Conflict Processes in China's International Export Trading: Impact of the Chinese Culture and the Trading Culture

Vivian C. Sheer

Hong Kong Baptist University

Abstract

Twelve Mainland Chinese export salespersons and seven Hong Kong traders were interviewed via a semi-structured format. Results indicate that (1) types of conflict were mainly determined by the trading culture, (2) a few Chinese cultural values, particularly pragmatism, were reflected in some conflict causes and resolution strategies traders chose to deal with domestic suppliers, (3) the political and economic environments and Chinese managerial practices also played a role in the conflict process, (4) traders were able to use international trading conventions to resolve conflict with foreign buyers while they would settle disputes with domestic suppliers in a Chinese way, and (5) exposure to and knowledge of international trading may serve to decrease the influence of Chinese culture on conflict processes.

Introduction

China is the fastest growing economy in the world for the past ten years with an average annual growth rate of 10%. In the meantime China is becoming one of the largest exporting countries. China's international exporting practices have become an important topic not only for businesses but for academicians as well. This study addresses a specific area in China's export trade negotiation: culture and conflict process.

Overview of China's International Trading Practices

China's economic reform started in 1978. Since then, government policies that regulate foreign trade have changed dramatically. Trading practices have become less centrally controlled. Currently, the predominant establishments that are allowed to export and import goods are government-controlled departments, agencies, and companies. The provincial foreign trade department is still the authority that issues export and import licenses and permits. Well-established companies, state-run plants, joint ventures, or privately owned firms are increasingly receiving trading permits.

The most common forms of China's international trading involve government trading (mainly exporting) agencies and Hong Kong/Taiwan middle-persons. Both are sales organizations and are not direct suppliers. Sales people of state-run trading agencies provide samples and catalogs to overseas buyers, negotiate business deals, then place orders on their clients' behalf. These trading agencies also seek suppliers for foreign clients who have special orders. Export negotiations often include two dyads: traders vs. foreign importers and traders vs. suppliers. Foreign clients ordinarily do not directly negotiate with Mainland suppliers often because (1) trading agencies who have to earn commissions and document preparation charges are not willing to let buyers skip them, and (2) most of the suppliers do not have export licenses and eventually still have to go through state-run trading departments. Hong Kong and Taiwan trading firms usually have good connections with China's export licensing agencies. They help their foreign clients to seek the goods needed. These trading firms often can get export permits for the suppliers from the issuing authorities. Therefore, export negotiations with Mainland Chinese in this case take place between Hong Kong/Taiwan traders and Mainland suppliers. This study examines conflicts that occur during China's exporting practices.

Conflict in International Trading

Conflict in the communication field is commonly defined as an expressed struggle among interdependent parties over incompatible goals and scarce resources (e.g., Hocker & Wilmot, 1995; Putnam & Pool, 1987). A requirement for a conflict to exist is that the parties involved need each other, being interdependent on each other to reach their own goals. Conflict, just like any other human interaction, is driven by three types of goals: instrumental, image, and relational goals (Roloff & Jordan, 1992). The primary goal of international trading is instrumental, since making profits and getting needed materials are what brings about trading in the first place. Thus, the majority of conflicts in trading are likely to relate to instrumental goals.

One way to analyze a conflict process is via causes, types of conflict, and resolution strategies. Common instrumental causes in trading involve default on payment, late payment, late delivery, quality problem, loss of goods, and goods delivered different from goods ordered. Other causes can consist of image issues, personality conflict, lack of trust, and unstable business relationships. It is possible that conflict in international trading may result from differences in cultural values. Regarding conflict resolutions, a classical typology entails competition, collaboration, compro-mise, avoidance, and accommodation.

Various factors may influence international business negotiations and conflict styles. According to Ghauri (1996), besides negotiation goals and objectives, the environment (e.g., political and social factors), negotiator national culture, organizational culture, and negotiator individual characteristics also influence the conflict process. This study focuses on the impact of the national (e.g., Chinese) culture on conflict types, causes, and resolutions compared to that of the international trading culture in China's export negotiation.

National vs. Trading Culture and International Trade Conflict

Culture is often defined as a set of shared and enduring meanings, values, and beliefs that characterize national, ethnic, or other groups and orient their behavior (Faure & Sjostedt, 1993). In a liberal sense, the concept of culture includes language, communication, institutional and legal system, value system, time orientations, and mindset (Usunier, 1996). In this sense, a negotiator's behavior in international trading is a part of his/her national culture. Studying cultural influence on negotiator behavior would, then, mean studying cultural influence on culture. This is a conceptual tautology. In a narrow sense, culture may be understood as a system of widely accepted values and beliefs combined with a set of self-justified assumptions excluding tangible establishments such as political infrastructure and legal systems. Thus, examining cultural influence on conflict is to study the impact of cultural values on conflict process. The current study adopts the narrow interpretation of culture to probe how Chinese cultural values may influence conflict processes in China's exporting.

Two schools of thought reveal opposing views regarding the influence of national versus professional culture on international business negotiation. The first school of thought (Cohen, 1993) holds that people from different nationalities are programmed by their own distinct cultures. Culture or nationality is the source of negotiating behavior (Rubin & Sander, 1991). Culture shapes negotiators' assumptions, thoughts, strategies, and behavior-al patterns. Culturalists, advocates of this school of thought (e.g., Bochner, 1981; Cohen, 1991; Morgan & Strip, 1991; Rubin, & Santer, 1991), have used culture or cultural incompatibility as an explanation of international negotiation failures. Yet people from different countries are continuing to strike business deals. Cultural incompatibility apparently can not offer plausible explanations for successful business negotiations. A second school of thought argues that international negotiation is predominantly influenced by the professional culture (e.g., the trading culture) (Lang, 1993). It is the trading norms and regulations that account for the success of international negotiations. Kale (1996) points out the globalization of economy in 1990s has lead to an international business environment where nationalistic influences are dwindling in impact. Zartman (1993) takes a step further and claims that national differences may "have disappeared into a homogenized cosmopolitan culture of international negotiations fostered by the United Nations and other multinational encounters" (p.19). Finally, to compromise these two opposing views, Kremenyuk (1993) suggests that national culture, the trading professional culture, and specific organizational culture all affect international business negotiation. Yet Kremenyuk does not specify which culture wields more influence.

Regarding conflict in international trading, it seems that conflicts are likely to be caused by the seller-buyer problems that typify the trading profession. On the other hand, conflict, being a negative event, may also be affected by cultural incompatibility.

Chinese Values Relative to Conflict Process

Confucianism has been cited as the origin of Chinese cultural values that explain the design of political, education, and economic systems, the behavioral regularities, and thought patterns of the Chinese people. Confucianism is once again used to explain Chinese negotiation. Having reviewed studies dealing with Chinese culture and conflict process, Chen and Starosta (1998) draw five Confucianism-based Chinese values that are most relevant to conflict style. These five values are harmony, *Guanxi* (inter-relations), *Mientze* (face), seniority, and authority. According to Chen and Starosta (1998), harmony is an overarching goal of human interaction among Chinese people. Chinese communicate to establish and maintain a harmonious relationship which is characterized by mutual dependency on each other. Conflict thus is a negative event that threatens harmony. Chinese would strive to avoid conflict. *Guanxi* refers to the interconnections among people. Those who belong to a network are in-group members. They trust and depend on each other for material resources and services. Those who fall out of a network are out-group members. Conflict styles are distinctly different, depending upon whether the other party is in-group or not. *Mientze* is the socially desirable image of individuals projected in front of others. Chinese weigh *Mientze* greatly as collectivist Chinese take others' social/public evaluations of self gravely. Thus Chinese are motivated to protect and save face for themselves from damages and give face to others. Due to the interdependent relationships of an in-group, individuals also save face for in-group members. In conflict situations, Chinese exert great efforts to give, protect, and save face for self and sometimes for others. Seniority is an important power concept in Chinese society. Senior people are respected and their opinions are given more weight than those offered by younger people. Historically, dispute-mediating roles are taken by senior people. Authority exists in the form of social hierarchy and formal job position. The father, husband, and older brother are considered authoritative over their counterparts in the corresponding social relationships. Job positions such as president, factory director, and manager certainly have authority over their subordinates. In a conflict, people of authority tend to have more persuasive power in getting others to accept their resolutions.

These Chinese values do not work in isolation; rather, they are interconnected. Hwang (1998) proposes a model that explains how *Guanxi*, *Mientze*, and harmony predict conflict resolution in Chinese society. He points out that *Guanxi* manifested itself in the following grouping: vertical in-group, horizontal in-group, and horizontal out-group. If a conflict occurs within a vertical in-group, involved parties will try to take care of each other's face. If a dispute happens in a horizontal in-group, participants will give face. If a dispute emerges in a horizontal out-group, participants would strive for face.

Apart from discussions of Chinese conflict processes at the theoretical level, many scholars use Confucian values to explain actual conflict negotiation styles in the form of analyzing primarily domestic cases. Chinese often view conflict as relational, emotional, and discrete rather than instrumental, utilitarian, or economic. Jia (1998) finds that Chinese had a tendency to proactively create a harmonious relationship that could minimize or deviate conflict. They also tried to trivialize big conflicts and eliminate small conflicts. In resolving an inevitable conflict, Chinese were likely to be polite, indirect, and non-confrontational. Ting-Toomey, Gao, Trubisky, Yang, Kim, Lin, and Nishida (1991) finds that Chinese liked to use obliging and avoiding in dealing with a conflict. Adler, Brahm, and Graham (1992) noticed that Chinese were less likely to use instrumental behaviors such as promises, threats, commitment, punishment, and reward than were Americans. In general, third-party intervention, particularly mediation, is a much favored choice in resolving a conflict. However, Chinese do not like to resort to legal procedures to deal with a conflict.

The literature on Chinese domestic conflict styles has been insightful in understanding the impact of Confucian values on conflict processes, but, it is uncertain whether domestic dispute behavior would extend to international negotiation.

Chinese Values and International Business Negotiation

Most of the literature regarding negotiation between the Chinese and foreigners has been published in Western countries. Problems have been intensified regarding that body of literature. First, many popular "how-to" books deal with cultural effects only on conflict and negotiation style with little consideration of negotiation substance. These books assume that (1) Chinese negotiate with foreigners in the same way they negotiate with their fellow countrymen, and (2) the key to successful negotiation with the Chinese is understanding merely their communication style. Second, many academic articles and books written by scholars also claim that Confucian values drive the way Chinese think and behave in international conflict and negotiation. Oftentimes, authors who made that claim had neither first-hand knowledge nor data. Those who provided data usually studied a few isolated cases, often without field research, and then drew conclusions about Chinese conflict styles. Overall, very few empirical studies have been conducted to examine Chinese conflict negotiation processes in the international business setting. Third, a few popular psychology books on Chinese negotiation mystify the Chinese strategic mind. They often use the ancient 36 *ji* (strategies) and *Sunzi* military arts as the basis for Chinese negotiation strategies. In those books, negotiation is like a battlefield in which Chinese are described as sly, shrewd, unpredictable, and a mastermind of manipulation. Again these books, though fraught with anecdotal accounts and historical stories, do not include empirical data. Fourth, all these three genres of literature are flawed in regarding that the two-thousand-year-old Confucianism has not unchanged. As a matter of fact, the degree to which modern Chinese still abide by the Confucian values is not examined. Further, with the rapid economic growth in China as a result of the continued open-door policy, the players in international business negotiation change, negotiation norms may change, and negotiation strategies may, too, change. Thus, even if some of these Chinese negotiation case studies are valid for the circumstances involved, they can hardly be generalized to current Chinese conflict negotiation styles.

As a preliminary step, this study uses induction to empirically identify conflict processes in China's exporting. In particular, the specific types of conflict, causes of conflict, resolutions of conflict are studied. The influence of Chinese values and the influence of the trading culture are then examined.

Method

Sample

In order to increase the validity of this study, both Mainland Chinese traders and Hong Kong traders were interviewed. Seven Hong Kong business people and twelve Mainland Chinese trading professionals participated in this study. All Mainland participants were working in Guang Zhou, Guang Dong Province. The following table shows the demographic characteristics of the participants.

	Hong Kong (n)= 7	Guang Zhou (Mainland) (n) = 12
Age	30s- 50s	30-50s
Gender	Male (4) 57.1% Female (3) 42.8%	Male (10) 83.3% Female (2) 16.7%
Education	High School (2) 28. 6% College (5) 71.4%	High School (2) 16.7% College (10) 83.3% (mainly Foreign Trading majors)
Organization	Trading Firm (6) 86.7% Government Dept. (1) 14.3%	From Various State-Owned Foreign Trading Companies
Current Job Title	Trading Firm Owner (1) 14.3% Marketing Manager (2) 28.6% Employed Trader (3) 42.8% Trading Trainer (1) 14.3%	Manager (5) 41.7% Senior Trader (1) 8.3% Junior Trader (5) 41.7% Senior Interpreter (1) 8.3%
Birth Province	Mainland China (2) 28.7 % Hong Kong (5) 72.3%	Guang Dong Prov. (4) 33.3% Northern China (4) 33.3% Central China (3) 25.0% Central-East Coast China (1) 8.3%
Current Residence	6 lived in Hong Kong all their life. 2 mainland born person lived in HK over 15 and 20 years respectively.	4 Cantonese lived in Guang Dong most of their life. 8 non-Cantonese lived in Guang Zhou for an average of 5.4 years.

The Hong Kong respondents had an average of 9.9 years of negotiating experience. They basically served as brokers between foreign and Mainland clients. In addition to helping the Mainland to export, they also purchased foreign goods and technology for the Mainland. These Hong Kong interviewees had negotiated with Mainland Chinese, Europeans, North Americans, South Americans, and business people from various Asian countries. Negotiations with Mainland Chinese took place in China. The Mainland respondents averaged 7.3 years in negotiating experience. Their main responsibility was to sell Chinese products to foreign importers. Negotiations mainly took place in China. Three of them also were involved in importing technology and had traveled overseas. The Mainland interviewees had negotiated with business people from all over the world. Most of the trade negotiations were conducted one-on-one. Both Mainland and Hong Kong negotiators were adequate in English. They could negotiate trade businesses in English on their own.

Procedures

All of the interviewees were accessed through snowball referrals. The researcher, a professor at a University in Hong Kong, made appointments with Hong Kong participants at their convenience. Then the researcher met all but one Hong Kong traders at quiet restaurants to conduct face-to-face interviews. One interview was conducted on the phone. The data collection in Hong Kong took a little over two months. For the data collection in the Mainland, the researcher hired a local cadre who made appointments with all participants with a two-hour-slot for each interview. The local cadre also arranged an interviewing room in his organization. Mainland participants came by appointments. They were interviewed face-to-face by the researcher. All Mainland participants were paid approximately USD 25 each. The data collection in Guang Zhou lasted two days.

Interviews were conducted with a semi-structured format with open-ended questions. The researcher asked follow-up questions, where appropriate. Each interview consisted of two parts, the general process of export negotiation and trade conflict. Due to its negative nature, questions about conflict were asked in the second half after the researcher established rapport with the interviewee. Only the findings of the latter part were reported in this study. Each interview lasted one and half hour to 3 hours. With guaranteed anonymity, all but two interviews were audio-taped with participants' consent. Two Mainland interviewees expressed concerns about being taped. The researcher took careful notes and recorded these two interviews. Then all interviews were transcribed by the researcher's assistant in the form of bullet points. The principal investigator then created categories based on the transcripts.

Results and Discussion

Results are reported in terms of conflict types, causes, and resolutions. It should be noted that conflicts reported here occurred when China was the seller.

Types of Conflict

Conflict type in this paper was categorized based on the content of a conflict. Nine types of conflicts were detected. They were related to product quality, delivery, payment, contract, service, policy/law, communication and etiquette, use of unfair games, and middle-persons. *Product disputes* included a high percentage of products not passing inspection, goods delivered different from the order, poor product packaging, unsafe packaging for delivery, and quantity short of ordered. For example, an Australian businessman received gloves in colors that were different from his order. A shipment of pottery to Brazil broke because the supplier used boxes made of shoddy cardboard instead of wood. While both Mainland and Hong Kong traders claimed that these were common disputes, Hong Kong traders pointed out that product quality problems happened more frequently with Mainland suppliers than with other Asian countries. Manufacturers were blamed for most of the product problems.

Delivery disputes were quite simple. The most common problem was late shipment. Wrong method of shipment was also mentioned–but infrequently. For example, surface shipment was used instead of air delivery which was ordered by the buyer. Mainland and Hong Kong respondents concurred that on-time deliveries from suppliers had been steadily improving in 1990s.

Payment disputes occurred when (1) the buyer delayed payments, (2) the buyer paid less due to claims, and (3) the buyer defaulted payment. All Mainland respondents reported payment disputes and they particularly stressed the pain from payment default. They said that China had lost billions of RMB (i.e., Chinese money) in foreign trade in the past decade due to payment defaults. The majority of the defaulters were from East Europe, Middle-East, Taiwan, and other developing nations. Mainland traders had been cheated many times by phony business people who never paid for their orders. One interviewee said, "The key to success in foreign trade is the ability to tell legitimate business people from phony ones." On the other hand, Hong Kong respondents reported few incidents of payment default. Perhaps they already had established trusting relationships with the foreign buyers they represented.

Service disputes were those problems resulting from Chinese sales representatives'/traders' services. Mainland interviewees admitted that Chinese traders often did a poor job providing detailed information to buyers or potential buyers. One German importer had to cancel a few orders because the Chinese sales representative could not provide an itemized inventory. Non-itemized invoices could not be accepted by the company and the German customs.

Contractual conflicts threatened traders' credibility in China's exporting. There were various forms of contractual disputes: default on letter of intent, change of contract terms, breach of verbal contract, and failure to supply an order. Mainland respondents reported that Mideastern Arabs were the most likely violators of letter of intent. These people were said to be extremely casual about signing letter of intent but seldom materialized their "intent." Chinese traders suffered great losses in the beginning and learned not to take these letters seriously later. Two Hong Kong traders reported that their Mainland manufacturers in Wuhan, south-central China, saw that the Hong Kong trading agencies were making lots of money, and decided to raise the price from the one agreed upon in the contract. Mainland respondents gave a few examples of breach of verbal contract and failure to supply an order by manufacturers. A manufacturer took an order from a salesperson but refused to sign a contract, claiming "My words are as good as paper." Eventually, he only delivered half of the order. Another manufacturer canceled a contract simply because the profit margin shrank after the raw materials got more expensive.

Policy/Law conflicts arose when government policy was in the way of trading. All respondents acknowledged that a big headache in trading was erratic changes in government policy and inconsistent regulations. Mainland interviewees also complained that Western countries' rigorous product safety regulations resulted in many hassles for manufacturing and paperwork. A minor miss could result in a dispute. China's toy manufacturers received many returned goods because they did not completely reach the safety standards imposed by Western countries. A respondent reported an intellectual property dispute in which a manufacturer continued to use the design and material of a foreign order for mass production for the domestic market.

Communication and etiquette conflicts generally were less frequent than other types of disputes. Respondents explained that the primary purpose for trading was to do business and generally they were not concerned so much about communication manners. Yet once in a while, conflicts related to communication still occurred. A Hong Kong respondent mentioned that a Mainland factory director failed to say no directly in the negotiation when he did not have the capacity to produce the order within the demanded period. It was only admitted ten days later when he faxed a letter telling the truth. Western arrogance and Italian temper were cited as culprits of communication conflict. An American business person called Chinese goods "junk" while making an order at a trade fair. The Chinese salesperson refused the order and enraged that American. An Italian importer raved at a Chinese sales representative for a wrong delivery. The Chinese trader simply remained silent and aloof.

Unfair games were often played by buyers as they were the more powerful party who had plenty of purchase choices. Foreign buyers, especially Americans, often exaggerated the quantity of an order to get a good price in negotiation. Then they would reduce the order size when signing the contract. Mainland people reported that some Mideastern Arabs asked for many free samples that were used by themselves and their relatives or for resale. Mainland traders seldom succeeded in striking deals with those people. A Southeastern Asian businessman ordered a large quantity of clothes on the condition that a fake famous brand be attached.

Middle-person disputes were very unique to trading with China as many deals were done via one or more middle-persons and suppliers did not trade with foreign importers directly. As a matter of fact, all of the current respondents were middle-people. The main dispute was related to commission earned by the third party since there were no standard commission rates. Both suppliers and buyers often suspected traders of obtaining excessive commission, thus they were over-aggressive and uncooperative, which sometimes intensified conflicts. The majority of the Mainland interviewees reported that they had been cheated by overseas Chinese middle people and they disliked Hong Kong traders who brought foreign clients with them.

To summarize, most of the reported conflict types in China's exporting seem to be generic to the trading profession with the exception of middle-people conflicts. As long as China's marketing channels are not transparent, *Guanxi* or interpersonal networks still will be a necessity, and layers of middle-persons will still be needed in international trading. While conflict types appear to be primarily affected by the trading culture, the frequency of occurrence of particular types may be more related to Chinese culture. For example, if quality problems occurred more with Chinese products than with foreign merchandise, then Chinese management values and practices may be a reason. It is interesting to observe that Mainland interviewees tended to point out that buyers were at fault in a contractual conflict while Hong Kong respondents often blamed Mainland suppliers for that type of conflict.

Causes of Conflict

Respondents were asked to explain why conflicts occurred. Nine categories were identified.

Product disputes. Respondents explained that most of the product disputes were caused by Mainland suppliers/manufacturers. Some factory directors lacked an adequate exposure to international business and insisted on their old way. Poor management and sloppy quality control resulted in most of the product problems. One factory was so careless that it mixed up orders and shipped them to wrong buyers. Sometimes factories believed that they could get away with using cheaper materials. Packaging problems stemmed from manufacturers' motive to save cost and their lack of understanding the importance of packaging in Western countries. In order to ensure a competitive price, factories tried to save costs through cheaper packaging. Some of them believed that only the utilitarian functions of a product mattered to the buyer while packaging was not so important. They often did a slack job packing up products. Most of these causes reflect instrumental needs (e.g., lowering cost to be competitive), unsystematic management practices (e.g., poor quality control), and a lack of business ethics (e.g., cheating the client with cheaper materials). It seemed that the traditional Chinese value of pragmatism/utilitarianism (i.e., striving for material gains as the supreme goal) rather than Confucianism was a cause for product conflict in international trading.

Delivery disputes were caused by manufacturers' lack of control of on-time raw materials supply and sometimes a lack of sense of urgency and precision about time. The first is quite instrumental, reflecting a common business problem. The second reason may be related to the typical loose Chinese time orientation, which does not take deadlines seriously, or unorganized management practices.

Payment disputes. Payment delay and payment reduction due to claims often resulted from either supplier's late shipment or substandard products. Buyers' greed or inability to pay could also cause payment discords. Chinese traders believed that they themselves should take some responsibility for being cheated. Due to fierce competition among different China's own trading organizations, traders, under a great pressure to sell, were too eager to strike deals and did not follow through on credit checks of the buyer. Sometimes they were not able to because credit records of defaulters, recurrently from Eastern European and other developing countries often did not have credit recording systems. Causes of payment disputes seem to be more characteristic of the international trading profession than of the Chinese national culture.

Service disputes could be attributed to traders' lack of training in documentation and suppliers' sloppy paperwork. Both are part of the unsystematic management culture in China. It is also possible that Chinese holism influences business people to see a business deal as a whole rather than a series of separate items.

Contractual conflicts were attributable to both the buyer and the supplier. Tricky foreign buyers used the letter of intent or contract as a game ploy with no real commitment. Profit-driven Chinese manufacturers broke contracts to raise the price when the cost of raw materials increased. In these cases of contract dispute, violators were more concerned with short-term profits than international credibility. This business practice runs counter to the notion that credibility leads to more business, resulting in long-term profitability. A history of an unstable political system and a changing economic system may result in manufacturers' insecurity about long-term businesses which will need stable and consistent political and economic environments.

Policy/Law conflicts were a result of the Chinese government's inconsistency in policy issuance. Further, Chinese culture does not value certain international laws such as intellectual property, which created difficulty in maintaining Chinese credibility in international trading.

Communication and etiquette conflicts were related to cultural incompatibility and negotiating individuals' knowledge of and experience with negotiators of a different culture. The factory director's not admitting his incapacity for an order may have reflected his effort to protect his face in front of out-group members. The Italian businessman's hot temper might have suggested a disrespect for the Chinese sales representative who was angered by the Italian's manners. That hot temper could also be a reflection of an Italian enthusiasm the Chinese salesperson did not recognize. On the other hand, if the Italian had been aware of the Chinese calm and non-confrontational interpersonal norm, he could have behaved more calmly. Overall, Mainland traders reported that there had been very, very few cases in which business deals collapsed due to national cultural differences.

Unfair games usually were played by foreign buyers. These unfair games largely were the ones that were quite usual in trading. To a certain degree the types of games played may reflect the player's nationality, the cultural values, and the economic conditions. For example, buyers from developed countries seldom were tempted to ask for free samples for own use or resale.

Middle-person disputes were quite typical of businesses involving middle-people and were caused by such things as greed and lack of trust. However, the lack of transparency in China's business practices exacerbates the need for middle-people, which in turn may increase the occurrence of middle-person related disputes.

Both the Mainland and Hong Kong traders reported that Mainland suppliers caused the majority of the trading conflicts, traders caused service conflicts, and buyers caused unfair game conflicts and payment and contract conflicts. The Chinese government was blamed for policy conflicts. Traders often served as the conflict handler between the supplier and the buyer. Most of these reported conflicts were driven by economic needs (e.g., to save costs and maximize profits) and poor management practices (e.g., product quality problems). Chinese utilitarianism may have driven suppliers to prioritize profits over credibility in trading. Chinese time orientation reflected in low-paced management was a possible culprit for delayed product deliveries. The incompatibility between Confucian values and foreign cultural values did not appear to be a main cause of conflict in China's trading with foreign countries. In rare cases, Chinese sales people opted to save face by refusing to do business with those who were deemed to have insulted them.

Resolutions of Conflict

In China's international trading, regardless of who causes a conflict, the trader usually is the person to handle the conflict. Conflict resolutions analyzed here refer to the methods traders used to deal with conflicts. Content analyses indicated that Mainland traders' conflict resolution styles depended upon whom they were confronted by and who was at fault rather than conflict type.

Resolving conflict with buyers. As Hong Kong respondents reported very little conflict with their foreign clients, the following was a summary mainly from Mainland interviewees' accounts. When asked about the strategies used to resolve conflict with buyers, Mainland traders said consistently that resolving conflict was quite straightforward and businesslike and no tricks were really needed. Most frequently, they simply followed the trading procedures.

When the supplier was at fault, disputes with buyers were often resolved by one or a combination of the following methods.

1. Instrumental Resolutions

- Follow contract terms and grant claims. The majority of the problems related to product quality and delivery were solved this way.
- Negotiate a delay of claims payment. Sometimes the supplier was short of cash flow to compensate for the buyer's loss. Then, the trader would negotiate a delayed payment plan for the claim.
- Balance claims with future orders. For foreign clients with repeated orders, claims could be used as credit for future orders.
- Change return to claim. Driven by bottom-line profits, traders often offered monetary compensation in lieu of return as the latter would cost double transportation expenses.
- Increase transparency. A few traders kept their commission rates open and treated the commission as a percentage-based item in the sales contract so as to decrease foreign buyers' suspicions of traders' excessive commission.

2. Attitude Restraint

- Be calm and wait till the buyer calms down. In case of an outburst from a dissatisfied foreign importer, traders often negotiated with him/her till he/she became calm.
- Apologize first, then explain with excuses. Excuses included government policy change and factory directors' ignorance.

3. Good Guy Games

- Express alliance with the buyer. Traders would make the point that they were on the same side of the buyer because both wanted to make the deal.
- Play the good guy role. Traders would blame factories or government policy for the problems and show that they wanted to solve these problems earnestly.

4. Avoidance of Negative Strategies

- Avoid confrontation even when the buyer is unreasonable. Traders explained, "We are the seller and we need business." "The problem was with the supplier to begin with. We'd better be nice."
- Avoid litigation. The main reasons for avoiding litigation were (1) lawsuits were too expensive, (2) traders were not experienced in lawsuits, and (3) business deals were too small to litigate.
- Avoid mediator. Buyers did not prefer mediators and traders did not think mediation was necessary.

In general, traders used rational strategies to resolve conflict with foreign buyers when the supplier was to blame. Some traders believed that they themselves had a good product knowledge and were familiar with international trading practices. Thus they could resolve these disputes fairly efficiently. Traders preferred neutral or positive strategies mainly because they were the less powerful seller. They avoided confrontation or litigation because of instrumental concerns. Chinese cultural values such as harmony and *mientze* were not mentioned as the reasons for confrontation avoidance here. Thus, the trading professional norms seemed to have exerted a main influence on Mainland traders' conflict resolution choice.

When the buyer was at fault, conflicts were mainly about delay of or default on payment with a few rare cases in which foreign business people asked for too many freebies. Traders reported that the following methods were used to handle these disputes.

1. Instrumental Solutions

- Fax a request to collect payments. This was usually the first step.
- Hold the next order until the previous ones are paid for.
- Exaggerate the costs of freebies. Sometimes, foreign business people asked for excessive free product samples, they would be told that samples were taxable and receivers were liable for mailing and insurance costs.
- Reduce price of the next order. Traders also used price reduction as a bait to lure foreign buyers to pay off balance timely.

2. Tough Stance

- Be direct and tough. A few traders were fed up by payment delays and defaults. They would use a direct and strong language to demand payment. They said, "We cannot let them bully us any more."
- Threaten payment defaulters. Mainland traders would threaten to publicize repeated payment defaulters' names in trading circles in China and Asia. Some traders also had threatened to sue—but never actually did it.

3. Third Party Intervention

- Avoid litigation. The reason for avoiding litigation was the expense. Traders would rather lose money on a deal than to spend even more money on lawsuits.
- Use a third party to get money back. Sometimes traders would find a mutual acquaintance or a friend to ask the defaulter to pay the money. Traders said that this method only worked 10% of the time.

4. Relationship Severance

- Cut off a relationship involuntarily. Some foreign buyers simply vanished without payments. Traders were completely helpless. In turn, experienced traders learned to run a thorough credit check of the buyer's company and whether the buyer was a member of that company.
- Sever a relationship. For repeated violators, traders simply would not do business with them any more.

When foreign buyers were to blame for a conflict, Chinese traders' first choice was still based on trading procedures. Yet they took a tougher stance and did not mind using negative strategies when the culprit failed to respond to payment requests. Once again, the trading profession and instrumental goals affected resolution while Confucian values had little impact on Chinese traders' choice of conflict resolution strategies.

Resolving conflict with suppliers. Both Mainland and Hong Kong traders reported that dealing with suppliers required much effort. Conflict resolutions were less procedural than those with foreign buyers. For some suppliers who had been in the export business for years, conflict resolutions could be quite routine or contract-based. On the other hand, when factories were new export goods suppliers, traders had to spend much effort and time educating the manufacturers and building a relationship with them. When an international trade dispute involved either product quality, delivery, or production contract problem, it usually was the supplier who caused that problem. Traders reported the following methods they used to solve disputes with suppliers.

1. Instrumental Solutions

- Follow procedures and contract terms. This method was often used when the manufacturer was a well-established exporting factory.
- Convert claims into new orders. To save paperwork, Chinese traders would negotiate with both the buyer and the supplier and convert the buyer's loss into the next order.

2. Education

- Educate manufacturers about international trading practices. Traders especially had to explain the importance of credibility and on-time delivery.
- Educate manufacturers about foreign culture (e.g. importance of packaging).

3. Sincerity

- Show genuine empathy and sympathy. A quite effective way to persuade factories was to show that traders understood the factory's difficulties and then came up with creative solutions.
- Pay field visits to monitor production. Traders sometimes made field trips to factories to ensure proper quality control, particularly when problems were discovered in initial batches of an order.

4. Politeness

- Always be polite. Traders believed that factory people would take impoliteness personally, which would create further difficulties for amicably solving problems.
- Give face to the factory. It was important not to hurt factory people's feelings even though they had to pay fines in the end.

5. Relationship Building

- Be friends with suppliers. Factory people took friendship seriously. Being too businesslike would mean a lack of human touch. Traders sometimes had to help factories to barter with other manufacturers in order to get raw materials timely, which, in turn, helped factories' on-time deliveries.
- Preserve a long-term relationship. When dealing with problems of a trusting factory, traders would not want to corner them too much with rigid contract terms. Traders would help factories to negotiate the problem with buyers constructively (e.g., asking for more time). Traders claimed that they would not want to hurt a trusting relationship.

6. Reward and Punishment

- Promise to bring in more businesses if the factory is compliant with contract terms.
- Promise to maintain a long term partnership if the factory carries out contract terms.
- Deliver a threat nicely. Traders would show negative consequences if the factory was not compliant. For example, traders would claim that the government was toughening punishment for violating international trade contracts.
- Disguise a threat as a sympathy. Traders would show (1) an understanding of the factory's difficulties, (2) their inability to help, and (3)

examples of other factories who did not get away with violations of trading contracts.

7. Third Party

- Third party intervention. Third parties were sometimes invited to help resolve a conflict. Mutual friends or business partners were a popular choice as the third party. On rare occasions higher government authorities were involved as the third party.
- Avoid litigation. Traders tried to avoid litigation because they did not think that the commercial laws were enforced systematically and seriously and it often took too long to settle a dispute.

8. Relationship Severance

- Quit doing business with the manufacturer. This was absolutely the last resort.

Compared to conflict strategies with foreign buyers, traders used some similar strategies such as contract-based trading procedures, particularly with manufacturers who had been exporting for years. On the other hand, traders used a greater variety of strategies to resolve conflict with Mainland suppliers. Some of these strategies seemed to have been influenced by Chinese cultural values. Consistent with the literature (e.g. Chen & Starosta, 1998; Hwang, 1998), driven by *Mientze* or face, traders made an active and conscious effort to give face to manufacturers who had product problems. They tried to be polite and used positive approaches such as educating the manufacturers and being nice even when giving a threat. Traders appeared to want face for themselves by playing sincerity and using good guy appeals. *Guanxi* was an important value reflected here. Traders attempted to preserve a long-term business relationship or *Guanxi* with factories and a personal relationship with factory directors. However, harmony did not appear to be a driving force for traders' conflict strategies. It is possible that harmony is only relevant to in-group members whereas suppliers may not be regarded in-group (see Hwang, 1998 for a full discussion of harmony maintenance in-group versus out-group). When traders endeavored to use mediator intervention to avoid a litigation, they were concerned primarily about the uncertainty of getting legal redress and the long waiting period. As a result, third-party mediation might be a more effective way to resolve conflict. It is contrary to the literature in that traders did not seem to view conflict as relational, emotional, and discrete; instead, they regarded conflict as utilitarian and economic. Chinese pragmatism/utilitarianism may play a higher role than Chinese or Confucian values in the case of international trading. It seems that giving *Mientze* and maintaining *Gaunxi* ultimately served to solve product disputes, an instrumental purpose. The relationship was severed only when there were no other ways to resolve a dispute. Overall, in dealing with fellow countrymen regarding commercial trade conflict, traders appeared to be more influenced by a few Chinese values than when resolving conflict with overseas buyers who were likely to be regarded as out-group members.

Complexity vs. Simplicity of Chinese Conflict Strategies

So far, conflict resolution strategies employed by traders seem to be quite straightforward. This is discrepant from some of the Chinese negotiation psychology books that declare Chinese tend to used extremely complex and sophisticated negotiation strategies similar to the 36 *ji* and *Sunzi* military arts. Traders were thus asked follow-up questions in the very end of the interview as to whether they deliberately chose 36 *ji* and *Sunzi* military arts in resolving conflict in international trading. Only two people cited *Sunzi*'s "knowing self and knowing the enemy lead to a hundred victories," a common saying that often occurs in daily conversations. Yet these two people acknowledged that they never read *Sunzi Military Arts*. Both Mainland and Hong Kong traders reported that their choice of conflict strategies came from their knowledge of and experience in international trade and business with Mainland suppliers. As a matter of fact, they pointed out, international trading was quite straightforward in that trading was determined by conventions. The most important issue in international trading was supply, demand, and timing.

Conclusions

China's export negotiation is characterized by a three-party transaction as illustrated here: buyer <--> trader<--> supplier. When a conflict takes place, the trader is the one who is obliged to actively resolve it with both the foreign buyer and the domestic supplier.

The current results indicate that the trading culture, Chinese values, and China's economic, political, and managerial environments impacted the conflict process at varying degrees. First, the international trading culture determined that most of the conflict types (e.g., disputes related to product problems, payment, service, and third party) were generic to trading norms. In addition, most of the methods used to resolve conflict between the trader and the overseas buyer were also quite routine of trading. Oftentimes contracts were honored when disputes occurred. Explanations and persuasion given by traders were quite typical in a trade dispute and could occur anywhere. Regarding conflict causes, a profit-driven business mind was one of the major culprits for both foreign buyers and domestic suppliers. Second, Chinese cultural values did not seem to play a major role in conflict types and conflict resolutions with overseas buyers. It is possible that Chinese traders did not feel Chinese values were applicable to foreign buyers, the ultimate out-group members. Chinese cultural values were more related to some causes of conflict and some resolution strategies with domestic suppliers. For example, Chinese utilitarianism views product package as a waste, resulting in negligence in product packaging. *Mientze* and *Guanxi* motivated traders to take a soft approach to solving problems with manufacturers who were at fault. Yet whether to give face, maintain *Guanxi*, or sever a relationship seemed to be driven by the instrumental goal of doing business to make profits. It seems that Chinese utilitarianism/ pragmatism, not Confucianism, is an overarching value that affect conflict process in China's export trading. Further, Chinese cultural values had little impact on traders' resolution strategies with factories that had an established history of export production. Traders used rational problem-solving methods to resolve conflict with these factories. Third, political policies, economic needs, and managerial practices also lead to conflict and determined or modified the way a conflict was resolved. Some conflicts were caused by inconsistent or out-dated policies. Sloppy management resulted in a majority of the product disputes. Fourth, cultural incompatibility only caused little conflict (e.g., communication manners) between the trader and the foreign buyer. Once again, the instrumental goal to succeed in a business deal rendered cultural etiquette to minor status. Fifth, traders were strategic in their approach to conflict, depending on who the opponent was. They basically abided by international trading conventions to resolve conflict with foreign buyers while they would switch to the Chinese way to solve problems with domestic suppliers. Sixth, exposure to and knowledge of international trade negotiation are likely to decrease the influence of Chinese cultural effects on conflict processes. As traders reported that they used contract-based instrumental solutions with factories that had an established history of export production. Yet they used other cultural strategies with manufacturers who had little exposure to international trading. Finally, the findings of the impact of the professional culture relative to Chinese cultural values should only be understood with caution. These findings cannot be generalized to other international conflicts that are less routine than trade conflict. As a matter of fact, the findings gleaned in this qualitative study should be validated with quantitative investigations.

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