



The Middleman – The Asian Way of Solving Conflicts

Dr. Manuel Vermeer

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Abstract

Doing business in Asia, especially in China and India, has never been easy for foreigners, but getting some insight on the local approach definitely will help. This article deals with the Asian (i.e. Chinese and Indian) concept of the “middleman”, a go-between when two or more parties want to solve any given problem. Instead of calling the lawyers in, a more face-saving, in the beginning more time-consuming, but in the end maybe more effective way is to use the help of someone familiar with both sides, both ways of seeing the problem, both cultures even. This is what we should know when doing business in Asia.

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ANALYSIS

The Chinese term „Zhongjian Ren“, literally meaning „Middleman“ (or, to be exact, of course also „Middlewoman“), can also be translated as „contact man“, „go-between“ or „intermediary“. It is not a new invention corresponding to the term „Mediator“ as used in Western legal context. Rather, we find it in old Chinese texts as well as in modern Business Magazines. When in trouble, be it in private or in business, Chinese tend not to call their lawyer or go to court. Instead, first thing is to consider: whom do I know who could solve the problem? Who would be the right person to contact who then could influence the person being responsible for my problem?

It was Confucius, living in the 5th century B.C. in the state of Lu in Eastern China, now Shandong Province, who propagated that Man is good by nature. (Actually we have no idea what he might have said, as he didn't write anything down. All we know was collected from his pupils, so the situation is comparable to Socrates, whose thoughts we read in the words of Plato, not in his own.) So if the king is a good person (in a moral sense), he will choose good men as followers, they in turn will choose good government employees (foreigners later called them mandarins) and so on. So why should you need the law (and, worse, lawyers)? Of course, this way of looking at the world wasn't shared by everyone; in fact, his opponents, so-called legalists, represented exactly the opposite fraction: Man is evil, only laws keeps him from committing crimes or behaving immorally (which is more fun, after all). So for centuries, there was a kind of intellectual discussion on the „right“ way of ruling a country.

In the end, the Confucian view on ruling „everything under heaven“ prevailed; the creation of a legal system wasn't a priority in Chinese culture. Of course Chinese invented very sophisticated ways of punishing criminals, but in the civil world, the way of looking at things from a legal point of view, as Western, especially European cultures have been doing ever since the ancient Romans enforced a complex legal system (and think about the Code Napoléon!), wasn't and isn't an option. Law is seen as a mere framework, leaving real life and actual problem-solving to the individual and his means.

If man can't rely on a legal system, he needs people (friends) to help him to find his way around. The so-called Guanxi system developed, i.e. the art of giving and receiving favors. You have to find a middleman, at best someone who owes you a favor and whom your counterpart owes a favor too. Then you go and ask him to work as an intermediate, as someone who can balance the situation, i.e. influence your counterpart. If you can't find this kind of person, if you don't know the right people, chances are you won't achieve your goal. Perhaps you at least know someone of influence, some important (in modern China: wealthy) person. Or you identify a person of age, fame etc. All these people can act as middlemen. Chinese tend to listen to this kind of people more than we in the West would. With the right Guanxi, you'll have access to everything and everyone, legal or not. Without Guanxi you won't even get what you are legally entitled to.

Now, how to get all these Guanxi? You come to know people, you meet them on different occasions, you take their name card, you keep it, you remember them, you send a nice card for Spring festival or other occasions. You give small gifts, specially chosen for the person and his relationship to you. Gifts should not be too small,



but not too big either (there is death penalty on corruption). The art of giving the right gift at the perfect time to the right person is a very sophisticated one. By giving (and receiving) gifts, you enter into a relationship with someone; so once you need him, you may try and see how much he needs you. If both sides believe the relationship (=Guanxi) could be useful, you can use it like a credit card. And this is the best, if not the only way to do business in China. And as far as Chinese citizens are concerned, this is true also for their private life and problems. With the development of market reforms and capitalistic values, Chinese often say the importance of Guanxi is going back; after 30 years of doing business in China I can't confirm this.

For foreigners doing business in China, naturally it's difficult to establish Guanxi, as you don't have the chances to meet many Chinese and exchange gifts or favors for years. So more than anything else, you need a middleman, someone who helps in influencing the Chinese side, who knows the language, the culture, the dos and don'ts. This can either be a Chinese (if you really trust him!) or a person from your culture, as we tend to trust people from our own culture more easily.

This is not the person to conduct your negotiations (he can of course, as I often do), that's something you have to take care of yourself. But he can get you the information you need regarding the other side, he can make the first step in trying to meet important persons, he'll tell you where and when and how to meet. He will advise you on which gifts to take, when to hand them over, how many and so on. He has to decide when it's time for a break, even when to take dinner and what kind of restaurant could be advisable. And all this of course is only his job if we are not talking of having problems with our Chinese counterparts. Because then, the middleman really is the most important person on your side. Where do the problems stem from? Who is in charge? How should we proceed? How can we arrange a meeting even if the Chinese side doesn't respond to several mails?

Take the following example. A German company, doing local sourcing in China for their production site in China as well as abroad, was in need of a special product. Prices suddenly went up sharply and the calculations were a mess, as with the higher prices the profit margin couldn't be obtained. The Chinese side didn't react to German mails stating that an urgent meeting had to be scheduled to talk over the situation. Of course, the Chinese were not that interested in new negotiations, their profit was considerable. So the German CEO contacted me and asked what could be done. It turned out that they hadn't been to China for months, hadn't taken care of their relationship with the Chinese supplier; when there is no problem, why call China? Why travel the long way and waste money? Communication was difficult anyway, as the Chinese CEO didn't speak English.

So we contacted the Chinese side first via (Chinese!) mail, describing the situation, emphasizing the year-long good business relationship between the two companies, and asking for a meeting anywhere in China. I then called the Chinese CEO on his cell phone and talked to him for a while. He was very surprised, the Germans had never even cared about contacting him directly, Guanxi had never been taken care of, he was really angry and disappointed with the Germans! He reluctantly agreed to meet the German CEO. I had an extensive briefing with the German side; we bought presents and flew to China. Talks were in a friendly atmosphere, dinner was luxurious (and on us, of course). A contract for future cooperation and price adjustments was drafted and signed.



Now the middleman's job was not to negotiate the contract, but to facilitate the negotiations, to take care of the friendly atmosphere, to talk in Chinese and so on. He was crucial in getting the two sides to the discussion table and keeping them there. That's all. And quite a bit.

India, the other extremely important market in this century, doesn't have the term middleman, but the same concept. Actually we do have the term middleman, but in a basically negative context. All the people involved in government corruption, in making deals between citizens and officials, are called middlemen. There is a lot of literature on this aspect, here we don't talk of these people (though they form an important part of Indian culture), but rather of the kind of people who (positively) help you out in any imaginable situation, from buying things (send a middleman), waiting in a queue at a government office (send a middleman), getting a fresh cup of Masala Chai or, doing business! As the guy with the tea is called the Chai-Wallah, the term "wallah" is sometimes used as corresponding to the term middleman.

Like in China, problems are solved through people who can influence the person I need help from, or I'm in trouble with. Instead of the Guanxi system, in India family relations (and real friends) are extremely important. Now the more members the family has, the better the several connections. My mother had seven brothers and sisters, they in turn have own families and so on. So half of Mumbai somehow is related to us and that really is an asset in getting anything done! Don't ask what the right (legal) way would be to get what you need, ask: whom do I know?

And again, foreigners are at a loss. They don't have family nor friends in India, they don't speak any of the Indian languages (English is spoken by about 20 % of the population!), they don't know about the importance of religion in everyday life. They struggle with corruption, lack of infrastructure, government regulations and so on. So of course you need a person you rely on to take care of all this. In business negotiations, a middleman can serve as a matchmaker as well as someone who helps you to get rid of your JV-partner without wasting too much money and time with the lawyers. The questions remain the same: Why doesn't the Indian side respond to our mails? Why don't they deliver according to schedule? Who is in charge? Do they expect a bribe? If so, what should we do, as we have to act according to our compliance rules, but on the other hand don't want to lose the contract? Is the Indian partner to be trusted?

So this again is where the middleman comes into the picture. I often accompany foreign companies to India, preparing the ground for negotiations, telling both sides (not only the foreigners, also the Indians!), what they can expect, what kind of mindset is to be found on the other side of the table, how mistakes can be avoided.

In one case, the foreign partner wanted to terminate a Joint Venture and continue the India business on his own. But the Indian partner refused, so the CEO wanted me to suggest a good lawyer to take the Indians to court. Not a good idea, the Indian legal system is not only often corrupt, but also slow. It may take years before you get a decision. So again I flew to Delhi (alone), met the Indian side, listened to their arguments (what the Germans hadn't done before). After understanding their point of view, I went back to the German CEO and explained the situation. We drafted a contract for a peaceful buyout of the Indian share in the JV, offered a fair sum of money and went to India. It took more than 6 months and several trips to India, but in the end we succeeded in finding a solution acceptable to both sides. Of course we needed lawyers to consult us on legal



issues, but the success factor of the whole engagement was the “Indian approach”: Using a middleman familiar with both cultures and not doing it the Western way, i.e. calling the lawyers in.

So while every company understands they need specialists for legal issues, for financial issues, for finding the right land for production, for HR issues and so on, few realize that one of the main success factors in doing business in Asia is having someone you can rely on, who knows both cultures and is able to guide you through the cultural trap holes of your engagement. Moreover, it’s an truly Asian approach, so everybody in Asia will not only understand what you are doing, but also respect your decision of involving someone with the right Guanxi or other cultural links to the target culture. The respect for your way of handing the business will grow. While Western decision makers are afraid to lose power when asking someone for help, or (worse) believe they can handle everything by themselves, the really good boss is the one who knows his strengths and weaknesses, concentrates on his strengths and ask for help where he is weak. That’s what middlemen are for. Think Asian!

Remarks: Opinions expressed in this contribution are those of the author.

About the Author of this Issue

Dr. Manuel Vermeer, born from a German father and an Indian mother, lived and studied in China as early as 1982. Since more than 20 years he has been one of Germany’s leading consultants for doing business in China and India. He published several articles and three books on the topic. He teaches Business Chinese and Intercultural Management at the East Asia Institute, Ludwigshafen (Germany). His extensive experience as a middleman for foreign companies in China and India has helped many clients in solving their problems. Several guest lectures at universities in Germany, Austria, Switzerland, Spain, Denmark, India, China. Interviews in leading German radio stations and newspapers; TV report in Spiegel TV (Germany) and on Deutsche Welle (broadcast worldwide in 2007). Languages: German, English, Chinese, Spanish, French; basic Hindi, Japanese. www.vermeer-consult.com



Dr. Manuel Vermeer