pulled out the negotiations immediately. “I dropped that HTIP like a hot brick,” he quipped.

Several senior executives of the HTIP approached him and the Indian power major offering other sops to retain the company in the HTIP, since it was loss of face for them too, in addition to loss of revenue. But P C did not relent. “Since the long-term viability of the project depended on the terms of the contract with the HTIP, it was my moral responsibility to ensure a trouble-free operating environment for the operational team. I did not want to set precedence of succumbing to volte-face and buckling under pressure with the HTIP authorities. My decision was made possible because I enjoyed the confidence at the highest level,” explained P C.

Six months after the collapse of discussions with the HTIP, the Indian power major was invited for a three-day investment exposition organized by the mayor of the city.
The project was described by the local officials as ‘among the six significant investment projects in the region.’ A meeting between the Indian power major and the city high tech park (CHTP) was facilitated by the local authorities. CHTP turned out to be a body of the national government, empowered to decide on the Agreements with investors independently, unlike the HTIP that was a body under the local government and needed to have its decisions ratified by a national body.

The negotiations were concluded within a month and the Agreement was signed. The China arm of the Indian power major started operations in six months time. The facility became fully operational in the third quarter of the second financial year.

When requested for comments from the HTIP, Mr. XX, the VP, Commission of Foreign Economic Relations & Trade, the Trade District, who was GM, HTIP at that time said, “The terms of my employment do not permit me to discuss the details of business. All I can say is that we really wanted the Indian power major to be located in our Park, where we have several global majors from the renewable energy sector. HTIP offered the best possible terms towards that. For the rest, we can only put it down to cultural differences.”

An Indian facilitator of business, settled in China, explained that there are usually three levels of approvals needed for setting up operations in regions approved for foreign trade in China — local, provincial, and national. While the tech parks where businesses are to be physically located are competing with each other to attract the companies, the decision actually rests with the national government agencies, and implemented through the provincial and local governments.

Commenting on the system, P C, drawing upon his experience with setting up operations of LM Glass Fibres, a Danish multinational company, at Karnataka Industrial Development Board, said, “The system in China is comparable to India, where there are single window agencies in industrial parks and the multiple agencies system for licensing, infrastructure support, labour agencies, etc., with its endemic weaknesses, of delays, corruption etc. He concluded by stating, “Indians who are used to working in family-owned businesses would not have trouble navigating their way through the business environment in China,” in an echo of Puri’s statement about learning the nuances of Chinese language, “it is easier to learn Chinese via Devanagari than via English !”

Caselet 3: Electrotherm

Electrotherm Ltd., founded in 1983, is an INR 20,000 million diversified metal melting engineering company. The Company services the global markets with a specific focus on the Middle East, Turkey, Pakistan, Bangladesh, and Africa while catering to 31 other countries around the world. Electrotherm commands more than 50 per cent of the market share in induction melting equipments used by the steel, engineering, and automotive industry in India. The company has introduced YObyke electric scooters and is also working towards launching electric three-wheelers.

From 2002-03, Electrotherm had interests and operations in China. Mr. Mukesh Bhandari, Chairman and Chief Technical Officer (CTO), Electrotherm, made some observations about doing business in China based on his vast experience in setting-up operations of manufacturing electric scooters, first in Tianjin area and later at Jinhua in the Eastern region during 2003-06. Electrotherm now has a plant in Jinhua City. Prior to that, Mr. Bhandari has had extensive experience in setting up operations and sourcing in the Zhejiang, Jiangsu, and Guangzhou regions. A traditional Indian businessman, Mr. Bhandari is an electrical engineer from Indore University and is completely in touch with his oriental roots. The name board outside his office is in Hindi and he is more comfortable conversing in Gujarati and Hindi over English. A strict vegetarian, he treats his office as a temple. He himself and all visitors to his office leave their shoes outside, in keeping with the Indian traditions of respect and cleanliness.

While setting up operations in Tianjin, in northern China, Bhandari found that all land is owned by the government and only leased for a specific period of time, unlike in India where the land becomes a freehold after a designated period of time. All leases are structured to maximize investment, but exit terms are unspecified.

The industrial policy of China is the same for domestic and foreign companies but generally offers extra concessions to domestic companies. The industrial parks offer fully developed industrial plots at attractive terms but specify minimum spending on building plant and machinery. The terms impose minimum investment, turnover, tax income, income generation for local people and other important milestones. They in turn ensure all licences and clearances, provide help in getting training for workers, and enforce labour laws.
After operating for about two years in Tianjin region, Bhandari found that most of the spare parts suppliers and the business cluster of his electric scooters industry were in the southern region and it would make better business sense to relocate his plant there than endure sustained transportation costs.

Mr. Bhandari shared one of his experiences while operating from China. When one of the Chinese companies could not fulfill its commitment of supplying equipment in time, the Guarantor bank refused to return the money. It is common for banks in China to support local NPAs under political patronage, since national interest comes first.

According to Bhandari, the Chinese are very lavish in their hospitality especially at the time of attracting investment. Ever since the Chinese public companies have been privatized, essentially taken over by the senior executives of the unit, competition has become cut-throat. Figures of capacity, turnovers, and other such critical health indices of a plant are bolstered to attract business. Since language is a major barrier, interpreters are the most critical link. In such a situation, it is not uncommon for employees to become entrepreneurial leveraging the language and systemic barriers.

Bhandari believes that the above traits arise out of a basic survival instinct since conditions in China were very harsh till 1981. He compares it to the survival instinct demonstrated by many Hindus converting to Islam during the Mughal period in India or Indians learning English language and British mannerisms during the British period. According to him, though things are much better structured in China than in India, the survival instinct is the strongest thread that runs across all dealings and transactions at all levels in China. He maintains that the climatic conditions of the region play a great role in influencing people’s behaviour. For instance, people from the developed and traditionally prosperous parts of China are comparatively easier to do business with than those from places with harsh climatic conditions. He believes that culturally, Indians and Chinese have many similarities, especially when it comes to the political leader being treated as the king or the representative of the Gods on earth. The importance of respect, family, and hierarchy are also common to both the Indian and Chinese people.

However, Bhandari is extremely satisfied with the health of Electrotherm’s operations in China, where he leverages the economies of scale provided by the business cluster. Electrotherm exports electric motors, batteries, and some other parts to their India EV business. Bhandari is deeply appreciative of the speed of work, safety, and cleanliness in China and thus considers it as an ideal business destination. However, he cautions against hard bargaining since the Chinese never like to refuse a customer. Survival in the face of a hard bargaining customer results in a southward recalibration of quality.

“Since I am a strict vegetarian, I have to inform everyone well in advance about a meal, whether a banquet or a visit to one of my plants. Else I have to carry my own food,” he chuckled when asked about how he negotiated the gastronomic terrain.

REFERENCES


Almost every major company in the world wants to do business with China or is in fact doing business with China and wants to participate in the growth of China. So if the transition goes well, that will reinforce their desire to build up their business relations with China.

— Robert Hormats quotes