Intra-Cultural Chinese Diversity

Cougar Innovation Group

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EXECUTIVE SUMMARY

Members of the Chinese Diaspora worldwide maintain a complex but balanced sense of loyalty to both their country of residence and their country of origin built on the basis of fundamental Chinese cultural values. This sense of balance seems normal to the Chinese people and those doing business with all Chinese people need to understand their complex sense of identity and influence of these traditional values. The most prevalent of these traditional values is guanxi. Guanxi is the establishment of relationships and connections and is grounded in trust, mutual obligations and shared experiences (Chen, 2001: 45-66).

In mainland China there are over 56 ethnic groups with over 200 dialects of the Chinese language and eight major cuisines (Chen, 2001). Residents of the different regions might not understand each other’s speech, enjoy each other’s favorite foods, or make a living from each other’s land, and they might even describe each other with derogatory stereotypes; nonetheless, they regard each other as fellow Chinese, members of the same society. With all of the differences and influences within the Greater Chinese culture, business transactions, learning alliances and knowledge transfers can oftentimes be difficult. In this paper, we will provide the reader with an overview and history of the Chinese culture, including Taiwan, Hong Kong, Indonesia, Singapore, and Malaysia. In addition, we will examine within the Intra-Chinese cultural diversity scope the cultural influences such as guanxi, social and business roles, learning alliances as well as knowledge transfers, and finally the local government’s influence on how the Chinese do business and its impact on Westerners.
The Chinese culture is one of the world’s oldest and most complex cultures and has been in existence for over 5000 years. This culture is applicable not only to the people of mainland China or the Peoples Republic of China (PRC) but also to a large Chinese speaking population that is sometimes referred to as “Greater China” which includes Hong Kong and Taiwan. In addition to Greater China, Chinese culture is found in Southeast Asian countries such as Singapore, Indonesia, and Malaysia. Chinese culture is grounded in its core values that govern relationships (both personal and business) and are primarily founded in the teachings of Confucius. The most fundamental of these core values are the reliance on family, saving face, and indirect communication (Chen, 2001).

Mainland China is a land of extremely diverse geography as well as ethnic makeup. The Chinese language is also a commonality among Greater China and the Chinese people in general. Although there are different forms of the spoken language, the written language is essentially the same. There are over 56 ethnic groups in mainland China with over 200 dialects of the Chinese language and eight major cuisines (Chen, 2001). The Chinese people have also lived through four major political systems in the last century alone: Imperialism, Warlordism, Republicanism, and Communism (Chen, 2001). Today, classic communist practices are being abandoned and the country is opening up to more foreign investment which has created the largest emerging market in the world. With over 1.3 billion people, the PRC comprises 20% of the world’s population (Chen, 2001). Greater China, Chinese emigrants, and their descendants make up an even greater percentage of the worlds population. In mainland China, the Han ethnic group comprises the majority of the population, over 90% (Chen, 2001).
Taiwan and Hong Kong

The other regions consisting of Greater China include Taiwan and Hong Kong. The Taiwan culture is a hybrid blend of Confucianist Han Chinese cultures, Japanese, European, American, global, local and indigenous influences. The political differences between mainland China and Taiwan and its political status continue to play a dominant force in shaping the cultural identity of the Taiwanese people. Hong Kong’s culture was formed beginning with a Chinese foundation but was heavily influenced by the west for much of the 20th century under British colonialism. Although sovereignty of Hong Kong transferred to China in 1997, it continues to have its own separate identity. Hong Kong is a hi-tech, cosmopolitan business hub whose people embrace the traditional Chinese values of family, saving face, and courtesy.

Indonesia, Singapore and Malaysia

Cultures of countries in Southeast Asia are also heavily influenced by the Chinese. Indonesian culture has been shaped by the historical interaction of its original indigenous customs, and the foreign influences from China and the rest of the east as well as the Middle East. Indonesia was a central point along the ancient trading routes and has resulted in a mixture of cultures influenced by several religions including Hinduism, Buddhism, Confucianism, and Muslim. The cultures of Singapore were built by the fusion of the Chinese, Malay, Indian, and European immigrants. These various ethnic groups continue to celebrate their own heritage while successfully integrating with one another which is also aided by governmental policies of integration. “Singapore has achieved a significant level of cultural diffusion with its combination of these various ethnic groups and has given Singapore a rich mixture of diversity for its young age” (Wikipedia, 2008: Culture of Singapore). Malaysian culture is a mix of Chinese, Malay, Indian, and various indigenous tribes dating back more than 1500 years. Persian, Arab, and European cultures have also had significant influence on the Malaysian
people. The Chinese, which form the second largest ethnic group have been settling in Malaysia for centuries, are mostly Tao Buddhist and retain strong ties to their ancestry. Another common practice among the Chinese in Southeast Asia is that they congregated among people of their same dialect and original province in keeping with the family aspect of fundamental Chinese values.

**Chinese Emigration**

The social and business impact of the Chinese emigration patterns can be felt from Southeast Asia to Europe and North America. The Chinese values of family solidarity and saving face proved to be very successful for the Chinese emigrants. Chinese foreign reserves in Hong Kong, Taiwan, and Singapore total $250bn, more than those of Japan and Germany combined (Chen, 2001). As the colonial period in Asia drew to a close after WWII, Europeans sold their interests and a large number of Chinese emigrants purchased businesses in agriculture, rubber, and sugar enterprises. In Indonesia for example, the Chinese people comprise 4% of the population but control 70% of the trade. In Thailand, the Chinese are 3% of the population and control 60% of the trade (Chen, 2001). Ninety percent of Chinese immigrants are naturalized citizens of their adopted countries but still generally conform to Chinese cultural norms and identify themselves as Chinese (Chen, 2001).

Chinese living outside of mainland China may sometimes consider themselves more Chinese than those in the PRC. Emigrants have struggled to maintain their ancestral values while those on the mainland have struggled to adopt new social and political values due to the communist environment they have had to live in. The loyalty to the Chinese mainland is also reflected in their investment in China. Hong Kong, Taiwan, and Singapore are the largest investors in China providing 70% of China’s capital inflow, far more than the U.S and Japan at
approximately 8%, and Europe at 5.2% (Chen, 2001). Despite 50 years of political disagreements and military standoffs, Taiwan ranks second to Hong Kong in mainland Chinese investment. The total number of Taiwanese enterprises invested in China is estimated to be 40 to 50 thousand with a total investment value estimated a $40bn. Investments from Southeast Asia are also substantial, once again highlighting the close cultural, familial and business ties to the mainland driven by both the opportunity and their cultural values. Investments to mainland China also come in the form of significant charitable contributions from wealthy Chinese businessmen across Southeast Asia.

GUANXI AND THE CHINESE NEGOTIATION

Although there is no formal translation of guanxi to the English language, it is about establishing relationships and connections. For the greater Chinese population, establishing relationships is their way of life. Guanxi does consist of connections and relationships, but more specifically it is connections that are defined by reciprocity and mutual obligation. Ideally, these connections are also supported by a sense of goodwill and personal affection. Of course, all business cultures depend on informal networking to some degree. The English old school tie, the American country club, the Japanese wa, and the Korean inhwa, – all provide the members of their group with a measure of confidence and trust necessary to underpin business transactions. Guanxi differs from these both in its pervasiveness and in its heavy emphasis on family ties and shared experiences. Guanxi is grounded in trust, mutual obligations, and shared experiences. The concept itself traces its roots back to ancient Chinese social customs wherein reciprocity and other modes of social exchange were used to build and maintain interpersonal relationships throughout society (Chen, 2001: 45-66).
An important benefit of guanxi networking for business is the protection it offers from threats and uncertainty. In some instances, while legal protections may exist, uniform enforcement of the law does not. Singapore’s Senior Minister Lee Kuan Yew states that “overseas Chinese use guanxi in China to make up for the lack of the rule of law and transparency in rules and regulations. In the hazy business environment, speaking the same language and sharing cultural bonds is a vital lubricant for any serious transaction.” In these cases, strong guanxi can shield companies from unexpected challenges, or it can minimize costs. For the overseas Chinese, guanxi has provided a safety net in their host societies where, although citizens, they are treated as outsiders and often regarded with suspicion (Chen, 2001: 45-66). Chinese businessmen are not worried about companies “stealing” their clients, i.e. a company database, because without guanxi, the “thief” would not be able to establish the connection. Appendix A outlines the Chinese negotiation and it begins with guanxi (Grahm & Lam, 2003:1). This table outlines not only how the different Chinese cultures conduct business with one another, but also how Westerners should conduct business with the Chinese. The Chinese businesspeople prize their relationships with friends, relatives and close associates and it is important to remember this.

SOCIAL AND BUSINESS ROLES

The Social System

China, the world’s largest society is united by a set of values and institutions that cut across extensive linguistic, environmental, and sub-cultural differences. Residents of the southern and northern regions of the country might not understand each other's speech, enjoy each other's favorite foods, or make a living from each other's land, and they might even describe each other with derogatory stereotypes. Nonetheless, they would regard each other as fellow
Chinese, members of the same society. Chinese society, since the second decade of the twentieth century, has been the object of a revolution intended to change it in fundamental ways. In its more radical phases, such as the Great Leap Forward (1958-60) and the Cultural Revolution (1966-76), the revolution aimed at nothing less than the complete transformation of everything from the practice of medicine, to higher education, to family life. In the 1980s China's leaders and intellectuals considered the revolution far from completed, and they intended further social change to make China a fully modernized country. It had become increasingly clear that although many aspects of Chinese social life had indeed undergone fundamental changes as a result of both political movements and economic development, the transformation was less than total. Much of the past either lived on in modified form or served to shape revolutionary initiatives and to limit the choices open to even the most radical of revolutionaries (Library of Congress – China, 1987).

**Chinese traditional values**

China's traditional values were contained in the orthodox version of Confucianism, which was taught in the academies and tested in the imperial civil service examinations. These values are distinctive for their worldly emphasis on society and public administration and for their wide diffusion throughout Chinese society. Confucianism is primarily concerned with social order. Social harmony is to be achieved within the state, whose administrators consciously select the proper policies and act to educate both the rulers and the subject masses. Confucianism originated and developed as the ideology of professional administrators and continued to bear the impress of its origins. The existence of a ruler and of a state were taken for granted, but Confucianists held that rulers had to demonstrate their fitness to rule by their "merit." The essential point was that heredity was an insufficient qualification for legitimate authority. As
practical administrators, Confucianists came to terms with hereditary kings and emperors but insisted on their right to educate rulers in the principles of Confucian thought. Traditional Chinese, including people from Malaysia, Indonesia, Taiwan, thought this combined an ideally rigid and hierarchical social order with an appreciation for education, individual achievement, and mobility within the rigid structure (Library of Congress – China, 1987).

**Contemporary society.** The basic pattern of contemporary society of the great Chinese culture was established around the 60s, and all changes since then, including the reforms of the early and mid-1980s, have represented only modifications and adjustments to the pattern. In China the pattern is cellular; most people belong to one large, all-embracing unit, such as a factory, government office, or village. The unit is run by party branch, operates (or should operate) under common administrative rules and procedures, and reflects the current policies of the party. The consequence has been that most aspects of social differentiation, stratification, mobility, and tensions are now played out within an institutional framework. Most of the questions about any individual's life and prospects can be answered by specifying the unit--the social cell--with which that individual is associated (United States Department of State Background Note – China, 2007).

At the same time, China's economic growth and reform since 1978 has dramatically improved the lives of hundreds of millions of Chinese, increased social mobility, and expanded the scope of personal freedom. This has meant substantially greater freedom of travel, employment opportunity, educational and cultural pursuits, job and housing choices, and access to information. In recent years, China has also passed new criminal and civil laws that provide additional safeguards to citizens. Village elections have been carried out in over 90% of China's one million villages (Central Intelligence Agency – China, 2008).
**Business in China.** Even though the growth of individual businesses and small private enterprises, such as restaurants and repair services, has provided some individuals with substantial cash incomes, employment in the state sector remains most people's first choice. This reflects the public's recognition of that sector's superior material benefits as well as the traditional high prestige of government service. The distinction between state and collective-sector employment is one of the first things considered when people tried to find jobs for their children or a suitable marriage partner (Library of Congress Country Studies – China: Work Units, 1987).

**Establishing foreign business in China.** There are strict rules governing the establishment of companies in greater China. Most of the time, corporations have to establish only representative offices. This allows them to sell products or services on behalf of the corporation, however invoicing or revenue collections are not permitted. Wholly Owned Foreign Enterprise (WOFE) or Joint ventures are typically fraught with problems when engaging with a Chinese partner. Joint-Ventures (JV) are businesses where a foreign firm takes on a local Chinese partner. The ownership usually is 51%-49% with the foreign firm owning the majority. Foreign companies often enter into JVs because it allows them to gain access to the domestic market and gets them the knowledge and expertise of the local partner in doing business in China and the local area. Along with the sharing of profits, however, comes the sharing of the investment risk as the local partner contributes funds or assets into the enterprise. Sometimes the contract assures the local partner a return on investment and it mitigates his business risk. Appendix B describes many of the issues of executing projects in China (China Unique, 1997).
LEARNING ALLIANCES

A learning alliance is a process undertaken jointly by research organizations, donor and development agencies, policy makers and private businesses. It involves identifying, sharing and adapting good practices in research and development in specific context and on specific topics. In the event that knowledge can be used by a partner within an alliance or is directly associated with the skills of a partner and has value to another organization, alliance leaning will be occurring (Inkpen & Pien, 2006: 781). Differences in partner skills are a necessary precondition for learning. Therefore, complementary resources set a more stable foundation for learning by partner than resource similarity (Inkpen & Pien, 2006: 784). The desire for knowledge transfer between Mainland China, Singapore, Taiwan and Hong Kong, to gain advances in undeveloped technological areas, is indicative of learning alliance strategies. All countries have complementary resources to offer and knowledge to gain through collaborative learning.

Cross-border Learning

In February 2006, China became one of ten global cities to participate in a cross-border learning alliance between 15 countries (Netherlands, United Kingdom, Germany, Israel, China, Spain, Poland, Ghana, Brazil, Switzerland, Greece, Colombia, Peru, Palestine, and Egypt). The SWITCH (Sustainable Water Management Improves Tomorrow’s Cities Health) Project is a Europe-funded action research program being implemented and co-founded by a cross-disciplinary team of 32 partners in 15 countries, for the purpose of facilitating a paradigm shift in urban water management by converting problem/incident driven solutions into a sustainability driven solutions. Through demonstration and knowledge sharing across a range of different
geographical, climate and socio-settings, this team’s goal is to adopt solutions that will inherently move global cities away from being vast consumers and importers of critical water, energy and food resources to being zero impact or net producers of these products. Appendix C provides an overview of the SWITCH Project Alliance and defines how the 15 countries in this project are working together in this very important learning alliance (Howe, 2007).

**Challenge similarities.** Although the foundation of the SWITCH Project alliance is cross-border as opposed to cross-cultural, due to the significant cultural diversity found within Mainland China and other Asian countries in general, the challenges would most certainly be similar. Four of the most significant hurdles immediately identified at the onset of project initiation were 1) creating an information network that could accommodate seven different languages, 2) having 32 research partners from 15 different countries collaborate and spend the time necessary to truly integrate, 3) defining and then achieving consensus on what a “sustainable” city of the future might look like, and 4) determining how to understand and respond to the needs expressed by participating cities while, concurrently, delivering the research necessary meet the goal (Howe, 2007).

Learning alliances draw on strengths from each partner and are a great way to successfully gain skills, and transfer knowledge. However, further research is necessary to develop a more in depth understanding of the dynamics they contribute to the process of acquiring and leveraging resources through alliances. Overall, alliances can be a positive experience in which partners learn and mutual value is created.
The China-Singapore Learning Alliance

The 2002 study of the China-Singapore Suzhou Industrial Park (Suzhou) alliance advanced an understanding of how knowledge resources are transferred via a learning alliance. Theoretical implications are discussed and developed into five propositions that provide insight into the workings of a learning alliance. Similarities can be found between the propositions developed out of the 2002 Suzhou study and implications resulting from the early alliances of the 1990’s (Inkpen & Pien, 2006).

- Proposition 1. In a learning alliance, the transfer of tactic knowledge that contradicts and prior belief of the recipients will encounter resistance.
- Proposition 2. As learning alliances move from initial conditions to evolved conditions and cooperation between the partners strengthens, tactic knowledge transfer will increase.
- Proposition 3. In a learning alliance, if the learning partner does not have the necessary skills and absorptive capacity to exploit the knowledge opportunity, difficulties in knowledge transfer will occur, which could lead to suboptimal partner interactions (such as an increase in partner competitive behavior).
- Proposition 4. In an alliance, when Partner A is capturing significant private benefits outside the alliance and Partner B has little opportunity for private benefits outside the alliance, Partner B is likely to reduce its commitment to the alliance.
- Proposition 5. The weaker social capital between alliance partners, the less likely the partners will develop the necessary relationships that allow managers to willingly share knowledge (Inkpen & Pien, 2006).

The Suzhou alliance provided valuable insight into the concept of learning alliances. However, all theoretical issues could not be covered due to the complexity of the Suzhou
alliance. One such are the levels of organizational learning that occur in transferring systematic knowledge. The theoretical issues surrounding the impact these varying levels have on the success of knowledge transfer have yet to be explored. Although the Suzhou focus was on organizational level knowledge transfer, knowledge at the individual managerial and government level can also play a supporting or hindering role in the transfer of knowledge within learning alliances (Inkpen & Pien, 2006).

TECHNOLOGY AND KNOWLEDGE TRANSFER

Reasons for Transfer

With the fall of Communism and the Soviet Union, China’s main source of technology was suddenly cut off. Mainland China then turned to defense for development of various types of technology. As reforms were slowly introduced over the last couple of decades, research and development in defense dropped off as well (Liu, 2007). In the meantime, Taiwan, Singapore and Hong Kong were operating in worldwide markets. Taiwan had become a major player in low end, low technology markets, while Hong Kong and Singapore had become very high-tech and “westernized” in their approach to business. The culmination of these events resulted in two outcomes: Some countries want to gain technology from mainland China and China wants to learn western ways from their more advanced neighbors.

In previous years, Taiwan would secure technical knowledge from the U.S. or Europe. As Taiwan became high-technology oriented, the more advanced countries were less willing to help out of fear that the Taiwanese manufacturers would become stronger competitors. Consequently, these manufacturers are turning to China for the technological knowledge they gained during their days of high government investment in research and development. The knowledge that Taiwan can acquire from their neighbor is just as advanced as the more
industrialized nations, but the cost is much lower. From China’s prospective, many of their research and development firms are willing to cooperate because they need the money that was once provided by the government (Liu, 2007).

Mainland China is looking to its more westernized neighbors for knowledge as well. The case of the Suzhou Industrial Park is a good example of why mainland China would collaborate with another East Asian country. Suzhou was an alliance between Chinese and Singaporean governments, agencies, and companies to build a modern industrial park in mainland China. Singapore was to share its knowledge of planning, management, and development skills to build this park. In return, they wanted to build a relationship with their Chinese partners and have an opportunity to participate in China’s development with an emphasis on attracting new investments. China’s main goal was to learn the skills necessary to build other industrial parks (Inkpen & Pien, 2006).

Conflicts of Interest

Since mainland China is growing at a much quicker pace than other Asian countries, their needs are different and can cause conflict. In the situation with the Suzhou Industrial Park, the Singaporean contingency wanted to show the Chinese how to plan, build, and administer such a large project. In other words, they wanted to pass on tacit (intuitive and unarticulated) knowledge. This type of transfer takes a long time and requires managers on both sides to interact on a daily basis. The Chinese did not want to wait that long. They just wanted the buildings, roads, and plans to accomplish the project. This ‘explicit knowledge’ is much easier and faster to come by, but is not always applicable to other projects. These differences caused a lot of problems and little progress at the beginning of the project, but as time went on and the teams interacted more, the venture was a huge success (Inkpen & Pien, 2006).
Because China has been closed for so long, some of their neighbors take advantage of the situation. The Chinese research institutions are not well informed of the market value of their technical knowledge. Other countries sometimes buy this information at a very low price. Even when other countries collaborate with China, they will hold back some of their technology so that they can stay one step ahead. Sometimes the Chinese feel they are being taken advantage of due to differences in approach (Liu, 2007). Chinese contractual agreements are broad outlines and depend on good faith. The more westernized Asian cultures are not used to such unclear documents. The lack of clear understanding between partners can cause conflict (Inkpen & Pien, 2006).

The Chinese way of business sometimes has advantages for the mainland. In the early 1980’s, Hong Kong was the largest toy exporter in the world. To boost production, they turned to the Mainland cheap land and labor. Since the rules and regulations on competition were more relaxed, the Chinese companies started building imitations of the Hong Kong toys and became a major player in the market (Yim, 2003). A lack of non-compete clauses affected the Suzhou Industrial Park as well. During the development of the park, Chinese municipal authorities started promoting a rival park, called the Suzhou New District. The new park was about 10km away from the Singapore-backed development. Since the Chinese were able to build their own park for lower costs, it attracted more foreign investors. Another advantage was that all the profits went directly to the Chinese (Inkpen & Pien, 2006).

**GOVERNMENT STRUCTURE**

**China**

**Control.** The 70.8 million members Communist Chinese Party (CCP), authoritarian in structure and ideology, continues to dominate the government. Nevertheless, China's population,
geographical vastness, and social diversity frustrate attempts to rule by fiat from Beijing. Central leaders must increasingly build consensus for new policies among party members, local and regional leaders, influential non-party members, and the population at large (Central Intelligence Agency – China, 2008).

In periods of greater openness, the influence of people and organizations outside the formal party structure has tended to increase, particularly in the economic realm. This phenomenon is most apparent today in the rapidly developing coastal region. Nevertheless, in all important government, economic and cultural institutions in China, party committees work to see that party and state policy guidance is followed and that non-party members do not create autonomous organizations that could challenge party rule. Party control is tightest in government offices and in urban economic, industrial, and cultural settings; it is considerably looser in the rural areas, where the majority of the people live (Central Intelligence Agency – China, 2008).

**State structure.** The Chinese Government has always been subordinate to the CCP; its role is to implement party policies. The primary organs of state power are the National People's Congress (NPC), the President Hu Jintao (the head of state), and the State Council. Members of the State Council include Premier Wen Jiabao (the head of government), a variable number of vice premiers (now four), five state councilors (protocol equivalents of vice premiers but with narrower portfolios), and 22 ministers and four State Council commission directors.

Under the Chinese constitution, the NPC is the highest organ of state power in China. It meets annually for about two weeks to review and approve major new policy directions, laws, the budget, and major personnel changes. These initiatives are presented to the NPC for consideration by the State Council after previous endorsement by the Communist Party's Central Committee. Although the NPC generally approves State Council policy and personnel
recommendations, various NPC committees hold active debate in closed sessions, and changes may be made to accommodate alternate views. When the NPC is not in session, its permanent organ, the Standing Committee, exercises state power (United States Department of State Background Note: China, 2007).

Legal system. The government's efforts to promote rule of law are significant and ongoing. After the Cultural Revolution, China's leaders aimed to develop a legal system to restrain abuses of official authority and revolutionary excesses. In 1982, the National People's Congress adopted a new state constitution that emphasized the rule of law under which even party leaders are theoretically held accountable. Legal reform became a government priority in the 1990s. Legislation designed to modernize and professionalize the nation's lawyers, judges, and prisons was enacted. The Chinese constitution and laws provide for fundamental human rights, including due process, but these are often ignored in practice. In addition to other judicial reforms, the Constitution was amended in 2004 to include the protection of individual human rights and legally-obtained private property, but it is unclear how those provisions will be implemented. Although new criminal and civil laws have provided additional safeguards to citizens, previously debated political reforms, including expanding elections to the township level, the reform of the reeducation through the labor system and other legal reforms have been put on hold (Central Intelligence Agency – China, 2008).

Human rights. The State Department's 2006 China human rights and religious freedom reports noted China's well-documented and continuing abuses of human rights in violation of internationally recognized norms, stemming both from the authorities' intolerance of dissent and the inadequacy of legal safeguards for basic freedoms. In 2006, China continued the monitoring, harassment, intimidation, and arrest of journalists, Internet writers, defense lawyers, religious
activists, and political dissidents. The activities of non-governmental organizations, especially those relating to the rule of law and expansion of judicial review, continue to be restricted (Central Intelligence Agency – China, 2008).

**Religion.** The Chinese Government recognizes five official religions: Buddhism, Islam, Taoism, Catholicism, and Protestantism—and seeks to regulate religious groups and worship. Religious believers who seek to practice their faith outside of state-controlled religious venues and unregistered religious groups and spiritual movements are subject to intimidation, harassment, and detention (Central Intelligence Agency – China, 2008).

**Taiwan**

In 1895, military defeat forced China to cede Taiwan to Japan. Taiwan reverted to Chinese control after World War II. Following the Communist victory on the mainland in 1949, 2 million Nationalists fled to Taiwan and established a government using the 1946 Constitution drawn up for all of China. Over the next five decades, the ruling authorities gradually democratized and incorporated the local population within the governing structure. In 2000, Taiwan underwent its first peaceful transfer of power from the Nationalist to the Democratic Progressive Party. Throughout this period, the island prospered and became one of East Asia's economic "Tigers." The dominant political issues continue to be the relationship between Taiwan and China, including the question of eventual unification, as well as domestic political and economic reform (Central Intelligence Agency – Taiwan, 2008).

Taiwan's government is divided into central, provincial and municipal, and county and city levels. The central government consists of the Office of the President and five branches (called "yuan"), namely the Executive Yuan, Legislative Yuan, Judicial Yuan, Examination Yuan, and Control Yuan. At local levels, since the government administers only Taiwan
Province and two counties (namely Kinmen and Lienchiang) in Fuchien Province, only the Taiwan Provincial Government and the Fuchien Provincial Government are currently operational (Central Intelligence Agency – Taiwan, 2008).

Taiwan's efforts to promote democracy and improve human rights have won plaudits in the international community. Taiwan is rated as a free country in terms of political rights and civil liberties. In July 2001, the inter-ministerial Human Rights Protection and Promotion Committee were established to take charge of the planning and implementation of human rights policy within the government (Central Intelligence Agency – Taiwan, 2008).

**Singapore**

The Government of Singapore is formed by the political party which gains a simple majority in the general elections held in Singapore at least once every five years. It is part of Singapore's political system and supported by the Singapore Civil Service. It has been consistently rated by Transparency International as one of the most politically transparent and least corrupt governments in the world, but has also been criticized for electoral intimidation, and freedom of speech violations.

The government of Singapore has been chosen by election since 1959 elections, when Singapore achieved self-governance. Before then, the government was mainly either a colonial administration solely or a mixture of colonial rule and a partially-elected assembly, such as the Legislative Council. The People's Action Party has formed government in every election since 1959 (Wikipedia, 2008: Constitution of Singapore).
**Malaysia**

Malaysia is a constitutional monarchy nominally headed by paramount ruler and a bicameral Parliament consisting of a non-elected upper house and an elected lower house. All Peninsular Malaysian states have hereditary rulers except Melaka and Pulau Pinang (Penang) and these states along with Sabah and Sarawak in East Malaysia have governors appointed by government. Powers of state governments are limited by the federal constitution and under the terms of the federation, Sabah and Sarawak retain certain constitutional prerogatives, e.g. the right to maintain their own immigration controls. Sabah holds 25 seats in House of Representatives and Sarawak holds 28 seats in House of Representatives, but it will have 31 seats after the next election (Central Intelligence Agency – Malaysia, 2008).

**Indonesia**

Indonesia is a republic based on the 1945 constitution providing for a separation of executive, legislative, and judicial power. Substantial restructuring has occurred since President Soeharto's resignation in 1998 and the short, transitional Habibie administration in 1998 and 1999. The Habibie government established political reform legislation that formally set up new rules for the electoral system without changing the 1945 Indonesian Constitution. After these reforms, the Constitution now limits the president to two terms in office. The president, elected for a five-year term, is the top government and political figure. The president and the vice president were elected by popular vote for the first time on September 20, 2004. Previously, the People's Consultative Assembly selected Indonesia's president. The president, assisted by an appointed cabinet, has the authority to conduct the administration of the government. The military has been a significant political force throughout Indonesian history, though it had ceded
its formal political role by 2004 (United States Department of State Bureau of East Asian and Pacific Affairs – Indonesia, 2008).

**Hong Kong**

The Hong Kong Special Administrative Region (SAR) is headed by Chief Executive Donald Tsang, who first took office in 2005 and whose current term ends in 2012. The Election Committee that votes on the Chief Executive (CE) is made up of approximately 800 Hong Kong residents from four constituency groups: 1) commercial, industrial, and financial interests; 2) professionals; 3) labor, social services, and religious interests; and 4) the legislature (the Chinese People's Political Consultative Conference and the P.R.C. National People's Congress). The Hong Kong Government implemented the Principal Officials Accountability System which was designed to make the government more responsive to public concerns. While Hong Kong remains a free and open society where human rights are respected, courts are independent, and there is established respect for the rule of law, residents are limited in their ability to change their government and the legislature is limited in its power to affect government policies (United States Department of State Bureau of East Asian and Pacific Affairs – Hong Kong, 2008)

**LOOKING AHEAD**

As China continues to open up and engage the rest of the world both economically and socially, we will continue to learn more about the cultural characteristics of the Chinese people. The similarities of the Chinese, both in mainland China and Greater China are grounded in the cultural values this society has developed over the past 5000 years. Although, there are now differences in certain behaviors and approach to business, government, and society within the different Chinese Diaspora, the fundamental Confusionist impact is evident.
APPENDIX A: The Chinese Negotiation

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<th>Chinese Negotiation Elements (Grahm &amp; Lam, 2003: 1)</th>
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<td><strong>Guanxi (Personal Connections)</strong></td>
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<tr>
<td>Chinese businesspeople prize relationships among</td>
</tr>
<tr>
<td>friends, relatives, and close associates. Favors are</td>
</tr>
<tr>
<td>always remembered and returned, though not</td>
</tr>
<tr>
<td>necessarily right away. Ignoring reciprocity is</td>
</tr>
<tr>
<td>considered immoral.</td>
</tr>
<tr>
<td><strong>Zhongjian Ren (The Intermediary)</strong></td>
</tr>
<tr>
<td>An intermediary is essential during meetings with</td>
</tr>
<tr>
<td>strangers. This trusted business associate connects</td>
</tr>
<tr>
<td>you with his trusted associate, creating a personal</td>
</tr>
<tr>
<td>link to your target organization or executive.</td>
</tr>
<tr>
<td>Intermediaries interpret negotiators’ moods, body</td>
</tr>
<tr>
<td>language, and facial expressions. They, not the</td>
</tr>
<tr>
<td>negotiators, first raise business issues for discussion,</td>
</tr>
<tr>
<td>and often settle differences.</td>
</tr>
<tr>
<td><strong>Shehue Dengji (Social Status)</strong></td>
</tr>
<tr>
<td>Casualness about social status does not play among</td>
</tr>
<tr>
<td>people who value obedience and deference to</td>
</tr>
<tr>
<td>superiors. Sending a low-level representative to a</td>
</tr>
<tr>
<td>high-level negotiation can kill a deal.</td>
</tr>
<tr>
<td><strong>Renji Hexie (Interpersonal Harmony)</strong></td>
</tr>
<tr>
<td>Relationships of equals are cemented through</td>
</tr>
<tr>
<td>friendships and positive feelings, generated during</td>
</tr>
<tr>
<td>months of home visits and long dinners. Any</td>
</tr>
<tr>
<td>Chinese Negotiation Elements (Graham &amp; Lam, 2003: 1)</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td><strong>Zhengti Guannian (Holistic Thinking)</strong></td>
</tr>
<tr>
<td><strong>Jiejian (Thrift)</strong></td>
</tr>
<tr>
<td><strong>Mianzi (“Face” or Social Capital)</strong></td>
</tr>
<tr>
<td><strong>Chiku Nailao (Endurance, Relentlessness, or Eating Bitterness and Enduring Labor)</strong></td>
</tr>
<tr>
<td><strong>Chiku Nailao</strong></td>
</tr>
</tbody>
</table>
APPENDIX B: Execution of Projects

While doing business in China is important to consider the following aspects of project implementations:

I. **Approvals take forever**: A hangover from the old communist days, people are very reluctant to take responsibility for decisions.

II. **Meetings**: Generally are longer in China than anywhere else. Since it is a society of ‘face’, it is very important to show respect to the people that you are doing business with, taking the time to spend with the client. For a western attendee, many Chinese will turn up in reciprocation of the fact you have taken the time to meet with them.

III. **Getting paid at the end can be difficult**: It is the final cutting of the safety net where the Chinese client has no further hold over a supplier.

IV. **Payment terms**: Generally are poor. Chinese business people generally prefer to let the suppliers take all the risk. Certainly no partnering approach.

V. **Secrecy Culture**: There is a prevalent attitude especially when dealing with foreign companies of excessive secrecy. Even when the information will allow you to do your job better, it still generally gets held up.

VI. **Travel Restrictions**: Generally it is easier for Chinese to travel on business. Hence projects seem to have ‘special’ training requested so they clients can have trips abroad.

VII. **Transparency and competition**: Basically corruption is still widespread. However things are changing as China progresses its accession to the World Trade Organization (WTO) – rule of law and transparency issues are very much to the fore as are IPO issues. So things are improving but only slowly even with the biggest companies.
VIII. **Currency Issues:** It is illegal to take out significant amounts of currency out of the country. To exchange it to USD is expensive and requires a special license for an ‘export company’

IX. **Gender Issues:** Sexual discrimination is still quite widespread but is slowly changing.

X. **Workplace skills:** Although many Chinese have university degrees, the standard of many China universities are narrow in scope. With regards to language skills, from the old relationships with Russia, the older Chinese speak Russian as the second language. The younger graduates are beginning to speak very good English.

XI. **Health and Safety:** Until recently very little attention was paid to safety in the workplace. Recent examples are coal mines and some factories where large numbers of people are killed. Chinese health care is very basic.
APPENDIX C: SWITCH Project Learning Alliance

32 partners in 15 countries

The Netherlands, UK, Germany, Israel, Brazil, Colombia, Peru, Spain, China P. R., Ghana, Greece, Palestine, Egypt, Poland, Switzerland

10 Global Cities

Different climate, socio-economic, institutional conditions
Sharing the knowledge
More sustainable solutions

Sustainable Water Management Improves Tomorrow’s Cities’ Health

The SWITCH project aims to achieve more sustainable urban water management in the "City of the Future". A consortium of 33 partners from 15 countries are working together on innovative scientific, technological and socio-economic solutions, which can then be more swiftly replicated around the world.

For more information visit:
http://www.switchurbanwater.eu/

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A Global Learning Alliance

An alliance to enhance urban water management and help cities achieve sustainable development. The Alliance offers knowledge, expertise, and research opportunities to local authorities and other stakeholders involved in urban water management, which can advance innovative solutions to the challenges of urbanization and sustainable development.

# More sustainable solutions

Integrated urban water management

Demand-driven research

cities

Research & demos

Implemented solutions

training & sharing
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Background Note: Indonesia, Government and Political Conditions.


