

Negotiating the culture, not just the deal

BY MATT JOYCE / STAFF WRITER

No matter your intentions, you don't want to give a Chinese man a green hat, for it signifies he's been cuckolded. A clock is also a poor gift choice, because in China the token may be interpreted as the end of the relationship.

Chinese companies and individuals are increasingly looking to the United States for direct investment opportunities, but their local partners need to keep an open mind and tread carefully through a completely different business culture.

"There's an increasing trend of Chinese investment into the U.S.," said Viking Weiqiong Tao, a native of China and partner in the Dallas law firm Kane Russell Coleman & Logan PC. "During the past few years, the industries that Chinese companies or Chinese individuals are interested in have diversified."

Chinese direct investment in the United States grew from four deals valued at \$11 million in 2000 to 99 deals valued at \$4.7 billion in 2011, according to research by New York-based Rhodium Group LLC. In Texas, the numbers have fluctuated over the years, including six deals worth \$50 million in 2011, according to Rhodium's research.

A group of more than 50 wealthy Chinese investors is scheduled to visit North Texas this month as part of US-China Investment Week. The tour is designed to introduce the investors to investment opportunities across the United States.

"One of the objectives is to really educate the U.S. side on the different types of Chinese private investors," said Jay Riskind, managing director of global projects for PiYi Investment Company Ltd., the Beijing-based investment club putting on the tour. "It's not a monolithic group. There are differences in geography, differences in education, differences in age and gender, as well as people who are focused on old industries as well as new industries."

Bill Krueger, a Dallas businessman who spent 13 years in China, said Chinese investors interested in the United States are seek-



Speaking the same language: 'They might let you talk, and then they discuss internally what they can accept,' says Viking Weiqiong Tao with Kane Russell Coleman & Logan.

ing both diversification and security from the unique risks associated with the Chinese economy and political system.

Chinese tend to view Americans as straight shooters, albeit with short attention spans, Krueger said. Chinese are not looking for risky speculation in their foreign investments.

"They generally think Americans talk big, throw themselves enthusiastically into something, but then run the risk of stumbling into a problem, losing attention and then going onto something else," said Krueger, who recently joined Acell Investors Ltd., an Irish company focused on composite materials and fire-suppression technologies.

"If you want to show an advantage, you want to show staying power, being financially conservative," he said.

Krueger, who worked in the Chinese telecom industry, including with Siemens, said Americans should understand that the Chinese very rarely respond negatively to anything, because that would be impolite.

"Don't take a positive response or nodding

heads or big smiles or enthusiastic feedback as indicative that you're about to close something or that you've really hit a nerve," he said. "When they're nervous, when somebody's uncomfortable, they don't grimace or look away — they laugh."

Wealthy Chinese businessmen are generally self-made successes, Krueger said.

"No one should try to blow smoke," he said. "Be sincere to them, but don't expect what they're telling you is sincere."

Tao said American and Chinese negotiating styles are different. Americans tend to engage in more straightforward, point-by-point negotiations, she said. The Chinese take a bigger-picture view, rather than focusing on specific issues.

"They might let you talk, and then they discuss internally what they can accept, but they may not be as straightforward with the American company as to what they really want on a specific issue," said Tao, whose practice has worked with American companies in China and vice-versa.

As a practical matter, Tao said, it's also important for Americans to move slowly when it comes to discussing numbers with the Chinese, because the Chinese are accustomed to thinking in terms of their currency, the yuan.

"If you're negotiating with a private company, it's very important to know who's the final decision-maker," she said. "And when a person is negotiating with you, be aware of what kind of authority that person has. When it's appropriate, it may be appropriate to ask, who can make your final decision?"

Wes Jurey, president and CEO of the Arlington Chamber of Commerce, said Chinese investors are a welcome addition to the investment capital supply in Texas.

"Whether you're an investor from China, Brazil, or here in the United States, you're fundamentally interested in the ability to make money on your investment. That's where you start," he said. "In my experience, that tends to transcend the cultural barriers and differences. You start with a common language."