



Canadian Centre For Ethics & Corporate Policy

Ethics & Culture: How To Do Business in China

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WHY SHOULD CANADIAN BUSINESS GRAB THE CHINA OPPORTUNITY

CHINA IS THE NEW CENTRE OF GLOBAL ECONOMIC WEIGHT

- *BRIGHT SPOT OF THE GLOBAL ECONOMY: GDP GREW MORE THAN 9% IN 2003 AVERAGING 9.7% IN THE PAST 24 YEARS*
- *WORLD'S LARGEST RECIPIENT OF FDI (FOREIGN DIRECT INVESTMENT) IE. \$53.7 BILLION IN 2003, 33.9 BILLION IN ½ OF 2004*
- *WORLD'S SECOND LARGEST ECONOMY MEASURED BY PURCHASING POWER PARITY (PPP)*
- *SECOND LARGEST FOREIGN CURRENCY RESERVES (\$471 BILLION BY MID 2004)*
- *WORLD'S THIRD LARGEST TRADING NATION (OVER 700 BILLION IN 2003)*
- *FULL INTEGRATION OF CHINA INTO **WTO** PROVIDES FURTHER MOTOR TO CHINESE INFLUENCE IN GLOBAL TRADE AND CAPITAL FLOWS*
- *CHINA IS CANADA'S 3RD LARGEST TRADING NATION...BUT OUR EXPORTS IN 2003 ONLY GREW 15.4% WHILE CHINA'S EXPORTS TO CANADA GREW 37%*

WHY SHOULD CANADIAN BUSINESS GRAB THE CHINA OPPORTUNITY

CANADIAN OPPORTUNITIES WITH CHINA

- *CANADA IS A MEMBER OF APEC, W.T.O., PACIFIC RIM NATION*
- *CANADA IS A PRIMARY RESOURCE RICH COUNTRY. THE HUGE GROWTH ENGINE OF CHINA NEEDS OUR RESOURCES*
- *CANADA IS A HIGH TECHNOLOGY RICH COUNTRY I.E*
 - *TELEPHONE, ENGINEERING, DISTRIBUTION, MANUFACTURING AUTO PARTS AND CHINA NEEDS OUR EXPERTISE, SKILLS, MANAGEMENT AND TRAINING*
- *CANADA IS A FRIENDLY GATEWAY TO THE TWO RICHEST ECONOMIES IN THE WORLD – U.S. AND E.U. CHINA WANTS TO ESTABLISH IN CANADA FOR THESE MARKETS.*
- *CANADA HAS MORE THAN 1 MILLION PEOPLE OF CHINESE ORIGIN AND APPROXIMATELY 40,000 CHINESE IMMIGRATE TO CANADA EACH YEAR*
- *CANADIAN BANKS ARE IN CHINA TO ASSIST YOU – BMO IN PARTICULAR AND OF COURSE THERE IS CCBC, EDC, CIDA, CANADIAN EMBASSY AND CONSULATES.*

WHY SHOULD CANADIAN BUSINESS GRAB THE CHINA OPPORTUNITY

WHY IS THE TIME RIGHT

- CHINA IS IN IT'S CONSUMPTION PERIOD AND THEY WANT FOREIGN PRODUCT OVER DOMESTIC
- CHINA IS A MEMBER OF THE W.T.O. AND IS PLAYING BY THE RULES
- CHINA'S MARKETS ARE OPENING VERY QUICKLY
- TRANSPARENCY AND RULE OF LAW ARE TAKING SHAPE
- CANADA CARRIES NO BAGGAGE LIKE THE U.S., JAPAN OR U.K. AND IS WELCOMED IN CHINA
- CHINA, LIKE CANADA, AND UNLIKE THE U.S. AND E.U. HAVE A HIGH PERCENTAGE OF SME TO MULTI NATIONALS
- CHINA, LIKE CANADA, IS A TRADING NATION

DEVELOPING ANY CHINA STRATEGY

TWO IMPORTANT ELEMENTS MUST BE CONSIDERED IN DEVELOPING CHINA STRATEGY:

- *COMPLETION OF PRODUCT AND MARKET RESEARCH – INCLUDING RELATED IPR, TRANSPARENCY AND RULE OF LAW*
- *KNOW AND UNDERSTAND CULTURAL CONSIDERATIONS*

DEVELOPING ANY CHINA STRATEGY

COMPLETION OF PRODUCT AND MARKET RESEARCH

- *CHINA IS NOT ONE COUNTRY WITH ONE MARKET*
- *DIFFERENT MARKETS HAVE DIFFERENT OPPORTUNITIES AND NEEDS*
- *TRANSPARENCY AND RULE OF LAW DIFFERS BY INDUSTRY SECTOR*
- *FIRMS MUST DO THEIR HOMEWORK*

DEVELOPING ANY CHINA STRATEGY

KNOW AND UNDERSTAND CULTURAL CONSIDERATIONS

- *SELDOM GIVEN SUFFICIENT ATTENTION*
- *CHINA IS A COMPLEX COUNTRY FOR A FOREIGNER TO NEGOTIATE BUSINESS DEALS*
- *WE ARE WELCOMED, BUT ALSO FEARED*
- *THE CHINESE NEED OUR EXPERTISE, TECHNOLOGY AND EXPOSURE TO INTERNATIONAL MARKETS – ON THEIR OWN TERMS*
- *THE STRONGER THEY GET, THE MORE THEY WANT TO DO THINGS THEIR WAY*

CULTURAL ASPECTS OF DOING BUSINESS IN CHINA

INFLUENCED BY THE CONFUCIAN CONCEPT OF REN QUING

- *HUMAN FEELINGS SHOULD NEVER BE REMOVED*
- *GIVE AND TAKE SHOULD GOVERN THE RELATIONSHIP*

STRATEGIC THINKING IS A FORMAL DISCIPLINE

- *CONTEMPORARY CHINESE BASED ON THE TEACHINGS OF THE ANCIENTS*
- *EVEN CHILDREN ARE FAMILIAR WITH THE 36 STRATEGIES OF **SUN TZU***

FAVOURS AND OBLIGATIONS

CULTURAL CONSIDERATIONS

HUMANIZING BUSINESS

- *CHINESE BUSINESS PEOPLE ACCEPT EMOTIONS*
- *WRITTEN CONTRACTS – NOT THE SANCTITY OF THE WEST*
- *CHINESE PREFER VAGUE AGREEMENTS, BUT HAVE COME TO ACCEPT CONTRACTUAL ARRANGEMENTS*
- *WESTERNERS SHOULD DISPEL PERCEPTION HEAD AND HEART SEPARATE IN BUSINESS*
- *EVERYONE MUST WIN*

CULTURAL CONSIDERATIONS

BECOME YOUR OPPONENT

- *ENTER THE MOOD OF YOUR OPPONENT*
- *BEFORE NEGOTIATIONS, CONSIDER CAREFULLY YOUR OBJECTIVE*
- *CONSIDER THE POSITION OF ALL IN THE MEETING. WHAT OBJECTIONS TO YOUR AGENDA*
- *BE PREPARED TO DISARM OPPOSITION*

CULTURAL CONSIDERATIONS

BUSINESS IS BUILT ON RELATIONSHIPS AND “UNSPOKEN” MESSAGES

- *DEMONSTRATE YOUR COMMITMENT – WILL KEEP FOREVER*
- *HUMBLE MANNERS, SMILING FACES*
- *CHINESE USE INDIRECT SPEECH*
- *DO NOT TELL CHINESE ‘NO’*

CULTURAL CONSIDERATIONS

BUSINESS IS BUILT ON RELATIONSHIPS AND “UNSPOKEN” MESSAGES

- *MAKE REALISTIC COMMITMENTS AND HONOUR THEM*
- *SPOKEN WORD MUST BE RELIABLE AS A WRITTEN CONTRACT*
- *HONOUR CONFIDENCES*
- *EVERYTHING SHOULD BE TRUTHFUL – BUT NO NEED TO SAY EVERYTHING*
“PLAY ONE CARD AT A TIME – THEY DO”
- *LOYALTY?*
“PROFIT COMES FIRST. SHOP FOR THE BEST PRICE. ASK YOU TO MATCH

CULTURAL CONSIDERATIONS

RESPECT LOCAL CULTURE

- *DON'T COMPARE WITH NORTH AMERICAN CUSTOMS – ACCEPT LOCAL*
- *LEARN A FEW WORDS OF THEIR LANGUAGE*
- *DON'T DISCUSS OTHER ASIAN CULTURE VS LOCAL*
- *DON'T TRY TO BE ASIAN –
“THINK THEIR STRATEGY BUT DON'T BE TOO ASIAN IN BEHAVIOUR*

CULTURAL CONSIDERATIONS

AVOID SHUTDOWNS – DON'T FORCE THE ISSUE

- *AVOID BEING AGGRESSIVE – DON'T FORCE A DECISION*
- *AVOID SLOWDOWNS OR ULTIMATUMS*
- *TO ACQUIESCE MEANS LOSING FACE*
- *ASK RATHER IF ADDITIONAL INFORMATION NEEDED TO REACH A FINAL DECISION*
- *HOME COURT ADVANTAGE*

CULTURAL CONSIDERATIONS

SPEAKING AND BEING SILENT

- *SPEAK IN SIMPLE WORDS*
- *CHINESE PROUD OF ENGLISH –
“WILL NOT ASK MEANING OF UNCOMMON WORDS*
- *BE GOOD HUMOURED – BUT DON'T USE HUMOUR*
- *SINCERE PRAISE OR ADMIRATION ARE WELCOMED – AVOID
FLATTERY*
- *DON'T BE AFRAID TO APOLOGIZE*
- *USE LOCAL INTERMEDIARIES AS NECESSARY*

CULTURAL CONSIDERATIONS

TIME IS NOT MONEY – TIME IS TIME MONEY IS MONEY

- *AVOID MIDDLE MANAGEMENT – NOTHING GETS DONE*
- *GET TO THE TOP MAN QUICKLY*
- *IN NEGOTIATIONS, GO TO THE TOP
IN EXECUTION, GO TO THE BOTTOM*
- *JOINT VENTURES – THEY WANT YOUR EXPERTISE
“SLEEPING IN THE SAME BED BUT DREAMING DIFFERENT
DREAMS”*
- *DON'T GIVE CONTROL OF PROJECT TO CHINESE*

CONCLUSION

THE ENVIRONMENT IS DIFFERENT, BUT THE CHINESE WANT TO DO BUSINESS WITH US

THEY ARE LOOKING FOR ACCESS TO FOREIGN MARKETS, WESTERN TECHNOLOGY, AND WESTERN TRAINING / EXPERTISE

REMEMBER THE CULTURAL CONSIDERATIONS:

**HUMANIZING BUSINESS
BUSINESS BUILT ON RELATIONSHIPS
RESPECT LOCAL CULTURE
SPEAKING AND BEING SILENT**

**BECOME YOUR OPPONENT
KEEP YOUR WORD – KEEP YOUR SILENCE
AVOID SHUTDOWNS – DON'T FORCE THE ISSUE
TIME IS NOT MONEY – TIME IS TIME, MONEY IS MONEY**