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## Latin America Bets on Chinese Lessons

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These days, all roads in international trade seem to lead to China, even in the case of a small country like Chile, which recently signed a free-trade agreement with the Asian giant. It was China's first free trade treaty with a Western country, and it opens new international routes for its products. In addition, Chinese authorities say the agreement will make Chile a bridge for investments from China into the rest of Latin America. The agreement was signed on November 18 between Chinese president Hu Jintao and Chilean president Ricardo Lagos at the summit of the Asia-Pacific Economic Cooperation forum in Pusan, South Korea. Even before the treaty was signed, the companies of the region had already begun to do business with China. One example is Embraer, the Brazilian airplane manufacturer.

This much is certain: Both China and the dynamic Southeast Asia region are the focal point for Latin American exports. However, the road to Asia is filled with cultural challenges and stereotypes that must be overcome in order to understand the business people and consumers in such a diverse geographical region.

What factors must be considered when for doing business and training human capital in Asia? Academics and Latin American specialists have already given a great deal of thought to the strategies that companies must undertake to achieve success in this area.

### A Great Cultural Distance

Manfred Wilhelmy, a professor at the Catholic University of Chile and director-general of the Chilean Foundation of the Pacific, says that the distance that separates Asia from Latin America is not merely physical distance. There is also an enormous "cultural distance" that is "vital" for companies to overcome when they engage in bilateral trade. As a result of his many years of studying and traveling to that region, Wilhelmy believes that the public-to-public perception -- between individuals in Asia and Latin America -- is plagued by stereotypes and prejudices.

According to Wilhelmy, Asians see Latin Americans as "politically unstable, economically incompetent; argumentative and ideological; not very reliable, and very dependent on the United States." Aside from being removed from reality, these images reflect a large deficit of information. They also focus only on negative factors. It is hard for Asians to view the region except as a land of *caudillos* and military coups, a land filled with people who make short-term promises and fail to follow through.

On the other hand, "We Latin Americans see Asians as inscrutable and enigmatic; as pragmatic and focused only on their own interests; as authoritarian and inflexible; and ostentatious in displaying their wealth. And we do not differentiate between the various peoples of the region, identifying them all as 'Chinese.'" A good example of that is Alberto Fujimori, ex-president of Peru. Although his Japanese origin is well-known, he goes by the nickname, "El Chino" -- 'the Chinese man.' The deep-rooted notion that all Asians are the same is the product of ignorance, since in China alone there are more than 55 different ethnic groups.

Wilhelmy notes, however, that when it comes to personal relationships between Asian diplomats and businesspeople and their Latin American counterparts, "perceptions are more nuanced because people are behaving at a level where there is more information." Anyone who needs to establish a more direct relationship, as in the case of trade negotiations, must become familiar with the local culture and behave in a more professional manner. That means leaving behind those widely shared stereotypes.

"The cultural divide is a major problem that we have to overcome," notes Luis Cortés, a professor at both the Universities of Chile and Diego Portales. "The cultural aspects of Asia are reflected at the negotiating table," adds Cortés, who is also a member of the Latin American Association for Asian and African Studies. For example, he notes, "The Korean businessman is looking at his counterpart as a potential friend, while the Chinese businessman is studying him in terms of conflict." How can you negotiate with an Asian? Cortés says that any intercultural negotiation, such as that between a Latin American professional or entrepreneur and his Asian equivalent, must initiate a critical and self-critical dialogue; must eliminate negative stereotypes that each culture products; and must abandon arrogance. In other words, you cannot believe that the truth is always on your side. The negotiation must develop personal contacts that show people as they really are, without assuming that the other side thinks exactly the same way that they do.

Religious beliefs also play quite a different role in Asia when it comes to defining social behavior, says Alejandra Vásquez, a professor at the University of Chile who earned her MBA at Waseda University in Tokyo. Vásquez has studied the misunderstandings about beliefs and values that can lead to frustrations and poor results when it comes to selling products to Asians. Such misunderstandings may even be responsible for business failures. Unlike the case

in America, explains Vásquez, "In Asia, a wide range of religions has always co-existed, including such contrasting beliefs as Confucianism, Buddhism, Taoism, Shinto, Islam, and many others." However, Vásquez argues that the Asian values that are discernible throughout much of the continent are derived from Confucianism – "not in its religious form but in its philosophical precepts and style of life."

According to Vásquez, some Asian intellectuals argue that the Confucian emphasis on hard work, frugality, loyalty to the family, and national pride have had a strong influence on economic development in Asia. "In Asia, the interests of the community come before individual interests. As a result, it is always preferable that decisions made in any organization are based on consensus, not on confrontation." Vásquez suggests that cohesion, order and social harmony are priorities achieved through moral principles and as a result of strong government. Moreover, she notes, "The main components in the so-called 'neo-Confucianism' shared by China, Japan, Korea and Vietnam are the following: Respect for authority and tradition; respect for education, and a preference for moral government." In contrast, Western values cry out for individualism, liberty, enjoying life, and living in the present. These values make it hard to understand how enjoyment of the present can be significantly postponed for a better future, concludes Vásquez.

### **Two Styles of Negotiation: Korea and China**


According to Cortés, Korean businessmen are known by Western colleagues for being difficult, competitive negotiators. Typically, they introduce a large dose of sincere patriotism into their commercial negotiations based on the principles of Confucianism. "A Korean negotiates for himself, for his family and for his country," and "loyalty is critical." Along with these factors, one must be aware that the underlying commitments in any commercial negotiation are an integral part of the agreement. "Everything you say involves a commitment, including even a conversation at dinner, or when you go out together for 'karaoke,' which is a widespread pastime in Korea," says Cortés. That means that if one behaves in an upright way, he or she can acquire a business partner and even, perhaps, a relationship for the rest of his life.


Communication also plays a key role -- through personal contacts, not through the telephone or other means. When this happens, people must share information about their families, where they come from, where they studied and so forth. From the Korean perspective, this process is not something superficial. Sharing information and daily activities with someone turns him or her into a trustworthy partner, adds Cortés. From a broader perspective, Vásquez notes that because of the importance of forging a strong and durable network of personal contacts, one can understand why Asian cultural messages are not explicit. One can also understand why people "are accustomed to deciphering a considerable part of communication from subtle gestures and from ideas that are not verbally articulated."

Another direct influence of Confucianism on Korean culture, adds Cortés, is called 'kibun.' This means always maintaining the harmony between the individual and one's location. For Westerners, this is a major challenge, because it only takes one word to disturb someone and break that harmony. "That's why it is important to cultivate a personal relationship so you can detect when you have made your partner uncomfortable."

For Latin Americans, the process of negotiating in China can become tedious and wind up in a labyrinth that can easily be frustrating. As a result, one must develop a good measure of 'Oriental patience,' and forget about quick negotiations that get right to the point. China is a country with more than 3,000 years of history and it has a different perspective about what constitutes the short term. "They see Latinos as very anxious to do business, and they use that as a means for achieving power," says Cortés. "The Chinese are likely to fail to come to an agreement if their counterpart does not seem trustworthy."

When it comes to the Chinese culture of negotiation, Cortés adds that it is critical to develop 'guanxi' – that is, a network of personal relationships. "Every Western business person must construct his or her world or network from the moment he or she arrives in China. Each negotiation will depend in good measure on the level of 'guanxi' that is created. And at every level, this involves relationships with companies as well as with individuals." Second, adds Cortés, one must consider 'mianzi' -- that is, the social prestige or capital of each person. "Every executive or official in China tries to construct and maintain his or her social status. As a result, we must take care not to damage that reputation." This advice even applies at the negotiation table for a trade agreement, notes Cortés. "Because they behave humbly, top officials don't readily let you know who they are, and you have to collect information in advance about which person at the table is the one who can make the decisions."

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