

A stylized red dragon with a white lattice pattern on its body, coiled and facing right, set against a dark red background.

PETER B. WALKER



POWERFUL DIFFERENT EQUAL



**OVERCOMING THE
MISCONCEPTIONS
AND DIFFERENCES
BETWEEN CHINA
AND THE US**



★ ★ ★

ADVANCE PRAISE

★ ★ ★

“I really enjoyed reading it! Peter Walker has done a wonderful job in laying out the cultural, philosophical and historical foundations for both countries and comparing them side by side.”

Catherine Mengyun Yang, TIE-SEI Fellow,
The Fletcher School of Law and Diplomacy, Tufts University

“The timing of writing on this subject is perfect and the approach that Peter Walker takes in comparing the two cultures/histories is very enlightening ... An important read.”

Claude Dussault, Chairman, Intact Financial Corporation

“Peter Walker has written a brilliant book about China and America. Walker’s accurate descriptions of the differences in ‘worldview’ between the US and China are exactly what the US needs to understand China and for China to better understand the US.”

Richard N. Foster, Author of *Innovation:
The Attacker’s Advantage and Creative Destruction*

“*Powerful, Different, Equal* makes the formerly mysterious so easy to understand.”

Deanna Mulligan, CEO, Guardian Life Insurance

Published by
LID Publishing Limited
The Record Hall, Studio 204,
16-16a Baldwins Gardens,
London EC1N 7RJ, UK

info@lidpublishing.com
www.lidpublishing.com



www.businesspublishersroundtable.com

All rights reserved. Without limiting the rights under copyright reserved, no part of this publication may be reproduced, stored or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise) without the prior written permission of both the copyright owners and the publisher of this book.

© Peter B. Walker, 2019
© LID Publishing Limited, 2019

Printed in the Czech Republic by Finidr
ISBN: 978-1-912555-33-8

Cover and page design: Caroline Li

PETER B. WALKER



POWERFUL DIFFERENT EQUAL



**OVERCOMING THE
MISCONCEPTIONS AND
DIFFERENCES BETWEEN
CHINA AND THE US**



MADRID | MEXICO CITY | LONDON
NEW YORK | BUENOS AIRES
BOGOTA | SHANGHAI | NEW DELHI

★ ★ ★
CONTENTS
★ ★ ★

To Francine, my rock. Kimberly and Sarah,
who did much of the heavy lifting, and Pamela
and Janet, who are always there for me.

ACKNOWLEDGMENTS	vi
INTRODUCTION	1
CHAPTER 1	
Context: elements of the governance models and mindsets grounded in history and culture will not change.....	8
CHAPTER 2	
Culture: a core source of differences.....	30
CHAPTER 3	
Economic performance: the true battlefield.....	52
CHAPTER 4	
Education systems: increasingly important, given the growing role of advanced technologies.....	86
CHAPTER 5	
Human rights and the rule of law: US absolutist ideology vs. China's relativist approach.....	96
CHAPTER 6	
Forms of democracy: US electoral compared to China's responsive to the people.....	144
CHAPTER 7	
Worldview and the military: US focus on spreading democracy and human rights; the Chinese focus on economic interests, not spreading a model.....	172
CHAPTER 8	
Where we go from here	186
ENDNOTES	198

★ ★ ★

ACKNOWLEDGMENTS

★ ★ ★

Writing this book was a family affair, with Francine always pushing for balance, Kimberly streamlining and sharpening the prose, and Sarah tracking down the facts and the sources.

A special thanks to Catherine Yang, a student at the Fletcher School who spearheaded much of the research. Also, a big thank you to many friends and former colleagues who provided helpful input on the structure and tone of the book, including Andreas Beroutsos, Alan Colberg, Jim Crownover, Claude Dessault, Zach Dykehouse, Dick Foster, Tom Hardy, Paul Mas, Bill Meehan, Deanna Mulligan, David O'Brien, Ron O'Hanley, Hank Walker and Catherine Yang.

A final thank you to my publisher, LID Publishing, for helping a first time author get off the ground – Martin Liu, Susan Furber, Maria Cid and Francesca Stainer.

★ ★ ★

INTRODUCTION

★ ★ ★

***“Let China sleep,
for when she wakes,
she will shake the world.”***

- Napoleon Bonaparte

My first connection to China was a spiritual journey over 35 years ago. I wanted to identify with and learn from the lives of individuals who ‘died with a smile’. That journey took me east, to Taoism and the Tao Te Ching written by Lao-tzu in the 6th century BC.

Since then I have taken over 80 trips to China, connecting with hundreds of individuals: Chinese business executives and managers, regulators and other governmental officials, experts in a wide range of social and economic fields, and many individuals interested in Taoism.

I gained a very positive impression of China through three and a half decades of relationships and interactions. I witnessed highly competent and educated executives and government officials, happy and optimistic people with a high level of pride in what China has accomplished, a high level of confidence in the central government, a profound awareness of China’s history and culture, and a strong commitment to family, the future of China and its people.

Over the last 25 years I have read extensively on Chinese history, philosophy and literature, including many books on China written by Western authors. I also closely followed articles and editorials written in the Western press, specifically *The New York Times*, *Financial Times*, *The Wall Street Journal* and *The Economist*. While I believe some writers deeply understand China, Thomas Friedman, Henry Kissinger and Hank Paulson for example, the larger, emerging picture of China based on my readings is very different from my personal experiences.

The readings suggest an authoritarian and harsh Chinese government oppressing an unhappy population that experiences a total absence of human rights. They speak of China as a heavy polluter indifferent to the environment, an economy thriving thanks to unfair trade practices supported by an undervalued currency, a lack of innovation and the systematic theft of America’s intellectual property. They fear a growing and aggressive military threat, the violation of the rights of the people of Taiwan and

Hong Kong and suppression of minorities in Tibet and Xinjiang. They draw unfair parallels between Communist China and the former Soviet Union, which was known for its aggressive military, and its failed and centrally managed economy, with leaders stealing the country's wealth at the expense of people.

I tried to dig into the root causes of this disconnect and this book presents my findings.

I should confess from the outset that this book represents a synthesis of my experiences and impressions in China and ideas from a wide range of sources. Original research is modest and the book focuses on the core story. To the best of my abilities, it is intended to be balanced, objective, logical and consistent with the basic facts.

My first step is understanding the fundamental characteristics and drivers of the US and Chinese governance, economies and social models. The first conclusion is they are very different on many core dimensions and that those differences are largely rooted in each country's history and culture.

The US model is best described as:

- Individualistic
- Ideological
- Dualistic: right/wrong, winners/losers
- Minimalist role of the government domestically
- Electoral democracy
- Economic model based on capitalistic free enterprise and open markets
- Absolutist approach to human rights
- Expansive view of global role spreading democracy and human rights

These characteristics reflect the will of the early settlers, who left Europe to escape limited economic opportunities available to lower socio-economic classes and the absence of human and religious rights. Since its founding, the US benefited from a relatively

benign environment, with few foreign threats, safe borders and abundant natural resources.

The Chinese model is best described as:

- Strong central government run today by the Chinese Communist Party
- Consensus-driven and efficient decision-making similar to a corporate governance model
- A democracy, defined as a government 'responsive to the people'
- Leaders selected through meritocracy, not by popular election (except at the local level)
- Collective, with the family and society's wellbeing of far greater importance than the individual's
- Relativist rather than absolutist approach to human rights
- Highly pragmatic versus ideological mindset – focus on consequences rather than a 'right or wrong'
- Modest but growing global aspirations driven by economic self-interest and territorial integrity, as opposed to spreading the Chinese model

To develop a deeper understanding of these differences, this book explores a number of core drivers and their implications. The overall conclusion is that the major driver of misunderstanding is the US's judgement of China through Western eyes, without regard for the role China's history and culture play in shaping who China is today. As an illustration of the magnitude of the two different views of China, I have included two quotations from David Shambaugh's book, *China Goes Global*. From the author: "This suggests to me that it is not so much an aggressive or threatening China with which the world should be concerned, but rather an insecure, confused, frustrated, angry, dissatisfied, selfish, truculent, and lonely power." Whereas Vice Foreign Minister Fu Ying has a different take on the issue: "We don't view ourselves as a superpower.

You are not going to see a US or Soviet Union in China. You are going to see a culturally nourished country with a big population, being more content, being happy, being purposeful – and it will be a friend to the world. There is no reason to worry about China.”

The objective of the book is to promote mutual understanding by the US and China through the explaining of each country’s model and the evolution of each country’s unique culture and history. For Americans, a fresh look at China should address how and why the country has evolved the way it has over its 4,000 years, which goes far beyond the brief 70 years of the Chinese Communist Party’s leadership. Conversely, Chinese should appreciate the role of America’s split from Europe and the early decisions of the Founding Fathers in the shaping of modern day America. In neither case does the book suggest that core changes in either country’s model is likely, much less advisable. Beyond the models, the book compares and contrasts the evolution of each country’s economy, education systems, human rights record, definition of democracy, worldview and military role. The book concludes with a call for constructive engagement on a range of non-combative global issues that would benefit enormously from cooperation between the US and China.

The book covers:

1. Context: what elements of the governance models and mindsets are grounded in history and culture and will not change
2. Culture: core source of differences
3. Drivers of the economy: the true battlefield
4. Education systems: increasingly important, given the growing role of advanced technologies
5. Human rights and the rule of law: US’s absolutist ideology vs. China’s relativist approach
6. Forms of democracy: the US electoral compared to China’s ‘responsive to the people’
7. Worldview and military: the US focus on ‘spreading democracy and human rights’ vs. China’s attention to its economic interests, not spreading a model
8. Where we go from here

CHAPTER
1

**CONTEXT:
ELEMENTS OF THE
GOVERNANCE MODELS
AND MINDSETS
GROUNDED IN HISTORY
AND CULTURE WILL
NOT CHANGE**

“The histories and cultures of countries are vastly different, so it is unrealistic to expect China to have a political system that parallels any other.”

– Hank Greenberg, CEO of CV Starr and longtime CEO of AIG, with over 40 years of experience in China
(from *The China Fantasy* by James Mann)

In the US, the prevailing story of China’s growing economy and rising standard of living will inevitably result in popular demand for more human rights (freedom of speech, the press, religion, etc.). In this story, China’s government is eventually forced to democratize by the increasingly well-off Chinese middle class, thanks to dramatic annual GDP growth over the past 40 years.¹ In China, the US is seen as an increasingly divided country run by a government unable to overcome its polarization, increasingly isolationist, and lacking in financial disciplines, as evidenced by soaring deficits and the 2008 financial crisis.

While the US President Donald Trump and China’s President Xi Jinping have their own leadership styles, it should be emphasized that we are not comparing these two leaders, regardless of how influential or big their personalities are. We are discussing existing worldviews and political systems which are hardly new, are widely embraced, and are responsible for most of the negative impressions between these two countries. What both of these views miss is a fundamental grounding in the history and culture of each country. These fundamentals shaped the two models over the course of centuries leading up to today, and will continue to shape them going forward. Additionally, both models are, and have been, incredibly successful in meeting primary goals.

There are certain core issues on each side which are multidimensional and continue to evolve; these are addressed later. This chapter cites key characteristics of both models that are unlikely to change for the foreseeable future.

★ ★ ★

CHINA WILL REMAIN A STRONG, SINGLE-PARTY GOVERNMENT WITH UNLIMITED SCOPE

★ ★ ★

China's governance model is grounded in a history of strong, single-party or dynastic, central government driven by collectivist thinking and behaviour.

Historically, collectivism in China developed through two separate forces. The first was the necessity to unite collectively to protect and recover from natural disasters, like famine, flooding and raids by the nomadic armies of the north. The second was the teachings of Confucius in the 6th century BC, which outlined moral codes emphasizing the family unit and greater society as taking precedence over individuals. The individual's role isn't prominent and focuses on self-improvement through education, to better support the family and society. While the influence of Confucian values ebbs and flows through the centuries, depending on the ruling dynasty or government, its focus on family and society is firmly established in the Chinese culture. This collectivistic spirit led to a strong central government built to deliver two things: prosperity and stability. Prosperity is clear to see in modern day China, but stability is something that eluded the country following the Opium Wars, all the way through the Tiananmen Square riots. China has remained remarkably stable for the past 30 years.

The two Opium Wars, largely with Great Britain, took place from 1839 to 1860. Great Britain leveraged its superior naval power to enforce the opium trade in China over the objections of the Qing Dynasty. As a result of these wars, millions of Chinese became addicts, Hong Kong was ceded to Great Britain, over 80 ports were opened to foreigners, as was travel of foreigners to China. The first Opium War marked the beginning of China's subjugation by foreigners and what is known as China's Century of Humiliation, which is taught extensively in Chinese schools. The end of Chinese subjugation by foreigners came with the defeat of the Japanese in World War II. Later, violence shook China from the Civil War, ending in 1949 to the Tiananmen Square riots in 1989. These riots were triggered by the funeral of a former leader popular with students and stripped of power, as well as a surge in inflation and corruption

tied to the lifting of price controls and hoarding. The tension escalated and Chinese troops were brought in, resulting in extensive violence and around 1,000 civilian deaths.

The Qing Dynasty, overthrown in 1911, was the last dynasty in China. Advancement during dynastic rule relied on nepotism and relationships, as well as the Imperial Examination System, which existed for 1,300 years. While this specific examination system ceased in 1905, China's National Civil Servants Examination and interviews are still very much used today in all entry-level government appointments and advancements. Major dynasties typically lasted two to three hundred years and lost power when they lost popular support. Loss of support came from a combination of a declining economy, oppressive taxes, corruption, famine and invaders. Regardless of the ruling power, the core elements of a strong central governing body remained unchanged through history with few exceptions. Since Mao Zedong took over following the Civil War, the core model has remained fundamentally unchanged. The only exception is that senior government officials are selected based on an organized meritocratic model, including examinations and interviews, not nepotism.

The durability of the Chinese Communist Party for the past 40 years, starting with the Reform and Opening Up period under Deng Xiaoping, is driven by its ability to deliver prosperity and stability to the people. With extreme poverty now drastically reduced, down over 85% in the last 35 years,² President Xi Jinping's third goal is restoring China to *a*, not *the*, leading position globally. By any measure, against these three core goals, the Chinese government delivers exceptionally well. It has the highest average GDP growth rate over 40 years among all major countries,³ brought 850 million people above the international poverty line,⁴ and positioned China's economy as the second largest in the world. All this happened with little to no international military action. Additionally, according to a 2017 Pew Research survey, the Chinese government has one of the highest levels of both popular support for the direction

of the country (83%) and people who believe their lives will be better in five years (76%) of any major country.⁵

So why has the West, especially the US, expected China to shift from its single-party, central government to an electoral democracy? At the most fundamental level, Americans believe an electoral democracy is the only true form of governance 'by and of the people', and therefore the only form of legitimate government. As Winston Churchill famously said, "Democracy is the worst form of government, except for all the others." A second ideological reason to believe the Chinese model is not sustainable is that, without elections, there is no accountability. However, whenever lack of popular support brought a turnover in the Chinese government historically, it never brought about an electoral democracy. While new leadership emerged, the governance model remained unchanged.

Many point to the lack of human rights in China. In the US, human rights were a key motivator behind the founding of the country and the highest priority of the drafters of the Constitution and the Bill of Rights, which declared those rights to be self-evident and inalienable.

Let us take a moment here to define the key differences between a collectivistic country and an individualistic one. Individualistic countries, like the US and much of the Western world, typically value independence, self-reliance, competition, assertiveness, directness and the promotion of self-interest. Collectivistic countries, like China and much of Asia, value social interdependence, tradition, cooperative and obedient behaviour, sensitivity and self-control. These inherently different values are important to keep in mind when discussing the differences between China and the US because they are fundamental to understanding how both countries work, as well as their relationship.

Human rights are a great example because they are, by their nature, individual rights. The Chinese trade off the benefits of individual rights against the impact they might have on society. Two examples include the individual's right to bear arms, which has deadly consequences in the US, and the freedom of the press,

which is directly controlled by the government in China and has free rein in the US.

There is no strong, visible public outcry for more individual rights in China. This is because the collective society is performing very well, justifying the slow but steady rate of expansion of personal freedoms to individuals. We must acknowledge, however, that if there is an outcry for expanded rights, it would likely be censored and we would not hear of it. Originally, the Chinese hukou system allowed the government to determine where individuals lived, worked, and whether or not they could travel. Today this system is largely gone, leaving these personal decisions in the hands of individuals, with the exception of determining access to public services. This includes education, healthcare and housing, and is particularly important for migrants.

Restrictions on political freedoms, on the other hand, have become tougher, with increased levels of press and internet censorship as well as strong crackdowns on dissidents and human rights lawyers. Any strong political dissonance, including large assemblies and actions deemed as ‘undermining the effectiveness of the government’, is not permitted and is punishable. While this issue creates a strong backlash in the US, it does not within the Chinese population. As long as the overall level of prosperity continues to grow, government approval is likely to remain high, despite limits on political freedom. While the US may reject this mindset (it does go against the very nature of the US model), it is widely shared in China.

This strong, collectivist mindset, cultivated over 4,000 years of Chinese history, supports the existence of today’s strong, central government that follows tradition and puts China first. As long as this government continues to deliver for society at large, Chinese individuals are likely to be supportive. That being said, Chinese people’s interest in more expansive political freedoms may increase as they become accustomed to higher levels of individual prosperity. There is some degree of backlash in major cities in China, commonly taking place on social platforms like Wechat and Weibo.

★ ★ ★
**THE US WILL
REMAIN AN ELECTORAL
DEMOCRACY**
★ ★ ★

The US governance model was created by individuals who left Europe for two primary reasons. The first was economic opportunities, which were, by and large, limited to the upper class. The second was limited human and religious rights. As eloquently described in Alexis de Tocqueville's classic, *Democracy in America*, colonists wanted a government "by and for the people" that offered maximum economic and personal freedoms. This is the model and value system that prevails today.

At the highest level the US government is designed to be 'minimalist', with the country's future powered by a robust capitalistic private enterprise economy that takes advantage of Americans' ambition, work ethic and ingenuity. While many Americans are frustrated by the inaction and dysfunctional behaviour of their federal government, few are aware that the 'minimalist' model, as described by Tocqueville, was a clear, purposeful choice made by the Founding Fathers. Like many, prior to research my instinct was to blame inept politicians rather than the model itself. The minimalist role is baked into the government's core design on four dimensions.

The first is a clear balance of powers across the executive, legislative and judicial branches of the government. While the executive branch has extensive powers in foreign affairs, its ability to make fundamental changes domestically is seriously restrained by the other two branches. The second constraint is an essentially adversarial, two-party system that generally can only enact major legislation when a single party controls both the executive and legislative branches. The third is national elections every four years, with a maximum of eight years in power for one president, so an unpopular administration could be removed. Finally, the federal government's powers are specifically outlined, with all other powers and decisions devolving to state and local governments.

This government system relies on short terms in office and the distribution of power, the opposite of the governance model in China. For all of the reasons the strong, single-party government

in China reflects the culture, history and values of the Chinese people, the American two-party, electoral democracy reflects its own culture, history and values.

Americans have, and likely always will, put the ideals of political freedom, personal freedoms, a private enterprise-driven economy and the pursuit of the 'American Dream' above all else. The federal government is designed to protect American interests, provide core services, provide oversight over the economy and manage the US relationship with the global community. It is also meant to delegate significant power and decision-making to individual state governments. However, neither the federal nor the state government is designed to be able to impose its will on any individual's life so long as that person is within the boundaries of the law. If the law is considered to be unfair in any specific case, the system provides the room and ability for any individual to fight or change those laws, beginning at the local level and progressing all the way up to the Supreme Court. This is the nature of the individualistic mindset.

While this model is not always practical, rational or effective, its core design and functions have remained consistent since the founding of the US. In that time, just shy of 250 years, this model helped create and maintain the strongest country and economy on the planet. To change it would require changing the core principles upon which the US was founded, meaning it's highly unlikely to happen.

★ ★ ★

**CHINESE PEOPLE DO NOT
PUBLICLY ELECT SENIOR
GOVERNMENT OFFICIALS;
INSTEAD THEY WILL
CONTINUE TO BE ADVANCED
THROUGH AN INTERNAL
MERITOCRATIC PROCESS**

★ ★ ★

Because China is not an electoral democracy, some in the West believe it operates under some form of dictatorship. This is reinforced in Bruce Dickson's recent book, *The Dictator's Dilemma*. It is also untrue. China's government functions as a sophisticated meritocracy that is powered by consensus decision-making.

It starts by encouraging bright young people to enter government service, something the US doesn't do. This 1,300-year-old model is grounded in a nationwide examination system offering enrollment in the country's best universities to the top performers. While the Imperial Examination System ended in 1905, the idea that the highest calling is government service largely remains, despite the recent call for top talent to go into business as well.

China's recent push for top talent to also focus on business is, ironically, commonplace in the US. Because of the strength of the business sector in the US, there are more economic and personal incentives for individuals to enter business rather than pursue a career in politics. Whether this begins to happen in China as the economy continues to grow and prosper is yet to be seen.

Once in the Chinese government, the performance and career paths of the top several thousand in ministries, the Chinese Communist Party, state-owned enterprises, major cities and provincial governments are all managed by the Organization Department of the Party. After an individual is nominated and elected to the National People's Congress, just shy of 3,000 individuals, he or she is eligible to be elected to the core governing body: the Central Committee of roughly 200. Advancement is subject to both a performance assessment of the Organization Department and their peers' assessment by individual judgment and teamwork. A similar process leads to advancement from the Central Committee to the Politburo of 25, and to the highest-ranking body: the Standing Committee of seven. While advancement in this model is not by popular election, the process is rigorous, ensuring that individuals have strong performance records over a wide range of positions and the respect of peers.

This model is most similar to the one used by major global corporations to select leaders for key positions.

While many question the accountability of the Chinese system, the turnover rate of the Central Committee is 60% every five years, which far exceeds turnover in the US Congress.⁶ This suggests a relatively high degree of accountability within the system, even though we are unable to see it. There is also a significant amount of rotation incorporated into promotional systems within the Chinese government, which helps avoid entrenchment at the most senior levels. Though some degree of advancement realistically is corrupt and relies on relationships, this high turnover ensures the effectiveness of the overall system.

The natural popular appeal of the electoral democracy model of 'one man, one vote' is understandable. In theory, elected officials deliver or they are voted out. In reality, there are compromises with this system as there are with any other. These include a reliance on voter turnout, adversarial parties, campaign financing, uneven voting laws, a 'winner takes all model' that doesn't always reflect popular opinion, and difficulty finding qualified, electable candidates. Despite all of these complications, this model still works in a country like the US because of its individualistic values and belief in an electoral democratic system.

This model does not, however, reflect the values inherent to China. While the complications within China's government are shielded from the public, the results it delivers are indisputable, as is the popular support it garners from its people. Because of this, it's highly unlikely, downright impossible some might say, that China will switch to some form of an electoral democracy for positions above local governance.



**THE WORLDVIEWS OF
THE US AND CHINA ARE
FIRMLY ESTABLISHED AND
WILL NOT FUNDAMENTALLY
CHANGE. THE US IS
INCLINED TO BE POLITICALLY
INTERVENTIONIST. CHINA
WILL BECOME MORE GLOBAL,
BUT ONLY TO ADVANCE ITS
ECONOMIC INTEREST**



Starting with the Monroe Doctrine in 1823, when President James Monroe declared that any foreign colonization or intervention in the Western Hemisphere required US approval, through to the most recent War on Terror, the US holds a global position for attempting to expand democracy, promoting human rights and taking initiatives against threats to US interests. Under President Trump, the US began sending signals that it is considering pulling back from historic commitments overseas. In the face of nearly 200 years of proactive global involvement, it's now uncertain as to how the US global role evolves going forward.

China, on the other hand, is historically an internally focused country, focusing on the wellbeing of the country, with foreign affairs limited to economic dealings and protecting China's territory and 'face'. Thus far, China expresses no real interest in influencing the governance models of other countries. The much discussed 'soft power' employed by China, especially in developing countries, better positions China for economic, not political, gain.

That being said, China is currently assembling the strongest navy in its history. While assertive in regards to its self-declared rights in the China Seas, its military budget remains modest, about one third of the US budget, and remains positioned as largely defensive. China's record of foreign military aggression over the past 1,000 years, one excursion into Korea and two into Vietnam, ranks at the low end of all developed countries, and this seems unlikely to change. China, historically, is much more involved militarily within China, dealing with invasions, civil wars and rebellions, than anywhere outside of its modern borders.

Whether China is or is not interested in imposing its political or ideological influence, economic influence is another story. We will examine this in Chapter 3 when we discuss the economy.

★ ★ ★

CHINESE CHARACTERISTICS CREATE MISUNDERSTANDINGS IN THE US

★ ★ ★

After factoring in these four 'givens', the major source of misunderstanding between the US and China is the different mindsets and attitudes of Americans and Chinese. Arthur H. Smith, an American missionary who lived for many decades in China during the 19th century, wrote a book in 1894 entitled *Chinese Characteristics*. Lin Yutang also identified similar characteristics of the Chinese people in his classic, *My Country and My People*.

What is striking about the Chinese characteristics is how many of them overlap with those used to describe Americans, including ambition, work ethic, optimism, friendliness, helpfulness and a sense of humour. But a number of other Chinese characteristics are not shared by Americans and create misunderstandings and tensions.

The first characteristic far more significant in China than America is 'face', which can be understood as someone's reputation or level of prestige.⁷ An individual's face is a sum of their accomplishments, which then instructs how much respect they are due by others. Failing to show someone the proper amount of face, whether purposeful or accidental, can make a relationship uncomfortable and unproductive. This can mean anything from tactlessly discussing past failed efforts to seating someone at the wrong seat at a conference room table. However, these customs are mostly unspoken, making them hard to navigate for foreigners who are unused to the necessity of face in all levels of relationships. Americans are far more inclined to appreciate directness and disapprove of what they perceive to be ostentation or a time-wasting custom.

Face also plays an important role in the emerging trade war between the US and China. The US initiated significant tariffs on Chinese goods and, according to the administration's top trade advisor, Peter Navarro, no country would dare to retaliate. The US could, with some justification, argue that tariffs were the best response to the Chinese' persistent theft of US intellectual property, focused on the high tech sector, which is becoming

the key economic battleground between the two countries. Whether tariffs were an appropriate response to the issue is not the point. The primary point is that the US was surprised by the Chinese response of imposing tariffs on US goods. If the US understood the importance of face to the Chinese, their response would have been completely predictable. China's response also showed the Chinese people that its government would not back down from a US challenge.

Another core difference is how Americans and Chinese conceptualize time. In the US, 'time is money'. We value hard work, and a component of hard work in America is inevitably the speed at which it is carried out. When commitments are made we immediately rely on timelines and deadlines to track progress and efficiency. Many traditional Chinese businesses, and the Chinese government, are interested in slow and steady progress and long-term efficiency over immediate timelines or deadlines. In short, they take the long view, a mindset grounded in ancient Taoist principles emphasizing 'going with the flow'.

There is also the issue of communication style. Americans pride themselves on being direct. The Chinese are indirect. Rather than giving direct answers, they tend to meander around a point with observations, feeling and inclinations, with a high level of vagueness. Some of this approach is buying time to make sure they are comfortable before committing and some is to avoid losing face if they need to reverse themselves. Dealing with this approach requires patience, something Americans don't always have. American frustration with countless meetings and discussions may feel legitimate, especially once 'time is money' is factored in. Americans might see this style of communication a waste of time, maybe even evasive. However, this emphasis on numerous, drawn-out discussions is vital for the Chinese when it comes to making important decisions and connections. These opposite styles of communication can easily contribute to person-to-person misunderstandings between Americans and Chinese.

Finally, while Americans frequently deal with issues at an ideological or conceptual level, the Chinese are typically more literal. The assertion that ‘we have an understanding or an agreement in principle’ is something the Chinese will readily agree to, knowing that the devil is in the details. On contentious issues like intellectual property theft, the Chinese will acknowledge the importance of protecting intellectual property rights, but until very specific agreements and enforcement mechanisms with consequences are instituted, the Chinese will regard high-level understandings as just that. US emphasis on contract law and the legal process as we know it is in its infancy in China, where ‘guanxi’, a system of social connections and relationships influencing business dealings, is commonplace and deeply rooted in its history.

Apart from mindset differences, a major source of misunderstanding is at the level of trust and understanding of motives. If the Chinese believe the primary motivation of the US is to contain China to protect the US’s global leadership role, a high level of cooperation will be very difficult to create. If the US believes the Chinese Communist Party’s primary objective is to perpetuate its position of power rather than putting China first, it will be difficult to cooperate. Individuals who know both sides very well – Henry Kissinger, for example – see two powers with many opportunities for cooperation on global issues such as climate change, the refugee crisis, cyber security and healthcare, with competition becoming largely economic and cultural rather than militaristic in nature.

The primary point here is that the debate on the future of the relationship between the US and China is simplified if the US accepts China’s historic and cultural reality, just as China accepts the US’s: that China is not destined to become an electoral democracy, just as the US is not destined to develop a one-party system. Obviously, specific leaders shape direction and outcomes within these models, but expecting models to change fundamentally is not grounded in reality. The two countries, though both powerful

and influential, are inherently different in ways that are not necessarily negative so long as they can reach a high level of communication and cooperation at all levels of government, as well as business-to-business and people-to-people.

In order to do this, China and the US, Chinese and Americans, need to explore and acknowledge the differences inherent between them, as well as the similarities. If this can happen, these two powers have the opportunity to influence the world at large in significant and positive ways. Reaching this level of understanding is what we explore in this book, by examining the culture and education systems, economies, human rights issues, democratic models, education systems and worldviews of both the US and China.

A TIMELY AND SIGNIFICANT ANALYSIS OF THE US-CHINA RELATIONSHIP



"What an incredible gift Peter Walker has given to readers – a balanced analysis of two cultures, thoughtfully researched, well-designed, grounded in historical perspective to provide a reasoned view on policies, decision-making, future challenges and opportunities. Peter has laid the groundwork for understanding. This is the best read I have read on US-China."

David O'Brien, Senior Executive, EY

"I loved it. Clear, insightful, informative, easy-to-read, well-structured, concise."

Andreas Beroutsos, Private equity partner

"Peter Walker's book goes against all of our most common thinking, policies and business strategies focused on China. While written from a Westerner's perspective, he sees the Chinese on their own terms and invites us to reconsider our most basic assumptions."

William F. Meehan III, Raccoon Partners Lecturer in Strategic Management, Stanford Graduate School of Business and Senior Partner Emeritus, McKinsey&Co

"Understanding the world from another's point of view is critical to success in business and in life. Peter Walker does a brilliant job of helping to bridge the huge disconnect in the way that China and the US see the world."

Alan Colberg, President and CEO, Assurant Inc

"An important book for it is the only one I know of that systematically disaggregates the values and world views of China and the West (primarily the US) and identifies how these differing perspectives are so instrumental to thinking and policies."

Ron O'Hanley, President and CEO, State Street Corporation

"Easy and essential read for policy makers, offering relevant advice on moving forward."

James A. Crownover, Former Director, McKinsey&Co,
and Former Board Chairman, Rice University



£19.99 IN UK/\$24.95 IN US

